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REPUBLIC OF KENYA




THE NATIONAL ASSEMBLY

TWELFTH PARLIAMENT – FIFTH SESSION

THE DEPARTMENTAL COMMITTEE  
ON  
ADMINISTRATION & NATIONAL SECURITY

REPORT  
ON  
THE EXAMINATION OF THE SUPPLEMENTARY BUDGET  
ESTIMATES NO. I FOR THE YEAR ENDING JUNE 2021

DIRECTORATE OF DEPARTMENTAL COMMITTEES  
CLERK'S CHAMBER,  
PARLIAMENT BUILDINGS,  
NAIROBI

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 18 MAR 2021	DAY: Thurs
TABLED BY:	Chair, Budget Committee Hon. Karimi Kega, MP
CLERK-AT THE TABLE:	Benson Muzofu

FEBRUARY 2021

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## 1.0 PREFACE

### 1.1 Introduction

On behalf of the Departmental Committee on Administration & National Security and pursuant to provisions of Standing Order 232, it is my pleasant privilege and honour to present to the Budget and Appropriations Committee, the Report on its consideration of the Supplementary Budget Estimates I for the ministries and state departments that fall under its purview. The Supplementary Budget Estimates I was tabled before the House on Tuesday, 9<sup>th</sup> February, 2021 pursuant to Standing Order No. 232 and thereafter committed to relevant Departmental Committees for deliberation according to respective mandates.

### 1.2 Mandate of the Committee

**Mr. Chairman**, the Departmental Committee on Administration & National Security is established pursuant to the provisions of Standing Order No. 216. The mandate and functions of the Committee is to: -

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

The Departmental Committee is mandated to cover the functions of the Ministry in accordance with the Fourth Schedule of the Constitution. As such, the Committee exercises oversight role on the work and administration of the Ministry alongside the SAGAs that fall under its purview.

The second schedule of the Standing Orders for the National Assembly mandates the Committee on Administration and National Security to consider matters relating to national security, police services, home affairs, public administration, public service, prisons, immigration and the management of natural disasters. It is from this perspective that the Committee scrutinized seven votes namely:-

- (i) The Presidency
- (ii) State Department for Interior and Citizen Services
- (iii) State Department for Correctional Services
- (iv) State Department for Public Service
- (v) Public Service Commission
- (vi) National Police Service Commission
- (vii) Independent Police Oversight Authority

### 1.3 Committee Membership

#### **Chairperson**

Hon. Paul Karuga Koinange, MP  
Kiambaa Constituency  
**Jubilee Party**

#### **Vice-Chairperson**

Hon. Fatuma Gedi, MP  
Wajir County  
**PDR Party**

Hon. Peter Kaluma, MP  
Homa Bay Town  
**ODM Party**

Hon. (Dr.) Tecla Tum, MP  
Nandi County  
**Jubilee Party**

Hon. Dr. Makali Mulu, MP  
Kitui Central Constituency  
**Wiper Party**

Hon. Josphat Kabinga, MP  
Mwea Constituency  
**Jubilee Party**

Hon. Joshua Aduma Owuor, MP  
Kitui Central Constituency  
**Wiper Party**

Hon. Nimrod Mbai, MP  
Kitui East Constituency  
**Jubilee Party**

Hon. Rozaah Buyu, MP  
Kisumu County  
**ODM Party**

Hon. Ngunjiri Wambugu, MP  
Nyeri Town Constituency  
**Jubilee Party**

Hon. Jeremiah Lomurukai, MP  
Loima Constituency  
**ODM Party**

Hon. Abdi Shurie Omar, MP  
Balambala Constituency  
**Jubilee Party**

Hon. Mishra Swarup, MP  
Kesses Constituency  
**Jubilee Party**

Hon. Halima Mucheke, MP  
Nominated Member  
**Jubilee Party**

Hon. Col. (Rtd) Geoffrey King'ang'i, MP  
Mbeere South Constituency  
**Jubilee Party**

Hon. Oku Kaunya, MP  
Teso North Constituency  
**ANC Party**

Hon. Arbelles Marselino Malimo, MP  
Laisamis Constituency  
**Jubilee Party**

Hon. William Chepkut, MP  
Ainabkoi Constituency  
**Independent Party**

Hon. Peter Masara, MP  
Suna West Constituency  
**Independent Party**

## Secretariat

Mr. George Gazemba, ACI Arb, CPM  
Principal Clerk Assistant

Mr. Joshua Ondari  
Clerk Assistant

Ms. Brigita Mati  
Legal Counsel

Mr. Edson Odhiambo  
Fiscal Analyst

Mr. Josphat Bundotich  
Serjeant-at-Arms

Ms Eva Kaare  
Serjeant-at-Arms

Mr. Yakub Ahmed  
Media Liaison Officer

#### **1.4 Legal provisions underpinning the Supplementary Estimates I FY 2021/22**


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 Regulations 40 of the PFM (National Government) Regulations 2015. Article 223 of the Constitution provides for the National Government to incur expenditure not appropriated for in the annual Appropriation Act on account of insufficiency of amounts initially provided when a need has arisen for expenditure to which no amounts have been allocated; or for withdrawals from the Contingencies Fund. In that regard, approvals for such expenditures must therefore be sought from Parliament through a Supplementary Budget and subsequently a Supplementary Appropriation Bill. However, the amount spent should not be more than 10 percent of total sum appropriated by Parliament unless in special circumstances Parliament has approved a higher percentage.

In addition, the PFM (National Government) Regulations 2015 requires the Cabinet Secretary to provide for sufficient detail on the purpose of the supplementary estimates as well as format for revised budget in which the Cabinet Secretary is further mandated to issue a circular to that effect. As per the regulations, Supplementary estimates should relate to expenditure needs which were either unforeseen or unavoidable and where no budget provision was made or was inadequate during the approval of the annual estimates. The Regulations, further clarify that expenditure which was anticipated during the estimate's approval, or where the expenditure relates to tariff and price increases, should not be considered as part of supplementary budgets.

**1.4 Acknowledgement**

The Committee wishes to thank the Offices of the Speaker and the Clerk of the National Assembly for the support extended to it in the execution of its mandate. The Committee also thank the Executive Office of the President, Ministry of Interior and Coordination of National Government, State Department for Public Service, Public Service Commission, National Police Service Commission and the Independent Policing Oversight Authority for the fruitful deliberations they held with the Committee.

Finally, I wish to express my appreciation to the Honorable Members of the Committee who sacrificed their time to participate in the activities of the Committee and preparation of this report. It is therefore, my pleasant duty and privilege, on behalf of the Departmental Committee on Administration and National Security to present this report on the Supplementary Estimates I for the year ending 30<sup>th</sup> June 2021.

SIGNED.....  26<sup>th</sup> Feb 2021  
**HON. PAUL KOINANGE, MP**  
**(CHAIRPERSON)**  
**DEPARTMENTAL COMMITTEE ON ADMINISTRATION & NATIONAL SECURITY**

## PART II

### 2.0 OVERVIEW OF THE EXAMINATION OF THE FY 2020/21 SUPPLEMENTARY ESTIMATES NO. I

The Supplementary has been prepared against a backdrop of subdued economy occasioned by the effects of COVID-19 which has adversely affected both the global and local economy. According to the National Treasury, Kenya's economy contracted by 5.7 percent in the second quarter of 2020 from a growth of 4.9 percent in the first quarter of 2020 largely due to significant contractions in the services and industry sub-sectors. While growth is expected to pick up following the re-opening of the economy, there is still Revenue underperformance leading to budget rationalization across most of the agencies under the purview of the Committee which are to be implemented in the context of Supplementary I.

The Supplementary budget comprises of reallocations, absolute increases and reduction of expenditure. For example, the net effect under the State Department for Interior and Immigration Services is an increase of 1 percent while that of the Executive Office of the President is a 17 percent increase. On the other hand, the State Department for Correctional Services and that of Public Service have seen a net reduction. Further there are also re-allocation between various programmes under each vote. The implication of such changes is three pronged: either that the estimates for the agencies were not correctly set during the budget approval, or that the agencies facing budget cuts can accommodate the reduction by using the remaining funds efficiently or by reducing performance targets and that agencies getting increases will deliver more services to Kenyans. In some cases, budgetary cuts cause agencies to reduce the output targets that they had set in the beginning, thus providing less services to citizens. Increases on other hand should lead to attainment of higher outputs and targets.

Part of the expenditure has been incurred in line with Article 223 of the Constitution. A notable example is the **Ksh. 2.8 billion** already spent by the State Department for Interior and Immigration Services on security operations. On the overall Supplementary budget, the total revised budget will rise by Ksh. 120 billion (compared with the original budget), if the Supplementary is approved as tabled, though the National Treasury mentions that revenue has dropped due to COVID-19. Overall, the increase in the budget means that while some MDAs get increases in their spending, other MDAs get budgetary cuts.

### 3.0 DETAILED SCRUTINY OF SUPPLEMENTARY ESTIMATES I

The Committee held a briefing meeting with the Parliamentary Budget Office on 17<sup>th</sup> February 2020. The Office briefed the Committee along various votes as detailed below.

#### Executive Office of the President

1. The proposed gross allocation for the Executive Office of the President for the FY 2020/21 Supplementary Estimates I amounts to **KSh.42.6 billion**. This comprises of **KSh.27.4 billion** for recurrent expenditure and **KSh.15.2 billion** for capital expenditure. The proposed change represents 17 percent of the original approved estimates as shown in the table below.
2. The changes were mainly on account of personnel emoluments for the Nairobi Metropolitan Services, operations and maintenance and emerging capital priorities under the Nairobi Metropolitan Services. Other changes are on the account of re-allocation of funds and increased donor commitments across the rest of the programmes. The increases however were not correspondingly accorded to outputs and targets.
3. The development expenditure for the Executive Office of the President showed a net increase of **KSh. 3,751 million**. Some of the major increases were seen in the Nairobi Metropolitan services with projects under Energy Reticulation receiving additional **KSh 1.3 billion**, Transport Roads and Public works, **KSh. 549 million**, and Mama Lucy Hospital receiving **KSh. 500 million budget increase**. However, there were projects that had seen a reduction in their allocation and they included Kazi Mtaani, ongoing renovations of State House and state lodges among others. The reduction of Kazi Mtaani would not augur well for the purpose it was intended to achieve. This was one of the economic stimulus programmes that was meant to empower the youth. The reduction of such critical “mwananchi friendly” and stimulative allocations indicated weak policy commitment. Despite facing various implementation challenges, Kazi Mtaani project could provide millions of youth with some form of sustenance. Such allocations needed to be protected from cuts and the reduction reversed.
4. A number of **new projects** had been introduced and they included construction of Korogocho Hospital at **KSh 400 million**, construction and equipping of level II and III facilities at **KSh. 840 million**, construction of Level III facilities at **KSh. 235 million** and remote sensing at **KSh. 10 million**. The introduction of new projects at the supplementary was however in contravention of the PFM act which requires that supplementary should be for unforeseen circumstances. Any project or programme that was known at the time of finalizing the estimates and could not be accommodated do not constitute a supplementary.

## State Department for Interior

1. The gross approved estimates for the State Department for Interior & Citizen Services in the FY 2020/21 amounted to **KSh.132.1 billion**. This was comprised of **KSh.125.2 billion** and **KSh.6.9 billion** for current and capital expenditure respectively. The Supplementary Estimates I for FY 2020/21 reflected an increase of **KSh.1.1 billion**. The increase is on account of enhanced security operations, Huduma Namba ID cards, Safe Roads/Usalama Barabarani and Horn of Africa Gateway projects under the National Transport and Safety Authority.
2. An analysis of changes across programmes showed that Planning, Policy Coordination and Support Services had the highest increase in additional request for resource at 11 percent of the original approved estimates. This was not in harmony with Section 43 (c) which requires that the total sum of all reallocations made to or from a program or Sub-Vote should not exceed ten percent of the total expenditure approved for that program or Sub-Vote for that financial year.
3. A review of Programmes targets showed that a number of targets had been revised downwards in line with the proposal to reduce the resources of various programmes. Some key targets that had been revised downwards included (i) training for the police officers which had been reduced from 4,000 to zero (ii) Refurbishment of sub-county offices which had been reduced from five to two (iii) Maritime security surveillance which had been reduced from 100% to 80% (iv) issuance of e-passports which had been reduced from 525,000 to 400,000, (v) issuance of ID cards which had been reduced from 2.4 million to 2.3 million. It was noted that some of expenditure cuts would impact negatively on the level access to services from the government by the citizen. Documents such as ID cards, passports and birth and death certificates were critical documents for accessing virtually most services.

## State Department for Correctional Services

1. The gross approved allocation for the State Department for Correctional Services in the FY 2020/21 amounted to KSh.28.1 billion. This was comprised of KSh.27.3 billion and KSh.784.1 million for current and capital expenditures respectively. The allocation in Supplementary Estimates No.1 had reduced by KSh.522.1 million from the gross Approved Estimates of KSh.28.1 billion to KSh.27.6 billion. The decrease was on account of delayed process of recruitment of Probation Officers and expenditure rationalization.

## State Department for Public Service

1. The gross Approved Estimates for the State Department for Public Service in the FY 2020/21 amounted to **KShs.18.5billion** comprising of **KShs.17.2billion** and **KShs.1.3billion** for current and capital expenditure respectively. The Estimates were

adjusted to **KShs.15.6 billion** under Supplementary Estimates I, comprising of **KShs.14.6billion** and **KShs.997.6million** for current and capital expenditure respectively. This reflected a gross decrease of KShs.2.8billion, on account of austerity measures

### **Public Service Commission**

1. The gross approved allocation for the Public Service Commission for the FY2020/21 amounted to KSh.2.1billion comprising of **Kshs.2.1billion** and **KSh.19.3million** for current and capital expenditure respectively. The Approved Estimates were adjusted to **KSh.2.2billion** under Supplementary Estimates I, comprising of **KSh.2.2billion** and **KSh.19.3million** for current and capital expenditure respectively. This reflected a gross increase of KSh.47million in the current expenditure on account of additional funding of KSh.92.6million to cater for advertisements. Various items have also been rationalized due to austerity measures.

#### **4.0 MEETING WITH THE MDAs**

##### **a) National Police Service Commission.**

The Committee held a consultative meeting with a delegation from the National Police Service Commission led by the Vice Chairperson. The delegation informed the Committee that the Commission was deducted KSh. 24.5 million as a result of the proposed supplementary which would adversely affect their operations. Some of the items to be affected included:-

- i. **Domestic Travel and subsistence and other transportation costs.** The Commission was in the process of mapping out regional offices for counselling and wellness centre for NPS officers in order to address their psychological trauma and rehabilitation service needs. It was therefore impossible for this to be achieved with the cut.
- ii. **Refined Fuel and Lubricants:** - To facilitate the discharge of the Commission field activities, NPSC would require adequate fuel. A reduction of fuel budget by KSh2.8 million will ground Commission's vehicles hence limiting movement to execute its constitutional mandate.
- iii. **Hospitality Supplies and Services:** - The Commission operates through Commission Meetings. In addition, the field activities require conference facilities. A reduction of this budget by KSh. 7.1 million would affect the Commission to discharge their Constitutional mandate.

##### **b) Independent Policing Oversight Authority**

The Committee held a consultative meeting on 18<sup>th</sup> February with a delegation from **Independent Policing Oversight Authority** led by the Chairperson. The delegation informed the Committee that: -

- i. The Gross Approved Estimates for the Independent Policing Oversight Authority for the FY 2020/21 amounted to KSh.862.6 million for current expenditure. The Estimates were decreased by KSh.44.9 million to KSh.817.7 million in the FY 2020/21 Supplementary Estimates No.1 on account of Personnel Emoluments and rationalization of expenditure.
- ii. The reduction would severely affect their operations at a critical time they were expected to look into the excesses of the police as the country approaches the referendum and the general election. They pleaded with the committee for the reductions to be reversed.

##### **c) Public Service Commission.**

The Committee held a consultative meeting with a delegation from the **Public Service Commission** led by the Vice Chairperson. The delegation informed the Committee that: -

The allocation for the Commission's budget for 2020/21 financial year was reduced by Kshs 244 million on operations and maintenance budget in comparison to allocation of 2019/20 financial year. During the Supplementary 1 Estimates, the Commission requested for additional funding of Kshs. 970.9 million to bridge the gaps. However, the Commission budget was reduced further by Kshs 22.85. Million.

The budget cuts primarily affected the operation and maintenance budget items namely: Communication Supplies and Services, Domestic and Foreign Travel and Accommodation, Training, Office and General Supplies, Contracted Professional Services, Printing and Publishing, Hospitality Expenses and Maintenance of Vehicles. This budgetary reductions affected core programmes and activities of the Commission especially selection panels for constitutional and independent offices, and senior management of public universities that draw sitting allowances.

Despite the budgetary constraints, the Commission undertook some key activities and achieved the following from 1<sup>st</sup> July to 31<sup>st</sup> December 2020:

- i. Recruited and deployed to Ministries, Departments and Agencies (MDAs) a total of two thousand, five hundred (2,500) interns in cohort 3;
- ii. Finalized the recruitment and recommended six (6) candidates for appointment to the following statutory bodies: Power of Mercy; Data Commissioner; Registrar of Political Parties; Kenya Law Reform; Universal Service Advisory Board; and Kenya Trade Remedies Agency Board;
- iii. Advertised 133 vacancies in various MDAs and undertook 3,630 appointments (1,692 Male & 1,938 Female) and 95 PWDs (55 Male & 30 Female);
- iv. Developed draft Public Service Management Bill ;
- v. Established 11 positions in The Oceans and Blue Economy Office (TOBEO), Executive Office of the President and Reviewed Staff Establishment levels in 13 MDAs;
- vi. Submitted FY 2019/20 Annual report to the President and Parliament on the operations of the Commission by 30th September, 2020 in compliance with Article 254 (1) of the Constitution and Section 90 of the Public Service Commission Act, 2017;
- vii. Submitted FY 2019/20 annual report on compliance with Constitutional Values & Principles to the President and Parliament by 31st December 2020 in compliance with Articles 10 and 232 of the Constitution.
- viii. Audited 48 MDAs on compliance with Human Resource administrative and organizational policies;
- ix. Held a two-day sector based virtual sensitization & validation of PSC Act 2017 and PSC Regulations 2020 where 1,497 officers participated; and
- x. Developed a Comprehensive Institutional Risk Management Policy Framework and Communication Strategy for the Commission

**d) State Department for Interior and Citizen Services**

The Committee held a consultative meeting with the State Department for Interior led by the Principal Secretary. The delegation informed the meeting that:-

The major additions were on multi-agency security operations where KSh. 2.5 billion had been expended; KSh. 500 million for Huduma Namba which had been expended in line with Article 223 of the Constitution, KSh. 50 million for operationalization of 10 sub-counties due to security positioning to address emerging security concerns.

The Supplementary would greatly hamper service delivery since the ministry received budgetary cuts. The critical development projects that had the cuts included construction of police stations and Housing, Modernisation of National Forensic Laboratory, Construction of Regional, County and Sub-county offices and construction of newly gazetted sub-county headquarters, Digitization of migration records among others.

The delegation submitted that the State Department had already issued 1st half AIEs to the field offices and committed various PAs and LCs under Police Modernisation and for the Forensic Laboratory. Others where commitments had been made included Construction of Regional, County and Sub-county offices and construction of newly gazetted sub-county headquarters and the operationalization of Miritini Rehabilitation centre by NACADA. These had already been funded before the proposed supplementary I amendments hence it might lead to an over expenditure if the cuts are not reversed.

The delegation conceded to introduction of new projects. They included the construction of Kalambani Police Post in Kitui County at KSh. 5 million, Transcending Foundations of Peace and Security for Sustainable development at KSh. 13 million where financing agreement had not been signed by the budget was being concluded, Usalama barabarni programme under NTSA at KSh 120.5 million- the project was not captured in the FY 2020-21 budget since the donor partners had not committed themselves by the time the budget was being finalised and the Horn of Africa Development project at KSh. 180 million which had also not seen financing agreement concluded at the time of finalising the estimates.

The following areas were underfunded:-

- i. Recruitment of 5,000 new recruits by KSh. 1.62 billion
- ii. Purchase of Police uniforms by KSh. 3.2 billion
- iii. NPS food rations by KSh. 200 million
- iv. Operationalization of newly gazetted Police Stations by KSh. 1 billion
- v. Operationalization of newly Gazetted NGA offices by KSh. 500 million
- vi. National Celebrations by KSh. 300 million
- vii. Huduma Namba by KSh. 2.2 billion
- viii. Supplies for ID materials by KSh. 100 million
- ix. Civil Registration by KSh. 225 million

- x. NACADA operations by KSh. 150 million
- xi. Recruitment at PSRA by KSh. 23 million
- xii. NCIC at KSh. 150 million among others

The State Department had pending bills amounting to KSh. 1 billion

**e) State Department for Correctional Services**

The Committee held a consultative meeting with the State Department for Correctional Services led by the Principal Secretary. The delegation informed the meeting that:-

The gross approved allocation for the State Department for Correctional Services in the FY 2020/21 amounted to KSh.28.1 billion. This was comprised of KSh.27.3 billion and KSh.784.1 million for current and capital expenditures respectively. The allocation in Supplementary Estimates No.1 had reduced by KSh.522.1 million from the gross Approved Estimates of KSh.28.1 billion to KSh.27.6 billion. The decrease was on account of delayed process of recruitment of Probation Officers and expenditure rationalization.

At the sub-programme level, the FY 2020/21 approved estimates for offender services; Capacity Development and Probation and After Care services had been reduced by KSh. 343.5 million, KSh. 23.8 million and KSh. 159.5 million respectively.

29 Key Performance Indicators, Outputs and Targets had also been affected due to the proposed changes in the supplementary Estimates.

The Recurrent absorption was at 40.4 percent while the Development absorption was at KSh. 3 percent on account of deactivation of development IFMIS module for processing and requisition of exchequer. Further there was a delay in receipt of exchequer.

Three new projects were introduced on account of Government directives through the Head of Public Service. They included Refurbishment and painting of Makadara Boys Hostel at KSh. 2.3 million, Refurbishment and Painting of Magereza House at KSh. 10.8 million and Painting and Refurbishment of Kibera Probation Office at KSh. 1.1 million.

**f) State Department for Public Service**

The State Department had a printed budget of KSh. 8,284.5 million composed of KSh. 7,807.5 million and KSh. 312 for recurrent and development expenditure respectively. The proposed supplementary has proposed a reduction of KSh. of the budget by KSh. 477 million composed of KSh. 245.5 million recurrent and KSh. 231.5 million development.

The absorption for recurrent expenditure stands at 67.5 percent while that of development stood at KSh. 33.5 million as at the first half of 2020/21 FY.

The budget reduction of KSh. 151.5 million left Huduma Kenya with no funds to undertake the following projects **Construction of Huduma centre in Ruiru by KSh. 50 million, Construction of Huduma Centre in Embu by KSh. 50 million, and Refurbishment of Huduma Centres by KSh. 52 million.**

**g) Executive Office of the President**

The Committee held a consultative meeting with a delegation of the Executive Office of the President led by the Comptroller of State House. The delegation submitted that:-

- i. Under the Supplementary Estimates No. 1 of the FY 2020/21, the Executive Office of the President has a total net change in estimates of Kshs. 6,118.10 Million being a change from Kshs. 36,507.97 Million to Kshs. 42,626.07 Million. This was comprised of a recurrent net change in estimates of Kshs. 2,367.14 Million and a development net change in estimates of Kshs. 3,750.96 Million.
- ii. The change in estimates under the recurrent budget is mainly attributed to additional funding to cover the shortfall in the Personnel Emolument's requirement and; transfer of the operations and maintenance budget for the Directorate of Resource Surveys and Remote Sensing (DRSRS) from Ministry of Environment and Forestry to Cabinet Affairs Office under Management of Cabinet Affairs sub programme.
- iii. The change in estimates under the Development budget is mainly attributed to additional funds allocated to the Nairobi Metropolitan Services Programme to facilitate the implementation of projects linked to the Big Four agenda.
- iv. As a result of the increased activities and clearance of pending bills as a first charge during first half of the Financial Year 2020/21, the Executive Office of the President requested for consideration of additional funding during the finalization of supplementary Estimates 1 to facilitate various programmes up to the end of the financial year. They which included hospitality supplies by KSh. 50 million, local presidential visits by KSh 30 million, Maintenance of buildings by KSh. 20 million and maintenance of vehicles by KSh. 15 million among others.

## **5.0 COMMITTEE OBSERVATIONS**

### **Executive Office of the President**

1. There is weak policy commitment by the government on the Economic Stimulus Programme. The reduction of Kazi Mtaani would not augur well for the purpose it was intended to achieve. This was one of the economic stimulus programmes that was meant to empower the youth. The reduction of such critical “mwananchi friendly” and stimulative allocations indicated weak policy commitment. Despite facing various implementation challenges, Kazi Mtaani project could provide millions of youth with some form of sustenance. Such allocations needed to be protected from cuts and the reduction reversed.

### **State Department for Interior and Citizen Services**

1. The State Department introduced four new projects. They include the construction of Kalambani Police Post in Kitui County at KSh. 5 million, Transcending Foundations of Peace and Security for Sustainable development at KSh. 13 million where financing agreement had not been signed by the budget was being concluded, Usalama barabarni programme under NTSA at KSh120.5 million- the project was not captured in the FY 2020-21 budget since the donor partners had not committed themselves by the time the budget was being finalised and the Horn of Africa Development project at KSh. 180 million which had also not seen financing agreement concluded at the time of finalising the estimates.
2. The proposed cut of various items below will lead to over expenditures if not reversed:-
  - i. KSh. 181 million under the modernisation of National Forensic Laboratory.
  - ii. KSh. 100 million for Operationalization of Miritini Rehabilitation centre
  - iii. KSh. 54 million for construction of newly Gazetted Sub-county Headquarters

### **State Department for Correctional Services**

1. The absorption of Development expenditure is low. The absorption as at 31<sup>st</sup> February was 3 percent. The State Department may therefore not absorb the entire allocation of KSh. 300 million.
2. The State Department had introduced three new projects in the proposed Supplementary.

### **Public Service Commission**

1. The Public Service Commission could not undertake Monitoring and Evaluation on Internship Programme due to lack of funds. The allocation of KSh. 1 billion was for the payment of wages to the interns with no administrative costs provided.

### **National Police Service Commission**

1. The proposed reduction of KSh. 24.5 million will undermine the constitutional mandate of the Commission.

## 6.0 COMMITTEE RECOMMENDATIONS

### Reductions

#### 1. Reduce

- a) Nairobi Metropolitan Services programme, Recurrent Expenditure by KSh 100 million
- b) Nairobi Metropolitan Services programme, Development Expenditure by 500 million (KSh. 300 million under Metropolitan Energy Reticulation and Public Lighting and KSh. 200 million metropolitan, water, waste and ancillary services)
- c) State House Affairs programme by KSh. 100 million, Recurrent Expenditure- "other operating expenses"

### Increases

#### 2. Increase: -

- a) KSh. 100 million towards construction of Kanyonyo Border Unit Hospital, Development Expenditure under policing services program, State Department for Interior and Citizen Services.
- b) KSh. 300 million towards construction of sub-county Headquarters, Development Expenditure under the programme Planning Policy Coordination and Support Services, State Department for Interior and Citizen Services
- c) KSh. 45 million towards enhancing Operations of the National Police Service Commission.
- d) KSh. 80 million towards *Migration and Citizen Services Management* Programme, Recurrent expenditure to enhance their operations under the State Department for Interior and Citizen Services.
- e) KSh. 80 million towards National Registration Bureau to enhance their operations under the programme *Population Management Services*, State Department for Interior and Citizen Services.
- f) KSh. 50 million towards the State Department for Correctional Services to enhance their operations, under the programme *General Administration, Planning and Support Services*.
- g) KSh. 20 million towards Public Service Commission for monitoring the internship programme under *General Administration, Planning and Support Services*

- h) KSh. 25 million towards NACADA to enhance their operations under the programme Planning Policy Coordination and Support Services, State Department for Interior and Citizen Services

### Re-allocations

3. Re-allocate: -

**KSh. 150 million** from Development Expenditure, Correctional Services programme under the state Department for Correctional Services as follows: -

- a) KSh 80 million towards operationalization of Miritini Rehabilitation centre under the programme Planning Policy Coordination and Support Services, State Department for Interior and Citizen Services
- b) KSh. 32 million towards completion of the APTC mess in readiness for the new police recruits
- c) KSh. 38 million towards pending certificates the completion of 24 Security for Government Building (SGB) units, Administration Police Service

**KSh. 55 million** from the Road Safety programme, Recurrent Expenditure to: -

- a) KSh. 25 million towards recruitment of staff by Private Security Regulatory Authority Board under the programme Planning Policy Coordination and Support Services, State Department for Interior and Citizen services.
- b) KSh. 30 million towards counselling services under the National Police Service Commission.

4. The committee recommends the reversals of the following cuts: -

- i. KSh. 186 million for the equipping of the National Forensic Laboratory (Not funded)
- ii. KSh. 54 million for construction of newly Gazetted Sub-county Headquarters(Not funded)

26th Feb 2021

**REPUBLIC OF KENYA**



**THE NATIONAL ASSEMBLY**

-----  
**TWELFTH PARLIAMENT – FIFTH SESSION**

**DEPARTMENTAL COMMITTEE  
ON  
AGRICULTURE AND LIVESTOCK**

**REPORT ON THE SCRUTINY OF THE FY 2020/21 SUPPLEMENTARY ESTIMATES  
NO. 1 FOR THE FOLLOWING SPENDING AGENCIES:**

State Department for Crop Development & Agricultural Research  
State Department for Livestock,  
State Department for Fisheries, Aquaculture and Blue Economy

**Directorate of Departmental Committees  
Clerk's chambers  
Parliament buildings  
NAIROBI**

**FEBRUARY, 2021**

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## 1.0 Preface

### 1.1 Introduction

The 2020/21 Supplementary Estimates No. 1 was submitted to the National Assembly on February 9, 2021 and tabled in the House. 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 Regulation 40 of the PFM (National Government) Regulations 2015.

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

In that regard, approvals for such expenditures must therefore be sought from Parliament through a Supplementary Budget and subsequently a Supplementary Appropriation Bill. However, the amount spent should not be more than 10 percent of total sum appropriated by Parliament unless in special circumstance Parliament has approved a higher percentage.

### 1.2 Mandate of the Committee

The Departmental Committee on Agriculture and Livestock is one of the fifteen (15) Departmental Committees of the National Assembly established under *Standing Order 216* and mandated to :-

1. investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned ministries and departments;
2. study the programme and policy objectives of Ministries and departments and the effectiveness of their implementation;
3. study and review all the legislation referred to it;
4. study, access and analyze the relative success of the Ministries and departments as measured by the results obtained as compared with their stated objectives;
5. investigate and inquire into all matters relating to the assigned Ministries and departments as they may deem necessary, and as may be referred to them by the House;
6. vet and report on all appointments where the Constitution or any law requires the National Assembly to approve, except those under Standing Order No.204 (Committee on appointments);
7. examine treaties, agreements and conventions;
8. make reports and recommendations to the House as often as possible, including recommendation of proposed legislation;
9. consider reports of Commissions and Independent Offices submitted to the House pursuant to the provisions of Article 254 of the Constitution; and
10. examine any questions raised by Members on a matter within its mandate.

In accordance with the Second Schedule of the Standing Orders, the Committee is mandated to consider matters of; Agriculture, Livestock, Irrigation, Fisheries development, production and Marketing.

In executing its mandate, the Committee oversees the following government Departments;

1. The State Department for Crop Development & Agricultural Research
2. The State Department for Livestock
3. The State Department for Fisheries, Aquaculture and the Blue Economy

### 1.3 Committee Membership

**Hon. Silas Kipkoech Tiren, MP- Chairperson**  
Moiben Constituency  
**Jubilee Party**

**Hon. Catherine Waruguru M.P – Vice - Chairperson**  
Laikipia County  
**Jubilee Party**

Hon. Maison Leshomo, M.P  
Samburu County  
**KANU**

Hon. Ferdinand Wanyonyi, M.P  
Kwanza Constituency  
**FORD Kenya Party**

Hon. Dr. Chrisantus Wamalwa, CBS, M.P  
Kimini Constituency  
**FORD Kenya Party**

Hon. Simba Arati, M.P  
Dagoreti North Constituency  
**Orange Democratic Movement Party**

Hon. Cecily Mbarire, MGH, M.P  
Nominated Member  
**Jubilee Party**

Hon. Jude Njomo, M.P  
Kiambu Constituency  
**Jubilee Party**

Hon. Adan Haji Yusuf, M.P  
Mandera West Constituency  
**EFP Party**

Hon. Janet Jepkemboi Sitienei, M.P  
Turbo Constituency  
**Independent**

Hon. Julius Kibiwott Melly, M.P  
Tinderet Constituency  
**Jubilee Party**

Hon. (Dr.) John Mutunga, M.P  
Tigania West Constituency  
**Jubilee Party**

Hon. Geoffrey Odanga, M.P  
Matayos Constituency  
**Orange Democratic Movement Party**

Hon. Martin Peters Owino, M.P  
Ndhiwa Constituency  
**Orange Democratic Movement Party**

Hon. Joyce Kamene, M.P  
Machakos County  
**WDM-Kenya Party**

Hon. Yegon Brighton Leonard, M.P  
Konoin Constituency  
**Jubilee Party**

Hon. Gabriel Kago Mukuha, M.P  
Githunguri Constituency  
**Jubilee Party**

**1.4 Committee Secretariat**

**Mr. Ahmad Kadhi**  
**Senior Clerk Assistant – Head of Secretariat**

**Mr. Nicodemus Maluki**  
**Second Clerk Assistant**

**Ms. Clara Kimeli**  
**Legal Counsel II**

**Mr. Alex Mutuku**  
**Sergeant At Arms I**  
**Mr. Eugene Luteshi**  
**Audio Officer III**

**Mr. Robert Ngetich**  
**Fiscal Analyst III**

**Mr. David Ngeno**  
**Research Officer II**

**Ms. Deborah Ghati**  
**Media Relations Officer**

### **1.5 Overview of the Examination of the 2020/21 Supplementary Budget I**

The FY 2020/21 Supplementary Estimates 1 was submitted to the National Assembly pursuant to Article 223 of the Constitution of Kenya and Standing Order 243 and subsequently tabled on the floor of the House on 9<sup>th</sup> February, 2021.

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 Regulation 40 of the PFM (National Government) Regulations 2015.

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

In that regard, approvals for such expenditures must therefore be sought from Parliament through a Supplementary Budget and subsequently a Supplementary Appropriation Bill. However, the amount spent should not be more than 10 percent of total sum appropriated by Parliament unless in special circumstance Parliament has approved a higher percentage.


The Committee held consultative meetings with the Ministry officials which were preceded by a briefing by the Parliamentary Budget Office.

### **1.6 Acknowledgement**

The Committee is grateful to the Offices of the Speaker and the Clerk of the National Assembly for the logistical and technical support accorded to it during its sittings. The Committee wishes to thank all the State Departments under its purview for their participation in scrutinizing the 2020/21 Supplementary Estimates I.

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

On behalf of the Departmental Committee on Agriculture and Livestock and pursuant to provisions of standing order number 207 (6), it is my pleasant privilege and honor to present to the Budget and Appropriations Committee the report of the Committee on its Considerations of the Supplementary Estimates I for 2020/21.

Signature:  ..... Date: 26/02/2021 .....

**HON. SILAS KIPKOECH TIREN, MP**  
**CHAIRPERSON**  
**DEPARTMENTAL COMMITTEE ON AGRICULTURE & LIVESTOCK**

## PART II

### 2.0 OVERVIEW OF THE SECTOR ALLOCATIONS IN THE 2020/21 SUPPLEMENTARY ESTIMATES I

1. The overall allocations to the three state departments in 2020/21 is Kshs. 54,759 million. The supplementary budget proposes to increase the allocations by Kshs. 4,447 million. The supplementary allocations for livestock department is reduced by Kshs. 1,516 million, while that of Crops Development and Agriculture Research is enhanced by Kshs. 7,767 million on account of provision of pending bills for maize subsidy. The allocation for fisheries is declining by Kshs. 1,803 million. The table below summarizes the overall expenditures.

<b>Table: showing Supplementary allocations verses approved estimates</b>					
<b>State Department</b>		<b>2020/21 Approved Estimates</b>	<b>Supplementary 1 Estimates</b>	<b>changes</b>	<b>% changes</b>
<b>Livestock</b>	Current	2,628,966,406	2,303,566,406	(325,400,000)	-12
	Capital	3,362,828,667	2,171,900,000	(1,190,928,667)	-35
	Total	5,991,795,073	4,475,466,406	(1,516,328,667)	-25
<b>Crop Development &amp; Agricultural Research</b>	Current	10,798,470,415	22,458,893,927	11,660,423,512	108
	Capital	31,009,977,392	27,117,004,315	(3,892,973,077)	-13
	Total	41,808,447,807	49,575,898,242	7,767,450,435	19
<b>Fisheries and Blue Economy</b>	Current	1,994,874,045	2,160,274,045	165,400,000	8
	Capital	4,964,000,000	2,994,780,000	(1,969,220,000)	-40
	Total	6,958,874,045	5,155,054,045	(1,803,820,000)	-26
		54,759,116,925	59,206,418,693	4,447,301,768	8

2020/21 Supplementary Estimates I.

#### 2.1 State Department for Crop Development & Agricultural Research

2. The Department is implementing three programmes namely; the General Administration, Planning and Support Services; Crop Development and Management; and Agri-Business and Information Management. The changes in allocation to programmes is as shown in the table.
3. The Department has an allocation of Kshs. 41,808 million which is comprised of Kshs. 10,798 million for recurrent expenditure and Kshs. 31,009 development allocation. The 2020/21 Supplementary estimates proposes to increase the total allocation by Kshs. 7,767

million through an increase of Kshs. 11,660 million recurrent and a reduction of Kshs. 3,892 million capital expenditure.

4. Recurrent expenditure allocation is enhanced by a net of Kshs. 11,660 million representing a 108% increase. The increase is on account of additional provision of **Kshs.12.7 billion for settlement of pending bills under the Maize Subsidy Programme** and a reduction of Kshs.1 billion on account of rationalization of budget and excess provision for salaries.
5. Development allocation is proposed to reduce by a net of Kshs. 3,892 million from an approved allocation of Kshs. 31,009 million to Kshs. 27,117 million under supplementary estimates 1.
6. The key reductions are on Kenya Cereal Enhancement Programme (KCEP) (Kshs. 2,206 million), Crop Insurance (by Kshs. 233 million), Food Security and Crop Diversification Project 9 by Kshs. 150 million), Fall Army Worm Mitigation (by Kshs. 216 million), Enable Youth Programme (by 331 million) and National Value Chain Support Programme (by Kshs. 2,233 million).
7. The additions are on: provision Emergency Locust Response Project (Kshs. 1,357 million), Pyrethrum Industry Recovery (Kshs. 450 million), Miraa Industry Revitalization Project (Kshs. 141 million) and Embryo Transfer Project (Kshs. 200 million).

## 2.2 State Department for Livestock

8. The State Department for Livestock is implementing one programme called Livestock Resources Management and Development programme with five sub-programmes. The programme is supposed to deliver the following outputs; Promotion of commercial Feedlot and livestock export zones, Kenya Livestock Insurance Project, Livestock Disease and Pest Control, Promotion of leather development, Smallholder Dairy Commercialization Project, Regional Pastoral Livelihood Resilience Project, Integrated Agricultural Research for Development, and Disease free zones.
9. The Department has a total approved allocation of Kshs. 5,991 million consisting of Kshs. 2,628 recurrent expenditure and capital expenditure of Kshs. 3,362 million. Under the Supplementary I, the allocation is proposed to reduce to Kshs. 4,475 million comprising of Kshs. 2,303 million recurrent expenditure and Kshs 2,171 million development expenditure. The overall reduction is Kshs. 1,516 million which represents 25% reduction.
10. Allocation to recurrent expenditure is reducing by a net of Kshs. 325 million which represents a 12% reduction. The key reductions have been met on: Livestock Resources and Market Development Support Services- Kshs. 30.6 million; Veterinary Headquarters- Kshs. 31.7 million; and Kenya Meat Commission (KMC) - Kshs. 235 million (transfer of functions to Defense Ministry) amongst others. Additional allocation of Kshs. 10 million is provided to Kenya Leather Development Council for recruitment of staff.
11. Capital expenditure is proposed to reduce by a net of Kshs. 1,190 million which represents 35% reduction. The reduction of the development budget is huge and will significantly affect the projects under implementations. Among the key projects that will be affected include: Development of Leather Industrial Park – Kenanie, Kenya Livestock Insurance Scheme, and the Livestock Production 'Big Four' Interventions. A new project has been introduced - Construction and Equipping of Marsabit Slaughter House- allocated Kshs. 100 million.

### 2.3 State Department for Fisheries, Aquaculture and Blue Economy

12. The Department is implementing three programmes namely; the General Administration, Planning and Support Services; Crop Development and Management; and Agri-Business and Information Management.
13. The Department has an allocation of Kshs. 41,808 million which is comprised of Kshs. 10,798 million for recurrent expenditure and Kshs. 31,009 development allocation. The 2020/21 Supplementary estimates proposes to increase the total allocation by Kshs. 7,767 million through an increase of Kshs. 11,660 million recurrent and a reduction of Kshs. 3,892 million capital expenditure.
14. Recurrent expenditure allocation is enhanced by a net of Kshs. 11,660 million representing a 108% increase. The increase is on account of: additional provision of **Kshs.12.5 billion for settlement of pending bills under the Maize Subsidy Programme** and a reduction of Kshs.1 billion on account of rationalization of budget and excess provision for salaries.
15. Development allocation is proposed to reduce by a net of Kshs. 3,892 million from an approved allocation of Kshs. 31,009 million to Kshs. 27,117 million under supplementary estimates 1.
16. The key reductions are on Kenya Cereal Enhancement Programme (KCEP) (Kshs. 2,206 million), Crop Insurance (by Kshs. 233 million), Food Security and Crop Diversification Project 9by Kshs. 150 million), Fall Army Worm Mitigation (by Kshs. 216 million), Enable Youth Programme (by 331 million) and National Value Chain Support Programme (by Kshs. 2,233 million).
17. The additions are on: provision Emergency Locust Response Project (Kshs. 1,357 million), Pyrethrum Industry Recovery (Kshs. 450 million), Miraa Industry Revitalization Project (Kshs. 141 million) and Embryo Transfer Project (Kshs. 200 million).

The changes in allocation to programmes is as shown in the table.

<b>Changes in allocation to Programmes (Kshs)</b>			
Programme	2020/21 Approved Estimates	Supplementary Estimates	Change in Estimates
General administration, planning and support services	4,994,103,344	4,567,360,164	(426,743,180)
Crop development and management	28,878,050,467	37,434,055,526	8,556,005,059
Agribusiness and Information Management	1,561,950,628	1,563,838,197	1,887,569
Agricultural Research & Development	6,374,343,368	6,010,644,355	(363,699,013)
<b>Total</b>	<b>41,808,447,807</b>	<b>49,575,898,242</b>	<b>7,767,450,435</b>

### 3.0 SUBMISSIONS BY MINISTRIES, DEPARTMENTS AND AGENCIES

#### 3.1 State Department for Crop Development & Agricultural Research

18. The state department is implementing four programmes including:
- (a) General Administration, Planning and Support Services with an objective of providing efficient and effective support services.
  - (b) Land and Crop Development whose objective is to increase agricultural productivity and outputs.
  - (c) Agribusiness and Information Management whose objective is to promote market access and product development.
  - (d) Agricultural Research and Development whose objective is to promote, regulate and facilitate agricultural research for food and nutrition security, health and industrial transformation.
19. The department has an approved allocation of Kshs. 41,808 million which is comprised of Kshs. 10,798 million for recurrent expenditure and Kshs. 31,009 development allocation. In the supplementary Estimates 2020/21, the allocation to the department is enhanced to Kshs. 49,575 million. The proposed supplementary increases the allocation for recurrent from Kshs. 10,798 to Kshs. 22,458 million. The increase in Recurrent Budget is due to authorized Cabinet Funding for settlement of Maize Subsidy Pending bill Kshs. 12.5 billion. The allocation for recurrent Transfer to SAGAs is reducing from Kshs. 6,864 million to Kshs. 6,143 million, a reduction of Kshs. 721 million.
20. The department has been allocated Kshs. 31,009 in the approved 2020/21 budget. The allocation is reduced by Kshs. 3,892 million to an allocation of Kshs. 27,117. The reduction has been effected in almost all the development projects. Key reductions are on Kenya Cereal Enhancement Programme (KCEP) (Kshs. 2,206 million), Crop Insurance (by Kshs. 233 million), Food Security and Crop Diversification Project 9by Kshs. 150 million), Fall Army Worm Mitigation (by Kshs. 216 million), Enable Youth Programme (by 331 million) and National Value Chain Support Programme (by Kshs. 2,233 million). The additions are on: provision Emergency Locust Response Project (Kshs. 1,357 million), Pyrethrum Industry Recovery (Kshs. 450 million), Miraa Industry Revitalization Project (Kshs. 141 million) and Embryo Transfer Project (Kshs. 200 million).

#### 3.2 State Department for Livestock

21. SDL implements Livestock Resources Management and Development Programme with five (5) Sub-Programmes namely;
- (a) Livestock policy development and capacity building;
  - (b) Livestock production and management;
  - (c) Livestock products value addition and marketing;
  - (d) Food safety and animal products development; and
  - (e) Livestock diseases management and control
22. The department's approved recurrent allocation is Kshs. 2,628 million. The supplementary estimates proposes to reduce the recurrent allocation by Kshs. 325 million to an allocation of Kshs. 2,303. Transfers affected include: KMC-Kshs. 235 from 470 Million; KVB-Kshs. 33.5 from Kshs. 63.5 Million; KDB-Kshs. 3.3 from 33.3 Million. Others include Kshs. 13 from Kshs. 28 Million for Policy Directorate; Rangeland Conference 44 Million from 55 Million.

### **3.3 State Department for Fisheries, Aquaculture, and Blue Economy**

23. The State Department for Fisheries, Aquaculture and the Blue Economy was allocated Kshs. 1,994,874,045 and Kshs. 4,964,000,000 for recurrent and development expenditures respectively in the Approved Estimates FY 2020/21. It has been proposed that the recurrent allocation be increased by Kshs. 165,400,000 while the development budget be reduced by Kshs. 1,969,220,000 in the Supplementary Estimates No. 1 FY 2020/21.
24. Recurrent Expenditure- In the current FY 2020/21, the gross printed estimates budget is Kshs. 1,994,874,045. In the proposed Supplementary Estimates FY 2020/21, the allocation has been increased by Kshs 165,400,000 to Kshs. 2,160,274,045. This increase is as a result of additional Kshs 515,000,000 granted from the National Treasury for capacity building in deep sea fishing. However, our normal recurrent budget has been reduced by Kshs 349,600,000 and this will affect operations especially for Kenya Marine and Fisheries Research Institute which has lost Kshs 300,000,000. The State Department had a first half allocation of Kshs. 1,004,340,773 out of which Kshs. 907,057,625 was absorbed as at the end of the first half FY 2020/21. This translates to an absorption rate of 90%. The under-expenditure was largely due to the need to adhere to the Procurement rules and regulations before acquiring goods and seeking services.
25. Development Vote- the State Department had an allocation of Kshs. 4,964,000,000 which included Kshs. 350,000,000 AIA in the Approved Estimates FY 2020/21. In the Supplementary Estimates, the allocation has been reduced by Kshs. 1,969,220,000 to Kshs. 2,994, 780,000; a 40% reduction. The State Department had an allocation of Kshs. 2,480,501,000 for implementation of capital projects during the first half of the FY 2020/21. During this period, Kshs. 1,286,576,832 was absorbed translating to a utilization rate of 52%.

## PART III

### 4.0 COMMITTEE OBSERVATIONS

#### 4.1 General Observations

26. The proposed expenditure cuts is against the policy of ensuring food and nutritional security. The expenditure cuts are affecting the direct benefits to farmers which will significantly have an impact on agricultural productivity and household incomes. From the proposed cuts, it implies that amongst others, there will be:
- a) Reduced distribution of pesticides for managing and mitigating Fall army worms; from 30,000 liters to 12,000 liters
  - b) Reduced provision for subsidized agricultural inputs; from 300,000 farmers to 81,000 farmers, from distribution of 70,479 MT of fertilizers to 19,030 MT.
  - c) Reduced number of farmers benefiting from livestock insurance- 158,000 vulnerable farmers across 12 counties will not be mitigated against risk of droughts.
  - d) Reduced number of farmers benefiting from crop insurance-400,000 farmers in 30 counties will not be protected or mitigated against risk or losses.
  - e) Reduced effort on Aflatoxin Management through reduced procurement and distribution of Aflasafe (KE 01) meant to ensure food safety and reduced post-harvest losses.
27. In overall allocations to development expenditure, the three state departments are losing Kshs. 7,053 million which would have enhanced investments in agriculture. This shows the lack of commitment by government to support agriculture which has been the mainstay of the economy. Agriculture sector is not receiving the necessary attention from both levels of government like other key sectors. Investment in the sector mostly remains 'business as usual' with no real or clear concerted effort to enhance agricultural productivity.
28. The 2020/21 supplementary Estimates 1 is raising the National budget by Kshs. 120 billion and therefor there is no justification at all for making large cuts on very critical services and projects in the agricultural sector, not when there is a need to spur the economic activity after the ravaging Covid-19 pandemic.
29. A number of proposed cuts are touching GOK counterpart funds. Reduction of Gok Counterpart funds will result to Non-compliance to the Financing Agreements. Among the projects affected include: Capacity Building Project for Enhancement of Rice Production (JICA), Kenya Cereal Enhancement Programme (IFAD), National Agricultural & Rural Inclusivity Project (AfDB), Agricultural Sector Development Support Programme II (SIDA), Enable Youth Programme Kenya (AfDB), Project for Smallholder Empowerment and Agribusiness Promotion (JICA), Small Scale Irrigation and Value Addition Project( AfDB), Climate Smart Agricultural Productivity Project (EU), and Drought Resilience and Sustainable Livelihood Programme in Horn of Africa (AfDB).
30. A number of proposed supplementary cuts on recurrent allocations touch on provisions for compensation of employees. The cuts on recurrent budget were effected on Kenya Marine Fisheries Research Institute (KMFRI), Agriculture and Food Authority (AFA), Pyrethrum Processing Company of Kenya (PPCK), Kenya Agricultural & Livestock Research Organization (KALRO), Kenya Genetic Resource Centre (KAGRC), and Commodities Fund.

#### **4.2 State Department for Livestock**

31. There is a huge reduction on the allocation for development projects which will likely affect the implementation of projects and ultimately the service to livestock farmers. Of particular interest is the Livestock insurance program which plays a critical role mitigating risk and cushioning vulnerable pastoral communities against drought. As a result of reduction in the allocation, 158,000 vulnerable farmers across 12 counties are not mitigated against risk of droughts.
32. A new project has been introduced- Construction and Equipping of Marsabit Slaughter House. This is against the provisions of Regulation 40(8) of the PFM Regulations, 2015 which stipulates that no new program or policy can be introduced in the supplementary budget. The state department agreed that this can be funded in the next budget.

#### **4.3 State Department for Crops Development and Agricultural Research**

33. Provision of Kshs. 12,531 million for National Food Security for settlement of pending bills under the Maize Subsidy Programme. The Department has utilized these funds however, the Committee was not provided with sufficient documentation.
34. The implementation of the e-voucher system is taking too long. The National Value Chain Support Programme was not implemented in 2019/20 and therefore farmers did not benefit from subsidized inputs through the project. There is a possibility that the same could happen in 2020/21 after the allocation is reduced from Kshs. 3,042 million to Kshs. 808 million. Farmers have not benefited from the Post Covid-19 stimulus programme which is now facing cuts.
35. The allocation for Food Security and Crop Diversification Project is proposed to reduce by Kshs. 150 million. The project has two components- the Miraa Industry Revitalization and diversification of other crops. There is a shift of resources from other crops diversification to Miraa revitalization. Other crops have an allocation of Kshs. 530 million but is proposed to be reduced by Kshs. 291 million to Kshs. 238 million. Miraa revitalization has a budget of Kshs. 200 million and is proposed to rise by Kshs. 141 million to Kshs. 341 million.
36. The allocation for Crop Insurance is being reduced considerably from an allocation of Kshs. 300 million to Kshs. 66 million. This implies that the targeted 400,000 farmers in 30 counties will not be protected or mitigated against risk or losses.
37. The allocation for Pyrethrum Industry is proposed to increase by Kshs. 450 million from an allocation of Kshs. 130 million to Kshs. 580 million. The allocation is meant for expansion of crop acreage from 170 acres to 2,000 acres. The expenditure as at 1<sup>st</sup> half (30<sup>th</sup> Dec, 2020) is at Kshs. 55 million representing 42% expenditure.
38. A number of proposed cuts reduces the allocations to projects below the actual expenditures so far. For instance:
  - a. The approved allocation to Crop Insurance is Kshs. 300 million. The proposed supplementary allocation is Kshs. 66 million while the actual expenditure as at 31<sup>st</sup> December 2020 is Kshs. 76 million.
  - b. The approved allocation for Food Security and Crop Diversification Project is Kshs. 530 million. The proposed supplementary allocation is Kshs. 239 million while the actual expenditure as at 31<sup>st</sup> December 2020 is Kshs. 242 million.
39. The supplementary budget is reducing the GOK- Counter-part funding is various projects. This will affect the funding agreements and contracts with donors.

40. The approved allocation for Warehouse Receipt System of Kshs. 50 million has been reduced by Kshs. 25 million. The project has utilized Kshs. 25 million and therefore, it means it has no funds for the remaining half year. This is tantamount to grounding the operations of the project.
41. Kshs. 57 million has been deducted from Aflatoxin Management. This will derail the efforts on ensuring improved food safety and reduced post-harvest losses.
42. Kshs. 75 million has been deducted from Cotton Industry Revitalization Project. AFA will not be able to distribute cotton seeds to farmers for March/April 2021 season for West of Rift and Coastal regions as planned.
43. Kshs. 217 million has been deducted from Fall Army Worm mitigation. Activities to scout the pests will reduce and chemicals to spray will not be purchased.
44. The allocation for Sustainable TseTse and Trypanosomiasis free areas in Kenya was reduced from an allocation of Kshs. 220 million to Kshs. 110 million. Ksh. 107 million has been utilized already.

#### **4.4 State Department for Fisheries, Aquaculture, and Blue Economy**

45. There is a proposed reduction of Kshs. 2 billion under development expenditure. This will negatively affect the implementation of development projects and prolong the completion of the projects.
46. The allocation for the Rehabilitation of Six Fish Landing sites in Lake Victoria has been reduced from an allocation of Kshs. 222 million to Kshs. 13.8 million. The Six landing sites in Lake Victoria namely Ogal, Mulukhoba, Lwanda O'Otieno, Wichlum, Sori, and Nyandiwa were under rehabilitation however due to rising waters of L. Victoria, all the sites were flooded. The Department has identified high and safe grounds for construction of new landing sites.
47. Budget cuts have been effected on project funds which are already committed. The department has so many unpaid certificates whose funds have been subjected to budget cuts. This will lead to pending bills and possibly courts awards to contractors where there is litigation.
48. The recurrent allocation for Kenya Marine Fisheries Research Institute has been reduced by Kshs. 300 million. The reduction will affect:
  - (a) Compensation of employees, research and operations. All Fisheries and aquaculture research activities will be suspended for the rest of the Financial Year. Contractual obligations such as Insurance, utilities, contracted guards, Rent, Board expenditures and Internet connection will be affected.
  - (b) Operations of RV Mtafiti- RV Mtafiti has an allocation of Kshs. 270 million. As at 31st December 2020 the amount disbursed and fully utilized was Kshs. 135 million. With the proposed reduction of the allocation by Kshs. 135 million, it implies that the research activities of the vessel will be suspended for the next six months.
49. A number of proposed changes reduces the allocations to projects below the actual expenditures so far. For instance:
  - a. The approved allocation for Construction of Shimoni Mariculture Center is Kshs.232 million. The proposed supplementary allocation is Kshs. 26 million while the actual expenditure to date is Kshs. 124 million.

50. The supplementary cuts reduces the allocation to Aquaculture Business Development Project (ABDP) from Kshs. 1,807 million to Kshs. 1,208 million. The reduction of Kshs. 598,500,000 will negatively impact the delivery of the following:
  - a. Provision of farmers with farm inputs such as liner kits, bird nets, predator mesh etc.
  - b. Support of Farmers Field Schools
  - c. Fish fare events
  - d. Stocking and Restocking of dams Climate Mitigation in Aquaculture, Climate Smart Aquaculture
  - e. Support to the revival of fish processing plants for aquaculture produce.
  - f. County operations
51. The supplementary budget is reducing the GOK- Counterpart funding for Kenya Marine Fisheries & Socio-Economic Development Project (KEMFSED) from Kshs. 60 million to Kshs. 30 million. This will affect the funding agreements and contracts with donors.
52. The allocation for the Construction of Fish Port (Liwatoni) has been enhanced by Kshs. 360 million to Kshs. 560 million. The allocation is meant for purchase of motor vehicles, specialized plant and feasibility studies.

## 5.0 COMMITTEE RECOMMENDATIONS

### 5.1 Policy Recommendations

53. Compensations of employee's budget provisions should not be subjected to expenditure cuts, unless there are justifiable reasons.
54. The National Treasury to ensure that, there is consultations with the MDAs before supplementary changes is effected.
55. The State Department for Crop Development and Agricultural Research to hasten the implementation of the e-voucher system to allow farmers access the subsidized agricultural inputs the soonest.
56. The sector is already having numerous ongoing and stalled projects and therefore there is a need for the state departments to prioritize on near completion and the ongoing projects as oppose to initiating new projects. Unless there are justifiable reasons, no new project should be initiated when there are numerous underfunded projects.
57. The National Treasury to provide additional funding to reduce the funding gap on the budget to the state departments. The policies under the sector are direct drivers in the achievement of the Big Four Agenda. In addition, the sector is the mainstay of the economy contributing approximately 60% (directly 33% and indirectly 27%) to GDP.
58. The state departments to improve on the efficiency of utilization of the development budget allocations while adhering to relevant laws so as to ensure that projects are completed within the planned duration and that expected returns and services are achieved the soonest.

## 5.2 Financial recommendations/Proposed reallocations

The Committee having scrutinized and reviewed the Supplementary Budget Estimates I 2020/21, recommends the following:

### Livestock Department

#### Proposed Reductions:

59. **Kshs. 100 million** from the allocations for the Construction and Equipping of Marsabit Slaughter House. It is a new project, need for prioritization.

#### Proposed Increases

60. **Kshs. 100 million** for Livestock Insurance programme- This will ensure that vulnerable pastoral communities are cushioned and mitigated against risk of drought.
61. **Kshs. 27.5 million** for Farm Development-Sheep and Goats Breeding Farms.
62. **Kshs. 7.5 million** for Construction & Refurbishment of Facilities – Livestock Inst. Wajir. The allocation to the Wajir Livestock Institute was reduced greatly whereas the funds have been committed. The allocation will ensure that the institute meets the amount committed so far. The allocation to institute is insufficient considering that the project is new and still requires funds for construction and operationalization.

### State Department for Crops Development and Agricultural Research

#### Proposed Reductions:

63. **Kshs. 41 million** from the allocation for Miraa Industry Revitalization. The project has a budget of Kshs. 200 million and is proposed to rise by Kshs. 141 million to Kshs. 341 million.
64. **Kshs. 450 million** from the allocation for Pyrethrum Industry. The Kshs. 450 million is the proposed increase under the supplementary. The allocation is meant for expansion of crop acreage from 170 acres to 2,000 acres. This is unrealistic considering that the expenditure as at 1<sup>st</sup> half (30<sup>th</sup> Dec, 2020) was at Kshs. 55 million out of the approved allocation of Kshs. 130 million representing 42% expenditure.

#### Proposed Increases

65. **Kshs. 50 million** for Warehouse Receipt System development expenditure. There is a need hasten the implementation of the warehouse receipt system because it holds so much potentials to farmers. It will provide short-term credit to farmers based on warehouse receipts, reduce post-harvest losses, and provide access to better markets. Warehouse Receipt Council is at its early stages and requires funding for its operationalization. Once fully operational, WRS Council will be self-sustaining.
66. **Kshs. 92 million** for Development of Mau Buffer Tea Zone. The project has Tea seedlings which are ready for planting. Without this allocation the seedlings will overgrow and it would mean all the expenditure utilized on them will be a waste.

67. **Kshs. 30 million** for recurrent expenditure to Agricultural Development Corporation (ADC). ADC's allocation for recurrent expenditure was removed but the amount has already been spent.
68. **Kshs. 30 million** for recurrent expenditure for Bukura Agricultural College. This will reinstate the allocation for operations and compensation of employees. As a result of the reduction, the college will not meet personnel emolument costs.
69. **Kshs. 164 million** recurrent allocation for Kenya Agricultural & Livestock Research Organization. This is to settle court award to MS Dinesh Construction Company.
70. **Kshs. 40 million** for Sustainable TseTse and Trypanosomiasis free areas in Kenya – KENTTEC. This will enable the Council to be able to move to new Tse Tse belts and at the same time sustain the 5 controlled Tse Tse belts.

