

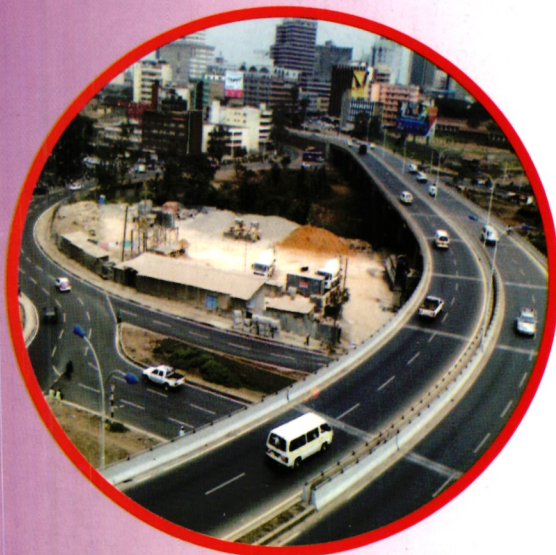


Republic of Kenya

OFFICE OF THE CONTROLLER OF BUDGET

BUDGET IMPLEMENTATION REVIEW REPORT

Third Quarter
2012/2013



April 2013



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Foreword

In pursuit of our mandate as stipulated by the Constitution, I am delighted to present the Third Quarter Budget Implementation Review Report covering the period ending March 2013. This Report, which is the third in the series of budget implementation reports for the financial year 2012/2013, is a result of a careful and objective analysis of the budget and its implementation by various government agencies.

According to Article 228 (6) of the Constitution of Kenya 2010, The Office of the Controller of Budget is required to submit a report on the implementation of the budget to the Executive and Parliament, for both the National and County Governments on quarterly basis. A critical aspect of this mandate is the requirement that the Controller of Budget oversees the implementation of the budgets of these two levels of government by authorizing withdrawals from public funds under articles 204, 206 & 207. Coming soon after the just concluded general elections with a new Government and a devolved governance structure, this report brings into focus the need to clearly define and implement the support framework of these institutions to enable them to effectively discharge their services at these levels.

In this report we have compared the implementation of the Ministries, Departments and Agencies (MDAs)'s current budget to the performance over the same period last Financial Year (FY) in order to evaluate the utilisation and absorption rate. In addition, the report highlights the revenue and expenditure performance of these agencies and the macro-economic environment under which the budget implementation was realized.

The report has been produced at a time when the country's economy is experiencing a slowdown attributed to a shortfall in revenue collection and anxiety associated with the general elections. The shortfall in revenue collection saw a substantial amount of exchequer requests from MDAs not funded leading to low absorption among the MDAs. In order to address the above mentioned issues, the government needs to rationalise expenditures on such activities as hospitality, domestic and foreign travels.

Budget monitoring remains a crucial tenet of the budget execution process. This report therefore, provides an opportunity for readers to interrogate, participate in and assess the implementation of both national and county governments' budgets as well as scrutinize Government's service delivery.



Mrs. Agnes N. Odhiambo

CONTROLLER OF BUDGET

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Executive Summary

This is the third report on budget implementation by the Office of Controller of Budget for the 2012/2013 financial year. One of the functions of the Office of the Controller of Budget (OCOB), as stipulated in the Constitution (Article 228(4)), is to oversee the implementation of the Budgets for both national and county governments.

Having successfully concluded the general elections and subsequently establishing a devolved system of government, the 2012/2013 budget serves as a transitional one, with national resources shared equitably according to the criteria set by the Commission on Revenue Allocation. The key blueprints of the Government of Kenya, particularly Vision 2030, have laid emphasis on the need for efficiency and better management in the utilization of public resources to enable the government achieve its strategic objectives of growth, productivity, and improvement in service delivery.

To achieve the country's development agenda of creating a globally competitive and a middle class economy by the year 2030, there is need for greater transparency and high quality management of public finances at both levels of government. This is fundamentally essential if we are to ensure fiscal discipline and safeguard the stability of our economy.

The economy recorded mixed performance during the year. The overall GDP growth rate for the year 2012 was 3.7 per cent against 5.2 per cent projected by the 2012 BPS. This was a decline compared to 4.4 per cent which was recorded the previous year. Inflation rate improved for the period January to March to average 4.11 per cent compared to 16.9 per cent over the same period last year. The exchange rate deteriorated marginally against major currencies. The local currency traded at an average of Kshs 86.5 against the US dollar between January and March compared to Kshs. 83.5 for the same period last year. However, compared to the previous quarter, the exchange rate depreciated from Kshs 85.14 to Kshs 86.5 mainly due to anxiety during the electioneering period.

The total revenue receipts as at end of March 2013 stood at Kshs. 737.6 billion against a target of Kshs. 900.3 billion, for the period under review, representing a performance of 81.9 per cent. Total Domestic taxes category contributed the highest amount of Kshs. 510.46 billion representing a growth rate of 12.3 per cent over the same period last financial year.

The total exchequer issues for the period under review were Kshs. 738.2 billion. This comprised of Kshs. 586.8 billion for recurrent and Kshs. 151.4 billion for development expenditure. However, requisitions amounting to Kshs. 68.4 billion were not funded as at 28th March 2013.

The total expenditure for the period under review was Kshs. 684.9 billion. The MDAs recurrent expenditure amounted to Kshs.416.7 billion which represents an absorption rate of 57.5 per cent compared to 66.2 per cent over the same period last financial year. Development expenditure amounted to Kshs. 119.3 billion representing an absorption rate of 25.9 per cent of this year's budget compared to 37.6 per cent over same period last financial year.

Finally, there is need to improve on budget execution for the country to achieve targeted economic growth. Further, the office recommends timely release of exchequer requests so as to improve on the absorption rate. There is a need for the revenue collecting agency to hasten reforms aimed at among others widening the tax base in order to increase the annual revenue. Further, there is need to rationalise budget allocation on non-core activities such as hospitality and both domestic and foreign travels to focus more on those which contribute to growth in the economy.

Acronyms

AG	Auditor General
AIA	Appropriation in Aid
AIE	Authority to Incur Expenditure
ARD	Agriculture and Rural Development Sector
BPS	Budget Policy Statement
BSD	Budget Supply Department
CAJ	Commission on Administrative Justice
CBK	Central Bank of Kenya
CBR	Central Bank Rate
CFS	Consolidated Fund Services
CIC	Commission on Implementation of the Constitution
COB	Controller of Budget
CRA	Commission on Revenue Allocation
CRR	Cash Reserve Ratio
CSD	Customs Services Department
DTD	Double Tax Deduction
EAC	East Africa Community
EACC	Ethics and Anti-Corruption Commission
EI&ICT	Energy Infrastructure and Information and Communication Technology
FY	Financial Year
GDP	Gross Domestic Product
GECLA	General Economic and Commercial and Labour Affairs
GJLOS	Governance Justice Law and Order Sector
GOK	Government of Kenya
G-PAY	Government Payment System
IDP	Internally Displaced Persons
IEBC	Independent Electoral and Boundaries Commission
IFMIS	Integrated Financial Management Information System
KAA	Kenya Airports Authority
KNBS	Kenya National Bureau of Statistics
KNHR	Kenya National Human Rights
KRA	Kenya Revenue Authority

MDAs	Ministries Departments and Agencies
MTEF	Medium Term Expenditure Framework
MTP	Medium Term Plan
ND &V	National Development and Vision 2030
NPSC	National Police Service Commission
NSIS	National Security Intelligence Service
OCOB	Office of the Controller of Budget
ODPM	Office of Deputy Prime Minister
OPM	Office of Prime Minister
OVP	Office of Vice President
PAIR	Public Administration and International Relations
PAYE	Pay as You Earn
PSC	Public Service Commission
RIT	Research Innovation and Technology
TTI	Trade Tourism and Industry
VAT	Value Added Tax

1. Introduction

The 2012/2013 Budget was developed on the presumption of sound economic fundamentals that would accelerate growth, create employment, reduce poverty and stem inequality in the country. The Budget was anchored on economic and structural reforms combined with a conducive investment climate to provide an opportunity for growth, to generate income and mobilize resources that would improve the quality of life of all Kenyans.

The Medium Term Expenditure Framework (MTEF) prioritized expenditure based on prudent macroeconomic strategy, and the necessary reforms required to accelerate social and economic progress as envisioned in the Constitution. The FY 2012/13 Budget serves as a transitional budget due to the ushering in of the devolved governance structure after the March 2013 general elections. This saw the operationalization of the County governments whose fiscal framework was presented in the current Budget Policy Statement (BPS) in line with new constitutional dispensation. The budget was expected to form the underpinning for equitable division of revenue based on a clear criterion from the Commission on Revenue Allocation. These aspirations are only possible through fiscal discipline and the maintenance of economic stability.

The implementation of the third quarter budget for the 2012/2013 financial year presented a number of challenges. Key among them was that revenue collection fell short of expectation with receipts below the projected estimates by 18.1 per cent recording Kshs. 737.6 billion against a target of Kshs. 900.3 billion.

The report presents the status of the implementation of the budget against the projects and programmes specified in the Budget Policy Statement. The report further focuses on the status and evaluation of the performance of our economy, revenue collection, exchequer releases and expenditures of MDAs for the period July 2012 to March 2013. In the process, we aim at inculcating transparency and accountability in public financial management in regard to budget implementation.

The report is based on the analysis of targets set out in the Budget Policy Statement stipulating the theme for the current budget. In addition, the report compares the performance of the current financial year to that of the same period in the previous financial year

Furthermore, we intend to use these statutory reports to inform and advise the government on the implementation of the budget and how absorption of resources can be enhanced among other related issues. The remaining part of the report is structured in such a way that it presents a brief review of the macroeconomic environment within which the budget was implemented during the period under review. Finally, the report provides detailed analysis of government revenue receipts and expenditure in the first nine months of the financial year 2012/2013 for each sector briefly outlining key challenges affecting the implementation of the budget and makes recommendations on how to stem the gaps.

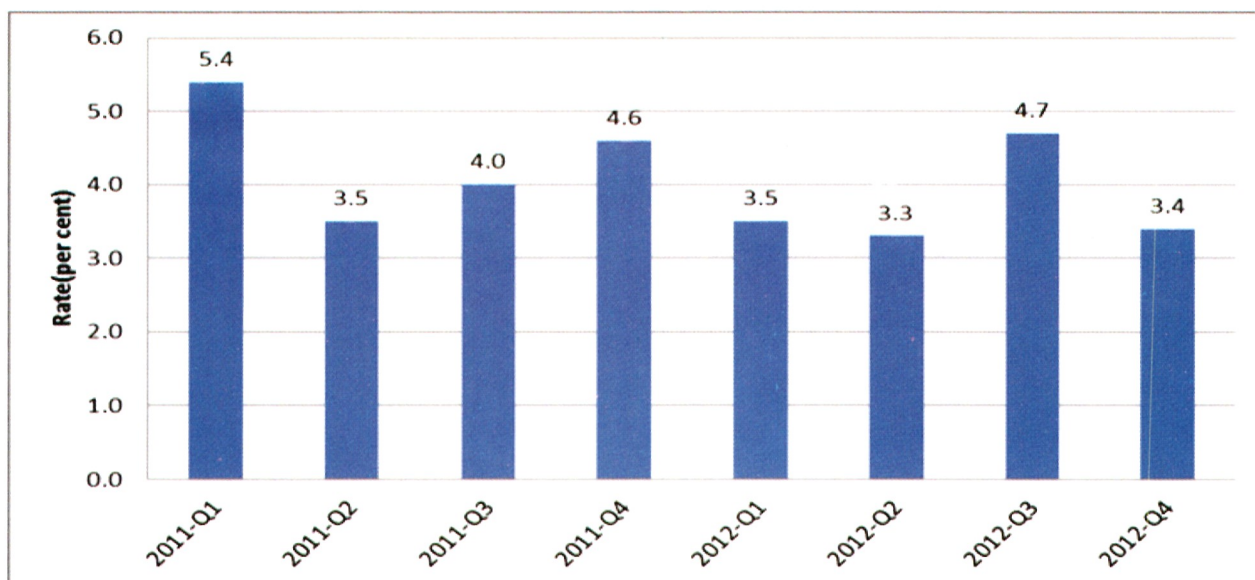
2. Macroeconomic Development Highlights

To achieve sustainable economic growth, the implementation of the budget is significant in ensuring the goals set are met. The implementation of the budget is dependent on the targets set in the Budget Policy Statement (BPS) for the financial year which lays out the policies and agenda for its implementation. The benefits of economic growth cannot percolate to all sectors of the economy if the budget is not executed as planned. This means deliberate efforts must be put in place to improve the budget implementation in a way that guarantees sustainable growth for the country.

2.1 Economic Growth

The overall GDP growth rate for the 2012 calendar year was 3.7 per cent against 5.2 per cent projected by the 2012 BPS. This was a decline compared to 4.4 per cent which was recorded the previous year. The decline in growth rate was attributed to the poor performance in the agricultural sector and the anxiety associated with the elections as evidenced by the low revenue collection and low absorption rate by the MDAs in the current financial period compared to the same period last year. The above scenario is expected to change in 2013 after the peaceful general elections and the smooth handover of power to the new government.

Figure 1: Quarterly GDP growth for the period 2011-2012

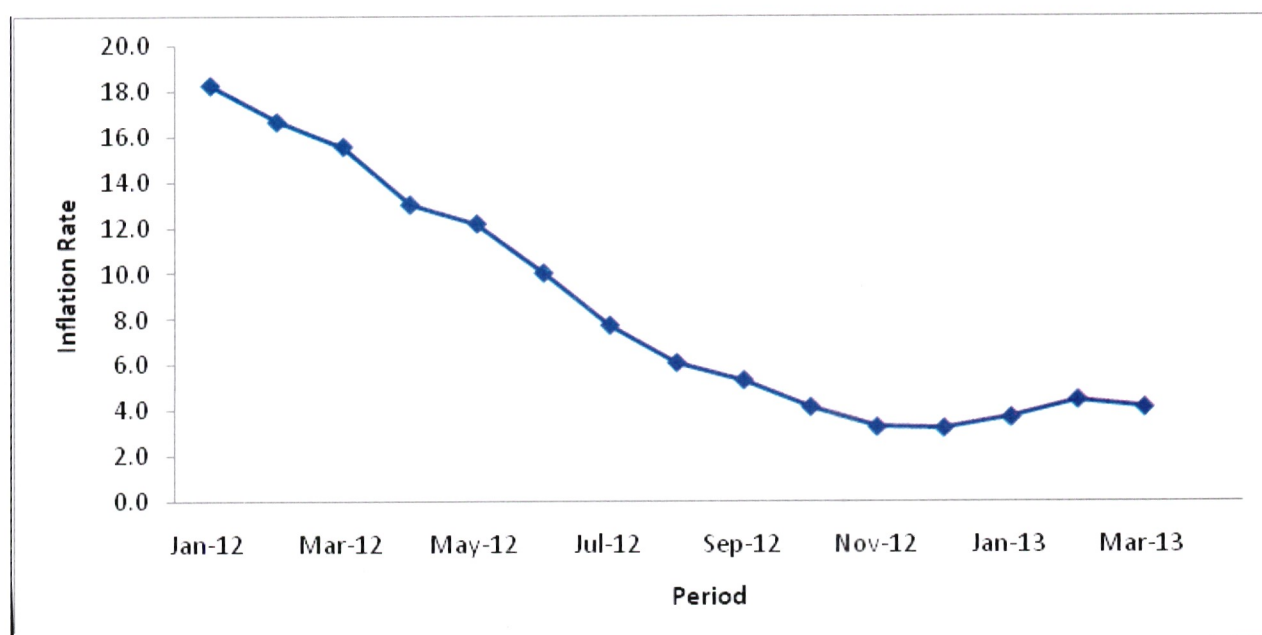


Source: KNBS, 2012

2.2 Inflation

The overall inflation for the period January to March 2013 stood at an average of 4.1 per cent compared to 16.9 per cent recorded in the same period the previous year. This was an achievement of the target of 5 per cent set out in the BPS 2012. The stabilization of inflation was achieved as a result of the mechanisms and strategies adopted by the government to stabilize the shilling and food prices. This is likely to impact budget implementation positively for the remaining part of the financial year. Figure 2 shows the trend of the country's overall inflation rate.

