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THE BUDGET AND APPROPRIATIONS COMMITTEE REPORT ON THE
BUDGET POLICY STATEMENT, 2014

February, 2014

Mr. Speaker Sir, on behalf of the Members of the Budget and Appropriations Committee and as required under Standing Order 232 (5), I hereby present to the House, the Committee's Report on the 2014/15 Budget Policy Statement which was tabled in the house on 18th February, 2014.

Pursuant to Standing Order 232 (4), upon being laid before the House, the Budget Policy Statement (BPS) was committed to each Departmental Committee to deliberate upon and make recommendations to the Budget and Appropriations Committee in relation to their respective mandates. In considering the Statement, the Committee consulted each Departmental Committee and hereby tables a report, containing its recommendation on the BPS to the House for consideration.

Mr. Speaker Sir, it is significant to mention that the approved report on the Budget Policy Statement must inform the preparation of the Annual Estimates and by extension, it should form the basis of evaluating the 2014/15 estimates for the various spending agencies.

Mr. Speaker Sir, the Budget and Appropriations Committee as currently constituted comprise the following Members:-

- | | | |
|-----|-----------------------------|------------------|
| 1. | Hon. Mutava Musyimi, M.P. | Chairperson |
| 2. | Hon. Mary Emaase, M.P. | Vice Chairperson |
| 3. | Hon. Alfred Sambu, M.P. | |
| 4. | Hon. Benjamin Langat, M.P. | |
| 5. | Hon. Charles Nyamai, M.P. | |
| 6. | Hon. Clement Wambugu, M.P. | |
| 7. | Hon. Jackson Kiptanui, M.P. | |
| 8. | Hon. Jamleck Kamau, M.P. | |
| 9. | Hon. John Mbadi, M.P. | |
| 10. | Hon. Mohamed Shidiye, M.P. | |

11. Hon. Moses Lessonet, M.P.
12. Hon. Moses Ole Sakuda, M.P.
13. Hon. Nelson Gaichuhie, M.P.
14. Hon. Abdikadir Omar Aden, M.P.
15. Hon. Abdulaziz Farah, M.P.
16. Hon. Alfred Agoi, M.P.
17. Hon. Alice Ng'ang'a, M.P.
18. Hon. Banticha Jaldesa, M.P.
19. Hon. Benjamin Andola Andayi, M.P.
20. Hon. Bitok S. Kirwa, M.P.
21. Hon. Chrisantus W. Wakhungu, M.P.
22. Hon. Daniel Nanok, M.P.
23. Hon. Dennis Kariuki, M.P.
24. Hon. Dr. J. W. Nyikal, M.P.
25. Hon. Dr. Reginalda Wanyonyi, M.P.
26. Hon. Dorcas Kedogo, M.P.
27. Hon. Eng. Stephen Ngare, M.P.
28. Hon. Fatuma, Ali Ibrahim, M.P.
29. Hon. Francis Njenga, M.P.
30. Hon. George Muchai, M.P.
31. Hon. George Wanjohi, M.P.
32. Hon. Irshad Sumra, M.P.
33. Hon. Isaack Mwaura, M.P.
34. Hon. James Gakuya, M.P.
35. Hon. James Lusweti, M.P.
36. Hon. Jared O. Opiyo, M.P.
37. Hon. Jonathan Lati Lelelit, M.P.
38. Hon. Joseph Limo, M.P.
39. Hon. KK Stephen Kinyanjui, M.P.
40. Hon. Makali Mulu Benson, M.P.
41. Hon. Muriuki Njagagua, M.P.
42. Hon. Omar Mwinyi, M.P.
43. Hon. Omondi George Mallan, M.P.
44. Hon. Patrick Ole Ntutu, M.P.
45. Hon. Peter Weru Kinyua, M.P.
46. Hon. Priscilla Nyokabi, M.P.
47. Hon. Samuel Gichigi, M.P.
48. Hon. Shukran Hussein Gure, M.P.

49. Hon. Silverse Lisamula Anami, M.P.
50. Hon. Suleiman Murunga Kasuti, MP
51. Hon. Tiyah Galgalo, M.P.

Mandate of the Committee

The Budget and Appropriations Committee is established under the Standing Order 207 and is mandated to:

- a) Investigate, inquire into and report on all matters related to coordination, control and monitoring of the national budget;
- b) Discuss and review the estimates and make recommendations to the House;
- c) Examine the Budget Policy Statement presented to the House;
- d) Examine Bills related to the national budget, including Appropriations Bills; and
- e) Evaluate tax estimates, economic and budgetary policies and programmes with direct budget outlays.

The Budget and Appropriations Committee is further given legal backing under the Public Finance Management Act, 2012 and the Constitution article 221.

Mr. Speaker Sir, pursuant to Standing Order 232 (4, 5 and 6), the Budget and Appropriations Committee examined and discussed the Budget Policy Statement and made recommendations taking into account the provisions of the article 218 of the Constitution.

EXAMINATION OF THE BUDGET POLICY STATEMENT

In reviewing the 2014/2015 Budget Policy Statement the Committee held five sittings during which the Cabinet Secretary, National Treasury was invited to give his views and clarify on concerning the BPS. The Committee also received

submissions from the Departmental Committees and held extensive discussions with their Chairpersons.

ACKNOWLEDGEMENT

Mr. Speaker Sir,

The Committee is grateful to all representatives from the Executive arm of government who appeared before the Committee and also notes the contribution made by written submissions presented by the various stakeholders.

Committee is also particularly grateful to the Offices of the Speaker, the Clerk of National Assembly as well as to the Parliamentary Budget Office for the support received as it discharged its mandate of examining the 2014/15 Budget Policy Statement as well as to the Members of Parliament who participated in the process.

Mr. Speaker Sir,

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

Signed



THE HON. MUTAVA MUSYIMI, MP

CHAIRMAN, BUDGET AND APPROPRIATIONS COMMITTEE

Date: 6th March, 2014

I. INTRODUCTION

- 1) **Mr. Speaker sir**, the Budget Policy Statement (BPS) is an important document in the budget cycle that is prepared by the National Treasury that set out the broad objectives, policy goals and strategic priorities that guide the National and County Governments in preparing their budgets both for the following financial year and over the medium term. In fact, in the builder's language, the Budget Policy Statement is the foundation stone of the budget.

- 2) **Mr. Speaker sir**, with regard to the contents, the BPS should include the following:
 - (a) An assessment of the current state of the economy and the financial outlook over the medium term, including macro-economic outlook.
 - (b) Financial outlook with respect to Government revenues, expenditures and borrowing for the next financial year and over the medium term.
 - (c) The proposed expenditure ceilings for the 3 arms of Government and indicative transfers to County Government.
 - (d) The fiscal responsibility principles and financial objectives over the medium term including limits on total annual debt.
 - (e) The total resources to be allocated to individual programmes and projects within sector, ministries, departments and agencies indicating outputs expected during the period.

- 3) **Mr. Speaker sir**, after careful consideration, the Committee notes that;
 - i. The BPS achieved a compliance rate of 75.7 % implying that most of the information required was availed. However, the BPS did not show programmes outputs and key targets. Lack of this information hinders the Budget and Appropriations Committee as well as other Departmental Committees from making informed decisions.
 - ii. Even though the National Treasury conformed to the legal requirement on the deadline of submission of the BPS, the Constitution and the PFM envisaged that the Legislature as a Budget making institution should be given ample time to review the document. Thus, the National Treasury should

consider submitting the document much earlier. In fact, in the next few days the Committee will be proposing amendments to the PFM law geared towards giving the National Assembly sufficient time to engage on the BPS.

- iii. Several new programmes have been introduced and there is no explanation on what outputs were realized from the programmes in the previous year.

II. RECENT ECONOMIC DEVELOPMENTS AND POLICY OUTLOOK AND BUDGET FRAMEWORK

a) Recent Economic Developments

i. Economic growth

4) **Mr. Speaker Sir**, the 2014 Medium Term Budget Policy Statement (BPS) has been prepared at a time when there is a slight upward trend in global economic outlook. Indeed, the IMF projects that the global economy will grow by 3.6 percent compared to an estimated growth of 2.9 percent in 2013. On the other hand, Sub-Saharan Africa (SSA) is expected to grow by 5 percent in 2014. Closer home, the East African economies are expected to grow at 6 percent.

5) The treasury forecasts that the Kenyan economy will grow by 5.2 percent, 5.8 percent, 6.4 percent, and 6.8 percent, in 2013, 2014, 2015, and 2016 respectively. **Mr. Speaker Sir**, the Committee notes with concern that the Treasury has often projected high economic growth at the start of the year but, the target is often revised downwards in the course of the year. This impacts negatively on budget execution since Ministries, Departments and Agencies (MDAs) are forced to cut down on the various programmes and projects.

- 6) **Mr. Speaker Sir**, for Kenya to achieve higher growth rate, there is urgent need to increase investment in infrastructure projects. Going forward, a stable political and macroeconomic environment will be a prerequisite to ensuring stability in interest rates that will eventually support credit access to the private sector thereby promoting private investment.
- 7) Overall, Mr. Speaker Sir, it is important to point that despite the above pessimism in the forecast by the Treasury, the following risks remain:
- i. **Challenges in implementation of the new system of government:** The transition to devolved government has been plagued with a number of fiscal challenges in its implementation phase. The county governments came into existence in the middle of the budget cycle resulting in poorly prepared and rushed budgets, most of which were not anchored on the fiscal development strategies, and which entailed huge deficits, raising questions on sustainability. Other pertinent issues which will need to be addressed include: (a) low absorption of funds occasioned by delays in county budget approvals; (b) large recurrent spending associated with inherited public workforce from the national government as well as the defunct local authorities; (c) ensuring full adoption of the Integrated Financial Management Information System (IFMIS); (d) proliferation of county level taxes, fees and licences which are likely to increase the cost of doing business thereby hampering economic activity; (e) slow pace in creating the necessary capacity especially in public finance matters.
 - ii. **Security threats:** The country continues to face significant terror threats in various parts of the country. These security concerns may have an adverse impact on the country's investment climate.