#### **Reinstatement of Allocations**

The Departmental Committee recommends the **reinstatement** of the following allocations:

71. **Kshs. 2,233 million** deducted from the allocation for National Value Chain Support Programme. The allocation was provided as part of the Post Covid-19 Economic Stimulus Programme and therefore a reduction implies that farmers will not benefit from the Post Covid-19 stimulus programme. It also implies that there will be reduced provision for subsidized agricultural inputs.
72. **Kshs. 233 million** deducted from Crop Insurance. This will ensure that the current contract agreement is not breached and ensure that 400,000 farmers in 30 counties are protected or mitigated against risk or losses.
73. **Kshs. 291 million** deducted from Food Security and Crop Diversification Project- other crops. The approved allocation for Food Security and Crop Diversification Project is Kshs. 530 million. The proposed supplementary allocation is Kshs. 239 million while the actual expenditure as at 31st December 2020 is Kshs. 242 million.
74. **Kshs. 57 million** deducted from Aflatoxin Management. This will enhance effort on ensuring improved food safety and reduced post-harvest losses.
75. **Kshs. 75 million** deducted from Cotton Industry Revitalization Project. This will enable AFA to distribute cotton seeds to farmers for March/April 2021 season for West of Rift and Coastal regions as planned.
76. **Kshs. 217 million** deducted from Fall Army Worm mitigation. This will ensure enhanced activities to scout the pests and procurement of chemicals to spray.
77. A total of **Kshs. 220.4 million** GOK counterparts funding for the following mentioned projects to avoid breaching of the financing agreements with donors. Capacity Building Project for Enhancement of Rice Production (JICA), Kenya Cereal Enhancement Programme (IFAD), National Agricultural & Rural Inclusivity Project (AfDB), Agricultural Sector Development Support Programme II (SIDA), Enable Youth Programme Kenya (AfDB), Project for Smallholder Empowerment and Agribusiness Promotion (JICA), Small Scale Irrigation and Value Addition Project( AfDB), Climate Smart Agricultural Productivity Project (EU), and Drought Resilience and Sustainable Livelihood Programme in Horn of Africa (AfDB).

78. Reinstatement of the budget provisions for Compensation of Employees for the following SAGAs; Pyrethrum Processing Company of Kenya (PPCK), Kenya Genetic Resource Centre (KAGRC), and Commodities Fund.

### **Expenditure Rejection**

79. Kshs. 12,531 million for National Food Security for settlement of pending bills under the Maize Subsidy Programme. The rejection is on account of pending issues on disclosure of information and provision of relevant documentation. Among key issues, the department did not provide information on movements of funds among the National Cereal Produce Board (NCPB), Strategic Food Reserve (SFR) and National Treasury.

## **State Department for Fisheries, Aquaculture, and Blue Economy**

### **The Departmental Committee recommends the following:**

#### **Proposed Additions**


80. **Kshs. 50 million** for the Rehabilitation of Six Fish Landing sites in Lake Victoria. The landing sites are essential in maintaining the hygiene and handling of fish. The Six landing sites in Lake Victoria namely Ogal, Mulukhoba, Lwanda O'Otieno, Wichlum, Sori, and Nyandiwa were under rehabilitation however due to rising waters of L. Victoria, all the sites were flooded. The Department has identified high and safe grounds for construction of new landing sites.

#### **Reinstatement of Allocations**

81. The reinstatement of the GOK- Counterpart funding for Kenya Marine Fisheries & Socio-Economic Development Project (KEMFSED) to avoid breaching of the financing agreements.
82. Reinstatement of already committed funds for various development projects. The department has so many unpaid certificates whose funds have been subjected to budget cuts. This will lead to pending bills, over expenditures and possibly courts awards to contractors where there is litigation.
83. **Reinstatement of Kshs. 300 million** deducted for the recurrent allocation for Kenya Marine Fisheries Research Institute. The reduction affected:
- (a) Compensation of employees, research and operations. All Fisheries and aquaculture research activities will be suspended for the rest of the Financial Year. Contractual obligations such as Insurance, utilities, contracted guards, Rent, Board expenditures and Internet connection will be affected.
  - (b) Operations of RV Mtafiti- RV Mtafiti has an allocation of Kshs. 270 million. As at 31st December 2020 the amount disbursed and fully utilized was Kshs. 135 million. With the proposed reduction of the allocation by Kshs. 135 million, it implies that the research activities of the vessel will be suspended for the next six months.

84. **Reinstatement of Kshs. 598 million** deducted on the allocation for Aquaculture Business Development Project (ABDP). The reduction of Kshs 598,500,000 will negatively impact the delivery of the following:

- a. Provision of farmers with farm inputs such as liner kits, bird nets, predator mesh etc.
- b. Support of Farmers Field Schools
- c. Fish fare events
- d. Stocking and Restocking of dams Climate Mitigation in Aquaculture, Climate Smart Aquaculture
- e. Support to the revival of fish processing plants for aquaculture produce.
- f. County operations

Signature:  ..... Date: 26/02/2021 .....

**HON. SILAS KIPKOECH TIREN, MP**  
**CHAIRPERSON**  
**DEPARTMENTAL COMMITTEE ON AGRICULTURE & LIVESTOCK**

REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY

TWELFTH PARLIAMENT – FIFTH SESSION

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DEPARTMENTAL COMMITTEE ON COMMUNICATION, INFORMATION AND  
INNOVATION

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REPORT ON THE CONSIDERATION OF SUPPLEMENTARY I ESTIMATES FY  
2021/22 FOR THE STATE DEPARTMENT FOR ICT & INNOVATION AND THE STATE  
DEPARTMENT FOR BROADCASTING AND TELECOMMUNICATION

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## PART I

### 1.0 PREFACE

#### 1.1 Introduction

The first supplementary estimates for the FY 2020/21 was submitted to the National Assembly on 9<sup>th</sup> February 2021 and subsequently tabled in the House. 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 Regulations 40 of the PFM (National Government) Regulations 2015.

Article 223 of the Constitution provides for the National Government to incur expenditure not appropriated for in the annual Appropriation Act on account of insufficiency of amounts initially provided when a need has arisen for expenditure to which no amounts have been allocated; or for withdrawals from the Contingencies Fund. In that regard, approvals for such expenditures must therefore be sought from Parliament through a Supplementary Budget and subsequently a Supplementary Appropriation Bill. However, the amount spent should not be more than 10 percent of total sum appropriated by Parliament unless in special circumstances Parliament has approved a higher percentage.

In addition, the PFM (National Government) Regulations 2015 requires the Cabinet Secretary to provide for sufficient detail on the purpose of the supplementary estimates as well as format for revised budget in which the Cabinet secretary is further mandated to issue a circular to that effect. The Regulations outlines the main purposes under which approval is sought as either unforeseen or unavoidable and where no budget provision was made or was inadequate but further clarifies as not including the following;

- i. Expenditure that, although known when finalizing the estimates of the original budget (In this case, the annual estimates of 2019/20) could not be accommodated within the allocations
- ii. Tariff adjustments and price increases

## 1.2 Mandate of the Committee

The Departmental Committee on Communications, Information and Innovation is established under Standing Order 216 whose mandate pursuant to the Standing Order 216 (5) is as follows;

- a. **Investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned Ministries and departments;**
- b. Study the programme and policy objectives of Ministries and departments and the effectiveness of the implementation;
- c. Study and review all legislation referred to it;
- d. Study, assess and 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. To vet and report on all appointments where the Constitution or any law requires the National Assembly to approve, except those under Standing Order 204 (Committee on Appointments);
- (fa) examine treaties, agreements and conventions;
- g. make reports and recommendations to the House as often as possible, including recommendation of proposed legislation;
- h. make reports and recommendations to the House as often as possible, including recommendation of proposed legislation;
- i. consider reports of Commissions and Independent Offices submitted to the House pursuant to the provisions of Article 254 of the Constitution; and
- j. Examine any questions raised by Members on a matter within its mandate.

### 1.3 Membership of the Committee

The Departmental Committee on Communication, Information and Innovation was constituted by the House in December 2017 and comprises of the following Members-

#### **Chairperson**

Hon. Kisang William Kipkemoi, M.P  
MP for Marakwet West Constituency

#### **Jubilee Party**

#### **Vice-Chairperson**

Hon. Jane Wanjiku Njiru  
MP for Embu County

Hon. George Theuri, MP  
M.P for Embakasi West Constituency

#### **Jubilee Party**

Hon. Gertrude Mbeyu , MP  
MP for Kilifi County

#### **Orange Democratic Party**

Hon. Alfah O. Miruka, MP  
M.P for Bomachoge Chache Constituency

#### **Kenya National Congress**

Hon. Anthony Kiai, MP  
MP for Mukurweini Constituency

#### **Jubilee Party**

Hon. Annie Wanjiku Kibeh, MP  
MP for Gatundu North Constituency

#### **Jubilee Party**

Hon. (Eng.) Mark Nyamita Ogola, MP  
MP for Uriri Constituency

#### **Orange Democratic Party**

Hon. Joshua Kimilu, Kivinda, MP  
MP for Kaiti Constituency

#### **Wiper Democratic Party**

Hon. Victor Munyaka, MP  
MP for Machakos Town Constituency

#### **Jubilee Party**

Hon. Marwa Kitayama Maisori, MP  
MP for Kuria East Constituency

#### **Jubilee Party**

Hon. Erastus Nzioka Kivasu, M.P.  
MP for Mbooni

#### **New Democrats Party**

Hon. Mwambu Mabongah, MP  
MP for Bumula Constituency

#### **Independent**

Hon. Innocent Momanyi Obiri, MP  
Bobasi Constituency

#### **People's Democratic Party**

Hon. Maritim Sylvanus, MP  
MP for Ainamoi Constituency

#### **Jubilee Party**

Hon. Godfrey Osotsi Atieno, MP  
Nominated

#### **African National Congress**

Hon. Mwangaza Kawira, MP  
MP for Meru County

#### **Independent**

Hon. Anthony, Tom Oluoch, MP  
MP for Mathare Constituency

#### **Orange Democratic Party**

Hon. Jonah Mburu, MP  
MP for Lari Constituency  
**Jubilee Party**

#### 1.4 Committee Secretariat

The Committee secretariat is composed of the following technical staff;

##### **Head of the Secretariat**

Ms. Hellen Kina

**Clerk Assistant II**

Ms. Ella Kendi  
**Clerk Assistant II**

Mr. Donald Manyala  
**Research Officer II**

Mr. Salem Lorot  
**Legal Counsel**

Mr. Thomas Ogwel  
**Fiscal Analyst II**

### **1.5 Legal provisions underpinning the Supplementary Estimates I FY 2021/22**

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 Regulations 40 of the PFM (National Government) Regulations 2015.

Article 223 of the Constitution provides for the National Government to incur expenditure not appropriated for in the annual Appropriation Act on account of insufficiency of amounts initially provided when a need has arisen for expenditure to which no amounts have been allocated; or for withdrawals from the Contingencies Fund. In that regard, approvals for such expenditures must therefore be sought from Parliament through a Supplementary Budget and subsequently a Supplementary Appropriation Bill. However, the amount spent should not be more than 10 percent of total sum appropriated by Parliament unless in special circumstances Parliament has approved a higher percentage.

In addition, the PFM (National Government) Regulations 2015 requires the Cabinet Secretary to provide for sufficient detail on the purpose of the supplementary estimates as well as format for revised budget in which the Cabinet Secretary is further mandated to issue a circular to that effect. As per the regulations, Supplementary estimates should relate to expenditure needs which were either unforeseen or unavoidable and where no budget provision was made or was inadequate during the approval of the annual estimates. The Regulations, further clarify that expenditure which was anticipated during the estimate's approval, or where the expenditure relates to tariff and price increases, should not be considered as part of supplementary budgets.

The State Departments under purview of the Committee are;

- (i) State Department for ICT & Innovation( Vote 1122)
- (ii) State Department for Broadcasting & Telecommunications( Vote 1123)

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

### **1.6 Acknowledgement**

The Committee wishes to thank the Offices of the Speaker and the Clerk of the National Assembly for the support extended to it in the execution of its mandate. The Committee also thanks the State Departments and the management of the relevant SAGAs domiciled in the two state departments for their respective submissions and contributions during deliberations on the proposed supplementary I Estimates.

Finally, I wish to express my appreciation to the Honorable Members of the Committee who sacrificed their time to participate in the activities of the Committee and preparation of this report. It is therefore, my pleasant duty and privilege, on behalf of the Departmental Committee on Communication, Information and Innovation to present this report on the Supplementary Estimates I FY 2021/22.

**HON. WILLIAM KISANG, M.P - CHAIRPERSON**

## PART II

### 2.0 BROAD OVERVIEW OF SUPPLEMENTARY ESTIMATES I FOR FY 2020/21

The Supplementary has been prepared against a backdrop of subdued economy occasioned by the effects of COVID-19 which has adversely affected both the global and local economy.

According to the National Treasury, Kenya's economy contracted by 5.7 percent in the second quarter of 2020 from a growth of 4.9 percent in the first quarter of 2020 largely due to significant contractions in the services and industry sub-sectors. While growth is expected to pick up following the re-opening of the economy, there is still Revenue underperformance leading to budget rationalization across most of the agencies under the purview of the Committee.

The Supplementary budget is a culmination of reallocations, absolute increases and reduction in various votes and sub-votes and variations in the expenditure heads.

Part of the expenditure have been incurred in line with Article 223 of the Constitution and subsequently have been submitted for regularization. Such include:

- i.) Ksh.810 Million being a cash injection to cater for salaries and other mandatory expenditure in the Kenya Postal Corporation, Ksh 700 Million for settlement of My.Gov advertisement's pending bills
- ii.) Ksh 530 Million to cater for Escrow under NOFBI expansion projects which have already been spent in line with Article 223.

On the overall Supplementary budget, the total revised budget will rise by Ksh. 120 billion (compared with the original budget), if the Supplementary is approved as tabled, though the National Treasury mentions that revenue has dropped due to COVID-19. Overall the increase in the budget means that while some MDAs get increases in their spending, other MDAs get budgetary cuts.

### 3.0 PRESENTATION BY PARLIAMENTARY BUDGET OFFICE

A presentation of an analytical brief on the proposed Supplementary Estimates I FY 2020/21 (annexed) was made to the Committee by the Fiscal Analyst on 22<sup>nd</sup> February 2021. The presentation revolved around the following thematic areas:

**Financial Outlook:** It became apparent that there was underperformance of public revenue in the first half of the financial year by Ksh.107.6 billion (including AiA) with little prospects of the revenue targets being met in the second half of the year. The exchequer issues as at end of the first half of the financial 2020/21 was only at 32% in the State Department of ICT & Innovation whereas the same at 66 % for Broadcasting and Telecommunications. Amidst the underperforming public revenue, the proposed supplementary I estimates were noted to be occasioning an additional expenditure of Ksh.120 Billion which shall worsen the budget deficit.

**Budget Absorption rate:** The trend of absorption rates for the two state departments were noted reflected under performance and averaged 85% for the last three years. The missed opportunities in public service delivery due to the underperformance were expounded on. The need to improve on budget implementation was underscored.

**Proposed budget revisions (allocations and targets):** The Committee was taken through the proposed variations under each programmes, sub-programmes and sub-votes. The evaluation of the changes were premised on the requirements of PFM laws, the materiality of the changes and the likely impact of the changes in the realization of the set targets.

Key issues of concerns from the presentation included:

- i.) Substantial proposed revisions exceeding the prescribed thresh-hold of 10%.
- ii.) Introduction of new projects through the Supplementary Budget
- iii.) The proposed budget cuts in areas where financial commitments have been made and the impact in pending bills accumulation

#### **4.0 SUBMISSIONS BY THE STATE DEPARTMENTS AND AGENCIES**

##### **4.1 STATE DEPARTMENT FOR ICT & INNOVATION**

The Principal Secretary for the State Department and a team of management of various SAGAs domiciled in the department appeared before the Committee on the 22<sup>nd</sup> February 2021 and made submission on the Supplementary I (FY 2020/21). The submissions were on the proposed budget revisions and the likely impacts of the changes. The proposed changes were submitted and verified as:

The State Department is proposing to have an additional net allocation of **Kshs 1.7 billion** of which Development is to increase by **Ksh.1.589Billion and Recurrent by Ksh 123.7 Million**. The net increases are as a result of various variations (reductions and increases) among the expenditure heads as detailed in annexure XX. A summary of the proposed changes are as:

##### **Development Expenditure**

The expenditure heads proposed for the additional allocation to the Development vote include;

- i.) **Kshs.1.7 Billion** for the horizontal infrastructure Phase I EPCF( engineering, procurement, construction and Financing) ;
- ii.) **Kshs. 530 Million** to cater for Maintenance and Rehabilitation of NOFBI II Expansion Cable.
- iii.) **Kshs. 90 Million** to Horn of Africa Gateway Development Project (a new project).
- iv.) **Ksh.22 Million** Maintenance and Rehabilitation of NOFBI II Cable.

The proposed reductions within the Development vote amounts to Ksh. 753.1 Million in the following expenditure heads:

- i.) **Ksh.7.1 Million** from allocations of Kenya Transparency & Communication Infrastructure Project
- ii.) **Ksh 22 Million** from allocations of Connectivity to Big Four Agenda
- iii.) **Ksh.58 Million** from allocations to Constituency Innovation Hubs
- iv.) **Ksh.62.5 Million** from allocations to Supervision of Streetscape& Waste Water Reclamation Facilities
- v.) **Ksh.163.5 Million** from allocations to Digital Literacy Programme
- vi.) **Ksh.200 Million** from allocations to Construction of Konza Complex Phase I B
- vii.) **Ksh 240 Million** from allocations to Konza Technopolis Masterplan Consultancy-MDP2

## **Recurrent Expenditure**

The planned variations within the recurrent vote amounts to a net increase amounting to Ksh 123.7 Million. This is made up proposed increases of Ksh 215.76 Million as:

- i.) Ksh 191.36 Million for Headquarter Administrative Services to cater for
- ii.) Ksh.13.4 Million for Directorate of ICT
- iii.) Ksh.11 Million to the Office of Data Protection Commissioner

The proposed reductions amounting to Ksh. 92 Million under recurrent are in the following expenditure heads

- i.) Ksh. 0.27 Million from Central Planning unit
- ii.) Ksh.0.68 Million from Financial Management and Procurement Services
- iii.) Ksh.19 Million from ICT Authority
- iv.) Ksh.20.5 Million from Business Process Outsourcing
- v.) Ksh.50 Million from Konza Technopolis Development Authority
- vi.) Ksh.1.6 Million from Presidential Digital Talent Programme

The proposed increase under headquarters are on account of salary increments arising from the promotion of employees by the Public Service Commission and to cater for rent.

## **4.2 THE STATE DEPARTMENT FOR BROADCASTING AND TELECOMMUNICATION**

The Principal Secretary for the State Department and a team of management of various SAGAs domiciled in the department appeared before the Committee on the 23<sup>rd</sup> February 2021 and made submission on the Supplementary I (FY 2020/21). The submissions were on the proposed budget revisions and the likely impacts of the changes. The proposed changes were submitted and verified as:

The vote is proposed to have an additional net allocation of Ksh 1.6 Billion of which the development expenditure faces a budget cut of Ksh 415.7 Million whereas Recurrent is to increase by Ksh.2.037 Billion. In total, the proposed revised estimates shall amount to Ksh.7.9 Billion up from the approved estimates of Ksh 6.2 Billion.

## **Development Expenditure**

The proposed reduction of Ksh 415 Million under development are under the following expenditure heads:

- i.) Ksh.34.5 Million from allocations to construction of 405 Bed capacity five story building at Kenya Institute of Mass Communication.
- ii.) Ksh.136.5 Million from allocations to KBC Analogue to Digital Migration
- iii.) Ksh.28.5 Million from allocations to KBC rollout of Studio Mashinani
- iv.) Ksh.161.5 Million from allocations to modernization of KNA National desk and Press Centre
- v.) Ksh.30.17 Million from allocations to Establishment of Kenya Film School
- vi.) Ksh.17 Million from allocations to acquisition and Refurbishment of Cinema Theatre
- vii.) Ksh.7.5 Million from allocations to Film location Mapping

## **Recurrent Expenditure**

The proposed variations culminates into a net increase amounting to Ksh.2.037 Billion. It is worth to note that this is largely made up of funds that has already been spent under Article 223 of the Constitution by Kenya Postal Corporation and the Government Advertising Agency.

The proposed increases are in the following expenditure heads

- i.) Ksh. 1.41 Billion to the Government Advertising Agencies
- ii.) Ksh 810 Million to the Postal Corporation of Kenya
- iii.) Ksh.9.8 Million to Headquarters administrative Services
- iv.) Ksh.10.4 Million to News and Information Services
- v.) Ksh 55.5 Million to Office of the Government Spokesperson

The proposed reductions under recurrent include:

- i.) Ksh 2.4 Million from allocations to Directorate of Public Communication
- ii.) Ksh 2.1 Million from allocations to Central Planning Unit
- iii.) Ksh.2 Million from Financial Management and Procurement Services
- iv.) Ksh 2.4 Million from Directorate of Information
- v.) Ksh 1.1 million from Photography and Kenya News Agency
- vi.) Ksh.0.48 million from Photography and Kenya News Agency
- vii.) Ksh 3.7 million from Regional Publications
- viii.) Ksh.0.79 million from Central Media Services
- ix.) Ksh.0.5 Million from Kenya Institute of Mass Communication
- x.) Ksh 5.1 million from Public Communications Office Unit Headquarters
- xi.) Ksh. 20 million from Kenya Year Book Board
- xii.) Ksh.80 million from Media Council of Kenya
- xiii.) Ksh.3.3 million from Film Production Department – Headquarters
- xiv.) Ksh 3.8 million from Film Production Department – Field
- xv.) Ksh.80 million from Kenya Film Classification Board
- xvi.) Ksh.50 million from Kenya Film Commission

## PART III

### 5.0 COMMITTEE OBSERVATIONS

Based on the review and scrutiny of the Supplementary Estimates I for FY 2021/22 and supporting documents as well as engagements with State Departments and respective agencies, the Committee made the following key observations; -

#### **Cross-cutting observations:**

- I. Despite the underperformance of revenue, in overall, the supplementary budget has a net impact of increasing expenditure by Ksh. 120 Billion without any plausible prospect of annual revenue targets being realized, this shall worsen the fiscal deficit necessitating more borrowing.
- II. Some of the proposed increases in expenditure heads (sub-votes) are in areas that cannot be justified as unforeseen at the time of initial processing of the estimates. This negates the main purpose of a supplementary budget as provided for under Section of the PFM Act 2012.
- III. The proposed variations in some programmes and sub-votes are so substantial and exceed the limit of ten (10) percent prescribed in section 43 (2) (C) of the Public Finance Management Act 2012 and Article 223 of the Constitution. For example, the programme of Infrastructure development is proposed to have an upward budget revision of by 22%, the sub-vote of Constituency Innovation hub is proposed to have a 61% budget cut. This distorts initial budgetary plans and is an indication of poor planning.

#### **State Department for ICT & Innovations**

- IV. Some of the proposed budget cuts in development votes are in areas where financial commitments have been made. This shall lead to accumulation of pending bills, escalation of costs associated to not meeting contractual obligations and the affected projects getting stalled. Examples of such expenditure heads include construction of Konza Complex Phase 1 B which is proposed to have a budget cut of by 50% (Ksh.200 Million).
- V. The Office of Data Protection Commissioner whose responsibility includes among others data protection is still too inadequately resourced to facilitate the execution of its mandate. With the imminent full roll out of huduma number for enhanced E-Government service delivery and the forthcoming general election, data protection needs to be enhanced through full operationalization of the office.
- VI. The maintenance and rehabilitation of NOFBI II Expansion cable which is proposed to have an additional allocation of Ksh.530 Million (an increase by 24% of approved estimates) needs to be streamlined with an aim of optimizing value for public money.
- VII. There is an introduction of a new project namely: Horn of Africa Gateway Development project proposed to be allocated Ksh.90 Million ostensibly to undertake a feasibility study yet there are ongoing and stalled projects within the sub-sector whose funding should be given first priority.
- VIII. The Digital Literacy Programme performance has slackened on account of the need for a multi-agency collaboration as a result of the change in curriculum to CBC (competency based curriculum).

- IX. The Supplementary estimates indicate Ksh.350 Million under Appropriation in Aid for maintenance and rehabilitation of NOFBI II Expansion Cable. The AiA is captured in the books as foreign funding. This AiA relates to a loan whose availability period lapsed in November 2019 and therefore needs to be captured for funding by Government of Kenya.

**State Department for Broadcasting and Telecommunications**

- X. There are proposed reductions on recurrent votes affecting salaries in various SAGAs. This is despite the reported fact that Public Service Commission promoted by one grade most of the public servants that needs to be factored in for allocations. Such reductions are under the expenditure heads of: State Department for Broadcasting and Telecommunications- Kenya Film Classification Board and Media Council of Kenya.

**6.0 RECOMMENDATIONS**

Based on the forgoing observations, the Committee recommends the following: -

**6.1 Financial Recommendations**

1. The Committee proposes reallocations within votes under its purview as follows:

(a). Proposed further reductions (amounting to Ksh.908.5 Million) in the following:

**Under State Department for ICT & Innovation**

- i.) **Ksh.76.5 Million** from development allocations to Konza Technopolis Masterplan Consultancy-MDP2 (under ICT Infrastructure development programme- Department of ICT & Innovations).
- ii.) **Ksh 142 Million** from capital allocation of the Digital Literacy Programme Headquarters. (ICT Infrastructure development programme).
- iii.) **Ksh.300 Million** from ICT Government Shared Services (Programme of E-Government Services).
- iv.) **Ksh.90 Million** from the new project of Horn of Africa Gateway Development Project (ICT Infrastructure Development).

**Under State Department of Broadcasting & Telecommunication**

- v.) **Ksh 300 Million** from recurrent allocations of Government Advertising Agency (under programme of Information & Communication Services).

(b). Proposed increase (amounting to Ksh.<sup>908.5</sup>~~678.5~~ Million) in allocations:

**Under State for Department of ICT & Innovation**

- i.) Additional **Ksh. 14 Million** to the Office of Data Protection commissioner) (Programme of E-Government Services to enhance establishment of the office( to be financed by proposed reductions from Konza Technopolis Masterplan Consultancy-MDP2)

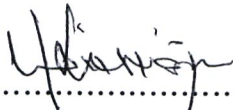
- ii.) **Ksh.62.5 Million** to Supervision of streetscapes and water reclamation (under ICT Infrastructure development programme to reinstate the proposed reduction to facilitate ongoing works and stop project from stalling (to be financed by reductions from Konza Technopolis Masterplan Consultancy-MDP2).
- iii.) **Ksh. 442 Million** to the Connectivity to Big Four Facilities (ICT Infrastructure development programme) to facilitate (to be financed by reductions from ICT Government Shared Services and from Digital Literacy Programme).

**Under State Department for Broadcasting & Telecommunications**

- iv.) **Ksh. 210 Million** to recurrent allocations of Kenya Film Classification Board to retain the provision for salaries and to settle the pending bills (under the programme of Film Development services).
- v.) **Ksh. 180 Million** to the recurrent allocations of Media Council of Kenya to retain the provision for salaries and to operationalize offices for the newly employed staff (under programme of Information & Communication Services).

2. Further, the Committee requests additional resources to the following resources;
- i. Reinstate the **Ksh. 50 Million** proposed for reductions from the recurrent allocations of Konza Technopolis Development authority.
  - ii. **Kshs. 239 Million** be allocated for a fresh maintenance contract for National Optic Fibre Backbone Infrastructure (NOFBI II) under the programme of ICT infrastructure Development.
  - iii. **Ksh.1.2 Billion** to the Postal Corporation of Kenya to settle the rental bills owed to it by the Ministry of Public Service for hosting huduma centres.
  - iv. **Ksh. 350 Million** for maintenance and rehabilitation of NOFBI II captured as AiA for external funding be transferred for funding by the Government of Kenya.

SIGNED.....



DATE.....

26/02/2021

HON. WILLIAM KISANG, MP

(CHAIRPERSON, DEPARTMENTAL COMMITTEE ON COMMUNICATION,  
INFORMATION AND INNOVATION)

**Annexures**

Annex 1: PBO brief on the proposed 2020/21 Supplementary Estimates

Annex 2: MDA's submissions

Annex 3: Minutes of the Committee sittings

Annex 4: Adoption List

**REPUBLIC OF KENYA**



**THE NATIONAL ASSEMBLY**

**TWELFTH PARLIAMENT – FIFTH SESSION**

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**DEPARTMENTAL COMMITTEE ON DEFENCE & FOREIGN RELATIONS**

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**REPORT ON THE CONSIDERATION OF SUPPLEMENTARY I ESTIMATES FY 2020/21  
FOR THE MINISTRY OF DEFENCE, MINISTRY OF FOREIGN AFFAIRS, MINISTRY  
OF EAST AFRICAN COMMUNITY & NOTHERN CORRIDOR DEVELEOPMENT, AND  
THE NATIONAL INTELLIGENCE SERVICE**

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**February, 2021**

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# PART I

## 1.0 PREFACE

### 1.1 Introduction

The first supplementary estimates for the FY 2020/21 was submitted to the National Assembly on 9<sup>th</sup> February 2021 and subsequently tabled in the House. 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 Regulations 40 of the PFM (National Government) Regulations 2015.

Article 223 of the Constitution provides for the National Government to incur expenditure not appropriated for in the annual Appropriation Act on account of insufficiency of amounts initially provided when a need has arisen for expenditure to which no amounts have been allocated; or for withdrawals from the Contingencies Fund. In that regard, approvals for such expenditures must therefore be sought from Parliament through a Supplementary Budget and subsequently a Supplementary Appropriation Bill. However, the amount spent should not be more than 10 percent of total sum appropriated by Parliament unless in special circumstances Parliament has approved a higher percentage.

In addition, the PFM (National Government) Regulations 2015 requires the Cabinet Secretary to provide for sufficient detail on the purpose of the supplementary estimates as well as format for revised budget in which the Cabinet secretary is further mandated to issue a circular to that effect. The Regulations outlines the main purposes under which approval is sought as either unforeseen or unavoidable and where no budget provision was made or was inadequate but further clarifies as not including the following;

- i. Expenditure that, although known when finalizing the estimates of the original budget (In this case, the annual estimates of 2019/20) could not be accommodated within the allocations
- ii. Tariff adjustments and price increases

### 1.2 Mandate and Membership of the Committee

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

- a) to investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned Ministries and departments;*
- b) to study the programme and policy objectives of the Ministries and departments and the effectiveness of the implementation;*
- c) to study and review all legislation referred to it;*
- d) to study, assess and analyze the relative success of the Ministries and departments as measured by the results obtained as compared with their stated objectives;*

- e) *investigate and inquire into all matters relating to the assigned Ministries and Departments as they may deem necessary, and as may be referred to them by the House;*
- f) *to vet and report on all appointments where the Constitution or any law requires the National Assembly to approve, except those under Standing Order 204 (Committee on Appointment); and*
- g) *make reports and recommendations to the House as often as possible, including recommendation of proposed legislation.*

### **1.3 Committee Membership**

The Committee Membership is as follows:

The Hon. Katoo Ole Metito, EGH, MGH, MP (Chairperson)  
MP for Kajiado South Constituency  
Jubilee Party

The Hon. Richard Tongi, MP  
(Vice Chairperson)  
MP for Nyaribari Chache  
Constituency  
Jubilee Party

The Hon. Gideon Konchella, MP  
MP for Kilgoris Constituency  
Jubilee Party

The Hon. Yusuf Hassan Abdi, MP  
MP for Kamukunji Constituency  
Jubilee Party

The Hon. Memusi Ole Kanchory, MP  
MP for Kajiado Central Constituency  
ODM Party

The Hon. Charles Kilonzo, MP  
MP for Yatta Constituency  
Independent

The Hon. Martha Wangari, MP  
MP for Gilgil Constituency  
Jubilee Party

The Hon. Stephen Mule, MP  
MP for Matungulu Constituency  
WDM-K Party

The Hon. Major (Rtd.) Bashir Sheikh  
Abdullah, MP  
MP for Mandera North Constituency  
Jubilee Party

The Hon. Dido Ali Raso, MP  
MP for Saku Constituency  
Jubilee Party

The Hon. (Dr.) Lilian Gogo, MP  
MP for Rangwe Constituency  
ODM Party

The Hon. Maoka Maore, MP  
MP for Igembe North  
Jubilee Party

The Hon. Zachary Thuku, MP  
MP for Kinangop Constituency  
Jubilee Party

The Hon. (Dr.) Irene Kasalu, MP  
MP for Kitui County  
WDM-K Party

The Hon. Moses Nguchine Kirima,  
MP  
MP for Central Imenti Constituency  
Jubilee Party

The Hon. Vincent Kipkurui Tuwei,  
MP  
MP for Mosop Constituency  
Jubilee Party

The Hon. Ernest Ogesi Kivai, MP  
MP for Vihiga Constituency  
ANC Party

The Hon. Caleb Amisi, MP  
MP for Saboti Constituency  
ODM Party

The Hon. Asha Hussein Mohamed,  
MP  
MP for Mombasa County  
ODM Party

#### **1.4 Committee Secretariat**

The Committee secretariat is composed of the following technical staff;

Mr. Victor Weke  
First Clerk Assistant  
**Lead Clerk**

Mr. Abdiaziz Shobay  
Clerk Assistant II

Ms. Grace Wahu  
Research Officer

Ms. Mercy Wanyonyi/ Mr. Salem  
Lorot  
Legal Counsels

Mr. Edison Odhiambo  
Fiscal Analyst

#### **1.5 Legal provisions underpinning the Supplementary Estimates I FY 2021/22**

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 Regulations 40 of the PFM (National Government) Regulations 2015.

Article 223 of the Constitution provides for the National Government to incur expenditure not appropriated for in the annual Appropriation Act on account of insufficiency of amounts initially provided when a need has arisen for expenditure to which no amounts have been allocated; or for withdrawals from the Contingencies Fund. In that regard, approvals for such expenditures must therefore be sought from Parliament through a Supplementary Budget and subsequently a Supplementary Appropriation Bill. However, the amount spent should not be more than 10 percent of total sum appropriated by Parliament unless in special circumstances Parliament has approved a higher percentage.

In addition, the PFM (National Government) Regulations 2015 requires the Cabinet Secretary to provide for sufficient detail on the purpose of the supplementary estimates as well as format for revised budget in which the Cabinet Secretary is further mandated to issue a circular to that effect. As per the regulations, Supplementary estimates should relate to expenditure needs which were either unforeseen or unavoidable and where no budget provision was made or was inadequate during the approval of the annual estimates. The Regulations, further clarify that expenditure which was

anticipated during the estimate's approval, or where the expenditure relates to tariff and price increases, should not be considered as part of supplementary budgets.

The Ministries and departments under the purview of the Committee are;

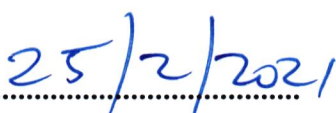
- (i) Ministry of Defence
- (ii) Ministry of Foreign Affairs
- (iii) Ministry of East African Community and Regional Development
- (iv) National Intelligence Service

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

## 1.6 Acknowledgement

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

Finally, I wish to express my appreciation to the Honorable Members of the Committee who sacrificed their time to participate in the activities of the Committee and preparation of this report. It is therefore, my pleasant duty and privilege, on behalf of the Departmental Committee on Defence & Foreign Relations, to present this report on the Supplementary Estimates I FY 2020/21.

Signed.......... Date: ..........

**Hon. Katoo Ole Metito, EGH, MGH, M.P**

**(CHAIRPERSON)**

## **PART II**

### **2.0 BROAD OVERVIEW OF SUPPLEMENTARY ESTIMATES I FY 2020/21**

The Supplementary has been prepared against a backdrop of subdued economy occasioned by the effects of COVID-19 which has adversely affected the both the global and local economy.

According to the National Treasury, Kenya's economy contracted by 5.7 percent in the second quarter of 2020 from a growth of 4.9 percent in the first quarter of 2020 largely due to significant contractions in the services and industry sub-sectors. While growth is expected to pick up following the re-opening of the economy, there is still Revenue underperformance leading to budget rationalization across most of the agencies under the purview of the Committee.

The Supplementary budget comprises of reallocations, absolute increases and reduction of expenditure. For example, apart from EAC and Regional Development Agencies, Defense, Ministry of Foreign Affairs and NIS have their budgets by 6% to 17 %.

Part of the expenditure has been incurred in line with Article 223 of the Constitution. A notable example is the Ksh. 4.5 billion already spent by the NIS in line with Article 223.

On the overall Supplementary budget, the total revised budget will rise by Ksh. 120 billion (compared with the original budget), if the Supplementary is approved as tabled, though the National Treasury mentions that revenue has dropped due to COVID-19. Overall, the increase in the budget means that while some MDAs get increases in their spending, other MDAs get budgetary cuts.

### 3.0 SUBMISSIONS BY MINISTRIES, DEPARTMENTS AND AGENCIES

#### 3.1 National Intelligence Service

The NIS had an additional allocation of **Kshs. 6.5 billion** on top of its hitherto printed estimates of **Kshs. 39.051 billion**. The additional allocation is broken down as follows;

- i. **Kshs. 2 billion** for enhanced security operations and support on-going national initiatives;
- ii. **Kshs. 1.5 billion** to cater for enhanced security operations and implementation of on-going national security projects;
- iii. **Kshs. 3 billion** to cater for purchase of operational equipment and operational training.

The service submitted that the 1<sup>st</sup> two allocations were as a result of under issues of exchequer in the FY 2019/20 of **Kshs. 3.31 billion** which had adversely affected security related operations.

The service had no stalled project and no pending bills, save for commitments of **Kshs. 1.2 billion** that were awaiting exchequer release. This had seen it attain an absorption rate of **47.6%** in the current financial year, as at 15<sup>th</sup> February 2021. The slow exchequer releases had affected operational programmes and delayed payment to contractors, renegotiation of existing payment plans and shelving of new contracts altogether.

#### 3.2 Ministry of Defence

The Ministry of Defence had a proposed net additional allocation of **Kshs. 6.884 billion**, pushing its total allocation for the financial year to **Kshs. 122.365 billion**. This additional expenditure has been earmarked for the following;

- i. **Kshs. 1.8 billion** for operationalization of the Kenya Shipyard
- ii. **Kshs. 1 billion** for upgrading of Kisumu shipyard and construction of wagon ferry
- iii. **Kshs.2.1 billion** for emergency security operations
- iv. **Kshs. 150 million** to support the national multi-agency command centre
- v. **Kshs. 963 million** to the Kenya Meat Commission
- vi. **Kshs. 259 million** for dredging of Kisumu port and Mbita course way.

**Kshs. 375 million** had also been transferred to the ministry from respective ministries and agencies that were holding air assets now transferred to the National Air Support Department.

**Kshs. 246.99 million** had been reduced from the budgetary allocation of general administration, planning and support services programme of the civil wing, **Kshs. 156.54 million** on reduced personnel emoluments since newly recruited staff were unable to report due to covid-19, **Kshs. 90.45 million** from operations and maintenance and **Kshs. 50 million** from the Kenya Space Agency.

The ministry had so far received exchequer of **Kshs. 62.795 billion**, against a requisition of **Kshs. 73.065 billion**. The ministry had submitted to Treasury, **Kshs. 2.836 billion** received from UN/AMISOM reimbursements and **Kshs. 566 million** from sale of tenders, rent and casted vehicles.

### **3.3 Ministry of East African Community & Northern Corridor Development**

#### **3.3.1 State Department for East African Community**

The State Department had seen a reduction of **Kshs. 68.69 million**, attributable to personnel emoluments funds that were not utilized during the 1<sup>st</sup> half of the year due to delays in recruitment of additional staff by the Public Service Commission. Its new total allocation was thus **Ksh. 539 million**.

The state department had an absorption rate of 42%, at **Kshs. 128 million**. The state department had requested for **KSh. 83.38 million** to cater for counterpart funding for the Busia cross-border market to be majorly constructed by a donor but had not received any allocation.

#### **3.3.2 State Department for Regional & Northern Corridor Development**

The State Department had seen a net reduction of **Kshs. 357.6 million** comprising **Kshs. 93.2 million** in the recurrent vote and **Kshs. 264.4 million** in the development vote. The total allocation now stands at **Kshs. 2.9967 billion**. The cut will affect the headquarters at **Kshs. 19.3 million**, KVDA at **Kshs. 50 million**, **Kshs. 50 million** for TARDA and **Kshs. 30 million** from LAPSET. It is important to note that these cuts are from salaries and monitoring and evaluation of projects, leaving the affected agencies with personnel emolument shortfalls.

The State Department had not received any exchequer towards development budget to the Regional Development Authorities compounded by the further reduction in the supplementary budget that will see projects fall behind schedule. The department had pending bills of **Kshs. 6.16 billion** arising from projects that had faced governance challenges.

The state department requested for additional **Kshs. 828.2 million** for recurrent operations and **Kshs. 2.7947 billion** to complete various development projects.

### **3.4 Ministry of Foreign Affairs**

The Ministry had a net increase of **Kshs. 1.183 billion**, on top of its printed estimates of **Kshs. 15.757 billion**. The net increase was attributed to additional recurrent vote of **Kshs. 1.387 billion** for personnel emoluments (Foreign Service allowances) and **Kshs. 400 million** within this to operationalize the UN Security Office. The development budget had a reduction of **Kshs. 185 million**. This would affect the ongoing renovations of various consulates and embassies abroad where commitments had been made.

The ministry had a recurrent absorption rate of **Kshs. 45%** and **60%** for development which had seen it open new missions in Dakar, Senegal, Accra, Ghana, Bern, Switzerland and in Djibouti.

## PART III

### 4.0 OBSERVATIONS

1. The agencies in the security sector, the Ministry of Defence and the National Intelligence Service had seen increasing threats facing the country from within and without, prompting the need for greater preparedness in terms of training and equipment.
2. The rise in the budgetary allocation to the Ministry of Defence was partly attributable to transfer/creation of various SAGAs to the Ministry. They included Kenya Meat Commission, Kenya Shipyard Limited and the National Air Service Department.
3. The proposed budget cut of **KSh. 185 million** on development projects for the Ministry of Foreign Affairs are contractual obligations that are binding in foreign missions. The proposed reduction will therefore lead to claims on delayed payments and legal suits which may be expensive in the long run. Further the continued budget cuts do not show policy commitment on asset acquisition by the ministry where the cost of rentals takes 20 percent of the ministry's budget.
4. The proposed increases under the Ministry of Foreign Affairs relates mainly to personnel emoluments where (i) Ambassadors and High Commissioners were appointed after the budget had been finalized and (ii) operationalization of the UN security council seat in New York. (iii) Further the increase in the recurrent supplementary across all missions was occasioned by foreign exchange fluctuation. The shilling depreciated against the US dollar by 7 percent.
5. The proposed reduction of **KSh. 68.7 million** under the State Department for East African Community was on account of Personnel Emoluments funds that could not be utilized due to delays in recruitment process of additional staff by the Public Service Commission. The delay was occasioned by the ongoing COVID-19 pandemic.
6. The State Department of Regional Development Authorities had seen perpetual underfunding of important projects, making them stall and invariably lose value in the long run. The Regional Development Authorities ought to be financed to undertake projects that it has capacity to do, including boreholes, small- to medium scale irrigation projects, as well as value addition factories.

## 5.0 RECOMMENDATIONS


### 5.1 Financial Recommendations

1. The Committee is agreeable to the proposal to increase additional resources amounting to;
  - a) Kshs. 6.5 billion to the National Intelligence Service
  - b) Kshs. 6.884 billion to the Ministry of Defence
  - c) Kshs. 1.183 to the Ministry of Foreign Affairs
  - d) Kshs. 95 million to the State Department for Regional Development Authorities for rehabilitation of existing water infrastructure under the drought mitigation programme.
  
2. The Committee requests reinstatement of the following resources;
  - a) **Kshs. 185 million** to the Ministry of Foreign Affairs for ongoing constructions in foreign missions and existing contractual obligations;
  - b) **Kshs. 264.4 million** to the State Department of Regional Development Authorities for ongoing projects.

### 5.2 Other financial recommendations

1. Enhanced financial allocations to the State Department for Regional Development Authorities for the following;
  - a) Kshs. 100.3 million to ENSDA to complete pending projects
  - b) Kshs. 51.92 million to ENDDA to complete pending projects
  - c) Kshs. 51.22 million to CDA to complete the Boji Irrigation project
  - d) Kshs. 380 million to KVDA to complete pending projects and renovation and rehabilitation of rental property
  - e) Kshs. 380 million to LBDA for rehabilitation and construction of integrated solar powered boreholes and water pans
  - f) Kshs. 363 million for Murang'a small holder irrigation project and Kshs. 436 million for Kieni small holder irrigation, to TARDA.

SIGNED.....



DATE.....

25/2/2021

**HON. KATOO OLE METITO, EGH, MGH, MP**

**(CHAIRPERSON, DEPARTMENTAL COMMITTEE ON DEFENCE AND FOREIGN RELATIONS)**

**Annexures**

Annex 1: PBO brief on the proposed 2020/21 Supplementary Estimates

Annex 2: MDA's submissions

Annex 3: Minutes of the Committee sittings

Annex 4: Adoption List

**MINUTES OF THE ONE HUNDRED AND FIFTEENTH (115<sup>TH</sup>) SITTING OF THE DEPARTMENTAL COMMITTEE ON DEFENCE & FOREIGN RELATIONS HELD IN COMMITTEE ROOM, 4<sup>TH</sup> FLOOR CONTINENTAL HOUSE, PARLIAMENT BUILDINGS, ON TUESDAY, 16<sup>TH</sup> FEBRUARY, 2021 AT 10.00 AM.**

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**PRESENT**

1. The Hon. Katoo Ole Metito, EGH, MGH, MP (Chairperson)
2. The Hon. Richard Tong'i, MP (Vice Chairperson)
3. The Hon. Charles Kilonzo, MP
4. The Hon. Richard Maore Maoka, CBS, MP
5. The Hon. Col. (Rtd) Dido Ali Raso, MBS, MP
6. The Hon. Martha Wangari Wanjira, MP
7. The Hon. Elijah Memusi Kanchory, MP
8. The Hon. Caleb Amisi, MP
9. The Hon. Ernest Ogesi Kivai, MP
10. The Hon. Moses Nguchine Kirima, MP
11. The Hon. Vincent Kipkurui Tuwei, MP
12. The Hon. Zachary Kwenya Thuku, MP

**APOLOGIES**

1. The Hon. Col. (Rtd.) Gideon S. Konchela, EGH, OGW, 'psc' (UK), MP
2. The Hon. Yusuf Hassan Abdi, MP
3. The Hon. (Dr.) Irene Muthoni Kasalu, MP
4. The Hon. Stephen Mutinda Mule, MP
5. The Hon. Maj. (Rtd.) Bashir Sheikh Abdullah, MP
6. The Hon. (Dr.) Lilian Gogo, MP
7. The Hon. Asha Hussein Mohamed, MP

**IN ATTENDANCE**

**NATIONAL ASSEMBLY SECRETARIAT**

1. Mr. Victor Weke - Clerk Assistant I
2. Mr. Edison Odhiambo - Fiscal Analyst

**MIN. NO.NA/DC.DFR /2021/007: PRELIMINARIES**

The Chairperson called the meeting to order at 10.20 am and said a prayer. The agenda of the meeting was adopted as hereunder after being proposed by The Hon. Charles Kilonzo, MP and seconded by The Hon. Ernest Ogesi Kivai, MP.

**AGENDA**

1. Prayers
2. Adoption of the agenda
3. Confirmation of minutes of previous sitting
4. Matters arising
5. Substantive agenda: **Briefing on BPS 2021 and Supplementary Estimates I of FY 2020/21**
6. Any Other Business

**MIN. NO.NA/DC.DFR /2021/008:      CONFIRMATION OF MINUTES OF PREVIOUS SITTING**

Minutes of the 114<sup>th</sup> sitting held on 9<sup>th</sup> February 2021 were confirmed as a true record of the proceedings as proposed by Hon. Ernest Kivai, MP and seconded by Hon. Elijah Memusi Kanchory, MP.

**MIN. NO.NA/DC.DFR/2021/009:      MATTERS ARISING**

**Under Min.No.NA/DC.DFR/2021/003**

The Chairperson confirmed that his request to the Speaker to exempt the Foreign Service Bill from provisions of Standing Order 114 on money bills was successful. The Bill would now proceed for publishing.

The Regional Development Bill would however go to the Budget & Appropriations Committee for scrutiny.

**Under Min.No.NA/DC.DFR/2021/004**

1. The secretariat confirmed that the statement requested by Hon. Aden Duale, MP on the state of Kenya-Somalia relations had been responded to by the Chairperson during the same plenary sitting, and would require no further action.
2. The Committee reconsidered its schedule for the month of February and resolved to proceed with the retreat on the Budget Policy Statement as scheduled, while the retreat to draw the work plan was set for either 4<sup>th</sup> – 7<sup>th</sup> February or 11-14<sup>th</sup> March 2021.

**Under Min.No.NA/DC.DFR/2021/005**

Hon. Caleb Amisi, MP confirmed having attended the meeting with the Moroccan Ambassador to Kenya, H.E. El Mokhtar Ghambou, together with Hon. Bashir Abdullah, MP and Hon. Yusuf Hassan, MP. He reported that the two parties discussed a wide range of bilateral matters including agriculture, tourism and the state of the Western Sahara. The Ambassador requested the Committee to pay Morocco a visit once the corona pandemic was under control, in advancement of parliamentary diplomacy.

**MIN. NO.NA/DC.DFR/2021/010:      BRIEFING ON SUPPLEMENTARY ESTIMATES I**

The fiscal analyst briefed the Committee as follows;

1. The estimates were submitted to the National Assembly on 9<sup>th</sup> February 2021 and subsequently tabled in the House for consideration by Departmental Committees;
2. The estimates were meant to rationalize expenditure due to revenue underperformance occasioned by the economy contracting by 5.7% in the 2<sup>nd</sup> quarter of 2020;
3. The Ministry of Defence had its allocation increase by 6%, from Kshs. 115.481 billion to Kshs. 122.365 billion. The increment is on account of enhanced security operations, national air services, Kenya National Shipyard, modernization programme and the revitalization of the Kenya Meat Commission. Of the Kshs. 6.35 billion increment, the ministry had expended Kshs. 3.2 billion already;
4. The Ministry of Foreign Affairs saw its allocation have a net increment of 8%, occasioned by a rise of its recurrent expenditure from Kshs. 14.555 billion to Kshs. 15.924 billion, whilst its development vote decreased to Kshs. 1.016 billion from Kshs. 1.201 billion. The Kshs. 1.2 billion is largely attributable to operationalization of the UN Security Council membership office and additions to various embassies;

5. The State Department for East African Community (EAC) had an 11% reduction of its recurrent vote from Kshs. 608 million to Kshs. 539.3 million. It had no development vote;
6. The State Department for Regional Development Authorities had an overall reduction of 3%, with its recurrent expenditure moving from Kshs. 2.266 billion to Kshs. 2.173 billion, while the development vote reduced to Kshs. 823.1 million from Kshs. 837.5 million. The gross decrease of Kshs. 357 million has seen the outputs of the various RDAs reduced;
7. The National Intelligence Service saw an increase of 17% from Kshs. 39.051 billion to Kshs. 45.551 billion;
8. Due to constrained revenue collection, MDAs had received less than 50% of exchequer release for their programmes.

The Committee noted the following in the interim and would seek responses from the MDAs when they appear before it;

- i) Some of the proposed projects were clearly foreseeable and did not strictly meet the threshold of supplementary budgets as per the PFM Act 2012 and its regulations. Examples include the dredging of Lake Victoria ports of Kisumu and Mbita by the Ministry of Defence;
- ii) State Department of Regional Development Authorities had an increased allocation of Kshs. 95 million for new projects, also in violation of PFM norms;
- iii) Further, the House had hitherto passed a resolution that the Executive must seek concurrence of the House when expending sums of more than Kshs. 1 billion. This had not been adhered to by the Ministry of Defence having already expended Kshs. 3.2 billion;
- iv) The Ministry of Foreign Affairs had seen increased allocations by Kshs. 1.3 billion to various embassies, with no corresponding increases in targets and outputs;
- v) The allocations to the security sector were not clear as no itemized breakdown had been provided for justification;
- vi) Proposed cuts, especially to RDAs would compound the already existing problem of pending bills and stalled projects. The perpetual underfunding to these entities posed a challenge to their continued existence.

**MIN. NO.NA/DC.DFR/2021/011:      BRIEFING ON THE BUDGET POLICY STATEMENT (BPS) 2021**

The fiscal analyst briefed the Committee as follows;

1. The theme of this year's BPS was 'Building back better: strategy for resilient and sustainable economic recovery'. This was against the backdrop of a contracting economy in 2020, expected to bounce back and grow at a pace of 6.4% in 2021;
2. Overallly, the budget would be shared between the various arms of government as follows;
  - i) Executive at Kshs. 1,894,576,800,000 (62.8%)
  - ii) Parliament at Kshs. 37,882,700,000 (1.3%)
  - iii) Judiciary at Kshs. 17,918,300,000 (0.6%)
  - iv) Consolidated Fund Services at Kshs. 697,623,500,000 (23.1%)
  - v) County Governments at Kshs. 370,000,000,000 (12.3%)
3. Sectorally, the security sector (Ministry of Defence and NIS) had seen increased allocation to maintain economic stability and attract investment. The sector had received Kshs. 170 billion for FY 2021/22, expected to grow to Kshs. 180.9 billion and Kshs. 196.8 billion in subsequent financial years in the medium term;

4. The international relations sub-sector comprising Ministry of Foreign Affairs and the State Department for EAC had proposed ceilings of Kshs. 19.066 billion to pursue Kenya's foreign policy. This represents a growth of 9.1% despite an overall shortfall of Kshs. 43.657 billion;
5. Regional development authorities had a proposed ceiling of Kshs. 3.751 billion, from the current Kshs. 2.9967 billion. This is against a resource requirement of Kshs. 15.099 billion, a shortfall of 75%;

The Committee noted the following in the interim and would seek responses from the MDAs when they appear before it;

- i) In spite of the theme of the BPS being economic recovery, the submitted ceilings did not signal any structural shift in priorities of the country. Further the BPS was not linked to the country's debt situation to demonstrate sustainability and reality of envisioned programmes;
- ii) The BPS was not accompanied with a reconcilable list of projects, especially in the security sector;
- iii) RDAs continue to see gross underfunding, with current stalled projects worth billions numbering 20. Further, governance challenges at the RDAs have seen projects expending large sums of money without clear value for money.

The Committee would next meet with the various ministries and departments as scheduled on 22<sup>nd</sup> & 23<sup>rd</sup> March 2021 at the Hilton Garden Hotel, before writing its reports.

MIN. NO.NA/DC.DFR/2021/012:      ADJOURNMENT

There being no other business, the meeting adjourned at 12.35pm.

Signed.....  


Hon. Katoo Ole Metip, M.P (CHAIRPERSON)

Date.....  
24/2/2021

**MINUTES OF THE ONE HUNDRED AND SIXTEENTH (116<sup>TH</sup>) SITTING OF THE DEPARTMENTAL COMMITTEE ON DEFENCE & FOREIGN RELATIONS HELD IN GROUND FLOOR, PAVILION CONFERENCE ROOM, HILTON GARDEN INN ON MONDAY, 22<sup>ND</sup> FEBRUARY, 2020 AT 9.00 AM.**

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**PRESENT**

1. The Hon. Richard Tong'i, MP (Vice Chairperson)
2. The Hon. Col. (Rtd.) Gideon S. Konchela, EGH, OGW, 'psc' (UK), MP
3. The Hon. Charles Kilonzo, MP
4. The Hon. Col. (Rtd) Dido Ali Raso, MBS, MP
5. The Hon. Martha Wangari Wanjira, MP
6. The Hon. Elijah Memusi Kanchory, MP
7. The Hon. Stephen Mutinda Mule, MP
8. The Hon. Maj. (Rtd.) Bashir Sheikh Abdullah, MP
9. The Hon. (Dr.) Lilian Gogo, MP
10. The Hon. (Dr.) Irene Muthoni Kasalu, MP
11. The Hon. Moses Nguchine Kirima, MP
12. The Hon. Ernest Ogesi Kivai, MP
13. The Hon. Vincent Kipkurui Tuwei, MP
14. The Hon. Caleb Amisi, MP
15. The Hon. Zachary Kwenya Thuku, MP

**APOLOGIES**

1. The Hon. Katoo Ole Metito, EGH, MGH, MP (Chairperson)
2. The Hon. Yusuf Hassan Abdi, MP
3. The Hon. Richard Maore Maoka, CBS, MP
4. The Hon. Asha Hussein Mohamed, MP

**IN ATTENDANCE**

**NATIONAL ASSEMBLY SECRETARIAT**

- |                           |   |                        |
|---------------------------|---|------------------------|
| 1. Mr. Victor Weke        | - | First Clerk Assistant  |
| 2. Mr. Abdiaziz Shobay    | - | Second Clerk Assistant |
| 3. Mr. Edison Odhiambo    | - | Fiscal Analyst         |
| 4. Ms. Grace Wahu Karanja | - | Research Officer       |
| 5. Mr. John Ngang'a       | - | Audio Officer          |

**NATIONAL INTELLIGENCE SERVICE (NIS)**

- |                            |   |                                 |
|----------------------------|---|---------------------------------|
| 1. Maj. Gen. Philip Kameru | - | Director General, NIS           |
| 2. A. N. Shikuku           | - | National Intelligence Service   |
| 3. J.N Ndola               | - | National Intelligence Service   |
| 4. E.J Mafubo              | - | National Intelligence Service   |
| 5. R.N Macharia            | - | National Intelligence Service   |
| 6. D.M Isaboke             | - | National Intelligence Service   |
| 7. Hellen Saina            | - | National Intelligence Service   |
| 8. Eric Mwendwa            | - | National Intelligence Service , |

**MINISTRY OF DEFENCE**

- |                    |   |  |
|--------------------|---|--|
| 1. Ms. Monica Juma | - | Cabinet Secretary, Ministry of Defence |
|--------------------|---|--|

- |                          |   |                                   |
|--------------------------|---|-----------------------------------|
| 2. Lt. General L. Mghalu | - | VCDF, KDF/MOD                     |
| 3. Dr. Mohamed           | - | Principal Secretary, MOD          |
| 4. Mr. Muhia             | - | Senior Chief Finance Officer, MOD |
| 5. Brig. DNN Kamuri      | - | Chief of Infrastructure           |
| 6. Lt. Col. Mung'ori     | - | Colonel, Budget                   |
| 7. Mr. Kariuki Kimemia   | - | Deputy Director, Budget           |

**MIN. NO.NA/DC.DFR/2021/013:**

**PRELIMINARIES**

The Chairperson called the meeting to order at 9.20 am and said a prayer. The agenda of the meeting was adopted as hereunder after being proposed by The Hon. Col. (Rtd) Dido Ali Raso, MBS, MP and seconded by The Hon. Zachary Kwenya Thuku, MP.

**AGENDA**

1. Prayers
2. Adoption of the agenda
3. Confirmation of minutes of previous sittings
4. Substantive agenda:
  - i) **Briefing by the National Intelligence Service (NIS) on the Budget Policy Statement (BPS) for FY 2021/22 and the Supplementary Estimates (1) for FY 2020/21**
  - ii) **Briefing by the Ministry of Defence (MOD) on the Budget Policy Statement (BPS) for FY 2021/22 and the Supplementary Estimates (1) for FY 2020/21**
5. Any Other Business

**MIN. NO.NA/DC.DFR /2021/014:**

**CONFIRMATION OF MINUTES OF PREVIOUS SITTINGS**

The agenda item was deferred to the next sitting.

**MIN. NO.NA/DC.DFR /2021/015:**

**BRIEFING BY THE NATIONAL INTELLIGENCE SERVICE ON THE BUDGET POLICY STATEMENT (BPS), FY 2021/22**

The Director General, National Intelligence Service took the Committee through the following items;

1. The proposed budgetary requirement is Ksh. 58.832 billion and the proposed budgetary allocation is Ksh. 42.451 billion.
2. The funding gap is Ksh. 16.381 billion after prioritization and rationalization. The critical funding gap is Ksh. 3.5 billion.
3. The NIS printed estimates FY 2020/21 is Ksh. 39.051 billion with an additional allocation of Ksh. 6.5 billion proposed by the National Treasury subject to regularization through Supplementary Estimates No.1.
4. The proposed additional allocation is broken down as follows:
  - i) Ksh. 2 billion to cater for enhanced security operations and support of on-going national initiatives while Ksh. 1.5 billion to cater for enhanced security operations and implementation of on-going national security projects.

- ii) Ksh. 3 billion to cater for purchase of operational equipment and operational training. Exchequer under issue during the FY 2019/20 amounting to Ksh. 3.31 billion adversely affected security related operations and payments of contracts.
  - iii) The printed estimates of FY 2020/21 amounts to Ksh. 39.051 billion, however Exchequer releases as of 31<sup>st</sup> December, 2020 was Ksh. 18, 183, 636, 563 (46.56 %)
5. The service is in the process of establishing National Intelligence & Research University College.
  6. Implementation of the intended programmes/operational activities may not be operational due to constrained Exchequer issues
  7. The current exchequer releases as at 15<sup>th</sup> February 2021 stand at a total of Ksh. 21.707 billion and this represents 47.6% of the proposed approved budget of Ksh. 45.551 billion.
  8. Ksh. 23.84 billion budget balance is not funded with four months to the end of the FY 2020/21.
  9. Ksh. 5.96 billion of monthly Exchequer releases is required to fund the budget fully between March and June 2021 and this has resulted to service operational programs being adversely affected shelving of new contracts.
  10. The service has delayed payments to contractors and renegotiation of the payment plans for on-going contracts.
  11. The Service requests the National Assembly approves the proposed total budgetary allocation of Ksh. 42.451 billion for the FY 2021/22 and the proposed additional budgetary resources amounting to Ksh. 6.5 billion during the Supplementary Estimates No. 1 for the FY 2020/21.

