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TWELFTH PARLIAMENT – SECOND SESSION

REPORT OF THE BUDGET AND APPROPRIATIONS COMMITTEE ON THE BUDGET POLICY
STATEMENT AND THE DEBT MANAGEMENT STRATEGY FOR 2018/2019 AND THE MEDIUM TERM

FEBRUARY 2018



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PREFACE

Mr. Speaker, on behalf of the Members of the Budget and Appropriations Committee, and as required under Section 25(7) of the Public Finance Management Act 2012 as well as Standing Order 232(7); it is with great pleasure that I present to this House the Committee's report on the Budget Policy Statement (BPS) 2018 and the Medium Term Debt Management Strategy (MTDS) for 2018/2019 and the Medium Term.

Mr. Speaker, this is the first BPS prepared under the second term of the Jubilee Administration and also at the commencement of the third Medium Term Plan (MTP III) of the Kenya Vision 2030. It builds on the five pillars of the economic transformation agenda and the achievements of the government over the last five years and sets the pace for key policies, priority programmes and reforms which will be implemented over the next five years (2018 -2022) to enhance job creation and improve the quality of life for Kenyans. However, the committee is concerned that the BPS was laid in this House before the finalization of MTP III. The MTP III which comprises development programs to help achieve the Vision 2030 in a timely manner and whose policies should inform the BPS and underline implementation of the Big Four Plan has not yet been released. This makes it more difficult for us to ensure the policies underpinning the next budget are informed by the national agenda through the MTP III.

Mandate of the Committee

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

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

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

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



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

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

Mr. Speaker, as required by the Constitution and the Public Finance Management Act 2012, the Budget Policy Statement (BPS) 2018 and the Medium Term Debt Management Strategy (MTDS) 2018/19 – 2020/21 were tabled in Parliament on 14th February 2018. In accordance with Standing Order 232(5) and (6), the BPS was committed to each Departmental Committee to deliberate on in line with their respective mandates and make recommendations to the Budget and Appropriations Committee. The Medium Term Debt Management Strategy paper was committed to the Budget and Appropriations Committee where it was examined and discussed. Thereafter, the Budget and Appropriations Committee held fruitful deliberations with the various Departmental committees on their submissions with regard to the Budget Policy Statement. The committee also held further discussions with the National Treasury before finalizing this report. The recommendations arising from each of these discussions are contained in this report.

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



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Acknowledgements

Mr. Speaker, the Committee wishes to thank the Office of the Speaker and the Clerk of the National Assembly for the support extended in fulfilling this mandate. The Committee is also grateful to the Departmental Committees and all the Members of Parliament who participated in the process, for working hard to ensure that the report is finalized on time.

Mr. Speaker, I would also like to express my gratitude to the Parliamentary Budget Office for the unwavering support given to this Committee and all other Departmental Committees as they discharged their mandate of reviewing the Budget Policy Statement 2018 and the Medium Term Debt Management Strategy 2018/2019 and the Medium Term. **Mr. Speaker**, we may have to look at how we can further strengthen this office in terms of its mandate to include monitoring and evaluation and also to increase the staff strength.

Mr. Speaker,

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

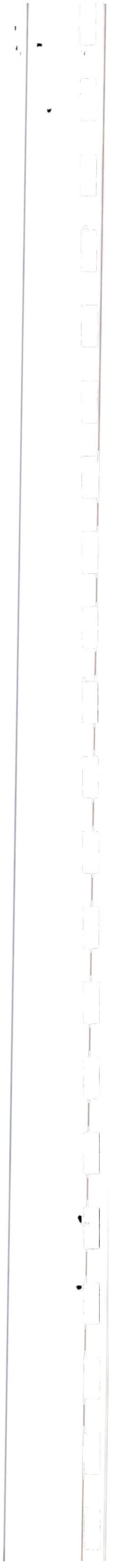
Signed

A handwritten signature in blue ink, appearing to read 'Kimani Ichung'wah', enclosed within a blue circular stamp or seal.

The Hon. Kimani Ichung'wah, M.P.
Chairman, Budget & Appropriations Committee
February, 2018

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I. Introduction

- 1) **Mr. Speaker**, the Budget Policy Statement (BPS) is a government policy document that sets out the broad strategic priorities and policy goals that will guide the national and county governments in preparing their budgets for the financial year and over the medium term. The policy direction of the BPS is typically informed by the policies outlined in the various government policy documents such as the Vision 2030, Medium term plans, Ministerial and Sectoral Strategic plans as well as the Big Four agenda. The Budget Policy Statement (BPS) therefore provides broad strategic direction that will guide the national government and county governments in formulating their annual budgets for a given financial year.
- 2) **Mr. Speaker**, for the Budget Policy Statement to provide strategic policy information, it requires the medium term plan to be provided and disseminated so as to link the budget to our national development agenda. This did not happen and we pray that this House demands submission of this document.

II. Adherence to the Legal Framework for the Budget Policy Statement and the Medium Term Debt Management Strategy

- 3) **Mr. Speaker**, the format and content of the Budget Policy Statement should be in line with provisions of the various relevant legal instruments such as the Public Finance Management Act 2012, the Public Finance Management Regulations, 2015 and the Standing Orders. In reviewing the BPS, the committee established that to a large extent, the 2018 BPS has complied with the provisions of the law and has provided most of the required information. However, there were concerns with regard to some information not being provided.
- 4) In particular, **Mr. Speaker**, the committee observed that contrary to the provisions of the law, and in support of efficient planning and budgeting, the BPS should have included a list of all projects giving details of their financing as well as a list of pending bills. Regulation 27(f) which provides that a summary of programmes that are of national interest in the following financial year be included ideally includes the details of capital expenditure which should include a list of projects. Furthermore **Mr. Speaker**, the committee noted that the ceiling for the development expenditure and personnel spending of the national government budget approved by Parliament are not binding to the 2017 BPS as should be the case. This is contrary to PFM regulation (27(5)). **Mr. Speaker**, the spirit of this binding was so as to ensure that Medium Term Expenditure Framework becomes a reality and not a ritual and also to improve capital budget implementation.
- 5) **Mr. Speaker**, the committee notes with concern that these same issues of non-compliance were raised in the previous Budget and Appropriations Committee report on the 2017 BPS but even though this House recommended that the missing information be provided in subsequent BPSs, this legal provision

has still not been complied with. Such an outcome raises questions on whether the recommendations of this House are taken seriously. **Mr. Speaker**, Parliament is the budget making institution of this country. As such, any recommendations on the budget should be taken seriously especially if these are tied to existing legal provisions. Since failure to provide this information inhibits National Assembly review of BPS and estimates, the House must take necessary measures, including censuring the relevant institutions, to ensure that the failures are redressed.

- 6) **Mr. Speaker**, a review of the Medium Term Debt Management Strategy also reveals some significant gaps in the debt management strategy which are highlighted in part VII of this document.

III. Realism of the Macroeconomic Framework underpinning the Budget for 2018/19 and the Medium Term

- 7) **Mr. Speaker**, the expenditure framework of the 2018 BPS is anchored on a growth projection of 5.3 percent for FY 2017/18, 5.9 percent in FY 2018/19, 6.3 percent in FY 2019/20 and 6.8 percent in FY 2020/21. It is expected that this economic performance will be underpinned by the implementation of the Big Four plan, sustained investment in infrastructure, strong agricultural production due to improved weather conditions, buoyant services sector, and continued recovery in tourism, increased investor and consumer confidence and macroeconomic stability.
- 8) **Mr. Speaker**, I wish to highlight a few concerns with regard to the key drivers of growth. Firstly, the committee observed that though agriculture is touted as a key driver of growth, its performance is dependent on the weather conditions in 2018. Since the country's agriculture remains largely rain-fed, the country could very well be facing another period of food shortage due to the expected La Nina weather conditions as predicted by the meteorological department. Should this risk materialize the higher food prices will lead to higher inflation levels. Indeed **Mr. Speaker**, the inflation outlook of the country is not very promising as there are risks associated with rising fuel prices which may lead to higher transportation costs as well as rising cost of electricity associated with increasing use of expensive thermal power as a substitute for declining hydropower generation. These risks if they occur, will adversely affect economic growth.
- 9) **Mr. Speaker**, Kenya is facing significant pressure from the budget deficit and debt accumulation. Existing expenditure pressures have made it difficult for government to pursue any concrete steps towards fiscal consolidation and unless we keep our expenditure in check, the fiscal deficit may worsen in the medium term. It should be noted also that the government's appetite for borrowing is increasingly reducing access to credit by the private sector. I wish to underline the fact that borrowing in itself is not bad but how we use the borrowed resources matters. If borrowing isn't towards creating new assets then that borrowing isn't useful to the economy. Importantly **Mr. Speaker**, at any point in time, total capital spending must exceed the net borrowing (both external and internal). This calls for a cautious

approach to borrowing so that the government can achieve its policy of promoting private sector led growth.

- 10) In addition **Mr. Speaker**, the committee has taken note of the emerging inflexibility of monetary policy due to the interest rate capping law. It is therefore our considered opinion that the interest rate capping law can be reviewed and modified in a way that addresses the negative outcomes particularly with regard to its impact on monetary policy.
- 11) **Mr. Speaker**, though these risks to economic outlook are highlighted in the BPS, they have not been exhaustively assessed, the likely impact has not been quantified and there is no plan of action should these risks materialize. It is important for this to be adequately assessed so that the macroeconomic framework is as realistic as possible and any contingency plans particularly with regard to drought expenditures are put in place to avert a crisis.
- 12) Taking all these factors into account **Mr. Speaker**, the committee is concerned that the National Treasury growth projections may not be achieved if the risks that were identified materialize. The implication of this is that revenue performance is likely to be lower than expected. This is likely to lead to the usual in-year revision of expenditure through supplementary budgets which invariably leads to disconnect between the planned and approved policies at the BPS level and the Budget Estimates that are approved and implemented. More often than not, the implication of the supplementary budget is that policies are not followed through and expenditures particularly on development are reduced leading to delays in completion of projects.

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

- 13) **Mr. Speaker**, the 2018 Budget Policy Statement (BPS) has set out the government's strategic agenda, policies and priorities programs to be implemented over the next five years (2018-2022). This is with regard to the following four key strategic areas of focus:
 - i. Supporting value addition and raising the manufacturing sector's share of GDP to 15 percent by 2022;
 - ii. Enhancing food security and nutrition security to all Kenyans by 2022;
 - iii. Providing universal health coverage to guarantee quality and affordable healthcare to all Kenyans; and
 - iv. Provision of affordable and decent housing for all Kenyans (at least 500,000 affordable new houses) by 2022.
- 14) **Mr. Speaker**, you will recall that over the last five years, the BPS has focused on implementing policies and strategies aimed at creating a conducive business environment, expanding infrastructure, investing in quality and accessible social services, sectoral transformation as well as consolidating the gains made in devolution. Under the Big Four plan, interventions under these key pillars will continue

to be implemented as they are the key enablers which will facilitate implementation of the strategic initiatives of government.

- 15) **Mr. Speaker**, the committee is concerned that the implementation framework of the Big Four agenda is not well articulated. There appears to be a disconnect between the Budget Policy Statement and the introduction of the Big Four agenda as the BPS has not indicated any radical shift in its expenditure plans to reflect a clear plan of action towards achieving the Big Four Plan. Importantly, there is no indication that Big Four resource requirements have been costed and phased out for implementation. As was pointed out by Departmental Committees, during their deliberations with the various MDAs, it emerged that the Big Four agenda has not been provided with adequate resources. Rather, the focus appears to be mostly on the targets and outputs with no clear strategy on how the economy will get there; how the extra capacity will be created or expanded. As a result, there is no accountability framework, that is, which actors will implement the projects, how they will go about it and the resources allocated to them.
- 16) In this regard, **Mr. Speaker**, it appears that the BPS was completed without creating the necessary space for the Big Four agenda. As such, there are serious concerns on how the Big Four plan will be implemented. This is a whole transformation agenda for five years which will require an implementation structure.
- 17) Ideally, **Mr. Speaker**, the starting point of the Big Four agenda should have been the formulation of a results matrix which would have enabled creation of a comprehensive plan with specific targets and strategies for achievement of the key initiatives. There is need for a radical shift in expenditure allocations to prioritize the key intervention areas under the Big Four Plan and identify the key actors who will then be given clear targets, timelines and strategies. The committee proposes therefore, that the government should provide a master plan or blueprint that clearly spells out the agenda/strategy/policies under the Big Four Plan with a results matrix for resource allocation as well as a monitoring and evaluation framework. This will guide resource allocation and facilitate reorganization and re-prioritization of expenditure to achieve the Big Four Plan and also enable parliament to conduct monitoring and evaluation as the budget is implemented. To this extent **Mr. Speaker**, I wish to point out that this committee will be keen on monitoring and evaluation as a tool for reducing resource wastage. This will include use of PIC and PAC reports to review efficiency of MDAs in use of public resources.
- 18) In addition **Mr. Speaker**, the Committee observed that there is no evidence of a comprehensive review of the status of programs that were already being implemented in line with zero based budgeting so as to identify those that should be discontinued to provide fiscal space for the Big Four agenda. This effectively means that the zero based budgeting was not adequately understood neither was it utilized in drawing up the BPS and in particular resource allocation among votes and programs. **Mr. Speaker**, the importance of carrying out a review of the status of the previous key targets is that it facilitates

proper monitoring of government expenditure by this House thereby enhancing efficiency and effectiveness in use of public resources.

V. Fiscal Performance and Policy Outlook

a. Expenditure

- 19) **Mr. Speaker**, the Committee observes that as has been the norm in previous budgetary allocations, the bulk of resources are allocated to the Education Sector as well as the Energy, Infrastructure and ICT sectors (Total amount of Kshs. 832 billion). Without diminishing the importance of these two sectors, the committee is concerned that other key sectors aligned to the Big Four plan may not have sufficient budgetary allocations to implement the key initiatives. To illustrate, according to the expenditure projections of the Health sector, an estimated Kshs. 300 billion is required over the next five years to achieve Universal Health Coverage. However, from the analysis of expenditures, it is evident that this has not been provided for over the medium term. I wish to highlight however, that Health and Agriculture are devolved functions, which means that the key initiatives under these sectors are likely to be implemented by the county governments. The committee observed that the BPS has not clearly articulated the extent of the roles to be played by each level of government. The Committee proposes therefore that the master plan on the Big Four agenda should include a collaborative framework between the national and county governments with clear indications on the roles of each level of government and the manner in which resources allocated.
- 20) I wish to reiterate **Mr. Speaker** that despite these resource gaps, the committee remains committed to sticking within the hard budget constraints in order to limit the fiscal deficit within reasonable levels. The resource gaps in the various sectors will therefore be addressed through rationalization and reorientation of resources from non-core expenditures towards key development projects. The Committee observes that despite indications in the 2018 BPS that expenditure will contract gradually over the medium term, there does not seem to be a clear strategy on how this will be done. I wish to remind this House **Mr. Speaker** that in financial year 2015/16, the government indicated that it would institute expenditure control measures on non-core expenditure. However, it seems that this process has not been well executed as there are no clear quantifiable expenditure rationalization measures which will free resources for the priority expenditures.
- 21) During the Supplementary budget **Mr. Speaker**, expenditure cuts of up to 75 percent on various items under recurrent budget were instituted across the board for all Ministries, Departments and Agencies including Parliament and the Judiciary and this disrupted operations of some MDAs. This Committee reiterates the resolution of the House on this matter; that expenditure adjustments should be based on clear analysis, taking into account the policy direction of the budget and that any expected savings should be quantified.

22) **Mr. Speaker**, with regard to development expenditure and personnel emoluments, I wish to point out that the 2018 BPS has adhered to the fiscal responsibility principles set out in the PFM Act and PFM Regulations, 2015; the development expenditure is just above the 30% threshold over the medium term and the wage bill is within the 35 percent limit. However, the Committee is concerned that given the likelihood of expenditure revisions within the year and the tendency to reduce the development budget during this time, the actual money spent on development could end up being lower than 30 percent. Furthermore, despite the indicated compensation to employees being below 35%, this House should note that the wages and salaries of most semi-autonomous government agencies (SAGAs) have not been taken into account and are still being categorized under other recurrent expenditure. If these figures are properly accounted for, then the total figure for the wages and salaries is likely to be much higher. The committee therefore recommends **Mr. Speaker**, that when the National Treasury tables the National Budget, the budget for SAGAs should also be tabled as it accounts for a significant portion of the budget and should therefore also be subject to oversight by this House.

23) **Mr. Speaker**, I wish to also point out that despite it being clearly spelt out in law, the provision that the ceiling for development expenditure and personnel emoluments be binding over the next two years has not been complied with. Indeed, expenditure projections for any budget item relating to the medium term are rarely taken into account. **Mr. Speaker**, the importance of the medium term expenditure framework is that it determines the fiscal space available to a spending agency over the medium term which ensures predictability of resources thereby allowing the spending agency to simply focus on results. It is this committee's submission therefore that preset limits for the medium term should be regarded as hard budget constraints and should be the starting point for budgeting in any subsequent year. If the budget disregards medium term decisions especially those enshrined in law, then it will not be effective.

b. Revenue

24) **Mr. Speaker**, the expected likelihood of lower economic growth may lead to revenue underperformance as has been noted in recent financial years. The issue, **Mr. Speaker** is about the realism of economic and revenue forecasts. As has been stated in previous reports on BPS, revenue over-estimation contributes to higher expenditure demands from the agencies. This often leads to revision of expenditure plans within the financial year or increased borrowing. Already in the current financial year, preliminary revenue performance for the first half of the year indicates underperformance by Kshs. 68.3 billion. Total cumulative revenues including A-I-A collected amounted to Ksh.709.4 billion against a target of Kshs. 777.7 billion. The underperformance of the economy in the last year can mostly be attributed to drought as well as the prolonged election period which caused uncertainty in the business environment. As such, revenue projections have been revised downwards and are now estimated at Kshs. 1,643 billion (19% of GDP) from the budget level of Kshs. 1,704.5 billion (19.6 percent of GDP). If expenditure is not reduced, low revenue collections could result in additional borrowing to bridge the financing gap. This then worsens our debt burden and crowds out the private sector.

25) **Mr. Speaker**, higher revenue performance is an important factor to ensure expenditure plans highlighted in the BPS including the Big Four Agenda are achieved. The committee observes that tax policy and revenue administration reforms should be dynamic to changing economic activities including targeting incomes from growing e-commerce and digital activities where tax avoidance and evasion is rampant. This requires modernization of the income tax law.

c. Deficit Financing

26) **Mr. Speaker**, the 2018 BPS indicates a convergence of debt towards the EAC Monetary Union Protocol fiscal target of 3 percent deficit by 2021. The deficit (commitment basis excluding grants) is estimated at 7.9 percent for 2017/18, 6.5 percent for 2018/19, reducing gradually to approximately 3.4 percent by financial year 2021/2022. However, given the expenditure pressures and the lack of a clear expenditure rationalization framework as well as a quantifiable strategy for enhanced revenue collection, it is unlikely that the fiscal deficit will decrease unless hard decisions are made. Indeed, over the past years, this commitment has not been complied with. In financial year 2016/17, this committee made a recommendation that the deficit be capped at 6.0 percent of GDP but this was not complied with and the deficit at the end of the financial year had accumulated to approximately 9.3 percent instead (commitment basis excluding grants).

27) **Mr. Speaker**, as I had indicated earlier, my committee is committed towards ensuring that the deficit is contained and indeed reduced over the medium term in order to protect the country from a higher debt burden which invariably results from higher deficit and low revenue collection. As a result, cognizant of the need to fund key development projects, the committee recommends that MDAs undertake reprioritization of expenditure and that the key development projects be implemented in phases in order to ensure that the overall expenditure remains within the provided framework.

VI. Vertical Division of Revenue for 2018/19

28) **Mr. Speaker**, in the 2018 BPS, the nationally raised revenue for financial year 2018/19 is projected at Kshs. 1,688.4 Billion out of which Kshs. 1,370 Billion will be allocated as the equitable share to National Government and Kshs. 314 billion as equitable share to the County Governments. This is equivalent to approximately 34 percent of the most recent audited revenues. In addition, the counties are also set to receive conditional grants amounting to Kshs. 58.742 billion of which Kshs. 33.2 billion will be from development partners. This brings the total allocation to county governments for financial year 2018/19 to Kshs. 372.74 billion. In addition, the allocation for the Equalization Fund for Financial Year 2018/19 is Kshs. 4.7 Billion.

29) **Mr. Speaker**, I wish to inform this House that the Commission on Revenue Allocation also presented their recommendations to this committee as follows:

- i. Allocate National Government Kshs. 1,371.2 billion and County governments Kshs. 337.2 billion which is equivalent to 36% of the most recent audited revenues. This increment to county governments comprises an additional Kshs. 8.7 billion for functions previously transferred to county governments without attendant resources and adjustments to cater for inflation as well as growth in service delivery.
 - ii. The CRA also proposes a total of Kshs. 30.5 billion as conditional grants to counties. The conditional transfers include Kshs. 24,461 million for ongoing conditional programmes and Kshs. 6,000 million as new conditional grants for the establishment of cancer centres and cancer drug access programme. This brings the total county allocation to Kshs. 367.7 billion.
- 30) **Mr. Speaker**, the committee notes that the 2018 BPS does not provide information on the rationale behind increasing some of the conditional grants for financial year 2018/19 such as leasing of equipment from Kshs. 6.1 billion to Kshs. 9.4 billion as well as level five hospitals from Kshs. 4.2 billion to Kshs. 4.326 billion. Conditional grants are an important tool for the national government to implement key national development priorities within the counties. It is important therefore for these to be handled transparently and for continuous monitoring to be carried out to ensure that the national government priorities are being met. At this juncture, I wish to remind this House that two key pillars of the Big Four plan, Agriculture and Health, are devolved functions. The committee therefore proposes that the National government considers using conditional grants to implement the key initiatives under these pillars.

VII. MEDIUM TERM DEBT MANAGEMENT STRATEGY

- 31) **Mr. Speaker**, the Medium Term Debt Management Strategy (MTDS) for Financial Year 2018/19 proposes a borrowing framework of 57% external borrowing and 43% domestic borrowing to finance the national budget deficit. External Debt will be financed through Concessional Finance (23%), Semi Concessional Finance (12%) and Commercial finance (22%).
- 32) The committee has reviewed the Medium Term Debt Management Strategy (MTDS) and makes the following observations:
- i. There is variation between the deficit financing policies indicated under the BPS and the MTDS, that is, while the Budget Policy Statement (BPS) proposes to finance the deficit through external financing to domestic financing ratio of 37 percent to 63 percent, the MTDS utilizes a ratio of 57% external financing and 43% for domestic financing. Furthermore, the MTDS indicates that commercial debt should only make up 22% of total external borrowing which equates to Kshs. 116.9 billion. Whereas in the BPS, the level of commercial debt is at 54% Kshs. 288 billion, which is more than double the MTDS ratio.

- ii. The current Net Present Value (NPV) of debt to GDP limit is estimated to be between 48.6% and 49%. The PFM regulations places a NPV of debt to GDP limit of 50% implying that any huge additional borrowing could lead to breach of this limit.
- iii. The ratio of Debt Service to Revenue exceeds the 30 percent threshold in the FY 2017/18 and the medium term. This means that the government will need to refinance maturing debt during this period contributing to higher interest costs in future.
- iv. MTDS 2018/19 is prepared on the premise that fiscal consolidation will occur in the medium term despite previous missed commitment. Planned fiscal consolidation will face headwinds from planned expenditure plans in the BPS and the high proportion of mandatory spending for pension, county allocations, debt service, and the public wage bill.
- v. The refinancing needs of debt maturing in 1 year in 2018/19 will reach 54.4% (Kshs. 1.008 trillion) of total revenues due to repayment of syndicated loans, commercial loans, international bonds and domestic debt repayments falling due in FY 2018/19. This therefore indicates shrinking space for discretionary expenditure given that most of our expenditure, that is, county allocations, the wage bill, pension and debt service cannot be reduced.
- vi. The MTDS needs to capture both implicit and explicit contingent liabilities. Implicit liability will range from pending court compensation to avoidable liabilities emanating for the Public Private Partnership Projects (PPPs). Of concern, are the avoidable costs currently incurred in relation to the Lake Turkana Wind Power Project where the power produced cannot be evacuated due to lack of a high voltage line to transmit it to the Suswa substation.

VIII. POLICY RECOMMENDATIONS FROM THE DEPARTMENTAL COMMITTEES

- 33) **Mr. Speaker**, the 2018 BPS proposes a total ministerial expenditure of Kshs. 1,650.10 billion for 2018/19. The ministerial recurrent expenditure is set to increase from Kshs. 1,024.56 billion in 2017/18 to Kshs. 1,039.50 billion in 2018/19 while the ministerial development expenditure is set to increase from Ksh.604.74 billion in 2017/18 to Kshs. 610.60 billion in 2018/19.
- 34) **Mr. Speaker**, during the Committee's deliberations with the Departmental Committees on the Budget Policy Statement 2018, a number of recommendations were made which I now wish to highlight:
- a. The issue of pending bills was a key concern for most Departmental committees. The committee reiterates that in line with PFM regulation 26(2) (f), a list of pending bills should be provided and that when budgeting is done, expenditure allocations should first and foremost be directed towards settling pending bills before committing to other expenditures.

- b. It was observed that some MDAs were incurring expenditures without any budget provisions. This is not only an illegality but also leads to further accumulation of pending bills. Going forward, ministries should restrict themselves to spending only those amounts that have been appropriated. No new projects will be allowed without the approval of the National Assembly.
- c. The committee noted that there are several requests by MDAs to establish training institutes within their institutions such as the Office of the Director of Public Prosecutions. The committee is of the opinion that there is no need to establish numerous training institutes as this is a role that can be performed by the Kenya School of Government. Instead, institutions should consider developing curriculums based on their required trainings then partner with the Kenya School of Government for execution.
- d. The committee observed that poor absorption of funds by MDAs was partly attributed to delayed exchequer releases. The National Treasury must ensure that resources are released on time to ensure timely completion of projects.
- e. Under the Ministry of Energy, the Committee is concerned that there appears to be challenges with regard to implementation of key policies such as rural electrification as well as Lake Turkana power project. The committee recommends therefore that before the budget for this ministry is finalized, the Committee on Energy should endeavour to get a status report on the rural electrification project with a view to charting a way forward with regard to existing implementation challenges. On the Lake Turkana power project, there is need to ensure that adequate resources have been budgeted for and provided.
- f. On the blue economy, it was agreed that investments should not just focus on the Indian Ocean but should include inland waters such as Lake Victoria and Lake Naivasha in order to enhance productivity along the entire fishing scope.
- g. Many departmental committees submitted requests for additional funding amounting to Kshs. 142 billion for various projects under the Ministries, Departments and Agencies within their purview. All these additional requests are provided in schedule IV. Given the need to reduce the deficit, the committee reiterates that committees should prioritize expenditures within the set ceilings and implement projects in phases over a number of years. To this extent, any additional expenditure request must be matched by a reduction. Indeed, the Committee encourages the MDAs to undertake austerity measures and try to effectively use what has been allocated. Committees which reprioritized their expenditures within the set ceilings and showed reasonable cause have had their requests approved as contained in schedule I.

- h. The committee notes that there are some key budgetary requirements under some sectors which have remained unfunded due to hard budget constraints but which are of utmost priority. This includes interventions under the Health, Livestock, Social Protection, Energy and Infrastructure sectors. These are critical priorities which may require expenditure adjustments in other non-core areas in order to meet these expenditures without affecting the overall expenditure ceiling. To this extent, the committee encourages the various ministries, departments and agencies to utilize their resources efficiently and effectively. Any Ministry, Department or Agency with less than 80 percent absorption rate will be a likely candidate for expenditure reductions during deliberations on the Annual Estimates of expenditure.

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

Policy Recommendations

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

- a. To address the concern on some information not being provided contrary to legal provisions, my committee urges this House to resolve that in future, any submissions to Parliament must be subjected to a checklist to see if all required information is provided and all relevant laws have been complied with. Any submissions which don't comply with the set out legal provisions will be returned to sender.
- b. Arising from the concern on pending bills, the Committee recommends that the National Treasury comes up with a commitment control policy on how to clear the current pending bills within hard budget constraints in line with the Public Finance Management Act as well as the Public Procurement and Asset Disposal Act.
- c. Making decisions on capital spending requires information particularly on projects taking longer than one year. In particular BPS should not be tabled in the House without a list of projects. In addition, the 2018 budget estimates for development should be accompanied by a list of reconcilable projects.
- d. That to ensure openness and transparency in execution of donor projects, there is need to amend the Public Finance Management Act to ensure that all projects financed through external borrowing are approved by the Legislature.

- e. Given the concerns over the country's debt burden, the committee recommends that all projects earmarked for funding through commercial borrowing be reflected in the final budget for 2018/19.
- f. That commitments from donors be tied to the budget cycle and should come in at the preparatory stage before the budget is finalized.
- g. In view of the important linkage between policy, planning and budgeting, the committee reiterates that the MTP III must be finalized, published and laid in this house before budget estimates are submitted.
- h. To ensure the Big Four plan is implemented, the committee recommends that a delivery unit can be created. The unit will set aside adequate time to review, monitor and in consultation with parliament ensure that the Big Four plan is structured in such a way that it will achieve its objective. Importantly, the institutional framework will be modelled towards achievement of better linkage between Office of the President and the Legislature. This will enable creation of a results matrix, timely implementation as well as monitoring and evaluation.
- i. The Medium Term Debt Management Strategy proposal varies with the BPS. In future, BPS financing should be based on the debt management strategy. Furthermore, once the borrowing plan is approved, it should be binding and any revision in the borrowing plan must be re-submitted to the National Assembly.

