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Paper laid by  
Chairperson  
Budget & Appr  
Committee  
Thursday  
23/2/2017  
Ada

THE NATIONAL ASSEMBLY

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ELEVENTH PARLIAMENT

THE DEPARTMENTAL COMMITTEE ON LABOUR AND SOCIAL WELFARE

REPORT ON

THE 2016/2017 SUPPLEMENTARY BUDGET

DIRECTORATE OF COMMITTEE SERVICES  
CLERK'S CHAMBERS  
PARLIAMENT BUILDINGS  
NAIROBI

FEBRUARY, 2017

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## CHAIRPERSON'S FOREWORD

The 2016/17 Supplementary Estimates was tabled in the House on 1<sup>st</sup> December, 2016 and thereafter referred to the Departmental Committees for consideration.

Upon a brief from the Parliamentary Budget Office, the Committee requested for briefs from the various Ministries and agencies regarding the Supplementary Estimates for the Ministry of East African Community, Labour & Social Protection, the Ministry of Public Services, Youth & Gender Affairs, the Ministry of Sports, Culture & the Arts and the National Gender & Equality Commission.

The Committee therefore appreciates the assistance provided by the Office of the Speaker and the Clerk of the National Assembly that enabled it to discharge its functions in considering the policy document setting the stage for the preparation and submission of the Supplementary Estimates.

On behalf of the Committee and Pursuant to Standing Order 243 it is my duty to forward the Committee report to the Budget and Appropriations Committee.

**THE HON. DAVID WERE, M.P.**

## EXECUTIVE SUMMARY

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

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

Article 223 of the Constitution provides for supplementary appropriation by the Executive, arising out of a need or insufficiency of appropriated funds. This is therefore an analysis of the first Supplementary Budget for 2015/16 which was tabled in the National Assembly on 1<sup>st</sup> December, 2016.

The Second Schedule of the National Assembly Standing Order assigns the Departmental Committee on Labour & Social Welfare the mandate to consider matters related to labour, trade union relations, manpower or human resource planning, gender, culture & social welfare, youth, national youth service, children's welfare, national heritage, betting, lotteries and sports.

It is from this perspective that this committee is mandated to scrutinize the Supplementary Estimates for the Ministry of East African Community, Labour & Social Protection, the Ministry of Public Services, Youth & Gender Affairs, the Ministry of Sports, Culture & the Arts and the National Gender & Equality commission. The Committee is equally tasked with the responsibility of scrutinizing budget related policies, programmes and their objectives as well as the comprehensiveness and effectiveness of such programmes.

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

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

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

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

## 1.0 PREFACE

On behalf of the Departmental Committee on Labour and Social Welfare and pursuant to provisions of Standing Order 199, it is my pleasure and duty to present the Report of the Committee on its consideration of the 2016/2017 Supplementary Estimates 1.

## 1.1. ESTABLISHMENT OF THE COMMITTEE

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

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

## 1.2 MANDATE OF THE COMMITTEE

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

- (i) Labour
- (ii) Trade union relations
- (iii) Manpower or human resource planning
- (iv) Gender
- (v) Culture and social welfare
- (vi) Youth

- (vii) National youth service
- (viii) Children's welfare
- (ix) National heritage
- (x) Betting and Lotteries
- (xi) Sports

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

- i) The State Department of Labour
- ii) The State Department of Social Protection
- iii) The State Department of Sports Development
- iv) The State Department of Culture and the Arts
- v) The State Department of Gender Affairs
- vi) The Department of Youth
- vii) The National Gender and Equality Commission
- viii) The Betting Control and Licensing Board

### ***1.3 Members of the Committee***

The Departmental Committee on Labour and Social Welfare was constituted on Thursday 16<sup>th</sup> May, 2013 and comprises the following Members:-

<b>Chairperson</b>	The Hon. David Were, MP
<b>Vice Chairperson</b>	The Hon. Tiyah Galgalo, MP
	The Hon. John Serut, MP
	The Hon. Peris Tobiko, MP
	The Hon. John Ndirangu Kariuki, MP
	The Hon. Winnie Karimi Njuguna, MP
	The Hon. Janet Nangabo, MP
	The Hon. Janet Teyiaa, MP
	The Hon. Samuel Gichigi, MP
	The Hon. Elijah Lagat, MP
	The Hon. Cornelly Serem, MP
	The Hon. Abdinoor Mohamed Ali, MP

The Hon. Daniel Wanyama, MP  
The Hon Regina Nyeris, MP  
The Hon. Wesley Korir, MP  
The Hon. Kinoti Gatobu, MP  
The Hon. Elijah Mosomi Moindi, MP  
The Hon. James Onyango K'Oyoo, MP  
The Hon. Omondi John Ogutu, MP  
The Hon. Aisha JumwaKarisa, MP  
The Hon. Patrick Wangamati, MP  
The Hon. Rose Museo Mumo, MP  
The Hon. Silvance Onyango Osele, MP  
The Hon. Nyasuna Gladys Wanga, MP  
The Hon. John Owuor Onyango Kobado, MP  
The Hon. Mwanyoha Hassan Mohammed, MP  
The Hon. Mlolwa Jones Mwagogo, MP  
The Hon. Ferdinand Waititu, MP  
The Hon. Irshad Sumra, MP

***1.4 Committee Secretariat***

Third Clerk Assistant	Mr. Erick Nyambati
Third Clerk Assistant	Mr. Abdirahman Gele Hassan
Third Clerk Assistant	Ms. Nuri Kitel Nataan
Legal Counsel II	Mr. Sydney Okumu
Research Officer III	Ms. Lorna Okatch

## **2.0 INTRODUCTION**

Article 223 of the Constitution provides for supplementary appropriation by the Executive, arising out of a need or insufficiency of appropriated funds. This is therefore an analysis of the first Supplementary Budget for 2016/17 which was tabled in the National Assembly on December 2016.

The Committee requested for submissions from the various State Departments and agencies but only received submission from the State Department of Social Protection.

## **2.1 SUBMISSIONS ON THE SUPPLEMENTARY ESTIMATES**

### **2.1.1 SUBMISSIONS FROM THE PARLIAMENTARY BUDGET OFFICE**

The Parliamentary Budget Officer made the following submissions:

### **2.1.2 INTRODUCTION**

1. The 2016/17 Supplementary Estimates 1 were tabled in the National Assembly on 1<sup>st</sup> December, 2016. As it has been the practice they stood referred to the Budget and Appropriations Committee and relevant Departmental Committees.
2. The Schedule of the National Assembly Standing Orders assigns the Departmental Committee on Labour and Social Welfare the mandate to consider matters related to labour, trade union relations, manpower and human resource planning, gender, culture and social welfare, youth, National Youth Service, Children's welfare, national heritage, betting, lotteries and sports. In this regard relevant programmes in the following state departments are under the purview of the Committee.
  - i. Vote 1132- State Department for Sports Development
  - ii. Vote 1133- State Department for Arts and Culture
  - iii. Vote 1184- State Department for Labour
  - iv. Vote 1185- State Department for Social Protection
  - v. Vote 1212- State Department for Gender
  - vi. Vote 1211- State Department for Public Service and Youth Affairs- Youth Empowerment Programme
  - vii. Vote 1021- State Department for Interior- Betting Control and Licensing Services Programme
  - viii. Vote 214 - National Gender and Equality Commission

3. The 2016/17 Supplementary Estimates 1 proposes to reduce the overall approved budget expenditure by Kshs. 181 Billion of which Capital expenditure is to reduce by Kshs. 213 Billion while Current expenditure is to increase by Kshs. 32 Billion. Annex 1 highlights the major programmes that are to be affected if the House approves the revised estimates.
4. These supplementary estimates comes at a time when there are topical issues regarding industrial/labour relations in the health and higher education sectors. It is noteworthy to mention that some of the programmes in the state department of labour are expected mitigate, mediate and solve these issues.

Table 1 below shows the proposed changes to programmes under the purview of the Labour and Social Welfare Committee.

**Table 1: Summary of Expenditures by Vote and Programmes 2016/17 (Kshs. Millions)**

Vote Details	Programme	Approved Estimates		Revised Estimates		Change	
		Current	Capital	Current	Capital	Current	Capital
<b>1184 - State Department for Labour</b>							
	Promotion of Best Labour Practices	427	66	491	29	64	(36)
	Manpower, Development Employment and Productivity Management	527	411	524	389	(2.8)	(22)
	General Administration Planning and Support Services	347	-	564	-	217	-
	<b>Total</b>	<b>1,301</b>	<b>477</b>	<b>1,579</b>	<b>418</b>	<b>278.2</b>	<b>(58)</b>
<b>1132 - State Department for Sports</b>							
	Sports	3,025	1,555	2,700,	777	(324)	(777)
	General Administration, Planning and Support Services	581	-	649	-	68	-
	<b>Total</b>	<b>3,606</b>	<b>1,555</b>	<b>3,350</b>	<b>777</b>	<b>(256)</b>	<b>(777)</b>
<b>1133- State Department for Arts and Culture</b>							
	Culture Development	1,360	660	1,381	246	21	(413)

	The Arts	604	126	588	106	(16)	(20)
	Library Services	636	200	638	143	2	(57)
	General Administration Planning and Support Services	50	-	227	-	177	-
	<b>Total</b>	<b>2,651</b>	<b>986</b>	<b>2,834</b>	<b>495</b>	<b>185</b>	<b>(490)</b>
<b>1185- State Department for Social Protection</b>							
	Social Development and Children Services	3,012	850	2,949	826	(63)	(24)
	National Social Safety Net	5,045	13,967	4,889	13,617	(155)	(349)
	General Administration Planning and Support Services	50	4	128	4	78	-
	<b>Total</b>	<b>8,107</b>	<b>14,821</b>	<b>7,966</b>	<b>14,447</b>	<b>(140)</b>	<b>(373)</b>
<b>1212- State Department for Gender</b>							
	Community Development	-	2,130	-	2,130	-	-
	Gender Empowerment	1,125	1,366	876	1,312	(249)	(54)
	General Administration Planning and Support Services						
	<b>Total</b>						
<b>1211- State Department for Public Service and Youth Affairs</b>							
	Youth Empowerment	7,583	10,911	7,672	12,684	89	1,773
	<b>TOTAL</b>						
<b>214- National Gender and Equality Commission</b>							
	Promotion of Gender Equality and Freedom from Discrimination	416	-	386	-	(29)	-
	<b>TOTAL</b>	<b>416</b>	<b>-</b>	<b>386</b>	<b>-</b>	<b>(29)</b>	<b>416</b>
<b>1021- State Department for Interior</b>							

Betting Control, Licensing and Regulation Services	57	-	40	-	(16)	-
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5. Table 2 below indicates the recurrent budget performance of the various state departments under the purview of the Labour and Social Welfare Committee.

Vote No.	Ministries/Departments	Recurrent Gross Estimates	Recurrent Net Estimates	Exchequer for the 1st Quarter	Actual Expenditure for the 1st Quarter	Exchequer for the 2nd Quarter
1132	State Department for Sports Development	3,606.95	3,606.55	712.6	773	932.76
1133	State Department for Arts and Culture	2,651.05	2,640.45	538	532	607
1184	State Department for Labour	1,301.84	1,292.84	260	22	388.2
1185	State Department for Social Protection	8,108.14	8,064.37	650.7	524	3070.12
1211	State Department for Public Service and Youth Affairs	13,038.82	12,862.97	1,597.30	1,659	4457.8
1212	State Department for Gender	1,125.44	1,125.44	82.8	113	149.93
2141	National Gender and Equality Commission	416.27	416.27	84.1	49	71.6

Table 3 below indicates the development budget performance of the various state departments under the purview of the Labour and Social Welfare Committee.

Vote	Ministries/Departments	Development Gross Estimates	Appropriations In Aid (A-I-A)	Development Net Estimates	Exchequer Issues 1st Quarter	Actual Expenditure for the 1st Quarter	Exchequer Issues 2nd Quarter
1132	State Department for Sports Development	1,555.00	-	1,555.00	-	-	152.90

	ent						
1133	State Department for Arts and Culture	986.00	-	986.00	-	-	302.20
1184	State Department for Labour	477.20	-	477.20	-	-	65.40
1185	State Department for Social Protection	14,821.80	1.40	14,820.40	-	2,711	6,591.60
1211	State Department for Public Service and Youth Affairs	12,648.07	-	12,648.07	582.50	1,192	2,026.11
1212	State Department for Gender	3,496.90	24.50	3,472.40	-	-	553.90

## ANALYSIS OF THE IMPACT OF THE 2016/17 SUPPLEMENTARY BUDGET ESTIMATES 1 AND BUDGET PERFORMANCE

### State Department for Sports Development

6. The State Department is implementing two programmes namely: Sports and General administration, planning and support services.
7. The revised estimates propose to reduce the State Department budget by Kshs.1, 033 Million of which Kshs. 777 Million from Capital while Kshs. 256 Million from Current. This translates to an overall decrease of 20% to the State Department.
8. The key outputs that will be affected by the proposed change will lead to delayed in completing the refurbishment of the five regional stadia, the construction of the 2nd phase of the Kenya Sports Academy as well as failure to participate or to host various regional and international competitions.
9. It is noted that the allocation to General administration, planning and support services programme is to get a slight increase however the targets remains the same.

### **State Department for Arts and Culture**

10. The Department is implementing four programmes namely: Culture Development, Arts, Library services and General administration, planning and support services.
11. The revised estimates propose to reduce the State Department budget by Kshs305 Million of which Kshs. 490 Million from Capital expenditure while increasing the Current expenditure by Kshs. 185 Million.
12. The key outputs that will be affected by the proposed change will lead to delayed or will put on hold the completion of the restoration of Fort Jesus, construction of the heritage collection center and the Heroes corner.
13. It is noted that the allocation to General administration, planning and support services programme is to get an increase however the targets remains the same.

### **State Department for Labour**

14. The Department is implementing three programmes namely: Promotion of best labour practice, Manpower development, employment and productivity management and General administration, planning and support services.
15. The revised estimates propose to increase the State Department budget by Kshs 220 Million of which Kshs. 278 Million is to increase the Current expenditure while decreasing the Capital expenditure by Kshs. 58 Million.
16. The key outputs that were envisaged to be achieved that will be affected by the proposed change are delay in completion of Labour offices in Meru, Voi and Embu, employment centers in Kabete and Kisumu as well as slowdown in the upgrading of the industrial training centers,

### **State Department for Social Protection**

17. The Department is expected to implement three programmes namely: Social Development and Children Services, National Social Safety Net and General Administration, Planning and Support Services.
18. The revised estimates propose to reduce the State Department budget by Kshs. 514 Million of which much of the resources are been reduced from the Capital Expenditure under the National Social Safety Net Programme.
19. It therefore implies that the expected outputs will not be achieved and in this case the numbers of beneficiaries of social assistance to vulnerable groups may have to be reduced. However, details in the 2016.17 Supplementary Estimates 1 programme based budget book highlights that the reduction is on account of low absorption to donor funds. We note that the targets in the revised estimates remain the same as in the original approved estimates.

### **State Department for Gender**

20. The Department is expected to implement three programmes namely: Community development, Gender Empowerment and General administration, planning and support services.
21. The revised estimates propose to reduce the State Department budget by Kshs. 304 Million of which Kshs. 249 million is on the Current expenditure while 54 Million is the on the Capital expenditure.

#### **State Department of Public Service and Youth Affairs -Youth Development Programme**

22. Though the State department is expected to implement three programmes only the Youth Empowerment Programme is under the purview of the Committee.
23. The revised estimates propose to increase the Youth Empowerment Programme budget by Kshs. 1.86 Billion and it is notable to mention that this increase in resources will be channeled to activities under National Youth Service.

#### **State Department for Interior- Betting Control, Licensing and Regulation Services**

24. The State department is expected to implement five programmes however only the Betting Control, Licensing and Regulation Services is under the purview of this Committee.
25. The revised estimates propose to reduce the programme budget by Kshs. 16.5 Million and this is expected to affect the targets on issuance of gaming licenses and the inspections and spots checks of gaming institutions.

#### **National Gender and Equality Commission**

26. The Commission has been implementing one programme i.e. promotion of gender equality and freedom from discrimination.
27. The revised estimates propose to reduce the Commission budget by Kshs. 29.3 Million and bulk of these resources will be reduced from the sub-programme of General Administration, planning and support services.

#### **Issue of concern and recommendations**

28. The revised estimates are proposing various changes to the approved allocations and thus affect the attainment of the envisaged targets and outputs. However, we note that even with the reduction or increment of resources most of targets and outputs in the relevant state departments and programmes remains the same as per the approved estimates. This undermines the integrity of the budget.
29. The reporting on Budget Performance of Ministries, Departments and Agencies i.e. Exchequer issues and expenditures should be on programme basis to enable the Committee to adequately oversight budget implementation. It is noted that the available budget implementation reporting documents do not provide adequate information.

#### **Policy Options**

1. The Committee may reject the proposed changes to the approved estimates.

2. The Committee may propose amendments to the 2016/17 Supplementary Estimates 1
3. The Committee may approve the 2016/17 Supplementary

### **3.0 SUBMISSION FROM THE STATE DEPARTMENT OF SOCIAL PROTECTION**

#### **Recurrent Vote**

In the recurrent vote the state department got additional funding of Kshs. 238 Million in the following areas:

1. Kshs. 200 Million to facilitate payment of 2015/16 FY pending bills in relation to Presidential Bursary under Head 0011-01- Children Services – Item 2640101 Scholarships and other Educational Benefits Secondary Education.
2. Kshs. 38 Million under Head 0016-01 Headquarters Administrative Services to facilitate operations in the office of the CS, PS and the other support units which handle cross cutting issues of the performance contract.
3. Kshs. 80.9 million under Head 0016-01-Headquarter Administrative Services which was transferred from State department of Labour to cater for Personnel Emoluments for administration staff.

However, the state department had its recurrent budget reduced in various items as a result of implementation of austerity measures outlined in the guidelines for preparation of 2016/17 Financial Year Supplementary Estimates No.1.

#### **Development Vote**

In development Vote, the Ministry's budget has been reduced from Kshs.14,820,400,000 to Kshs.14,448,498,000. The reduction of Kshs.371,902,000 is in relation to the National Safety Net Programme donor component which was occasioned by the lapse of the World Bank Loan Revenue in December 2016.

### **STATE DEPARTMENT FOR SPORTS**

The principal Secretary ,State Department of Sports appeared before the Committee and submitted as follows

The State Department of Sports Development was allocated **Kshs. 5,161,550,551**

during this F/Y. This was for development which was **Kshs 1,555,000,000** while recurrent was **Kshs.3,606,550,551**

During the Supplementary budget, the ceiling for development was reduced to **Kshs. 777,500,000** while recurrent was reduced to **Kshs. 3,338,416,074.**

**1. World Youth under 18 Championships Ksh 1.233billion**

Kenya will be hosting the 10th Edition of the IAAF World Youth Championships 2017 in the City of Nairobi in July 2017 at the Moi International Stadium Kasarani. The total budget provided for the same is Kshs 2.0 Billion. This was ksh. 700 million for 2015/16 f/y and ksh. 1.3 billion this financial year 2016/17 while there is a provision for ksh. 650million next financial year 2017/18. While recurrent expenditure is well provided apart of ksh. 100million provided for tartan track there is adequate provision for infrastructure for both kasarani and Kenyatta university athlete village. It might be necessary to move funds from recurrent to development to provide for the infrastructure. We have a shortfall of **Ksh 1.233billion**. The analysis for the short fall is provided in the attachment.

**2. African Championship Cup (CHAN) 2018 ksh 200millions.**

The country will also be hosting the 5<sup>th</sup> Edition of the Africa Champions Cup (CHAN) in January 2018. The competitions will be staged in the following Stadia; Kasarani, Nyayo, Kinoru in Meru, Kipchoge Keino in Eldorlet, Machakos and Mombasa. The total budget requirement for the Championships is Kshs 3.634 Billion. FKF contribution including sponsorships will be **ksh.912million** therefore requiring ksh. 2.722 Billion GOK funding. The immediate need will be ksh 200millions. This will be for the setting offices, hosting Caf delegations and other Secretariat cost. The rest should be provided in the 2017/18 F/Y budget.

**3. Short fall in other International Competitions/Championships Kshs 488 Million**

The State Department main function is to promote sports participation especially our country's participation in international competitions we have continued to receive requests from federations participating in various competitions. Due to inadequate provision we have not been able to fund all the requests. In addition apart from the world under 18 youth championship we have other completions where we are required to participate in. The total funding shortfall for this amount to **Kshs 488 Million.**

#### 4. Construction of county stadia ksh.402million

The funding for regional stadia was reduced by **Ksh. 500million** but sports Kenya requires **ksh.402million** for mobilization so that the contractors can start the construction of the stadia. This is important as the contractors are already in site.

#### 4.0 COMMITTEE OBSERVATION

The Committee observed that;

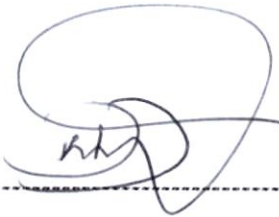
1. Ksh 1.233 billion is required for adequate preparation of the World Youth under 18 Championship to be held in July,2017 in Nairobi .
2. Ksh 200 million is required towards preparation of the African Championship Cup (CHAN)

#### 4.1 COMMITTEE RECOMMENDATION

The Committee Recommended that;

1. Kshs 1.433 billion be approved for the State Department of Sports to facilitate the World under 18 youth championship and the African Championship cup
2. The supplementary budgetary allocation of other State Departments be retained as proposed .

Signed: \_\_\_\_\_



Date: \_\_\_\_\_

23-02-2017

THE HON. DAVID A. WERE, MP - CHAIRPERSON



**REPUBLIC OF KENYA  
THE KENYA NATIONAL ASSEMBLY**

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**ELEVENTH PARLIAMENT – FIFTH SESSION**

**THE DEPARTMENTAL COMMITTEE  
ON  
DEFENCE AND FOREIGN RELATIONS**

**REPORT ON  
SUPPLIMENTARY I ESTIMATE, 2016/2017 FOR VOTES:  
1041 – MINISTRY OF DEFENCE;  
1051 – MINISTRY OF FOREIGN AFFAIRS;  
1183 – THE STATE DEPARTMENT OF EAST AFRICAN INTERGRATION  
AND 1231 –  
NATIONAL INTELLIGENCE SERVICE;**

**PARLIAMENT BUILDINGS**

NAIROBI

FEBRUARY 2017

## EXECUTIVE SUMMARY

The purpose of this report was to consider the 2016/2017 first Supplementary Budget for the Government Ministries and State Agencies under the Purview of the Departmental Committee on Defence and Foreign Relations and thereafter forward the recommendations to the Budget and Appropriation Committee for its consideration.

In considering this supplementary for the government Ministries, State Agencies and departments under Defence and Foreign Relations, the committee held one meeting where a comprehensive brief from the Parliamentary Budget office regarding the most critical issues on the Supplementary were discussed and agreed upon by the Committee leading to compilation of this report.

On behalf of the Departmental Committee on Defence and Foreign Relations and pursuant to Standing Order 199, it is my pleasant privilege and honour to present to the Budget and Appropriations Committee its Report on the consideration of the First Supplementary Estimates 2016/17 Financial Year.

Signed.....Date.....

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

**CHAIRPERSON**

## Establishment and Mandate of the Committee

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

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

The Committee is mandated to consider the following subjects:-

- i. Defence
- ii. intelligence,
- iii. foreign relations
- iv. diplomatic and consular services,
- v. international boundaries,

- vi. international relations,
- vii. agreements,
- viii. treaties and
- ix. conventions.

### *Oversight*

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

- i. Ministry of Defence
- ii. Ministry of Foreign Affairs
- iii. The National Intelligence Service
- iv. The State Department for East African Community Integration.

## MEMBERS OF THE COMMITTEE

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

The Hon. Jacob Macharia, MP

**COMMITTEE SECRETARIAT**

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

## **LIST OF RECOMMENDATIONS**

The Committee recommends the following to the Budget and Appropriation Committee:

### **1) Ministry of Defence**

That the House Approves **Kshs. 101,174,926,564** as Revised Estimates for the Ministry of Defence vote 1041

### **2) The Ministry of Foreign Affairs**

That the House approves **Kshs. 20,779,989,859** as Revised Estimates for the Ministry of Foreign Affairs vote 1052.

### **3) The State Department of East African Integration**

That the House approves **KShs. 1,551,815,010** as Revised Estimates for the State Department of East African Integration Vote 1183

### **4) National Intelligence Service**

That the House approves **Kshs 27,864,000,000** as Revised Estimates for the National Intelligence Service Vote 1281

## 1.0 Introduction

- 1) The first supplementary has been prepared against a backdrop of reduced GDP growth in quarter 3 of 2016 as compared to the same quarter in 2015. The economy expanded by 5.7% on an annual basis in Q3, which was a deceleration over the previous quarter's growth rate. Additionally the supplementary comes at a time when the drought situation is worsening. According to the United Nations, People and animals' lives are at risk because they have not had a chance to recover from drought in 2014 as rains were also poor in 2015 and 2016.
- 2) The Kenya Revenue Authority did not meet its target as at December 31st 2016 as the total cumulative revenue, including Appropriations-in-Aid (A-I-A), amounted to Sh575.2 billion against a target of Sh642.9 billion, implying a total shortfall of Sh67.7 billion.
- 3) There is a security risk which remain a serious challenge, with the main threat being posed by a Somalia-based group al-Shabab and locally recruited radicals, although long-term ethnic rivalries remains as the country heads to the August General elections

## 2.0 Adherence to the Legal Provisions on Supplementary I

- 4) All programmes with expenditure changes for the Ministry of Defence, National Intelligence Service have no corresponding changes in outputs contrary to section 40(6)(f) of the PFM Regulations.
- 5) There is no Information on budget performance (actual expenditure and outstanding liabilities/commitments) contrary to section 40(6) (b) of the PFM regulations.

### 3.0 Analysis of the Revised Estimates in relation to the Budget Implementation (Exchequer Issues)

Table 1: Analysis of the revised estimates vs. Exchequer Issues in KShs. Millions

	MDA	Approved Estimates	Change in Estimates	Proposed Revised Estimates	Mid-year Exc. issues	Exc. Issues as % of Revised
1	Ministry of Defence	98,699.1	975.7	99,674.8	37,020	37.1
2	Ministry of Foreign Affairs	20,206.2	235.8	20,442	10,267.80	50.2
3	State Department of East African Integration	1,606.1	(54.4)	1,551.8	684.86	44.1
4	National Intelligence Service	25,346	218	25,564	11,981.63	46.9

Source: National Treasury

#### 3.1 Ministry of Defence

- 6) The gross Approved Estimates of the Ministry of Defence in the FY 2016/17 amount to KSh.98.7billion. This amount consists of KSh.98.7billion for current expenditure and KSh.45million for capital expenditure. The Estimates have been adjusted to KSh.99.7billion. The increase of KSh.975.7million is mainly to cater for enhanced security operations by the Kenya Defence Forces.
- 7) It is not possible to tell the impact of this supplementary on the budget implementation given that the outputs and targets for the Ministry have remained the same.
- 8) It though noted that the exchequer issues for the Ministry is low at 37 percent despite increased allocation through this supplementary. There is need for increased exchequer for the Ministry to enable it absorbs the funds fully by the end of the financial year.

### 3.2 Ministry of Foreign Affairs

- 9) The Gross Approved Estimates for the Ministry of Foreign Affairs for the FY 2016/17 amount to KShs 20.2 billion, of which KShs 17.2 billion is for current expenditure and KShs 3 billion is for capital expenditure.
- 10) The Approved Estimates have been adjusted upwards in Supplementary Estimates 1 to KShs 20.4 billion, which comprises of KShs 17.9 billion and KShs 2.5 billion for current and capital expenditure estimates respectively. This reflects an overall increase of KShs 235.8. The current expenditure estimates have increased by KShs 735.8 Million.
- 11) The additional funding is to cater for emergency evacuation of Kenyans from South Sudan; campaigns for African Union Commission Chairperson candidature; hosting of the International Conference on Great Lakes Region Summit and the Economic and Commercial Diplomacy Directorate.

#### 3.2.1 Analysis of Recurrent Expenditure

- 12) An analysis of the supplementary however reveals that several votes have either been reduced or increased with the net change being an increase as explained above. The change in net expenditure for Headquarters Administrative Services stands at KShs. 596.6 million. Notably some items with huge increment include 'other operating expenses' which had an approved estimate of KShs. 7.4 million has been increased by KShs. 361 million representing an increment of over 5000 percent. Hospitality Supplies Services which has also increased from KShs. 29 million to KShs 248 million, an increment of 758 percent. It is explained that these funding would go towards Kenya's campaigns for African Union Commission Chairperson, evacuation of Kenyans from South Sudan and hosting of the international conference on Great Lakes Region.
- 13) Missions with significant reductions include London at KShs. 71 million, Paris at KShs. 32 million, Kampala at KShs. 17 million, Abuja at KShs. 15 million.
- 14) Given that the exchequer issues for the Ministry as at December 31<sup>st</sup> was at 50 percent of the proposed supplementary, then with the Ministry is likely to absorb the funds as budgeted for.

### 3.2.2 Analysis of Development Expenditure

- 15) The Ministry has so far been issued with exchequers amounting to KShs. 1.9 billion towards its development activities representing 63 percent of its approved estimate of KShs 3 billion.
- 16) Due to budget rationalization, there is a reduction of KShs.500 million in the capital expenditure estimates. The development exchequer issues therefore stands at 76 percent. The Ministry is therefore likely to absorb most if its development budget by the end of the financial year.
- 17) Projects that have been reduced include construction and renovations in Pretoria by KShs. 306 million from KShs.532 million; Construction of office block in Mogadishu that has been reduced by KShs. 17 million from KShs. 82,000, upgrading and renovations of ambassador's residence in London that has been reduced by KShs. 20 million up from KShs. 40 million. The Ministry has also seen its fund for technical cooperation reduced by KShs. 123 million from KShs. 234 million. This may infer Kenya may not meet its international obligation as an anchor state within the Eastern Africa region.
- 18) It is noted that the Ministry is on track towards acquisition of a property in New York as was approved in the 2016/2017 estimates. A sum of KShs. 2 billion was allocated for the project and it has not been affected by the supplementary.

Some of the projects that have been reduced are shown in the table below.

Name of Project	Start Date	Completion date	Estimated cost	Amount expended	Allocation in 2016/2017	Reductions	Comments
Construction of new HQ building	July 2014	June 2019	-	-	0	-	off-track
Pretoria	June 2013	January 2017	1,100	-	532.5	306	off-track
Mogadishu	July	July 2019	180	-	82	17	off-track

	2015							
Islamabad	May 2008	March 2016	446.5	559.7	25			
New York	July 2015	June 2017	2,200	-	2,000		0	On target

Source: Ministry of Foreign Affairs/National Treasury

### 3.3 State Department of East African Integration

- 19) The Approved gross allocation to the State Department of East African Community Integration in the 2016/17 FY amounts to KShs. 1.6 billion. This comprises of KShs. 1.5 billion and KShs. 65 million for current and capital expenditures respectively.
- 20) The Approved Estimates have been adjusted to KShs. 1.5 billion under Supplementary Estimates I. This comprises of KShs. 1.5 billion and KShs. 40 million in current and capital expenditures respectively. This reflects a net decrease of KShs. 54 million on account of rationalization of current and capital expenditures under East African Affairs and Regional Integration Programme. The changes will not have significant effect on the planned targets and outputs of the State Department. The exchequer issues as at mid-term reflects normal utilization of resources hence the budget is likely to be absorbed at 90 percent by the end of the financial year.

### 3.4 National Intelligence Service

- 21) The gross allocation for the National Intelligence Service in the FY 2016/2017 Supplementary Estimates I amounts to KSh.25.5billion for current expenditure. The allocation to the programme has increased by KSh.0.2billion from the gross Approved Estimates of KSh.25.3billion on account of enhanced security operations.
- 22) The targets and outputs for the agency are not measurable and therefore it is not possible to give the impact of the supplementary on the planned targets. The Exchequer Issues are in tandem with the normal absorption rate of the Service.

## **4.0 Committee Observations**

### **Ministry of Defence**

23) The gross Approved Estimates of the Ministry of Defence in the FY 2016/17 amount to KSh.98.7billion. This amount consists of KSh.98.7billion for current expenditure and KSh.45million for capital expenditure. The Estimates have been adjusted to KSh.99.7billion. The increase of KSh.975.7million is mainly to cater for enhanced security operations. There will be no changes to the outputs and targets.

### **Ministry of Foreign Affairs and International Trade**

24) The Approved Estimates have been adjusted upwards in Supplementary Estimates 1 to KShs 20.4 billion, which comprises of KShs 17.9 billion and KShs 2.5 billion for current and capital expenditure estimates respectively. This reflects an overall increase of KShs 235.8.

25) The current expenditure estimates have increased by KShs 735.8 Million. The additional funding is to cater for emergency evacuation of Kenyans from South Sudan; campaigns for African Union Commission Chairperson candidature; hosting of the International Conference on Great Lakes Region Summit and the Economic and Commercial Diplomacy Directorate.

26) However, there is a reduction of KShs.500 million in the capital expenditure estimates due to budget rationalization. The changes are within General Administration, Planning & Support Services and Foreign Relations and Diplomacy programmes.

### **National Intelligence Service**

27) The targets and outputs for the agency are not measurable and therefore it is not possible to give the impact of the supplementary on the planned targets. The Exchequer Issues are in tandem with the normal absorption rate of the Service.

## **5.0 ADDENDUM TO SUPPLEMENTARY I BUDGET**

28) Further to Supplementary I submitted to Parliament, It was observed that the National Treasury brought the following amendments to the Supplementary

on account of drought mitigation, Collective Bargaining Agreements and security related expenditures as shown below

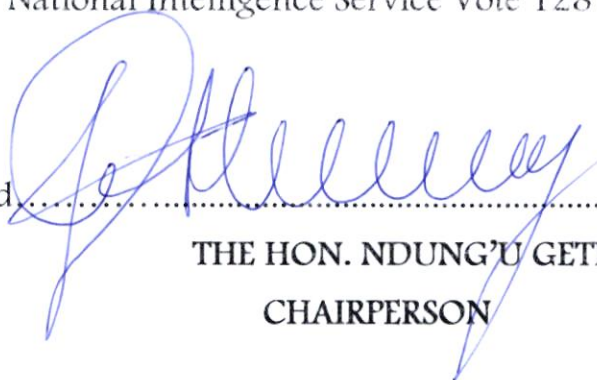
Vote	Programme	Amendments		
		Current	capital	Total
1041 Ministry of Defence	Defence	1,500,000,000	-	1,500,000,000
1052 Ministry of Foreign Affairs	General Administration, Planning and Support Services	88,000,000		338,000,000
	Foreign Relation and Diplomacy		250,000,000	
1281 National Intelligence Service	National Security Intelligence	2,300,000,000		2,300,000,000

Source: National Treasury

#### 5.0 Committee Recommendations

- i) That the House Approves **Kshs. 101,174,926,564** as Revised Estimates for the Ministry of Defence vote 1041
- ii) That the House approves **Kshs. 20,779,989,859** as Revised Estimates for the Ministry of Foreign Affairs vote 1052.
- iii) That the House approves **KShs. 1,551,815,010** as Revised Estimates for the State Department of East African Integration Vote 1183
- iv) That the House approves **Kshs 27,864,000,000** as Revised Estimates for the National Intelligence Service Vote 1281

Signed.....



Date.....

14/02/2017

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

REPUBLIC OF KENYA



NATIONAL ASSEMBLY

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ELEVENTH PARLIAMENT – FIFTH SESSION

THE DEPARTMENTAL COMMITTEE  
ON  
HEALTH

REPORT  
ON  
THE FIRST SUPPLEMENTARY EXPENDITURE ESTIMATES FOR THE FY  
2016/2017

FOR  
THE MINISTRY OF HEALTH

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

FEBRUARY, 2017



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## **1.0 PREFACE**

On behalf of the Departmental Committee on Health and pursuant to provisions of Standing Order 243 and Section 44 of the Public Finance Management Act, 2012, it is my pleasant privilege and honour to present to the Budget and Appropriation Committee, the Report on its consideration of the First Supplementary Expenditure Estimates for the Ministry of Health.

The Supplementary Estimates were tabled before the House on Thursday, 1<sup>st</sup> December, 2016 pursuant to Standing Order No. 243 and thereafter committed to relevant Departmental Committees for deliberation according to respective mandates.

## **1.1 MANDATE OF THE COMMITTEE**

The Departmental Committee on Health is established pursuant to the provisions of Standing Order No. 216. The mandate and functions of the Committee is to:-

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

The Departmental Committee is mandated to cover the functions of the Ministry in accordance with the Fourth Schedule of the Constitution. As such, the Committee exercises oversight role on the work and administration of the Ministry of Health alongside the following SAGAs. The Kenyatta National Hospital; Moi Teaching and Referral Hospital; Kenya Medical Training College; Kenya Medical Supplies Authority; National Hospital Insurance Fund; Kenya Medical Research institute and National Aids and Control Council.

## **1.2 COMMITTEE MEMBERSHIP**

**1. The Hon. Dr. Racheal Nyamai, M.P.**

**(Chairperson)**

**1. The Hon. Dr. Robert Pukose, M.P.**

**(Vice Chairperson)**

**2. The Hon. James Gakuya, M.P.**

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

### **1.3 CONSIDERATION OF THE SUPPLEMENTARY EXPENDITURE ESTIMATES FOR FY 2016/2017**

The Supplementary Estimates for FY 2016/2017 were tabled in the House on 1<sup>st</sup> December, 2016 and subsequently committed to relevant departmental committees for consideration, discussion and review. The Committee upon receipt of the Supplementary Estimates and in pursuit of its mandate held three meetings with the Parliamentary Budget Office (PBO) and the Ministry of Health to consider them.

### **1.4 COMMITTEE OBSERVATIONS**

The Committee observed that;

- i. Compliance with the Legal Provisions: - The Constitution, the Public Finance Management Act 2012 and the Public Finance Management ( National Regulations) 2015 sets the legal threshold for a supplementary budget estimates. Regulation 40 (9) of the PFM ( National Government) Regulations 2015 provides that In approving any estimates under sections 43 and 44 of the Act, the National Assembly approval shall not exceed ten (10) percent of the approved budget estimates of a program or Sub-Vote unless it is for unforeseen and unavoidable need as defined in section 21 of the Act. The changes in the following programmes do not meet the legal requirement:

- ii. Preventive, Promotive and RMNCAH recurrent expenditure estimates proposed total deduction of 23.98 percent exceeds the 10 percent limit and some of the items proposed for changes are neither unforeseen nor unavoidable.
- iii. Preventive, Promotive and RMNCAH development expenditure estimates proposed total increase of 22.34 percent exceeds the 10 percent limit and some of the items proposed for changes are neither unforeseen nor unavoidable.
- iv. The re-allocation of current expenditure estimates under Preventive, Promotive and RMNCAH programme to defray capital expenditures contravenes Section 43(1b) of the PFM Act, 2012 which states that accounting officer may reallocate funds from the authorised use but may not reallocate funds where the funds are appropriated for capital expenditure except to defray other capital expenditure.
- v. National Referral & Specialized Services Programme development expenditure estimates proposed total increase of 77.60 percent exceeds the 10 percent limit and some of the items proposed for changes such as increased allocation to Managed Equipment Services are neither unforeseen nor unavoidable.
- vi. Health Research and Development Programme development expenditure estimates proposed total increase of 47.96 percent exceeds the 10 percent limit and some of the items proposed for changes such as increased allocation to KMTC of Ksh. 100 million for construction of classroom are neither unforeseen nor unavoidable.
- vii. Introduction of new budget Items: The proposed introduction of new budget items such Procurement of Ambulances; Provision of Medical Equipment for Msambweni Hospital and Capacity Building Support to Kisii Hospital Cancer Centre contravenes Regulation 40 (8) PFM (National Government) which requires budget allocations for new policy options and service delivery initiatives to be only be considered when introduced in the annual estimates. Furthermore these new budget items are neither unforeseen nor unavoidable.
- viii. Managed Equipment Services Programme: - The significant increase is in expenditure estimates for managed equipment services – hire of medical equipment for 98 hospitals by Ksh. 5.1 billion from Ksh. 4.5 billion to Ksh. 9.6 billion raises doubts as proper planning for the implementation of the programme. The Ministry’s justification for an additional Kshs. 5.1 billion was that it was meant for settling pending bills of Kshs. 4.8 billion for the 5 contractors while Kshs. 230 million was required for administrative costs, monitoring and evaluation and interest already incurred on late payment. It was however noted that no contracts neither fine documents had been availed to ascertain that Ministry was to pay fines to its suppliers.
- ix. Furthermore proposed allocation of Ksh. 100 million to Msambweni Hospital for purchase of medical equipment may lead to double expenditures if Msambweni is one of the 98 hospitals benefiting from the Managed Equipment Services Programme.
- x. Othaya Hospital Upgrading Project: - The new allocation of Ksh. 300 million to pay for pending bills for Othaya Hospital Upgrading Project does not qualify for supplementary since it was neither unforeseen nor unavoidable. It also contravenes Regulation 40 (8) of the PFM ( National Government) Regulation 2015 which

requires budget allocations for new policy options and service delivery initiatives to be only be considered when introduced in the annual estimates. It was also noted that although the facility is under the Nyeri County Government, the contract was entered into before devolution of health. It is therefore necessary to have the allocations to this facility be included in the main budget as it has been appearing in every supplementary budget since FY 2010/2011.

- xi. Kenyatta National Hospital (KNH):- The reductions in capital expenditures estimates for KNH construction of buildings are likely to hamper development projects at the hospital and impede effective service delivery.
- xii. The Counties were owed free maternity reimbursement Kshs. 1.483 billion for the FY 2014/2015 due to inadequate exchequer releases. There were however no pending bills for 2015/2016 and 2016/2017.
- xiii. The Committee observed that due to the on-going drought in the country, the request for Kshs. 247 million for nutrition was justified.
- xiv. Concerns were raised on the criterion that was used to allocate Kshs. 43.746 million from compensation from the Smith and Ouzman conviction to be utilized on the health sector for the procurement of ambulances as the proceeds related to the Independent Electoral and Boundaries Commission.