Figure 2: Overall inflation rate for the period January 2012- March 2013

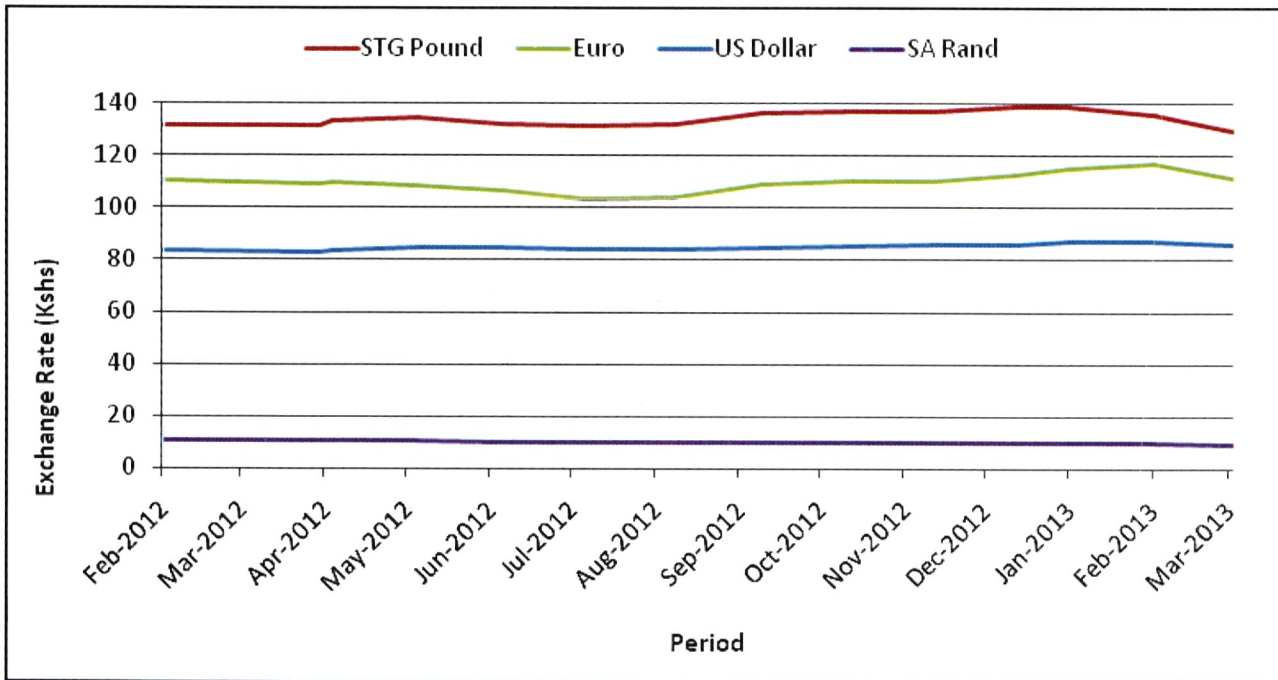


Source: KNBS, 2012

2.3 Exchange Rate

The Kenya Shilling depreciated marginally during the period January to March 2013 against major world currencies. The shilling exchanged at an average of Kshs 86.5 to the US dollar in the period under review compared to Kshs. 83.5 over the same period last year. The Sterling pound exchanged at an average of Kshs. 132 compared to Kshs 132.7 over the same period last year. The Euro and the South African rand exchanged at an average of Kshs. 114.3 and Kshs. 10.0 compared to Kshs. 111.4 and Kshs. 10.9 respectively as indicated in figure 3. The depreciation of the exchange rate is likely to affect budget implementation for the remaining period of the financial year. Subsequently the effect is likely to be compounded in debt repayment as this is pegged on the prevailing exchange rate.

Figure 3: The Kenya Shilling Exchange Rate Trends with Selected International Currencies



Source: Central Bank of Kenya, 2012

3. Financial Analysis for the 2012/2013 Budget Implementation

3.1 Analysis of Revenue Performance

According to the Budget Statement for FY 2012/2013, the government had estimated to collect ordinary revenue amounting to Kshs. 956.9 billion. This comprised of Kshs. 870.5 billion as ordinary revenue, Kshs. 84.8 billion as Appropriations-in Aid (A-in-A) and Kshs. 1.3 billion as LATF adjustment. This accounted for 24.7 per cent of the GDP same as the previous financial year. The total revenue earmarked to fund the budget was estimated at Kshs. 1,180.9 billion with a budget deficit of Kshs. 279 billion to be financed through domestic and foreign borrowing.

3.1.1 Revenue Receipts

The National Treasury for the period July 2012 to March 2013 received revenue amounting to Kshs. 737.6 billion against a target of Kshs. 900.3 billion from ordinary revenue, loans and grants, a performance of 81.9 per cent. Revenue raised from external grants stood at 67.1 per cent of the target. The revenue collection from income tax category contributed the highest amount of Kshs 510.5 billion against a target of Kshs 817.5 billion. Shortfall in revenue collection may result to high domestic borrowing to finance the deficit as well slow down the implementation of the budget.

Table 1: Statement of the Actual Revenue as at end of March 2013 (Kshs. Billions)

Receipts by Category	Printed Est. 2012/2013	Actual Receipts 28/03/2013	Target for July 12 to March 13	Performance rate
Total Tax Income	817.46	510.46	613.09	83.3
Total Non-Tax Income	51.36	21.13	38.52	54.9
Total Domestic Borrowing & Repayment	277.75	185.73	208.32	89.2
Loans – External	37.42	13.91	28.07	49.5
Grants – External	5.98	4.01	4.49	89.4
Grants from International Organizations	8.72	2.39	6.54	36.5
Grants from Other Level of Government	0.05	-	0.04	0.0
Repayment From Domestic Lending & On Lending	1.70	-	1.27	0.0
TOTAL	1,200.44	737.63	900.34	81.9

Source: Ministry of Finance

3.1.2 Performance of Ordinary Revenue Collection by Kenya Revenue Authority (KRA)

Adequate collection of revenue is critical for effective and efficient implementation of the budget. For the period July 2012 to March 2013 the total revenue collected by the Kenya Revenue Authority amounted to Kshs. 529.5 billion representing a revenue growth of 12.3 per cent against Kshs 471.7 billion collected over the same period last year. Domestic Taxes recorded the highest performance rate of 90.7 per cent which represents a growth rate of 15.7 per cent over the same period last financial year while road transport had the lowest performance rate of 38.9 per cent.

However, the KRA's performance rate in revenue collection was 88.2 per cent against the set target. According to table 2, the shortfall in revenue collection could be attributed to depressed business activity observed during the election period, decline in oil volumes affecting petroleum taxes, subdued growth rate in trade taxes and shift in consumption patterns for beer and cigarettes which affected domestic excise duty.

Table 2: Revenue Performance for July 2012 to March 2013 (Kshs. Billions)

Revenue Category	Actual 2012/2013	Target	Variance	Performance Rate (%)	Actual 2011/12	Growth Rate Over 2011/12 %
Customs Services	164.6	195.3	(30.7)	84.3	156.2	+5.4
Domestic Taxes	363.2	400.3	(37.1)	90.7	313.8	+15.7
Road Transport	1.7	4.5	(2.7)	38.9	1.7	+5.3
Total	529.5	600.1	(70.5)	88.2	471.7	+12.3

Source: Kenya Revenue Authority

3.2 Exchequer Issues

During the period July 2012 to March 2013, the OCOB released exchequer issues amounting to Kshs. 738.2 billion for both recurrent and development expenditures representing 58.9 per cent of the net estimates in the revised budget. This is a decline by 7.5 percentage points compared to same period last financial year. The slowdown in release of exchequer issues can be attributed to the shortfall in revenue collection.

Table 3: Recurrent and Development Exchequer issues for July 2012- March 2013 (Kshs. Billions)

Name of the Sub Sector	2012/2013 Financial Year			2011/2012 Financial Year		
	Revised Net Est.	Exch. Issues	% of Exch. to N. Est.	Net Est.	Exch. Issues	% of Exch. to N. Est.
Agriculture and Rural Development	38	24.3	63.9	34.4	23.1	67.2
Education	227	164.6	72.5	176.7	137.6	77.9
The Energy, Infrastructure and Information Communications Technology (EI & ICT) Sector	110.5	57.2	51.8	104.0	60.6	58.3
The Environmental Protection, Water and Housing Sector	42.6	23	54.0	41.7	27.8	66.7
General Economic, Commercial and Labour Affairs (GECLA) Sector	17.7	11.3	63.8	17.1	12.6	73.7
The Governance, Justice, Law and Order Sector (GJLOS)	156.9	107.3	68.4	118.4	74.2	62.7
The Health Sector	73.3	43.1	58.8	50.0	37.0	74.0
The Public Administration and International Relations Sector	115.8	72.4	62.5	102.0	56.3	55.2
The Social Protection, Culture and Recreation Sector	36.5	22	60.3	33.2	26.0	78.3
National Security	89.7	60.2	67.1	65.2	53.8	82.5
Sub-Total MDAs Recurrent	908.1	585.4	64.5	742.7	509.0	68.5
Sub-Total Consolidated Fund Services	345.99	152.8	44.2	209.5	122.9	58.6
Grand Total	1,254.09	738.2	58.9	952.2	631.9	66.4

Source: Office of the Controller of Budget

Table 3 shows the exchequer issues for the period July 2012 to March 2013. Analysis by sector shows that the education sector received the highest exchequer issues amounting to Kshs. 164.6 billion representing 72.5 per cent of the revised net estimates. Although this figure is higher than the exchequer issues in the last financial year, the exchequer issues to the sector represents a decline of 5.4 percentage points compared to the same period last financial year. Energy, Infrastructure and Information Communications Technology (EI&ICT) sector received the lowest exchequer issues of Kshs. 57.2 billion which represents 51.8 per cent of the revised net estimates, a reduction of 6.5 percentage points over the same period last financial year. The Consolidated Fund Services received Kshs. 152.8 billion which represents 44.2 per cent of the revised net estimates.

3.2.1 Sectoral Recurrent Exchequer Issues

Table 4 summarizes recurrent exchequer issues by sectors. MDAs received exchequer issues amounting to Kshs. 434.1 billion for the period July 2012 to March 2013 to fund their recurrent expenditures which represents 69.4 per cent of the net revised estimates compared to 75.9 per cent released in the same period last financial year. This is a decline of 6.5 percentage points compared to the corresponding period last financial year. The Education sector received the highest exchequer issues amounting to Kshs. 155.7 billion representing 73.2 per cent of the revised net estimates. However, this is still low compared to 79.0 per

cent released over the same period last financial year. The EI&ICT sector received the lowest exchequer issues of Kshs. 7.5 billion representing 60.5 per cent of the revised net estimates. It is worth noting that the performance in terms of exchequer issues to the Health sector declined tremendously from 82.2 percent to 63.6 in the current financial year. Generally there was a reduction of exchequer issues released for recurrent budget to MDAs which is likely to affect their service provision to the citizenry.

Table 4: Sectoral Recurrent Net Estimates and Exchequer issues (Kshs. Billions)

Name of the Sub Sector	2012/2013 Financial Year			2011/2012 Financial Year		
	Revised Net Est.	Exch. Issues	% of Exch. to N. Est.	Net Est.	Exch. Issues	% of Exch. to N. Est.
Agriculture and Rural Development	18.9	12.8	67.9	16.6	12.9	77.9
Education	212.6	155.7	73.2	166.0	131.2	79.0
The Energy, Infrastructure and Information Communications Technology (EI & ICT) Sector	12.3	7.5	60.5	13.4	7.8	58.2
The Environmental Protection, Water and Housing Sector	12.5	8.4	67.0	11.7	8.7	74.3
General Economic, Commercial and Labour Affairs (GECLA) Sector	8.7	6.1	70.2	8.4	6.5	77.2
The Governance, Justice, Law and Order Sector (GJLOS)	143.6	100.3	69.9	106.6	68.8	64.6
The Health Sector	55.2	35.1	63.6	34.7	28.5	82.2
The Public Administration and International Relations Sector	51.4	34.5	67.0	39.9	31.5	79.1
The Social Protection, Culture and Recreation Sector	20.3	13.5	66.6	19.8	16.3	82.3
National Security	89.7	60.2	67.1	65.2	53.8	82.6
Total	625.2	434.1	69.4	482.2	366.1	75.9

Source: Office of the Controller of Budget

3.2.2 Sectoral Development Exchequer Issues

The total amount of exchequer issues released to MDAs for the period under review to undertake development projects was Kshs.151.4 billion. This represents 53.5 per cent of the revised net estimates which is a slight decline of 1.4 percentage points compared to the same period last financial year. Education sector received the highest exchequer issues amounting to Kshs. 8.9 billion which represents 61.8 per cent of the net estimates, a slight improvement of 2.1 percentage points compared to the same period last financial year. Health sector received the lowest exchequer issues of Kshs. 8.0 billion representing 44.0 per cent of the revised net estimates. The OCOB notes with concern that the low disbursement of funds to MDAs to undertake their development activities will undermine economic growth since these sectors are key drivers of the economy. As the new government tries to rationalize the recurrent expenditure, implement the Constitution and operationalize the county governments there will be need to emphasize more on improving budget implementation of development activities. Table 5 gives the summary of the sectors' development exchequer issues for the period under review.

Table 5: Sectoral Development Net Estimates and Exchequer issues (Kshs. Billions)

Name of the Sub Sector	2012/2013 Financial Year			2011/2012 Financial Year		
	Revised Net Est.	Exch. Issues	% of Exch. to N. Est.	Net Est.	Exch. Issues	% of Exch. to N. Est.
Agriculture and Rural Development	19.1	11.5	60.4	17.8	10.2	57.2
Education	14.4	8.9	61.8	10.7	6.4	59.7
The Energy, Infrastructure and Information Communications Technology (EI & ICT) Sector	98.2	49.7	50.6	90.6	52.8	58.2
The Environmental Protection, Water and Housing Sector	30.1	14.6	48.6	30.0	19.1	63.7
General Economic, Commercial and Labour Affairs (GECLA) Sector	9.0	5.2	58.5	8.7	6.1	69.9
The Governance, Justice, Law and Order Sector (GJLOS)	13.3	7.0	52.8	11.8	5.4	45.7
The Health Sector	18.1	8.0	44.0	15.3	8.5	55.5
The Public Administration and International Relations Sector	64.4	37.9	58.9	62.1	24.8	39.9
The Social Protection, Culture and Recreation Sector	16.2	8.5	52.1	13.4	9.7	72.4
Total	282.9	151.4	53.5	260.5	142.9	54.9

Source: Office of Controller of Budget

3.2.3 Exchequer requisitions not funded

The exchequer requisitions as at 28th March 2013 that had not been funded amounted to Kshs. 68.4 billion which represents 5.45 per cent of the total net estimates for the financial year.

3.3 Donor Releases

In the FY 2012/2013, development partners committed to release Kshs. 233.8 billion up from Kshs 183.1 billion committed last year towards budget support comprising of; Loans Revenue of Kshs. 14.1 billion, Grants Revenue of Kshs. 13.8 billion, Loans A-in-A Kshs 130.2 billion and Kshs. 41.9 billion as Grants Appropriation in Aid.

However, during the period under review, the development partners disbursed a total of Kshs. 53.7 billion representing 23.0 per cent of the total commitments. The highest disbursement was loans A.I.A amounting to Kshs. 29.6 billion representing 22.7 per cent of the expected disbursements while grants revenue was the least disbursed at Kshs. 3.3 billion.