Financial Recommendations

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

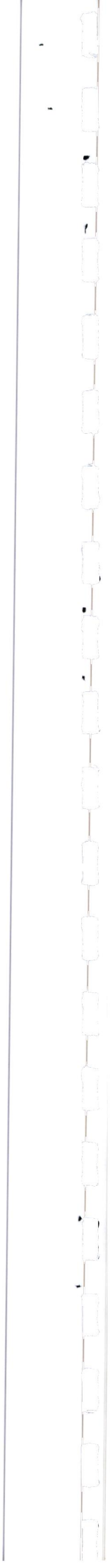
I. **That** the ceilings of each arm of government for FY 2018/2019 be capped as follows:

⚡ Parliament	– Kshs. 34.543 billion
⚡ Judiciary	– Kshs. 17.783 billion
⚡ Executive	– Kshs. 1,643.33 billion

II. **That** the deficit/fiscal balance (on commitment basis including grants) be limited to no more than 6.5 percent of GDP in FY 2018/2019.

III. **That** in effecting the proposed ceilings for each arm of government, the National Treasury should take into consideration the policy recommendations of the Departmental Committees on specific Ministries, Departments and Agencies which are in schedule IV.

- IV. **That** reallocations be effected as recommended by Departmental Committees and as per attached schedule I.
- V. **That** there is critical expenditure amounting to Kshs. 37.077 billion which must be included in the ceiling for 2018/19 as per attached schedule II. In order to finance the above expenditures and in the spirit of austerity, the committee proposes a reduction across the board, of all ceilings by at least 3 percent of recurrent expenditure which will yield approximately Kshs. 30 billion. This proposed reduction excludes the expenditure allocation for Parliament, the Judiciary as well as development spending. The remaining financing gap should be funded through enhanced administrative revenue measures and increased effort on revenue collection.
- VI. **That** the National Treasury considers the following revenue raising measures: accelerate the ongoing reforms within the Customs and Border Control to seal revenue leakages; expand compliance measures through iTax system; promote voluntary tax compliance to ensure every Kenyan within the tax bracket pays their share of taxes on income; and implement ways to tax incomes from the highly dynamic digital commerce.
- VII. **That** any additional revenue measures that may result to additional revenues not in BPS should go towards reducing the deficit.
- VIII. **That** the allocations to the county governments for FY 2018/2019 be as follows:
- a. County Government Equitable share of **Kshs. 314 billion**
 - b. Conditional allocations from the national government's equitable share of revenue as follows:
 - ✚ Conditional Allocation for Leasing of Medical Equipment **Kshs. 9.4 billion**
 - ✚ Conditional Allocation for compensation for user fees foregone **Kshs. 900 million**
 - ✚ Conditional Allocation for Level Five Hospitals **Kshs. 4.326 billion**
 - ✚ Conditional Allocation for rehabilitation of youth polytechnics **Kshs. 2 billion**
 - ✚ Conditional Allocation as supplement for construction of county headquarters **Kshs. 605 million**
 - ✚ Allocation from the Fuel Levy (15%) **Kshs. 8.269 billion**
 - ✚ Allocation from Loans and Grants **Kshs. 33.242 billion**
 - c. Total allocation to county governments **Kshs. 372.742 billion**
- IX. That once approved by this House these recommendations together with Schedule III **SHALL** form the basis of the 2018/2019 budget.



SCHEDULE 1.

Re-Allocation Recommended By The Departmental Committees

1. Departmental Committee of Administration & National Security

- Reduction of the ceiling for the State Department for Interior, vote 1021 by Ksh. 830 million from 130,836.5 to Ksh. 130,006.5 in the program General Administration, Planning and Support Services, Recurrent Expenditure.
- Population management services under the state department of interior be increased by Ksh 400 million from Ksh 8,494.3 million to Ksh 8,894.3 million to facilitate the issuance of new generation identity card
- State Department for Correctional Services, vote 1023 be increased by KSh230 million from Ksh 27,492 million to Ksh 27,792.6 million. The increase will go towards correctional services program, Recurrent Expenditure to cater for Housing Leasing for 4000 Prison Officers.
- The resource ceiling for the Independent Police Oversight Authority, vote 2151 in the 2018/19 Financial Year be increased by Ksh 200 million from Ksh 680.6 Million to Ksh 880.6 million to facilitate decentralization of services in 9 regional offices.

2. Departmental Committee of Agriculture and Livestock

In the State Department for Agriculture

- Reduction of Ksh 100 Million from the Crop insurance Programme and a further a reduction of Ksh 100 Million from the Food Security Diversification Programme.
- Reallocation of the above raised funds to the following agencies; KEPHIS – Ksh 40 Million for establishing desks at Huduma Centres and AFFA – Ksh 160 Million for the implementation of the Cane Testing Unit project. The Cane Testing Unit project is meant to facilitate the implementation of cane payment based on quality which has been hampered by inadequate funding.

In the State Department for Livestock

- Reduction of Ksh 20 million from the Kenya Animal Genetic Resource Centre (KAGRC) and a further reduction of Ksh 50 million from the Kenya Tsetse fly and Trypanosomiasis Eradication Council (KENTTEC). The Monies realized from the reductions be reallocated

to Agricultural Development Corporation (ADC) for the development of Embryo Transfer which is critical in the provision of good quality breed for the farmers.

- Reduction of Ksh 50 million from the Livestock Value Chain support Programme and a further reduction of Ksh 50 million from the integrated Agricultural Research for Development (Nutri-business) and be allocated to Small Holder Dairy Commercialization Project. The uptake of coolers has been slow and those purchased in the last FY are yet to be distributed, main focus should be on the capacity of small scale holder dairy farmers to enhance the production of milk and create employment, further it is important to enhance and support the small holder dairy programmes to address food security issues which is one of the big four agenda of the government

In the State Department of Irrigation

- A reduction of Ksh 50 million from the Galana Kulalu Irrigation Scheme and a further reduction of Ksh 50 million from the National Irrigation Expanded Project. The monies realized (Kshs 100 million) will be reallocated to the Bura Irrigation Scheme to complete the rehabilitation of the scheme particularly for the completion of the canal infrastructure.
- The committee further recommends a further reallocation of Ksh 500 million from the National Irrigation Expanded Project to the Agricultural Development Corporation which has a lot of arable and idle land at its disposal in areas that have excellent climatic conditions such as Transzoia County.

3. Departmental committee of Justice And Legal Affairs

- The Judicial Service Commission budget ceiling be reduced by Kshs 15 million under recurrent expenditure and this amount be reallocated to the State Law Office specifically for the Kenya Law Reform Commission for office operations.

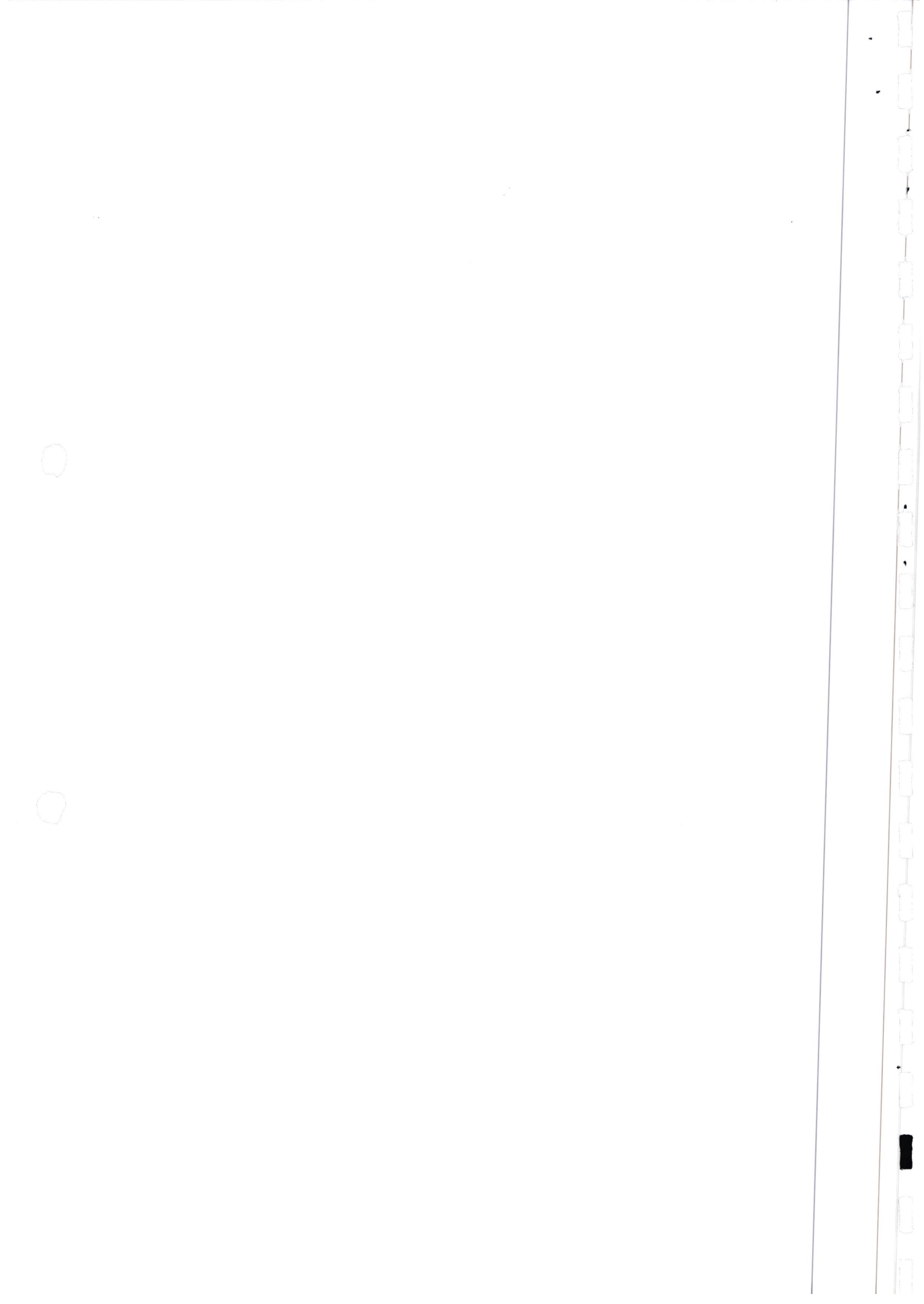
4. Department Committee For Environment and Natural Resources

In the State department for natural resources

- Transfer of the Ksh. 39 million for the 4 new projects to finance the presidential initiative of solving boundary disputes between Kenya Wildlife Service and local communities neighboring Tsavo Conservation area (Re-allocations is within the same Programme of Wildlife conservation & Management)

SCHEDULE II: PROPOSED ADDITIONAL FOR 2018/2019

SD for Livestock	500	Animal off-take	
Ministry of Health	2,000	For Indigents Subsidy	Conditional Grant
	3,000	For Comprehensive Health Care Center	
	1,000	For KNH & MRTH	
Controller of Budget	49	12 million for basic salaries, 30.79 mill for Compulsory contribution to National Social Security Scheme, Gratuity for Civil Servants - 6.3 million, 80 million	
SD Planning and Statistics	4,000	For National CDF	
Attorney General	100	For supporting Arbitration of International Disputes	
Parliamentary Service Commission	1,075	Development	dev
National Assembly	1,700	Recurrent : (Gratuity)	rec
SD of Water services	1,000	support national water and sanitation strategic interventions for over 100000 people to have access to water	
SD of social protection	495	to increase counter part funding towards orphans and vulnerable children - Funded by World bank trust	
SD of Infrastructure	10,000	for new roads 10000 Km roads	
Teachers servie commission	8,600	recruitment of teachers	
State Department for Gender Affaris	138	National government affirmative action Fund	Rec
Commission on revenue allocation	58	for development of second maginalization policy - 27.7 million and Public finance management - 30.4 million	30.4 - rec, 27.7 - dev
State Department of Energy	2,000	REA - 1 Billion, for electrification of public facilities, and 1 billion for Installation of Transformers in constituencies	
	1,362	1.36 billion for electricity in slum areas	
Total	37,077		



SCHEDULE III PROPOSED BPS CELLINGS

Vote Name	Programme Name	BPS Ceiling FY 2018/19			Recourent Adj for 3% Cut			Committee Realizations			Committee Additional Requests			Revised Inc. Additional Requests		
		Recourent	Development	Total	Recourent	Development	Total	Recourent	Development	Total	Recourent	Development	Total	Recourent	Development	Total
1011 The Presidency	Total	8,215	2,821	11,036	7,969	2,821	10,789	-	-	-	7,969	2,821	10,789	-	-	-
	0702000 P2 Cabinet Affairs	2,081	2,414	4,495	2,019	2,414	4,433	-	-	-	2,019	2,414	4,433	-	-	-
	0703000 P3 Government Advisory Services	3,144	317	3,461	3,050	317	3,367	-	-	-	3,050	317	3,367	-	-	-
	0704000 P4 State House Affairs	2,015	90	2,105	1,955	90	2,044	-	-	-	1,955	90	2,044	-	-	-
	0734000 P6 Deputy President Services	975	-	975	945	-	945	-	-	-	945	-	945	-	-	-
	Total	112,135	16,701	128,837	108,772	16,701	125,473	(430)	(430)	(430)	107,912	16,701	124,613	-	-	-
1021 State Department for Interior	Total	82,998	10,210	93,208	80,508	10,210	90,718	-	-	-	80,508	10,210	90,718	-	-	-
	0601000 P 1 Policing Services	22,128	4,116	26,244	21,464	4,116	25,580	(830)	(830)	(830)	19,804	4,116	23,920	-	-	-
	0602000 P 2 Planning Policy Coordination and Support Service	741	150	891	719	150	869	-	-	-	719	150	869	-	-	-
	0603000 P3 Government Printing Services	6,286	2,225	8,511	6,081	2,225	8,306	400	400	400	6,881	2,225	9,106	-	-	-
	0605000 P 4 Population Management Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	0624000 P 3 Betting Control, Licensing and Regulation Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	25,812	1,881	27,693	24,843	1,881	26,724	230	230	230	25,303	1,881	27,184	-	-	-	
1023 State Department for Correctional Services	Total	25,071	1,801	26,872	24,316	1,801	26,120	230	230	230	24,778	1,801	26,580	-	-	-
	0604000 P1 Correctional services	405	70	475	393	70	462	-	-	-	393	70	462	-	-	-
	0623000 P 2 General Administration, Planning and Support Services	138	10	148	132	10	142	-	-	-	132	10	142	-	-	-
	Programme 3 Betting Control Licensing & Regulation Services	11,144	38,352	49,496	10,809	38,352	49,162	-	-	-	10,809	42,352	53,162	-	-	-
	Total	1,282	32,295	33,577	1,224	32,295	33,519	-	-	-	1,224	36,295	37,519	-	-	-
	0707000 P2: National Statistical Information Services	7,585	1,435	9,020	7,357	1,435	8,793	-	-	-	7,357	1,435	8,793	-	-	-
1034 State Department for Planning and Statistics	Total	129	171	300	125	171	296	-	-	-	125	171	296	-	-	-
	0709000 P1: Economic Policy and National Planning	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	0707000 P2: National Statistical Information Services	129	171	300	125	171	296	-	-	-	125	171	296	-	-	-
	0709000 P3: Monitoring and Evaluation Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	0736000 P6: NGO Regulatory Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	1013000 P 7 Integrated Regional Development	1,652	4,451	6,103	1,603	4,451	6,054	-	-	-	1,603	4,451	6,054	-	-	-
1032 State Department for Devolution	Total	516	-	516	501	-	501	-	-	-	501	-	501	-	-	-
	0709000 P4: General Administration Planning and Support Services	516	-	516	501	-	501	-	-	-	501	-	501	-	-	-
	Total	1,166	3,528	4,694	1,131	3,528	4,659	-	-	-	1,131	3,528	4,659	-	-	-
	0732000 P 3 General Administration, Planning and Support Services	238	1,028	1,266	231	1,028	1,259	-	-	-	231	1,028	1,259	-	-	-
	0712000 P7: Devolution Services Management of Intergovernmental Relations	107	2,500	2,607	104	2,500	2,604	-	-	-	104	2,500	2,604	-	-	-
	Total	821	-	821	796	-	796	-	-	-	796	-	796	-	-	-
1033 State Department for Special Programmes	Total	1,351	3,875	5,226	1,320	3,875	5,195	-	-	-	1,320	3,875	5,195	-	-	-
	0713000 P 8: Special Initiatives	391	-	391	379	-	379	-	-	-	379	-	379	-	-	-
	0733000 P 9 Accelerated ASAL Development	703	3,875	4,578	682	3,875	4,557	-	-	-	682	3,875	4,557	-	-	-
	General Administration Planning and Support Services	257	-	257	259	-	259	-	-	-	259	-	259	-	-	-
	Total	97,406	45	97,451	94,484	45	94,529	-	-	-	94,484	45	94,529	-	-	-
	0801000 P 1: Defence	95,478	45	95,523	92,614	45	92,659	-	-	-	92,614	45	92,659	-	-	-
1041 Ministry of Defence	Total	270	-	270	262	-	262	-	-	-	262	-	262	-	-	-
	0802000 P 2 Civil Aid	1,358	-	1,358	1,317	-	1,317	-	-	-	1,317	-	1,317	-	-	-
	0803000 P 3 General Administration, Planning and Support Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total	97,406	45	97,451	94,484	45	94,529	-	-	-	94,484	45	94,529	-	-	-
	0801000 P 1: Defence	95,478	45	95,523	92,614	45	92,659	-	-	-	92,614	45	92,659	-	-	-
	0802000 P 2 Civil Aid	270	-	270	262	-	262	-	-	-	262	-	262	-	-	-
0803000 P 3 General Administration, Planning and Support Services	1,358	-	1,358	1,317	-	1,317	-	-	-	1,317	-	1,317	-	-	-	





1092 State Department for Transport	Total	9,284	78,038	87,322	9,005	78,038	87,043	.	.	.	.	.	.	.	.	.	.	.	.	.	9,005	78,038	87,043
	0201000 P 1 General Administration, Planning and Support Services	407	780	1,187	395	780	1,155	.	.	.	.	.	.	.	.	.	.	.	.	.	395	780	1,155
	0203000 P3 Rail Transport	-	59,324	59,324	-	59,324	59,324	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	0204000 P4 Marine Transport	1,225	13,110	14,335	1,188	13,110	14,298	-	-	-	-	-	-	-	-	-	-	-	-	-	1,188	13,110	14,298
	0205000 P5 Air Transport	7,206	4,544	11,750	6,990	4,544	11,534	-	-	-	-	-	-	-	-	-	-	-	-	-	6,990	4,544	11,534
	0216000000 Road Safety	446	300	746	433	300	733	-	-	-	-	-	-	-	-	-	-	-	-	-	433	300	733
	Total	326	300	746	316	300	733	.	.	.	.	.	.	.	.	.	.	.	.	.	316	300	733
1093 State Department for Maritime Affairs	0219000 P4 Maritime & Shipping Services	326	-	326	316	-	316	-	-	-	-	-	-	-	-	-	-	-	-	-	316	-	316
1094 State Department for Housing & Urban Development	Total	2,299	16,839	19,133	2,230	16,839	19,059	.	.	.	.	.	.	.	.	.	.	.	.	.	2,230	16,839	19,059
	0102000 P 2 Housing Development and Human Settlement	486	9,040	9,506	452	9,040	9,492	-	-	-	-	-	-	-	-	-	-	-	-	-	452	9,040	9,492
	0105000 P 5 Urban and Metropolitan Development	263	7,663	7,926	255	7,663	7,918	-	-	-	-	-	-	-	-	-	-	-	-	-	255	7,663	7,918
	0106000 P 6 General Administration Planning and Support Services	249	-	249	242	-	242	-	-	-	-	-	-	-	-	-	-	-	-	-	242	-	242
	Regulation & Development of the Construction Industry	1,321	136	1,457	1,281	136	1,417	-	-	-	-	-	-	-	-	-	-	-	-	-	1,281	136	1,417
	Total	842	1,959	2,801	817	1,959	2,776	.	.	.	.	.	.	.	.	.	.	.	.	.	817	1,959	2,776
1095 State Department for Public Works	0103000 P 3 Government Buildings	400	1,734	2,134	388	1,734	2,122	-	-	-	-	-	-	-	-	-	-	-	-	-	388	1,734	2,122
	0104000 P 4 Coastline Infrastructure and Pedestrian Access	83	170	253	81	170	251	-	-	-	-	-	-	-	-	-	-	-	-	-	81	170	251
	0106000 P 6 General Administration Planning and Support Services	359	55	414	343	55	403	-	-	-	-	-	-	-	-	-	-	-	-	-	343	55	403
	Total	2,916	3,848	6,764	2,829	3,848	6,677	.	.	.	.	.	.	.	.	.	.	.	.	.	2,829	3,848	6,677
1105 State Department for Environment	1012000 P 3 Meteorological Services	1,093	1,092	2,175	1,060	1,022	2,142	-	-	-	-	-	-	-	-	-	-	-	-	-	1,060	1,092	2,142
	1011000 P 2 Environment Management and Protection	1,480	2,786	4,245	1,426	2,766	4,202	-	-	-	-	-	-	-	-	-	-	-	-	-	1,426	2,766	4,202
	1010000 P 1 General Administration, Planning and Support Services	343	-	343	333	-	333	-	-	-	-	-	-	-	-	-	-	-	-	-	333	-	333
	Total	13,667	4,023	17,690	13,257	4,023	17,280	.	.	.	.	.	.	.	.	.	.	.	.	.	13,257	4,023	17,280
1106 State Department for Natural Resources	1011000 P 2 Natural Resources Management and Protection	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Forest & Water Towers Conservation & Management	7,112	2,912	10,024	6,898	2,912	9,810	-	-	-	-	-	-	-	-	-	-	-	-	-	6,898	2,912	9,810
	Wildlife Conservation & Management	6,207	1,097	7,304	6,020	1,097	7,117	-	-	-	-	-	-	-	-	-	-	-	-	-	6,020	1,097	7,117
	General Administration, Planning and Support Services	349	14	363	339	14	353	-	-	-	-	-	-	-	-	-	-	-	-	-	339	14	353
	Total	4,226	31,027	35,253	4,099	31,027	35,126	.	.	.	.	.	.	.	.	.	.	.	.	.	4,099	32,027	36,126
1103 State Department for Water Services	1001000 P 2 General Administration, Planning and Support Services	643	151	794	623	151	774	-	-	-	-	-	-	-	-	-	-	-	-	-	623	151	774
	1004000 P 3 Water Resources Management	1,544	4,888	6,232	1,498	4,888	6,186	-	-	-	-	-	-	-	-	-	-	-	-	-	1,498	4,888	6,186
	1017000 Water & Sewerage Infrastructure Development	2,039	26,188	28,227	1,978	26,188	28,166	-	-	-	-	-	-	-	-	-	-	-	-	-	1,978	27,188	29,166
	Total	972	14,653	15,825	942	14,653	15,985	.	.	.	.	.	.	.	.	.	.	.	.	.	942	14,653	15,985
1104 State Department for Irrigation	Total	972	14,653	15,825	942	14,653	15,985	942	14,653	15,985

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SCHEDULE IV

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS BY DEPARTMENTAL COMMITTEES

A. COMMITTEE OBSERVATION ADMINISTRATION & NATIONAL SECURITY	COMMITTEE RECOMMENDATION
<ul style="list-style-type: none"> In the State Department of Interior the committee raised concern on the Public Housing Projects, there was no clarity on the exact number of housing units owned by the police service. In the State Department for Correctional Services the committee was concerned with the historical pending bills which keep on disrupting the implementation of Budget every year. The committee further note that the implementation of capital projects is very slow and the ongoing projects are likely to take longer before they are completed due to limited funds for capital spending. 	<p>Financial recommendation</p> <p>The Committee recommends that the House approves the ceiling of KSh 11,035 million for the Presidency, the ceilings for Public Service Commission, is retained at KSh 1,387 million, National Police Service Commission, at KSh 552 million. The ceiling for Public Service Transformation program, under State Department for Public Service and Youth is maintained at KSh. 3,875.6 million as proposed in the 2018 BPS.</p> <p>Non-financial Recommendations</p> <ul style="list-style-type: none"> In the State Department of Interior an audit be done to ascertain the exact number of housing units of the police service that have been completed and the ongoing ones. In the State Department for Correctional Services a comprehensive audit of all pending bills be verified and validated thereafter provision be made for an allocation to settle the pending bills and that no new projects should be introduced and more resources should be availed towards the completion of the ongoing projects. Establishment of a hospital for disciplined officers. To cater for police officers, prisons officers, wildlife rangers and forest rangers as well as NIS personnel similar to war memorial hospital for armed forces. <p>The Committee recommends that the House approves the reduction of the ceiling for the State Department for Interior, vote 1021 by KShs. 830 million from 130,836.5 to KShs 130,006.5 in the program General Administration, Planning and Support Services, Recurrent Expenditure. This is because for the last three financial years their absorption rate was 88.58%, 92.58% and 93.81% respectively.</p> <p>The ceiling for population management services under the state department of interior</p>

	COMMITTEE OBSERVATION	COMMITTEE RECOMMENDATION
		<p>be increased by Ksh 400 million from Ksh 8,494.3 million to Ksh 8,894.3 million to facilitate the issuance of new generation identity card</p> <p>5. The ceiling for State Department for Correctional Services, vote 1023 be increased by KSh230 million from KSh 27,492 million to KSh 27,792.6 million. The increase will go towards correctional services program, Recurrent Expenditure to cater for Housing Leasing for 4000 Prison Officers.</p> <p>6. The resource ceiling for the Independent Police Oversight Authority, vote 2151 in the 2018/19 Financial Year be increased by Ksh 200 million from Ksh 680.6 Million to KShs. 880.6 million to facilitate decentralization of services in 9 regional offices.</p>
B.	AGRICULTURE AND LIVESTOCK	
	<p>Despite the fact that the government had identified the agricultural sector as one of its four key pillars in delivering rapid-social economic transformation as well as food and nutrition security for all in the next 5 years. The allocation for the department for FY 2018/19 is significantly lower than its allocation in FY 2017/18 by Kshs 10.0 billion</p> <p>2. The Ministry has plans and strategies in place and well espoused in the budget policy statement with the objective of making the country food and nutrition secure. However there is no adequate funding for the ministry to realize this goal. The sector's resource requirement stands at Kshs 69.3 billion against an allocation of Kshs 46.3 billion in the FY 2018/19. The continued under-funding of the ministry targets will hamper significantly the realization of the ministry goals.</p> <p>3. The government envisages greater involvement of the youth in the agriculture sector so as to enhance job creation especially for the youth. However the realization of this objective</p>	<p>Financial recommendation State Department of Fisheries</p> <ul style="list-style-type: none"> The Committee recommends the approval of the budget ceilings for the state department of fisheries as contained in the BPS for the Financial Year 2018/2019 <p>Re-allocation State Department for Agriculture</p> <ul style="list-style-type: none"> The Committee recommends reduction of Ksh 100 Million from the Crop insurance Programme and a further a reduction of Ksh 100 Million from the Food Security Diversification Programme. The Committee recommends the reallocation of the above raised funds to the following agencies; KEPHIS – Ksh 40 Million for establishing desks at Huduma Centres and AFFA – Ksh 160 Million for the implementation of the Cane Testing Unit project. The Cane Testing Unit project is meant to facilitate the implementation of cane payment based on quality which has been hampered by inadequate funding. <p>3.Additional funds required</p> <ul style="list-style-type: none"> Ksh 500 Million for Mumias Sugar Co. to undertake factory upgrades that will ultimately achieve Value Addition on proposed Cane Variety. The Committee recommends that Ksh 300 Million be allocated to fund the

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<p>will require mainstreaming of the sector in our education curriculums both at tertiary and university level in order for the youth to appreciate the importance of the sector. This will address the acute inadequate capacity that exists particularly in specialized/technical areas.</p> <p>4. The fertilizer subsidy initiative has been financed since 2008 however the funding does not translate to improved production due to the low quality of seeds and its (seed) adaptability to varying climatic conditions. There is need to invest in seed subsidy alongside the fertilizer subsidy for efficiency and better results.</p> <p>5. The agriculture sector is faced with the challenge of high rate of crop failure, unpredictable and unfavorable climatic conditions coupled with other damages caused by pests and diseases. This situation is worsened by the lack of irrigation facilities and relevant technologies to shield against unreliable weather patterns. There is need to invest in better and modern weather forecasting and early warning systems together with quality and affordable agricultural inputs to enhance productivity to attain food secure status in the long run.</p> <p>6. There is a thin line between Devolved and National functions in Agriculture. There are Gok and Counterpart Funding for projects in which are devolved in nature for instance Value addition and Youth in Modern Agriculture. Therefore Devolved units must be informed in such cases to avoid duplication of budget spending.</p>	<p>Coffee Subsector Implementation Committee (CSIC)</p> <p>State Department for Livestock</p> <p>1. Reallocations</p> <ul style="list-style-type: none"> The Committee further recommends a reduction of Ksh 20 million from the Kenya Animal Genetic Resource Centre (KAGRC) and a further reduction of Ksh 50 million from the Kenya Tsetse fly and Trypanosomiasis Eradication Council (KENTTEC). The Monies realized from the reductions be reallocated to Agricultural Development Corporation (ADC) for the development of Embryo Transfer which is critical in the provision of good quality breed for the farmers. Reduction of Ks 50 million from the Livestock Value Chain support Programme and a further reduction of Ksh 50 million from the intergrated Agricultural Research for Development (Nutribusiness) and be allocated to Small Holder Dairy Commercialization Project. The uptake of coolers has ben slow and those purchased in the last FY are yet to be distributed, main focus should be on the capacity of small scale holder dairy farmers to enhance the production of milk and create employment, further it is important to enhance and support the small holder dairy programmes to address food security issues which is one of the big four agenda of the government. <p>2. Additional resources required</p> <ul style="list-style-type: none"> An additional allocation of Ksh 500 Million for Kenya Meat Commission for the Modernization of its Machinery and Equipment. An additional allocation of Ksh 500 Million for the animal off -take programme to cushion farmers from losses resulting from the on-going drought particularly in the ASAL areas Inclusion/provision in the BPS and Budget estimates for 2018/19 deficit of Kshs 375M for the Modernization Programme at the Kenya Meat Commission.