#### **1.5 COMMITTEE RECOMMENDATIONS**

The Committee therefore made the following recommendations that the supplementary Expenditure Estimates for FY 2016/2017 for the Ministry of Health be passed with the following amendments;

The Committee therefore made the following recommendations that the supplementary Expenditure Estimates for FY 2016/2017 for the Ministry of Health be passed with the following amendments;

**i. National Referral and Specialized Services Program – Managed Equipment Service Project:**

The request for Ksh 5.102, 377,139.10 for the Managed Equipment Service (MES) project increased the development expenditure on the National Referral & Specialized Services Program to 77.60% exceeding the 10% limit therefore contravening the Public Finance Management Act, 2012. Furthermore, MES project was neither unforeseen nor unavoidable need. While interacting with the Ministry on this particular project, the Committee noted the following issues, that:

- The presentation on the allocation and the expenditure on the MES by the Ministry was contradicting and therefore the Committee noted that there was need for clarity on the figures before any allocation to this project is done.
- The Ministry had not provided evidence of the contractual agreement providing for fines nor a demand notice of the sums accrued in interest from the General Electric.

- Further, the monitoring and evaluation and administration costs elements were not justifiable as the ministry had an independent budget on general administration.
- Finally, on interest payments, the ministry ought to do proper budgeting to avoid such penalties.

**The Committee therefore rejected the MES request for additional 5.1 billion.**

**i. Construction of Othaya Hospital**

The request for Kshs. 300 million towards the construction of Othaya Hospital was reallocated as this request has been appearing in supplementary budgets since FY 2010/2011. The Committee however recommended that the request be factored in the main budget. The Committee resolved therefore that **Kshs. 250 million from the Othaya Hospital construction project to be allocated for the cancer unit at the Moi Teaching and Referral Hospital while Kshs. 50 million to be allocated for the expansion of the Kenya Medical Training College (KMTC).**

- ii. On the allocation of Kshs. 43.746 million towards procurement of ambulances resulting from compensation of Smith and Ouzman conviction, the Committee recommends that the distribution of the ambulances should reflect the face of Kenya.

**1.6 ACKNOWLEDGEMENTS**

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

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

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

Finally, it is now my pleasant duty, on behalf of the Departmental Committee on Health, to present this Report to the Budget and Appropriation Committee pursuant to the provisions of section 44 of the Public Finance Management Act (PFM Act) and Standing Order 243

Thank You

SIGNED .....

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

DATE 21/2/2017 .....

**DEPARTMENTAL COMMITTEE ON HEALTH**

## 2.0 CONSIDERATION OF THE SUPPLEMENTARY EXPENDITURE ESTIMATES FOR FY 2016/2017

1. The Constitution of Kenya 2010 in Article 223 provides that the national government may spend money that has not been appropriated only in two specific occasions namely: amount appropriated for any purpose under the Appropriation Act is insufficient or a need has arisen for expenditure for a purpose for which no amount has been appropriated by that Act; and money has been withdrawn from the Contingencies Fund. However, these expenditures must be regularized through Parliamentary approvals within two months after withdrawal of the money as stipulated in Article 223 (2&3) of the Constitution.
2. The first supplementary expenditure estimates for the FY 2016/17 was submitted to the National Assembly on Thursday 1<sup>st</sup> December 2016. The first supplementary budget for the financial year 2016/17 for the Ministry of Health comes at a time when the Health sector is facing a crisis of serious industrial unrests which has paralysed service delivery in all public health institutions across the country.
3. The gross approved expenditure estimates for the Ministry of Health in the FY 2016/17 was Ksh. 60.269 billion comprising of Ksh. 28.990 billion for current expenditures and Ksh. 31.279 billion for capital expenditures.
4. The proposed supplementary estimates I for the FY 2016/17 adjusts the approved expenditure estimates to Ksh. 60.453 billion representing an overall increase of Ksh. 183.957 million in the budget of the Ministry of Health.
5. The overall approved current expenditures estimates for the Ministry of Ksh. 28.990 billion have been adjusted upwards by Ksh. 464.963 million to Ksh. 29.455 billion while the overall approved capital expenditure estimates of Ksh. 31.279 billion has been adjusted downwards by Ksh. 281.006 million to Ksh. 30.998 billion.

**Table 1.0: Summary By Programmes of the Supplementary Recurrent Expenditure Estimates I for Financial Year 2016/2017 in Kenya Shillings Millions**

PROGRAMME	APPROVED EXPENDITURE ESTIMATE			AMENDMENTS	PROPOSED REVISED ESTIMATE		
	Gross	A-I-A	Approved Net Estimates	Net Amendments	Gross	A-I-A	NET
P1. Preventive, Promotive and RMNCAH	1,525	32	1,493	341	1,866	32	1,834
P2. National Referral & Specialized Services	16,546	2,853	13,693	592	17,139	2,853	14,286
P3. Health Research and Development	5,388	1,069	4,320	205	5,593	1,069	4,524
P4. General Administration, Planning & Support Services	5,481	24	5,456	(671)	4,809	24	4,785
P5. Health Policy, Standards and Regulations	50	-	50	(2)	48	-	48
<b>Totals</b>	<b>28,990</b>	<b>3,978</b>	<b>25,012</b>	<b>465</b>	<b>29,455</b>	<b>3,978</b>	<b>25,477</b>

(a) Analysis of the supplementary current expenditure by Economic Classification

6. In terms of economic classification, the downward revision of current expenditures estimates are: Compensation to employees adjusted upwards by Ksh. 286.275 million

from the approved Ksh. 5.72 billion to Ksh. 5.434 billion; and Other recurrent which has been adjusted downwards by Ksh. 2.16 million from the approved Ksh. 196.618 million to Ksh. 194.457 million.

7. The upward revision of the current expenditures estimates are: Use of goods and services which has been increased by Ksh. 303.399 million from the approved Ksh. 1.542 billion to Ksh. 1.845 billion; and Current transfers to government agencies which has been increased by Ksh. 450 million from the approved Ksh. 21.530 billion to Ksh. 21.980 billion

**(a) Analysis of the total gross supplementary capital expenditure estimates**

8. The overall approved gross capital expenditure estimates for the Ministry of Health of Ksh. 31.279 billion has been slightly adjusted downwards by Ksh. 281.006 million to Ksh. 30.998 billion.
9. Table 2.0 shows a summary of the impact of the proposed capital expenditure adjustments on the various programmes.

Table 2.0: Summary By Programmes of the Supplementary Development Expenditure Estimates I for Financial Year 2016/2017 in Kenya Shillings Millions – Capital Expenditure

PROGRAMME	APPROVED EXPENDITURE ESTIMATES			AMENDMENTS Net Amendments	PROPOSED REVISED ESTIMATES		
	Gross	A-I-A	Approved Net Estimates		Gross	A-I-A	Net
P1. Preventive, Promotive and RMNCAH	6,061	1,269	4,792	(284)	4,608	100	4,508
P2. National Referral & Specialized Services	7,032	2,044	4,988	6,337	12,489	1,163	11,325
P3. Health Research and Development	209	-	209	100	309	-	309
P4. General Administration, Planning & Support Services	9,940	4,155	5,785	(1,570)	5,767	1,552	4,215
P5. Health Policy, Standards and Regulations	8,038	2,985	5,053	1,505	7,827	1,270	6,558
Totals	31,280	10,453	20,826	6,087	30,999	4,085	26,914

**(b) Programme and Vote Head Analysis of the Supplementary Capital Expenditure Estimates**

10. As shown in table 1.0, the proposed supplementary capital expenditures estimates affect all the five programmes under implementation by the Ministry of Health.
11. The supplementary expenditure estimates proposes to increase the total gross expenditures estimates for the following programmes and vote heads:

- (i) National Referral & Specialized Health Services Programme: - The gross capital expenditure estimate for this programme is increasing by Ksh. 5.457 billion from Ksh. 7.032 billion to Ksh. 11.325 billion. The significant increase is attributed to an increase in expenditure estimates for managed equipment services – hire of medical equipment for 98 hospitals whose expenditure estimate is increasing by Ksh. 5.1 billion from Ksh. 4.5 billion to Ksh. 9.6 billion.

- (ii) Health Research and Development Programme:- The gross capital expenditure estimates for this programme is increasing by Ksh. 100 million from Ksh. 209 million to Ksh. 309 million. The increase is attributed to increased allocation for construction of building tuition blocks at KMTC from Ksh. 140 million to Ksh. 240 million
12. The following are other votes heads which have an increase in allocation of capital expenditure estimates:
- (i) Kenya Health Sector Support Project (KHSSP): The approved gross capital expenditure estimate for this vote head is increasing by Ksh. 50 million from Ksh. 3.422 billion to Ksh. 3.472 billion
  - (ii) Tuberculosis Round 6: - The approved gross capital expenditure estimate for this vote head is increasing by Ksh. 260.63 million from Ksh. 1.008 billion to Ksh. 1.269 billion.
  - (iii) Clinical Waste Disposal Project:- The approved gross capital expenditure estimate for this vote head is increasing by Ksh. 860 million from Ksh. 40 million to Ksh. 900 million
  - (iv) Expansion of Ileho Health Centre (KIDDP):- The approved gross capital expenditure estimate for this vote head has been allocated by Ksh. 20 million. There was no allocation for the vote head in the approved expenditure estimate.
  - (v) Free Maternity Programme (Strategic Intervention):- The approved gross capital expenditure estimate for this vote head is increasing by Ksh. 1.498 billion from approved expenditure estimate of Ksh. 4.298 billion in the approved expenditure estimates to Ksh.5.796 billion in the supplementary expenditure estimates. The significant increase may be attributed to the expansion of the free maternity programme and the recently launched “Linda Mama Programme”
  - (vi) Procurement of Ambulances: - The Ministry is set to benefit from Smith and Ouzman (popularly referred to as “chicken gate scandal”) compensation. The compensation of Ksh. 43.746 million has been has been budgeted for procurement of ambulances.
  - (vii) Provision of Medical Equipment for Msambweni Hospital: There is a new allocation of Ksh. 100 million for provision of medical equipment.
  - (viii) Construction of Ibeno KMTC, Kiogoro Hospital and Boronyi Health Centre:
    - The allocation of Ksh. 15.2 million has been set aside for the 3 projects at a cost of Kshs. 5.067 million for each project.
13. The supplementary expenditure estimates proposes to reduce the total gross capital expenditures estimates for the following programmes and vote heads:
- (i) General Administration, Planning and Support Services: - The gross capital expenditure estimate for this programme is reducing by Ksh. 4.173 billion from Ksh. 9.94 billion to Ksh. 5.767 billion as shown in table 2.0.
  - (ii) Preventive, Promotive and RMNCAH: The gross capital expenditure estimate for this programme is reducing by Ksh. 1.454 billion from the approved Ksh. 6.061 billion to Ksh. 4.608 billion.

(iii) Health Policy, Standards and Regulations: - The gross capital expenditure estimate for this programme is reducing by Ksh. 211 million from the approved Ksh. 8.038 billion to Ksh. 7.827 billion.

14. The following are some of the capital expenditure estimates votes heads which have been adjusted downwards:

- (i) East Africa's Centres of Excellence for Skills and Tertiary Education: - The gross capital expenditure estimate for this vote head has been reduced by Ksh. 279.63 million from the approved Ksh. 365 million to Ksh. 85.370 million.
- (ii) Kenyatta National Hospital- Construction of Buildings: - The gross capital expenditure estimate for this vote head has been reduced by Ksh. 100 million from the approved Ksh.150 million to Ksh. 50 million. Another approved expenditure estimate of Ksh. 150 million for construction has been reduced by Ksh 99.5 million to Ksh. 50.5 million. These reductions are likely to greatly affect development projects being undertaken at KNH.
- (iii) Health Sector Development (Reproductive Health and HIV/AIDS) Commodity: The gross capital expenditure estimate for this vote head has been reduced by Ksh.115 million from the approved Ksh. 385 million to Ksh. 269.5 million.
- (iv) Program for Basic Health Insurance Subsidy: The gross capital expenditure estimate for this vote head has been reduced by Ksh. 210 million from the approved Ksh. 700 million to Ksh. 490 million.
- (v) Wajir District Hospital: The gross capital expenditure estimate for this vote head has been reduced by Ksh. 200 million from the approved Ksh. 250 million to Ksh. 50 million.
- (vi) Kenya Medical Supplies Authority: - The gross capital expenditure estimate for this vote head has been reduced by Ksh. 2.125 billion from the approved Ksh. 3.125 billion to Ksh. 1 billion. The reduction has been necessitated by a reduction in grants from development partners and is likely to affect operation at KEMSA.
- (vii) Moi Teaching and Referral Hospital (MTRH):- The gross capital expenditure estimate for this vote head has been reduced to zero from Ksh. 364.021 million following a reduction in development partner support. This reduction affects specialized materials and supplies for Academic Model Providing Access project.
- (viii) East Africa Public Laboratory Networking Project: The gross capital expenditure estimate for this vote head has been reduced by Ksh. 534.965 million to Ksh. 200 million from Ksh. 734.965 million. The reduction has been necessitated by reduction in external development partner support.
- (ix) Upgrade of Health Centres in Slums ( Strategic Interventions):- The gross capital expenditure estimate for this vote head has been reduced by Ksh. 116.052 million from approved Ksh, 500 million to Ksh. 383 .947 million.
- (x) Roll out of Universal Health Coverage:- The gross capital expenditure estimate for this vote head has been reduced by Ksh. 1 billion from the approved Ksh. 1.3944 billion to Ksh. 394.4 million.

(c) Analysis of the supplementary current expenditure by Economic Classification

15. In terms of economic classification, the downward revision of capital expenditures estimates are: Acquisition of non-financial assets which has been revised downwards by Ksh. 317.386 million from the approved Ksh. 1.564 billion to Ksh. 1.246 billion; and capital grants to government agencies which has been adjusted downwards by Ksh. 577.356 million from the approved Ksh. 15.405 billion to Ksh. 14.828 billion.
16. The upward adjustment in capital expenditures estimates affects only other development which has been adjusted upwards by Ksh. 613.736 million from the approved Ksh. 14.309 billion to Ksh. 14.923 billion.

## **2.1 PROGRAMMES ANALYSIS OF THE SUPPLEMENTARY EXPENDITURES ESTIMATES I FOR THE FY 2016/2017**

17. There is an adjustment in all the MTEF budget programmes for the Ministry of Health in the supplementary expenditures estimates I for the FY 2016/17.
18. The following is a programme analysis of the supplementary expenditure estimates for the FY 2016/17.
  - 1.1 Preventive, Promotive and RMNCAH Programme
    19. This programme includes Reproductive, Maternal, Neonatal, Child and Adolescent Health (RMNCAH) as a sub-programme. The total approved expenditure estimates for the programme in the FY 2016/17 of Ksh. 7.586 billion has been revised down by Ksh. 1.112 billion to Ksh. 6.473 billion.
    20. The downward adjustments in the expenditure estimates affects the following sub-programmes: Health promotion has been significantly adjusted downwards by Ksh. 940.355 million from the approved Ksh. 1.383 billion to 443.271 million; and Non-communicable Disease Prevention & Control has been revised down by Ksh. 521.046 million from the approved Ksh. 1.003 billion to Ksh. 482.102 million;
    21. The upward adjustments in the expenditure estimates affects the following sub-programmes: Radiation Protection has been slightly adjusted upwards by Ksh. 3.461 million from the approved Ksh. 181.334 million to Ksh. 184.795 million; and Communicable Disease Control has been adjusted upwards by Ksh. 345.056 million from the approved Ksh. 4.898 billion to Ksh. 5.243 billion
    22. Family Planning Services sub-programme has not been affected by the supplementary expenditure estimates its approved expenditure estimate remains Ksh. 120 million.

### **2.1.1 National Referral & Specialised Service Programme**

23. The total approved expenditure estimates for the programme has been increased by Ksh. 6.049 billion from the approved total expenditure estimate of Ksh. 23.578 billion to Ksh. 29.627 billion.
24. There is a decrease of Ksh. 322.518 billion in the National Referral Services sub-programme from the approved Ksh. 16.274 billion to Ksh. 15.952 billion. This decrease is likely to hamper service delivery in the National Hospital Referral Systems particularly Kenyatta National Hospital, and Moi Teaching and Referral Hospital.

25. The increase in the approved expenditure estimates are for: Forensics and Diagnostics sub-programmes which has increased by Ksh. 6.321 billion from the approved expenditure estimate of Ksh. 5.617 billion to Ksh. 11.938 billion; and Free Primary Healthcare sub-programme which has increased by Ksh. 50.002 million from the approved Ksh. 1.686 billion to Ksh. 1.736 billion.

#### **2.1.2 Health Research and Development Programme**

26. The total expenditure estimates for the programme has been adjusted upwards by Ksh. 304.860 million from the approved expenditure estimate of Ksh. 5.596 billion to Ksh. 5.901 billion.
27. The adjustment affects capacity building and training sub-programme which has been adjusted upwards by Ksh. 304.860 million from Ksh. 3.761 billion to Ksh. 4.066 billion.
28. Research and Innovations sub-programme has not been affected and its total approved expenditure estimate remains Ksh. 1.834 billion.

#### **2.1.3 General Administration & Support Services Programme**

29. This programme's total approved expenditures estimates has been drastically reduced from Ksh. 15.420 billion to Ksh. 10.576 billion representing a decrease of Ksh. 4.844 billion.

The downward adjustment affects the following sub-programmes: Health Policy, Planning and Financing has been reduced by Ksh. 2.176 billion from approved Ksh. 7.600 billion to Ksh. 5.423 billion; Health Standards, Quality Assurance & Standards has been reduced by Ksh. 2.094 billion from the approved Ksh. 3.707 billion to Ksh. 1.612 billion; Human Resource Management sub-programme has been reduced by Ksh. 577.010 million from the approved Ksh. 3.922 billion to Ksh. 3.345 billion.

30. The National Quality Control Laboratories sub-programme has been increased by Ksh. 4.052 million from the approved Ksh. 189.766 million to Ksh. 193.819 million.

#### **2.1.4 Health Policy, Standards and Regulations Programme**

31. The total approved expenditure estimate for the programme has been reduced by Ksh. 212.946 million from the approved Ksh. 8.087 billion to Ksh. 7.874 billion. There is an increase of Ksh. 1.498 billion for Free Maternity sub-programme from the approved Ksh. 4.298 billion to Ksh. 5.796 million. The increase is attributable to the enhanced free maternity services under the re-branded and recently launched "Linda Mama Programme: The new programme expands the benefits from delivery only to a comprehensive safe motherhood package that includes: Anti-natal clinics, deliveries, post-natal clinics, and care for the new born during the one year of cover.
32. The downward adjustments affects the following sub-programmes: family planning services which has been reduced by Ksh. 110.404 million from the approved Ksh. 466.461 million to Ksh. 356.057 million; and Immunization which has been reduced by Ksh. 1.6 billion from the approved Ksh. 3.323 billion to Ksh. 1.722 billion

### **3.0 MEETING WITH THE MINISTRY OF HEALTH ON THE SUPPLEMENTARY ESTIMATES**

The Ministry of Health appeared before the Committee on Thursday, 2<sup>nd</sup> February, 2017 on the supplementary estimates. The Principal Secretary Briefed the Committee on various issues that needed clarification as follows;

- i. As regards the rationale of increasing the free maternity fund by Kshs. 1.498 billion, it was explained that the request was to settle the outstanding balance of Kshs. 1.482 billion for FY 2014/2015 owed to the counties.
- ii. On the rationale for allocating Kshs. 100 million for medical equipment to Msambweni Hospital whereas the hospital is under the Managed Equipment Service Program, it was clarified that the allocation was meant to refurbish and equip Msambweni Hospital so as to improve on the training facilities for the students in the KMTC.
- iii. Regarding the compensation of Kshs. 43.746 million from Smith and Ouzman, it was clarified that Kenya received Great Britain 345,000 pounds from UK's Serious Fraud Office as compensation following conviction of Smith and Ouzman. The proceeds from the conviction were to be utilized to implement projects that would serve the larger Kenyan public for a longer period. The National Treasury, the representative of the UK Government, the Ministry of Health and the Ethics and Anti-Corruption Commission in a meeting held on 24<sup>th</sup> March, 2016 resolved that the entire amount be applied to the health sector. The Kshs. 43.76 million was utilized in procuring six (6) fully equipped Toyota Land Cruiser Ambulances and one (1) fully equipped Nissan High Top Ambulance. The money would reflect in the 2016/2017 budget as grant AIA. The Ministry of Health, the National Treasury, DFID and the EACC would propose the distribution list to the seven (7) beneficiaries.
- iv. On the rationale for additional allocation of Kshs. 5.1 billion to the MES project, it was clarified that the MES contracts require the servicing for the seven (7) years period of the contracts, by making 28 equal instalment payments on a quarterly basis be settled for the five (5) contractors. The allocated funds amounting to Kshs. 4.5 billion for MES project for FY 2016/2017 are already exhausted after payment of pending invoices relating to FY 2015/2016 and also part payment of 2016/2017 obligations. The additional funds required for settling the pending payments and also meeting quarter 3 and quarter 4 payments is Kshs. 5.1 billion.
- v. On the justification for Kshs.247 million for Nutrition, the Ministry had been allocated additional funds amounting to Kshs. 247,804,864 to cater for food supplements for malnourished children in counties that are adversely affected by the effects of the severe drought. The Government through the National Treasury has allocated Kshs. 743 million to the Nutrition sector to address the gap identified in the response plan for drought, specifically for programme supplies for the moderate acute malnutrition programme. The first tranche of Kshs. 247,804,863 has reflected in the Ministry's IFMIS nutrition vote.
- vi. On the reduction of allocation to Kenyatta National Hospital amounting to Kshs. 250 million, from BADEA and Saudi Government for the construction of the Burns Unit, it was clarified that the utilization of the funds had been poor due to the lengthy procurement procedures that the two development partners had introduced. However, the National Treasury would allocate more funds during Supplementary Estimates 2, should the procurement process be concluded within the remaining period of the financial year.
- vii. On the total allocation for the construction of Othaya Hospital to date, it was clarified that the hospital had received allocations as follows;

<b>FY</b>	<b>ALLOCATION</b>
2010/2011	501,745,917.60
2012/2013	600,000,000.00
2014/2015	62,000,000.00
2015/2016	200,000,000.00
2016/2017	300,000,000.00
<b>TOTAL</b>	<b>1,663,745,915.60</b>

On Thursday, 16<sup>th</sup> February, 2017, the Committee had a meeting with the Principal Secretary, Ministry of Health and the National Treasury Representative, Mr. Mothemba on request by the Budget and Appropriation Committee to deliberate further on the issue of the Managed Equipment Services (MES) Project. During the meeting it was resolved that the Ministry of Health was to submit to the Committee by Monday, 20<sup>th</sup> February, 2017 the MES Contract and the Demand Note from the General Electric E.A. Services Ltd detailing Kshs. 80 million as fine.

The Ministry submitted the payments on the MES as follows:

	Contractor	No. of Invoices	Amount (Kshs)	Total Amount (KShs.)
1.	General Electric E.A. Services Ltd	4 (2 pending and 2 for up to the end of the year)	860,078,244.70	3,440,312,978.80
2.	Philips Nederland B.V.	2	134,500,000	269,000,000.00
3.	Bellco SRL	2	86,514,670	183,039,340.00
4.	Esteem Industries Inc.	2	318,629,844.85	647,269,687.70
5.	Mindray Bio-Medical Co. Ltd	2	166,367,565.30	332,755,130.60
6.	Administrative Cost			50,000,000
7.	Monitoring and Evaluation			100,000,000
8.	Interest already incurred on late payments (GE)			80,000,000
			<b>Total</b>	<b>5,102,377,139.10</b>

#### **4.0 COMMITTEE'S OBSERVATIONS**

The Committee having considered the Supplementary Expenditure Estimates for FY 2016/2017 and the Ministry of Health submissions observed the following:

Compliance with the Legal Provisions: - The Constitution, the Public Finance Management Act 2012 and the Public Finance Management ( National Regulations) 2015 sets the legal threshold for a supplementary budget estimates. Regulation 40 (9) of the PFM ( National Government) Regulations 2015 provides that in approving any estimates under sections 43 and 44 of the Act, the National Assembly approval shall not exceed ten (10) percent of the approved budget estimates of a program or Sub-Vote unless it is for unforeseen and unavoidable need as defined in section 21 of the Act. The changes in the following programmes do not meet the legal requirement:

- i. Preventive, Promotive and RMNCAH recurrent expenditure estimates proposed total deduction of 23.98 percent exceeds the 10 percent limit and some of the items proposed for changes are neither unforeseen nor unavoidable.
- ii. Preventive, Promotive and RMNCAH development expenditure estimates proposed total increase of 22.34 percent exceeds the 10 percent limit and some of the items proposed for changes are neither unforeseen nor unavoidable.
- iii. The re-allocation of current expenditure estimates under Preventive, Promotive and RMNCAH programme to defray capital expenditures contravenes Section 43(1b) of the PFM Act, 2012 which states that accounting officer may reallocate funds from the authorised use but may not reallocate funds where the funds are appropriated for capital expenditure except to defray other capital expenditure.
- iv. National Referral & Specialized Services Programme development expenditure estimates proposed total increase of 77.60 percent exceeds the 10 percent limit and some of the items proposed for changes such as increased allocation to Managed Equipment Services are neither unforeseen nor unavoidable.
- v. Health Research and Development Programme development expenditure estimates proposed total increase of 47.96 percent exceeds the 10 percent limit and some of the items proposed for changes such as increased allocation to KMTC of Ksh. 100 million for construction of classroom are neither unforeseen nor unavoidable.
- vi. Introduction of new budget Items: The proposed introduction of new budget items such Procurement of Ambulances; and Provision of Medical Equipment for Msambweni Hospital Centre contravenes Regulation 40 (8) PFM (National Government) which requires budget allocations for new policy options and service delivery initiatives to be only be considered when introduced in the annual estimates. Furthermore these new budget items are neither unforeseen nor unavoidable.
- vii. Managed Equipment Services Programme: - The significant increase is in expenditure estimates for managed equipment services – hire of medical equipment for 98 hospitals by Ksh. 5.1 billion from Ksh. 4.5 billion to Ksh. 9.6 billion raises doubts as proper planning for the implementation of the programme. The Ministry's justification for an additional Kshs. 5.1 billion was that it was meant for settling pending bills of Kshs. 4.8 billion for the 5 contractors while Kshs. 230 million was required for administrative costs, monitoring and evaluation and interest already incurred on late payment. It was however noted that no contracts neither fine documents had been availed to ascertain that Ministry was to pay fines to its suppliers.
- viii. Furthermore proposed allocation of Ksh. 100 million to Msambweni Hospital for purchase of medical equipment may lead to double expenditures if Msambweni is one of the 98 hospitals benefiting from the Managed Equipment Services Programme.
- ix. Othaya Hospital Upgrading Project: - The new allocation of Ksh. 300 million to pay for pending bills for Othaya Hospital Upgrading Project does not qualify for supplementary since it was neither unforeseen nor unavoidable. It also

contravenes Regulation 40 (8) of the PFM ( National Government) Regulation 2015 which requires budget allocations for new policy options and service delivery initiatives to be only be considered when introduced in the annual estimates. It was also noted that although the facility is under the Nyeri County Government, the contract was entered into before devolution of health. It is therefore necessary to have the allocations to this facility be included in the main budget as it has been appearing in every supplementary budget since FY 2010/2011.

- x. Kenyatta National Hospital (KNH):- The reductions in capital expenditures estimates for KNH construction of buildings are likely to hamper development projects at the hospital and impede effective service delivery.
- xi. The Counties were owed free maternity reimbursement Kshs. 1.483 billion for the FY 2014/2015 due to inadequate exchequer releases. There were however no pending bills for 2015/2016 and 2016/2017 as explained by the Ministry.
- xii. The Committee observed that due to the on-going drought in the country, the request for Kshs. 247 million for nutrition was justified.
- xiii. Despite the Committee resolution that the Ministry of Health submits the MES project Contract documents and the demand note from GE Ltd on the Kshs. 80 million fine, the Ministry failed to submit the said documents to enable the Committee to make its recommendation on the MES allocation request of Kshs. 5.1 billion.

## 5.0 COMMITTEE RECOMMENDATIONS

The Committee therefore made the following recommendations that the supplementary Expenditure Estimates for FY 2016/2017 for the Ministry of Health be passed with the following amendments;

**ii. National Referral and Specialized Services Program – Managed Equipment Service Project:**

The request for Ksh 5,102,377,139.10 for the Managed Equipment Service (MES) project increased the development expenditure on the National Referral & Specialized Services Program to 77.60% exceeding the 10% limit therefore contravening the Public Finance Management Act, 2012. Furthermore, MES project was neither unforeseen nor unavoidable need. While interacting with the Ministry on this particular project, the Committee noted the following issues, that:

- The presentation on the allocation and the expenditure on the MES by the Ministry was contradicting and therefore the Committee noted that there was need for clarity on the figures before any allocation to this project is done.
- The Ministry despite request by the Committee had not provided evidence of the contractual agreement on the project neither had they provided any evidence on demand notice for the fines of of Kshs. 80 million allegedly accrued in interest from the General Electric. Further, the ministry did not

provide evidence or agreement on fines on the part of General Electric Ltd for delay in the implementation of the project as the penalties for failure to meet obligations should be applicable to all the contracting parties.

- Further, the monitoring and evaluation and administration costs elements were not justifiable as the ministry had an independent budget on general administration which is adequate to monitor and evaluate MES.
- The Ministry of Health has failed to submit a copy of the MES contract for scrutiny by the Committee.

**The Committee therefore on reconsideration of the matter therefore recommends that Kshs. 3.4 billion be approved towards the payment of GE Ltd but however rejected the balance of 1.7 billion which should be factored in the main budget.**

**There was however a dissenting opinion on the above recommendation from 3 Members; Hon. Dr. James Nyikal, MP, Hon. Dr. Enoch Kibunguchy, MP and Hon. Jared Opiyo, MP citing the failure of the Ministry of Health to provide documentation as requested by the Committee.**

**iii. Construction of Othaya Hospital**

The request for Kshs. 300 million towards the construction of Othaya Hospital was reallocated as this request has been appearing in supplementary budgets since FY 2010/2011. The Committee however recommended that the request be factored in the main budget. The Committee resolved therefore that **Kshs. 250 million from the Othaya Hospital construction project to be allocated for the cancer unit at the Moi Teaching and Referral Hospital while Kshs. 50 million to be allocated for the expansion of the Kenya Medical Training College (KMTC).**

- iv. On the allocation of Kshs. 43.746 million towards procurement of ambulances resulting from compensation of Smith and Ouzman conviction, the Committee recommends that the distribution of the ambulances should reflect the face of Kenya.



REPUBLIC OF KENYA

KENYA NATIONAL ASSEMBLY

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THE DEPARTMENTAL COMMITTEE  
ON  
AGRICULTURE, LIVESTOCK AND COOPERATIVES

REPORT  
ON  
THE EXAMINATION OF SUPPLEMENTARY ESTIMATES 1 AND AMENDMENTS  
TO SUPPLEMENTARY ESTIMATES 1 FOR THE YEAR 2016/2017

FOR  
THE FOLLOWING STATE DEPARTMENT OF:-

- 1) AGRICULTURE (1161)
- 2) LIVESTOCK (1162)
- 3) FISHERIES (VOTE 1164)
- 4) IRRIGATION (VOTE 1172)
- 5) COOPERATIVES (VOTE 1165)

**Directorate of Committee Services,  
Clerk's Chambers  
Parliament Buildings,  
NAIROBI**

**February , 2017**

## 1.0 PREFACE

On behalf of the Departmental Committee on Agriculture, Livestock and Cooperatives and pursuant to provisions of Standing Order 235 and 243. It is my pleasant privilege and honour to present to the House, the Report of the Committee on the examination of Supplementary Estimates 1 for the Financial Year 2016/2017

## 2.0 MANDATE OF THE COMMITTEE

The Committee is established pursuant to the provisions of Standing Order No. 216 with the following mandate:-

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

The Committee exercises oversight role on the work and administration of the Ministry of Agriculture, Livestock and Fisheries and the departments of Co-operative Development and Marketing and Irrigation .

In accordance with the Second Schedule of the Standing Orders, the Departmental Committee is mandated to cover subject areas relating to:-

- (i) Agriculture

- (ii) Irrigation
- (iii) Livestock development
- (iv) Fisheries development
- (v) Co-operatives development
- (vi) Production and marketing

### 3.0 COMMITTEE MEMBERSHIP

The Committee comprises the following Members:-

- |  |   |                      |
|--|---|----------------------|
| 1. The Hon. Adan Mohamed Nooru, MBS, M.P.    | - | <b>Chairman</b>      |
| 2. The Hon. Japhet M. Kareke Mbiuki, M.P.    | - | <b>Vice Chairman</b> |
| 3. The Hon. Benjamin Jomo Washiali, M.p.     |   |                      |
| 4. The Hon. (Dr.) Victor Kioko Munyaka, M.P. |   |                      |
| 5. The Hon. Kabando Wa Kabando, M.P.         |   |                      |
| 6. The Hon. Raphael Letimalo, M.P.           |   |                      |
| 7. The Hon. John Bomett Serut, M.P.          |   |                      |
| 8. The Hon. Millie Odhiambo, M.P.            |   |                      |
| 9. The Hon. Fredrick Outa, M.P.              |   |                      |
| 10. The Hon. Benjamin Andayi, M.P.           |   |                      |
| 11. The Hon. Mary Wambui Munene, M.P.        |   |                      |
| 12. The Hon. Francis Munyua Waititu, M.P.    |   |                      |
| 13. The Hon. Peter Njuguna Gitau, M.P.       |   |                      |
| 14. The Hon. Maison Leshoomo, M.P.           |   |                      |
| 15. The Hon. Anthony Kimani Ichung'wah, M.P. |   |                      |
| 16. The Hon. Alfred Kiptoo Keter, M.P.       |   |                      |
| 17. The Hon. Ayub Savula Angatia, M.P.       |   |                      |
| 18. The Hon. Justice Kemei, M.P.             |   |                      |
| 19. The Hon. Korei Ole Lemein, M.P.          |   |                      |
| 20. The Hon. Silas Tiren, M.P.               |   |                      |
| 21. The Hon. Maanzo, Daniel Kitonga, M.P.    |   |                      |
| 22. The Hon. James Opiyo Wandayi, M.P.       |   |                      |
| 23. The Hon. Patrick Wangamiti, M.P.         |   |                      |

24. The Hon. Ferdinand Kevin Wanyonyi, M.P.
25. The Hon. Paul Simba Arati, M.P.
26. The Hon. Florence Mwikali Mutua, M.P.
27. The Hon. John Kobado, M.P.
28. The Hon. Jude Njomo, M.P.
29. The Hon. Aisha Jumwa Katana, M.P.

#### **4.0 COMMITMENT AND CONSIDERATION OF THE F/Y 2016/17 SUPPLEMENTARY BUDGET**

On Tuesday 15<sup>th</sup> December, 2016, the Leader of the Majority laid before the House the Supplementary Estimates for the Financial Year 2016/2017. The Supplementary Estimates were thereafter committed to the Committees of the House for scrutiny and report their recommendations to the Budget and Appropriation Committee.

This Report contains the deliberations of the Departmental Committee on Agriculture, Livestock and Cooperatives on the Supplementary Estimates 1 which included the submissions presented by the Ministry under its purview.

In its examination of the Supplementary Estimates, the Committee was keen to link the key policy goals of the Agriculture sector which include:-

- i) raising agricultural productivity through generation and promotion of technologies and increased resource allocations;
- ii) exploiting irrigation potential and increasing irrigation land;
- iii) increased commercialization of agriculture;
- iv) undertaking a comprehensive review of the legal and policy framework for the sector;
- v) improving governance of the sector institutions;
- vi) land development and
- vii) Promotion of sustainable management and the available resources for the sector in the financial year 2016/17.

## 5.0 COMMITTEE OBSERVATIONS

- a) In contravention of section 43(3) of the PFM Act, 2012 which requires that total reallocations in a supplementary to and from a Programme does not exceed 10% of the total expenditure approved for that Programme for that Financial Year, the following programmes had the following changes more than the legal limit;
- i. crop development and management had 24% reduction
  - ii. Agribusiness and information with 68 % reduction
  - iii. Fisheries Development had an increment of 12%
  - iv. Irrigation and Land reclamation had a reduction of 40%
  - v. Water Storage and flood control had a reduction of 25%
- b) Within two months after the first withdrawal, the National Treasury is required to seek approval from Parliament for any expenditure for purpose of supplementary( Article 223 (2). however, there is no information on whether the money has already been spent or whether the first withdrawal was done within the last two months .
- c) The allocation reflects a slight increase in some programmes while drastic reductions are also made in some. However, the Committee is concerned that a number of key contractual obligatory projects signed by the National government whose counter-part funding by the GOK has not been factored in the budgets. A case in point is the Livestock Dairy Modernization programme where polish government extended a loan to Kenya of Kshs 10.45 billion to support the livestock sector but the GOK did not provide budget provision for 5% counter-part funding.

- d) The budget still falls below the critical level of 10 percent as agreed under the Maputo Protocol in 2003 by the African governments.
- e) This continued underfunding and worse still the further reduction on the initial allocations to some programmes threatens any meaningful effort being made by the government to achieve food security and consequently our continued reliance on expensive imports to address food deficits.
- f) Despite the persistent invitation to the National Treasury to attend the Committee deliberations, the national Treasury have failed to appear hence making it difficult to fairly


## 6.0 COMMITTEE RECOMMENDATIONS

Consequently, the Committee noted and recommended, as follows that :-

### RECURRENT

The Supplementary Estimates 1 and its amendments be approved with the following amendments

In the State Department of Cooperatives

-  a) **KES 85 million** proposed allocation in the amendments to supplementary 1 for the Cooperatives advisory services development sub-program to support the Coffee waiver be reallocated to the Sacco Societies Regulatory Authority (SASRA) under the same sub-program.


In the State Department of Livestock

- a) **KES 20 million** be allocated to the Kenya Veterinary Board under Livestock Policy Development and Capacity Building sub-programme. The allocation is comprised of **KES 15 million** allocated to the Kenya Veterinary Board (KVB) under Livestock Policy Development and Capacity Building sub-programme and **KES 5 million** that is re-allocated from Livestock Products Value Addition & Marketing (drought mitigation).

### DEVELOPMENT

The Supplementary Estimates 1 be approved with the following amendments

In the State Department of Livestock

-  a) **KES 550 million** be retained as per printed estimates in Livestock products value addition and marketing sub-programme to support the modernization of slaughter house in Athi River and staff rationalization at the Kenya Meat Commission. The procurement process for the service provider for the modernization of the Athi River Plant has been completed

and contracts awarded, so government risk losing money through litigation because of breach of contract.

In the State Department of Irrigation

- 2.6B  
1.8 billion
- a) **KES 780 million** in the Irrigation and Land reclamation programme be retained as per the printed estimates. The allocation is a donor component from the Israeli government meant to support the Galana-Kulalu Food Security. If this reduction is effected the implementing agency (NIB) shall not be able to service contractors certificate of works which is already prepared and awaiting payments.

The Committee further recommends the following to be considered on availability of funds in the Supplementary Estimates 2 for 2016/2017.

- a) **KES 476 million** be provided as the (5%) Counter-part funding for the Livestock Value Chain Support project, a project supported by the Polish government aimed at procuring and distributing milk coolers, poultry processing equipments ,grain drying and cheese making equipments.
- b) **KES 60 Million** for the Kenya Tsetse and Trypanosomiasis Eradication Council (KENTTEC) under the Livestock diseases management and control programme in the State Department of Livestock. The capacity of the Council to intervene in any outbreak of Tsetse fly related diseases has been hampered by inadequate financial resources.

We read Meechief  
July 2016

2.6  
↓  
1.8 + 780 million

2.4. SABEX  
Coffee  
85 million

## 7.0 ACKNOWLEDGMENT

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

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

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

Finally, it is now my pleasant duty, on behalf of the Departmental Committee on Agriculture Livestock and Cooperatives Report on the examination of Supplementary Estimates 1 and amendments to Supplementary Estimates for the Financial Year 2016/2017

SIGNED: .....



DATE: 21.02.2017 .....

**HON. ADAN MOHAMED NOORU, CBS, MBS, M.P.**  
CHAIRPERSON, DEPARTMENTAL COMMITTEE ON AGRICULTURE,  
LIVESTOCK AND COOPERATIVES

## 8.0 COMMITMENT AND CONSIDERATION OF THE FY 2016/17 SUPPLEMENTARY BUDGET

On Tuesday 15<sup>th</sup> December , 2016, the Leader of the Majority laid before the House the Supplementary Estimates for the Financial Year 2016/2017 pursuant to the provisions of Section 223 (3) of the Constitution.

Section 221 (4) stipulates that **'a Committee of the National Assembly shall discuss and review estimates and make recommendations to the National Assembly'**.

The Standing Order 235 provides that **'the Annual Estimates are committed to the respective departmental Committees according to their mandates'**.

The summary of the submissions from the Ministries under the purview of the Departmental Committee on Agriculture, Livestock and Co-operatives are presented here below.

### 8.1 EXAMINATION OF SUPPLEMENTARY ESTIMATES WITH MINISTRIES

The Departmental Committee on Agriculture, Livestock and Cooperatives met with the five (5) departments of the Ministry of Agriculture, Livestock and Fisheries, Department of Irrigation and, the Department of Co-operatives which it exercises oversight function on the diverse dates in January and February , 2017. They are:

- 1) Department of Agriculture **(Vote 1161)**
- 2) Department of Livestock **(Vote 1162)**
- 3) Department of Fisheries Development **(Vote 1164)**
- 4) Departments of Irrigation **(Vote 1164 )**
- 5) Department of Co-operative Development **(Vote 1174)**

The deliberations focused on achievements made so far in the Financial Year, current allocations and whether the allocations in the Supplementary Estimates for Financial Year 2016/17 will ensure priority programs are implemented.

The Committee was also keen to know which key priority programs required funding and were however, not considered in the Supplementary estimates for 2015/16.

