

Approved for tabling.

*[Signature]*  
SNA  
4/3/15

PARLIAMENT  
OF KENYA  
LIBRARY

REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY

ELEVENTH PARLIAMENT- THIRD SESSION

R Tabled by the  
Hon. Mary Emause V-chair  
Budget & Appropriations  
Committee on Wed.  
4/3/2015 (Afternoon  
sitting.)  
RWK  
4/3/2015

---

THE BUDGET AND APPROPRIATIONS COMMITTEE REPORT ON THE 2015 BUDGET  
POLICY STATEMENT

MARCH, 2015

---

## PREFACE

**Mr. Speaker Sir,** on behalf of the Members of the Budget and Appropriations Committee and as required under Standing Order 232 (5) as well as section 25(7) of the Public Finance Management Act, it is my pleasure to present to this House, the Committee's Report on the 2015 Budget Policy Statement which was submitted to this House on Friday, 13<sup>th</sup> February, 2015. In accordance with Standing Order 232 (4), once it was tabled, the BPS was committed to each Departmental Committee to deliberate upon according to their respective mandates and make recommendations to the Budget and Appropriations Committee.

**Mr. Speaker Sir,** it is worth mentioning that once approved, the report on the Budget Policy Statement will inform the preparation of the Annual Estimates and by extension, it should form the basis of evaluating the 2015/16 budget estimates for the various spending agencies. This is therefore a very important stage in the Budget cycle as it not only provides recommendations to be considered when finalizing the budget, but also sets the expenditure ceilings for the various spending agencies which must be adhered to.

**Mr. Speaker Sir,** the current membership of the Budget and Appropriations Committee is as follows:-

- |     |                             |                  |
|-----|-----------------------------|------------------|
| 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. Daniel Nanok, M.P.
22. Hon. Dennis Kariuki, M.P.
23. Hon. Dr. J. W. Nyikal, M.P.
24. Hon. Dr. Reginalda Wanyonyi, M.P.
25. Hon. Dorcas Kedogo, M.P.
26. Hon. Eng. Stephen Ngare, M.P.
27. Hon. Fatuma, Ali Ibrahim, M.P.
28. Hon. Francis Njenga, M.P.
29. Hon. Irshad Sumra, M.P.
30. Hon. Isaack Mwaura, M.P.
31. Hon. James Gakuya, M.P.
32. Hon. James Luswetii, M.P.
33. Hon. Jared O. Opiyo, M.P.
34. Hon. Jonathan Lati Lelelit, M.P.
35. Hon. Joseph Limo, M.P.
36. Hon. KK Stephen Kinyanjui, M.P.
37. Hon. Makali Mulu Benson, M.P.
38. Hon. Moses Kuria, M.P.
39. Hon. Muriuki Njagagua, M.P.
40. Hon. Mwashetani Khatib Abdallah, M.P.
41. Hon. Omar Mwinyi, M.P.

42. Hon. Omondi George W. Mallan, M.P.
43. Hon. Patrick Ole Ntutu, M.P.
44. Hon. Peter Weru Kinyua, M.P.
45. Hon. Priscilla Nyokabi, M.P.
46. Hon. Samuel Gichigi, M.P.
47. Hon. Shukran Hussein Gure, M.P.
48. Hon. Silverse Lisamula Anami, M.P.
49. Hon. Suleiman Murunga Kasuti, MP
50. Hon. Tiyah Galgalo, M.P.

### **Mandate of the Committee**

**Mr. Speaker Sir**, the Budget and Appropriations Committee was established under Standing Order 207 and is mandated to do the following:

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

**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 has made recommendations taking into account the provisions of Article 218 of the Constitution on annual division and allocation of revenue.

### **Examination of the Budget Policy Statement**

**Mr. Speaker Sir**, in reviewing the 2015 Budget Policy Statement the Committee held 4 sittings during which the Cabinet Secretary of the National Treasury was invited to give clarity

onspecificissues contained in the Budget Policy Statement. The Committee also received submissions from the Departmental Committees and held extensive discussions with their Chairpersons, on the budgetary requirements and allocations of the various Ministries, Departments and Agencies within their purview. The recommendations arising from these deliberations are included in this report.