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<p>7. The extension workers are a critical element in the Agricultural sector, however the input of these workers are in most cases not extended to the farmers.</p> <p>8. In the FY 2016/17 the National Treasury approved allocations of 550M for as Capital Grant for Modernization, However in the same FY the same funds were allocated to purchase milk coolers which was also funded by the Polish Government. This affected the Modernization Programme. Similarly in 2017/18 the National Treasury Approved 500M to commence the operations, where 125M was received in November, 2018, thereafter the contract between KMC & Sanet Vit Industrial Vetic Ltd, was entered into and an initial sum of Ksh 100 Million paid to commence works. This left a deficit of Ksh 375 Million which the Committee recommends inclusion/provision in the BPS and Budget estimates for 2018/19.</p> <p>9. Irrigation and land reclamation for ASAL and wetlands zones will increase on food production running throughout the year. It will contribute immensely to food and nutrition security in the country hence there is need to invest more in irrigation projects to attain food security.</p> <p>10. H.E. the Presidents has set up a Coffee Implementation Sector Task Force however, there is no allocated Budget for the taskforce. The task is vital to the sector, allowing for value addition and markets for the produce.</p> <p>11. The Committee noted pending bills in the three</p>	<p>State Department of Irrigation</p> <p>Reallocation</p> <ul style="list-style-type: none"> • A reduction of Ksh 50 million from the Galana Kulalu Irrigation Scheme and a further reduction from of Kshs 50M from the National Irrigation Expanded Project. The monies realized (Kshs 100M) will be reallocated to the Bura Irrigation Scheme to complete the rehabilitation of the scheme particularly for the completion of the canal infrastructure. • The committee further recommends a further reallocation of Ksh 500 million from the National Irrigation Expanded Project to the Agricultural Development Corporation which has a lot of arable and idle land at its disposal in areas that have excellent climatic conditions such as Transzoia County.

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<p>state departments continued to balloon. That is largely as a result of delayed exchequer releases.</p>	
C. COMMUNICATION, INFORMATION AND INNOVATION	
<p>The Committee observed that:</p> <p>There was underfunding of the two State Departments and this may occasion a delay in service delivery.</p>	<p>State Department for ICT and Innovation</p> <p>All ICT related services especially software related e.g oracle and Microsoft licences be transferred to the Ministry of ICT. This will enhance cost savings as acquiring more than one licenses was much cheaper due to economies of scale accruing from this.</p>
<p>There were major budget cuts during the Supplementary estimates 1 2017/18. These had adversely affected the implementation of projects and subsequently service delivery.</p>	<p>The Public Finance Management Act, 2012 be amended to have all the service fees raised in the e-citizen platform remitted to the Ministry of ICT instead of the National Treasury.</p>
<p>That there was no full disclosure of the Appropriations in Aid collected by the state corporations/ agencies under the two State Departments i.e. Kenya Broadcasting Corporation and Communications Authority.</p>	<p>The state departments should reorganize their priorities in order to create space for the implementation of the big four agenda.</p> <p>The programme 'e-government services' be revised to have its items and allocations as development items from the contracted service.</p>
<p>The state department for ICT and Innovation required a total of Kshs 55,445 million in order to be able to implement its programmes. However, the BPS ceilings to the department are equivalent</p>	<p>The Ministry should spearhead the marketing of the Konza City so as to create awareness to the public and to other countries. This can be done by allocating an increased Kshs 140 million to its recurrent budget. Most of the donor funds to the project had been committed and therefore there was need for the allocations to be revised upwards</p>

	<p style="text-align: center;">COMMITTEE OBSERVATION</p> <p>to Kshs 31,918.5 million. This may call for the state department to reorganize its priorities in order to have those programmes that are more urgent to be given a priority.</p> <p>The BPS ceilings for the state department for Broadcasting and Telecommunication had been set at Kshs 3,568.1 million against the requirement of Kshs17, 384 million hence there is need for reprioritization of programmes in this department so as to have projects and activities implemented within the available resources.</p>	<p style="text-align: center;">COMMITTEE RECOMMENDATION</p> <p>State Department for Broadcasting and Telecommunications</p> <p>The Ministry should restructure Kenya Broadcasting Corporation in order to mitigate the huge wage bill in the organization.</p> <p>The Kenya Broadcasting Corporation and the Communications authority to fully disclose the funds generated internally.</p> <p><u>Budgetary Proposals:</u> Kshs 711 million deducted during the supplementary budget 1 2018/18 from the Konza Technopolis Development authority be returned to have the project completed on time. This was in cognizance of the fact that Konza City is one of the flagship projects for the achievement of Vision 2030.</p> <p>The allocation for the year 2018/19 to the Konza Technopolis Development be increased by a total of Ksh 1,659Million to enhance the implementation of the project. The specific items under the Authority include Konza Complex(Kshs 875 million); MDP 2 consultancy (Kshs 525 million) and access roads (Kshs 259 million)</p> <p>The allocation to the Digital Literacy Programme (laptops) be increased by Kshs 2 billion to foster its implementation. This is in cognizance of the fact that DLP was one of the flagship projects of the government.</p> <p>The Kenya Broadcasting Corporation be allocated Kshs 75 million in order to purchase the world cup rights.</p>
D.	DEFENCE AND FOREIGN RELATIONS	

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<p>In the MTEF 2018/2019 and the medium term, The Ministry of Defence will be implementing three programmes on General Planning, Support and Administration, Defence and Civil Aid to deliver on the key outputs of secured territorial borders and sovereignty integrity and humanitarian assistance with a budget ceiling KShs. 97,797 Million against a resource requirement of KShs. 160,915 Million.</p> <p>Ministry of Foreign Affairs</p> <p>The ministry's policy of expanding Kenya's diplomatic presence has not made significant headway due to inadequate funding. Some of the Missions which are yet to be opened include Rabat(Morocco), Accra(Ghana), Dakar(Senegal) despite getting clearance.</p> <p>Over the last five years the Ministry's recurrent budget has been increasing progressively, however the development allocation has not been consistent. It is also important to note that the Ministry's mandate and presence globally has increased since more missions have been opened abroad calling for more funds to achieve the government's objective of expanding international relations and economic diplomacy.</p> <p>In 2018/2019, the Ministry's projected allocation for Development expenditure is KShs. 1,988 Million against a resource requirement of KShs. 13,749 million while the projected allocation for recurrent is KShs. 17,441 against a resource requirement of KShs.27,143 million In aggregate terms, the Ministry of Foreign Affairs</p>	<p>The Committee recommends that the House approves the ceiling of:</p> <p>Kshs.97, 151 million for the Ministry of Defence, Vote 1041 as proposed in the 2018 BPS</p> <p>KShs. 28,591 million for the National Intelligence Service, Vote 1231</p> <p>KShs.19, 428.3 million for the Ministry of Foreign Affairs and International Trade, Vote 1051</p> <p>KShs 1,646 million for the Ministry of East African Community and Northern Corridor Development, Vote 1183</p> <p>Additional Resources Required</p> <p>In the Ministry of foreign affairs a minimum additional funding for unfunded priorities.</p> <p>Personnel emoluments Ksh 1,502 million:</p> <p>Adjustment of the ministry HQ operations and maintenance base Ksh 1,000 million</p> <p>Foreign exchange risk assumptions facility Ksh 500 million</p> <p>Operationalization of authorized additional diplomatic mission Kshs900 million</p> <p>Ministry of East African Community and Northern Corridor Development</p> <p>Operationalization of a fully-fledged Ministry: Financing Gap Kshs. 133 million</p> <p>Operations Efficiency Kshs. 300 million</p> <p>Execution of the Technical Mandate Kshs 484 million</p>

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<p>resource requirement amounts to KShs. 40,892 million against a projected allocation of KShs.21,462 million giving a deficit of KShs. 21,463 million.</p> <p>Ministry of East African Community and Northern Corridor Development.</p> <p>The 2018 BPS places regional integration as an enabler for achieving the big four through provision of market for the manufactured products. The state Department/Ministry of East African Integration together with other responsible agencies will implement an elaborate marketing strategy to diversify our export markets including penetrating new markets. This will go alongside exploiting the markets available under Common Market for Eastern and Southern Africa (COMESA), East African Community (EAC) and the EAC-COMESA-SADC tripartite arrangements.</p> <p>During the preparation of the 2018 BPS, the state department for EA integration had not been organized into a ministry of East Africa community and northern corridor. Consequently the following critical components were not funded.</p> <p>Operationalization of a fully-fledged ministry with a funding gap of Ksh 133 million</p> <p>Operations efficiency of Ksh 300</p>	
<p>E. EDUCATION AND RESEARCH</p> <p>The Education Sector has a resource gap in terms of the ceiling provided and the resource requirement. The sector resource requirement stood at Kshs. 568 billion against a provision of Kshs. 428 billion. This resource gap may stifle</p>	<p>Financial Resources Recommendations</p> <p>That Committee approves the Budget Ceilings as provided in the Budget Policy Statement 2018 for various votes under the Ministry of Education, Science and Technology, that is, State Department for Basic Education, State Department for</p>

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<p>achievement of strategic objectives and deliverables in the sector.</p> <p>A huge portion of the State Department for Basic Education budget goes towards funding of key projects such as free primary and free day secondary education. The budget for these flagship projects seems to be incremental rather than based on the actual cost of running the projects.</p>	<p>University Education and State Department for Vocational and Technical Training. The spending agencies need to reprioritize their programmes within available resources to ensure the strategic objectives and key deliverables are achieved.</p> <p>The Budget and Appropriations Committee considers allocating the Teachers Service Commission additional budgetary allocation of Kshs 8.6 billion for recruitment of teachers to reduce the teacher resources gap and to specifically support the governments intended 100% transition rate as a result of introduction of free day secondary education.</p>
<p>According to the Education Sector report 2017, the State Department for Basic Education intends to establish Early Childhood Development Education (ECDE) model centres in all the 47 counties. The Committee is concerned that the ECDE function is devolved.</p> <p>There is a potential duplication of function between the Ministry of Education and the Teachers Service Commission on continuous capacity building of teachers (in service training).</p> <p>The allocation to Technical and Vocational Training programme under the State Department for Vocational and Technical Training has reduced by Kshs. 8.1 billion compared to the allocation in the current financial year of Kshs. 16.5 billion. Though the increase in the current financial year was as a result of donor funding, the Ministry needs to allocate more resources to this State Department considering that technical institutions are critical in driving the big four agenda.</p> <p>The introduction of new projects especially in public universities continues yet the ongoing</p>	<p>Policy Recommendations</p> <p>The Ministry of Education should commission a costing of the free primary and free day Secondary Schools programmes to ensure that resources allocated to these programmes are sufficient and optimally utilized.</p> <p>Early Childhood Development and Education (ECDE) is a devolved function and the National Government should only provide policy framework rather than implementation of such projects. The Ministry should therefore restrict itself on its assigned functions in view of the constrained resources available. The establishment of the ECDE model centres should not be implemented.</p> <p>That the introduction of new projects particularly in the universities in the sector must be completely frozen and priority given to the ongoing projects through channeling resources towards their completion. The Ministry should closely monitor compliance to the National Treasury on prioritizing ongoing projects.</p> <p>The Ministry should come up with a policy framework on the collaboration between the Ministry and the National Government Constituency Development Fund (NG-CDF) in terms of support towards infrastructure development in schools. This will ensure that resources are utilized optimally and enhance effectiveness in implementation of the various projects.</p> <p>Total restructuring of the quality assurance system in the Ministry in collaboration</p>

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<p>projects are not fully funded. This is a poor financial management practice. Starting new projects without completing on-going ones could result to numerous projects being abandoned before full completion which could result to wastage of public funds.</p> <p>There is danger of duplication in supporting of various schools in terms of infrastructure improvement between the Ministry and the National Government Constituency Development Fund (NG-CDF).</p> <p>There is a disharmony between the Ministry of Education and the Teachers Service Commission on monitoring and supervision of the quality of Education that needs streamlining with the clarity on the respective role of each agency.</p> <p>The current number of teachers especially in secondary schools is inadequate to fully support the implementation of the free day secondary school education and this may affect the quality of education being offered to learners as the government gears towards 100% transition rate.</p> <p>The Ministry has provided through capitation grants to secondary schools which include funds to employ personnel like Board of Management of teachers. There is need for the Ministry and the TSC to work out on the mechanisms for utilization of part of this funding to ensure that there are adequate teaching and efficient management of the teaching resources.</p>	<p>with the TSC should be undertaken to improve on monitoring of the delivery of education services in schools to ensure that the quality of education being offered is of the required standards.</p> <p>The Ministry of Education and the Teachers Service Commission should establish a clear policy framework on in-service training of teachers to ensure that it is effective and eliminate duplication of functions.</p>

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<p>F. ENERGY</p> <p>Despite the substantive progress made in the implementation of the 5000+ MW projects and last mile connectivity, which has largely boosted the county's installed capacity from 1,768 MW in March 2013 to 2,330 MW in September 2017, the average demand has remained at 1770 MW pointing to existence of idle and unutilized energy.</p> <p>The Petroleum sub-sector is faced with the serious challenge of fuel adulteration which mainly affect the Diesel fuel. This adulteration is largely motivated by price differential which favours Diesel fuel.</p> <p>The Lake Turkana Wind Power Project is currently producing power which cannot be fully evacuated to the country's main grid due to lack of a high voltage line to transmit this power from Turkana to the Suswa substation. As a result the country might be incurring high production cost that should have been avoidable should there have been proper planning for the project.</p> <p>Regarding the 6kg LPG cylinders distribution project, the Committee noted the against of 2016/17 target of purchasing, tagging and distribution of 1,200,000 6kg LPG cylinders, grills and burners to low income households the State</p>	<p>Financial Recommendations</p> <p>The Budget and Appropriation Committee do approve the ceilings as provided in the 2018/19 Budget Policy Statement. The Ceilings are as follows;</p> <p>State Department for Energy be allocated Ksh. 74,817.7 million broken down into Ksh.2,161.7 million for recurrent and Kshs. 72,656 million for development</p> <p>State Department for Petroleum be allocated Ksh.3,148.6 million of which Kshs.272.6 million for recurrent and Ksh.2,876 million for Development</p> <p>That, the allocations to the Power Transmission and distribution Programme be reconciled with its gross allocation in the BPS of Kshs.50,457 million by increasing its capital allocation to Kshs.49, 680 million which in effect will increase gross capital allocation for the State Department to Kshs.72,656 million hence reconciling with gross allocation for the state department of energy of Kshs.74,817.7 million</p> <p>Policy Recommendations</p> <p>The Ministry of Energy should implement a multi-sectoral approach in the creation of demand in the Energy sector in order to fully utilize the idle energy produced. These will ensure the consumers are protected and larger public enjoy value for money.</p> <p>In order to address the challenge of fuel adulteration, the State Departments of Petroleum and State Department of Energy must partner to fast-track implementation of the rural electrification projects and the distribution of 6kg LPG gas cylinders with a view of reducing the demand for Kerosene by low income households for cooking and lighting.</p>

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<p>Department of Energy managed to distribute 6,000 LPG cylinders only which put to focus the resolve by the government to deal with Diesel fuel adulteration.</p>	<p>There is need to relook the entire Lake Turkana Wind Power Project whether the government is getting value for money owing to the fact that Wind power produced in the project has never been evacuated due to lack of a high voltage line to transmit it to the Suswa substation.</p> <p>Other Recommendations</p> <p>State Department of Energy</p> <p>Kshs. 2 billion to Rural Electrification Authority (REA) be provided for Installation of Transformers in constituencies and for electrification of public facilities. under the Power Transmission and Distribution Programme</p> <p>Ksh. 8.962 billion be provided to KETRACO for the installation of Loyangalani – Suswa Line under the Power Transmission and Distribution Programme.</p> <p>Kshs. 1.3 billion be provided to KETRACO for way-leave compensation under the Power Transmission and Distribution Programme.</p> <p>That, Kshs. 1.362 billion for (GPOBA) programme which is for installation of electricity in slum areas under the Power Transmission and Distribution Programme</p> <p>Ksh 5 billion be provided to Kenya Power for the Rural Electrification overrun maintenance costs under the Power Transmission and Distribution Programme</p> <p>Ksh. 1.65 billion be provided to Geothermal Development Corporation for the following</p> <ul style="list-style-type: none"> a) Ksh. 1.6 billion for Bogoria Silali Geothermal Project. b) Ksh 0.05 billion for Suswa Geothermal Project. <p>Ksh. 0.180 billion be provided for Nuclear Power plant Sitting.</p> <p>Alternative Energy Technologies</p> <p>Ksh 0.2 billion be provided for the decentralized electricity systems and household</p>

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<p>G. ENVIRONMENT AND NATURAL RESOURCES</p> <p>State Department for Environment</p> <p>National Environment Management Act (NEMA) was on the path to financial sustainability before the ban on collection of EIA fees. It is projected that the authority would have been collecting KES 1.38 billion in 2020. Therefore the scrapping of the Environmental Impact Assessment (EIA) fees is a burden to the tax payers. Waiving even large Multinational companies from paying the fees endangers our environment especially in view of the fact that the regulations on the payment of an Environmental Performance bond are yet to be finalized.</p> <p>Due to the capacity constraint in NEMA, environmental milestones such as banning of the</p>	<p>energy for off-grid areas. Ksh 0.01 billion be provided for the resource assessment analysis and feasibility studies for renewable energy technologies.</p> <p>State Department of Petroleum</p> <p>Kshs. 4.6 billion be provided to State Department as follows</p> <ol style="list-style-type: none"> i. Ksh 620 Million for Early OIL Pilot Scheme; ii. Ksh 41.5 Million for Fuel Marking; iii. Ksh 1.285 billion for Lokichar- Lamu Crude Oil Pipeline and iv. Ksh 2.655 for LPG Cylinders distribution programme <p>There is need to reconsider the Scrapping of the Environment Impact Assessment (EIA) fees and use the polluter pays approach rather than further burdening the tax payers, and ensuring that companies do not over exploit our resources/environment at no cost.</p> <p>The committee further recommends the streamlining in collection of the EIA fee through digitization of the system to reduce the potential leakages in collection of financial resources</p> <p>For NEMA to enforce the plastic ban and any other environmental pollution issue there is need to empower it through additional enforcement officers to arrest and hand over the offenders to the DPP as well as resources to intensify surveillance especially following news of increased activities by illegal plastic bag manufacturers and importers.</p> <p>Assessment of temporal and spatial changes in the condition of Water Towers is useful in identifying the causal factors of their degradation, which will assist in the</p>

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<p>plastic bags in Kenya cannot be enforced. The committee noted that the banned plastic bags are finding their way back to Kenya from neighboring Countries</p> <p>State Department for Natural Resources</p> <p>The Wildlife Conservation and Management Act, 2013, Section 25 of the Act provides for compensation for personal injury, death or damage to property or crops or predation by wildlife. Since the enactment of the Act, and as end of 2016, the compensation claims for human death and injury was about Kshs. 15 Billion and moving forward, the annual claim from both death and injury is projected at about Kshs. 5 Billion annually</p> <p>Kenya Water Towers Agency is the institution with the mandate to sustainably manage the Country's Water Towers and their ecosystems through coordination and Conservation for Socio-Economic Development.</p> <p>However Conservation, rehabilitation and protection of Water Towers in Kenya continue to face a number of challenges. The result of this has been adverse environmental impacts such as drying up of rivers, dams and springs, loss of biodiversity, changes in micro-climatic conditions, increase in soil loss and reduction in agricultural production which if not checked will lead to conflict over these scarce resources among the locals.</p> <p>The water towers face challenges such as involvement of multiple actors without coordination framework, lack of innovative</p>	<p>design of relevant conservation strategies. There is also need to document the interaction among human and physical features to identify best conservation strategies for the Water Towers.</p> <p>There is need to review the establishment of KWTA and strengthen its capacity to oversee and manage water towers and other natural assets within them and at all levels. Such capacity include policy, legal, institutional, technical; technological, financial and management for long-term, effective sustainable management of these water towers. The committee further recommends for the transfer of KWTA from the State Department of Natural Resource to the Presidency for better coordination in overseeing and management of the water towers</p> <p>Following the allocation of Kshs. 39 million to finance new projects with an estimated cost of Kshs. 41 billion, the committee recommends the transfer of the Kshs. 39 million for the 4 new projects to finance the presidential initiative of solving boundary disputes between Kenya Wildlife Service and local communities neighboring Tsavo Conservation area (Re-allocations is within the same Programme of Wildlife conservation & Management)</p> <p>Due to the excessive logging, the committee recommends for a suspension of all permits until an audit is undertaken to clean out the illegal licensing. The committee further recommends that the audit should be done by an independent body and not by Kenya Forest Service since they are the same Agency issuing the licenses.</p> <p>The Committee recommends that the National Treasury should facilitate the recruitment of 1,000 rangers by KWS.</p> <p>There was need for the KWS to device ways of utilizing the funds accruing to it through compensation courtesy of the various infrastructural projects undertaken in</p>

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<p>resource mobilization challenges, Low public and private investments and illegal logging.</p> <p>Additional challenges that Kenya's Water Towers are confronted with include conflicting policies, narrow sectoral management approaches, systemic and structural challenges, weak law enforcement, poor governance and lack of co-ordination between Kenya Forest Service and Kenya Water Towers Agency</p> <p>The sustainable management of the Water Towers requires integrated planning to maximize the ecosystem potential and use of different institutional strengths in a synchronized manner. Presently, the gazetted Water Towers are owned and managed by different entities including the Kenya Forest Service (KFS), Kenya Wildlife Service (KWS), Water Resources Management Authority (WRMA), County Governments, Group Ranches and local communities. Each of these entities requires certain types of infrastructure and technology in order to fulfill their duties and meet the collective objective of conserving the Water Towers.</p> <p>In the proposed FY 2018/2019 budget for KWS, there are 4 new projects whose budget requirement is Kshs. 41 billion; however they have a proposed allocation of Kshs. 39 million which is insignificant for the implementation of the Projects. These projects include securing wildlife corridors and Dispersal Areas Kshs. 25M, Construction of Kenya Wildlife Research and Training Institute Kshs. 4M, Endangered species conservation and</p>	<p>areas under its jurisdiction. Such utilization should benefit both the communities in the areas and the institution. Such funds should also be transparently accounted for annually.</p> <p>The National Treasury should finance the gap created by the loss of AIA which used to be collected by various institutions but have been scraped or/ and are being received by other entities as per the various new Acts that have come in to effect.</p> <p>There is need to invest more on water resources management because without investment in water towers conservation, the mega dams the government is constructing will be worthless</p> <p>Additional funding of the State Departments budget by Kshs. 1 Billion in the FY 2018/2019 to support the National Water and Sanitation strategic interventions Programme which will result to about 100,000 people having access to water and improved sanitation and thus contributing towards achieving universal access by 2030 as envisioned in SDG goal 6 and vision 2030 by supporting vulnerable communities in the Country.</p> <p>The National Treasury should provide Kshs. 205 million for the pending bill accrued by the government through the payment of legal fees for the Court case</p>

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<p>Management Program Kshs. 5M and development of an Integrated Natural Resource Decision Support Platform Kshs. 5M</p> <p>The committee noted the continuous increase in logging activities and inquired on the legality and validity of the licenses held by the loggers. The committee further asked for an audit to be conducted to verify the licenses of the loggers, however, the committee was notified that Kenya Forest Service is already undertaking an audit.</p> <p>The committee noted that the last ranger recruitment by Kenya Wildlife Service was conducted in 2015 in which 1,200 rangers were recruited, however KWS requires 1,000 additional rangers.</p> <p>The committee noted that KWS received compensation amounting to Kshs. 4.67 billion from the construction of SGR, easement of Nairobi National Park, and phase II of access to Nairobi National Park. However, the Committee noted that KWS has spent Kshs. 2.67 billion of the funds on operations in the FY 2015/2016 as well as restoration activities.</p> <p>Ministry of Mining</p> <p>The committee noted that conducting the Nationwide airborne geophysical survey is very critical in achieving the full potential of the Mining sector, however although a financing agreement has been reached between China EXIM Bank and the Government of Kenya, the committee is of the</p>	<p>Since the survey will be financed through the China EXIM Bank and carried out by Geological Exploration and Technological Institute (GETI) of Jiangsu Province, People's Republic of China. The National Treasury should fund other operational costs that are critical to the implementation of the project and costing Kshs. 740 Million for the FY 2018/2019</p>

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<p>view that for the sovereignty of the country and in its interest it would be more suitable for the survey to be financed through the exchequer and done by Kenyan geologists due to the sensitive nature of the data that will be obtained</p> <p>The Nationwide Airborne Geophysical Survey will take 3 years at an estimated cost of USD 66Million with funding from the Exim bank of China. The EXIM Bank funding however, only covers the actual survey and not any other activity. This implies that the Government of Kenya will have to fund other operational costs of Kshs. 2.01 billion that are critical to the implementation of the project. For the FY 2018/2019 the proposed allocation from the donor is Kshs 1.32 billion to start phase I of mapping, and the Government of Kenya is to finance Kshs. 740 Million which has not been factored in the proposed allocation for the FY 2018/2019.</p> <p>On 7th March 2013 , the Commissioner of Mines and Geology issued to Court Mining Kenya Limited (CMK) Special (mining) Licence (SML) which appeared to grant to CMK full and exclusive right and Liberty to explore , develop and Mine Niobium and Rare Earth Elements(REE) resources in Mrima Hills for a period of 21years. However, on 5th August 2013 the then CS revoked a number of licences and following which a Taskforce was established to review the legality of the affected licences and importantly the affected licence holders were given sufficient opportunity to remedy the anomalies in their licences. Cortec did not remedy her anomalies but sued the CS, Ministry of Mining at the High Court and</p>	

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	<p>subsequently to the Court of Appeal where CORTEC lost the case.</p> <p>Cortec proceeded to the International Centre for settlement of Investment Disputes (ICSID) under the ICSID Convention to which Kenya is a party to. The State was represented by the Office of the Attorney General and Counsels from IKM (IsemeKamau&Maema Advocates and DLA Piper London as advised and procured through the Office of the Attorney General and filed her defence and Counter memorial.</p> <p>The Ministry negotiated on a capped fee of USD 3M legal fees to end of trial in January, the Ministry has a pending bill of Kshs. 205M of the capped fees</p>	
H.	FINANCE AND NATIONAL PLANNING	

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	<p>Non-Financial Recommendation</p> <p>There was need for the Commission to consider on categorization of marginalized areas as opposed to counties since some areas within the counties that have not been categorized as marginalized have extreme level of poverties yet do not fall under the 14 marginalized counties. Article 204 of the Constitution provides for marginalized areas. It is therefore imperative to refocus the policy to address the pockets of marginalization across the country.</p> <p>The Commission should consider re-evaluating parameters used in coming up with the revenue sharing formula and the different percentages allocated for each of the parameters that are used in coming up with the formula. A parameter such as poverty level is a disincentive and should not be used as basis for sharing of resources.</p> <p>Financial Recommendation</p> <p>The Committee recommends that the ceiling for the Commission on Revenue Allocation be enhanced by KSh. 57,587,000 to cater for the following underfunded areas:-</p> <p>Development of 2nd marginalization policy which requires KSh. 27,177,000.</p> <p>Public Finance Management which requires Ksh 30,410,000</p> <p>Controller of Budget</p> <p>That the allocation to the vote head on gratuity should come depict a reducing trend in the subsequent financial years since most of the staff have been absorbed into permanent and pensionable.</p> <p>Financial Recommendation:-</p> <p>The proposed budget ceiling for the Office of the Controller of Budgets should be increased by KSh. 129,092,796 to fund the following programmes;</p> <p>(i) Basic salaries for permanent employees which requires KSh. 12 million</p> <p>(ii) Employer contribution to compulsory National Social Security Scheme which requires KSh. 30,790,831</p> <p>(iii) Gratuity for civil servants which requires KSh. 6,301,965</p> <p>(iv) Mortgage which requires KSh. 80 million</p>

	COMMITTEE OBSERVATION	COMMITTEE RECOMMENDATION
		<p>Salaries And Remuneration Commission Policy Recommendations The Commission should focus on carrying out their work internally since they have continuously recruited staff. This will go a long way in reducing the budgetary allocation to consultancy services.</p> <p>(ii) There is need for clarity of mandate between the Commission and other Commissions namely Parliamentary Service Commission, Judicial Service Commission, among others</p> <p>Financial Recommendation The Committee recommends that the ceiling for the allocation for the SRC be maintained at KSh. 565 million.</p> <p>MINISTRY OF DEVOLUTION Policy Recommendation:- The Government should come up with a policy on the office allocation for ministries to avoid having one ministry housed in different locations and thereby hindering service delivery. In addition, the Ministry of Devolution should consider housing all SAGAs whose mandate touch on devolution in one location.</p> <p>Financial Recommendation:- The Committee recommends that the ceilings for the BPS 2018/19 for the Ministry of Devolution be maintained at KSh. 4.716 billion.</p> <p>THE NATIONAL TREASURY & PLANNING Policy recommendation:- The Ministry should ensure that adequate resources are allocated for the national population census slated for August 2019 so as to ensure that the process is effectively carried out; the population index is a critical component in coming up with the revenue sharing formula.</p>

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	<p>There are so many ongoing projects and there is need to prioritize and allocate resources in a feasible manner to ensure projects are completed before starting new ones.</p> <p>The shifting of focus from the five pillars of economic transformation that characterized planning and budget for the last five years, to “the Big Four” economic plan requires a clear demonstration of the cost of ongoing policy in relation to the policy shift.</p> <p>iv. In regard to the perennial problem of revenue underperformance/over-projection, which affects project implementation and gives rise to pending bills as well as impacting on the vertical sharing of revenue raised nationally, it is important that the projected total revenue including A-i-A of KSh. 1,853.9 billion be scrutinized further and if found to be overestimated, a more realistic one be approved.</p> <p>Financial Recommendation:-</p> <p>The Committee recommends therefore that additional KSh. 1.87 billion be allocated to the State Department of Planning to cater for resource gap on the allocation to the Kenya population census for 2019.</p> <p>The Committee further recommends that KSh. 4 billion be allocated to National Government Constituency Development Fund to augment the BPS 2018/19 allocation of KSh. 30.9 billion.</p> <p>Total Resources Gap for the sector – KSh. 6.057 billion</p> <p>General Recommendation to cover the resource gap</p> <p>The Committee recommends that the resource gap of KSh. 2 billion be funded by the National Treasury and KSh. 4.057 billion be allocated through savings from other sectors.</p>
<p>I. HEALTH</p> <p>Health care system is already over burden in Kenya in terms of financing and infrastructure as the population continues to expand. In view of this the Committee observes that government needs to check the implication of the rapidly expanding population and put in place measures to control it</p>	<p>The Committee also recommends the harmonization of various UHC initiatives such as insurance for the poor, the elderly, disabled and the initiatives rolled out by various counties to prevent duplication of efforts and inefficiencies in implementing universal healthcare.</p>