## **9.0 SUBMISSIONS BY THE STATE DEPARTMENTS**

### **9.1 MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES**

The Ministry of Agriculture, Livestock and Fisheries is mandated to improve the livelihoods of Kenyans by promotion of competitive farming as a business through appropriate policy environment, effective support services and sustainable natural resource management, to create a favorable policy and legal framework for the sustainable development of the livestock industry and to facilitate sustainable management and development of fishery resources for accelerated socio – economic development.

The Ministry is in the economic pillar of Vision 2030 which is planned to maintain a sustainable development growth of 10% per year, which is above the 6 percent envisaged by the Comprehensive African Agriculture Development Programme (CAADP). The Ministry is expected to contribute to the same by carrying out the following activities:-

- (i) Implementation of consolidated agricultural policy reform legislations
- (ii) Development and implementation of a 3-tier fertilizer cost-reduction initiative which is already underway through establishment of a Seed and Fertilizer Fund and a fertilizer factory
- (iii) Improve the value gained in the production and supply chain branding Kenya farm products
- (iv) Development of an agriculture land use master plan
- (v) Planning and implementation of 4-5 disease Free Zones
- (vi) Livestock Processing facilities (Slaughter Houses and Kenya Meat Commission) to enable Kenyan meat, hides and skins to meet international market standards

The Ministry has a number of programme based budgeting areas including:-

- (i) Policy, strategy and management of Agriculture;
- (ii) Crops development and management;
- (iii) Agribusiness and Information Management;
- (iv) Livestock Resource Management and Development
- (v) Fisheries Development
- (vi) Resource, Science, Technology and Innovation
- (vii) Disaster Management among others

#### **9.1.0 STATE DEPARTMENT OF AGRICULTURE (VOTE 152)**

While making presentation to the Cabinet Secretary for Ministry of Agriculture Livestock and Fisheries stated that the Ministry overall budget has reduced to a gross of Kshs. 16,305 million comprising of Kshs. 7,024 million for recurrent and Kshs.9, 281 million for development translating to a gross reduction of Kshs.4,959 million

The **Recurrent allocation** for the State Department for Agriculture has reduced by Kshs.1,563 million mainly on account of the transfer of Kshs.1.4 billion to the State Department for Livestock to cater for the operation of the Kenya Agricultural and Livestock Research Organization (KARLO) whose functions have been transferred to the State Department for Livestock.

The **Development allocation** in the State Department has reduction in the General Administration planning and support services and the Crop development and management programmes. The reduction of General administration planning and support services budget has seen the reduction of targets of number of staff trained reduced from 1070 to 970, number of Metric tons of pyrethrum flowers delivered for processing reduced from 1500 MTs to 1000 MTs while the hectors of land under pyrethrum cultivation reduced from 4000 hectors to 3000 hectors.

### 9.1.1 STATE DEPARTMENT FOR LIVESTOCK

The State Department for Livestock had a total gross allocation of Kshs. 13,632 million comprising of Kshs. 1,890 million for recurrent expenditure and Kshs.11,742 million for capital expenditure. The gross allocation has been reduced to Kshs. 12,884 million translating to 5% reduction.

The **Recurrent allocation** for the State Department has increased from Kshs.1,890 million to Kshs. 4,088 million translating to an increase of Kshs.2,198 million mainly due to the transfer of Kshs.1,445 million to Kenya Agricultural and Livestock Research Organization (KARLO) whose functions has been transferred from the State Department for Agriculture. other provisions include, Kshs.170 million for Kenya Meat Commission (KMC) and Kshs.50 million for Agricultural Development Corporation ( ADC)

However, the **Development allocation** to the State Department has reduced from Kshs.11,742 million to Kshs. 8,796 million. Some of the major projects affected by the reduction in development budget include;

- I. Livestock insurance scheme which had an allocation of Kshs. 300 million targeted to insure 100,000 units of tropical livestock however with the reduction of the allocation to Kshs.103.5 million the target has reduced to 35000 units of Livestock.
- II. Livestock value chain support project which had an allocation of Kshs.6,570 million targeted to procure and commission 300 milk coolers however with revision of the allocation to Kshs. 5,125 million the target reduced to 210 milk coolers. The reduction is mainly on account of reduction in foreign borrowing (polish Government) by Kshs. 1,971 million. The counter-part funding by GoK increased by Kshs.476 million for the same project.

- III. Modernization of Kenya Meat Commission (KMC) allocation has been reduced to zero from the Kshs. 550 million allocations. The target of improvement of the efficiency of the plant is accordingly reduced to zero.
- IV. Regional livelihood and pastoral resilience project allocation has also reduced from Kshs.2,056 million to Kshs.1,265 million translating to a reduction of Kshs.791 million.
- V. The Agricultural development corporation has been allocated Kshs.154 million under development Vote to cater a bank repayment.

### 9.1.2 STATE DEPARTMENT FOR FISHERIES AND BLUE ECONOMY

The State Department had an allocation of Kshs. 4,183 million comprising of Kshs. 1,653 million and Kshs.2530 million for recurrent and development expenditures respectively. The allocation has increased to Kshs. 4,702 million comprising of Kshs. 1,846 million and Kshs. 2,856 million for recurrent and development expenditures respectively.

**The Recurrent budget** has increased by Kshs, 193 million mainly for the use of goods and services for implementation of the blue economy Programme. While the **Development budget** has increased from Kshs. 2,530 million to Kshs. 2,856 million. This is mainly due to additional provision in donor expenditure for the implementation of Kenya Coastal Development project funded by the World Bank. The project whose target was 50% completion with an allocation of Kshs. 945 million has reviewed the target accordingly to 100% Completion with the additional funding.

## 9.2 MINISTRY OF WATER AND IRRIGATION

### 9.2.0 STATE DEPARTMENT FOR IRRIGATION

While addressing the Committee the Cabinet Secretary of Water and Irrigation stated that, the State Department had an allocation of Kshs. 19,040 million comprising of Kshs. 933 million and Kshs. 18,107 million for recurrent and development expenditures respectively. The allocation has reduced to Kshs. 12,239 million comprising of Kshs. 916 million and Kshs. 11,323 million for recurrent and development expenditures respectively.

The **Recurrent budget** for the State department has been reduced by Kshs. 17 million from Kshs. 933 million to Kshs.916 million mainly on account of reduction of expenditure on use of goods and services:

Similarly the **Development budget has been** reduced by Kshs.6,784 million from Kshs. 18,107 million to Kshs. 11,323 million mainly on account of changes in the level of donor commitments. Some of major projects affected by the adjustments in the budget include ;

- I. Galana-Kulalu food security project allocation has reduced by Kshs. 780 million from Kshs. 3,215 million to Kshs.2,435 million. However the targets of the acres of land under remain at 10,000 acres.
- II. Lower nzoia irrigation project Phase 2 has a reduction of Kshs.90 million from Kshs.300 million to Kshs.210 million. It is noted that the project targeted 450 acres of land to put under irrigation but this target has been reduced to zero with a budgetary reduction of only Kshs.90 million.
- III. Bura irrigation scheme has a reduction of Kshs.1000 million from Kshs. 1,730 million to Kshs. 730 million but target of 1000 acres still remains.
- IV. mwea irrigation development project (Thiba dam and irrigation Area) had a gross allocation of Kshs. 3,247 million with a target of irrigating

2500 acres of land. This allocation has reduced to Kshs.891 million and the target reduced accordingly to 1000 acres.

- V. The budget for Thwake Multipurpose Dam budget has reduced from Kshs.3,300 million to Kshs. 1,815 million, however the target of 7% completion level remains.

### **9.3 MINISTRY OF INDUSTRY ,TRADE AND CO-OPERATIVES DEVELOPMENT**

#### **9.3.0 STATE DEPARTMENT FOR COOPERATIVES**

While appearing before the Committee the Principal Secretary , State department of Co-operatives informed the Committee that, the State Department had an allocation of Kshs. 3,650 million comprising of Kshs. 3,120 million and Kshs.530 million for recurrent and development expenditures respectively. The allocation has increased to Kshs. 3,710 million comprising of Kshs. 3,180 million and kshs.530 million for recurrent and development expenditures respectively. The increase of Kshs. 60 million in recurrent is on account of use of goods and services in the general administration planning and support services sub-Programme

## 10.0 COMMITTEE OBSERVATIONS

- a) in contravention of section 43(3) of the PFM Act, 2012 which requires that total reallocations in a supplementary to and from a Programme does not exceed 10% of the total expenditure approved for that Programme for that Financial Year, the following programmes had the following changes more than the legal limit:
- vi. crop development and management had 24% reduction
  - vii. Agribusiness and information with 68 % reduction
  - viii. Fisheries Development had an increment of 12%
  - ix. Irrigation and Land reclamation had a reduction of 40%
  - x. Water Storage and flood control had a reduction of 25%
- b) Within two months after the first withdrawal, the National Treasury is required to seek approval from Parliament for any expenditure for purpose of supplementary( Article 223 (2). however, there is no information on whether the money has already been spent or whether the first withdrawal was done within the last two months .
- c) The allocation reflects a slight increase in some programmes while drastic reductions are also made in some. However, the Committee is concerned that a number of key contractual obligatory projects signed by the National government whose counter-part funding by the GOK has not been factored in the budgets. A case in point is the Livestock Dairy Modernization programme where polish government extended a loan to Kenya of Kshs 10.45 billion to support the livestock sector but the GOK did not provide budget provision for 5% counter-part funding.
- d) The budget still falls below the critical level of 10 percent as agreed under the Maputo Protocol in 2003 by the African governments.

- e) This continued underfunding and worse still the further reduction on the initial allocations to some programmes threatens any meaningful effort being made by the government to achieve food security and consequently our continued reliance on expensive imports to address food deficits.
  
- f) Despite the persistent invitation to the National Treasury to attend the Committee deliberations, the national Treasury have failed to appear hence making it difficult to fairly

## 11.0 COMMITTEE RECOMMENDATIONS

Consequently, the Committee noted and recommended, as follows that :-

### RECURRENT

The Supplementary Estimates 1 and its amendments be approved with the following amendments

In the State Department of Cooperatives

- a) **KES 85 million** proposed allocation in the amendments to supplementary 1 for the Cooperatives advisory services development sub-program to support the Coffee waiver be reallocated to the Sacco Societies Regulatory Authority (SASRA) under the same sub-program.

In the State Department of Livestock

- b) **KES 20 million** be allocated to the Kenya Veterinary Board under Livestock Policy Development and Capacity Building sub-programme. The allocation is comprised of **KES 15 million** allocated to the Kenya Veterinary Board (KVB) under Livestock Policy Development and Capacity Building sub-programme and **KES 5 million** that is re-allocated from Livestock Products Value Addition & Marketing (drought mitigation).

### DEVELOPMENT

The Supplementary Estimates 1 be approved with the following amendments

In the State Department of Livestock

- b) **KES 550 million** be retained as per printed estimates in Livestock products value addition and marketing sub-programme to support the modernization of slaughter house in Athi River and staff rationalization at the Kenya Meat Commission. The procurement process for the service provider for the modernization of the Athi River Plant has been completed

and contracts awarded, so government risk losing money through litigation because of breach of contract.

In the State Department of Irrigation

- b) **KES 780 million** in the Irrigation and Land reclamation programme be retained as per the printed estimates. The allocation is a donor component from the Israeli government meant to support the Galana-Kulalu Food Security. If this reduction is effected the implementing agency (NIB) shall not be able to service contractors certificate of works which is already prepared and awaiting payments.

The Committee further recommends the following to be considered on availability of funds in the Supplementary Estimates 2 for 2016/2017.

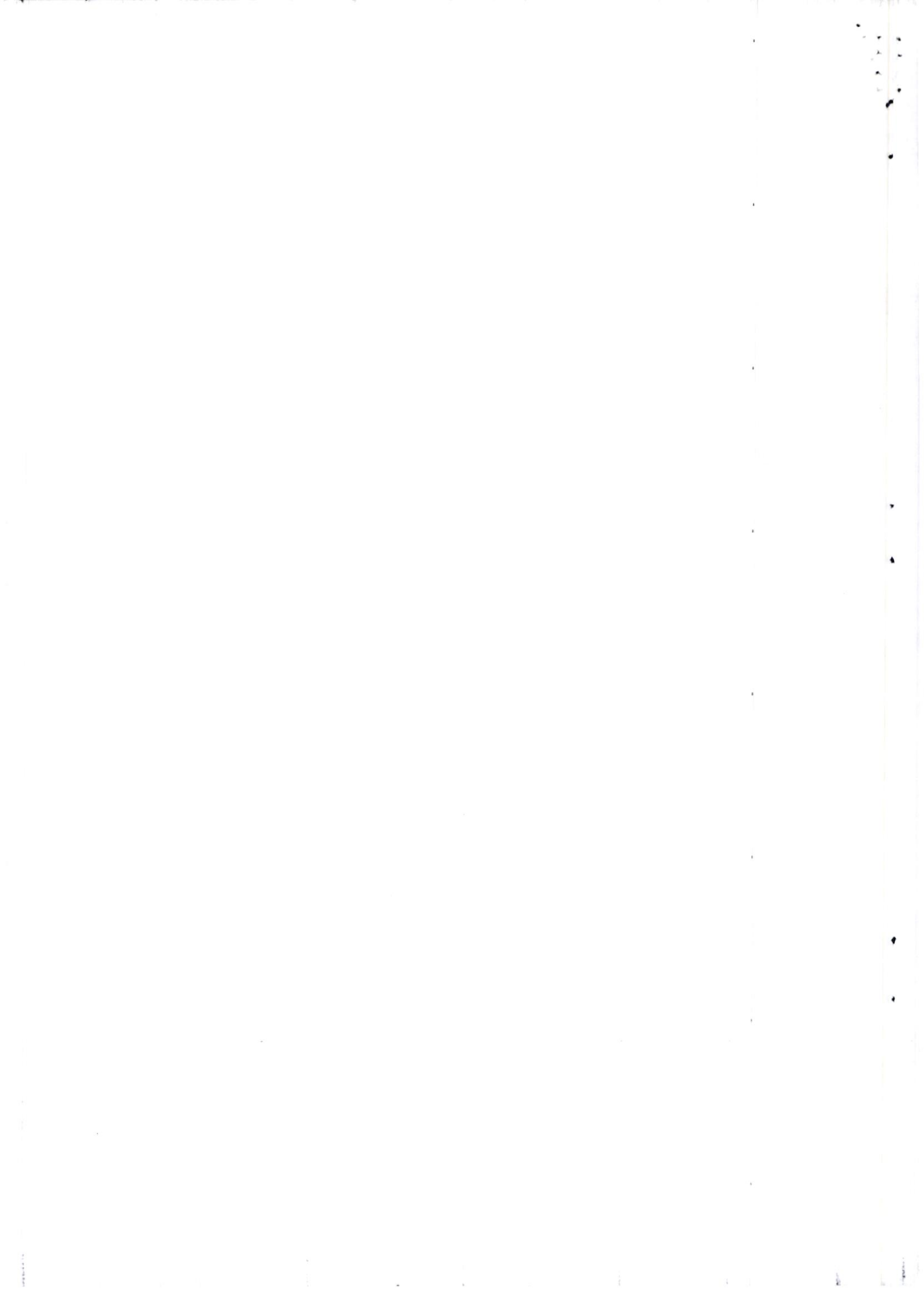
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- d) **KES 60 Million** for the Kenya Tsetse and Trypanosomiasis Eradication Council (KENTTEC) under the Livestock diseases management and control programme in the State Department of Livestock. The capacity of the Council to intervene in any outbreak of Tsetse fly related diseases has been hampered by inadequate financial resources.

## 12.0 CONCLUSION

In concluding, the Committee expresses that the underfunding in the agriculture sector has continued to defeat efforts to fight food insecurity, support over-reliance in food importation and lack of progress to reduce poverty levels. The Treasury needs to provide adequate investments in agriculture, to even the critical

level of Maputo Protocol of at least 10% of the national budget. The Country will continue to reel in perennial food shortages.

The whole agricultural sector which is a major productive sector with great potential in raising the GDP, industrial growth, achieving Vision 2030 and MDGs cannot record meaningful results with the current budget levels. The Government should do away with the traditional budget ceilings and allocate sufficient funds to the Ministry of Agriculture, Livestock and Fisheries.



**REPUBLIC OF KENYA**

**NATIONAL ASSEMBLY**

**ELEVENTH PARLIAMENT – FIFTH SESSION, 2017**

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**REPORT OF THE DEPARTMENTAL COMMITTEE  
ON TRANSPORT, PUBLIC WORKS AND HOUSING ON THE CONSIDERATION OF  
THE 1<sup>ST</sup> SUPPLEMENTARY ESTIMATES FOR THE FINANCIAL YEAR 2016/2017  
FOR THE FOLLOWING VOTES:**

**VOTE 1091 - STATE DEPARTMENT OF INFRASTRUCTURE**

**VOTE 1092 - STATE DEPARTMENT OF TRANSPORT**

**VOTE 1093 - STATE DEPARTMENT OF MARITIME AND SHIPPING  
AFFAIRS**

**VOTE 1094 - STATE DEPARTMENT OF HOUSING AND URBAN  
DEVELOPMENT**

**VOTE 1095 - STATE DEPARTMENT OF PUBLIC WORKS**

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

**FEBRUARY, 2017**

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## **1.0 PREFACE**

### **1.1 Mandate of the Committee**

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

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

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

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

### **1.2 Oversight**

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

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

### 1.3 Committee Composition

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

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

## 2.0 INTRODUCTION

### 2.1 Tabling of the 1<sup>st</sup> Supplementary Estimates for the FY 2016/17

The 1<sup>st</sup> Supplementary Estimates for the Financial Year 2016/2017 were tabled in the House on Thursday 1<sup>st</sup> December, 2016 and thereafter referred to the various Departmental Committees for consideration and subsequently make reports to the Budget and Appropriations Committee.

On Tuesday, 31<sup>st</sup> January, 2017, the Committee received a brief from the Parliamentary Budget Office (PBO). This was aimed at informing Members of the Committee on the overall impact of the Supplementary changes on the various State Departments falling within its purview. Thereafter the Committee held a meeting on 7<sup>th</sup> February, 2017 to consider the 1<sup>st</sup> Supplementary Estimates for 2016/2017 in respect to the Ministry of Transport, Infrastructure, Housing and Urban Development.

## 2.2 Background

### 2.2.1 Overall impact of the Supplementary changes

The estimates proposed to reduce the overall budget by Ksh 197.7 billion from Ksh 2,205 billion to Ksh 2,007.3 billion representing a 9% reduction. This included an increase in recurrent estimates by Ksh 32.4 billion (3.8%), a reduction in development estimates by Ksh 213.6 billion (26.0%), and a reduction increase in CFS by Ksh 16.6 billion (3.1%).

Table 1: Summary of the 1<sup>st</sup> Supplementary Estimates for 2016/17 (Ksh billions)

Details		Approved Estimates	Supplementary Adjustments	Revised Estimates	% changes
Recurrent	Net	790.8	10.8	801.6	1.4%
	AIA	66.7	21.7	88.4	32.5%
	<b>Gross</b>	<b>857.5</b>	<b>32.4</b>	<b>890.0</b>	<b>3.8%</b>
Development	Net	416.4	(19.6)	396.8	-4.7%
	AIA	403.8	(194.0)	209.7	-48.1%
	<b>Gross</b>	<b>820.2</b>	<b>(213.6)</b>	<b>606.6</b>	<b>-26.0%</b>
CFS	Net	527.3	(16.6)	510.7	-3.1%
	<b>Gross</b>	<b>527.3</b>	<b>(16.6)</b>	<b>510.7</b>	<b>-3.1%</b>
Total	Net	1,734.5	(25.3)	1,709.2	-1.5%
	AIA	470.5	(172.4)	298.1	-36.6%
	<b>Gross</b>	<b>2,205.0</b>	<b>(197.7)</b>	<b>2,007.3</b>	<b>-9.0%</b>

Source: 1<sup>st</sup> Supplementary Estimates, 2016/2017

## **2.2.2 Legal Compliance**

Article 223 of the Constitution provides for the National Government to incur expenditure not appropriated for in the annual Appropriation Act on account of: insufficiency of amounts initially provided; when a need has arisen for expenditure to which no amounts have been allocated; or for withdrawals from the Contingencies Fund.

Section 43 & 44 of the Public Finance Management (PFM) Act and Part 40 of the PFM Regulation (National Government) 2015 provide for the details and format of the Supplementary Budget. PFM Act requires that the Supplementary Budget includes a statement showing how additional expenditures relate to the fiscal responsibility principles and financial objectives of the Government. It also limits any reallocation made to or from a programme to a maximum of 10 percent of the total expenditure approved for the programme in that financial year.

Additionally, Part 40 of the PFM Regulation (National Government) 2015 stipulates that budget allocations for new policy options and service delivery initiatives cannot be introduced in the supplementary budget and should only be considered in the annual estimates.

## **3.0 SUBMISSIONS**

### **3.1 Presentation by the Parliamentary Budget Office**

#### **3.1.1 Impact of the 1<sup>st</sup> Supplementary Estimates on the Ministry of Transport, Infrastructure, Housing and Urban Development**

The entities under the Committees purview have huge reductions in their budgets largely on capital expenditure. These include the State Department of Transport whose budget reduces by Ksh 51.1 billion (28%) and State Department for Housing and Urban Development whose budget will reduce by Ksh 8.4 billion (42%). The State Department for Infrastructure whose budget reduces by Ksh 6.8 billion (4%) had an increase in recurrent expenditure of Ksh 20.9 billion and a reduction in development expenditure of Ksh 27.8 billion.

**Table 2: Overall Ministerial Supplementary Budget (KSh.)**

State Department	Approved Estimates			Supplementary Adjustments			% Change (total)
	Recurr.	Capital	Total	Recurr.	Capital	Total	
Transport	5,780.7	175,806.6	181,587.3	44.5	(51,192.2)	(51,147.7)	-28%
Infrastructure	29,039.1	147,711.8	176,750.9	20,926.6	(27,763.1)	(6,836.4)	-4%
Housing & Urban Development	862.3	19289.0	20,151.3	455.4	(8,884.4)	(8,429.0)	-42%
Public Works	897.2	2,047.0	2,944.2	(121.3)	(953.5)	(1,074.8)	-37%
Maritime Affairs	237.2	-	237.2	17.0	-	17.0	7%

Source: 1<sup>st</sup> Supplementary Estimates, 2016/17

### State Department of Transport

Bulk of the reductions for the Department have been on the Rail Transport Programme which is proposed to be reduced by Ksh 43.4 billion (27.8%). This is largely as a result of revision of foreign financing projected to be available to the project. However, it is noted that there is an increase in GoK funding by Ksh 3 billion. The projects targets for 2016/17 for the construction of the SGR is set to be reduced form 270 km down to 200 km for this financial year.

The budget from the marine program is reduced by Ksh 8 billion largely due to a reduction in external funding for Mombasa Port Development Project by Ksh 4.7 billion and reduction in GoK funding for LAPSSSET project by Ksh 3 billion. The funding for LAPSSSET project was reallocated to the Mombasa to Nairobi SGR project.

**Table 3: Changes in 1<sup>st</sup> Supplementary Estimates 2016/17 for State Department for Transport (Ksh millions)**

State Department/ Programme	Approved Estimates			Supplementary Adjustments			% Change (total)
	Recurr.	Capital	Total	Recurr.	Capital	Total	
<b>Total</b>	<b>5,780.7</b>	<b>175,806.6</b>	<b>181,587.3</b>	<b>44.5</b>	<b>(51,192.2)</b>	<b>(51,147.7)</b>	<b>-28.2%</b>
General Admin, Plan & Support Services	308.9	354.0	662.9	22.7	(103.2)	(80.5)	-12.1%
Rail Transport	248.3	156,285.0	156,533.3	-	(43,448.0)	(43,448.0)	-27.8%
Marine Transport	407.0	16,720.0	17,127.0	-	(8,020.0)	(8,020.0)	-46.8%
Air Transport	4,368.7	2,147.6	6,516.3	23.5	119.0	142.5	2.2%
Road Safety	447.8	300.0	747.8	(1.7)	260.0	258.3	34.5%

Source: 1<sup>st</sup> Supplementary Estimates, 2016/17

### State Department of Infrastructure

The increment in the recurrent estimates is from additional Appropriation in Aid collected through the Road Maintenance Levy Fund which is administered by the Kenya Roads Board. The funds will be utilized for the 'maintenance of roads' sub-program which is set to increase by

Ksh 21.1 billion and the ‘rehabilitation of roads’ sub-program which is set to increase by Ksh 5 billion. Both these increases are expected to result in further road works.

**Table 4: Changes in 1<sup>st</sup> Supplementary Estimates 2016/17 for State Department for Infrastructure (Ksh millions)**

State Department/ Programme	Approved Estimates			Supplementary Adjustments			% Change (total)
	Recurr.	Capital	Total	Recurr.	Capital	Total	
<b>Total</b>	<b>29,039.1</b>	<b>147,711.8</b>	<b>176,750.9</b>	<b>20,926.6</b>	<b>(27,763.1)</b>	<b>(6,836.4)</b>	<b>-3.9%</b>
Road Transport	29,039.1	147,711.8	176,750.9	20,926.6	(27,763.1)	(6,836.4)	-3.9%

Source: 1<sup>st</sup> Supplementary Estimates, 2016/17

Under the development vote, the largest cut of Ksh. 31.7 billion will be to the construction of roads and bridges. As a result, a number of projects have had total reduction in their funding and subsequently do not have targets for the FY 2016/17. This implies that the targeted completion rate will not be achieved. This includes the Dualling of the Eastern & Northern Bypass – Nairobi, the Installation of Automatic Traffic Counters & Highway Traffic Database.

**Table 5: Supplementary changes per Sub-Program (KSh. Millions)**

Sub-Program	Approved Estimates	Change In Estimates	% Change
<b>Construction of Roads &amp; Bridges</b>	96,906.9	(31,689.1)	-33%
<b>Rehabilitation of Roads</b>	47,895.2	4,981.0	10%
<b>Maintenance of Roads</b>	26,178.0	21,122.4	81%
<b>Design of Roads &amp; Bridges</b>	1,000.0	-	0%
<b>General Administration Planning and Support Services</b>	4,770.8	(1,250.8)	-26%
Total Expenditure	<b>176,750.9</b>	<b>(6,836.4)</b>	<b>-4%</b>

Source: 1<sup>st</sup> Supplementary Estimates, 2016/17

## **State Department for Housing and Urban Development**

The Housing development and Human Settlement programme will witness a reduction of Ksh 2.9 billion largely due to a reduction in donor funding for the Kenya Informal Settlement Improvement Project amounting to Ksh 2.8 billion. The GoK funding for Construction of Housing Units for National Police and Kenya Prison is also set to be reduced by Ksh 566 million.

The reduction under the Urban and Metropolitan Development programme is largely due to a reduction in donor funding for the National Metropolitan Service Improvement Project amounting to Ksh 3.8 billion. The Kisumu Urban Project and the Kenya Municipal Programme II are also set to reduce by Ksh 550 million and Ksh 674 million respectively.

**Table 6: Changes in 1<sup>st</sup> Supplementary Estimates 2016/17 for State Department for Housing and Urban Development (Ksh millions)**

State Department/ Programme	Approved Estimates			Supplementary Adjustments			% Change (total)
	Recurr.	Capital	Total	Recurr.	Capital	Total	
<b>Total</b>	<b>862.3</b>	<b>19,289.0</b>	<b>20,151.3</b>	<b>455.4</b>	<b>(8,884.4)</b>	<b>(8,429.0)</b>	<b>-41.8%</b>
Housing Development and Human Settlement	485.4	7,270.1	7,755.5	456.1	(3,386.2)	(2,930.1)	-37.8%
Urban and Metropolitan Development	288.5	12,018.9	12,307.4	(52.0)	(5,498.2)	(5,550.2)	-45.1%
General Admin Plan and Support Services	88.4	-	88.4	51.3	-	51.3	58.0%

Source: 1<sup>st</sup> Supplementary Estimates, 2016/17

### State Department for Public Works

The reduction is largely on account of a fall in funding for Government Buildings programme by Ksh 928.5 million. The reduction is as a result of cuts in GoK funding, possibly due to austerity measures.

**Table 7: Changes in 1<sup>st</sup> Supplementary Estimates 2016/17 for State Department for Public Works (Ksh millions)**

State Department/ Programme	Approved Estimates			Supplementary Adjustments			% Change (total)
	Recurr.	Capital	Total	Recurr.	Capital	Total	
<b>Total</b>	<b>897.2</b>	<b>2,047.0</b>	<b>2,944.2</b>	<b>(121.3)</b>	<b>(953.5)</b>	<b>(1,074.8)</b>	<b>-36.5%</b>
Government Buildings	431.7	1,867.0	2,298.7	(70.6)	(857.9)	(928.5)	-40.4%
Coastline Infrastructure and Pedestrian Access	77.1	180.0	257.1	0.0	(95.6)	(95.6)	-37.2%
General Admin Plan and Support Services	388.4	-	388.4	(50.8)	-	(50.8)	-13.1%

Source: 1<sup>st</sup> Supplementary Estimates, 2016/17

### State Department for Maritime Affairs

The budget is set to increase by Ksh 17 million which is meant to enhance recurrent operations of the department.

**Table 8: Changes in 1<sup>st</sup> Supplementary Estimates 2016/17 for State Department for Maritime Affairs (Ksh millions)**

State Department/ Programme	Approved Estimates			Supplementary Adjustments			% Change (total)
	Recurr.	Capital	Total	Recurr.	Capital	Total	
<b>Total</b>	<b>237.2</b>	-	<b>237.2</b>	<b>17.0</b>	-	<b>17.0</b>	<b>7.2%</b>
Marine Transport	237.2	-	237.2	17.0	-	17.0	7.2%

Source: 1<sup>st</sup> Supplementary Estimates, 2016/17

The National Treasury on 15<sup>th</sup> February 2017 submitted a list of amendments to the Supplementary Estimates I intending to provide inclusive estimates that take into account; drought mitigation expenditures, collective bargaining agreements and security related expenditures. The amendments proposed by the Principal Secretary in the National Treasury are aggregated at the program and sub-program levels and therefore it is not possible to indicate the specific expenditure items affected by the proposed amendments to the Supplementary I Estimates.

### 3.1.2 Overall Ministerial Supplementary Budget

After taking into account the changes proposed by the National Treasury, the Ministry's overall budget is set to increase to KSh. 399.6 billion, representing a 5% increase worth KSh. 18.2 billion.

**Table 9: Overall Ministerial Supplementary Budget (KSh. Millions)**

State Department	Approved Estimates	Supplementary Changes	Treasury Increases	Net Effect	Budget Position	Decrease
Transport	181,587	(51,148)	38,800	(12,348)	169,240	-7%
Infrastructure	176,751	(6,836)	40,841	34,005	210,756	19%
Public Works	2,944	(1,075)	75	(1,000)	1,944	-34%
Housing & Urban Development	20,151	(8,429)	5,947	(2,482)	17,669	-12%
Maritime	237	17	-	17	254	7%
<b>Total Ministerial Expenditure</b>	<b>381,434</b>	<b>(67,488)</b>	<b>85,663</b>	<b>18,175</b>	<b>399,609</b>	<b>5%</b>

Source: Supplementary Budget 1 & National Treasury

## State Department of Transport

The changes introduced by the National Treasury decrease the intended supplementary I reductions from KSh. (51.1) billion to KSh. (12.3) billion on account of reinstatement of KSh. 38.8 billion i.e. KSh. 38 billion to Rail Program and KSh. 300 million to Marine Program. Therefore, the overall SD/Transports budget is set to be fall by KSh. 12.3 billion or 7% from KSh. 181.6 billion down to KSh. 169.2 billion. From new budget position, it is indicative that major cuts are limited to marine program and rail program that will be reduced by KSh. (7.7) billion or 45% and KSh. (4.9) billion or 3%, respectively.

**Table 10: Program effect of the Supplementary Budget I (KSh. Millions)**

Program	Approved Estimates	Supplementary 1 Changes	Treasury Increases	Net Effect	Budget Position	Decrease
GAPSS	663	(81)	-	(81)	<b>582</b>	-12%
Rail	156,533	(43,448)	38,500	(4,948)	<b>151,585</b>	-3%
Marine	17,127	(8,020)	300	(7,720)	<b>9,407</b>	-45%
Air	6,516	142	-	142	<b>6,659</b>	2%
Road	748	258	-	258	<b>1,006</b>	35%
<b>Total</b>	<b>181,587</b>	<b>(51,148)</b>	<b>38,800</b>	<b>(12,348)</b>	<b>169,240</b>	<b>-7%</b>

Source: Supplementary Budget I & National Treasury

Even though it would be difficult to determine which projects are affected for the whole reimbursed amount, there is an allocation of KSh. 3 billion to SGR phase II preparatory activities.

## State Department of Infrastructure

The State Department will have a new budget of KSh. 210 billion representing a 19% increase above the approved estimates worth KSh. 176.8 billion. This is meant to cater for ongoing roads (pending certificates) and is purely for the development expenditure.

**Table 11: Program effect of the Supplementary Budget I (KSh. Millions)**

Program	Approved Estimates	Supplementary 1 Changes	Treasury Increases	Net Effect	Budget Position	% Increase
<b>Total Expenditure</b>	176,751	(6,836)	40,841	34,005	210,756	19%

Source: Supplementary Budget I & National Treasury

### State Department of Maritime affairs

The State Department's affairs' will not be affected is set to remain as indicated under the 1<sup>st</sup> Supplementary Estimates at KSh. 254.2 million after increasing by KSh. 17 million from KSh. 237.2 million. In addition, is meant to enhance the operational and maintenance capabilities of the State Department.

Table 12: Program effect of the Supplementary Budget I (KSh. Millions)

Program	Approved Estimates	Supplementary Estimates	Increase/decrease
Maritime Transport	237	254	17
<b>Total Budget for the State Department</b>	<b>237</b>	<b>254</b>	<b>17</b>

Source: Supplementary Budget I & National Treasury

### State Department Public works

The State Department's budget will eventually fall by 34% from KSh. 2.9 billion down to KSh. 1.9 billion. The National Treasury only reinstated KSh. 75 million to its resource allocation.

Table 13: changes in Supplementary 1 Estimate 2016/17 (KSh. Millions)

Program	Approved Estimates	Supplementary 1 Changes	Treasury Increases	Net Effect	Budget Position	% Decrease
Government Buildings	2,299	(928)	96	(833)	1,466	-36%
Coastline Infrastructure & Pedestrian access	257	(96)	(20)	(116)	141	-45%
GAPSS	388	(51)	(0)	(51)	337	-13%
<b>Total</b>	<b>2,944</b>	<b>(1,075)</b>	<b>75</b>	<b>(1,000)</b>	<b>1,944</b>	<b>-34%</b>

Source: Supplementary Budget I

Even after the reimbursements, the supplementary cuts are expected to have effect on several departmental activities including; number of buildings audited and profiled this financial year (1500 were to be audited), number of district headquarters under the economic stimulus plan to be completed and number of planned foot bridges to be completed.

### State Department of Housing & Urban Development

After reinstatement of KSh. 6.95 billion the State Department's budget is set to fall by KSh. 1.5 billion from to KSh. 18.7 billion representing a 7% fall in resource allocation. Part of the reinstated amounts will include KSh. 1 billion for recurrent and KSh. 5.95 billion for development (include KSh. 500 million to the construction Police housing). The urban and metropolitan program will be the largest affected program with 11% or KSh. 1.33 billion budget cut.

**Table 14: Changes in Supplementary 1 Estimate 2016/17**

<b>Program</b>	<b>Approved Estimate</b>	<b>Supplementary 1 Changes</b>	<b>Treasury Increases</b>	<b>Net Effect</b>	<b>Budget Position</b>	<b>% Decrease</b>
Housing Development & Human Settlement	7,756	(2,930)	2,725	(205)	7,550	-3%
Urban & Metropolitan Development	12,307	(5,550)	4,222	(1,328)	10,980	-11%
GAPSS	88	51	(1)	51	139	57%
<b>Total</b>	<b>20,151</b>	<b>(8,429)</b>	<b>6,947</b>	<b>(1,482)</b>	<b>18,669</b>	<b>-7%</b>

Source: Supplementary Budget 1

### **3.2 Presentation by the Principal Secretary for the State Department of Transport, Ministry of Transport, Infrastructure, Housing and Urban Development**

On Tuesday, 7<sup>th</sup> February, 2017, the Committee met with the Principal Secretary for the State Department of Transport on the 1<sup>st</sup> Supplementary Estimates for the FY 2016/17. The following were his submissions;

The budgetary reallocation was meant to realign the allocation in order to focus on those projects that are about to be completed. This is aimed at achieving higher absorption rates and better performance for the State Department.

**Table 15: Prioritized Projects for completion by the State Department**

<b>Project Name</b>	<b>Approved Estimates</b>	<b>Revised Estimates</b>	<b>Increase/ Decrease</b>	<b>% Change</b>	<b>Explanation</b>
Mombasa Port Dev't Phase II	5,500,000,000	800,000,000	(4,700,000,000)	-85.5	The project which will cost 32.3 billion is starting off in this financial therefore most of the expenditure will be incurred next financial year
Standard Gauge Railway	154,395,000,000	110,574,000,000	(43,821,000,000)	-28.4	The reductions will need to be reinstated to ensure smooth implementation of the project
Kenya Transport Sector Support Program (KTSSP) (Hqs)	344,000,000	240,800,000	(103,200,000)	-30.0	The reduction was to re-align the budget with absorption
KTSSP (KCAA)	110,000,000	309,000,000	199,000,000	180.9	The increase in funding will be applied in the construction of EASA library

KTSSP (KAA)	948,596,000	1,181,596,000	233,000,000	24.6	The funds will be applied in projects under KAA
Malindi Airport expansion project	438,000,000	400,000,000	(38,000,000)	-8.7	The new allocation will be sufficient to meet the land compensation demands
Isiolo Airport	375,000,000	100,000,000	(275,000,000)	-73.3	The reduction was realignment emanating from the need to fast-track some key projects which could be finalised within the financial year.
Maintenance of ferries	100,000,000	350,000,000	250,000,000	250.0	The frequent breakdown of the ferries necessitated the need to make extra provision for maintenance of ferries
Implementation of Integrated Security System – Likoni Channel	500,000,000	100,000,000	(400,000,000)	-80.0	The security system is taking-off and the higher expenditures will be incurred in 2017/18 - 2018/19 MTEF period

Rehabilitate & Modernize Motor vehicle inspection centres	150,000,000	-	(150,000,000)	-100.0	The funds were reallocated to Second Generation Smart Card Based licences
Rehabilitate & Modernize Driving test centres	150,000,000	-	(150,000,000)	-100.0	The funds were reallocated to Second Generation Smart Card Based licences
Second Generation Smart Card Based licences	-	560,000,000	560,000,000	100.0	The funds will kick –off the production of Second Generation Smart Card Based licences
<b>LAPSSET project</b>	<b>10,000,000,000</b>	<b>7,000,000,000</b>	<b>(3,000,000,000)</b>	<b>-30.0</b>	<b>The funds were reallocated to meet the shortage in Railway Levy Development Fund for the SGR project</b>

Source: State Department of Transport

### 3.2.1 Status of Lappset Project and Absorption rate of the project.

The Lamu Port, on completion, will have a total of 32 berths and the dredging of the entrance channel done to -18 meters to enable it accommodate ships of 100,000 tonnes.

The project started in 2012/ 2013 and was to be wholly funded by the Government. The initial phase was to construct three berths (3) at an estimated cost of Kshs 44 billion. The project has however delayed due to inadequate funds.

The contractor fully mobilised in June 2016 and has therefore made significant progress in execution of the works. Dredging and reclamation which are the main component are ongoing and the whole project is at 18% completion and is expected to reach 35% by the end of the year. During the year 2017/18 the contractor will be able to complete the 1st berth and 3rd berth will be completed in 2018/19.

In the current year the Government provided a budget of Kshs 10 billion in the national budget . As at 31st January 2017 the Government had disbursed Kshs 4.168 billion for the project actual cost settlement. This amount were for settlement for actual work done up to 30th November 2016. In the intervening period the contractor has executed additional works to the tune Kshs 3.5 billion and is expected to execute Kshs 1.1 billion each month till the end of the year. The total project absorption for the period 2016/17 is therefore expected to be Kshs 13.1 billion.

There is therefore need to ensure funds availability for the project to continue uninterrupted. The budget for the year should therefore be Kshs 13 billion.

### **3.2.2 Status of Progress on the Standard Gauge Railway**

The Standard Gauge Railway (SGR) project funding requirement out of A-I-A budgetary estimates (EXIM Bank loan) up to 30<sup>th</sup> June 2017 is US\$ 1,342,219,189.05 as shown below.

1)	Certificate 4B of construction of the civil works	US\$ 244,900,000.00
2)	Certificate 5B of construction of the civil works	US\$ 244,900,000.00
3)	Certificate 2B for supply and installation of the facilities, locomotives and rolling stock	US\$ 194,954,471.49
4)	Certificate 3B on for supple and installation of the facilities, locomotives and rolling stock	US\$ 97,477,235.74
5)	Foreign portion tor 1C1) yard	US\$ 181,887,799.62
6)	Certificate IB on SGR Phase 2A	US\$ 378,099,982.50

As a result, the Ministry of Transport, Infrastructure, Housing and Urban Development requested National Treasury to increase the donor funding allocation from Kshs.118,226,000,000 to Kshs.134,221,918,965 to ensure smooth implementation of the project but the increase has not

been captured. Operations will thus be halted since the above certificates have been issued and approved by Roads Development Funds (RDF) Committee. This reduction made it impossible to accommodate Kshs 38,528,388,216.75 (US\$ 378,099,982.50) for the Nairobi-Naivasha SGR Section, which had been approved by RDF Advisory Committee. However, on 15<sup>th</sup> December 2016 The National Treasury granted authority to spend additional funds amounting to Kshs 38.5 billion awaiting formalization in the Supplementary Budget.