## Acknowledgements

**Mr. Speaker Sir**, the Committee extends its gratitude to all representatives from the Executive arm of government who appeared before the Committee and also acknowledges the insightful contributions by various stakeholders made by way of written submissions. The Committee is also particularly grateful to all the Members of Parliament who participated in the process and worked tirelessly to ensure that the work was accomplished within the stipulated timeframe. Lastly, the Committee wishes to thank the Offices of the Speaker, the Clerk of National Assembly as well as the Parliamentary Budget Office for the support received as it discharged its mandate of examining the 2015 Budget Policy Statement.

**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



**HON. MUTAVA MUSYIMI, MP**  
**CHAIRMAN,**  
**BUDGET AND APPROPRIATIONS COMMITTEE**

Date:

3<sup>rd</sup> March 2015

## I. INTRODUCTION

### a) Overview

1) **Mr. Speaker Sir**, the Budget Policy Statement (BPS) sets out the broad strategic priorities and policy goals that should guide the two levels of Government in preparing their budgets for the next financial year and in the medium term. As such, it provides a valuable platform for a review of fiscal policy in light of emerging challenges and opportunities for the economy. The Budget Policy Statement is therefore a very important document for policy makers as it facilitates evaluation of the efficacy of existing policy. It offers policymakers and government at large an opportunity to modify its macroeconomic parameters and adjust its expenditure and revenue along more suitable lines for accelerating service delivery to the citizens.

### b) Review of Compliance of the Budget Policy Statement (BPS) 2015 to existing Legislation

- 2) **Mr. Speaker Sir**, Section 25(2) of the PFM Act requires the National Treasury to submit the BPS to Parliament, by the 15<sup>th</sup> of February each year. The BPS should contain the following:
- (i) An assessment of the current state of the economy and the financial outlook over the medium term, including macro-economic outlook.
  - (ii) Financial outlook with respect to Government revenues, expenditures and borrowing for the next financial year and over the medium term.
  - (iii) The proposed expenditure ceilings for the 3 arms of Government and indicative transfers to County Government.
  - (iv) The fiscal responsibility principles and financial objectives over the medium term including limits on total annual debt.
  - (v) The total resources to be allocated to individual programmes and projects within sector, ministries, departments and agencies indicating outputs expected during the period.
  - (vi) The table below shows an assessment on the extent to which the 2014 budget policy statement has complied.

### c) Legal Compliance of the 2015 Budget Policy Statement

- 3) **Mr. Speaker Sir**, in reviewing the compliance of the 2015 Budget Policy Statement to the provisions of the Public Finance Management Act, the Committee established that broadly, the document had adhered to the legal requirements. However, a few omissions were noted such as the failure to expressly indicate in the document, how the views of the public and other interested groups were incorporated in the finalization of the document or if indeed they were consulted in line with the principle of public participation as contained in Section 25(5) of the PFM Act. Furthermore, the BPS does not clearly indicate the status of the outputs and key targets that were supposed to be achieved in 2014/15 probably due to lack of a clear framework on Monitoring and Evaluation. It is also noted that several new programmes have been introduced with no explanation on what happened to the programmes of the previous year including whether the targets and outputs were achieved.
- 4) **Mr. Speaker Sir**, when such information is lacking, it makes it difficult for Members of Parliament to make informed decisions on the budget. It is our considered view therefore, that a dedicated Budget Monitoring Division should be set up in the National Treasury to mitigate this problem. Moreover, the Committee observes that even though the National Treasury conformed to the legal requirement on the deadline of submission of the BPS, in future, the Treasury should consider submitting the document much earlier. This will enable the Legislature to have ample time to review the BPS.