**MIN. NO.NA/DC.DFR /2021/016:**

**BRIEFING BY THE CABINET SECRETARY,  
MINISTRY OF DEFENCE ON THE BUDGET  
POLICY STATEMENT (BPS), FY 2021/22**

The Cabinet Secretary took the Committee through the following items;

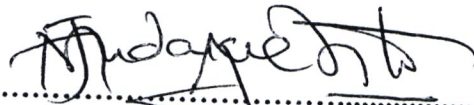
1. The Ministry of Defence has been allocated Ksh. 127.563 billion in the FY 2021/22 against a resource requirement of Ksh. 187.740 billion.
2. The projected allocations in the FY 2022/23 and 2023/24 are Ksh. 133.054 billion and Ksh. 142.048 billion respectively.
3. Allocation in the proposed Supplementary Estimates 1 for FY 2020/21 has increased by Ksh. 6.884 billion that is from Ksh. 115.481 billion to Ksh. 122.365 billion.
4. Increase in recurrent expenditure by Ksh. 6.350 billion is attributed to the Approved additional expenditure totaling to Ksh. 6.272 billion for operationalization of the Kenya shipyard, upgrading of Kisumu shipyard and construction of wagon ferry, emergency security operations, support to the National Multi-Agency Command Centre, Kenya Meat Commission and dredging of Kisumu Port and Mbita course way.
5. Moreover, recurrent expenditure is also attributed to the transfer of funds maintaining air assets from various Ministries amounting to Ksh. 375 million to the Ministry of Defence.
6. The reduction in the budgetary allocation of the general administration, planning and support services programme, of Ksh. 246,990,000 in which the civilian function of the Ministry funds its activities under this program and the decrease is attributed to the following expenditure areas:

- i) Personal Emoluments of Ksh. 156,540,000 in salaries and allowances for newly recruited staff who were not able to report at the expected time due to COVID 19 restrictions on minimizing the number of staff
  - ii) Operation and maintenance amounting to Ksh. 90,450,000 in rationalization of O&M budget items effected due to non-performance of the economy.
7. In the development estimates, the development expenditure allocation of Ksh. 9.208 billion is utilized for implementation of three (3) military modernization projects funded through GoK (Ksh. 3 billion) and ECA (Ksh. 6.208 billion).
  8. The ECA allocation has increased by Ksh. 534 million to facilitate payments as per project milestones achieved to date.
  9. The Exchequer requisitioned to date amounts to Ksh. 73.065 billion and receipts stand at Ksh. 62.795 billion leaving a balance of Ksh. 10.270 billion.
  10. Revenue received from UN/AMISOM reimbursements amounts to Ksh. 2.836 billion while revenue collected from other sources such as rent, sale of casted vehicles, sale of tenders amounted to Ksh. 566 million and have been remitted to the National Treasury.
  11. Military modernization is funded through Exchequer (GoK) and the Export Credit Arrangement (ECA).
  12. Border securitization has prioritized southern sector (Boni) extending 107 km from BP 29 in Kiunga to BP 23 in Libat to be implemented in two financial years.
  13. The FY 2021/22 focuses on the filling of the gaps between Kolbio and Kiunga and an additional 25 km southwards from Libat in order to complete the fencing of the entire 107km southern stretch.

**MIN. NO.NA/DC.DFR /2021/017: ADJOURNMENT**

There being no other business, the meeting adjourned at 1.30 pm.

Signed.....



Hon. Kato Ole Metito, M.P  
(CHAIRPERSON)

Date.....

24/2/2021

**MINUTES OF THE ONE HUNDRED AND SEVENTEENTH (117<sup>TH</sup>) SITTING OF THE DEPARTMENTAL COMMITTEE ON DEFENCE & FOREIGN RELATIONS HELD IN GROUND FLOOR, PAVILION CONFERENCE ROOM, HILTON GARDEN INN ON MONDAY, 22<sup>ND</sup> FEBRUARY, 2020 AT 2.30 PM.**

---

**PRESENT**

1. The Hon. Richard Tong'i, MP (Vice Chairperson)
2. The Hon. Col. (Rtd.) Gideon S. Konchela, EGH, OGW, 'psc' (UK), MP
3. The Hon. Charles Kilonzo, MP
4. The Hon. Col. (Rtd) Dido Ali Raso, MBS, MP
5. The Hon. Martha Wangari Wanjira, MP
6. The Hon. Elijah Memusi Kanchory, MP
7. The Hon. Stephen Mutinda Mule, MP
8. The Hon. Maj. (Rtd.) Bashir Sheikh Abdullah, MP
9. The Hon. (Dr.) Lilian Gogo, MP
10. The Hon. (Dr.) Irene Muthoni Kasalu, MP
11. The Hon. Ernest Ogesi Kivai, MP
12. The Hon. Vincent Kipkurui Tuwei, MP
13. The Hon. Caleb Amisi, MP
14. The Hon. Zachary Kwenya Thuku, MP

**APOLOGIES**

1. The Hon. Katoo Ole Metito, EGH, MGH, MP (Chairperson)
2. The Hon. Yusuf Hassan Abdi, MP
3. The Hon. Richard Maore Maoka, CBS, MP
4. The Hon. Moses Nguchine Kirima, MP
5. The Hon. Asha Hussein Mohamed, MP

**IN ATTENDANCE**

**NATIONAL ASSEMBLY SECRETARIAT**

- |                           |   |                        |
|---------------------------|---|------------------------|
| 1. Mr. Victor Weke        | - | First Clerk Assistant  |
| 2. Mr. Abdiaziz Shobay    | - | Second Clerk Assistant |
| 3. Mr. Edison Odhiambo    | - | Fiscal Analyst         |
| 4. Ms. Grace Wahu Karanja | - | Research Officer       |

**MINISTRY OF EAST AFRICAN COMMUNITY & REGIONAL DEVELOPMENT**

- |                         |   |                   |
|-------------------------|---|-------------------|
| 1. Hon. Adan Mohamed    | - | CS, EAC & NCD     |
| 2. Kevit Desai          | - | PS, EAC           |
| 3. Belio Kipsang        | - | MOEC & RD         |
| 4. Ms. Margaret Mwakima | - | PS TVET & RN & CD |
| 5. Ms. Risper Makasi    | - | EAC               |
| 6. Mr. Joseph Kimani    | - | RNCD              |
| 7. Mr. Emilio Mugo      | - | Secretary RNCD    |
| 8. Ngala Oloiptip       | - | MD, ENSDA         |

**MIN. NO.NA/DC.DFR/2021/018:**

**PRELIMINARIES**

The Chairperson called the meeting to order at 2.35 pm and said a prayer. The agenda of the meeting was adopted as hereunder after being proposed by The Hon. Charles Kilonzo, MP and seconded by The Hon. Ernest Ogesi Kivai, MP.

## **AGENDA**

1. Prayers
2. Adoption of the agenda
3. Confirmation of minutes of previous sittings
4. Substantive agenda: **Briefing by the Ministry of East Africa Community (EAC) and Regional Development to consider the Budget Policy Statement (BPS) for FY 2021/22 and the Supplementary Estimates (1) for FY 2020/21**
5. Any Other Business

### **MIN. NO.NA/DC.DFR /2021/019: CONFIRMATION OF MINUTES OF PREVIOUS SITTINGS**

The agenda item was deferred to the next sitting.

### **MIN. NO.NA/DC.DFR /2021/020: BRIEFING BY THE PRINCIPAL SECRETARY, EAST AFRICAN COMMUNITY (EAC) ON THE BUDGET POLICY STATEMENT (BPS), FY 2021/22**

The Principal Secretary took the Committee through the following items;

1. The State Department's allocations for FY 2021/22 is Kshs. 609.14 million for recurrent budget against requirement of Kshs. 2.299 million
2. There was no allocation for development but requires Kshs. 77 million for development budget
3. The State department has a financing gap of Kshs. 1767million
4. The State Department has partnered with Trade Mark East Africa which has committed to fund the construction of phase one of the proposed Cross Border Market. The cost of the project is Kshs. 600million. The financing agreement has been signed by the Cabinet Secretary, the National Treasury
5. The State Department requests Kshs. 77million for GOK counterpart funding for the FY 2021/22
6. The State departments critical requirements is Kshs. 137million for office furniture and fittings (8million) and additional members of staff, installations of LAN Kshs. 16million, EALA MP's mileage allowance Kshs. 36 million.
7. The Ministry has repositioned Kenya to position 56 from position (61) in the global ease of doing business rankings, concluded the National consultations on the review of the EAC Common External Tariff (CET) and continued the coordination of the removal of non-tariff barriers.
8. Further, the State department coordinated the development and operationalization of regional protocols and guidelines and a mobile phone based cargo and truck truck drivers tracking system to mitigate against spread of Covid-19
9. The State department requests for interventions for three unfunded areas i.e. Busia Jumuiya cross border market

The Principal Secretary took the Committee through the following items;

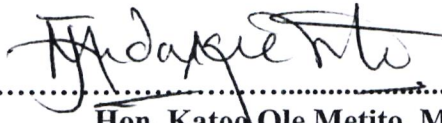
1. Under the BPS projections the State Department for Regional Development has been allocated a budget of Kshs.3,751.0 Million which comprise of Kshs 2,718.0 Million for Recurrent vote and Kshs 1,033.0 Million for Development Vote.
2. The Recurrent Budget of Kshs.2718 Million will primarily facilitate Payment of Salaries, which stands at Kshs 1,856.5 Million while the balance will be used to facilitate expenses related to Operations and Maintenance.
3. In the proposed Development Budget, the State Department plans to implement the construction and equipping of 18 Projects in various Counties across the Country.
4. An additional budget provision of Ksh.108 Million in the Recurrent Vote to facilitate rent expense for new offices for the State Department's Headquarters Offices which is currently housed by the State Department for East Africa Community.
5. An additional budget provision of Ksh.11.4Billion in the Development Vote to facilitate the delivery of projects currently ongoing and coverage of regions that have not benefitted from development projects over some period of time.
6. An additional budget provision of Kshs.805Million to facilitate payment of pending bill accruing to the Authorities

The Cabinet Secretary took the Committee through the following items;

1. The State Department commenced the financial year with an approved budget of Kshs.3,354.2 million comprising of Kshs.2,266.7million for recurrent expenditure and Kshs.1,087.5million for development expenditure.
2. The State Department has been affected with a budget cut of Kshs.608.7million consisting Kshs.149.3million in recurrent vote and Kshs.459.4million in development vote.
3. Similarly the State Department for Regional Development was granted an additional budget of Kshs.251.1million comprising of Kshs.56.1million for recurrent headquarters to bridge the PE shortfalls and the balance of Kshs.135million for development vote to facilitate the ongoing construction of Nyakoe market (Kshs.40million),
4. In regards to drought mitigation projects (Kshs.95million and Kshs.60million) for payment of consultancy services rendered to LAPSSSET under donor funding by ADfB.
5. The development budget is financed by two sources namely the GOK with **Kshs.837.45million** and the balance of **Kshs.250million** being financed by the Donor fund to facilitate the completion of Wei Wei Phase 3 Irrigation Project (Kshs.200 Million) and for Arror Multipurpose Dam (Kshs 50 Million)

There being no other business, the meeting adjourned at 5.00 pm.

Signed.....



Hon. Katoo Ole Metito, M.P  
(CHAIRPERSON)

Date.....

24/2/2021

**MINUTES OF THE ONE HUNDRED AND EIGHTEENTH (118<sup>TH</sup>) SITTING OF THE DEPARTMENTAL COMMITTEE ON DEFENCE & FOREIGN RELATIONS HELD IN GROUND FLOOR, PAVILION CONFERENCE ROOM, HILTON GARDEN INN ON WEDNESDAY, 23<sup>RD</sup> FEBRUARY, 2020 AT 10.00 AM.**

**PRESENT**

1. The Hon. Katoo Ole Metito, EGH, MGH, MP (Chairperson)
2. The Hon. Richard Tong'i, MP (Vice Chairperson)
3. The Hon. Col. (Rtd.) Gideon S. Konchela, EGH, OGW, 'psc' (UK), MP
4. The Hon. Charles Kilonzo, MP
5. The Hon. Col. (Rtd) Dido Ali Raso, MBS, MP
6. The Hon. Martha Wangari Wanjira, MP
7. The Hon. Elijah Memusi Kanchory, MP
8. The Hon. Stephen Mutinda Mule, MP
9. The Hon. Maj. (Rtd.) Bashir Sheikh Abdullah, MP
10. The Hon. (Dr.) Lilian Gogo, MP
11. The Hon. (Dr.) Irene Muthoni Kasalu, MP
12. The Hon. Moses Nguchine Kirima, MP
13. The Hon. Ernest Ogesi Kivai, MP
14. The Hon. Vincent Kipkurui Tuwei, MP
15. The Hon. Caleb Amisi, MP
16. The Hon. Zachary Kwenya Thuku, MP

**APOLOGIES**

1. The Hon. Yusuf Hassan Abdi, MP
2. The Hon. Richard Maore Maoka, CBS, MP
3. The Hon. Asha Hussein Mohamed, MP

**IN ATTENDANCE**

**NATIONAL ASSEMBLY SECRETARIAT**

- |                           |   |                        |
|---------------------------|---|------------------------|
| 1. Mr. Victor Weke        | - | First Clerk Assistant  |
| 2. Mr. Abdiaziz Shobay    | - | Second Clerk Assistant |
| 3. Mr. Edison Odhiambo    | - | Fiscal Analyst         |
| 4. Ms. Grace Wahu Karanja | - | Research Officer       |

**MINISTRY OF FOREIGN AFFAIRS**

- |                             |   |                                      |
|-----------------------------|---|--------------------------------------|
| 1. Amb. Raychelle Omamo, SC | - | Cabinet Secretary, MFA               |
| 2. Amb. Macharia Kamau      | - | Principal Secretary                  |
| 3. Mr. J.A Aloyo            | - | Ministry of Foreign Affairs          |
| 4. Mr. Arthur Nduati        | - | Ministry of Foreign Affairs          |
| 5. Mr. Galma M. Boru        | - | Ministry of Foreign Affairs          |
| 6. Ms. Margaret Gachoru     | - | Ministry of Foreign Affairs          |
| 7. Ms. Dorcas Rukunga       | - | Deputy Parliamentary Lisison Officer |
| 8. Amb. Salim M. Salim      | - | Ministry of Foreign Affairs          |
| 9. Mr. Joseph Macharia      | - | Ministry of Foreign Affairs          |

**MIN. NO.NA/DC.DFR/2021/024:**

**PRELIMINARIES**

The Chairperson called the meeting to order at 10.20 am and said a prayer. The agenda of the meeting was adopted as hereunder after being proposed by The Hon. Martha Wangari Wanjira, MP and seconded by The Hon. Vincent Kipkurui Tuwei, MP.

## **AGENDA**

1. Prayers
2. Adoption of the agenda
3. Confirmation of minutes of previous sittings
4. Substantive agenda: **Briefing by the Ministry of Foreign Affairs on the Budget Policy Statement (BPS) for FY 2021/22 and the Supplementary Estimates (1) for FY 2020/21**
5. Any Other Business

**MIN. NO.NA/DC.DFR /2021/025: CONFIRMATION OF MINUTES OF PREVIOUS SITTINGS**

The agenda item was deferred to the next sitting.

**MIN. NO.NA/DC.DFR /2021/026: BRIEFING BY THE MINISTRY OF FOREIGN AFFAIRS ON THE BUDGET POLICY STATEMENT (BPS), FY 2021/22 AND THE SUPPLEMENTARY ESTIMATES (1) FOR FY 2020/21**

The Cabinet Secretary for Foreign Affairs took the Committee through the following items;

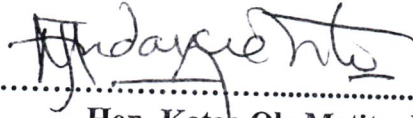
1. The Ministry's approved budget for the FY 2020/21 was Ksh. 15,757,171,675 which was later increased to Ksh. 16,940,953,306 in the Supplementary Estimates No.1 of the FY 2020/21
2. Increase in the recurrent vote amounting to Ksh. 1,387 million comprises of Ksh. 987 million and additional personnel emolument funding to plunge the gap on provision for Foreign Service allowance and Ksh. 400 million towards establishment and operationalization of the UNSC office in New York.
3. Austerity measures have resulted in the reduction of Ksh. 185 million from the Ministry's development budget due to national financial constraints which have led to claims on delayed payments, claims for idle capacity in labour and equipment and legal suits and penalties as a result of breach of contracts.
4. The Ministry boasts of continued strengthening of bilateral cooperation; promotion of economic cooperation, trade and investment; campaigns for country and individual candidatures; strengthened multilateral engagement; enhanced development cooperation and support; enhanced partnerships with development partners; resource mobilization and global solidarity in the fight against COVID 19; consular services.
5. The Ministry is requesting for strategic intervention funding amounting to Ksh. 8 billion to implement the asset management policy of 10 years in three facets namely; property acquisition/development, reconstruction of dilapidated property and annual maintenance of properties to avoid deterioration.
6. The Ministry requests that the Department of Immigration be funded by the National Treasury to cater for them at the Missions or the Ministry's budget be enhanced by a similar amount.
7. The Ministry also request to be considered in the share of the Big 4 agenda funding.

8. The Ministry faces the following challenges:
- i) foreign exchange losses and fluctuations;
  - ii) poor and dilapidated government properties abroad;
  - iii) Kenya diaspora related challenges;
  - iv) inadequate funds for human resource capacity building and ;
  - v) Evolving global security threats in terms of funds required for rescue operations and enhancing security of missions.

**MIN. NO.NA/DC.DFR /2021/027: ADJOURNMENT**

There being no other business, the meeting adjourned at 12.00 pm.

Signed.....



Hon. Katob Ole Metito, M.P  
(CHAIRPERSON)

Date.....

24/2/2021

**REPUBLIC OF KENYA**



**THE NATIONAL ASSEMBLY**

**TWELFTH PARLIAMENT – FIFTH SESSION**

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**COMMITTEE ON EDUCATION AND RESEARCH**

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**REPORT ON THE CONSIDERATION OF THE 2020/2021 SUPPLEMENTARY  
BUDGET ESTIMATES FOR THE MINISTRY OF EDUCATION AND THE  
TEACHERS SERVICE COMMISSION**

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## **PART I**

### **1.0 PREFACE**

#### **1.1 Introduction**

This is the report of the Departmental Committee on Education and Research on the scrutiny of the supplementary budget estimates for 2020/2021 for the Ministry of Education and the Teachers Service Commission. The report is as a result of deliberations between the Committee and the Ministry of Education and the Teachers Service Commission.

The report contains the observations and the recommendations of the Committee as regards the supplementary budget estimates for the education sector.

#### **1.2 Mandate of the Committee**

The Departmental Committee on Education and Research is established under Standing Order 216 and mandated to consider all matters relating to the Education Sector. Thus, in terms of budget oversight, the Committee covers the Ministry of Education and the Teachers Service Commission. Thus, the Committee has its oversight role covering the following Agencies:

- i. State Department for Early Learning Basic Education
- ii. State Department for University Education and Research
- iii. State Department of Vocational and Technical Training
- iv. State Department for Post Training and Skills Development
- v. Teachers Service Commission.

### 1.3 Committee Membership

The Committee comprises of the following Members: -

#### **Chairrson**

1. Hon. Florence Mutua, MP  
Busia County

**Orange Democratic Movement Party**

#### **Vice Chairperson**

2. Hon. Ngunjiri Wambugu  
Nyeri Town Constituency

**Jubilee Party**

3. Hon. Geoffrey Makokha Odanga, MP  
Matayos Constituency  
**Orange Democratic Movement Party**
4. Hon. (Dr.) Pamela Ochieng, MP  
Migori County  
**Orange Democratic Movement Party**
5. Hon. (Eng.) Nzambia Kithua, MP  
Kilome Constituency  
**Wiper Democratic Movement Kenya**
6. Hon. (Prof.) Zadoc Abel Ogutu, MP  
Bomachoge Borabu Constituency  
**Independent**
7. Hon. Eric Muchangi Njiru, MP  
Runyenjes Constituency  
**Jubilee Party**
8. Hon. Eve Obara, MBS, MP  
Kabondo Kasipul Constituency  
**Orange Democratic Movement Party**
9. Hon. Jackson Lekumontare, MP  
Samburu East Constituency  
**KANU Party**
10. Hon. Jerusha Momanyi, MP  
Nyamira County  
**Jubilee Party**
11. Hon. Joseph Tonui, MP  
Kuresoi South Constituency  
**Jubilee Party**
12. Hon. Omboko Milemba, MP  
Emuhuya Constituency  
**Aman  
i National Congress**
13. Hon. Peter Lochakapong, MP  
Sigor Constituency  
**Jubilee Party**
14. Hon. Wilson Sossion, MP  
**Nominated Member**
15. Hon. Wilson Kogo, MP  
Chesumei Constituency  
**Jubilee Party**
16. Hon. (Dr.) Daniel Kamuren Tuitoek, MP  
Mogotio Constituency  
**Jubilee Party**
17. Hon. Gichuki Mugambi, MP  
Othaya Constituency  
**Jubilee Party**
18. Hon. Paul Mwirigi, MP  
Igembe South Constituency  
**Independent**

## **1.4 Committee Secretariat**

The Committee secretariat comprise of:-

Mr. Daniel Mutunga  
**Principal Clerk Assistant I**  
**Lead Clerk**

Mr. Philip Lekarkar  
**Clerk Assistant II**

Mr. Peter Mwaura  
**Legal Counsel**

Mr. Eric Kanyi  
**Fiscal Analyst III**

Ms. Winnie Kiziah  
**Media Relations Officer**

Ms. Catherine Mukunyi  
**Serjeant-At-Arms**

Mr. Collins Mahamba  
**Audio Officer**

Mr. Samuel Kimaru  
**Parliamentary Intern**

## **1.5 Overview on the Examination of the proposed 2020/2021 Supplementary Budget Estimates**

The 2020/2021 Supplementary Budget Estimates were submitted to the National Assembly pursuant to Article 223 of the Constitution on Tuesday 9<sup>th</sup> February, 2021. The Constitution and the Public Finance Management Act 2012 gives the National Assembly the mandate to review the Supplementary Budget Estimates II and make recommendations before approval of the submitted estimates.

As has been the practice guided by the provision of the Standing Orders, the Supplementary Estimates were committed to the Committee to deliberate upon according to its mandate and make recommendations to the Budget and Appropriation Committee.

Following the tabling of the Supplementary Budget Estimate, the Departmental Committee on Education and Research was apprised on the contents of the Estimates as proposed and thereafter proceeded to hold consultative meetings with the four Departments within the Ministry of Education and the Teachers Service Commission.

In considering the supplementary estimates, the Committee held a total five sittings.

## **1.6 Acknowledgement**

The Committee is thankful to the Office of the Speaker and the Clerk of the National Assembly for the logistical and technical support accorded to it during its sittings. The Committee is also thankful to Members of the Committee and the Secretariat for their dedication and useful expertise and insights during the scrutiny of the 2020/2021 Supplementary Budget Estimates.

On behalf of the Departmental Committee on Education and Research, it is my pleasant privilege and honor to present to the Budget and Appropriations Committee the Report of the Committee on its consideration of the proposed 2020/2021 Supplementary Budget Estimates for the Ministry of Education and the Teachers Service Commission.

**HON. FLORENCE MUTUA, CBS, MP**

**(CHAIRPERSON, DEPARTMENTAL COMMITTEE ON EDUCATION AND RESEARCH)**

## PART II

### 2.0 SUBMISSION BY THE MINISTRY OF MINISTRY OF EDUCATION AND TEACHERS SERVICE COMMISSION

The Ministry of Education and the Teachers Service Commission appeared before the Committee on 22<sup>nd</sup> February 2021 to deliberate of the contents of the supplementary estimates. The detailed presentations made to the Committee are annexed to this report.

The below section outlines a summary of the presentations made by each state Department within the Ministry of Education and the Teachers Service Commission.

#### 2.1 State Department for Early Learning and Basic Education

- i) The gross resource allocation for recurrent budget has decreased from the Kshs. 89,128,982,114 in the 2020/21 FY printed budget to KShs. 87,714,900,000 in the Supplementary Estimates I of 2020/21 FY. The reduction of KShs. 1,414,082,114 comprises of KShs. 1,096,000,000 on current transfers; KShs. 177,735,127 on personnel emoluments; and KShs. 140,346,987 on other recurrent expenditures. Under current transfers the biggest austerity reduction was in regard to KICD with a deduction of Kshs.1 Billion.
- ii) Personnel emoluments budgetary expenditure has decreased from KShs.4, 187,700,000 in the printed budget to KShs. 4,009,964,873 in the Supplementary Estimates I. The release of KShs.177 Million has been occasioned by the delay in recruitment of Quality Assurance Officers, Schools Auditors and Adult Education Officers.
- iii) The other recurrent expenditures austerity deductions amount to Kshs.140, 346,987 across the recurrent vote. Field office operations are the most affected with reductions on fuel oil; domestic travel; and communication whose budgetary provisions were reduced by 75%.
- iv) The gross resource allocation for development budget has increased from the KShs.11,690,000,000 in the 2020/21 FY printed budget to KShs. 11,828,620,000 in the Supplementary Estimates I of 2020/21 FY.
- v) Procurement of desks has been undertaken based on printed allocation of **KShs. 1.9 Billion**

and the delivery of desks to schools is almost complete. In addition, the National Treasury disbursed funds amounting to **Kshs.1.9 billion** to the State Department's bank Account awaiting full settlement to the artisans.

- vi) The 50% and 19% budget cuts for primary and secondary schools infrastructure funds will adversely affect implementation of projects under the Economic Stimulus Programme. Construction of additional classrooms and wash facilities was to ensure compliance with COVID-19 protocols in schools and provision of infrastructure in schools around lakes Victoria, Baringo and Turkana which were affected by floods.
- vii) The increment of KShs 1,080,000 is for the new project under the Kenya GPE Covid-19 Learning Continuity in Basic Education Project and increment of KShs.400 million is for the on-going Kenya Primary Education Project (GPE).
- viii) There is a reduction of **KShs. 1,116 Million** on SAGAs. The budget for Kenya Institute of Curriculum Development (KICD) has been reduced by **KShs 1 Billion** in the proposed Supplementary I budget. The institution will be unable to meet non-discretionary expenditures, implement curriculum reforms including CBC, and the Digital Literacy Programme, among other key planned programmes.
- ix) There is a reduction of **KShs. 195,605,994** on field Offices in the supplementary budget. The first half AIEs had been prepared and funds disbursed based on 1<sup>st</sup> half allocation of 50% of budgetary allocation. Thus, the 75% deduction to field offices will affect monitoring of KCPE and KCSE exams and delivery of desks to schools procured under the Economic Stimulus Programme.
- x) A number of projects have been adversely affected by the proposals in the supplementary estimates I and requires urgent attention. These projects are:

<b>Programme Name</b>	<b>Printed Estimate 2020/2021 FY</b>	<b>Supplementary Estimates I 2020/21 FY</b>	<b>Remarks</b>
Provision of Locally Fabricated Desks for primary schools under ESP	900,000,000	800,000,000	The desks have been procured and delivered to the identified schools. As at now 95% of desks have been delivered. The payment to artisans is on-going. The National Treasury released the full exchequer of KShs. 1.9 Billion, hence a total reduction of KShs. 200 Million for both projects will result to not only result to pending bills but also to huge loses by artisans most of whom took credit in order to supply desks.
Provision of Locally Fabricated Desks for Secondary schools under ESP	1,000,000,000	900,000,000	
Primary Schools infrastructure Improvement	540,000,000	269,999,986	The project supports construction and rehabilitation of infrastructure in public primary schools and lowcost boarding schools in ASAL areas. Funds to cater for this have been committed awaiting funding.
Secondary Schools infrastructure Improvement and upgrading of national schools	2,099,800,000	1,630,474,214	The cut of KShs. 469,325,786 will affect the provision of extra classrooms to facilitate social distancing and provision of infrastructure in areas affected by floods. Funds to cater for this have been committed awaiting funding.
Construction and Rehabilitation of Primary Teacher Training Colleges	105,400,000	50,000,000	The project entails construction and rehabilitation of infrastructure in Primary Teacher Colleges to improve the quality of training and align the colleges to the new curriculum needs. There's need to reinstate the deducted funds amounting to Kshs.50,400,000 in the Supplementary No. I budget.

## 2.2 State Department for University Education and Research

- i) The proposed FY 2020/2021 Supplementary Estimates No. I will result to a reduction in the gross budget of the state department by Ksh. 4.1 Billion. As per the proposal, the budgetary allocation for student financing in Public Universities (HELB) will decrease from Ksh. 11,334,248,542 to Ksh. 9,134,248,542 and Operations & Maintenance at the Headquarters will decrease from Ksh. 170,623,644 to Ksh. 142,392,180.
- ii) The budget for various sagas except allocation to universities has been reduced in various proportions. These budget cuts will negatively affect the anticipated performance deliverables in the subsector.
- iii) The Development budget has been reduced from Ksh. 5, 375,600,000 to Ksh. 3,559,623,070. This reduction will affect the ongoing project completion rate and may lead to stalled projects and escalation of project cost due to interest on delayed payments and penalties arising out of likely contractual claims.
- iv) The state department has been allocated an additional Ksh. 7M for its Personnel Emoluments budget. The purpose of the allocation is to facilitate implementation of Phase IV salary adjustments.
- v) The Support to HEST project has been allocated Ksh. 240M on the donor component in the proposed FY 2020/2021 Supplementary Estimates No. I. The project is an African Development Bank (AfDB) funded project. The purpose of the allocation is to facilitate payment to suppliers before closure of the project.
- vi) The State Department has not introduced any new projects through the proposed FY 2020/2021 Supplementary Estimates No. I
- vii) The Supplementary estimates 1 mainly targeted development projects in universities whereby 52 out of 55 projects had their budgets reduced by 50%. This is likely to affect the completion date of the project and escalation of costs.
- viii) The State Department has consistently been underfunded in its operations and maintenance budget. The further reduction in the budget, from Ksh. 170,623,644 to Ksh. 142,392,180

implies that very few planned activities can be undertaken and this will ultimately compromise realization of the core mandate of the State Department.

- ix) Key among the challenges we are facing currently is inadequate funds to finance essential local and foreign travel, routine monitoring and evaluation, and critical training for employees on skills and competence development. We are therefore requesting for reinstatement of the operations and maintenance budget.
- x) The development budget cuts will also result to stalled projects and pending bills. We are therefore appealing for reinstatement of the budget to ensure that the planned outputs and targets are achieved.
- xi) Increased funding to support the bail out of public universities some of which are heavily indebted with unremitted statutory deductions including KRA taxes, Cooperative society deductions, pension contribution among others. This has been occasioned by reduced number of self-sponsored students lowering the income (Appropriation in Aid) negatively affecting provision of services. The situation has been exacerbated by the closure of universities as result of COVID-19 pandemic.
- xii) Several universities are unable to meet their payroll requirement as a result of the pending bills and reduced income, posing a threat of the situation spiralling into an industrial action crisis. This, coupled with implementation of the CBA 2017-2021, has caused a massive strain on the universities, necessitating a conditional bailout.
- xiii) The rationalization of universities and university programmes, will lead to closure of campuses and a possible redundancy of staff, hence there should be a consideration for a budgetary allocation for disengagement of staff in order to make the universities more viable in the next financial year 2021/2022

### **2.3 State Department for Vocational and Technical Training**

- i) The Gross Resource allocation for Recurrent vote has been reduced by Kshs 245,975,327 and the Gross Resource allocation for Development vote has been reduced by Kshs 98,493,467 totaling Kshs 344,468,704 for the Vote.

- ii) Under the Recurrent vote, Personnel Emolument was increased by Kshs24,784,341 to partly cater for service gratuity for officers that had been employed on contract.
- iii) Current transfers were reduced by 260 million which will greatly affect the operations of State Corporations and National Polytechnics.
- iv) Operations and Maintenance items were greatly affected by austerity measures totalling to Kshs.10,759,668 across the recurrent vote. This will seriously affect general operations especially on Monitoring and Evaluation.
- v) Activities. Field office operations are the most affected with reductions on fuel oil; domestic travel; and communication whose budgetary provisions were reduced by Kshs 5,877,172.
- vi) The gross resource allocation for development budget has decreased from **KShs. 6,268,000,000** in the 2020/21 FY printed estimates to **KShs. 6,134,506,533** in the Supplementary Estimates I of 2020/21 FY.
- vii) The most affected project is the GOK/AfDB Project whereby the counterpart funding component was reduced by **Kshs 83,000,000**. This will affect the project in terms of site meetings for Civil works and payment of consultancies supervising the project.
- viii) The reduction of **Kshs 150,000,000** under EASTRIP project was as a result of the low absorption rates in the Regional centres of Meru, Kenya Coast and Kisumu National Polytechnics.
- ix) The following new projects have been introduced in the supplementary estimates:

<b>New Project</b>	<b>Proposed Allocation in this Supplementary</b>	<b>Justifications/ Rationale</b>
Promotion of Youth Employment and Vocational Training in Kenya project phase I	35,000,000	Project Loan agreement signed on 21 <sup>st</sup> February 2020. The project aims to create centres of excellence in <ul style="list-style-type: none"> <li>- Industrial Mechatronics</li> <li>- Autobody Repair Welding</li> <li>- Industrial Mechatronics</li> </ul>

		In three of our Institutions along the Germany dual training
Construction of Kitui Rural TTI	35,000,000	Projects awarded through Public Participation by the National Assembly
Construction of Kitui Central TTI	40,000,000	
Completion of Baragoi VTC	20,000,000	

- x) The State Department continues to face numerous challenges on project implementation which has delayed the completion of the projects in various constituencies around the Country. Some of the common reasons include:
- Failure by to avail the counterpart funding from NG-CDF by some constituencies
  - Lack of funding. The allocation for GoK projects has been declining every financial year due to reduction in the Development vote ceiling.
  - Contract variations
  - Engagement of contractors without the requisite financial capacity
  - Insecurity
- xi) There is a reduction of **KShs. 260 Million** on SAGAs. This will affect the budgets of the three State Corporations (TVETA, CDACC and KNQA). TVETA had commenced the process of opening regional offices in Kisumu, Eldoret and Mombasa as directed by this Committee which felt that the regulator had no presence in the field.
- xii) There is a reduction of **KShs. 5,8S77,172** on field Offices in the supplementary budget. The first half AIEs had been prepared and funds disbursed based on 1<sup>st</sup> half allocation of 50% of budgetary allocation. Thus, the 75% deduction to field offices will affect monitoring of KNEC exams and MONITORING of project implementation which is a responsibility of the county directors.

### 2.3 State Department for Post Training and Skills Development

- i) The approved printed estimates for the department was KSh**150,940,004** but it was revised to **129,070,672** through supplementary estimates 1 of FY2020/21.
- ii) The State Department did not introduce any new projects through the proposed

supplementary estimates 1 of 2020/21

- iii) The supplementary estimate 1 (one) leaves the Department with 2 Million shillings to implement the planned programme. This will affect the programmes as follows:
- National Skills Development Policy has no funding for printing, launching and dissemination. This will stall the implementation of the Policy by relevant stakeholders.
  - National Apprenticeship Programme will not be funded therefore the programme will stall. This will negatively impact on youth productivity and employability.
  - National Young Innovators Entrepreneurship Programme will not be funded and therefore it will stall. This will impact negatively to youth employability and productivity.
  - Office of Career Services Training Programme will not be funded and therefore the programmes will stall. This will slow implementation of career and guidance and counselling reforms in TVET.
  - The National Skills Management Information System will be funded with Kshs.2 Million against a budget of Kshs.4 Million. Hence, there is still a deficit of Kshs. 2 Million.
- iv) The Department has initiated major programmes that will have a positive impact on the Big Four Agenda, Vision 2030 and youth employment. With the current supplementary budget of Kshs.2 Million, almost all of these initiatives will not be implemented. Therefore, the Department requests the committee to consider providing Kshs.45.7Million to cater for the programmes affected by supplementary one estimates (18.2M) and additional programmes (27.5M).

## **2.5 TEACHERS SERVICE COMMISSION**

- i) The commission's draft estimates were Ksh.266.1 Billion which has increased by Ksh.7.9 Billion to Kshs.274 Billion. The recurrent budget increased by Ksh.8 Billion which is attributed to the implementation of the fourth phase of the CBA 2017-2021.
- ii) However, the commissions' budget under the use of goods and services was reduced by Ksh.72.8 Million. This will adversely affect implementation of the commissions' programs at

the county and sub county level.

- iii) In the draft estimates the commission was not allocated any GOK development funds. An allocation of Kshs.40 Million has now been factored towards constructions of the Bomet county office in supplementary estimates 1.
- iv) There are no new projects in the 2020/21 financial year.
- v) The supplementary estimates 1 reduced by Ksh.72.8 Million from the commission's budget which will greatly affect the implementation of the Commissions key programs and activities both at the headquarters, county and sub county level.

## PART III

### 3.0 COMMITTEE OBSERVATIONS

The Committee having scrutinized the 2020/21 Supplementary Budget Estimates for the education sector and also having considered the various submissions during the scrutiny, made the following observations:

#### a. State Department for Early Learning and Basic Education

- i. The Committee observed that the allocation for the procurement of desks in both primary and secondary school under the ESP has been reduced by **Kshs 200 Million**. The Committee further notes that Treasury has already disbursed the entire allocation amounting to Kshs 1.9 billion to the State Department for full settlement of artisans arrears. This reduction means there is a risk of creating unnecessary pending bills on this project yet it is an ESP project intended to assist the SME's. The reduction will also result to huge losses by artisans most of whom took loans to supply desks.
- ii. The Committee observed that school infrastructure in public primary and secondary schools have been reduced by **Kshs 740 Million**. This will adversely affect the provision of infrastructure and WASH facilities to ensure compliance with COVID 19 protocols in schools and also provision of infrastructure support in schools affected by floods in areas around lake Baringo, Victoria and Turkana. Further, most of the funds have already committed hence the risk of creating pending bills.
- iii. The Committee observed that the KICD allocation has been reduced by **Kshs 1 Billion** despite being the key institution driving the implementation of the CBC curriculum and provision of curriculum support materials among other critical aspects. With this reduction KICD will not be able to meet non-discretionary expenditures such as salaries as well as guide the implementation of curriculum reforms. For instance the KICD has intended to training 50,000 teachers on CBC but the number has been reduced to 25,000 which is a blow to the implementation of CBC.

**b. State Department for Vocational and Technical Training**

- i. The Committee observed a reduction of **Kshs 50 million** GOK counterpart funding the AFDB equipping of 38 TTI's. This may affect the progress in the implementation of these project given the signal being communicated to the development partner. Further, reduction of counterpart funding is against the guidelines on the preparation of the supplementary estimates issued to the MDA's by the National Treasury.
- ii. That the reduction of Kshs 150 Million under the EA Skills Transformation and regional integration (World Bank) project is as a result of low absorption in the targeted National Polytechnics.
- iii. That a total of Kshs 95 Million has been allocated for infrastructure support to Vocational Training Centre in Samburu and Technical Training Institutes in Kitui County and this are the projects to 2020/21 budget public hearings.

**c. State Department for University Education and Research**

- i. That there is uniform reduction in allocation to capital projects in public universities by 50%. This has been the trend in previous supplementary budget estimates. This begs the question on whether these reductions are based on any information regarding the status of the projects so that informed rationalization can be effected. The Committee is concerned that if this trend continues it will expose public universities to adverse outcomes relating to these projects such as contractual issues (pending bills), litigations as well as possibility of the projects stalling. Further, the public benefit associated with the completion of this projects will be delayed.
- ii. The Committee is concerned that Kshs 2.2 Billion has been reduced from the Higher Education Loans Board. The reduction is coming at a time when students are back to Universities and Colleges after the COVID 19 pandemic disrupted learning. The reduction means that HELB will not be able to support over 60,000 students in terms of awarding loans and will force it to halt loan applications. This will create unease to the student

community since most household are struggling to recover from the effects on the COVID 19 pandemic. It was agreed during the Committee consultations with the Ministry that university fees should not be increased.

**d. Teachers Service Commission (TSC)**

- i. The Committee observed that TSC recurrent budget has been increased by Kshs 7.9 Billion to cater for the fourth phase of the Collective Bargaining Agreement (CBA) 2017-2021 which is coming to an end in 30<sup>th</sup> June 2021. This is commendable since it will avert industrial unrest in the teaching service. The Committee is also aware that negotiations are ongoing among the teachers unions and relevant government agencies for signing of another CBA.

#### 4.0 COMMITTEE RECOMMENDATIONS

The Committee having received submissions from the Ministry of Education and the Teachers Service Commission, makes the following recommendations regarding the 2020/21 Supplementary Budget Estimates for the Education Sector: -

##### a) Financial recommendations

The Committee makes the following recommendations under the various State Departments within the Sector. The recommendations are based on the fact that critical areas in the sector have had significant budget reductions without clear justification.

##### a) Proposed reinstatement

The Committee rejects the proposed reductions in the areas highlighted below and recommends reinstating the allocations:

Vote	Programme	Head/Item	Amount to be reinstated	Justification
State Department for Early Learning and Basic Education	Quality Assurance and Standards	Kenya Institute of Curriculum Development (KICD)	Kshs 1.1 Billion (recurrent)	The reduction will affect the implementation of the CBC, development of curriculum support materials as well as research on curriculum matters
	Primary Education	Procurement of desks under ESP	Kshs 100 Million (Development)	Commitments already undertaken and the proposed reduction will create pending bills
	Secondary Education	Procurement of desks under ESP	Kshs 100 Million (Development)	Commitments already undertaken and the proposed reduction will create pending bills
	Primary and secondary	School infrastructure	Kshs 740 Million (development)	Commitments already undertaken and the proposed reduction will create pending bills
State Department for University Education and Research	University Education	Higher Education Loans Board (HELB) – students loans	Kshs 2.2 Billion	The students in both universities and colleges will miss out on award of loans

Vote	Programme	Head/Item	Amount to be reinstated	Justification
State Department for Vocational and Technical Training	Technical Education	ADB/GOK equipping of 38 TTI's	Kshs 50 Million	This is a counterpart funding and its reduction may hinder the progress in the implementation of this project. Further the guidelines on the preparation of the supplementary provided that no counterpart funding should be reduced.

### b) Proposed reallocations

The Committee proposes further reductions in the following areas:

Vote	Programme	Area/Item	Further reduction	Justification
Early Learning and Basic Education	Primary Education	Digital Literacy Programme (DLP)	Kshs 385 Million (Development)	The entire allocation to this project cannot be absorbed in the remaining 4 months of the financial year and no commitments have been entered.
	Quality Assurance	Policy and educational development services	Kshs 100 Million (recurrent)	The reduction is on the allocation to co-curriculum activities in schools which has been affected by COVID 19 pandemic
	General Administration	National Education Board	Kshs 10 Million (recurrent)	Reduction in non-core areas of spending
Vocational and Technical Training	Technical Education	Curriculum Development Assessment and Certification Council (CDACC)	Kshs 50 Million (Recurrent)	Reduction in non-core areas of spending
<b>Total</b>			<b>Kshs 545 Million</b>	

The Committee proposes increments in the following areas:

Vote	Programme	Area/Item	Increment	Justification
Vocational and Technical Training	Technical Education	TVET Authority	Kshs 50 Million (Recurrent)	To support the operations of TVETA at county level in regulating TVET institutions
		Elwak TTI	Kshs 50 Million (Development)	Infrastructure support
		North rift TTI	Kshs 50 Million (Development)	Infrastructure support
		Kilome TTI	Kshs 50 Million (Development)	Infrastructure support
		Kenya National Qualification Authority (KNQA)	Kshs 80 Million (recurrent)	For full operationalization of the Agency and to cater for salary shortfalls and rental fees.
University Education and Research	University Education	University Funding Board (UFB)	Kshs 30 Million (recurrent)	To support UFB in the review of the DUC formula through stakeholders engagements.
		Masinde Muliro University	Kshs 50 Million (Development)	Support construction of the engineering complex which is one of the universities flagship project yet it risks stalling
	Research and Innovation	Kenya National Innovation Agency (KENIA)	Kshs 10 Million (recurrent)	To cater for salaries shortfalls
Early learning and Basic Education	Primary Education	Kenya Institute of Special Education (KISE)	Kshs 150 Million (Development)	Equipping of the National Psycho-education assessment centre in order to operationalize it.
	Primary Education	Lugari Diploma Teachers Training College	Kshs 25 Million (Development)	Infrastructure support.
<b>Total</b>			<b>Kshs 545 Million</b>	

**c) Teachers Service Commission**

The Committee approves the proposed budget adjustments for the Teachers Service Commission.

**d) State Department for Post Training and Skills Development**

The Committee approves the proposed budget adjustments for the State Department for Post Training and Skills Development.

SIGNED  DATE 26.02.2021  
HON. FLORENCE MUTUA, CBS, MP

**CHAIRPERSON, DEPARTMENTAL COMMITTEE ON EDUCATION AND RESEARCH**

**ANNEXURES**

Annex 1: Minutes of the Committee sittings

Annex 2: Adoption List

Annex 3: PBO brief on the BPS 2021

Annex 24: MDA's submissions

**REPUBLIC OF KENYA**



**THE NATIONAL ASSEMBLY**

**TWELFTH PARLIAMENT – FIFTH SESSION**

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**DEPARTMENTAL COMMITTEE ON ENERGY**

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**REPORT ON THE CONSIDERATION OF THE SUPPLEMENTARY ESTIMATES I FOR  
FY 2020/2021 FOR THE FOLLOWING VOTES:**

**VOTE 1152- STATE DEPARTMENT FOR ENERGY**

**VOTE 1193- STATE DEPARTMENT FOR PETROLEUM**

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## Abbreviations

AiA	Appropriation in Aid
BAC	Budget and Appropriation Committee
GDC	Geothermal Development Corporation
EPRA	Energy and Petroleum Regulatory Authority
FY	Financial Year
KenGen	Kenya Electricity Generating Company
KETRACO	Kenya Electricity Transmission Company
KPLC	Kenya Power & Lighting Company
Kshs.	Kenya Shillings
MoE	Ministry of Energy
MP	Member of Parliament
MTP	Medium Term Plan
MW	Megawatts
NOCK	National Oil Corporation of Kenya
NuPEA	Nuclear Power and Energy Agency
REREC	Rural Electrification and Renewable Energy Corporation
SAGAs	Semi-Autonomous Government Agencies
S. O	Standing Order

## PART I

### 1.0 PREFACE

#### 1.1 Mandate of the Committee

The Departmental Committee on Energy is established pursuant to the provisions of Standing Order No. 216. The Committee is mandated to;

- a. investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned Ministries and departments;
- b. study the program and policy objectives of Ministries and departments and the effectiveness of the implementation;
- c. study and review all legislation referred to it;
- d. study, assess and analyze the relative success of the Ministries and departments as measured by the results obtained as compared with their stated objectives;
- e. investigate and inquire into all matters relating to the assigned Ministries and departments as they may deem necessary, and as may be referred to them by the House;
- f. to vet and report on all appointments where the Constitution or any law requires the National Assembly to approve, except those under Standing Order 204 (Committee on Appointments);
- fa. examine treaties, agreements and conventions;
- g. make reports and recommendations to the House as often as possible, including recommendation of proposed legislation;
- h. make reports and recommendations to the House as often as possible, including recommendation of proposed legislation;
- i. consider reports of Commissions and Independent Offices submitted to the House pursuant to the provisions of Article 254 of the Constitution; and
- j. examine any questions raised by Members on a matter within its mandate.

In accordance with the Second Schedule of the Standing Orders, the Committee is mandated to consider matters relating to the Fossil Fuel Exploration, Development, Production, Maintenance and Regulation of Energy.

#### 1.2 Oversight

In executing this mandate, the Committee oversees the following State Departments:

- i. The State Department of Energy; and
- ii. The State Department of Petroleum and Mining.

### 1.3 Committee Composition

The Departmental Committee on Energy comprises the following Members:

#### **Chairperson**

The Hon. David Gikaria, M.P.  
Nakuru Town East Constituency

#### **Jubilee Party**

#### **Vice Chairperson**

The Hon. Gladwell Cheruiyot, MP  
Baringo County Women Representative  
**Kenya Africa National Union (KANU)**

The Hon. Joseph Kirui Limo, MP  
Kipkelion East  
**Jubilee Party**

The Hon. Ekomwa Lomenen James, MP.  
Turkana South Constituency  
**Jubilee Party**

The Hon. Joseph Wathigo Manje, MP.  
Kajiado North Constituency  
**Jubilee Party**

The Hon. Lemanken Aramat, MP.  
Narok East Constituency  
**Jubilee Party**

The Hon. Rashid Kassim Amin, MP.  
Wajir East Constituency  
**Wiper Democratic Movement- Kenya**

The Hon. (Eng.) Vincent Musyoka Musau, MP.  
Mwala Constituency  
**Maendeleo Chap Chap Party**

The Hon. Amina Gedow Hassan, MP.  
Mandera County Women Representative  
**Economic Freedom Party**

The Hon. Abdikhaim Osman Mohamed, MP  
Fafi Constituency  
**Kenya Africa National Union (KANU)**

The Hon. Mary Wamaua Njoroge, MP.  
Maragua Constituency  
**Jubilee Party**

The Hon. Elisha Odhiambo, MP  
Gem Constituency  
**Orange Democratic Movement (ODM)**

The Hon. Elsie Muhanda, MP  
Kakamega County Women Representative  
**Orange Democratic Movement (ODM)**

The Hon. Annie Wanjiku Kibeh, MP  
Gatundu North Constituency  
**Jubilee Party**

The Hon. Julius Mawathe, MP  
Embakasi South Constituency  
**Wiper Democratic Movement – Kenya**

The Hon. Richard Ken Chonga, MP  
Kilifi South Constituency  
**Orange Democratic Movement (ODM)**

The Hon. Michael Mwangi Muchira, MP  
Ol Jorok Constituency  
**Jubilee Party**

The Hon. Walter Owino, MP  
Awendo Constituency  
**Orange Democratic Movement (ODM)**

The Hon. Mohammed Ali Lokiro, MP  
Turkana East Constituency  
**Orange Democratic Movement (ODM)**

#### **1.4 Committee Secretariat**

The Committee has the following technical staff, representing the Office of the Clerk:

Ms. Rose M. Wanjohi  
Clerk Assistant I (Team Leader)

Mr. Douglas Katho  
Clerk Assistant II

Mr. Sidney Lugaga  
Legal Counsel I

Mr. Chacha Machage  
Fiscal Analyst II

Mr. David Ngeno  
Research Officer III

Ms. Noelle Chelagat  
Media Relations Officer

Ms. Mercyline Kerubo  
Audio Recording Officer

Ms. Sheila Chebotibin  
Sergeant at Arms I

### 1.5 Overview on the Examination Supplementary Estimates I

The Supplementary Estimates I for the FY 2020/21 were submitted to the National Assembly on 9<sup>th</sup> February 2021 and subsequently tabled in the House. The preparation and approval of the Supplementary Estimates is provided for in Article 223 of the Constitution, Sections 43(2) and 44 of the PFM Act 2012 and Regulations 40 of the PFM (National Government) Regulations 2015. 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.

The Committee is mandated to consider and review the Supplementary Estimates in line with its mandate (Standing Order 235(4), and among other things, took into account the need to ensure efficiency in spending, utilization of funds under 223 of the Constitution and absorption levels; challenges during the period under considerations and program status. Subsequently, the Committee submits its report to the Budget and Appropriations Committee (BAC) for onward tabling and approval in the House.

The Supplementary Estimates I has been prepared against a backdrop of subdued economy occasioned by the effects of COVID-19 which has adversely affected the both the global and local economy. Consequently, the FY 2020/21 Supplementary I Estimates proposed an overall budgetary increase of Kshs. 120 billion (Kshs. 75 billion in ministerial expenditure and Kshs. 45 billion in the consolidated services).

The Committee held five sittings in which the Committee was briefed by the Parliamentary Budget Office and thereafter considered the submissions from the State Department of Energy and State Department of Petroleum. The submissions from the State Departments covered budget performance and rationale underpinning the revised Supplementary Estimates I, impact on key performance indicators, and any other matter relevant to the approval of the Supplementary I Estimates.

### 1.6 Acknowledgement

The Committee is grateful to the Office of the Speaker of the National Assembly, the Office of the Clerk of the National Assembly, and the Secretariat for their invaluable support to the Departmental Committee on Energy as we discharge our oversight mandate on budget implementation.

On behalf of the Members of the Departmental Committee on Energy and pursuant to the Public Finance Management Act, 2012 and S. O. 199 (6), it is my pleasant duty, to submit to the Budget and Appropriation Committee, the Committee's report on Supplementary Estimates I FY 2020/21.

SIGNED: \_\_\_\_\_

DATE: 20-02-21

**HON. DAVID GIKARIA M.P.**

**CHAIRPERSON, THE DEPARTMENTAL COMMITTEE ON ENERGY**

## PART II

### 2.0. OVERVIEW OF THE FY 2020/21 SUPPLEMENTARY ESTIMATES I

1. Supplementary Estimates I were submitted when the Country is facing challenges arising the need to contain COVID-19. As a result, the accumulated revenue collection between July and December 2020 amounted to Kshs. 800.1 Billion against a target of Kshs. 907.7 Billion. Ordinary revenue also underperformed by Kshs. 75.8 Billion as a result, collection amounted to Kshs. 726.4 Billion against a target of Kshs. 802 Billion.
2. On the other hand, total cumulative expenditures and net lending inclusive of transfer to County Governments for the same period amounted to Kshs. 1.16 Trillion against a target of Kshs. 1.26 Trillion which is a shortfall of Kshs. 98.5 Billion attributed to under-absorption in both Recurrent and Development expenditures in National and County Governments.
3. The Supplementary Estimates I proposes an overall budgetary increase of Kshs. 120 Billion. This is composed of Kshs. 75.1 Billion (4% change) in ministerial expenditure i.e. recurrent – Kshs. 26.2 Billion and Development – Kshs. 48.9 Billion, and Kshs. 45 Billion in the consolidated services.
4. Based on engagements with key stakeholders, this report reviews the impact of the Supplementary Estimates I, on the State Department of Energy and State Department of Petroleum and provides appropriate recommendations to the Budget & Appropriations Committee.

### 3.0. SUBMISSIONS BY MINISTRIES, DEPARTMENTS AND AGENCIES

#### 3.1. Submissions by the Parliamentary Budget Office

##### 3.1.1 Analysis of the Supplementary I Budget Estimates for the State Department for Energy

5. The gross approved allocation for the State Department for Energy for the FY 2020/21 amounts to Kshs. 72.5 Billion is proposed to increase by Kshs. 12.4 Billion i.e. an increase of Kshs. 12.5 Billion in capital expenditure and a reduction of Kshs (216) Million in recurrent expenditure. The increases are as a result of increased allocation to Geothermal Generation and National Grid systems that increased by Kshs. 4.1 billion and Kshs. 9.4 billion, respectively.

**Table 1: Program Resources Changes (Kshs. Millions)**

Programs	Approved	Suppl. I	Change
<b>Program I: Power Generation</b>			
Geothermal Generation	9,580	13,699	4,119
Development of nuclear Energy	814	814	0
Coal Exploration & mining	0	399	399
<b>Program I Sub-Total</b>	<b>10,394</b>	<b>14,912</b>	<b>4,518</b>
<b>Programme II :Power Transmission and Distribution</b>			
National Grid System	48,621	57,978	9,357
Rural Electrification	9,528	9,311	-217

<b>Program II Sub-Total</b>	<b>58,149</b>	<b>67,289</b>	<b>9,140</b>
<b>Programme III: General Administration, Planning and Support Services</b>			
Administrative services	235	266	31
Planning and Monitoring	29	30	1
Financial Services	220	244	24
<b>Program III Sub-Total</b>	<b>484</b>	<b>540</b>	<b>56</b>
<b>Programme IV: Alternative Energy Technologies</b>			
Alternative Energy Technologies	3,466	2,079	-1,387
<b>Program IV Sub-Total</b>	<b>3,466</b>	<b>2,079</b>	<b>-1,387</b>
<b>Vote Grand Total</b>	<b>72,493</b>	<b>84,820</b>	<b>12,453</b>

Source: FY 2020/21 Supplementary I Estimates

6. The proposed increases are on account of increased donor commitments and additional funding for flagship transmission lines. It is also noted that the major changes under the State Department contravenes the PFM Act 2012 limit of 10% i.e. 44% increase under Power Generation, 16% increase in Power Transmission and Distribution, 12% in General Administration and 40% reduction under Alternative Energy Technologies.

#### A. Supplementary Estimates I Development Budget revisions

7. Revisions for ministerial development expenditures is majorly on account of movements in donor commitments as external funding constitutes 86% of proposed changes. As such, the proposed total Estimates for the Ministry is proposed to increase by 17%.

**Table 2: Major Development Expenditure Changes (Kshs. Millions)**

Head	Gross Approved	change in gross	change in net	Financing	
				GoK	External
Olkaria I and IV	3,000	4,540	-		4,540
Olkaria Lessos Kisumu Power Lines Construction Project	5,968	600	-385		-385
Eastern Electricity Highway Project (Ethiopia Kenya Interconnector)	7,824	-	-		-1,200
Nairobi Ring Energy Project	-	3,100	-		3,100
Interconnection Project of Electric Grids of Nile Equatorial lakes Co	-	500	-	GoK	
Last Mile Electricity Connectivity	6,553	-250	-200	-200	1,150
Kenya Electricity Modernization Project	3,483	1,660	314	314	1,346
Connectivity Subsidy	-385	-385	-385	GOK	
Mariakani Substation	1,458	1,458	-	-	1,458
Machakos - Konza - Kajiado - Namanga Electrification of Public Facilities	300	437	300	GOK	
Geothermal Projects	7,300	258	-200	-200	458
Kenya Off-Grid Solar Access Project for Underserved Counties (KOSAP)	0	259	259	GoK	
Electrification of Economic Zones	2,700	-1,400	-1,400	GoK	
Loiyangalani-Marsabit 400 KV Transmission Line	2,664	-1,700	-1,700	GoK	
Rural Electrification Schemes	3,765	-392	-393	GoK	
	-	5,000	5,000	GoK	

Source: FY 2020/21 Supplementary I Estimates

### B. Supplementary Estimates I Recurrent Budget revisions

8. In Supplementary Estimates I, the State Departments Recurrent expenditures have been reduced by Kshs. (216) Million. The spending agencies of Geothermal Development Corporation (GDC) and Rural Electrification and Renewable Energy Corporation (REREC) is proposed to each have a budget cut of Kshs. 100 Million (reduction in their respective recurrent grants). The changes in the AiA are on account of receipts from royalties (Kshs. 5 Million) and receipts from sales of non-market establishments (Kshs. 28.9 Million).

**Table 3: Recurrent Proposed Budget Revisions (Kshs.)**

Head	Change in Gross	Change in AiA	Change in Net Expenditure
Headquarters Administration Services	15,930,767	28,930,767	(13,000,000)
Wood fuel Resource Development	(37,000,000)	-	(37,000,000)
Geothermal and Coal Resource exploration and Development	(100,050,000)	(50,000)	(100,000,000)
Rural Electrification and Renewal Energy Corporation	(100,000,000)	-	(100,000,000)
Financial Management and Procurement Services	5,000,000	5,000,000	-
<b>Total</b>	<b>-216,119,233</b>	<b>33,880,767</b>	<b>(250,000,000)</b>

Source; FY 2020/21 Supplementary Estimates I

### 3.1.2 Analysis of the Supplementary Estimates I for State Department for Petroleum

9. The State Department for Petroleum implements one programme i.e. Exploration and distribution of oil and gas program. The gross approved allocation for the State Department for the FY 2020/21 amounts to Kshs. 3.88 Billion i.e. Kshs. 243 Million and Kshs. 3.64 Billion for recurrent and capital expenditures, respectively. The allocation is proposed to decrease by Kshs. 300.5 Million comprising of a decrease of Kshs. 6.2 Million in Recurrent expenditure and a reduction of Kshs 294.3 Million in Development expenditure

#### A. The Proposed revision on Development vote

10. The proposed revision depletes the entire approved allocations meant for Fuel Marking and substantially reduces the allocations to Petroleum exploration in Block 14T. The substantial variations shall derail the achievement of the planned target and more so if commitments had been made on the allocations.

**Table 4: Proposed budget revision in the Development vote of State Department for Petroleum (Kshs. Million)**

Head	Approved Estimates	Change In Gross	Change In AIA	Change In Net	Funding	Gross Changes
Kenya Petroleum Technical Assistance Project (KEPTAP)	1,500	0	400	-400	External	0
Petroleum Exploration in Block 14T	974	-694	0	-694	GoK	-71%

Fuel Marking	30	-30	-30	0	GoK	-100%
Exploration & Distribution of Oil & Gas	1,140	429	-264	694	GoK	38%
<b>Total</b>	<b>3,644</b>	<b>-294</b>		<b>-400</b>		<b>8%</b>

Source: FY 20/21 Supplementary Estimates I

### B. The proposed revision on Recurrent vote

11. The proposed reduction under recurrent is Kshs. 6.2 Million. This is on account of variations within various expenditure head as: Proposed reductions on: Headquarters Administration Services (Kshs. 3.5 Million), Headquarters Management and Planning (Kshs. 1.3 Million), Financial Management & Procurement Services (Kshs. 2.5 Million) and an increase in Petroleum Exploration and Distribution.

### 3.2 Submissions by the State Departments

12. In its letter dated 16<sup>th</sup> February 2021, the Committee invited the Ministry of Energy and the State Department for Petroleum to its sittings set for 22<sup>nd</sup> and 23<sup>rd</sup> February 2021 to deliberate on expenditures contained in the Supplementary I Budget Estimates for the FY 2020/21. Particulars for discussion included:- the provision of summary brief on the proposed Supplementary Estimates I; first half budget implementation progress; a list of new projects included in the Supplementary Estimates I, a report on particulars of affected programs and any other relevant information. Whilst the summary is provided below, the submissions by both States Departments are annexed to this report.