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<p>in order to ensure that the goal and smooth implementation of UHC in the long run.</p> <p>The Committee noted that most facilities in the National Referral Hospitals are in bad state, more so at Kenyatta National Hospital. The national government needs to extend the medical equipment leasing scheme programme to the existing referral facilities and ensure that the earlier distributed equipment are being utilized and that there are enough experts to operate them;</p> <p>The Committee noted the important role Community Health workers play at community level and their role in the universal health care goal as proposed by the government. There is need for an intergovernmental framework to bring on board county governments to ensure that the numbers of community health workers recruited are adequate.</p> <p>The Committee noted the proposed plan by the government to upgrade the former provincial general hospitals to referral hospitals as part of the supportive initiative towards universal healthcare. It is noted clear which level of government will be in charge of upgraded hospitals. There is need to develop proper referral guidelines and policies to ensure that both levels of government agree on the management of this hospitals when they are upgraded.</p> <p>The Committee noted that the Kenya National Hospital has deviated from its critical mandate of offering referral facilities and ventured in areas relating to preventing health. The Committee</p>	<p>The Committee recommends the full implementation of the Health Act 2017 to ensure that the legal framework guides the implementation of the UHC especially in providing clarity between the county governments and the national government.</p> <p>The Committee is concerned on the implementations of the slum upgrading programme considering that most of the medical containers are lying idle in Mombasa. The Committee recommends that the ministry completes the process of acquisition and distribution of the medical containers which are currently lying idle to ensure the intentions of this project is achieved.</p> <p>The Committee recommends that the Ministry sets up cancer screening centers at county level to allow early diagnosis and screening. This will support the existing efforts towards ensuring that the cancer incidences in the country are reduced.1.1.Policy recommendations</p> <p>The Committee recommends that the national government extends the medical equipment leasing scheme programme to bring on board existing referral facilities in order to ensure that the referral facilities have adequate medical equipment. There is also need review the old and current contracts to ensure that propriety and value for money;</p> <p>The Committee recommends that the Ministry develops an intergovernmental framework to bring on board county governments to ensure that the numbers of community health workers recruited are adequate to fully support the rollout of Universal Health Care.</p> <p>The Committee noted the proposed plan by the government to upgrade the former provincial general hospitals to referral hospitals as part of the supportive initiative towards universal healthcare. The Committee recommends that Ministry develops referral guidelines and policies to ensure that both levels of government agree on the management of these hospitals when they are upgraded to referral status.</p> <p>The Committee recommends that the Linda mama programme needs to be improved to cover the mother and the child for an extended period of time until the infant is fully through with the immunization schedule. This will ensure that the health of the</p>

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<p>recommends that health facilities surrounding it and counties neighboring Nairobi County should improve services offered to the residents and encourage them to utilize those services. This will help decongest KNH;</p> <p>The Committee noted the critical role the Linda mama programme plays in the overall wellbeing of the mother and the child. The Committee is of the opinion that the Linda mama programme needs to be improved to cover the mother and the child for an extended period of time until the infant is fully through with the immunization schedule. This will ensure that the health of the infant and the mother is closely monitored to ensure positive outcomes of this programme.</p> <p>The Committee noted that the success of the UHC depends on the system approach where all the necessary systems are put in place especially when it comes to human resources and facilities. The Committee also recommends the harmonization of various UHC efforts such as insurance for the poor, the elderly, the disabled, learners to prevent duplication of efforts and this will require revision of legal and institutional frameworks currently in place as well as having a financing strategy in place.</p> <p>The Committee noted that the Health Act 2017 is not yet implemented hence the need to hasten its implementation to ensure that the legal framework guides the implementation of the UHC especially in providing clarity between the county governments and the national government.</p>	<p>infant and the mother is closely monitored to ensure positive outcomes of this programme.</p> <p>Additional requests</p> <p>The Committee recommends that the Budget and Appropriations Committee consider allocating the Ministry of Health an additional Kshs 6 billion to the following areas which are critical towards implementation of the universal Health care.</p> <ul style="list-style-type: none"> • Provision of subsidies to cover indigents (the poor) - Kshs 2 billion; • Establishment of regional Comprehensive Cancer Care Centres- Kshs 3 billion; <p>Equipping the Kenyatta National Hospital and Moi Teaching and Referral Hospital Cancer Units- Kshs 1 billion.</p>

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	<p>The Committee noted an increase allocation of 8.2 billion for the 2018/2019 financial year to support the implementation of UHC. The Committee considered this allocation inadequate to support the rollout of this programme. The Ministry submitted that they are yet to finalize the financing model for the full rollout of the UHC.</p>	
J.	JUSTICE AND LEGAL AFFAIRS	
	Office of the Attorney General and Department of Justice	
	The Committee observed as follows: -	The Committee recommends as follows:-
	<p>a) The Office resource requirement for the FY 2018/19 stood at Kshs 11.6 billion composed of Kshs 6.9 billion for recurrent expenditure and Kshs 4.7 billion for development expenditure. However, the Office was allocated Kshs 5.7 billion comprising of Kshs 4.0 billion for recurrent expenditure and Kshs 1.6 billion for development expenditure resulting in a deficit of Kshs 6.1 billion;</p>	<p>a) The Attorney General's Office should be allocated an additional Kshs 100m specifically for facilitating the arbitration of international disputes especially with other nations to protect the interest of the country;</p>
	<p>b) The limited budgetary allocation to the sector has affected the critical operations of the Office. In particular, the Office's ability to competently defend the country's interests in suits filed against the country in international forums has been hampered. Of concern is the international dispute regarding our coastline with Somalia that is before the International Court of Justice (ICJ) in the Hague, Netherlands which needs adequate funding in order for the country to defend our coast line territory;</p>	<p>b) There is need for the strengthening and revamping of the Office of the Attorney-General and Department of Justice to empower it with the necessary capacity required to handle the legislative and regulatory reforms needed for the implementation of the Government's Big Four Agenda.</p>
	<p>c) The Kenya Law Reform Commission is underfunded and that the Kshs 315 million</p>	<p>c) As a matter of priority, the Committee should consider setting up a Fund, under an enabling parent statute, for settling court awards against the Government. In this</p>

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<p>allocated for the agency is basically for personnel emoluments. The Committee further noted that the agency has taken over the work of the defunct Commission for the Implementation of the Constitution (CIC) after its term lapsed.</p> <p>d) There are suits against the government with financial risks to the tune of Kshs 1.2 trillion. In addition, the awards against the government pending payment stand at Kshs 88.1 billion and they are ranging from awards to victims of torture as well as business litigants against the State.</p> <p>e) The Attorney General's Office litigates on behalf of the State agencies. However, when the Courts award claims against these agencies, they don't promptly settle the claims due to failure to budget for these awards in the Ministerial budgetary allocations for the specific agencies</p>	<p>regard, the Committee recommends the allocation of Kshs 1 billion in FY 2018/19 to the Attorney General Office as initial funds for the Fund.</p> <p>d) In setting up the Fund, the Committee should consider effecting budgetary cuts against State agencies that lost cases and have claims to settle in order to raise funds for the Kitty.</p> <p>e) The Kenya Law Reform Commission should be allocated an additional Kshs 15 million which should be a reallocation from the budget of Judicial Service Commission under its recurrent vote.</p>	
<p>1.2. Judiciary and Judicial Service Commission</p> <p>(i) Committee Observations</p> <p>The Committee observed as follows:-</p> <p>a) The total resource requirements for the judiciary for the FY 2018/19 amounted to Kshs.31.2 Billion composed Kshs 19.8 Billion for recurrent expenditure and Kshs. 11.4 Billion for Development/Capital Expenditure. However, the Judiciary was allocated a budget ceiling of Kshs. 17.3 Billion composed of Kshs 13.3 billion for recurrent expenditure and Kshs 4billion for development expenditure resulting in a deficit of Kshs 13.9 billion.</p> <p>b) Case clearance: The Committee was concerned about the high case backlog and emphasized the need for affirmative action for court stations with a huge backlog of cases. At the</p>		<p>(ii) Committee Recommendations</p> <p>The Committee recommends as follows:-</p> <p>a) The Judicial Service Commission budget ceiling be reduced by Kshs 15 million under recurrent expenditure and this amount be reallocated to the State Law Office specifically for the Kenya Law Reform Commission for office operations;</p> <p>b) The Judiciary should prioritize and ensure completion of old and ongoing projects before embarking on new projects;</p>

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<p>end of FY 2016/17, the total case backlog stood at 315,378 cases out of which 199,536 (63%) cases were before the Magistrates' Courts and 94,686 (30%) cases were before the High Court.</p>	
<p>c) The Judiciary was in the processes of constructing various courts so as to extend functional High Courts to all the forty-seven (47) counties, establish sixteen (16) sub-registries, and thirty (30) new mobile stations. However, the Committee was concerned about the delayed completion of the ongoing projects and has reiterated to the Judiciary to avoid taking up new projects while ongoing projects are yet to be completed.</p>	<p>c) The acquisition of premises for the Judiciary Training Institute should not be prioritized but there is need for a budgetary allocation for the development of a curriculum and facilitation of other training needs of the Judiciary;</p>
<p>d) Critical areas of the Judiciary remain underfunded in FY 2018/19 budget. In particular, purchase of furniture and fittings for Court stations including shelving for safety of court documents including forty-two (42) High Court Stations and ninety (90) Lower Courts Stations (Kshs 350 million), automation of Revenue Collection, Deposits management, and Digitization of Court records including a case management system (Kshs 350 million), acquisition of Post Bank Training Institute for the Judicial Training Institute (Kshs 500 million), and acquisition of fifty (50) Motor Vehicles for Court Stations and Pool Transport at Kshs.7 Million each (Kshs 350 million).</p>	<p>d) The Judiciary should intensify the use of mobile courts particularly in sub-counties that don't have Magistrate courts.</p>
<p>e) The Committee was concerned about the considerable amount of funds of Kshs 84 million utilized on sitting allowances and Kshs 30 million on travel allowances by the Judicial Service Commission.</p>	<p>e) The Judiciary should introduce a performance monitoring and evaluation program for judges and magistrates to improve efficiency and accountability in the judiciary.</p>
<p>f) There are nine (9) Counties without High Court stations namely, Vihiga, Nandi, Mandera,</p>	

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<p>Wajir, ElgeyoMarakwet, Samburu, Isioloand Nyandarua, as well as a considerable number of sub-counties without Magistrate Courts e.g. Rabai, forcing the publicto travel long distances for this service.</p>	
<p>1.3. Registrar of political parties</p>	
<p>(i) Committee Observations</p>	<p>(ii) Committee Recommendations</p> <p>The Committee urges the government to comply with the High Court Judgment in Judicial Review No. 483 of 2016 and allocate and appropriate not less than 0.3% of the National Government revenue collected to the Political Parties Fund, for administration and disbursement by the Office of the Registrar of Political Parties</p>
<p>The Committee observed as follows:-</p> <p>a) The Office requested Kshs. 3.5 billion out of which Kshs. 0.683 billion was to cater for office operations and Kshs. 2.77 Billion was to go towards the Political Parties Fund. The Kshs. 2.77 Billion was 0.3% of the projected national revenue for FY2017/18. However, due to budgetary limitation, the office has been allocated Kshs. 854.9 million out of which 483.7 million is for recurrent expenditureand Kshs. 371.2 million is for the Political Parties Fund resulting in a deficit of Kshs 2.6 billion.</p>	
<p>b) The allocation to the Political Parties Fund of Kshs 371.2 million is not in compliance with the provision of section 24 of the Political Parties Act as well as the ruling of Justice Aburillon the implementation of the section24 of the Act.</p>	
<p>c) The government should comply with the High Court Judgment in Judicial Review No. 483 of 2016 and allocate and appropriate not less than 0.3% of the National Government revenue collected to the Political Parties Fund, for administration and disbursement by the Office of</p>	

COMMITTEE OBSERVATION	COMMITTEE RECOMMENDATION
<p>the Registrar of Political Parties;</p> <p>d) The office has sixty (60) staff in-post against an authorized establishment of two hundred and nine (209) due to inadequate funding coupled with embargo in recruitment in the public service. Further, there has been delay in the recruitment of State Counsel (Assistant Registrars).</p>	
<p><u>Independent Electoral and Boundaries Commission</u></p> <p>The Committee observed as follows:-</p> <p>a) The Commission resource requirement for FY 2018/19 is estimated to be Kshs 8.11 billion against an allocation of Kshs 4.976 billion ceiling resulting in a deficit of about Kshs. 3 billion for the next financial year. The deficit will affect the Projected pending legal fees in the FY 2017/2018 at Kshs. 1 billion, the Proposed Uchaguzi Centre (Kshs. 1 billion), ICT licenses and Equipment for existing electoral technologies (Kshs. 600 million) and Boundaries Delimitation Equipment at Kshs. 400 million</p>	<p>The Committee recommends an additional funding of Kshs 400 million for the Commission to facilitate stakeholder engagements and the acquisition of boundary delimitation equipment to facilitate the boundary delimitation process.</p> <p>The committee further recommends enhanced funding for the Commission in subsequent budgets to facilitate its engagement with all the stakeholders in the electoral cycle way in advance rather than when the General Elections are approaching to avoid the unnecessary push and pull that has been witnessed in the past;</p>
<p>b) The committee observed the need for the Commission to engage stakeholders in the electoral cycle way in advance rather than when the General Elections are approaching to avoid the unnecessary push and pull that has been witnessed in the past;</p> <p>c) There is need for stakeholder engagement on the boundary delimitation process and urged the commission to borrow lessons from the Report of the Interim Electoral and Boundaries Commission, 2012.</p>	<p>The Committee further recommends the commission to partner with other state agencies in the production of third generation IDs that will be used for multiple purposes rather than every agency procuring the service for its own unique purpose.</p>
<p>d) Concerns were expressed about the delays in settling of pending bills owed particularly to law</p>	<p>d) The committee further urges the Budget and Appropriations Committee to consider funding in subsequent budgets the construction of the Commission's Uchaguzi Centre to mitigate against unnecessary disruptions on businesses within the Central Business Districts. According to KEPSA a one day demonstration was causing losses amounting to Kshs 162 million. In addition, the Uchaguzi Center will give the commission a one stop shop center from which it will undertake all its operations and it will also improve the safety and security of its staff and equipment.</p>

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<p>firms and other suppliers that the commission has engaged;</p> <p>e) There is need for negotiations and agreements on putting a ceiling on legal fees charged by the law firms and confining their charges within a certain range when engaged by the commission to guard against the ballooning of the bills to unsustainable levels.</p> <p>f) The committee observed the need for the Commission to recover costs from parties that have lost their cases against the Commission to mitigate the budgetary deficit in the Commission budget;</p> <p>g) There was need for the Government to invest in third generation National Identity cards that can be used for voting and other identification purposes rather than issuing tenders for voting cards during every general election.</p>	
<p><u>Office of the Director of Public Prosecutions</u></p> <p>The Committee observed as follows:-</p> <p>a) For the coming F/Y 2018/19, the ODPD was allocated Kshs. 2.54 Billion against a requirement of Kshs. 3.566 Billion hence a short fall of Kshs 1.026 Billion. The allocation consists of recurrent expenditure Kshs. 2.40 Billion; and Development expenditure Kshs. 140 Million.</p> <p>b) The budgetary shortfall will affect projects such as: -Purchase of Stand-alone Building, establishment of ODPD Prosecutor Training Institute (Kshs 1billion), ICT Networking, implementation of a Case Management System (Kshs 60M), and Special Fund for the continuing Anti-Corruption Initiative (Kshs 200M). However, the Committee was concerned about the acquisition</p>	<p><u>Committee Recommendations</u></p> <p>a) The Committee recommends the approval of the budget ceiling for the Office of the Director of Public Prosecution as provided for in the Budget Policy Statement for FY 2018/19.</p> <p>b) The Committee objects to the idea of setting up a prosecution institute for the office even in subsequent budgets and urges the office to partner with the Kenya School of Government for the training of its staff. However, the office can be facilitated in the development of its own training curriculum for its staff.</p>

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<p>of training institutes by all agencies instead of engaging the Kenya School of Government on the same.</p>	
<p><u>Ethics and Anti-Corruption Commission</u> The Committee was concerned about the delay in the acquisition of the Integrity Center building for the Commission despite the fact the Commission was adequately resourced. However the Commission clarified that it was at an advanced stage of acquiring the building.</p>	<p><u>Committee Recommendations</u> The Committee recommends the approval of the Commission's budget ceiling as contained in the Budget Policy Statement for FY 2018/19</p>
<p><u>Commission for Administrative Justice</u> The Committee stressed the need for the Commission to focus on its mandate particularly in ensuring the citizen's right to quality service both at the National and County level of government is not compromised.</p>	<p><u>Committee Recommendations</u> The Committee recommends the approval of the Commission's budget ceiling as contained in the Budget Policy Statement for FY 2018/19.</p>

COMMITTEE OBSERVATION	COMMITTEE RECOMMENDATION
<p>Kenya national commission on human right(KNCHR)</p> <p><u>Committee Observations</u></p> <p>a) The Commission has been allocated Kshs. 445.9 million in the 2018/19 FY – 2020/21 FY MTEF Budget against a resource requirement of Kshs. 745.9million by the National Treasury. This leaves a resource gap of about Kshs. 300million. There is an increase of Kshs. 56.2 million in the 2018/2019 FY Budget Allocation of Kshs. 445.9million compared to 2017/2018 FY Budget Allocation of Kshs. 389.7 million. This translates to a 14% increase in budgetary allocations.</p>	<p>(ii) <u>Committee Recommendations</u></p> <p>a) Despite the budgetary shortfalls the Commission is faced with in the FY 2018/19, the Committee urges the Commission to be innovative and leverage on Information Communication Technology (ICT) in executing its mandate more efficiently.</p> <p>b) The Committee recommends the approval of the commission's budget ceiling as contained in the Budget Policy Statement for FY 2018/19</p>

COMMITTEE OBSERVATION	COMMITTEE RECOMMENDATION
<p><u>Witness Protection Agency</u></p> <p>Committee Observations</p> <p>a) The Committee observed that the agency has experienced exponential growth in the Witness Protection Programme from ten (10) witnesses and forty four (44) defendants in FY 2011/12 to four hundred and fifteen (415) witnesses and one thousand two hundred and sixty- eight (1268) dependants to date.</p> <p>b) The Agency's resource requirement for FY 2018/19 is estimated to be Kshs 548.6 million against an allocation of Kshs 454.3 million resulting in a deficit of about Kshs. 94.2 million for the next financial year.</p> <p>c) The deficit will affect growth in the Witness Protection Program and the expansion of the Agency's service through the establishment of regional offices. In addition the budgetary shortfall will also affect the operationalization of the staff mortgage scheme.</p> <p>d) The Committee appreciated the critical role the Office plays in the criminal justice system particularly in guaranteeing the safety and security of witnesses.</p>	<p>(ii) Committee Recommendations</p> <p>The Committee recommends the approval of the Agencies budget ceiling as contained in the Budget Policy Statement for FY 2018/19 despite its budgetary shortfall because of resource constrain.</p>
<p>K. LABOUR AND SOCIAL WELFARE</p>	
<p>State Department for Social Protection</p> <p>The Committee was informed of mechanisms such as responsive database and frequent monitoring of funds and implementation of cash transfers to the elderly, people with disability and orphans and</p>	<p>1. Financial Recommendation</p> <p>That, under the State Department for Labour, the proposed ceilings of KShs. 2.6266 billion for Recurrent and KSh. 2.5920 billion for Development outlays be approved, and in-line with the various proposed allocation per each programme under the State</p>

COMMITTEE OBSERVATION	COMMITTEE RECOMMENDATION
<p>vulnerable children. However, in relation to Programme implementation, the Committee was concerned in the rise of compensation to employees over the last four years, which increased from Kshs. 750 million to Kshs. 1.25 billion in the FYs 2014/2015 and 2017/2018 respectively thereby occasioning shift of Programme objective in supporting the vulnerable members of the society. The Committee also noted that the State Department should reorganize and reprioritize recurrent spending with a view to reduce the growing trend under recurrent component and to ensure more beneficiaries benefit from enhanced transfers with less optimal recurrent budget.</p> <p>The committee noted that the cash transfers to orphans and vulnerable children had a donor component in which it was observed that there was inadequate counterpart funding. The committee also observed from the Ministry's submission that the low absorption rate was occasioned by delays in release of exchequer thereby compromising achievement of the Programme objectives</p> <p>The Committee was informed that there were plans to ensure efficient transfers to beneficiaries with minimal inconveniences especially to the elderly and the disabled such as the use of mobile technology and other complimentary mechanisms. The committee was also informed that the State Department took bold steps in liaising with the relevant government agencies for swift action where cases of malpractices among agents in the rural areas have been reported</p>	<p>Department.</p> <p>That, under the State Department for Social Protection, the proposed ceilings of KShs. 19.3054 billion for Recurrent and KSh. 12.6431 billion for Development outlays be approved, and in-line with the various proposed allocation per each programme under the State Department.</p> <p>That, under the State Department of Public Service and Youth Affairs, and further under the Youth Empowerment Programme, the proposed ceilings of KShs. 7.6173 billion for Recurrent and KSh. 10.5487 billion for Development outlays be approved. In addition, the Committee recommends that the proposed allocation of KShs. 305.34 million towards Youth Enterprise Development Fund to cover for disbursement of youth empowerment and development initiatives and improve coverage to constituency level be enhanced by KShs. 694.66 million to bring the total development allocation to Kshs. 1 billion through re-allocation within the same programme of Youth Empowerment Programme.</p> <p>That, under the State Department of Gender Affairs, the proposed ceilings of KShs. 1.5243 billion for Recurrent and KSh. 2.9300 billion for Development outlays be approved, and in-line with the various proposed allocation per each programme under the State Department. In addition, The Committee further recommended that additional allocation of KShs. 138 million be provided to the State Department of Gender towards the National Government Affirmative Action Fund (NGAAF) under the Community Development Programme to boost the proposed allocation of Kshs. 2.130 billion to KShs. 2.268 billion as per resource requirement indicated by the State Department.</p> <p>That, under the National Gender and Equality Commission, the proposed ceilings of KSh. 423.2 million under recurrent budget be approved inline and as per the proposed programme.</p> <p>The Committee further recommends the following additional interventions:</p> <p>That the under the state Department of Labour, the National Treasury should ensure further resourcing National Industrial Training Authority (NITA) which is key in</p>

COMMITTEE OBSERVATION	COMMITTEE RECOMMENDATION
<p>Ministry should develop and encourage mobile money transfer services to the elderly while ensuring integrity of the mode of disbursement to curb against abuse and fraud this could be done in partnership with the banking sector</p> <p>The committee inquired whether all necessary sectoral policies, legal and legislative frameworks to govern transfers and other social protection interventions such as regulations have been finalized and submitted to Parliament for consideration. The committee was informed of advanced plans to fast track the finalization and approval of the enabling legal regime</p> <p>State Department for Youth</p> <p>The Committee observed that the Programmes towards the youth empowerment under the department has a pending bill of Kshs. 5,082,371,967 both in recurrent and Development in the National Youth Service, Kshs. 36,607,654 in the Youth Empowerment Centres which emanate from construction of YECs that were underway when funding stopped and Kshs. 29,870,782 in the Youth Enterprise Development Fund.</p> <p>The committee was further informed of the status of all the pending bills , and the need for more funds to fast track payment of legitimate pending bills to ensure Programme continuity and delivery. The Committee noted the need for due diligence and value for money to be ascertained by both the</p>	<p>achieving the big four agenda and empowering the youth through skills upgrade and improve employability , by adequately financing within the medium term.</p> <p>That, under the State Department of Social Protection, the State Department should reorganize recurrent spending and reprioritize its allocation with a view to reduce the growing trend under recurrent component and with a view to ensure more beneficiaries are covered under the National Safety Net Programme with optimal recurrent budget while leverage the use of ICT for monitoring implementation and ensuring compliance.</p> <p>That, under the State Department of Social Protection, the National Treasury enhances the counter part-funding towards cash transfers to orphans and vulnerable children from the current kshs 224.64 million to kshs 720 million to unlock more funding from the Borild Bank Trust to ensure more coverage and beneficiaries</p> <p>That under the State Department of Social Protection, the necessary sectoral policies, legal and legislative frameworks to govern transfers and other social protection interventions such as regulations are submitted for legislative consideration and finalized.</p> <p>That , under the State Department of Social Protection, the State Department shall ensure prompt reconstitution of the Constituency Social Assistance Committee where necessary to ensure no gaps in the transfers of social safety nets interventions. The state department shall also ensure that there is efficiency in the transfer programme as regards payment to beneficiaries and minimize inconveniences and associated vulnerabilities especially among the elderly and disabled while ensuring integrity and accountability of the payment mechanisms.</p> <p>That the Anti FGM Board is considered for further funding to cover public advocacy and awareness across the country in prevention of harmful practices against the girl child, and in support of their mandate to collaboratively engage with State and non-state actors with similar goals to end FGM and related practices.</p> <p>That responsible accounting officers and the Auditor General ensure due diligence, value for money and prudent use of resources are strictly taken into account in so far</p>

COMMITTEE OBSERVATION	COMMITTEE RECOMMENDATION
<p>relevant Accounting officers and the Auditor General before any payments are considered.</p> <p>The committee was informed that Public-Private Partnership is one of the strategies to bridge the current financial gap. Some of the key interventions under this strategy include proposed development of a Solar Park and agribusiness at Kirimun where an MOU between a private company from Belgium and NYS has been done and feasibility studies to produce 120 Mega Watts have been completed, further impetus to commercialize NYS farms, textile and Garment factory, Water bottling plant at Turbo among others in support of the big four and vision of vision 2030 agenda for the benefit of Kenyans</p> <p>The committee noted based on the submissions from the Youth Enterprise Development Fund as having improved its operations and further impetus to improve equitable funds uptake by further analysing performance among the counties and ensure constituency level intervention while cognizant of the resource constraints. This is to ensure adequate coverage and equitable empowerment of youth's development initiatives and actualization of business ideas for socio economic growth and employment creation</p> <p>The National Gender and Equality Commission</p> <p>The committee observed there is a proposed funding increase compared to the current allocation in FY 2017/18 but reflect a substantial resource gap in view of resource requirement of Kshs. 545 million.</p>	<p>as the processing and payment of all pending bills including historical bills are concerned which are under the State Department of Public Service and Youth Affairs</p> <p>That the National Treasury should provide adequate technical and policy support to the State Department of Public Service and Youth Affairs particularly to the National Youth Service in actualizing key bankable PPPs such as the development of a solar park and agribusiness at Kirimun in Samburu county and enhancing manufacturing of low cost building materials as well as commercialization of highly potential areas under the Service such as the NYS farms, textile, cotton farming and garment factory, water bottling plant at Turbo, among others</p>

	COMMITTEE OBSERVATION	COMMITTEE RECOMMENDATION
	<p>The committee noted that the Programme of Legal investigations and public education and advocacy research had registered huge resource requirement since it is the commissions main activity and also registered key achievements under the same during the period under review</p> <p>The committee observed that there was component of donor funds supporting some activities of the commission and further noted the need for clarification as to the management and reporting of the funds as well as the key outputs for the period of the support.</p> <p>The committee observed that the absorption levels of the budget is at 84 per cent for the current FY as at February 2018 and 100 per cent utilization for the previous year 2016/17</p> <p>The committee observed that there was need for collaborative effort with other agencies and commissions with similar mandate/goals and further improve its outreach in all the counties</p>	
	<p>State Department for Youth</p> <p>The Committee observed that the Programmes towards the youth empowerment under the department has a pending bill of Kshs. 5,082,371,967 both in recurrent and Development in the National Youth Service, Kshs. 36,607,654 in the Youth Empowerment Centres which emanate from construction of YECs that were underway when funding stopped and Kshs. 29,870,782 in the Youth Enterprise Development Fund.</p>	

COMMITTEE OBSERVATION	COMMITTEE RECOMMENDATION
<p>The committee was further informed of the status of all the pending bills , and the need for more funds to fast track payment of legitimate pending bills to ensure Programme continuity and delivery. The Committee noted the need for due diligence and value for money to be ascertained by both the relevant Accounting officers and the Auditor General before any payments are considered.</p> <p>The committee was informed that Public-Private-Partnership is one of the strategies to bridge the current financial gap. Some of the key interventions under this strategy include proposed development of a Solar Park and agribusiness at Kirimun where an MOU between a private company from Belgium and NYS has been done and feasibility studies to produce 120 Mega Watts have been completed, further impetus to commercialize NYS farms, textile and Garment factory, Water bottling plant at Turbo among others in support of the big four and vision of vision 2030 agenda for the benefit of Kenyans</p> <p>The committee noted based on the submissions from the Youth Enterprise Development Fund as having improved its operations and further impetus to improve equitable funds uptake by further analysing performance among the counties and ensure constituency level intervention while cognizant of the resource constraints. This is to ensure adequate coverage and equitable empowerment of youth's development initiatives and actualization of business ideas for socio economic growth and employment creation</p>	