## II. ENHANCING ECONOMIC TRANSFORMATION FOR SHARED PROSPERITY

- 5) **Mr. Speaker Sir**, for our country to enhance economic transformation for a shared prosperity, the linkage between the strategic priorities as contained in the Budget Policy Statement and the County Fiscal Strategy Papers is very important. Section 117(2) of the PFM Act 2012 requires Counties to align their County Fiscal Strategy Papers with the national development objectives in the Budget Policy Statement. The Committee notes that even though this is anchored in law, the mechanism of ensuring that all counties align their development strategies to those at the national level is lacking. Therefore, achieving some of the strategic priorities envisioned in the BPS may be a challenge.

6) **Mr. Speaker Sir**, the 2015 BPS seeks to reaffirm the broad policies and strategies outlined in the 2014 BPS, under the five pillar transformation program as follows:-

**a) PILLAR 1: CREATING A CONDUCTIVE BUSINESS ENVIRONMENT FOR EMPLOYMENT**

**❖ Macroeconomic Stability for Sustained Growth and Development**

7) **Mr. Speaker Sir**, similar to the 2014 BPS, the 2015 BPS targets to continue with following: Strengthening the revenue effort; containing the growth of total expenditure while shifting composition of expenditure from recurrent to capital expenditure as well as eliminating unproductive expenditures; maintaining a low rate of inflation of around 5 percent via prudent monetary policy; strengthening the international reserves position to over 4.5 months of import cover; and delivering low and stable interest rates and exchange rates. However, the Committee notes that despite proposals in the 2014 BPS to contain total expenditure while shifting the composition of expenditure from recurrent to capital expenditure, to date, no such measures have been implemented. Indeed, the total expenditure reduction strategy appears to be a moving target. For instance, despite setting the target for total expenditure for the FY 2014/15 at 28.4 percent of GDP in BPS 2014, this appears to have increased to 33.1 percent of GDP as indicated in BPS 2015.

8) **Mr. Speaker Sir**, the danger of ballooning public expenditure is that it is likely to increase government appetite for borrowing which will not only increase the level of public debt to unsustainable levels, but also reduce credit access by the private sector therefore making it difficult for private enterprises to thrive.

**❖ Structural Reforms to Facilitate Business and Employment Growth**

9) **Mr. Speaker Sir**, the National Government commits to deepen structural reforms with the aim of improving economy-wide efficiency and increasing total factor productivity to accelerate and sustain a high, inclusive growth target of 10%. These reforms will be geared towards improving



efficiency and effectiveness of public service delivery so as to facilitate private sector growth. The areas of focus remain the same as contained in the 2014 BPS and are as follows:

- **Governance:** It is proposed in the 2015 BPS that the Ethics and Anti-Corruption Commission (EACC) will develop a medium term governance strategy in 2015. **Mr. Speaker Sir**, the Committee observes that in the BPS for 2014, the EACC was to develop "A Kenya Integrity Program" that was to entrench code of conduct and vetting of public officers as well as develop a framework for national corruption reporting in 2014. However, the proposed targets were not achieved and have since been moved to end of May 2015. Further, there is no status report on the reforms promised in the 2014 BPS.
- **PFM Oversight Institution:** The 2015 BPS emphasizes on ensuring efficiency, effectiveness, and accountability in the Public Finance Management. Further, it asserts that, over the medium term the various PFM institutions will be strengthened in so far as institutional capacity is concerned. These offices include National Treasury, Controller of Budget, Auditor General and Public Procurement Oversight Authority. However, according to the Committee, a review of the budgetary allocation to some of these offices reveals that some budgetary allocations are not commensurate to the intention of enhancing capacity. For instance, it is the view of the Committee that the office of the Auditor General has been grossly underfunded.
- **Expenditure Management:** The Committee notes that the 2014 BPS highlighted the need for public expenditure reforms so as to improve efficiency and effectiveness in utilization and execution of the budget. The measures proposed to be undertaken in the 2014 BPS have been maintained in the 2015 BPS. They include: (i) rationalizing of Public Expenditure to remove overlaps and waste; (ii) rolling out of leasing of assets in all MDAs; (iii) expenditure tracking and value for money audits; (iv) full operationalization of IFMIS in all MDA's and County Governments; and (v) submission of Procurement law and PFM regulations in Parliament by August 2014.
- **Mr. Speaker Sir**, the Committee's concerns with regard to these proposals lies in the fact that though proposed in the 2014 BPS, little effort has been made to achieve them. For instance,