- iii. **Expenditure Pressures and misalignment of expenditure:** The country faces the twin problem of rising expenditure pressure at the national and county levels of government and misalignment of resources through duplication of roles and expenditure. At the national level, rising expenditure is driven by massive infrastructure spending and the public wage bill. At the county level, high wage bill together with low absorption and misalignment of the budget by counties presents significant fiscal challenges.
 - iv. **Weak global economic outlook:** Despite projections of improvement in the global economic outlook, the situation is not rosy and downside risks still persist which may curtail the projected growth especially in the Euro Area. Constrained growth in Europe would impact negatively on Kenya in terms of decreasing external demand for Kenya's exports particularly horticulture and decreased Foreign Direct Investment. This may also adversely affect tourism.
 - v. **The Resource Curse:** While the discovery of the mineral deposits portends significant benefits to the Kenyan economy, there are risks accruing from the robust extractive industry such as negative environmental impact, macroeconomic imbalances as well as conflict among communities, the government and mining investors.
- ii. **Inflation**
- 8) **Mr. Speaker Sir,** according to the BPS, inflation is expected to stabilize at the medium term target of around 5 percent. The Committee is concerned that inflation is likely to trend upwards owing to various factors. In fact, the BPS recognizes that supply side shocks are still a threat to price stability and notes that reserves for food, oil and foreign exchange will provide an intervention mechanism for moderating overall inflation. However, it is highly unlikely that these reserves can provide enough buffers to rein in inflation as envisaged.

9) Already, **Mr. Speaker Sir**, consumer goods prices have been on the increase due to the VAT law, and food prices have been on the increase. The likelihood of food shortage remains a real threat. Available evidence suggests that maize production in many parts of Rift valley and Western Kenya is likely to be below average compared to the 2012 production. The Food and Agriculture Organization of the United Nation's forecast of cereal production in Kenya for 2012 and 2013 indicates that production is falling:

10) **Mr. Speaker Sir**, oil prices also remain volatile; furthermore, at 4.2 months of import cover, the forex reserves are still too close to the statutory 4 months level and the likelihood of falling below the threshold remains high. With this picture in mind, maintaining inflation at the 5 percent level may be difficult to achieve.

iii. Interest rates

11) **Mr. Speaker Sir**, the easing of the Monetary Policy Stance by the Central Bank through reduction in the CBR rate which currently stands at 8.5% has led to reduction in interest rates. Commercial bank lending rates have gradually declined from 19.7 percent in September 2012 to 16.95 percent in August 2013 to support credit uptake by the private sector.

12) Interest rate spread between the average lending and deposit rates decreased to 10.6 percent in September 2013 from 12.33 percent in September 2012. It is worth noting that there is projected high foreign interest payment over the medium term. The BPS also points out that credit access to the private sector is increasing. However, expenditure projections indicate an increase in net domestic borrowing in 2014/15 and this may reduce credit access to the private sector.

iv. Exchange Rate

13) **Mr. Speaker Sir**, the Kenya Shilling exchange rate has stabilized against major world currencies. This has been attributed to increased short term inflows and remittances, disbursements under the Extended Credit Facility programme and central bank activity in the foreign exchange market. However, the risks to the exchange rate include oil price volatility, as well as increased importation of goods. The BPS envisages high import demands for capital goods. Care should be taken to ensure that the official foreign exchange reserve position is maintained above the statutory 4 months level in order to cushion the country against exchange rate volatility. The Committee notes that the end of the three-year arrangement by IMF support under the Extended Credit Facility implies that the country could be vulnerable to shocks. Going forward, export led growth strategy will be necessary.

v. Public Debt

14) **Mr. Speaker Sir**, according to the BPS, the fiscal stance envisages continued borrowing from domestic and external sources with the latter being largely on concessional terms. It is important for the government to restrict growth of public debt. A look at the key components of recurrent expenditure shows that interest payments will take the second largest component of recurrent expenditure over the next three years. There is a noted increase in foreign interest payment. It can be observed that the ratio of public debt to GDP is to stand at 52.2%, 55.8%, 53.3%, and 50.4%, respectively in 2012/13, 2013/14, 2014/15, and 2015/16 respectively. The slowdown in the debt could largely be explained by the higher envisaged growth rate which if not realized, may result in a higher public debt to GDP ratio.

vi. Fiscal Consolidation

- 15) The government fiscal consolidation strategy does not seem to be working. Compared to the BPS 2013 framework, the deficit including grants contained in the BPS has always been revised upwards.
- 16) **Mr. Speaker Sir**, there is a tendency of the Treasury to indicate a lower deficit at the BPS level while a significant increase appears when the budget is submitted.
- 17) The thrust of fiscal discipline must be centered on a significant reduction in the growth of compensation to employees. The Committee is concerned that, despite the fact that some functions have been taken by county governments, the growth rate of compensation to employees will average at 7% in the period 2014/15 – 2016/17.

III. Fiscal Performance for 2013/14 and Emerging Challenges

- 18) **Mr. Speaker Sir**, the implementation for 2013/14 budget has implemented under very unique circumstances. According to the BPS, implementation of the FY 2013/14 budget begun with significant revenue shortfall in the FY 2012/13 resulting in expenditure carryovers of about KShs.36 billion. In addition, initial transitional issues also delayed the enactment of the County Allocation of Revenue Act. It is important to note that the economic challenges experienced in the 2012/13 has had impact on the implementation of the of the 2013/14 budget.
- 19) As at end of December 2013, **Mr. Speaker Sir**, cumulative revenue receipts amounted to Kshs.460.6 billion, against a target of Kshs.489.2 billion resulting in an underperformance of Kshs.28.6 billion. The underperformance was in respect of Kshs.10.4 billion in ordinary revenue (inclusive of Railway

Development Levy) and Kshs.18.2 billion in Appropriations-in-Aid (A-I-A). The underperformance in ordinary revenue was mainly reflected in excise and income taxes while the shortfall in A-i-A, partly reflects underreporting by line ministries.

20) With regard to expenditure, **Mr. Speaker Sir**, in 2013/14, both recurrent and development expenditures have experienced shortfalls which have been partly attributed to lower absorption by line ministries and revenue shortfalls. Notably, shortfall in development expenditure is more than that of recurrent expenditure implying that many projects are behind target. By December 2013, total expenditure (based on disbursements) amounted to Kshs. 574.2 billion against a target of Kshs.685.0 billion. This reflected an overall under-spending of Kshs.110.8 billion.

21) **Mr. Speaker Sir**, flaws in the procurement process have routinely been cited as an impediment to development expenditure. Deficiencies in the procurement law have hindered the successful execution of public procurement. It is important therefore to fast track the review of the procurement law and to address the challenges experienced in procurement in order to ensure projects are finalized on time.

22) On the other hand, the issue of under reporting of AIA by MDAs has been highlighted for a very long time but the issue has not been addressed fully. To this end, there is need for a policy decision with regard to automation of collection of A-In-A.

IV. Fiscal Policy and Budget Framework

23) **Mr. Speaker Sir**, with regard to fiscal policy and debt financing, the Government targets to achieve fiscal consolidation by putting in measures to

reduce the budget deficit from 8.9% percent of GDP in 2013/14 to 6.3% of GDP in 2014/15 and 4.9% in 2016/17. This will be done by bringing down debt-to-GDP ratio to below 50% in medium term while increasing absorption of external resources from 60% to 80% by reforming the procurement law.

24)The committee observes that in the previous policy documents (BPS), the Government has consistently laid plans for achieving targets. However, achieving this target has proved elusive. Indeed, the 2014, the BPS still attempts to do this by proposing expenditure containment while at the same time increasing revenue collection.

25)Mr. Speaker Sir, the committee is concerned with the extent to which revenue raising strategies are going to be implemented. Indeed, any increase in taxation may weaken near term domestic demand. These have to be chosen carefully, since it requires trade-offs between conflicting policy objectives. On the revenue side, substantial opportunities exist for broadening income tax, especially, redesigning the Turn-Over Tax (TOT), which has failed regime and indirect tax bases to avoid increasing tax rates.

26)The BPS presents forecast revenue, expenditure and borrowing estimates for the medium term. Table 4 shows that the governments projects to collect Kshs.982.9 billion in tax revenue and Kshs.186.2 billion in non-tax revenue such as Appropriations-in-Aid. Grants from donor countries will decline from forecast 78.4 billion to Kshs.75.5 billion, but the grant flows will rise to Kshs.92.7 billion in 2015/16. With a total expenditure of Kshs.1536.1 billion and the said revenue, the country will face a budget deficit of Kshs.291.5 billion in 2014/15, which is a large reduction from Kshs.372.3 billion.

27) **Mr. Speaker Sir**, the large budget deficit reflects substantial debt redemption, especially the planned repayment of the syndicated loan. Consequently, net external borrowing for the current fiscal year contains the planned sovereign bond estimated at Kshs.30 billion. Thus, the net external financing amounts to Kshs.238.8 billion, up from Kshs.226.7 billion estimated in the revised budget.

28) The Committee, however, notes that net external borrowing will ultimately return to trend and decline to Kshs.100.7 billion in 2014/15, but domestic borrowing is poised to rise from Kshs.133.5 in 2013/14 to Kshs.190.8 billion in 2014/15, partly to compensate for the absence of large external non-concessional borrowing component in the next financial year. This, **Mr. Speaker Sir**, indicates that the high initial net external borrowing will create an appetite for expenditure that will be then be assuaged by domestic borrowing after the sovereign bond has been issued.

a. Tax and Revenue Reforms

29) **Mr. Speaker Sir**, Committee observes that the BPS details a host of reforms in revenue collection during the course of the coming financial year and the medium term. These include;

- i. Raising the revenue to GDP ratio to 25.1% by 2016/17
- ii. Simplifying the tax systems and expanding the tax base by capturing the informal sector
- iii. Rationalizing tax incentives/exemptions
- iv. Splitting KRA into two organs namely: the Inland Revenue Agency & Custom and Border Control Agency
- v. Increasing VAT share to 4% of GDP (tax effort) on account of the new VAT law

- vi. Repealing of old tax laws such as the Excise Management Bill, Tax Procedure Bill, and review of parts of Income Tax Act that deal with the extractive industry.