Table 6: Summary of Grants and Loans Disbursement Status (Kshs. Billion)

Funding Type	Cumulative Disbursement as at 31-03-2013			Cumulative Disbursement as at 31-03-2012		
	Printed Estimates 2012/2013	Disbursements	% Disbursed against Printed Estimates	Printed Estimates 2011/2012	Disbursements	% Disbursed against Printed Estimates
Loans Revenue	47.9	14.1	29.4	14.9	37.7	37.7
Grants Revenue	13.8	3.3	23.9	5.2	40.8	40.8
Loans A.I.A	130.2	29.6	22.7	32.9	32.1	32.1
Grants A.I.A	41.9	6.7	16.0	5.7	20.0	20.0
Totals	233.8	53.7	23.0	58.6	32.0	32.0

Source: Ministry of Finance

3.4 Consolidated Fund Services

The Consolidated Fund Services (CFS) was allocated Kshs. 346.0 billion in the budget for the financial year 2012/2013. This represents 29.3 per cent of the total budget for the period. Out of the CFS allocation, Kshs. 171.6 and Kshs. 94.5 billion was to cater for redemption of debts and domestic interest respectively, while Kshs. 11.3 billion and Kshs. 26.2 billion was to cater for foreign interest and principal repayment respectively. A total of Kshs. 1.3 billion was allocated to service the guaranteed loans while Kshs. 3.1 billion was set aside for salaries and allowances for constitutional office holders.

For the period under review, a total of Kshs. 152.8 billion was released as exchequer issues which represent 44.2 per cent of the revised net estimates. The total expenditure for the same period stood at Kshs. 148.0 billion which represents an absorption rate of 42.8 per cent which is below the expected 75 per cent.

3.4.1 Public Debt

As at 31st March 2013, public debt was Kshs 1,800.43 billion translating to 46.6 per cent of Gross Domestic Product.

3.4.2 Domestic Borrowing

In the revised budget for the financial year 2012/2013, the government proposed to borrow a total of Kshs 138.8 billion from the domestic market to finance the budget deficit. The actual domestic borrowing for the period July 2012 to March 2013 stood at Kshs. 96.7 billion. The government had budgeted Kshs 266.1 billion to service domestic debt for the FY 2012/13. This amount comprised of Kshs. 171.6 billion and Kshs. 94.5 billion which was allocated for principal redemption and interest payments respectively. During the period under review, exchequer issues released to meet actual expenditures on the domestic debt service were Kshs. 85.5 billion.

3.4.3 Foreign Debt

To finance the budget deficit for FY 2012/13, the government had estimated to borrow a total of Kshs. 143.6 billion externally. Subsequently, the government allocated a total of Kshs. 37.5 billion for repayment of principal and interest on external loans. Out of this amount, Kshs.26.2 billion was for the principal repayment while Kshs.11.3 billion was to pay interest. For the period under review, a total of Kshs 29.0 billion was released as exchequer issues against the actual payment of Kshs 27.8 billion.

3.4.4 Pensions and Gratuities

For the FY 2012/13, the government budgeted Kshs. 37.8 billion to meet the cost of paying pensions and gratuities to retired employees. This represents 10.9 per cent of the CFS revised gross estimates. The exchequer issues released by 31st March 2013 amounted to Kshs.18.2 billion representing 48.0 per cent of the revised net estimates. However, out of the total exchequer issued, only Kshs. 15.8 billion was spent with Kshs.2.4 billion not spent.

3.4.5 Salaries, Allowances and Miscellaneous

The total cumulative budget for salaries and allowances for constitutional office holders was Kshs. 3.1 billion for FY2012/2013. For the third quarter, the total exchequer issues released for salaries and allowances for constitutional office holders amounted to Kshs 2.9 billion representing 92.8 per cent of the revised net estimates. The total expenditure was 1.7 billion representing an absorption rate of 53.8 per cent.

3.4.6 Guaranteed Loans

The total budget allocation for servicing guaranteed loans defaulted by state corporations was Kshs. 1.3 billion. The exchequer issues released for servicing guaranteed debts was Kshs. 1.9 billion. The variance between the budget allocation and the exchequer issues is attributed to Kshs. 664.1 million instalment on guaranteed loan to Nairobi City Council whose payment had been initiated in the previous financial year and exchequer issues released in the current financial year. However, the actual payment in the financial year 2012/13 was Kshs. 848.7 million.

From the above analysis, it is evident that there were some surplus resources held under the different components of the CFS. In future, there is need for reconciliations so as to account for the surplus resources in the CFS account in order to free the unutilized resources to other sectors.

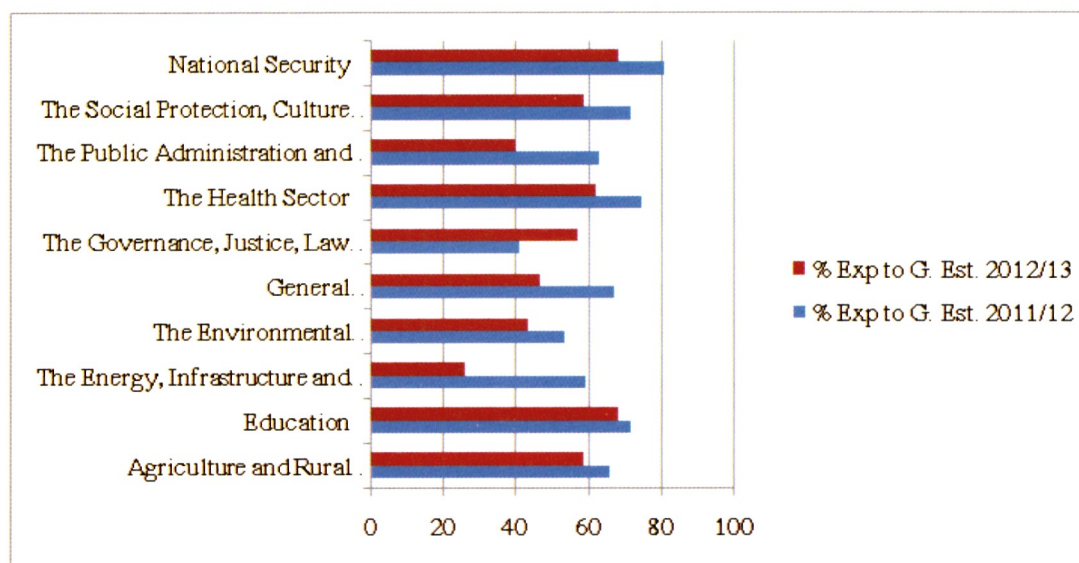
Table 7: Analysis of CFS Expenditure (Kshs. Billions)

CFS	Revised Gross Estimates	Rev. Net Estimates	Exchequer Issues	Actual Expenditure	Exchequer Issues as % Net Est.	Expenditure as a % of Gross Estimates
Public Debt	303.6	303.6	129.8	129.7	43.4	43.0
Pensions and Gratuities	37.8	37.8	18.2	15.8	48.0	41.7
Salaries and Allowances	3.1	3.1	2.9	1.7	92.8	53.8
International Organisations	0.005	0.005	-	-	0.0	0.0
Miscellaneous Services	0.06	0.06	-	-	0.0	0.0
Guaranteed Loans	1.3	1.3	1.9	0.8	98.9	63.2
Total	345.9	345.9	152.8	148.0	44.2	42.8

Source: Ministry of Finance and MDAs

3.5 Recurrent Expenditure Analysis by Sector

The revised budgeted recurrent expenditure for the financial year 2012/2013 was estimated at Kshs. 724.4 billion. Total recurrent expenditure for the period up to 31st March 2013 was Kshs416.7 billion representing an absorption rate of 57.5 percent. This is a decline compared to an absorption rate of 59.2 recorded during the same period in the last financial year as shown in Figure 4.

Figure 4: Sectoral Comparison of Actual Expenditure to Gross Estimates (In percentage)

Source: Office of the Controller of Budget and Ministry of Finance

3.5.1 Allocation on Travelling and Hospitality Expenditure

The total allocation for hospitality and both domestic and foreign traveling expenditure to all MDAs for the financial year 2012/13 was Kshs.18.3 billion. This is a substantial amount allocated to these activities, some of which may not be directly contributing to economic development. In future budgets, there is need to rationalize and restructure allocation to such expenditures to put more focus only on essential activities that contribute to growth. The office of the Controller of Budget is compiling data on these items to establish the actual amount spent in the current financial year.

3.5.2 Agricultural and Rural Development (ARD) Sector

This sector comprises of the following sub-sectors: Agriculture, Livestock Development, Fisheries Development, Lands, Cooperative Development and Marketing, Forestry and Wildlife, National Land Commission and Research and Development (R&D). The Agricultural and Rural Development Sector has been a significant contributor to the country's economic growth. In the current financial year, the sector was allocated Kshs. 18.4 billion to cater for its recurrent activities which was revised to Kshs. 19.1 billion in the supplementary budget.

As at the end of third quarter of financial year 2012/2013, the sector had received cumulative exchequer issues amounting to Kshs. 12.8 billion representing 67.9 per cent of the net revised estimates which was a decline compared to 77.9 per cent that had been issued to the sector in the same period last financial year. The Cooperative Development and Marketing sub sector received the highest exchequer issues to revised net estimates representing 79.1 per cent whose total amount was Kshs. 1.0 billion. The Lands sub sector received the least exchequer issues to revised net estimates representing 63.4 per cent, whose total amount was Kshs. 1.7 billion.

In the period July 2012 to March 2013, the total recurrent expenditure for the ARD sector increased slightly to Kshs. 11.5 billion from Kshs. 11 billion that the sector had spent in the same period last financial year. The absorption rate for recurrent expenditure for the period under review was 60.4 per cent which was a decline from 65.7 per cent absorption rate during the same period last financial year. In terms of absorption rate, the Agriculture sub sector was the best performer with an absorption rate of 67.9 per cent of its gross estimates while the Cooperative Development and Marketing sub sector had the least absorption rate of 40.6 per cent.

Table 8: Analysis of Recurrent Expenditure and Net Exchequer Issues for Agriculture and Rural Development (Kshs. billions)

Name of the Sub Sector	2012/2013 Financial Year						2011/2012 Financial Year					
	Rev. Gross Est.	Rev. Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to Rev. G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.
Agriculture	9.3	9.2	6.0	6.3	65.2	67.9	8.5	8.4	6.6	6.1	79.3	71.5
Livestock Development	4.6	4.5	3.3	2.4	73.9	53.5	3.7	3.7	3.0	2.3	80.5	61.2
Cooperative Development and Marketing	1.2	1.2	1.0	0.5	79.1	40.6	1.1	1.1	0.9	0.6	79.0	51.2
Lands	2.7	2.7	1.7	1.5	63.4	56.4	2.2	2.2	1.5	1.4	71.1	63.5
Fisheries Development	1.3	1.3	0.8	0.7	64.3	57.8	1.3	1.3	0.9	0.7	72.3	56.7
Total	19.1	18.9	12.8	11.5	67.9	60.4	16.8	16.6	12.9	11.0	77.9	65.7

Source: Ministry of Finance & MDAs

3.5.3 Education Sector

The Education Sector comprises of Ministry of Education (MOE); Ministry of Higher Education, Science and Technology (MoHEST); the Teachers Service Commission (TSC) and the affiliated Institutions. The sector's overall goal is to increase access to education, raise the quality and relevance of education, reduce inequality as well as exploit knowledge and skills in science, technology and innovation for global competitiveness. In the 2012/2013 financial year, the sector was allocated Kshs. 231.7 billion for its recurrent budget which was 32 per cent of the total sectoral recurrent budget. In the current financial year, the sector was allocated Kshs. 209.3 billion to cater for its recurrent activities which was revised to Kshs. 231.7 billion in the supplementary budget.

Exchequer release to the sector for the period under review increased by 18.7 per cent to Kshs. 155.7 billion up from Kshs. 131.2 billion received in the previous financial year. The exchequer issues to the sector as a proportion to net revised estimates in the period under review declined to 73.2 per cent of the sector's net budget from 79 per cent recorded in 2011/2012 period. The Education sub sector received the highest proportion of exchequer issues to net revised estimates which stood at 78 per cent while the TSC received the least proportion which stood at 71.9 per cent of its net budget estimate.

The total recurrent expenditure for the period under review for the sector was Kshs.158.3 billion which represents an absorption rate of 68.3 per cent compared to 71.4 per cent recorded in the same period last financial year. The TSC sub sector spent Kshs. 102.8 billion and had the highest absorption rate of 74.8 per cent compared to 45.4 per cent recorded by Higher Education, Science and Technology sub sector. However, this absorption rate is lower than 79.0 per cent recorded in the same period last financial year.

Conversely, the Higher Education, Science and Technology sub sector spent Kshs. 23.0 billion, recording the lowest absorption rate of 45.4 per cent, a decline from 48.5 per cent achieved in the same period last financial year. Generally, there was a decline in performance of the sector compared to the same period last financial year.

Table 9: Analysis of Recurrent Expenditure and Net Exchequer Issues for Education (Kshs. Billions)

Name of the Sub Sector	2012/2013 Financial Year						2011/2012 Financial Year					
	Rev. Gross Est.	Rev. Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to Rev. G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.
Education	43.6	40.6	31.7	32.5	78.0	74.5	37.5	34.3	30.7	28.2	89.5	75.1
Higher Education, Science and Technology	50.5	34.5	25.2	23.0	73.0	45.4	41.3	25.9	20.1	20.0	77.6	48.5
Teachers Service Commission	137.5	137.5	98.8	102.8	71.9	74.8	105.9	105.8	80.4	83.6	76.0	79.0
Total	231.7	212.6	155.7	158.3	73.2	68.3	184.7	166.0	131.2	131.8	79.0	71.4

Source: Ministry of Finance & MDAs

3.5.4 Energy, Infrastructure and Information Communications Technology (EI & ICT) Sector

The Energy, Infrastructure and Information Communications Technology (EI & ICT) sector consists of Energy, Roads, Public Works, Transport, Local Government, Nairobi Metropolitan Development and Information & Communications Technology sub sectors. The Kenya's Vision 2030 identifies infrastructure development as an enabler for sustained development of the economy. In the current financial year, the sector was allocated Kshs. 62.9 billion to cater for its recurrent activities which was revised to Kshs. 62.5 billion in the supplementary budget.

The sector received exchequer issues amounting to Kshs. 7.5 Billion by the end of March 2013. This translates to 60.5 per cent of the revised net estimates which is a marginal increase from 58.2 per cent recorded in the same period in the last financial year. The Nairobi Metropolitan Development sub-sector received the highest proportion of exchequer issues to revised net estimates which stood at 79.7 per cent. This marks a decline from 93.7 per cent recorded in same period in the last financial year. The energy sub sector received the lowest share of the exchequer issues to revised net estimates at 38.2 per cent, which is a decline compared to 60.9 per cent for the last financial year.

The Energy, Infrastructure and Information Communications Technology Sector incurred a total expenditure of Kshs. 16.2 Billion by March 2013, representing 26.0 per cent absorption rate. This was a decline from the rate achieved in last financial year of 39.2 percent. The Information and Communication sub sector recorded the highest absorption rate of 58.8 per cent slightly below last financial year's absorption rate

of 69.7 percent. The Local Government sub-sector recorded the lowest absorption rate of 3.3 per cent, a decline from 5.1 per cent for the same period in the last financial year.