**Table 16: Status of the SGR project**

	<b>SUBJECT</b>	<b>STATUS</b>	<b>REMARKS</b>
1.	Civil works contract	Main works have been completed to 99%.	Activities to be concluded by May 2017 in readiness for handover by 1 <sup>st</sup> June 2017.
		Ongoing works include:-	
		■ Fencing the corridor;	
		■ Drainage works;	
		■ Environmental restoration; and	
		■ Resolution of social issues.	
		Testing and commissioning, inspection and acceptance is scheduled to be undertaken between February and May 2017.	Work Method & Plan for this exercise is under discussion
2.	Contract for supply and	Works are over 80% complete and these include:	To be completed by March 2017

	Installation of facilities, locomotives, Wagons and Coaches.	<ul style="list-style-type: none"> <li>■ communication and signaling and electricity;</li> <li>■ Stations construction;</li> <li>■ Workshops construction and installation of equipment;</li> <li>■ Procurement of diesel electric locomotives, freight wagons and coaches.</li> </ul>	<ul style="list-style-type: none"> <li>■ 56 locomotives procured 12 have been delivered</li> </ul>
			<ul style="list-style-type: none"> <li>■ 40 coaches procured and 32 have been delivered;</li> </ul>
		<ul style="list-style-type: none"> <li>■ 1620 wagons procured.</li> </ul>	
			Delivery to start in March 2017
		Testing and commissioning, inspection and acceptance	Actual trial runs for locomotives awaiting

Source: State Department of Transport

### 3.3 Presentation by Mr. Philip Wachira, Acting Chief Finance Officer, State Department of Infrastructure, Ministry of Transport, Infrastructure, Housing and Urban Development

On Tuesday, 7<sup>th</sup> February, 2017, the Committee also met with the State Department of Infrastructure on the 1<sup>st</sup> Supplementary Estimates for the FY 2016/17. The following were his submissions;

The Development Budget was reduced by Ksh.27,763,052,180 from Ksh.147,711,782,851 to Ksh.119,948,730,671 resulting to a 19% reduction. The reduction affected the Development Partner Component and was informed by low absorption rate as at the time of preparation of the Revised Budget in November 2016. The low absorption rate was mainly due to the late loading of Development Budget loading into the IFMIS system and procurement bottlenecks. However,

the situation has since changed and full year Development Partner portions based on the Revised provisions have been loaded into the IFMIS system. Major Development Partner co-financed projects such as Athi River-Machakos Turnoff, James Gichuru-Rironi and sections of the South Sudan Link Road have been awarded.

Further, and in line with article 223 of the Constitution, the Ministry has made an application to the National Treasury to spend Ksh.37 billion Development Partner provisions in advance of appropriation to mitigate against delayed completion of projects and interest claims on delayed payments.

The increased fuel levy collections in the 2016/2017 revised budget emanate from increased fuel levy charges of Ksh 6/= per litre; from the previous ksh 12/= per liter to Ksh 18/= per litre . The increased collections will result into greater maintenance of network. Out of the ksh 18/= per liter, Ksh 3/= is set aside for the annuity programme while ksh 12/= per liter is for maintenance of roads by the various road agencies including KENHA, KERRA, KURA, KWS and County Governments.

The increase in provision for the Road maintenance Levy Fund (RMLF) reflected in the Revised Estimates is mainly as a result of the Ksh.6/= per litre increased charge that was introduced under the Finance Act 2016. During preparation of the Printed Estimates 2016/2017, the additional charge had not been approved and could consequently not be introduced in the budget. The Road Maintenance Levy Fund (RMLF) provision was increased by Ksh.20,800,372,000 from Ksh.26,178,000,000 to Ksh.46,978,372,000 under the Recurrent Budget.

### **3.4 Presentation by the Principal Secretary, State Department of Public Works, Ministry of Transport, Infrastructure, Housing and Urban Development**

On Tuesday, 7<sup>th</sup> February, 2017, the Committee met with the State Department of Housing and Urban Development on the 1<sup>st</sup> Supplementary Estimates for the FY 2017. The following were the submissions with regards to the State Department;

#### **3.4.1 Comparison between the approved estimates and revised estimates financial years 2016/17 by programmes**

Table 17: approved estimates vs revised estimates by programmes

Programme	2016/17 Estimates (Kshs. Million)	2016/17 revised Estimates (Kshs. Million)	Variance (Kshs. Million)
Government buildings	2,284	1,436.06	(847.94)
Coastline infrastructure and pedestrian access programme	192	92.7	(99.3)
General Administration and Planning	389	336.6	(52.40)
<b>Total</b>	<b>2,865</b>	<b>1,865.36</b>	<b>(999.64)</b>

Source: State Department of Public Works

### 3.4.2 Status of all pending bills for the 2015/16 financial year

As at the close of the 2015/16 Financial Year the State Department had pending bills of **Kshs.657,239,988** which have taken first charge of the 2016/2017 financial year budget as tabulated below:

Table 18: Pending Bills financial year 2015/2016

Expenditure	Amount(Pending Bills) Kshs.	Amount Remaining For Fy 2016/17
Development	650,903,984	442,596,016
Recurrent	6,336,004	765,531,264
<b>Total</b>	<b>657,239,988</b>	<b>1,208,127,280</b>

Source: State Department of Public Works

### 3.4.3 Key Priority Projects for implementation in 2016/17 FY Development Budget

Table 19: Priority Projects for implementation in 2016/17 FY Development Budget

No.	Name of Project (s)	Printed Estimates (Kshs.)	Revised Budget Estimates (Kshs.)	Net increases/ Decreases (Kshs.)
1.	Stalled Government Buildings	1,032,000,000	739,788,052	(292,211,948)
2.	Sea Walls and Jetties	103,000,000	84,396,953	(18,603,047)
3.	Construction of Foot Bridges	77,000,000	0	(77,000,000)
4.	Completion of various ESP District Headquarters	150,000,000	28,156,180	(121,843,820)
5.	Construction of county Headquarters	605,000,000	196,900,000	(408,100,000)
6.	Completion of Ongoing Development of County/Sub-County Offices	0	44,258,815	44,258,815
<b>Total for the State Department of Public Works</b>		<b>1,967,000,000</b>	<b>1,093,500,000</b>	<b>(873,500,000)</b>

Source: State Department of Public Works

### 3.5 Presentation by the Principal Secretary for the State Department of Housing and Urban Development, Ministry of Transport, Infrastructure, Housing and Urban Development

On Tuesday, 7<sup>th</sup> February, 2017, the Committee met with the State Department of Housing and Urban Development on the 1<sup>st</sup> Supplementary Estimates for the FY 2016/17 . The following were the submissions with regards to the State Department;

As a result of the 1st Supplementary Estimates, the adjusted programmes and the amount are as follows;

Table 20: Adjusted Programmes and amounts

Project Name	Source	Printed (Kshs)	Revised (Kshs)	Variation (Kshs)
NaMSIP	WB/GOK	6,350,000,000	2,488,213,637	(3,861,786,363)
KISIP	WB/GOK	4,775,000,000	2,015,000,000	(2,760,000,000)
Police Housing	WB/GOK	1,600,000,000	1,033,786,363	(566,213,637)

Source: State Department of Housing and Urban Development

### **3.5.1 Impact of the budgetary cuts on future performance, efficiency and implementation of these projects**

- i. The proposed reduction will affect and slow down the implementation and completion of the projects as per the financing/contract agreement which will result to stalled projects
- ii. Accumulation of pending bills – currently, the State Department has outstanding payment vouchers amounting to **Kshs. 1.8 billion** yet to be paid because of the reduced budget.
- iii. Litigation issues
- iv. Breach of Financial Agreement which may result to withdrawal of funds from the Development Partners

### **3.5.2 Action taken by the State Department**

- i. The State Department had requested the National Treasury to retain the original printed estimates for 2016/17 Financial Year
- ii. The State Department had further requested the National Treasury to exempt it from budgetary cuts on key projects i.e. Police Housing and further requested the National Treasury to provide additional GoK funding to NaMSIP & Police Housing projects.

### **3.5.3 Details on the number of housing units for the National Police and Kenya Prison Services**

#### **a. Police Housing Projects**

The total number for Police and Prisons project are 1,850 units at a total cost of Kshs. 2.6 billion. To date, we have utilized Kshs. 1.7 billion leaving a balance of Kshs. 900 million.

Details on the number of housing units are as follows:

- Completed units as at 31<sup>st</sup> January 2017 – 250 units
- To be completed by 31<sup>st</sup> March 2017 – 800 units
- To be completed by 31<sup>st</sup> May 2017 – 800 units

#### **b. Appropriate Building Materials & Technology Centres**

The total number of established ABMT centres countrywide is 89. In the F/Y 2016/17 the State Department had planned to establish three more centres namely, Nyakach in Kisumu County, Karbanet in Baringo County and Kigumo in Murang'a County. The centres are at 80% completion level and require Kshs. 10 million to operationalize them.

The State Department had proposed construction of Phase II, Mavoko Regional ABMT Centre (dining hall, kitchen and hostel) at a contract sum of Kshs. 298million. However, the project did not kick off in this Financial Year 2016/17 as earmarked funds was redirected to police housing which is one of the flagship project under Jubilee Government.

**c. Other projects affected by budgetary cuts**

**Table 21: Other Affected Projects**

S/NO.	PROJECT NAME	BRIEF DETAILS	COST(KSHS)	STATUS
<b>HOUSING</b>				
1.	Construction of 1,850 housing units for National Police and Prisons Services	Construction of 1,850 housing units at various police and prisons stations: <b>DCI (50), Kamulu (100) and Migosi (100). Presidential Escort Unit (300), General service Rescue Unit (300) and Kamiti Prisons (200)Emali (100), Shimo La Tewa Prison (100), Garsen (50), APTC- Embakasi (100), Ruiru GK Prison (100), Eldoet (50), Bungoma (50), Garissa (150), Kajiado (100)</b>	1,600,000,000	250 units practically complete. The remaining at an average of 60% completion level.
2.	Construction of 462 housing units in Mavoko	Completion of 462 housing units; a primary school; 2 nursery schools, a shopping Centre (mini-supermarket); a police post; 110 market stalls; 5 food courts; 12 jua kali sheds; 11 shops; and a restaurant. The 462 houses will benefit 103 high income families (General public) and 359 Mavoko slum families. The 2 primary schools will serve about 15,000-20,000 people.	1,102,264,208	Overall completion level is 90% with 250 units completed
3.	Construction of 245	Completion of 245 Market	2,908,440,969	Construction of

S/NO.	PROJECT NAME	BRIEF DETAILS	COST(KSHS)	STATUS
	market stalls at Kibera Soweto East Zone A.	stalls and associated infrastructure		the remaining market stalls ongoing at 95% complete
4.	Re-Development of Mariguini informal settlement, South B, Nairobi	Construction of 2,100 housing units in 3 categories and associated social infrastructure facilities. The project will benefit 2,000 Mariguini South 'B' families	3,500,000,000	Designs, drawings and BoQs ready awaiting tendering
5.	Re-development of Soweto East Zone 'B' informal settlement, Kibera	Construction of 3,072 housing units in 3 categories and associated social infrastructure facilities.	6,500,000,000	<ul style="list-style-type: none"> <li>• Designs and drawings are ready.</li> <li>• BoQs ready</li> <li>• Awaiting tendering</li> </ul>
6.	Creation of a National Slum and Informal Settlements Mapping Database	The total number of slums in the country are unknown so the project intends to map all slums and informal settlements within the country in order to know the extends of slums in order to create a national database of existing slums	300,000,000	<ul style="list-style-type: none"> <li>• Pilot survey of five counties completed</li> <li>• 13 No. technical staff trained on ArcGIS</li> <li>• 498 No. slums/informal settlements verified for mapping</li> <li>• Draft advertisement to procure a GIS consultant complete</li> </ul>
	Construction of Phase II of Regional Appropriate Building Materials and Technology Centre, Machakos	This is a centre for development, training, national and regional exchanges in appropriate, cost effective building technologies and best practices for the housing sector. This phase of the project involves hostel block, kitchen, and dining	298,000,000	5% documentation complete Project awarded

S/NO.	PROJECT NAME	BRIEF DETAILS	COST(KSHS)	STATUS
		hall, a block of flats and associated electrical, mechanical and civil works.		
	Construction of 1.2Km Lukenya Sewer Line	Construction of 1.2Km trunk sewer line to increase the number of people connected to sewer line and open land for housing development. This will serve Daystar University and community around	22,787,215	Ongoing 52% complete. Setting out and routing complete. Excavation and levelling ongoing
	Construction of kangundo road (Tala)-kenol, kenol-Kangundo road (Koma) and Katumani- Mombasa road and rehabilitation of Kenol Machakos town- katumani link road	69km bitumen standard road. 1,254 shops will be served, 110 Kiosks, 33 Churches, 6 hospitals, 26 schools, 2 colleges, 2 Mosques, 7 gas station and one bank.	4,392,444,988	22% .Start date – February 2016 Completion date is February, 2018.
	Construction of Juja and Thika sewerage system ( trunk sewer, reticulation and waste water treatment plant)	42km trunk sewer system, 36km reticulation and waste water treatment plant. Approximately 180,299 people who live in Juja and Thika	2,940,000,000	22%. Completion date December 2017
7.	Completion of 79 No. ESP Market	Entails civil works	1,012,000,000	Ongoing at various stages of completion
8.	Kerugoya / Kutus Storm water Drainage project	Construction of 4Km Kerugoya / Kutus Storm water Drainage project	460,000,000	5%
9.	Construction of Chaka Market Hub	Construction of wholesale blocks, cold rooms, retail blocks, lockable kiosks, banks, processing blocks, value addition block, police post, social amenities, eateries, bus and matatu park, parkings and driveways. 8000M <sup>2</sup> of	470,000,000	8%

S/NO.	PROJECT NAME	BRIEF DETAILS	COST(KSHS)	STATUS
		trading space that accommodates 2,500traders and 25,000 others (customers, porters, transporters, supplies and attendants)		
10.	Completion of Daraja Mbili wholesale and retail Market	Construction of Market block, markets stalls, parking, civil works and electrical works). 2,700M <sup>2</sup> trading space to accommodate 2000 traders and 7,000 others (customers, porters, transporters, suppliers and attendants.	308,817,000	59%
11.	Narok Storm water Drainage project – Phase II	construction of 4 Km Storm water Drainage project – Phase II	460,000,000	58%

Source: State Department of Housing and Urban Development

#### **4.0 COMMITTEE'S OBSERVATIONS**

The Committee observed that:-

1. The State Department of Public works does not have a development budget as it is purely composed of pending bills. Notwithstanding the reimbursements contained in the amendments to the 1<sup>st</sup> Supplementary Estimates by The National Treasury, the total reductions further increase the State Departments pending bills;
2. Even with the increase in resource allocation, it would be hard to determine the actual amount that will be received by the Ministry of Transport, Infrastructure, Housing and Urban Development by the end of the financial year. The various State Departments had indicated low and late release of funds from the National Treasury as an impediment to completion of projects on time. Therefore special attention should be placed by The National Treasury to ensure efficient transition of resources for on-going projects.
3. There were new allocations to projects for the current Financial Year 2016/17 worth Ksh. 20.8 billion, occasioned by the increase in the Road Maintenance Levy Fund (RMLF) collection.
4. The State Department of Transport reallocated funds from the Rehabilitation and Modernization of Driving Test Centres project to the Second Generation Smart Card Based Licences project.

## 5.0 COMMITTEE'S RECOMMENDATIONS

The Committee Recommends that;

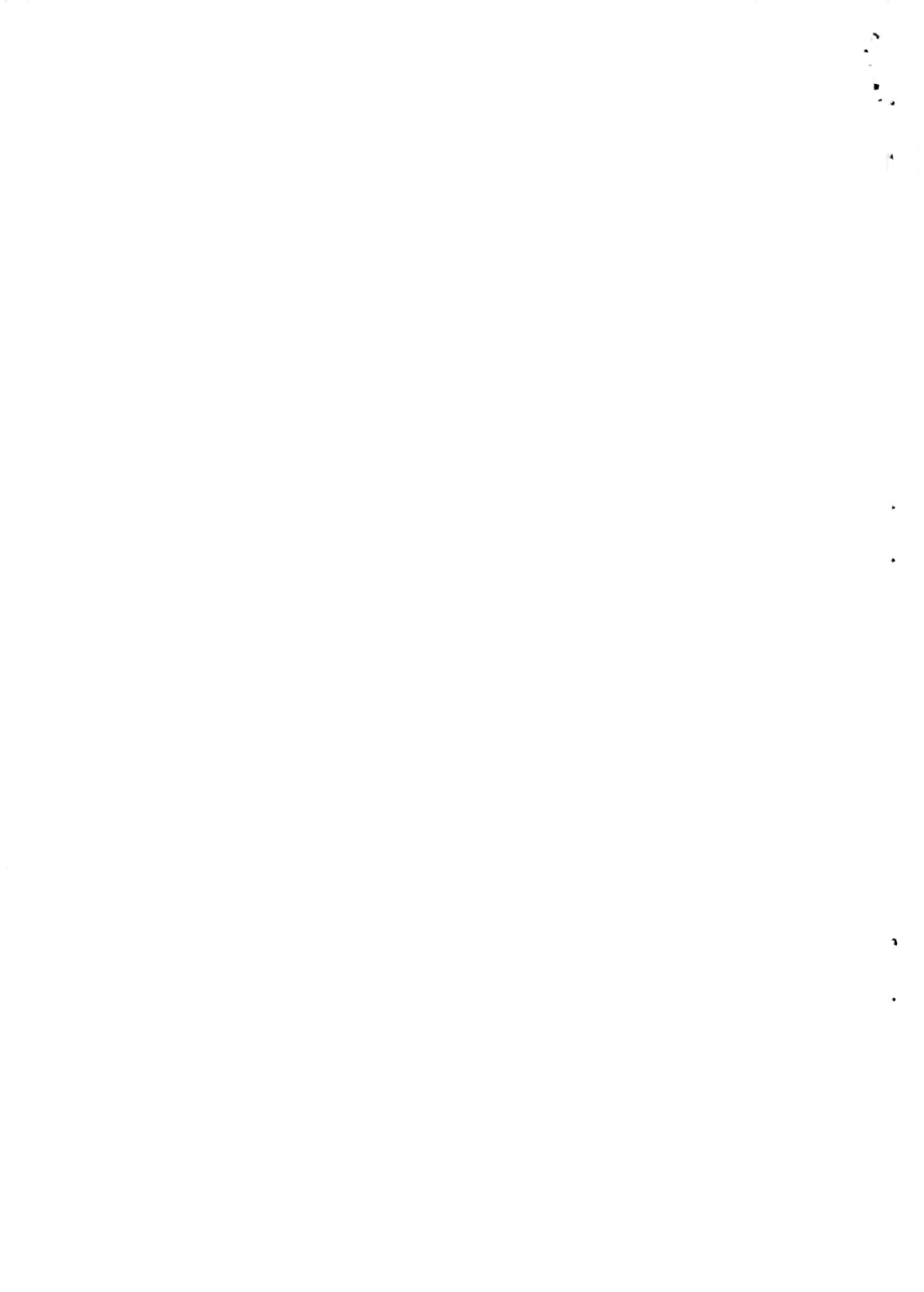
1. The resource allocations provided for under the Printed Estimates for the State Department of Public works be maintained and the changes occasioned by the supplementary budget should not be effected. This will allow for the reduction of the pending bills in this State Department;
2. Finances be availed to the development budget for the State Department of Public Works which only consists of pending bills;
3. Noting the increase in resource allocation, measures should be put in place to ensure that higher absorption rates are reached by the MDAs. All resources must be utilized efficiently in order for benefits to be timely and that the competitive advantage of Kenyan infrastructure is retained;
5. The State Department of Transport reallocates Ksh. 150,000,000 from the Second Generation Smart Card Based Licences project to the Rehabilitation and Modernization of Driving test Centres project;
6. The changes occasioned by the amendments to the 1<sup>st</sup> Supplementary Estimates be incorporated into the Ministry's budget.

SIGNED..........

DATE .....21/2/017.....

**Hon. Maina Kamanda, EGH, M.P.**

**Chairperson, Departmental Committee on Transport, Public Works and Housing**



**REPUBLIC OF KENYA**



**KENYA NATIONAL ASSEMBLY**

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**ELEVENTH PARLIAMENT – FIFTH SESSION**

**THE DEPARTMENTAL COMMITTEE**

**ON**

**FINANCE, PLANNING & TRADE**

**REPORT ON THE CONSIDERATION OF 2016/2017 SUPPLEMENTARY ESTIMATES**

**1 FOR THE FOLLOWING SPENDING AGENCIES:**

The National Treasury  
Ministry of Devolution & Planning  
Ministry of Tourism  
Ministry of Industry, Trade & Cooperatives  
Salaries and Remuneration Commission  
Commission on Revenue Allocation  
Controller of Budget

**DIRECTORATE OF COMMITTEE SERVICES**

**CLERKS CHAMBERS**

**PARLIAMENT BUILDINGS**

**NAIROBI**

**FEBRUARY, 2017**

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## **ABBREVIATIONS**

KIRDI	-	Kenya Industrial Research Development Institute
KITI	-	Kenya Industrial Training Institute
MDAs	-	Ministries, Departments and Agencies
CEO	-	Chief Executive Officer
TARDA	-	Tana & Athi River Development Authorities
RDAs	-	Regional Development Authorities
GoK	-	Government of Kenya
KRA	-	Kenya Revenue Allocation
PFM	-	Public Finance Management

## 1.0 INTRODUCTION

### 1.1 Mandate

The Departmental Committee on Finance, Planning & Trade is one of the twelve departmental committees of the House established pursuant to Article 124 of the Constitution of Kenya 2010 and Standing Order 216 of the National Assembly and mandated to:

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

The Departmental Committee on Finance, Planning and Trade oversees the following Ministries/Departments/Agencies:

1. The National Treasury
2. Ministry of Devolution and Planning
3. Ministry of Industry, Trade & Cooperatives
4. State Department of Commerce and Tourism
5. Commission on Revenue Allocation
6. The Salaries and Remuneration Commission
7. The Controller of Budget

## 1.2 Membership

<b>Chairman</b>	The Hon. Benjamin Langat, MP
<b>Vice Chairman</b>	The Hon. Nelson Gaichuhie, MP
<b>Members</b>	The Hon. Dr. Oburu Oginga, MP
	The Hon. Jimmy Nuru Angwenyi, MP
	The Hon. Eng. Shadrack Manga, MP
	The Hon. Ahmed Shakeel Shabbir Ahmed, MP
	The Hon. Sammy Koech, MP
	The Hon. Sammy Mwaita, MP
	The Hon. Tiras N. Ngahu, MP
	The Hon. Abdullswamad Sheriff, MP
	The Hon. Abdul Rahim Dawood, MP
	The Hon. Alfred W. Sambu, MP
	The Hon. Anyanga Andrew Toboso, MP
	The Hon. Daniel E. Nanok, MP
	The Hon. Dennis Waweru, MP
	The Hon. Joash Olum, MP
	The Hon. Jones M Mlolwa, MP
	The Hon. Joseph Limo, MP
	The Hon. Kirwa Stephen Bitok, MP
	The Hon. Lati Lelelit, MP
	The Hon. Mary Emase, MP
	The Hon. Ogendo Rose Nyamunga, MP
	The Hon. Patrick Makau King'ola, MP
	The Hon. Ronald Tonui, MP
	The Hon. Sakaja Johnson, MP
	The Hon. Sakwa John Bunyasi, MP
	The Hon. Sumra Irshadali, MP
	The Hon. Hezron Awiti Bolo, MP

### **1.3 Committee Secretariat**

First Clerk Assistant	Evans Oanda
Third Clerk Assistant	Nicodemus Maluki
Third Clerk Assistant	Fredrick Otieno
Legal Counsel II	Brigita Mati
Research Officer III	Eric Ososi
Research Officer III	Sharon Rotino

### **1.4 Tabling of 2016/2017 Supplementary Estimates 1**

The legal requirements underpinning the preparation and approval of the Supplementary Budget is provided for in Article 223 of the Constitution; Sections 43(2) and 44 of the PFM Act 2012 and Section 40 of the PFM Regulations. The Constitution provides for the National Government to incur expenditure not appropriated for in the annual Appropriation Act on account of: insufficiency of amounts initially provided; when a need has arisen for expenditure to which no amounts have been allocated; or for withdrawals from the Contingencies Fund.

It is against this background that the 2016/2017 Supplementary Estimates 1 was tabled on the floor of the House by the Leader of the Majority Party On 1<sup>st</sup> December, 2016 and subsequently committed to the Departmental Committees for consideration. In considering the Supplementary Estimates, the Budget and Appropriations Committee should consult the Departmental Committees before tabling its report.

### **1.5 Committee proceedings**

Upon receipt of the 2016/2017 Supplementary Estimates 1, the Departmental Committee on Finance, Planning & Trade invited the National Treasury for briefing session. The Committee held two (2) sittings during the consideration of the 2016/2017 Supplementary Estimates 1.

## 2.0 CONSIDERATION OF THE BUDGET ESTIMATES

### 2.1 PRESENTATION BY THE NATIONAL TREASURY

On 2<sup>nd</sup> February 2017, the Committee met with the Principal Secretary for the National Treasury to give a brief on the rationale for adjustments in the budgets of MDAs under the purview of the Committee. The Principal Secretary informed the Committee as follows:

#### I. FISCAL PERFORMANCE, JULY– SEPTEMBER 2016

Budget implementation during the FY2016/17 started off on a low pace largely due to the re-alignment of the budget as well as delays in finalization of work plans, procurement plans, and annual cash plans.

The fiscal performance for the first quarter of FY 2016/17 is as shown in Table 1 below;

**Table 1: Budget Outturn, Cumulative Ending 30<sup>th</sup> September, 2016 (KSh. Million)**

	2015/2016 Actual	2016/2017		Deviation	%growth
		Actual*	Targets		
<b>A. TOTAL REVENUE AND GRANTS</b>	<b>280,624</b>	<b>315,123</b>	<b>344,582</b>	<b>(29,459)</b>	<b>12.29</b>
<b>1. Revenue</b>	<b>277,223</b>	<b>313,645</b>	<b>328,012</b>	<b>(14,367)</b>	<b>13.14</b>
Ordinary Revenue	260,987	294,475	298,267	(3,791)	12.83
Appropriation-in-Aid	16,237	19,169	29,745	(10,576)	18.06
<b>2. Grants</b>	<b>3,401</b>	<b>1,478</b>	<b>16,570</b>	<b>(15,092)</b>	<b>(56.55)</b>
<b>B. EXPENDITURE and NET LENDING</b>	<b>337,375</b>	<b>387,612</b>	<b>526,908</b>	<b>(139,296)</b>	<b>14.89</b>
<b>1. Recurrent</b>	<b>212,281</b>	<b>237,713</b>	<b>298,060</b>	<b>(60,347)</b>	<b>11.98</b>
<b>2. Development and Net Lending</b>	<b>93,706</b>	<b>94,553</b>	<b>152,241</b>	<b>(57,687)</b>	<b>0.90</b>
<b>3. Equalization Fund</b>	<b>0</b>	<b>0</b>	<b>1,500</b>	<b>(1,500)</b>	<b>-</b>
<b>4. County Governments</b>	<b>31,388</b>	<b>55,347</b>	<b>73,858</b>	<b>(18,512)</b>	<b>76.33</b>
<b>5. CF</b>	<b>0</b>	<b>0</b>	<b>1,250</b>	<b>(1,250)</b>	<b>-</b>
<b>C. DEFICIT EXCL GRANT (Commitment basis)</b>	<b>(60,151)</b>	<b>(73,968)</b>	<b>(198,897)</b>	<b>124,929</b>	<b>22.97</b>
<b>D. DEFICIT INCL GRANTS (Commitment basis)</b>	<b>(56,750)</b>	<b>(72,490)</b>	<b>(182,327)</b>	<b>109,837</b>	<b>27.73</b>
<b>E. ADJUSTMENT TO CASH BASIS</b>	<b>66,097</b>	<b>(16,346)</b>	<b>-</b>	<b>(16,346)</b>	<b>(124.73)</b>
<b>F. DEFICIT INCL GRANTS (Cash basis)</b>	<b>9,347</b>	<b>(88,836)</b>	<b>(182,327)</b>	<b>93,491</b>	<b>(1,050.46)</b>
<b>G. FINANCING</b>	<b>(9,347)</b>	<b>88,836</b>	<b>182,327</b>	<b>(93,491)</b>	<b>(1,050.47)</b>
<b>1. Foreign financing</b>	<b>4,775</b>	<b>39,165</b>	<b>85,187</b>	<b>(46,022)</b>	<b>720.16</b>
Disbursements	13,418	47,231	96,976	(49,745)	252.00
Debt repayment - Principal	(8,642)	(8,065)	(11,789)	3,724	(6.68)
<b>4. NET DOMESTIC FINANCING</b>	<b>(14,420)</b>	<b>49,431</b>	<b>96,647</b>	<b>(47,216)</b>	<b>(442.80)</b>
<b>MEMO ITEM</b>					
<b>GDP ESTIMATE</b>	<b>6,604,178.26</b>	<b>7,435,211.03</b>	<b>7,435,211.03</b>		

#### • *Revenue performance*

By the end of September 2016, total cumulative revenue including A-I-A collected amounted to **Ksh.313.6 billion** against a target of **Ksh.328.0 billion**. This performance was below the target by

**Ksh.14.4 billion**, of which A-I-A underperformed by **KSh. 10.6 billion**, while Ordinary Revenue was **KSh. 3.8 billion**. The Ministry expect the revenue performance to improve in the second half of the fiscal year.

- ***Expenditure Performance***

The total expenditure and net lending for the period under review amounted to **KShs.387.6 billion**, against a target of **KShs.526.9 billion**. The shortfall of **KShs.139.2 billion** was attributed to lower absorption recorded in both recurrent and development expenditures.

## **II. EMERGING CHALLENGES**

During the first quarter of the financial year, implementation of the budget has faced some challenges, these include;

- i. ***Under Performance in Revenue:*** By end of September 2016, total cumulative revenue including grants amounted to **KShs.315.1 billion** against a target of **KShs.344.6 billion**. This target was below target by **KShs.29.5 billion**.
- ii. ***Additional Expenditures:*** The National Treasury had received requests for additional funding from MDAs amounting to **KShs.248.2 billion**, since the start of the fiscal year , which comprise **KShs.94.0 billion** on recurrent expenditure (40%) and **KShs.154.2 billion** for development expenditure (60%). The additional requests included expenditures to support salary shortfalls, mitigation of drought, and additional costs for the preparation of the August 2017 General Elections, following the recent amendment to the electoral law.
- iii. ***Low absorption :*** The absorption of the budget on net issues was relatively low with recurrent expenditures recording **19 per cent** and the development budget **11per cent**. The low absorption was caused by delays in the implementation of the budget due to the re-alignment of the budget, finalization of annual workplans, procurement plans and cash plans by MDAs.

## **III. HIGHLIGHTS OF FY 2016/17 SUPPLEMENTARY ESTIMATES NO.1**

- ***Rationalization of Additional Expenditures Requests***

The additional expenditure requests amounting to **KSh.297.8 billion** were rationalized and a total of **KSh.75.3 billion** has been recommended for funding. These include:

- Salaries KShs. 2.7 billion
- Multi Agency Activities KShs. 1.0 billion

• Motor Vehicle leasing	KShs. 1.2 billion
• Drought interventions	KShs. 3.3 billion
• IEBC (Cost of new legislation)	KShs. 2.0 billion
• Repatriation of refugees	KShs. 1.0 billion
• Youth Empowerment	KSh.2.0 billion
• Medical Equipment Supplies	KShs.5.5 billion
• Pending Bills Energy	KShs.6.3 billion
• Loan to Uchumi	KShs.0.5 billion
• Safaricom Security Contract	KShs.10.3 billion
• School Infrastructure (CDF)	KShs. 5.5 billion
• Digital Learning Programme	KShs. 4.0 billion
• Shortfall in Equalization Fund	KShs. 2.0 billion
• National Drought Emergency	KShs. 2.0 billion
• Purchase of Building (EACC)	KShs. 0.5 billion
• Public Participation Projects	KShs. 1.7 billion
• Others	KShs. 22 billion
<b>Total</b>	<b>KShs.75.3 billion</b>

• *Measures to Close the Financing Gap*

To close this gap, we had to rationalize the FY 2016/17 Budget across all MDAs.

In the Recurrent budget, we curtailed expenditures on the non-priority areas as indicated below;

<b>Rationalization of Recurrent Draft Budget 2016-2017</b>	
<b>Item</b>	<b>Rate</b>
2210200 Communication	30
2210300 Domestic Travel and Subsistence, and Other Transportation Costs	30
2210400 Foreign Travel and Subsistence, and other transportation costs	30
2210500 Printing, Advertising and Information Supplies and Services	20
2210700 Training Expenses	10
2210800 Hospitality Supplies and Services	30
2211100 Office and General Supplies and Services	30
2220200 Routine Maintenance - Other Assets	30
2211200 Fuel Oil and Lubricants	30
2211300 Other Operating Expenses	30
3110700 Purchase of Motor Vehicles and Other Transport Equipment	30
3111000 Purchase of Office Furniture and General Equipment	40
3111100 Purchase of Specialised Plant, Equipment and Machinery	30

In the Development Budget, externally financed projects were rationalized by **KShs.219.6 billion** to comply with the revised fiscal framework and the absorption levels. We also rationalized second

half allocations of GOK financed projects by **KShs.38.8 billion** to finance the recommended additional expenditures.

To mitigate the effects of Budget rationalization on the ongoing projects, we have advised MDAs to give priority funding in the FY 2017/18 Budget to areas affected in the FY2016/17 Supplementary Estimates.

The Supplementary I Estimates for Financial Year 2016/2017 have overall growth of Kshs.1.88 billion and a reduction of Kshs.4.53 billion in Recurrent and Development respectively. The rationale/reasons for both increases and decreases is given in the Table 1- Recurrent below and Table 2 – Development (attached)

**TABLE 1: RECURRENT**

Area/Item with Adjustments		Decrease	Increase	Reasons/Rationale
Item	Description	Kshs.	Kshs.	
2110300	Personal Allowances Paid as part of salary		85.8 million	There was an overall increase by Kshs.85.8 million. The increase was based on the actual expenditure of house allowance (Kshs.13m), hardship allowance (Kshs.22.8m) and transfer allowance (Kshs.47.2m) as per IPPD returns for six months July – December. All PFM staff were transferred in May and June and especially those in field stations were to be paid disturbance (transfer) allowances in FY 2016/17 because they had not requested for transfer.
2110100	Basic Salaries – Civil Servants	102.8 million		The decrease by Kshs.102.8 in basic salaries for civil servants. was based on actual expenditures of the payroll.
2110200	Basic Wages – Temporary Employees	38.8 million		The decrease by Kshs.38.8 million for contractual employees was based on actual expenditures of the contracts.
2210300	Domestic travels and subsistence and other transport costs		22 million	This item had an increase to cater for pending bills especially for air tickets.
2210400	Foreign travel and subsistence and other transportation costs		15 million	This item had an increase to cater for pending bills for air tickets.
2210600	Rentals of produced assets		8.8 million	This item had an increase to cater for Rent for new offices housing Public Private Partnership Department at Kenya Re-insurance Plaza.
2210800	Hospitality supplies and services		22.8 million	This increase is to cater for pending bills relating to services for meetings/

				workshops provided for by various service providers.
2211100	Office and general supplies and services		14 million	This increase is to cater for pending bills on deliveries of stationery and computer tonners/accessories and for new staff members.
2211200	Fuel oil and lubricants		7.9 million	This item had an increase to pay for pending bills to fuel service providers not paid due to late submission of invoices.
2211300	Other operating expenses		1.6 billion	This increase is to cater for pending bills in relation to:- Leased National Police Service vehicles <b>Kshs.600 million</b> Leasing of 300 vehicles for Ministry of Education, Science and Technology <b>Kshs.600 million</b> Cater for expenses on hosting High Level Meeting Two HLM2 in November /December <b>Kshs.417 m.</b>
2220000	Routine maintenance		13.9 million	This increase to cater for pending bills to motor vehicles dealers and equipment.
3111000	Purchase of office furniture		14.6 million	This item has an increase to cater for replacing old furniture mainly on 13 <sup>th</sup> floor and purchase new furniture and other equipment for newly promoted and posted staff members for the New National Treasury Departments.
3111100	Purchase of Specialised Plant, Equipment and Machinery assets		5 million	This increase is to renew anti-virus licenses for computers by ICT Unit.
2630100	Current Grants to Semi-Autonomous Government Agencies – KRA		100 million	The increase on grants to KRA is to finance additional costs for Mapping Residential Areas to capture Landlords evading payment of income tax on rents.

### 3.0 COMMITTEE OBSERVATIONS

Having considered the supplementary estimates under the purview of the Committee, the Committee made the following observations:

#### 3.1 THE NATIONAL TREASURY

The overall approved budget for the National Treasury for the FY 2016/17 stood at KSh. 82.3 billion; of which, KSh. 36.7 billion was for recurrent expenditure and KSh. 45.5 billion for development expenditure. However, under the supplementary budget, the department's recurrent budget has been increased by KSh. 1.8 billion whereas the development budget has been decreased by KSh. 13.9 billion. On overall, the net effect is a decrease of KSh. 11.9 billion representing a percentage change of 14.6%.

Details		Approved estimates 2016/17	Adjustments	Revised estimates	% Change
Recurrent	Net	36,740.9	1,881.0	38,621.9	5.1%
	AIA	-	-	-	-
	Gross	36,740.9	1,881.0	38,621.9	5.1%
Development	Net	26,657.9	(4,526.2)	22,131.7	(17%)
	AIA	18,872.2	(9,335.4)	9,536.8	(49.5%)
	Gross	45,530.1	(13,861.6)	31,668.5	(30.5%)
Total	Net	63,398.8	(2,645.2)	60,753.6	(4.2%)
	AIA	18,872.2	(9,335.4)	9,536.8	(49.5%)
	<b>Gross</b>	<b>82,271.0</b>	<b>(11,980.6)</b>	<b>70,290.4</b>	<b>(14.6%)</b>

Source: Printed Supp. Estimates, National Treasury

The additional funds factored under the recurrent vote will cater for the following; Ksh 325 million for the second high level meeting of global partnership for development, Ksh 1.2 billion for leasing of vehicles for the ministry of interior for security operations and the ministry of education, and Ksh 100 million for Kenya Revenue Authority and Ksh 100 million for the Financial Reporting Centre.

The reduction in capital expenditure of Ksh 13.9 billion is as a result of contingency fund transfers of Ksh 5 billion, strategic response to public initiatives (Ksh 1 billion) and reductions in the budget for provision of procure to pay system integrator for parastatals (Ksh - 250 million), HIV/AIDS Round 7 (Ksh - 5.8 billion), Malaria Round 10 - special global fund (Ksh 2.6 billion), construction of the connecting bridge between Treasury and Bima house (Ksh - 34 million).

However, there were additional funds factored for the following projects under the development vote: Ksh 2 billion for equalization fund, Ksh 505 million for rehabilitation and expansion of Herufi Data center, Ksh 500 million for equity participation in Uchumi Supermarket and Ksh 250 million for Agricultural Finance Corporation.

At the programme level, the budget for the Public Financial Management Programme has been reduced substantially by Ksh 13.9 billion; however the programme of general administration, planning and support services has been increased by Ksh 1.94 billion.

### 3.2 THE STATE DEPARTMENT OF PLANNING AND STATISTICS

The State Department's approved budget for the FY 2016/17 is KSh. 46.22 billion, comprising of KSh. 4.72 billion for recurrent and KSh. 41.5 billion for development expenditures. In the supplementary budget, the recurrent budget has been increased by KSh. 264.5 million; however, the development budget has been reduced by KSh. 12.2 billion bringing the revised budget to KSh. 29.33 billion (this represents 26% reduction in overall budget).

Details		Approved estimates 2016/17	Adjustments	Revised estimates	% Change
Recurrent	Net	4,391.3	264.5	4,655.8	6%
	AIA	326.0	-	326.0	-
	Gross	4,717.3	264.5	4,981.8	6%
Development	Net	40,089.3	(11,176.3)	28,913.1	(38.7%)
	AIA	1,416.9	(997.1)	419.8	(70.4%)
	Gross	41,506.3	(12,173.4)	29,332.9	(29.3%)
Total	Net	44,480.6	(10,911.7)	33,568.9	(24.5%)
	AIA	1,742.9	(997.1)	745.8	(57.2%)
	<b>Gross</b>	<b>46,223.5</b>	<b>(11,908.8)</b>	<b>34,314.7</b>	<b>(25.8%)</b>

Source: Printed Estimates, National Treasury

The reduction largely affects the programme of Economic Policy and National Planning whose budget has been significantly reduced by KSh. 11.3 billion however the programme of monitoring and evaluation services registered a slight increase in its budget of KSh. 11.2 million.

The increase of KSh. 264.5 million in the recurrent budget is meant to cater for personnel emoluments for Coast Development Authority and Ewaso Ngiro South Development as well as the organizing of the Second African Peer Review Mechanism-Kenya.

The reduction in development budget of KSh. 12.2 billion will largely affect the following projects; the national government constituency fund (Ksh 10.5 billion), Kieni intergrated irrigation

project (Ksh -50 million), mwache dam (- 190 million), Aror Multi-purpose Dam (Ksh – 68 million), Kishenyi multi-purpose dam ( Ksh – 100 million), integrated Bamboo commercialization and value addition (Ksh -57 million) among other projects.

Though the CS for Devolution and planning indicated (when the Committee was considering the 2017/18 BPS) that the Ministry is still reviewing the Kshs 4.1 billion pending for the Lake Basin Development Authority with a view to settling them during the supplementary budgets, the Committee noted that the State Ministry did not budget for it in the Supplementary budget. The Committee further noted that the Auditor General had done a special audit on the mall and recommended payment of the outstanding bill. This was supported by both the legal advise by the Attorney General and the Ministry of infrastructure.

### 3.3 THE STATE DEPARTMENT OF DEVOLUTION

The department’s approved overall budget for the FY 2016/17 is KSh. 3.1 billion of which KSh. 649.5 million was for recurrent expenditure while KSh. 2.42 billion was for development expenditure. Under the supplementary budget, the recurrent budget has been increased by KSh. 140.1 million whereas its development budget has been reduced by KSh. 1.4 billion reflecting a net decrease of KSh. 1.2 billion bringing the revised budget for the department to 1.86 billion representing a 39% reduction in the department budget.