#### 3.2.1 Submissions by the State Department for Energy (Full submission as Annexed)

**Eng. Joseph Njoroge, the Principal Secretary, Ministry of Energy accompanied by Mr. William Mbaka, Chief Financial Officer; Chief Executive Officers of the State Corporations under the Ministry's purview and other Ministry officials appeared before the Committee and made the following submissions.**

13. In its presentation, it was indicated that the resource allocation has been increased by Kshs. 12.32 billion to reach Kshs. 84.8 billion in FY 2020/21. Whilst there will be a reduction on recurrent estimates by Kshs. 216 million, Development Supplementary Estimates have been increased by Kshs. 12.5 billion (See annex).

**Table 5: Ministry of Energy Supplementary I Estimates**

	Budget Estimates	Supplementary I	Net Change
Recurrent	5,911,666,844	5,695,547,611	(216,119,233)
Development	66,581,141,377	79,124,423,546	12,543,282,169
<b>Gross Expenditure</b>	<b>72,492,808,221</b>	<b>84,819,971,157</b>	<b>12,327,162,936</b>

Source: State Department for Energy

14. Recurrent Budget changes are as a result of reductions owing to rationalization of salaries programs to programs such as; Headquarters administrative services, Wood Fuel Resources Development Program, and Resource transfer to sagas affecting the; Geothermal Development

Company, Rural Electrification and renewable Energy Corporation, among other institutions. There were also increases in AIA resources from KOSF charges (Kshs. 28.8 Million) and royalties on geothermal development worth Kshs. 5 Million.

15. Development budget changes affected both donor financed projects and exchequer financed projects.
  - i. Exchequer financed projects decreased by Kshs. 541 Million with major reductions relating to: Kenya Power Transmission Expansion Project (Kshs. 300 Million), Loiyangalani – Marsabit 400 KV Transmission Line (Kshs. 392 Million), Naivasha industrial park (Kshs. 200 million), Connectivity subsidy (Kshs. 358 Million), among other projects. Olkaria Lessos Kisumu Power lines construction project and Development of small hydro power projects, received increased allocations of Kshs. 600 Million each.
  - ii. Donor financed projects had a net increase of Kshs. 7.77 Billion on account for increases to Last mile connectivity (Kshs. 500 Million), Kenya Electricity (Kshs. 1.35 Billion), Mariakani Substation (Kshs. 1.45 Billion), Olkaria I and IV (Kshs. 4.5 Billion) etc.

#### Performance Report (Financial & Output) as at 31<sup>st</sup> December 2020

16. The State Department of Energy indicated that by the end of December 2020, the overall absorption rate was 33% i.e. an expenditure of Kshs. 23.56 Billion against the Budgeted Estimates of Kshs. 72. 5 Billion. The low absorption rate was on account of slow release of exchequer resources and impact of Covid-19 (and related containment measures) of projects and programs primarily for far flanged areas. Never the less, recurrent expenditure had a higher absorption rate of 54% against the absorption rate for development expenditure of 32%.

**Table 6: Ministry of Energy Absorption Rate (Kshs. Millions), Dec. 2020**

Program	Budget Estimates	Expenditure	% Absorption
Development	66,581	20,381	31%
Recurrent	5,912	3,179	54%
<b>Total</b>	<b>72,493</b>	<b>23,561</b>	<b>33%</b>

Source: State Department for Energy

17. Recurrent expenditures absorptions rate was as a result of an average performance rate of over 50% across most programs. The Power Generation Program, that seeks to enhance power generation, and Administration, Planning and Support services program that undertakes general headquarters activities, had highest absorption rates of 59%, due to activities on geothermal and administrative services provided, respectively.

**Table 7: Recurrent expenditure absorption rate (Kshs. Millions)**

Program	Budget Estimates	Expenditure	% Absorption
Power Generation	1,703	1,010	59
Power Transmission & Distribution	3,592	1,887	53
Alternative Energy Technologies	216	48	22
Admin., Planning & Support Services	399	234	59
<b>Grand Total</b>	<b>5,912</b>	<b>3,179</b>	<b>54%</b>

Source: State Department for Energy

18. Development expenditures had higher absorption rates on power generation and power transmission programs i.e. 58% and 28% respectively.
- Projects with highest absorption rates under Power Generation program include; Olkaria 1 Unit 6 (96% absorption), Olkaria V (57% absorption), Menengai Geothermal and 460 Projects (61% absorption) etc. Notably, Kenya Electricity Generation Company (KenGen) had an absorption rate of 80%.
  - Projects with highest absorption rates under Power Transmission program include; Olkaria-Lessos-Kisumu Power line construction (45% absorption), Multinational Kenya – TZ Power Interconnection project (48% absorption), Machakos Konza Kajiado Namanga (50% absorption), Last mile connectivity (45% absorption), Kenya electricity modernization project (60% absorption). Notably, Kenya Power (KPLC) and Kenya Electricity Transmission Company (KETRACO) had absorption rates of 39% and 23%, respectively.

**Table 8: Development expenditure absorption rate (Kshs. Millions)**

Program	Budget Estimates	Expenditure	% Absorption
Power Generation			58%
	8,690	5,034	
Power Transmission And Distribution	54,556	15,081	28%
Alternative Energy Technologies	3,250	255	8%
Admin, Planning & Support Services	85	12	14%
<b>Grand Total</b>	<b>66,581</b>	<b>20,381</b>	<b>31%</b>

Source: State Department for Energy

**New projects (if any) introduced through the proposed Supplementary Estimates 1 for 2020/21 and the justification.**

19. The State Department for Energy indicated that there were no new projects introduced under the Supplementary Estimates I. However, it was indicated that additional exchequer allocations under the Supplementary Estimates I were for projects that have been ongoing but had not been factored during the preparation of the approved Budget Estimates and new allocations from donors that have no exchequer impact.

**Impact on Big Four Agenda Projects**

20. It was reported that the Supplementary Estimates I will have an impact on the capacity of the Ministry to support implementation of the Big Four Agenda primarily universal health care and manufacturing. This is because the total allocation for Big four agenda had been reduced by Kshs. 1.9 billion. The projects primarily affected included; Electrification of Health facilities (Isiolo County, reduced by 37%), Electrification of Level 4 & Level 3 Hospitals (reduced by 31%), Naivasha Industrial Park (reduced by 30%), Dongo Kundu SEZ (reduced by 75%).

**Table 9: Big Four Agenda Projects (Kshs.)**

<u>Implementing Agency</u>	<u>Project Title</u>	<u>Printed Estimates</u>	<u>Supplementary I</u>	<u>Net Change</u>
1.	Universal Health Care			

Kenya Power	Electrification of Health facilities (Isiolo County)	152,000,000	96,000,000	(56,000,000)
	Electrification of Level 4 & Level 3 Hospitals	485,000,000	335,000,000	(150,000,000)
<b>2. Manufacturing (Electrification of Economic Zones)</b>				
KETRACO/	Naivasha Industrial Park	664,000,000	464,000,000	(200,000,000)
Kenya Power	Dongo Kundu SEZ	2,000,000,000	500,000,000	(1,500,000,000)
3. Food Security		-	-	-
4. Affordable Housing		-	-	-
<b>Budget for Big Four Agenda</b>		<b>3,301,000,000</b>	<b>1,395,000,000</b>	<b>(1,906,000,000)</b>

Source: State Department for Energy

The Ministry considers the projects contained in the table 10 below as priority. Reducing budget provisions will end up creating pending bills given that they are on-going, and projects had already been designed, commenced and terminating them halfway will create stalled projects which will not deliver any benefit to the public.

**Table 10: Gok Funded Projects Affected by the Budget Cuts (Amount Kshs.)**

Project Title	Printed Estimates 2020/21 (	Supplementary I Estimates 2020/21 (Amount Kshs.)	Net Change (Amount Kshs.)
	GOK (Exchequer)	GOK	
1152100201 Nanyuki-Isiolo-Meru.	150,000,000	100,000,000	-50,000,000
1152102701 Last Mile Electricity Connectivity	1,002,710,000	802,710,000	-200,000,000
1152103500 Street-lighting.	300,000,000	200,000,000	-100,000,000
1152103601 Connectivity Subsidy	1,170,000,000	785,000,000	-385,000,000
1152103901 Power Transmission System Improvement project	200,000,000	135,000,000	-65,000,000
1152104401 Electrification of Public Facilities	500,000,000	300,000,000	-200,000,000
1152104601 Solar Maintenance Programme	90,000,000	65,000,000	-25,000,000
1152105401 Hydro dams Water catchment re-afforestation	150,000,000	100,000,000	-50,000,000
1152105501 Solar PV installation on Institutions and or community boreholes	250,000,000	150,000,000	-100,000,000
1152106901 Installation of Transformers in Constituencies	900,000,000	550,000,000	-350,000,000
1152107900 Kenya Power Transmission Expansion Project	800,000,000	500,000,000	-300,000,000
1152108101 220KV Kamburu - Embu – Thika Transmission	200,000,000	150,000,000	-50,000,000
1152108801 Electrification of Health care Facilities -Isiolo County	152,000,000	96,000,000	-56,000,000

Source: State Department for Energy

### 3.2.2 Submissions by the State Department for Petroleum (Full submission as Annexed)

**Mr. Andrew Kamau, Principal Secretary, State Department of Petroleum accompanied by Mr. Mathew Musyoka, Head of Finance, Mr. Gideon Moritant, Managing Director, National Oil Corporation, Mr. Pius Mwendwa, Chief Finance Officer, Kenya Pipeline Company and other Ministry Officials appeared before the Committee and made the following submissions.**

21. The allocations for the State Department for Petroleum will decline by Kshs. 300 Million, from Kshs. 3.89 Billion to Kshs. 3.6 Billion. This as a result of a Kshs. 294.3 million decrease on recurrent budget and Kshs. 6.2 million reduction on recurrent expenditure.

**Table 11: Recurrent and Development (Kshs.)**

Vote	Approved Budget	Supp. Estimates I	Reduction
Recurrent	243,510,778	237,310,049	(6,200,729)
Development	3,644,000,000	3,349,700,000	(294,300,000)
<b>Total</b>	<b>3,887,510,778</b>	<b>3,587,010,049</b>	<b>(300,500,729)</b>

Source: State Department for Petroleum

22. The Development Expenditure reduction arises from cuts from the following items/programs:
- Kenya Technical Petroleum and Assistance Project (KEPTAP) – Kshs. 400 Million was moved from the Loan AIA to the Loan Revenue in order to accommodate changes with the donor (World Bank) policy.
  - Petroleum Exploration in Block 14T – allocation was reduced by Kshs. 694 Million from Kshs. 974 Million to Kshs. 280 Million.
  - Fuel Marking – allocation of Kshs. 30 Million was cut from the budget.
  - Early Monetization of First Oil Project– allocation of Kshs. 200 Million was provided for to fund the following project activities: Validation of Early Oil Expenditures; Crude Oil Market Survey; Pilot study on the use of chemical technology for flow assurance of the Kenya Crude Oil
  - LPG Distribution and Infrastructure – allocation was increased from Kshs. 240 Million to Kshs. 299.7 Million.
  - Oil Exploration and Monitoring – additional Kshs. 200 Million was added to the project to undertake additional planned project activities.

**Performance report (Financial & Output) as at 31st December 2020**

23. The approved budget for the State Department of Petroleum was Kshs. 3,887,510,778 Comprising of Kshs. 243,510,778 in recurrent and Kshs. 3,644,000,000 in Development. The total expenditure up to 31<sup>st</sup> December 2020 was Kshs, 800,646,540 comprising of Kshs. 94,360,984 in recurrent and Kshs. 706,285,556 in Development. Expenditure was heavily restricted by Covid-19 related conditions. The non-financial budget finance parameters are provided in the overall report annexed.

**Table 12: State Department Budget Performance – December 2020, (Kshs.)**

Vote	Approved Budget	Expenditure	% Absorption
Recurrent	243,510,778	94,360,984	39%
Development	3,644,000,000	706,285,556	19%
<b>Total</b>	<b>3,887,510,778</b>	<b>800,646,540</b>	<b>20.60%</b>

Source: State Department for Petroleum

24. The notable development budget performance affected the following projects:
- Of the Kshs. 1.5 Billion allocated to the Kenya Petroleum Technical Assistance Project (KEPTAP), Kshs. 466.3 Million (31%) utilized. It was further indicated that Loan revenues

were exhausted and change of mode of financing from Loan AIA to Loan Revenue affected budget absorption.

- ii. Kshs. 974 Million allocated to the Petroleum Exploration in Block 14 T was not utilized as the transfer had been reallocated to other activities within the State Department
- iii. Kshs. 30 Million allocated for Fuel Marking was not utilized as these funds had not reflected in their budget during the preparations of the budget estimates
- iv. Of the Kshs. 400 Million allocated to the Preparatory Activities for the Lamu Lokichar Crude Oil Pipeline Project, 22% had been utilized with major activities planned for 3<sup>rd</sup> and 4<sup>th</sup> quarter
- v. LPG Distribution and Infrastructure was allocated Kshs. 240 million, of which 2% had been utilized. Consultancy for third party Inspection Services for 6 Kg LPG cylinders is place and exercise completed. Procurement of 6 Kg LPG cylinders is at evaluation stage.
- vi. Kshs. 500 Million allocated for Oil Exploration and Monitoring 29% had been utilized and procurement of Specialized Petroleum equipment is at advanced stage and to be concluded in 3<sup>rd</sup> quarter; Acquisition of acquire data on open petroleum blocks is ongoing

**New projects (if any) introduced through the proposed Supplementary Estimates 1 for 2020/21 and the justification.**

25. The Early Monetization of first Crude Oil project has been on-going even though it was not allocated any funds in the initial budget. The Supplementary Estimates No. 1 has since allocated Kshs. 200 M for the project to implement the following activities: validation of Early Oil Expenditures; carry out crude oil market survey and; pilot study on the use of chemical technology for flow assurance of the Kenya Crude Oil.

**On impact of supplementary I changes on key Performance Indicators, Outputs and Targets,**

The State Department reported that on

- i. Kenya Petroleum Technical Assistance Project (KEPTAP): Planned activities as per the work plan will not be negatively impacted.
- ii. Petroleum Exploration in Block 14T: Planned activities as per the work plan submitted to the department by the National Oil Corporation of Kenya (NOCK) will not be negatively impacted.
- iii. Fuel Marking: Will not be able to achieve the targeted samples to detect adulterated samples.
- iv. Preparatory Activities for the Lokichar - Lamu Crude Oil Pipeline: Planned activities will be implemented as planned with a slight impact by budget cut.
- v. Early Monetization of First Oil Project: Budget provision of Kshs. 200 Million will enable the department to carry out validation of Early Oil Expenditures; conduct crude oil market survey and; pilot study on the use of chemical technology for flow assurance.
- vi. LPG Distribution and Infrastructure: Budget provision will be able to settle pending bills which arose from previous project activities as the first charge. This means that planned activities for this financial year will be greatly scaled down.
- vii. Oil Exploration and Monitoring: Additional budget of Kshs. 200 Million will be utilized in conducting more exploration activities particularly in Kipeto and Solai Gas Prospect areas; purchase of geochemical laboratory equipment; review and approve the final FDP for the

south Lokichar foundation phase and; demarcation and creation of new petroleum exploration blocks.

### Pending Bills

The State Department had a pending bill of Kshs. 661,469,615 as at 30<sup>th</sup> June, 2020 and as at 31<sup>st</sup> December, 2020 Kshs. 391,572,935.59 had been paid. The outstanding balances as at 31<sup>st</sup> December, 2020 was Kshs. 269,896,679.41 of which Kshs. 222,772,578 is to be paid after the goods are inspected and accepted by the State Department after the third party inspection report.

**Table 13: LPG Cylinders related Pending Bills**

Item Description	Quantity Awarded	Unit Price(Ksh)	Quantity Delivered	Total Amount Not Paid
Cylinders (Surge Energy Ltd)	104,229	2,308	82,305	196,101,528
Cylinders (Accurate Power Systems Ltd)	44,669	2,050	10,050	18,935,850
Grills (All Day Technologies Ltd)	349,540	240	24,408	5,857,920
Stead Fast International Ltd	7,815	240	7,815	1,875,600
<b>Total</b>				<b>222,772,578</b>

Source: State Department of Petroleum

## PART III

### 4.0 COMMITTEE OBSERVATIONS

Based on the written and oral submissions received from the Ministry of Energy and State Department of Petroleum, the Committee made the following observations under each THAT :-

#### A. State Department for Energy

1. Revisions for ministerial development expenditures is majorly on account of movements in donor commitments as external funding constitutes 86% of proposed changes. As such, the proposed total estimates for the Ministry is proposed to increase by 17%.
2. The Supplementary I Estimates has reduced the recurrent vote allocations for the Ministry by Kshs. (216) Million. This will deprive its capacity to fulfill the critical obligation of paying wages to their staff. For example, those that will have impact on salaries include:
  - a) the Headquarters Administrative Services - Kshs. (13) Million and
  - b) the Wood Fuel Resources Development - Kshs. (37) Million.
3. The proposed increases are on account donor commitments and additional funding for flagship transmission lines. For example: there is a Kshs. 4.5 billion meant for Olkaria I and IV financed by the European Investment Bank, Kshs. 3.1 billion for the Nairobi Ring circuit financed by the African Development Bank etc.
4. The Supplementary I Estimates will have a negative impact on the capacity of the Ministry to support implementation of the Big Four Agenda primarily universal health care and manufacturing. This is because the total allocation for Big four agenda had been reduced by Kshs. 1.9 Billion. The projects primarily affected included;
  - a. Electrification of Health facilities (Isiolo County, reduced by 37%), Electrification of Level 4 & Level 3 Hospitals (reduced by 31%),
  - b. Naivasha Industrial Park (reduced by 30%) – the ministry will not be able to achieve the set targets for the Naivasha industrial park as the works had been tendered on the basis of the earlier budget and the reduction therefore compromises delivery of the important project.
  - c. Moreover, the several housing projects in progress require electrification services, there is need to review the nil allocation to all the projects.
5. The GOK priority list of projects affected by budget cuts up to a tune of Kshs. 3.8 Billion (annexed list) will end up creating pending bills given that they are ongoing, and projects had already been designed, commenced and terminating them halfway might create stalled projects, deferring benefits to the public;
6. The proposed reductions in the Supplementary I Estimates to the Development vote affecting Installation of transformers in Constituencies, Electrification of Public facilities, and solar maintenance will lead to pending bills as procurement had already been progressed;
7. In order to lower the cost of energy it was noted that there is need to increased allocation to meet the appropriate energy generation mix (reduce use of thermal energy) coupled with regulation of cost of energy generated by Independent Power Producers (IPPs);

8. On the Last Mile projects, it was indicated that the project indicators are not being met because of numerous court cases. Court cases, are affecting its financial absorption rate.

**B. State Department of Petroleum**

1. The allocation under Supplementary I Estimates is proposed to decrease by Kshs. (300.5) Million comprising of Kshs. (6.2) Million in Recurrent expenditure reduction and Kshs (294.3) Million in Development expenditure reduction.
2. That there are some government institutions and SAGAs under the State Department that are audited by private audit companies leading to biased audit opinions.

## 5.0 COMMITTEE RECOMMENDATIONS

Based on the consultations with the Ministry of Energy and State Department of Petroleum, the Committee Recommends THAT;

### 5.1 Policy Recommendations

#### A. Ministry of Energy

1. In order to reduce cost of energy, the Ministry should review the Independent Power Producers Agreements and cease further engagements that do not meet the USD 5 cent/Kilowatt requirement
2. In order to increase the financial absorption rate/ project completion rate of the Last Mile projects, the State Department (with the advice of the Attorney General) should consider alternative dispute resolutions to fast track settling the numerous court cases.
3. In order to reduce the expenditure pressures arising from the Big Four agenda that lead to in-year budget cuts that derail project completion and escalate costs, the National Treasury should consider engaging donors in order to fill in the financial gaps and reduce the impact of resource reallocation from the projects.

#### B. State Department of Petroleum

1. That all SAGAs under the State Department should ceased being audited by private audit firms and make arrangements to be audited by the Office of the Auditor General within timelines provided under the appropriate law.

### 5.2 Financial recommendations/

- i. The committee places a consideration of Kshs. 1.5 billion for the Mombasa Nairobi transmission line for payment of invoices relating to contractual works undertaken by contractors
- ii. The committee requests the consideration of reversal of changes affecting the Big 43 Agenda as indicated below:

<u>Implementing Agency</u>	<u>Project Title</u>	<u>Printed Estimates</u>	<u>Supplementary I</u>	<u>Net Change</u>
<b>1. Universal Health Care</b>				
Kenya Power	Electrification of Health facilities (Isiolo County)	152,000,000	96,000,000	(56,000,000)
	Electrification of Level 4 & Level 3 Hospitals	485,000,000	335,000,000	(150,000,000)
<b>2. Manufacturing (Electrification of Economic Zones)</b>				
KETRACO/	Naivasha Industrial Park	664,000,000	464,000,000	(200,000,000)
Kenya Power	Dongo Kundu SEZ	2,000,000,000	500,000,000	(1,500,000,000)
<b>Budget for Big Four Agenda</b>		<b>3,301,000,000</b>	<b>1,395,000,000</b>	<b>(1,906,000,000)</b>

### 5.3. Proposed reallocations

The committee noted the allocations provided under the Supplementary I Estimates and made changes based on factors affecting project completion such as:

- a) Reduction of allocations to projects where the contractor is declared bankrupt
- b) Reduction of allocations to projects delayed by litigation and court cases

- c) Reduction of allocations to projects delayed due to slow contractor implementation
- d) Reduction of allocations to projects delayed due to acquisition of right of way and compensation has been rejected by owners

**i. Proposed reductions of the proposed ceilings**

*a) Vote 1152: State Department for Energy*

<b>Program</b>	<b>Recurrent / Development</b>	<b>Reduction (Kshs.)</b>	<b>Explanation</b>
Power Transmission & Distribution	Development	(300,000,000)	Reduction of additional exchequer of Kshs. 600 Million added to the Olkaria Lessos Kisumu Power Lines Consultant Project. Project remains with Kshs. 1.3 billion i.e. initial allocation of Kshs. 1 billion plus additional Kshs. 300 Million
	Development	(300,000,000)	Reduction of from additional exchequer of Kshs. 500 million added to the interconnection project Electric grids of Nile Equatorial Lakes. Project remains with Kshs. 200 Million
	Development	(50,000,000)	Reduction from additional Kshs. 100 Million allocated to the Multinational TZ Power Interconnection Project
	Development	(300,000,000)	Reduction of additional exchequer of Kshs. 437 Million allocated to the Machakos - Konza - Kajiado - Namanga Circuit line. The project remains with initial allocation of Kshs 300 Million plus additional allocation of Kshs. 137 Million
Power Generation	Development	(85,000,000)	Amounts allocated for Coal Exploration and Development Project
General Admin. Planning & Support Services	Development	(15,000,000)	reduction of additional exchequer of Kshs. 15 million allocated to Refurbishment of Kawi House, Project remains with initial Kshs. 10 Million allocated
Alternative Energy Technologies	Development	(10,000,000)	Under Sustainable Energy For All - Reduction of Kshs. 10 Million foreign travel expenses provided for under development expenditure
		(5,000,000)	Sustainable Energy For All - Reduction of Kshs. 5 Million domestic travel expenses provided for under development expenditure
Power Generation	Development	(5,000,000)	Geothermal Projects - Reduction of Kshs. 5 Million Hospitality & Services expenditure provided for under development expenditure
<b>Total Reduction</b>		<b>(1,070,000,000)</b>	

*ii. Vote 1193: State Department for Petroleum*

<b>Program</b>	<b>Recurrent / Development</b>	<b>Reduction (Kshs.)</b>	<b>Explanation</b>
Exploration and Distribution of Oil & Gas	Development	(249,000,000)	Reduction of Kshs 694 Million allocated to the Exploration & Distribution of Oil & Gas
<b>Total Reduction</b>		<b>(249,000,000)</b>	

**b) Proposed increments on the proposed ceilings**

*i. Vote 1152: State Department for Energy*

<b>Program</b>	<b>Recurrent / Development</b>	<b>Increase (Kshs.)</b>	<b>Explanation</b>
Power Transmission and Distribution	Development	100,000,000	Reinstatement of Kshs. 100 million reduced from Last Mile Connectivity
	Development	220,000,000	Reinstatement of Kshs. 220 Million reduced from Nuclear Power and Energy Agency (NuPEA)
	Development	200,000,000	Reinstatement of Kshs 200 Million reduced from Geothermal Development Corporation (GDC )
Power Transmission and Distribution	Development	670,000,000	Reinstatement of amounts reduced from Connectivity of Public facilities
<b>Total Increases</b>		<b>1,190,000,000</b>	

*ii. Vote 1193: State Department for Petroleum*

<b>Program</b>	<b>Recurrent / Development</b>	<b>Increase (Kshs.)</b>	<b>Explanation</b>
Exploration & Distribution of Oil & Gas	Development	249,000,000	Reinstatement to the National Oil Corporation Kenya (NOCK) for ongoing downstream projects
	Development	20,000,000	Reinstatement to Kshs. 20 Million to Energy and Petroleum Regulatory Authority (EPRA) to undertake fuel Marking
<b>Total Increases</b>		<b>269,000,000</b>	

## ANNEXES

### 5.3 Summary of Observations and Recommendations

S/No.	Observation	Recommended Policy Change/ Financial Recommendation Supplementary for None.	Financial Recommendation (If any)
1.	In order to lower the cost of energy it was noted that there is need to increased allocation to meet the appropriate energy generation mix (reduce use of thermal energy) coupled with regulation of cost of energy generated by Independent Power Producers (IPPs)	The Ministry should review the Independent Power Producers Agreements and cease further engagements that does not meet the USD 5 cent/Kilowatt requirement	
2.	On the Last Mile projects, it was indicated that the project indicators are not being met because of numerous court cases. Court cases, which is affecting its financial absorption rate.	In order to increase the financial absorption rate/ project completion rate of the Last Mile projects, the State Department (with the advice of the Attorney General) should consider alternative dispute resolutions to fast track settling the numerous court cases.	
	The Supplementary I Estimates will have an impact on the capacity of the Ministry to support implementation of the Big Four Agenda primarily universal health care and manufacturing. This is because the total allocation for Big four agenda had been reduced by Kshs. 1.9 Billion.	In order to reduce the expenditure pressures arising from the Big Four agenda that lead to in- year budget cuts that derail project completion and escalate costs, the National Treasury should consider engaging donors in order to fill in the financial gaps and reduce the impact of resource reallocation from the projects.	
3.	That there are some government institutions and SAGAs under the State Department that are audited by private audit companies leading to biased audit opinions.	That all SAGAs under the State Department should ceased being audited by private audit firms and make arrangements to be audited by the Office of the Auditor General within timelines provided under the appropriate law.	

## ANNEXURES

### Annex 1: Mini Schedule indicating the final ceilings per programme

#### Vote 1152: State Department for Energy

Program	Supplementary I Estimates			Committee Amendments			Final Estimates		
	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total
General Administration Planning & Support Services	420,323,629.00	120,000,000	540,323,629	-	(15,000,000)	-	420,323,629	105,000,000	540,323,629
Power Generation	1,603,426,529	13,307,700,000	14,911,126,529	-	(90,000,000)	-	1,603,426,529	13,217,700,000	14,911,126,529
Power transmission & Distribution	3,492,458,674	63,796,623,546	67,289,082,220	-	240,000,000	-	3,492,458,674	64,036,623,546	67,289,082,220
Alternative Energy Technologies	179,339,012	1,900,100,000	2,079,439,012	-	(15,000,000)	-	179,339,012	1,885,100,000	2,079,439,012
<b>Total Budget</b>	<b>5,695,547,844</b>	<b>79,124,423,546</b>	<b>84,819,971,390</b>	<b>-</b>	<b>120,000,000</b>	<b>-</b>	<b>5,695,547,844</b>	<b>79,244,423,546</b>	<b>84,819,971,390</b>

#### Vote 1193: State Department for Petroleum

Program	Supplementary I estimates			Committee Amendments			Final Estimates		
	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total

Exploration & Distribution of Oil & Gas	237,310,049	3,349,700,000	3,587,010,049	-	20,000,000	-	237,310,049	3,369,700,000	3,587,010,049
<b>Total Budget</b>	<b>237,310,049</b>	<b>3,349,700,000</b>	<b>3,587,010,049</b>	<b>-</b>	<b>20,000,000</b>	<b>-</b>	<b>237,310,049</b>	<b>3,369,700,000</b>	<b>3,587,010,049</b>

**REPUBLIC OF KENYA**



**THE NATIONAL ASSEMBLY**

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**TWELVETH PARLIAMENT –FIFTH SESSION**

**THE DEPARTMENTAL COMMITTEE ON ENVIRONMENT & NATURAL  
RESOURCES**

**REPORT ON THE SUPPLEMENTARY BUDGET ESTIMATES 1 FOR THE FY 2020/21  
FOR THE:-**

**VOTE 1203: STATE DEPARTMENT FOR WILDLIFE;  
VOTE 1119: STATE DEPARTMENT FOR MINING;  
VOTE 1108: MINISTRY OF ENVIRONMENT AND FORESTRY; AND  
VOTE 1107: MINISTRY OF WATER & SANITATION AND IRRIGATION.**

**DIRECTORATE OF DEPARTMENTAL COMMITTEES,  
CLERK'S CHAMBERS,  
PARLIAMENT BUILDINGS,  
NAIROBI.**

**FEBRUARY, 2021**

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## PART I

### 1.0 PREFACE

#### 1.1 Introduction

1. This report is on Supplementary Budget 1 for the FY 2020/2021 in line with Article 221 of the Constitution and section 37(2) of the Public Finance Management Act 2012, and Standing Order 235(4). The Departmental Committee on Environment and Natural Resources held meetings with the Ministries, Departments and Agencies under its purview to interrogate the Estimates on 21<sup>st</sup> and 22<sup>nd</sup> February, 2021 in Naivasha. The Committee then consolidated its recommendations for submission to the Budget Committee pursuant to the provision of Standing Order 207(6).

#### 1.2 Mandate of the Committee

2. 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.
3. The subject matter of the Departmental Committee on Environment and Natural Resources are stated in the Second Schedule of the National Assembly Standing Orders No. 216 (f) as follows: climate change, environment management and conservation, forestry, water resource management, wildlife, mining and natural resources, pollution and waste management.

#### 1.3 Oversight

4. In executing its mandate, the Committee oversees the following Government Ministries and Departments namely: -
  - i. The Ministry of Environment and Forestry;
  - ii. The Ministry of Water, Sanitation and Irrigation;
  - iii. The State Department for Wildlife; and
  - iv. The State Department for Mining.

### 1.3 Committee Membership

5. The Committee comprises the following Members:

#### **Chairperson**

The Hon. Kareke Mbiuki, M.P., CBS  
MP for Maara Constituency

#### **Jubilee Party**

#### **Vice-Chairperson**

The Hon. Sophia Abdi Noor, M.P.  
MP for Ijaara Constituency

#### **Party of Development and Reforms (PDR)**

The Hon. David Kangogo Bowen, M.P.  
MP for Marakwet East Constituency

#### **Jubilee Party**

The Hon. Francis Chachu Ganya, M.P.  
MP for North Horr Constituency

#### **Frontier Alliance Party (FAP)**

The Hon. Ali Wario Guyo, M.P.  
MP for Garsen Constituency

#### **Wiper Party**

The Hon. Benard Masaka Shinali, M.P.  
MP for Ikolomani Constituency

#### **Jubilee Party**

The Hon. George Macharia Kariuki, M.P.,  
MP for Ndia Constituency

#### **Jubilee Party**

The Hon. Charity K. Chepkwony, M.P.  
MP for Njoro Constituency

#### **Jubilee Party**

The Hon. Simon Ng'ang'a King'ara, M.P.  
MP for Ruiru Constituency

#### **Jubilee Party**

The Hon. Peter Kimari Kihara, M. P.  
MP for Mathioya Constituency

#### **Jubilee Party**

The Hon. Benjamin Dalu Tayari, MP.  
MP for Kinango Constituency

#### **Orange Democratic Movement (ODM)**

The Hon. Charles Ong'ondo Were, M.P.  
MP for Kasipul Constituency

#### **Orange Democratic Movement (ODM)**

The Hon. Nasri Sahal Ibrahim, M.P.  
MP - Nominated

#### **Forum for Restoration of Democracy-K**

The Hon. Rozaah Buyu. M.P.  
MP for Kisumu County

#### **Orange Democratic Movement (ODM)**

The Hon. Said Hiribae, M.P.  
MP for Galole Constituency

#### **Forum for Restoration of Democracy- K**

The Hon. Hassan Oda Hulufu, M.P.  
MP for Isiolo North Constituency

#### **Kenya Patriots' Party (KPP)**

The Hon. Amin Deddy Mohamed Ali, M.P.  
MP for Laikipia East Constituency

#### **Jubilee Party**

The Hon. Rehema Hassan, M.P.  
Tana River County

#### **Maendeleo Chap Chap Party (MCC)**

The Hon. (Eng.) Paul M. Nzengu, M.P.  
MP for Mwingi North Constituency

#### **Wiper Party**

#### **1.4 Committee Secretariat**

6. The Committee is serviced by the following Members of Staff:

Ms. Esther Nginyo  
**Second Clerk Assistant**  
**Lead Clerk**

Mr. Dennis Mogare Ogechi  
**Second Clerk Assistant**

Mr. Fredrick Muthengi  
**Chief Fiscal Analyst**

Ms. Linet Otieno  
**Legal Counsel I**

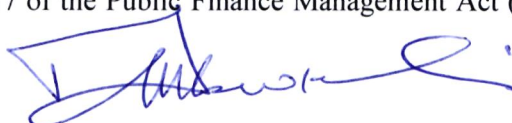
Mr. Eugene Apaa  
**Research Officer III**

#### **1.5 Overview on the Examination of the Supplementary Budget 1 for FY 2020/2021**

7. The estimates of revenue and expenditure and other budget documents for the fiscal year 2020/21 were submitted to the National Assembly in line with Article 221 of the Constitution and section 37(2) of the Public Finance Management Act 2012, and subsequently tabled in the House on **Tuesday, 9<sup>th</sup> February 2021**. Consequently, the estimates have been committed to the relevant Departmental Committees for consideration and examination pursuant to Standing Order 235(4).
8. The Departmental Committee on Environment and Natural Resources held a sitting on 17<sup>th</sup> February, 2021 for a briefing on Supplementary Estimates by the Parliamentary Budget Office. The Committee, thereafter held its Sittings to scrutinize and deliberate on the Estimates with the Ministries, Departments and Agencies under its purview on 21<sup>st</sup> to 24<sup>th</sup> February, 2021.

#### **1.6 Acknowledgement**

9. 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 also 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 especially during this period of COVID 19 which enabled us to complete the tasks within the stipulated period. Further, the Committee appreciates the Ministries and State Departments for appearing before it to make their submissions.
10. Finally, it is now my pleasant duty, on behalf of the Departmental Committee on Environment and Natural Resources, to present this Report to the Budget and Appropriation Committee pursuant to the provisions of section 37 of the Public Finance Management Act (PFM Act) and Standing Order 207 (6).



**HON. KAREKE MBIUKI, CBS, MP**  
**CHAIRPERSON,**  
**DEPARTMENTAL COMMITTEE ON ENVIRONMENT AND NATURAL RESOURCES**

## PART II

### 2.0 BROAD OVERVIEW OF THE SUPPLEMENTARY BUDGET 1 FOR THE FY 2020/2021

11. The first supplementary estimates for the FY 2020/21 which was submitted to the National Assembly on 9th February and subsequently tabled in the House. The Supplementary has been prepared against a subdued economic activity environment prompted by the effects of COVID-19 which has adversely affected the both the global and local economy. This has necessitated budget reorganization resulting to budget rationalization and measures to address post-COVID 19 challenges.
12. The gross approved budget for financial year 2020/21 was Kshs 1,887.66 billion comprising of current gross expenditure of Kshs 1,254.35 billion and capital gross expenditure of Kshs 633.31 billion. The approved appropriation in aid was Kshs 431.51 billion that comprised of Kshs 186.14 billion in recurrent appropriations in aid and Kshs 245.38 billion capital appropriations in aid.
13. The recurrent supplementary estimates propose to increase net recurrent estimates by Kshs. 26. 83 billion from Kshs 1,068.22 billion to Kshs. 1,095.05 billion and reduce the appropriation in aid by Kshs. 627.61 million. The Supplementary Estimates I propose to increase the overall development expenditure by 48.94 billion that comprises of Kshs. 32.2 billion net estimates and Kshs. 16.73 billion Appropriations in Aid (A-i-A). Net estimates increase from Kshs 387.93 billion to Kshs 420.14 billion and Appropriations increase from Kshs. 245.38 billion to 262.10 billion.
14. The approved Budget estimates for the Sector during FY 2020/21 is Kshs 104.69 billion, comprising of Kshs 27.23 billion for recurrent and Kshs 77.45 billion for the development expenditure. However, out of this Kshs 44.88 billion is funded from appropriations in aid. Major allocations are noted in the Ministry of Water, Sanitation and Irrigation whose total expenditure is Kshs 76.68 billion.
15. The proposed supplementary revise the sector Budget estimates for the Sector marginally during FY 2020/21 from Kshs 104.69 billion to Kshs 103.78 billion. This comprises of Kshs 27.23 billion for recurrent and Kshs 79.94 billion for the development expenditure. However, out of these Kshs 44.88 billion is funded from appropriations in aid. Major allocations are noted in the Ministry of Water, Sanitation and Irrigation whose total expenditure is Kshs 82.01 billion.
16. The overall sector budget has reduced by Kshs 901.14 million. The major reductions are recorded under State Department of Wildlife whose total budget has decreased by Kshs 2,514.44 million and that of ministry of environment and forestry by Kshs 3,405.42 million. However, the overall Ministry Of Water Sanitation And Irrigation budget has increased substantially by Kshs 5,324.76 million consisting of a reduction in its recurrent budget of Kshs 586.7 million and increase of Kshs 5911.5 million of the development expenditure. Table 1 below show the budgetary revision for the sector.

Table 1

<b>Summary of Proposed Changes by Vote and Programmes FY 2020/2021 (KShs in Millions )</b>						
<b>Vote</b>	<b>Approved Recurrent FY 2020/21</b>			<b>Supplementary I FY 2020/21</b>		
	<b>Gross current Estimates</b>	<b>Gross Capital Estimates</b>	<b>Total Estimates</b>	<b>Gross Current Estimates</b>	<b>Gross Capital Estimates</b>	<b>Total Gross Estimates</b>
Environment and Forestry	10,255.02	5,995.09	16,250.11	9,327.20	3,517.49	12,844.69
Water, Sanitation & Irrigation	6,232.61	70,452.83	76,685.44	5,645.90	76,364.31	82,010.21
State Department for Mining	637.14	312.00	949.14	588.20	54.90	643.10
State Department for Wildlife	10,108.08	693.81	10,801.89	7,649.38	638.06	8,287.44
<b>Total Sector Allocation</b>	<b>27,232.84</b>	<b>77,453.74</b>	<b>104,686.58</b>	<b>23,210.68</b>	<b>79,936.70</b>	<b>103,785.44</b>

Source: Parliamentary Budget Office

### 3.0 SUBMISSIONS BY MINISTRIES, DEPARTMENTS AND AGENCIES

17. The Departmental Committee on Environment and Natural Resources held a retreat in Naivasha where it met with the Ministries, Departments and Agencies under its purview to interrogate the Supplementary Budget 1 for the FY 2020/21. The retreat was held from 21<sup>st</sup> to 24<sup>th</sup> February, 2021. The Committee was briefed by the Principal Secretary for Petroleum and Mining, Mr. Andrew N. Kamau, the Principal Secretary for Wildlife, Prof. Fred Segor, and the Principal Secretary for Environment and Forestry, Dr. Chris Kiptoo, on Monday, 22<sup>nd</sup> February, 2021. The Principal Secretary for Water, Sanitation and Irrigation, Mr. Joseph Irungu, CBS appeared before the Committee on Wednesday, 24<sup>th</sup> February, 2021. The following are the highlights of the submissions by the Ministries, Departments and Agencies under the Committee's purview:

#### 3.1 State Department for Mining

18. The gross Approved Estimates for the State Department for Mining in the FY 2020/21 is **KSh.949.14 Million**, comprising of **KSh.637.14 Million** for recurrent budget and **KSh.312 Million** development budget. The estimates have been revised to **KSh.643.10 Million** in the FY 2020/21 Supplementary Estimates No. I, comprising of **KSh.588.20 Million** for recurrent budget and **KSh.54.90 Million** for development budget.

19. Various critical projects have been affected by the cuts, which include: Mineral Certification Laboratory whose allocation of Kshs. 30 Million has been reduced by Kshs. 28.9 Million; Online Transactional Mining Cadaster Portal with an allocation of Kshs. 15 Million has been reduced by Kshs. 14.4 Million, Mineral Audit Support project whose aim is to procure equipment such as Royalty Management System that would strengthen the inspectorate activities. The project's allocation of Kshs. 20 Million has been reduced by Kshs. 16.2 Million. Other affected projects include: Granite Processing Centre in Vihiga County, Kisii Soapstone Value Addition Centre, and Kakamega Gold Refinery.

#### 3.2 State Department for Wildlife

20. The gross Approved Estimates for the State Department for Wildlife in the FY 2020/21 is **Kshs.10.801 billion**, comprising of **Kshs.10.108 billion** for recurrent budget and **Kshs.693.8 Million** development budget. The estimates have been revised to **KSh. 8.287 billion** in the FY 2020/21 Supplementary Estimates No. I, comprising of **Kshs. 5.649 billion** for recurrent budget and **KSh.638 Million** for development budget. This represents a reduction of **Kshs 2.514 billion** for the State Department. The reduction is majorly occasioned by austerity measures and AIA reduction by Kenya Wildlife Service which has been negatively impacted by COVID 19 pandemic.

21. The critical area affected by the reduction is on Human Wildlife Conflict, which is a strategic intervention. The Department has a pending bill of Kshs. 608 million on the approved HWC compensation for the FY 2019/2020. There is a further approval of HWC compensation for FY 2020/2021 of Kshs. 937 million. The allocation in the FY 2020/21 is Kshs. 603 million out of which Kshs. 523 million is for HWC compensation and Kshs. 80 M for processing the claims through the County Wildlife Conservation Committees and the Ministerial Wildlife Conservation and Compensation Committee. However, the supplementary budget has proposed the reduction of Kshs. 80 million to Kshs. 38 million. The Ministry has also not received the Kshs. 523 million to pay the approved compensation.

22. The refurbishment of the NSSF Building that houses that State Department for Wildlife has been revised to zero in the Supplementary Budget from an allocation of Kshs. 10 million. The State Department has procured the State Department for Public Works to prepare BQs and Tender Documents for office partitioning. Further, the Public Service Commission has completed the recruitment of ten wildlife officers who will be reporting in March, 2021. The allocation was to partition and renovate their offices.
23. The Tsavo Boundary Dispute Program is a Presidential Directive with an allocation of Kshs. 33.15 million in the printed estimates. The State Department for Wildlife had advertised and awarded for drilling of three boreholes and equipping them in 2020. The program has been revised to Kshs. 12.2 million which will result to a pending bill.
24. The State Department for Wildlife has a pending bill of Kshs. 608 million on approved HWC compensation claims for the FY 2019/2020. Further, it has a pending bill of Kshs. 40.4 million under the Nairobi Safari Walk Development and Education Outreach Program funded by Japan. These funds were allocated in FY 2019/2020, but they were never released.

### 3.3 Ministry of Environment and Forestry

25. The gross Approved Estimates for the Ministry of Environment and Forestry in the FY 2020/21 is **Kshs. 16.250 billion**, comprising of **Kshs. 10.255 billion** for recurrent budget and **Kshs.5.995 billion** development budgets. The estimates have been revised to **Kshs. 12.844 billion** in the FY 2020/21 Supplementary Estimates No. I, comprising of **Kshs. 9.327 billion** for recurrent budget and **Kshs. 3.517 billion** for development budget. This represents a decrease of Kshs. 3.406 billion.
26. In the Development vote, Lake Victoria Environment Management Project (LVEMP Phase II) with an approved estimate of Kshs. 10 million has already incurred an expenditure of Kshs. 10 Million towards the payment of a pending bill in respect to the water hyacinth harvesting equipment. A reduction by Kshs. 5 Million will result into a pending bill.
27. The National Tree Planting Campaign Project whose target is to achieve 10% forest cover by 2022, has an approved allocation of Kshs. 540 Million in the FY 2020/2021. However, the project has a reduction of Kshs. 230 Million. the reduction will affect tree planting in 350,000 ha of farmland as well as refurbishment of tree nurseries and the development of other critical infrastructure for enhanced tree planting, which may run into disuse for lack of maintenance.
28. The Ministry requires a total of Kshs. 765 Million as current transfers to the following agencies to enable them pay salaries for the months of May and June: NEMA (Kshs. 200 M), Kenya Water Tower Agency (Kshs. 100 M), National Environment Complaint Committee (Kshs. 20 M), Kenya Forest Service (Kshs. 425 M) and NETFUND (Kshs. 20 M). Other recurrent requirements include: Kshs. 17 M for communication (Data Exchange) which a key operation for Kenya Meteorological Department, Kshs. 52 M for payment of security and cleaning services at the KMD as well as Kshs. 12 M for running the KMD Regional Offices across the country.

29. The ministry has a total pending bill of Kshs 44 million comprising of Kshs 36.77 million in recurrent and Kshs 7.21 million in development vote. On account of compensations payments arising from the court judgements, the ministry has a further pending bills amounting to kshs 630 million.
30. In addition, the total Pending Bills held by the sagas under the ministry amount to Kshs 4.113 billion mainly held by the two SAGAs namely the Kenya Forest Service and Kenya Forestry Research Institute with pending bill stock of Kshs 4013 million and Kshs 104.9 million respectively. There is the risk of this growing significantly in the medium term.

### **3.4 Ministry of Water, Sanitation and Irrigation**

31. The gross Approved Estimates for the Ministry of Water, Sanitation and Irrigation in the FY 2020/21 is **Kshs. 77.215 billion**, comprising of **Kshs. 6.233 billion** for recurrent budget and **KShs.70.983 billion** development budget. The estimates have been revised to **Kshs. 82.010 billion** in the FY 2020/21 Supplementary Estimates No. I, comprising of **Kshs. 5.646 billion** for recurrent budget and **Kshs. 76.364 billion** for development budget
32. There is a reduction of Kshs. 586.7 Million in the recurrent expenditure with Kshs. 46.527 million having been reduced from Use of Goods and Services, Kshs. 540 Million from Current Grants and Transfers and Kshs. 179,331 from Non-Financial Assets. The Ministry's Headquarter Recurrent vote also has a reduction of Kshs. 44 Million. the reductions on the grants and transfers will affect the personnel emoluments and operation and maintenance costs for the SAGAs. Further, contractual obligations will not be met, hence resulting into pending bills.
33. Under the Development Vote, GOK funded projects worth Kshs. 7.993 billion have a reduction of Kshs. 2.953 billion of which most of the projects have a 50% cut. The balance for the implementation of the projects is Kshs. 5.039 billion. The reduction result in delayed project completion as well as escalation in project costs due to penalties.
34. The Ministry has a net growth of GOK funded project of Kshs. 843.7 Million. It has also received an additional Kshs. 8.776 billion to fund emerging priorities, however, it has lost Kshs. 7.925 billion due to budget cuts on the ongoing projects, implying that the growth is partially internal resourced.
35. The Ministry has a pending bill of Kshs. 20.6 Million, whereas its agencies have pending bills as follows: Water Resources Authority (Kshs. 3,016 M), National Water Harvesting and Storage Authority (Kshs. 1,683 M), Lake Victoria South Water Works Development Agency (Kshs. 412 M), Coast Water Works Development Authority (Kshs. 131 M), Central Rift Water Works Agency (Kshs. 135.07 M), Tana Water Works Development Agency (Kshs. 58.2 M), Tanathi Water Works Development Agency (Kshs. 17.98 M). Most of the SAGAs pending bill are mainly due to unremitted statutory deductions and exchequer issues in FY 2019/20 where the Ministry did not receive Kshs. 6 billion on GoK funded projects.

## PART III

### 4.0 COMMITTEE OBSERVATIONS AND RECOMMENDATIONS

The Committee made the following observations:

#### 4.1 State Department for Mining

##### 4.1.1 Observations

36. The Mining sector is grossly underfunded and this hampers the State Department for Mining from achieving its full potential.
37. The State Department for Mining operations and maintenance are entirely GOK funded. The scaling down of funding its key programmes has adversely affect its deliverables. With reduced funding, the following challenges are likely to persist in the medium term and slow down the implementation of the Department's activities:
  - i) Under-Exploration of Kenya's surface area that has been geologically mapped
  - ii) Non availability of up to date Geological and mineral data
  - iii) Challenges in accessibility to land for exploration and mining
  - iv) Illegal quarrying activities
  - v) Inadequate support to non-industrial and artisanal mining
38. The State Department for Mining AIA collection was at Kshs 14 million out of the total target of Kshs 100 million, as at 31<sup>st</sup> December, 2020 reflecting 14% collection. There are therefore doubts on the achievement of 100% collection by the end of this financial year.
39. The Department's development vote has been reduced from Kshs. 312 million to Kshs 54.9 million affecting 11 critical projects in the sector. The affected projects are mainly inspectorate and licensing activities, that are critical for the Department's A-in-A collection. Among such key projects affected include:
  - i) Online Transactional Mining Cadaster Portal whose budget of Kshs. 15M has been revised downward by Kshs. 14.7 M;
  - ii) Mineral Certification Laboratory whose allocation of Kshs. 30 M has been revised downward by Kshs. 28.9M; and
  - iii) Mineral Audit Support whose allocation of Kshs. 20 M has been revised downward by Kshs. 16.2M.

##### 4.1.2 Policy Recommendations

40. Noting that the State for Mining original budget was seriously underfunded, The National Treasury should consider reinstating all budgetary allocations for Mining projects and programs in the subsequent budgets, so as to support geological exploration in the country, establish geological and mineral data for the local resources, and support the non-industrial and artisanal mining in the country.
41. The National Treasury to review the AIA allocation for State Department for Mining by 50% as the Department will not be able to meet the set target of Kshs. 100 M for the remaining part of the FY 2020/21.

### 4.1.3 Financial Recommendations

42. The National Treasury to reinstate the allocations for the State Department for Mining development vote have been reduced from the following projects:

Table 2

Project	Allocation	Revised Estimates	Deduction	Comments
Online Transactional Mining Cadaster Portal	15 million	553,700	(14,446,300)	The Portal facilitates online management to prospective miners, processors and dealers. The Department will not be able to issue mining permits.
Mineral Certification Laboratory	30,000,000	1,027,600	(28,972,400)	This is an MTP III project to support geological mapping and mineral exploration to ascertain quantities and qualities
Mineral Audit Support	20,000,000	3,808,648	(16,191,352)	The Project aims at strengthening enforcement and inspectorate activities.

## 4.2 State Department for Wildlife

### 4.2.1 Observations

43. The Wildlife sector has been disrupted by COVID-19 pandemic, especially on revenue collection in wildlife enterprises and wildlife sanctuaries. Therefore, the policies for the agencies under the sector should be geared towards addressing such challenges as recovery from the effects of the pandemic.
44. The State Department for Wildlife has an allocation of Kshs. 7.212 billion in the printed estimates for current transfers to the SAGAs. However, this has been revised to Kshs. 4.860 billion in the Supplementary Budget. The variance of Kshs. 2.352 billion will affect the funding for the KWS staff salaries for the months of February to June, 2021. It will also affect other critical operations such as: HWC mitigation measures, intelligence and investigation activities, anti-poaching security operations, veterinary interventions, contractual obligations as well as utilities.
45. The State Department for Wildlife has a pending bill of Kshs. 40.42 M under Nairobi Safari Walk Development and Education Outreach Programme, which is funded by JICA. The funds were allocated in the FY 2019/2020, but were never released, despite the request for the same in Supplementary 1 budget.

46. The allocation for the HWC compensation in the FY 2020/21 is Kshs. 603 million. This comprises Kshs. 523 million for HWC compensation, and Kshs. 80 million for processing the claims through the County Wildlife Conservation Committees and the Ministerial Wildlife Conservation and Compensation Committee. However, the supplementary budget has proposed a reduction from Kshs. 80 million to Kshs. 38 million. The reduction will result in processing delays for the HWC compensation. There is need for the National Treasury to release to reinstate Kshs. 42 million to facilitate HWC compensation processing by the County Wildlife Conservation Committees and the Ministerial Wildlife Conservation and Compensation Committee.

#### **4.2.2 Policy Recommendations**

47. The State Department for Wildlife together with its Agencies should aggressively employ policies and strategies that will give the sector quick wins against the ravages of COVID 19 that have affected earnings from foreign tourism, so as to focus on the local market.

#### **4.2.3 Financial Recommendations**

48. The National Treasury to reinstate Kshs. 2.352 billion to the State Department for Wildlife for current transfers to the SAGAs. The variance of Kshs. 2.352 billion will affect the funding for the KWS staff salaries for the months of February to June, 2021. It will also affect other critical operations such as HWC mitigation measures, intelligence and investigation activities, anti-poaching security operations, veterinary interventions, contractual obligations as well as utilities.
49. The National Treasury to release Kshs. 40.42 million to the State Department for Wildlife under Nairobi Safari Walk Development and Education Outreach Programme funded by JICA. The funds were allocated in FY 2019/2020 but were never released, despite the release being sought in Supplementary 1. These funds are critical for the improvement of the Nairobi National Park to enhance local tourism.
50. The National Treasury to reinstate Kshs. 42 million for the administration of the Human Wildlife Conflict Compensation claims through the County Wildlife Conservation Committees and the Ministerial Wildlife Conservation and Compensation Committee.

### **4.3 Ministry of Environment and Forestry**

#### **4.3.1 Observations**

51. The Lake Victoria Environment Management Project (LVEMP Phase II) has an allocation of Kshs. 10 million that has already been committed towards the payment of the Water Hyacinth Harvesting Equipment. The Equipment has been handed over to Lake Victoria Basin Development Authority. The Supplementary budget has reduced the project by Kshs. 5 M and therefore, it is likely to incur a pending bill should the cut be implemented.
52. The National Tree Planting Campaign project was allocated Kshs. 1 billion in the FY 2019/20. However, the project was allocated Kshs 540 million in the FY 2020/21 which has further been revised by the supplementary budget by Kshs. 230 million. Scaling down of funding will adversely affect the National Tree Planting Campaign Project, which was identified as an economic stimulus projects to inject economic recovery and cushion low-income earners through such programmes as a measure for post COVID 19 recovery.
53. The supplementary budget has proposed to revise the recurrent expenditure for the Ministry of Environment and Forestry. This will affect current transfers to the Agencies amounting to Kshs 860 Million: The proposed budgetary cuts will affect salaries and critical operational costs for the following agencies:

- i) National Environment Management Authority (NEMA) Kshs. 200M),
- ii) Kenya Water Towers Agency (Kshs. 100 M),
- iii) National Environment Complaint Committee (Kshs. 20 M),
- iv) Kenya Forest Service (KFS) Kshs. 425 M),
- v) NETFUND (Kshs. 20 M), and
- vi) Kenya Meteorological Department (Kshs. 95 M).

54. The Ministry of Environment and Natural Resources has a pending bill of Kshs. 43.98 million. It has a further pending bill on compensation payment in respect to Court Judgements issued against the Ministry amounting to Kshs. 630 Million. Additionally, its SAGAs, namely: KFS (Kshs. 4.013 M), KEFRI (Kshs. 104 M) and National Environment Tribunal (11.9M) have a cumulative pending bill of Kshs. 4,130 M. The Ministry therefore, has a total pending bill of Kshs. 4.848 billion. There is therefore need for the Ministry to set up a committee to verify the pending bills so as to have them financed in the subsequent budget.

#### **4.3.2 Policy Recommendations**

- 55. The Ministry of Environment and Forestry should employ strategies that will encourage achievement of 10% forest cover, mainly through public private partnership for the next financial year, as solely relying on exchequer may delay the achievement of the set target.
- 56. The Ministry should form a pending bills authentication committee and verify all the historical and other pending bills claims within this financial year.

#### **4.3.3 Financial Recommendations**

- 57. The National Treasury to reinstate Kshs. 5 million for the Lake Victoria Environment Management Project (LVEMP Phase II) to clear the payment of the Water Hyacinth Harvesting Equipment and pending bill for the supply of goods and services.
- 58. The National Treasury to reinstate Kshs. 230 million for the National Tree Planting Campaign project to increase the target towards the achievement of the 10% forest cover by 2022.
- 59. The National Treasury to reinstate the proposed reductions to the recurrent expenditure for the ministry which will affect current transfers to Transfers to the following Agencies: These proposed budgetary cuts will affect the agencies staff salaries and critical operational costs.
  - a. NEMA (Kshs. 200M),
  - b. Kenya Water Towers Agency (Kshs. 100 M),
  - c. National Environment Complaint Committee (Kshs. 20 M),
  - d. Kenya Forest Service (Kshs. 425 M),
  - e. NETFUND (Kshs. 20 M),
  - f. Kenya Meteorological Department (Kshs. 95 M).

### **4.4 Ministry of Water, Irrigation and Sanitation**

#### **4.4.1 Observations**

- 60. The Ministry and its 14 SAGAs has a cumulative reduction of Kshs. 586.7 million in the recurrent budget for the FY 2020/21. The reductions of Kshs. 44 million at the Headquarters will affect critical Operations and maintenance activities. The reductions of Kshs. 542.76 million in the SAGAs will affect both staff salaries, and Operations and Maintenance activities.
- 61. The Ministry and its SAGAs has a cumulative pending bill amounting to Kshs. 5.473 billion, most of which are historical pending bills, mainly due to unremitted statutory deductions as a

result of exchequer under issues in the FY 2019/20, where the Ministry did not receive Kshs. 6 billion on GOK funded projects. The pending bills are also occasioned by uncleared dues for supply of goods and services under the recurrent budget as a result of lack of budgetary allocation.

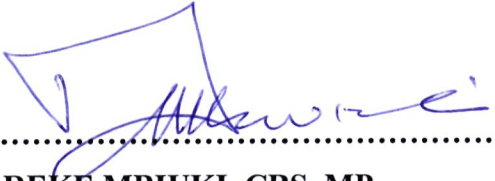
62. The Ministry of Water, Sanitation and Irrigation, having critically analysed its projects and programmes, requested to realign them so as to ensure that its absorption capacity is enhanced, especially through critical community based economic stimulus programmes, such as: Water for Schools Programme, Cross-County Bulk Water & Sanitation Improvement Programme, Community Based Irrigation Programme and National Expanded Irrigation Programme.

#### **4.4.2 Policy Recommendations**

63. The Ministry of Water, Sanitation and Irrigation to immediately audit all its ongoing projects that have been affected with budget cuts, with a view of aligning the project targets with the availability of resources, so as avert stalling of projects and commencement of new projects before the ongoing ones are completed.

#### **4.4.3 Financial Recommendations**

64. The National Treasury to reverse the budget cuts on the recurrent budget of Kshs 586.7 million mainly on Current Grants and Transfers to Semi-Autonomous Government Agencies (SAGAs). The funds are for staff salaries and Operations and Maintenance activities for the following agencies;
- |   |          |
|---|----------|
| i. HQs - Operations & Maintenance       | 43.94 m  |
| ii. Water Sector Trust Fund             | 50.00 m  |
| iii. Kenya Water Institute              | 10.00 m  |
| iv. National Water Harvesting & Storage | 20.00 m  |
| v. Water Resources Authority            | 100.00 m |
| vi. National Irrigation Authority       | 100.00 m |
| vii. Athi WWDA                          | 50.00 m  |
| viii. L.V. South WWDA                   | 20.00 m  |
| ix. L.V. North WWDA                     | 20.00 m  |
| x. Central Rift WWDA                    | 30.00 m  |
| xi. Coast WWDA                          | 100.00 m |
| xii. Tana WWDA                          | 10.00 m  |
| xiii. Northern WWDA                     | 20.00 m  |
| xiv. TANATHI WWDA                       | 10.00 m  |
| xv. Hydrologists Registration Board     | 2.76 m   |
65. The National Treasury to allocate Kshs. 5.473 billion for the Ministry of Water, Sanitation and Irrigation and its SAGAs to clear their pending bills, most of which are historical pending bills mainly due to unremitted statutory deductions as a result of exchequer under issues in the FY 2019/20 where the Ministry did not receive Kshs. 6 billion on GOK funded projects.
66. The Ministry of Water, Sanitation and Irrigation, having convinced the Departmental Committee on Environment and Natural Resources, realigned its projects and programmes to enhance its absorption capacity, by reallocating money to critical community based economic stimulus programmes, such as: Water for Schools Programme, Cross-County Bulk Water & Sanitation Improvement Programme, Community Based Irrigation Programme and National Expanded Irrigation Programme as tabulated in Annex 1.

SIGNED.......... DATE.....*26/02/2021*.....