COMMITTEE OBSERVATION	COMMITTEE RECOMMENDATION
<p>State Department for Gender Affairs</p> <p>The committee observed that there was need to consider engaging partners and donors to fund other key projects especially by the Anti FGM Board. The committee was informed of plans such as developing a strategic plan for the sector to guide and promote resource mobilization for critical interventions</p> <p>The committee observed from the submissions that status of fund releases such as the NGAAF is slow while the impact of the fund is minimal in light of the amount involved in carrying out its mandate.</p> <p>The committee observed policy intentions to merge the current respective funds under the sector without due regards to the overriding or negating the primary objectives of such funds and the need for further engagement for stakeholders buy-in.</p> <p>The National Gender and Equality Commission</p> <p>The committee observed there is a proposed funding increase compared to the current allocation in FY 2017/18 but reflect a substantial resource gap in view of resource requirement of Kshs. 545 million.</p> <p>The committee noted that the Programme of Legal investigations and public education and advocacy research had registered huge resource requirement since it is the commissions main activity and also registered key achievements under the same during the period under review</p>	

COMMITTEE OBSERVATION	COMMITTEE RECOMMENDATION
<p>The committee observed that there was component of donor funds supporting some activities of the commission and further noted the need for clarification as to the management and reporting of the funds as well as the key outputs for the period of the support.</p> <p>The committee observed that the absorption levels of the budget is at 84 per cent for the current FY as at February 2018 and 100 per cent utilization for the previous year 2016/17</p> <p>The committee observed that there was need for collaborative effort with other agencies and commissions with similar mandate/goals and further improve its outreach in all the counties</p>	
<p>L.</p> <p>LANDS</p> <p>The Ministry of Lands and Physical Planning has been allocated a ceiling of ksh. 5,883.2 million against a request of Ksh 12,762 million leaving a shortfall of Ksh 6,878.8 million, while the National Land Commission secured Ksh 1,694.7 million against a request of Ksh 5,287 million leaving a deficit of Ksh 3,592.3 million. These shortfalls will adversely affect the operations of the Ministry and the Commission</p>	<p>Financial recommendation</p> <p>The budgetary ceiling for the Ministry of Lands and Physical Planning should be enhanced to ten (10) billion shillings for the dream of the “Big Four” agenda to be realized since the Ministry is a key enabler of the initiative.</p> <p><i>An increase of Ksh 4,116.8 million</i></p> <p>The budgetary ceiling of vote 2021 for the National Land Commission be approved as contained in the Budget Policy Statement</p>
<p>The Ministry of Lands and Physical Planning is an enabler of the Presidential initiative of the “Big-Four” agenda but the resources allocated for the same are not adequate.</p>	<p>The Ministry of Lands and Physical Planning and the National Lands Commission should develop a cordial working relationship for they are interdependent and play complementary roles in the lands sector.</p>
<p>The Ministry has pending bills from previous financial years amounting to Ksh268, 886,059.80</p>	<p>The parent ministries of the agencies that the National Lands Commission intends to</p>

COMMITTEE OBSERVATION	COMMITTEE RECOMMENDATION
<p>according to the sector report. Pending bills have been forwarded to the National Treasury for consideration. The National Land Commission has settled most of the pending bills for 2016/17 financial save for Ksh 15 million which is gratuity for staff that is yet to be settled.</p> <p>There is an overlap of mandate between the Ministry of Lands and Physical Planning and the National Land Commission which has led to duplication of roles and hampers service delivery in the lands sector.</p> <p>The National Land Commission requires 252 million shillings for securing public land for government institutions such as Kenya Agriculture, Livestock and Research Organization (KALRO), Agricultural Development Corporation (ADC), National Housing Corporation (NHC) among others but the institutions have a budget of their own from their line ministries.</p> <p>The Appropriations In Aid generated by the Ministry of Lands and Physical Planning are very little largely due to collection loop holes in payments of land rates.</p>	<p>secure their land such as Kenya Agriculture, Livestock and Research Organization (KALRO), Agricultural Development Corporation (ADC), and National Housing Corporation (NHC) should provide the requisite funds to facilitate the securing of the said land through their respective budget votes.</p> <p>The Ministry of Lands and Physical Planning should seal all the revenue collection loop holes particularly in the payment of land rates to enhance the collection of Appropriations In Aid</p>
<p>M. SPORTS, CULTURE AND TOURISM</p> <p>State Department of Tourism:</p> <p>Despite being one of the most productive sectors of the economy that accounts for 9% of total employment, the sector receives only 0.27% of the total expenditure budget.</p> <p>In 2017 the Tourism sector reported post earnings of Kshs 120 billion an increase from Kshs 99.66 billion earned in the year 2016.</p> <p>The ministry's for the FY2017/18 development</p>	<p>State department of Tourism</p> <p>The National Treasury should be directed to unlock the Kshs.6billion collected from air passenger service charge to the Ministry of Tourism for the implementation of underfunded priority projects.</p> <p>The committee recommends that the Air Passenger Taxes Act 2016 be amended to capture the ministry of tourism as a beneficiary of the fund raised under this act.</p> <p>The Ministry should restructure its nine (9) parastatals to avoid duplication and improve efficiency in discharging their mandates.</p>

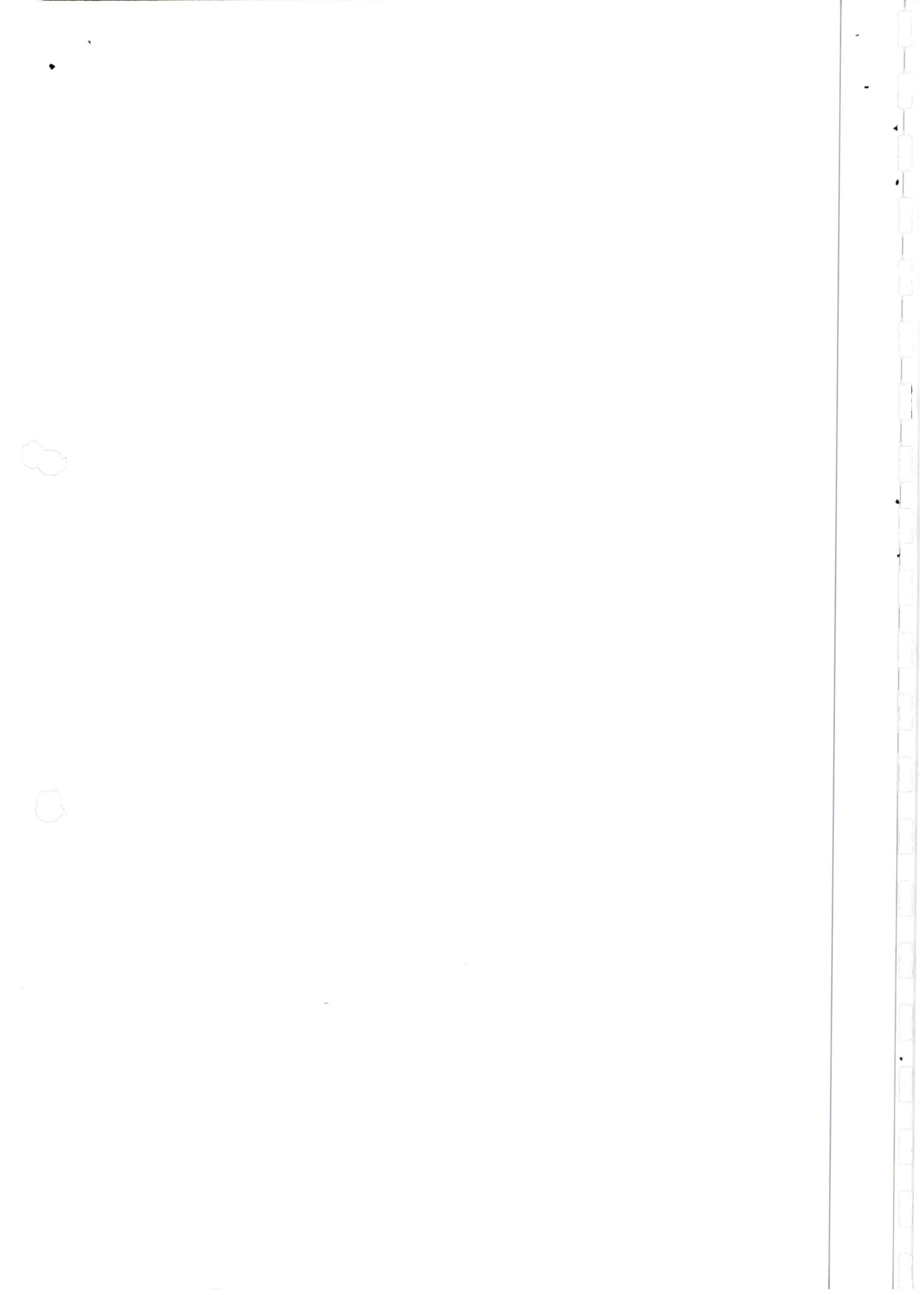
COMMITTEE OBSERVATION	COMMITTEE RECOMMENDATION
<p>budget was cut by 75% which has seriously affected implementation of targeted programmes. The allocation to the Ministry for the FY 2018/19 is approximately 60.89% lesser than the resource requirements. The committee observed that the net 25% that was due to the Ministry after the budget cut has never been released.</p> <p>Some projects being undertaken by the Ministry have taken too long to conclude especially Ronald Ngala Utalii College.</p> <p>The committee observed that there is need to amend the Air Passenger Act, 2016 to have the Ministry of Tourism included as a beneficiary of the fund established therein. This would propel the unlocking of the Kshs 6 billion that is held by the Fund. Committee further noted that there was need to create a sustainable tourism funding model to be called tourism transformation fund.</p> <p>In the Budget statement in the fiscal year 2016/17, the cabinet secretary national treasury announced that there was going to be a special tourism promotion fund by increasing the Air passenger service charge for external travel from USD forty (40) to USD fifty (50) and for internal travel from five (500) hundred Kenya shilling to six (600) hundred Kenya shillings.</p> <p>The Cabinet Secretary sought the committee's intervention to amend the Air passenger act as a matter of agency to unlock the said funds. Once the fund is established and unlocked, the Ministry will be able to reduce the deficit and will no longer require more additional funds from the Ministry.</p>	<p>The Ministry should rationalize its budget and put more resources in priority areas.</p> <p>There is need to amend the Air taxation act, 2016.</p> <p>There is need to focus on domestic heritage and sites to promote local tourism. There is need for the Ministry to create synergy/ collaboration with other subsectors like Sports and heritage.</p> <p>State Department of Sports Development</p> <p>The committee recommended that through the Budget and Appropriation Committee, the National Treasury to increase the ceiling to the State Department for Sports Development in the final estimates to enable the department implement its priority projects.</p> <p>The State Departments and the relevant stakeholders should honour cash awards made to sportsmen and women.</p> <p>The state Department should complete the ongoing projects before starting new projects. This will as well curb pending bills from rising.</p> <p>The state departments should promote sports activities both locally and internationally to enhance internal generation of funds. The Sports industry should be boosted in order to have the sector raise Appropriation in Aid. This will make it self- sustaining in the long run</p> <p>The committee further recommended that the state department should give priority to the regions and areas where there are enough talents when developing the stadia.</p> <p>State Department of Heritage</p> <p>The State Department should expedite payment of pending bills of Kshs 546,903,080 which is meant to compensate employees.</p> <p>The state department should prioritize and complete its ongoing projects before starting any other capital project</p>

COMMITTEE OBSERVATION	COMMITTEE RECOMMENDATION
<p>Currently the money remains unutilized.</p> <p>State Department of Sports Development The State Department has been allocated Kshs. 2,269 million out of Kshs. 11,085 million requirement with Kshs.1,669 million and Kshs. 600 million recurrent and development respectively. This has created a shortfall of Kshs. 8,816 million. This may occasion delayed service delivery.</p> <p>The committee observed that there is need to regularly monitor the capital projects in the sector to curb pending bills.</p> <p>There committee observed that the actual status of the sports lottery was not provided by the State Department.</p> <p>The committee observed that the cash awards made to the sportsmen are never honoured.</p> <p>The Committee observed that the implementation status of the projects in the state departments was still at 20-35%. This did not reflect the absorption rates of the state department.</p> <p>State Department of Heritage The state department for Heritage was allocated Kshs. 2.9 billion and Kshs. 1 billion under recurrent and development Estimates respectively in the FY 2017/18 which was later reviewed downwards to Kshs 2.8 billion and Kshs. 0.641 billion respectively due to low performance.</p> <p>The State Department has been allocated Kshs. 3.8 billion out Kshs. 9.219 billion requirement</p>	<p>The national treasury should allocate the required funds to operationalize the Kenya Heroes Act, 2014</p> <p>There is need to market indigenous sites, heritage sites, cultural groups and activities both locally and internationally in order to boost domestic and international tourism. This can be done in collaboration with the Ministry of Tourism</p>

COMMITTEE OBSERVATION	COMMITTEE RECOMMENDATION
<p>creating a shortfall of Kshs. 5,419.3 billion.</p> <p>The absorption capacity of the State Department was Kshs. 1,721.41, Kshs.2, 030.11 and Kshs. 2,872.12 for financial years 2014/15, 2015/16 and 2016/17 respectively this translated to a 98.01%,95% and 98%absorption rate over the same period.</p> <p>The Kenya Heroes Council was established vide the Kenya Heroes Act, 2014 and its operationalization is yet to be effected due to lack of budgetary provision. The funds are meant for Primordial staff, Financial resources, Office accommodation and Council members</p> <p>The committee observed there were a lot of pending bills relating to recurrent expenditures for the item Staff pensions.</p>	
<p>N.</p> <p>TRADE, INDUSTRY AND COOPERATIVES</p>	<p>State Department for Investment and Industry</p> <p>Financial recommendation The budget ceilings for State Department for Investment and Industry, be approved as set out in the 2018 Budget Policy Statement subject to the requested amount on pending bills and proposed provision of more resources for manufacturing in 2018/19.</p> <p>Policy recommendations The Ministry's policy be oriented towards attracting domestic industries to the Export Processing Zones and Special Economic Zones in line with the Manufacturing agenda of the government.</p> <p>Procedures for acquisition of land for various Special Economic Zones and industrial parks be transparent to ensure prudent use of public resources. This includes the</p>

	COMMITTEE OBSERVATION	COMMITTEE RECOMMENDATION
		<p>planned acquisition of 30,000 acre land for Naivasha industrial park and resettlement of squatters for the Dongo Kundu industrial park.</p> <p>The Anti-Counterfeit Agency and Kenya Bureau of Standards ensure the elimination of counterfeits, sub-standard goods and contraband in the Kenyan market so as to protect local manufacturing.</p> <p>The State Department of Industry and Investment expedites the completion of the office block and the ongoing construction in South B to help reduce rental cost as well as enhance training of entrepreneurs.</p> <p>Legislative and policy changes be considered to open up the power distribution industry to other firms so as to fully address the uncompetitive cost of power in the country.</p> <p>The re-prioritization within the Ministry to ensure enough resources are committed to activities such as Jua Kali and SMEs development, agro-processing, leather, textile and fish industries in line with the Big Four Agenda policies in the BPS.</p> <p>More resources be found from other Ministries for reallocation to the Ministry of Industry, Trade and Cooperatives so as to ensure that the manufacturing activities are adequately funded</p> <p>State Department for Trade Financial recommendation</p> <p>The budget ceilings for State Department for Trade be approved as set out in the 2018 Budget Policy Statement subject to provision of additional resources if available to cater for the operations of the Department.</p> <p>Others recommendation</p> <p>KNTC increases its commercial activities so as to reduce the reliance on appropriations given resources constraints.</p> <p>State Department for Cooperatives</p>

COMMITTEE OBSERVATION	COMMITTEE RECOMMENDATION
<p>O. TRANSPORT, PUBLIC WORKS AND HOUSING</p> <p>The Committee Observed: That the ceilings provided for all state departments are below what was requested.</p> <p>Lapsset projects has a accumulated pending bills amounting to Ksh 5.4 billion,</p> <p>There was ambiguity in the separation of powers between the national Housing corporation and the National Social Housing Development Fund planned to be established and the Kenya mortgage refinance company in the quest to deliver the 500,000 affordable housing units over the medium term.</p>	<p>Financial Recommendation The budget ceilings for State Department for Cooperatives be approved as set out in the 2018 Budget Policy Statement subject to provision of additional resources for debt waivers (Ksh. 298 million)</p> <p>Policy Recommendation Given the size and economic value of the cooperatives sector, the Department be strengthened as a fully-fledged State Department on Cooperatives under the Ministry of Industry, Trade and Cooperatives</p> <p>Financial recommendation The committee approved the BPS ceilings for each vote as proposed</p> <p>Additional funds requested State department for infrastructure, Ksh 45.9 billion for ongoing projects and Ksh 5 billion for starting the remaining half of 10,000 km,</p> <p>State department for transport, Kshs 8.5 billion for pending bills for Lamu Port Development and relocation action plan for Kibera project</p> <p>Ksh 700 million for second generation smartcard based driving license which if fully implemented to generate an estimated amount of Ksh 13 billion</p> <p>State department for housing and urban development funding to be provided for social housing which entails slum upgrading amounting to Ksh 2 billion and Ksh 4 billion for affordable housing.</p> <p>State department for maritime affairs, state department acquired an office space in NSSF building the offices are not partitioned and require Ksh 44 million.</p>



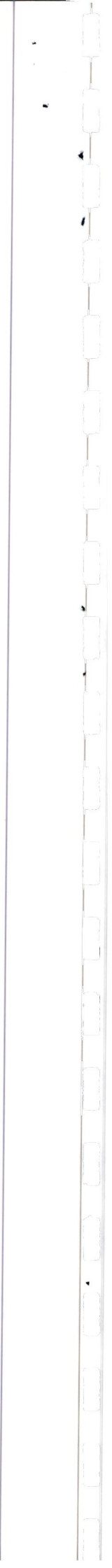
**MINUTES OF 8TH SITTING OF THE BUDGET AND
APPROPRIATIONS COMMITTEE HELD ON MONDAY, 26TH
FEBRUARY, 2018 IN MINI-CHAMBERS COUNTY HALL ,
PARLIAMENT BUILDINGS AT 2:00 P..M.**

PRESENT

- 1) Hon. Kimani Ichung'wah, M.P. – **Chairman**
- 2) Hon. Moses Lessonnet, M.P - **Vice- Chairman**
- 3) Hon. CPA John Mbadi, CBS, M.P
- 4) Hon. (Dr.) Makali Mulu, M.P.
- 5) Hon. Korei Ole Lemein, M.P.
- 6) Hon. Benard Masaka Shinali, M.P
- 7) Hon. Millie Odhiambo, M.P.
- 8) Hon. Twalib Bady, M.P.
- 9) Hon. Naisula Lesuuda, M.P.
- 10) Hon. Christopher Wangaya Aseka, M.P.
- 11) Hon. Danson Mwashako, M.P.
- 12) Hon. Florence Chepngetich Koskey, M.P.
- 13) Hon. James Gichuki Mugambi, M.P.
- 14) Hon. Paul Abuor, M.P.
- 15) Hon. Ruth W. Mwaniki, M.P.

ABSENT

1. Hon. Samwel Moroto, M.P.
2. Hon. (Dr.) Gideon Ochanda, M.P
3. Hon. Moses Kiarie Kuria, M.P.
4. Hon. Richard Onyonka, M.P.
5. Hon. James Mwangi Gakuya, M.P.
6. Hon. John Muchiri Nyaga, M.P.
7. Hon. Sarah Paulata Korere, M.P.
8. Hon. Fatuma Gedi Ali, M.P.
9. Hon. (Eng.) Mark Nyamita, M.P.
- 10.Hon. (Dr.) John K. Mutunga, M.P.
- 11.Hon. Qalicha Gufu Wario, M.P.



MIN BAC /08 /2018/02: CONFIRMATION OF PREVIOUS MEETINGS MINUTES

The minutes of the first meeting held on 20th December, 2017 were read and confirmed. They were proposed by Hon. Naisula Lesuuda and seconded by Hon. Moses Lessonet.

The minutes of the second meeting held on 20th February, 2018 were read and confirmed subject to the corrections. They were proposed by Hon. Paul Abuor and seconded by Hon. Christopher Aseka.

The minutes of the third meeting held on 22nd February, 2018 were read and confirmed subject to the corrections. They were proposed by Hon. (Dr) Korei Lemein and seconded by Hon. Bady Twalib.

The minutes of the fourth meeting held on 23rd February, 2018 were read and confirmed. They were proposed by Hon. (Dr) Korei Lemein and seconded by Hon. Florence Kosgey.

The minutes of the fifth meeting held on 23rd February, 2018 were read and confirmed subject to the corrections. They were proposed by Hon. John Mbadi and seconded by Hon. Christopher Aseka.

The minutes of the 6th meeting held on 24th February, 2018 were read and confirmed subject to the corrections. They were proposed by Hon. Bady Twalib and seconded by Hon. Mugambi Gichuki.

The minutes of the 7th meeting held on 24th February, 2018 were read and confirmed subject to the corrections. They were proposed by Hon. (Dr) Korei Lemein and seconded by Naisula Lesuuda.

MIN BAC /08 /2018/03: MATTERS ARISING

Members made some corrections and the secretariat was asked to update appropriately.

MIN BAC /08 /2018/04: BRIEFING AND ADOPTION OF THE COMMITTEE REPORT ON BUDGET POLICY STATEMENT AND THE MEDIUM TERM DEBT MANAGEMENT STRATEGY FOR 2018/19 AND THE MEDIUM TERM

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12.Hon Jude Njomo,M.P

PARLIAMENTARY BUDGET OFFICE

- | | |
|-------------------------|------------------------|
| 1) Ms. Phyllis Makau | Director ,PBO |
| 2) Mr. Martin Masinde | S/Deputy Director, PBO |
| 3) Mr. Robert Nyaga | Deputy Director, PBO |
| 4) Ms. Lucy Makara | Chief Fiscal Ananlyst |
| 5) Ms. Millicent Makina | Fiscal Analyst |
| 6) Mr. James Chacha | Fiscal Analyst |

COMMITTEE SECRETARIAT

- | | |
|------------------------|-------------------------------------|
| 1. Mr. Joseph Ndirangu | Lead Committee Clerk/Fiscal Analyst |
| 2. Mr. Danson Kachumbo | Assistant Clerk/ Fiscal Analyst |
| 3. Mr. Joram Baraza | Office Attendant |

AGENDA

1. Preliminaries / Confirmation of Agenda
2. Confirmation of Minutes
3. Matters Arising
4. Agenda:
 - (i) Briefing and adoption of the Committee report on Budget Policy Statement and the Medium Term Debt Management Strategy for 2018/19 and the Medium Term
5. Any Other Business

MINBAC/08/2018/01: PRELIMINARIES/ CONFIRMATION OF AGENDA

The Chair called the meeting to order at 2:20 p.m and welcomed members to the meeting. Thereafter, a word of prayer was said. In his introductory remarks, the Chair thanked members for their punctuality. The agenda was confirmed.

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The Committee was taken through the draft committee report. Members proposed made various changes and asked the secretariat to incorporate them. After long deliberations the report was adopted. The report was proposed by Hon. Danson Mwashako and seconded by Hon. (Dr) Korei Lemein.

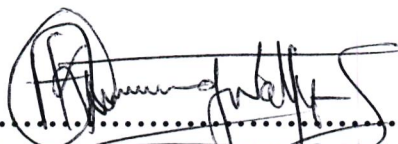
MIN BAC /08 /2018/05: ANY OTHER BUSINESS

The Chair informed the Members that with adoption of the report, he will proceed to lay it on the floor of the House on Tuesday, 27th February, 2018 and it is expected that the debate will commence on Wednesday, 28th February, 2018, he thus asked members to make sure they are in the House. He informed members that the next meeting will be held on Thursday, 1st March, 2018 at County Hall, Mini-Chambers at 10:00a.m to discuss the legislative proposals “Money Bills” that have been referred to the Committee.

MIN BAC /01 /2017/06: ADJOURNMENT

There being no other business the meeting adjourned at 5:20 p.m

SIGNED



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

26/2/2018

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MINUTES OF 7TH SITTING (AFTERNOON SESSION) OF THE BUDGET AND APPROPRIATIONS COMMITTEE REPORT WRITING RETREAT ON THE 2018 BUDGET POLICY STATEMENT (BPS), 24TH FEBRUARY 2018 AT AMANI CONFERENCE, BOMA HOTEL, SOUTH C.

PRESENT

1. **Hon. Kimani Ichung'wah, M.P- Chairperson**
2. Hon. John Mbadi, M.P.
3. Hon. Richard Onyonka, M.P.
4. Hon. Samwel Moroto, M.P.
5. Hon. Millie Odhiambo, M.P.
6. Hon. Twalib Bady, M.P.
7. Hon. (Dr.) Makali Mulu, M.P.
8. Hon. Benard Masaka Shinali, M.P.
9. Hon. Korei Ole Lemein, M.P.
10. Hon. Naisula Lesuuda, M.P.
11. Hon. James Mwangi Gakuya, M.P.
12. Hon. Christopher Wangaya Aseka, M.P.
13. Hon. Fatuma Gedi Ali, M.P.
14. Hon. (Eng.) Mark Nyamita, M.P.
15. Hon. Florence Chepngetich Koskey, M.P.
16. Hon. James Gichuki Mugambi, M.P.
17. Hon. Paul Abuor, M.P.
18. Hon. Danson Mwashako, M.P.
19. Hon. Qalicha Gufu Wario, M.P.
20. Hon. Ruth W. Mwaniki, M.P.

ABSENT WITH APOLOGIES

1. **Hon. Moses Lessonet, M.P- Vice Chairperson**
2. Hon. (Dr.) Gideon Ochanda, M.P.
3. Hon. Moses Kiarie Kuria, M.P.
4. Hon. John Muchiri Nyaga, M.P.
5. Hon. Jude Njomo, M.P.
6. Hon. Sarah Paulata Korere, M.P.
7. Hon. (Dr.) John K. Mutunga, M.P.

PARLIAMENTARY BUDGET OFFICE

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|-------------------------|------------------------|
| 1. Ms. Phyllis Makau | Director |
| 2. Mr. Martin Masinde | Senior Deputy Director |
| 3. Mr. Robert Nyaga | Deputy Director |
| 4. Ms. Millicent Makina | Fiscal Analyst |
| 5. Mr. James Chacha | Fiscal Analyst III |

SECRETARIAT

- | | |
|----------------------------|-----------------------------|
| 1. Mr. Michael Sialai, EBS | Clerk, National Assembly |
| 2. Ms. Florence Abonyo | Director Committee Services |
| 3. Mr. Joseph Ndirangu | Clerk/ Fiscal Analyst III |
| 4. Mr. Danson Kachumbo | Fiscal Analyst III |
| 5. Ms. Lynette Otieno | Legal Counsel II |
| 6. Mr. Abdi Salat | Sergeant at Arms |
| 7. Mr. Joram Baraza | Office Attendant |

AGENDA

1. Preliminaries / Confirmation of Agenda
2. Confirmation of the previous meeting minutes
3. Matters Arising
4. Agenda:
 - i. *PBO presentation on 2018 BPS*
 - ii. *Committee recommendations to 2018 BPS*
5. Any Other Business

MIN BAC /05 /2017/01: PRELIMINARIES/CONFIRMATION OF AGENDA

The chairman called the meeting to order at 3.00 p.m. and welcomed members of the committee to the meeting. Thereafter, Hon. Danson Mwashako, M.P. led the committee with a word of prayer. The chairman called upon the director, Parliamentary Budget Office to make her presentation.

MIN BAC /05 /2017/02: PARLIAMNETARY BUDGET OFFICE
PRESENTATION ON 2018 BUDGET POLICY STATEMENT (BPS)

The presentation highlighted that the BPS is a policy document that outlines the policies that set out broad strategic priorities. The BPS is informed by the following documents:

- ✓ The vision 2030
- ✓ Medium term plans
- ✓ Ministerial and Sectoral Strategies
- ✓ Big Four agenda
- ✓ Importantly the MTPIII was expected to inform BPS this year however this is not the case.

A. Adherence to the legal framework

Some information still not included

- ✓ List of all proposed projects
- ✓ List of pending bills
- ✓ Binding ceilings for the development expenditure and personnel spending of the national government budget approved by Parliament
- ✓ specific gaps

B. Realism of the Macro-economic framework:

There are risks to achieving the growth rate namely

- ✓ Agriculture we could be staring at a drought
- ✓ Fiscal consolidation
- ✓ Low incentive to support exports
- ✓ Big Four Agenda-it will take more than one year, because result matrix not fully agreed upon

C. Fiscal Performance and Policy Outlook:

The budget deficit is a moving target and this excludes grants. Revenue targets being missed every year. Sector aligned to the big four agenda do not seem to be considered for the resource allocation. The wage bill policy is weak.

D. Comments and request from Department Committees

- ✓ The BPS has not given a Policy direction on the pending bills, is there a move to stop accumulation of further pending.
- ✓ There seems to be no collaborative framework between Nation Government and County Government on the Big Four Agenda.

Comments from Plenary

- ✓ It is important for all the projects to be outlined. The list is the last backbone of programme based budgeting
- ✓ How does the Committee enforce compliance from the National Treasury on issues such as MTP III.

MIN BAC /05 /2017/03: COMMITTEES RECOMMENDATIONS

The following were committee recommendations:

A. REALLOCATION RECOMMENDATIONS

1. The rationale for reduction of the Kenya Tsetse Fly and Trypanosomiasis Eradication Council is not clear. The Council has over the years complained on underfunding further the Committee on Agriculture did not give an explanation for reduction of the money. The rationale for removal of funds from the Livestock Value Chain Support Program is not clear. The Committee however agreed with the reduction.

2. The Committee agreed with the proposed reduction of 500 from National Irrigation Expanded Project to the Agricultural Development Corporation.
3. The Committee agreed with the proposed reductions and reallocations proposed by departmental committees when they interrogated the 2018 BPS. However, the Committee noted that in future consideration of BPS there is need for clearer justification for reduction of funds from Departmental Committees.