no measures have been proposed to rationalize public expenditure in order to remove overlaps and wastage. The National Government has been undertaking leasing without a clear policy though it targets to develop one in FY2015/16. The link between the pillars and commensurate resource allocation does not provide a clear picture on whether the strategic interventions provided are supported by the resources allocated. In addition, the linkage between the pillars and the programmes appears to be weak. Furthermore, IFMIS is yet to be fully operationalized in all MDA's and County Governments. There is no indication on when this target will be achieved. Lastly, the PFM regulations are yet to be submitted to Parliament despite the August, 2014 deadline.

- **Asset Management:** The 2014 BPS emphasized on the need for efficient management of Government assets as part of expenditure reforms. The 2015 BPS seems to have omitted this programme and there is no status report on whether the proposed undertakings in the 2014 BPS were achieved. It is important for the National Treasury to provide more information on the fate of the Asset Management programme and the status of what was achieved as per the 2014 BPS targets.
- **Financial Sector Reforms:** As outlined in the 2014 BPS, the government was to operationalize the Nairobi International Financial Centre Authority. This target is also contained in the 2015 BPS. Furthermore, the Central Bank Bill was to be introduced in Parliament in 2014 as outlined in the 2014 BPS. However, this has not been achieved.
- **Tax and Revenue Reforms:** The Excise Duty Bill and the Tax Procedure Bill were to be submitted to Parliament in 2014. However, the target was not realized and has since been moved to 2015. In addition, the Income Tax Act was to be completed in 2015 but the target has been moved to 2016. Furthermore, the target for re-organization and operationalization of the two inter-dependent revenue agencies- the Inland Revenue Agency and the Customs and Border Protection Agency, was to be achieved in 2014 but it has been moved to 2015.
- **Public Sector Reforms:** This was to be done through the rationalization of parastatal sector and establishment of Government Investment Corporation (GIC) as holding company for the

commercial parastatals. However, there is no mention on the progress of implementation of the task force report on parastatals reforms.

- **Further Business Regulatory Reforms:** The 2015 BPS promises to have a business regulatory reform strategy by March, 2015 in order to increase Kenya's global ranking under the World Bank Doing Business Indicators to not more than 60 by 2016. However, the key strategy on how this will be achieved is not clear.
- **Enhancing Security for Sustained Growth and Employment:** In the 2015 BPS, the National Government proposes to establish Security Integrated Infrastructure Development Fund in 2015 as well as develop with County Governments by end of May 2015, guidelines for installation of CCTV system in all urban buildings. However, there is no status report on reforms and modernization of security as outlined in the 2014 BPS. In addition, in the 2014 BPS it was proposed that the National Government would construct 18,000 housing units for the National Police Service and expand it to the Kenya Defence Forces and Prisons over the medium term. However, there seems to be a contradiction or change in target since the 2015 BPS states that the NYS will construct 15,000 housing units for National Police Service in FY 2015/16.

## b) PILLAR II: AGRICULTURAL TRANSFORMATION AND FOOD SECURITY

10) **Mr. Speaker Sir**, the National Government plans to prioritize investments in agriculture by undertaking agricultural reforms and transformation geared towards spurring an inclusive economic growth. In the 2015 BPS, it is proposed that by end of May 2015, a comprehensive transformation strategy of securing markets/ forward contracts will be in place and an Agri-business Fund will be set up. The Committee notes that since agriculture is devolved, without proper linkage between the County and National Government, there is a likelihood of duplication of roles across the two levels of Government. Further, the status report on the progress made on the Galana/ Kulalu irrigation project should be provided.