Table 10: Analysis of Recurrent Expenditure and Net Exchequer Issues for Energy, Infrastructure and Information Communications Technology (Kshs. Billions)

Name of the Sub Sector	2012/2013 Financial Year						2011/2012 Financial Year					
	Rev. Gross Est.	Rev. Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to Rev. G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.
Local Government	23.0	1.5	1.0	0.8	65.1	3.3	18.4	1.1	0.7	0.9	68.2	5.1
Roads	28.2	2.5	1.6	12.1	65.1	42.7	27.4	2.3	2.1	15.9	90.6	58.1
Transport	4.2	1.5	1.1	1.0	73.4	23.6	4.0	4.0	1.0	1.0	25.6	25.9
Energy	2.5	2.3	0.9	0.4	38.2	17.7	2.4	2.4	1.4	1.7	60.9	71.2
Information and Communications	2.3	2.3	1.5	1.3	67.2	58.8	1.8	1.8	1.4	1.3	75.7	69.7
Nairobi Metropolitan Development	0.3	0.3	0.2	0.2	79.7	52.6	0.3	0.3	0.3	0.2	93.7	74.6
Public Works	2.0	2.0	1.1	0.5	56.0	23.0	1.5	1.5	0.9	0.9	55.4	59.2
Total	62.5	12.3	7.5	16.2	60.5	26.0	55.9	13.4	7.8	21.9	58.2	39.2

Source: Ministry of Finance & MDAs

3.5.5 Environmental Protection, Water and Housing Sector

This Sector comprises of the following sub sectors: Environment and Mineral Resources, Water and Irrigation and Housing. The sector endeavors to provide decent and affordable housing as well as access to potable water, and secure environment as stipulated in the Constitution Article 43(b) & (d). For the financial year 2012/13, the sector was allocated Kshs. 17.6 billion which was revised to Kshs. 17.8 billion in the supplementary budget.

During the period July 2012 to March 2013, the Environmental Protection, Water and Housing Sector had received exchequer issues equivalent to Kshs. 8.4 billion which translates to 67.0 per cent of the sectors revised net estimates against 74.3 per cent issued during the same period last financial year. The Forestry and Wildlife sub-sector received the highest share of exchequer issues to revised net estimates representing 74.7 per cent, an increase from last year's performance of 70.8 per cent. The Housing sub sector received the least proportion of exchequer issues of Kshs 0.7 billion which represents 40.2 per cent of its revised net estimates. This compares unfavourably against 61.5 per cent for a similar period in the last financial year.

The total expenditure for this sector as at 31st March, 2013 amounted to Kshs 7.7 billion, representing an absorption rate of 43.5 per cent which is a decline from 53.5 per cent for same period in FY 2011/12. The Environment and Mineral Resources sub- sector had the highest absorption rate of 55.9 per cent down from 66.9 per cent for the same period last year. The Housing sub-sector had the lowest absorption rate of 38.8 per cent an increase from 33.9 per cent achieved during the same period last financial year.

Table 11: Analysis of Recurrent Expenditure and Net Exchequer Issues for Environmental Protection, Water and Housing Sector (Kshs. Billion)

Name of the Sub Sector	2012/2013 Financial Year						2011/2012 Financial Year					
	Rev. Gross Est.	Rev. Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to Rev. G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.
Water and Irrigation	6.3	4.3	3.0	2.7	69.4	42.2	6.0	4.1	3.2	2.6	78.0	43.4
Environment and Mineral Resources	3.1	2.6	1.8	1.7	68.9	55.9	2.5	2.3	1.9	1.7	80.6	66.9
Housing	2.2	1.7	0.7	0.9	40.2	38.8	1.7	1.2	0.7	0.6	61.5	33.9
Forestry and Wildlife	6.2	3.9	2.9	2.5	74.7	40.2	5.2	4.1	2.9	3.4	70.8	65.0
Total	17.8	12.5	8.4	7.7	67.0	43.5	15.4	11.7	8.7	8.2	74.3	53.5

Source: Ministry of Finance & MDAs

3.5.6 General Economic, Commercial and Labour Affairs (GECLA) Sector

The General Economic, Commercial and Labour Affairs (GECLA) sector comprises of the following sub-sectors: Regional Development Authorities, Labour, Trade, East Africa Community (EAC), Tourism and Industrialization. The sector aims at creating employment opportunities, poverty reduction, overseeing the fast tracking of the EAC regional integration initiatives, creation of human resource base for global competitiveness and promotion of equity among the Kenyan citizens. The sector was allocated 9.6 billion which was revised to Kshs. 9.2 billion in the supplementary budget to cater for its recurrent activities.

The sector received exchequer issues amounting to Kshs. 6.1 billion representing 70.2 per cent of the revised net estimates, a decline from 77.2 per cent reported in the same period last financial year. The East African Community sub-sector received the highest proportion of exchequer issues to revised net estimates amounting to Kshs. 1.1 billion representing 84.2 per cent a marginal increase from 82.7 per cent issued for the same period in the last financial year.

The total expenditure for the sector in the period under review was Kshs 5.1 billion which represents an absorption rate of 55.7 per cent, a reduction from 66.8 per cent recorded in the same period last financial year. The East African Community sub sector had the highest absorption rate of 75.2 per cent down from 83.4 per cent recorded in the same period last financial year. The Trade sub sector had the lowest absorption rate of 41.3 per cent a decline from 56.7 per cent over the same period in the last financial year.

Table 12: Analysis of Recurrent Expenditure and Net Exchequer Issues for General Economic, Commercial and Labour Affairs (Kshs. Billions)

Name of the Sub Sector	2012/2013 Financial Year						2011/2012 Financial Year					
	Rev. Gross Est.	Rev. Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to Rev. G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.
Regional Development Authorities	0.8	0.8	0.6	0.4	82.0	54.9	0.8	0.8	0.6	0.6	81.5	77.3
Labour	1.6	1.5	0.9	0.8	59.1	52.4	1.7	1.6	1.1	1.0	65.3	57.1
Trade	2.2	1.9	1.3	0.9	68.7	41.3	1.8	1.6	1.4	1.0	85.1	56.7
East African Community	1.3	1.3	1.1	1.0	84.2	75.2	1.0	1.0	0.8	0.8	82.7	83.4
Tourism	1.4	1.4	0.9	0.9	66.9	65.5	1.6	1.6	1.2	1.2	78.7	73.3
Industrialization	2.0	1.8	1.3	1.1	68.6	55.1	1.9	1.8	1.3	1.3	74.6	66.5
Total	9.2	8.7	6.1	5.1	70.2	55.7	8.8	8.4	6.5	5.9	77.2	66.8

Source: Ministry of Finance & MDAs

3.5.7 Governance, Justice, Law and Order Sector (GJLOS)

The Governance, Justice, Law and Order Sector (GJLOS) comprises of the Ministry of State for Provincial Administration and Internal Security, Ministry of Immigration and Registration of Persons, Office of the Vice President and Home Affairs, Ministry of Justice, National Cohesion and Constitutional Affairs, State Law Office, Director of Public Prosecutions, The Judiciary, Ethics and Anti-Corruption Commission, Human Rights Commission, Registrar of Political Parties, Commission of Administrative Justice, National Police Service Commission, Independent Electoral and Boundaries Commission and Commission for Implementation of the Constitution (CIC) sub sectors. The Sector plays a significant role in providing a stable environment for political, social and economic development of the country. The sector aims to facilitate the implementation of the new Constitution and improve access to judicial and legal services for all Kenyans. The sector further enhances the security of identification; registration and travel documents; prevention of corruption and economic crimes and ensuring public safety, among other functions. In the current financial year, the sector was allocated Kshs. 130.1 billion to cater for its recurrent activities which was revised to Kshs. 144.4 billion in the supplementary budget.

The sector received exchequer issues amounting to Kshs. 100.3 billion which is 69.9 per cent of the revised net estimates compared to 64.7 per cent recorded over the same period last financial year. The Independent Electoral and Boundaries Commission sub sector received the highest exchequer issues of the revised net estimates, representing 99.3 per cent, an increase from 15.7 per cent achieved in the same period last financial year. The Director of Public Prosecutions sub sector received the least proportion of exchequer issues to its revised net estimates representing 35.8 per cent, a decline from 62.0 per cent over the same period last financial year.

The sector's total expenditure stood at Kshs 82.1 billion against recurrent revised budget of Kshs. 144.4 billion. This represents an absorption rate of 56.9 per cent, a decline from 61.2 per cent for the same period last financial year. The IEBC sub sector spent Kshs.19.8 billion, achieving the highest absorption rate of 81.8 per cent. The DPP sub sector spent Kshs. 0.3 billion achieving the lowest absorption rate of 28.6 per cent.

Table 13: Analysis of Recurrent Expenditure and Net Exchequer Issues for GJLOs (Kshs. Billions)

Name of the Sub Sector	2012/2013 Financial Year						2011/2012 Financial Year					
	Rev. Gross Est.	Rev. Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to Rev. G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.
Provincial A.I. Security	67.1	66.4	45.1	35.4	67.9	52.7	55.9	55.9	40.2	40.2	71.8	68.8
Home Affairs	15.1	15.1	10.5	8.1	69.5	53.6	13.7	13.7	11.6	8.2	84.4	59.6
Justice, Nat. C.C. Affairs	2.3	2.1	1.8	0.9	84.7	39.8	2.1	1.9	1.4	1.5	74.4	72.5
State Law	1.7	1.7	1.1	1.0	64.4	57.3	1.3	1.3	1.1	1.1	80.4	79.5
The Judiciary	11.8	11.8	6.7	7.0	57.2	59.1	6.4	6.4	4.1	4.5	63.9	71.5
EACC	1.4	1.4	0.9	0.9	64.0	59.8	1.6	1.6	1.0	1.0	61.7	60.8
Immigration & R. Persons	4.7	4.7	3.0	2.4	63.6	51.2	3.9	3.9	0.8	2.6	19.3	65.7
DPP	1.2	1.2	0.4	0.3	35.8	28.6	0.4	0.4	0.2	0.2	62.0	56.3
CIC	0.5	0.5	0.4	0.3	82.3	67.7	0.5	0.5	0.3	0.3	61.1	49.5
Registrar of Political Parties	0.4	0.4	0.3	0.3	81.2	71.0	-	-	-	-	-	-
Witness Protection Agency	0.2	0.2	0.2	0.1	84.0	54.6	-	-	-	-	-	-
K.N.H.R & Equality Commission	0.3	0.3	0.2	0.2	85.9	75.6	0.3	0.3	0.2	0.3	75.5	100
I. E.B.C	24.3	24.2	24.1	19.8	99.3	81.8	11.4	11.4	1.8	1.9	15.7	16.9
Parliamentary Service Commission	13.0	13.0	5.2	5.2	40.4	40.4	8.9	8.9	6.2	5.3	70.1	60.3
NPSC	0.3	0.3	0.2	0.09	61.6	32.4	0.3	0.3	-	-	-	-
The CAJ	0.3	0.3	0.2	0.1	61.8	47.5	-	-	-	-	-	-
Total	144.4	143.6	100.3	82.1	69.9	56.9	106.7	106.5	68.9	65.3	64.7	61.2

Source: Ministry of Finance & MDAs

3.5.8 The Health Sector

This sector comprises of Ministries of Medical Services; Public Health and Sanitation; and Research and Development sub-sectors. The overall goal of this sector is to ensure that there is provision of equitable and affordable health care to citizenry at the highest affordable standards. In the current financial year, the sector was allocated Kshs. 54.6 billion to cater for its recurrent activities which was revised to Kshs. 59.1 billion in the supplementary budget.

The exchequer issues released to the sector up to the third quarter of 2012/2013 financial year was Kshs. 35.1 billion for recurrent expenditure which represents 63.6 per cent of the revised net estimates. This was an increase compared to Kshs.28.5 billion released over the same period last financial year. Public Health and Sanitation sub sector received exchequer issues amounting to Kshs. 10.7 billion, a proportion of 65.4 per cent of its revised net estimates. However, this was a reduction by 12.0 percentage points recorded in the same period last financial year. Medical Services sub-sector received the highest exchequer issues amounting to 24.4 billion, in absolute terms, which is 62.8 per cent of its revised net estimates. Compared to 84.4 per cent for the same period in the last financial year, the sub sector recorded a reduction of 21.6 percentage point.

The expenditure for the Sector for the period under review was Kshs.36.7 billion which represents an absorption rate of 62.2 per cent, a decline from 74.5 per cent recorded during the same period last financial year. Public health and Sanitation sub sector spent Kshs. 11.0 billion recording an absorption rate of 66.6 per cent. However, the absorption rate was a decline from 70.7 per cent recorded in the same period last financial year. Medical Services sub sector spent Kshs. 25.7 billion and recorded the lowest absorption rate of 62.8 per cent against 76.0 per cent achieved in the same period last financial year.

Table 14: Analysis of Recurrent Expenditure and Net Exchequer Issues for Health Sector (Kshs. Billions)

Name of the Sub Sector	2012/2013 Financial Year						2011/2012 Financial Year					
	Rev. Gross Est.	Rev. Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to Rev. G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.
Medical Services	42.6	38.8	24.4	25.7	62.8	60.4	27.6	23.8	20.1	21.0	84.4	76.0
Public Health and Sanitation	16.5	16.4	10.7	11.0	65.4	66.6	11.0	10.9	8.4	7.8	77.4	70.7
Total	59.1	55.2	35.1	36.7	63.6	62.2	38.6	34.7	28.5	28.8	82.2	74.5

Source: Ministry of Finance & MDAs

3.5.9 Public Administration and International Relations Sector

This sector comprises of the following sub sectors :- State House, Presidency and Cabinet Office, Office of the Prime Minister, Finance, Foreign Affairs, Planning, National Development and Vision 2030, Public Service, Public Service Commission, Controller of Budget, the National Assembly, Commission on Revenue Allocation and the Kenya National Audit Office. The Public Administration and International Relations Sector play a key role in national policy formulation and implementation, monitoring, and evaluation. In the current financial year, the sector was allocated Kshs. 50.2 billion to cater for its recurrent activities which was revised to Kshs.70.5 billion in the supplementary budget.

The PAIR sector received exchequer issues amounting to Kshs. 34.5 billion which represents 67.0 per cent of the revised net estimates, a decline from 79.1 per cent released in the same period last financial year. The Public Service sub-sector received the highest proportion of exchequer issues to its revised net estimates representing 94.8 per cent, an improvement from 62.2 per cent attained in the same period last financial year. The Transition Authority sub sector received Kshs. 0.7 billion representing 42.8 per cent of the revised net estimates of the sector. This is a new sub sector which was created to oversee the transition into the new devolved government system. The Controller of budget received the least exchequer issues amounting to Kshs 0.1 billion representing only 15.9 per cent of its revised net estimates.

The total recurrent expenditure for the period July 2012 to March 2013 for the sector was Kshs. 26.2 billion representing an absorption rate of 49.7 per cent. The Public Service sub sector spent Kshs 5.2 billion, attaining the highest absorption rate of 91.2 per cent, which was an improvement from last year's absorption rate of 15.0 per cent. The Controller of Budget sub sector had the lowest absorption rate of 5.3 per cent of the revised gross estimates.

Table 15: Analysis of Recurrent Expenditure and Net Exchequer Issues for Public Administration and International Relations (Kshs. Billions)

Name of the Sub Sector	2012/2013 Financial Year						2011/2012 Financial Year					
	Rev. Gross Est.	Rev. Net Est.	Exch. Issues	Exp.	% of Exch. to R. N. Est.	% of Exp. to R.G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.
State House	1.7	1.7	1.4	1.3	81.4	74.4	1.3	1.3	1.2	1.2	93.1	90.7
Public Service	5.7	5.6	5.3	5.2	94.8	91.2	5.1	5.1	3.1	0.8	62.2	15.0
Foreign Affairs	10.8	9.8	6.6	4.0	67.0	37.5	8.1	7.3	6.6	7.5	90.5	92.5
Planning, N.D& V. Vision 2030	2.7	2.7	1.8	1.4	67.0	52.0	2.8	2.8	1.9	2.1	68.4	75.6
Finance	22.8	22.8	13.9	10.2	60.7	44.7	17.9	17.9	14.9	12.6	83.0	70.3
Cabinet Office	1.9	1.9	1.1	0.8	61.4	44.4	1.3	1.3	0.8	0.8	64.7	63.1
Prime Minister	2.0	2.0	1.8	1.4	90.4	70	1.8	1.8	1.4	1.4	78.5	75.2
C.R.A	0.4	0.4	0.3	0.1	83.5	34.4	0.4	0.4	0.3	0.3	79.4	79.4
P.S.C	0.6	0.6	0.4	0.3	63.5	60	0.6	0.6	0.4	0.5	56.4	76.4
Salaries and Remuneration Commission	0.8	0.8	0.4	0.2	55.2	25.8	-	-	-	-		
Auditor-General	2.0	1.9	1.0	1.0	54.8	49.8	1.5	1.4	0.9	0.8	63.2	50.3
Controller of Budget	0.5	0.5	0.1	0.02	15.9	5.3	-	-	-	-		
Transition Authority	0.7	0.7	0.3	0.2	42.8	28.6						
Total	52.7	51.4	34.5	26.2	67	49.7	40.9	39.9	31.5	25.6	79.1	81.3

Source: Ministry of Finance & MDAs

3.5.10 Social Protection, Culture and Recreation Sector

The Social Protection, Culture and Recreation sector consists of the following sub sectors: National Heritage and Culture; Gender, Children and Social Development; Special Programmes; Youth Affairs and Sports; Development of Northern Kenya & other Arid Lands; and the National Gender and Equality Commission.