B. REQUEST FOR ADDITIONAL RESOURCES

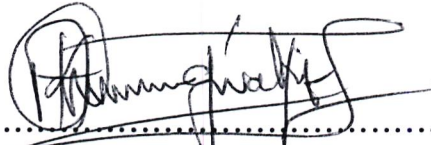
1. It was observed that some funds for roads subsequently classified as county roads are still being held by the national government.
2. There should be safeguards for NGCDF to ring fence the allocation.
3. There is need for austerity measures to be undertaken at the County level, the Ministry may initiate negotiations with the Counties on this matter.
4. The budget deficit should be retained at 6 percent.
5. The NGCDF should be allocated additional funds the money can be sourced from State Departments with low absorption rates.
6. Parliament's Budget, gratuity for members who were have served for more than one term is important and should be retained as it is critical.
7. Maintain Senate budget ceiling at 5.8 Billion and Treasury to look for funds for M&E for Senate 1.4 and the 1.7 billion for National Assembly gratuity for members.
8. The Committee recommends National Treasury to allocate-
 - i. Under the Ministry of Agriculture, Kshs. 500 million for animal off take program in ASAL areas. In addition, there should be a mechanism for monitoring and evaluation this program.
 - ii. the Controller of budget be allocated Kshs 49 million for Mortgage Scheme

- iii. Commission on Revenue Allocation be allocated Kshs 58 for marginalization policy
- iv. Ministry of Health Kshs. 2 billion for indigents subsidy (conditional grant), Kshs. 3billion for Comprehensive Health Care Center and KNH and MTRH Kshs 1 billion
- v. State Department for Planning and Statistics NGCDF Kshs 4 billion. There's need for monitoring of NGCDF and public participation.
- vi. Attorney General to be allocated Kshs 100 million for arbitration of International Disputes
- vii. Parliamentary Service Commission (PSC) to be allocated Kshs 1,075 million for development expenditure. ISMS is a long term project that will enhance safety and security in Parliament.
- viii. Parliamentary Service Commission (PSC) be allocated Kshs 2 billion for National Assembly recurrent expenditure
- ix. State Department of Social Protection to be allocated Kshs 495 million
- x. State Department of Infrastructure Kshs 10 billion to complete the various ongoing infrastructure projects.
- xi. Teachers Service commission Ksh 8.6 billion for the recruitment of teachers
- xii. REA to be allocated Kshs. 1 billion to be provided for Installation of transformers in constituencies under the Power Transmission and distribution Programme.
- xiii. REA to be allocated Kshs 1.362 billion for GPOBA programme for installation of electricity in slum areas under the Power Transmission and Distribution Programme.
- xiv. State Department for Gender affairs Kshs 138 million for National Government Affirmative Action Fund.

MIN BAC /05 /2017/03: ADJOURNMENT

The clerk informed members that the Liaison Committee agreed that moving forward, members sitting allowances during retreats shall be paid together with their salaries and that they will be paid subsistence allowance only. There being no other business the meeting adjourned at 8.00 p.m. The next meeting shall be Monday, 26th February 2018 at 2.00 p.m. at Mini- Chamber, County Hall.

SIGNED



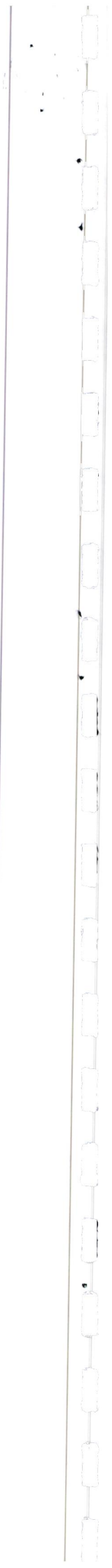
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HON. KIMANTICHUNG'WAH, M.P.
CHAIRMAN, BUDGET AND APPROPRIATIONS COMMITTEE

26/2/18

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MINUTES OF THE 5TH SITTING (AFTERNOON SESSION) OF THE BUDGET AND APPROPRIATIONS COMMITTEE REPORT WRITING RETREAT ON THE 2018 BUDGET POLICY STATEMENT (BPS), 23RD FEBRUARY 2018 AT AMANI CONFERENCE, BOMA HOTEL, SOUTH C.

PRESENT

- 1. Hon. Kimani Ichung'wah, M.P- Chairperson**
2. Hon. John Mbadi, M.P.
3. Hon. Richard Onyonka, M.P.
4. Hon. Samwel Moroto, M.P.
5. Hon. Millie Odhiambo, M.P.
6. Hon. Twalib Bady, M.P.
7. Hon. (Dr.) Makali Mulu, M.P.
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3. Hon. Moses Kiarie Kuria, M.P.
4. Hon. John Muchiri Nyaga, M.P.
5. Hon. Jude Njomo, M.P.
6. Hon. Sarah Paulata Korere, M.P.
7. Hon. (Dr.) John K. Mutunga, M.P.

CHAIRS OF DEPARTMENTAL COMMITTEES

- | | |
|------------------------------------|------------------------------|
| 1. Hon. (Dr.) Victor Munyaka | Chairman, Sports |
| 2. Hon. (Dr.) Rachael Nyamai, M.P. | Chairperson, Lands |
| 3. Hon. Katoo Ole Metito, MP | Chairman,, Defence |
| 4. Hon. Kareke Mbiuki, M.P. | Chairman, Environment |
| 5. Hon. Sabina Chege, M.P. | Chairperson, Health |
| 6. Hon. Paul Koinange, M.P. | Chairman,Administration |
| 7. Hon. Adan Ali, M.P. | Chairman, Agriculture |
| 8. Hon. Emmanuel Wangwe, M.P. | Vice- Chairman,, Agriculture |
| 9. Hon. William Kisang, M.P. | Chairman,Communication |
| 10.Hon. Gikaria David, M.P. | Chairman,,Energy |
| 11.Hon. Joseph Limo, M.P. | Chairman, Finance |

PARLIAMENTARY BUDGET OFFICE

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SECRETARIAT

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| 2. Mr. Joseph Ndirangu | Clerk/ Fiscal Analyst III |
| 3. Mr. Danson Kachumbo | Fiscal Analyst III |
| 4. Ms. Lynette Otieno | Legal Counsel |
| 5. Mr. Abdi Salat | Sergeant at Arms |
| 6. Mr. Joram Baraza | Office Attendant |

AGENDA

1. Preliminaries / Confirmation of Agenda
2. Confirmation of the previous meeting minutes
3. Matters Arising
4. Agenda:
 - i. *Receiving submissions from departmental committees*

5. Any Other Business

MINBAC/04/2017/08:SUBMISSION BY THE DEPARTMENTAL COMMITTEE ON SPORTS, TOURISM AND CULTURE

The presentation from the Committee on Sports, Tourism and Culture highlighted that the sector was one of the most productive sectors generating Kshs. 120 billion in terms of revenue from the Tourism sector however there was a shortfall in the allocation of funds to the sector. The State Department for Tourism, the State Department for Sports development, State Department for arts and culture are less than the resource requirements by Kshs 8,404 million, Kshs. 8, 816 million and Kshs 4,684 million respectively.

The State Department for Sports Development ad been allocated Kshs 2,269 million out of the Kshs 11,085 million requirement creating a shortfall of Kshs 8, 816 million, State Department for Heritage was allocated Kshs 3.8 billion out of Kshs 9,219 billion requirement creating a shortfall of Kshs 5,419.3 billion.

The Committee highlighted that the Ministry of Tourism had planned to undertake several projects such the construction of the Kenyatta International Convention Centre Annex that is expected to expand the capacity of KICC to host international conferences and exhibitions, the construction of the Mombasa International Convention Center (MICE0 that will market Kenya as a Conference Tourism Destination in the region and internationally, upgrade of the Mama Ngina ndrrive waterfront into a modern waterfront recreation area of global standards and construction of the Ronald Ngala Utalii College. The committee however noted that there was an inordinate delay in completion of some projects such as the Ronald Ngala Utalii College which had been financed over several financial years.

The Committee however noted that there was need to amend the Air Passenger Act, 2016 to have the Ministry of Tourism included as a beneficiary of the Fund established under the Act. This would propel the unlocking of Kshs 6 billion that

has been collected since enactment of the Act by the national treasury in terms of air passenger taxes and enable meet the deficits in budget policy statement.

The committee highlighted that the implementation status of projects in the state department for Sports Development was still at 20-35%, this however did not reflect the absorption rates of the State Department. It was further noted under the State Department for Heritage there a lot of pending bills relating to recurrent expenditures for staff pensions.

The committee on Sports, Culture and Tourism recommended that committee approves the budget policy statement for each department.

The Committee on Sports Culture and Tourism further recommended the allocation of the following additional resources as follows:

- (i) Ksh. 6 Billion collected from the air passenger service charge to be directed to the Ministry of Tourism by the National Treasury for implementation of underfunded priority projects
- (ii) The budget ceiling for the State Department for Sports Development be increased to enable the department implement its priority projects
- (iii) An additional allocation to operationalize the Kenya Heroes Act,2014.
- (iv) The State Department of Heritage to expedite payment of pending bills of Kshs 546,903,080 that is meant to compensate employees
- (v)

The Committee recommended the funding of the following key priority projects as follows-

- (vi) The new Kenya International Convention Annex Kshs 27 billion
- (vii) Mombasa International Convention Center Kshs 29 billion
- (viii) Ronald Ngala Utalii College Kshs 8.923 billion
- (ix) Practical Training Block for the Kenya Utalii College Kshs 750million.
- (x) National food safety and hygiene standards guidelines compliance in hospitality sector Kshs 650 million
- (xi) Nairobi International Convention and exhibition Centre Kshs 17 billion

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

- (i) There was concern as to whether an amendment to the Air Passenger Act would result in redirection of all funds collected under the Act to the Ministry of Tourism.
- (ii) Whether there was any austerity measure that could be undertaken in the various SAGAs in the sector.
- (iii) Whether increase to tourism sector translates to an increase to the earnings of the country and in turn the GDP.
- (iv) There was a need for sourcing of funds for ongoing projects to fast-track their completion before commencement of new projects.
- (v) The construction of new stadiums should be rationalized and new stadiums should only be constructed in areas they will be effectively utilized.

MIN BAC /04 /2017/09: SUBMISSION BY THE DEPARTMENTAL COMMITTEE ON HEALTH

The presentation from the Committee on Health highlighted that based on the Big Four agenda there was a focus in 2018 BPS on provision of Universal Health Care. The budget ceiling for Health sector for 2018/19 was Kshs. 69.9 billion, the proposed budget ceiling was less compared to the resource requirement of Kshs115.8 billion. This resource gap presented a huge budget constraint to the sector in light of the fact that the Government's intention to actualize Universal Health Care by 2022 as one of its big four plan especially in the rolling out the supportive capital projects.

The Committee observed that government planned to equip more hospitals with specialized equipment and establish referral hospitals as part of the supportive initiatives towards Universal Health Care. The Committee highlighted that there was inadequate information provided by the Ministry of Health as regards to the extension of Managed Equipment Service and establishment of referral hospitals.

The Committee highlighted that the government had over the past rolled out various initiative such insurance for the elderly, poor and disabled under the social insurance program aimed at supporting the Universal Health Care agenda.

The Committee observed that the Health Act,2017 was yet to be implemented hence the need to fast-track the process of implementation to provide clarity in terms of function of the National Government and County Governments in provision of Health services.

The Committee highlighted the need for an establishment of cancer screening center at the County level to allow early diagnosis and screening. This would support the existing efforts towards ensuring reduction of cancer incidences in the country.

The Committee recommended that the budget policy statement be approved for each department and an additional Ksh 6 billion approved towards the implementation of Universal Health Care.

The additional Kshs 6 billion to be allocated to the following critical areas as follows:

- (i) Provision of subsidies to cover indigents Kshs. 2 billion
- (ii) Establishment of regional Comprehensive Cancer Care Centres- Kshs. 3 billion
- (iii) Equipping the Kenyatta National Hospital and Moi Teaching and Referral Hospital Cancer Units –Kshs 1 billion.

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

- i. Health was a devolved function and county governments should play a critical role in delivering affordable health care, thus there was need to find a way to progressively reduce the national government budget allocation to functions that had been devolved to the Counties.
- ii. There was need to for monitoring and evaluation of the Managed Equipment Service to ensure value for money.

- iii. There's need to increase support to referral hospitals that are to play key supportive role in provision of universal health care.
- iv. A system should be developed to assist the elderly access health care through NHIF.

MIN BAC /04 /2017/10: SUBMISSION BY THE DEPARTMENTAL COMMITTEE ON DEFENCE AND FOREIGN RELATIONS

The presentation of the Committee highlighted in the MTEF sector classifications, the Ministry of Defence and the National Intelligence Service were classified under the National Security Sector. The Ministry of Foreign Affairs and International Trade was classified under the Public Administration and International Relations, whereas Ministry of East African Community and the Northern Corridor Development was classified under the General Economic, Commercial Affairs. These sectors were key in the delivery of goals and objectives of the three pillars of Vision 2030, the Sustainable Development Goals and the Big Four Agenda.

The Committee highlighted that the National Security sector was focusing on scaling up investments towards modernization of security systems aimed at strengthening Kenya's border security, building capacity for effective and faster investigations and strengthening coordination among security agencies with stronger community partnerships.

The Committee on Defence highlighted that 2018 BPS had placed regional integration as enabled for achieving the big four agenda through provision of a market for the manufactured products. The Ministry for East African Affairs together with other relevant agencies was expected to implement an elaborate marketing strategy to diversify the country's export markets including penetration of new markets.

The Committee on Defence however noted that the State Department for East African Integration had not been re-organized into the Ministry of East African Community and Northern Corridor consequently certain critical components had not been funded in the BPS.

The Committee further noted that part of the programmes the Ministry of Foreign Affairs and International Trade would be running included growing Kenya's diplomatic foot print and representation globally by opening fully fledged diplomatic missions and consulates in countries with high potential for growing business and trade with Kenya as employment opportunities for Kenyans. Some missions that were expected to be opened include Rabat (Morocco), Accra (Ghana) and Dakar (Senegal).

The Committee on Defence and Foreign Relations recommended the approval of the following ceilings as follows –

- (a) Kshs. 97, 151 million for the Ministry of Defence, vote 1041 as proposed in the 2018 BPS
- (b) Kshs 19,428.3 million for the Ministry for the Ministry of Foreign Affairs and International Trade, vote 1051 as proposed in the 2018 BPS
- (c) Kshs 1,646 million for the Ministry of East African Community and Northern corridor Development, Vote 1183 as proposed in the 2018 BPS
- (d) Kshs 28,591 million for the National Intelligence Service Vote 1231 as proposed in the 2018 BPS

The Committee on Defence further recommended the allocation of the following additional resources as follows:

- (i) Operationalization of a fully-fledged Ministry of East African Community and Northern Corridor Kshs. 133 Million.
- (ii) Operations efficiency for the Ministry of East African Community and Northern Corridor Kshs. 300 Million.
- (iii) Execution of the technical mandate of the Ministry East African Community and Northern Corridor Kshs. 434 Million.
- (iv) Kshs. 1, 502 Million for personnel emoluments for the Ministry of Foreign Affairs.
- (v) Adjustment of the Ministry of Foreign Affairs Head Quarters operations and maintenance base Kshs. 1,000 Million.
- (vi) Kshs. 500 million for a foreign exchange risk assumption facility.

- (vii) Kshs. 900 Million for operationalization of authorized diplomatic missions.

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

- (i) The National Intelligence Service was allocated additional funds in the Supplementary Estimates, and it was important to find out if this allocation was fully absorbed.
- (ii) An account and audit on the amount of A-in-A collected from foreign missions should be conducted.
- (iii) When was the last economic audit on missions conducted which can help to reduce costs, rationalize the effectiveness of maintaining certain foreign missions and the savings from rationalization of mission used to establish new missions.

MIN BAC /04 /2017/11: SUBMISSION BY THE DEPARTMENTAL COMMITTEE ON LANDS

The presentation of the committee highlighted that the Ministry of land had been allocated a ceiling of Kshs 5,883.2 million against a request of Kshs 12,762 million. The National Land Commission had been allocated Kshs 1, 694.7 million against a request of Kshs 5,287 million. The shortfalls would adversely affect the operations of the Ministry and the Commission which was meant to contribute towards the Big Four Agenda.

The Ministry of Lands and Physical Planning as an enabler of the Big Four agenda would facilitate the implementation of the initiative by undertaking the identification of land, valuation of identified land to determine the extent of subsidy and facilitate the transfer and registration of property.

The Ministry of Lands and Physical Planning had pending bills from previous Financial Years amounting to Kshs 268,886,059.80 that had been forwarded to the

National Treasury whereas the National Land Commission had settled most of the pending bills save for Kshs 15 million that is meant to pay staff gratuity.

The committee on Lands recommended that the Committee approves the budget policy statement as follow:

- (a) The budget ceiling for the National Land Commission be approved as contained in the BPS.
- (b) The budgetary ceiling vote 1112 for the Ministry of Lands and Physical Planning to be enhanced to Kshs 10 billion to meet the Big Four Agenda.

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

- (i) Infrastructure development projects such as the construction of land registries could be staggered over several financial years.
- (ii) There is need to prioritize the survey and maintenance of National and International Boundaries
- (iii) There was concern on whether the settlement of historical injustices was still a priority of the Ministry or this matter had been shelved in exchange of new ideas to settle this matter.

MIN BAC /04 /2017/12: SUBMISION BY THE DEPARTMENTAL COMMITTEE ON ENVIRONMENT AND NATURAL RESOURCES

The presentation of committee highlighted that the NEMA was on the path of financial sustainability before the ban on collection of EIA fees which had been projected that the authority would have been collecting Kshs 1.38 billion by 2020. Further the Wildlife Conservation and Management Act, 2013 had provided for compensation for personal injury, death or damage to crops as a result of wildlife invasion.

The claims since enactment of the Act was at Kshs 15 billion and would annually translate to claims amounting to Kshs 5 billion. The ban on EIA fees together with the compensation provided under the Act had created a great burden on tax payers.

The committee also noted that the last ranger recruitment by Kenya Wildlife Service was conducted in 2015 in which 1,200 rangers were recruited, however KWS requires 1,000 additional rangers which needs to be prioritized.

The committee on Environment and Natural Resources recommended that the committee approve the budget policy statement for each department as follows:

- a) In the State Department for Environment the proposed ceilings of Kshs.2.9162 billion for recurrent and Kshs 3.8480 billion for Development be approved.
- b) In the State Department for Natural Resources the proposed ceilings of Kshs 13.6674 billion for recurrent and Kshs 4.0230 billion for development be approved.
- c) In the State Department for Water Services the proposed ceilings of Kshs 4.2258 billion for recurrent and Kshs 31.0270 billion for development be approved.
- d) In the Ministry of Mining the proposed ceilings of Kshs 1.11399 billion for recurrent and Kshs 736 million for development be approved.

The Committee on environment and Natural Resources further recommended the allocation of additional resources as follows:

- (i) Kshs 1 Billion to support the National Water and Sanitation Strategic Interventions Programmes
- (ii) Kshs. 740 Million to the Ministry of Mining for the airborne survey.
- (iii) Kshs 205 million to the Ministry of Mining for the pending bills accrued by the government through payment of legal fees for the cortec case.

The Committee recommended the following reallocation-

- (i) Allocation of Kshs 39 million in the State Department for Natural Resources to finance new projects to be transferred to finance the presidential initiative of solving boundary disputes between Kenya Wildlife Service and local communities neighboring Tsavo conservation area.

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

- (i) Compensation for loss of life and crops as result of wildlife is important and this provision of the law should not be amended.
- (ii) The procedure of making claims and payment of compensation for injury or loss of life as a result of wildlife needs to be made more transparent to avoid delays in transmission of payment to victims.

MIN BAC /04 /2017/13: SUBMISSION BY THE DEPARTMENTAL COMMITTEE ON AGRICULTURE AND LIVESTOCK

The presentation of the Committee highlighted that agriculture had been identified as one of the key pillars in delivering rapid social economic transformation as food security however the allocation for the state department for agriculture was lower in FY 2018/2019 in comparison to FY 2017/2018 by Kshs 10 Billion.

The State Department of agriculture and Crops Development was allocated Ksh 16.5 billion composed of Kshs 5.7 billion for recurrent expenditure and Kshs 10.8 billion for development expenditure. The State Department of Livestock was allocated Kshs 11.0 billion composed of Kshs 5.7 billion for recurrent expenditure and Kshs 5.3 billion for development expenditure. The State Department of Fisheries and Blue Economy was allocated Kshs 3.9 billion composed of Kshs 1.9 billion for recurrent expenditure and Kshs 2.0 billion for development expenditure. The State Department of Irrigation was allocated Kshs 15.6 billion composed of Kshs 971.5 million for recurrent expenditure and Kshs 14.7 billion for development expenditure.

The Committee highlighted that fertilizer subsidy initiative had been funded since 2008 however the funding had not translated into improved production due to low quality of seeds and the adaptability of seeds to varying climatic conditions. There was need to invest in seed subsidy alongside the fertilizer subsidy for efficiency and better results.

The Committee noted that irrigation and land reclamation of ASAL areas and wetland zones would increase food production and greatly contribute towards achievement of food and nutrition security as outlined in the Big Four Agenda.

The Committee observed that a Coffee Implementation Sector Task force had been set without a corresponding budgetary allocation. The task force is vital for the sector as it would lead to value addition and help to create markets for coffee produce.

The Committee noted that pending bills for the state departments its oversight had continued to increase and this was largely attributed to delayed exchequer releases.

The committee on Agriculture recommended that the committee approves the budget policy statement for each department as outlined in the BPS and additional resources to be allocated as follows:

- (i) Kshs 1500 Million to Mumias Sugar Company to undertake factory upgrades.
- (ii) Kshs 300 Million to be allocated to fund the Coffee Subsector Implementation Committee (CSIC)
- (iii) Kshs 500 Million for Kenya Meat Commission for the Modernization of its Machinery and Equipment.
- (iv) Kshs 500 Million for the Animal Offtake Programme to cushion farmers from losses resulting from the ongoing drought particularly in ASAL areas.
- (v) Kshs 375 Million for Modernization Programme to the Kenya Meat Commission

The Committee further recommended the following reallocation and reductions

- (i) Kshs 100 Million from the Crop Insurance Programme and Kshs 100 million from the Food Security Diversification Programme to be reduced and reallocated as follows
 - (a) Kshs 40 million to KEPHIS for establishment of desks at Huduma Centres
 - (b) Kshs 160 Million to AFFA for implementation of the Cane Testing Unit
- (ii) Reduction of Kshs 20 Million from the Kenya Anima Genetic Resource Centre and reduction from Kshs 50 Million from the Kenya Tsetse Fly and Trypanosomiasis Eradication Council and the monies reallocated to the Agricultural Development Corporation for development of embryo transfer.
- (iii) Reduction Kshs 50 Million from Livestock Value Chain Support Programme and Kshs 50 Million from Integrated Agricultural Research for Development to be allocated to Small Holder Dairy Commercialization Project.
- (iv) Reduction of Kshs. 50 Million from Galana Kulalu Irrigation Scheme and Kshs 50 Million from the National Irrigation Expanded Project to be reallocated to Bura Irrigation Scheme amounting to Kshs 100 Million

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

- (i) There was need for provision of a rationale for the reallocation of funds from the National Irrigation Expanded Project to the Agricultural Development Corporation due to the importance of irrigation.
- (ii) There was need for clarity on the rationale for reduction of funds from the Tsetse fly and Trypanosomiasis Eradication Council yet there was a rise tsetse fly infestation in certain areas.
- (iii) The annual allocation of finances to Kenya Meat Commission should be rationalized as this allocation has been ongoing over several financial years and the Commission ought to be self -sustaining.
- (iv) There need for clarity in functions to ensure there no allocation to projects which are a preserve of County governments.

- (v) The National Government should outline the strategic plans they have set up to realize the Big Four Agenda on food security which was not evident in the budget policy statement.
- (vi) There's need to revamp existing industries in the sugar sector as they have the potential of generating large revenues as opposed to closing the companies in that industries.
- (vii) The absorption rate for the State Department for livestock was 63 per cent in the FY 2017/2018 this can be a potential area to fund deficits in other sectors.

MIN BAC /04 /2017/14: SUBMISSION BY DEPARTMENTAL COMMITTEE ON ADMINISTRATION AND NATIONAL SECURITY

The presentation of the committee highlighted that the allocation in the sector was guided by the Big Four Agenda and the unfinished agenda of police reforms and modernization of security equipment which were being implemented in the second Medium Term. Specifically the priority areas would focus on scaling- up investments in security infrastructure such as installations of surveillance and control systems and equipping of the forensic laboratory, Acquisition of 20,000 police houses, Acquisition of 10,000 motor bikes for Chiefs and Assistant Chiefs, Installation of the 3rd generation Identity Card System.

The Committee highlighted that there was concerns on the Police Housing Projects as there was no clarity on the exact number of housing units owned by the Police Service. The Committee recommended that an audit be done to ascertain the exact number of units that have been completed and the ongoing ones

The Committee highlighted the need for allocation of resources for construction of hospital for police officers.

The committee recommended the budget policy statement for each department be approved as follows:

- a) The ceiling of Kshs 11,035 million for the Presidency, vote 1011 be

approved as the BPS.

- b) The reduction of the ceiling for the State Department for Interior, vote 1021 by Kshs 700 million from Kshs 130,836.5 to Kshs 130,136.5 in the program General Administration, Planning and Support Services, Recurrent Expenditure.
- c) The ceiling for State Department for Correctional Services, vote 1023 be increased by Kshs 300 million from Kshs 27,492 million to Kshs 27,792.6 million. The increase will go towards correctional services program, Recurrent Expenditure to cater for Housing Leasing for 4,000 Prison Officers.
- d) the resource ceiling for the Independent Police Oversight Authority, vote 2151 in the 2018/19 Financial Year be increased by Kshs 200 million from Kshs 680.6 Million to Kshs 880.6 million to facilitate decentralization of services in 9 regional offices.
- e) The ceilings for Public Service Commission, Vote 2071 be retained at Kshs. 1,387 million and National Police Service Commission, Vote 2101 at Kshs 552 million.
- f) The ceiling for Public Service Transformation program, under State Department for Public Service and Youth Affairs, Vote 1211 be increased by Kshs 200 million from Kshs 3,875.6 million to Kshs 4,075.6 to facilitate employment of new ICT staff in each Huduma Station, under the sub-programme Huduma Kenya.

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

- a) There is need for an upgrade of police stations to improve the working conditions of police officers.

- b) There should be scrutiny for funds allocated on purchase of police vehicles by the State Department of Interior.
- c) Whether the additional request for funding for housing for police officers will be limited to towns or also cater for rural areas.
- d) There is need for consideration of police patrol systems including around the water basins. This should include transportation within the waters and provision of housing.
- e) Where does money for remuneration of Kenya Police Reservist fall
- f) The acquisition of motorbikes for chiefs and assistant chiefs is not being put to good use due to the fact that in certain areas they motorbikes are not being utilized. In view of this, the purchase of motor vehicles may be a more viable proposition.
- g) Construction of housing by investors and subsequent purchase of such houses by Government maybe a more cost effective measure or transferring the provision of housing to NGCDF.
- h) The provision of housing should be a function of the state department responsible for housing as opposed to the Ministry of Interior.
- i) The Forensic lab that had been funded has not been effectively utilized.
- j) Whether there is need for decentralization of physical offices by the Independent Police Oversight authority as complaints can be lodged using other avenues.

MIN BAC /04 /2017/15 SUBMISSION BY THE DEPARTMENTAL COMMITTEE ON COMMUNICATION, INFORMATION AND INNOVATION

The Committee highlighted that the State Department for ICT an Innovation required a total of Kshs 55,445 million in order to be able to implement its programmes, however the BPS ceiling to the Department was Kshs 31,918.5 million. In addition the BPS ceiling for the State Department for Broadcasting and telecommunication is set at Kshs 3,568.1 million against a requirement of Kshs 17,384 million.

The Committee highlighted that there was a need for all ICT related services especially software related aspects transferred to the Ministry of ICT as this would

enhance cost savings. There was also need for the relevant state departments to reorganize their priorities in order to contribute towards the Big Four Agenda however it was noted that the ICT sector had been underfunded which could in turn result in delays in service delivery.

The Committee recommended that the Public Financial Management Act, 2012 be amended to have all the service fees raised in the e-citizen platform remitted to the Ministry of ICT as opposed to the National Treasury.

The Committee noted that there was no full disclosure of Appropriation in Aid collected by the state agencies under the two State Departments they oversights such KBC and the Communications Authority.

The committee recommended the budget policy statement for each department be approved as outlined in the BPs and further additional resources to be allocated as follows:

- (i) Kshs 771 Million to be returned to the Konza Technopolis Development Authority that had been deducted during Supplementary Budget 1 in the FY 2017/2018.
- (ii) Kshs 1,659 Million be allocated to Konza Technopolis Development Authority for the Konza Complex (Kshs 875 Million), MDP Consultancy (Kshs 525 Million) and access roads (Kshs 259 Million)
- (iii) Kshs 2 Billion to be allocated to the Digital Literacy Programme (Laptop project).
- (iv) Kshs 75 Million to the Kenya Broadcasting Corporation in order to purchase the world cup rights.

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

- (i) The Ministry should provide proposals for funding of ICT innovation hubs in Constituencies as opposed to linking the funding to NGCDF. Further key issues of sustainability should be addressed including issues such as provision of housing for the hubs.
- (ii) The Ministry for ICT should analyze the cost incurred by all Ministries on paying for software licences.

- (iii) What is the rationale for re-introduction of the laptop project and what measures are in place to ensure its successful implementation.

MIN BAC /04 /2017/16 SUBMISSION BY THE DEPARTMENTAL COMMITTEE ON ENERGY

The presentation of the committee highlighted that the State Department for Energy had been allocated Kshs 74, 817.7 million and the State Department for Petroleum had been allocated Kshs 3, 148.6 million. The energy sector was a key enabler to the Big Four Agenda and it was expected to produce 5000+MW to support various sectors.

The Committee observed that the subsectors of Energy and Petroleum faced the challenge of fuel adulteration and hence pose a risk to the local economy and the regional market. The adulteration is largely motivated by price difference between Kerosene and Diesel.

The Committee further observed that owing to the fact that the power produced in the Lake Turkana Wind Power Project cannot be evacuated due to lack of a high voltage line to transmit it to the Suswa substation the country may be incurring high charges that are avoidable if there is proper planning.