**HON. KAREKE MBIUKI, CBS, MP**

**(CHAIRPERSON, DEPARTMENTAL COMMITTEE ON ENVIRONMENT AND NATURAL RESOURCES)**

**ANNEX 1**

<b>MINISTRY OF WATER, SANITATION AND IRRIGATION</b>					
<b>GOK DEVELOPMENT BUDGET PROPOSED REORGANISATION</b>					
<b>PROPOSED AREAS OF SAVINGS</b>					
<b>Project Name</b>	<b>Printed Estimates FY 2020/21</b>	<b>Submitted Supplementary Estimates I Figures</b>	<b>Proposed reallocation</b>	<b>Final Proposed Supplementary Estimates 1 FY2020/2021</b>	<b>Remarks</b>
1109100600 Rehabilitation of water and sanitation - Kirandich	40,000,000	40,000,000	30,000,000	10,000,000	Project to be prioritized in the next financial year to take care of current emerging issues
1109101100 Nairobi satelite towns water & sanitation project	100,000,000	100,000,000	75,000,000	25,000,000	The funds were to be applied for land acquisition & the process is still on-going thus can be finalized at the start of next financial year
1109101702 Kenya water security climate resilience project	220,000,000	220,000,000	100,000,000	120,000,000	Project on-going. Funds earmarked for RAP. However, it will be provided in the FY 2021/22
1107101703 Coastal Region Water Security and Climate Resilience	300,000,000	300,000,000	50,000,000	250,000,000	Project on-going. Funds earmarked for RAP. However, it will be provided in the FY 2021/22

1109101900 Kenya urban water & sanitation project	70,000,000	70,000,000	50,000,000	20,000,000	Funds reallocated to address emerging priorities. Project to be prioritized in FY 2021/22
1109102100 Nairobi rivers basin restoration programme	100,000,000	100,000,000	75,000,000	25,000,000	Funds to address RAP & shall be prioritized in 2021/22 FY
1109102500 Garissa sewerage project	169,000,000	84,500,000	63,375,000	21,125,000	Funds reallocated to address emerging priorities. Project to be prioritized in FY 2021/22
1109103400 Kisumu water supply - Lvwatsan	80,000,000	80,000,000	40,000,000	40,000,000	Budget surrendered to address emerging priorities.
1109105200 Green growth & employment creation	80,000,000	80,000,000	60,000,000	20,000,000	budget surrendered to address critical emerging priorities. To be prioritized in next financial year
1109105300 Vihiga cluster project- belgium	44,000,000	44,000,000	33,000,000	11,000,000	budget surrendered to address critical emerging priorities. To be prioritized in next financial year
1109105400 Sirisia chwele (koica)	40,000,000	40,000,000	30,000,000	10,000,000	budget surrendered to address critical emerging priorities. To be

					prioritized in next financial year
1109105500 Moi's bridge Matunda water & sewerage	103,000,000	51,500,000	25,750,000	25,750,000	budget surrendered to address critical emerging priorities. To be prioritized in next financial year
1109105600 Malava gravity scheme	131,000,000	65,500,000	16,375,000	49,125,000	budget surrendered to address critical emerging priorities. To be prioritized in next financial year
1109107100 Nrb Area Bulk Water Sources - Ruiru II dam	432,000,000	432,000,000	324,000,000	108,000,000	Project at commencement stage
1109107800 Kenya towns sustainable water supply & sanitation - Riftvalley	250,000,000	250,000,000	187,500,000	62,500,000	The expected works that shall be paid before the end of current financial year are donor funded
1109107900 Kenya towns suatrainable water supply & sanitation - Tana	300,000,000	300,000,000	225,000,000	75,000,000	Funds reallocated to address emerging priorities. Project to be prioritized in FY 2021/22
1109109000 Chemususu dam water supply project	500,000,000	250,000,000	100,000,000	150,000,000	Funds reallocated to address emerging priorities. Project to be prioritized in FY 2021/22

1109109900 Ithanga	80,000,000	80,000,000	60,000,000	20,000,000	Funds reallocated to address emerging priorities. Project to be prioritized in FY 2021/22
1109113100 Mathira water supply	131,000,000	65,500,000	32,750,000	32,750,000	Funds reallocated to address emerging priorities. Project to be prioritized in FY 2021/22
1109111400 Kenya towns sustainable water supply and sanitation - Athi	500,000,000	500,000,000	375,000,000	125,000,000	Funds reallocated to address emerging priorities. Project to be prioritized in FY 2021/22
1109111800 Lake Nakuru biodiversity conservation project	50,000,000	50,000,000	37,500,000	12,500,000	Funds reallocated to address emerging priorities. Project to be prioritized in FY 2021/22
1109112700 Water & sanitation dev't project (WSDP)	80,000,000	80,000,000	40,000,000	40,000,000	Funds reallocated to address emerging priorities. Project to be prioritized in FY 2021/22
1109113500 Homabay water supply improvement	50,000,000	50,000,000	17,500,000	32,500,000	Funds reallocated to address emerging priorities. Project to be prioritized in FY 2021/22

1109112300 Ending Drought Emergencies: Support To Drought Risk Management.	80,000,000	80,000,000	50,000,000	30,000,000	Funds reallocated to address emerging priorities. Project to be prioritized in FY 2021/22
1109117000 Affordable Housing	1,194,000,000	945,186,643	945,186,643	-	Designs & procurement process ongoing. Funds may not be absorbed within the time remaining in the current financial year. To be prioritized in the next financial year.
1109117100 Universal Health Care	759,000,000	424,944,566	424,944,566	-	Designs & procurement process ongoing. Funds may not be absorbed within the time remaining in the current financial year. To be prioritized in the next financial year.
1109117200 Manufacturing	264,000,000	110,000,000	110,000,000	-	Designs & procurement process ongoing. Funds may not be absorbed within the time remaining in the current financial year. To be prioritized in the next financial year.

1109118300 Bura irrigation scheme	650,000,000	650,000,000	350,000,000	300,000,000	Scope of works to be scaled down to accommodate emerging priorities. Project to be prioritized in the next FY 2021/22
1109119200 Turkana irrigation project	335,000,000	167,500,000	67,500,000	100,000,000	To be prioritized in the next financial year
1109119400 Lower Kuja irrigation project	250,000,000	125,000,000	52,055,434	72,944,566	To be prioritized in the next financial year
1109119900 Drought resilience in Northern Kenya	45,000,000	45,000,000	30,000,000	15,000,000	To be prioritized in the next financial year
<b>TOTALS</b>	<b>7,127,000,000</b>	<b>5,580,631,209</b>	<b>4,077,436,643</b>	<b>1,553,194,566</b>	

**PROPOSED AREAS FOR REINSTATEMENT/GROWTH**

	<b>Printed Estimates FY 2020/21</b>	<b>Supplementary Estimates I FY 2020/21</b>	<b>Proposed Amount to be reinstated</b>	<b>Final Proposed Supplementary Estimates 1 FY2020/2021</b>	<b>Remarks</b>
1109116400 Rehabilitation of water Supplies-Ijara water Works	100,000,000	50,000,000	20,097,814	70,097,814	This project targets an area with serious acute water shortage.
1109106200 Water Sector reform program	50,000,000	24,981,643	25,018,357	50,000,000	Critical activities on Water Act 2016 have to be finalized before end of financial year. These include finalization of the water

					regulations, Irrigation regulations, Asset transfers, Review of the water policy and Irrigation policy.
1109111300 Mwache water pipeline	100,000,000	50,000,000	50,000,000	100,000,000	The contract for the Makamini dam which is a check dam for the main Mwache Dam contract has been awarded and funds are needed to clear the advance certificate.
1109115500 Water for Schools -ESP	350,000,000	24,000,000	326,000,000	350,000,000	Various projects across the country are at various stages of completion and funds will be needed to pay the contractors. This is a high impact project aimed at addressing water needs in schools and surrounding communities.
1109115800 Cross County Bulk water & sanitation services improvement project	1,295,000,000	488,576,861	879,987,972	1,368,564,833	Various projects across the country are at various stages of completion and funds will be needed to pay the contractors. This is a high impact project aimed at addressing water needs

					communities in different areas across the country.
1109116000 Evaluation of surface & Groundwater interaction using Isotope Tech	15,000,000	7,500,000	7,500,000	15,000,000	This is a critical project in establishing quality of groundwater across the country
1109116200 Establish the Aluminium residues in water	20,000,000	10,000,000	10,000,000	20,000,000	This is a critical project in establishing quality of groundwater across the country
1109118400 Land Reclamation (land degradation 21ssessment programme)	20,000,000	-	10,000,000	10,000,000	Funds needed to defray ongoing contracts.
1109101300 Extension of Nairobi Water Supply (Northern Collector)	500,000,000	500,000,000	50,000,000	550,000,000	Funds needed to defray ongoing contracts.
1109118500 Community based irrigation projects	832,000,000	509,000,000	323,000,000	832,000,000	Various projects across the country are at various stages of completion and funds will be needed to pay the contractors. This is a high impact project aimed at addressing food

					security needs in communities in different areas across the country.
1109118700 National expanded Irrigation Programme	4,110,000,000	3,260,000,000	850,000,000	4,110,000,000	Various projects across the country are at various stages of completion and funds will be needed to pay the contractors. This is a high impact project aimed at addressing food security needs in communities in different areas across the country.
1109119000 National Water harvesting & Ground water exploitation	840,000,000	202,541,659	637,458,341	840,000,000	Various projects across the country are at various stages of completion and funds will be needed to pay the contractors. This is a high impact project aimed at addressing water needs communities in different areas across the country.
1109119100 Micro Irrigation program for schs.	100,000,000	2,209,800	97,790,200	100,000,000	Various projects across the country are at various stages of completion and funds will be needed to pay

					the contractors. This is a high impact project aimed at addressing irrigation needs in schools and surrounding communities.
1109119600 Monitoring & Evaluation of projects	110,000,000	19,416,041	90,583,959	110,000,000	This project caters for the M&E activities for the many projects across the vote.
1109119800 Household Irrigation water harvesting project	1,678,000,000	978,000,000	700,000,000	1,678,000,000	Various projects across the country are at various stages of completion and funds will be needed to pay the contractors. This is a high impact project aimed at addressing food security needs though carrying out irrigation projects
<b>TOTALS</b>	<b>9,620,000,000</b>	<b>5,626,226,004</b>	<b>4,077,436,643</b>	<b>9,703,662,647</b>	

Source: Ministry of Water, Sanitation and Irrigation

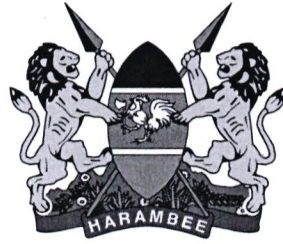
## **Proposed Annexures**

Annex 2: PBO brief on the proposed 2020/21 Budget Estimates

Annex 3: MDA's submissions

Annex 4: Minutes of the Committee sittings

Annex 5: Adoption List



**REPUBLIC OF KENYA**

**THE NATIONAL ASSEMBLY  
TWELFTH PARLIAMENT – FIFTH SESSION**

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**DEPARTMENTAL COMMITTEE ON FINANCE AND NATIONAL PLANNING**

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**REPORT ON THE CONSIDERATION OF THE SUPPLEMENTARY  
ESTIMATES FOR FY 2020/21:-**

The National Treasury

State Department for Planning

State Department for Devolution

Office of the Controller of Budget

Commission on Revenue Allocation

Salaries and Remuneration Commission

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**February, 2021**

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## PART I

### 1 PREFACE

#### 1.1 Introduction

1. The Supplementary Budget is prepared in accordance with Article 223 of the Constitution and Section 44 of the Public Finance Management Act, 2012; which provide for the reasons that may occasion it. It also provides for the manner of introduction, processing, approval and granting of authority to spend under the given circumstances. Specifically, the main reasons for a supplementary budget are where the funds allocated and appropriated for any purpose is insufficient and also when a need arises for which there is no appropriation. Approval of the National Assembly must be sort within 2 months after the first withdrawal of the funds. The supplementary budget is capped at 10% of the overall budget and at programmes level.
2. The National Assembly Standing Orders assigns the Departmental Committee on Finance and National Planning the mandate to consider matters in relation to *public finance, monetary policies, public debt, financial institutions(excluding those in security exchange), investment and divestiture policies, pricing policies, banking, insurance, population, revenue policies,national planning, and development.*
3. In that regard, the Committee is mandated to analyze, scrutinize and approve the supplementary estimates for the following government agencies under its purview:-
  - i. Vote 1071: The National Treasury
  - ii. Vote 1034: State Department for Planning
  - iii. Vote 1032: State Department for Devolution
  - iv. Vote 2121: Office of the Controller of Budget
  - v. Vote 2061: Commission of Revenue Allocation
  - vi. Vote 2081: Salaries and Remuneration Commission

## 1.2 Mandate of the Committee

4. The Departmental Committee on Finance & National Planning is one of the fifteen Departmental Committees of the National Assembly established under *Standing Order 216* whose mandates pursuant to the *Standing Order 216 (5)* are as follows:-
  - i. To investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned ministries and departments;
  - ii. **To study the programme and policy objectives of Ministries and departments and the effectiveness of their implementation;**
  - iii. To study and review all the legislation referred to it;
  - 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;
  - vi. To vet and report on all appointments where the Constitution or any law requires the National Assembly to approve, except those under Standing Order No.204 (Committee on appointments);
  - vii. To examine treaties, agreements and conventions;
  - viii. To make reports and recommendations to the House as often as possible, including recommendation of proposed legislation;
  - ix. To consider reports of Commissions and Independent Offices submitted to the House pursuant to the provisions of Article 254 of the Constitution; and
  - x. To examine any questions raised by Members on a matter within its mandate.
  
5. In executing its mandate, the Committee oversees the following government Ministries and departments:-
  - i. The National Treasury
  - ii. State Department for Planning
  - iii. State Department for Devolution
  - iv. Office of the Controller of Budget
  - v. Commission on Revenue Allocation
  - vi. Salaries and Remuneration Commission

### 1.3 Committee Membership

6. The Departmental Committee on Finance and National Planning was reconstituted by the House in July, 2020 and comprises of the following members:-

#### **Chairperson**

Hon. Gladys Wanga, CBS, MP  
MP for Homabay County

#### **ODM Party**

#### **Vice-Chairperson**

Hon. Isaac W. Ndirangu  
MP for Roysambu Constituency

#### **Jubilee Party**

#### **Members**

Hon. Jimmy O. Angwenyi, MGH, MP  
MP for Kitutu Chache North Constituency

#### **Jubilee Party**

Hon. Christopher Omulele, CBS, MP  
MP for Luanda Constituency

#### **ODM Party**

Hon. Shakeel Shabbir Ahmed, CBS, MP  
MP for Kisumu East Constituency

#### **Independent Member**

Hon. Daniel Nanok, MP  
MP for Turkana West Constituency

#### **Jubilee Party**

Hon. (Dr.) Christine Ombaka, MP  
MP for Siaya County

#### **ODM Party**

Hon. Andrew Okuome, MP  
MP for Karachuonyo Constituency

#### **ODM Party**

Hon. David Mboni, MP  
MP for Kitui Rural Constituency

#### **CCU Party**

Hon. Francis Kimani, MP  
MP for Molo Constituency

#### **Jubilee Party**

Hon. Joseph Oyula, MP  
MP for Butula Constituency

#### **ODM Party**

Hon. Joshua Kandie, MP  
MP for Baringo Central Constituency

#### **MCC Party**

Hon. Stanley Muthama, MP  
Member for Lamu West Constituency

#### **Jubilee Party**

Hon. Edith Nyenze, MP  
MP for Kitui West Constituency

#### **WDM-K**

Hon. Catherine Waruguru, MP  
MP for Laikipia County

#### **Jubilee Party**

Hon. James Mwangi, MP  
MP for Tetu Constituency

#### **Jubilee Party**

Hon. (Prof.) Mohamud Mohamed, MP  
MP for Wajir South Constituency

#### **Jubilee Party**

Hon. Peter Lochakapong, MP  
MP for Sigor Constituency

#### **Jubilee Party**

Hon. Qalicha Gufu Wario, MP  
MP for Moyale Constituency

#### **Jubilee Party**

#### **1.4 Committee Secretariat**

7. The Committee is facilitated by the following secretariat:-

Ms. Leah W. Mwaura  
**Senior Clerk Assistant/Head of Secretariat**

Ms. Jennifer Ndeto  
**Principal Legal Counsel I**

Ms. Laureen Wesonga  
**Clerk Assistant II**

Mr. Josephat Motonu  
**Senior Fiscal Analyst**

Mr. Chelang'a Maiyo  
**Research Officer**

Mr. Yacoub Ahmed  
**Media Relations Officer III**

Mr. John Njoro  
**Serjeant-At-Arms**

Ms. Christine Maeri  
**Audio Officer**

Mr. Vitalis Augo  
**Office Assistant**

Ms. Jeruto Kosgey  
**Intern**

### **1.5 Overview on the Examination of the Supplementary Estimates I for FY 2020/21**

8. The Supplementary Estimates I for FY 2020/21 2021 was tabled in the House on Tuesday, 9<sup>th</sup> February, 2021 and thereafter referred to Departmental Committees for consideration.
9. 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 reallocation is necessary and in accordance with the law.
10. Upon a brief from the Parliamentary Budget Office, the Committee called for meetings with the Ministries and Government Agencies that it oversees to consider their Supplementary Estimates I for FY 2020/21. The Committee held a total of four sittings to consider the Supplementary Estimates I for FY 2020/21.

### **1.6 Acknowledgement**

11. The Committee is grateful to the Offices of the Speaker and Clerk of the National Assembly for the logistical and technical support that enabled it to discharge its mandate in considering the Supplementary Estimates I for FY 2020/21
12. I also wish to express my appreciation to the Honorable Members of the Committee, the Committee Secretariat, the National Treasury, the State Department for Planning, the State Department for Devolution, Office of the Controller of Budget, Commission on Revenue Allocation and Salaries and Remuneration Commission for the useful contributions they made towards the preparation and production of this report.
13. On behalf of the Committee and Pursuant to Standing Order 232 (5) it is now my duty to present the Committee's report to the Budget and Appropriations Committee.

**HON. GLADYS WANGA, CBS, MP**  
**CHAIRPERSON, DEPARTMENTAL COMMITTEE ON FINANCE AND NATIONAL PLANNING**

## PART II

### 2 BROAD OVERVIEW OF POLICIES CONTAINED IN THE SUPPLEMENTARY ESTIMATES I FOR FY 2020/21

14. The Supplementary Budget I for FY 2020/21 is underpinned by post COVID-19 Pandemic interventions and payment of pending bills among others. Also, the total revenue has been revised downwards whereas the expenditure has been increased, thereby occasioning an escalation of fiscal deficit from the projected 7.5% to 8.9% of the GDP. This has seen net domestic financing increased from 4.4% to 5.1% of the GDP.
15. Specifically, some of the notable changes in the MDAs under the Committee's oversight is the proposed reduction of the NG-CDF budget by KSh. 10 billion; allocation of KSh. 26.5 billion to the Kenya Airways; additional allocation to KRA of KSh. 2 billion and a new KMRC funding of KSh. 2.5 billion among others.

#### **Key programmes being implemented by specific MDA oversighted by the Committee**

16. The National Treasury will implement the following programmes:-
- i. General Administration, Planning and Support Services whose objective is to enhance institutional and human resource capacity for quality delivery of services;
  - ii. Public Financial Management whose objective is to increase the reliability, stability and soundness of the financial sector;
  - iii. Economic and Financial Policy Formulation and Management whose objective is to ensure stable macroeconomic environment;
  - iv. Market Competition whose objective is to promote and sustain competition;
17. State Department for Planning will implement the following programmes:-
- i. Economic policy and national planning with the objective of strengthening the linkage between planning, policy formulation and budgeting at all levels of government;
  - ii. National Statistical Information Services which will enhance evidence based decision making for socioeconomic development;
  - iii. Monitoring and Evaluation Systems which will improve tracking of implementation of development policies, strategies, and programmes and projects; and
  - iv. General Administration, Planning and Support Services whose objective is to enhance efficient and effective service delivery in programmes implementation.
18. The State Department for Devolution will implement the following programmes:-
- i. Devolution support services in order to facilitate effective implementation of the devolved system of government;
  - ii. General Administration, Planning and Support Services in order to provide efficient administrative services that would ensure effective execution of technical mandates of the state department; and
  - iii. Special initiatives which provides relief and rehabilitation.
19. The Office of the Controller of Budget will implement the programme on control and management of public finances with the objective of promoting prudent public financial management by authorizing withdrawals from public funds and reporting on budget

implementation to National and County Governments through Parliament and county assemblies.

20. The Commission on Revenue Allocation will implement the programme on Inter-Government Revenue and Financial Matters which will ensure equitable vertical and horizontal sharing of resources; promote good financial management; enhance revenue collection by both levels of government; and narrow marginalization gap.
21. The Salaries and Remuneration Commission will implement the programme on Salaries and Benefits Management in the Public Service with the aim of ensuring a dynamic and harmonized competitive remuneration structure in the public service that rewards productivity, attracts and retains required skills; is transparent and also fiscally sustainable.

**Proposed sector ceilings for each vote**

22. The Supplementary Estimates I for FY 2020/21 proposes the following ceilings for the MDAs oversighted by the Committee:-
  - i. The National Treasury: **KSh. 144,979 million;**
  - ii. State Department for Planning: **KSh. 35,354 million;**
  - iii. State Department for Devolution: **KSh. 1,598 million;**
  - iv. Office of the Controller of Budget: **KSh. 585 million;**
  - v. Commission on Revenue Allocation: **KSh. 330 million; and**
  - vi. Salaries and Remuneration Commission: **KSh. 459.7 million.**

### 3 SUBMISSIONS BY MINISTRIES, DEPARTMENTS AND AGENCIES

The MDAs submitted as follows when they appeared before the Committee:-

#### The National Treasury

23. The Supplementary Estimates I for FY 2020/21 proposes to increase the National Treasury's budget to **KSh. 144,979 million** from **KSh. 116,979 million**, a difference of **KSh. 28,000 million**. The budget for Treasury's programmes will increase by:-

- i. General Administration, Planning and Support Services – **KSh. 6,808 million**;
- ii. Public Financial Management – **KSh. 21,186 million**;
- iii. Economic and Financial Policy Formulation and Management – **KSh. 48.68 million**;  
and
- iv. Government Clearing Services – **KSh. 1.5 million**.

The budget for the programme: Market Competition will reduce by **KSh. 44 million**.

#### State Department for Planning

24. The Supplementary Estimates I for FY 2020/21 proposes to reduce the State Department for Planning's budget to **KSh. 35,354 million** from **KSh. 45, 667 million**, a difference of **KSh. 10,313 million**. The State Department requires reinstatement of **KSh. 10,502.61 million** to fund the following:-

- i. **KSh. 75 million** for NCPD to implement SRC salary review recommendations;
- ii. **KSh. 30 million** for NEPAD to cater for the planned monitoring of regional integrated infrastructure projects and submit to AU;
- iii. **KSh. 30 million** for VDS to fill the advertised positions;
- iv. **KSh. 10 million** for KIPPRA to cater for staff recruitment;
- v. **KSh. 17.9 million** for National Integrated Monitoring and Evaluation System (NIMES);
- vi. **KSh. 9.26 million** for Community Empowerment and Institutional Support Programme (CEISP);
- vii. **KSh. 48.28 million** for Kenya Devolution Support Programme (KDSP – Planning and M & E component);
- viii. **KSh. 13.84 million** for National Economic Planning and International Partnerships;
- ix. **KSh. 15.5 million** for Integration and Coordination with ICPD POA-NCAPD;
- x. **KSh. 10 billion** for NG-CDF;
- xi. **KSh. 120 million** for Kenya Statistics Programme for Results;
- xii. **KSh. 28.43 million** for Headquarters – administration services;
- xiii. **KSh. 14.37 million** for Sustainable Development Goals (SDGs);
- xiv. **KSh. 3.5 million** for social and governance;
- xv. **KSh. 8.23 million** for Monitoring and Evaluation Department;
- xvi. **KSh. 3.53 million** for National Economic and Social Council; and
- xvii. **KSh. 74.56 million** for Project Implementation Management Unit.

### **State Department for Devolution**

25. The Supplementary Estimates I for FY 2020/21 proposes to reduce State Department for Devolution's budget for FY 2021/22 from **KSh. 5,644 million** to **KSh. 1,598 million**, a difference of **KSh. 4,066 million**. The State Department requested for additional funding of **KSh. 4,421.5 million** to cater for the following:-

#### **Recurrent expenditure – KSh. 121 million**

- i. **KSh. 11.73 million** for compensation of employees;
- ii. **KSh. 19.09 million** for training expenses;
- iii. **KSh. 23.79 million** for fuel, oil and lubricants;
- iv. **KSh. 15.76 million** for routine maintenance – vehicles and other transport equipment;
- v. **KSh. 22.38 million** for temporary committees; and
- vi. **KSh. 28.26 million** for pending bills – transport services.

#### **Development Expenditure – KSh. 4,421.49 million**

- i. **KSh. 2,115 million** for level I conditional grants from World Bank;
- ii. **KSh. 1,687.85 million** for activities to trigger the release of the 4% undisbursed funds and to finalise the program Action Plans required for closure of the program;
- iii. **KSh. 8.02 million** for pending bills- KDSP (bills for consultancy services, air ticketing and conference facilities);
- iv. **KSh. 24.36 million** for pending bills – KDSP (KDSP experts on contracts to the end of FY 2020/21. Staff gratuity and salary arrears);
- v. **KSh. 123.38 million** for UNDP support to devolution programme;
- vi. **KSh. 3.62 million** for pending bills UNDP (conference facilities); and
- vii. **KSh. 338.27 million** for historical pending bills.

### **Office of the Controller of Budget**

26. The Supplementary Estimates I for FY 2020/21 proposes to reduce the Office of the Controller of Budget's budget from **KSh. 622 million** to **KSh. 585 million**, a difference of **KSh. 37 million**. The Office requested for additional funding of **KSh. 26.5 million** to cater for:-

- i. **KSh. 1.3 million** for courier services;
- ii. **KSh. 0.7 million** for foreign travel;
- iii. **KSh. 1.3 million** for domestic travel (M & E);
- iv. **KSh. 8 million** for printing;
- v. **KSh. 1.2 million** for office supplies; and
- vi. **KSh. 14 million** for public participation.

### **Commission on Revenue Allocation**

27. The Supplementary Estimates I for FY 2020/21 proposes to reduce the Commission on Revenue Allocation's budget from **KSh. 372 million** to **KSh. 330 million**, a difference of **KSh. 42 million**. The Commission requested that their budget be reinstated by **KSh. 48 million** to cater for:-

- i. **KSh. 6 million** for personnel emoluments;
- ii. **KSh. 1 million** for printing of the annual report for FY 2019/20;
- iii. **KSh. 2 million** for fuel;
- iv. **KSh. 13 million** for purchase of motor vehicle;
- v. **KSh. 3 million** for printing of technical report on 3<sup>rd</sup> Basis Revenue Sharing Formula;
- vi. **KSh. 8 million** for dissemination of the 3<sup>rd</sup> Basis Revenue Sharing Formula;

- vii. **KSh. 4 million** for consultative meetings with counties on budget ceilings;
- viii. **KSh. 5 million** for county Creditworthiness Initiative Forum; and
- ix. **KSh. 6 million** for report on state of marginalization in Kenya.

#### **Salaries and Remuneration Commission**

28. The Supplementary Estimates I for FY 2020/21 proposes to retain the Salaries and Remuneration Commission's budget at **KSh. 459.7 million**. The Commission requested for additional **KSh. 169 million** to cater for the following:-

- i. **KSh. 3 million** for development of a framework and policy for recognition of performance and productivity;
- ii. **KSh. 10 million** for remuneration and benefits survey to comply with the SRC Act, 2011;
- iii. **KSh. 12 million** for rent, electricity and service charge;
- iv. **KSh. 9 million** for maintenance of assets and other running costs;
- v. **KSh. 35 million** for ICT connectivity and office refurbishment; and
- vi. **KSh. 100 million** for staff mortgage and car loan scheme.

## PART III

### 4 COMMITTEE OBSERVATIONS

After considering the Supplementary Estimates I for FY 2020/21, the Committee observed that:-

#### **The National Treasury**

29. The overall revenue for the first half of the financial year has already underperformed by over KSh. 100 billion. However, the net effect of this Supplementary Budget is, paradoxically, an increase in expenditure by more than KSh. 100 billion. This is likely to exacerbate the problem of fiscal deficit.
30. The overall budget has been increased by 120 billion which is more than 10% thus, the provisions of Regulation 40(9) of the Public Finance Management Act, 2012 has been contravened;
31. The budget for National Treasury has been increased by KSh. 28 billion (24%). Also, in terms of programmes, General Administration, Planning and Support Services has been increased by 10%; Public Financial Management has been increased by 43% whereas Market Competition has been reduced by 12%. These three programmes have been adjusted by more than 10% thus, the provisions of Regulation 40(9) of the Public Finance Management Act, 2012 has been contravened;
32. Some of the notable adjustments are: capital injection of KSh. 26.5 billion to the Kenya Airways (equity participation in domestic public non-financial enterprises) out of which, KSh. 8.04 billion has already been disbursed to help the airline sustain basic operations during and post COVID-19 Pandemic; removal of the allocated KSh. 1.2 billion under strategic response to public initiatives; operationalization of the Kenya Mortgage Refinance Company with an external funding of KSh. 2.5 billion which has already been approved; and the Kenya Revenue Authority will receive additional KSh. 2 billion to support Revenue Enhancement Initiatives (REIs) ;

#### **State Department for Planning**

33. There is a proposed reduction of KSh. 10.3 billion and the main programme affected is the economic policy and planning which has a proposed reduction of KSh. 10 billion which is the allocation to the National Government Constituencies Development Fund (NG-CDF).
34. Some targets that have been adjusted include: reduction of number of counties with established development offices from 47 to 18; establishment of 18 new regional planning offices; publishing and dissemination of post COVID-19 Pandemic Economic Recovery Strategy; reduction of policy papers and dissemination seminars from 37 and 87 to 18 and 40 respectively; reduction of number of editors and journalists trained on population reporting from 120 to 60; and reduction of number of survey and census reports produced and disseminated from 20 to 12.

#### **State Department for Devolution**

35. The budget for the State Department for Devolution is proposed to be reduced by KSh. 4.066 billion mainly on account of a reduction of about KSh. 4 billion capital expenditure that was meant for devolution support programme for results. The reduction represents more than 72%

and this may affect the implementation of planned activities under the Kenya Devolution Support programme.

36. The budget for provision of relief food is domiciled in the Contingency Fund and this presents a challenge for the State Department in running the programme.

#### **Office of the Controller of Budget**

37. The budget has been proposed to be reduced by KSh. 37 million despite some expenditures having already been incurred. In addition, the blanket budget reduction on account of austerity measures touching on critical areas such as printing would affect this office in a significant manner given that this is at the core of their operations.
38. The Office intends to conduct monitoring and evaluation of projects in 47 counties and conduct research on budget implementation in addition to the usual functions of approving exchequer releases and budget implementation reporting. The move is positive given that it will provide an opportunity for the Office to ascertain whether disbursed are being applied for the intended purpose. The research will also inform data on the non – financial performance which will in turn facilitate effective oversight by the legislature in both levels of governments.

#### **Commission on Revenue Allocation**

39. The Commission's budget has been reduced by KSh. 42 million from KSh. 372 million to KSh. 330 million.
40. The Commission intends to issue annual recommendation of recurrent ceiling, inducting of County Budget and Economic Forum, developing one framework for financing urban areas and cities, a recommendation for sharing of natural resources revenue and a recommendation of sharing of revenue between the National and county governments. As such the reduction in allocation will negatively affect key activities of the commission.

#### **Salaries and Remuneration Commission**

41. The Commission has not been affected by any budget cuts in the Supplementary Estimates I for the FY 2020/21.
42. The Commission plans to issue Collective Bargaining Agreement advisories as well as Remuneration and Benefits advisories and circulars having completed the salary structure for state officers, carrying out compliance audits in counties and MDAs, conducting quarterly wage bill forecasts and drafting the Remuneration and Benefits Bill, developing a framework for rewarding productivity, rationalizing allowances in the public service, implementation of Job Evaluation and reviewing the remuneration and benefits structure for state officers.

## **5 COMMITTEE RECOMMENDATIONS**

### **5.1 Policy Recommendations**

#### **National Treasury**

43. In order to respond to the fact that the 2020/21 first half revenue target has underperformed by over KSh. 100 billion coupled with the fact that contraction in most of the sectors of the economy do not show any significant recovery in the second half of FY 2020/21, the overall expenditure in the Supplementary 2020/21 should be reduced by the same margin so as to contain the fiscal deficit.
44. In order to safeguard the budget credibility, the proposed adjustments in the programmes should be within the 10% as espoused in the Public Finance Management Regulations.

#### **State Department for Planning**

45. The proposed reduction of the National Government Constituencies Development Fund (NG-CDF) by KSh. 10 billion should be reinstated. The proposed reduction will violate the provisions of the NG-CDF Act, 2015 which sets the minimum amount at 2.5% of all National Government's share of revenue as divided by the annual Division of Revenue Act.

#### **State Department for Devolution**

46. The proposed reduction should be reinstated because during the engagement between the Committee, the State Department for Devolution it was clarified that the reduction was founded on the basis that the Kenya Devolution Support for Results programme was coming to an end in April but the programme got a no cost extension for November, 2021.
47. The budget for relief food should be domiciled in this State Department for Devolution so as to ensure seamless distribution of relief food to vulnerable communities who depend on this food and therefore cannot be classified as an emergency.

#### **The Office of the Controller of Budget**

48. The reductions touching on critical areas such as printing and also expenditure that has already been incurred should be reversed to ensure seamless delivery of the Office's mandate.

## 5.2 Financial recommendations/Proposed reallocations

### i. Proposed reductions of the proposed ceilings

Vote	Programme/Area/item	Proposed Reduction (Millions)	Justification
1071: National Treasury	071700: General Administration, Planning and Support Services	538.13	The amount will fund additional budgetary allocation to the following MDAs:- i. Commission on Revenue Allocation – KSh. 48 million; ii. Office of the Controller of Budget – KSh. 26.5 million; iii. The recurrent expenditure of the State Department for Devolution – KSh. 121.01 million; and iv. The State Department for Planning – KSh. 342.62 million.
	071800: Public Financial Management	3,962.23	The amount will fund the additional budgetary allocation of KSh. 3,962.23 million to the development expenditure of the State Department of Devolution

### ii. Proposed increments on the proposed ceilings

Vote	Programme/Area/item	Proposed Increases (Millions)	Justification
<b>COMMISSION ON REVENUE ALLOCATION</b>			
2061	Personnel Emoluments	6	The Commission had already committed some of the funds that were reduced from their budget. The additional funds will enable them to honor the commitments.
	Printing of the annual report for FY 2020/21	1	
	Fuel	2	
	Motor vehicle	13	
	Printing of technical report on 3 <sup>rd</sup> Basis Revenue Sharing Formula	3	
	Dissemination of the 3 <sup>rd</sup> Basis Revenue Sharing Formula	8	
	Consultative meetings with counties on budget ceilings	4	
	County Creditworthiness Initiative Forum	5	
	Report on state of marginalization in Kenya	6	
	<b>TOTAL</b>		

<b>OFFICE OF THE CONTROLLER OF BUDGET</b>			
<b>2121</b>	Courier services	<b>1.3</b>	The additional funds will enable the Office to discharge its mandate optimally and also pay the funds that had already been committed.
	Foreign travel	<b>0.7</b>	
	Domestic travel (M & E)	<b>1.3</b>	
	Printing	<b>8</b>	
	Office supplies	<b>1.2</b>	
	Public participation	<b>14</b>	
<b>TOTAL</b>			<b>26.5</b>
<b>STATE DEPARTMENT FOR DEVOLUTION</b>			
<b>Recurrent Expenditure</b>			
<b>1032</b>	Compensation of employees	<b>11.73</b>	The additional funds will cater for critical underfunded areas of the State Department.
	Training expenses	<b>19.09</b>	
	Fuel, oil and lubricants	<b>23.79</b>	
	Routine maintenance – vehicles and other transport equipment	<b>15.76</b>	
	Temporary committees	<b>22.38</b>	
	Pending bills – transport services	<b>28.26</b>	
	<b>TOTAL</b>		
<b>Development Expenditure</b>			
	Level I conditional grants from World Bank	<b>2,115</b>	Most of the additional budget will fund the Kenya Devolution Support for Results programme was coming to an end in April but the programme got a no cost extension for November, 2021.
	Activities to trigger the release of the 4% undisbursed funds and to finalise the program action plans required for closure of the program	<b>1,687.85</b>	
	Pending bills – KDSP (bills for consultancy services, air ticketing and conference facilities)	<b>8.02</b>	
	Pending bills – KDSP (KDSP experts on contracts to the end of FY 2020/21. Staff gratuity and salary arrears)	<b>24.36</b>	
	UNDP support to devolution programme	<b>123.38</b>	
	Pending bills UNDP (conference facilities)	<b>3.62</b>	
	<b>TOTAL</b>		
<b>STATE DEPARTMENT FOR PLANNING</b>			
<b>1034</b>	NCPD to implement SRC salary review recommendations	<b>75</b>	Most of the additional funds will cater for critically underfunded areas in the State Department.

NEPAD to cater for the planned monitoring of regional integrated infrastructure projects and submit to AU	<b>30</b>	Reinstatement of KSh. 10 billion to the NG-CDF is to adhere to the provisions of the NG-CDF Act, 2015.
Vision Delivery Secretariat to fill advertised positions	<b>30</b>	
KIPPRA to cater for staff recruitment	<b>10</b>	
Kenya Devolution Support programme (KDSP – Planning and M & E component)	<b>48.28</b>	
National Economic Planning and International Partnerships	<b>13.84</b>	
Integration and coordination with ICPD POA-NCAPD	<b>15.5</b>	
NG-CDF	<b>10,000</b>	
Kenya Statistics Programme for Results	<b>120</b>	
<b>TOTAL</b>	<b>10,342.62</b>	
<b>GRAND TOTAL</b>	<b>14,500.36</b>	

**iii. Critical Unfunded areas**

<b>Vote</b>	<b>Programme/Area/item</b>	<b>Proposed (millions)</b>	<b>Increase</b>	<b>Justification</b>
1034: State Department for Planning	NG-CDF		<b>10,000</b>	The proposed reduction will violate the provisions of the NGCDF Act, 2015 which sets the minimum amount at 2.5% of all National Government's share of revenue as divided by the annual Division of Revenue Act.

### 5.3 Summary of Observations and Recommendations

S/No.	Observation	Recommended Policy Change/ Non. Financial Recommendation for Supplementary	Financial Recommendation (If any)
1.	The overall revenue for the first half of the financial year has already underperformed by over KSh. 100 billion. However, the net effect of this Supplementary Budget is, paradoxically, an increase in expenditure by more than KSh. 100 billion. This is likely to exacerbate the problem of fiscal deficit.	In order to respond to the fact that the 2020/21 first half revenue target has underperformed by over KSh. 100 billion coupled with the fact that contraction in most of the sectors of the economy do not show any significant recovery in the second half of FY 2020/21, the overall expenditure in the Supplementary 2020/21 should be reduced by the same margin so as to contain the fiscal deficit.	
2.	The overall budget has been increased by 120 billion which is more than 10% thus, the provisions of Regulation 40(9) of the Public Finance Management Act, 2012 has been contravened.	In order to safeguard the budget credibility, the proposed adjustments in the programmes should be within the 10% as espoused in the Public Finance Management Regulations.	
3.	The budget for National Treasury has been increased by KSh. 28 billion (24%). Also, in terms of programmes, General Administration, Planning and Support Services has been increased by 10%; Public Financial Management has been increased by 43% whereas Market Competition has been reduced by 12%.		

	These three programmes have been adjusted by more than 10% thus, the provisions of Regulation 40(9) of the Public Finance Management Act, 2012 has been contravened.		
4.	There is a proposed reduction of KSh. 10.3 billion and the main programme affected is the economic policy and planning which has a proposed reduction of KSh. 10 billion which is the allocation to the National Government Constituencies Development Fund (NG-CDF).	The proposed reduction of the National Government Constituencies Development Fund (NG-CDF) by KSh. 10 billion should be reinstated. The proposed reduction will violate the provisions of the NGCDF Act, 2015 which sets the minimum amount at 2.5% of all National Government's share of revenue as divided by the annual Division of Revenue Act.	<b>Reinstate KShs. 10.3 billion under the programme economic policy and planning to be allocated to NG-CDF</b>
5.	The budget for the State Department for Devolution is proposed to be reduced by KSh. 4.066 billion mainly on account of a reduction of about KSh. 4 billion capital expenditure that was meant for devolution support programme for results. The reduction represents more than 72% and this may affect the implementation of planned activities under the Kenya Devolution Support programme.	The proposed reduction should be reinstated because it has hitherto, emerged that the reduction was founded on the basis that the Kenya Devolution Support for Results programme was coming to an end in April but the programme got a no cost extension for November, 2021.	
6.	The budget for provision of relief food is domiciled in the Contingency Fund and this presents a challenge for the	The budget for relief food should be domiciled in this State Department for	

	State Department in running the programme.	Devolution so as to ensure seamless distribution of relief food to vulnerable communities who depend on this food and therefore cannot be classified as an emergency.	
7.	<p><b>Office of the Controller of Budget</b></p> <p>The budget has been proposed to be reduced by KSh. 37 million despite some expenditures having already been incurred. In addition, the blanket budget reduction on account of austerity measures touching on critical areas such as printing would affect this office in a significant manner given that this is at the core of their operations.</p>	The reductions touching on critical areas such as printing and also expenditure that has already been incurred should be reversed to ensure seamless delivery of the Office's mandate.	<b>KSh. 26.5</b>

SIGNED:..... DATE..... 26<sup>th</sup> February 2021

**HON. GLADYS WANGA, CBS, MP**

**(CHAIRPERSON, DEPARTMENTAL COMMITTEE ON FINANCE AND NATIONAL PLANNING)**

**Proposed Annexures**

**Annex 1: Mini Schedule indicating the final ceilings per programme**

Vote	Programme	Draft Ceilings (As tabled) (In Millions)			Committee Amendments (In Millions)			Final ceilings (In Millions)		
		Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total
2081: Salaries and Remuneration Commission	Salaries and Benefits Management in the Public Service	459.7	-	459.7	-	-	-	459.7	-	459.7
2061: Commission on Revenue Allocation	Inter-Government Revenue and Financial Matters	330	-	330	48	-	48	378	-	378
2121: Office of the Controller of Budget	Control and Management of Public Finances	585	-	585	26.5	-	26.5	611.5	-	611.5
1032: State Department for Devolution	Devolution Support Services and General Administration and Support Services	930	668	1,598	121	3,962	4,083	1,051	4,630	5,681
1034: State Department for Planning	Economic Policy and National Planning, National statistical Information, Monitoring and Evaluation Systems, Integrated Regional Development and General Administration, Planning and Support	3,140	32,214	35,354	145	10,198	10,343	3,285	42,352	45,637

		Services								
1071: The National Treasury	General Administration, Planning and Support Services	72,904	-	72,904	(538)	-	(538)	72,366	-	<b>72,366</b>
	Public Financial Management	-	70,992	70,992	-	3,962	3,962	-	74,954	<b>74,954</b>

Annex 2: PBO brief on the BPS/ Supplementary Budget 1 for 2020/21

Annex 3: MDA's submissions

Annex 4: Minutes of the Committee sittings

Annex 5: Adoption List

**REPUBLIC OF KENYA**



**THE NATIONAL ASSEMBLY**

**TWELFTH PARLIAMENT – FIFTH SESSION**

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**DEPARTMENTAL COMMITTEE ON HEALTH**

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**THE EXAMINATION OF THE SUPPLEMENTARY BUDGET ESTIMATES I FOR FY  
2020/2021 MINISTRY OF HEALTH-VOTE 1081**

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## **PART I**

### **1.0 PREFACE**

#### **1.1 INTRODUCTION**

1. This is the Departmental Committee on Health report on the scrutiny of the Supplementary Budget Estimates I for FY 2020/2021 for the Ministry of Health and Agencies, which fall under the health sector. The Report is a result of deliberations between the Committee and the Ministry of Health on the contents of the supplementary budget estimates tabled in the House.
2. Of importance, the Report contains the observations and recommendations of the Committee as regards the proposed supplementary budget estimates I FY 2020/2021 for the Health sector. The Sector is made up of the Ministry of Health alongside its Semi-autonomous Government Agencies (SAGAs).

#### **1.2 MANDATE OF THE COMMITTEE**

3. The Departmental Committee on Health is established under Standing Order 216 and mandated to consider all matters relating to the health Sector. The Committee covers the Ministry of Health alongside its Semi Autonomous Government Agencies (SAGA's) in terms of budget oversight. The SAGA's are:
  - i Kenya National Hospital (KNH);
  - ii Moi Teaching and Referral Hospital (MTRH)
  - iii Kenyatta University Teaching, Research and Referral Hospital (KUTRRH)
  - iv Kenya Medical Training College (KMTC)
  - v Kenya Medical Supplies Agency (KEMSA)
  - vi Kenya Medical Research Institute (KEMRI)
  - vii National Aids Control Council (NACC)
  - viii National Hospital Insurance Fund (NHIF)
  - ix Kenya Nuclear Regulatory Authority (KENRA)

### 1.3 COMMITTEE MEMBERSHIP

#### **Chairperson**

Hon. Sabina Chege, MP  
Murang'a County

#### **Jubilee Party**

#### **Vice-Chairperson**

Hon. Joshua Kutuny, MP  
Cherangan'y Constituency

#### **Jubilee Party**

#### **Members**

Hon. (Dr.) Eseli Simiyu, MP  
Tongaren Constituency

#### **Ford Kenya Party**

Hon. Gideon Ochanda, MP  
Bondo Constituency

#### **ODM Party**

Hon. (Dr.) James Nyikal, MP  
Seme Constituency

#### **ODM Party**

Hon. Alfred Agoi Masadia,  
MPSabatia Constituency

#### **ANC Party**

Hon. (Dr.) James K, Murgor, MP  
Keiyo North Constituency

#### **Jubilee Party**

Hon. Muriuki Njagagua, MP  
Mbeere North Constituency

#### **Jubilee Party**

Hon. (Dr.) Mohamed D. Duale, MP  
Daadab Constituency

#### **KANU Party**

Hon. Beatrice Adagala, MP  
Vihiga County

#### **ANC Party**

Hon. James G Wamacukuru  
Kabete Constituency

#### **Jubilee Party**

Hon. Prof. Mohamud Sheikh, MP  
Wajir South

#### **Jubilee Party**

Hon. Sarah Puleta Korere, MP  
Laikipia North Constituency

#### **Jubilee Party**

Hon. Capt. Ruweida Mohamed, MP  
Lamu County

#### **Jubilee Party**

Hon. Kipsengeret Koros, MP  
Sigowet-Soin Constituency

#### **Independent Party**

Hon. Martin Peters Owino,  
MPNdhiwa Constituency

#### **ODM Party**

Hon. Joyce Ekai Emanikor, MP  
Turkana County

#### **Jubilee Party**

Hon. Said Hirabe, MP  
Galole Constituency

#### **Ford Kenya Party**

Hon. Tongoyo Gabriel Koshal, MP  
Narok West Constituency

#### **CCM Party**

#### **1.4 COMMITTEE SECRETARIAT**

4. The following members of the Secretariat support the Committee;

- |                               |   |                        |
|-------------------------------|---|------------------------|
| 1. Mr Benjamin Magut          | - | Senior Clerk Assistant |
| 2. Mr Muyodi Meldaki Emmanuel | - | Clerk Assistant II     |
| 3. Ms Christine Odhiambo      | - | Legal Counsel I        |
| 4. Mr Eric Kanyi              | - | Fiscal Analyst         |
| 5. Mr Ahmed Yakub             | - | Media Officer          |
| 6. Nimrod Ochieng             | - | Audio Officer          |

#### **1.5 ACKNOWLEDGEMENT**

5. The Committee is thankful to the Office of the Speaker and the Clerk of the National Assembly for the logistical and technical support accorded to it during its sittings. The Committee is also grateful to Members and the Secretariat for their dedication and useful expertise and insights during the scrutiny of the Supplementary Budget Estimates I FY 2020/2021.
6. Finally, it is now my pleasant duty, on behalf of the Departmental Committee on Health, to present this Report to the Supplementary Budget Estimates I FY 2020/2021 to the Budget and Appropriations Committee

**HON. SABINA CHEGE, MP**

**(CHAIRPERSON, DEPARTMENTAL COMMITTEE ON HEALTH)**



## PART II

### 2.0 OVERVIEW OF THE SUPPLEMENTARY BUDGET ESTIMATES I FOR FY 2020/2021 FOR THE HEALTH SECTOR

7. According to the National Treasury, the proposed adjustments in the 2020/21 budget estimates for the Ministry of Health under the supplementary budget are aimed at providing resources towards wages/salaries, providing for COVID 19 related expenditures and undertaking budget rationalization given the country's economic situation.
8. The recurrent allocation has been increased by Kshs 2.1 Billion, whereas the development allocation has been reduced by Kshs 2.2 Billion. The resultant effect of the proposed adjustment is a reduction of the 2020/21 MOH budget by Kshs 154 Million as indicated below:

Programmes	Supplementary I			Revised Estimates		
	Recc	Dev	Total	Recc	Dev	Total
Preventive, Promotive & RMNCAH	1,307	10,086	11,393	5,278	17,700	22,978
National Referral & Specialized Services	1,917	(1,100)	817	33,486	9,740	43,226
Health Research and Development	(500)	(104)	(604)	8,840	483	9,323
General Administration, Planning & Support Services	117	-	117	7,405	1,245	8,650
Health Policy, Standards and Regulations	(757)	(11,120)	(11,877)	11,525	15,844	27,369
<b>Total</b>	<b>2,084</b>	<b>(2,238)</b>	<b>(154)</b>	<b>66,534</b>	<b>45,012</b>	<b>111,546</b>

The following are the key changes in the recurrent component of the budget:

HEAD	Supplementary 1			Revised Estimates			Component affected
	Gross	AIA	Net	Gross	AIA	Net	
KMTC	(200)	-	(200)	6,589	3,640	2,949	Current grants
KEMSA	(250)	-	(250)	3,629	3,629	-	Current grants
KEMRI	(300)	-	(300)	2,193	130	2,063	Current grants
NACC	(500)	-	(500)	372	-	372	Current grants
UHC coordination and Management Unit	(750)	-	(750)	4,117	-	4,117	Current grants
MTRH	1,057	-	1,057	10,701	2,703	7,998	Current grants
KNH	1,111	-	1,111	15,083	5,092	9,991	Current grants
Kenya COVID 19 emergency response	1,830	-	1,830	1,830	-	1,830	<ul style="list-style-type: none"> <li>▪ Wages (temporary employees)- Kshs 1.3 Billion</li> <li>▪ Current grants- Kshs 500 Million</li> </ul>
KMPDC	187	-	187	187	-	187	Current grants

9. The development budget has been reduced by Kshs 2.2 Billion on account of a significant reduction towards the rollout of the UHC project and COVID 19 Economic Stimulus Programme (ESP). There are also adjustments (reductions and increases) in donor-supported projects towards HIV, Malaria, TB, COVID 19, and provision of vaccines (GAVI) and reproductive health commodities.

10. The following are the key issues regarding the adjustments to the Budget of the Ministry of Health:

A. Introduction of new projects- There are several new capital projects which have been introduced in the supplementary. The new projects are majorly funded by development partners. The new capital projects are:

- i Customized Ambulances for COVID 19 response (Japan) - Kshs 40 Million (external funding) - The target is to have ten (10) customized ambulances.

- ii Renovation and improvement of Gatundu Level 5 hospital at Kshs 100 Million (GoK funding). The target set is 50% completion rate, implying the estimated cost of these renovations is Kshs 200 Million.
  - iii Supply of medical equipment and associated services (France) at Kshs 1.7 Billion. This project aims to supply COVID 19 hospitals with medical equipment with a target of 28 hospitals
  - iv GESdesk COVID 19 response project (France) at Kshs 1.9 Billion. The target set is to carry out 70,000 COVID 19 tests as well as the provision of medical equipment to hospitals.
  - v Kenya COVID 19 Emergency response project (World Bank) - The target set is to carry out 290,000 COVID 19 tests.
- B. Reduction in allocation to the rollout of UHC by Kshs 10 Billion. This allocation was mainly to KEMSA for the provision of HPT's for UHC and NHIF for the rollout of insurance cover to the indigents. This reduction presents mixed signals in terms of the implementation of this flagship project under the big four agenda. It is an expectation that the rollout of UHC could have been fast-tracked to complement efforts towards the response to the COVID 19 pandemic.
- C. Reduction in allocation towards COVID 19 Economic Stimulus Programme (ESP) – The National Treasury allocated Kshs 525 Million to the Ministry of Health towards COVID 19 ESP. The allocation was meant for the supply of locally sourced hospital beds at Kshs 500 million and the purchase of walkthrough sanitizers to be installed in hospitals and border points at Kshs 25 million. However, this allocation has been reduced by Kshs 400 Million and subsequently reallocated towards the purchase of PPE's.

D. Resources towards COVID 19 interventions- The supplementary budget has provided resources amounting to Kshs 8.2 Billion (both GoK and external) towards COVID 19 mitigation. A summary of COVID 19 funds provided is as follows:

- Kenya COVID 19 emergency response (GOK) - Kshs 1.8 Billion
- Kenya COVID 19 emergency response project (external funding) - Kshs 2.6 Billion
- GESdesk COVID 19 response project (external funding) - Kshs 1.9 Billion
- Customized Ambulances for COVID 19 response (external funding) - Kshs 40 Million
- Supply of medical equipment and associated services (external funding) - Kshs 1.7 Billion

E. 2020/21 budget hearings capital projects- According to the National Treasury, budget public hearings capital projects with an allocation of Kshs 162 Million covering five (5) counties has been transferred from the National Treasury to the Ministry of Health for implementation. The projects are:

- Equipping of Bildad Kaggia level 4 hospital (Murang'a County) - Kshs 20 Million;
- Infrastructure support to KMTC's campuses in Samburu, Narok, Busia, Kisii and Murang'a – Kshs 142 Million.

F. Kenya COVID 19 emergency response - This is a new item under the recurrent budget. It is GOK funded allocation meant to cater for wages for temporary employees (Kshs 1.3 Billion) and Kshs 500 Million as current grants. The set targets under this project are as follows:

- Provision of medical cover to 15,000 health workers in Counties with no medical scheme (Kshs 500 Million);
- Wages for the temporary health workers engaged in response to the COVID 19 pandemic (Kshs 1.3 billion);

### 3.0 SUBMISSION BY MINISTRY OF HEALTH

The Ministry of Health Officials appeared before the Committee on 22<sup>nd</sup> and 23<sup>rd</sup> February 2021. The following is a summary of the submissions made:

11. The total budget allocation for the Ministry of Health in the FY 2020/21 amounts to **Kshs.111.70 billion**. This comprises **Kshs.64.45 billion** and **Kshs.47.25 billion** for recurrent and capital expenditures respectively.
12. However, the proposed Supplementary Estimates No.1 has rationalized the budget from **Kshs.111.70 billion** to **Kshs.111.55 billion**. This comprises of recurrent of **Kshs.66.53 billion** and development of **Kshs.45.01 billion**.
13. The Ministry of health total recurrent budget has increased by **Kshs.2.08 billion** from **Kshs.64.45 billion** to **Kshs.66.53 billion**. This is a net increase as a result of various reductions and increments. However, despite the said increase, there is a reduction in the grants transfers to five SAGAs and MoH Operations and Maintenance budget specifically communication services and fuel oil & lubricants.
14. The Ministry has also witnessed a reduction in the development budget by **Kshs.2.24 billion**.
15. The Ministry requested for retention of the allocated funding and also for additional financing as follows:

Item Description	Reason for Retention
Roll out of Universal Health Coverage	Retention of <b>Kshs.6 billion</b> from the overall reduction of <b>Kshs.10,022,280,000</b> in the UHC development budget for the provision of UHC medical scheme to cover 1M poor households @ Kshs. 6,000 per household. <ul style="list-style-type: none"><li>• So far, 33 Counties have registered vulnerable households totalling 600,603. The rest to be done before the end of February 2021</li></ul>

Item Description	Reason for Retention
Special Global funds HIV Grant KEN-H- TNT-GOK	The reduction will move the budget from Kshs.1.2 B to <b>Kshs.840 M</b> will affect; <ul style="list-style-type: none"> <li>• Procurement of HIV medical commodities is ongoing and is part of the counterpart fund.</li> <li>• Funding for HIV through the Global fund will be affected by reducing the counterpart funds and resulting in reduced country allocations.</li> </ul>
NACC Recurrent	<ul style="list-style-type: none"> <li>• The deficit of <b>Kshs.500million</b> has been rationalized to Kshs.340 million. It is proposed to be funded with funds already in the NACC bank account amounting to Kshs.100 million initially earmarked for a capital project (Maisha plaza) and retain Kshs.240 million from the proposed budget cut.</li> </ul>
Kenya Medical Training College	<ul style="list-style-type: none"> <li>• <b>Kshs.200 million</b> for salaries</li> </ul>
Kenya Medical Research Institute	<ul style="list-style-type: none"> <li>• <b>Kshs.300 million</b> for salaries</li> </ul>
Family Planning Commodities	<ul style="list-style-type: none"> <li>• <b>Kshs.503 million</b> for procurement of family planning and reproductive health commodities.</li> </ul>

16. The Ministry requested additional funding under the supplementary to cater for the following areas:

Item Description	Reason for Additional Funding
Kenyatta University Teaching, Referral and Research Hospital	<b>Kshs.1.2 billion</b> is required to provide for salaries and operational costs. Failure to secure the funds would halt a significant of its operations. <ul style="list-style-type: none"> <li>• Currently, the hospital is operating at 50% of its capacity</li> <li>• Kshs.895 million is required to pay for salaries</li> <li>• Operations and maintenance require Kshs.262 million</li> <li>• It is proposed that Kshs.400 million earmarked for procurement of PPEs under the ESP be reallocated to cater for part of the deficit.</li> <li>• The additional funding requested is Kshs.800million</li> </ul>
Managed Equipment Services (MES) Project	The additional funding of Kshs.2.2 billion is required to bridge the funding gap to meet contractual obligations and avoid penalties and interests accruing to the government. <ul style="list-style-type: none"> <li>• The Ministry accrued a pending bill of <b>Kshs.1.17 billion</b> owed to three contractors. The pending bill formed the first charge in the financial year 2020/21 within the allocation of <b>Kshs.6.205 billion</b>. The total funds required to meet the MES project's contractual obligations fully is Kshs.7.2 billion, resulting in a deficit of <b>Kshs.2.2 billion</b>.</li> </ul>
Procurement of HIV/AIDs drugs and medical supplies	<ul style="list-style-type: none"> <li>• Additional funding of Kshs.530 million is required to pay taxes for HIV medicines, laboratory reagents and medical supplies donations by the US government through USAID. Two consignments have</li> </ul>

Item Description	Reason for Additional Funding
	<p>already been shipped to the country.</p> <ul style="list-style-type: none"> <li>The funds to clear taxes are required because the framework to operationalize the partnership agreement has not been signed. Therefore the commodities cannot qualify for tax exemptions.</li> </ul>
COVID-19 Health Emergency Response Project (C-HERP)	<ul style="list-style-type: none"> <li>The Ministry is requesting the inclusion of Kshs.850 million in the development budget for the COVID-19 project funded by the World Bank.</li> </ul>
Salary requirement for COVID-19 Specialist for six months	<ul style="list-style-type: none"> <li>An additional provision of <b>Kshs.1.3 billion</b> for payment of salaries for the COVID-19 Specialist for the remaining six (6) months.</li> </ul>

## PART III

### 4.0 COMMITTEE OBSERVATIONS

16. The Committee made the following observations during the review and scrutiny of the 2020/21 supplementary Estimates:

- i.) That there is a general reduction in the recurrent allocation especially among the SAGA's on account of austerity measures. The Committee is concerned that the reductions even though are on account of austerity measures, may have implications in the Agencies' effective functioning. The reductions have also affected the salaries component of the SAGA's despite this expenditure item being non-discretionary.
- ii.) The Committee observed that KMTC in the 2020/21 financial year had budgeted Kshs 800 million to cater for other recurrent expenditures. However, in their submission, they have a deficit of Kshs 200 Million on personnel emoluments.
- iii.) That new projects with a total allocation of Kshs 162 Million have been introduced in the supplementary budget. The explanation given is that these were projects from budget public hearings and have been transferred from the National Treasury to the Ministry of Health to implement. Ironically the allocations to other ongoing projects within the Ministry have been reduced. This means that no new allocation has been transferred from the National Treasury to fund the budget hearings projects. Rather, the reduction of the allocations to ongoing projects within the Ministry has been reallocated to these public hearings projects. The National Treasury failed to demonstrate why the new projects are being prioritized over the ongoing projects.
- iv.) That the allocation towards the UHC one of the big four agenda has been reduced by Kshs 10 Billion. It is an expectation that the implementation of the UHC will augment efforts towards dealing with the COVID 19 pandemic hence this reduction has no justification. The Committee also notes that Kshs 6 Billion out of the Kshs 10 Billion for UHC rollout is meant to provide insurance subsidy to poor households through NHIF. This allocation has been entirely reduced even though the Ministry is at the tail end of

registering the initial 1 million indigent households. This means the provision of insurance targeting 1 million indigent households under UHC is set for a delay if the proposed reduction of Kshs 6 Billion is effected.

- v.) That despite the minimal overall reduction of Kshs 2 Billion in the Ministry of Health development allocation, finer details indicate that the GOK development funding has reduced by Kshs 13 Billion, adversely affecting most projects including the response against the COVID 19, which the development partners primarily support. The over-reliance on donor support in critical areas within the health sector puts the country at a grave risk given development partners' erratic nature.
- vi.) That the GOK allocation to the Ministry of Health has been reduced yet the Ministry has no funds for the acquisition of COVID 19 vaccines, which needs to be the government's priority in responding to the COVID 19 pandemic rather than waiting for development partners' support.
- vii.) That Kshs 500 million has been provided for insurance cover for health workers in 22 counties. The Committee believes that each county government should put measures to take care of its health workers and national government resources should not be provided to cater to county function selectively. The Committee also observes that the other 25 counties may also cease providing insurance for their health workers and wait for national government support.
- viii.) That the allocation towards family planning Commodities has been reduced by Kshs 503 Million. This is a key programme that plays a critical role in population control in the country, and if left unchecked, it will be out of control in the next few years, hence creating more social challenges.
- ix.) The Committee observes that there has been an upsurge in the establishment of KMTC campuses in the recent past, which put a serious strain on the teaching resources available to support quality learning in these institutions.