Details		Approved estimates 2016/17	Adjustments	Revised estimates	% Change
Recurrent	Net	649.5	140.0	789.5	22.6%
	AIA	-	-	-	-
	Gross	649.5	140.0	789.5	22.6%
Development	Net	2,304.0	(1,259.2)	1,044.8	(54.7%)
	AIA	120.0	(91.2)	28.8	(76%)
	Gross	2,424.0	(1,350.4)	1,073.6	(55.7%)
Total	Net	2,953.5	(1,119.2)	1,834.3	(37.9%)
	AIA	120.0	(91.2)	28.8	(76%)
	<b>Gross</b>	<b>3,073.5</b>	<b>(1,210.4)</b>	<b>1,863.1</b>	<b>(39.4%)</b>

Source: Printed Estimates, National Treasury

At the programme level, the Devolution Services programme has been reduced by KSh. 1.24 billion and general administration, planning and support services has been increased by KSh. 31.4 million.

The reduced funding mainly under the capital expenditure is likely to affect the implementation of various programmes such as the Kenya Symbiocity Programme (Ksh – 62.3 million, effective

implementation of gender functions at the county level (-20 million), devolution support programme for results (Ksh – 1.146 billion), UNDP-support to devolution programme (Ksh -50 million), IDEAS- Instrument for Devolution Advice and Support (Ksh 71.2 million).

### 3.4 STATE DEPARTMENT FOR TOURISM

The approved gross allocation for the department in the FY 2016/17 amounts to KSh. 7.2 billion comprising of KSh. 2.4 billion for recurrent expenditure and KSh. 4.8 billion for development expenditures. Under the Supplementary estimate I, the budget for the department has been adjusted downwards to KSh. 5.7 billion comprising of KSh. 2.4 billion for recurrent expenditure and KSh. 3.3 billion for development expenditure. This reflects a net reduction of KSh. 1.5 billion representing a 20% reduction in the department budget.

Details		Approved estimates 2016/17	Adjustments	Revised estimates	% Change
Recurrent	Net	1,375.6	39.1	1,414.6	2.8%
	AIA	978.7	15.0	993.7	1.5%
	Gross	2,354.2	54.1	2,408.3	2.3%
Development	Net	4,842.0	(1,500.0)	3,342.0	(40%)
	AIA	-	-	-	-
	Gross	4,842.0	(1,500.0)	3,342.0	(40%)
Total	Net	6,217.6	(1,460.9)	4,756.7	(23.5%)
	AIA	978.7	15.0	993.7	(1.5%)
	<b>Gross</b>	<b>7,196.3</b>	<b>(1,445.1)</b>	<b>5,751.2</b>	<b>(20.1%)</b>

Source: Printed Supp. Estimates, National Treasury

The major decrease is under the following sub-programme; Tourism promotion and Marketing - KSh.444.6 million, Tourism Infrastructure Development - KSh. 500 million, General administration, planning and support services (Ksh 499.5 million) and Niche tourism product development and diversification (KSh 1.81 million).

The reduction is likely to affect planned targets and outputs of the departments especially the construction of Ronald Ngala Utalii College (Ksh -375 Million), Charter Incentive Programme (Ksh -800 million), sustaining new markets and sitting booths in tourism target markets (Ksh -500 million) and Capital Lending for Hoteliers (Ksh -125 million).

Though the PS for the National Treasury indicated that the reason for the reduction of the Ministry's budget was based on low absorption capacity, the Committee was concerned that the reductions targeting tourism (productive sector) of the economy will negatively affect Kenya's economic growth. Therefore there was no need for reduction.

### 3.5 STATE DEPARTMENT FOR TRADE

The approved gross allocation for the department in the FY 2016/17 amounts to KSh. 3.1 billion comprising of KSh. 2.9 billion for recurrent expenditure and KSh. 0.245 billion for development expenditures. Under the Supplementary estimate I, the budget for the department has been adjusted downwards to KSh. 3.07 billion comprising of KSh. 2.95 billion and KSh. 0.122 billion for recurrent and development expenditures respectively. This reflects a net reduction of KSh. 0.092 billion representing a 2.9% reduction in the department budget.

Details		Approved estimates 2016/17	Adjustments	Revised estimates	% Change
Recurrent	Net	2,899.5	22.1	2,921.6	1%
	AIA	19.8	8.0	27.8	28.8%
	Gross	2,919.3	30.1	2,949.4	1%
Development	Net	245.0	(122.5)	122.5	50%
	AIA	-	-	-	-
	Gross	245.0	(122.5)	122.5	50%
Total	Net	3,144.5	(100.4)	3,044.1	(3.2%)
	AIA	19.8	8.0	27.8	28.8%
	<b>Gross</b>	<b>3,160.4</b>	<b>(92.4)</b>	<b>3,071.9</b>	<b>(2.9%)</b>

Source: Printed Supp. Estimates, National Treasury

The reductions will affect the following projects; modernization of standards laboratory (Ksh -45 million), establishment of commodities exchange platform (Ksh -15 million), establishment of E-Trade portal (Ksh -12.5 million), development of new markets in Congo Brazaville and Ghana, Country competitive index (Ksh -2.5 million) among others.

### 3.6 THE STATE DEPARTMENT FOR INVESTMENT AND INDUSTRY

The approved gross allocation of the department for FY 2016/17 is KSh. 8.1 billion comprised of KSh. 2.7 billion for recurrent and Ksh.5.4 billion for development. Under the Supplementary estimates I for FY 2016/17, the allocation for the department has been adjusted downwards to Ksh 5.99 billion representing a net decrease of Ksh 2.1 billion (25.5%). The decrease is largely on account of expenditure rationalization in development expenditures of the department.

Details		Approved estimates 2016/17	Adjustments	Revised estimates	% Change
Recurrent	Net	2,646.3	76.4	2,722.7	2.9%
	AIA	22.5	-	22.5	-

	Gross	2,668.8	76.4	2,745.2	2.9%
Development	Net	5,053.6	(1,953.6)	3,100	(38.7%)
	AIA	326.2	(176.2)	150.0	(54%)
	Gross	5,379.8	(2,129.8)	3,250	(39.5%)
Total	Net	7,699.9	(1,877.2)	5,822.7	(24.4%)
	AIA	348.7	(176.2)	172.5	(50.5%)
	<b>Gross</b>	<b>8,048.6</b>	<b>(2,053.4)</b>	<b>5,995.4</b>	<b>(25.5%)</b>

Source: QEBR, & Printed Estimates, National Treasury

The recurrent expenditures has a net increase of KSh. 76.4 million on account of additional funding for salaries and allowances for staffs in the following parastatals; KIRDI (Ksh 20 million), Kenya Industrial Estate - KIE (Ksh 30.7 million) and the industrial sectoriat (Ksh 56.6 million).

However, the development budget has registered a net decrease of KSh. 2.1 billion under the programmes of Industrial development and Investments, Business incubation, as well as General administration, planning and support services due to expenditure rationalization.

The projects affected by the reduction are: the development of Athi River Textile Hub. (Ksh -950 million), development of leather industrial park – Kenanie (Ksh - 467 milion), development of a Free and Industrial Parks – EPZ Mombasa (Ksh -150 million), Modernization of KICOMI Textile Plant (Ksh -40 million), Kenya Petroleum Technical Assistance Programme (Ksh – 203.6 million), Provision of Finance to SMEs and establishment of One Stop Center for Investment and Office (Ksh -180 million).

The Committee was concerned of the reduction within the state department especially on the Kshs 650million that had been earmarked for Kenya Industrial Estates. It was not necessary to do that considering that the KIE was already in the processing of loans.

The Committee further noted that the many reductions in the state department were as a result of low absorption capacity. This has been a trend in the last three four years.

### 3.7 SALARIES AND REMUNERATION COMMISSION

The Commission's gross allocation in the approved estimates in the FY 2016/17 is KSh.533 million. In the FY 2016//17 Supplementary Estimates I, the allocations for the commission has remained the same. Subsequently, the outcomes, outputs, set targets and performance indicators have not changed for the period under review.

Details		Approved estimates 2016/17	Adjustments	Revised estimates	% Change
Recurrent	Net	533	-	533	0%

	AIA	-	-	-	-
	Gross	533	-	533	0%
Development	Net	-	-	-	-
	AIA	-	-	-	-
	Gross	-	-	-	-
Total	Net	533	-	533	0%
	AIA	-	-	-	-
	<b>Gross</b>	<b>533</b>	-	<b>533</b>	<b>0%</b>

Source: Printed Supp. Estimates National Treasury

The Committee observed that the SRC has outlived its useful time having advised remuneration for the Public Servants and set the ones for the State Officers. Therefore SRC's budget should be reduced greatly to be commensurate with RSC's reduced functions.

### 3.8 CONTROLLER OF BUDGET

The approved gross estimate for the office of controller of budget in the FY 2016/17 amounts to Kshs. 561.27 million mainly for recurrent expenditure. The estimates have been adjusted to Ksh 542.1 under the Supplementary budget I FY 2016/17. The decrease of 3.4% or Ksh 19.21 Million is on accounts of reduced personnel emoluments. The reduction has been occasioned by a delay in recruitment of 7 additional officers which was to be done by July 2016 but was postponed to January 2017.

Details		Approved Estimates 2016/17	Adjustments	Revised estimates	% Change
Recurrent	Net	561.3	(19.2)	542.1	3.4%
	AIA	-	-	-	-
	Gross	561.3	(19.2)	542.1	3.4%
Development	Net	-	-	-	-
	AIA	-	-	-	-
	Gross	-	-	-	-
Total	Net	561.3	(19.2)	542.1	3.4%
	AIA	-	-	-	-
	Gross	561.3	(19.2)	542.1	3.4%

Source: Printed Supp. Estimates, National Treasury

### 3.9 THE COMMISSION ON REVENUE ALLOCATION

The gross approved allocation for the commission in the FY 2016/17 is Kshs. 355.78 million largely for recurrent expenditure. In the Supplementary estimates I for the FY 2016/17, the estimates have been adjusted slightly to Ksh. 356.6 million on accounts increase of appropriations in aid. The sub-programmes whose budgets have been adjusted are; General administration, planning and support services (Ksh 5.8 million), County Co-ordination Services (Ksh -1.9 million), Legal and Public Affairs (-1.6 million) and Research and Policy (Ksh -2.3 million).

Details		Approved estimates 2016/17	Adjustments	Revised estimates	% Change
Recurrent	Net	355.8	-	356.6	0%
	AIA	-	0.8	-	100%
	Gross	355.8	0.8	356.6	0.2%
Development	Net	-	-	-	-
	AIA	-	-	-	-
	Gross	-	-	-	-
Total	Net	355.8	0.8	356.6	0%
	AIA	-	-	-	-
	<b>Gross</b>	355.8	<b>0.8</b>	<b>356.6</b>	<b>(0.2%)</b>

Source: Printed Supp. Estimates, National Treasury

## 5.0 COMMITTEE RECOMMENDATIONS

a) The National Treasury

- The National Treasury should ensure that all the Kshs 10.5 billion earmarked for CDF for the purposes of education is dispersed within the 2016/17 financial year.
- The National Treasury should ensure timely exchequer releases to the MDAs as and when required to avoid instances of pending bills
- The National Treasury should ensure that all the monies allocated for bailing out of public entities under financial distress refund the allocated money. In the supplementary estimates, Kshs 500 million has been earmarked for Uchumi.
- 

b) State Department for Planning and Statistics

- Kshs 4.1 billion should be allocated to the Lake Basin Development Authority (LBDA) for payment of the pending bills for the construction of the mall.

c) Ministry of Tourism

- The Committee rejects the adjustments in the Ministry of Tourism.
- A special audit should be done on the construction Ronald Ngala Utalii College to determine whether Kenyans are getting value for money.

d) State Department for Industry and Investment

- The State Department of Industry and Investment should budget and implement programmes that it has capacity to implement.
- The Kshs 650 million earmarked for KIE should not be reduced as proposed in the Supplementary Estimates. Kshs 300 million has been reduced from the KIE in the Supplementary Estimates.

Signed: .....



Date: .....

8<sup>th</sup> Feb 2017

(THE HON. NELSON RIBUTHI GAICHUHIE, M.P.)

VICE - CHAIRPERSON, DEPARTMENTAL COMMITTEE ON FINANCE, PLANNING  
& TRADE

REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY

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ELEVENTH PARLIAMENT – FIFTH SESSION

THE DEPARTMENTAL COMMITTEE ON ENVIRONMENT & NATURAL  
RESOURCES

REPORT ON THE 2016/2017 FIRST SUPPLEMENTARY ESTIMATES

FOR

THE MINISTRY AND THE DEPARTMENT OF:-

- I. State Department for Environment
- II. State Department for Natural Resources
- III. State Department for Water Services
- IV. Ministry of Mining

FEBRUARY, 2017

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## **COMMITTEE MANDATE**

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

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

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

## **OVERSIGHT**

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

- i. The State department for Water Services;
- ii. The State Department of Environment;
- iii. The State Department for Natural Resources; and
- iv. The Ministry of Mining

## MEMBERS OF THE COMMITTEE

The Committee comprises the following Members:

<b>Chairperson</b>	Hon. Amina Abdalla, CBS, M.P
<b>Vice Chairperson</b>	Hon. Alexander. K. Kosgey, M.P.
	Hon. Alice Ng'ang'a, M.P.
	Hon. Samuel Ndiritu, M.P.
	Hon. Opiyo Wandayi, M.P.
	Hon. (Dr.) Ejidius Njogu Barua, M.P.
	Hon. Jude Njomo, M.P.
	Hon. Moitalel Ole Kenta, M.P.
	Hon. Kathuri Murungi, M.P.
	Hon. Sunjeev Birdi, M.P.
	Hon. Jackson K. Rop, M.P.
	Hon. Abdi Noor Ali, M.P.
	Hon. Joyce Emanikor, M.P.
	Hon. Abdulaziz Farah, M.P.
	Hon. Ronald Tonui, M.P.
	Hon. (Dr.) Reginalda Wanyonyi, M.P.
	Hon. Gideon Mwiti, M.P.
	Hon. Hassan Dukicha, M.P.
	Hon. Chachu Ganya, M.P.
	Hon. Richard Makenga, M.P
	Hon. Charles Geni. Mongare, M.P.
	Hon. (Dr.) Wilber K. Ottichilo, M.P.
	Hon. George Ogalo, M.P.
	Hon. (Major) Muluvi Mutua, M.P.
	Hon. Mohamed, Diriye M.P.
	Hon. Peter Kinyua, MP.
	Hon. Shukran Hussein Gure, M.P
	Hon. Joyce Lay, M.P
	Hon. Zuleikha Hassan Juma, M.P

## **SECRETARIAT**

The Committee is serviced by the following Members of Staff:

Ms. Tracy Chebet Koskei	<b>Clerk Assistant II</b>
Mr. Hassan Arale	<b>Clerk Assistant III</b>
Ms. Amran Mursal	<b>Fiscal Analyst III</b>
Mr. Ronald Walala	<b>Legal Counsel II</b>
Mr. James Muguna	<b>Research Officer III</b>

## **CONSIDERATION OF THE FIRST SUPPLEMENTARY ESTIMATES FOR THE FY 2016/2017**

The First Supplementary was tabled in the House on 1<sup>st</sup> December, 2016 and was referred to departmental Committees pursuant to Standing Order 243. The Committee held four sittings in which it deliberated on the First Supplementary Budget including a briefing by the Parliamentary Budget Office, the State Department for Water Services, the Ministry of Environment & Natural Resources and the Ministry of Mining.

## **OBSERVATIONS AND RECOMMENDATIONS**

### **COMMITTEE OBSERVATIONS**

#### **The Committee observed that:-**

1. The National Treasury does not consult line Ministries on reduction of resources especially donor funded projects. This is bound to have negative effect on implementation of projects;
2. The Committee in its interaction with the Ministries and Departments under its purview established that the National Treasury does not seem use the Supplementary Budget to fund newly signed donor funded projects, especially the ones signed in the middle of a financial year;

#### **A. State Department for Water Services**

3. The Committee noted that there was an increased Allocation of Kshs.300 million to Water Resources Management Authority (WARMA). WARMA has been experiencing financial difficulties emanating from the staff that was transferred to the entity in FY 2004/2005 from the Ministry;

4. The Committee in its previous engagement with the National Treasury was informed that Kshs. 195 million to Badasa Dam and Kshs. 536 million to Umaa Dam would be allocated under amendments to supplementary 1, however, supplementary 1 amendments have been presented at programme level and it is therefore difficult to ascertain whether the above has been funded;

#### **B. The Ministry of Mining**

5. The Ministry of Mining was allocated Kshs. 3 billion for conducting the first phase of the nationwide airborne geophysical survey in the FY 2016/2017, in the supplementary budget for the Ministry, this has been reduced by Kshs. 2.7 billion. The Ministry has been advised by the National Treasury to consider external financing for the said project. However, it has come to the attention of the Committee that the due diligence has not been carried out on the Chinese firm, Geological Exploration Technology Institute (GETI) of Jiangsu Province, that is set to carry out the project.

#### **C. State Department for Environment**

6. Most on-going projects in the department have had their funding greatly reduced, this will not only affect the targets of the projects but also poses a high risk in accumulation of pending bills;

#### **D. State Department for Natural Resources**

7. The current drought being experienced in the country has increased incidences of human wildlife conflict. The pending payments for victims of human wildlife conflicts including operationalization of County Wildlife Conservation and Compensation Committees amount to **Kshs.4.658 billion** for the period January 2014 to January 2016.
8. The Committee has noted Reduction of GoK counterpart funding in most projects, this puts donor funded projects at risk;

### **COMMITTEE RECOMMENDATIONS**

**The Committee agrees with the proposed Supplementary Estimates for the Financial Year 2016/2017, additionally the Committee makes the following recommendations:-**

#### **A. State Department for Water Services**

1. The Department should review the staffing levels at the Water Resources Management Authority which is greatly over-staffed. The Committee in its previous reports has urged agencies with bloated staff to initiate voluntary retirement programmes;

2. The Committee notes that under supplementary 1 amendments the state department has a reinstatement of **Kshs. 14.91 billion**, out of which **Kshs. 875 million** is for emergency drought interventions however, the beneficiaries of the remaining allocations have not been indicated.
3. The Committee in its previous engagement with the National Treasury was informed that **Kshs. 195 million** to Badasa Dam and **Kshs. 536 million** to Umaa Dam would be allocated under amendments to supplementary 1, however, supplementary 1 amendments have been presented at programme level and it is therefore difficult to ascertain whether the above has been funded;

#### **B. The Ministry of Mining**

4. The **Kshs. 2.7 billion** for the Nationwide Geophysical Survey should be reinstated. Further, the project should be done by Kenyan geologists as recommended by the Committee in its report on the consideration of the Budget Policy statement for the Financial Year 2017/2018. The Committee objects to the award of the project contract to the Chinese firm, Geological Exploration Technology Institute (GETI) due to the fact that due diligence not been carried out on the firm. The Committee therefore recommends that the project be funded through the exchequer for oversight and transparency purposes;
5. In the supplementary 1 estimates **Kshs 118 million** to the Research in Development vote had been cut. The Committee however notes that in the supplementary 1 amendments the Ministry has a reinstatement of Kshs. 326 million funds transferred to the National Research Fund, this amount is much more than the deducted amount. The Committee therefore recommends that **Kshs. 70 million** reduced from the Granite Assessment Centre in Vihiga County should be reinstated to enable the Ministry implement the project whose works have already started;
6. The Ministry informed the Committee of pending bills amounting to Kshs. 35.16 million for payment of lab supplies, tools and equipment, however in the supplementary 1 amendments the Committee noted that there has been an allocation of Kshs. 72.9 million for pending bills. It is clear that the National Treasury and the Ministries do not consult at the budgeting level;

#### **C. State Department for Environment**

7. **Kshs. 100 million** be reinstated for purchase of land for the Medical Waste and Hazardous Waste Recycling Facility. The Government of Japan may withdraw the

support to the project that is to be constructed by a grant of US\$ 15 million that is extended to Government of Kenya due to unavailability of land;

8. The Committee is pleased with the reinstatement of the **Kshs. 422 million** to NEMA A-I-A loss, however, it notes that the scrapping of the Environment Impact Assessment fees goes against international treaties on Polluter pays principle to which Kenya is a signatory;

#### **D. State Department for Natural Resources**

9. **Kshs. 4.658 billion** be allocated to the Ministry of Environment and Natural Resources for payment pending claims for victims of human wildlife conflicts and operationalization of County Wildlife Conservation and Compensation Committees;
10. **Kshs. 5 million** be allocated to Kenya Forest Research Institute (KEFRI) for Development of Drought Tolerant Trees for Adaptation to Climate Change. This is counterpart funding to support Japanese Grants that have already been received. Additionally, **Kshs 10 million** counterpart funding be reinstated to Kenya Wildlife Service (KWS) for Conservation of Biodiversity of Northern Kenya.

#### **ACKNOWLEDGEMENTS**

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

The Chairperson of the Committee takes this opportunity to thank all Members of the Committee and officials from the Ministries and SAGAs (Semi Autonomous Government Agencies) during its sitting of 2<sup>nd</sup> February, 2017.

Finally it is now my pleasant duty, on behalf of the Committee, to present and recommend this report on the First Supplementary Estimates to the Budget and Appropriations Committee for consideration.

Thank you.

**Hon. Amina Abdalla, CBS, MP**

## **1.0 BACKGROUND**

### **1.1 FIRST SUPPLEMENTARY ESTIMATES 2016/2017**

The legal requirements underpinning the preparation and approval of the Supplementary Budget is provided for in Article 223 of the Constitution; Sections 43(2) and 44 of the PFM Act 2012 and Section 40 of the PFM Regulations. The Constitution provides for the National Government to incur expenditure not appropriated for in the annual Appropriation Act on account of: insufficiency of amounts initially provided; when a need has arisen for expenditure to which no amounts have been allocated; or for withdrawals from the Contingencies Fund.

In that regard, approvals for such expenditures must therefore be sought from the National Assembly through a Supplementary Budget and subsequently a Supplementary Appropriation Bill. However, the amount spent should not be more than **ten percent** of total sum appropriated by the National Assembly unless in special circumstances where Parliament has approved a higher percentage.

## **2.0 ANALYSIS OF THE PROPOSED FIRST SUPPLEMENTARY ESTIMATES 2016/2017**

The departmental committee on Environment, water and natural resources sector Committee oversees the following Government Ministries and Departments namely:-

- v. The State department for Water Services;
- vi. The State Department of Environment;
- vii. The State Department for Natural Resources; and
- viii. The Ministry of Mining

## 2.1 The budget adjustments in the Environment, Water and Natural Resources Sector

### A. State Department for Environment

The gross printed estimate for the State Department for environment in 2016/17 financial was **Kshs. 7.23 billion**. This comprised of **Kshs 2.98 billion** for recurrent expenditure and **Kshs 4.25 billion** for development expenditure. The 2016/17 supplementary budget has adjusted the gross allocation to **Kshs 4.80 billion** which represents an overall decrease of **Kshs 2.43 billion** representing 34% decrease.

The gross recurrent expenditure was increased to **Kshs. 3.06 billion** from the printed estimates of **Kshs. 2.98 billion** resulting in an increase of **Kshs 78.26 million** which is on the net recurrent expenditure representing an increase of 2.6 per cent.

This is attributed to an increase in use of goods and services which increased by **Kshs. 79.55 million** while other recurrent reduced by **Kshs. 1.29 million**. The components under use of goods and services are under Headquarters financial management and procurement services which increased domestic travel and subsistence, and other transportation costs from **Kshs. 2.65 million** to **Kshs. 51.86 million** (increase of **Kshs. 49.21 million**), foreign travel and subsistence and other transportation costs increased from zero allocation to **Kshs. 30 million** in the supplementary. Hospitality supplies and services also increased from **Kshs. 0.99 million** to **Kshs. 30.70 million**

The gross development expenditure was reduced to **Kshs. 1.74 billion** from the printed estimates of **Kshs. 4.25 billion** resulting in a decrease of **Kshs 2.50 billion** which is on the net development expenditure which has been reduced from **Kshs. 3.90 billion** to **Kshs. 1.66 billion** representing a decrease of 58 per cent. The A-I-A has reduced from **Kshs. 346.08 million** to **Kshs. 86.67 million** representing a decrease of 75 percent.

As indicated in table 1, the major reduction in development is as a result of reduced allocation in the net estimates by **Kshs. 2.24 billion**. The projects whose allocations have decreased by more than a hundred million are; the Adaptation fund (NEMA) which had a net decrease of **Kshs. 356.11 million**, urban rivers rehabilitation project by **Kshs. 144 million**, RANET- Kenya Community Radio (Phase III) by **Kshs. 117 million**, purchase of digital instrument by **Kshs. 106 million** and Acquisition of CAT 3 Airport Weather Observing System by **Kshs. 100 million**.

Details	Printed Estimates	Adjustments	Revised Estimates
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Recurrent	Net	2,160.21	78.26	2,238.47
	AIA	818.90	-	818.90
	<b>Gross</b>	<b>2,979.11</b>	<b>78.26</b>	<b>3,057.37</b>
Development	Net	3,900.54	(2,243.74)	1,656.80
	AIA	346.08	(259.41)	86.67
	<b>Gross</b>	<b>4,246.62</b>	<b>(2,503.15)</b>	<b>1,743.47</b>
<b>Total</b>	Net	6,060.75	(2,165.48)	3,895.27
	AIA	1,164.98	(259.41)	905.57
	<b>Gross</b>	<b>7,225.73</b>	<b>(2,424.89)</b>	<b>4,800.84</b>

Source: National Treasury

### B. State Department for Natural Resources

The state department for Natural Resources had a gross printed estimate of **Kshs. 14.91 billion** in the FY 2016/2017 printed estimates. The supplementary estimate has reduced this allocation to **Kshs. 13.82 billion** representing a decrease of **Kshs. 1.09 billion**.

Recurrent allocation has increased from **Kshs. 11.32 billion** to **Kshs. 11.86 billion** representing a total increase of **Kshs. 540.03 million**. Compensation to employees increased by **Kshs. 60 million** (**Kshs. 25.77 million** increase in the natural resource HQs, new allocation of **Kshs. 17.51 million** for wildlife conservation HQs, **Kshs. 3.19 million** new allocation to planning and project monitoring while the financial management services had a new allocation of **Kshs. 13.52 million**). Current transfers to Govt agencies increased by **Kshs. 500 million** which was as a result of an increase in allocation to KWS from the approved **Kshs. 3.92 billion** to **Kshs. 4.41 billion** while other recurrent increased by **Kshs. 80 million** (purchase of h/hold, office, general equipment and specialized plant and machinery for the HQs). However there is a decrease of **Kshs. 100 million** in the use of goods and services component.

Development expenditure has decreased from the allocated/approved estimate of **Kshs. 3.59 billion** to **Kshs. 1.96 billion** representing a decrease of 45 percent. This was mainly as a result of A-I-A decreasing from **Kshs. 1.45 billion** to **Kshs. 411.50 million** (**Kshs. 1.03 billion**) and the net estimates reducing from **Kshs. 2.15 billion** to **Kshs. 1.55 billion** (**Kshs.600 million**). Table 2 shows a breakdown of the changes.

Details		Printed Estimates	Adjustments	Revised Estimates
Recurrent	Net	5,082.32	540.03	5,622.35
	AIA	6,240.02	-	6,240.02
	<b>Gross</b>	<b>11,322.34</b>	<b>540.03</b>	<b>11,862.37</b>
Development	Net	2,146.00	(600.50)	1,545.50
	AIA	1,446.00	(1,034.50)	411.50

	<b>Gross</b>	<b>3,592.00</b>	<b>(1,635.00)</b>	<b>1,957.00</b>
Total	Net	7,228.32	(60.47)	7,167.85
	AIA	7,686.02	(1,034.50)	6,651.52
	<b>Gross</b>	<b>14,914.34</b>	<b>1,094.97</b>	<b>13,819.37</b>

*Source: Supplementary Estimate Programme Based Budget FY 2016/2017, National Treasury*

### **Submission by the Cabinet Secretary for the Ministry of Environment and Natural Resources**

Appearing before the Committee on 2<sup>nd</sup> February, 2017 the Cabinet Secretary, Prof. Judi Wakhungu submitted the following:

The National Treasury issued a circular letter Ref: ES1/03 of 24th November 2016, requesting Ministries to reduce their Development Budgets and as a result, **Kshs 356.11 million** of the Adaptation Fund was reduced without consulting the Ministry. This is a donor funded programme whose funds have already been disbursed to the National Environment Management Authority (NEMA). A further the decrease by Kshs. 100 Million that was meant for acquisition of CAT 3 Airport Observing System was also done without the Ministry's Consultation. The system was meant for Kisumu, JKIA and Eldoret Airports.

She further submitted that the following are some of the targets to be affected by the overall reduction in the Department of Natural Resources

- i. Reduction in Adaptation fund** will affect ongoing activities on building climate change resilience and the Ministry's ability to enhance climate change resilience and thus lead to food insecurity;
- ii. Acquisition of CAT3 Airport Weather Observing System (AWOS)**-The 3 AWOS have already been delivered at KMD and the engineers from the manufacturer (Finland) will be on site from 13th February 2017. The budget cut will therefore lead to pending bill.
- iii. Urban rivers and Restoration of Nairobi Rivers - Kshs 204 million** has been reduced in the supplementary budget. The reduction is likely to stall rehabilitation activities and compromise water quality in the rivers especially Athi river on which people from Lower Eastern and Coast regions depend on and also used by wildlife in Tsavo National Park.

She submitted the following as priority projects for the Ministry:

### **State Department of Environment**

- i) Kshs. 100 million allocated for purchase of land for the Medical Waste and Hazardous Waste Recycling Facility. The Government of Japan may withdraw the support to the project that is to be constructed by a grant of US\$ 15 million that is extended to Government of Kenya due to unavailability of land.
- ii.) Kshs 204 million for Urban rivers and Restoration of Nairobi Rivers;
- iii.) Kshs. 100 million be reinstated to the Kenya Meteorological Department for the Acquisition of CAT3 Airport Weather Observing System (AWOS) The 3 AWOS have already been delivered at KMD and the engineers from the manufacturer (Finland) will be on site from 13th February 2017.

#### **State Department of Natural Resources**

- i.) Kshs. 110 million be reinstated Kenya Water Towers Agency (KWTA) for Mitigation and Management of Soil Loss activities are already ongoing and the community is mobilized within five counties.
- ii.) Kshs. 47.5 million be allocated to Kenya Forest Service (KFS) for Forest Ranger Camps Project. The Contract has been awarded and works are already ongoing. The reduction of Ksh. 47.5 Million will attract penalties and eventually a pending bill. Besides, the current number of ranger houses are not sufficient to accommodate all the rangers.
- iii.) Kshs. 5 million be allocated to Kenya Forest Research Institute (KEFRI) for Development of Drought Tolerant Trees for Adaptation to Climate Change. This is counterpart funding to support Japanese Grants that have already been received.
- iv.) Kshs 10 million be reinstated to Kenya Wildlife Service (KWS) for Conservation of Biodiversity of Northern Kenya. This project was allocated Ksh. 10 Million GOK counterpart funding in the printed estimates and it has been reduced in the supplementary Estimates to Ksh. 5 Million.

#### **C. State Department for Water Services**

The Gross printed estimates for the state department for water services in the FY 2016/2017 amount to **Kshs. 43.23 billion**. This comprised of **Kshs. 39.61 billion** for development and **Kshs. 3.62 billion** for recurrent expenditure. In the supplementary estimates, recurrent estimate was revised upwards to **Kshs. 4.02 billion** resulting to an increase of **Kshs. 398.95 million**.

Water resources management authority has an increased allocation of **Kshs. 300 million**, coastal water services board with **Kshs. 184.45 million**, and **Kshs. 16.4 million** new allocation to the regional centre on groundwater resource education training & research. Compensation to employees however was reduced by **Kshs. 73.78 million** while use of goods was reduced by **Kshs. 27.45 million**.

Development expenditure was revised downwards to **Kshs. 21.61 billion** resulting to a decrease of **Kshs. 18 billion**. Table 3 shows the breakdown of changes in allocation for the state department.

Details		Printed Estimates	Adjustments	Revised Estimates
Recurrent	Net	1,486.83	214.50	1,701.33
	AIA	2,137.76	184.50	2,322.21
	<b>Gross</b>	<b>3,624.59</b>	<b>398.95</b>	<b>4,023.54</b>
Development	Net	11,139.00	(1,179.04)	9,959.96
	AIA	28,467.07	(16,818.93)	11,648.14
	<b>Gross</b>	<b>39,606.07</b>	<b>(17,997.97)</b>	<b>21,608.10</b>
<b>Total</b>	Net	12,625.83	(964.54)	11,661.29
	AIA	30,604.83	(16,634.34)	13,970.35
	<b>Gross</b>	<b>43,230.66</b>	<b>(17,598.97)</b>	<b>25,631.64</b>

*Source: Revised Development & Recurrent Estimates Summary FY 2016/2017*

Out of the **Kshs. 39.61 billion** allocated for development **Kshs. 28.47 billion** (72%) was to be financed through A-I-A while **Kshs. 11.14 billion** was to be financed through the exchequer. This shows that the state department relies heavily on external sources of financing. Under the supplementary estimates A-I-A for development expenditure has reduced by **Kshs. 16.82 billion** reducing A-I-A allocation from **Kshs. 28.47 billion** to **Kshs. 11.65 billion** while the net estimates reduced by **Kshs. 1.18 billion**. Table 4 shows a breakdown of the major projects affected by the huge A-I-A reductions.

Project	A-I-A Allocation 2016/2017	Supplementary estimates	A-I-A Changes
Itare Dam Water Project	10,000.00	4,000.00	(6,000.00)
Extension of Nairobi Water Supply (Northern Collector)	4,950.00	1,020.00	(3,930.00)
Water Security and Climate Resilience	1,850.00	414.00	

			(1,436.00)
Nairobi Satellite Towns Water and Sanitation Program	1,200.00	110.00	(1,090.00)
Water & Sanitation Services & Improvement Project (Athi WSB)	1,505.90	654.13	(851.77)
Water sector development (Lake Victoria South)	1,000.00	200.00	(800.00)
Lake Victoria Water Supply & Sanitation Programme Phase II	820.00	103.39	(716.61)
Nairobi Water Distribution Network	800.00	200.00	(600.00)
Rehabilitation of water and sanitation-Kirandich	700.00	490.00	(210.00)
Complimentary Funding for Kisumu Water and Sewerage	500.00	150.00	(350.00)
Kajiado Rural Water Supply	400.00	100.00	(300.00)
Support to the water resources management & water service provision	328.00	107.00	(221.00)
Garissa Sewerage Project	300.00	100.00	(200.00)
Nairobi rivers basin restoration programme-sewerage improvement project	300.00	135.00	(165.00)
Water & Sanitation Programme	180.00	40.00	(140.00)
<b>TOTAL</b>	<b>24,833.90</b>	<b>7,823.23</b>	<b>(17,010.67)</b>

*Source: Revised Development & Recurrent Estimates Summary FY 2016/2017*

#### **D. Ministry of Mining**

The gross printed estimate for the Ministry of Mining in 2016/17 financial was **Kshs. 4.59 billion**. This comprised of **Kshs 697.36 million** for recurrent expenditure and **Kshs 3.89 billion** for development expenditure. The 2016/17 supplementary budget has adjusted the gross allocation to **Kshs 2.10 billion** which represents an overall decrease of **Kshs 2.49 billion** representing 54% decrease. The supplementary allocation has increased the recurrent expenditure by **Kshs. 70.99 million** while the development expenditure has decreased by **Kshs. 2.56 billion**

The major reduction in development is as a result of reduced allocation in the net estimates by **Kshs. 2.56 billion**. The reduction was under the Mineral Resources Management sub-

Programme. Table 5 shows a breakdown of increases and decreases in the projects under the Ministry of Mining

<b>Table 5: Breakdown of increases and decreases in the projects under the Ministry of Mining</b>			
<b>Project</b>	<b>Gross Allocation 2016/2017</b>	<b>Supplementary estimates</b>	<b>Supplementary Changes</b>
Geological Data Bank Project	100.00	130.00	30.00
Online Transactional Mining Cadastre Portal	60.00	70.00	10.00
Mineral Audit Support	90.00	120.00	30.00
Geological Mapping and Mineral Exploration	130.00	187.00	57.00
Gemstone Value Addition Centre- Taita Taveta	35.00	40.00	5.00
African Mineral Development Center	10.00	25.00	15.00
Strengthen Geo-Information Infrastructure for Resource mapping	60.00	121.00	61.00
Overhaul of Aircraft	70.00	20.00	(50.00)
National Airborne Geophysical Survey	2,920.00	199.97	(2,720.03)
Granite Assessment in Vihiga	80.00	10.00	(70.00)
Rehabilitation of Madini House	-	50.00	50.00
HQS	-	35.16	35.16
<b>TOTALS</b>	<b>3,555.00</b>	<b>1,008.13</b>	<b>(2,546.87)</b>

*Source: Revised Development Estimates Summary FY 2016/2017*

### **3.0 COMMITTEE OBSERVATIONS**

#### **The Committee observed that:-**

1. The National Treasury does not consult line Ministries on reduction of resources especially donor funded projects. This is bound to have negative effect on implementation of projects;

2. The Committee in its interaction with the Ministries and Departments under its purview established that the National Treasury does not seem use the Supplementary Budget to fund newly signed donor funded projects, especially the ones signed in the middle of a financial year;

#### **E. State Department for Water Services**

3. The Committee noted that there was an increased Allocation of Kshs.300 million to Water Resources Management Authority (WARMA). WARMA has been experiencing financial difficulties emanating from the staff that was transferred to the entity in FY 2004/2005 from the Ministry;
4. The Committee in its previous engagement with the National Treasury was informed that Kshs. 195 million to Badasa Dam and Kshs. 536 million to Umaa Dam would be allocated under amendments to supplementary 1, however, supplementary 1 amendments have been presented at programme level and it is therefore difficult to ascertain whether the above has been funded;

#### **F. The Ministry of Mining**

5. The Ministry of Mining was allocated Kshs. 3 billion for conducting the first phase of the nationwide airborne geophysical survey in the FY 2016/2017, in the supplementary budget for the Ministry, this has been reduced by Kshs. 2.7 billion. The Ministry has been advised by the National Treasury to consider external financing for the said project. However, it has come to the attention of the Committee that the due diligence has not been carried out on the Chinese firm, Geological Exploration Technology Institute (GETI) of Jiangsu Province, that is set to carry out the project.

#### **G. State Department for Environment**

6. Most on-going projects in the department have had their funding greatly reduced, this will not only affect the targets of the projects but also poses a high risk in accumulation of pending bills;

#### **H. State Department for Natural Resources**

7. The current drought being experienced in the country has increased incidences of human wildlife conflict. The pending payments for victims of human wildlife conflicts including operationalization of County Wildlife Conservation and Compensation Committees amount to **Kshs.4.658 billion** for the period January 2014 to January 2016.
8. The Committee has noted Reduction of GoK counterpart funding in most projects, this puts donor funded projects at risk;

#### 4.0 COMMITTEE RECOMMENDATIONS

**The Committee agrees with the proposed Supplementary Estimates for the Financial Year 2016/2017, additionally the Committee makes the following recommendations:-**

##### **A. State Department for Water Services**

1. The Department should review the staffing levels at the Water Resources Management Authority which is greatly over-staffed. The Committee in its previous reports has urged agencies with bloated staff to initiate voluntary retirement programmes;
2. The Committee notes that under supplementary 1 amendments the state department has a reinstatement of **Kshs. 14.91 billion**, out of which **Kshs. 875 million** is for emergency drought interventions however, the beneficiaries of the remaining allocations have not been indicated.
3. The Committee in its previous engagement with the National Treasury was informed that **Kshs. 195 million** to Badasa Dam and **Kshs. 536 million** to Umaa Dam would be allocated under amendments to supplementary 1, however, supplementary 1 amendments have been presented at programme level and it is therefore difficult to ascertain whether the above has been funded;

##### **B. The Ministry of Mining**

4. The **Kshs. 2.7 billion** for the Nationwide Geophysical Survey should be reinstated. Further, the project should be done by Kenyan geologists as recommended by the Committee in its report on the consideration of the Budget Policy statement for the Financial Year 2017/2018. The Committee objects to the award of the project contract to the Chinese firm, Geological Exploration Technology Institute (GETI) due to the fact that due diligence not been carried out on the firm. The Committee therefore recommends that the project be funded through the exchequer for oversight and transparency purposes;
5. In the supplementary 1 estimates **Kshs 118 million** to the Research in Development vote had been cut. The Committee however notes that in the supplementary 1 amendments the Ministry has a reinstatement of Kshs. 326 million funds transferred to the National Research Fund, this amount is much more than the deducted amount. The Committee therefore recommends that **Kshs. 70 million** reduced from the Granite Assessment

Centre in Vihiga County should be reinstated to enable the Ministry implement the project whose works have already started;

6. The Ministry informed the Committee of pending bills amounting to Kshs. 35.16 million for payment of lab supplies, tools and equipment, however in the supplementary 1 amendments the Committee noted that there has been an allocation of Kshs. 72.9 million for pending bills. It is clear that the National Treasury and the Ministries do not consult at the budgeting level;

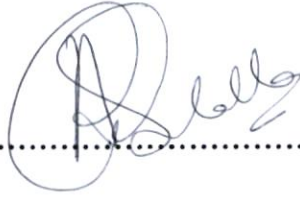
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8. The Committee is pleased with the reinstatement of the **Kshs. 422 million** to NEMA A-I-A loss, however, it notes that the scrapping of the Environment Impact Assessment fees goes against international treaties on Polluter pays principle to which Kenya is a signatory;

#### **D. State Department for Natural Resources**

9. **Kshs. 4.658 billion** be allocated to the Ministry of Environment and Natural Resources for payment pending claims for victims of human wildlife conflicts and operationalization of County Wildlife Conservation and Compensation Committees;
10. **Kshs. 5 million** be allocated to Kenya Forest Research Institute (KEFRI) for Development of Drought Tolerant Trees for Adaptation to Climate Change. This is counterpart funding to support Japanese Grants that have already been received. Additionally, **Kshs 10 million** counterpart funding be reinstated to Kenya Wildlife Service (KWS) for Conservation of Biodiversity of Northern Kenya.

SIGNED.....