Committee highlighted that the slow implementation of the LPG cylinders distribution project has resulted in purchasing, tagging and distribution of six thousand 6kg cylinders, grills and burners to low income households as opposed to a target of covering 1.2 Million households.

The committee recommended the budget policy statement for each department be approved as follows:

- a) State Department for Energy be allocated Kshs 74, 817.7 million broken down into Kshs 2,161.7 million for recurrent and Kshs 72,656 million for development.
- b) State Department for petroleum be allocated Kshs 3,148.6 million of which Kshs 272.6million for recurrent and Kshs 2,876 million for Development.

The Committee on Energy recommended the consideration of allocation of additional resources as follows:

- (a) Kshs 8.962 Billion to be provided for the Loyangalani –Suswa Line
- (b) Kshs 1.3 billion for way leave compensation under the Power Transmission and Distribution Programme.
- (c) Kshs. 1.6 billion be provided for Bogoria Silali Geothermal Project
- (d) Kshs 0.05 billion be provided fro Suswa Geothermal Project.
- (e) Kshs 0.180 billion provided for the nuclear power plant sitting
- (f) Kshs 0.2 billion be provided for the decentralized electricity systems and household energy for off-grid areas.
- (g) Kshs 0.01 billion be provided for the resource assessment analysis and feasibility studies for renewable energy technologies
- (h) Kshs 1 billion provided for electrification of public facilities by REA
- (i) Kshs. 1 billion be provided for Installation of Transformers in constituencies under the Power Transmission and distribution Programme.
- (j) Kshs 5 billion to be provided for the Rural Electrification overrun maintenance costs by Kenya Power.
- (k) Kshs 1.362 billion for GPOBA programme for installation of electricity in slum areas under the Power Transmission and Distribution Programme.
- (l) Kshs 4.6 billion be provided to the state Department of Petroleum as follows-
 - (a) Early oil pilot schemes Kshs 620 million.
 - (b) Fuel Marking Kshs 41.5 million
 - (c) Lokichar –Lamu Crude Oil Pipeline Kshs 1.285 billion
 - (d) LPG Cylinders distribution Kshs 2.655 billion

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

- (i) Lack of funding to the Lake Turkana Wind Project may lead to penalties being incurred by the Kenyan Government as the construction of the power transmission line to evacuate the power from the source may not be complete by September 2019.
- (ii) The construction of the power transmission line from the Lake Turkana Wind Project should be fast-tracked to avoid payment of further additional penalties by the Government.

- (iii) There has been a successive request for allocation of Kshs 1 billion for installation of transformers in constituencies by REA over several financial years without evident results on installation of transformers in constituencies. In instances, where transformers have been installed, some of the transformers have been substandard and this issue ought to be addressed.
- (iv) The installation of concrete poles by Kenya Power to replace old wooden poles is yet to be commenced in some areas creating health hazards particularly where the wooden poles are subject to wear and tear.

MIN BAC /04 /2017/17 SUBMISSION BY THE DEPARTMENTAL COMMITTEE ON FINANCE AND NATIONAL PLANNING

The presentation of the committee highlighted that the pertinent issues facing sector that included revenue underperformance *vis-à-vis* over-projection, delayed completion of projects, taxation of gambling activities to boost revenue performance and pending bills, requirement of at least thirty percent allocation to development, the strategies employed by the SRC to deal with the escalating public wage and the marginalization formula employed by the Commission for Revenue Allocation to identify marginalized areas.

The proposed budget ceiling for the National Treasury was Kshs 122,029 million, the State Department for Devolution was Kshs 4,716 million, the State Department for National Planning Kshs 49,496 million, the Controller of Budget Kshs 525, the Commission on Revenue Allocation Kshs 389 and the Salaries and Remuneration Commission Kshs 565.

The Committee recommended the budget policy statement for each department and commission or independent office be approved as per the BPS.

The Committee on Finance and National Planning further recommended the consideration of additional resources to be allocated as follows:

- (i) Kshs 57, 587, 000 million be allocated to the Commission for Revenue Allocation as follows-
 - (a) Kshs 27,177,000 be allocated to the development of the 2nd marginalization policy
 - (b) Kshs 30,410,00 be allocated for Public Finance Management
- (ii) An increase of Kshs 129, 092,796 to the office of the Controller of Budget as follows-
 - (a) Basic salaries for permanent employees amounting to Kshs 12 million
 - (b) Employer contribution to compulsory National Social Security Scheme amounting to Kshs 30,790,831
 - (c) Gratuity for civil servants amounting to Kshs 6, 301,965
 - (d) Mortgage amounting to Kshs 80 million
- (iii) An additional Kshs. 1.87 billion to be allocated to the State Department of Planning to cater for resource gap to fund the Kenya population census
- (iv) An amount of Kshs 4 billion to allocated to the National Government Constituency Development Fund

The Committee highlighted that the total resource gap for the sector amounted to Kshs 6.057 billion. It subsequently recommended that the resource gap of Kshs 2

billion be funded by the National Treasury and the additional 4,057 billion be funded from savings from other sectors.

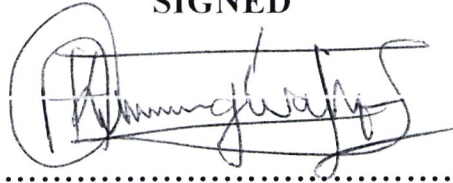
After the presentation, members deliberated on the report presented and raised the following concerns:

- (i) The Chairpersons of committees present to the Budget and Appropriations Committee based on presentations made by the respective departments and commission they oversight.
- (ii) There is need to re-analyze at the policy for marginalization however there is need for justification for the further allocation of Kshs 57 million, as the new policy would be feeding from pre-existing research therefore the cost should be lower.
- (v) The Ministry of lands had been allocated funds for geo-mapping, hence there need for a report on the status of that exercise before there is further funding on related activities.
- (vi) There should be an interface between the process IEBC will conduct when reviewing the boundaries as it contains aspects of population census vis-à-vis the conduct of the population census by the state Department of Planning to avoid double funding on similar activities.
- (vii) There should be an analysis as to why there has been a poor implementation of the policy of allocation of thirty of expenditure to development.

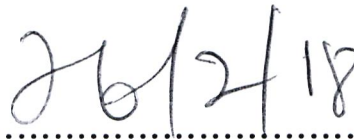
MIN BAC /04 /2017/18: ADJOURNMENT

There being no other business the meeting adjourned at 8.00 p.m. The next meeting shall be communicated in the future.

SIGNED

A handwritten signature in black ink, appearing to read 'Kimani Ichung'wah', is written over a horizontal dotted line. The signature is enclosed within a large, hand-drawn circle.

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

A handwritten date '26/2/18' is written in black ink above a horizontal dotted line.

DATE

MINUTES OF THE 4TH SITTING (MORNING SESSION) FOR THE BUDGET AND APPROPRIATIONS COMMITTEE REPORT WRITING RETREAT ON THE 2018 BUDGET POLICY STATEMENT (BPS), 23RD FEBRUARY 2018 AT AMANI CONFERENCE, BOMA HOTEL, SOUTH C.

PRESENT

1. **Hon. Kimani Ichung'wah, M.P- Chairperson**
2. Hon. John Mbadi, M.P.
3. Hon. Richard Onyonka, M.P.
4. Hon. Samwel Moroto, M.P.
5. Hon. Millie Odhiambo, M.P.
6. Hon. Twalib Bady, M.P.
7. Hon. (Dr.) Makali Mulu, M.P.
8. Hon. Benard Masaka Shinali, M.P.
9. Hon. Korei Ole Lemein, M.P.
10. Hon. Naisula Lesuuda, M.P.
11. Hon. James Mwangi Gakuya, M.P.
12. Hon. Christopher Wangaya Aseka, M.P.
13. Hon. James Gichuki Mugambi, M.P.
14. Hon. Fatuma Gedi Ali, M.P.
15. Hon. (Eng.) Mark Nyamita, M.P.
16. Hon. Florence Chepngetich Koskey, M.P.
17. Hon. Paul Abuor, M.P.
18. Hon. Danson Mwashako, M.P.
19. Hon. Qalicha Gufu Wario, M.P.
20. Hon. Ruth W. Mwaniki, M.P.

ABSENT WITH APOLOGIES

1. **Hon. Moses Lessonet, M.P- Vice Chairperson**
2. Hon. John Muchiri Nyaga, M.P.
3. Hon. (Dr.) Gideon Ochanda, M.P.
4. Hon. Moses Kiarie Kuria, M.P.
5. Hon. Jude Njomo, M.P.
6. Hon. Sarah Paulata Korere, M.P.
7. Hon. (Dr.) John K. Mutunga, M.P.

CHAIRS OF DEPARTMENTAL COMMITTEES

- | | |
|--------------------------------|------------------------------------|
| 1. Hon. Ali Wario, M.P. | Labour & Social Welfare |
| 2. Hon. Julius Melly, M.P. | Education & Research |
| 3. Hon. William Cheptumo, M.P. | Justice & Legal Affairs |

COMMISSION ON REVENUE ALLOCATION

- | | |
|-----------------------------|--------------------|
| 1. Ms. Jane Kiringai | Chairperson |
| 2. Mr. Peter Kimuyu | |
| 3. Mr. George Ouko | |
| 4. Ms. Linette Oyugi | |
| 5. Ms. Jecinter Hezron | |

OFFICE OF AUDITOR GENERAL

- | | |
|---------------------------|------------------------|
| 1. Mr. Edward Ouko | Auditor General |
| 2. Mr. Charles Muchiri | |
| 3. Mr. Samuel Muchiri | |

PARLIAMENTARY BUDGET OFFICE

- | | |
|-------------------------|----------------------|
| 1. Ms. Phyllis Makau | Director |
| 2. Mr. Robert Nyaga | Deputy Director |
| 3. Ms. Lucy Makara | Chief Fiscal Analyst |
| 4. Ms. Millicent Makina | Fiscal Analyst |
| 5. Mr. James Chacha | Fiscal Analyst |

SECRETARIAT

- | | |
|------------------------|------------------------------------|
| 1) Mr. Joseph Ndirangu | Clerk/ Fiscal Analyst III |
| 2) Mr. Danson Kachumbo | Assistant Clerk/Fiscal Analyst III |
| 3) Ms. Lynette Otieno | Legal Counsel |
| 4) Mr. Eric Omondi | Sergeant at Arms |
| 5) Mr. Joram Baraza | Office Attendant |

AGENDA

1. Preliminaries / Confirmation of Agenda
2. Confirmation of the previous meeting minutes

3. Matters Arising

4. Agenda:

- i. *Meeting with Commission on Revenue Allocation on Vertical Sharing of Revenue*
- ii. *Meeting with Office of Auditor General on the office 2018/19 BPS ceilings*
- iii. *Receiving submissions from departmental committees:*
 - i. *Departmental Committee on Education & Research*
 - ii. *Departmental Committee on Labour & Social Welfare*
 - iii. *Departmental Committee on Justice and Legal Affairs*

5. Any Other Business

MIN BAC /04 /2017/01: PRELIMINARIES/CONFIRMATION OF AGENDA

The chairman called the meeting to order at 9.00 a.m. and welcomed members of the committee to the meeting. Thereafter, Hon. Richard Onyonka, M.P. led the committee with a word of prayer. In his introductory remarks, the chairman read the agenda of the meeting. He then asked the Chair of Justice and Affairs to make his submission to the committee

MIN BAC /04 /2017/02: SUBMISSION BY DEPARTMENTAL COMMITTEE OF JUSTICE AND LEGAL AFFAIRS

The presentation highlighted the following:

1. OFFICE OF THE ATTORNEY GENERAL AND DEPARTMENT OF JUSTICE

The committee recommended that:

- i. The Attorney General's Office should be allocated an additional Kshs 100m specifically for facilitating the arbitration of international disputes especially with other nations to protect the interest of the country;
- ii. There is need for the strengthening and revamping of the Office of the Attorney-General and Department of Justice to empower it with the

necessary capacity required to handle the legislative and regulatory reforms needed for the implementation of the Government's Big Four Agenda.

- iii. As a matter of priority, the Committee should consider setting up a Fund, under an enabling parent statute, for settling court awards against the Government. In this regard, the Committee recommends the allocation of Kshs 1 billion in FY 2018/19 to the Attorney General Office as initial funds for the Fund.
- iv. In setting up the Fund, the Committee should consider effecting budgetary cuts against State agencies that lost cases and have claims to settle in order to raise funds for the kitty.
- v. The Kenya Law Reform Commission should be allocated an additional Kshs 15 million which should be a reallocation from the budget of Judicial Service Commission under its recurrent vote.

2. JUDICIARY AND JUDICIAL SERVICE COMMISSION

Under the Commission the committee recommended the following

- i. The Judicial Service Commission budget ceiling be reduced by Kshs. 15 million under recurrent expenditure and this amount be reallocated to the State Law Office specifically for the Kenya Law Reform Commission for office operations;
- ii. The Judiciary should prioritize and ensure completion of old and ongoing projects before embarking on new projects;
- iii. The acquisition of premises for the Judiciary Training Institute should not be prioritized but there is need for a budgetary allocation for the development of a curriculum and facilitation of other training needs of the Judiciary;
- iv. The Judiciary should intensify the use of mobile courts particularly in sub-counties that don't have Magistrate courts.

- v. The Judiciary should introduce a performance monitoring and evaluation program for judges and magistrates to improve efficiency and accountability in the judiciary.

3. REGISTRAR OF POLITICAL PARTIES

The committee recommended the following:

That the government to comply with the High Court Judgment in Judicial Review No. 483 of 2016 and allocate and appropriate not less than 0.3percent of the National Government revenue collected to the Political Parties Fund, for administration and disbursement by the Office of the Registrar of Political Parties.

4. INDEPENDENT ELECTORAL AND BOUNDARIES COMMISSION

The committee recommended the following:

- i. An additional funding of Kshs. 400 million for the Commission to facilitate stakeholder engagements and the acquisition of boundary delimitation equipment to facilitate the boundary delimitation process.
- ii. Enhanced funding for the Commission in subsequent budgets to facilitate its engagement with all the stakeholders in the electoral cycle way in advance rather than when the General Elections are approaching to avoid the unnecessary push and pull that has been witnessed in the past;
- iii. The commission to partner with other state agencies in the production of third generation IDs that will be used for multiple purposes rather than every agency procuring the service for its own unique purpose.
- iv. In future allocations, the Commission should be allocated resources to cater for uchaguzi centre that will be out of the Central Business Centre.

5. OFFICE OF THE DIRECTOR OF PUBLIC PROSECUTIONS

The committee recommended the following:

- i. The approval of the budget ceiling for the Office of the Director of Public Prosecution as provided for in the Budget Policy Statement for FY 2018/19.

- ii. The object to the idea of setting up a prosecution institute for the office even in subsequent budgets and urges the office to partner with the Kenya School of Government for the training of its staff. However, the office can be facilitated in the development of its own training curriculum for its staff.

6. ETHICS AND ANTI-CORRUPTION COMMISSION

The committee recommended the following:

The approval of the Commission's budget ceiling as contained in the Budget Policy Statement for FY 2018/19.

7. COMMISSION FOR ADMINISTRATIVE JUSTICE

The committee recommended the following:

The approval of the Commission's budget ceiling as contained in the Budget Policy Statement for FY 2018/19.

8. KENYA NATIONAL COMMISSION ON HUMAN RIGHTS (KNCHR)

The committee recommended the following:

- i. Despite the budgetary shortfalls the Commission is faced with in the FY 2018/19, the Committee urges the Commission to be innovative and leverage on Information Communication Technology (ICT) in executing its mandate more efficiently.
- ii. The approval of the commission's budget ceiling as contained in the Budget Policy Statement for FY 2018/19

9. WITNESS PROTECTION AGENCY

The committee recommended the following:

- i. The approval of the agencies budget ceiling as contained in the Budget Policy Statement

After submission, members deliberated the report. There was a general concern the country had lost a lot of cases that involved international disputes. Thereafter, the chair thanked his fellow chair for appearing before the committee.

MIN BAC /04 /2017/03: MEETING WITH AUDITOR GENERAL

The presentation highlighted that the Office of the Auditor- General was allocated Kshs. 5,477 million against a resource requirement of Kshs. 9,206.36. This has resulted in the office to a budget deficit amounting to Kshs. 3,729 million which will result into the following underfunded:

A. Recurrent Expenditure

- i. Personnel Emoluments: Kshs. 276.46 million
- ii. Domestic Travelling: Kshs. 132.46 million
- iii. Purchase Motor Vehicles: Kshs. 50 million
- iv. Information and Communication Technology- Kshs. 257.93 million. This will be used to offset the deficit
- v. Outsourcing of Audits: Kshs 676.06 million
- vi. Staff Mortgage Scheme Kshs. 568.99 Million

B. Development Expenditure

The committee was informed that the office purchased land at upper hill for Kshs. 525 million, however the office notes that it would be unable to receive enough development vote for constructing its headquarter. The office proposes to adopt the public-private partnership framework for swift constructions of the proposed headquarter. In addition, there were on-going capital projects which were underfunded:

	Project Description	Proposed 2018/19 Kshs. Million	Allocation as per 2018 BPS
1	Designing & Construction of OAG Headquarter at Bishop Road	1,000	19
2	Construction of Kakamega Hub Office	50	50

3	Construction of Eldoret Hub Office	163	163
4	Construction of ICT Centre	80	-
5	Construction of Embu Hub Office	207	-
	Total	1,500	232

After presentation, members deliberated on issues arising from it. The chair thanked Auditor General for appearing before the committee. Thereafter, the Chair called upon Commission on Revenue Allocation to make their presentation.

**MIN BAC /04 /2017/04: MEETING WITH COMMISSION ON REVENUE
ALLOCATION ON VERTICAL SHARING**

The presentation from CRA highlighted the following:

A. THE PRINCIPLES OF GUIDING REVENUE SHARING WHICH WERE:

- i. Level of shareable revenue
- ii. Revenue Provisions of Article 203
- iii. Current level of Funding of both levels of government
- iv. Unfunded mandates, if any
- v. New functions assigned to either level of government
- vi. Provisions for price variation/Adjustment for inflation
- vii. Provision for growth in services

**B. PROJECTED REVENUES & EXPENDITURES (BROP 2017)
BILLIONS**

No.	Budget Item	2016/17	2017/18	2018/19
1	Total government expenditure	2,110.0	2,358.6	2,488.4
2	Projected total ordinary revenue	1,305.8	1,490.4	1,717.0
3	Fiscal Balance	(683.1)	(651.8)	(588.5)
4	Latest Audited approved accounts (2013/14)	935.7	935.7	935.7

C. PRINCIPLES GUIDING REVENUE SHARING

	Budget Items	Recommendations
1	Principles for revenue sharing between national and county governments	CRA
	a) Current Level of funding of Devolved Functions	302.0
	b) Unfunded Mandates	
	i. County Roads	8.4
	ii. Salaries for County Library Staff	0.3
	c) New Functions	None
	d) Provision for sustainability and Growth in Services	
	i. Adjustment for Inflation/Revenue growth	22.1
	ii. Growth Factor 1.4%	4.4
2	Total equitable share to county government for FY 2018/19	337.2
4	New Conditional Grant (to Ministry of Health)	
	i. 2 regional Cancer Centres	5.0
	ii. National Cancer Drug Programme	1.0
5	Total equitable share to National Government	1,379.8

After presentation, members deliberated on issues arising from it. Later, the Chair thanked Commission on Revenue Allocation for appearing before the committee. Thereafter, the Chair called upon Chairperson on departmental committee on Labour and Social welfare to make his submission.

MIN BAC /04 /2017/05: SUBMISSION BY THE DEPARTMENTAL COMMITTEE ON LABOUR AND SOCIAL WELFARE

The committee recommended the following:

- i. That, under the State Department for Labour be approved, and in-line with the various proposed allocation per each programme under the State Department.
- ii. That, under the State Department for Social Protection, the proposed ceilings be approved, and in-line with the various proposed allocation per each programme under the State Department.
- iii. That, under the State Department of Public Service and Youth Affairs, and further under the Youth Empowerment Programme, the proposed ceilings be approved. In addition, the Committee recommends that the proposed allocation

of kshs. 305.34 million towards Youth Enterprise Development Fund to cover for disbursement of youth empowerment and development initiatives and improve coverage to constituency level be enhanced by kshs. 694.66 million to bring the total development allocation to Kshs. 1 billion through re-allocation within the same programme of Youth Empowerment Programme.

- iv. That, under the State Department of Gender Affairs, the proposed ceilings of kshs. 1.5243 billion for Recurrent and kshs. 2.9300 billion for Development outlays be approved, and in-line with the various proposed allocation per each programme under the State Department. In addition, The Committee further recommended that additional allocation of Kshs. 138 million be provided to the State Department of Gender towards the National Government Affirmative Action Fund (NGAAF) under the Community Development Programme to boost the proposed allocation of Kshs. 2.130 billion to kshs. 2.268 billion as per resource requirement indicated by the State Department.
- v. That, under the National Gender and Equality Commission, the proposed ceilings of ksh. 423.2 million under recurrent budget be approved inline and as per the proposed programme.

In addition, the Committee further recommends the following additional interventions:

- vi. That the under the state Department of Labour, the National Treasury should ensure further resourcing National Industrial Training Authority (NITA) which is key in achieving the big four agenda and empowering the youth through skills upgrade and improve employability , by adequately financing within the medium term.
- vii. That, under the State Department of Social Protection, the State Department should reorganize recurrent spending and reprioritize its allocation with a view to reduce the growing trend under recurrent component and with a view to ensure more beneficiaries are covered under the National Safety Net

Programme with optimal recurrent budget while leverage the use of ICT for monitoring implementation and ensuring compliance.

- viii. That, under the State Department of Social Protection, the National Treasury enhances the counter part-funding towards cash transfers to orphans and vulnerable children from the current Kshs. 224.64 million to Kshs. 720 million to unlock more funding from the World Bank Trust to ensure more coverage and beneficiaries
- ix. That under the State Department of Social Protection, the necessary sectoral policies, legal and legislative frameworks to govern transfers and other social protection interventions such as regulations are submitted for legislative consideration and finalized.
- x. That, under the State Department of Social Protection, the State Department shall ensure prompt reconstitution of the Constituency Social Assistance Committee where necessary to ensure no gaps in the transfers of social safety nets interventions. The state department shall also ensure that there is efficiency in the transfer programme as regards payment to beneficiaries and minimize inconveniences and associated vulnerabilities especially among the elderly and disabled while ensuring integrity and accountability of the payment mechanisms.
- xi. That the Anti FGM Board is considered for further funding to cover public advocacy and awareness across the country in prevention of harmful practices against the girl child, and in support of their mandate to collaboratively engage with State and non-state actors with similar goals to end FGM and related practices.
- xii. That responsible accounting officers and the Auditor General ensure due diligence, value for money and prudent use of resources are strictly taken into account in so far as the processing and payment of all pending bills including historical bills are concerned which are under the State Department of Public Service and Youth Affairs .

- xiii. That the National Treasury should provide adequate technical and policy support to the State Department of Public Service and Youth Affairs particularly to the National Youth Service in actualizing key bankable PPPs such as the development of a solar park and agribusiness at Kirimun in Samburu county and enhancing manufacturing of low cost building materials as well as commercialization of highly potential areas under the Service such as the NYS farms, textile, cotton farming and garment factory, water bottling plant at Turbo, among others.

After submission, members deliberated the report. Thereafter, the chair thanked his fellow chair for appearing before the committee. Thereafter, the Chair called upon his fellow chair on departmental committee on Education and Research to make his submission.

**MIN BAC /04 /2017/06: SUBMISSION BY THE DEPARTMENTAL
COMMITTEE ON EDUCATION AND RESEARCH**

The presentation highlighted that the committee recommended the following:

A. Policy Recommendations

- i. The Ministry of Education should commission a costing of the free primary and free secondary programmes to ensure that resources allocated to these programmes are sufficient and optimally utilized
- ii. Early Childhood Development and Education (ECDE) is a devolved function and National Government should only provide policy framework rather than implementation of 47 ECDE Model Centers. The ministry should therefore restrict itself on its assigned functions in view of constrained resources available. The establishment of ECDE models centers should not be implemented
- iii. That the introduction of new projects particularly in the universities in the sector must be completely frozen and priority given to ongoing projects through channeling resources towards their completion. The Ministry

should closely monitor compliance to the National Treasury on prioritizing ongoing projects

- iv. The Ministry should come up with a policy framework on the collaboration between the Ministry and National Government Constituency Development Fund (NG-CDF) in terms of support towards infrastructure development in schools. This will ensure that resources are utilized optimally and enhance effectiveness in implementation of various projects.
- v. Total restructuring of the quality assurance system in the Ministry in collaboration with the TSC should be undertaken to improve on monitoring of delivery of education services in schools to ensure that the quality of education being offered is of required standards.
- vi. The Ministry of Education and the Teachers Service Commission should establish a clear policy framework on in-service training of teachers to ensure that it's effective and eliminate duplication of functions.

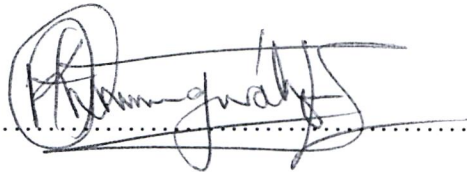
B. Financial Recommendations

- i. The committee approves the Budget Ceilings as provided in the 2018 Budget Policy Statement for various votes under the Ministry of Education, Science and Technology. The spending agencies need to reprioritize their programmes within available resources to ensure the strategic objectives and key deliverables are achieved.
- ii. The Budget and Appropriations Committee considers allocating the Teachers Service Commission (TSC) additional budgetary allocations of Kshs. 8.3 billion for recruitment of teachers to reduce the teacher resource gap and to specifically support the governments intended 100 percent transition as a result of free day secondary education.

MIN BAC /04 /2017/07: ANY OTHER BUSINESS

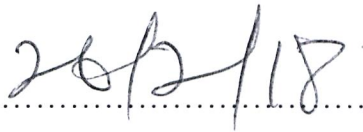
There was a general concern that there was need for standardization of reports. There being no other business the meeting adjourned at 1.00 p.m. The next session will be from 2.00 p.m. at the same venue.

SIGNED



HON. KIMANI ICHUNG'WAH, M.P.

CHAIRMAN, BUDGET AND APPROPRIATIONS COMMITTEE



DATE

MINUTES OF 3rd SITTING OF THE BUDGET AND APPROPRIATIONS COMMITTEE HELD ON THURSDAY, 22nd FEBRUARY 2018, IN COMMISSION BOARD ROOM, COUNTY HALL AT 8.45 A.M.

PRESENT

1. **Hon. Kimani Ichung'wah, M.P- Chairperson**
2. Hon. John Mbadi, M.P.
3. Hon. Richard Onyonka, M.P.
4. Hon. Samwel Moroto, M.P.
5. Hon. James Mwangi Gakuya, M.P.
6. Hon. Twalib Bady, M.P.
7. Hon. (Dr.) Makali Mulu, M.P.
8. Hon. Benard Masaka Shinali, M.P.
9. Hon. Korei Ole Lemein, M.P.
10. Hon. Naisula Lesuuda, M.P.
11. Hon. Christopher Wangaya Aseka, M.P.
12. Hon. Fatuma Gedi Ali, M.P.
13. Hon. Florence Chepngetich Koskey, M.P.
14. Hon. James Gichuki Mugambi, M.P.
15. Hon. (Eng.) Mark Nyamita, M.P.
16. Hon. Paul Abuor, M.P.
17. Hon. Danson Mwashako, M.P.
18. Hon. Qalicha Gufu Wario, M.P.
19. Hon. Ruth W. Mwaniki, M.P.

ABSENT WITH APOLOGIES

1. **Hon. Moses Lessonet, M.P- Vice Chairperson**
2. Hon. (Dr.) Gideon Ochanda, M.P.
3. Hon. Moses Kiarie Kuria, M.P.
4. Hon. John Muchiri Nyaga, M.P.
5. Hon. Jude Njomo, M.P.
6. Hon. Sarah Paulata Korere, M.P.
7. Hon. (Dr.) John K. Mutunga, M.P.

8. Hon. Millie Odhiambo, M.P.

DEPARTMENTAL COMMITTEE CHAIRS

- | | |
|------------------------------|-----------------------------|
| 1. Hon. David Pkosing | Chairman, Transport |
| 2. Hon. Cornelly Serem, M.P. | Vice-Chairman, Trade |

PARLIAMENTARY SERVICE COMMISSION

- | | |
|-------------------------------|-------------------------------------|
| 1. Mr. Jeremiah Nyegenye, CBS | Clerk, Senate/ PSC Secretary |
| 2. Mr. Michael Sialai, EBS | Clerk, National Assembly |
| 3. Dr. George Wakah | Director, Finance |
| 4. Mr. Joel Irungu | CFO |
| 5. Ms. Noor Ghagan | PCA |
| 6. Mr. Peter mwangani | CA |
| 7. Ms. Veronicah Kibati | PCA |

INTERNATIONAL MONETARY FUND (IMF) TEAM

- | | |
|-----------------------|-------------------------------------|
| 1. Mr. Jan Mikkelsen | Resident Representative, IMF |
| 2. Mr. Niko Hordari | |
| 3. Mr. Ben Clena | |
| 4. Mr. Sisa Weiss | |
| 5. Mr. Rafel Moya | |
| 6. Mr. Ted Sitimawina | |

PARLIAMENTARY BUDGET OFFICE

1. Ms. Phyllis Makau	Director
2. Mr. Martin Masinde	Senior Deputy Director
3. Mr. Robert Nyaga	Deputy Director
4. Ms. Millicent Makina	Fiscal Analyst
5. Mr. James Chacha	Fiscal Analyst III

SECRETARIAT

1) Mr. Joseph Ndirangu	Clerk/ Fiscal Analyst III
2) Mr. Danson Kachumbo	Fiscal Analyst III
3) Ms. Lynette Otieno	Legal Counsel II
4) Mr. Abdi Salat	Sergeant at Arms
5) Mr. Joram Baraza	Office Attendant

AGENDA

1. Preliminaries / Confirmation of Agenda
2. Confirmation of the Previous Meeting
3. Matters Arising
4. Agenda:
 - i. *Briefing on the contents of the 2018 Medium Term Debt Strategy Paper (MTDS) by PBO*
 - ii. *Receiving submissions from Parliamentary Service Commission on the 2018 BPS ceilings for Parliament*
 - iii. *Meeting the IMF team to discuss the fiscal policy and interest rate controls*
5. Any Other Business

MIN BAC /03 /2017/01: PRELIMINARIES/CONFIRMATION OF AGENDA

The chairman called the meeting to order at 9.15 a.m. and welcomed members of the committee to the meeting. Thereafter, Hon. Korei Ole Lemein, M.P. led the committee with a word of prayer. In his introductory remarks, the Chairman read the agenda of the meeting. He then asked Parliamentary Budget Office to brief members on their analysis of 2018 Medium Term Debt Strategy Paper. He also informed the committee that he had received requests from Chairpersons of

Department on Transport and Trade for them to make their submission on 2018 BPS.