- x.)The Committee observed that the National Treasury had reduced the counterpart funding relating to the provision of HIV drugs. This is against the National Treasury guidelines to MDA's on the preparation of the supplementary estimates. The guidelines indicate that counterpart funding is exempted from the budget cuts.
- xi.) The Committee observed that the Ministry of Health has pending bills totalling Kshs 384 Million, which accrued from the last financial year (2019/20) and which it had prioritized for payment in FY 2020/21. The Committee notes that the proposed budget reductions will result in non-payment of pending bills totaling Kshs 89.8 Million.

## 5.0 COMMITTEE RECOMMENDATIONS

17. The Committee having received submissions from the Ministry of Health and after having insightful deliberations on the proposed supplementary budget, makes the following recommendations: -

### (a) Financial recommendations

i) The Committee rejects the proposed reductions in the areas highlighted below and recommends reinstating the allocations:

Programme	Head/Item	Amount to be reinstated	Justification
Health Policy, planning and Standards	The rollout of Universal Health Coverage	Kshs 6 Billion (development)	This allocation is meant to provide insurance cover to 1 Million indigent households under the UHC at the cost of Kshs 6,000 annually. So far, 600,000 households have been identified in 33 counties, while the rest will be completed by the end of March 2021. This allocation must be reinstated for the programme to be implemented.
	Infrastructure support to Kigumo Hospital	Kshs 150 Million (Development)	Procurements has already been undertaken for this project and it is also a presidential directive project.
Preventive and promotive health	National Aids Control Council (NACC) current grants	Kshs 248 Million (recurrent)	NACC has no internal revenues and any reductions in their grants will result in salaries shortfalls
	Special global funds HIV grant – GOK counterpart funding	Kshs 360 Million (development)	The reduction is against the guidelines given by the National Treasury that counterpart funding have been exempted from the budget cuts

<b>Programme</b>	<b>Head/Item</b>	<b>Amount to be reinstated</b>	<b>Justification</b>
Research and Development	Kenya Medical Research Institute (KEMRI) current grants	Kshs 300 million (recurrent)	The proposed reduction has resulted in salaries deficiency in this critical institution which is spearheading the development of COVID 19 vaccines among other medical research
General Administration	Headquarters	Kshs 90 Million	To cater for payment of pending bills

i The Committee makes the following reallocations

**a) Reductions**

<b>Programme</b>	<b>Area/Item</b>	<b>Recommendation</b>	<b>Justification</b>
Health policy planning standards and regulations	Procurement of PPE's	Reduce Kshs 400 Million (development)	The Committee agreed with the Ministry to allocate the Kshs 400 Million to Kenya University Referral hospital to cater for salaries shortfalls and other operational costs
Preventive and promotive health	Kenya COVID 19 emergency response	Reduce Kshs 500 Million (recurrent)	The Committee is of the view that the national government should not fund this allocation which is meant for insurance for health workers in 22 counties

**b) Increments**

<b>Programme</b>	<b>Area/Item</b>	<b>Recommendation</b>	<b>Justification</b>
National Referral and specialized services	Kenyatta University hospital current grants	Increase by Kshs 400 Million (recurrent)	The allocation is to cater for personnel emoluments shortfalls and other operational costs, given that this hospital plays a vital role in the COVID 19 response.

<b>Programme</b>	<b>Area/Item</b>	<b>Recommendation</b>	<b>Justification</b>
Preventive and promotive health	Procurement of family planning commodities	Increase by Kshs 200 Million (Development)	To cater for the purchase of family planning and reproductive health commodities
Research and development	Infrastructure support to KMTC's	Increase Kshs 300 Million (Development)	To support the existing KMTC's campuses with the requisite facilities.

- ii) That the various SAGA's within the Ministry and specifically the KMTC through their respective Boards to immediately re-organize their budgets to prioritize non-discretionary expenditures such as personnel emoluments to support the government rationalization of budget efforts.
- iii) That Kshs 850 Million for the COVID-19 Health Emergency Response Project (C-HERP) supported by the World Bank be included in the 2020/21 budget, which the Ministry indicated was an oversight by the National Treasury.
- iv) That the Budget Committee considers allocating additional resources to the following areas:

<b>Programme</b>	<b>Area/Item</b>	<b>Recommendation</b>	<b>Justification</b>
National Referral and specialized services	Kenyatta University hospital current grants	Kshs 800 Million (recurrent)	To cater for personnel emoluments shortfalls and other operational costs.
Preventive and promotive health	Procurement of HIV/AIDS drugs	Kshs 90 Million (development)	For payment of taxes demanded by the government on the USAID consignment undertaken by CHEMONICS

Programme	Area/Item	Recommendation	Justification
	Salary requirement for COVID 19 specialists for six months	Kshs 1.3 Billion (recurrent)	To pay salaries for the remaining six months for the frontline health workers engaged in the response against the COVID 19 pandemic.

SIGNED.......... DATE.....

HON....., MP

(CHAIRPERSON, DEPARTMENTAL COMMITTEE ON HEALTH)

Supp. Estimate

REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY

.....

TWELFTH PARLIAMENT

FIFTH SESSION-2021

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DEPARTMENTAL COMMITTEE ON JUSTICE AND LEGAL AFFAIRS

REPORT

ON CONSIDERATION OF THE FY 2020/21 SUPPLEMENTARY ESTIMATES I

CLERK'S CHAMBERS  
DIRECTORATE OF DEPARTMENTAL COMMITTEES  
PARLIAMENT BUILDINGS  
NAIROBI

FEBRUARY 2021

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### **LIST OF ABBREVIATIONS AND ACRONYMS**

BPS	-	Budget Policy Statement
CAJ	-	Commission on Administrative Justice
CFS	-	Consolidated Fund Services
DJ	-	Department of Justice
DPP	-	Directorate of Public Prosecutions
EACC	-	Ethics and Anti-corruption Commission
FY	-	Financial Year
IEBC	-	Independent Electoral and Boundary Commission
IFMIS	-	Integrated Financial Management System
JSC	-	Judicial Service Commission
JPIP	-	Judicial Performance Improvement Project
KNCHR	-	Kenya National Commission on Human Rights
OAG	-	Office of the Attorney General
RPP	-	Registrar of Political Parties
TNA	-	Training Needs Assessment
WPA	-	Witness Protection Agency

## LIST OF ANNEXURES

- Annexure 1:** Minutes of Committee sittings on the Supplementary Estimates I  
FY 2020/21 scrutiny
- Annexure 2:** Submissions by the Agencies on the Supplementary Estimates I FY  
2020/21

## **CHAIRPERSON'S FOREWORD**

The proposed Supplementary Estimates I for the 2020/21 Financial Year were tabled in the House on Tuesday 9<sup>th</sup> February, 2020 pursuant to the provisions of Article 223 of the Constitution, Sections 43(2) and 44 of the PFM Act 2012 and Part 40 of the PFM National Government Regulations. The Constitution provides room for the Agencies to spend monies that have not been appropriated under the 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.

Standing Order 235 of the National Assembly Standing Orders provides that the Estimates, upon being laid in the House, are deemed to have been committed to the respective Departmental Committees for scrutiny and report to the Budget and Appropriations Committee which reports to the House.

The Committee held a total of two (6) sittings scrutinizing the supplementary budget Estimates and considering and adopting its report. All agencies under the Committee's oversight appeared before the Committee on Tuesday 23<sup>rd</sup> February, 2021 and made submissions concerning the proposed supplementary budget. The Committee considered and unanimously adopted its report on 25<sup>th</sup> February, 2021.

May I take this opportunity to express my gratitude to the Committee Members for their devotion and commitment to duty which made scrutiny of the proposed 2020/21 Supplementary Budget Estimates successful. May I also extend my sincere gratitude to the Parliamentary Budget Office for providing expert advice, Offices of Speaker and Clerk of the National Assembly for providing overall guidance and direction and the Committee secretariat for providing technical and logistical support.

On behalf of the Departmental Committee on Justice and Legal Affairs, it is my pleasant privilege and duty to present to the Budget and Appropriations Committee a report of the Committee on the scrutiny of the Supplementary Estimate I of the FY 2020/21.

**HON. CLEMENT MUTURI KIGANO, M.P.**

## PART 1

### **1.0 PREFACE**

#### **1.1. Introduction**

1. This is the Committee report on its consideration of the Supplementary Estimates 1 for the FY 2020/2021 in accordance with Article 223 of the Constitution of Kenya and section 43(2) and 44 of the Public Finance Management Act 2012, Section 40 of the Public Finance Management National Government Regulations and Standing Order 243. The Departmental Committee on Justice and Legal Affairs held meetings with the Departments and Agencies under its purview to scrutinize their Supplementary Estimates on 23<sup>rd</sup> February 2021 at Trademark Hotel, Kiambu County. The Committee then consolidated its recommendations for submission to the Budget Committee pursuant to the provision of Standing Order 207(6).

#### **1.2. Mandate of the Committee**

2. The Departmental Committee on Justice and Legal Affairs derives its mandate from Standing Order No. 216(5) which provides for the functions of Departmental Committees as follows-
  - (a) investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned ministries and departments;
  - (b) study the programme and policy objectives of ministries and departments and the effectiveness of their implementation;
  - (c) study and review all legislation referred to it;
  - (d) study, assess and analyse the relative success of the ministries and departments as measured by the results obtained as compared with their stated objectives;
  - (e) investigate and enquire into all matters relating to the assigned ministries and departments as they may deem necessary, and as may be referred to them by the House;
  - (f) vet and report on all appointments where the Constitution or any law requires the National Assembly to approve, except those under Standing Order 204 (Committee on Appointments)
  - (g) examine treaties, agreements and conventions;
  - (h) make reports and recommendations to the House as often as possible, including recommendation of proposed legislation;
  - (i) consider reports of Commissions and Independent Offices submitted to the House pursuant to provisions of Article 254 of the Constitution; and
  - (j) Examine any questions raised by Members on a matter within its mandate.
3. The Second Schedule of the Standing Orders on Departmental Committees further outlines the Subjects of the Committee, as follows-
  - (a) Constitutional affairs;
  - (b) The administration of law and Justice
  - (c) The Judiciary;

- (d) Public prosecutions;
- (e) Elections;
- (f) Ethics, integrity and anti-corruption; and
- (g) Human rights.

### **1.3. Committee Membership**

#### **Chairperson**

Hon. Clement Muturi Kigano, M.P.

**Kangema Constituency**

**Jubilee Party**

#### **Vice Chairperson**

Hon. (Dr.) Paul Otiende Amollo, M.P.

**Rarieda Constituency**

**ODM - Party**

Hon. John Olago Aluoch, M.P.

**Kisumu West Constituency**

**FORD-Kenya**

Hon. George Peter Kaluma, M.P.

**Homa Bay Town Constituency**

**ODM-Party**

Hon. Roselinda Soipan Tuya, M.P.

**Narok County**

**Jubilee Party**

Hon. Junet Sheikh Mohammed, M.P.

**Suna East Constituency**

**ODM-Party**

Hon. Emmanuel Wangwe, M.P.

**Navakholo Constituency**

**Jubilee-Party**

Hon. W. Kamoti Mwamkale, M.P.

**Rabai Constituency**

**ODM-Party**

Hon. Josephine Naisula Lesuuda, M.P.

**Samburu West Constituency**

**KANU-Party**

Hon. Zuleikha Hassan, M.P.

**Kwale County**

**ODM-Party**

Hon. Jennifer Shamalla, M.P.

**Nominated MP**

**Jubilee Party**

Hon. Robert Gichimu Githinji, M.P.

**Gichugu Constituency**

**Jubilee-Party**

Hon. Anthony Oluoch M.P.

**Mathare Constituency**

**ODM-Party**

Hon. John Munene Wambugu, M.P.

**Kirinyaga Central**

**Jubilee -Party**

Hon. George Gitonga Murugara, M.P.

**Tharaka Constituency**

**Democratic Party (DP)**

Hon. Anthony Githiaka Kiai, M.P.

**Mukurueni Constituency**

**Jubilee-Party**

Hon. John Kiarie Waweru, M.P.  
**Dagoretti South Constituency**  
**Jubilee-Party**

Hon. Japheth Mutai, M.P.  
**Bureti Constituency**  
**Jubilee-Party**

Hon. Adan Haji Yussuf, M.P.  
**Mandera West Constituency**  
**Economic Freedom Party**

#### **1.4. Committee Secretariat**

4. The Committee secretariat is as follows-

Mr. Abenayo Wasike  
**Principal Clerk Assistant**  
**Lead Clerk**

Mr. Denis Abisai  
**Principal Legal Counsel I**

Ms. Halima Hussein  
**Clerk Assistant II**

Mr. Ahmed Hassan Odhawa  
**Principal Research Officer**

Mr. Omar Abdirahim  
**Fiscal Analyst III**

Ms. Roselyne Ndegi  
**Serjeant-at-Arms I**

Mr. Joseph Okongo  
**Media Liaison Officer**

5. Minutes of Committee sittings on scrutiny of the Supplementary Estimates I are attached to this report as annexure 1.

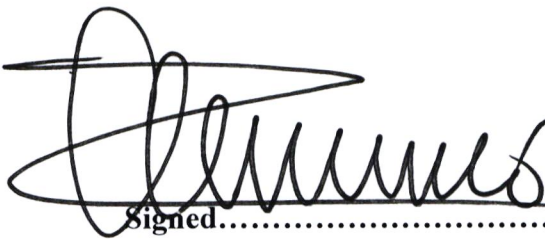
#### **1.5. Overview of the Examination of the Estimates**

6. The Committee held three (6) sittings in examining the estimates. The first sitting took place on 23<sup>rd</sup> February, 2021 where the Committee discussed the estimates with the Parliamentary Budget Office before interacting with the State agencies.

7. The subsequent sittings were held on 23<sup>rd</sup> – 24<sup>th</sup> February, 2021 where the Committee met with the officials from the state agencies that include; the Judiciary and Judicial Service Commission, the Ethics and Anti-Corruption Commission (EACC), Kenya National Commission on Human Rights (KNCHR) and the Independent Electoral and Boundaries Commission (IEBC), the Office of the Attorney General and Department of Justice (OAG&DOJ), Kenya Law Reform Commission (KLRC), the Office of the Director of Public Prosecutions, the Commission on Administration of Justice (CAJ), Office of the Registrar of Political Parties (ORPP), and Witness Protection Agency. The last sitting was held on 25<sup>th</sup> of February, 2020 where the Committee met and adopted its report.

**1.6. Acknowledgements**

8. The Committee is grateful to the Offices of the Speaker and the Clerk of the National Assembly for the logistical and technical support accorded to it during its sittings. The Committee wishes to thank all the State Departments under its purview for their participation in scrutinizing the 2020/21 Supplementary Estimates.
9. Finally, I wish to express my appreciation to the Honourable Members of the Committee who made useful contributions towards the preparation and production of this report.
10. It is my pleasant duty and privilege, on behalf of the Departmental Committee on Justice and Legal Affairs to submit its Report on the scrutiny of the FY 2020/21 Supplementary Estimate I.

  
Signed..... Date 24/2/2021.....

~~HON. CLEMENT MUTURI KIGANO, M.P.~~

CHAIRPERSON, DEPARTMENTAL COMMITTEE ON JUSTICE AND LEGAL  
AFFAIRS

Othman Amollo  
Vice-Chair.

## **PART 2**

### **2.0 INTRODUCTION**

11. The Supplementary Estimates I FY 2020/21 was tabled in the House on Tuesday, 9<sup>th</sup> February, 2020 pursuant to Article 223 of the Constitution, section 44 of the Public Finance Management Act, 2012, section 40 of the Public Finance Management Regulations, 2015 and Standing Orders 243 of the national assembly.
12. The second schedule of the Standing Orders for the National Assembly also mandates the Departmental Committee on Justice and Legal affairs to consider matters relating to -
  - (a) Constitutional affairs;
  - (b) The administration of law and Justice
  - (c) The Judiciary;
  - (d) Public prosecutions;
  - (e) Elections;
  - (f) Ethics, integrity and anti-corruption; and
  - (g) Human rights.
13. It is from this perspective that this Committee is now mandated to scrutinize the Supplementary Estimates II for the following agencies-
  - (i) Judiciary
  - (ii) Judicial Service Commission (JSC)
  - (iii) Office of the Attorney General and the Department of Justice (OAG&DJ)
  - (iv) Ethics and Anti-corruption Commission (EACC)
  - (v) Directorate of Public Prosecutions (DPP)
  - (vi) Registrar of Political Parties (RPP)
  - (vii) Witness Protection Agency (WPA)
  - (viii) Kenya National Commission on Human Rights (KNCHR)
  - (ix) Independent Electoral and Boundaries Commission (IEBC)
  - (x) Commission on Administrative Justice (CAJ)

### **2.1 THE LEGAL FRAMEWORK FOR SUPPLEMENTARY BUDGET**

14. The legal framework is articulated in Article 223 of the Constitution; Sections 43(2) and 44 of the PFM Act 2012 and Part 40 of the PFM National government Regulations. The Constitution provides room for the Agencies to spend monies that have not been appropriated under the 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.
15. The PFM Act and its regulation provide for the details and format of the Supplementary Budget. PFM Act ensures that the Supplementary Budget should include 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% of the total expenditure approved for the programme in that financial year.

## **2.2 OVERVIEW OF FY 2020/21 SUPPLEMENTARY ESTIMATES FOR THE GOVERNANCE, JUSTICE, LAW AND ORDER SECTOR**

### **2.2.1 Judiciary**

#### **a) Budget Performance for the First half 2020/21 Fiscal Year**

16. The approved budgetary allocation for the Judiciary in the FY 2020/21 is **Kshs. 17.4 billion** comprised of **Kshs. 14.7 billion** for recurrent expenditure and **Kshs 2.7 billion** for development expenditure.

17. The department's exchequer release as at the end of December, 2020 stood at Kshs 7.7 billion representing 44% of the department approved budget. The released funds comprised of Kshs 6.96 billion for recurrent expenditure and Kshs 0.69 billion for development expenditure. It is expected that the department ought to have delivered 44% of the department budget as at the end of the second quarter.

**Table 5: 1<sup>st</sup> Half Budget Implementation FY 2020/21 – Kshs Billions**

<b>Vote</b>	<b>Items</b>	<b>Approved Estimate</b>	<b>Net Estimate</b>	<b>Exchequer Issues</b>	<b>Absorption Rate</b>
Judiciary	Recurrent	14.7	14.7	6.96	47.3%
	Dev't	2.7	2.7	0.69	25.6%
	<b>Total</b>	<b>17.4</b>	<b>17.4</b>	<b>7.65</b>	<b>44.0%</b>

*Source: Printed Supp. Estimates, National Treasury*

#### **b) Review of the Supplementary Estimates I for FY 2020/21**

18. The approved budgetary allocation for the Judiciary in the FY 2020/21 is **Kshs. 17.4 billion** comprised of **Kshs. 14.7 billion** for recurrent expenditure and **Kshs 2.7 billion** for development expenditure.

19. In the proposed supplementary budget, the department's budget has been reduced slightly by Kshs 0.19 billion comprised of Kshs 0.03 billion for recurrent expenditure and Kshs 0.16 billion for the development expenditure translating to an overall reduction of 1.2%. The reduction has been occasioned by government austerity measures and budget rationalizations across all departments.

**Table 6: Proposed Supplementary Estimate FY 2020/21 – Kshs billions**

Vote	Items	FY 2020/21	Proposed Adjustments	Revised Budget	Percentage (%) change
Judiciary	Recurrent	14.7	(0.03)	14.7	0.2%
	Development	2.7	(0.16)	2.54	5.9%
	<b>Total</b>	<b>17.4</b>	<b>(0.19)</b>	<b>17.2</b>	<b>1.2%</b>

Source: Printed Supp. Estimates, National Treasury

### I. Impact on Recurrent Expenditure

20. The proposed reductions of Kshs 0.03 billion under the Judiciary's recurrent vote will lead to reduced allocations for the following vote heads of the Judiciary. Tribunals – (Kshs 16.2 million), Magistrates' and Kathi's Courts – (Kshs 52.4 million), Headquarters 42.2 million, ICT – Kshs 15.4 billion, security services – Kshs 12.9 billion, supreme court – (Kshs 3.1 million) and court of appeal – (Kshs 5.4 million). However there is an additional allocation of Kshs 137 million for the high court

### II. Impact on Development Expenditure

21. In the proposed supplementary estimate for FY 2020/21, the department's development budget has a net reduction of Kshs 162.3 million. The budget for the projects funded from the exchequer has considerably been reduced by Kshs 1.3 billion. However world funded projects have been allocated an additional Kshs 1.4 billion. The table below gives details of the projects that will be affected by the supplementary budget.

**Table: Development Projects affected by the Supplementary Budget – Kshs millions**

Project Name	Approved Estimate 2020/21	AIA	Net Estimate	Net Amendments	Revised Estimate	AIA	Revised Estimate
Judiciary Performance Improvement (PPF)	906.4	-	906.4	253.2	2,266.0	1,106.4	1,159.6
Construction of Embu Law Courts	50.0	-	50.0	(50.0)	-	-	-
Refurbishment of Court of Appeal	4.4	-	4.4	(4.4)	-	-	-
Purchase of ICT Networking & Communications Equipment	460.0	-	460.0	(187.9)	272.1	-	272.1
Refurbishment of Non Residential Buildings	74.2	-	74.2	(74.2)	-	-	-
Construction of Non Residential Buildings	755.5	-	755.5	(755.5)	-	-	-
Construction of Residential Buildings	23.9	-	23.9	(23.9)	-	-	-
Removal of Asbestos and Refurbishments	25.0	-	25.0	(25.0)	-	-	-
Construction of Kisii Law Courts	40.0	-	40.0	(40.0)	-	-	-
Refurbishment of the Chief Justice's House	26.0	-	26.0	(26.0)	-	-	-
Refurbishment of Forodha House	16.3	-	16.3	(16.3)	-	-	-
Construction of Court of Appeals (COA)	140.0	-	140.0	(140.0)	-	-	-
Refurbishment of Supreme Court Headquarters	159.2	-	159.2	(159.2)	-	-	-

Refurbishment of Milimani Law Courts	20.0	-	20.0	(20.0)	-		
<b>Total</b>	<b>2,701.0</b>	<b>-</b>	<b>2,701.0</b>	<b>(1,269.3)</b>	<b>2,538.1</b>	<b>1,106.4</b>	<b>1,431.7</b>

Source: Supplementary Budget, National Treasury

## 2.2.2 State Law Office and the Department of Justice

### a) Budget Performance for the First Half of 2020/21 Fiscal Year

22. The approved budget for the department in the FY 2020/21 is 4.8 billion comprising of Kshs 4.6 billion for recurrent expenditure and Kshs 185 million for development expenditure. The department's exchequer release as at 30st December, 2020 stood at Kshs 1.88 billion representing 39.2% of the approved budget. The funds released comprised of Kshs 1.8 billion for recurrent expenditure and Kshs 0.08 billion for development expenditure translating to 39.1% and 40% of the department's recurrent expenditure and development expenditure respectively. The table below shows the budget implementation for the 1<sup>st</sup> half of FY 2020/21.

**Table 8: Budget Performance for the First Half of 2020/21 – Kshs Billions**

Vote	Items	Approved Estimate	Exchequer Issues	Absorption Rate
State Law Office and Department of Justice	Recurrent	4.6	1.8	39.1%
	Dev't	0.2	0.08	40%
	<b>Total</b>	<b>4.8</b>	<b>1.88</b>	<b>39.2%</b>

Source: Printed Supp. Estimates, National Treasury

### b) Proposed Supplementary Estimates I FY 2020/21: Key Changes to programmes and Projects

23. In the proposed supplementary 1 budget, the department's recurrent budget has been decreased by Kshs 0.14 billion representing 3.0% decrease on the department budget. The development budget has been adjusted downwards by Kshs 0.06 billion translating to a 30%. In overall terms, the net effect is a decrease of Kshs 0.2 billion representing a percentage change of 4.6%.

**Table 9: 1<sup>st</sup> Supplementary Estimates FY 2019/20 – Kshs Billions**

Vote	Items	Approved Estimate			Adjustments			Revised Estimate			% change
		Net	AIA	Total	Net	AIA	Total	Net	AIA	Total	
State Law Office and Department of Justice	Recurrent	4.1	0.5	4.6	(0.14)	-	(0.14)	3.9	0.56	4.46	3.0%
	Dev't	0.2	-	0.2	(0.06)	-	(0.06)	0.12	-	0.12	30%
	<b>Total</b>	<b>4.8</b>	<b>0.55</b>	<b>4.8</b>	<b>(0.2)</b>	<b>-</b>	<b>(0.2)</b>	<b>4.02</b>	<b>0.56</b>	<b>4.58</b>	<b>4.6%</b>

Source: Printed Supp. Estimates, National Treasury

24. Under the recurrent budget, the current transfers to the following agencies will be affected in the proposed supplementary budget; Kenya Law Reform Commission –Kshs 10.0 million, Kenya School of Law – Kshs 20.0 million, Council for Legal Education – Kshs 80.0 million, National Council for Law Reporting – Kshs 20 million, Auctioneers Licensing Board – 5.0 million, and Civil Litigation Department – Kshs 19.7 million.
25. Under the development budget, the approved allocation of Kshs 185 million has been revised downwards to Kshs 123 million. The following projects will be affected by the supplementary budget as shown in the table below.

**Table: Projects affected by the supplementary budgets – Kshs millions**

Project	Approved allocation 2020/21	Proposed amendments	Revised Estimate
Ultra-Modern Library & Moot Court-Kenya School of Law Karen	20.0	(13.0)	7.0
Refurbishment sheria House and company's Registry Nairobi	50.0	(50.0)	-
Refurbishment of Regional offices-Machakos, Kisii, Kisumu & Malindi	48.0	(48.0)	-
Programme for Legal Empowerment & Aid Delivery in Kenya (PLEAD)	67.0	49.0	116.0
<b>Total</b>	<b>185.0</b>	<b>(62.0)</b>	<b>123.0</b>

### 2.2.3 Independent Offices and Commissions

#### a) Overview of 2020/21 Budget for the MDAs

26. The approved allocations to the Agencies under the sector for FY 2020/21 was Kshs 13,792.5 million comprised of Kshs 13,472.7 million (97.6%) for recurrent expenditure and Kshs 319.8 million (2.3%) for development expenditure. The significant expenditures on recurrent activities are due to the agencies being service oriented in nature.

**Table 10: Departments' Approved Allocations for FY 2020/21 Kshs Millions**

No.	Agency	Gross Estimate	Recurrent	Development
1.	Independent Electoral and Boundaries Commission	4,472.9	4,322.9	150.0
2.	Office of the Registrar of Political Parties	1,345.8	1,345.8	-
3.	Office of the Director of Public Prosecutions	2,957.0	3,086.0	129.0
4.	Kenya National Commission on Human Right	400.7	400.7	-

5.	Ethics and Anti-Corruption Commission	3,072.2	3,113.0	40.8
6.	Witness Protection Agency	472.8	472.8	-
7.	Commission on Administrative Justice	494.7	494.7	-
8.	Judicial Service Commission	576.4	576.4	-
	<b>Total</b>	<b>13,792.5</b>	<b>13,472.7</b>	<b>319.8</b>

Source: Printed Supp. Estimates, National Treasury

**b) Budget Performance for the First Half 2020/21 Fiscal Year**

27. The exchequer released to the Agencies as at 30st December, 2020 stood at Kshs **6,084.1 million** representing 44.1% of the approved budget. The released funds were solely for the department's recurrent expenditure representing 45.2% of the approved recurrent budget while there were no funds released for development expenditure as at the end of the 2<sup>nd</sup> quarter. The table below shows the 2<sup>nd</sup> quarter budget implementation for FY 2020/21.

**Table11: 1<sup>st</sup> Half Budget Implementation FY 2020/21 – Kshs Millions**

No.	Agency	Printed Estimate	Exchequer Issues	% of the Net Estimate released
1.	Independent Electoral and Boundaries Commission	4,472.9	1,793.8	40.1%
2.	Office of the Registrar of Political Parties	1,345.8	869.1	64.6%
3.	Office of the Director of Public Prosecutions	3,086.0	1,088.7	36.8%
4.	Kenya National Commission on Human Right	400.7	146.8	36.6%
5.	Ethics and Anti-Corruption Commission	3,072.2	1,499.2	48.8%
6.	Witness Protection Agency	472.8	271.0	57.3%
7.	Commission on Administrative Justice	494.7	240.3	48.6%
8.	Judicial Service Commission	576.4	175.5	30.5%
	<b>Total</b>	<b>13,920.8</b>	<b>6,084.1</b>	<b>44.1%</b>

Source: Printed Supp. Estimates, National Treasury

**c) Review of the Proposed Supplementary Estimates I FY 2020/21**

28. In the proposed supplementary budget, the Agencies' budget has been increased by Kshs 774.1 million representing 5.5%. The Electoral and Boundaries Commission recorded the highest budget increase at Kshs 458.4 million (10.2%) of its approved budget while the judicial service commission recorded the highest decrease in budgetary allocation at Kshs 57.9 million (10.1%).

29. It is further noted that the increase in budgetary provision for the Independent Electoral and Boundaries Commission under the recurrent vote of Kshs 533.4 million was meant to cater for the expenditure of conducting fifteen (15) By-elections and signature verification exercise in amending the Constitution through the popular initiative under the Building Bridges Initiative (BBI) while the decrease in capital expenditure is on account of budget rationalization.
30. In the Judicial Service Commission vote the decrease of Kshs 57.9 million is on account of budget rationalization and reallocation in order to cater for expenditure shortfall required to cater for the process of recruiting Chief Justice, succession management and payment of carry over pending bills in the Judiciary.
31. In addition, the Ethics and Anti-Corruption Commission recurrent budget has increased by Kshs 200 million to cater for shortfall in personnel emolument while its development budget of Kshs 40.8 million has been removed completely due budget rationalization.

**Table 12: 1<sup>st</sup> Supplementary Estimates FY 2020/21 – Kshs Millions**

No.	Agency		Printed Estimate	Adjustments	Revised Estimate	% change
1.	Independent Electoral and Boundaries Commission	Recurrent	4,322.9	533.4	4,856.2	12.3%
		Dev't	150.0	(75.0)	75.0	50%
		<b>Total</b>	<b>4,472.9</b>	<b>458.4</b>	<b>4,931.2</b>	<b>10.2%</b>
2.	Office of the Registrar of Political Parties	Recurrent	1,346.0	(15.5)	1,330.3	(1.2%)
3.	Office of the Director of Public Prosecutions	Recurrent	2,957.0	280.0	3,237	9.5%
		Dev't	129.0	-	-	(100%)
		<b>Total</b>	<b>3,086.0</b>	<b>280</b>	<b>3,237</b>	<b>9.1%</b>
4.	Ethics and Anti-Corruption Commission	Recurrent	3,072.0	200.0	3,272.2	6.5%
		Dev't	40.8	(40.8)	-	(100%)
		<b>Total</b>	<b>3,113.0</b>	<b>159.2</b>	<b>3,272</b>	<b>5.1%</b>
5.	Kenya National Commission on Human Right	Recurrent	400.7	(19.1)	381.7	(4.8%)
6.	Witness Protection Agency	Recurrent	472.8	(6.7)	466.1	(1.4%)
7.	Commission on Administrative Justice	Recurrent	494.7	(24.3)	470.4	(4.9%)
8.	Judicial Service Commission	Recurrent	576.4	(57.9)	518.5	(10.1%)
	<b>Total</b>		<b>13,962.5</b>	<b>774.1</b>	<b>14,736.6</b>	<b>5.5%</b>

Source: Printed Supp. Estimates, National Treasury

## PART 3

### **3.0 COMMITTEE'S OBSERVATIONS AND RECOMMENDATIONS**

#### **3.1 Judiciary and Judicial Service Commission**

##### **Observations**

- a) The Judiciary's approved estimate for the FY 2020/21 is Kshs 17.4 billion comprising of Kshs 14.7 billion for recurrent expenditure and Kshs 2.7 billion for development expenditure.
- b) In the proposed supplementary budget, the department's budget has been reduced slightly by Kshs 192.1 million comprised of Kshs 29.2 million for recurrent expenditure and Kshs 162.9 million for the development expenditure translating to an overall reduction of 1.2%.
- c) The Committee observed that the approved development budget for the projects funded from the exchequer was Kshs 1.794.6 billion. However, in the proposed supplementary estimate the approved allocation for the projects was significantly reduced by Kshs 1,522.5 billion (84.8%). This will curtail the completion of the ongoing projects in the FY 2020/21.
- d) In addition, the department's world funded projects approved budget was Kshs 906 million. However, in the proposed supplementary estimate the allocation for the projects was enhanced by Kshs 1.360 billion.
- e) The Committee has also observed that the department's actual expenditures as at the end of December, 2020 stands at Kshs 8.286.1 billion (50%) comprised of Kshs 7.579.8 billion for recurrent expenditure and Kshs 706.3 million for development expenditure.
- f) The Committee has observed that the budget approved for the facilitation of joint benches in FY 2020/21 has been depleted. There are a number of ongoing cases that cannot be concluded due to lack of adequate budgetary allocation. The department has made a passionate appeal for an additional Kshs 80 million to facilitate the operations of the benches.
- g) The challenges faced by the Judiciary include insufficient financial resources, limitations of the IFMIS operations that disrupt implementation of planned activities, delays in

release of exchequer and delays in processing title documents for lands belonging to the Judiciary.

- h) Judicial Service Commission was allocated Kshs 576 million in the FY 2020/21. In the proposed supplementary budget, the department's budget has been revised downwards by Kshs 58 million comprising of Kshs 34 million for judicial services and Kshs 24 million for judicial training.
- i) In addition, the proposed budget cuts will affect the following budget items – personal allowance paid as salaries – Kshs 4.6 million, Communication – Kshs 3.2 million, domestic travel – Kshs 7.5 million, foreign travel – Kshs 11.2 million, printing and advertising – Kshs 1.4 million, Kshs 6.9 million, and Kshs 12.5 million.

#### **Policy Recommendations**

- a) The Committee urges the National Treasury to stick with the cash plans submitted by the various departments and upload budgets on time and more importantly find lasting solutions to the challenges associated with IFMIS to enable the department to implement their budgets fully.

#### **Financial Recommendations**

- a) The Committee recommends the reinstatement of the Kshs 1.522.5 billion meant for financing the G.O.K funded projects. The Judiciary has assured the committee that the reinstatement of the budget will guarantee the completion of thirty five (35) ongoing projects in the FY 2020/21.
- b) The Committee has observed that the budget approved for the facilitation of joint benches in FY 2020/21 has been depleted. There are a number of ongoing cases that cannot be concluded due to lack of adequate budgetary allocation. The recommends an additional allocation of Kshs 80 million to facilitate the operations of the benches.
- c) The Committee further recommends the reinstatement of Kshs 4.6 million in the Judicial Service Commission budget for FY 2020/21 to facilitate the recruitment of Chief Justice and the Supreme Court Judge.

### **3.2 Office of the Attorney General and Department of Justice**

#### **Observations**

- a) The approved budget for the office in the FY 2020/21 is Kshs 4.788.9 billion comprising of Kshs 4.603.9 billion for recurrent and Kshs 185 million for development expenditure.
- b) In the proposed supplementary 1 budget, the department's recurrent budget has been decreased by Kshs 142.7 million representing 3.0% decrease on the department budget. The development budget has been adjusted downwards by Kshs 62 million translating to a 30%. In overall terms, the net effect is a decrease of Kshs 204 million representing a percentage change of 4.6%.
- c) In addition, the national treasury is proposing to reduce the proposed allocations for the following development projects; Ultra-Modern Library & Moot Court-Kenya School of Law Karen – (Kshs 13 million), Refurbishment sheria House and company's Registry Nairobi – (Kshs 50 million), and Refurbishment of Regional offices-Machakos, Kisii, Kisumu & Malindi – (Kshs 48 million).
- d) It is important to note that the department committed some of the funds earmarked for reduction. In particular, the department procured the services of a contractor to refurbish sheria house and part of the works is 90% done i.e painting works. Therefore this is likely to create unnecessary pending bills for the department.

#### **Financial Recommendations**

- a) The Committee recommends the reinstatement of the Kshs 50 million meant for refurbishment of sheria house. The department has already committed part of the funds and the refurbishment works are ninety (90%) complete.

### **3.3 Independent Electoral and Boundaries Commission**

#### **Observation**

- a) The Commission was allocated in the FY 2020/21 Kshs. 4.472.9 billion comprising of Kshs 4.322 billion for recurrent expenditure and Kshs 150 million for development expenditure.
- b) In the proposed supplementary estimate, the commission budget was revised to Kshs 4.931.2 billion. In particular, the recurrent budget was increased by Kshs 533.4 million and the development budget was reduced by Kshs 75 million.
- c) Under the recurrent vote, the following budget items were affected by the supplementary budget; Personnel emoluments – (Kshs 107 million), foreign travel – (Kshs 10.7 million),

legal fees – Kshs 30 million and Kshs 621 million approved under article 223 for fifteen by-elections and Building bridges initiative.

- d) The commission was in the processes of construction warehouses in isiolo, kakamega, Garissa, Machakos and wajir. However, the development budget of the commission was decreased by 50% and is likely to affect the timely completion of the projects.
- e) The Committee noted with concern that the Commission has pending bills amounting to Kshs 3,097.6 million of which non legal suppliers account for Kshs 1.1 billion and Kshs 1.9 billion for legal fees. The committee stressed the need for the commission to engage in-house lawyers to undertake some of the petitions.
- f) The commission has also made a passionate appeal for allocation of Kshs 1 billion for the construction of an Uchaguzi Centre outside Nairobi CBD. The centre will be critical for the operations of the centre

#### **Financial Recommendations**

- a) The committee recommends the reinstatement of Kshs 75 million for the development of various warehouses in order for the commission to complete the projects in time ahead of the upcoming general elections.
- b) The committee recommends the allocation of an additional Kshs 1 billion for construction of an uchaguzi Centre.
- c) The further Committee recommends the Commission in close collaboration with the National Treasury to undertake thorough scrutiny and audit of the all the pending bills particularly the bills owed to the suppliers and settle them expeditiously. The committee is cognizant of the fact that the commission is likely to engage the same suppliers when procuring for the next election.

#### **3.4 Commission for Administrative Justice**

##### **Observations**

- a) The gross Approved Estimates for the Commission on Administrative Justice in the FY 2020/21 amounts to Kshs 494.7 million for current expenditure. The allocation has been adjusted downwards to Kshs 470.4 million under Supplementary Estimates No.1. This reflects a decrease of Kshs 24.3 million under the recurrent expenditure.
- b) The supplementary budget affects the following budget items; communication, supplies and services – (Kshs 4.9 million), domestic travel – (Kshs 3.4 million), foreign travel – (Kshs - 2.3 million), printing and advertising – (Kshs 1.3 million), hospitality supplies and services – (Kshs 2.9 million), fuel and oil lubricants – (Kshs 1.8 million), contracted professional services – (Kshs 1.4 million).

- c) As at 31st December, 2020 the commission had expended a total of Kshs 22.6 million (45%) out of the total allocation of Kshs 494.7 million. The absorption rate increases to 58% when the proposed revised estimate of Kshs 470.4 million as a base.
- d) The commission has also requested the Committee to reallocate savings identified under its allocation for insurance of Kshs 4.9 million to the following critical areas; Domestic travel – Kshs 2.7 million, daily subsistence allowance – Kshs 1.5 million, boards allowances and conferences – Kshs 0.7 million.
- e) The committee stressed the need for the commission to create awareness on its mandate particularly in ensuring the citizen right to quality service both at the national and county level of government is not compromised.

#### **Financial Recommendations**

- f) The committee recommends the reinstatement of Kshs 24.3 million that was reduced from the commission budget through the proposed supplementary budget. The adjustment will severely affect the commissions operations.
- g) The Committee recommends the reallocation of savings identified under its budget for insurance of Kshs 4.9 million to the following critical areas; Domestic travel – Kshs 2.7 million, daily subsistence allowance – Kshs 1.5 million, boards allowances and conferences – Kshs 0.7 million.

### **3.5 Witness Protection Agency**

#### **Observations**

- a) The gross Approved Estimates for the Witness Protection Agency in the FY 2020/21 amounts to Kshs 472.8 million for current expenditure. In the proposed supplementary estimate for FY 2020/21, the agency's approved budget has been adjusted to Kshs 466.1 million. This reflects a reduction of Kshs 6.7 million on account of rationalization of expenditure.
- b) The effect of the proposed reductions of Kshs 6.7 million will completely affect the witness protection programme given that the absorption rate was at 70% on 31st January 2021 and the remaining Kshs 20.7 million will be depleted by 30th April, 2021.
- c) The committee acknowledges the critical role the office plays in the criminal justice system particularly in guaranteeing the safety and security of witnesses and further noted

that the office has played crucial in the prosecution of complex corruption and terrorism related cases in the recent past.

#### **Financial Recommendations**

- a) The committee recommends the reinstatement of the Kshs 6.7 million deducted from the Agency's budget through the supplementary budget for the FY 2020/21 to enable the office protect the witnesses under its care adequately.

### **3.6 Kenya National Commission on Human Right Observations**

- a) The gross Approved Estimates for the Kenya National Commission on Human Rights in the FY 2020/21 amounts to KShs.400.7 million for current expenditure.
- b) The Approved Estimates have been adjusted to KShs.381.7 million for current expenditures under Supplementary Estimates No.1. This reflects a decrease of KShs.19.0 million on account of budget rationalization.
- c) The following budget items will be affected by the Supplementary budget; personnel emoluments – (Kshs 8.4 million), training expenses – (Kshs 1 million), printing, advertising and supplies – (Kshs 1 million), office and general supplies – (Kshs 0.7 million), staff airtime – (Kshs 2.6 million)

#### **Financial Recommendations**

- d) The Committee recommends the reinstatement of Kshs 16 million to cater for the following key areas; internet connections - Kshs 7 million, staff airtime – Kshs 4.8 million, courier and postal services – Kshs 0.3 million, training expenses – Kshs 1 million, fuel, oil and lubricants – Kshs 0.9 million, printing and advertising services – Kshs 0.7 million, Domestic travel – Kshs 0.6 million, and Office and General Supplies – Kshs0.7 million.

### **3.7 Ethics and Anti-Corruption Commission Observations**

- a) The gross Approved Estimates for the Ethics and Anti-Corruption Commission in the FY 2020/2021 amounts to Kshs 3.113 billion comprising of Kshs 3.072 billion and Kshs 40.8 million for current and capital expenditures respectively.
- b) The Approved Estimates have been adjusted under Supplementary Estimates No.I to Kshs 3.272 billion reflecting a gross increase of Kshs 159.2 million. The current

expenditure has been increased by Kshs 200 million to cater for shortfall in Personnel Emolument and the capital expenditure has been reduced by Kshs 40.8 million due to expenditure rationalization.

- c) The committee observed that the commission plays a critical role in the Big Four Agenda since it will be useful in abetting corruption as the government undertakes the big four projects.

#### **Financial Recommendations**

- a) The Committee recommends the approval of the proposed additional allocation of Kshs 159.2 million proposed through the supplementary estimate for FY 2020/21. The allocation is meant to cater for shortfall in Personnel Emolument.

### **3.8 Office of the Director of Public Prosecution**

#### **Observations**

- a) The total approved budget for the office in the current fy 2020/21 is 3,082 million consisting of Kshs 2,957 million for recurrent expenditure and Kshs 125 million for development expenditure.
- b) The supplementary estimate 1 proposes an amendment to the office budget by allocating an additional Kshs 280 million for recurrent expenditure and Reallocation of Kshs 110 million under the development budget for refurbishment of regional offices to construction of Prosecutors Training Institute (PTI) moot court house.
- c) The additional supplementary allocation of Kshs 280 million for recurrent budget is proposed for the implementation of the office case management system referred to as Uadilifu System at a cost of Kshs 100 million and the remaining Kshs 180 million is proposed to supplement the office resources towards the ongoing fight against corruption and address shortages in key operational items..
- d) The Committee further observed that the Office is a key player towards improving the national security, strengthening good governance and fight against corruption and requires increase in resource allocation to enable the Office execute its mandate

#### **Financial Recommendations**

- a) The Committee recommends the approval the proposed an additional allocation of Kshs 280 million allocated for the ODPP's recurrent budget and the proposed reallocation of Kshs 100 million from refurbishment of regional offices to the construction of a moot

court house under the development budget for FY 2020/21 as contained in the proposed supplementary estimate I.

### 3.9 Registrar of Political Parties

#### Observations

- a) The gross Approved Estimates for the Office of the Registrar of Political Parties in the FY 2020/21 amounts to Kshs 1,345 million for current expenditure.
- b) The Approved Estimates have been adjusted to Kshs 1,330 million for current expenditure under Supplementary Estimates No. I. This reflects a net decrease of Kshs 15.4 million on account of budget rationalization on personnel emolument and austerity measures.
- c) The reduction of Kshs 15.5 million will affect two sub-programmes namely; registration and regulation of political parties – (Kshs 9.3 million) and political parties liaison committee (Kshs 6.2 million).
- d) The following budget items have been affected by the supplementary budget; personnel emoluments – Kshs, domestic travel – (Kshs 12.7 million), printing and advertising – (Kshs 2.6 million), hospitality supplies and services – (Kshs 2.4 million), training expenses – (Kshs 1.8 million), communication supplies and services – Kshs 2.3 million), foreign travel – Kshs 0.9 million, other operating expenses – (Kshs 3.4 million). In addition, the office was an additional Kshs 25 million for purchase of vehicles and other transport equipment.
- e) The office a passionate appeal to the committee for a reallocation of Kshs 3 million from its budget for insurance to its budget for purchase of furniture in the ongoing FY 2020/21. The office has recruited two assistant registrars and other staff who require adequate facilitation in terms of office furniture.
- f) During the first half of 2020/2021 financial year, the office spent a total of **Kshs 862.3 million** against a half year allocation of **Kshs 921.7 million**. This represents 93.6% absorption rate.
- g) The committee observed that the office requires an additional allocation of Kshs 105 million to cater for post referendum and referendum costs the office will incur in the FY 2020/21.

### **Financial Recommendations**

- a) The committee observed that the office requires an additional allocation of Kshs 105 million to cater for post referendum and referendum costs the office will incur in the FY 2020/21. Therefore, the Committee recommends an additional allocation of Kshs 105 million to cater for the operational needs of the office as the country embarks on the referendum process.
- b) The Committee recommends the reinstatement of Kshs 15.4 million which has been deducted from the Office budget. The committee recommends an additional allocation of Kshs 40.8 million for settling pending incurred by the office from the ongoing refurbishment of its offices.
- c) The Committee recommends the reallocation of Kshs 3 million from its budget for insurance to its budget for purchase of furniture in the ongoing FY 2020/21. The office has recruited two assistant registrars and other staff who require adequate facilitation in terms of office furniture.

**REPUBLIC OF KENYA**



**THE NATIONAL ASSEMBLY**

**TWELFTH PARLIAMENT – FIFTH SESSION**

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**DEPARTMENTAL COMMITTEE ON LABOUR AND SOCIAL WELFARE**

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**REPORT ON THE CONSIDERATION OF THE 2020/2021 FIRST SUPPLEMENTARY  
BUDGET FOR THE FOLLOWING STATE AGENCIES:**

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

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## PART I

### 1.0 PREFACE

#### 1.1 Introduction

1. The first supplementary estimates for the FY 2020/21 were submitted to the National Assembly on 9<sup>th</sup> February 2021 and subsequently tabled in the House. 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 Regulations 40 of the PFM (National Government) Regulations 2015.
2. Article 223 of the Constitution provides for the National Government to incur expenditure not appropriated for in the annual Appropriation Act on account of insufficiency of amounts initially provided when a need has arisen for expenditure to which no amounts have been allocated; or for withdrawals from the Contingencies Fund. In that regard, approvals for such expenditures must therefore be sought from Parliament through a Supplementary Budget and subsequently a Supplementary Appropriation Bill. However, the amount spent should not be more than 10 percent of total sum appropriated by Parliament unless in special circumstances Parliament has approved a higher percentage.
3. In addition, the PFM (National Government) Regulations 2015 requires the Cabinet Secretary to provide for sufficient detail on the purpose of the supplementary estimates as well as format for revised budget in which the Cabinet secretary is further mandated to issue a circular to that effect. The Regulations outlines the main purposes under which approval is sought as either unforeseen or unavoidable and where no budget provision was made or was inadequate.

#### 1.2 Mandate of the Committee

4. The Committee on Labour and Social Welfare is one of the Departmental Committees of the National Assembly established under Standing Order 216 and mandated:
  - 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) *To make reports and recommendations to the House as often as possible, including recommendation of proposed legislation.*
5. The Committee is mandated to consider the following subjects: -
  - a) *Labour,*
  - b) *Labour relations,*
  - c) *Manpower or Human Resource Planning,*
  - d) *Gender,*

- e) *Youth,*
- f) *Social Welfare and Security,*
- g) *Children`s Welfare,*
- h) *Persons Living with Disabilities.*

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

- a) *The State Department for Labour*
- b) *The State Department for Social Protection*
- c) *The State Department for Gender*
- d) *The State Department for Youth*
- e) *The State Department for Arid and Semi-Arid Lands*
- f) *National Gender and Equality Commission*

### 1.3 Committee Membership

7. The Committee comprises of the following members -

The Hon. Peter Mwathi, MP (**Chairperson**)  
M.P for Limuru Constituency

**Jubilee Party**

The Hon. Gideon Koske Kimutai, M.P (**Vice Chairperson**)  
M.P for Chepalungu Constituency

**Chama Cha Mashinani (CCM)**

The Hon. James Onyango Koyoo, MP  
M.P for Muhoroni Constituency  
**Orange Democratic Movement (ODM)**

The Hon. Janet Marania Teyiaa, MP  
M.P for Kajiado County  
**Jubilee Party**

The Hon. Nelson Koech, MP  
M.P for Belgut Constituency

**Jubilee Party**

The Hon. Ronald Kiprotich Tunoi, MP  
M.P for Bomet Central

**Jubilee Party**

The Hon. Moses Malulu Injendi, MP  
M.P for Malava Constituency

**Jubilee Party**

The Hon. Tom Odege, MP  
M.P for Nyatike Constituency  
**Orange Democratic Movement (ODM)**

The Hon. Rose Museo, MP  
M.P for Makueni County  
**Wiper Democratic Movement (WDM)**

The Hon. Caleb Amisi, MP  
M.P for Saboti Constituency  
**Orange Democratic Movement (ODM)**

The Hon. Omboko Milemba, MP  
M.P for Emuhaya Constituency  
**Amani National Congress Party (ANC)**

The Hon. Charles Kanyi Njagua, MP  
M.P for Starehe Constituency  
**Jubilee Party**

The Hon. Fabian Kyule Muli, MP  
M.P for Kangundo Constituency  
**Muungano Party**

The Hon. Abdi Mude Ibrahim, MP  
M.P for Lafey Constituency  
**Economic Freedom Party (EFP)**

The Hon. Titus Mukhwana Khamala, MP  
M.P for Lurambi Constituency  
**Amani National Congress Party (ANC)**

The Hon. Safia Sheikh Adan, MP  
M.P for Marsabit County  
**Jubilee Party**

The Hon. Ole Sankok David, MP  
Nominated M.P  
**Jubilee Party**

The Hon. Wilson Sossion, MP  
Nominated M.P  
**Orange Democratic Movement (ODM)**

The Hon. Gideon Keter, MP  
Nominated M.P  
**Jubilee Party**

## **1.4 Committee Secretariat**

Mr. Adan Gindicha  
**Senior Clerk Assistant/ Head of Secretariat**

Mr. John Mugoma  
**Clerk Assistant II**

Ms. Fiona Musili  
**Research Officer**

Ms. Doreen Karani  
**Legal Counsel**

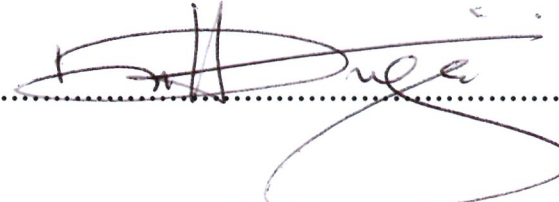
Mr. Adan Ahmed Abdi  
**Fiscal Analyst**

## **1.5 Legal provisions underpinning the Supplementary Estimates I FY 2021/22**

- 8.** 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 Regulations 40 of the PFM (National Government) Regulations 2015.
- 9.** 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.
- 10.** In that regard, approvals for such expenditures must therefore be sought from Parliament through a Supplementary Budget and subsequently a Supplementary Appropriation Bill. However, the amount spent should not be more than 10 percent of total sum appropriated by Parliament unless in special circumstances Parliament has approved a higher percentage.
- 11.** In addition, the PFM (National Government) Regulations 2015 requires the Cabinet Secretary to provide for sufficient detail on the purpose of the supplementary estimates as well as format for revised budget in which the Cabinet Secretary is further mandated to issue a circular to that effect. As per the regulations, Supplementary estimates should relate to expenditure needs which were either unforeseen or unavoidable and where no budget provision was made or was inadequate during the approval of the annual estimates. The Regulations further clarify that expenditure which was anticipated during the estimate's approval, or where the expenditure relates to tariff and price increases, should not be considered as part of supplementary budgets.
- 12.** The deliberations of the meetings together with the contents of the Supplementary Estimates I, informed the Committee's compilation of this report regarding the proposed allocation of the resources among the programs and projects in the relevant sectors.

## 1.6 Acknowledgement

13. The Committee is thankful to the office of the Speaker and the Clerk of the National Assembly for the logistical and technical support accorded during its Sittings. Further, the Committee is also thankful to the MDAs and the secretariat for the provision of the necessary information needed in processing of the First Supplementary Budget for Financial 2020/2021. Therefore, on behalf of the Committee, and pursuant to Standing Order 199(6) it is my pleasant duty and privilege, to submit this Report on the 2020/2021 First Supplementary Budget and Medium-term Plan for the State Departments of Labour, Social Protection, Youth Affairs, Development of Arid and Semi - Arid Lands, and Gender Affairs as well as that of the National Gender and Equality Commission.

Signed..........Date: 26/02/2021

**HON. PETER MWATHI, MP**

**(CHAIRPERSON, DEPARTMENTAL COMMITTEE ON LABOUR AND SOCIAL WELFARE)**

## PART II

### **2.0 BROAD OVERVIEW OF POLICIES CONTAINED IN THE SUPPLEMENTARY BUDGET FOR FY 2020/21**

14. According to the National Treasury, Kenya's economy contracted by 5.7 percent in the second quarter of 2020 from a growth of 4.9 percent in the first quarter of 2020 largely due to significant contractions in the services and industry sub-sectors.
15. The National Treasury further avers that the 2020/21 budget implementation continues to face various challenges because of the COVID-19 pandemic which slowed down the economic performance leading to underperformance of projected revenues in the first half of the financial year and an increased demand for additional priority expenditures pose a challenge to the implementation of ongoing projects.
16. The cumulative revenue collection including AIA for the period July 2020 to December 2020 amounted to Kshs 800.1 billion against a target of 907 billion. Ordinary revenue collection was also Kshs 726 billion against a target of Kshs 802 billion.
17. Recent Supplementary budgets including this one largely comprises of reallocations and reduction of expenditure. For example, most of the Agencies the Committee oversights have had their budgets reduced by up to 24%. The implication of such changes is three pronged: either, that the estimates for the Agencies were not correctly set during budget approval, or that the Agencies can accommodate the reduction by using the remaining funds efficiently, or by reducing the performance targets. Often, the implication of the reduction is that the agencies will reduce the output targets that they had set in the beginning, thus providing fewer services to Citizens.
18. However, over the years the Committee has always noted that there have been missing details of whether the supplementary budget is for expenditure that is either yet to be incurred or has been incurred within the last two months; Some of the programmes have always been amended by more than 10 percent contrary to PFM Act 44(1); Some programmes with expenditure changes do not have reciprocating changes in outputs and Performance Targets.

### 3.0 SUBMISSIONS BY MINISTRIES, DEPARTMENTS AND AGENCIES

#### 3.1 State Department for Labour

19. In the proposed Supplementary Estimate No.1 for FY 2020/21, the State Department has lost Kshs.1.241 Billion, of which Kshs.258.6 Million is in the Recurrent Vote and Kshs.982.4 Million is in the Development Vote. Of the Recurrent Vote, compensation to employees, ARLAC conference and grant to SAGAs account for Kshs.43.6 Million, Kshs.15.0 Million and Kshs.200.0 Million respectively. On the Development Vote, fully GoK projects, GoK to Donor component projects and Donor projects account for Kshs.107.5 Million, Kshs 8.4 Million and Kshs866.5 Million respectively. Hence overall GoK funds deduction in Development Vote is Kshs 115.9 Million.
20. The proposed cuts are coming at a time when the State Department continues to address pending bills challenge of Kshs 115.9 Million from FY 2019/20, which so far have been settled with a balance of Kshs 41.4 Million. Indeed, the State Department is still expected to settle this outstanding pending bill with the remaining allocation net of the supplementary cuts.
21. Secondly, the cuts in some cases, particularly in the Development Vote are proposed in areas where commitments have already been made, making it an impossibility and a sure way of incurring additional pending bills, which then will be carried over to the next FY 2021/22.

#### Funding Gap

##### a) Recurrent Vote

- (i) National Employment Authority (NEA) - **Kshs.50 million**
- (ii) National Industrial Training Authority (NITA) – **Kshs.150 million**
- (iii)African Regional Labour Administration Centre (ARLAC) – **Kshs. 15 million**
- (iv)Compensation for Employees – **Kshs.43.6 million.**

##### b) Development Vote

- (i) Construction of National Employment Promotion Centre in Kabete – **Kshs.49.1 Million**
- (ii) Construction of Occupational Safety and Health Services (OSH) Institute – **Kshs.47.01 Million**
- (iii)Refurbishment of Safety House – **Kshs.2.98Million**
- (iv)Establishment of National Labour Market Information System (LMIS) – **Kshs.8.4 Million**
- (v) Upgrading of Kisumu Industrial Training – **Kshs.15 Million**
- (vi)Construction of Modern Employment Office in Eldoret – **Kshs.900,000**

#### 3.2 State Department for Social Protection

22. The State Department's Approved Budget for the Financial Year 2020/21 was **Kshs. 33,200,379,554** comprising **Kshs. 31,014,249,554** and **Kshs. 2,186,130,000** for Recurrent and Development Expenditure, respectively. Under the supplementary estimates No.1 of Financial Year 2020/21, the allocation for Recurrent Expenditure decreased by **Kshs. 636,610,529** to **Kshs. 30,377,639,025** and that for Development Expenditure decreased by **Kshs. 468,230,000** to **Kshs. 1,717,900,000** hence a total reduction of **Kshs. 1,104,840,529**.
23. Analysis of the supplementary estimates No. 1 of 2020/21 FY and its effects on service delivery-

- (i) The Directorate of Children's Services' -**Kshs. 30 million**
- (ii) Kenya Social and Economic Inclusion Project (KSEIP)-**Kshs. 33, 525, 700**
- (iii) Directorate of Social Development -**Kshs.13, 535,545.**
- (iv) Directorate of Social Assistance- **Kshs.56, 503,786.**
- (v) The National Social Protection Secretariat-**Kshs.1, 114,558.**
- (vi) SAGAs and Trust Funds
  - a) National Council for Persons with Disabilities-**Kshs.250,000,000**
  - b) National Council for Children Services-**Kshs.10,000,000**
  - c) Street Families Rehabilitation Trust Fund-**Kshs.15,000,000**
  - d) Child Welfare Society of Kenya-**Kshs.400,000,000**

24. The absorption rate of the State Department's budgetary allocation for both Recurrent and Development Vote the financial year 2020/21 as at 31<sup>st</sup> December, 2020 stood at **46%** and **7%** respectively. The under absorption resulted from: On Recurrent Expenditure under the Social Development and Children Services was due to closure of vocational rehabilitation centers due to COVID 19 and the AIEs for the field operations were not credited in good time due to delays in exchequer; and on the development Expenditure the under absorption of the National Safety Net programme was due to delay by the donor to give approval on work plan, procurement plan and utilization of operation costs under the Loan Revenue.

25. Child Welfare Society of Kenya was allocated **Ksh 1,355,750,000** in the FY 2019 / 2020. However, the agency received **Ksh 393,775,000** only. The balance of **Ksh 961,775,000** was not released by the National Treasury which negatively affected the operations of the agency. Secondly, in the current FY 2020/21, CWSK was allocated **Ksh 872,340,000** for recurrent expenditure. There was no budgetary allocation for development in both FY 2019/20 and FY 2020/21. The budget deficit will affect the following:

- a) Child Welfare Society of Kenya's work is human intensive. The budget cut will affect the personnel and most importantly the essential staff. The organization may be forced to further downsize the staff or may be incapable of paying salaries.
- b) The essential/ front-line staff i.e. caregivers, social workers, nurses, clinical officers, cooks, drivers have been working quarantined in the temporary places of safety since March 2020. The staff have not been paid their Covid-19 allowances.
- c) There are pending staff gratuities and allowances.
- d) The achievements of CWSK in the community programmes will be significantly affected.
- e) There are pending school fees for 2019 and 2020 which was occasioned by funds that were not released.
- f) There are pending office rent among other operational costs for our offices.
- g) CWSK is the National Emergency Response organization for children. In the year 2021/21, we will not be able to reach children in emergencies.
- h) The budget cut will affect Covid- 19 isolation centres for children.

26. The supplementary budget estimates of FY 2020/21 allocate Ksh 472, 340,000 leaving a funding gap of **Kshs. 400,000,000.00**. Additionally, there was no budgetary allocation for development in both FY 2019/20 and FY 2020/21.