11) **Mr. Speaker Sir**, the Manufacturing sector is a catalyst for moving agriculture up the value chain. In the 2015 BPS, the need to establish technology based green industrial parks along the Mombasa – Western Kenya railway line at Voi, Naivasha and the shores of Lake Victoria is

highlighted; as well as establishing special economic zones and free trade areas at strategic locations to attract foreign direct investment and new technology. The Committee notes that these targets were also contained in the 2014 BPS but did not have a clear timeline and as such, are yet to be actualized.

**12) Mr. Speaker Sir,** under empowering Youth and Women for employment creation, the 2015 BPS highlights the progress made so far on tenders to youth and women as well as disbursements of funds under the Uwezo Fund and the Women Enterprise Funds. However, there is need for consolidation of the various Youth and Women empowerment schemes.

**13) Mr. Speaker Sir,** the 2015 BPS outlines tourism transformation and its integration with promotion of commerce, sports, culture and art. The strategy is to align investments in education, health and energy towards promoting tourism, establishment of large free trade area (free port) around Nairobi and along the borders, facilitate increased investments in accommodation facilities in Nairobi and Western Kenya, re-organize and develop niche beach tourism at the Coast among others. However, the Committee observes that a clear timeline for achieving this strategy has not been provided.

### **c) PILLAR III: TRANSPORT, LOGISTICS, ENERGY AND WATER FOR INCLUSIVE GROWTH**

**14) Mr. Speaker Sir,** the 2015 BPS emphasizes the Government strategy to invest in infrastructure through establishing first-class rail and road networks; navigable waterways; modern and efficient ports and harbours; and expand handling and storage capacity in order to reduce cost of doing business, enhance competitiveness and transform Kenya into a logistics hub for Eastern Africa. It also gives details and timelines for the completion of various infrastructural projects. Notably, construction of the Standard Railway Gauge phase 1 has commenced and is expected to be complete in 2017; a modern JKIA railway commuter rail is to be commissioned in 2017, as well as commissioning of new terminal 4 and commencement of work on the green field terminal before end of June 2015. While this is commendable, the Committee observes that there are VISION 2030 projects whose status is unknown such as the completion of construction of terminal buildings and three berths of the Lamu Port and Southern Sudan-Ethiopia Transport (LAPSSET) corridor project. Further, the timeline for the construction of a modern pipeline should be specified.

15) **Mr. Speaker Sir**, under the objective of expansion of road network to facilitate economic transformation, it has been stated in the 2015 BPS that a framework of enforcing costs and quality benchmarks standards would be established. It is important to note that that the same target appeared in the 2014 BPS with no specific timeline and was therefore not implemented. Under the objective of environmental conservation and making water accessible, the 2014 BPS targeted that every year 3,000 water pans of 50,000 cubic meters capacity will be constructed throughout the country. The status of this project remains unclear and the same target is contained in the 2015 BPS. In addition, this function is better undertaken by County Governments.

#### d) PILLAR IV: ACCESS TO QUALITY SOCIAL SERVICES

16) **Mr. Speaker Sir**, under this pillar, the National Government was to finalize the development of a health policy and institutional and legal framework for enforcement of health care standards; as well as an efficient, effective and accountability framework for management of public resources and medical supplies at the facility level in 2014. However this target was not achieved and has since been moved to 2015.

17) Under the objective of quality and relevant education for all Kenyans, several targets outlined in the 2014 BPS are replicated in the 2015 BPS without a status report on their progress. Moreover, some of the strategic interventions under the Ministry of Health are devolved and therefore some of these programmes proposed by the Government are being budgeted at the County level. This calls for a concerted effort in harmonizing the strategies being undertaken by the two levels of Government.

18) **Mr. Speaker Sir**, the Government is also aiming to scale up social protection by targeting to cover all older persons and persons with disabilities by 2016 under cash transfer programs, the Committee is of the opinion that this is unrealistic since there is no growth in the projected expenditure of the cash transfer program. It further notes that a graduation scheme, to enable the beneficiaries to exit into lifelong ventures, was to be developed but there has been no progress report.