30) The Committee, **Mr. Speaker Sir**, urges this House to expedite the scrutiny and approval of these Bills once they are introduced in Parliament to modernize and streamline the tax regime in our country and thereby support the revenue effort to fund our expenditures.

V. PROGRAMS FOR ACHIEVING ECONOMIC TRANSFORMATION FOR A SHARED PROSPERITY

31) **Mr. Speaker Sir**, the Committee observed that the BPS has identified five broad pillars that aim to address the challenges which constrain the economy from achieving its full potential and they are as follows;

- i. Pillar I: Creating conducive business environment for employment
- ii. Pillar II: Agricultural transformation and food security
- iii. Pillar III: Transport, Logistics, Energy and Water for Inclusive Growth
- iv. Pillar IV: Access to quality social services
- v. Pillar V: Further entrenching of devolution for better service delivery

32) The Committee **Mr. Speaker Sir** appreciates the goals targeted in each of the Pillars which include the enactment of various legislations as well as developing policies on land use, spurring food production, ensuring stability in energy supply as well as improving the quality of social services.

33) The Committee is, however, concerned that the first pillar may prove elusive to achieve since the BPS has not clearly identified policies that will enable the

country achieve macroeconomic stability to support the conducive business environment. For example, no concrete policies have been put to contain the ballooning public debt. Furthermore government's priority programmes are always identified in the planning stages but never fully implemented during the year.

34)The Committee, **Mr. Speaker Sir**, further observed that the third pillar proposes several infrastructure and energy projects which are normally financed through donor funds. The uptake of external funds is sometimes hindered by the tedious procurement processes, donor conditionality and delayed counterpart funding by the government. The Committee therefore recommends that efforts be made to ensure that projects with counterpart funding are adequately funded in the budget to ensure full implementation of the projects.

35)The Committee, **Mr. Speaker Sir**, also notes that the BPS in the fourth pillar has cited reforms to the Kenya Medical Supplies Agency (KEMSA) supply chain management so as to address the challenge of shortage of essential medicines and medical equipment. In addition to this **Mr. Speaker Sir**, weak financial management systems among subunits in the education sector isleading to under-reporting and irregular capturing of expenditures and revenues.

36)The Committee therefore urges quick action on these concerns so that the economy may achieve inclusive growth and provide employment opportunities for our people and improve the quality of services provided by the government.

VI. MEDIUM TERM SPENDING PRIORITIES IN THE BPS

Secotral considerations in the 2014/15 Budget and the medium term

37) **Mr. Speaker Sir**, the Committee received recommendations from the various Departmental Committees and the reports requested increments to the allocations proposed in the BPS to the various sectors. It is, however, important to note the short period that was availed to the various Departmental Committees and it was therefore not possible to undertake detailed scrutiny of the past performance of the spending agencies under their respective jurisdictions.

38) **Mr. Speaker Sir**, I urge the Committees to in future spend more time in interrogating the policies behind the programmes that the ministries implement. I also urge the Parliamentary Service Commission to recruit specialist in the various sectors so that Committees have access to continuous advice.

39) **Mr. Speaker Sir**, following are the sectoral issues and recommendations made by various Committees.

i. Social sector

40) **Mr. Speaker Sir**, the Committee notes that the social sector has an expenditure ceiling of Ksh.336.9 billion in the BPS which is 30.3% of total discretionary expenditures. The Committee, however, notes that the effort should be made by the sector to;

i. Upscale free maternity health programme;

- ii. Only commit to projects that require counterpart funding once the requisite resources have been secured rather than in anticipation of the same; and
- iii. Institute curriculum reform in education to align the outputs with the requirements of the market.

41) **Mr. Speaker sir**, although the social protection fund for the senior citizens of the society has been very beneficial, proper statistics on the exact number and the spatial distribution of these people is lacking. The allocation for this fund has increased from Kshs. 2 million, Kshs.4 million, Kshs.550 million, Kshs.530 million and Kshs.1 billion in 2007/08,2008/09,2009/10,2010/11,2011/12. Indeed, questions have been raised as whether the resources from the fund been equally distributed across the country. The Committee recommends that starting 2014/15, direct cash disbursements for the older persons be based on clear a criterion that is backed by statistics. This will go a long way in addressing equitable distribution issues.

ii. **Energy Infrastructure Communication and Technology**

42) The Committee further observes that this sector has a proposed allocation in the BPS of Ksh.250 billion which is Ksh.22.5% of the total discretionary expenditures. The Committee notes that Energy and petroleum subsector seeks significant resources for counterpart funding to the tune of kshs.120 billion and notes that given the expenditure pressures from other sectors, other methods of financing should be explored to ensure that this critical sector is adequately provided for.

iii. **Agriculture, Rural and Urban Development sector**

43) **Mr. Speaker Sir**, the Committee notes that the Agriculture, Rural and urban development sector has a proposed allocation in the BPS of Ksh.55.6 billion and

with these resources, the Committee urges that the sector to also prioritize the following in addition to previous expenditure priorities;

- i. The revival of the pyrethrum sector;
- ii. The Construction of modern slaughter houses and completion of the stalled ones; and
- iii. The development of the Kenya Animal Genetic Resource Centre (KAGRC).

iv. Land Housing and Urban development sub-sector

44) The Committee also urges this sub-Sector to use the Ksh.16 billion proposed for allocation to it to also prioritize for the following;

- i. Provide for office space and equipment for National Land Commission; and
- ii. Commencement of the metropolitan, urban planning and slum upgrading.

v. Governance, Justice Law and Order Sector

45) The Committee urges that the sector to use the allocated Ksh.133.2 billion to operationalise the Kenya Citizens and Foreign Nationals Management Services retooling and to automate and decentralize of Key sub-sectors programs to all counties as well as the operationalisation of the witness protection programmes, entrenchment of democracy and promotion and mainstreaming of human rights, gender equality and non- discrimination. The Committee further urges the sector to also gear efforts towards reducing case backlogs, improving access to justice and modernizing the court systems.

vi. General Economic and Commercial Affairs Sector

46) The Committee urges the sector to use the allocated Ksh.13.8 billion for implementing programmes aimed at promoting regional integration and

cooperation; growth and development of commerce; tourism promotion and development; savings and investment mobilization; employment creation; and industrial and entrepreneurship development. The Committee further urges the sector to produce the Kenya Integrated Household and Budget Survey with the resources provided.

vii. Public Administration and international relations sector

47) The Committee notes that the sector has a proposed expenditure ceiling of Ksh.168 billion and urges the sector to continue providing leadership and policy direction in the governance of the country; coordinate and supervise government affairs and promote efficient and effective human resources management and development for improved public service delivery; and promote public service integrity.

viii. Environmental protection, water and natural resources

48) The Committee urges the sector to use its proposed expenditure ceilings of Ksh.54.9 billion in the BPS to provide for the expansion of water coverage and sewerage facilities, scaling up water storage to improve water security, conservation and management of catchment areas, mitigation and adaptation measures on climate change, enforcement of sector laws and regulations, restoration of Nairobi Rivers, modernization of meteorological services, mineral exploitation and developing a mining cadastre system.

49) The Committee further urges the National Security which has a proposed allocation in the BPS of Ksh.80.1 billion for maintenance and safeguarding of national security.

VII. REVIEW OF HOW 2014/15 BPS RESPONDS TO MEDIUM TO LONG RUN CHALLENGES

- 50) **Mr. Speaker Sir**, the economy faces several long-run policy challenges such as the high appetite for expenditure from most spending agencies, high wage bill which at its current growth levels remains unsustainable as well as providing adequate infrastructure to support economic growth.
- 51) The Committee, **Mr. Speaker Sir** observed that the BPS projects the external balance (difference between imports and exports) will shift favourably for Kenya from -9.6% of GDP in 2013/14 to -8.8% of GDP in the next financial year. This, **Mr. Speaker Sir**, may either imply that either exports are scheduled to increase or that imports are set to decline.
- 52) However, **Mr. Speaker Sir**, the Committee noted that the BPS projects exports to remain stable at 25% of GDP from the current financial year and further projects a marginal decline in imports from 40.2% of GDP to 39% of GDP which combined are unlikely to serve to address current account balance as projected. It is also not clear to the Committee what policy prescriptions will drive either of these variables to narrow the current account balance.
- 53) The Committee further noted that the BPS projects an increase in wages and Benefits for the civil service by 12.4% from kshs.263 billion to kshs.295.7 billion in 2013/14 and 2014/15 respectively.
- 54) This, **Mr. Speaker Sir**, is an indicator of upward movement of wages at national level, despite the devolving of several functions to the counties and the movement of personnel to follow those functions. This would go against the

pronouncement of this House as well as policy prescriptions from the executive that the wage bill of government be stayed pending the outcome of the imminent national dialogue on the way forward on this matter.

55) **Mr. Speaker Sir**, the Committee further noted that the road transport programme is set to have a decrease in resources from by Kshs.11 billion from kshs.101 billion in 2013/14 while the rail transport programme is set to more than double in allocation to kshs.45 billion.

56) This, **Mr. Speaker Sir** may be taken as a reorientation of priorities within the sector towards rail transport, which is in crucial need of resources. The reduced allocation to the roads, however, implies that either the programme has not sufficiently demonstrated capacity to absorb resources, hence the reduced allocation, or that roads are expected to contribute less to economic growth than rail transport. The Committee therefore urges the memorandum to be provided together with the Annual Estimates under section 38(1)(a) of the Public Finance Management Act, 2012 to provide explanations for the proposed reduction to expenditure allocations for the road transport programme.