In the current financial year, the sector was allocated Kshs. 19.5 billion to cater for its recurrent activities which was revised to Kshs. 20.4 billion in the supplementary budget.

The sector received exchequer issues amounting to Kshs13.5 billion in the period ending March 2013, representing 66.6 per cent of the revised net estimates compared to 82.3 percent over the same period last financial year. The National Gender and Equality commission sub sector received the highest proportion of exchequer issues representing 88.8 per cent of the revised net estimates amounting to Kshs 0.17 billion. The Gender, Children and Social Development sub sector received the lowest proportion of exchequer issues representing 53.1 per cent of its revised net estimates amounting to Kshs. 2.82 billion.

The Social Protection, culture and Recreation Sector's total expenditure was Ksh11.9 billion, 58.5 per cent absorption rate compared to 71.9 per cent over the same period in the last financial year. The Special programmes sub sector had the highest absorption rate of 78.8 per cent to revised gross estimates. This was lower compared to 93.2 per cent recorded in the last financial year. Development of Northern Kenya and other Arid Lands sub sector recorded the lowest absorption rate of 22.7 per cent against 64.5 per cent for the last financial year. Table 16 shows a summarized expenditure analysis for this sector.

Table 16: Analysis of Recurrent Expenditure and Net Exchequer Issues for Social Protection, Culture and Recreation Sector (Kshs. Billion)

Name of the sector	2012/2013 Financial Year						2011/2012 Financial Year					
	Rev. Gross Est.	Rev. Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to Rev. G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.
Gender, Children and Social Development	5.3	5.3	2.8	2.6	53.0	49.0	4.0	4.0	2.7	2.6	67.1	64.1
Special Programmes	6.1	6.1	4.7	4.8	76.4	78.8	7.9	7.9	7.9	7.4	100.0	93.2
National Heritage and Culture	1.7	1.7	1.4	1.2	80.9	69.3	1.8	1.7	1.4	1.3	80.1	75.7
Youth Affairs and Sports	6.4	6.3	4.0	3.0	63.3	47.5	5.9	5.8	4.0	2.7	68.8	45.7
Development of Northern Kenya and Other Arid Lands	0.6	0.6	0.5	0.1	73.3	22.7	0.3	0.3	0.3	0.2	96.3	49.3
National Gender and Equality Commission	0.2	0.2	0.2	0.1	88.8	69.7	-	-	-	-	-	-
Total	20.4	20.3	13.5	11.9	66.6	58.5	19.6	19.8	16.3	14.0	82.3	71.4

Source: Ministry of Finance & MDAs

3.5.11 National Security Sector

This sector is made up two sub sectors namely Defence and National Security Intelligence Services (NSIS). The major obligation of this sector is to ensure the internal and external security of the country. In the current financial year, the sector was allocated Kshs. 83.7 billion to cater for its recurrent activities which was revised to Kshs. 89.7 billion in the supplementary budget.

The exchequer issues released to the sector up to the third quarter of 2012/2013 financial year was Kshs. 60.2 billion for recurrent expenditure which represents 67.1 per cent of the revised net estimates. This was a reduction compared to 82.6 per cent recorded over the same period last financial year. The Defence sub sector received exchequer issues amounting to Kshs. 50.3 billion recording the highest rate of 66.3 per cent of its revised net estimates. This was a reduction by 10.7 percentage points achieved in the same period last financial year. The NSIS sub sector received the lowest exchequer issues amounting to Kshs. 9.9 billion representing 71.8 per cent of its revised net estimates. Compared to 81.2 per cent for the same period in the last financial year, the sub sector recorded a reduction of 9.8 per cent.

The expenditure for the National Security Sector for the period under review was Kshs. 61.3 billion which represents an absorption rate of 68.3 per cent, a decline from 80.6 recorded over the same period last financial year. The Defence sub sector spent Kshs. 52.4 billion representing the highest absorption rate of 68.9 per cent, although a decline from 83.4 per cent recorded in the same period last financial year. The NSIS sub sector spent Kshs. 8.9 billion which was the lowest absorption rate of 64.6 per cent against 69.6 per cent achieved in the same period last financial year.

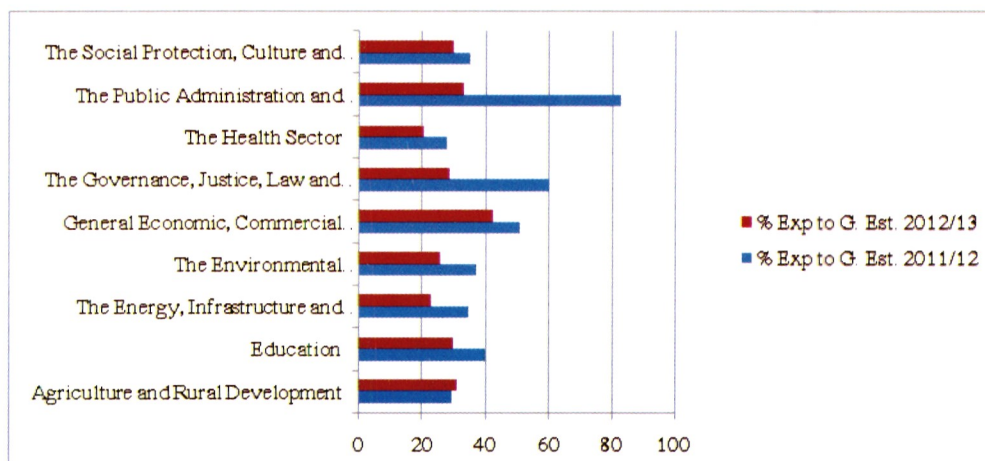
Table 17: Analysis of Recurrent Expenditure and Net Exchequer Issues for National Security Sector (Kshs. billions)

Name of the Sub Sector	2012/2013 Financial Year						2011/2012 Financial Year					
	Rev. Gross Est.	Rev. Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to Rev. G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.
Defence	76.0	76.0	50.3	52.4	66.3	68.9	52.0	52.0	43.2	43.4	83.0	83.4
N.S.I.S	13.7	13.7	9.9	8.9	71.8	64.6	13.1	13.1	10.7	9.2	81.2	69.6
Total	89.7	89.7	60.2	61.3	67.1	68.3	65.2	65.2	53.8	52.5	82.6	80.6

Source: Ministry of Finance & MDAs

3.6 Development Expenditure Analysis by Sector

The development gross estimates for the financial year 2012/2013 was estimated at Kshs.453.2 billion which was revised to Kshs. 461.5 billion representing 31 per cent of the total budget. The total development expenditure for the period under review was Kshs. 120.5 billion which represents an absorption rate of 26.1 per cent of this year's budget compared to 8.8 per cent over the same period last financial year.

Figure 5: Comparison Actual Expenditure to Gross Estimates (in percentage)

Source: Office of the Controller of Budget and Ministry of Finance

3.6.1 Agricultural and Rural Development Sector

This sector aims at improving livelihoods of citizens through promotion of competitive agriculture and innovative research, sustainable livestock and fisheries development, growth of a viable cooperatives sub sector, equitable distribution and sustainable management of land resources and sustainable management of forestry and wildlife resources. In the current financial year, the sector was allocated Kshs. 22.2 billion to cater for its development activities which was revised to Kshs. 22.0 billion in the supplementary budget.

During the period under review, the sector received exchequer issues amounting to Kshs. 11.5 billion which was 12.7 per cent increase from Kshs 10.2 billion that was received in the same period last financial year. The exchequer issues to the sector stood at 60.4 per cent of the total revised net estimates to the sector, a slight improvement from 57.2 per cent in a similar period last financial year. The Livestock Development sub sector received exchequer issues amounting to Kshs. 2.8 billion which reflected 70.4 per cent of the revised net estimates. The Lands sub sector received the least proportion of exchequer issues of Kshs. 0.6 billion or 29.4 per cent of its revised net estimates. In absolute terms, the Agriculture sub sector received the highest exchequer issues in the sector of Kshs. 6.4 billion whereas the Cooperative Development and Marketing sub sector received the least amount of exchequer of Kshs.77 million.

Total expenditure in the sector for the period July 2012 to March 2013 was Kshs. 8.0 billion which is 36.5 per cent of the entire budget for the sectors in the 2012/2013 financial year. The Lands sub sector had spent Kshs. 1 billion by the end of third quarter of 2012/ 2013 financial year. This represented 42.3 percent of its revised gross estimates in the current financial year thus making it the leading sub sector in terms of absorption rate. The sub sector with the lowest absorption rate in the Agriculture and Rural Development sector was the Fisheries Development which had only absorbed 27.2 percent of its 2012/2013 budgetary allocation as at the end of the period under review.

Table 18: Analysis of Development Expenditure and Net Exchequer Issues for Agricultural and Rural Development (in Kshs. Billions)

Name of the Sub Sector	2012/2013 Financial Year						2011/2012 Financial Year					
	Rev. Gross Est.	Rev. Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to Rev. G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.
Agriculture	12.4	9.8	6.4	4.6	65.3	35.8	11.3	9.2	5.0	3.4	54.7	29.8
Livestock Development	4.2	4.0	2.8	1.7	70.4	40.6	4.4	4.1	2.6	1.4	64.1	31.5
Cooperative Development and Marketing	0.2	0.2	0.1	0.1	42.3	29.1	0.4	0.4	0.2	0.19	46.8	52.0
Lands	2.2	2.2	0.6	1.0	29.4	42.3	1.3	1.2	0.7	0.6	61.1	48.2
Fisheries Development	2.9	2.9	1.6	0.7	54.3	27.2	3.3	2.9	1.6	0.4543	55.2	13.7
Total	22.0	19.1	11.5	8.0	60.4	36.5	20.7	17.8	10.2	6.0	57.2	29.1

Source: Ministry of Finance & MDAs

3.6.2 Education Sector

In the 2012/2013 financial year, the sector was allocated Kshs.26 billion for its development expenditure which was 5.6 per cent of the total development budget. In the current financial year, the sector was allocated Kshs. 26.7 billion to cater for its development activities which was revised to Kshs. 26.0 billion in the supplementary budget. This sector has undertaken reforms that have necessitated increased investment in order to expand access and equity in education; improve quality, transition and relevance; and integrates science and technology in the production sectors of the economy as well as addressing human capital needs of the nation.

As at the end of the third quarter of 2012/2013 financial year, the sector had received Kshs. 8.9 billion exchequer issues representing 61.8 per cent of its revised net estimates. This is an improvement of 2.1 per cent the sector received in the same period last financial year. The Education sub sector received exchequer issues amounting to Kshs 5 billion representing 70.5 per cent of the net revised estimates.

The actual expenditure by the Education sector totalled Kshs. 7.9 billion by end of March 2013 representing an absorption rate of 29.7 per cent against 39.8 per cent for the same period in the last financial year. The Education sub sector spent Kshs. 3.9 billion being the highest recorded absorption rate of 35.0 per cent, a decrease from 51.4 per cent realised in the last financial year. The Higher Education sub sector spent Kshs. 4.0 billion and had the lowest absorption rate of 25.8 per cent against 34.2 per cent for the same period last financial year.

Table 19: Analysis of Development Expenditure and Net Exchequer Issues for Education (Kshs. Billions)

Name of the Sub Sector	2012/2013 Financial Year						2011/2012 Financial Year					
	Rev. Gross Est.	Rev. Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to Rev. G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.
Education	11.2	7.1	5.0	3.9	70.5	35.0	5.6	3.9	2.8	2.9	70.5	51.4
Higher Education, Science and Technology	14.7	7.4	3.9	4.0	53.5	25.8	11.9	6.7	3.6	4.1	53.4	34.2
Total	26.0	14.4	8.9	7.9	61.8	29.7	17.5	10.7	6.4	6.9	59.7	39.8

Source: Ministry of Finance & MDAs

3.6.3 Energy, Infrastructure and Information Communications Technology (EI & ICT) Sector

For the period ending 31st March, 2013, the sector has been implementing various projects such as upgrading of infrastructure, enhancing the delivery of electricity, developing modern national ICT infrastructure and upgrading transport and railway system in the country. In the current financial year, the sector was allocated Kshs. 204.9 billion to cater for its development activities which was revised to Kshs. 208.5 billion in the supplementary budget.

The Energy, Infrastructure and the ICT sector received a total amount of Kshs. 49.7 billion as exchequer issues which was 50.6 per cent of the revised net estimates. The Public Works sub sector received Ksh. 3.9 billion as exchequer issues which represents 79.4 per cent of its revised net estimates. This compares unfavourably against 98.3 per cent recorded in the same period last year. The Transport sub sector received the lowest proportion of exchequer issues of Kshs. 2.0 billion which is 28.0 per cent of its revised net estimates compared to 30.1 per cent for the same period in FY 2012/13.

The actual expenditure by the Energy, Infrastructure and ICT sector totalled Kshs. 46.9 billion by end of March 2013 representing an absorption rate of 22.5 per cent against 34.4 per cent for the same period in FY 2011/2012. The Local Government Sub sector spent Kshs. 2.8 billion being the highest absorption rate of 58.6 per cent, an increase from 16.0 per cent realised last year. The Energy sub sector spent Kshs. 5.8 billion and had the lowest absorption rate of 7.1 per cent against 50.4 per cent for the FY 2011/12.

Table 20: Analysis of Development Expenditure and Net Exchequer Issues for EI & ICT (Kshs. billion)

Name of the Sub Sector	2012/2013 Financial Year						2011/2012 Financial Year					
	Rev. Gross Est.	Rev. Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to Rev. G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.
Local Government	4.8	4.2	3.2	2.8	76.7	58.6	6.1	5.5	2.4	1.0	44.6	16.0
Roads	96.1	45.0	24.3	31.1	54.0	32.4	73.4	41.6	27.5	15.9	66.2	21.7
Transport	14.3	7.3	2.0	1.5	28.0	10.6	14.3	7.3	2.2	2.3	30.1	16.5
Energy	80.7	28.9	13.0	5.8	45.1	7.1	63.8	23.9	12.5	32.2	52.4	50.4
Information & Comm.	4.5	4.5	2.2	1.9	48.5	43.1	5.4	5.4	2.1	2.2	38.4	41.0
Nairobi Metropolitan Development	3.4	3.4	1.0	1.1	30.9	31.9	2.0	2.0	1.1	1.3	56.8	64.3
Public Works	4.9	4.9	3.9	2.7	79.4	55.1	5.0	5.0	4.9	3.5	98.3	70.4
Total	208.5	98.2	49.7	46.9	50.6	22.5	169.9	90.6	52.8	58.4	58.2	34.4

Source: Ministry of Finance & MDAs

3.6.4 Environmental Protection, Water and Housing Sector

The sector aims to expand water coverage and sewerage facilities, scaling up water storage and irrigation to reduce dependence on rain fed agriculture. It also aims at managing, protecting and conserving catchment areas, mitigation and adaptation measures on climate change, modernization of meteorological services, mineral exploration and mining and enhancing housing development. In the current financial year, the sector was allocated Kshs. 48.8 billion to cater for its development activities which was revised to Kshs. 50.9 billion in the supplementary budget.