27. The following are the on-going Child Welfare Society of Kenya Projects and the funds needed for completion:

- i. CWSK Integrated child and family centre – Joska – **Kshs. 436 million**
- ii. CWSK Integrated child and family centre - Murang'a – **Kshs. 300million**
- iii. CWSK Integrated child and family centre - Nanyuki - **Kshs. 369 million**
- iv. CWSK Integrated child and family centre - Isiolo - **Kshs. 424 million**
- v. CWSK Integrated child and family centre- Bungoma – **Kshs. 390 million**

### **3.3 State Department for Youth Affairs**

28. The State Department for Youth Affairs was Appropriated a Gross Budget of **Kshs. 3,661,851,869.00**, where **Kshs.1,309,361,869.00** is for Recurrent and **Kshs. 2,352,490,000.00**, is for Development in the Printed Estimates for the FY 2020/21. The State Department has no declared A-I-A. The Key Highlights for the recurrent vote of the Printed Estimates included;

- a) Compensation to Employees=**Kshs.560,440,000**
- b) Use of Goods and Services=**Kshs.302,464,399**
- c) Grants and Other Transfers=**Kshs.427,843,700**
- d) Youth Enterprise Development Fund= **Kshs.299,290,000**
- e) National Youth Council= **Kshs. 98,000,000**
- f) President Award Scheme Secretariat= **Kshs.20,000,000**
- g) ICGLR= **Kshs.10,353,700**
- h) Acquisition of Fixed Assets=**Kshs.18,613,770**

29. In the proposed FY 2020/2021 Supplementary Estimates No. 1, the State Department's Recurrent Budget has been reduced by **Kshs.105, 196,175.00**. However, the National Treasury is providing funds to the tune of **Kshs.90, 400,011.00**, to cater for the salary shortfall within the FY 2020/2021.

30. The proposed Budget cuts on the Grants and other Transfers is reducing the budgetary allocation of National Youth Council by **Kshs. 10,000,000.00**, i.e. from Kshs.98,000,000 to Kshs.88,000,000.

31. The State Department for Youth Affairs had been appropriated **Kshs.2, 352,490,000.00**, as Development Vote in the Printed Estimates where **Kshs.2, 237,000,000.00**, is from the Donor Support i.e. the World Bank and UNFPA. A proposed budget cut of **Kshs.254, 168,000.00**, has been submitted by the National Treasury to the Committee for consideration.

32. The following areas have been proposed for reduction in the FY 2020/21 Supplementary Estimates No. 1 but commitments have been made by the State Department and the National Treasury had already issued exchequer on the same;

#### **a) Recurrent Vote**

- (i) Youth Field Services- **Kshs. 43, 729,099.00**,
- (ii) Refined Fuels and Lubricants for Transport- **Kshs. 9,596,928.00**
- (iii) National Youth Council- **Kshs. 10 Million**

#### **b) Development Vote**

- (i) Youth Enterprise Development Fund (YEDF)-**Kshs. 60,000,000.00**
- (ii) Youth Empowerment Centers (YECs) -**Kshs.24,245,000**

(iii) Kenya Youth Employment and Opportunities Project (KYEOP)- **Kshs.1, 050 million**

### 3.4 State Department for Gender

33. The State Department submitted a recurrent gross estimate of Kshs. 1,533.2 billion, however the National Treasury has allocated Kshs. 978.5million resulting to a deficit of **Kshs. 554.7 million.**

34. Funding gaps include: -

- (i) Overdraft in supplementary 1 for Women Enterprise Fund-**Kshs. 12.4 million** and Uwezo Fund **Kshs. 13.7 million**
- (ii) Provision of Counterpart funding of in the FY2020/21 for the Kenya Finnish Bilateral Agreement GBV programme by the National Treasury-**Kshs.64 million**
- (iii)Field offices for continuity of service delivery- **Kshs.4.6 million**

### 3.5 National Youth Service

35. During the Medium Term Expenditure Framework (MTEF) 2020, NYS was allocated **KShs. 10.1B** against a requirement of **KShs. 26.4B** leaving a deficit of **KShs. 16.2B**. The implication is that a number of key priority programmes and projects including recruitment, paramilitary training, national service duties and technical and vocational training were not adequately funded due to reduced budget ceilings and tight budgetary constraints. The gap will seriously affect the implementation of our Strategic Plan which is already behind schedule in implementation.

Programme	Printed Estimates 2020/21 (KShs)	Resource Requirement 2021/22 (KShs)	Resource Ceilings 2021/22( KShs)	Resource Gap (KShs)
National Youth Service	10,185,026,300.00	26,433,310,000	10,189,920,000	16,243,390,000

36. The Government established a Multi-Agency programme to restore sanity in the bodaboda sector. The National Youth Service was given the lead role to ensure the Boda Boada riders are trained in both discipline, entrepreneurship, and riding skills. This was to be done together with NTSA which developed a curriculum. Hence, the need for funding the program. The Service required additional funds in the Supplementary I of **KShs 157M** to enable it to fund the bodaboda riders training.

37. The Service did not manage to pay pending bills amounting to KShs 1.2 billion by the close of the Financial year 2019/2020. Some of those bills formed first charge and therefore ate into the normal budget while others are still pending.

38. The Service also requested that the balance brought forward from 2019/2020 of **Kshs.1.8 Billion** which was meant to pay pending bills be factored in as additional funds in this Supplementary Estimates I.

39. During submission of the supplementary estimates in September 2020, NYS had not received the verification report from the Multi-Agency Committee. The submitted the report in November 2020, hence, the Service was not able to request for the amount in the Supplementary Budget Estimates. This is therefore to request the Committee to consider payment of the **KShs. 15.5B** pending bills. This can be done in a staggered pay out over a period.
40. The NYS Recurrent Budget has been cut by a total of **KShs. 2.5B**. This implies that the fourth quarter allocation will not be received. This therefore means that.
- AIEs for fourth quarter to Field Units amounting to **KShs. 805M** will not be issued.
  - Salaries for fourth quarter amounting to **KShs. 299M** will be affected.
  - Trainee allowances amounting to **KShs. 407M** will not be paid.
  - Recruitment of additional 2,189 SM/W to meet the 10,000 targets will not be undertaken. **This requires KShs. 356M**. Table 11 provides a breakdown of SM/W requirements in Paramilitary Training.
  - Valuation of NYS assets will not be undertaken as planned amounting **KShs. 100M**.
  - Enterprise Resource Planning System and its associated infrastructure, tools and equipment across NYS Field Units amounting to **KShs. 150M** will not be implemented; and,
  - Operational Expenses at HQs including purchase for the new Privates to be employed, monthly usage, training, and development, NYS Council operations among others amounting to **KShs. 383M**.
41. The Committee should therefore restore the **KShs. 2.5** Supplementary Budget cut and, approve **KShs. 1.8** balance brought forward from 2019/2020 FY to enable the Service to undertake its mandate satisfactorily.
42. The issue of historical pending bills amounting to **KShs. 15.5B** should be resolved to ensure that the suppliers are paid, avoid litigations and, close the matter.

### 3.6. State Department for Housing & Urban Development

43. The initial allocation was **Kshs. 3Billion** to the State Department for the National Hygiene Programme (KaziMtaani), an additional **Kshs. 7Billion** was allocated under article 223. This has been regularized under supplementary 1 FY 2020/21. The absorption rate as at 31<sup>st</sup> January 2021 was 85%.

### Funding Gap

44. The State Department will require **Kshs 6 Billion** to run the National Hygiene Programme (KaziMtaani), till June 2021.

### 3.7. National Gender and Equality Commission

45. The approved estimates for the half year FY 2020/21 were KES 228.5million the cumulative expenditure for the same period was KES 198.8 translating to **87%** absorption.
46. There is an additional proposed budget cut of **KES 46.2m** in addition to the cut made in February 2020 of **KES 68M**. These effects shall be on personnel, transport, training, and operationalization of the regional offices. The net effect of supplementary 1 budget on NGEC performances are:

Programmatic Interventions (**KES 48**): The Commission has only **KES 2.8m** available to undertake field interventions with one half of that fund (**KES 1.35M**) allocated to international travel. The Commission had initiated some signature interventions whose implementation was delayed due to COVID-19 and others now affected by the budget cut.

47. The Commission will require **KES. 8M** to complete the *Regulations* to give effect to its powers, hold inaugural hearings, and create public awareness about its services. The regulations were validated on 23<sup>rd</sup> February 2021 and overwhelmingly supported by the stakeholders.
48. Other strategic programmatic interventions include:
- i. Facilitate the State through the Ministry of Labor and Social Protection to create public awareness on the Child Bill 2020 already approved by Cabinet and monitor the implementation of the concluding observations expected on the last State Report on the Convention on Rights of the Child. This will require KES 2M.
  - ii. The rapid response and investigations on the tensions and emerging inequities reported in selected counties including Tana River, Baringo and Marsabit. These field missions are informed either by complaint filed with the Commission, or recommendations made by other agencies requiring the Commission to address increasing levels of inequalities in these areas. The Commission will require KES 4M to complete this task.
  - iii. Audit on the accessibility of built environment with a focus on buildings within the municipalities offering public services to determine level of compliance with the principles of equality and inclusion. The intervention shall be limited to 10 counties including 2 urban counties. Access to building and public transport is a determinant in reduction of inequalities and in promoting inclusion. The Commission will require KES 8M.
  - iv. Promotion of the realization of the not-more than two thirds gender principle, and greater representation of PWD, youth and minority and marginalized groups as an intended outcome of the constitutional reform agenda. The activity involves public education of organized groups of SIGs on the opportunities available to them in the governance sector. The Commission will require KES 4M.
49. On Corporate matters, the Commission inherited six court cases on employment matters. Four (4) of the matters are active and the plaintiffs have received determinations from the Courts against the Commission. Some plaintiffs have moved to auction the assets of the Commission in their efforts to enforce the court decisions. The Commission is therefore required to deposit decretal fees and for the safety of the Commission. The Commission requires **KES. 20M** to comply with the Court decisions.
50. Recruitment and Operationalization of the Audit Committee. The office term of the members of the audit committee lapsed in December 2020 and the Commission was in the process of recruiting new members. The Commission will also need to fully operationalize this committee and therefore **KES 5M** is needed.
51. Institutional Infrastructure: The key operation vote lines which have been affected by supplementary I Include fuel and oils slashed by **KES 2.1 million**, office supplies and stationeries **KES 1.3million**, computer supplies **KES 1.9million** and telephone expenses **KES 2.9million**. This are expenditures that enables efficient and effective running of the Commission. The

Commission requests reinstatement of this allocation amounting to **KES 8.2M**. The Commission also requests reinstatement of the **KES 12M** purchase of one motor vehicle.

### **3.8. State Development for Development of Arid and Semi-Arid Lands**

- 52.** The State Department had printed Estimates of **Kshs 8, 702, 290,786 .00** which has been revised down by **Kshs 1,819,905,134.00**.
- 53.** The actual financial performance for the Period Ending December 31 shows that the absorption rate for the allocated Recurrent and development budget is 90.3% and 41.6% respectively, leading to an overall 45.4% absorption rate.

### **Funding Gaps**

- 54.** The State Department suffered a reduction of **Kshs. 317.8 million** in the Recurrent Supplementary Estimate I FY 2020/21, which translates to 32.4%. The development budget was reduced by **Kshs. 1, 819 million**.
- 55.** The State Department therefore requests for the re-instatement of the allocation of **Kshs 2,137.75 million**.

## PART III

### 4.0 COMMITTEE OBSERVATIONS

#### 4.1. State Department for Labour

- I. The committee observed that the National Industrial Training Authority's Budgetary allocation reduced from Ksh. 290,620,000 to Ksh. 140,620,000 through a reduction of Kshs 150, 000,000.
- II. The Committee noted that in the NITA Budget Estimates, the transfer from the State Department caters for 60% of staff salaries with the difference being derived from NITA Appropriation in Aid collections' (A-I-A). The GOK Recurrent grant directly supports payment of staff salaries and staff medical scheme. The reduction of the Budget by Kshs 150, 000,000 will heavily affect personal emoluments given the fact that the Authority has been experiencing reduced A-I-A collections due to the Covid- 19 Pandemic.
- III. The Committee observed that the budget cut will lead to non-achievement and non-compliance with the key performance contract targets of the entity affecting the Big Four agenda specific to the upskilling of:
  - a) 50,000 Youth and Women in Textiles and Apparels sector.
  - b) 22,000 Youth in the Affordable Housing and Construction Industry sector.
- IV. The Committee observed that the cumulative effect on the scheduled programs includes negative impact on the skilling agreement between NITA and the "Jua Kali " sector targeted to create decent job openings for youth transiting into the Informal sector for direct and self-employment opportunities.
- V. The Committee further observed that the Authority may lose the support of **another unique current partnership agreement for the Inclusive Futures Project the unique Cisco Academy**– GIZ, UKAID, Leonard Cheshire, Usa Cisco For Implementation By The Sight savers International as a disability inclusive academy to develop entire level knowledge worker skills, leveraging the CISCO Networking Academy program and curriculum where the beneficiary youth have been assured absorption by Safaricom Limited in the partnership.
- VI. The committee noted that the reinstatement of the Kshs 150,000,000 will enable the Authority to service the Big Four agenda through the skilling of Youth, Women, Persons with Disabilities and other deserving beneficiaries. This will further enable the Authority to meet other Industrial and Social Partner driven targets under Kenya Vision 2030 through Job Specific Skills training towards employment creation at trade artisan levels necessary for essential service provision.
- VII. The committee also observed that under the National Employment Authority (NEA), the Kshs.50 Million budget cut is bound to affect the implementation of the planned initiatives in FY 2020/21 towards promotion of foreign employment including: development of strategies on search for job opportunities in foreign labour markets; negotiate and sign Bilateral Labour

Agreement (BLA) with potential labour destination countries; designing and implementation of return and re-integration programmes; establish and maintain a centralized Labour Migration Information System (LMIS); and database for job seekers, recruitment agencies, foreign employers, number, location and skills of Kenyan migrant workers. Kenya has great potential to export both skilled and unskilled labour to the outside world to enable it earn forex and continue to grow the economy. The cut therefore, should be rescinded as it affects the work in progress in this area.

- VIII. The committee observed that under the Office of the Labour Commissioner, plans are underway to host the African Regional Labour Administration Centre (ARLAC) conference later in the year in October 2021 having been postponed from October 2020 due to COVID-19 pandemic. Kenya is a founding member of ARLAC, and preparatory activities that have commenced will be affected. The cut leaves nothing for the Preparatory Committee to undertake necessary actions and activities for preparedness but the same must be reinstated during the consideration of the estimates for the planned conference to take place.
- IX. The committee observed that the State Department for labour has worked tirelessly and closely with Public Service Commission (PSC) who are now in the process to actualize the recruitment of staff for the State Department, which has been outstanding for some time. Office for the Registrar of Trade Unions and Commissioner of Labour are grossly under staffed and can hardly execute their mandate. The Kshs 43.6 million deducted should be reinstated to resolve this problem.
- X. The committee further observed that that there is a presidential directive to complete all projects that are at 85 percent completion rate. The projects earmarked for budget cuts are all over 85 percent complete. The projects include; Construction of National Employment Promotion Centre in Kabete – Kshs.49.1 Million; Construction of Occupational Safety and Health Services (OSH) Institute – Kshs.47.01 Million; Refurbishment of Safety House – Kshs.2.98Million; Establishment of National Labour Market Information System (LMIS) – Kshs.8.4 Million; Upgrading of Kisumu Industrial Training – Kshs.15 Million; Construction of Modern Employment Office in Eldoret– Kshs. 900,000.

#### **4.2. State Department for Social Protection**

- i. The Committee observed that the National Council for Persons with Disability budgetary allocation was reduced by Kshs 250 million from Kshs 469 million to Kshs 219 million. The reduction comprised of Kshs 100 million for development expenditure and Kshs 150 million for recurrent expenditure.
- ii. The Committee observed that the Kshs 100 million is for programs such as assistive devices, bursaries, scholarships, disabled persons organization grants, tools of trade for employment and LPO financing under AGPO. The reduction of Kshs 150 million under recurrent expenditure will affect the Councils operations. Persons with Albinism will be adversely affected by lack of sunscreen cream which may lead to increased prevalence of skin cancer among them.
- iii. The Committee further observed that the recurrent expenditure allocation of the Child welfare Society of Kenya was reduced by Kshs 400 million from Kshs 872 million to Kshs 472 million.

Child Welfare Society of Kenya's work is human intensive. The budget cut will affect the personnel. The organization may be forced to further downsize the staff or may be incapable of paying salaries.

- iv. The Committee observed that the essential/ front-line staff i.e. caregivers, social workers, nurses, clinical officers, cooks, drivers have been working quarantined in the temporary places of safety since March 2020. The staff has not been paid their Covid-19 allowances. The Committee also observed that there are pending staff gratuities and allowances. The Committee observed that there are pending school fees for 2019 and 2020 which was occasioned by funds that were not released.
- v. The Committee finally observed that there is pending office rent among other operational costs for offices of the Child Welfare Society of Kenya. The budget cut will also affect Covid- 19 isolation centers for children.

#### **4.3. State Department for Youth Affairs**

- I. The committee observed that the Funds allocated to youth field services under the state department have been reduced by Kshs 43.7 million. This has a net effect of paralyzing all youth activities and disempower youth countrywide. This will also affect training, mentorship and capacity building for their economic empowerment and participation in the big 4 agenda.
- II. The committee observed that the allocation to the Youth Empowerment Centers has been reduced by Kshs 24.3 million. This is despite the fact that the department has issued out contracts to various contractors who have been engaged to complete the centers across the country. This will occasion huge pending bills since the government has already disbursed AIEs amounting to Kshs 24.2 million for the ongoing works.

#### **4.4. State Department for Gender Affairs**

- I. The committee observed that the total recurrent expenditure for the UWEZO fund has been reduced by Kshs 50 million. This will likely affect facilitation of constituency committee members during the vetting application, training of beneficiary groups and administrative functions of the daily operations of the Fund.
- II. The committee also observed that UWEZO fund development budget has been reduced by Kshs 41 million from Kshs 82 million. This reduction of 50 percent implies that 2500 groups of youth, women and PWDs will not be issued with loans for socio-economic development.
- III. The committee also observed that the net allocation of recurrent expenditure for the FY 2020/21 for Women Enterprise Fund was Kshs 175 million purely for personnel emoluments. A reduction of Kshs 100 million implies that the personnel emolument of staff will not be met for the second half of the FY 2020/21.
- IV. The committee also observed that the Funds total development allocation has been reduced by half to Kshs 75 million. This implies that 3750 women and 375 women groups who have already applied for the loans will not be able to access funding.
- V. The Committee also observed that the State department in collaboration with the government of Finland have been allocated resources in grants on strengthening prevention and response

to gender based violence. However, the GOK counterpart funding to the tune of Kshs 64 million for the FY 2020/21 has not been provided for.

#### **4.5. State Department for Arid and Semi-Arid Lands**

- i. The committee observed that the budget for the Kenya Hunger Safety Net Program has been reduced by Kshs 2.19 billion. This will have an effect on the maintenance and upgrading of the ASAL GIS System where already tenders have been awarded. The cut will equally affect the registration of beneficiaries in four new counties. Further, rehabilitation of water pans, boreholes and purchase of certified seeds will be grossly affected.
- ii. The Committee also observed that the National Drought Management Authority suffered a further 349 million cut in the Supplementary Estimates from its recurrent expenditure. Of this 251 Million was meant for compensation to employees, while 79.6 million was meant for staff medical insurance, rent and rates and other contractual obligations.

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

- i. The Committee observed that the Kazi Mtaani initiative will require an additional kshs. 6 billion to cover the period March to June 2021. The Committee further observed that the program has created opportunities for over 270,000 youth across the country.

#### **4.7. National Gender and Equality Commission**

- i. The Committee observed that a total of Kshs 48 million has been reduced from the Commissions budget leaving them with only Kshs 2.8 million to undertake planned field interventions. This means critical planned interventions such as setting up public inquiry, conduct of investigations and making determinations on complaints filled by the vulnerable groups will not be met.

#### **4.8. National Youth Service**

- i. The Committee observed that the Agency has historical pending bills vetted and verified by the Multi-Agency team amounting to **Kshs 15.5 billion**. This has had a negative effect of financially struggling entrepreneurs and suppliers. This may lead to cases of contractors been auctioned.

### **5.0 COMMITTEE RECOMMENDATIONS**

#### **5.1 Policy Recommendations**

- i) That the various policies and legislations touching under the sector be fast tracked. These policies include Youth Policy (State Department for Youth), Social Protection Policy and Family Protection Policy (State Department for Social Protection). The State Department for Social Protection should in particular fast track the development of a legal framework for the National Safety Net Program

## 5.2 Financial Recommendations/Proposed Reallocations

### 6.0 5.4 Re-Allocations (See attached detailed justification)

RE-ALLOCATION(KSHS.)	FROM	TO	JUSTIFICATION (Summary)
30,000,000.00	Directorate of Social Development (Vocational Rehabilitation Centres)	NITA	To address the gap in Personnel emoluments at NITA
20,000,000.00	Productivity Centre of Kenya	NITA	
400,000,000.00	Vote 1212- Community Development Programme	Child Welfare Society of Kenya (CWSK)	Purchase of food and payment of school fees for Children under CWSK Foster Care
231,000,000.00	Vote 1212- Community Development Programme	NDMA - ASAL	Personnel emoluments and monitoring of the HSNP
49,000,000.00	Vote 1212- Community Development Programme	NEA – Development	Completion of Kabete Employment Office which has dragged on for the past 11 years. This will complete Phase I of the centre ready for occupation
680,000,000.00	Vote 1212- Community Development Programme	CWSK, NDMA, NEA - DEVPT	

### 5.3 Other Financial Recommendations

1. An additional allocation of **Kshs 100 million** for the Child Welfare Society of Kenya under recurrent expenditure to cater for school fees for children under their care.
2. An additional allocation of **Kshs 100 million** for the National Industrial Training Authority to bridge the gap in personnel emoluments.
3. A further allocation of **Kshs 50 million** to the National Drought Management Authority under recurrent expenditure to cater for staff insurance and other contractual obligations.
4. An additional **Kshs.50 million** for the National Employment Authority for the development of the Labour Migration Management System to manage labour migration and promote foreign employment. The Authority seeks to explore new labour markets in Canada, the United Kingdom and Australia as a destination for skilled workers.

5. Reinstatement of **Kshs. 2.5 Billion** to the **National Youth Service**

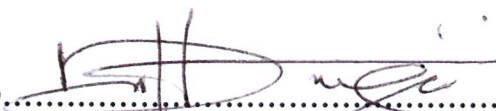
**Justification:** The cut has the following impact on the service:

- i) Salaries for the last quarter of the Financial Year will not be paid
  - ii) Monthly stipend of Kshs. 2100 to Service men and women will be affected
  - iii) Food ration, monthly issues and medical expenses for the service men will be adversely affected.
6. Allocation of a further **Kshs. 3.3 Billion** to the NYS to pay historical pending Bills  
The Service has proposed to phase out the payment of over **Kshs. 15.5 billion** pending bills into various categories. In the interim, they propose to pay desperate cases who have been subjected to auction by banks amounting to **Kshs. 500m** and small and struggling entrepreneurs who have in addition to the pending bills have also suffered due to the adverse effects of COVID 19. These Bills amount to **Kshs. 2.8 billion** and the suppliers are owed between 1m and 2m. Cases of suppliers committing suicide and others hospitalized due to depression have been rampant among these categories of suppliers.  
Hon Chair and Member, the payment of these Bills is also in line with the Government policy of ensuring prompt payment of suppliers to guarantee circulation of money in the economy.
  7. Reinstatement of **Kshs. 2.191 billion** to the National Drought Management Authority under ASAL for the Hunger Safety Net Program. This Program is a social safety net to protect the poor and vulnerable the effects of frequent droughts in ASAL areas. The cut will have the following impact:
    - i) Disbursement of stipend to beneficiaries in 4 counties of Wajir, Mandera, Marsabit and Turkana
    - ii) Upscaling of the program to four other counties will be halted. The registration of beneficiaries had begun in Garissa, Tana River, Isiolo and Samburu.
    - iii) No funds will be available to pay the Payment Service Provider- that is Equity bank
  8. Allocation of an additional **Kshs. 6 Billion** to the Kazi Mtaani Program under the State Department of Housing to ensure its continuity given that it has engaged over 280,000 youth from across the country. The absorbed these youths who were rendered jobless by the effects of COVID in the economy. The Committee also visited 3 counties of Mombasa, Kilifi and Kwale to assess the impact of this program on the citizens. The Committee met beneficiaries

of the Program was satisfied that the program has made a difference in the lives of beneficiaries and their dependents.

9. A further allocation of **Kshs 100 million** for the Child Welfare Society of Kenya under recurrent expenditure to cater for school fees for children under their care.
10. A further allocation of **Kshs 50 million** to the National Drought Management Authority under recurrent expenditure to cater for staff insurance and other contractual obligations.

SIGNED.....



DATE.....

26<sup>th</sup> Feb. 2021

**HON. PETER MWATHI, MP**

**(CHAIRPERSON, DEPARTMENTAL COMMITTEE ON LABOUR AND SOCIAL WELFARE)**

**REPUBLIC OF KENYA**



**THE NATIONAL ASSEMBLY**

**TWELFTH PARLIAMENT – FIFTH SESSION**

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**DEPARTMENTAL COMMITTEE ON LANDS**

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**REPORT ON THE CONSIDERATION OF THE SUPPLEMENTARY ESTIMATES I  
2020/2021 FY FOR THE MINISTRY OF LANDS AND PHYSICAL PLANNING – VOTE  
1112 AND THE NATIONAL LAND COMMISSION VOTE – 2021**

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**PUBLISHED BY: -**

**THE DIRECTORATE OF DEPARTMENTAL COMMITTEES  
CLERK'S CHAMBERS  
PARLIAMENT BUILDINGS  
NAIROBI**

**FEBRUARY, 2021**

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**Annexures**

Annex 1: PBO brief on the proposed 2020/21 Supplementary Estimates

Annex 2: MDA's submissions

Annex 3: Minutes of the Committee sittings

Annex 4: Adoption List

## PART I

### 1.0 PREFACE

#### 1.1 Introduction

1. This is the report of the Departmental Committee on Lands on its consideration of the Supplementary Estimates I for the 2020/2021 Financial Year. The report contains an overview of the Supplementary Estimates for the agencies under the purview of the Committee, the deliberations between the Committee and the Cabinet Secretary Ministry of Lands & Physical Planning and the Chairperson, National Lands Commission. the observations and recommendations of the Committee to the Budget and Appropriations Committee.
2. The deliberations of the meetings together with the contents of the Supplementary Estimates I, informed the Committee's compilation of this report regarding the proposed allocation of the resources among the programs and projects in the relevant sectors.

#### 1.2 The mandate the Committee

3. The Departmental Committee on Lands is established pursuant to the provisions of Standing Order No. 216 (1) and (5) with the following terms of reference: -
  - (i) make reports and recommendations to the House as often as possible, including recommendation of proposed legislation;
  - (ii) investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned Ministries and departments;
  - (iii) study the programme and policy objectives of Ministries and departments and the effectiveness of the implementation;
  - (iv) study, access and analyze the relative success of the Ministries and departments as measured by the results obtained as compared with their stated objectives;
  - (v) Investigate and inquire into all matters relating to the assigned Ministries and departments as they may deem necessary, and as may be referred to them by the House.
  - (vi) study and review all legislation referred to it

The Committee oversights:

1. The Ministry of Lands and Physical Planning Vote 1112; and
2. The National Land Commission Vote 2021

### 1.3 Committee Membership

4. The Committee Membership is as follows:

#### **Chairperson**

Hon. Dr. Rachael Nyamai, CBS, MP

**MP for Kitui South Constituency**

**Jubilee Party**

#### **Vice Chairperson**

Hon. Khatib Mwashetani, MP

**MP for Lunga Lunga Constituency**

**Jubilee Party**

Hon. Benjamin Washiali, CBS, MP  
Member for Mumias East  
Constituency

**Jubilee Party**

Hon George Risa Sunkuyia, MP  
Member for Kajiado West  
Constituency

**Jubilee Party**

Hon Joshua Kutuny Serem, MP  
Member for Cherangany Constituency

**Jubilee Party**

Hon. John Muchiri Nyaga, MP  
Member for Manyatta Constituency

**Jubilee Party**

Hon. Mishi Mboko, MP  
Member for Likoni Constituency  
**Orange Democratic Movement  
(ODM)**

Hon. Josphat Gichunge Kabeabea, MP  
Member for Tigania East Constituency  
**Party of National Unity (PNU)**

Hon. Omar Mwinyi, MP  
Member for Changamwe Constituency  
**Orange Democratic Movement  
(ODM)**

Hon. Lilian Tomitom, MP  
Member for West Pokot County  
**Jubilee Party**

Hon. Ahmed Kolosh, MP

Hon. Owen Yaa Baya, MP

Member for Wajir West Constituency  
**Jubilee Party**

Hon. Ali Mbogo, MP  
Member for Kisauni Constituency  
**Wiper Democratic Movement  
(WDM)**

Hon. Babu Owino, MP  
Member for Embakasi East  
Constituency  
**Orange Democratic Movement  
(ODM)**

Hon. Caleb Kipkemei Kositany, MP  
Member for Soy Constituency  
**Jubilee Party**

Hon George Aladwa, MP  
Member for Makadara Constituency  
**Orange Democratic Movement  
(ODM)**

Member for Kilifi North Constituency  
**Orange Democratic Movement  
(ODM)**

Hon. Patrick Munene Ntwiga, MP  
Member for Chuka/Igambangombe  
Constituency  
**Jubilee Party**

Hon. Samuel Kinuthia Gachobe, MP  
Member for Subukia Constituency  
**Jubilee Party**

Hon. Teddy Mwambire, MP  
Member for Ganze Constituency  
**Orange Democratic Movement  
(ODM)**

#### **1.4 Committee Secretariat**

5. The Committee secretariat comprises:

**Lead Clerk**

Mr. Leonard Machira

**Senior Clerk Assistant**

Mr. Ahmad Guliye

**Second Clerk Assistant**

Dr. Kefa Omoti

**Principal Research Officer**

Mr. Joseph Okongo

**Media Relations Officer**

Ms. Jemimah Waigwa

**Legal Counsel I**

Mr. Adan Abdi

**Fiscal Analyst III**

## **1.5 Overview on the Examination of the Supplementary Estimates I FY 2021/22**

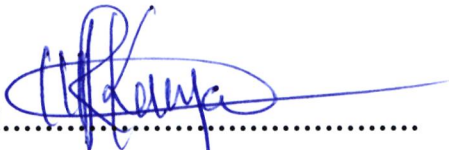
6. The first Supplementary Estimates for the FY 2020/21 was submitted to the National Assembly on 9<sup>th</sup> February 2021 and subsequently tabled in the House. The preparation and approval of the supplementary budget is provided for in Article 223 of the Constitution, Sections 43(2) and 44 of the PFM Act 2012 and Regulations 40 of the PFM (National Government) Regulations 2015.
7. In addition, the PFM (National Government) Regulations 2015 requires the Cabinet Secretary to provide for sufficient detail on the purpose of the supplementary estimates as well as format for revised budget in which the Cabinet secretary is further mandated to issue a circular to that effect. The Regulations outlines the main purposes under which approval is sought as either unforeseen or unavoidable and where no budget provision was made or was inadequate but further clarifies as not including the following:
  - i. Expenditure that, although known when finalizing the estimates of the original budget (In this case, the annual estimates of 2019/20) could not be accommodated within the allocations; and
  - ii. Tariff adjustments and price increases
8. Article 223 of the Constitution provides for the National Government to incur expenditure not appropriated for in the annual Appropriation Act on account of insufficiency of amounts initially provided when a need has arisen for expenditure to which no amounts have been allocated; or for withdrawals from the Contingencies Fund. In that regard, approvals for such expenditures must therefore be sought from Parliament through a Supplementary Budget and subsequently a Supplementary Appropriation Bill. However, the amount spent should not be more than 10 percent of the total sum appropriated by Parliament unless in special circumstances Parliament has approved a higher percentage.
9. In addition, the PFM (National Government) Regulations 2015 requires the Cabinet Secretary to provide for sufficient detail on the purpose of the supplementary estimates as well as format for revised budget in which the Cabinet Secretary is further mandated to issue a circular to that effect. As per the regulations, Supplementary estimates should relate to expenditure needs which were either unforeseen or unavoidable and where no budget provision was made or was inadequate during the approval of the annual estimates. The Regulations further clarify that

expenditure which was anticipated during the estimate's approval, or where the expenditure relates to tariff and price increases, should not be considered as part of supplementary budgets.

10. Standing Order No. 243 provides that with necessary modifications, the same procedure applied in the processing of the Budget Estimates be applied to the processing of the Supplementary Estimates.
11. Thus, after being laid in the House, the Supplementary Estimates are committed to each Departmental Committee to deliberate upon according to their respective mandates. The Standing Orders also allows the Departmental Committees of the National Assembly to review and consider the Supplementary Estimates for the various spending agencies within their purview and make recommendations to the Budget and Appropriation Committee.
12. During the consideration of the Supplementary Estimates I for the 2020/2021 Financial Year the Committee was briefed by the Parliamentary Budget Office on Tuesday 16<sup>th</sup> February 2021 on the contents and key issues regarding the Supplementary Estimates I 2020/2021 Financial Year for the Agencies under the purview of the Committee. The Committee also held discussions with the Cabinet Secretary Ministry of Lands and Physical Planning and the Chairperson National Land Commission on 23<sup>rd</sup> February 2021. Finally, the Committee adopted this report on Thursday 25<sup>th</sup> February, 2021.

### 1.6 Acknowledgement

13. The Committee wishes to thank the Office of the Speaker and the Clerk of the National Assembly for the logistical and technical support accorded to it during its sittings. The Committee also appreciates the submissions made by the Cabinet Secretary, Ministry Lands & Physical Planning and the Chairperson, National Land Commission during the scrutiny of the Supplementary Estimates I for the FY 2020/2021.
14. Finally, I wish to express my appreciation to the Honorable Members of the Committee who sacrificed their time to participate in the activities of the Committee and preparation of this report. It is therefore, my pleasant duty and privilege, on behalf of the Departmental Committee on Lands, to present this report on the Supplementary Estimates I for the FY 2020/21.

Signed.......... Date: 25-02-21

**Mon. Dr. Rachael Kaki Nyamai, CBS, M.P**  
**(CHAIRPERSON)**

## PART II

### 2.0 BROAD OVERVIEW OF SUPPLEMENTARY ESTIMATES I FY 2020/21

15. The Supplementary has been prepared against a backdrop of subdued economy occasioned by the effects of COVID-19 which has adversely affected both the global and local economy.
16. According to the National Treasury, Kenya's economy contracted by 5.7 percent in the second quarter of 2020 from a growth of 4.9 percent in the first quarter of 2020 largely due to significant contractions in the services and industry sub-sectors. While growth is expected to pick up following the re-opening of the economy, there is still Revenue underperformance leading to budget rationalization across most of the agencies under the purview of the Committee.
17. The Supplementary budget comprises increases for the Ministry of Lands and Physical Planning and a reduction of expenditure for the National Lands Commission. For example, while the Ministry has had its budget increase by 13 percent the National Land Commissions overall budget reduced by 8 percent.
18. On the overall Supplementary budget, the total revised budget will rise by Ksh. 120 billion (compared with the original budget), if the Supplementary is approved as tabled, though the National Treasury mentions that revenue has dropped due to COVID-19. Overall, the increase in the budget means that while some MDAs get increases in their spending, other MDAs get budgetary cuts.

### 3.0 SUBMISSIONS BY MINISTRY AND THE NATIONAL LANDS COMMISSION

#### 3.1 Ministry of Lands and Physical Planning

19. The Committee held a meeting with the Chief Administrative Secretary, Ministry of Lands and Physical Planning accompanied by the Principal Secretaries, State Department for Lands and State Department for Physical Planning on Tuesday 23rd February 2021. During the meeting, the Committee was informed that the Ministry's Approved Budget was Kshs. 5,617 million out of which Recurrent Estimates was Kshs. 2,818 million and Development Estimates was Kshs 2,799 million.
20. This has been proposed to increase by Kshs. 727 million in the Supplementary Estimates I for the FY 2020/21.
21. The increase is on account of Kshs. 700 million for under the development expenditure for the purchase of land to resettlement of landless and Kshs 27 million for under the recurrent expenditure for compensation to employees.
22. Table 1 shows that there is more than 10 percent variation in the programme land policy and planning with a 13 percent increase from the program's approved allocation. The table also shows changes across sub-program with the sub-program land settlement having a more than 100 percent increase in allocation.

**Table 1: Proposed Changes across programmes in Ksh. Million**

S/No.		Approved budget	Gross including Supplementary	% Change
	Development Planning and Land Reforms	2,156	2,150	(0.3%)
	Land Information Management	1,675	1,687	0.6%
	Land Survey	930	953	2%
	Land Use	257	256	(0.1%)
	Land Settlement	597	1,296	117%
P.1	<b>Land Policy &amp; Planning Program Total</b>	<b>5,615</b>	<b>6,344</b>	<b>13%</b>

Source: The National Treasury

23. The Committee was also informed that the Ministry was implementing one programme Land policy and planning comprising five (5) sub-programmes namely: Development Planning and Land Reform, Land Information Management, Land Survey, Land Use and Land Settlement.
24. The Ministry was implementing 12 projects and the annual budget allocation for the project had not been adjusted in the supplementary budget apart from the Settlement of the Landless project that had an approved allocation of Kshs. 180 million and which had been adjusted to 880 in the Supplementary Estimates.
25. The additional allocation of Kshs. 700 million would facilitate the purchase of four parcels of land in Kilifi County to settle 12, 000 squatters. The Ministry justified the said additional allocation by indicating that it was meant to address persistent historical land injustice claims by residents of Kilifi County who had lived as squatters on land owned by the Mazrui Trust and Kagaa Farmers' Cooperative Society for many decades.
26. The following activities under the Ministry's Recurrent Estimates were negatively affected as shown in the following table 2:

1.	Operations and Maintenance in county land offices	Kshs. 19 million
2.	Land Control Board Allowances	Kshs. 6 million
	Total	Kshs. 25 million

21. Although, the Settlement of the landless project was allocated an additional Kshs. 700 million. The project requires an annual allocation of Ksh. 1.4 billion leaving a deficit of Kshs. 700 million.
22. The Committee was also informed that Digitization of Land Registries had an additional resource requirement of Kshs. 2.5 billion to facilitate the implementation of the project in the Nairobi Metropolitan Counties (Kiambu, Kajiado, Machakos, and Muranga).
23. The Committee was also informed that the Ministry had no new project and there were no changes in the performance indicators, outputs and targets as a result of the Supplementary Estimates I.

### 3.2 Submissions by the National Lands Commission

24. The Committee held a meeting with the Chairperson, National Land Commission on Tuesday 23<sup>rd</sup> February 2021. During the meeting, the Chairperson informed the Committee that in the FY 2020/2021, the approved recurrent budget for the Commission was Ksh. **1,233,000,000** with no development budget. The Commission requested for additional funding from the National Treasury during Supplementary I estimate of **Kshs 659 million as follows:**

- i. Vesting of Compulsorily acquired Public land – Kshs. 200 million;
- ii. County Offices Operations (Devolved) – Kshs. 10 million;
- iii. Preventive Maintenance of ICT Computing Infrastructure – Kshs. 40 million
- iv. Payment of pending bills – Kshs. 24 million;
- v. Emerging Issues-New Commissioners Vehicles (the current vehicles are old) – Kshs. 135 million;
- vi. Operational Motor Vehicles for Headquarter and County Coordination offices –Kshs. 150 million; and
- vii. Office Rent & Partitioning –Kshs. 100 million

25. The Commission's recurrent budget would be reduced by **Ksh 95 million in the supplementary Estimates 1** being **Kshs 65 million** Personnel emoluments and **Kshs 30 million** Operations and Maintenance within the following budget items as shown in table 3 .

Details	Approved Amount	Supplementary Reduction	Balance
Personnel Emoluments	998,000,000	<b>(65,000,000)</b>	933,000,000
Communication, Supplies and Services	7,900,000	<b>(4,000,000)</b>	3,900,000
Domestic Travel and Subsistence Allowance	21,400,000	<b>(8,500,000)</b>	12,900,000
Foreign Travel and Subsistence and other Costs	1,700,000	<b>(600,000)</b>	1,200,000
Printing, Advertising, and Information Supplies	5,500,000	<b>(2,600,000)</b>	2,900,000
Training Expenses	3,600,000	<b>(1,300,000)</b>	2,300,000
Hospitality Supplies and Services	14,000,000	<b>(6,000,000)</b>	8,000,000
Office and General Supplies	6,200,000	<b>(3,000,000)</b>	3,200,000
Fuel, Oils and Lubricants	8,000,000	<b>(3,400,000)</b>	4,600,000

Other Operating Expenses	9,500,000	(600,000)	8,900,000
<b>Total Reduction</b>		<b>(95,000,000)</b>	

26. The Chairperson stated that the Commission registered an average absorption rate of 30% of its recurrent budget in the first half of the 2020/2021 FY due to the following reasons:
- i. Personnel emoluments of Kshs 65 million was not utilized in the first half of the financial year due to delay in recruitment which was affected by COVID –19;
  - ii. Payment of staff medical cover within the Operations and Maintenance budget was not effected during the quarter which represents 40% of the approved budget;
  - iii. The National Treasury IFMIS department froze all commitments and invoicing modules from November till now, thus ensuring no processing of payments.
27. The Commission had pending bills of Kshs 21.3 million arising from payments due to merchants and lawyers who supplied the Commission with goods and services.
28. The Committee was informed that a reduction of the Kshs 65 million proposed in the supplementary estimates would affect the recruitment process for technical staff such as lawyers and Valuers. The exercise was not concluded in the first half of the 2020/2021 but was being finalized. However, the Committee was also informed that exercise had an annual allocation of Kshs. 128 million.
29. The Committee also informed that the challenges facing the Commission due to inadequate funding included:
- a) Lack of operational motor vehicles at County offices.
  - b) The Commission is still constrained with office space both at the Headquarter and the County level.
  - c) Inadequate technical staff such as lawyers to address rising court cases involving the Commission.

## PART III

### 4.0 OBSERVATIONS

#### a) Ministry of Lands and Physical Planning – Vote 1112

1. Although the adjustment in the Budget allocation to the Ministry of Lands and Physical Planning Vote 1112 under the program land policy and planning translates to a thirteen percent increase from the approved annual Budget allocation for the 2020/2021 Financial Year. The additional allocation of Ksh 700 million for the Settlement of the Landless is justifiable as it will address persistent historical land injustice claims by residents of Kilifi County who live as squatters on land owned by the Mazrui Trust and Kagaa Farmers' Cooperative Society for many decades.
2. There are no reciprocating changes in outputs and performance targets for the Settlement of the Landless project that had a proposed additional allocation of Ksh 700 million.
3. The Settlement of the landless sub- programme had an annual allocation of 180 million in the 2020/2021 FY and a projected allocation of Kshs. 49 million in the 2021/2022 FY. However, the sub programme had received an additional allocation in previous supplementary estimates and in the current Supplementary Estimates. Therefore, there is need for adequate budgetary allocation for the sub-program of Settlement of the landless in the subsequent annual Estimates to enhance proper planning and predictability in the implementation of the project.
4. The adjustment in the recurrent Estimates of Kshs 27 million is on account of variations on the wages and salaries spending item due to delay in obtaining requisite approvals from the Public Service Commission.

#### b. National Land Commission – Vote 2021

1. The Committee observed that the continued inadequate funding has negatively affected the Commission's programme implementation further making it difficult for them to achieve their constitutional mandate.
2. The Committee noted that the reduction of the Kshs 65 million proposed in the supplementary estimates was justifiable because the commission delayed the recruitment

process for technical staff such as lawyers and valuers. The exercise was not concluded in the first half of the 2020/2021. The exercise had an annual allocation of Kshs. 128 million. Therefore, the recruitment may be concluded in the second half of the 2020/2021 Financial Year.

## 5.0 RECOMMENDATIONS

### 5.1 Non – Financial Recommendations

The Ministry of Lands and Physical Planning should amend the outputs and performance targets for the Settlement of the Landless sub – programme to correspond to the proposed additional allocation of Ksh 700 million for the project.


### 5.2 Financial Recommendations

1. The Committee is agreeable to the proposal to allocate additional resources amounting to Kshs. 700 million to the Ministry of Lands and Physical Planning vote 1112 for the Settlement of the Landless sub – programme.
2. The Committee is agreeable to the proposal to allocate additional resources amounting to Kshs. 27 million to the Ministry of Lands and Physical Planning vote 1112 on account of variations on the wages and salaries.
3. The Committee is agreeable to the proposal to reduce Kshs 65 million from the National Lands Commission vote 2021 for the recruitment of staff.
4. The Committee requests the reinstatement of Kshs. 30 million to the National Lands Commission – vote 2021 for operation and maintenance to facilitate the Commission’s operations.

### 5.3 Summary of Observations and Recommendations

S/No.	Observation	Non. Financial Recommendation for Supplementary	Financial Recommendation (If any)
1.	The additional allocation of Ksh 700 million for the Settlement of the Landless project is justifiable as it will address persistent historical land injustice claims by residents of Kilifi County who had lived as squatters on land owned by the Mazrui Trust and Kagua Farmers’ Cooperative Society for many decades.		The Committee is agreeable to the proposal to allocate additional resources amounting to Kshs. 700 million to the Ministry of Lands and Physical Planning
2.	The adjustment in recurrent Estimates for the Ministry of Lands and Physical Planning		The Committee is agreeable to the proposal to allocate additional resources

	of Kshs 27 million is on account of variations on the wages and salaries spending item due to delay in obtaining requisite approvals from the Public Service Commission		amounting to Kshs. 27 Million to the Ministry of Lands and Physical Planning
3.	The Committee noted that the reduction of the Kshs 65 million proposed in the supplementary estimates was as a result of the commission delaying the recruitment process for technical staff such as lawyers and Valuers. The exercise was not concluded in the first half of the 2020/2021		The Committee is agreeable to the proposed reduction of Kshs 65 million from the National Lands Commission
4.	There are no reciprocating changes in outputs and performance targets for the settlement of the landless project that had a proposed additional allocation of Ksh 700 million	The Ministry of Lands and Physical Planning should amend the outputs and performance targets for the Settlement of the Landless to correspond to the proposed additional allocation of Ksh 700 million	

Signed.....  ..... Date: 25-02-21 .....

**Hon. Dr. Rachael Kaki Nyamai, CBS, M.P**  
**(CHAIRPERSON)**



**REPUBLIC OF KENYA**

**KENYA NATIONAL ASSEMBLY**

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**TWELFTH PARLIAMENT – FIFTH SESSION**

**THE DEPARTMENTAL COMMITTEE**

**ON**

**SPORTS, CULTURE AND TOURISM**

**REPORT ON THE CONSIDERATION OF THE 2020/2021 SUPPLEMENTARY  
ESTIMATES FOR THE FOLLOWING SPENDING AGENCIES:**

Vote 1204- State Department for Tourism  
Vote 1132- State Department for Sports  
Vote 1134- State Department for Culture and Heritage

**DIRECTORATE OF DEPARTMENTAL COMMITTEES**

**CLERKS CHAMBERS**

**PARLIAMENT BUILDINGS**

**NAIROBI**

**FEBRUARY, 2021**

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## PART I

### 1. PREFACE

#### 1.1 Introduction

1. This is the Committee report on its consideration of the Supplementary Estimates 1 for the FY 2020/2021 in accordance with Article 223 of the Constitution of Kenya and section 43(2) and 44 of the Public Finance Management Act 2012, Part 40 of the Public Finance Management National Government Regulations and Standing Order 243. The Departmental Committee on Sports, Culture and Heritage held meetings with the Ministries, Departments and Agencies under its purview to scrutinize their Supplementary Estimates on 22<sup>nd</sup> February 2021 at Windsor Hotel, Kiambu County. The Committee then consolidated its recommendations for submission to the Budget Committee pursuant to the provision of Standing Order 207(6).

#### 1.2 Mandate of the Committee

2. The Departmental Committee on Sports, Culture and Tourism is one of the fifteen departmental committees of the House established pursuant to Article 124 of the Constitution of Kenya 2010 and Standing Order 216 of the National Assembly and mandated to:
  - a) investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned ministries and departments;
  - b) Study the programme and policy objectives of ministries and departments and the effectiveness of the implementation.
  - c) study and review all legislation referred to it;
  - d) study, assess and analyse the relative success of the ministries and departments as measured by the results obtained as compared with their stated objectives;
  - e) investigate and inquire into all matters relating to the assigned ministries and departments as they may deem necessary and as may be referred to them by the House;
  - f) vet and report on all appointments where the Constitution or any law requires the National Assembly to approve, except those under Standing Order 204 (*Committee on Appointments*); and
  - g) Make reports and recommendations to the House as often as possible, including recommendation of proposed legislation.
3. The Committee is charged with the following subject matter as provided for in the Second Schedule of the National Assembly Standing Orders No. 216 (M): - Sports, culture, language, arts, national heritage, betting and lotteries, tourism promotion and management.

4. The Departmental Committee on Sports, Culture and Tourism oversees the following Ministries/Departments/Agencies:
- i. State Department for Tourism
  - ii. State Department for Sports
  - iii. State Department for Culture and Heritage

### 1.3 Committee Membership

5. The Committee on Sports, Culture and Tourism comprises of the following Members:

**Hon. Patrick Makau King'ola, M.P – Chairperson**

Mavoko Constituency

**Wiper Democratic Party**

**Hon. (Dr.) Korei Ole Lemein, M.P - Vice Chairperson**

Narok South Constituency

**Jubilee Party**

Hon. Christopher Omulele, M.P

Luanda Constituency

**Orange Democratic Movement Party**

Hon. Lydia Haika Mnene Mizighi, M.P

Taita Taveta County

**Jubilee Party**

Hon. Beatrice Kones, M.P

Bomet East Constituency

**Jubilee Party**

Hon. Jane Jepkorir Kiptoo Chebaibai, M.P

Elgeyo Marakwet County

**Jubilee Party**

Hon. Cyprian Kubai Iringo, M.P

Igembe Central Constituency

**Jubilee Party**

Hon. Rehema Dida Jaldesa, M.P

Isiolo County

**Jubilee Party**

Hon. Jones Mlolwa, M.P

Voi Constituency

**Orange Democratic Movement Party**

Hon. Sylvanus Maritim, M.P

Ainamoi Constituency

**Jubilee Party**

Hon. Daniel Wanyama Sitati, M.P

Webuye West Constituency

**Jubilee Party**

Hon. Jane Kihara, M.P

Naivasha Constituency

**Jubilee Party**

Hon. Florence Chepngtich, M.P

Kericho County

**Jubilee Party**

Hon. Charles Ngusya Nguna, M.P

Mwingi West Constituency

**Wiper Democratic Party**

Hon. (Prof.) Jacqueline Oduol, M.P

Nominated

Hon. Titus Mukhwana Khamala, M.P

Lurambi Constituency

**Orange Democratic Movement Party**

Hon. (Dr.) Tecla Chebet Tum, M.P  
Nandi County

**Jubilee Party**

Hon. Jeremiah Lomurukai, M.P  
Loima Constituency

**Orange Democratic Movement Party**

**Amani National Congress**

Hon. Mohammed Garane, M.P  
Lagdera Constituency

**KANU Party**

**1.4 Committee Secretariat**

6. The Committee secretariat comprises of:

Mr. Samuel Kalama  
Senior Clerk Assistant

**Lead Clerk**

Mr. Fredrick Otieno  
**Second Clerk Assistant**

Ms. Emma Essendi  
**Legal Counsel I**

Mr. Vitus Okech  
**Research officer III**

Mr. Omar Abdirahim  
**Fiscal Analyst III**

**1.5 Overview on the examination of the Supplementary Estimates 1**

7. The Supplementary Estimates 1 for FY 2020/2021 were submitted to the National Assembly in accordance with to Article 223 of the Constitution of Kenya, Section 43(2) of the Public Finance Management Act, Part 40 of the Public Finance Management National Government Regulations and Standing Order 243 of the National assembly and subsequently tabled on the floor of the House on Tuesday, 9<sup>th</sup> February, 2021. Consequently, the estimates were committed to the relevant Departmental Committees for scrutiny of votes under their purview and make recommendation to Budget and Appropriations Committee.
8. The Committee held a total of four (4) consultative meetings; these were preceded by a briefing by the Parliamentary Budget Office on 16<sup>th</sup> February, 2021. The Committee then held meetings with the spending agencies under its purview on 22<sup>nd</sup> February, 2021.

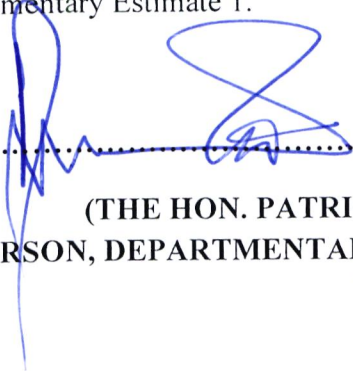
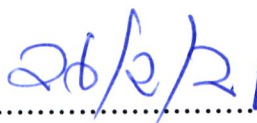
**1.6 Acknowledgements**

9. The Committee is grateful to the Offices of the Speaker and the Clerk of the National Assembly for the logistical and technical support accorded to it during its sittings. I wish to also express my appreciation to the Honourable Members of the Committee for their patience, sacrifice, endurance and hard work during the long sitting hours under tight

schedules and the useful contributions they made towards the preparation and production of this report.

10. Finally, the Committee wishes to thank all the State Departments under its purview for their participation in scrutinizing the 2020/2021 Supplementary Estimates 1.

11. It is therefore, my pleasant duty and privilege, on behalf of the Departmental Committee on Sport, Culture and Tourism, to submit its Report on the scrutiny of the 2020/2021 Supplementary Estimate 1.

Signature: .....  ..... Date: .....  .....

**(THE HON. PATRICK MAKAU KINGÓLA, M.P.)**  
**CHAIRPERSON, DEPARTMENTAL COMMITTEE ON SPORTS, CULTURE AND**  
**TOURISM**

## PART II

### 2. BROAD OVERVIEW OF THE SUPPLEMENTARY ESTIMATES 1

#### 2.1 State Department for Sports- Vote 1132

12. The State Department implements its activities through one Programme, namely, Sports Programme made up of 3 sub-programmes; Sports Training and Competitions, Development and Management of Sports Facilities and General Administration, Planning and Support Services.
13. The State Department for Sports approved allocation for FY 2020/21 was Kshs. 15.4 billion comprising of Kshs. 1.2 billion for recurrent expenditure and Kshs. 14.2 billion for development expenditure.
14. In the Supplementary Estimate 1 for FY 2020/21, the National Treasury is proposing a reduction of Kshs 11,123.3 million in the Department's budget. This comprises of Kshs. 260.6 million for recurrent expenditure and Kshs. 10,862.7 million for development expenditure.
15. In the proposed supplementary for FY 2020/21, the approved allocations for the following projects have been adjusted downwards. Kenya Academy of Sports – (Kshs 77.8 million), and Sports, Arts and Social Development Fund – (Kshs. 10.8 billion).

#### 2.2 State Department for Heritage- Vote 1134

16. The State Department implements its activities through four programmes namely the Culture/Heritage, Arts, Library Services and General Administration, Planning and Support Services.
17. The approved budget for the Department for FY 2020/21 is Kshs 2.72 billion comprised of Kshs 2.68 billion for recurrent expenditure and Kshs 43.1 million for development expenditure.
18. In the proposed Supplementary Estimate I for FY 2020/21, the National Treasury is proposing a reduction of Kshs 966.7 million in the Department's budget comprising of Kshs. 956 million for recurrent expenditure and Kshs. 10 million for development expenditure.
19. The proposed reductions under the recurrent vote will affect the following agencies; Kenya National Library Services – (Kshs 250 million), National Museums of Kenya – (Kshs 632 million), Department of cultural services – Kshs 20.6 million, Kenya National Archives, and Kenya Cultural Centre – Kshs 2 million. The reductions are largely as result of loss of AIA by agencies due to Covid-19 and budget rationalization.
20. Under the development vote, the budget for the following projects have been affected as shown in the table below;

**Table 1: List of Projects affected by the Supplementary Estimate 1 - Kshs million**

Project	Approved Allocation FY 2020/21	Proposed Amendments	Revised Estimate FY 2020/21
Refurbishment of Archives offices	12.5.0	(12.5)	-
Installation of the Library Information Management System (LIMS)	-	17.1	17.1
Rehabilitation and Upgrade of Lokitaung Memorial	5.3	(2.7)	2.7
Rehabilitation and Upgrade of Maralal Kenyatta House	5.3	(2.7)	2.7
Infrastructure Upgrade at Institute of Primate Research	20.0	(10.0)	10.0
<b>Total</b>	<b>43.1</b>	<b>(10.7)</b>	<b>32.4</b>

Source: Supplementary Estimate, National Treasury

### 2.3 State Department for Tourism - Vote 1204

21. The State Department implements only one programme; Tourism Development and Promotion with three (3) sub-programmes namely: Tourism Promotion and Marketing, Niche tourism product development and diversification, Tourism Infrastructure Development.
22. The approved gross allocation to the State Department for Tourism in the FY 2020/21 amounts to Kshs. 12.8 billion. This comprises of Kshs. 8.5 billion and Kshs. 4.3 billion for current and capital expenditure respectively.
23. The approved estimates have been adjusted to Kshs. 9.4 billion under Supplementary Estimates No.1. This comprises of Kshs. 5.8 billion and Kshs 3.6 billion for current and capital expenditure respectively.
24. The adjustment is on account of budget rationalization and additional funding of Kshs 1.3 billion to cater for the payment of salaries and other mandatory expenses for Tourism Regulatory Authority – 49.9 million, Bomas of Kenya – Kshs 39.3 million, Kenya Tourism Board – Kshs 96.2 million, Kenya Utalii College – Kshs. 406.9 million, Kenyatta International Convention Centre – Kshs 400 million and Tourism Finance Corporation – 86.4 million whose revenue performance are adversely affected by the Covid-19 pandemic; and a reduction in AIA of Kshs 3.7 billion for the following agencies; Tourism Fund – Kshs 2,661 million, Tourism Promotion Fund – Kshs 526 million, Kenya Utalii College – 285.8 million, Kenya Tourism Board – Kshs. 90 million and Kenya Tourism Regulatory Authority.

### 3. SUBMISSIONS BY MINISTRIES, DEPARTMENTS AND AGENCIES

#### 3.1 State Department for Sports- Vote 1132

25. The gross recurrent budgetary allocation for the State Department in the FY 2020/21 was **Kshs 1,241,514,532** consisting of a total A-I-A of **Kshs 141,400,000** resulting to a net of **Kshs 1,100,114,532**.
26. Under recurrent vote of the State Department, there is a proposed cut from **Kshs. 1,100,114,532** to **Kshs. 956,509,009** resulting in a net reduction of **Kshs 143,605,523** in Supplementary I.
27. The gross development budgetary allocation for the State Department in the FY 2020/21 was **Kshs 14,155,570,000** consisting of A-I-A of **Kshs 14,000,000,000** resulting to a net of **Kshs 155,570,000**. Under the Development Vote, there is a proposal under supplementary I for a gross budget cut of **Kshs. 10,862,672,790**. The proposed reduction from Ksh 155,570,000 to Ksh 77,785,000 under the Kenya Academy of Sports will hinder construction of the Kenya Academy of Sports complex which is underway.
28. From the net increase of **Kshs 201,394,477**; the National Treasury has proposed under Supplementary I to grant the State Department **Kshs 189,140,341** for World Athletics Continental Tour 2020 – Nairobi held on the 3<sup>rd</sup> of October, 2020. This is despite the State Department securing an approval of Kshs. **Kshs 204,798,360** which would have been regularized under Supplementary I. The State Department has since incurred expenditure under the World Athletics Continental Tour of **Kshs 171,894,110** and is still in the process of paying commitments for goods & services supplied.
29. A net increase of **Kshs. 12,254,136** was also granted by the National Treasury upon submission of a total request of **Kshs 150,000,000** being budgetary support for the State Department's core mandate areas. This increase will go a long way to assist the State Department execute its mandate.
30. The following areas have been affected:
  - a) **Kenya Academy of Sports**  
A decrease of its budgetary allocation by **Kshs 5 Million**
  - b) **Anti-Doping Agency of Kenya (ADAK)**  
Due to the Covid-19 pandemic's adverse effects on ADAK's revenue collection, it is unlikely to realize its projected A-I-A hence the need to revise the projected A-I-A in the Supplementary I from **Kshs 10,000,000** to **Kshs. 3,000,000**. Furthermore, it shall undergo a decrease of **Kshs 22 Million** on its budgetary allocation.
  - c) **Sports, Arts & Social Development Fund Secretariat (SASDF)**  
SASDF secretariat will undergo a 100% budget cut which shall adversely affect the delivery of its mandate as contained in the PFM Act 2012.

**d) Sports Kenya**

Sports Kenya shall undergo a decrease of **Kshs 209,978,820** on its budgetary allocation. Furthermore, due to the Covid-19 pandemic's adverse effects on its revenue collection, Sports Kenya is unlikely to realize its projected A-I-A hence the need to revise the projected A-I-A in the Supplementary I from **Kshs 131,000,000** to **Kshs. 21,021,180**.