VIII. INTERGOVERNMENTAL FISCAL RELATIONS AND DIVISION OF REVENUE

57) Mr. Speaker Sir, it is encouraging that the BPS recognizes the hiccups faced in the early months of devolution such as hurried budgeting in counties, capacity problems in planning and budgeting, revision of county budgets, problems of transfer of functions. These problems were addressed through the Intergovernmental Budget and Economic Council and through direct support by the National Treasury.

58) **Mr. Speaker Sir**, the Committee notes the BPS considers the critical matter of sharing of nationally raised revenue between the national and county governments. With regard to this matter the Committee notes that in determining revenue sharing the following factors need to be considered:

- i. Adherence to the county allocations threshold set in the Article 203(2) of the constitution: revenue allocations to the counties should be at least 15% of nationally raised revenue calculated on basis of latest audited accounts in line with Article 203.
- ii. Costing of functions: Ideally, revenue allocations should be based on costing of the functions and needs of each level of government. This has not been done, thus making it difficult to determine the quantum of revenue that should be set aside for counties.
- iii. Adherence to criteria set out in Article 203(1): The constitution requires that the revenue allocations take into account the elaborate provisions set out in Article 203(1).
- iv. Determination of conditional or unconditional allocations (Article 202(2)): the constitution allows the national government to allocate

resources to counties from its own revenue share as conditional or unconditional allocations.

59) **Mr. Speaker Sir**, in addition to these issues the Committee broadly agrees on the need to consider the following when considering revenue allocation:

- i. **Ensuring stable revenue allocations between the levels of government:** revenue allocations between the two levels of government should be stable and predictable. In absence of proper costing of functions or a needs based framework for financing of the two levels of government, the Committee considers that revenue allocations be based on revenue growth.
- ii. **Observing fiscal austerity or hard budget constraints: the Committee observes the** need that each level of government should live within its means. The prevailing orientation in public sector budgeting is to simply increase resources to each level of government. But, such approach is inconsistent with fiscal prudence in the face of limited tax resources.
- iii. **Fostering the symbiotic relationship envisaged in Article 187:** Sharing of functions and resources transfer in 2013 was marked by unprecedented acrimony. Little attention was paid to other aspects of the constitution designed to foster gradual transfer and sharing of functions and resources. The Committee considers that the implementation of Article 187 and the provisions of the Intergovernmental Relations Act can help in moving away from the present antagonistic competition over functions and resources.
- iv. **Addressing emerging issues raised in the COB and Auditor General Reports:** Low absorptive capacity, widespread wastage and corruption have been

reported across many counties. The Committee recommends that future revenue allocations take into account accountability and fiscal prudence factors.

IX. RECOMMENDATIONS

60) **Mr. Speaker Sir**, given above issues the Committee recommends that this House resolves as follows;

- a. That vertical distribution of nationally raised resources be as set out in Annex 2. Out of the estimated shareable revenues amounting to Ksh.1,026.31 billion, that a total of Ksh.808.44 billion be allocated to the national government. This includes resources for REA and the Equalization Fund. The county equitable share will amount to Ksh.217.87 billion, which is 32% of the 2011/12 audited revenues. These figures have been arrived at taking into account Article 202 and 203 of the constitution, revenue growth for 2013/14 and 2014/15, and the baseline allocations to both levels of government in 2013/14.
- b. That overall resource envelope for the national government be divided as per Annex 1 which sets expenditure ceilings for Judiciary, Parliament, Consolidated Fund Services, and the rest of government as per the Standing Orders. These ceilings in Annex 1 should be adhered to. In this regard we recommend that any additional resources that may be raised on account of new measures or administrative efforts should go towards reduction of public debt.
- c. That in line with PFM Act 2012, there is need for review of all forms of Appropriations-in-Aid to be collected as miscellaneous revenue payable to the exchequer.

- d. That information be provided listing all outputs and indicators for each programme in the annual budget, in all supplementary budgets and future BPSs submitted to Parliament.
- e. To give effect to Article 27 on affirmative action and mainstreaming of gender based budgeting, that the ceiling for Devolution and Planning includes provisions for the implementation of affirmative action and social development programmes once necessary legislative and administrative procedures are in place.
- f. That the following provisions be transferred as conditional grants to the County Government:-
 - i. Provision towards revamping youth polytechnics amounting to Kshs 1.4 billion to be shared equally among all counties; and
 - ii. Provision for supporting service delivery in level 5 hospitals amounting to Kshs. 3.74 billion.
- g. That the following provisions be “ring-fenced” and be included in the share of National Government:-
 - i. Provision of Kshs. 5 million per constituency toward completion of centres of excellence under the Economic Stimulus Package; and
 - ii. Provision of Kshs. 7.3 billion for rural electrification projects under the Rural Electrification Authority (REA).

iii. ANNEXE 1

Vote	Details	2014/15 Ceilings
101. The Presidency	Gross	4,376
	Recurrent	3,176
	Development	1,200
	o/w Dev. GoK	1,200
	o/w Dev. Foreign	-
	Financed	
102. Interior & Coordination of National Government	Gross	34,772
	Recurrent	29,772
	Development	5,000
	o/w Dev. GoK	3,000
	o/w Dev. Foreign	2,000
	Financed	
103. Ministry of Devolution and Planning	Gross	86,774
	Recurrent	16,374
	Development	70,400
	o/w Dev. GoK***	50,400
	o/w CDF**	35,658
	o/w Dev. Foreign	20,000
Financed		
104. Ministry of Defence	Gross	64,139
	Recurrent	64,139
	Development	-
	o/w Dev. GoK	-
	o/w Dev. Foreign	-
	Financed	
105. Ministry of Foreign Affairs	Gross	10,723
	Recurrent	10,083
	Development	640
	o/w Dev. GoK	640
	o/w Dev. Foreign	-
	Financed	
106. Ministry of Education, Science and Technology	Gross	134,831
	Recurrent	100,231
	Development	34,600
	o/w Dev. GoK	28,000
	o/w Dev. Foreign	6,600
	Financed	
107. The National Treasury	Gross	53,817
	Recurrent	23,817
	Development	30,000
	o/w Dev. GoK	14,000
	o/w Dev. Foreign	16,000
	Financed	

Vote	Details	2014/15 Ceilings
108. Ministry of Health	Gross	38,318
	Recurrent ****	23,718
	Development	14,600
	o/w Dev. GoK	6,500
	o/w Dev. Foreign	8,100
	Financed	
109. Ministry of Transport & Infrastructure	Gross	153,720
	Recurrent	36,520
	Development	117,200
	o/w Dev. GoK	52,200
	o/w Dev. Foreign	65,000
	Financed	
110. Ministry of Environment, Water and Irrigation	Gross	54,896
	Recurrent	13,596
	Development	41,300
	o/w Dev. GoK	16,300
	o/w Dev. Foreign	25,000
	Financed	
111. Ministry of Lands, Housing and Urban Development	Gross	15,569
	Recurrent	4,069
	Development	11,500
	o/w Dev. GoK	6,000
	o/w Dev. Foreign	5,500
	Financed	
112. Ministry of Information and Communication	Gross	12,083
	Recurrent	2,183
	Development	9,900
	o/w Dev. GoK	3,100
	o/w Dev. Foreign	7,000
	Financed	
113. Ministry of Sports, Culture and Arts	Gross	3,419
	Recurrent	2,454
	Development	965
	o/w Dev. GoK	905
	o/w Dev. Foreign	60
	Financed	
114. Ministry of Labor, Social Security and Services	Gross	17,734
	Recurrent	8,634
	Development	9,100
	o/w Dev. GoK	5,100
	o/w Dev. Foreign	4,000
	Financed	
115. Ministry of Energy and Petroleum	Gross	92,382
	Recurrent	2,382

Vote	Details	2014/15 Ceilings
	Development	90,000
	o/w Dev. GoK	20,000
	o/w Loc. AIA	5,000
	o/w Dev. Foreign	65,000
	Financed	
116. Ministry of Agriculture, Livestock and Fisheries	Gross	38,912
	Recurrent	11,452
	Development	27,460
	o/w Dev. GoK	16,960
	o/w Dev. Foreign	10,500
	Financed	
117. Ministry of Industrialisation and Enterprise Development	Gross	7,474
	Recurrent	3,374
	Development	4,100
	o/w Dev. GoK	3,900
	o/w Dev. Foreign	200
	Financed	
118. Ministry of East African Affairs, Commerce and Tourism	Gross	6,262
	Recurrent	4,962
	Development	1,300
	o/w Dev. GoK	1,150
	o/w Dev. Foreign	150
	Financed	
119. Ministry of Mining	Gross	2,183
	Recurrent	883
	Development	1,300
	o/w Dev. GoK	1,300
	o/w Dev. Foreign	-
	Financed	
120. Office of the Attorney General and Department of Justice	Gross	2,982
	Recurrent	2,382
	Development	600
	o/w Dev. GoK	300
	o/w Dev. Foreign	300
	Financed	
121. Judiciary	Gross	17,000
	Recurrent	12,008
	Development	4,992
	o/w Dev. GoK	3,992
	o/w Dev. Foreign	1,000
	Financed	
122. Ethics and Anti-Corruption Commission	Gross	1,390
	Recurrent	1,290
	Development	100