For the period under review the sector received exchequer issues amounting to Kshs.14.6 billion which represents 48.6 per cent of the net revised estimates. This was a reduction compared to 63.7 per cent which was achieved in the same period last financial year. The Forestry and Wildlife sub sector received exchequer issues amounting to Kshs 2.5 billion representing 67.3 per cent of its revised net estimates which was an improvement from 51.6 per cent recorded in the same period last financial year. The Water and Irrigation sub sector received the lowest exchequer issues amounting to Kshs. 8.8 billion which is 44.9 per cent of its revised net estimates.

The total development expenditure for the period under review was Kshs. 13.6 billion representing an absorption rate of 26.6 per cent against 37.1 per cent for the same period last financial year. The Forestry and Wildlife sub sector spent Kshs. 2.5 billion which represents the highest absorption rate of 49.4 per cent, although a decline from 53.5 per cent achieved in the same period last financial year. The Water and Irrigation sub sector spent Kshs. 8.2 billion and recorded the lowest absorption rate of 21.1 per cent against 30.7 per cent for the same period last financial year as shown in table 21.

Table 21: Analysis of Development Expenditure and Net Exchequer Issues for Environmental Protection, Water and Housing Sector (Kshs. Billions)

Name of the Sub Sector	2012/2013 Financial Year						2011/2012 Financial Year					
	Rev. Gross Est.	Rev. Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to Rev. G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.
Water and Irrigation	39.0	19.5	8.8	8.2	44.9	21.1	37.9	20.8	14.1	11.6	67.8	30.7
Environment and Mineral Resources	4.3	4.2	2.0	1.7	47.6	38.7	4.1	4.0	2.0	2.7	51.1	66.6
Housing	2.6	2.6	1.3	1.2	50.6	45.5	2.3	2.3	1.5	1.5	63.6	64.9
Forestry and Wildlife	5.0	3.8	2.5	2.5	67.3	49.4	3.5	3.0	1.6	1.9	51.6	53.5
Total	50.9	30.1	14.6	13.6	48.6	26.6	47.8	30.0	19.1	17.8	63.7	37.1

Source: Ministry of Finance & MDAs

3.6.5 General Economic, Commercial and Labour Affairs (GECLA) Sector

During the 2012/13 financial year, the sector plans to create an enabling business environment for trade and investment, deepen regional integration, promote best Labour practices, manpower planning, development and utilization, tourism development and marketing, undertake policy, legal and institutional reforms for the development of the sector, support entrepreneurship and industrial development, and promote exports and sustainable tourism. The sector was allocated Kshs. 11.4 billion which was revised to Kshs. 10.9 billion in the supplementary budget.

For the period under review, the sector received exchequer issues amounting to Kshs 5.2 billion which represent 58.5 per cent of the revised net estimates. The Regional Development Authorities sub sector received Kshs 2.7 billion representing 72.1 per cent of the revised net estimates, the highest in the sector, an improvement from 9.6 per cent received the same period last financial year. The Trade sub sector received Kshs. 0.2 billion representing 28.6 per cent of the revised net estimates the lowest in the sector, a marginal decrease from 50.1 per cent achieved the same period last financial year.

The Development expenditure for the sector amounted to Kshs. 4.8 billion representing an absorption rate of 44.2 per cent compared to 50.8 per cent achieved during the same period last financial year. The Tourism Sub sector had the highest absorption rate of 63.6 per cent having spent Kshs 0.5 billion. The Trade sub sector spent Kshs 0.2 billion with the lowest absorption rate at 25.7 per cent.

Table 22: Analysis of Development Expenditure and Net Exchequer Issues for GECLA Sector (Kshs. Billions)

Name of the Sub Sector	2012/2013 Financial Year						2011/2012 Financial Year					
	Rev. Gross Est.	Rev. Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to Rev. G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.
Regional Development Authorities	5.5	3.8	2.7	2.5	72.1	44.9	6.3	3.9	2.8	2.7	73.4	42.2
Labour	0.6	0.6	0.3	0.2	43.2	26.4	1.2	0.6	0.2	0.1	35.8	7.4
Trade	0.7	0.7	0.2	0.2	28.6	25.7	0.6	0.4	0.2	0.2	50.0	33.8
East African Community	0.1	0.0	-	-	-	-	0.1	0.0	0.0	0.0	7.3	1.7
Tourism	0.8	0.8	0.6	0.5	70.7	63.6	1.2	1.2	1.0	1.1	78.8	92.3
Industrialization	3.2	3.1	1.5	1.5	48.3	46.8	2.7	2.7	1.9	2.0	71.2	75.7
Total	10.9	9.0	5.2	4.8	58.5	44.2	12.1	8.7	6.1	6.2	69.9	50.8

Source: Ministry of Finance & MDAs

3.6.6 Governance, Justice, Law and Order Sector (GJLOS)

The sector aims to facilitate the implementation of the new Constitution, improve access to judicial and legal services for all Kenyans, enhance the security of identification, registration and travel documents; prevent and combat the occurrence of corruption and economic crimes including tracing, recovering and restitution of corruptly acquired assets and ensure public safety and security, reform and modernization of the electoral processes to deliver free, fair and credible elections, promotion of national values and ethics and registration and funding of political parties. In the current financial year, the sector was allocated Kshs. 16.1 billion to cater for its development activities which was revised to Kshs. 14.3 billion in the supplementary budget.

The sector received exchequer issues amounting to Kshs. 7.0 billion during the period under review, which represents 52.8 per cent of the revised net estimates compared to 32.8 per cent received in the same period last financial year. The Directorate of Public Prosecutions sub sector received exchequer issues amounting to Kshs. 45 million against its revised net estimates of Kshs. 61.4 million representing 73.3 per cent while the Judiciary received the lowest exchequer issues to its revised net estimates representing 26.7 per cent.

The overall expenditure for the sector stood at Kshs. 4.6 billion which represents an absorption rate of 32.8 per cent compared to 26 per cent over the same period last financial year. Provincial Administration and Internal Security had the highest expenditures of Kshs. 3.1 billion recording absorption rate of 51 per cent while The Judiciary had the lowest absorption rate of 1.5 per cent, a decline from 28.8 per cent realized in the same period last financial year. Table 23 below presents the analysis of all the sub sectors under the GJLOS.

Table 23: Analysis of Development Expenditure and Net Exchequer Issues for GJLOS Sector (Kshs. billions)

Name of the Sub Sector	2012/2013 Financial Year						2011/2012 Financial Year					
	Rev. Gross Est.	Rev. Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to Rev. G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.
Provincial Administration and Internal Security	6.1	5.8	4.0	3.1	69.4	51.0	4.7	4.6	3.0	1.0	64.4	22.0
Home Affairs	1.8	1.8	0.8	0.4	46.5	24.3	1.9	1.9	1.3	0.9	68.4	49.6
Justice, N. Cohesion and Constitutional Affairs	0.8	0.1	0.1	0.1	63.4	6.7	1.0	0.1	0.1	0.06	93.7	5.3
State Law	0.2	0.2	0.1	0.04	34.4	21.5	0.004	0.004	0.002	0.003	47.5	81.5
The Judiciary	2.8	2.8	0.7	0.04	26.7	1.5	2.5	2.5	0.4	0.7	14.0	28.8
Ethics and Anti-Corruption Commission	0.1	0.1	0.0	0.02	0.0	12.1	0.2	0.2	0.0	0.03	0.4	0.1
Immigration and Registration of Persons	2.5	2.5	1.3	0.9	50.4	36.4	2.4	2.4	0.6	0.7	26.4	32.3
Directorate of Public Prosecutions	0.06	0.06	0.05	0.005	73.3	7.49	-	-	-	-	-	-
Total	14.3	13.3	7.0	4.6	52.8	32.8	12.7	11.7	5.4	3.3	46.2	26.0

Source: Ministry of Finance & MDAs

3.6.7 Health Sector

The sectors' goal is to provide equitable and affordable health care to the citizens. For the financial year 2012/2013, the sector aims at improving mortality rates, health infrastructure, recruit qualified health personnel and provide medicine and medical supplies to the health facilities. In the current financial year, the sector was allocated Kshs. 32.4 billion to cater for its development activities which was revised to Kshs. 32.5 billion in the supplementary budget.

For the period under review the sector received exchequer issues amounting to Kshs. 8.0 billion representing 44.0 per cent of the revised net estimates. Compared to the previous financial year, the sector recorded a reduction of 11.5 percentage points. The Medical Services sub sector received the exchequer issues amounting to Kshs. 3.0 billion recording the highest percentage of 57.0 of its revised net estimates. This was however a reduction from 87.2 per cent recorded in the last financial year. Public Health and Sanitation sub sector received the lowest percentage of exchequer issues to revised net estimates representing 38.8 per cent and amounting to Kshs. 5.0 billion. This was a reduction from 49.7 per cent recorded over the same period last financial year.

The total expenditure for the period under review was Kshs. 6.5 billion which represents an absorption rate of 20.2 per cent a decline from 27.7 per cent achieved over the same period last financial year. Medical

Services sub sector spent Kshs. 2.5 billion representing the highest absorption rate of 39.7 per cent, although it declined from 50.9 per cent achieved in the same period last financial year. The Public Health and Sanitation subsector spent Kshs. 4.1 billion and recorded the lowest absorption rate of 15.6 per cent against 22.9 per cent achieved last financial year as shown in table 24.

Table 24: Analysis of development expenditure and net exchequer issues for The Health Sector (Kshs. billions)

Name of the Sub Sector	2012/2013 Financial Year						2011/2012 Financial Year					
	Rev. Gross Est.	Rev. Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to Rev. G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.
Medical Services	6.9	5.2	3.0	2.5	57.0	39.7	4.4	2.3	2.0	2.3	87.2	50.9
Public Health and Sanitation	25.6	12.9	5.0	4.1	38.8	15.6	21.3	13.0	6.4	4.9	49.7	22.9
Total	32.5	18.1	8.0	6.5	44.0	20.2	25.7	15.3	8.5	7.1	55.5	27.7

Source: Ministry of Finance & MDAs

3.6.8 Public Administration and International Relations Sector

The Public Administration and International Relations Sector comprises of the following sub sectors:- State House, Cabinet Office, Office of the Prime Minister, Finance, Foreign Affairs, Planning, National Development and Vision 2030, Public Service, Public Service Commission, Office of the Controller of Budget, the National Assembly, Commission on Revenue Allocation and the Kenya National Audit Office. The Public Administration and International Relations Sector play a key role in national policy formulation and implementation, monitoring and evaluation. In the current financial year, the sector was allocated Kshs. 72.2 billion to cater for its development activities which was revised to Kshs. 77.4 billion in the supplementary budget.

The PAIR sector received exchequer issues amounting to Kshs. 37.9 billion which represents 58.9 per cent of the revised net estimates up from 39.1 per cent released in the same period last financial year. The Planning, National Development and Vision 2030 sub sector received the highest exchequer issues of Kshs. 23.5 billion representing 98.1 per cent of the revised net estimates, this is an improvement over the same period last financial year when the sub sector achieved only 49.6 per cent. The Parliamentary Service Commission sub sector received the lowest percentage of exchequer issues to revised net estimates representing 22.2 per cent down from 27.2 per cent for a similar period in the last financial year.

The total development expenditure for the period July 2012 to March 2013 for the sector was Kshs. 23.7 billion, an absorption rate 30.6 per cent. The Planning, National Development and Vision 2030 sub sector spent Kshs 16.9 billion to attain the highest absorption rate of 64.0 per cent. The Public Service sub sector spent Kshs 0.02 billion, and had the lowest absorption rate of 4.1 per cent.

Table 25: Analysis of Development Expenditure and Net Exchequer Issues for Public Administration and International Relations Sector (Kshs. Billions)

Name of the Sub Sector	2012/2013 Financial Year						2011/2012 Financial Year					
	Rev. Gross Est.	Rev. Net Est.	Exch. Issues	Exp.	% of Exch. to R. N. Est.	% of Exp. to Rev.G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.
State House	0.3	0.3	0.2	0.2	76.0	57.7	0.4	0.4	0.1	0.2	32.7	52.9
Public Service	0.4	0.4	0.2	0.02	64.5	4.1	0.7	0.7	0.4	0.2	57.5	27.4
Foreign Affairs	0.5	0.5	0.2	0.2	36.3	30.0	0.9	0.9	0.5	0.2	57.4	21.1
Planning, N.D& V. Vision 2030	26.4	23.9	23.5	16.9	98.1	64.0	27.9	24.5	12.1	22.5	49.6	80.7
Finance	41.8	32.7	12.2	5.6	37.3	13.4	37.3	33.2	10.3	9.6	31	25.7
Cabinet Office	1.6	0.7	0.3	0.3	40.6	15.8	4.2	0.2	60.9	62.9	32.9	1.5
Prime Minister	0.7	0.3	0.3	0.2	86.6	25.7	1.2	0.7	0.4	0.4	54.7	30.8
Parliamentary S Commission	2.3	2.3	0.5	0.4	22.2	18.0	1.6	1.6	0.4	0.4	27.2	26.8
P.S.C	0.1	0.1	0.02	0.02	25.0	5.2	0.7		-	-	-	-
Total	77.4	64.4	37.9	23.7	58.9	30.6	74.2	62.1	24.3	33.5	39.1	53.9

Source: Ministry of Finance & MDAs

3.6.9 Social Protection, Culture and Recreation Sector

The sector intends to fund the following activities during the financial year among others; resettle the Internally Displaced Persons (IDPs) and disaster mitigation. In the current financial year, the sector was allocated Kshs. 18.5 billion to cater for its recurrent activities which was revised to Kshs. 18.9 billion in the supplementary budget.

During the period under review, this sector received Kshs 8.5 billion as exchequer issues which was 52.1 per cent of the revised net estimates compared to 72.4 per cent realised in the same period last financial year. The National Heritage and Culture sub sector received Kshs. 0.6 billion exchequer issues representing 98.2 per cent of its revised net estimates, compared to 72.2 per cent achieved in the same period last financial year. Gender, Children and Social Development sub sector received Kshs 1.3 billion in exchequer issues representing the lowest percentage of exchequer issues to revised net estimates of 40.4 per cent down from 96.0 per cent received in the same period last financial year.

The Social Protection, Culture and Recreation sector spent Kshs 5.5 billion by end of March 2013 representing an absorption rate of 29.8 per cent against 34.9 per cent achieved in the same period in FY 2011/2012. The National Heritage and Culture sub sector spent Kshs 0.5 billion thereby ranking the highest in absorption rate at 72.5 per cent, a decrease from 87.1 per cent achieved in the same period last financial year. The Development of Northern Kenya and other Arid Lands sub sector spent Kshs 0.1 billion and had the lowest absorption rate of 3.6 per cent against 53.2 per cent for the FY 2011/12.

Table 26: Analysis of Development Expenditure and Net Exchequer Issues for the Social Protection, Culture and Recreation Sector (Kshs. billion)

Name of the Sub Sector	2012/2013 Financial Year						2011/2012 Financial Year					
	Rev. Gross Est.	Rev. Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to Rev. G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.
Gender, Children and Social Development	4.6	4.1	1.7	1.3	40.4	27.6	4.0	3.3	3.2	0.7	96.0	17.8
Special Programmes	6.7	5.7	2.8	2.4	48.8	40.1	5.1	3.6	1.7	1.7	48.3	32.9
National Heritage and Culture	0.6	0.6	0.6	0.5	98.2	72.5	0.7	0.7	0.5	0.6	72.2	87.1
Youth Affairs and Sports	4.3	4.0	2.2	1.3	56.2	28.7	3.8	3.8	2.4	1.4	63.1	35.8
Development of Northern Kenya and Other Arid Lands	2.8	1.9	1.2	0.1	65.2	3.6	2.2	2.1	2.0	1.1	92.5	53.20
Total	18.9	16.2	8.5	5.5	52.1	29.8	15.7	13.4	9.7	5.5	72.4	34.9

Source: Ministry of Finance & MDAs

4. Key Issues and Recommendations in Budget Implementation.

This section covers key issues and recommendations that require attention by government so as to improve budget implementation both at national and county level.