**3.2 State Department for Heritage- Vote 1134**

31. The State Department had a total allocation of **Ksh 2.722 Billion** of which recurrent was **Ksh2.679 Billion** while development was **Ksh 43.1 Million**. However, in the Supplementary No. I Estimates there is a net reduction of **Ksh. 663.7Million** and **Ksh.10.7Million** in Recurrent and Development respectively.
32. The reduction in supplementary I Estimate are; Personnel emoluments- Ksh.4 Million, operations and maintenance - Ksh 38.8 Million, Current Transfer- Ksh. 620Million.The overall gross reduction of the budget under supplementary I Estimates is **Ksh. 955.9M** which includes reduction in AIA of **Ksh 292.2M**.
33. The reduction of O&M will totally cripple the day-to-day operations of the State Department and hence inability to achieve the set targets. While the reductions on the current Transfers to SAGAs will stall their operations since the affected State Corporations depend on current transfers for payment of salaries. This is aggravated by the fact that the SAGAs have been unable to collect AIA due to COVID-19 pandemic.
34. The Recurrent analysis of the supplementary estimates is as illustrated below;

<b>RECURRENT ANALYSIS</b>			
<b>Classification</b>	<b>Estimates FY 2020/21 (Kshs.)</b>	<b>Revised Estimate for FY 2020/21</b>	<b>Deductions</b>
<b>KSH. MILLION</b>			
Personnel Emoluments	240,152,656	236,153,656	3,999,000
O&M	254,317,332	215,488,296	38,829,036
Current Transfers to SAGAs	1,776,720,000	1,155,820,000	620,090,000
AIA	408,500,000	116,250,000	292,250,000
<b>Total</b>	<b>2,679,689,988</b>	<b>1,723,710,952</b>	<b>955,978,036</b>

35. **Development Analysis:** The State Department was funded a total of **Kshs. 43.1M** for the following projects which are mainly funded under the exchequer. The table below shows the approved estimates and the revised estimates for the projects;

<b>Programme/subprogram</b>	<b>Approved Estimates 2020/21( Kshs Millions)</b>	<b>Revised Estimates 2020/21 ( Kshs Millions)</b>	<b>Variance ( Kshs Millions)</b>	<b>Remarks</b>

Programme/subprogram	Approved Estimates 2020/21 (Kshs Millions)	Revised Estimates 2020/21 (Kshs Millions)	Variance (Kshs Millions)	Remarks
<b>Programme 1: 0902000 Culture/Heritage</b>				
Rehabilitation and Upgrade of Lokitaung Memorial	5.3	2.65	-2.65	Budget reduced by half. Project will not be completed this financial year as targeted
Rehabilitation and Upgrade of Maralal Kenyatta House	5.3	2.65	-2.65	Budget reduced by half. Project will not be completed this financial year as targeted
Infrastructure Upgrade at Institute of Primate Research	20	10	-10	Budget reduced by half. Project will not be completed this financial year as targeted
Refurbishment of the Kenya National Archives building	12.5	0	-12.5	Entire budget has been removed and their contract on sight and is likely to generate pending bills and court cases
<b>Programme 2: 0904000 Library Services</b>				
Networking of government Libraries	0	17	+17	This will be used to pay pending bills that were incurred due to deductions in supplementary estimates
<b>Total</b>	<b>43.1M</b>	<b>32.3M</b>		

### 3.3 State Department for Tourism - Vote 1204

36. The approved gross allocation to the State Department for Tourism in the FY 2020/21 amounts to Kshs. 12.8 billion. This comprises of Kshs. 8.5 billion and Kshs. 4.3 billion for current and capital expenditure respectively.
37. The approved estimates have been adjusted to Kshs. 9.4 billion under Supplementary Estimates No.1. This comprises of Kshs. 5.839 billion and Kshs. 3. 512 billion for recurrent and capital expenditure respectively.
38. The adjustment is on account of budget rationalization and additional funding of Kshs 1.3 billion to cater for the payment of salaries and other mandatory expenses for Tourism Regulatory Authority – 49.9 million, Bomas of Kenya – Kshs 39.3 million, Kenya Tourism Board – Kshs 96.2 million, Kenya Utalii College –Kshs 406.9 million, Kenyatta International Convention Centre – Kshs 400 million and Tourism Finance Corporation –

86.4 million whose revenue performance are adversely affected by the Covid-19 pandemic; and a reduction in AIA of Kshs 3.7 billion for the following agencies; Tourism Fund – Kshs 2,661 million, Tourism Promotion Fund – Kshs 526 million, Kenya Utalii College – 285.8 million, Kenya Tourism Board – Kshs 90 million and Kenya Tourism Regulatory Authority.

## PART III

### 4. COMMITTEE OBSERVATIONS

#### 4.1 State Department for Sports

1. The State Department for Sports approved allocation for FY 2020/21 was **Kshs. 15.4 billion** comprising of **Kshs. 1.2 billion** for recurrent expenditure and **Kshs. 14.2 billion** for development expenditure. In the proposed Supplementary Estimate I for FY 2020/21, the National Treasury is proposing a reduction of **Kshs 11,123.3 million** in the Department's budget. This comprises of **Kshs. 260.6 million** for recurrent expenditure and **Kshs. 10,862.7 million** for development expenditure.
2. The committee has also observed that the reduction in the department budget is largely due to the revision of the projected estimate for the Sports, Arts and Social Development Fund – (**Kshs. 10.8 billion**). The underperformance in revenue was occasioned by the outbreak of the corona virus and the crackdown by the government on the major betting firms in the country.
3. It is also observed that most of the development projects under the state department of sports such as the ongoing construction of the regional stadiums are being funded through the Sports, Arts and Social Development Fund. Therefore, the revision of the projected estimate by 77% will have a significant impact on the completion of the ongoing projects unless the government injects some additional capital from the exchequer to mitigate against the shortfall in revenues for the department.
4. The committee observed that there is a considerable decrease in recurrent budget for agencies such as the Sports, Arts and Social Development Fund whose recurrent budget was reduced from Kshs 236 to zero without consulting the state department. The reduction will force the operations of the agency to stall hence the department will not be able to execute its mandate properly.
5. The proposed decrease of **Kshs 11.1 billion** for the programme of Sports is way above the threshold of 10% set under the PFM Act 2012. This would therefore result into contravention of the provision of PFM Act 2012.

#### 4.2 State Department for Culture and Heritage

1. The approved budget for the Department for FY 2020/21 is **Kshs 2.72 billion** comprised of **Kshs 2.68 billion** for recurrent expenditure and **Kshs 43.1 million** for development expenditure. In the proposed Supplementary Estimate I for FY 2020/21, the National Treasury is proposing a reduction of Kshs 966.7 million in the Department's budget comprising of **Kshs 2.68 billion** for recurrent expenditure and **Kshs. 10 million** for development expenditure.
2. The proposed reductions under the recurrent vote will affect the following agencies; Kenya National Library Services – (Kshs 250 million), National Museums of Kenya – (Kshs 632 million), Department of cultural services – Kshs 20.6 million, Kenya National Archives, and Kenya Cultural Centre – Kshs 2 million. The reductions are largely as result of loss of AIA by agencies due to Covid-19 and budget rationalization.
3. Under the development vote, the Department's budget was decreased by Kshs 10.7 million and the following projects have been affected; Refurbishment of Archives offices – (Kshs 12.5

million), Rehabilitation and Upgrade of Lokitaung Memorial – (Kshs 2.7 million), Rehabilitation and Upgrade of Maralal Kenyatta House – (Kshs 2.7 million), and Infrastructure Upgrade at Institute of Primate Research – (Kshs 10 million). The department has explained that in some of the projects such as the refurbishment of the national archive offices, there is a contractor on sight who has completed most of the works, yet the allocation for the project has completely been removed.

4. The department was allocated additional **Kshs 17.6 million** under the programme for library services to undertake the Installation of the Library Information Management System (LIMS). This amounts to introduction of a new project during the implementation of the budget. However, the department clarified that the allocation is meant to settle pending bills accrued from the last financial year 2019/20 which resulted from budget cuts that were effect through the second supplementary budget of FY 2019/20.

#### 4.3 State department for Tourism

1. In the FY 2020/21 the approved estimate for the department was **Kshs. 12.8 billion** which comprises of **Kshs. 8.5 billion** and **Kshs. 4.3 billion** for current and capital expenditure respectively. In the proposed supplementary estimate for 2020/21, the approved estimates have been adjusted to **Kshs. 9.4 billion** which comprises of **Kshs. 5.8 billion** for recurrent expenditure and **Kshs 3.6 billion** for development expenditure respectively.
2. It is also observed that the adjustment is largely on account of budget rationalization as a result of underperformance in key sources of revenue for the department's leading to revision of Appropriation in Aid for the following agencies - Tourism Fund – Kshs 2,661 million, Tourism Promotion Fund – Kshs 526 million, Kenya Utalii College – 285.8 million, Kenya Tourism Board – Kshs 90 million and Kenya Tourism Regulatory Authority. This will have an impact on the timely completion of ongoing projects such as the Ronald Ngala Utalii College which are funded through the proceeds from the Tourism Fund.
3. The National Treasury is proposing an additional funding of **Kshs 1.3 billion** to cater for the payment of salaries and other mandatory expenses for the following agencies whose sources of revenue was adversely affected by the Covid-19 pandemic, Tourism Regulatory Authority – 49.9 million, Bomas of Kenya – Kshs 39.3 million, Kenya Tourism Board – Kshs 96.2 million, Kenya Utalii College –Kshs 406.9 million, Kenyatta International Convention Centre – Kshs 400 million and Tourism Finance Corporation – 86.4 million.
4. It is further noted that the PFM regulation requires that any adjustments to various programmes, whether increase or decrease should not be more than 10% of the approved estimates per programme. However, the budget for the programme of tourism development and promotion has been significantly reduced by 26.6% contrary to the provisions of the PFM regulations.
5. It is also observed that the proposed reduction in allocation under the vote will lead to adjustment of the following targets for FY 2020/21; No. International tourists' arrivals (in Millions) will be scaled down from 2.9 million to 0.2 million, No. of bed nights occupied by Kenyans will drop from 5.7 million to 1.0 million. The Tourism Promotion Fund projected revenues will drop from 2.5 billion to 2.0 billion, the projected tourism fund levy will drop from 3.7 billion to 1.1 billion, and the completion rate of Ronald Ngala Utalii College has been revised downwards from 80% to 70%.
6. The committee has also observed that the State Department for Tourism has pending bill amounting to Kshs 82 million owed to Tele News Africa and Atlantic Region that dates back from 2004. The bill has remained outstanding because of court litigations and lack of budget to

settle it. On 8<sup>th</sup> June 2020, the Parliamentary Accounts Committee directed the State Department to settle this pending bill owed to Tele News Africa and Atlantic Region without further delay.

7. To achieve this, the State Department has requested the Committee and the National Treasury to approve reallocation of Kshs 82 million from the budgets of the following two SAGAs budget to cater for this bill as follows: Kenya Tourism Board – (Kshs.42M), and Kenyatta International Convection Centre – (Kshs. 40M). The allocation be placed under the State Department headquarters- administration. This will help the government from incurring further losses inform of interests occasioned by the delay in payment.
8. The Committee has also observed that the state department is possession of Kshs 2 billion under the Tourism Promotion Fund which has not been utilized in the FY 2020/21. There is need for some of the monies to be utilized for the marketing the country as a tourist destination given the adverse effects of the corona virus in the sector.

## 5. RECOMMENDATIONS

### 5.1 Financial Recommendations/ Proposed reallocations

#### 6 Proposed reductions of the proposed ceilings

Vote	Programme/Area/item	Proposed Reduction (Millions)	Justification
State Department of Tourism	Tourism Development and Promotion	Deduct Kshs 42 million from the Recurrent Budget of the Kenya Tourism Board and reallocate it to the State department Headquarters - Administration	The allocation is meant to settle an outstanding pending bill of Kshs 82 million owed to Tele News Africa and Atlantic Region by the State Department for Tourism. The bill has remained outstanding because of court litigations and lack of budget to settle it. It is therefore the recommendation of the Committee that the pending bill be settled to stop the department from incurring further losses in form of interests occasioned by the delay in payment.
		Deduct Kshs 40 million from the Recurrent Budget of the Kenyatta International Conference Center and reallocate it to the State department Headquarters - Administration	

#### i. Proposed increments on the proposed ceilings

Vote	Programme/Area/item	Proposed Increments (Millions)	Justification
State Department for Sports	Sports	7,000	Given that most of the development projects under the state department of sports such as the ongoing construction of the regional stadiums are being funded through the Sports, Arts and Social Development Fund. The projected estimate for fund has been revised downwards by 77%. This will have a significant impact on the completion of the ongoing projects and therefore the Budget and Appropriation Committee should consider injecting an additional Kshs 7 billion from the exchequer to mitigate against the shortfall in revenues for the department
	Sports	236	Reinstate the recurrent budget of Kshs 236 million for the Sports, Arts and Social Development Fund. The agency will not in a position to pay salaries and cover its operation and maintenance needs for FY 2020/21
	Kenya Academy of Sports	77.8	Reinstate the development budget of Kshs. 77.8 million for the Kenya Academy of Sports to complete the construction of the hostel.
State Department for Culture and Heritage	Culture	12.5	Reinstate <b>Kshs 12.5 million</b> meant for the refurbishment of Kenya National Archives Offices in Nairobi. The agency has contracted a firm to undertake refurbishment works to the tune of <b>Kshs 12.5 million</b> and has committed the allocation for works that have already been undertaken by the contractor. Therefore, if this is not reversed this will create unnecessary pending bills
State department for Tourism	Tourism promotion and development	500	Reallocate Kshs 500 million from the Tourism promotion fund to the Kenya Tourism Board to enable the agency market the country as a tourist destination.

**REPUBLIC OF KENYA**



**THE NATIONAL ASSEMBLY**

**TWELFTH PARLIAMENT – FIFTH SESSION**

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**DEPARTMENTAL COMMITTEE ON TRADE, INDUSTRY AND COOPERATIVES**

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**REPORT ON THE CONSIDERATION OF THE SUPPLEMENTARY BUDGET 1 FOR  
FY 2020/2021 FOR**

**Vote 1175-State Department for Industrialization**

**Vote 1173-State Department for Cooperatives**

**Vote 1174 -State Department for Trade and Enterprise Development**

**The Directorate of Departmental Committees**

**Clerk's Chambers**

**Parliament Buildings**

**NAIROBI**

**February, 2021**

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## **PART I**

### **1.0 PREFACE**

#### **1.1 Introduction**

- Indicate what the report is all about and
- what it intends to achieve/communicate to the Budget and Appropriations Committee

#### **1.2 Mandate of the Committee**

The Departmental Committee on Trade, Industry and Cooperatives is one of the Departmental Committees of the National Assembly established under Standing Order 216 whose mandate pursuant to the Standing Order 216 (5) is 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 analyze the relative success of the Ministries and departments as measured by the results obtained as compared with their stated objectives;*
- e. *To investigate and inquire into all matters relating to the assigned Ministries and departments as they may deem necessary, and as may be referred to them by the House;*
- f. *To vet and report on all appointments where the Constitution or any law requires the National Assembly to approve, except those under Standing Order No.204 (Committee on appointments);*
- g. *To examine treaties, agreements and conventions;*
- h. *To make reports and recommendations to the House as often as possible, including recommendation of proposed legislation;*
- i. *To consider reports of Commissions and Independent Offices submitted to the House pursuant to the provisions of Article 254 of the Constitution; and*
- j. *To examine any questions raised by Members on a matter within its mandate. ,*

In accordance with the Second Schedule of the Standing Orders, the Committee is mandated to oversee: Trade, securities exchange, consumer protection, pricing policies, commerce, and industrialization including special economic zones, enterprise promotion and development including small and medium-size enterprises, intellectual property, industrial standards, anti-counterfeit policies and co-operatives development.

In executing its mandate, the Committee oversees the Ministry of Industrialization, Trade and Enterprise Development and the State Department for Cooperatives.

### 1.3 Committee Membership

Hon. Adan Hajj Ali, MP, **Chairperson**  
MP for Mandera South Constituency  
**Jubilee Party**

Hon. Wangari Mwaniki, MP, **Vice Chairperson**  
MP for Kigumo Constituency  
**Jubilee Party**

Hon. William Cheptumo, MP  
MP for Baringo North Constituency  
**Jubilee Party**

Hon. Alois Musa Lentoimanga, MP  
MP for Samburu North Constituency  
**Jubilee Party**

Hon. Anab Mohamed Gure, MP  
MP for Garissa County  
**Jubilee Party**

Hon. Andrew Mwadime, MP  
MP for Mwatate Constituency  
**ODM Party**

Hon. Shariff Athman Ali, MP  
MP for Lamu East Constituency  
**Jubilee Party**

Hon. Daniel Maanzo, MP  
MP for Makueni Constituency  
**Wiper Party**

Hon. Fred Odhiambo Ouda, MP  
MP for Kisumu Central Constituency  
**ODM Party**

Hon. Christopher Nakuleu, MP  
MP for Turkana North Constituency  
**Jubilee Party**

Hon. Jones Mlolwa, MP  
MP for Voi Constituency  
**ODM Party**

Hon. Raymond Kipruto Moi, MP  
MP for Rongai Constituency  
**KANU**

Hon. Jared Okelo, MP  
MP for Nyando Constituency  
**ODM Party**

Hon. Gichimu Robert, MP  
MP for Gichugu Constituency  
**Jubilee Party**

Hon. Patrick Wainaina Jungle, MP  
MP for Thika Town Constituency  
**Independent Member**

Hon. Ayub Savula Angatia, MP  
MP for Lugari Constituency  
**ANC Party**

Nduati Joseph Ngugi, MP  
MP for Gatanga Constituency  
**Jubilee Party**

Hon. Wachira Rahab Mukami, MP  
MP for Nyeri County  
**Jubilee Party**

Hon. (Dr.) Wilberforce Oundo, Phd, MP  
MP for Funyula Constituency  
**ODM Party**

#### **1.4 Committee Secretariat**

The Committee secretariat comprises:

- |      |                       |   |                             |                              |
|------|-----------------------|---|-----------------------------|------------------------------|
| i.   | Mr. Erick Nyambati    | - | Clerk Assistant II          | <b>(Head of Secretariat)</b> |
| ii.  | Ms. Nuri Kitel Nataan | - | Clerk Assistant II          |                              |
| iii. | Ms. Marlene Ayiro     | - | Senior Legal Counsel        |                              |
| iv.  | Mr. Chelang'a Maiyo   | - | Research Officer II         |                              |
| v.   | Mr. Joseph Ndirangu   | - | Fiscal Analyst II           |                              |
| vi.  | Mr. Yaqub Ahmed       | - | Media Relations Officer III |                              |

#### **1.5 Overview on the Examination of the Supplementary Budget Estimates I**

The Supplementary Budget Estimates I was tabled before the House on Tuesday 9<sup>th</sup> February, 2021 pursuant to Standing Order No. 232 and thereafter committed to relevant Departmental Committees for deliberation according to respective mandates.

Following the tabling of the Supplementary Budget Estimates I, the Departmental Committee on Trade, Industry and Cooperatives held a briefing session with the Parliamentary Budget Office and subsequently held consultative five consultative meetings with the ministries and agencies under its docket and on which it exercises oversight.

On behalf of the Departmental Committee on Trade, Industry and Cooperatives and pursuant to provisions of Standing Order 232, it is my pleasant privilege and honour to present to the Budget and Appropriation Committee, the Report on its consideration of the Supplementary Budget Estimates I for the Ministries, State Departments and Agencies that falls under its purview.

#### **1.6 Acknowledgement**

The Committee wishes to thank the Offices of the Speaker and the Clerk of the National Assembly for the support extended to it in the execution of its mandate. The Committee also thanks the State Department for Industrialization, State Department for trade And Enterprise Development and the State Department for Cooperatives for the fruitful deliberations they held with the Committee.

Finally, I wish to express my appreciation to the Honorable Members of the Committee who sacrificed their time to participate in the activities of the Committee and preparation of this report. It is therefore, my pleasant duty and privilege, on behalf of the Departmental Committee on Trade, Industry and Cooperatives, to present this report on the Supplementary Budget Estimates I and the medium term.

  
**HON. ADAN HAJI ALI, MP**

**(CHAIRPERSON, DEPARTMENTAL COMMITTEE ON TRADE, INDUSTRY AND  
COOPERATIVES)**

## **PART II**

### **2.0 BROAD OVERVIEW OF THE SUPPLEMENTARY BUDGET ESTIMATES I**

The 2020/21 supplementary estimates No. 1 was submitted and subsequently tabled in the National Assembly on 9<sup>th</sup> February, 2021. The preparation and processing of the Supplementary Budget is provided for under Article 223 of the Constitution; Sections 43(2) and 44 of the PFM Act 2012 and Regulation 40 of the PFM (National Government) Regulations, 2015.

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.

To this end, approvals for such expenditures incurred must be sought from the National Assembly through a Supplementary Budget. However, the amount spent should not be more than 10 percent of total sum appropriated by National assembly unless in special circumstance National Assembly has approved a higher percentage.

The Ministry is charged with driving the manufacturing sector pillar of the Big Four Agenda and Medium Term III (2018 -2022) through the manufacturing sector given the critical role it plays in generating quality jobs, technology and innovation transformation, foreign exchange earnings through exports and the creation of wealth.

The Trade Sub-sector core function is the development and promotion of trade. The Sub-Sector is charged with the responsibility of development and promotion of both domestic and international trade as well as addressing issues of fair-trade practices and consumer protection, and Promotion and Development of Small, Medium Business Enterprises among others.

The State Department for Cooperatives has an approved gross allocation of Ksh. 1,626 Million of which Ksh. 801 Million current expenditure while capital expenditure is Ksh. 861 million. The supplementary estimates No.1 is proposing to reduce the gross allocation to Ksh. 1,342 million of which Ksh.861 million current expenditure while Ksh 480 million capital expenditure. The gross reduction is Ksh. 284 million. It is important to note that the current expenditure is increasing Kshs. 60 Million.

The State Department for trade and Enterprise Development has an approved gross allocation of Ksh. 3,017.5 Million of which Ksh.1921.7 Million current expenditure while capital expenditure is Ksh. 1,095.5 Million. The supplementary estimates No.1 is proposing to reduce the gross allocation to Ksh. 2,882.8 Million of which Ksh.1,620.9 Million current expenditure while Ksh 1,261.8 Million capital expenditure. The gross reduction is Ksh. 134.5 Million. It is important to note that the gross capital expenditure is increasing by Kshs. 166.2 Million.

The State Department for Industrialization has an approved gross allocation of Ksh. 8,120.0 Million of which Ksh.2, 851. Million current expenditure while capital expenditure is Ksh. 5,268.1 Million. The supplementary estimates No.1 is proposing to reduce the gross allocation to Ksh. 6,923.9 Million of which Ksh.2, 384.2 Million current expenditure while Ksh 4,539.7 Million capital expenditure. The gross reduction is Ksh. 1,196 Million.

### 3.0 SUBMISSIONS BY MINISTRIES, DEPARTMENTS AND AGENCIES

In considering the Supplementary Estimates I, the Departmental Committee on Trade, Industry and Cooperatives held five consultative meetings with the Ministries and agencies under its docket and on which it exercises oversight.

#### 3.1 State Department for Industrialization

The Committee held a briefing meeting with a delegation from the State Department for Industrialization on 22<sup>nd</sup> February 2021. The PS submitted that: -

The overall net recurrent budget for the State Department has reduced from **Kshs. 2,098,021,955** to **Kshs. 1,623,363,590** which is a reduction by **Kshs. 474,658,365** while GoK development budget has reduced from **Kshs. 2,378,140,000** to **Kshs. 2,126,494,069** which is a reduction by **Kshs. 251,650,000**.

The total gross development budget has reduced from **Kshs 5,268,141,936** to **Kshs 4,539,761,252** which is a reduction of **Kshs 728,380,684** as summarized in the tables below.

**Table 1 Recurrent Supplementary Summary Estimates FY 2020/21**

S/No.	Item	Approved	Revised	Difference
NO.	TOTAL	2,851,871,955.	2,384,213,590	(467,658,365.00)
1.	A.I.E to Kenya Industrial Training Institute	126,041,065	135,677,449	9,636,384
2.	Transfers to SAGAs	2,105,180,000	1,657,410,000	(447,770,000.00)
3.	Compensation to employees	422,050,000	395,158,240	(26,891,760.00)
4.	Rent	127,771,359	127,771,359	-
5.	Contracted services	25,808,571	25,908,571	100,000.00
6.	Utilities (Hqs)	2,699,983	2,699,983	-
7.	AIE to –County Industrial Development Offices	25,974,670	24,203,620	(1,771,050.00)
8.	Gratuity	3,537,919.00	3,537,919.00	-
9.	Training expenses	2,898,549.00	1,575,320.00	(1,323,229.00)
	<b>Balance for operations and maintenance</b>	<b>9,909,839.00</b>	<b>10,271,129.00</b>	<b>361,290.00</b>

The transfers to SAGAs is further distributed as tabulated below: -

**Table 2 Recurrent Supplementary Estimates FY 2020/21 for SAGAs**

S/N0	SAGA	Approved	Revised	Difference
1.	Kenya Industrial Research Development Institute (KIRDI)	558,230,000	283,460,000	(274,770,000)
2.	Numerical Machine Complex	148,060,000	148,060,000	0
3.	Kenya Accreditation Service (KENAS)	180,310,000	160,310,000	(20,000,000)
4.	Kenya Industrial Estates	392,340,000	342,340,000	(50,000,000)

S/N0	SAGA	Approved	Revised	Difference
5.	Export Processing Zones Authority	563,610,000	503,610,000	(60,000,000)
6.	Kenya Investment Authority	228,510,000	178,510,000	(50,000,000)
7.	Special Economic Zones	22,370,000	22,370,000	0
8.	Scrap Metal Council	11,750,000	18,750,000	7,000,000
	<b>TOTAL</b>	<b>2,105,180,000</b>	<b>1,657,410,000</b>	<b>(447,770,000)</b>

**Table 3 Development Estimates Summary for FY 2020/21 (Kshs Million)**

S/No.	ITEM	APPROVED BUDGET 2020/21 (Kshs)	REVISED BUDGET 2020/21 (Kshs)	DIFFERENCE (Kshs)
1.	Develop a Freeport & Industrial parks-Special Economic Zone Mombasa	177,210,746	313,605,373	136,394,627
2.	Pre-feasibility, Feasibility and Appraisal Studies	-	18,000,000	18,000,000
3.	Naivasha SEZ Textile Park	118,297,833.	259,148,916	140,851,083
4.	Pre-feasibility, Feasibility and Appraisal Studies	-	12,000,000	12,000,000
5.	Development of Athi River Textile Hub. EPZA	195,744,584	97,872,292	(97,872,292)
6.	Railway Siding & Related Infrastructure	100,000,000	50,000,000	(50,000,000)
7.	Develop & Transfer Modern Agro processing Technologies KIRDI South B	689,361,458	360,469,129	(328,892,329)
8.	Modernisation of RIVATEX	128,353,150	128,353,150	-
9.	Provision of Finances to SMEs in the manufacturing sector KIE	712,152,957	712,152,957	-
10.	Infrastructure and civil works Development - KITI	50,000,000	25,000,000	(25,000,000)
11.	Modernization of NMC's Foundry Plant & Fabrication Workshop	118,297,833	59,148,916	(59,148,917)
12.	Cotton Development (RIVATEX) - Subsidy and Extension Support	59,148,917	29,574,458.00	(29,574,459)
13.	Kenya Industry and Entrepreneurship Project.	29,574,458	13,896,308	(15,678,150)
	<b>TOTAL</b>	<b>2,378,141,936</b>	<b>2,079,221,499</b>	<b>(606,166,147)</b>

**Table 4 Donor Development Estimates Summary for FY 2020/21**

S/No.	ITEM	APPROVED BUDGET 2020/21 (Kshs)	REVISED BUDGET 2020/21 (Kshs)	DIFFERENCE (Kshs)
1	Modernisation of RIVATEX	715,000,000	715,000,000	0
2	Development of Various Small and Medium Enterprises (SMEs) in Kenya	800,000,000	800,000,000	0
3	Kenya Industry and Entrepreneurship Project.	1,375,000,000	898,270,183	(476,729,817)
	<b>TOTAL</b>	<b>2,378,141,936</b>	<b>2,079,221,499</b>	<b>(476,729,817)</b>

This State Department is implementing one of the Drivers of the “Big Four” on increasing the Manufacturing Sector contribution to the GDP and creation of employment opportunities.

The proposed budget reduction will negatively affect the implementation of planned programmes and projects leading to stalling of projects and pending bills. This will consequently make it extremely difficult to achieve the set targets and objectives as a State Department.

### 3.2 State Department for Trade and Enterprise Development

The Committee held a briefing meeting with a delegation from the State Department for Trade and Enterprise Development on 22<sup>nd</sup> February 2021. The PS submitted that: -

The **recurrent budget** for the State Department for Trade and Enterprise Development’s has been reduced from Gross of **Kshs.1, 921,764,227** to Gross of **KShs.1, 620, 955,987**. The **development budget** has increased from **Kshs.1, 095,593,397** to **KShs. 1,261,849,005**. The increase is a donor funded project under MSEA.

The reductions in recurrent budget have affected SAGAs under the State Department as follows; Kenya Export Promotion and Branding Agency has its budget reduced by **KShs. 100,000,000**. Anti-Counterfeit Authority has its budget also reduced by **KShs. 100,000,000**. Micro and Small Enterprises Authority got a reduction of **KShs. 87,808,240**.

On basic Salaries, Headquarters has a reduction of **Kshs. 7,000,000** that affect Administration, External Trade, Internal Trade Departments and KIBT. KECOPAC had its budget reduced by **Kshs.3,000,000**.

**Table 5 Analysis of Supplementary Estimates No. I for Financial Year 2020/21**

Budget FY 2020/21	Approved Estimates (Kshs.)	Revised Estimates (Kshs.)	Variance (Kshs.)
<b>Recurrent Budget</b>	1,921,764,227	1,620,955,987	(300,808,240)
<b>Development Budget</b>	1,095,593,397	1,261,849,005	166,255,608
<b>Total</b>	<b>3,017,357,624</b>	<b>2,882,804,992</b>	<b>(134,552,632)</b>

**Table 6 Analysis of reductions on SAGAs (Recurrent Budget)**

Budget FY 2020/21	Approved Estimates (Kshs.)	Revised Estimates (Kshs.)	Variance (Kshs.)
Kenya Export Promotion and Branding Agency (KEPROBA)	416,600,000	316,600,000	(100,000,000)
Anti-Counterfeit Authority (ACA)	360,490,000	260,490,000	(100,000,000)
Micro and Small Enterprises Authority (MSEA)	233,840,000	143,531,760	(87,808,240)
Kenya Trade Remedies Agency (KETRA)	35,800,000	32,800,000	(3,000,000)

**Table 7 Analysis of reductions on Projects (Vote 1174 Development Budget)**

Budget FY 2020/21	Approved Estimates (Kshs.)	Revised Estimates (Kshs.)	Variance (Kshs.)
Establishment of Commodities Exchange Platform	99,500,000	29,500,000	(70,000,000)
Construction of Constituency Industrial Development Centres-ESP	281,093,397	225,349,005	(55,744,392)
Kenya Youth Empowerment Opportunities Project - KYEOP	715,000,000	1,007,000,000	292,000,000

The State Department requests for reallocation of **Kshs.5.2million** to meet expenses related to hospitality and domestic travel, **Kshs.1.2million** for refurbishment of the reception in the Principal Secretary's office and itemization of **Kshs.100million** which was captured as a one-line item for Kenya USA FTA negotiations.

The recurrent budget for administration and its Technical Departments has been revised downwards by **Kshs.13 million** while KECOPAC and KETRA has each lost **Kshs.3 million**. There is a likelihood of some officers going without salaries due to the reduction of Personnel Emoluments by **Kshs. 7 million** at Headquarters. In addition, the recent promotions of officers at the headquarters will require additional funding of **Kshs.15.4 million**. On the other hand, operationalization of KETRA will be affected by the budgetary cuts while KECOPAC will not execute her mandate as planned.

On the Development Vote, the budget of the Government of Kenya (GoK) funded projects has been revised downwards by **Kshs.125.8Million** from **Kshs.380.6Million** to **Kshs.254.8Million**. This reduction affects Construction of Industrial Development Centers (CIDCs) by **Ksh.55.7 million** which is one of the key projects under the Big Four Agenda and Kenya National multi commodities Exchange (KOMEX) by **Ksh.70 million**. It is however worth noting that the budget cuts faced by KOMEX may lead to pending bills at the close of the FY 2020/21 due to budget cuts on already committed expenditures of **Kshs.27.3 Million**. The budget of externally funded projects (KYEOP) has been revised upwards by **Kshs.292.0Million** from **Kshs.715.0 Million** to **Kshs.1,007.0 Million**. The project aims at increasing employment and earning opportunities for youth aged between 18-29 years through various skills training and entrepreneurship, business development services and business start-up grants. The increase in budget will go towards disbursement of cycle five grants to 15,000 youths amounting to **Kshs.600 million** and payment of consultancy fee contract amounting to **Kshs. 300 million** with relation to business development services and business plan competition.

### 3.3 State Department for Cooperative

The Committee held a briefing meeting with a delegation from the State Department for Trade and Enterprise Development on 22<sup>nd</sup> February 2021. The PS submitted that: -

The Gross Revised Estimates I FY 2020/21 for the State Department for Co-operatives is **Kshs. 1,342,257,839** compared to Approved Estimates of Kshs. **1,626,549,701**, a gross reduction of **Kshs. 284,291,862** and a reduction in net expenditure of **Kshs 382,917,787** representing 25%. The analysis of the budget reduction is given in the table below.

**Table 8 Summary of proposed Supplementary Estimates I for FY 2020/21**

	<b>APPROVED ESTIMATES</b>	<b>REVISED ESTIMATES</b>	<b>Variance</b>
	<b>KShs.</b>	<b>(Kshs)</b>	<b>(Kshs)</b>
Current Expenditure	801,329,701	861,732,407	60,402,706
Capital Expenditure	825,220,000	480,525,432	-
<b>Gross Expenditure</b>	<b>1,626,549,701</b>	<b>1,342,257,839</b>	<b>284,291,862</b>
Appropriations in Aid (AIA)	450,000,000	548,625,925	98,625,925
<b>Net Expenditure</b>	<b>1,176,549,701</b>	<b>793,631,914</b>	<b>382,917,787</b>

**Table 10 Summary of proposed Supplementary Estimates I for FY 2020/21 by Economic Classification**

	<b>APPROVED ESTIMATES</b>	<b>REVISED ESTIMATES</b>	<b>Variation</b>
<b>Economic Classification</b>	<b>2020/2021</b>	<b>2020/2021</b>	
	<b>KShs.</b>	<b>KShs.</b>	<b>Kshs.</b>
<b>Current Expenditure</b>	<b>801,329,701</b>	<b>861,732,407</b>	<b>60,402,706</b>
2100000 Compensation of	206,410,000	206,410,000	0

Employees			
2200000 Use of Goods and Services	140,150,256	102,192,168	-37,958,088
2600000 Current Transfers to Govt. Agencies	451,200,000	549,825,925	98,625,925
3100000 Non Financial Assets	3,569,445	3,304,314	-265,131
<b>Capital Expenditure</b>	<b>825,220,000</b>	<b>480,525,432</b>	<b>-344,694,568</b>
2200000 Use of Goods and Services	240,000,000	58,856,420	-181,143,580
2600000 Capital Transfers to Govt. Agencies	500,000,000	400,000,000	-100,000,000
3100000 Non Financial Assets	85,220,000	21,669,012	-63,550,988
<b>Total Expenditure</b>	<b>1,626,549,701</b>	<b>1,342,257,839</b>	<b>-284,291,862</b>

Summary of Revised Estimates for Autonomous and Semi-Autonomous Government Agencies (SAGAs)

**Table 11 SACCO Societies Regulatory Authority (SASRA)**

	Source of Funds	Approved Estimates FY 2020/21 Kshs 'M'	Revised Estimates FY 2020/21 Kshs 'M'	Variance Kshs 'M'	Remarks
Recurrent	GoK	0.00	0.00	0.00	The increase of Kshs 17.7M is as a result of revision of SASRA A-I-A upwards.
	Appropriations in Aid (AIA)	430.00	447.70	17.70	
<b>Total Recurrent</b>		<b>430.00</b>	<b>447.70</b>	<b>17.70</b>	
Development	GoK	0.00	0.00	0.00	
<b>Grand Total</b>		<b>430.00</b>	<b>447.70</b>	<b>17.70</b>	

**Table 12 New Kenya Planters' Co-operative Union Ltd (NKPCU)**

	Source of Funds	Approved Estimates FY 2020/21 Kshs 'M'	Revised Estimates FY 2020/21 Kshs 'M'	Variance Kshs 'M'	Remarks
Recurrent	GoK	21.20	21.20	0.00	The increase of Kshs 80.93M is as a result of revision of NKPCU A-I-A upwards.
	Appropriations in Aid (AIA)	0.00	80.93	80.93	
<b>Total Recurrent</b>		<b>21.20</b>	<b>102.13</b>	<b>80.93</b>	
Development	GoK	0.00	0.00	0.00	
<b>Grand Total</b>		<b>21.20</b>	<b>102.13</b>	<b>80.93</b>	

**Table 13 New Kenya Co-operative Creameries (New KCC)**

	Source of Funds	Approved Estimates FY 2020/21 Kshs 'M'	Revised Estimates FY 2020/21 Kshs 'M'	Variance Kshs 'M'	Remarks
Recurrent	GoK	0.00	0.00	0.00	The reduction of <b>Kshs 100M</b> will negatively affect New KCC modernization program
	Appropriations in Aid (AIA)	0.00	0.00	0.00	
<b>Total Recurrent</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	
Development	GoK	500.00	400.00	100.00	
<b>Grand Total</b>		<b>500.00</b>	<b>400.00</b>	<b>100.00</b>	

## **PART III**

### **4.0 COMMITTEE OBSERVATIONS**

#### **Vote 1175-State Department for Industrialization**

- i. The Committee noted that there were no adequate consultations in the formulation of the supplementary estimates between the National Treasury and the State Department. Most of the expenditure reductions have been done on budgetary items that were already committed and this will lead to pending bills.
- ii. The National Treasury informed that most of the reductions to the recurrent expenditures for state corporations were erroneously done as the Treasury did not have adequate information on the available resources in the corporations' accounts. A case of the reduction of personnel emoluments for Kenya Industrial Estate of Kshs 50 Million
- iii. The committee noted there were reductions that affect the counterpart funding components for donor funded projects. In this case the Kshs. 73 Million Counterpart funding for the Kenya industry and Entrepreneurship world bank funded project

#### **Vote 1174 -State Department for Trade and Enterprise Development**

- i. The reductions in the recurrent expenditure if approved will negatively affect the operations of the state department to the extent of that the State Department will not manage to meet obligations such as personnel emoluments, finalization of the trade negotiations and the possibility recall of commercial trade attaches.
- ii. The Committee noted that there were no adequate consultations in the formulation of the supplementary estimates as the allocation to the State Department allocations as some of the expenditure reductions have been done on commitments. For example, there are commitments of about Kshs. 27.3 Million for Kenya National Multi-Commodities Exchange Platform, Kshs. 55.7 Million for construction of constituency industrial centers, Kshs. 132 Million to pay contractors for the completion of KIBT

#### **Vote 1173-State Department for Cooperatives**

- i. The Committee noted that there were no adequate consultations in the formulation of the supplementary estimates as the allocation State Department allocations as some of the expenditure reductions have been done on commitments
- ii. The Committee noted that the proposed reductions in the development expenditure will affect projects implementation and this might result to extension of the implementation period and thus incurring pending bills. For example, there are invoices that have been raised worth Kshs. 11 Million for phase 1 completion of modernization of Luanda Cotton Ginnery and the 2<sup>nd</sup> phase has already been tendered.

- iii. The Coffee Cherry Advance Revolving Fund (CCARF) has not been operationalized on account of lack of prerequisite allocation to sensitize farmers so as to enhance the uptake and disbursement.
- iv. That even though the executive order No. 1 of 2020 assigns the Kenya National Trading Corporation under the State Department of Cooperatives the corporation budget is still domiciled in the State Department of Trade and Enterprise Development. In addition, there is concern on the status of assets for the Kenya National Trading Corporation.
- v. The reductions in critical expenditure like recurrent expenditure to personnel emoluments will have an effect on remittances for statutory reductions and thus affecting the operations of the savings cooperatives (SACCOS) and this might to greater extent ground the operations of the regulatory authority of the savings cooperatives (SASRA)

## **5.0 RECOMMENDATIONS**

### **Policy Recommendations**

**That**, the National Government forms neutral agency (like the Office of Management and Budget) that will promote consultations and enhance proper coordination in the formulation of budget estimates be established to be in charge of coordinating the formulating of budget estimates while Treasury is left with cash flow management roles

### **Financial Recommendations**

#### **Re-allocations**

Kshs. 200 Million for the acquisition of machinery for New KCC from the processing of powdered milk under new KCC

#### **Additions**

Re-instatement of critical expenditures reduced in the supplementary budget estimates

- i. Kshs. 100 Million for Export Promotion Zone
- ii. Kshs. 40 Million for Luanda Factory
- iii. Kshs. 50 Million for Kenya Trading Corporation
- iv. Kshs. 100 Million for Medium and Small Enterprises
- v. Kshs. 50 Million for Rivatex
- vi. Kshs. 50 Million for Kenya Industrial Research and Industry (KIRDI)
- vii. Kshs. 100 Million for Anti-Counterfeit Authority (ACA)
- viii. Kshs. 27.3 Million for Kenya National Multi-Commodities Exchange Platform
- ix. Kshs. 55.7 Million for constituency industrial centers
- x. Kshs. 132 Million for KIBT
- xi. Kshs. 73 Million (Counterpart funding) for the Kenya industry and Entrepreneurship project
- xii. Kshs. 50 Million for the Kenya Industrial Estate to cater for Personnel Emoluments
- xiii. Kshs. 28.4 Million to cater for Personnel Emolument for recently promoted staff and new appointed chief administrative Secretary and Chairman of rent tribunal in the State Department for Trade
- xiv. Kshs. 120 Million approved by Cabinet to cater for bilateral trade negotiations

**REPUBLIC OF KENYA**



**NATIONAL ASSEMBLY**

**TWELFTH PARLIAMENT – FIFTH SESSION, 2021**

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**REPORT OF THE DEPARTMENTAL COMMITTEE ON TRANSPORT, PUBLIC WORKS  
AND HOUSING ON THE CONSIDERATION OF THE SUPPLEMENTARY ESTIMATES I  
FOR THE FINANCIAL YEAR 2020/2021 FOR THE FOLLOWING VOTES:**

**VOTE 1091 – STATE DEPARTMENT OF INFRASTRUCTURE**

**VOTE 1092 – STATE DEPARTMENT OF TRANSPORT**

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

**VOTE 1094 – STATE DEPARTMENT OF HOUSING & URBAN DEVELOPMENT**

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

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**The Directorate of Departmental Committees  
Clerk's Chambers  
Parliament Buildings  
NAIROBI**

**February, 2021**

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## **PART 1**

### **1.0 PREFACE**

#### **1.1 INTRODUCTION**

This is a report on the consideration of the Supplementary Estimates 1 of the financial year 2020/21 by the Departmental Committee on Transport, Public Works and Housing submitted to Budget and Appropriations Committee on the 26<sup>th</sup> February, 2021. The report is as a result of deliberations between the Committee and various State Departments under its purview.

The report contains the discussions, observations and recommendations of the Committee as regards to the proposed supplementary estimates for all the votes as well as SAGAs under its oversight. The Budget and Appropriations Committee is expected to consider the Committee's observations and recommendations and make part of its final consolidated report to be tabled in the House.

#### **1.2 MANDATE OF THE COMMITTEE**

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

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

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

#### **1.3 COMMITTEE MEMBERSHIP**

The Departmental Committee on Transport, Public Works & Housing was re-constituted by the House on 15<sup>th</sup> July 2020 and comprises of the following Members: -

##### **Chairperson**

Hon. David Pkosing, M.P.

Member for Pokot South Constituency

##### **Jubilee Party**

**Vice-Chairperson**

Hon. Gathoni Wamuchomba, M.P.  
Member for Kiambu County

**Jubilee Party**

**Members**

Hon. Dominic Kipkoech Koskei, M.P.  
Member for Soitik Constituency

**Jubilee Party**

Hon. Peris Tobiko, M.P.  
Member for Kajiado East Constituency

**Jubilee Party**

Hon. Kulow Maalim Hassan, M.P.  
Member for Banisa Constituency

**Economic Freedom Party (EFP)**

Hon. Abdul Rahim Dawood, M.P.  
Member for North Imenti Constituency

**Jubilee Party**

Hon. Samuel Arama, M.P.  
Member for Nakuru Town West

**Jubilee Party**

Hon. Shadrack John Mose M.P.  
Member for Kitutu Masaba Constituency

**Jubilee Party**

Hon. Ali Wario Guyo M.P.  
Member for Garsen Constituency

**Jubilee Party**

Hon. Janet Wanyama Nangabo M.P.  
Member for Trans- Nzoia Constituency

**Jubilee Party**

Hon. Ahmed Bashane Gaal M.P.  
Member for Tarbaj Constituency

**Peoples Democratic Party**

Hon. David Njuguna Kiaraho M.P.  
Member for Ol Kalou Constituency

**Jubilee Party**

Hon. Johnson Many Naicca M.P.  
Member for Mumias West Constituency

**Orange Democratic Movement Party**

Hon. Omar Mwinyi Shimbwa M.P.  
Member for Changamwe Constituency

**Orange Democratic Movement Party**

Hon. Tom Mboya Odege M.P.  
Member for Nyatike Constituency

**Orange Democratic Movement Party**

Hon. Ahmed Abdisalan Ibrahim M.P.  
Member for Wajir North Constituency

**Orange Democratic Movement Party**

Hon. Gideon Mutemi Mulyungi M.P.  
Member for Mwingi Central Constituency

**Wiper Democratic Party**

Hon. George Aladwa Omwere M.P.  
Member for Makadara Constituency

**Orange Democratic Movement Party**

Hon. Mercy Wanjiku Gakuya M.P.  
Member for Kasarani Constituency

**Jubilee Party**

#### 1.4 COMMITTEE SECRETARIAT

Ms. Chelagat Tungo Aaron  
**First Clerk Assistant**  
**Head of Secretariat**

Mr. Ahmed Salim Abdalla  
**Second Clerk Assistant**

Mr. Abdinasir Moge Yusuf  
**Fiscal Analyst**

Mr. Brian Ng'etich  
**Audio Officer**

Mr. Yezziel Jillo  
**Sejeant at Arms**

Mr. Ronald Walala  
**Legal Counsel I**

Ms. Winnie Kulei  
**Research Officer III**

## **1.5 OVERVIEW OF THE EXAMINATION OF THE SUPPLEMENTARY ESTIMATES I**

The Supplementary Estimates I for the FY 2020/2021 were tabled in the House on Tuesday 9<sup>th</sup> February 2021 and committed to the relevant Departmental Committees for consideration in accordance with Section 44(1) of the Public Finance Management Act, 2012 as read together with Standing Order 235(4). The Committees are required to consider the Supplementary Estimates I for the Ministries, Departments and Agencies (MDAs) under their purview and report to the Budget and Appropriations Committee within fourteen (14) days.

The Departmental Committee on Transport, Public Works and Housing held six (6) meetings to consider the proposed Supplementary Estimates 1 for FY 2020/21. The Committee met with the spending agencies and received their submissions in meetings that were held between the 22<sup>nd</sup> and 25<sup>th</sup> February, 2021.

Thereafter, the Committee proceeded to compile its report for submission to BAC. The State Departments are as follows:

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

## **1.6 ACKNOWLEDGMENT**

May I take this opportunity to thank all Members of the Committee for their input and valuable contributions during the deliberations of the submissions by different stakeholders on the Supplementary Estimates I for the financial year 2020/2021. The Committee also takes this opportunity to thank the Offices of the Speaker and of the Clerk of the National Assembly for the logistical support accorded to it in executing the exercise within the limited time accorded especially during this difficult time of COVID-19 Pandemic.

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

## PART II

### 2.0 BROAD OVERVIEW OF 2020/21 SUPPLEMENTARY ESTIMATES 1

The supplementary estimates 1 for 2020/21 has proposed a budget increase by about **KSh. 120 billion** overall, nearly the same amount of revenue shortfall that amounted to Kshs.107 billion. The revenue outlook in the second half of the fiscal year does not seem to portray a trajectory of significant recovery. Therefore, exacerbation of public debt situation is highly probable owing to the anticipated increased borrowing.

With regards to the subsectors of Transport, the impact of Supplementary Estimates 1 is as captured under each State Department as follows:

#### a) State Department for Infrastructure

The State Department for Infrastructure had a gross allocation of Kshs. 189,522 million comprising of Kshs. 64,932 million for recurrent expenditure and Kshs. 124,590 million for development expenditure in the approved estimates for 2020/21. Supplementary Estimates I proposes to raise the allocation to Kshs. 190,343 million, comprising of Kshs. 67,455 million and Kshs. 122,888 million for recurrent and development expenditure, respectively. This translates to overall increase of Kshs. 821 million.

**Recurrent:** The increase in the recurrent expenditure is mainly on account of an increase of Kshs. 2,770 million from the fuel levy by the Kenya Roads Board and Kshs. 22 million from the Materials Department as receipts from administrative fees and charges collected as AIA. In addition, there is a reduction of Kshs. 269 million mainly on account of compensation to employees.

**Development:** The decrease of Kshs. 1,702 million in development expenditure is as a result of a reduction of **Kshs. 12,845** million from donor funded projects and an increase of Kshs. 11,143 million in net GoK funding for a number of new projects as well as JKIA- James Gichuru Expressway.

Whereas overall gross estimates increased by only **Kshs. 820 million**, there are drastic reorganization of the project allocations, especially the net GoK seemingly providing for raft new projects introduced into the budget midway in to its implementation.

#### b) State Department for Transport

The State Department for Transport had a gross allocation of Kshs. 47,555 million comprising of Kshs. 9,188 million for recurrent expenditure and Kshs. 38,367 million for development expenditure in the approved estimates **for 2020/21**. This allocation is reviewed up by Kshs 37,995 million to a gross of Kshs. 85,550 million comprising of Kshs. 8,874 million and Kshs. 76,675million for recurrent and development expenditure respectively.

Two programmes, namely rail and air transport, have changed more than the allowable limit of 10%. The changes are mainly on account of provision for SGR phase 1 and 2 and rehabilitation and construction of other meter gauge lines for the case of the rail transport programme whereas for the case of air transport the increase is on account of provisions for KQ restructuring.

The two phases of the Standard Gauge Railway which are completed are allocated Kshs. 26 billion in the supplementary estimates. It's worth noting that this project is always allocated additional resources in supplementary estimates for every financial year begging the question as to why these expenditures are never captured in the annual estimates.

**c) State Department for Shipping and Maritime**

The State Department for shipping and Maritime had a gross allocation of Kshs. **2,517 million** comprising of Kshs. 1,667 million for recurrent expenditure and Kshs. 850 million for development expenditure in the approved estimates. This allocation is proposed to fall by **Kshs. 305 million** to Kshs. **2,211million** comprising of **Kshs. 1,646million** and Kshs. **565 million** for recurrent and development expenditure respectively.

The reduction is mainly on account of reduction to the allocation to **Multinational Lake Victoria Maritime Communication & Transport Project** by Kshs. 285 million financed by development partners.

**d) State Department for Housing and Urban Development**

The State Department for Housing and Urban Development had a gross allocation of **Kshs17,057 million** comprising of **Kshs. 1,058 million** for recurrent expenditure and Kshs. 15,998 million for development expenditure in the approved estimates. This allocation is proposed to increase by Kshs. **8,689 million** to a gross of Kshs. **25,746 million** comprising of Kshs. **1,002 million** and Kshs. **24,744 million** for recurrent and development expenditure respectively.

The proposed increase is mainly on account of **strategic interventions (Kazi Mtaani programme)** which seem to have been consolidated under the State Department.

**e) State Department for Public Works**

The State Department for Public Works had a gross allocation of Kshs **3,449 million** comprising of Kshs. **2,314million** for recurrent expenditure and Kshs. 1,184 million for development expenditure in the approved estimates. This allocation is proposed to reduce by **Kshs. 813 million** to a gross of Kshs. **2,686 million** comprising of Kshs1,928 million and Kshs. 757 million for recurrent and development expenditure respectively.

This translates to a reduction of Kshs. 385 million from recurrent expenditure and Kshs.428 million from development expenditure on account of budget rationalization.

The reduction in the development expenditure majorly affects the Coastline Infrastructure and pedestrian access programme with a reduction of 36% of its approved budget on account of the reduction of Kshs. 93 million of the Kshs.146 million approved towards construction of various footbridges across the country.

### 3.0 SUBMISSIONS BY MINISTRIES, DEPARTMENTS AND AGENCIES

The Committee engaged all State Departments with regards to the Supplementary Estimates 1 for FY 2020/21. The submissions are as follows:

#### 3.1 STATE DEPARTMENT FOR INFRASTRUCTURE

The State Department for Infrastructure submitted that the gross 1<sup>st</sup> revised budget for 2020/2021 is Kshs.190 billion made up of Recurrent and Development Votes as shown below:

Description	Printed Budget 2020/21	1 <sup>st</sup> Revised Budget 2020/2021	Change	% of Change
Recurrent	64,932,476,233	67,455,280,446	2,522,804,213	4%
Development	124,590,286,715	122,888,348,730	(1,701,937,985)	-1%
<b>Total</b>	<b>189,522,762,948</b>	<b>190,343,629,176</b>	<b>820,866,228</b>	<b>0%</b>

With regards to development, the State Department submitted that, the 1<sup>st</sup> Revised Development budget of Kshs.123 billion is broken down as below:

Description	Printed Budget 2020/2021	1 <sup>st</sup> Revised Budget 2020/21	Change	% of Change
Net GOK Exchequer	55,808,816,000	69,719,666,268	13,910,850,268	25%
Fuel Levy Dev Support	2,100,000,000	2,100,000,000		0%
Roads Annuity Fund	12,326,000,000	12,326,000,000	-	0%
Dev't Partner Support	54,355,470,715	38,742,682,462	(15,612,788,253)	-29%
<b>Total</b>	<b>124,590,286,715</b>	<b>122,888,348,730</b>	<b>(1,701,937,985)</b>	<b>-1%</b>

**On the recurrent expenditure**, the Department submitted that the major component in the 1<sup>st</sup> Revised Recurrent budget is mainly Road Maintenance Levy Fund which has increased by **Kshs. 2.8 billion** (from **Kshs.61.8 billion** to **Kshs.64.6 billion**). The balance of **Kshs. 3.4 billion** is for Mechanical Fund, Headquarter salaries and O&M for Headquarters

### 3.2 STATE DEPARTMENT FOR TRANSPORT

The State Department submitted that the initial approved gross total recurrent budget of Kshs. 9,188 million including transfers has been revised downwards by Kshs.313.7 million to Kshs. 8,875 million.

The net estimates for the headquarters has been reduced by Kshs.113.7 million from the initial allocation of Kshs.524.4 million to Kshs.410.7 million. This is due to reduction in expenditure on compensation to employees and use of goods and services.

Recurrent expenditure grants to Kenya Ferry Services Limited (KFSL) have been reduced by Kshs. 200 million from the initial allocation of Kshs. 287 million to Kshs. 87 million. This results in over expenditure as the first half year allocation (Kshs.143.5 million) had already been disbursed.

The initial approved gross total development budget of Kshs. 38,367 million has been revised upwards to Kshs. 76,676 million hence an increment of Kshs. 38,309 million.

Additional funding has been allocated to Nairobi Commuter Rail, Restructuring of Civil Aviation Sector – Support to Kenya Airways (KQ), Horn of Africa Gateway Development Project (HOAGDP), Rehabilitation of Nakuru-Kisumu MGR and Construction of Naivasha Inland Container Depot (ICD) – Longonot Railway Link and Rehabilitation of Longonot – Malaba line.

### 3.3 STATE DEPARTMENT FOR SHIPPING AND MARITIME

The State Department submitted that it had an approved budget of Ksh. 2,518 Million which was reviewed to Ksh. 2,211 Million as tabulated below.

<b>Budget</b>	<b>Approved Budget (Ksh. Millions)</b>	<b>Revised Budget (Ksh. Millions)</b>	<b>Variance (Ksh. Millions)</b>
Recurrent	1,668	1,647	(21)
Development	850	565	(285)
<b>Total</b>	<b>2,518</b>	<b>2,211</b>	<b>(306)</b>

### 3.4 STATE DEPARTMENT FOR HOUSING AND URBAN DEVELOPMENT

The State Department submitted that its budget was revised upwards mainly on account of the regularization of the *Kazi Mtaani* initiative and funding of presidential directive projects like construction of Uhuru Business Park – Kisumu, development of markets in Nairobi, Mathari Modern Market and Kenya Informal Settlement Improvement Project.

In addition, the State Department submitted that the supplementary estimates have seen the reduction of Kshs. 675 million across ongoing projects which will accrue interest and pending certificates that will lead to pending bills.

The State Department further submitted that the reductions affect key projects especially the National Slum Upgrading project whose allocation of Kshs. 230 million was reduced by Kshs. 60 million. The reduction to this project affects formulation of Slum Upgrading Bill and hamper installation of physical infrastructure such flood lights and access roads.

### **3.5 STATE DEPARTMENT FOR PUBLIC WORKS**

The State Department submitted that its recurrent budget has been reduced by **Kshs. 385,875,683 (17%)** to a net of **Kshs. 1,924,640,351**. It further submitted that its recurrent pending bill amounts to Kshs. 109,954,381 and the reduction in the budget will certainly have a negative impact on the progress of normal operations of the State Department and huge pending bills will emerge in the FY 2020/21.

With regards to Development budget, the State Department submitted that its budget went down by **Kshs. 427,500,000 (36%)** affecting key development projects. the State Department further submitted that the reductions of the recurrent budget for the National Construction Authority will affect its operation relating to supervision and sensitization. Equally, reductions in national building inspectorate, pedestrian access and county headquarters were critical and asked the Committee to intervene.

## PART III

### 4.0 COMMITTEE OBSERVATIONS

#### a) State Department for Housing and Urban Development

- i. The Committee observed that despite the increase in overall allocation, there were reductions that affected critical projects like the slum upgrading project whose allocation of Kshs. 230 million was reduced by Kshs. 60 million. It is further noted that the project faces a serious financing gap amounting to Kshs. 1,000 million.

#### b) State Department for Public Works

After engagement with State Department on the Supplementary Estimates 1 of 2020/21, the Committee observed;

- i. That the Kshs. 400 million reductions from the National Construction Authority under the recurrent expenditure affects payment of benefits and other compensation to employees.
- ii. That the reduction of Kshs. 106 million from the construction of county headquarters will have implications and such changes may require amendments to the County Allocation of Revenue Act. Further, it may occasion accumulation of pending bills and halting of ongoing works.
- iii. That the reduction of Kshs. 137 million from the pedestrian access sub-programme will result to accumulation of pending bills due to non-payments, delay in projects completion and deterioration of works already done. Projects under this sub-programme connects communities to key public facilities like Hospitals, Schools and Water Points.
- iv. That the Kshs. 25 million reductions from the allocation for the renovation and equipping the National Building Inspectorate will halt programmes from February to June 2021 since the entire allocation is committed and will result into pending bills on audit of buildings and sensitization.

### 5.0 COMMITTEE RECOMMENDATIONS

#### 5.1 Financial recommendations

#### a) State Department for Housing and Urban Development

The committee recommends;

- i. To reinstate the Kshs. 60 million reductions from the Slum upgrading project.
- ii. That the National Treasury provides additional Kshs. 1,000 million from elsewhere to the Slum upgrading project.
- iii. To reinstate the **Kshs. 10 million** reductions from the Construction of Housing units for National Police and Kenya Prisons

## b) State Department for Public Works

The Committee recommends to;

- i. Reinstate the Kshs. 400 million under recurrent expenditure for the National Construction authority
- ii. Reinstate the Kshs. 106 million under development expenditure for construction of county headquarters.
- iii. Reinstate the Kshs. 137 million for the pedestrian access subprograms that connect communities to key public facilities like Hospitals, Schools and Water Points.
- iv. Reinstate the Kshs. 25 million for the renovation and equipping the National Building Inspectorate

### 5.2 Summary of Observations and Recommendations

S/No.	Observation	Policy Recommendation for Supplementary	Financial Recommendation
1.	That the Kshs. 400 million reductions from the National Construction Authority under the recurrent budget affects payment of benefits and other compensations to employees.		Reinstate the Kshs. 400 million under recurrent expenditure for the National Construction authority
2.	That the reduction of Kshs. 106 million from the construction of county headquarters will have implications and needs amendments to the County Allocation of Revenue Act as well as accumulating pending bills and halting ongoing works		Reinstate the Kshs. 106 million under development expenditure for construction of county headquarters
3.	That the reduction of Kshs. 137 million from the pedestrian access sub-programme will result in to accumulation of pending bills due to non-payments, delay in projects completion and		Reinstate the Kshs. 137 million for the pedestrian access sub-programme that connect communities to key public facilities like Hospitals, Schools and Water Points.

	deterioration of works already done.		
4.	That the Kshs.25 million reductions from the allocation for the renovation and equipping the National Building Inspectorate will halt programmes from February to June 2021 since the entire allocation is committed and will result into pending bills on audit of buildings and sensitization.		Reinstate the Kshs. 25 million for the renovation and equipping the National Building Inspectorate
5	The committee observed that despite the increase in overall allocation, there were reductions that affected critical projects like the slum upgrading project whose allocation of Kshs. 230 million was reduced by Kshs. 60 million. It is further noted that the project faces a serious financing gap amounting to Kshs. 1,000 million.		<ul style="list-style-type: none"> <li>- Reinstate the Kshs. 60 million reductions from the Slum upgrading project</li> <li>- That the National Treasury provides additional Kshs. 1,000 million from elsewhere to the Slum upgrading project.</li> </ul>
6	That the reduction of <b>Kshs. 10</b> million from the Construction of Housing Units for the National Police Service will affect completion of ongoing projects and increase the pending bills.		Reinstate the <b>Kshs. 10 million</b> reductions from the Construction of Housing units for National Police and Kenya Prisons

SIGNED.....  ..... DATE..... 21/02/2021 .....

HON. DAVID PKOSING, CBS, M.P

CHAIRPERSON,  
DEPARTMENTAL COMMITTEE ON TRANSPORT, PUBLIC WORKS & HOUSING