**Hon. Amina Abdalla, CBS, MP**

**(Chairperson)**

**Departmental Committee on Environment and Natural Resources**

DATE.....

21/2/2017

REPUBLIC OF KENYA



NATIONAL ASSEMBLY

11<sup>TH</sup> PARLIAMENT –FIFTH SESSION - 2017

DEPARTMENTAL COMMITTEE ON ADMINISTRATION AND NATIONAL  
SECURITY

REPORT ON THE CONSIDERATION OF THE FIRST SUPPLEMENTARY  
ESTIMATES FINANCIAL YEAR 2016/2017

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

FEBRUARY, 2017



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## **Chairperson's foreword**

Pursuant to Standing order 243(1) and the Fiscal Management Act 2009, the First Supplementary Estimates Financial Year 2016/2017 were submitted to the House on Thursday 1<sup>st</sup> December, 2016.

The Committee upon receipt of the First Supplementary Estimates FY 2016/2017 and pursuant to its mandate held two (2) meetings. It held a briefing meeting on Thursday 26<sup>th</sup> January, 2017 and also met the Cabinet Secretary for Interior and Coordination of National Government on Thursday 2<sup>nd</sup> February, 2017.

On behalf of the Departmental Committee on Administration and National Security and pursuant to Standing Order 199, it is my pleasant privilege and honour to present to the Budget & Appropriation Committee its Report on the consideration of the First Supplementary Estimates Financial Year 2016/2017.

**Hon. Asman Kamama, MGH, OGW, MP**

**Chairman, Departmental Committee on Administration and National Security**

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## **1.0 PREFACE**

The First Supplementary Estimates FY 2016/17 were submitted to the House on Thursday 1<sup>st</sup> December, 2016 pursuant to Standing order 243(1) and thereafter committed to relevant Departmental Committees for deliberation according to respective mandates.

### **1.1 Mandate of the Committee**

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

- (i) make reports and recommendations to the House as often as possible, including recommendation of proposed legislation;
- (ii) to investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned Ministries and departments;
- (iii) to study the programme and policy objectives of Ministries and departments and the effectiveness of the implementation;
- (iv) to study, access and analyze the relative success of the Ministries and departments as measured by the results obtained as compared with their stated objectives;
- (v) to investigate and inquire into all matters relating to the assigned Ministries and departments as they may deem necessary, and as may be referred to them by the House or a Minister.
- (vi) study and review all legislation referred to it

### **1.2 Committee subjects**

The Committee is mandated to consider the following subjects:-

- i. National security
- ii. Police services
- iii. Public Administration
- iv. Public Service
- v. Prisons
- vi. Immigration
- vii. Management of natural disasters

### **1.3 Oversight**

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

- i. The Presidency
- ii. The State Department of Interior

- iii. The State Department for Coordination of National Government
- iv. The Public Service Commission,
- v. The National Police Service Commission
- vi. The Independent Police Oversight Authority

#### 1.4 Committee Members

<b>Chairperson</b>	The Hon. Asman Kamama, MGH, OGW, MP
<b>Vice Chairperson</b>	The Hon. Alois M. Lentoimaga, MP
	The Hon. Joseph Lekuton, MP
	The Hon. Alice Wahome, MP
	The Hon. Zakayo K. Cheruiyot, MP
	The Hon. Timothy W. Wetangula, MP
	The Hon. Patrick Ole Ntutu, MP
	The Hon. Ali Isaack Shaaban, MP
	The Hon. Samuel Moroto, MP
	The Hon. (Dr.) Humphrey Njuguna, MP
	The Hon. Francis K. Mwangangi, MP
	The Rashid J. Bedzimba, MP
	The Hon. David Gikaria, MP
	The Hon. Mohamed Shidiye, MP
	The Hon. Jane Machira, MP
	The Hon. Ibrahim Abdi Saney, MP
	The Hon. Joseph O. Ndiege, MP
	The Hon. Wanjiku Muhia, MP
	The Hon. Akuja Protus Ewesit, MP
	The Hon. Joseph M. Kahangara, MP
	The Hon. Grace Kiptui, MP
	The Hon. George Theuri, MP
	The Hon. James Bett, MP
	The Hon. Benard Shinali, MP
	The Hon. ( Dr.) Makali Mulu, MP
	The Hon. Fatuma Ibrahim Ali, MP
	The Hon. Charles Nyamai, MP
	The Hon. Peter Kaluma, MP
	The Hon. James Opiyo Wandanyi, MP

## 1.5 Recommendations

The Committee recommends that:

1. The House approves the Revised Estimates as submitted to Parliament by the National Treasury of :
  - (i) KShs. 9,692,395,462 for the Presidency vote 1011;
  - (ii) The Revised Estimates for the state Department for Interior be reduced by KShs.21,700,000 from KShs. 131,378,562,460 to **KShs. 131,356,862,460**. The reduction be sourced from Policing Services Programme, under the Title series '2211300 other operating expenses' GSU Headquarters Administrative services;
  - (iii)The reduction above be transferred back to IPOA to enable its estimates be **KShs. 491,338,899** as earlier approved;
  - (iv)Kshs. 20,745,920,720 for the State Department of Correctional Services vote 1022;
  - (v) Kshs 1,238,597,868 for the Public Service Commission, vote 2071;
  - (vi)Kshs. 434,998,700 for the National Police Service Commission vote 2101

### Other Recommendations

2. The House rejects the reduction of Kshs. 21.7 million from Vote 2151 for the Independent Police Oversight Authority (IPOA) and recommends the Allocation to be as per the approved estimates.
3. That the National Treasury allocates adequate funds in the 2017/2018 Financial Year for the construction of forensic laboratory project under the State Department for Interior vote 1021 to allow the Ministry fast-track its completion.

## 2.0 BACKGROUND

- 1) The first supplementary estimates FY 2016/2017 have been prepared against a backdrop of reduced GDP growth in quarter 3 of 2016 as compared to the same quarter in 2015. The economy expanded by 5.7% on an annual basis in Q3, which was a deceleration over the previous quarter's growth rate.
- 2) According to Transparency International, corruption has remained a major impediment to doing business in Kenya with allegations of misappropriation of public funds on the rise. Additionally the supplementary comes at a time when the drought situation is worsening. According to the United Nations, People and animals' lives are at risk because they have not had a chance to recover from drought in 2014 as rains were also poor in 2015 and 2016.
- 3) There is a security risk which remain a serious challenge, with the main threat being posed by a Somalia-based group al-Shabab and locally recruited radicals, although long-term ethnic rivalries remains as the country heads to the August General elections.

### A. Adherence to the Legal Provisions on Supplementary I

- 4) All programmes with expenditure changes for State Department of Interior have no corresponding changes in outputs contrary to section 40(6)(f) of the PFM Regulations.
- 5) No information provided in regards to the first withdrawal contrary to section 41 of the PFM Act and Article 223(2) of the Constitution which requires that Spending should be sought within 2 months after the first withdrawal
- 6) Some of the programmes have exceeded the 10 percent threshold contrary to section 43 (2) (c) of the PFM Act which requires that reallocation changes per program should not exceed 10 percent of total approved budget of a program unless for unforeseen circumstances. They include: Planning, Policy Coordination and Support Service with an increment of 32 per cent of its approved estimates under the state Department of Interior and General Administration, Planning and Support services at 19 per cent of its approved estimates under the state department of correctional services.
- 7) There is no Information on budget performance (actual expenditure and outstanding liabilities/commitments) contrary to section 40(6) (b) of the PFM regulations.

**B. Analysis of the Revised Estimates in relation to the Budget Implementation (Exchequer Issues)**

**Table 1: Analysis of the revised estimates vs Exchequer Issues**

	MDA	Approved Estimates	Change in Estimates	Proposed Revised Estimates	Mid-year Exc. issues	% of Revised
1	The Presidency	8,425	350	8,774	3,673	41.9
2	Interior	125,761	5,491	131,254	62,318	47.5
3	Correctional Services	20,259	487	20,746	9,486	45.7
4	Public Service Commission	1,218	0.2	1,219	614	50.4
5	National Police Service Commission	435.3	(0.3)	435.0	173	39.8
6	Independent Police Oversight Authority	491.3	21.7	469.7	173	36.8

*Source: The National Treasury*

### **3.0 VOTE BY VOTE ANALYSIS**

#### **3.1 Vote 1011: The Presidency**

The gross estimates for the Financial Year 2016/2017 for the Presidency had been adjusted to Kshs.8.7 billion in Supplementary Estimates I for the FY 2016/2017. This comprised of Kshs.8.5 billion and Kshs. 290 million for current and capital expenditures respectively. The increase of Kshs.349.5 million was mainly on account of enhancement for operation and maintenance and personnel emolument under the Cabinet Affairs and State House Affairs programme. This would negatively affect development activities which included installation and operationalization of the incinerator at cabinet affairs office by 50%, completion of the refurbishment of Harambee House Annex and the DPs official residence.

#### **3.2 Vote 1021: State Department for Interior**

The estimates for the State Department for Interior FY 2016/ had been adjusted under the Supplementary Estimates I for FY 2016/2017 to **KShs. 131,378,562,460** mainly to cater for operations and maintenance expenses including repatriation of refugees; National Cohesion & Integration; issuance of identification cards and enhanced security under the Planning, Policy Coordination and Population Management Services Programme.

The net increase in development expenditure amounted to Kshs. 4.7 billion. The highest allocation went towards National Security Communication and Surveillance System amounting to Kshs. 10.3 billion. The project had no allocation when the estimates were approved in June 2016. Further scrutiny revealed that the Directorate of Registration of Persons had been allocated Kshs. 537 million for supplies of ID materials while construction of Lokiriama Border had been allocated Kshs. 5 million.

Allocation to some vote heads were revised downwards with the highest reduction realized under the Resettlement of IDPs and Restorative Justice by Kshs. 4 billion; construction of forensic laboratory reduced by Kshs. 370 million and securitization of borders by Kshs. 500 million.

#### **Presentation by the Cabinet Secretary for Interior and Coordination of National Government**

The Committee held a meeting with the Cabinet Secretary for Interior and Coordination of National Government on Thursday 2<sup>nd</sup> February, 2017. During the meeting the Committee was informed that the National Communication and Surveillance System project under State Department for Interior had been allocated Kshs 10.329 billion in the Supplementary Estimates. The project was not catered for in the FY 2016/17 printed estimates due to the 24 months grace period stipulated in the original contract with Safaricom. The Government had expected to deferred part of the project expenses by allocating 4G frequency spectrum to the company.

However the allocation of the frequencies did not materialize. The Committee was further informed that the project was now complete awaiting official commissioning. Therefore there was need for the allocation of Kshs 10.329 billion to facilitate the settlement of project costs to limit the accumulation of interest.

The Cabinet Secretary also informed the Committee that the construction of the National Police Forensic Laboratory commenced in the FY 2014/15. The estimated project cost was 24 months at an estimated project cost of 1.75 billion. The project was currently 95% complete. However Phase II of the project that involves the equipping of the lab at a cost of Kshs 3.5 billion is yet to start due to budgetary constraints. He noted that the project would enhance the forensic investigation capacity of the Directorate of Criminal Investigations and its completion and equipping was a priority.

### **3.3 Vote 1022: State Department for Coordination of National Government**

The Supplementary Estimates for the State Department of Correctional Services in the FY 2016/2017 had been adjusted to **KShs. 20,745,920,720**. The increase of Kshs.486.9 million was to cater for operation and maintenance expenses under prisons and probation services, including pending bills on food, ration and wood fuel.

The development budget of the state department had seen a net reduction of Kshs. 525 million with major reductions seen in critical projects that were to be completed under the Second Medium Term of Vision 2030. They included construction of penal facilities which had been reduced by Kshs. 223 million from an approved estimate of Kshs. 287 million; modernization of penal Training Facilities which had been reduced by Kshs. 93 million from the approved estimate of Kshs 123 million and irrigation and modernization of prison farms which had been reduced by Kshs. 79 million from an approved estimate of Kshs. 80 million. The targets of these key activities were revised downwards with the Modernization programme being the hardest hit. The impact of the supplementary therefore would lead to non-completion of the projects as scheduled.

### **3.4 Vote 2071: Public Service Commission**

In the Supplementary Estimates 1 the allocation had been adjusted to **KShs 1,238,597,868**. However, there were minimal changes between programmes to cater for expenditure shortfalls. The targets had remained unchanged.

### **3.5 Vote 2101: National Police Service Commission (NPSC)**

The gross allocation for the National Police Service Commission in the FY2016/2017 Supplementary Estimates I was adjusted to **KShs. 434,998,700** million. The allocation had reduced by Kshs.300 million from the approved estimates of Ksh.435.3 million for current expenditure. The reduction was due to the rationalization of operations and maintenance

expenditure. No changes to the outputs and targets were indicated.

**3.6 Vote 2151: Independent Police Oversight Authority (IPOA)**

The gross allocation for the Independent Police Oversight Authority in the FY 2016/2017 Supplementary Estimates I amounted to Kshs. 469.7 million for current expenditure. The allocation had reduced by Kshs.21.7 million from the gross approved estimates of Ksh.491.3 million. The reduction was due to the rationalization of operation and maintenance expenditure.

#### 4.0 COMMITTEE OBSERVATIONS

The Committee made the following observations:-

##### 1. General Observations

The Committee observed that some of the programmes have exceeded the 10 percent threshold contrary to section 43 (2) (c) of the PFM Act which requires that reallocation changes per program should not exceed 10 percent of total approved budget of a program unless for unforeseen circumstances. They included: Planning, Policy Coordination and Support Service with an increment of 32 per cent of its approved estimates under the state Department of Interior and General Administration, Planning and Support services at 19 per cent of its approved estimates under the State Department of Correctional Services.

##### 2. The Presidency

The Committee observed The Estimates for Presidency have been adjusted to KSh.8.7 billion in Supplementary Estimates I for the FY 2016/17. This comprises of KSh.8.5 billion and 290 million for current and capital expenditures respectively. The increase of KSh.349.5 million is mainly on account of enhancement for operation and maintenance and personnel emolument under the Cabinet Affairs and State House Affairs programme.

##### 3. State Department for Interior

- The Committee observed that there is a net increase of KSh.5.4 billion mainly to cater for operations and maintenance expenses including repatriation of refugees, National Cohesion & Integration, issuance of identification cards and enhanced security under the Planning, Policy Coordination and Population Management Services Programme
- The Committee further observed that there were both increments and reductions and new allocations particularly in development expenditure.
- Under new allocation, The Committee observed that Kshs. 10.3 billion was proposed for allocation towards National Security Communications and Surveillance System.

##### Justification for new allocation

- The National Police Service commenced the National Communication and Surveillance System Project in the FY 2013/2014
- The project entailed the establishment of a command and Control Centre at Jogoo House and installation of 1,800 cameras in Nairobi, Mombasa and their environs
- The project was implemented through collaboration between Safaricom and the National Police Service at a cost of KShs. 18.781 billion.
- The Government had expected to deferred part of the project expenses by allocating 4G frequency spectrum to Safaricom. However the allocation of the frequencies did

not materialize

- The project was not catered for in the FY 2016/17 printed estimates due to the 24 month grace period stipulated in the original contract with Safaricom. The Ministry therefore requests for Kshs. 10.3 billion in the supplementary and another Kshs 8.5 billion in the 2017/2018 estimates.

**The Committee expressed concerns that the allocation never warranted supplementary since it was an expenditure they had foreseen and therefore could have been factored in at the beginning of the financial year or wait for the FY 2017/2018 estimates to be tabled in the House.**

The Committee also observed that there was an increase in the allocation of supplies for ID cards materials by Kshs. 537 million.

**The Committee observed that the following critical development projects were reduced in the supplementary Estimates:**

Construction and Equipping of the Forensic laboratory was reduced by Kshs. 370 million

- (i) That the estimated cost of the forensic lab was Kshs. 1.75 billion in Phase I and another Kshs 3.5 billion in phase II which involves equipping the Lab at Kshs 3.5 billion. Phase I was yet to be completed.
- (ii) That the forensic laboratory was one of the Vision 2030 flagship projects
- (iii) That due to proposed reduced budget, the state department is likely to face litigation from the contractor due to pending bills that will remain unpaid

**The Committee expressed concerns that the project had taken more than a decade to be completed**

- Resettlement of IDPs and Restorative Justice by Kshs. 4 billion
- Securitization of Borders by Kshs. 500 million.
- Deepening Foundations for Peace building and Community Security in Kenya by Kshs. 149.4 million
- Police Modernization by Kshs. 110.6 million
- Construction of Police Stations and Police Housing for Kenya Police by Kshs. 284.9 million
- Construction of Police Stations and Police Housing and other facilities for the GSU by Kshs. 100.5 million
- Construction of Police Stations and Police Housing for the DCI by Kshs. 15 million
- Construction of Regional, County and Sub-County Offices by Kshs. 112.7 million

#### **4. State Department of Correctional Services**

- The Estimates have been adjusted to Kshs.20.7 billion under Supplementary Estimates I. This comprises of Kshs.20.2 billion and Kshs.525 million for current and capital

expenditure respectively. The increase of Kshs.486.9 million is to cater for operation and maintenance expenses under prisons and probation services, including pending bills on food, ration and wood fuel.

- The reduction under development expenditure will affect critical projects that were to be completed under the Second Medium Term of Vision 2030. They include
  - (i) Construction of penal facilities which has been reduced by Kshs. 223 million from an approved estimate of Kshs. 287 million,
  - (ii) Modernization of Penal Training Facilities which has been reduced by Kshs. 93 million from the approved estimate of Kshs 123 million,
  - (iii) Irrigation and Modernization of Prison Farms which has been reduced by Kshs. 79 million from an approved estimate of Kshs. 80 million

#### **5. Public Service Commission**

The Committee observed that In the Supplementary Estimates 1, the budgetary allocation has remained unchanged for both Recurrent and Development estimates. However, there are minimal changes between programmes to cater for expenditure shortfalls. The targets have remained unchanged.

#### **6. National Police Service Commission**

The Committee observed that the allocation for the Service has been reduced by Kshs.0.3 million from the Approved Estimates of Kshs.435.3 million. The reduction is due to the rationalization of operations and maintenance expenditure. There will be no changes to the outputs and targets.

#### **7. Independent Police Oversight Authority**

The allocation has reduced by Kshs.21.7million from the gross Approved Estimates of Kshs.491.3million for current expenditure. The reduction is due to the rationalization of operation and maintenance expenditure.

## 5.0 RECOMMENDATIONS

The Committee recommends the House approves the Revised Estimates as submitted to Parliament by the National Treasury of:

1. The House approves the Revised Estimates as submitted to Parliament by the National Treasury of :
  - (i) KShs. 9,692,395,462 for the Presidency vote 1011;
  - (ii) The Revised Estimates for the state Department for Interior be reduced by KShs.21,700,000 from KShs. 131,378,562,460 to KShs. 131,356,862,460. The reduction be sourced from Policing Services Programme, under the Title series '2211300 other operating expenses' GSU Headquarters Administrative services;
  - (iii)The reduction above be transferred back to IPOA to enable its estimates be KShs. 491,338,899 as earlier approved;
  - (iv)Kshs. 20,745,920,720 for the State Department of Correctional Services vote 1022;
  - (v) Kshs 1,238,597,868 for the Public Service Commission, vote 2071;
  - (vi)Kshs. 434,998,700 for the National Police Service Commission vote 2101

### Other Recommendations

2. The House rejects the reduction of Kshs. 21.7 million from Vote 2151 for the Independent Police Oversight Authority (IPOA) and recommends the Allocation to be as per the approved estimates.
3. That the National Treasury allocates adequate funds in the 2017/2018 Financial Year for the construction of forensic laboratory project under the State Department for Interior vote 1021 to allow the Ministry fast-track its completion.

Signed.......... Date..... 21/02/2017 .....

Hon. Asman Kamama, MGH, OGW, MP

Chairman, Departmental Committee on Administration and National Security

REPUBLIC OF KENYA



NATIONAL ASSEMBLY

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11<sup>TH</sup> PARLIAMENT - FIFTH SESSION - 2017

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**REPORT OF THE DEPARTMENTAL COMMITTEE ON  
JUSTICE AND LEGAL AFFAIRS ON THE EXAMINATION OF  
THE 2016/2017 SUPPLEMENTARY ESTIMATES I**

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CLERK'S CHAMBERS  
PARLIAMENT BUILDINGS  
NAIROBI

FEBRUARY 2017

## 1.0. Committee's Mandate

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

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

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

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

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

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

## 2.0. Committee Membership

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

1. Hon. Samuel Chepkong'a, M.P. - Chairperson
2. Hon. Priscilla Nyokabi, M.P. - Vice Chairperson
3. Hon. Njoroge Baiya, M.P.
4. Hon. Muriithi Waiganjo, M.P.
5. Hon. Ndirangu Waihenya, M.P.
6. Hon. Florence Kajuju, M.P.
7. Hon. Kang'ata Irungu, M.P.
8. Hon. Benson Mutura, M.P.
9. Hon. John Njoroge Chege, M .P.
10. Hon. William Cheptumo, M.P.
11. Hon. Mohamed Abdi Haji, M.P.
12. Hon. Stephen Bitok Kirwa, M.P.
13. Hon. Sammy Koech, M.P.
14. Hon. Moses Cheboi, M.P.
15. Hon. Paul Bii, M.P.
16. Hon. Charles Gimose, M.P.
17. Hon. Johanna Ng'eno, MP.
18. Hon. Boniface Otsiula, M.P.
19. Hon. David Ochieng Ouma, M.P.
20. Hon. Neto Agostinho, M.P.
21. Hon. Kaluma Peter, M.P.
22. Hon. Fatuma Ibrahim Ali, M.P.
23. Hon. Ben Momanyi Orari, M.P.
24. Hon. Tom J. Kajwang', M.P.
25. Hon. (Bishop) Mutua Mutemi, M.P
26. Hon. Olago Aluoch, M.P.
27. Hon. (Dr.) Christine Oduor Ombaka, M.P.
28. Hon. William Mwamkale Kamoti, M.P.

## 3.0. Committal of Supplementary Estimates to Departmental Committees

The Supplementary Estimates I 2016/2017 were tabled in the House by the Majority leader on 1<sup>st</sup> December 2016. Once tabled, the Estimates were deemed to have been automatically referred to the Budget and Appropriations Committee, which, together with the relevant Departmental Committees, were required to examine them and report to the House.

#### 4.0. Committee's examination of the Supplementary Estimates

The Committee held two sittings examining the estimates. The first sitting took place on 26<sup>th</sup> January 2017 where the Committee discussed the estimates with the Budget Office before interacting with five State agencies. The agencies include the Judiciary, the Office of the Attorney General and Department of Justice, the Ethics and Anti-Corruption Commission (EACC), the Office of the Directorate of Public Prosecution (ODPP) and the Independent Electoral and Boundaries Commission (IEBC). The second sitting was held on 2<sup>nd</sup> February 2017 where the Committee adopted its recommendations.

The Committee's examination of the supplementary budget estimates was based on a report of the Parliamentary Budget Office on the same which is annexed hereto as appendix 1.

In deliberations and subsequent consideration of the 2016/2017 Supplementary Estimates I by the Committee, the Committee made the following considerations and recommendations:-

#### 5.0. Considerations and Recommendations

##### 1) Office of the Director Public Prosecutions (ODPP)

The office of the Director Public Prosecutions informed the Committee that during the financial year 2016/2017 its operations had been affected by inadequate budgetary provision and therefore there was need to provide adequate resources for it to achieve its mandate.

They presented a request for the Committee to recommend to the National Assembly that the National Treasury allocates Kshs 315 million which they had committed in their letter dated 1<sup>st</sup> August 2016 for Multi Agency Team to enhance prosecution of Corruption, Economic and other organized crime in the country.

On the proposed joint purchase of a building to house both the Ethics and Anti-Corruption Commission, the Committee resolved that ODPP should be fully involved in the process, as an equal partner and shareholder in the purchase, and made suggestions that both the ODPP and the EACC nominate equal number of people to work on the final details, after which a report should be shared with the Committee after two weeks.

Committee's Recommendation on ODPP:

That:

None

2) Judiciary/Judicial Service Commission (JSC)

The Judiciary reported that their total printed budget was Kshs. 17,308,460,378 out of which 12,859,460,378,378 was for recurrent expenditure and Kshs. 4,449,000,000 was for development expenditure. They further submitted that in compliance with Treasury circular number 13/2016 dated 12<sup>th</sup> July 2016, the Judiciary noted the discrepancy in the uploaded budget in IFMIS where an estimated Kshs. 494,000,000 was NOT reflected contrary to the approved budget by the National Assembly. This concern was protested through Judiciary's letter dated 25<sup>th</sup> July 2016 to the Cabinet Secretary, National Treasury. The National Treasury responded vide letter dated 5<sup>th</sup> October 2016 exempting the Judiciary from the expenditure rationalization and taking note of the discrepancies.

In view of the above, the Judiciary submitted the supplementary I to the National Treasury on 28.10.2016 BUT the further noted that in the forms IA and IB there was a column on 'declared savings' which they disassociate with. They request the National Assembly to ensure that the Judiciary allocation is as it was approved by the National Assembly.

The Judiciary further requested for an additional fund on medical scheme due to the recent recruitments of judges and other judicial staff.

Committee's Recommendation on JSC:

That: The allocations to Political Parties Tribunal (PPT) be re-instated as it was in the approved Estimates.

3) Ethics and Anti-Corruption Commission (EACC)

The Ethics and Anti-Corruption Commission noted the addition of Kshs 700 million for the purchase of the new building. However, they sought an extra funding of Kshs. 1 billion needed for the deposit of the new building.

The Committee resolved to propose that the Ethics and Anti-Corruption be allocated Kshs 700 million and subsequently the Commission to surrender the 5hectares of land.

The Commission was asked to report to the Committee on the procurement process for the new building to house the ODPP and the EACC in two weeks.

Committee's Recommendation on EACC:

That: EACC be allocated an additional Kshs. 700 million from the Parliamentary Service Commission to facilitate acquisition of the Office Headquarters and in turn, EACC to surrender the 5.00 acres of land in Karen in to Parliamentary Service Commission.

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

The Office of the Attorney General informed the Committee of inadequate funds to facilitate research and expressed concern that they have not been allocated funds for domestic and foreign travel. They sought an addition of Kshs. 692 million.

The Committee further inquired on a filed compensatory claim by the Rwandese-Ugandan traders and transporters who suffered enormous losses as a result of the post-election violence in 2007/2008, which required a reimbursement of about USD 47,557,081. In their response, the office of the Attorney General informed the committee that they made proposals to Ministry of Interior, and also prepared a cabinet memo that was never approved. It was therefore propose and resolved that the Committee recommends that the Committee on National Security and Administration takes up the matter because the OAG had limited mandate on the issue, which is generally advisory.

Committee's Recommendation on OAG:

None

5) The Independent Electoral and Boundaries Commission (IEBC)

The Committee was informed that the Commission was able to fit its requirements within the allocated amount until the changes in law that required the activities which had not been planned for in their earlier budget proposal. They therefore sought an additional amount of Kshs. 2.34 billion for the procurement of Integrated Election Management System, Biometric Voters Verification and Inspections and the audit of Register of Voters. The Committee resolved to seek the input of the National Treasury before doing a recommendation of the Kshs 2.34 billion addition.

Committee's Recommendation on IEBC:

None

Signed:



**Hon. Samuel Chepkong'a, M.P.**

**Chairman, Departmental Committee on Justice and Legal Affairs**

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Dated this 2<sup>nd</sup> day of February, 2017

**PARLIAMENT OF KENYA**



**NATIONAL ASSEMBLY**

**ELEVENTH PARLIAMENT - FOURTH SESSION**

**DEPARTMENTAL COMMITTEE ON LANDS**

**REPORT ON THE REVIEW OF THE 1ST SUPPLEMENTARY ESTIMATES FOR THE  
FINANCIAL YEAR 2016/2017 FOR THE MINISTRY OF LANDS AND PHYSICAL  
PLANNING AND NATIONAL LAND COMMISSION**

**2016/2017**

**FEBRUARY, 2017**

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2. Presentation by Parliamentary Budget Office.
3. Submission by the Ministry of Lands and Physical planning.
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  - Appendix 1; Brief from the Budget office.
  - Appendix 2: Brief from the Ministry of Lands and physical planning.
  - Appendix 3: Brief from the National Lands Commission

## **Mandate of the Committee**

The Departmental Committee on Lands was constituted on 16<sup>th</sup> May, 2013 pursuant to the provisions of Standing Order 216 (1) and (5) of the National Assembly.

The functions and mandate as outlined in the Standing Orders are;

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

The Committee oversees the operations of the Ministry of Lands, Housing and Urban Development on the following matters: Land Policy and Physical Planning, Land Transactions, Survey and Mapping, Land Adjudication, Settlement, Land registration, Land Valuation, Administration of community and Public Land, and Land Information and Management System.

## **Committee Membership**

The Hon. Alex Mwiru, M.P - Chairman  
The Hon. Moses Ole Sakuda, M.P. – Vice Chairman  
The Hon. George Oner, MP  
The Hon. Mathew L. Lempurkel, MP  
The Hon. Rev. Mutava Musyimi, MP  
The Hon. John Kihagi, MP  
The Hon. Francis W. Nderitu, MP  
The Hon. Eusilah J. Ngeny, MP  
The Hon. Raymond K. Moi, MP  
The Hon. Hellen Chepkwony, MP  
The Hon. Sarah Korere, MP  
The Hon. Benson Mbai, MP  
The Hon. Kanini Kega, MP  
The Hon. Omar Mwinyi, MP  
The Hon. Suleiman Dori, MP  
The Hon. Patrick King'ola, MP  
The Hon. Shakila Abdallah, MP  
The Hon. Dr. Paul Otuoma, MP  
The Hon. Thomas Mwadeghu, MP  
The Hon. Ali A. Shariff, MP  
The Hon. Francis Njenga, MP  
The Hon. Hezron Awiti Bollo, MP  
The Hon. Benard Bett, MP  
The Hon. Charles Nyamai, MP  
The Hon. Esther Murugi, MP  
The Hon. Joseph Magwanga, MP  
The Hon. Onesmus Ngunjiri, MP  
The Hon. Julius Ndegwa, MP

## **Secretariat**

First Clerk Assistant - Mr. James Ginono  
Third Clerk Assistant - Mr. Joshua Ondari  
Third Clerk Assistant – Mr. Muyodi Meldaki Emmanuel  
Fiscal Analyst III - Mr. Abdinassir Yusuf

## **1.0 INTRODUCTION**

The legal requirements underpinning the preparation and approval of the Supplementary Budget is provided for in Article 223 of the Constitution; Sections 43(2) and 44 of the PFM Act 2012 and Section 40 of the PFM Regulations. The Constitution provides for the National Government to incur expenditure not appropriated for in the annual Appropriation Act on account of: insufficiency of amounts initially provided; when a need has arisen for expenditure to which no amounts have been allocated; or for withdrawals from the Contingencies Fund.

In that regard, approvals for such expenditures must therefore be sought from the National Assembly through a Supplementary Budget and subsequently a Supplementary Appropriation Bill. However, the amount spent should not be more than ten percent of total sum appropriated by Parliament unless in special circumstance Parliament has approved a higher percentage.

The PFM Act, 2012 requires that the Supplementary Budget should include a statement showing how these additional expenditures relate to the fiscal responsibility principles and financial objectives of the government. It also limits any reallocation made to or from a Programme to a maximum of 10 percent of the total expenditure approved for the Programme in that financial year.

## **2.0 PRESENTATION BY PARLIAMENTARY BUDGET OFFICE**

### **Overall 2016/17 Budget Adjustments in the First Supplementary**

The 2016/17 first supplementary budget reduces the total gross ministerial expenditure by Ksh 181.15 billion (10.8% of the printed estimates). The gross ministerial recurrent expenditure has been revised upwards by Kshs 32.44 Billion comprising of an increase of Ksh 10.7 billion in the net recurrent estimates and an increase of Ksh 21.67 billion in AIA.

The gross development expenditure has reduced by Ksh 213.59 billion with a decrease in the AIA by Ksh 194.03 billion while the net development estimates has reduced by Ksh 19.5 billion. The reduction in the development expenditure is majorly attributed to under performance of A-I-A especially from external development partners.

Therefore, net effect of the Kshs 213.59 Billion reduction in development expenditure and Kshs 32.44 Billion increase in recurrent expenditure is the reduction of the overall Ministerial expenditure by Kshs 181.15 Billion. The table 1 below gives a summary of the revised budget.

Details		Printed Estimates 2016/17	Adjustments Supp. 1 2016/17	Revised Estimates 2016/17
Recurrent	Net	790.83	10.77	801.59
	AIA	66.70	21.67	88.37
	Gross	857.53	32.44	889.97
Development	Net	416.40	(19.56)	396.84
	AIA	403.77	(194.03)	209.73
	Gross	820.16	(213.60)	606.57
Total	Net	1,207.22	(8.79)	1,198.44
	AIA	470.46	(172.36)	298.10
	<b>Gross</b>	<b>1,677.69</b>	<b>(181.15)</b>	<b>1,496.54</b>

Source: National Treasury

### VOTE BY VOTE ANALYSIS

#### a) MINISTRY OF LANDS AND PHYSICAL PLANNING

1. The supplementary budget estimates proposes a reduction of Kshs 675,865,085 in the land policy and planning Programme (Ministry of Lands and Physical Planning). The total approved budget for 2016/17 is Ksh 6,030,081,179 and therefore proposed to reduce to 5,354,216,094.
2. In the approved allocation the current allocation was KShs.2, 188,601,179 and is proposed to increase to KShs.2, 201,636,094 while the capital allocation was Kshs.3, 841,480,000 and is proposed to decrease to KShs.3, 152,580,000.
3. The most affected sub programs are the land survey and land settlement despite being crucial in ensuring land accessibility for all. Table 2 bellow shows changes made to Programme allocations in first supplementary for 2016/17 FY.

Sub-Programme	Approved estimates	Supplementary estimates	Change in estimates	% changes
Development planning and land reforms	2,855,732,909	2,860,522,935	4,790,026	0%
Land Information management	871,011,036	767,287,024	(103,724,012)	-12%
Land Survey	1,145,608,815	871,728,489	(273,880,326)	-24%
Land Use	277,710,112	194,910,393	(82,799,719)	-30%
Land Settlement	880,018,307	659,767,253	(220,251,054)	-25%
<b>Total</b>	<b>6,030,081,179</b>	<b>5,354,216,094</b>	<b>(675,865,085)</b>	<b>-11%</b>

Source: National Treasury

4. The supplementary proposes various changes in allocations in the different items of which acquisition of non- financial assets is the most affected and it reduces by Kshs.483,856,000 with other development reducing by Kshs.189,044,000.
5. The land survey department budget is proposed for a major reduction of Kshs.273,880,326.
6. The various targets in the ministry are proposed to significantly change as shown in table 4.This may affect the achievement of the various goals of the second medium term plan ending in June 2017.
7. As shown in Table 3 bellow, the recurrent expenditure increases by Kshs.13 million mainly on account of use of goods and services.

<b>Economic classification</b>	<b>Approved Estimates</b>	<b>Supplementary estimates</b>	<b>Change estimates</b>
<b>Current Expenditure</b>	<b>2,188,601,179</b>	<b>2,201,636,094</b>	<b>13,034,915</b>
Compensation to employees	1,943,822,872	1,943,822,872	-
Use of goods and services	208,502,825	232,982,494	24,479,669
Current transfers to government agencies	10,000,000	10,000,000	-
Other recurrent	26,275,482	14,830,728	(11,444,754)
<b>Capital expenditure</b>	<b>3,841,480,000</b>	<b>3,152,580,000</b>	<b>(688,900,000)</b>
Acquisition of non-financial assets	1,804,080,000	1,320,224,000	(483,856,000)
Capital grants to government agencies	22,000,000	6,000,000	(16,000,000)
Other development	2,015,400,000	1,826,356,000	(189,044,000)
<b>TOTAL</b>	<b>6,030,081,179</b>	<b>5,354,216,094</b>	<b>(675,865,085)</b>

Source: National Treasury

8. The reduction of Kshs.688 million from the development budget mainly affects geo-spatial data base where the number of plots geo-referenced on the national map reduced from 300 to 150 with a reduction of Kshs.145 million from its development budget. other areas mainly affected by the development budget reduction include;
  - The allocation towards the settlement of the landless reduced from Kshs. 441 million to Kshs. 221 million. The number of squatters targeted to be settled reduced accordingly from 50 to 25.

- The number of international and national boundaries surveyed and maintained reduced from 300 Kms to 150 kms with a reduction of its budget from Kshs.250 million to Kshs.125 million.
- The allocation to the Construction of Land registries has been reduced from Kshs.175 million to Kshs. 87.5 million. The number of land registries constructed reduced from 5 to 3.

<b>KEY OUTPUT</b>	<b>TARGET 2016/17</b>	<b>REVISED TARGET 2016/17</b>
Land registries constructed	5	3
Land registries rehabilitated	12	6
Geospatial database ( number of plots geo referenced on the national map)	300	150
Graduate trained on survey and mapping skills	330	165
Graduates trained on geographical information science	100	50
National and international boundaries surveyed and maintained.	300	150
Number of parcels finalized for registration	36,000	5,000
Number squatters to be settled	50	25

Source: National Treasury

#### **b) NATIONAL LAND COMMISSION**

1. The national lands commission had a gross allocation of Kshs. 1.4 billion which was entirely for recurrent expenditure. There was no allocation for capital expenditure.
2. The recurrent expenditure reduced to Kshs.1.27 billion translating to a reduction of Kshs.161 million. The targets of expected outputs have been reviewed downwards accordingly.

<b>PROGRAMME</b>	<b>Approved estimates</b>	<b>Supplementary estimates</b>	<b>Change in estimates</b>	<b>% changes</b>
Land administration and management	156,404,226	115,025,104	(41,379,122)	-26%
General administration, planning and support services	1,095,244,269	1,026,175,239	(69,069,030)	-6%
Land disputes and conflict resolutions	142,900,002	101,118,060	(41,781,942)	-29%
National land information management system	40,000,007	134,484,700	94,484,693	236%
<b>Total</b>	<b>1,434,548,504</b>	<b>1,376,803,700</b>	<b>(57,745,401)</b>	<b>-4%</b>

Source: National Treasury

3. The development budget has been allocated Kshs.103 million in the first supplementary for FY 2016/17 under the National Land Information Management System to cater for pending bills carried from FY 2015/16.

<b>Key output</b>	<b>Targets 2016/2017</b>	<b>Revised targets 2016/2017</b>
Grants and leases executed	2,000	1,000
Verified allotment letters	4,500	3,000
Land use plans and reports	19	19
Natural resource maps developed	8	8
No of applications for compulsory acquisition	40	40
Rules and regulations developed	2	2
Spatial plan manuals developed	16	16
No. of adjudicated sections	16	16
No of settlement programs to be completed	9,000	6,000
County land management boards established	3	0
No. of bills developed	1	1
No .of cases resolved	3,940	2,000
National land information management system % of data conversion completed	12	12
% complaints handling mechanism developed and implemented	25	25

Source: National Treasury

### **3 SUBMISSION BY THE MINISTRY OF LANDS**

From the Ministry's submission, the committee noted that; -

- 3.1 Under recurrent expenditure, the Ministry was allocated Ksh 2.188 Billion out of which Ksh. 1.9 Billion was used for compensation of Employees/Personnel Emoluments, leaving Ksh 244 million for routine operations. Recurrent pending bills for the 2015/16 Financial Year amounted to Ksh. 169 million. Consequently, only Ksh 75 million was available for the ministry's operations and maintenance.
- 3.2 Under development expenditure, the Ministry was allocated Ksh 3.84 Billion to implement the following key programmes and projects: processing and registration of title deeds; renovation of land offices; digitization of land registries; and survey, inspection and maintenance of national & international boundaries. These are presidential priorities whose implementation has been adversely affected by 2015/16 pending bills amounting to Ksh. 238.7 million.

### **4. SUBMISSION BY THE NATIONAL LAND COMMISSION**

From the submission by National Land Commission the committee noted that; -

- 4.1 The development budget has been allocated Kshs.103 million in the first supplementary for FY 2016/17 under the National Land Information Management System to cater for pending bills carried from FY 2015/16.
- 4.2 The national lands commission had a gross allocation of Kshs. 1.4 billion which was entirely for recurrent expenditure. There was no allocation for capital expenditure.
- 4.3 The recurrent expenditure reduced to Kshs.1.27 billion translating to a reduction of Kshs.161 million. The targets of expected outputs have been reviewed downwards accordingly.

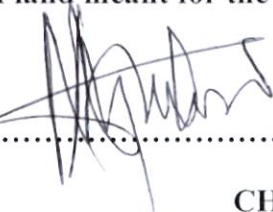
**5. COMMITTEE OBSERVATIONS**

- 5.1 The Committee noted that the allocation towards the settlement of the landless has been reduced from Kshs. 441 million to Kshs. 221 million. The number of squatters targeted to be settled reduced accordingly from 50 to 25. These is the money meant for settlement of the landless poor through the SFT in the areas previously recommended by the Committee;
- 5.2 The Committee noted that the allocation to the Construction of Land registries has been reduced from Kshs.175 million to Kshs. 87.5 million. The number of land registries constructed reduced from 5 to 3;
- 5.3 The number of international and national boundaries surveyed and maintained reduced from 300 Kms to 150 kms with a reduction of its budget from Kshs.250 million to Kshs.125 million.

**6. COMMITTEE RECOMMENDATIONS;**

Upon deliberations on the observations, the Committee made the following recommendations: THAT; -

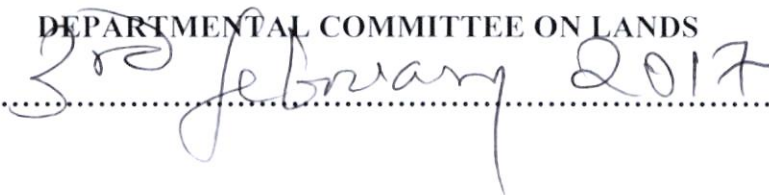
- 6.1 The Committee recommends that the Committee on Budget Appropriation reinstate Kshs. 87.5 million removed from the construction of land registries.
- 6.2 The Committee recommends reinstatement of Kshs. 215 million reduced from acquisition of land meant for the settlement of the landless.