4.1 Shortfall in Revenue Collection

During the period under review, revenue collection by KRA fell below the target by 11.8 percent. Shortfall in revenue collection may lead to high domestic borrowing to finance the deficit as well as slow down the implementation of the budget. In order to improve revenue collection, there is need for the government to hasten reforms targeting new tax structures i.e. widening the tax base.

4.2 Operationalization of IFMIS and CBK G-PAY

In March this year, the county governments came into being after the first election under the new constitutional dispensation. However, there is no adequate infrastructure and the corresponding human capacity to operationalize IFMIS and G-Pay systems to track expenditure at the county level. This will lead to under-reporting due to incomplete data capture and delay in analysis of the information. The government should therefore fast-track the roll out and implementation of IFMIS at the county level to achieve the intended results.

4.3 Monitoring and Evaluation

Some of the existing Monitoring and Evaluation frameworks are not effective to track budget implementation on timely basis. This is likely to lead to poor supervision of projects by the national and county government entities. A comprehensive monitoring and evaluation framework should be put in place to ensure close supervision of projects and programmes to enhance service delivery especially at county level.

4.4 Allocation on Travelling and Hospitality

It was observed that in the current budget of MDAs, there are substantial expenditures on activities such as travelling and hospitality, some of which may not be directly contributing to development. Careful study of the government expenditure should be conducted so as to rationalize such expenses and ensure that expenditure is incurred only on necessary activities. In future, the budget estimates for national and county government entities should be interrogated by the respective Treasuries and Parliament to ensure that only expenditure on essential activities is included in the budget.

4.5 Procurement Procedures

The lengthy procurement processes exacerbated by inaccurate cashflow projections contributes to delays in budget implementation and consequently low absorption of resources especially for the donor funds. The government should expedite review of the procurement laws so as to reduce the bureaucracy in the process.

4.6 Absorption of Development Funds

The OCOB has noted continuous low absorption of the allocated resources especially development funds in most of the key ministries. In order to address this issue, the resolutions agreed during the meeting of Permanent Secretaries and Accounting Officers held in July 2012 on low absorption of resources should be implemented in full.

5 Conclusion

The current budget is being implemented after the March 2013 general elections and subsequent establishment of the devolved government. The 2012/2013 Budget is therefore a transitional budget where national resources are shared equitably with the county governments. There is therefore need for combined effort in revenue collection to effectively address the shortfall in revenue collected in order to fund all the exchequer requests.

In order to efficiently and prudently use the public resources, there is need to rationalise expenditure on non-core activities to focus more on those activities which contribute to development in the economy.

Given that budget monitoring is a fundamental principle of the budget execution process, there is need for stakeholders and the public at large to interrogate, participate and monitor the implementation of both national and county governments' budgets with a view of evaluating respective service delivery.

Lastly, in order to improve on transparency and accountability in public financial management in regard to budget execution, there is need to develop mechanisms to enhance absorption of budgeted resources.

ANNEXES

Annex 1: Revenue collections by detailed category, July 2012 to March 2013(Kshs. millions)

Name of the Category	Cumulative Revenue: July 2012 - March 2013				Cumulative Growth (%) (Jul '11 - Mar '12) Actual	Treasury Target		
	Actual	Target	Variance	Perf. Rate (%)			Annual Target	Balance To June 2013
CUSTOMS SERVICES								
Net Import Duty	43,230	49,220	(5,990)	87.8	37,912	67,384	(24,154)	
Net Excise Duty	32,133	33,429	(1,296)	96.1	28,876	45,543	(13,410)	
VAT - Imports	70,874	88,915	(18,041)	79.7	70,595	118,866	(47,992)	
Import Declaration Fees	18,368	23,784	(5,417)	77.2	18,821	31,399	(13,032)	
Sub Total Custom Services	164,604	195,348	(30,744)	84.3	156,204	263,192	(98,589)	
DOMESTIC TAXES								
VAT Domestic	66,122	82,825	(16,703)	79.8	60,053	112,989	(46,867)	
P. A. Y. E	149,962	158,533	(8,571)	94.6	125,828	216,856	(66,894)	
Other Income Taxes	106,920	114,517	(7,597)	93.4	91,368	187,638	(80,718)	
Turnover Tax	140	124	17	113.4	96	558	(418)	
Excise Duty Domestic	24,904	26,653	(1,749)	93.4	22,952	35,239	(10,335)	
Excise Tax on Airtime	7,982	7,927	55	100.7	6,510	10,569	(2,588)	
Stamp Duty	6,264	8,405	(2,141)	74.5	6,008	10,800	(4,536)	
Land Rent	873	1,294	(421)	67.5	981	1,550	(677)	
Sub-Total Domestic Taxes	363,167	400,278	(37,111)	90.7	313,796	576,201	(213,034)	
Sub-total Road Transport	1,742	4,477	(2,736)	38.9	1,654	5,976	(4,234)	
Total Exchequer Revenue	529,513	600,104	(70,591)	88.2	471,654	845,369	(315,856)	

Source: Kenya Revenue Authority

Annex 2: Analysis of Recurrent Expenditure and Exchequer Releases of MDAs (Kshs. Billions)

Name of the Sub Sector	2012/2013							2011/2012				
	Revised Gross Est.	Rev. Net Est.	Exch. Issues	Exp.	% Exch. To Net. Est.	% Exp. to Rev. G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% Exp. to G. Est.
Ministry of State for Provincial Administration and Internal Security	67.1	66.4	45.1	35.4	67.9	52.7	52.7	55.9	10.4	11.3	18.6	20.2
State House	1.7	1.7	1.4	1.3	81.4	74.4	74.4	1.3	0.3	0.4	25.1	27.7
Ministry of State for Public Service	5.7	5.6	5.3	5.2	94.8	91.2	91.2	5.1	0.3	0.3	5.7	5.2
Ministry of Foreign Affairs	10.8	9.8	6.6	4.0	67.0	37.5	37.5	7.3	2.1	1.6	28.9	19.6
Office of the Vice-President and Ministry of Home Affairs	15.1	15.1	10.5	8.1	69.5	53.6	53.6	13.7	3.0	1.6	22.1	11.4
Ministry of State for Planning, National Development and Vision 2030	20.6	2.7	1.8	1.4	67.0	6.9	6.9	2.8	0.4	0.6	15.9	20.6
Ministry of Finance	22.8	22.8	13.9	10.2	60.7	44.7	44.7	17.9	3.5	3.7	19.5	20.5
Ministry of State for Defence	76.0	76.0	50.3	52.4	66.3	68.9	68.9	52.0	10.4	9.6	20.0	18.4
Ministry of Regional Development Authorities	0.8	0.8	0.6	0.4	82.0	54.9	54.9	0.8	0.2	0.2	26.6	25.9
Ministry of Agriculture	9.3	9.2	6.0	6.3	65.2	67.9	67.9	8.4	2.2	2.0	25.9	23.6
Ministry of Medical Services	42.6	38.8	24.4	25.7	62.8	60.4	60.4	23.8	3.8	5.9	16.0	21.3
Minister and Ministry of Local Government	23.0	1.5	1.0	0.8	65.1	3.3	3.3	1.1	0.2	0.4	17.0	2.3
Ministry of Roads	28.2	2.5	1.6	12.1	65.1	42.7	42.7	2.3	0.3	0.7	11.4	2.6
Ministry of Transport	4.2	1.5	1.1	1.0	73.4	23.6	23.6	4.0	0.2	0.2	6.1	5.8
Ministry of Labour	1.6	1.5	0.9	0.8	59.1	52.4	52.4	1.6	0.2	0.2	11.3	12.0
Ministry of Trade	2.2	1.9	1.3	0.9	68.7	41.3	41.3	1.6	0.5	0.3	31.0	18.6
Ministry of Justice, National Cohesion and Constitutional Affairs	2.3	2.1	1.8	0.9	84.7	39.8	39.8	1.9	0.5	0.5	25.8	23.5
Ministry of Gender, Children and Social Development	5.3	5.3	2.8	2.6	53.0	49.0	49.0	4.0	0.6	0.5	14.1	13.3
Ministry of Livestock Development	4.6	4.5	3.3	2.4	73.9	53.5	53.5	3.7	0.6	0.9	17.1	24.3

Name of the Sub Sector	2012/2013						2011/2012					
	Revised Gross Est.	Rev. Net Est.	Exch. Issues	Exp.	% Exch. To Net. Est.	% Exp to Rev. G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% Exp to G. Est.
Ministry of Water and Irrigation	6.3	4.3	3.0	2.7	69.4	42.2	42.2	4.1	0.9	0.8	20.9	14.2
Ministry of Environment and Mineral Resources	3.1	2.6	1.8	1.7	68.9	55.9	55.9	2.3	0.6	0.6	23.5	23.5
Ministry of Cooperative Development and Marketing	1.2	1.2	0.9	0.5	71.4	40.6	40.6	1.1	0.3	0.3	24.3	22.9
Cabinet Office	1.9	1.9	1.1	0.8	61.4	44.4	44.4	1.3	0.3	0.3	21.9	22.8
Ministry of East African Community	1.3	1.3	1.1	1.0	84.2	75.2	75.2	1.0	0.4	0.3	36.0	33.9
State Law Office	1.7	1.7	1.1	1.0	64.4	57.3	57.3	1.3	0.4	0.4	31.6	30.5
The Judiciary	11.8	11.8	6.7	7.0	57.2	59.1	59.1	6.4	0.9	1.3	14.8	21.1
Ministry of Energy	2.5	2.3	0.9	0.4	38.2	17.7	17.7	2.4	0.4	0.4	16.4	16.3
Ministry of Education	43.6	40.6	31.7	32.5	78.0	74.5	74.5	34.3	15.0	14.6	43.6	38.9
Ministry of Information and Communications	2.3	2.3	1.5	1.2	67.2	54.4	54.4	1.8	0.5	0.4	24.5	22.7
Ethics and Anti-Corruption Commission	1.4	1.4	0.9	0.9	64.0	59.8	59.8	1.6	0.4	-	21.8	-
Ministry of State for Special Programmes	6.1	6.1	4.7	4.8	76.4	78.8	78.8	7.9	3.3	2.6	41.7	32.5
Ministry of Lands	2.7	2.7	1.7	1.5	63.4	56.4	56.4	2.2	0.3	0.5	16.1	24.7
Ministry of State for Immigration and Registration of Persons	4.7	4.7	3.0	2.4	63.6	51.2	51.2	3.9	-	0.6	-	16.1
Ministry of State for National Heritage and Culture	1.7	1.7	1.4	1.2	80.9	69.3	69.3	1.7	0.5	0.4	26.7	24.1
Ministry of Youth Affairs and Sports	6.4	6.3	4.0	3.0	63.3	47.5	47.5	5.8	1.3	0.7	22.3	11.7
Ministry of Higher Education, Science and Technology	50.5	34.5	25.2	23.0	73.0	45.4	45.4	25.9	7.8	7.8	30.0	18.8
Ministry of Housing	2.2	1.7	0.7	0.9	40.2	38.8	38.8	1.2	0.2	0.1	14.2	8.7
National Security Intelligence Service	13.7	13.7	9.9	8.9	71.8	64.6	64.6	13.1	3.0	2.6	22.6	19.8
Ministry of Tourism	1.4	1.4	0.9	0.9	66.9	65.5	63.8	1.6	0.4	0.3	23.4	20.9

Name of the Sub Sector	2012/2013						2011/2012					
	Revised Gross Est.	Rev. Net Est.	Exch. Issues	Exp.	% Exch. To Net. Est.	% Exp to Rev. G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% Exp to G. Est.
Office of the Prime Minister	2.0	2.0	1.8	1.4	90.4	70.0	70.0	1.8	0.4	0.4	24.3	22.2
Ministry of Public Health and Sanitation	16.5	16.4	10.7	11.0	65.4	66.6	66.6	10.9	1.8	1.1	16.5	9.6
Ministry of Forestry and Wildlife	6.2	3.9	2.9	2.3	74.7	37.6	37.6	4.1	0.7	0.9	16.4	18.3
Ministry of Fisheries Development	1.3	1.3	0.8	0.7	64.3	57.8	57.8	1.3	0.2	0.2	16.1	19.6
Ministry of Nairobi Metropolitan Development	0.3	0.3	0.2	0.2	79.7	52.6	52.6	0.3	0.1	0.1	21.7	23.9
Ministry of Development of Northern Kenya and Other Arid Lands	0.6	0.6	0.5	0.1	73.3	22.7	22.7	0.3	0.1	-	21.2	-
Ministry of Public Works	2.0	2.0	1.1	0.5	56.0	23.0	23.0	1.5	0.1	0.1	5.1	5.4
Ministry of Industrialization	2.0	1.8	1.3	1.1	68.6	55.1	55.1	1.8	0.4	0.4	24.0	21.7
Directorate of Public Prosecutions	1.2	1.2	0.4	0.3	35.8	28.6	28.6	0.4	0.1	0.0	16.9	3.1
Commission for the Implementation of the Constitution	0.5	0.5	0.4	0.3	82.3	67.7	67.7	0.5	0.1	-	12.4	-
Registrar of Political Parties	0.4	0.4	0.3	0.3	81.2	71.0	71.0	-	-	-	-	-
Witness Protection Agency	0.2	0.2	0.2	0.1	84.0	54.6	54.6	-	-	-	-	-
Transition Authority	0.7	0.7	0.3	0.2	38.5	23.6	23.6	-	-	-	-	-
Kenya National Human Rights and Equality Commission	0.3	0.3	0.2	0.2	85.9	75.6	75.6	0.3	0.1	-	29.3	-
Independent Electoral and Boundaries Commission	24.3	24.2	24.1	19.8	99.3	81.8	81.8	11.4	0.5	0.4	4.5	3.1
Parliamentary Service Commission	13.0	13.0	5.2	5.2	40.4	40.4	40.4	8.9	1.7	1.4	18.9	16.3
Commission on Revenue Allocation	0.4	0.4	0.3	0.1	83.5	34.4	34.4	0.4	0.1	-	27.2	-
Public Service Commission	0.6	0.6	0.4	0.3	63.5	60.0	60.0	0.6	0.1	0.1	15.0	17.0
Salaries and Remuneration Commission	0.8	0.8	0.4	0.2	55.2	25.8	25.8	-	-	-	-	-
Teachers Service Commission	137.5	137.5	98.8	102.8	71.9	74.8	74.8	105.8	19.5	-	18.4	-
National Police Service Commission	0.3	0.3	0.2	0.1	61.6	32.4	32.4	0.3	-	-	-	-

Name of the Sub Sector	2012/2013						2011/2012					
	Revised Gross Est.	Rev. Net Est.	Exch. Issues	Exp.	% Exch. To Net Est.	% Exp to Rev. G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% Exp to G. Est.
Auditor-General	2.0	1.9	1.0	1.0	54.8	49.8	49.8	1.4	0.3	0.2	17.7	14.8
Controller of Budget	0.5	0.5	0.1	0.0	15.9	5.3	5.3	-	-	-	-	-
The Commission on Administrative Justice	0.3	0.3	0.2	0.1	61.8	47.5	47.5	-	-	-	-	-
National Gender and Equality Commission	0.2	0.2	0.2	0.1	88.8	69.7	69.7	-	-	-	-	-
Independent Police Oversight Authority	0.2	0.2	0.2	-	61.0	0.0	0.0	-	-	-	-	-
Total	724.4	625.2	434.0	416.8	69.4	57.5	57.5	482.2	102.4	81.4	21.2	14.7

Source: Office of the Controller of Budget and Ministry of Finance

Annex 3: Summary of Sectoral Recurrent Expenditures and Exchequer Issues of MDAs (Kshs. Billions)