Vote	Details	2014/15 Ceilings
	o/w Dev. GoK	100
	o/w Dev. Foreign	-
	Financed	
123. National Security Service	Gross	15,322
	Recurrent	15,322
	Development	-
	o/w Dev. GoK	-
	o/w Dev. Foreign	-
	Financed	
124. Directorate of Public Prosecutions	Gross	2,483
	Recurrent	2,183
	Development	300
	o/w Dev. GoK	300
	o/w Dev. Foreign	-
	Financed	
125. Commission for the Implementation of the Constitution	Gross	347
	Recurrent	347
	Development	-
	o/w Dev. GoK	-
	o/w Dev. Foreign	-
	Financed	
126. Registrar of Political Parties	Gross	546
	Recurrent	546
	Development	-
	o/w Dev. GoK	-
	o/w Dev. Foreign	-
	Financed	
127. Witness Protection Agency	Gross	228
	Recurrent	228
	Development	-
	o/w Dev. GoK	-
	o/w Dev. Foreign	-
	Financed	
128. National Police Service	Gross	67,507
	Recurrent	64,307
	Development	3,200
	o/w Dev. GoK	3,200
	o/w Dev. Foreign	-
	Financed	
201. Kenya National Commission for Human Rights	Gross	268
	Recurrent	268
	Development	-
	o/w Dev. GoK	-
	o/w Dev. Foreign	-

Vote	Details	2014/15 Ceilings
	Financed	
202. National Land Commission	Gross	1,992
	Recurrent	1,092
	Development	900
	o/w Dev. GoK	900
	o/w Dev. Foreign	-
	Financed	
203. Independent Electoral and Boundaries Commission	Gross	3,775
	Recurrent	3,275
	Development	500
	o/w Dev. GoK	100
	o/w Dev. Foreign	400
	Financed	
204. Parliamentary Service Commission	Gross	25,797
	Recurrent	19,897
	Development	5,900
	o/w Dev. GoK	5,900
	o/w Dev. Foreign	-
	Financed	
205. Judicial Service Commission	Gross	397
	Recurrent	397
	Development	-
	o/w Dev. GoK	-
	o/w Dev. Foreign	-
	Financed	
206. Commission on Revenue Allocation	Gross	318
	Recurrent	318
	Development	-
	o/w Dev. GoK	-
	o/w Dev. Foreign	-
	Financed	
207. Public Service Commission	Gross	945
	Recurrent	695
	Development	250
	o/w Dev. GoK	250
	o/w Dev. Foreign	-
	Financed	
208. Salaries and Remuneration Commission	Gross	447
	Recurrent	447
	Development	-
	o/w Dev. GoK	-
	o/w Dev. Foreign	-
	Financed	
209. Teachers Service Commission	Gross	160,770

Vote	Details	2014/15 Ceilings
	Recurrent	160,270
	Development	500
	o/w Dev. GoK	500
	o/w Dev. Foreign	-
	Financed	
210. National Police Service Commission	Gross	397
	Recurrent	397
	Development	-
	o/w Dev. GoK	-
	o/w Dev. Foreign	-
	Financed	
211. Auditor General	Gross	3,378
	Recurrent	2,878
	Development	500
	o/w Dev. GoK	500
	o/w Dev. Foreign	-
	Financed	
212. Controller of Budget	Gross	427
	Recurrent	427
	Development	-
	o/w Dev. GoK	-
	o/w Dev. Foreign	-
	Financed	
213. Commission on Administration of Justice	Gross	297
	Recurrent	297
	Development	-
	o/w Dev. GoK	-
	o/w Dev. Foreign	-
	Financed	
214. National Gender and Equality Commission	Gross	301
	Recurrent	301
	Development	-
	o/w Dev. GoK	-
	o/w Dev. Foreign	-
	Financed	
215. Independent Police Oversight Authority	Gross	222
	Recurrent	222
	Development	-
	o/w Dev. GoK	-
	o/w Dev. Foreign	-
	Financed	
Total	Gross	1,139,917
	Recurrent	651,610
	Development	488,307

Vote	Details	2014/15 Ceilings
	o/w Dev. GoK	246,697
	o/w Dev. Foreign Financed	236,810

Note:*** The GOK dev. For Vote 103 Devolution and planning Includes allocations for Affirmative action

**** Includes allocation for Intern Doctors

ANNEXE 2

Amended Revenue Allocation Framework (Ksh. Billions)

	Baseline 2013/14	Proposed Division of Revenue 2014/15	Article 203(2) (Threshold- 15%)
A. National revenue share	730.4	808.44	
B. County Equitable Share	190	217.87	32%
C. Total	920.4	1,026.31	
D. Forecast Ordinary Revenue (2014/15)		1,026.31	

ANNEXE 3

Table 1: Legal compliance of the Budget Policy Statement

Item	PFM Act Section	S.O provision	% Level of Compliance	Comment
Submission of the budget policy statement by 15 th February every year	25(2)	232 (1)	100%	Submitted within the timeline
An assessment of the current state of the economy and the financial outlook over the medium term including macro-economic forecast.	25(4) (a)	232 (2) (a)	100%	Information provided
Financial outlook with respect to government revenues, expenditures and borrowing for the next financial year and over the medium term	25(4) (b)	232(2) (b)	100%	Information provided
The proposed expenditure ceilings for the 3 arms of Government and indicative transfers to County governments.	25(4) (c)	232(2) (c)	100%	Information provided.
The fiscal responsibility principles and financial objectives over the medium term including limits on total annual debt.	25(4) (d)	232(2) (d)	100%	Information provided
The total resources to be allocated to individual programmes and projects within sector/ministries departments and agencies for the period identified indicating outputs expected from such programme or project during the period.	-	232(2) (e)	10%	BPS does not comply with the requirement. Information not provided in the required format. Outputs are not shown.
The principle of public participation and other stakeholders is a requirement in the Constitution.	25 (5)	-	10%	The National Treasury held hearings for Sector Working Groups; there is no information to show how the views of the different stakeholders were incorporated. Including the views of the Budget and Appropriations Committee when the sectors appeared before it.
Total Level of Compliance	-	-	75.7%	-

**MINUTES OF THE 13th SITTING OF THE BUDGET AND
APPROPRIATIONS COMMITTEE HELD ON THURSDAY, 6th
MARCH 2014 AT 10:30 AM AT SMALL DINNING**

PRESENT

1. **Hon. Mutava Musyimi -Chair**
2. **Hon. Mary Emaase - Vice Chair**
3. Hon. Abdulaziz Farah
4. Hon. Bitok S. Kirwa
5. Hon. Chrisantus W. Wakhungu
6. Hon. Clement Wambugu
7. Hon. Dr. J.W. Nyikal
8. Hon. Francis Njenga
9. Hon. James Lusweti
10. Hon. KK Stephen Kinyanjui
11. Hon. Irshad Sumra
12. Hon. Moses Ole Sakuda
13. Hon. Omar Mwinyi
14. Hon. Patrick Ole Ntutu
15. Hon. Samuel Gichigi
16. Hon. Silverse Lisamula Anami
17. Hon. Tiyah Galgalo
18. Hon.(Eng) Stephen Ngare
19. Hon. Dennis Kariuki
20. Hon. Moses Lessonet
21. Hon. Peter Weru Kinyua
22. Hon. Jared O. Opiyo
23. Hon. Priscilla Nyokabi

ABSENT

1. Hon. Alfred Agoi
2. Hon. Alfred Sambu
3. Hon. Banticha Jaldesa
4. Hon. Benjamin Langat
5. Hon. Charles Nyamai
6. Hon. Suleiman Murunga Kasuti

7. Hon. Dr. Reginalda Wanyonyi
8. Hon. Omondi George W. Mallan
9. Hon. George Muchai
10. Hon. Jackson Kiptanui
11. Hon. Jamleck Kamau
12. Hon. Joseph Limo
13. Hon. Mohamed Shidiye
14. Hon. Nelson Gaichuhie
15. Hon. Muriuki Njagagua
16. Hon. Shukra Hussein Gure
17. Hon. Makali Mulu Benson
18. Hon. Abdikadir Omar Aden
19. Hon. John Mbadi
20. Hon. Jonathan Lati Lelelit
21. Hon. George Wanjohi
22. Hon. Isaac Mwaura
23. Hon. James Gakuya
24. Hon. Daniel Nanok
25. Hon. Dorcas Kedogo
26. Hon. Ali, Fatuma Ibrahim
27. Hon. Alice Ng'ang'a
28. Hon. Benjamin Andola Andayi

IN ATTENDANCE

1. Mr. Robert Nyaga
2. Mr. Frederick Muthengi
3. Mr. Gichohi Mwaniki
4. Mr. Joseph Ndirangu
5. Mr. Danson Kachumbo

BUDGET COMMITTEE

SECRETARIAT

- Chief Fiscal Analyst
- Principal Fiscal Analyst/Clerk
- Senior Fiscal Analyst
- Fiscal Analyst
- Junior Fellow

AGENDA

1. Preliminaries / Confirmation of Agenda
2. Confirmation of the Minutes of the Previous Meeting.
3. Matters arising

4. *Continuation of processing the Budget Policy Statement 2014/15 and consideration of the final draft report*
5. Any Other Business

MIN 44/2014: Preliminaries

The Chairman called the meeting to order at 11:00 am and led the members with a word of prayer.

MIN 45/ 2014: Confirmation of the Minutes of the Previous Meeting

Members confirmed all the minutes that pertaining to meetings that processed the Budget Policy Statement 2014/15. He then called upon Parliament Budget Office to make a presentation on the Budget Policy Statement final report as per the amendments that were proposed by the Committee in the previous meeting.

MIN 46/2014: Presentation by the Parliamentary Budget Office on the Budget Policy Statement 2014/15 final report

The Parliamentary Budget Office took members through the final draft report of the Budget Policy Statement 2014/15 .The report was as per the amendments that the Committee had proposed in the previous meeting.

MIN 47/2014: Adoption of the BAC final report on the BPS 2014/15

The Chair called upon members to comment on the presentation by the Parliamentary Budget Office. Members agreed that the presentation was as per what they had proposed. They further proposed other amendments which are as follows;

1. The Constituency Development Fund (CDF) ceiling should be increased by Kshs. 12 billion i.e. from the Kshs. 23 billion proposed ceiling in the BPS to a ceiling Kshs. 35 billion. The committee recommended that the increased funds should prioritise improvement of infrastructure in Public Primary Schools.
2. Several Members suggested that the allocation to counties should remain Kshs. 210 Billion as the Controller of Budget and Auditor General reports shows that the funds allocated last year have not been well utilised. The Committee finally agreed to review the previous meeting

resolution to allocate Kshs. 222.87 to County Governments by reducing the figure with Kshs. 5 Billion.