SIGNED  .....

**CHAIRPERSON**

**(HON. ALEX M. MWIRU, MP)**

**DEPARTMENTAL COMMITTEE ON LANDS**

DATE  .....

**REPUBLIC OF KENYA**



**THE NATIONAL ASSEMBLY**

**ELEVENTH PARLIAMENT - FIFTH SESSION, 2017**

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

**REPORT ON THE SUPPLEMENTARY ESTIMATES FOR THE FY  
2016/17 FOR THE MINISTRY OF ENERGY AND PETROLEUM AND THE  
MINISTRY OF INFORMATION, COMMUNICATION AND  
TECHNOLOGY**

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

**FEBRUARY, 2017**

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## **CHAIR'S FORWARD**

The 2016/17 Supplementary Estimates was tabled in the House on **1<sup>st</sup> December, 2016** and thereafter referred to the Departmental Committees for consideration.

Upon a brief from the Parliamentary Budget Office, the Committee requested for briefs from both Ministries and its various agencies regarding the Supplementary Estimates for the Ministry of Energy and Petroleum and the Ministry of Information, Communication and Technology.

The Committee therefore appreciates the assistance provided by the Office of the Speaker and the Clerk of the National Assembly that enabled it to discharge its functions in considering the policy document setting the stage for the preparation and submission of the Supplementary Estimates.

On behalf of the Committee and Pursuant to Standing Order 243 it is my duty to forward the Committee report to the Budget and Appropriations Committee.

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

## **EXECUTIVE SUMMARY**

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

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

Article 223 of the Constitution provides for supplementary appropriation by the Executive, arising out of a need or insufficiency of appropriated funds. This is therefore an analysis of the first Supplementary Budget for 2015/16 which was tabled in the National Assembly on **1<sup>st</sup> December, 2016**.

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

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

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

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

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

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

## ESTABLISHMENT OF THE COMMITTEE

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

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

## MANDATE OF THE COMMITTEE

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

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

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

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

## COMMITTEE MEMBERSHIP

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

**Chairperson**                      The Hon. Jamleck Kamau, EGH, MP

**Vice Chairperson**

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

**COMMITTEE SECRETARIAT**

<b>Lead Clerk Assistant</b>	Mr. Amos Kiangwe Sikweya
<b>Clerk Assistant</b>	Mr. Jimale Mohammed
<b>Clerk Assistant</b>	Ms. Laureen Wesonga
<b>Legal Counsel</b>	Ms. Lynette Otieno
<b>Research &amp; Policy Analyst</b>	Mr. Donald Manyala
<b>Fiscal Analyst</b>	Mr. Abdirahman Gorod

## 1 INTRODUCTION

Article 223 of the Constitution provides for supplementary appropriation by the Executive, arising out of a need or insufficiency of appropriated funds. This is therefore an analysis of the first Supplementary Budget for 2015/16 which was tabled in the National Assembly on December 2016.

The report of the Committee on the 2016/17 Supplementary Budget I for the Energy and ICT sector. The Ministry of energy has two state Departments (State Department of Energy and State Department of Petroleum, while the Ministry of ICT has two State Departments (State Department of ICT and Innovation and State Department of Broadcasting and Communication) all under the purview of the Committee. State Departments as separate spending agencies have made changes to the approved budget affecting both the Development and recurrent sub votes. The Brief highlights those changes and the effect of such changes on the various programmes under implementation.

The Energy and the ICT sub sectors are critical enablers for sustained economic growth, development and poverty reduction and improved quality of life and towards the achievement of vision 2030. The policy goal is to close the existing infrastructure gaps and improve the quality as well as increasing completion pace of infrastructure projects thus improving country competitiveness, enhancing job creation and fostering economic growth.

Over the years substantial resources have been deployed in the energy and ICT subsectors with share of the Energy and ICT allocations against total National Government ministerial expenditure for FY 2015/16 and 16/17 estimated at approximately 6 percent and 1 percent, respectively. In addition, share of energy and ICT sub sectors contribution to GDP is estimated at between 1.0% and .9 % for the period 2015, respectively.

It against this major view of the two subsectors the committee reviewed and examined the revisions on the approved levels for the FY 2016/17

## 2 SUBMISSIONS ON THE SUPPLEMENTARY ESTIMATES

### **2.1 SUBMISSIONS FROM THE PARLIAMENTARY BUDGET OFFICE**

The Parliamentary Budget Officer made the following submissions:

#### **2.1.1 Introduction**

This brief presents an analysis of the first 2016/17 Supplementary Budget for the Energy and ICT sectors. The Ministry of energy has two state Departments (State Department of Energy and State Department of Petroleum, while the Ministry of ICT has two State Departments (State Department of ICT and Innovation and State Department of Broadcasting and Technology) all under the purview of the Committee. State Departments as separate spending agencies have made changes to the approved budget affecting both the Development and recurrent sub votes. The Brief highlights those changes and the effect of such changes on the various programmes under implementation.

#### **2.1.2 The overall 2016/17 budget adjustments**

The 2016/17 supplementary budget (I) proposes to reduce the total gross ministerial expenditure by Kshs. 181.15 billion (10.8% of the printed estimates). The gross ministerial recurrent expenditure reflects an upward revision by Kshs. 32.44 billion broken down as Kshs. 10.7 billion in the net recurrent estimates (exchequer) and Kshs. 21.67 billion as local Appropriation-in-Aid (AIA).

The gross development expenditure has reduced by Kshs. 213.59 billion with a decrease in the AIA by Kshs. 194.03 billion while the net development estimates has reduced by Kshs. 19.5 billion. The reduction in the development expenditure is majorly attributed to under performance of A-I-A especially from external development partners.

Therefore, net effect of the Kshs 213.59 Billion reduction in development expenditure and Kshs. 32.44 Billion increase in recurrent expenditure is the reduction of the overall Ministerial expenditure by Kshs. 181.15 Billion.

The table 1 gives a summary of the revised budget.

Details		Printed Estimates 2016/17	Adjustments	Revised Estimates 2016/17
Recurrent	Net	790.83	10.77	801.59
	AIA	66.70	21.67	88.37
	Gross	857.53	32.44	889.97
Development	Net	416.40	(19.56)	396.84
	AIA	403.77	(194.03)	209.73
	Gross	820.16	(213.60)	606.57
Total	Net	1,207.22	(8.79)	1,198.44
	AIA	470.46	(172.36)	298.10
	Gross	<b>1,677.69</b>	<b>(181.15)</b>	<b>1,496.54</b>

**Source:** National Treasury

### 2.1.3 The budget adjustments in the Energy and petroleum Sub sector

#### 2.1.3.1 State Department for Energy and State Departments for Petroleum

The gross approved allocation for the State Department for Energy in 2016/17 financial amounts Kshs. 117.26 billion. This comprised of Kshs 2.078 billion for recurrent expenditure and Kshs 115.183 Billion for development expenditure. The 2016/17 supplementary budget has adjusted the gross allocation to Kshs 60.256 Billion which represents an overall decrease of Kshs 57.005 billion as indicated below. However, while there have been changes in the recurrent items, the overall allocation still the same as the approved levels

With regards to the Petroleum subsector, the changes reflect an additional amount of kshs 87.7 million for recurrent activities translating to 90 percent of the original approved allocations. The increment is toward basic salary and other allowances, communication and supply services as well as to cater for new administrative, planning and procurement services at the headquarter which were not provided in the approved estimates. However, the ministry has scaled down the development outlay by kshs1.338 billion, representing 32 percent of the development outlays (see table 4b for details).

Details		Printed Estimates	Adjustments	Revised Estimates
Recurrent	Net	1,871,436,740	-	1,871,436,740
	AIA	207,115,306	-	207,115,306
	<b>Gross</b>	<b>2,078,552,046</b>	-	<b>2,078,552,046</b>
Development	Net	36,530,936,986	374,220,000	36,905,156,986
	AIA	78,652,394,729	(57,379,372,962)	21,273,021,767
	<b>Gross</b>	<b>115,183,331,715</b>	<b>(57,005,152,962)</b>	<b>58,178,178,753</b>
Total	Net	38,402,373,726		38,402,373,726
	AIA	78,859,510,035		78,859,510,035
	<b>Gross</b>	<b>117,261,883,761</b>	<b>(57,005,152,962)</b>	<b>60,256,730,799</b>

Recurrent	Net	43,786,904	81,700,000	125,486,904
	AIA	47,364,694	-	47,364,694
	<b>Gross</b>	<b>91,151,598</b>	<b>81,700,000</b>	<b>172,851,598</b>
Development	Net	2,870,900,000	(1,338,150,000)	1,532,750,000
	AIA	1,337,500,000	-	1,337,500,000
	<b>Gross</b>	<b>4,208,400,000</b>	<b>(1,338,150,000)</b>	<b>2,870,250,000</b>
Total	Net	2,914,686,904		2,914,686,904
	AIA	1,384,864,694		1,384,864,694
	<b>Gross</b>	<b>4,299,551,598</b>	<b>(1,256,450,000)</b>	<b>3,043,101,598</b>

Source: National Treasury

The programmes which have been affected are as indicated in tables 3a and 3b

Programmes	Details	Approved Estimates 2016/17	Adjustments	Revised estimates 2016/17
Power Generation	Recurrent	796,614,962	-	796,614,962
	Development	21,491,500,000	(11,359,630,438)	10,131,869,562
	<b>Total</b>	<b>22,288,114,962</b>	<b>(11,359,630,438)</b>	<b>10,928,484,524</b>
Power Transmission and Distribution	Recurrent	797,818,604	-	797,818,604
	Development	92,661,994,729	(45,695,522,524)	46,966,472,205
	<b>Total</b>	<b>93,459,813,333</b>	<b>(45,695,522,524)</b>	<b>47,764,290,809</b>
Alternative Energy Technologies	Recurrent	162,297,886	-	162,297,886
	Development	898,000,000	(15,000,000)	883,000,000
	<b>Total</b>	<b>1,060,297,886</b>	<b>(15,000,000)</b>	<b>1,045,297,886</b>
Administration Planning and Support Services	Recurrent	321,820,594		321,820,594
	Development	131,836,986	65,000,000	196,836,986
	<b>Total</b>	<b>453,657,580</b>	<b>65,000,000</b>	<b>518,657,580</b>
<b>Grand total</b>		<b>117,261,883,761</b>	<b>(57,005,152,962)</b>	<b>60,256,730,799</b>

**Table 3b: State Department of Petroleum 2016/17 Budget adjustments per programme**

Exploration and Distribution of Oil and Gas	Recurrent	91,151,598	81,700,000	172,851,598
	Development	4,208,400,000	(1,338,150,000)	2,870,250,000
	<b>Total</b>	<b>4,299,551,598</b>	<b>(1,256,450,000)</b>	<b>3,043,101,598</b>

**Source:** National Treasury

As shown in table 3a and 3b, a further review of the development estimates for both State Departments indicates a total reduction which is likely to affect planned development outlays.

Table 4a and 4b summarizes the key adjustments and the specific heads/ projects affected and the possible implications under the energy subsector. See Annex I for further details.

No.	Head	Printed Estimates Kshs Mn	Revised Estimates Kshs Mn	Supplementary Adjustments (Changes) Kshs Mn	Percentage Change (%)	Remarks and possible implications
<b>Table 4 a : Supplementary Adjustments in the development subvote for the state department of Energy</b>						
1	Juja Road Electricity Power Distribution Sub Station Project	543.00	342.09	(200.91)	-37%	Reduction in external funds

No.	Head	Printed Estimates Kshs Mn	Revised Estimates Kshs Mn	Supplementary Adjustments (Changes) Kshs Mn	Percentage Change (%)	Remarks and possible implications
<b>Table 4 a : Supplementary Adjustments in the development subvote for the state department of Energy</b>						
2	Nanyuki-Isiolo-Meru Road	2,072.00	581.46	(1,490.54)	-72%	Notable reduction in external funds. Likely to affect completion of the line particularly the stringing component which is the near completion stage after the tower foundations and erection are done. There are may be need for clarification as to what may have affected the stringing stage given that this project is near completion.
3	Sondu-Homa Bay-Ndhiwa-Awendo Electrification Project	1,142.70	419.55	(723.15)	-63%	Reduction in external funds. Likely to affect completion of the line.
4	Loiyangalani-Suswa Transmission Line	11,413.20	5,887.89	(5,525.31)	-48%	Reduction in external funds. Notable increase in government component (by Kshs. 755 mn) despite reduction by kshs 6.281 Billion of external fund). Maybe attributable to absorption capacity where all the expected output (65% of towers erected, 100% of stringing,35% of civil works and 75% of electromechanical works) maynot be realised except for 45However,there is risk in delaying the completion of this line which is critical to evacuating power from source to Suswa.
5	Bogoria-Silali Geothermal Project	3,943.00	852.00	(3,091.00)	-78%	Reduction in external funds
6	Technical Assistance to the Ministry	114.99	80.50	(34.49)	-30%	Reduction in external funds. Not clear why the ministry is not able to fully utilize the technical assistance which is in form of construction and civil works

No.	Head	Printed Estimates Kshs Mn	Revised Estimates Kshs Mn	Supplementary Adjustments (Changes) Kshs Mn	Percentage Change (%)	Remarks and possible implications
<b>Table 4 a : Supplementary Adjustments in the development subvote for the state department of Energy</b>						
7	Transmission Line Mombasa - Nairobi	999.00	2,984.80	1,985.80	199%	Substantial upward adjustments both exchequer and external. Need to clarify the status of the down down given the completion of the line and associated sub stations are long overdue. Need for clarification why counterpart funding is enhanced at the supplementary level. Further clarification of the total expenditure to date and highlight the total counterpart funding. The targets remain the same
8	Olkaria I and IV	3,000.00	305.00	(2,695.00)	-90%	Reduction through external funding likely to affect geothermal production where the expected target of MW revised to zero
9	Nairobi Ring - 220 kv	1,970.00	1,689.10	(280.90)	-14%	Reduction in external funds. Notable increase in government component by Kshs 926.1 mn. 35% of the electromechanical works of the line to be affected.
10	The Scaling Up Access To energy project	792.00	100.00	(692.00)	-87%	Reduction in external funds affecting the number of customers to be connected as the output is reduced from 150 to 25 customers.
11	Olkaria Lessos Kisumu Power Lines Construction Project	5,150.00	1,378.00	(3,772.00)	-73%	Reduction in external funds. The reduction affects 55% of towers to be erected, 10% of stringing works, 10% of civil works and 20% of electromechanical works.
12	Turkwel-Ortum- Kitale	808.00	305.42	(502.58)	-62%	Reduction in external funds. Component of civil works (15 percent) and electromechanical works (30percent) to be affected during the contract period

No.	Head	Printed Estimates Kshs Mn	Revised Estimates Kshs Mn	Supplementary Adjustments (Changes) Kshs Mn	Percentage Change (%)	Remarks and possible implications
<b>Table 4 a : Supplementary Adjustments in the development subvote for the state department of Energy</b>						
13	Nairobi 132Kv 66Kv Network Upgrade and reinforcement	3,621.00	800.00	(2,821.00)	-78%	Substantial reduction in external funding. The impact of the reduction will see the number of sub stations reduced from 10 to 5. There is need for further clarification as to the status of the network upgrade and challenges hindering the implementation of the projects
14	Kenya Electricity Expansion Project	2,180.80	1,593.53	(587.27)	-27%	Reduction of external funds towards the Kenya Electricity Expansion Program, the component under Kenya Power. This is an ongoing project and there is need for further clarification on the reduction and the status of this component under Kenya Power towards construction of sub stations as per the PBB framework.
15	Eastern Electricity Highway Project ( Ethiopia - Kenya Interconnector )	14,218.50	2,194.50	(12,024.00)	-85%	Substantial reduction of external funds affecting the interconnector. Although civil works is expected to gone on as planned, other aspects of the Line such as tower foundation and erection as well as stringing and associated activities are going to be affected. It is not clear why the ministry is not able to utilize the approved allocations and the emerging challenges.
16	Menangai Geothermal Development Project (GDC)	1,800.00	3,776.30	1,976.30	110%	Upward revision of both exchequer (600m) and external funds (1.376 billion) to enhance the MW of steam equivalent generated from 237 to 350.

No.	Head	Printed Estimates Kshs Mn	Revised Estimates Kshs Mn	Supplementary Adjustments (Changes) Kshs Mn	Percentage Change (%)	Remarks and possible implications
<b>Table 4 a : Supplementary Adjustments in the development subvote for the state department of Energy</b>						
17	Interconnection Project of Electric Grids of Nile Equatorial lakes	1,385.00	273.90	(1,111.10)	-80%	Reduction in external funds and thus affecting line construction.
18	Last Mile Electricity Connectivity	8,890.00	7,009.50	(1,880.50)	-21%	Reduction under external funds thereby reducing the expected connectivity of new customers from 383,000 to 300,000, translating to 22% downward revision of the expected target.
19	Kenya Development of solar power plant (Garissa)	9,300.00	400.00	(8,900.00)	-96%	Huge reduction of external funds. Affecting the expected output of installing solar panels from 210 to 20 thus reducing the expected MW from 54 to zero. It is not clear why the project is subjected to further delays considering that the ministry sought approval for allocation for the same project during last year's (2015/16) supplementary II
20	Multi NATIONAL Kenya-TZ power Interconnection Project	2,819.00	190.00	(2,629.00)	-93%	reduction under external funds component , affecting 25 percent and 10 percent of tower erection and stringing works that was planned to be done , respectively
21	Kenya Electricity Expansion Project	2,880.90	617.00	(2,263.90)	-79%	Reduction under external funds. The reduction is further affecting training activities, research and feasibility studies at the headquarters and Kenya power and REA plans of undertaking civil works and construction. As per the PBB framework this is affecting the number of household connections from 123,750 to 53,750.

No.	Head	Printed Estimates Kshs Mn	Revised Estimates Kshs Mn	Supplementary Adjustments (Changes) Kshs Mn	Percentage Change (%)	Remarks and possible implications
<b>Table 4 a : Supplementary Adjustments in the development subvote for the state department of Energy</b>						
22	Compact Fluorescent Lamps Distribution	1,560.00	300.00	(1,260.00)	-81%	Reduction under external funds. This revises the target of distributing 2,500,000 Compact florescent Lamps to zero. However, it is not clear why the ministry is maintaining an allocation of kshs 300 million despite that there are no outputs to be expected on account of the revision of targets.
23	Transformer Densification	1,680.00	100.00	(1,580.00)	-94%	Reduction of external funds under this Head. The expected output was 150 Low income new customers connected to electricity. However, these have now been reduced to zero meaning that there will be connectivity under this category for the contract period.
24	Connectivity Subsidy	1,829.00	3,329.00	1,500.00	82%	Additional exchequer grants of Kshs 1.5 billion. The expected output of households connected is thus doubled from 1 million to 2 million. There is need for further clarification on the actual status of the connectivity through the subsidy.
25	Power Transmission System Improvement Project	1,052.00	345.00	(707.00)	-67%	Reduction of external funds, thus affect construction of earmarked transmission lines which are six in number. There is need for further clarification on the status of the actual implementation of the projects

No.	Head	Printed Estimates Kshs Mn	Revised Estimates Kshs Mn	Supplementary Adjustments (Changes) Kshs Mn	Percentage Change (%)	Remarks and possible implications
<b>Table 4 a : Supplementary Adjustments in the development subvote for the state department of Energy</b>						
26	Electrification of Public Facilities	7,570.60	6,175.23	(1,395.37)	-18%	Reduction of external funds under REA affecting Power connectivity in public facilities. The affected output include No. of schools connected ( from 1200 to 600), No. of market centers connected ( from 1544 to 544), No. of health centers connected (from 418 to 118) and the No. of other public facilities connected (from 10, 500 to 5,500)
27	Olkaria V (Geothermal)	8,800.00	1,300.00	(7,500.00)	-85%	Reduction in external funds and thus scaling down the number of MW of power generated from 5 MW to zero
28	Nuclear Power Plant Sitting	30.00	100.00	70.00	233%	There is notable reduction of the component towards environmental
29	Strategic Environmental Assessment	20.00	-	(20.00)	-100%	assessment where the approved allocation has been reduced to zero allocation, while the allocation to Nuclear plant is enhanced. The expected study, as an output, is one with no further clarification to justifying the increment under the head " Nuclear Power Plant Sitting" such as the costings of the study.
30	Solar PV Installation on Institutions and or Community Boreholes	110.00	130.00	20.00	18%	Reorganization and reprioritization of allocations within the Alternative energy programme. There might be need for clarification whether the activities whose allocation have been shifted have already been implemented and if are
31	Development of Community Small Hydro Power Projects	25.00	-	(25.00)	-100%	

No.	Head	Printed Estimates Kshs Mn	Revised Estimates Kshs Mn	Supplementary Adjustments (Changes) Kshs Mn	Percentage Change (%)	Remarks and possible implications
<b>Table 4 a : Supplementary Adjustments in the development subvote for the state department of Energy</b>						
32	Renewable Energy Technology Innovation Up scaling (Solar refrigeration)	20.00	-	(20.00)	-100%	still considered for allocation in the coming Fiscal year.
33	Pilot programme on Domestic Household biogas digester	27.00	42.00	15.00	56%	
34	Energy Efficiency Charcoal Kiln Development	5.00	-	(5.00)	-100%	
35	Nuclear Resource Exploration and Development	100.00	-	(100.00)	-100%	The ministry seems to have scaled down the allocation under this head of nuclear resource exploration and distribution.
36	Integrated Energy Sector information management System Project	5.00	-	(5.00)	-100%	On account of the expected output the ministry is not likely to realize the target and thus the revision of the allocation to nil output.
37	Energy Flagship projects Monitoring and Evaluation Programme	13.00	83.00	70.00	538%	Five-fold increase of exchequer resource towards monitoring and evaluation of projects under the state department, translating into approximately 20 million per quarter. This is in addition to the domestic travel budget given in the recurrent budget. There may be need for further clarification on the need for the additional request given that the expected output as contained in the approved PBB framework is still the same as updated submission.

No.	Head	Printed Estimates Kshs Mn	Revised Estimates Kshs Mn	Supplementary Adjustments (Changes) Kshs Mn	Percentage Change (%)	Remarks and possible implications
<b>Table 4 a : Supplementary Adjustments in the development subvote for the state department of Energy</b>						
38	Installation of Transformers in constituencies	3,000.00	4,200.00	1,200.00	40%	Additional exchequer funding. Need to clarify the basis with respect the costings and quantity as well as civil works and justify the increment and whether the extra amount is already utilized or planned for the remaining period as well as highlighting the current status of installing transformers per constituency.
Total changes		(57,004.92)				

<b>Table 4 b: Supplementary Adjustments in the development sub vote for the state department for petroleum</b>						
Head	Printed Estimates Kshs Mn	Revised Estimates Kshs Mn	Supplementary Adjustments (Changes) Kshs Mn	Percentage Change (%)	Remarks and implications	
Kenya petroleum Technical Assistance Project (KEPTAT)	450,400,000	322,500,000	(127,900,000)	-28%	Reduction in external funds. Expected target of the Number of officers Trained on Petroleum related courses reduced from 150 to 130.	
Fuel Marking	40,500,000	20,250,000	(20,250,000)	-50%	Reduction of grants to ERC. However, the expected targets as per the PBB framework are not changing	
Exploration and distribution of oil and gas	3,437,500,000	2,247,500,000	(1,190,000,000)	-35%		
Of which :						
Construction of building	80,000,000	40,000,000	(40,000,000)	-50%	Exchequer allocation towards completion of the headquarters and related activities. However not clear on the effect of the reduction from the PBB framework	
Specialized plant equipment and machinery	2,100,000,000	1,100,000,000	(1,000,000,000)	-48%	Reductions under GoK finances. Not clear on the affected output from the PBB framework and thus need for further	

Research feasibility study , design and project supervision	655,000,000	505,000,000	(150,000,000)	-23%	clarifications
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### 2.1.4 The budget adjustments in the ICT Sub sector

The gross approved allocation for the State Department for ICT and Innovation in 2016/17 financial amounts Kshs. 23.222 billion. This comprised of Kshs 909.4 million for recurrent expenditure and Kshs 22,313.000 million for development expenditure. The 2016/17 supplementary budget has adjusted the gross allocation to Kshs 25.799 billion which represents an overall increase of Kshs 3.486 billion as indicated in table 5a.

With regards to the State Department for Broadcasting & Telecommunications, the changes reflect an additional amount of kshs 432.304 million for recurrent activities translating to 21 percent of the original approved allocations. However, the ministry has scaled down the development outlay by kshs 329.000 million, representing 50 percent of the development outlays as indicated in table 5b.

<b>Table 5a: ICT and Innovation 2016/17 approved Budget and Adjustments</b>				
<b>Details</b>		<b>Printed Estimates</b>	<b>Adjustments</b>	<b>Revised Estimates</b>
Recurrent	Net	909,425,207	241,497,815	1,150,923,022
	AIA	-	-	-
	<b>Gross</b>	<b>909,425,207</b>	<b>241,497,815</b>	<b>1,150,923,022</b>
Development	Net	19,501,000,000	1,446,895,788	20,947,895,788
	AIA	2,812,000,000	2,039,420,481	4,851,420,481
	<b>Gross</b>	<b>22,313,000,000</b>	<b>3,486,316,269</b>	<b>25,799,316,269</b>
Total	Net	20,410,425,207	1,688,393,603	22,098,818,810
	AIA	2,812,000,000	2,039,420,481	4,851,420,481
	<b>Gross</b>	<b>23,222,425,207</b>	<b>3,727,814,084</b>	<b>26,950,239,291</b>

<b>Table 5b: Broadcasting and telecommunication 2016/17 Approved Budget and Adjustments</b>				
<b>Details</b>		<b>Printed Estimates</b>	<b>Adjustments</b>	<b>Revised Estimates</b>
Recurrent	Net	1,870,126,830	40,000,000	1,910,126,830
	AIA	180,000,000	392,304,447	572,304,447
	<b>Gross</b>	<b>2,050,126,830</b>	<b>432,304,447</b>	<b>2,482,431,277</b>
Development	Net	658,000,000	(329,000,000)	329,000,000
	AIA	-	-	-
	<b>Gross</b>	<b>658,000,000</b>	<b>(329,000,000)</b>	<b>329,000,000</b>
Total	Net	2,528,126,830	(289,000,000)	2,239,126,830
	AIA	180,000,000	392,304,447	572,304,447
	<b>Gross</b>	<b>2,708,126,830</b>	<b>103,304,447</b>	<b>2,811,431,277</b>

Source: National Treasury

The programmes which have been affected are as indicated in table 6a and 6b.

<b>Table 6a: State Department for the ICT and Innovation 2016/17 Budget and adjustments by programme</b>				
<b>Programmes</b>	<b>Details</b>	<b>Approved Estimates 2016/17</b>	<b>Adjustments</b>	<b>Revised estimates 2016/17</b>
General Administration Planning and Support Services	Recurrent	287,854,207	(41,314,838)	246,539,369
	Development	-	-	-
	<b>Total</b>	<b>287,854,207</b>	<b>(41,314,838)</b>	<b>246,539,369</b>
ICT Infrastructure Development	Recurrent	128,184,795	191,134,877	319,319,672
	Development	22,313,000,000	3,486,316,269	25,799,316,269
	<b>Total</b>	<b>22,441,184,795</b>	<b>3,677,451,146</b>	<b>26,118,635,941</b>
e government	Recurrent	493,386,205	91,677,776	585,063,981
	Development	-	-	-
	<b>Total</b>	<b>493,386,205</b>	<b>91,677,776</b>	<b>585,063,981</b>
		<b>23,222,425,207</b>	<b>3,727,814,084</b>	<b>26,950,239,291</b>
<b>Table 6b: State Department for Broadcasting &amp; Telecommunications 2016/17 Budget and adjustments by programme</b>				
General Administration, planning and support Services	Recurrent	287,854,207	42,204,199	330,058,406
	Development	-	-	-
	<b>Total</b>	<b>287,854,207</b>	<b>42,204,199</b>	<b>330,058,406</b>
Information and Communication Services	Recurrent	1,554,822,623	390,100,248	1,944,922,871
	Development	428,000,000	(214,000,000)	214,000,000
	<b>Total</b>	<b>1,982,822,623</b>	<b>176,100,248</b>	<b>2,158,922,871</b>
Mass Media Skills Development	Recurrent	207,450,000	-	207,450,000
	Development	230,000,000	(115,000,000)	115,000,000
	<b>Total</b>	<b>437,450,000</b>	<b>(115,000,000)</b>	<b>322,450,000</b>
<b>Total</b>	<b>2,708,126,830</b>	<b>103,304,447</b>	<b>2,811,431,277</b>	

Changes under recurrent budget of the State Department of ICT and innovation reflect a gross increase of kshs241.49 million towards recurrent outlays. The key changes were under Konza, Information Communication Technology Authority – ICTA which had upward adjustments of Kshs. 19.7 million and Kshs. 114 million, respectively.

With regards to the State Department of Broadcasting and Telecommunication, the recurrent additional amounts to kshs 432.3 million, of which the Government Advertising Agency is enhanced by 388.082 million bringing the total allocation under this agency to Kshs 918.56 million.

For the State Department of ICT and Innovation, there is notable increase of Kshs. 3.48 billion under the programme ICT Infrastructure Development. This is, according to the PBB framework,

towards further enhancing digital learning by increasing the devices to be procured from the current 600, 000 to 1.2 million.

However, under the same programme allocation towards development of Konza City and related infrastructure works such as establishment of horizontal infrastructure for phase 1A and Konza Complex have been scaled down.

Similarly, the allocations under the e-government programme have been revised downwards by kshs 91.37 million or by 19percent. However as per the PBB framework the expected output of number of trainees benefiting from the presidential digital talent programme, e-registries/digitization of MDAs records and the implementation of the national cyber security master plan and strategy remain unchanged/revised.

With regards to the State Department for Broadcasting & Telecommunications, the allocation under the Mass Media Skill programme has been reduced by kshs 115 million or 50 percent although the target of the expected output of completing the 45 bed capacity hostel is scaled up with a view to complete the project. This implies that that the ministry may have overestimated the actual requirement to complete the project during the finalization of the 2016/17 Estimates.

Tables 7a and 7b summarizes the key adjustments and the specific heads/ projects affected and the possible implications under the ICT subsector.

Head	Printed Estimates Kshs Mn	Revised Estimates Kshs Mn	Supplementary Adjustments (Changes) Kshs Mn	Percentage Change (%)	Remarks and implications
<b>Table 7a: Supplementary Adjustments in the development sub vote for State department of ICT and Innovation</b>					
Digital Literacy Programme - Laptop	13,408,000,000	17,408,000,000	4,000,000,000	30%	Substantial upward revision of Exchequer allocation.  Expected to increase the expected output of the digital devices by another 600,000 bringing the total to 1.2 million.  There is need to clarify the unit costs as well as the current status of the approved allocation to determine absorption level and performance as well as the implementation status of the procurement and distribution of the devices

Head	Printed Estimates Kshs Mn	Revised Estimates Kshs Mn	Supplementary Adjustments (Changes) Kshs Mn	Percentage Change (%)	Remarks and implications
Supply and installation of an internet based 4000 network	205,000,000	102,500,000	(102,500,000)	-50%	Reduction of exchequer funds as well as halving the expected output
East Africa Trade and transport facilitation	875,000,000	(2,187,500,000)	(3,062,500,000)		Reduction of external fund in form of grants. However the expected output of 30 percent connectivity remains unchanged putting to question the realism of the target given by the ministry. The key performance indicator of the project are not also clear and thus the need for further clarification and updating the PBBB framework
Kenya Transparency and communication infrastructure project	3,275,000,000	6,427,316,269	3,152,316,269	96%	Increase in external funds
National Fiber optic backbone infrastructure II	1,552,000,000	1,075,000,000	(477,000,000)	-31%	
National Fiber optic backbone infrastructure PHASE II Expansion	1,500,000,000	1,950,000,000	450,000,000	30%	Increase in external funds to mainly to cater for the expansion phase
Konza Complex	500,000,000	250,000,000	(250,000,000)	-50%	
Konza Access roads	148,000,000	74,000,000	(74,000,000)	-50%	Decrease in exchequer funding and likely to affect development of the Technopolis.
Consultancies	300,000,000	150,000,000	(150,000,000)	-50%	
<b>Total adjustments</b>			<b>3,486,316,269</b>		

**Table 7b: Supplementary Adjustments in the development sub vote State Department for Broadcasting and Telecommunication**

Head	Printed Estimates Kshs Mn	Revised Estimates Kshs Mn	Supplementary Adjustments (Changes) Kshs Mn	Percentage Change (%)	Remarks and implications
450 Bed Capacity five storey building - Kenya Institute of Mass Communication (KIMC)	100,000,000	50,000,000	(50,000,000)	-50%	Reduction of exchequer grant by 50 percent with expected output as the level of completion enhanced to 100 percent with a view to complete the project within the contract period. From the revision it seems the ministry had overestimated the budget requirement at the level of approving the annual estimates. See also annex III on auditor general observation on the project
Modernization of KIMC film	130,000,000	65,000,000	(65,000,000)	-50%	
KBC Analogue to Digital Television Migration	300,000,000	150,000,000	(150,000,000)	-50%	Reduction of exchequer grants thus reducing the expected output of Country covered by digital signal from 65 percent to 33 percent. However, not clear why the ministry is not able to rollout this programme as per the approved levels
Modernization of KNA National desk and press centre	74,000,000.00	10,000,000	(64,000,000)	-86%	Reduction of exchequer amount by 86% mainly affecting the procurement of motor vehicles. However, the allocation (remaining) of kshs 10 million is a new item towards refurbishing of 518 audio visual editing equipment. This may require further clarification as to why it was not planned for allocation during the finalization of the estimates only to be introduced at the supplementary level. It is imperative such allocation benefit from public input during consideration of the annual estimates
<b>Total Adjustments</b>			<b>(329,000,000)</b>		

Source: National Treasury

### 2.1.5 Salient issues

In view of the supplementary estimates and adjustments for both sectors the following are the salient issues:

1. The Ministry of energy and petroleum submission reflects substantial adjustment at the supplementary level where both state departments (Energy and Petroleum) have registered a total reduction of 49 percent and 30 percent, respectively. This level of variation puts to question the planning framework in place to guide resource allocation and implementation as well as the resource ceilings often approved for the medium term. Most of the flagship projects have been affected by the adjustments (See annex I) and there may be a need for further clarification on the implications of the revised estimates.
2. With regards to programmes under the State Department of Energy that are currently under implementation and are externally financed, there are opportunity costs on account of less than optimal utilization of mobilized and committed funds and other risks such as penalties and contingent liability arising from delayed completion of interlinked projects like transmission lines (Loiyangalani –Suswa , Nairobi –Mombasa transmission lines etc) that the ministry needs to mitigate and minimize by observing contractual project timelines and other requirements.
3. It is not clear why the ministry of energy and petroleum is scaling up allocations on recurrent items that are project related such as project monitoring and evaluation and on the other hand there is reduction on development outlays towards flagship projects.
4. Similarly, the ministry of ICT is scaling down allocations towards flagship projects like the development of Konza city and related infrastructural development projects and the National Fibre Optic Cable (phase II) that are beyond their completion time. There is need for clarification from the ministry whether there are enough measures including technical capacity including that of the contracted entity to ensure approved allocations are committed and utilized with a view to have those critical projects completed and delivered.
5. The allocation under the Government Advertising Agency is enhanced by 73 percent from 530.48 million to 918.56 million. The policy move to consolidate government advertisement budget was to enhance efficiency (cost saving perspective) by centralizing such outlays and with clear estimates. This substantial variation of exchequer allocation especially at supplementary level, as was the case during the FY 2015/16 supplementary considerations, indicates lack of proper costing and planning framework as a basis guide for resource allocation. There is need therefore for further clarification with a view to evaluate the efficacy of this policy arrangement, its annual budget requirement and establish if there is compliance across the executive arm to the provisions of the policy measure.
6. There is need to ensure that the revisions is not likely to affect payments towards already incurred expenditures and thus guard against accruing unnecessary pending bills particularly for programmes under implementation in the ministry of Energy and petroleum.
7. Both sectors seem not have fully linked the itemized adjustments to the PBB framework especially with respect to the expected outputs meaning that budgetary allocations is not reasonable guided by a reliable costing framework. This is particularly so as regards the component of external funds. There is need by the ministries and the implementing agencies to ensure the PBB framework is strengthened and used as a basis to justify resource prioritization and allocation in the medium term

### 2.2 SUBMISSIONS FROM THE MINISTRY OF ENERGY AND PETROLEUM

The Ministry of Energy and Petroleum submitted the following brief to the Committee;

The Ministry aims at achieving the following programs;

1. Make progress towards generation of 5000 MW of power in order to reduce the cost of power. To date a total of 2,300 MW is available on the national grid.
2. Raise power production by further exploiting the vast geothermal, wind, and solar resources that the country is endowed with, as a way of increasing the clean energy mix.
3. Invest in the construction of more electricity substations, transmission lines, and distribution transformers in order to boost availability of electricity and sustain the demand. The additional power will widen access to power, reduce cost of doing business, and spur growth of enterprises.
4. Improve access to clean alternative energy through connection of more public institutions with solar energy, installation and maintenance of wind masts and data loggers, install street lights in towns to promote 24 – hour economy.

The State Department of Energy intends to discharge its mandate through the following programs;

1. Power Generation
2. Power transmission and distribution
3. Alternative energy technologies
4. General Administration, planning and support services

Analysis of the Printed Estimates and the Supplementary Budget I for Financial Year 2016/17 reveals the huge variances particularly in the Development vote as follows;

	<b>PRINTED ESTIMATES</b> 2016/17 (Kshs. Billions)	<b>SUPPLEMENTARY BUDGET I</b> 2016/17 (Kshs. Billions)	<b>VARIANCE</b>
<b>GOK Baseline Ceiling</b>	<b>1,677,687.4</b>	N/A	N/A
<b>Energy, Infrastructure &amp; ICT</b>	<b>529,162.9</b>	N/A	N/A
<b>Energy</b>	<b>117,261.9</b>	<b>60,256.7</b>	<b>(57,005.2)</b>
<b>Rec.</b>	2,078.5	2,078.5	0
<b>Dev. GOK</b>	33,985.0	40,290.0	6,305.0
<b>Foreign</b>	81,198.3	17,888.2	(63,310.2)
<b>% of Sectors Resource Envelope:-</b>			
Energy	23%	11.4%	(11.6%)

<b>% of Baseline Ceiling:-</b>			
Energy	7%	3.6%	(3.4%)
<b>Resource Requirement:-</b>			
Energy	138,772.4	138,791.9	19.5
<b>Financing Gap:-</b>			
Energy	21,510.5	78,535.2	57,024.7

From this analysis, the State Department of Energy has continued to experience huge financing gap hence impacted negatively on project implementation. This huge budget cut especially to foreign financed projects will most likely lead to escalation of pending bills, litigations, increased costs of projects due to charging of interest for delayed payments and generally extension of completion periods for projects.

Some of the areas that have largely been affected include;

1. The pending bills still remain not fully catered for. The initial request was Kshs. 13.9 billion but have only been allocated Kshs. 3.4 billion hence a shortfall of Kshs. 10.5 billion.
2. Installation of transformers was allocated Kshs. 1.2 billion against an initial request of Kshs. 3.7 billion.
3. Scaling up of electricity access under GPOBA program had the initial request of Kshs. 5.4 billion but was only allocated Kshs. 1.5 billion.
4. Other areas not allocated at all include; rural electrification program Kshs. 10.2b, geothermal development projects Kshs. 7.2b, installation of key transmission lines Kshs. 28.9b and counterpart funding for the foreign financed projects Kshs. 0.4b.

Under foreign financing the budget has dropped from Kshs. 81.2 billion to 17.9 billion reflecting a 78% reduction.

This is a huge drop and will definitely affect implementation of projects in the Ministry. The implications of this review will be as follows;

1. There will be huge over expenditures at the end of the financial year since expenditure returns were not considered in determining the levels on foreign funding
2. Increase in pending bills come next financial year which will include both current and last financial year. We expect this to be a huge figure given the reduction if it were to be maintained at Kshs 17.9 billion.
3. The Ministry will more likely face numerous litigations or interest due to delayed payments
4. So far, the Ministry has already exceeded the Kshs. 17.9 billion ceiling that was proposed and thus has pending payments to date. Considering that we still have another five

months to implement projects in this financial year it is imperative that this ceiling be reviewed upwards. There are projects like Loiyangalani-Suswa transmission line which have to be completed to avoid realization of contingent liability.

5. Projects will stall given that implementation is ongoing and that commitment has already been done and is way above Kshs.17.9 billion.

## 2.3 SUBMISSIONS FROM THE MINISTRY OF INFORMATION, COMMUNICATION AND TECHNOLOGY

The Ministry of Information, Communication and Technology presented the following brief to the Committee;

### 2.3.1 State Department of ICT & Innovation

#### 2.3.1.1 2016/17 Supplementary Budget proposal

The 2016/17 Supplementary budget for Recurrent and Development expenditures for the State Department of ICT and Innovation stand at KSh.22,098,818,810 distributed as follows:-

	<b>Printed Estimates 2016/17 (Ksh)</b>	<b>Supplementary 2016/17 (Ksh)</b>	<b>Increase (Ksh)</b>
<b>Recurrent Expenditure</b>	909,425,207	1,150,923,022	241,497,815
<b>Development Expenditure</b>	19,501,000,000	20,947,895,788	1,446,895,788
<b>TOTAL</b>	<b>20,410,425,207</b>	<b>22,098,818,810</b>	<b>1,688,393,603</b>

#### 2.3.1.2 Details of the Realignment

The overall position of the Supplementary budget is growth of Recurrent and Development expenditures by KSh.241,417,815 and KSh.1,446,895,788 respectively. The key realignments accounting for these changes are as follows:-

#### 1 Recurrent Expenditure

Sub Head	Details	Printed Estimates 2016/17	2016/17 Supplementary	Increase/Decrease	Remarks
11220006	Business Process Outsourcing – Ajira Digital Program	33,184,795	204,619,672	171,434,877	Additional KSh.180 million will be used for implementation of Ajira Digital program towards training youths on access to online work and provide tools
11220005	Grants to ICT Authority	203,000,000	317,000,000	114,000,000	To cater for recruitment of critical staff for ICT Authority to support Implementation of Digital Literacy Programme, Presidential Digital

					Talent and other programmes
11220007	Grants to Konza Technopolis Development Authority (KOTDA)	95,000,000	114,700,000	19,700,000	KOTDA has a deficit of KSh.63 million for personal emoluments, gratuity and rent. The KSh.19.7 million will partially settle gratuity and cater for other urgent requirements.