Name of the sector	2012/13						2011/12					
	Revised Gross Estimates	Rev. Net Est.	Excheq. Issues	Expend.	% Exch. Issues to Est.	% Exp to Rev. G. Est.	Gross Estimates	Net Est.	Excheq. Issues	Expend.	% Exch. Issues to N. Est.	% Exp to G. Est.
Agriculture and Rural Development	19.1	18.9	12.8	11.5	67.9	60.4	16.8	16.6	12.9	11.0	77.9	65.7
Education	231.7	212.6	155.7	158.3	73.2	68.3	184.7	166.0	131.2	131.8	79.0	71.4
The Energy, Infrastructure and Information Communications Technology (EI & ICT)	62.5	12.3	7.5	16.1	60.5	25.8	55.9	13.4	7.8	33.1	58.2	59.2
The Environmental Protection, Water and Housing	17.8	12.5	8.4	7.6	67.0	42.6	15.4	11.7	8.7	8.2	74.3	53.5
General Economic, Commercial and Labour Affairs (GECLA)	9.2	8.7	6.1	5.1	70.2	55.7	8.8	8.4	6.5	5.9	77.2	66.8
The Governance, Justice, Law and Order (GJLOS)	144.4	143.6	100.3	82.1	69.9	56.9	106.7	106.6	68.8	25.8	64.6	24.2
The Health	59.1	55.2	35.1	36.7	63.6	62.2	38.6	34.7	28.5	28.8	82.2	74.5
The Public Administration and International Relations	52.7	51.4	34.5	26.2	67.0	49.7	40.9	39.9	31.5	25.6	79.1	62.8
The Social Protection, Culture and Recreation	20.4	20.3	13.5	11.9	66.6	58.5	19.6	19.8	16.3	14.0	82.3	71.3
National Security	89.7	89.7	60.2	61.3	0.0	0.0	65.2	65.2	53.8	52.5	82.6	80.6
Grand Total	706.5	625.2	434.1	416.8	69.4	57.5	552.6	482.2	366.1	336.8	75.9	61.0

Source: Office of the Controller of Budget and Ministry of Finance

Annex 4: Analysis of Development Expenditure and Exchequer Releases of MDAs (Kshs. billions)

Name of the MDA	2012/13						2011/12					
	Revised Gross Estimates	Rev. Net Est.	Excheq. Issues	Exp.	% Excheq. To Net. Est.	% Exp to Rev. G. Est.	Gross Est.	Net Est.	Excheq. Issues	Exp.	% Excheq. To Net. Est.	% Exp to G. Est.
Ministry of State for Provincial Administration and Internal Security	6.1	5.8	4.0	3.1	69.4	53.0	4.7	4.6	0.8	0.5	16.6	11.3
State House	0.3	0.3	0.2	0.16	76.0	53.1	1.3	1.3	0.02	0.0	1.6	1.7
Ministry of State for Public Service	0.4	0.4	0.2	0.017	64.5	3.7	5.1	5.1	0.2	0.0	3.6	0.5
Ministry of Foreign Affairs	0.5	0.5	0.2	0.16	36.3	18.6	8.1	7.3	0.2	0.1	2.5	1.6
Office of the Vice-President and Ministry of Home Affairs	1.8	1.8	0.8	0.4	46.5	22.8	1.9	1.9	0.6	0.2	32.6	9.7
Ministry of State for Planning, National Development and Vision 2030	26.4	23.9	23.5	16.9	98.1	64.4	2.8	2.8	0.2	0.2	8.6	6.9
Ministry of Finance	41.8	32.7	12.2	5.6	37.3	14.4	17.9	17.9	3.0	1.2	16.6	6.7
Ministry of Regional Development Authorities	5.5	3.8	2.7	2.5	72.1	44.7	6.3	3.9	0.4	0.3	9.6	5.1
Ministry of Agriculture	12.4	9.8	6.4	4.6	65.3	35.8	-	-	-	0.9	17.6	7.8
Ministry of Medical Services	6.9	5.2	3.0	2.5	57.0	39.7	4.4	2.3	0.3	0.3	13.7	6.3
Ministry of Local Government	4.8	4.2	3.2	2.8	76.7	56.1	6.1	5.5	0.2	0.7	4.5	12.2
Ministry of Roads	96.1	45.0	24.3	31.1	54.0	32.3	73.4	41.6	10.0	12.3	24.0	16.7
Ministry of Transport	14.3	7.3	2.0	1.5	28.0	10.5	14.3	7.3	1.2	0.5	16.9	3.2
Ministry of Labour	0.6	0.6	0.3	0.13	43.2	20.5	1.2	0.6	-	0.0	-	0.8
Ministry of Trade	0.7	0.7	0.2	0.2	28.6	21.9	0.6	0.4	0.1	0.1	29.1	19.6
Ministry of Justice, National Cohesion and Constitutional Affairs	0.8	0.1	0.1	0.1	63.4	6.5	1.0	0.1	0.1	0.1	43.5	5.1

Name of the MDA	2012/13						2011/12					
	Revised Gross Estimates	Rev. Net Est.	Excheq. Issues	Exp.	% Excheq. To Net. Est.	% Exp to Rev. G. Est.	Gross Est.	Net Est.	Excheq. Issues	Exp.	% Excheq. To Net. Est.	% Exp to G. Est.
Ministry of Gender, Children and Social Development	4.6	4.1	1.7	1.3	40.4	27.6	4.0	3.3	0.03	0.2	0.9	4.4
Ministry of Livestock Development	4.2	4.0	2.8	0.5	70.4	12.6	4.4	4.1	0.7	0.2	16.6	4.5
Ministry of Water and Irrigation	39.0	19.5	8.8	8.2	44.9	23.0	37.9	20.8	2.6	1.6	12.4	4.3
Ministry of Environment and Mineral Resources	4.3	4.2	2.0	1.7	47.6	37.9	4.1	4.0	0.2	0.3	6.1	8.3
Ministry of Cooperative Development and Marketing	0.2	0.2	0.08	0.1	42.3	29.1	0.4	0.4	0.02	0.0	4.1	4.0
Cabinet Office	1.6	0.7	0.3	0.3	40.6	15.2	1.3	1.3	-	0.0	-	0.0
Ministry of East African Community	0.1	0.0	0.0	0.0	100.0		0.1	0.0	-	0.0	-	1.7
State Law Office	0.2	0.2	0.1	0.04	34.4	18.5	0.0	0.0	0.01	0.0	11.7	14.9
The Judiciary	2.8	2.8	0.7	0.0	26.7	1.5	2.5	2.5	0.1	0.1	2.2	5.0
Ministry of Energy	80.7	28.9	13.0	5.8	45.1	7.4	63.8	23.9	2.3	2.4	9.6	3.8
Ministry of Education	11.2	7.1	5.0	3.9	70.5	35.0	5.6	3.9	0.9	1.3	22.4	23.7
Ministry of Information and Communications	4.5	4.5	2.2	1.9	48.5	42.2	5.4	5.4	1.3	1.4	24.6	25.5
Ethics and Anti-Corruption Commission	0.1	0.1	-	0.0	0.0	6.8	0.2	0.2	-	-	-	0.0
Ministry of State for Special Programmes	6.7	5.7	2.8	2.4	48.8	40.1	5.1	3.6	0.1	0.1	2.3	1.7
Ministry of Lands	2.2	2.2	0.6	1.0	29.4	42.3	1.3	1.2	0.3	0.2	21.3	16.1
Ministry of State for Immigration and Registration of Persons	2.5	2.5	1.3	0.9	50.4	22.3	2.4	2.4	0.1	0.0	3.3	0.4
Ministry of State for National Heritage and Culture	0.6	0.6	0.6	0.5	98.2	72.5	0.7	0.7	0.2	0.2	30.8	32.0
Ministry of Youth Affairs and Sports	4.3	4.0	2.2	1.3	56.2	28.7	3.8	3.8	0.8	0.2	21.8	6.5
Ministry of Higher Education, Science and Technology	14.7	7.4	3.9	4.0	53.5	25.8	11.9	6.7	0.8	1.2	11.9	9.8
Ministry of Housing	2.6	2.6	1.3	1.2	50.6	33.7	2.3	2.3	0.2	0.2	8.2	9.8

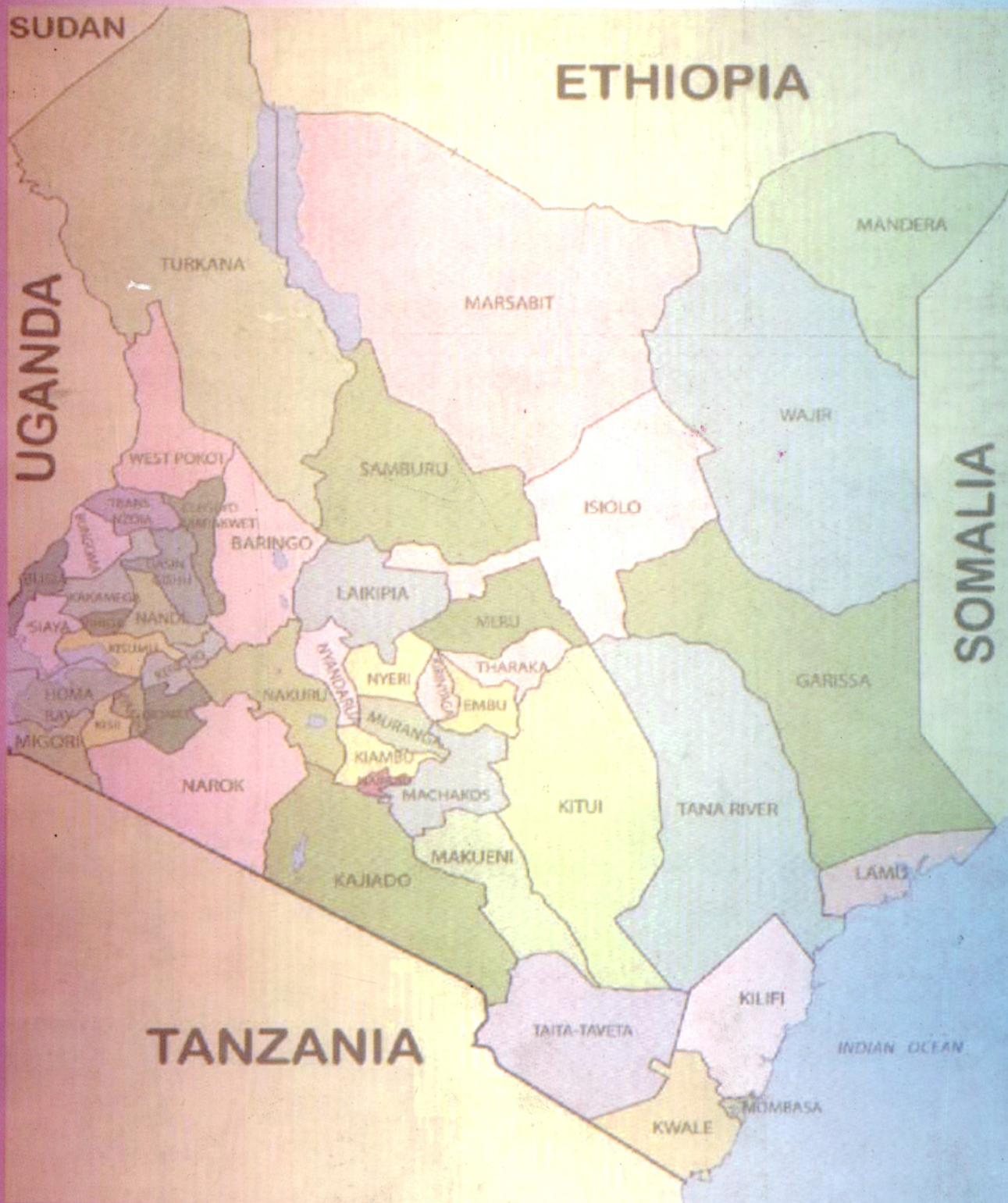
Name of the MDA	2012/13						2011/12					
	Revised Gross Estimates	Rev. Net Est.	Excheq. Issues	Exp.	% Excheq. To Net. Est.	% Exp. to Rev. G. Est.	Gross Est.	Net Est.	Excheq. Issues	Exp.	% Excheq. To Net. Est.	% Exp. to G. Est.
Ministry of Tourism	0.8	0.8	0.6	0.5	70.7	56.4	1.2	1.2	0.3	0.3	23.2	23.8
Office of the Prime Minister	0.7	0.3	0.3	0.2	86.6	25.3	1.8	1.8	0.0	0.1	2.5	4.7
Ministry of Public Health and Sanitation	25.6	12.9	5.0	4.1	38.8	15.6	21.3	13.0	0.9	1.2	7.0	5.7
Ministry of Forestry and Wildlife	5.0	3.8	2.5	2.5	67.3	49.2	3.5	3.0	0.5	0.4	15.6	12.6
Ministry of Fisheries Development	2.9	2.9	1.6	0.7	54.3	27.2	3.3	2.9	0.5	0.0	15.6	0.4
Ministry of Nairobi Metropolitan Development	3.4	3.4	1.0	1.1	30.9	59.1	2.0	2.0	0.4	0.5	21.7	23.9
Ministry of Development of Northern Kenya and Other Arid Lands	2.8	1.9	1.2	0.1	65.2	3.6	2.2	2.1	0.2	-	10.4	0.00
Ministry of Public Works	4.9	4.9	3.9	2.7	79.4	50.9	5.0	5.0	1.6	1.5	31.2	29.3
Ministry of Industrialization	3.2	3.1	1.5	1.5	48.3	44.6	2.7	2.7	0.5	0.5	17.1	18.4
Directorate of Public Prosecutions	0.1	0.1	0.05	0.0	73.3	5.7	-	-	-	-	-	-
Parliamentary Service Commission	3.2	2.3	0.5	0.4	22.2	14.1	1.6	1.6	0.2	0.2	12.1	10.4
Public Service Commission	2.3	0.1	0.0	0.0	25.0	5.2	0.6	0.6	-	-	-	-
Grand Total	461.5	282.9	151.4	120.5	53.5	26.1	362.9	238.0	34.5	31.8	14.5	8.8

Source: Office of the Controller of Budget and Ministry of Finance

Annex 5: Summary of Development Expenditure and Exchequer Analysis of MDAs (Kshs. Billions)

Name of the sector	2012/2013						2011/2012					
	Rev. Gross Estimates	Rev. Net Est.	Exch. Issues to Est.	2012/13 Expend.	% Exch to Net. Est.	% Exp to Rev. G. Est.	2011/12 Gross Estimates	Net Est.	Excheq. Issues	2011/12 Expend.	% Exch Issues to N. Est.	% Exp to G. Est.
Agriculture and Rural Development	22	19.1	11.5	8.0	60.4	36.4	20.7	17.8	3	6	17	29.1
Education	26	14.4	8.9	7.9	61.8	30.4	17.5	10.7	1.7	6.9	15.8	39.8
The Energy, Infrastructure and Information Communications Technology (EI & ICT)	208.5	98.2	49.7	46.9	50.6	22.5	169.9	90.6	17.1	58.4	18.9	34.4
The Environmental Protection, Water and Housing	50.9	30.1	14.6	12.4	48.6	24.4	47.8	30	3.5	17.8	11.6	37.1
General Economic, Commercial and Labour Affairs (GECLA)	10.9	9	5.2	4.8	58.5	44.0	12.1	8.7	1.2	6.2	14.1	50.8
The Governance, Justice, Law and Order (GJLOS)	14.3	13.3	7	4.6	52.8	32.2	12.9	11.8	1.6	7.7	13.4	60
Health	32.5	18.1	8	6.8	44	20.9	25.7	15.3	1.2	7.1	8	27.7
The Public Administration and International Relations	77.4	64.4	37.9	23.8	58.9	30.7	40.5	39.7	3.8	33.6	9.7	82.9
The Social Protection, Culture and Recreation	18.9	16.2	8.5	5.5	52.1	29.1	15.7	13.4	1.4	5.5	10.1	34.9
Grand Total	461.5	282.9	151.4	120.5	53.5	26.1	362.9	238	34.5	149.2	14.5	41.1

Source: Office of the Controller of Budget and Ministry of Finance



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