3. Members also agreed to reduce allocations ceilings for the Constitutional Commissions on Pro-rata basis

MIN 48/2014: Any Other Business

The Chairman informed Members that there was a positive response with regard to the proposed study tour to Mexico. He informed them that that Mexican Congress was proposing the trip to be on either 25/27 March or 1/3 April, 2014. He stated that seven members will go and that preference will be given according to one's frequency in the attendance of meetings register. He nominated the Vice-chair of the Committee to be the team leader of the trip and asked her to liaise with Parliamentary Budget Office in planning for the trip. There being no other business the Chairman adjourned the meeting at 1.25 pm. Next sitting will be on 11th March 2014.

SIGNED



.....
CHAIRPERSON

6.3.14

.....
DATE

**MINUTES OF THE 12th SITTING OF THE BUDGET AND
APPROPRIATIONS COMMITTEE HELD ON WEDNESDAY, 5th
MARCH 2014 AT 10:30 AM AT SMALL DINNING**

PRESENT

1. **Hon. Mutava Musyimi -Chair**
2. **Hon. Mary Emaase - Vice Chair**
3. Hon. Abdikadir Omar Aden
4. Hon. Abdulaziz Farah
5. Hon. Alfred Sambu
6. Hon. Ali, Fatuma Ibrahim
7. Hon. Alice Ng'ang'a
8. Hon. Benjamin Andola Andayi
9. Hon. Bitok S. Kirwa
10. Hon. Chrisantus W. Wakhungu
11. Hon. Clement Wambugu
12. Hon. Daniel Nanok
13. Hon. Dorcas Kedogo
14. Hon. Dr. J.W. Nyikal
15. Hon. Dr. Reginalda Wanyonyi
16. Hon. Francis Njenga
17. Hon. George Wanjohi
18. Hon. Isaac Mwaura
19. Hon. James Gakuya
20. Hon. James Lusweti
21. Hon. Jared O. Opiyo
22. Hon. John Mbadi
23. Hon. Jonathan Lati Lelelit
24. Hon. KK Stephen Kinyanjui
25. Hon. Makali Mulu Benson
26. Hon. Moses Ole Sakuda
27. Hon. Nelson Gaichuhie
28. Hon. Omar Mwinyi
29. Hon. Omondi George W. Mallan
30. Hon. Patrick Ole Ntutu
31. Hon. Priscilla Nyokabi
32. Hon. Samuel Gichigi
33. Hon. Silverse Lisamula Anami

- 34.Hon. Suleiman Murunga Kasuti
- 35.Hon. Tiyah Galgalo
- 36.Hon.(Eng) Stephen Ngare

ABSENT

1. Hon. Alfred Agoi
2. Hon. Banticha Jaldesa
3. Hon. Benjamin Langat
4. Hon. Charles Nyamai
5. Hon. Dennis Kariuki
6. Hon. George Muchai
7. Hon. Irshad Sumra
8. Hon. Jackson Kiptanui
9. Hon. Jamleck Kamau
- 10.Hon. Joseph Limo
- 11.Hon. Mohamed Shidiye
- 12.Hon. Moses Lessonet
- 13.Hon. Muriuki Njagagua
- 14.Hon. Peter Weru Kinyua
- 15.Hon. Shukra Hussein Gure

IN ATTENDANCE

1. Dr. Geoffrey Mwaui
2. M.s Fellistus Kivisi

IN ATTENDANCE

1. Ms. Phyllis Makau
2. Mr. Martin Masinde
3. Mr. Robert Nyaga
4. Ms. Lucy Makara
5. Mr. Gichohi Mwaniki
6. Mr. Frederick Muthengi
7. Mr. Danson Kachumbo

NATIONAL TREASURY

Economic Secretary
Assistant Secretary

BUDGET COMMITTEE

SECRETARIAT

Director
Senior Deputy Director
Chief Fiscal Analyst
Principal Fiscal Analyst
Senior Fiscal Analyst
Principal Fiscal Analyst/Clerk
Junior Fellow

AGENDA

1. Preliminaries / Confirmation of Agenda
2. Confirmation of the Minutes of the Previous Meeting.
3. Matters arising
4. *Meeting with National Treasury on PFM Amendments*
5. *Adoption of the BAC Draft report on the BPS 2014*
6. Any Other Business

MIN 39/2014: Preliminaries

The Chairman called the meeting to order at 10:00 am and led the members with a word of prayer.

MIN 40/ 2014: Confirmation of the Minutes of the Previous Meeting

It was agreed that the minutes of the previous meeting and matters arising shall be discussed in the forth coming meeting. Thereafter the Chairman called upon the National Treasury to make their presentation.

MIN 41/2014: Meeting with National Treasury on PFM Amendments

The presentation by National Treasury on PFM amendments highlighted that there was need for the Public Finance Management, 2012 to be amended so as to allow for issuance of the sovereign bond. Members were taken through the various new clauses of the sections that were being amended.

After the presentation, the Chair called upon members to comment on the presentation. Members of BAC queried why the new definitions introduced in clause 2(d) related to '*external loans*' did not include Kenya Laws. Members felt that to safeguard the sovereignty of Kenya, Kenyan Laws to some extent should apply to external loans.

Finally members felt that the amendment of section 53(6) by adding a new section 17 shall infringe on the role of Parliament in providing oversight. The amendment excluded the requirement that if an amendment to an agreement to obtain a loan was prejudicial to the borrowing entity then it shall be approved by Parliament.

After deliberations, members agreed for the bill to proceed and published with amendments.

MIN 42/2014: Adoption of the BAC Draft report on the BPS 2014

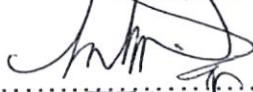
The Chair called upon members to make decisions of the various proposals that the departmental committees had presented before BAC. After long deliberations, the committee recommended the approval of ceilings as it had decided on subject to proposed amendments.

The committee also agreed that the vertical share for County Governments be Kshs. 222.87 Billion.

MIN 43/2014: Any Other Business

There being no other business the Chairman adjourned the meeting at 1.25 pm. Next sitting will be on 6th March 2014.

SIGNED



.....
CHAIRPERSON

6.3.14

.....
DATE

MINUTES OF THE 11th SITTING OF THE BUDGET AND
APPROPRIATIONS COMMITTEE HELD ON TUESDAY, 4th MARCH 2014
AT 10:00 AM AT SMALL DINNING

PRESENT

1. **Hon. Mutava Musyimi -Chair**
2. **Hon. Mary Emaase - Vice Chair**
3. Hon. Abdikadir Omar Aden
4. Hon. Abdulaziz Farah
5. Hon. Alfred Agoi
6. Hon. Alfred Sambu
7. Hon. Ali, Fatuma Ibrahim
8. Hon. Benjamin Andola Andayi
9. Hon. Charles Nyamai
10. Hon. Chrisantus W. Wakhungu
11. Hon. Clement Wambugu
12. Hon. Daniel Nanok
13. Hon. Dorcas Kedogo
14. Hon. Dr. J.W. Nyikal
15. Hon. Dr. Reginalda Wanyonyi
16. Hon. Francis Njenga
17. Hon. George Muchai
18. Hon. George Wanjohi
19. Hon. Irshad Sumra
20. Hon. Isaac Mwaura
21. Hon. James Gakuya
22. Hon. James Lusweti
23. Hon. Jared O. Opiyo
24. Hon. John Mbadi
25. Hon. Jonathan Lati Lelelit
26. Hon. Joseph Limo
27. Hon. KK Stephen Kinyanjui
28. Hon. Makali Mulu Benson
29. Hon. Mohamed Shidiye
30. Hon. Moses Ole Sakuda
31. Hon. Muriuki Njagagua
32. Hon. Nelson Gaichuhie
33. Hon. Omar Mwinyi

- 34.Hon. Omondi George W. Mallan
- 35.Hon. Patrick Ole Ntutu
- 36.Hon. Peter Weru Kinyua
- 37.Hon. Priscilla Nyokabi
- 38.Hon. Samuel Gichigi
- 39.Hon. Shukra Hussein Gure
- 40.Hon. Silverse Lisamula Anami
- 41.Hon. Tiyah Galgalo
- 42.Hon.(Eng) Stephen Ngare

ABSENT

1. Hon. Alice Ng'ang'a
2. Hon. Banticha Jaldesa
3. Hon. Benjamin Langat
4. Hon. Bitok S. Kirwa
5. Hon. Dennis Kariuki
6. Hon. Jackson Kiptanui
7. Hon. Jamleck Kamau
8. Hon. Moses Lessonet
9. Hon. Suleiman Murunga Kasuti

IN ATTENDANCE

1. Hon. Dr. Rachel Nyamai
2. Hon. David Were
3. Hon. Elias Bare Shill(Vice)
4. Hon. Alex Mwiru
5. Hon. Sabina Chege
6. Hon. Amina Abdalla
7. Hon. Kareke Mbuiki
8. Hon. Nelson Gaichuhie(Vice)

IN ATTENDANCE

1. Hon. Mary Sally Otara
2. Hon. Maison Leshome
3. Hon. Grace Kiptui

DEPARTMENTAL CHAIRS

Health
 Labour and Social Welfare
 Defence and Foreign Affairs
 Lands
 Education, Research and Tech.
 Environment and Natural Resources
 Agriculture, Livestock and Coop.
 Finance, Planning and Trade

County Women Representatives

Member
 Member
 Member

4. Hon. Wanjiku Muhia
5. Hon. Alice W. Chae

Member
Member

IN ATTENDANCE

1. Mr. Martin Masinde
2. Ms. Lucy Makara
3. Mr. Frederick Muthengi
4. Mr. Joseph Igogo
5. Mr. Danson Kachumbo

BUDGET COMMITTEE

SECRETARIAT

Senior Deputy Director
Principal Fiscal Analyst
Principal Fiscal Analyst/Clerk
Fiscal Analyst III
Junior Fellow

AGENDA

1. Preliminaries / Confirmation of Agenda
2. Confirmation of the Minutes of the Previous Meeting.
3. Matters arising
4. *Briefing from Various Departmental Committee Chairs on suggested proposals of Budget Policy Statement 2014/15*
5. *Legislative Proposal - The Affirmative Action(Social Development Fund) Bill, 2013*
6. Any Other Business

MIN 34/2014: Preliminaries

The Chairman called the meeting to order at 10:00 am and led the members with a word of prayer.