**e) PILLAR V: FURTHER ENTRENCHING DEVOLUTION FOR BETTER SERVICE  
DELIVERY**

**19) Mr. Speaker Sir,** under the pillar of entrenching devolution, the 2015 BPS targets to develop a framework that will involve conditional grants to counties that adhere to fiscal responsibility principles and meet minimum conditions and key delivery services. The Committee commends this idea as a noble one but key timelines on how it will be achieved should be given.

**III. RECENT ECONOMIC DEVELOPMENTS AND POLICY OUTLOOK**

**20) Mr. Speaker Sir,** In the BPS 2015, it is projected that the economy will grow by 5.3 percent in 2014, 6.9 percent in 2015 and 7.0 percent over the medium term. In financial years, this translates to 5.5 percent in 2013/14, 6.1 percent in 2014/15, 7.0 percent in 2015/16 and 7.1 percent in 2016/17. This growth will be underpinned by activities in the construction of the Standard Gauge Railway; continued investment in infrastructure projects, expansion in agriculture, building and construction, manufacturing, retail and wholesale, financial intermediation sectors, growth spurring effects from the ongoing initiatives to deepen regional integration.

**21) Mr. Speaker Sir,** the Committee observes that these factors underpinning economic growth in 2015 are likely to face downside risks such as unpredictability in development spending by counties; low absorption capacity of development expenditure especially for infrastructure projects; reliance on rain-fed agriculture which fosters food insecurity; state of insecurity in the country that deters investor confidence and the declining contribution of manufacturing to GDP growth. The committee is therefore of the opinion that the projected growth of 6.9 percent in 2015 is unlikely to be achieved unless deliberate measures are undertaken to address these challenges.

**22) Mr. Speaker Sir,** taking into account the aforementioned factors, it is the considered view of the Committee that the economy will grow by 5.5 percent in 2014/15, 6.3 percent in 2015/16 and

6.6 percent in 2016/17. This scenario is based on a sustained fiscal expansion by government as it continues to invest in infrastructure projects such as roads and energy projects; stable inflation and exchange rates with the fuel prices expected to remain low, a stable political environment and the continued good performance in the ICT sector and services, that have emerged as some of the key drivers of higher growth following the rebasing of GDP.

**23) Mr. Speaker Sir,** According to the 2015 BPS, inflation is expected to remain within the target of 5 percent in 2015. This will be driven by prudent monetary policy, the decline in food and oil prices and stability of the shilling against major currencies. However, the Committee notes that food inflation has over the years been a major contributor to the overall inflation. According to the Famine Early Warning System (FEWS) report (Dec 2014) the country experienced short rains that were below average between the months of October to December 2014. There exists, therefore, a likelihood of low food production in the first quarter of 2015. Food inflation therefore remains a concern. Going forward, the Committee recommends investment in storage facilities to enable storage of food in seasons of bumper harvest; this will also help in regulating the prices of food.

**24) Mr. Speaker Sir,** the National Government is also targeting to improve credit access to the private sector through the Kenya Bank's Reference rate (KBRR) and recently revised it from 9.13 percent in July 2013 to 8.54 percent in January 2015 in order to enable banks to lower their lending costs. The committee observes that to maintain a low KBRR, the Government will have to keep its appetite for credit in check especially given that the T-Bill rate is a key factor in determining the KBRR. However, though there has been some improvement in credit access to the private sector, the banks continue to charge high lending rate citing borrower's risks and other cost factors which remain unchanged in the banking sector, Furthermore, we need to do more to improve the business environment and support private sector led growth through instituting legal and regulatory reforms to remove bureaucracy and the red tape when it comes to starting a business.