MIN BAC /03 /2017/02 BRIEFING BY PBO ON 2018 MEDIUM TERM DEBT STRATEGY PAPER

The presentation highlighted that Article 201 of the Constitution lays the grounds for ensuring that burdens and benefits of resources and public borrowing are equitably shared between present and future generations. As such this necessitates preparation of debt management strategy for managing stock of debt and financing the budget deficit through cost and risk effective mechanisms. The Medium Term Debt Management Strategy (MTDS) FY 2018/19 was prepared and presented to the Houses of Parliament subject to Section 64(2), and Section 33 and Regulations 184 & 185 PFM Act, 2012, and required to indicate:

- i. the total stock of debt as at the date of the statement;
- ii. the sources of loans made to the national government and the nature of guarantees given by the national government;
- iii. the principal risks associated with those loans and guarantees;
- iv. the assumptions underlying the debt management strategy;
- v. Analysis of the sustainability of the amount of debt, both actual and potential

Preparation of the Medium-Term Debt Management Strategy (MTDS) is designed to support the new initiatives, Big four agenda, that shall remain the focus of fiscal policy over the medium term, i.e. the Food Security, Manufacturing, Universal Healthcare and Affordable housing, alongside other objectives of job creation, and promoting sustainable business environment etc. These are meant to firm up the country's resilience towards shocks while enhancing productivity that will see the economy grow by 5.9 percent in 2018, as estimated by Budget Policy Statement.

In addition, the committee was informed that the country's debt has grown for an annualized average growth rate of 18percent for the past 10 years to KSh. 4.57 trillion by end of December 2017, and set to reach KSh. 5.6 trillion by the end of FY 2018/19, on account of fiscal deficit. On the other hand, global debt levels soared to a record high of \$233 trillion in the third quarter of 2017. It is important to note

that, China which has accounted for the lion's share of new debt in emerging markets, saw the pace of debt accumulation slow; whilst other emerging markets will have over \$1.5 trillion of bonds and syndicated loans maturing by end-2018.

The MTDS is meant to provide a sustainable fiscal path and guide both domestic and foreign borrowing and form basis for deficit financing that is included in the macro-fiscal framework. Never the less due the inability of the MTDS to guarantee the applicability of the indicated strategy such as through continuous changes by midyear supplementary budgets the borrowing surpasses that indicated under the MTDS.

The presentation also noted that:

- i. There are variations between the deficit financing policies indicated under the BPS and the MTDS i.e. while Budget Policy Statement (BPS) proposes to finance the deficit through external financing to domestic financing ratio of 37 percent to 63 percent, the MTDS utilizes a ratio of 57percent external financing and 43percent for external financing.
- ii. In addition, the MTDS indicates that commercial debt should only make up 22percent of total external borrowing which equates to Kshs. 116.9 billion. whereas the BPS, the level of commercial debt is at 54 percent or Kshs. 288 billion, which is more than double the MTDS ratio.
- iii. The increase in commercial borrowing is primarily meant for budget finance support directed at infrastructure projects which should be financed primarily by concessional and semi-concessional which are cheaper, have longer grace periods and longer average time to maturity and therefore cause little effect of Kenya's debt risk portfolio.
- iv. The current PFM regulations places a NPV of debt to GDP limit of 50percent, currently the ratio is estimated to be between 48.6percent and 49percent.

- v. The ratio of Debt Service to Revenue, having breached its threshold of 30 percent in the FY 2017/18 is indicated to recover in FY 2018/19 but the threshold will remain breached until FY 2019/20.
- vi. MTDS 2018/19 is prepared on the premise that fiscal consolidation will occur in the medium term despite previous experience of lack of commitment towards this end. In addition, there exists no policy document indicated towards reaching that end and what are the intended outcomes and its effects on the level of stock of debt, which is expected to continue to grow over the medium term.
- vii. The refinancing needs of debt maturing in 1 year in 2018/19 will reach 54.4percent (KSh. 1.008 trillion) of total revenues due to associated to repayment of syndicated loans, commercial loans, international bonds and domestic debt repayments falling due in FY 2018/19. This therefore indicates shrinking fiscal space when county government expenditures are taken into account, revenue underperformance in FY 2018/19 performance is likely to affect budget implementation.
- viii. Similar to 2017, BPS and MTDS 2018 overlook the importance of listing the projects both on-going and earmarked, by sector to be implemented using debt in the medium term. Further, the MTDS should have included a detailed current debt servicing information on related projects and the status of their implementation.
- ix. MTDS creates a planned borrowing framework for every financial year that is approved by Parliament. However due to mid-year expenditure changes, the framework is never followed. This indicates the need for consistent flow of information to ensure Parliament is kept at par with any changes in the borrowing strategy or framework.
- x. The MTDS needs to capture both implicit and explicit contingent liability. Implicit liability will range from pending court compensation to avoidable

liabilities emanating for the Public Private Partnership Projects (PPPs). Of concern, are the avoidable costs currently incurred in relation to the Lake Turkana Wind Power Project where the power produced cannot be evacuated due to lack of a high voltage line to transmit it to the Suswa substation.

- xi. Section 61 of the PFM Act 2012, stipulates that money paid on a guarantee including any related expenses, shall be a debt due to the national from the borrower and therefore recoverable as such. This suffices to indicate the need for consistent information pertaining to payments of guarantees debt.

After the presentation, members deliberated on the report presented. It was agreed that some of the issues raised by PBO should be forwarded to National Treasury so that they can prepare themselves to answer before appearing before the committee.

MIN BAC /03 /2017/03 MEETING WITH PARLIAMENTARY SERVICE COMMISSION (PSC)

The presentation from PSC highlighted that the commission required additional resources amounting to Kshs 4.2 billion over and above what was allocated in the 2018 BPS.

The additional resources will cater for:

- i. Kshs. 2 Billion for setting up of Monitoring and Evaluation framework through a fund to handle county government challenges
- ii. Kshs. 108 Million to participate in the East African Parliamentary games.
- iii. Kshs. 550 million to fund gratuity for staff who served in constituency office for MPs in the 11th Parliament
- iv. Kshs. 250 million for capacity building of contractual staff
- v. Kshs. 400 million for Official Vehicles of Parliamentary Office Holders
- vi. Kshs. 200 million for purchase of furniture and equipment
- vii. KShs. 403 Million for additional recruitment.
- viii. Kshs. 100 Million for Parliament to support 'Big Four' Plan.

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

- i. Members queried why 2nd Term Parliamentarians were not entitled to gratuity
- ii. It was noted with concern that welfare of parliamentarians was not being catered as required by the Commission such as lack of gym facilities and office furniture for some members.
- iii. Payment of mileage
- iv. Members queried their entitlements for medical scheme under the new service provider
- v. Completion date of the multi-storey building

After deliberations, the Chair thanked Parliamentary Service Commission for appearing before the committee and then welcomed the IMF delegation

MIN BAC /03 /2017/04: MEETING WITH INTERNATIONAL MONETARY FUND (IMF) TEAM

The team thanked the committee for giving them the opportunity to appear before the committee. The team informed the committee that they were in the country for their annual consultation visit for Article IV Consultation. The discussion between the Committee and IMF Team revolved around Kenya's fiscal policy in particular the fiscal deficit and their findings on the impact of interest capping to the economy.

The committee was informed that since September, 2016 when the Act was enforced, data from Central Bank of Kenya (CBK) indicated that credit to big companies has gradually increased while credit to Small and Medium Term Enterprises (SMEs) has sharply reduced. In addition, there has been an increased uptake of treasury bills by banks.

The committee was informed that SMEs are drivers of the economy. Low uptake of credit by SMEs may have a negative effect on the economy. It was also noted

that there is a slowdown in credit to private sector to 2.4 percent of GDP. IMF team urged the committee to consider reviewing the law.

After presentation, the Chair opened the floor for comments and questions. Members informed the IMF team that the spirit of law was to protect citizens from high interest rates. Members felt that there was need to amend the law so that they could lift the floor cap and tighten the law in terms of regulations so as to protect Kenyans from shylocks. After deliberations, the chair thanked the team and welcomed the Chairman of Departmental Committee on Transport; Public Works & Housing to submit their report on 2018 BPS.

MIN BAC /03 /2017/05: SUBMISSION BY THE DEPARTMENTAL COMMITTEE ON TRANSPORT, PUBLIC WORKS AND HOUSING

The presentation highlighted that the committee noted with concern that there was ambiguity in the separation of functions between the National Housing Corporation (NHC), the planned establishment of National Social Housing Development Fund (NSHDF) and Kenya National Mortgage (KNM) Refinance Company in the quest to deliver the 500,000 affordable Housing Units over the Medium Term. The committee also observed that major infrastructural projects like LAPPSSET were behind schedule.

The committee recommendations were:

1. Approve the ceilings as provided for in the 2018 Budget Policy Statement for each State department.
2. Funding should be provided for the following :
 - i. 10,000 km project to be funded at amount of Kshs. 51 billion
 - ii. Funding towards settling of pending bills amounting to Kshs. 8.5 billion for LAMU port development project and relocation action plan in Kibera Project
 - iii. Provision of Kshs. 700 million for second generation smart-card based driving license which if fully implemented is expected to generate an estimated amount of Kshs. 13 billion in revenue.

- iv. Funding to be provided for social housing which entails slum upgrading amounting to Kshs. 2 billion and Kshs. 4 billion for affordable housing projects
- v. State Department acquired an office space in NSSF building; however the offices are not portioned. In this regard provision of Kshs. 44 million is critically required.

After submission, members deliberated the report. Thereafter, the chair thanked his fellow chair for appearing before the committee.

MIN BAC /03 /2017/06: SUBMISSION BY THE DEPARTMENTAL COMMITTEE ON TRADE, INDUSTRY AND COOPERATIVES

The submission from the committee highlighted that:

1. The Ministry of Trade's policy be oriented towards attracting domestic industries to the Export Processing Zones and Special Economic Zones in line with the Manufacturing agenda of the government.
2. Procedures for acquisition of land for various Special Economic Zones and industrial parks be transparent to ensure prudent use of public resources. This includes the planned acquisition of 30,000 acre land for Naivasha industrial park and resettlement of squatters for the Dongo Kundu industrial park.
3. The Anti-Counterfeit Agency and Kenya Bureau of Standards ensure the elimination of counterfeits, sub-standard goods and contraband in the Kenyan market so as to protect local manufacturing.
4. The State Department of Industry and Investment expedites the completion of the office block and the ongoing construction in South B to help reduce rental cost as well as enhance training of entrepreneurs.
5. Legislative and policy changes be considered to open up the power distribution industry to other firms so as to fully address the uncompetitive cost of power in the country.
6. The re-prioritization within the Ministry to ensure enough resources are committed to activities such as Jua Kali and SMEs development, agro-processing, leather, textile and fish industries in line with the Big Four Agenda policies in the BPS. In addition, the Committee recommends that the

National Treasury considers the request by the Cabinet Secretary for Industry, Trade and Cooperatives for additional resources amounting to Ksh. 5,551 million for 2018/19 financial year to support the manufacturing agenda.

7. More resources be found from other Ministries for reallocation to the Ministry of Industry, Trade and Cooperatives so as to ensure that the manufacturing activities are adequately funded.
8. The problem of pending bills, which continues to slow down project implementation in the Ministry, be resolved through timely exchequer releases by the National Treasury.
9. The budget ceilings for State Department for Investment and Industry, be approved as set out in the 2018 Budget Policy Statement subject to the requested amount on pending bills and proposed provision of more resources for manufacturing in 2018/19.

State Department for Trade

10. Kenya National Trading Cooperation increases its commercial activities so as to reduce the reliance on appropriations given resources constraints.
11. The budget ceilings for State Department for Trade be approved as set out in the 2018 Budget Policy Statement subject to provision of additional resources if available to cater for the operations of the Department.

State Department for Cooperatives

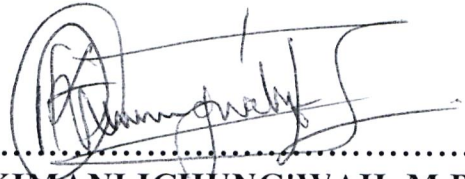
12. The budget ceilings for State Department for Cooperatives be approved as set out in the 2018 Budget Policy Statement subject to provision of additional resources for debt waivers (Ksh. 298 million).
13. Given the size and economic value of the cooperatives sector, the Department be strengthened as a fully-fledged State Department on Cooperatives under the Ministry of Industry, Trade and Cooperatives.

After presentation, it was noted that the report had gaps. The committee rejected the submission and it was agreed that the committee will resubmit a different report the following day.

MIN BAC /03 /2017/07: ANY OTHER BUSINESS

There being no other business the meeting adjourned at 1.00 p.m. The next meeting will be will be a committee retreat scheduled to be held in Boma Hotel, South C from 22nd to 25th February, 2018.

SIGNED



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

26/2/18

.....
DATE

MINUTES OF 2ND SITTING OF THE BUDGET AND APPROPRIATIONS COMMITTEE HELD ON WEDNESDAY, 20TH FEBRUARY, 2017 IN MINI-CHAMBERS COUNTY HALL, PARLIAMENT BUILDINGS AT 10.30 A.M.

PRESENT

- 1) Hon. Kimani Ichung'wah, M.P. - **Chairman**
- 2) Hon. Moses Lessonet, M.P. - **Vice- Chairman**
- 3) Hon. John Mbadi, M.P.
- 4) Hon. Samwel Moroto, M.P.
- 5) Hon. (Dr.) Gideon Ochanda, M.P.
- 6) Hon. (Dr.) Makali Mulu, M.P.
- 7) Hon. Moses Kiarie Kuria, M.P.
- 8) Hon. Benard Masaka Shinali, M.P.
- 9) Hon. Millie Odhiambo, M.P.
- 10) Hon. Twalib Bady, M.P.
- 11) Hon. Sarah Paulata Korere, M.P.
- 12) Hon. Naisula Lesuuda, M.P.
- 13) Hon. Christopher Wangaya Aseka, M.P.
- 14) Hon. Danson Mwashako, M.P.
- 15) Hon. Fatuma Gedi Ali, M.P.
- 16) Hon. Florence Chepngetich Koskey, M.P.
- 17) Hon. (Eng.) Mark Nyamita, M.P.
- 18) Hon. Paul Abuor, M.P.
- 19) Hon. Qalicha Gufu Wario, M.P.
- 20) Hon. Ruth W. Mwaniki, M.P.

ABSENT WITH APOLOGIES

1. Hon. Richard Onyonka, M.P.
2. Hon. James Mwangi Gakuya, M.P.
3. Hon. John Muchiri Nyaga, M.P.
4. Hon. Korei Ole Lemein, M.P.
5. Hon. James Gichuki Mugambi, M.P.

6. Hon. (Dr.) John K. Mutunga, M.P.

SECRETARIAT AND PARLIAMENTARY BUDGET OFFICE

- | | |
|-------------------------|----------------------|
| 1) Ms. Phyllis Makau | Director, PBO |
| 2) Mr. Joseph Ndirangu | Lead Committee Clerk |
| 3) Ms. Millicent Makina | Fiscal Analyst |
| 4) Mr. Joram Baraza | Office Attendant |

AGENDA

1. Preliminaries / Confirmation of Agenda
2. Confirmation of Minutes
3. Matters Arising
4. Agenda:
 - (i) Briefing on the timelines of processing the 2018 Budget Policy Statement (BPS) and Revenue Bills
 - (ii) Briefing on the unpacking of the 2018 BPS by PBO
 - (iii) Briefing on the unpacking of the 2018 BPS by PBO
5. Any Other Business

MINBAC/02/2018/01: PRELIMINARIES/ CONFIRMATION OF AGENDA

The Chair called the meeting to order at 10.30 a.m. and welcomed members to the meeting. Thereafter, a word of prayer was said. In his introductory remarks, the Chair thanked members for their punctuality and noted that there were delays to start the meeting on time due to the fact that another parliamentary committee had requested to use the venue between 9a.m to 10a.m. He read the agenda of the day. He informed members that the secretariat had requested to brief the Committee on the unpacking of the Medium-Term Debt Management Strategy

(MTDS) on Thursday, 22nd February, 2018. The Committee agreed to the request.

MIN BAC /02 /2018/02: BRIEFING ON THE TIMELINES OF PROCESSING THE 2018 BUDGET POLICY STATEMENT (BPS,) MEDIUM TERM DEBT MANAGEMENT STRATEGY (MTDS) AND REVENUE BILLS

The Chair took members through a schedule of activities that the committee needs to undertake to be able to timely process the 2018/19 BPS, MTDS and the Revenue Bills. The schedule is as follows:

NO.	DATE	ACTIVITIES
1	13 th – 14 th February, 2018	➤ Submission of the Budget Policy Statement and the Medium-Term Debt Management Strategy (MTDS) to the National Assembly- Tabling and Committal
2	20 th February, 2018	➤ Briefing on the unpacking of the BPS to the Budget and Appropriations (BAC)
3	15 th - 20 th February 2018	<ul style="list-style-type: none"> ➤ Briefing of the various Departmental Committees(DC's) by the Parliamentary Budget Office (PBO) ➤ Consultative meetings between the BAC and National Treasury ➤ Consultative meetings between the BAC and Commission on Revenue Allocation (CRA). ➤ Consultative meetings between the BAC with Auditor General and Parliamentary Service Commission ➤ Consultative meetings between the Departmental Committees and Ministries, Departments and Agencies (MDA's)
4	22 nd – 23 rd February, 2018	➤ Submission of the Departmental Committees reports on the BPS to the Budget and Appropriations Committee by Departmental Committees
5	22 nd – 26 th February 2018	<ul style="list-style-type: none"> ➤ Report Writing Retreat ➤ Final consultations with the National Treasury ➤ Finalizing and Adoption of the Budget Committee Report on the 2018/19 BPS and MTDS
6	27 th February 2018	➤ Tabling of the BAC committee report on the 2018/19 BPS
7	28 th February 2018	➤ House debate and adoption of the BAC committee report on the 2018/19 BPS and MTDS
8	1 st March 2018	➤ Publication of the 2018 Division of Revenue Bill (DoRB)
9	6 th March, 2018	➤ Finalization of the BAC report on Division of Revenue Bill
10	6 th –8 th March 2018	➤ Tabling and adoption of the BAC report on 2018, DoRB and referral to the message to the Senate
11	20 th March 2018	➤ Receipt of the message from the Senate on 2018, DoRB
13	27 th March 2018	➤ Receipt of the message from the Senate on consideration of 2018, County of Allocation of Revenue Bill (CARB)
14	28 th March 2018	➤ Finalization and tabling of the BAC report on 2018, CARB
15	29 th March 2018	➤ Adoption of the BAC report on CARB and referral to the message to the Senate

Members deliberated on the schedule and noted that there was post-election seminar that National Assembly was planning to take place between 4th -8th March, 2018 and which the schedule had not taken into account. The Secretariat was asked to revise the schedule appropriately.

MIN BAC /02 /2018/03: BRIEFING ON THE UNPACKING OF THE 2018 BUDGET POLICY STATEMENT (BPS)

The Chair called upon the Parliamentary Budget Office to brief the Committee. The Committee was informed as follows:

The Budget Policy Statement (BPS) is a policy document that sets out the broad strategic priorities and policy goals that will guide the national and county governments in preparing their budgets for the financial year and over the medium term. The strategic direction of the BPS is informed by the policies outlined in the various government policy documents such as Vision 2030, medium term plans, Ministerial and Sectoral Development Plans, the president's manifesto among others and is geared towards achieving overall economic growth and development. The growth strategy, revenue and expenditure proposals in a particular financial year should take into account the current state of the global and domestic economy including the outlook of the various macroeconomic variables.

The 2018 BPS is the first BPS prepared under the second term of the Jubilee Administration and sets the pace for key policies, priority programs and reforms which will be implemented over the next five years (2018 – 2022). Under a banner titled, “The Big Four” Plan, the BPS outlines key interventions in manufacturing, agriculture and food security, healthcare as well as housing

which will drive the economic transformation agenda towards industrialization, job creation and a general improvement in the quality of life for all Kenyans. To achieve these policies, the BPS also outlines overall expenditure proposals for programmes under various Ministries, Departments and Agencies (MDAs).

The 2018 BPS has been divided into four parts as follows:

- (i) Part I gives a general overview of the recent economic developments and the medium-term outlook
- (ii) Part II gives the details of the Big Four plan including priority initiatives and targets to be achieved by 2022
- (iii) Part III outlines the revenue and expenditure projections for 2018/19 and the medium term
- (iv) Part IV discusses the county financial management and division of revenue.

That, the 2018 BPS has achieved a 73.75 percent level of compliance. In particular, the following issues were identified:

- i. The ceiling for the development expenditure and personnel spending of the national government budget approved by Parliament are not binding as compared to the 2016 BPS.
- ii. There is no information on pending bills as required under PFM regulations 26 (2)(f)
- iii. No information provided on level of budgetary expenditures by economic and functional classifications at National Level.

- iv. No list of proposed projects indicating their respective expenditure ceilings, reconcilable to the total proposed ceilings for development expenditure.
- v. Lack of specific targets in some programmes in the Natural Resources Management and Protection Department.
- vi. That the macro-fiscal framework has been anchored on optimistic forecast especially GDP and revenues and the 2018 BPS has not given concrete evidence on how such growths will be achieved.

The theme of this BPS is **“creating jobs, transforming lives -“the big four” plan”**. Under this plan, the economic focus of the Government over the next five years will be towards implementing projects and policies that will accelerate economic growth and more importantly address three key perennial challenges that have plagued the country since independence, namely; unemployment, poverty and income inequality and to achieve this, the government has identified the following four key strategic areas of focus:

- i. Supporting value addition and raising the manufacturing sector’s share of GDP to 15 percent by 2022
- ii. Enhancing food security and nutrition security to all Kenyans by 2022
- iii. Providing universal health coverage to guarantee quality and affordable healthcare to all Kenyans
- iv. Provision of affordable and decent housing for all Kenyans (at least 500,000 affordable new houses by 2022.
- v. Supporting value addition and raising the manufacturing sector’s share of GDP to 15 percent by 2022.

In addition, the Committee was informed that the preparation of the 2018 BPS is built upon the transformation agenda which focused on the five key pillars which were rolled out from financial year 2013/14. These pillars were:

- (i) creating a conducive business environment
- (ii) investing in sectoral transformation
- (iii) infrastructure expansion
- (iv) investing in quality and accessible social services
- (v) Consolidating gains made in devolution.

Further the Committee was taken through the key highlights of the “Big Four” Agenda and the gaps that the unpacking had identified.

Under the realism of the 2018/19 macro fiscal framework the committee was informed that on the external front, the IMF projects that the global growth is expected to improve in 2018 to 3.9 percent from 3.7 percent in 2017 mainly owing to the positive effects of the USA tax policy changes on global trade and investment. The growth in the East African Community has slowed down since 2016 mainly due to prolonged effect of drought, political tensions and a decline in credit growth and that it should be noted however, that this growth is mostly driven by other countries in EAC namely, Rwanda and Tanzania. Under the circumstances thereof, Kenya’s economic growth is actually slowing down the regional outlook.

That, the Kenya’s economic growth for 2017 is expected to be 4.8 percent from 5.6 percent in 2016. The growth was negatively impacted by adverse weather conditions, reduced credit to the private sector and unfavorable business environment due to prolonged political activities but going forward the economic growth rate is projected at 5.3 percent for FY 2017/18, 5.9 percent in FY

2018/19, 6.3 percent in FY 2019/20 and 6.8 percent in FY 2020/21. The Committee was further informed on the projections to other key macro-economic variables like inflation, exchange rates and interest rates.

On the fiscal framework and policy outlook, the Committee was informed that 2018 BPS proposes that the expenditure ceiling for financial year 2018/19 will be Kshs. 2,492 trillion, broken down as follows;

i. National Government	Kshs. 1,428,533.9
ii. Parliament	Kshs. 31,768.9
iii. Judiciary	Kshs. 17,783.2
iv. Consolidated Fund Services	Kshs. 690,368.9
v. County Equitable Share	Kshs. 314,000
vi. Equalization Fund	Kshs. 4,700
vii. Contingency Fund	Kshs. 5,000

In addition, the projected total revenues excluding grants for financial year 2018/19 will be Kshs. 1,853.9 trillion (the grant component is Kshs. 50.5 billion). This therefore translated into a primary deficit of approximately Kshs. 639 Billion for FY 2018/19.

The Committee was further informed that according to the BPS, the fiscal policy stance of the government during the FY 2018/19 and the medium term is targeting fiscal consolidation supported by rapid economic growth while sustaining revenue growth projection. The government indicates that it is aiming towards achieving the EAC convergence path of fiscal deficit ceiling of 3 per cent GDP by 2021/22 underpinned by revenue growth and contractionary expenditure policy. The effect of this will be that the fiscal balance is expected to stand at 7.2% of GDP in 2017/18, 6.0 % of GDP in 2018/19 and 3 % GDP over the medium term.

The Committee was further informed that going forward there were external and domestic shocks which were a risk to the economy. These risks are associated with the macroeconomic assumptions, public debt dynamics, contingent liabilities, vulnerabilities of the financial sector and other unforeseen threats.

On vertical sharing of revenues, the Committee was informed that 2018 BPS, projects that the nationally raised ordinary revenue for financial year 2018/19 will be Ksh. 1,688.4 Billion out of which Ksh. 1,370 Billion will be allocated as the equitable share to National Government, the allocation for the Equalization Fund for FY 2018/19 will be Kshs. 4.7 Billion which is a 39 percent reduction from the previous year. The BPS also proposes an allocation of Ksh. 372.74 Billion to the County Governments for FY 2018/19. This amount comprises of Kshs. 314 Billion as equitable share and Kshs. 58.742 as conditional grants of which Kshs. 33.2 Billion will be from Development Partners. The BPS explains that the basis for computing the proposed equitable share of nationally raised revenue among the national and county government is as follows

- (i) That the previous allocation of Kshs. 302 Billion in FY 2017/18 is adjusted by a growth factor of 4.0 percent resulting to additional Kshs 12 billion over and above the 2017/18 amount. This amounts to Kshs. 314 Billion as equitable share.

After the briefing the committee members raised the following issues among others with the 2018/19 BPS:

1. The realism of the fiscal framework especially key variables namely;
 - (i) Economic growth rate for 2018 to 2021
 - (ii) Inflation and other macro-economic variables
 - (iii) Revenue of overall expenditure projections

2. The overall Deficit importantly the target for 2017/18 and projections into the medium term
3. The trends in public debt which should include the inter linkage between the fiscal framework and the Debt strategy.
4. The increased level of commercial debt borrowing for 2017/18
5. The result matrix for the implementation of the “Big Four” agenda
6. The status of Medium Term Plan III and its linkage to the 2018 BPS
7. The status of equalization fund and implementations of the projects under the equalization fund.

After lengthy deliberations the Committee asked the secretariat to forward the issues of concern that they had raised on the 2018/19 BPS to the National Treasury so that they can be responded too during the planned report writing retreat on the 2018/19 BPS.

MIN BAC /02 /2017/04: ANY OTHER BUSINESS

The Chair informed the Members that arising from the tabling and referral of the 2018/19 BPS and MTDS, a report writing retreat had been planned to take place from Thursday, 22nd to Sunday, 25th February, 2018 at the Boma, Hotel South C, Nairobi. Members were expected to check in from Thursday and check out on Sunday.

The Committee had received various legislative proposals “Money Bills” which were now pending business and there was need to start considering them as soon as possible.

During the recess period, the Committee had received an invitation from the Organization of Economic Development and Cooperation (OECD) to attend the Public Debt Management Forum in Paris, France. The conference was to take

place from 22nd-23rd February,2018 and thus had nominated the following members to attend:

- 1) Hon.Moses Lessonet,M.P
- 2) Hon.Sarah Korere,M.P
- 3) Hon.Gedieon Ochanda,M.P
- 4) Hon. Nyaga Muchiri,M.P

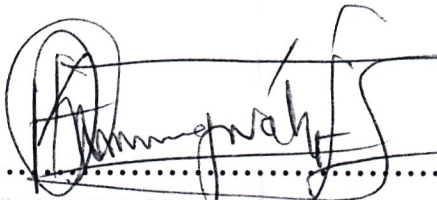
However, the Hon. Nyaga Muchiri, M.P. had pulled out at the last minute due to other commitments. He asked members that in future they should confirm their availability and attendance so that the committee does not lose opportunities.

He further informed Members that a request had been done to other destinations so that the committee members can get opportunities to learn on issues related to Public finance and Budget making process specifically he stated that the requests were to the following jurisdictions: Germany, United Kingdom, Uganda, South Africa and the Philippines. He further stated that when nominating delegates to represent the Committee he shall take into account the commitment of a member to the committee activities as the key determinant and consider gender, regional and political balances.

A member reminded the committee that during the induction retreat, there was a proposal to have the committee sponsor two women members to attend the women status conference in New York, United States of America to be held in March,2018. The secretariat was asked to follow up on the issue and to brief the Chairman by close of day.

MIN BAC /02 /2017/05: ADJOURNMENT

There being no other business the meeting adjourned at 12.55 p.m. The next meeting will be held on Thursday, 22nd February, 2018 at 8:45 a.m. at a venue to be communicated later.



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

20/02/18.

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DATE