MIN 35/ 2014: Confirmation of the Minutes of the Previous Meeting

It was agreed that the minutes of the previous meeting and matters arising shall be discussed in the forth coming meeting. Thereafter the Chairman called upon the chairperson of various departmental committee chairs to make her presentation.

MIN 36/2014: Briefing of Various Departmental Committee Chairs on suggested proposals of Budget Policy Statement 2014/15

The Chair of Health presentation highlighted there was need for increased funding of the health sector both in the National Government and County Government in effort to achieve Millennium Development Goals 4, 5, and 6. The health committee also observed that there was no counter funding provided for in the BPS and recommended that the government must allocate the funds requested by the ministry for that purpose. Furthermore the committee recommended the full implementation of Comprehensive Bargaining Agreement, the adoption of the Health Policy and introduction of the Health Bill to Parliament.

The Chair of Defence and Foreign Affairs presentation highlighted that the Ministry Of Foreign Affairs should be considered for additional funding of Kshs. 9.682 billion to enable its programmes and activities and to promote and protect Kenya's interest globally through effective diplomacy. The Ministry should be removed from the Public Administration and Foreign Affairs Sector to the security sector considering it as a key member of the National Security Council (NSC) and National Advisory Committee (NSAC). It was noted that the budget reduction FY2013/14 for hospitality, operational, maintenance and travel had affected the Kenya's mission abroad and even headquarters.

The Chair for Lands presentation highlighted National Land Commission was grossly underfunded by the BPS 2014. He pointed out that there was need for the commission to be allocated Kshs. 10.796 billion to ensure that the processing of the title deeds are done to resolve the issue of Land adjudication and settlement. It underscored that an additional 200 million to be allocated to the commission to cater for adequate office space and equipment. The presentation also recommended that Kshs. 1.4 billion be slashed from the Ministry of Lands which was meant for Spatial Data Network Infrastructure be reinstated to the Ministry to enable the ministry to complete the programme. Finally an additional Kshs. 1 billion be allocated to the ministry of land to cater for the Metropolitan, Urban planning and Slum upgrading.

The Chair for Labour and Social Welfare presentation highlighted that the ministry of Labour, Social Security and Services had a resource requirement of Ksh. 27.3 billion but the BPS resource allocation was Ksh. 17.5 billion. The Ministry of Sports , Culture and Arts had a resource requirement of 13.3 billion but had been given a ceiling of Kshs 3.5 billion. The presentation drew attention that additional resources

be allocated to best labour programmes, labour relations policy, establishment of the Conciliation and Mediation commission and occupational safety and health.

There was need for Kshs. 740 million to go towards the support of 60 households that were being supported by the World Bank between July 2013 and December 2013 and GOK took over in January to June 2014 the Children Service Programme. Finally there was need for Ksh. 2.7 billion to go towards the management and development programmes and sports facilities programmes.

The Chair of Education presentation highlighted that the sector required an additional of Ksh. 10.2 billion. This was for the reason that Kshs. 4.5 billion was for the recruitment of 10,000 teachers, Kshs. 1.3 billion to implement the last phase of commuter allowance, Kshs. 2.1 billion for completion of stalled projects and Kshs. 3.5 billion to take care of money owed to the retired whose case was heard and determined and government was expected to pay.

The Chair of Environment and Natural Resources presentation highlighted that over 80 percent of its subsector was funded by development partners. Therefore the committee suggested that the executive enters contractual obligations in ventures that require counterpart funding. The committee recommended that additional funds to be allocated as follows; Ksh 250 million be allocated to cater for rangers salaries, Ksh 200 million to implement the wildlife conservation and management Act, 2013, Ksh 120 million for environmental management and protection, Ksh 499 million for operational/administrative costs. In the state department of Water, the committee recommended additional funds as follows; Ksh 800 million for Kenya Water Institute, Ksh 325 million for construction of water pans and Ksh 3.29 billion to cater for pending bills. In the ministry of Mining the Departmental Committee recommended that Ksh I billion allocated for development be used for geophysical mapping, remote sensing and cadaster system.

The Chair of Agriculture, Livestock and Cooperatives presentation highlighted that in respect of budgetary allocation for the Ministry of Agriculture for the FY 2014/15 a total of Kshs. 39 billion had been provided against a requested amount of Kshs. 72.5 billion. The committee recommended that Kshs. 2.2 billion be provided for Crop Development and Management program to clear salary arrears at Kenya Seed Company, complete construction of grain storage facilities and revive the pyrethrum sector. In addition, more funding should be considered for key flagship projects of vision 2030 and priority programmes. Moreover, it was recommended that the regulatory agency SASRA be allocated funds so as to offer regulatory and supervision of cooperatives within Kenya.

The Chair of Finance, Planning and Trade presentation highlighted that there was need to increase the allocation ceilings for the productive sector and reduce the allocation for the consumption sector. There was also need to have the planning department in one Ministry, as was currently in the National Treasury and in the Ministry of Devolution and Planning. Finally, there was need to establish industrial centres in every county.

Members agreed that in order to ensure sustainable growth for the country; the government must allocate funds for counterpart funding projects and Economic Stimulus Projects in the forthcoming budget.

MIN 37/2014: Legislative Proposal - The Affirmative Action (Social Development Fund) Bill, 2013

The presentation from supporters of the bill informed members that the bill was revised based on the recommendations of the BAC. For example the fund shall be allocated 0.5 centum of the total revenue of the government to support the marginalised groups.

The Chair informed County Women Representatives that the bill had now officially been received by the committee and the committee shall be committed to ensure that the bill gets published. However it was noted that due process had to be followed to the latter. The chair informed members that before the committee made a recommendation of the legislative proposal they had to seek the views of the National Treasury and the secretariat. In order to facilitate the process of the bill being published, the secretariat agreed that they shall be presenting their views on the bill to the BAC within 48 hours.

MIN 38/2014: Any Other Business

Members agreed that there was need of extending the tabling of BAC report on the Budget Policy Statement 2014 by two more days. It was agreed that with the approval of the Speaker of National Assembly that the BPS shall be tabled on 6th March 2014. There being no other business the chairman adjourned the meeting at 1.25 pm. Next sitting will be on 5th March 2014.

SIGNED



CHAIRPERSON

6-3-14

DATE

MINUTES OF THE 10th SITTING OF THE BUDGET AND
APPROPRIATIONS COMMITTEE HELD ON THURSDAY, 27th
FEBRUARY 2014 AT 10:00 AM AT SMALL DINNING

PRESENT

1. **Hon. Mutava Musyimi - Chair**
2. **Hon. Mary Emaase - Vice Chair**
3. Hon. Abdikadir Omar Aden
4. Hon. Abdulaziz Farah
5. Hon. Alfred Agoi
6. Hon. Alfred Sambu
7. Hon. Ali, Fatuma Ibrahim
8. Hon. Alice Ng'ang'a
9. Hon. Banticha Jaldesa
10. Hon. Benjamin Andola Andayi
11. Hon. Bitok S. Kirwa
12. Hon. Charles Nyamai
13. Hon. Chrisantus W. Wakhungu
14. Hon. Clement Wambugu
15. Hon. Dorcas Kedogo
16. Hon. Dr. J.W. Nyikal
17. Hon. Francis Njenga
18. Hon. George Wanjohi
19. Hon. Jackson Kiptanui
20. Hon. James Gakuya
21. Hon. James Lusweti
22. Hon. Jamleck Kamau
23. Hon. Jared O. Opiyo
24. Hon. John Mbadi
25. Hon. Jonathan Lati Lelelit
26. Hon. Joseph Limo
27. Hon. KK Stephen Kinyanjui
28. Hon. Makali Mulu Benson
29. Hon. Mohamed Shidiye
30. Hon. Moses Ole Sakuda
31. Hon. Muriuki Njagagua
32. Hon. Nelson Gaichuhie
33. Hon. Omar Mwinyi

- 34.Hon. Omondi George W. Mallan
- 35.Hon. Peter Weru Kinyua
- 36.Hon. Priscilla Nyokabi
- 37.Hon. Samuel Gichigi
- 38.Hon. Suleiman Murunga Kasuti
- 39.Hon. Tiyah Galgalo
- 40.Hon.(Eng) Stephen Ngare

ABSENT

1. Hon. Benjamin Langat
2. Hon. Daniel Nanok
3. Hon. Dennis Kariuki
4. Hon. Dr. Reginalda Wanyonyi
5. Hon. George Muchai
6. Hon. Irshad Sumra
7. Hon. Isaac Mwaura
8. Hon. Moses Lessonet
9. Hon. Patrick Ole Ntutu
10. Hon. Shukra Hussein Gure
11. Hon. Silverse Lisamula Anami

IN ATTENDANCE CHAIRS

1. Hon. Maina Kamanda
2. Hon. Samuel Chepkonga
3. Hon. Jamleck Kamau
4. Hon. Alois M. Lentoimaga(Vice)

DEPARTMENTAL

Transport, Public Works and
Housing
Justice and Legal Affairs
Energy, Communication and
Information
Administration and National
Security

IN ATTENDANCE

1. Mr. Martin Masinde
2. Ms. Lucy Makara

BUDGET COMMITTEE

SECRETARIAT

Senior Deputy Director
Principal Fiscal Analyst

3. Mr. Frederick Muthengi
4. Mr. Danson Kachumbo

Principal Fiscal Analyst/Clerk
Junior Fellow

AGENDA

1. Preliminaries / Confirmation of Agenda
2. Confirmation of the Minutes of the Previous Meeting.
3. Matters arising
4. *Departmental Committees Reports on the Budget Policy Statement 2014/15*
5. *Meeting with Cabinet Secretary of Finance on PFM amendments*
6. Any Other Business

MIN 29/2014: Preliminaries

The Chairman called the meeting to order at 10:00 am and led the members with a word of prayer. The Committee agreed to rearrange the agenda such the Principal Secretary National Treasury and Team are given the Chance first and then meet with the Chairs of Various departmental Committees over their reports on BPS.