**Notes:**

1. Personal Emoluments on various budget heads was reduced by KSh.17 million based on expenditure trends on payroll.
2. Total reduction on earmarked austerity areas of expenditure was over KSh.55 million. This touches on operations and maintenance of the State Department. The reduction will affect service delivery and achievement of targets set in the Ministry's Performance Contract for 2016/17. The entire Ministry has a shortage of office accommodation and working equipment for staff. Reduction of funds on operations and maintenance will make the situation worse.

**2 Development Expenditure**

Project Code	Details	2016/17 Printed Estimates	2016/17 Supplementary	Increase/Decrease	Remarks
11221001	Supply and Installation on Internet Based 4000 Network - CCP	205,000,000	102,500,000	(102,500,000)	Reduction informed by 50% rationalization policy of project funds. Funds currently being used on County Innovation Hub
11221002	Kenya Transparency Communication Infrastructure Project (TCIP)	875,000,000	4,027,316,269	3,152,316,269	The funding for TCIP was interchanged with that of EATTFP in the Printed Estimates. The two projects are financed by World Bank. Key changes touches on capturing of correct figures and chances in mode of financing i.e Revenue and Appropriation in Aid.
11221003	East African Trade and Transport Facilitation Project (EATTFP)	3,275,000,000	212,500,000	(3,062,500,000)	As stated above EATTFP funds were exchanged with TCIP. The realignment has been done and the project is at design stage thus reduction of funding to KSh.212.5 million
11221004	NOFBI Phase II	1,552,000,000	1,075,000,000	(477,000,000)	Funds used for laying of Fibre Optic cable. Part of reduced balance moved to Expansion Project to cater for pending commitments

					– China Funded project
11221005	NOFBI Phase II Expansion	1,500,000,000	1,950,000,000	450,000,000	Additional 450 million to facilitate payment of preliminary commitments for start of project. This is Chinese funded
11221007-1008	Konza Complex, Access Roads and Consultancies (MDP2)	948,000,000	474,000,000	474,000,000	Reduction informed by 50% reduction policy on projects. Projects to accumulate pending bills since works are already awarded
11221010	Digital Literacy Programme (DLP)	13,408,000,000	17,408,000,000	4,000,000,000	We had requested for KSh.9.7 billion additional for completion of phase one. The KSh.4 billion will partially finance the shortfall for purchase of learning devices

### 2.3.1.3 2016/2017 Budget Implementation

The summary of status of 2016/17 net budget implementation is as below:-

	2016/17 Printed Estimates Kshs	Actual Expenditure at 31/12/2016 Kshs	Percentage Performance
Recurrent Expenditure	909,425,207	336,405,735	37%
Development Expenditure	19,501,000,000	14,997,718,958	77%

Notes:

1. Under performance in Recurrent budget explained by withheld funds on austerity areas earmarked for rationalization and low expenditure on Personal emoluments. The target up to 31/12/2016 was 50%.
2. Performance on Development Budget high due to release of KSh.13.408 billion for DLP.

### 2.3.2 State Department of Broadcasting and Telecommunications

#### 2.3.2.1 FY 2016/17 Supplementary Estimates I Budget proposals

The budgetary allocations for the State Department of Broadcasting and Telecommunications in the FY 2016/17 Supplementary Estimates I is **KSh.2,811,431,277** as follows;

	Printed Estimates(Gross) in Kshs.	Supplementary Estimates I(Gross)in Kshs.	Net increment/reduction in Kshs.
<b>1 Recurrent Expenditure</b>	2,050,126,830	2,482,431,277	392,304,447
<b>2 Development</b>	658,000,000	329,000,000	(329,000,000)
<b>Total</b>	<b>2,708,126,830</b>	<b>2,811,431,277</b>	<b>63,304,447</b>

2.3.2.2 Details of the Realignment

The overall position of the FY 2016/17 Supplementary Estimates is a net increase of **Kshs.392,304,447** under the Recurrent Vote and a net reduction of **Kshs.329million** under the Development Vote. The alignment comprises of changes in the following main areas;

I. Recurrent Expenditure

	Item of expenditure	Net increase/reduction	Remarks
1	Advertising costs for Government Advertising Agency	400,000,000	To cater for pending bills of KSh.435million carried over from the last FY 2015/16
2	Other operating Cost	74,490,168	To cater for legal fees of KSh.67.6million to M/s Wambugu & Mondete for services offered to the Ministry, and KSh.9.3million for allowances to taskforce on Postal corporation
3	Grant to the National Communication Secretariat	40,000,000	This is a unit under the Vote. The amount is additional appropriation in Aid from the Communication Authority of Kenya to facilitate in formulation of policies at the Ministry

Notes

1. Personnel Emoluments on various Budget Heads was reduced by Ksh.13.4million based on expenditure trends on the payroll.
2. Total reduction on earmarked austerity areas of expenditure were channeled to cater for legal fees to M/s Wambugu & Mondete and allowances for the taskforce on postal corporation.
3. The overall net reduction under the Recurrent Vote is therefore **Kshs.7.7million**.
4. The realignment/reduction of the budget will however affect service delivery and achievement of targets set in the Ministry's Performance contract for 2016/17. The Ministry has a shortage of office accommodation and working equipment for staff. Reduction of funds on operations and maintenance will make the situation worse.

II. Development Expenditure – Kshs. millions

	Project name	Printed Estimate	Net increase/decrease	Supplementary Estimates I	Remarks
1	KBC Analogue to Digital TV Migration	300	(150)	150	The realignment will affect completion date of the project which entails mounting of

					digital transmitters at various parts of the country
2	Modernization of KNA National Desk and Press Centre - Headquarters	74	(64)	10	The realignment was in relation to low absorption levels occasioned by delays in procurement of equipment
3	450 bed capacity five storey building - KIMC	100	(50)	50	The project was due for completion in the current FY/2016/17. Owing to the realignment, there project is expected to be completed next year
4	Modernization of KIMC Media Training Facilities - Headquarters	130	(65)	65	The realignment will affect modernization of media facilities used for training students

### 2.3.2.3 Status of the 2016/17 Printed Estimates Budget Implementation in the First Half

The overall position of implementation of the FY 2016/17 Printed Estimates is as follows;

		<b>Printed Estimates</b>	<b>Accumulated expenditure as at 31<sup>st</sup> December, 2016</b>	<b>Absorption rate</b>	<b>Remarks</b>
1	Recurrent Expenditure	2,050,126,830	700,271,768	34%	Low absorption is attributable to withheld funds on austerity areas earmarked for rationalization and low expenditure on Personnel emoluments
2	Development Expenditure	658,000,000	292,000,000	44%	The absorption levels are on target in comparison with the target of 50% as at 31 <sup>st</sup> December, 2016
	<b>Total</b>	<b>2,708,126,830</b>	<b>992,271,768</b>		

### **3 COMMITTEE OBSERVATIONS**

#### **The Committee observed that:**

#### **3.1 MINISTRY OF ENERGY AND PETROLEUM**

1. The total budget for the State Department of Energy was reduced by **Kshs 57.005 billion** bringing the total approved budget to **Kshs 60.256 billion** from **Kshs 117.261 billion**, translating to 49 percent total reduction.
2. That the total reduction was under the development votes affecting major project outlays under the key programmes of Power Generation, Power Transmission and Distribution, reflecting a reduction of **Kshs 10.928 billion** and **Kshs 46.966 billion**, respectively. The Committee noted a number of the flagship projects such as construction of transmission lines, rural electrification and connectivity, geothermal development and generation as well as oil and gas exploration and distribution will be affected.
3. That the reductions under the flagship projects currently under implementation and are funded by development partners were done without prior consultation with the Ministry and that is likely to affect payment for works done so far and result into pending bills. The committee further noted a huge funding gap for critical programmes under the State Department of Energy and that there is need to scale up exchequer support.
4. That the completion and delivery of the key programmes will be affected and further noted that there was need to ensure projects currently under implementation are not affected by expenditure rationalization considering that most of these revisions are under external sources of financing.
5. The Committee, during its review process including scrutiny of the submissions and further engagement between the ministry, National Treasury and the Committee, noted the content of the additional adjustments with a view to mitigate the adverse effect of the revisions on key programmes and projects. The Committee therefore noted additional resources amounting to **Kshs 30.495 billion** mainly towards the programmes of Power Generation, and Power Transmission and Distribution as well as additional of **Kshs 30 million** towards the programme of Exploration and Distribution of Oil and Gas under the State Department of Petroleum.

### 3.2 MINISTRY OF INFORMATION, COMMUNICATION AND TECHNOLOGY

1. There was an overall increase of 16 percent and 4 percent under the State Department of ICT and Innovation and State Department of Broadcasting and telecommunication. In particular, the recurrent and Development budget for the State Department of ICT and Innovation increased from approved **Kshs 909.425 million** and **Kshs 22.313** to **Kshs 1.151 billion** and **Kshs 25.799 billion** respectively.
2. With regards to the State department of Broadcasting and telecommunication, the recurrent budget was increased by **Kshs 43.304 million** bringing the total allocation to **Kshs 2.482 billion**, while the development budget was reduced by half bringing the allocation to **Kshs 329 million**.
3. That the major increase under the State Department of ICT and Innovation was **Kshs. 4 billion** towards the digital literacy programme mainly to cater for procurement of additional 600,000 learning devices for the contract period ending June 30<sup>th</sup> 2016.
4. That the allocation towards development of Konza City and related infrastructure works such as establishment of horizontal infrastructure for phase 1A and Konza Complex have been scaled down, a concern that the flagship project under the ministry may not be able to undertake foundational works as approved in the current fiscal year.
5. With regards to the State Department for Broadcasting & Telecommunications, the allocation under the Mass Media Skill programme was reduced by **Kshs 115 million** or 50 percent although the target of the expected output of completing the 45 bed capacity hostel is scaled up with a view to complete the project. This implies that the ministry may have overestimated the actual requirement to complete the project during the finalization of the 2016/17 Estimates.
6. On the revisions relating to State Department of Broadcasting and Telecommunication, the allocation under the Government Advertising Agency is enhanced by **Kshs 388.082 million** bringing the total allocation under this agency to **Kshs 918.56 million**. A situation the Committee notes is a substantial increase (73 percent) at the supplementary level to the extent that the earlier approved allocation may not have been guided by proper costing estimating government advertising needs putting into question the earlier government mechanism of ensuring that government advertising needs is effectively and efficiently managed.
7. The Committee similarly noted additional resources, on account of the further engagement between the National Treasury and the Ministry of ICT, towards the programme of Information and communication (State Department of Broadcasting and Technology) amounting to **Kshs 500 million**.

## 4 RECOMMENDATIONS

### 4.1 MINISTRY OF ENERGY AND PETROLEUM

1. That the Committee recommends for approval the **additional upward adjustments of Kshs 30.495 billion** under the State Department of Energy, following engagement with the National Treasury and the Ministry during the review process as shown in the programmes below. The recommendation is on account of mitigating concerns raised on the gross deductions of particularly externally funded programmes and projects which amounted to **Kshs 57.005 billion**.

State Department of Energy						
Programmes	Details	Approved Estimates 2016/17	Adjustments (Supplementary I)	Revised estimates 2016/17	Additional adjustments	Proposed new estimates on SUPP I
Power Generation	Recurrent	796,614,962	0	796,614,962	0	796,614,962
	Development	21,491,500,000	-11,359,630,438	10,131,869,562	13,432,000,000	23,563,869,562
	<b>Total</b>	<b>22,288,114,962</b>	<b>-11,359,630,438</b>	<b>10,928,484,524</b>	<b>13,432,000,000</b>	<b>24,360,484,524</b>
Power Transmission and Distribution	Recurrent	797,818,604	0	797,818,604	0	797,818,604
	Development	92,661,994,729	-45,695,522,524	46,966,472,205	17,088,490,000	64,054,962,205
	<b>Total</b>	<b>93,459,813,333</b>	<b>-45,695,522,524</b>	<b>47,764,290,809</b>	<b>17,088,490,000</b>	<b>64,852,780,809</b>
Alternative Energy Technologies	Recurrent	162,297,886	0	162,297,886	0	162,297,886
	Development	898,000,000	-15,000,000	883,000,000	-25,000,000	858,000,000
	<b>Total</b>	<b>1,060,297,886</b>	<b>-15,000,000</b>	<b>1,045,297,886</b>	<b>-25,000,000</b>	<b>1,020,297,886</b>
Administration Planning and Support Services	Recurrent	321,820,594	0	321,820,594	0	321,820,594
	Development	131,836,986	65,000,000	196,836,986	-490,000	196,346,986
	<b>Total</b>	<b>453,657,580</b>	<b>65,000,000</b>	<b>518,657,580</b>	<b>-490,000</b>	<b>518,167,580</b>
<b>Grand total</b>		<b>117,261,883,761</b>	<b>-57,005,152,962</b>	<b>60,256,730,799</b>	<b>30,495,000,000</b>	<b>90,751,730,799</b>

(see attached scheduled for the allocations under each Head)

2. Similarly, the Committee recommends for approval the additional amount of **Kshs 30 million** under the programme of Exploration and Distribution of Oil and Gas, and further recommends the same be allocated to the **Head 1153100300, Fuel Marking**, under the development sub vote (*towards petroleum activities under the Energy Regulatory Commission*).
3. Further to the approval of the additional amounts under the State Department of Energy, and in view of the submissions and critical review of the same, The Committee makes the following further recommendations in the Development Sub Vote:
  - i. That an amount of **Kshs 2.00 billion** be provided under Street Lighting Project (Head 1152103500), bringing the total allocation for the current fiscal year of 2016/17 to **Kshs 5.31 billion**.
  - ii. That an amount of **Kshs 20 million** be allocated towards Strategic Environmental assessment (**Head 1152105200-the Kenya Nuclear Board**); **Kshs 18 million** be allocated towards Curriculum Development for Nuclear courses (under the Kenya Nuclear Board); and towards meeting the above allocations, an amount of **Kshs 24 million** and **Kshs 14 million** be reduced from the allocation under Nuclear Power Plant Sitting (Head 1152105501 - Kenya Nuclear Board) and Energy flagship Projects Monitoring and Evaluation (**Head 1152106800, Development**), respectively.

202  
138  
403


- iii. That an amount of **Kshs 500 million** and **kshs 100 million** be reduced from allocations under Connectivity subsidy (Head 1152103601) and Installation of Transformers for Constituencies (Head 1152106900) . On the basis of the total reduction amounting to **Kshs 600 million**, the committee recommends the allocation of **Kshs 262 million** to Turkana University College under the Ministry of Education, State Department for University Education, Development Sub Vote; **Kshs 200 million** towards Konza flagship activities of constructing complex (Head 1122100700, Development) and **Kshs 138 million** towards Rural Electrification Authority to cater for energy efficiency audit. This therefore brings the total allocation under Connectivity subsidy and Installation of Transformers for Constituencies to **Kshs 2.829 billion** and **Kshs 4.100 billion** up from approved **Kshs 1.829 billion** and **Kshs 3.00 billion** , respectively
4. The Committee recommends the approval of the proposed recurrent levels for both State Departments and further compels the Ministry to ensure there is value for approved allocations and achieve the outlined targets in the PBB Framework particularly as regards the monitoring and evaluation component necessary for monitoring and fasttracking the completion of the development projects.
5. That the Ministry should scale up the utilization of the externally mobilized resources that have been approved in the budget and subsequently as reinstated at the supplementary level so as to ensure timely completion of funded projects within the contract period.
6. That the Ministry should ensure that the reorganization of allocations in the development sub votes doesn't occasion pending bills and that the Ministry should continuously liaise with the National Treasury, Pursuant to Art 223 of the constitution on account of provisioning for insufficient allocation, with a view to ensure that the affected projects are financed according to the work done or as planned to be executed during contract year.
7. With regards to the additional resources towards the countrywide installation of transformers, the committee recommends that the Ministry and the relevant agencies responsible to fast track the implementation of the project and submit status report before the end of the current quarter ending March 2017.

#### 4.2 MINISTRY OF INFORMATION, COMMUNICATION AND TECHNOLOGY

1. In view of the submissions by the ministry and the subsequent deliberations on the same, the committee recommends on the approval of the submitted recurrent supplementary Irevisions as submitted for both State Departments (State Department of ICT & Innovation, and State Department of Broadcasting and Telecommunication).
2. That the Committee further approves the additional adjustments proposed by the National Treasury of an amount of **Kshs 500 million** towards the programme of Information and Communication Services (**Head 1123000400 - Government Advertising Agency**) under the recurrent Budget of the State Department of Broadcasting and Telecommunication. The allocation is to cater for establishment of daily circulation newspaper by the Government (**My.Gov**) with a view to provide useful information on government tenders, opportunities available to the youth and other useful news on government programmes.

3. That the Committee further recommends an amount of **Kshs 100 million** be reduced from the proposed extra allocation of **Kshs 4.00 billion** from the Digital Literacy - Laptops (**Head 1122101000, Development**) and the amount be further provided towards Konza flagship activities of constructing access roads (**Kshs 50 Million, Head 1122100800, Development**) and Consultancies (**Kshs 50 million, Head 1122100900, Development**). This therefore brings the total allocation towards digital literacy to **Kshs 17.308 billion** for the current fiscal year.
4. That the Committee recommends that the Ministry should ensure that all flagship projects with approved allocations are implemented and the expected outputs are delivered as per the PBB framework and within the contract period. In that regard, the Committee further recommends that a status report on all development projects be submitted by the end of the current quarter ending in March 2017 highlighting the achievements as well as the challenges facing the implementation of the projects.
5. The ministry should ensure that the reorganization in the development sub votes doesn't occasion pending bills and that the Ministry should continuously liaise with the National Treasury, Pursuant to Art 223 of the Constitution on account of provisioning for insufficient allocation, with a view to ensure that the affected projects are financed according to the work done during contract year.
6. The Ministry should ensure that the Digital Literacy Programme is fully rolled out and the status report of the work done so far be submitted by the end of the current quarter ending March 2017.
7. The Ministry, in particular the State Department of ICT and Innovation, should submit a comprehensive status report on the development of Konza City further highlighting the rationalization of approved expenditure towards the flagship projects at every supplementary stage.
8. The Ministry should ensure that the government policies of centralizing advertisement budget are properly adhered to and that the costing is properly done to avoid substantial revisions at the supplementary stage.

Signed: -----



Date: -----

22/2/2017

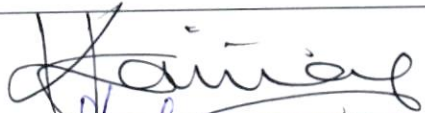
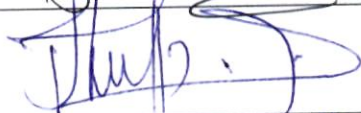
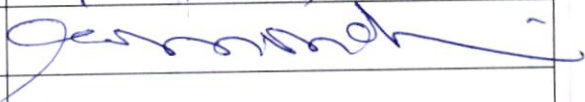

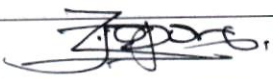


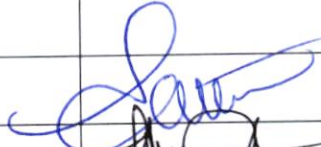

**THE HON. JAMLECK KAMAU, EGH, MP,**


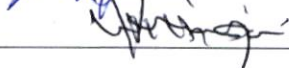

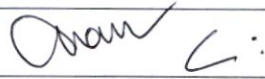


**CHAIRPERSON**



### Adoption of the Report

We Members of the Departmental Committee on Energy, Communication and Information have adopted this report on the Supplementary Estimates 1 for the FY 2016/17 for the Ministry of Energy and Petroleum and the Ministry of Information, Communication and Technology and affix our signatures to confirm our approval and confirm its accuracy, validity and authenticity on 07/02/2017

NO.	NAME	SIGNATURE
1.	HON. JAMLECK KAMAU, EGH, MP (CHAIRPERSON)	
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3.	HON. EDICK ANYANGA, MP	
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17.	HON. ONESMUS NJUKI, MP	
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28.	HON. MOSES KURIA, MP	
29.	HON. WILLIAM MTENGO, MP	

**REPUBLIC OF KENYA**



**KENYA NATIONAL ASSEMBLY**

**ELEVENTH PARLIAMENT**

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**REPORT ON THE 1<sup>ST</sup> SUPPLEMENTARY ESIMATES FY 2016/17**

**PRESENTED TO THE BUDGET AND APPROPRIATIONS**

**COMMITTEE BY**

**THE DEPARTMENTAL COMMITTEE ON EDUCATION, RESEARCH**

**AND TECHNOLOGY**

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**VOTE HEAD 1061: STATE DEPARTMENT OF EDUCATION**

**VOTE HEAD 1062: STATE DEPARTMENT FOR UNIVERSITY EDUCATION**

**VOTE HEAD 1064: STATE DEPARTMENT FOR TECHNICAL EDUCATION**

**VOTE HEAD 2091: TEACHERS SERVICE COMMISSION**

**FEBRUARY, 2017**

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## 1.0 Introduction

### 1.1 Mandate of the Committee

The Departmental Committee on Education, Research and Technology is established pursuant to **Standing Order No. 216**, and has the following functions:

- i) To investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned Ministries and Departments;
- ii) To study the programme and policy objectives of the Ministries and Departments and the effectiveness of the implementation;
- iii) To study and review all legislations referred to it;
- iv) To study, assess and analyse the relative success of the Ministries and Departments as measured by the results obtained as compared with their stated objectives;
- v) To investigate and inquire into all matters relating to the assigned Ministries and Departments as they may deem necessary, and as may be referred to them by the House or a Minister; and
- vi) To make reports and recommendations to the House as often as possible, including recommendation of proposed legislation’.

The Standing Orders also empowers the Committee to make its own selection of the subjects regarding the policy, management, administration, etc of the Ministries and Departments falling under its jurisdiction.

In terms of the budget making process, the Committee oversees three (4) spending agencies namely the State Department of for Basic Education, State Department for University Education; State Department for Technical Education and Teachers Service Commission.

### 1.2 Committee’s Membership

The Committee comprises of the following members: -

1. The Hon. Sabina Chege, M.P. (**Chairperson**)
2. The Hon. Julius Melly, M.P. (**Vice Chairperson**)
3. The Hon. (Prof.) Hellen Sambili, M.P.
4. The Hon. (Dr.) Wilber Ottichillo, M.P.
5. The Hon. Harrison Kombe, M.P.
6. The Hon. Yusuf Chanzu, M.P.
7. The Hon. Joseph Manje, M.P.
8. The Hon. Rose Rwamba Mitaru, M.P.

9. The Hon. Anthony Kimaru, M.P.
10. The Hon. Jacob Macharia, M.P.
11. The Hon. Mary Seneta, M.P.
12. The Hon. Joseph M'eruaki, M.P.
13. The Hon. Dr. Susan Chebet, M.P.
14. The Hon. Eric Keter, M.P.
15. The Hon. Cecilia Ng'etich, M.P.
16. The Hon. Mohamed Huka, M.P.
17. The Hon. Moses Injendi, M.P.
18. The Hon. Muriuki Njagagua, M.P.
19. The Hon. Kenneth Okoth, M.P.
20. The Hon. Geoffrey Makokha Odanga, M.P.
21. The Hon. (Dr.) Christine Ombaka, M.P.
22. The Hon. Jared Opiyo Odhiambo, M.P.
23. The Hon. Michael Kisozi Munyao, M.P.
24. The Hon. Halima Ware Duri, M.P.
25. The Hon. Zuleikha Hassan Juma, M.P.
26. The Hon. Ibren Nasra Ibrahim, M.P.
27. The Hon. Makenga Richard Katemi, M.P.
28. The Hon. Silverse Anami Lisamula, M.P.
29. The Hon. Andrew Mwadime, M.P.

## 2.0 SUMMARY OF THE FIRST SUPPLEMENTARY ESTIMATES FOR 2016/17

The Committee was briefed on the first supplementary Estimates by the Parliamentary Budget Office and was informed as follows.

### 2.1 State Department for Basic Education – Vote Head 1061

The Committee was informed as follows:

That the gross approved allocation for the State Department for Basic Education in 2016/17 financial amounts Kshs. 67.2 billion. This comprised of Kshs 58.7 billion for recurrent expenditure and Kshs 8.4 Billion for development expenditure. The 2016/17 supplementary budget has adjusted the gross allocation to Kshs 67.8 Billion which represents an overall increase of Kshs 0.65 Billion as indicated below.

That the gross recurrent expenditure has been reduced by Kshs 2.04 and is attributed to rationalization of the expenditures to cater for leasing of motor vehicles under the National Treasury to enhance monitoring and evaluation of utilization of funds on expenditure relating to Free Primary Education and Free Day Secondary Education.

That the overall development expenditure has been increased by Kshs 2.69 Billion and this is as a result of an increase in net development expenditure by **Kshs 5.04 Billion**. The increase in development spending is meant to support infrastructure development in primary and secondary schools.

That a review of the development supplementary estimates indicates that there are increases under the following heads:

- i. Primary Schools infrastructure improvement by Kshs 52 million;
- ii. Secondary Schools infrastructure improvement by Kshs 291 million;
- iii. Special needs infrastructure improvement by Kshs 870 million; and
- iv. Transition schools infrastructure by Kshs 5.5 Billion.

That the increase in development spending to support infrastructural development has resulted to an upward revision of the set targets on the number of primary, secondary and special needs schools to be rehabilitated as indicated in table 3 below.

<b>Programme</b>	<b>Sub Programme</b>	<b>KPI</b>	<b>Target</b>	<b>Revised Target</b>
Primary Education	Free Primary Education	No. of primary schools infrastructure constructed/expanded/rehabilitated	189	194
Secondary Education	Free Day Secondary Education	No. of secondary schools infrastructure expanded/rehabilitated	266	798
		No. of special needs schools infrastructure expanded/rehabilitated	0	208
		No. of transition schools infrastructure expanded/rehabilitated	0	818

**That** there is a new category of public secondary schools referred as “transition schools” where the State Department intends to rehabilitate 818 such schools at a cost of **Kshs 5.5 Billion** and this had no budgetary allocation in the 2016/17 approved estimates.

That it is no clear which type of secondary schools are transition schools and how these schools are different from other secondary schools yet Kshs 5.5 Billion has been allocated towards their infrastructure improvement and rehabilitation.

That the State Department intends to rehabilitate special needs school at a cost of Kshs 870 million which was not provided for in the approved estimates for 2016/17.

The programmes which have been affected are as indicated in the table below:

<b>Programmes</b>	<b>Details</b>	<b>Approved Estimates 2016/17</b>	<b>Adjustments</b>	<b>Revised estimates 2016/17</b>
Primary Education	Recurrent	17.08	(0.94)	16.14
	Development	5.96	(3.72)	2.24
	<b>Total</b>	<b>23.04</b>	<b>(4.66)</b>	<b>18.38</b>
Secondary Education	Recurrent	33.22	(0.93)	32.29
	<b>Development</b>	<b>1.63</b>	<b>6.76</b>	<b>8.39</b>
	<b>Total</b>	<b>34.85</b>	<b>5.83</b>	<b>40.68</b>
Quality Assurance and Standards	Recurrent	4.07	(0.01)	4.06
	Development	0.43	(0.12)	0.31
	<b>Total</b>	<b>4.50</b>	<b>(0.11)</b>	<b>4.39</b>
General Administration, Planning and Support Services	Recurrent	4.41	(0.18)	4.23
	Development	0.37	(0.23)	0.14
	<b>Total</b>	<b>4.78</b>	<b>(0.41)</b>	<b>4.37</b>
<b>Total SDBE</b>	Recurrent	58.78	(2.06)	56.72
	Development	8.39	2.69	11.08
	<b>Total</b>	<b>67.17</b>	<b>0.63</b>	<b>67.80</b>

## **2.2 State Department for University Education (SDUE) – Vote Head 1062**

The Committee was informed as follows:

That the gross 2016/17 approved allocation for the State Department for University Education was Kshs. 72.1 billion which comprised of Kshs 60.2 billion for recurrent expenditure and Kshs 11.4 Billion for development expenditure.

That supplementary budget has adjusted the gross allocation to Kshs 66.4 Billion representing an overall decrease of Kshs 5.3 Billion and the reduction is in both recurrent and development budget as a result of budget rationalization.

<b>Table 3: 2016/17 Budget adjustments per programmes (Kshs Mlns)</b>				
Programmes	Details	Approved Estimates 2016/17	Adjustments	Revised estimates 2016/17
University Education	Recurrent	56,523.44	252.24	56,775.68
	Development	11,436.09	(3,394.88)	8,041.21
	Total	67,959.53	(3,142.64)	64,816.89
Research, Science, Technology and Innovation	Recurrent	3,430.14	(2,339.97)	1,090.17
	Development	43.00	(15.00)	28.00
	Total	3,473.14	(2,354.97)	1,118.17
General Administration, Planning and Support Services	Recurrent	264.32	194.75	459.07
	Development	-	-	-
	Total	264.32	194.75	459.07
Total SDUE	Recurrent	60,217.90	(1,892.98)	58,324.92
	Development	11,479.09	(3,409.88)	8,069.21
	Total	71,696.99	(5,302.86)	66,394.13

That the University Programme development allocation has been reduced by Kshs 3.4 Billion and this is as a result of rationalization of funding to infrastructure developments in various public Universities.

That the completion rate of infrastructure projects in all Public Universities under the University programme has been revised downwards from the initial 40% to 35% due to the reduction in development budget.

That the budgetary allocation to the Research, Science, Technology and Innovation has been significantly reduced downwards by 67.7% and this is a huge reduction especially on the recurrent expenditure. This puts to doubt on whether the programme will be able to attain the set targets for the financial year.

### **2.3 State Department for Vocational and Technical Training (SDVTT)**

The Committee was informed as follows:

That the gross 2016/17 approved allocation for the State Department for Vocational and Technical Training was Kshs. 6.5 billion. This comprised of Kshs 2.3 billion for recurrent expenditure and Kshs 4.2 Billion for development expenditure.

That the 2016/17 supplementary budget has adjusted the gross allocation to Kshs 5.6 Billion which represents an overall decrease of Kshs 890.8 million.

That the reduction in recurrent spending is as a result of austerity measures whereas the reduction in development spending is attributed to reduction of development partners commitment (AIA) to funding of TVET infrastructure. This implies that there will be delays in completing the donor funded TVET infrastructure.

Programmes	Details	Approved Estimates 2016/17	Adjustments	Revised estimates 2016/17
Technical Vocational Education and Training	Recurrent	2,274.53	2.90	2,277.43
	<b>Development</b>	<b>4,096.00</b>	<b>(904.30)</b>	<b>3,191.70</b>
	Total	6,370.53	(901.40)	5,469.13
Youth Training and Development	Recurrent	0	-	0
	Development	105.00	(31.71)	73.29
	Total	105.00	(31.71)	73.29
General Administration, Planning and Support Services	Recurrent	50.00	42.23	92.23
	Development	-	-	-
	Total	50.00	42.23	92.23
<b>Total SDVTT</b>	Recurrent	2,324.53	45.13	2,369.66
	Development	4,201.00	(936.01)	3,264.99
	<b>Total</b>	<b>6,525.53</b>	<b>(890.88)</b>	<b>5,634.65</b>

That according to the revised targets, there seem to be minimal impact especially on the GOK-AFDB project of constructing 38 TTI's yet this a project which ought to have been affected adversely since the State Department will not receive all the AIA from the Africa Development Bank as projected to support the project. The number of TTIs to be equipped under the GOK-Netherlands Phase II has reduced from the initial 11 to 10.

#### **2.4 Teachers Service Commission – Vote Head 2091**

The Committee was informed as follows:

That the gross approved allocation for the TSC in 2016/17 amounts to Kshs 194.1 Billion comprising of Kshs 194 billion for recurrent expenditure and Kshs 100 Million for Development expenditure respectively. That the allocation has been adjusted to Kshs 194.2 billion in the 2016/17 supplementary.

Programmes	Details	Approved Estimates 2016/17	Adjustments	Revised estimates 2016/17
Teacher Resource Management	Recurrent	187,874.01	33.75	187,907.76
	Development	-	-	-
	Total	187,874.01	33.75	187,907.76
Governance and Standards	Recurrent	62.19	(10.89)	51.30
	Development	-	-	-
	Total	62.19	(10.89)	51.30
General Administration, Planning and Support Services	Recurrent	6,056.16	104.78	6,160.94
	Development	100.00	-	100.00
	Total	6,156.16	104.78	6,260.94
<b>Total TSC</b>	Recurrent	193,992.36	127.64	194,120.00
	Development	100.00	-	100.00
	<b>Total</b>	<b>194,092.36</b>	<b>127.64</b>	<b>194,220.00</b>

That the teacher resource management programme, the allocation has been enhanced by Kshs 33.7 Million.

That TSC has revised downwards the number of primary school teachers to be recruited from 2,662 to 1,225 whereas the number of secondary teachers to be recruited has been scaled up from 2,338 to 3,717.

Programme	Sub Programme	KPI	Target	Revised Target
Teacher Resource Management	Teacher Resource Management-Primary	No of primary school teachers to be recruited	2,662	1,225
	Teacher Resource Management-Secondary	No of secondary school teachers to be recruited	2,338	3,717
	Teacher Resource Management-Tertiary	No of tertiary school teachers to be recruited	100	58

### 3.0 COMMITTEE OBSERVATIONS

The Committee made the following observations:

- (i) The Committee observed that the item (rehabilitation of transition schools) at a cost of **Kshs 5.5 Billion** had no budgetary allocation in the 2016/17 approved estimates. The Committee welcomed this initiative since it will assist in improving infrastructure in learning institutions.
- (ii) The Committee also observed that the State Department for Basic Education was planning to rehabilitate two hundred and eight (208) Special Needs Education (SNE) schools at a cost of Kshs 870 million which was not provided for in the approved estimates for 2016/17. The Committee observed that the Ministry needs to plan well going forward such that such important allocations are not excluded in the subsequent budgets.
- (iii) The Committee observed that the University Programme under development allocation for the State Department for University Education had been reduced by Kshs 3.4 million. The Committee is concerned that such reduction was likely to affect the completion dates of the projects and further result to accumulation of pending bills if the Universities had already made commitments to contractors undertaking these projects.
- (iv) The Committee noted that section 43(2)(c) of the Public Finance Management Act, 2012 requires that the sum of all reallocations made to a programme **do not exceed 10%** of the total expenditure approved for that programme. As per the Supplementary Estimates the requirement had been violated across the three State Departments and

the TSC where budgetary adjustments to eight (8) programmes had exceeded 10% allowable by the law.

#### 4.0 SUMMARY ON FURTHER ADJUSTMENTS TO FIRST SUPPLEMENTARY ESTIMATES FOR 2016/17

The Committee was informed as follows:

That the National Treasury submitted further amendments to the 2016/17 supplementary estimates I on 15<sup>th</sup> February 2016 and the three votes in the education sector have been affected.

##### (a) State Department for Basic Education

That the 2016/17 supplementary budget for State Department for Basic Education has been adjusted further to a gross allocation of Kshs 69.42 Billion which represents an overall increase of Kshs 2.26 Billion from the printed estimates as indicated below.

**That** the programmes whose allocation has been revised further are the General Administration (Kshs 620 Million), primary education (Kshs 791 million) and secondary education (Kshs 200 Million) as indicated.

**Table 7: 2016/17 Additional Budget adjustments per programme (Kshs Blns)**

Programmes	Details	Approved Estimates 2016/17	Adjustments I	Adjustment II	Revised estimates 2016/17
Primary Education	Recurrent	17.08	-0.94	0.78	16.92
	Development	5.96	-3.72	0.008	2.248
	<b>Total</b>	<b>23.04</b>	<b>-4.66</b>	<b>0.788</b>	<b>19.168</b>
Secondary Education	Recurrent	33.22	-0.93	0	32.29
	Development	1.63	6.76	0.2	8.59
	<b>Total</b>	<b>34.85</b>	<b>5.83</b>	<b>0.2</b>	<b>40.88</b>
Quality Assurance and Standards	Recurrent	4.07	-0.01	0	4.06
	Development	0.43	-0.12	0	0.31
	<b>Total</b>	<b>4.5</b>	<b>-0.11</b>	<b>0</b>	<b>4.39</b>
General Administration, Planning and Support Services	Recurrent	4.41	-0.18	0.62	4.85
	Development	0.37	-0.23	0	0.14
	<b>Total</b>	<b>4.78</b>	<b>-0.41</b>	<b>0.62</b>	<b>4.99</b>
<b>Total SDBE</b>	Recurrent	58.78	-2.06	1.4	58.12
	Development	8.39	2.69	0.208	11.288
	<b>Total</b>	<b>67.17</b>	<b>0.65</b>	<b>1.608</b>	<b>69.43</b>

##### (b) State Department for University Education

The 2016/17 supplementary budget for State Department for University Education has been adjusted further to a gross allocation of Kshs 71.79 Billion which represents an overall increase of 98 million from the printed estimates as indicated below.

Programmes	Details	Approved Estimates 2016/17	Adjustments I	Adjustments II	Revised estimates 2016/17
University Education	Recurrent	56,523.44	252.24	4,800.00	61,575.68
	Development	11,436.09	-3,394.88	600.00	8,641.21
	<b>Total</b>	<b>67,959.53</b>	<b>-3,142.64</b>	<b>5,400.00</b>	<b>70,216.89</b>
Research, Science, Technology and Innovation	Recurrent	3,430.14	-2,339.97	0.00	1,090.17
	Development	43	-15	0	28.00
	<b>Total</b>	<b>3,473.14</b>	<b>-2,354.97</b>	<b>0.00</b>	<b>1,118.17</b>
General Administration, Planning and Support Services	Recurrent	264.32	194.75	0	459.07
	Development	-	-	0	0.00
	<b>Total</b>	<b>264.32</b>	<b>194.75</b>	<b>0</b>	<b>459.07</b>
<b>Total SDUE</b>	Recurrent	60,217.90	-1,892.98	4,800.00	63,124.92
	Development	11,479.09	-3,409.88	600.00	8,669.21
	<b>Total</b>	<b>71,696.99</b>	<b>-5,302.86</b>	<b>5,400.00</b>	<b>71,794.13</b>

That the programme which has benefitted from this increase is the University Education programme with a bulk of it (Kshs 4.8 Billion) allocated to recurrent expenditure and Kshs 600 Million for development expenditure.

**(c) State Department for Technical and Vocational Training**

That the 2016/17 supplementary budget for State Department for Technical and Vocational Training has been adjusted further to a gross allocation of Kshs 5.81 Billion which represents an overall decrease of 707 million from the printed estimates as indicated below.

Programmes	Details	Approved Estimates 2016/17	Adjustments I	Adjustments II	Revised estimates 2016/17
Technical Vocational Education and Training	Recurrent	2,274.53	2.9	0	2,277.43
	Development	4,096.00	-904.3	150	3,341.70
	<b>Total</b>	<b>6,370.53</b>	<b>-901.4</b>	<b>150</b>	<b>5,619.13</b>
Youth Training and Development	Recurrent	0	0	0	0.00
	Development	105	-31.71	33.76	107.05
	<b>Total</b>	<b>105</b>	<b>-31.71</b>	<b>33.76</b>	<b>107.05</b>
General Administration, Planning and Support Services	Recurrent	50	42.23	0	92.23
	Development	0	0	0	0.00
	<b>Total</b>	<b>50</b>	<b>42.23</b>	<b>0</b>	<b>92.23</b>
<b>Total SDVTT</b>	Recurrent	2,324.53	45.13	0	2,369.66
	Development	4,201.00	-936.01	183.76	3,448.75
	<b>Total</b>	<b>6,525.53</b>	<b>-890.88</b>	<b>183.76</b>	<b>5,818.41</b>

The Technical Vocational programme allocation has been increased by Kshs 150 Million meant for development expenditure. The youth training and development has an additional allocation of Kshs 33.7 Million.

## 5.0 COMMITTEE RECOMMENDATIONS ON THE 2016/17 SUPPLEMENTARY BUDGET

### (a) Policy Recommendations

The Committee makes the following recommendations

- i. The Committee recommends that going forward, the National Treasury should adhere to section 43(2)(c) of the Public Finance Management Act, 2012 which requires that the sum of all reallocations made to a programme do not exceed 10% of the total expenditure approved for that programme. This will ensure that programmers are not adversely disrupted in the middle of a financial year;
- ii. The Committee recommends that the government should prepare its budget based on confirmed donor commitments to avert the problem of non commitment of donors in the course of the financial year which results to stalling of projects which are donor supported.

### (b) Specific Recommendations

- (i) The Committee approves the 2016/17 budget adjustment to State Department for Basic Education and specifically approves:
  - a. The allocation for rehabilitation of transition schools at a cost of **Kshs 5.5 Billion.**
  - b. The allocation of Kshs1.213 Billion for other school infrastructure projects that is, Kshs 870 million for special needs schools infrastructure; Kshs 291 million and Kshs 52 million on secondary and primary school infrastructure improvement.
- (ii) The Committee recommends that the 2016/17 development budget allocation to the following Universities be reinstated to avert stalling of the ongoing projects.

University	Amount to be reinstated(Kshs)
University of Nairobi	50,000,000
Alupe University college	100,000,000
Gatundu University College	50,000,000
Laikipia University of Technology	50,000,000
Murang'a University College	50,000,000
Embu University College	50,000,000
Dedan Kimathi University	100,000,000
<b>Total</b>	<b>450,000,000</b>

- (iii) The Committee approves the 2016/17 Budget adjustments to State Department for Technical and Vocational Training;
- (iv) The Committee approves the 2016/17 budget adjustments to the Teachers Service Commission (TSC).

SIGNED: .....  


HON. SABINA CHEGE, M.P  
CHAIRPERSON  
DEPARTMENTAL COMMITTEE ON EDUCATION, RESEARCH AND  
TECHNOLOGY

DATE: ..... 23<sup>RD</sup> / 12 / 17