MIN 30/ 2014: Confirmation of the Minutes of the Previous Meeting

It was agreed that the minutes of the previous meeting and matters arising shall be discussed in the forth coming meeting. Thereafter the Chairman called upon the chairperson of various departmental committee chairs to make her presentation.

MIN 31/2014: Meeting with Cabinet Secretary of Finance on PFM regulations

The Cabinet Secretary, National treasury was given the opportunity to take the members through the proposed amendments of the Public Finance Management Act. The National Treasury observed that they had a raft of other proposed amendments to the PFM Act. For the time being, the most critical being the amendment relating to Section 50 of the Act with regard to international external credit. The PFM Act had revealed the External loans Acts and hence limiting the extent and instruments for national borrowing.

However, after consultations it was noted that the Committee will limit itself to the shorter version of the amendments and then convene a joint meeting with the departmental Committee on Finance, planning and Trade the following week for in-depth consideration of the proposed amendments. It was rightly before the Budget Committee as it was indeed a money bill.

At this juncture, the Committee agreed to defer the meeting till Tuesday 4th March 2014. The national treasury was requested to submit a soft copy of the proposed amendments to the Committee Secretariat so that it will be circulated to the members before the next meeting.

MIN 32/2014 Departmental Committees Reports on the Budget Policy Statement 2014/15

1. *The Chair of Transport, Public Works and Housing* informed members that there can be no development without infrastructure. He informed members that before the end of the previous regime, there were several contracts awarded and hence led to escalating contracts. Currently as he spoke he notified members that there was Kshs. 25 billion on pending bills for contractors. The deficit may have a negative impact on ongoing projects and hence affect the development of the country. The committee recommended that the Ministry of Transport and Infrastructure be allocated an additional amount of Kshs. 71 billion while the Directorate of Housing be allocated an additional funding of Kshs. 3 billion. This would cater for completion of 812 housing units at Kibera Soweto East Village and development of 6200 public housing units for low income groups in Nairobi.
2. *The Chair of Justice and Legal Affairs* notified members that there was need for the Justice System to delink itself from Security. This was for the reason that the linkage had a negative impact in the resource envelope ceilings available to subsectors. There was also need to harmonize the Executive Structure to be in synch with the Standing Orders of the National Assembly. This could be done by having constant consultations between the Sector Working Groups and the relevant departmental committees. In addition there should be a

balance in remunerations in the Justice System. This would prevent the mass exodus of staff from the DPP and AG offices to the Judiciary. Finally the chair reported that there should be a continuous training for magistrates so as to bridge the deficit of judges in the country.

3. *The Chair of Energy, Communication and Information* informed members that his committee recommended that the Ministry of Energy and Petroleum be allocated an additional allocation of Kshs. 120,062 million. In regards to the Ministry of Information, Communication and Technology, the committee recommended that the budgetary sealing of 12,360 million be allocated according to the BPS.
4. *The Chair for Administration and National Security* informed members that security was the core business of the government; therefore the National Treasury should increase the BPS ceilings for Police Service from Kshs. 67.6 Billion to Kshs. 90 billion to cater for Surveillance equipment, Field patrol vehicles for the police, Salaries for officers and Recruitment of new staff. Moreover the committee recommended that the surplus budgetary allocation for Human Resource Development and Management under the Ministry of Devolution for the FY 2014/15 be channelled to the policing service under the Ministry of Interior Coordination and National Government.

Members agreed that in order to ensure sustainable growth for the country; the committee should lay emphasis on Agriculture, Wage Bill, Anti-graft institutions, Primary school education and Infrastructure. The Agro-industries shall be geared towards exports and engage the youth in meaningful productivity. Infrastructure complemented with low energy costs shall reduce the cost of doing business which in turn shall bring more investors to the country. Moreover, it was agreed that there should be an inventory audit of the buildings that are owned by government to free the money MDAs use for renting office space.

MIN 33/2014: Any Other Business

Members agreed that there was need of extending the tabling of BAC report on the Budget Policy Statement 2014 by two more days. It was agreed that with the approval of the Speaker of National Assembly that the BPS shall be tabled on 6th March 2014. There being no other business the chairman adjourned the meeting at 1.25 pm. Next sitting will be on 4th March 2014.

SIGNED



CHAIRPERSON

6.3.14

DATE

MINUTES OF THE 9th SITTING OF THE BUDGET AND
APPROPRIATIONS COMMITTEE HELD ON WEDNESDAY, 26th
FEBRUARY 2014 AT 11:00 AM AT SMALL DINNING

PRESENT

1. **Hon. Mutava Musyimi - Chair**
2. **Hon. Mary Emaase - Vice Chair**
3. Hon. Abdikadir Omar Aden
4. Hon. Abdulaziz Farah
5. Hon. Alfred Agoi
6. Hon. Alfred Sambu
7. Hon. Ali, Fatuma Ibrahim
8. Hon. Alice Ng'ang'a
9. Hon. Banticha Jaldesa
10. Hon. Benjamin Andola Andayi
11. Hon. Bitok S. Kirwa
12. Hon. Chrisantus W. Wakhungu
13. Hon. Clement Wambugu
14. Hon. Dorcas Kedogo
15. Hon. Dr. J.W. Nyikal
16. Hon. Francis Njenga
17. Hon. George Wanjohi
18. Hon. Jackson Kiptanui
19. Hon. James Lusweti
20. Hon. Jamleck Kamau
21. Hon. Jared O. Opiyo
22. Hon. John Mbadi
23. Hon. Jonathan Lati Lelelit
24. Hon. Joseph Limo
25. Hon. KK Stephen Kinyanjui
26. Hon. Makali Mulu Benson
27. Hon. George Muchai
28. Hon. Muriuki Njagagua
29. Hon. Nelson Gaichuhie
30. Hon. Omar Mwinyi
31. Hon. Silverse Lisamula Anami
32. Hon. Omondi George W. Mallan
33. Hon. Priscilla Nyokabi

- 34.Hon. Samuel Gichigi
- 35.Hon. Tiyah Galgalo
- 36.Hon.(Eng) Stephen Ngare
- 37.Hon. Dennis Kariuki
- 38.Hon. Patrick Ole Ntutu
- 39.Hon. Dr. Reginalda Wanyonyi

ABSENT

1. Hon. Benjamin Langat
2. Hon. Daniel Nanok
3. Hon. Charles Nyamai
4. Hon. Mohammed Shidiye
5. Hon. Moses Lessonet
6. Hon. Moses Ole Sakuda
7. Hon. James Gakuya
8. Hon. Suleiman Murunga Kasuti
9. Hon. Peter Weru Kinyua
10. Hon. Irshad Sumra
11. Hon. Isaac Mwaura
12. Hon. Shukra Hussein Gure

IN ATTENDANCE

1. Mr. Martin Masinde
2. Ms. Lucy Makara
3. Mr. Frederick Muthengi
4. Mr. Joseph Ndirangu
5. Mr. Danson Kachumbo

BUDGET COMMITTEE

SECRETARIAT

- Senior Deputy Director
- Principal Fiscal Analyst
- Principal Fiscal Analyst/Clerk
- Fiscal Analyst
- Junior Fellow

AGENDA

1. Preliminaries / Confirmation of Agenda
2. Confirmation of the Minutes of the Previous Meeting.

3. Matters arising
4. *Briefing by the Parliamentary Budget Office on the content of BPS 2014/15*
5. Any Other Business

MIN 25/2014: Preliminaries

The Chairman called the meeting to order at 11:00 am and led the members with a word of prayer.

MIN 26/ 2014: Confirmation of the Minutes of the Previous Meeting

It was agreed that the minutes of the previous meeting and matters arising shall be discussed in the forth coming meeting. Thereafter the Chairman called upon the Parliamentary Budget office to brief the members on the content of the BPS 2014/15.

MIN 27/2014: Briefing by the Parliamentary Budget Office on the Budget Policy Statement (BPS)2014/15


The Senior Deputy Director informed members that the Budget Policy Statement 2014/15 that was submitted to the House had not fully complied with some requirements in the PFM law and the Standing orders of the National Assembly. He highlighted that is a requirement that when preparing the BPS the National Treasury must consult various stakeholders and thus in the proof of their views must be indicated in the document. Also the Standing orders requires that the BPS should clearly indicate total resources allocated to individual programmes and projects within sector/ministries departments and agencies for the period indentified indicating outputs expected from such programme or project during the period. He noted that the information provided was inadequate.

He took members through the contents of the Budget Policy Statement and informed them that the statement had been divided into 5 chapters which are; Economic transformation for a shared prosperity, Recent economic developments and policy outlook, Fiscal policy and budget framework, Intergovernmental fiscal relations and division of revenue and Medium term expenditure framework.

MIN 28/2014: Any Other Business

Members stated that they needed more time to read the brief from the Budget Office and will raise their comments in the next meeting. There being no other business the Chairman adjourned the meeting at 1.30 pm. Next sitting will be on Thursday 27th March 2014.

SIGNED

A handwritten signature in black ink, appearing to be 'M. H. W.', written over a dotted line.

CHAIRPERSON

6.3.14

DATE