**25) Mr. Speaker Sir,** with regard to Public debt, the BPS 2015 indicates that the present value of public debt as a percentage of GDP is projected to increase from 36.8 percent in 2013, to 40.7 percent in 2014 and 40.8 percent in 2015. The National Government will continue to borrow more externally, on concessional terms and reduce its domestic borrowing. It however cautions that with increased appetite for financing heavy capital projects, there is need to maintain the

net present value of public debt to GDP ratio at 45 percent. The committee is of the opinion that these projections for Debt to GDP are too ambitious given that the primary deficit is projected to decline from 43.9 percent in 2014/15 to 43.7 percent in 2015/16 and 42.6 percent in 2016/17. To achieve the projected primary balance given in the 2015 BPS, we project that the present value of debt to GDP will be higher than that given in the 2015 BPS and will stand at 43.3 percent in 2014, 47.6 percent in 2015, and 50.6 percent in 2016. Moreover, if the projected economic growth by the National Treasury of 6.9 percent in 2015 is not achieved, there will be higher debt in percentage of GDP.

26) **Mr. Speaker Sir**, over the years, the country has experienced an expansionary fiscal policy i.e. more government spending. There has also been a gradual increase in the primary deficit (the fiscal balance before interest payments). The cyclically adjusted primary balance, which is adjusted for regular shocks in the economy such as employment and inflation, has also been worsening over the years. Going forward, given the projected improvement in our economic growth, both the primary balance and the cyclically adjusted primary balance may improve but this will be a likely result of a contractionary fiscal policy.

#### IV. FISCAL POLICY AND BUDGET FRAMEWORK

27) **Mr. Speaker Sir**, the BPS identifies fiscal policy that aims at supporting rapid inclusive economic growth by ensuring the debt position remains stable while at the same time supporting the devolved system of government for effective service delivery. The National Treasury targets revenue to grow by 21.8 percent of GDP over the medium term and at the same time containing growth of total expenditure.

28) In terms of debt sustainability, the BPS reaffirms its commitment in the reduction of the budget deficit over the medium term. It is expected that the budget deficit shall decrease from 7.4 percent in FY 2015/16 to 5.4 percent and 4.0 percent in the outer years. This will result in a decline in the debt to GDP ratio under the same period. The BPS forecasts a decline in debt to GDP ratio of 43.7 percent in 2015/16 and 42.6 percent in 2016/17 and 41.3 percent in 2017/18.

29) **Mr. Speaker Sir**, the committee however notes that there has been a continued tendency of laying ambitious targets which over time seem unachievable. In the 2015 BPS, the revenue targets are quite high based on high GDP growth rates but no clear measures on how this will



be achieved have been indicated. The committee observes that due to the continued underperformance of revenue and increasing fiscal pressure, debt over the medium term is likely to increase rather than decrease. In this regard, the decline of debt from 43.7 percent in 2015/16 to 41 percent over the medium term is hinged on unfeasible growth rates of 7 percent which is unattainable considering the current macroeconomic environment.

30) **Mr. Speaker Sir**, the total envisaged overall expenditure for FY2015/16 as outlined in the Budget Policy Statement is Kshs. 1.88 trillion and is set to increase to Kshs.2 trillion over the medium term. The county governments have been allocated Kshs. 261.7 billion, Kshs.288.8 billion and Kshs. 318.7 billion for 2015/16, 2016/17 and 2017/18 respectively.

31) The Committee notes that the medium term expenditure framework is not firm. Indeed, there are major variations between the indicative resource envelop for the outer years and the next financial year. Furthermore, the government recurrent expenditure has continued to spiral upwards even after the government stated that it shall pursue expenditure rationalization policies without giving a clear framework.

32) **Mr. Speaker Sir**, the National Government projects in 2015/16 to collect total revenue amounting to Ksh. 1.348 trillion (equivalent to 20.7 percent of nominal GDP), rising to Ksh. 1.846 trillion in the outer year. Of this, Ordinary revenues which constitute shareable revenue in the revenue allocation process will reach Ksh. 1.250 trillion in 2015/16 (19.2 percent of GDP). The largest component of revenue is income tax, followed by VAT, and Excise tax.

33) **Mr. Speaker Sir**, the committee observes that most of the ordinary revenues tax heads are forecasted to grow faster than the previous years. Indeed, ordinary revenues are expected to rise at about 1-2 percent points higher than the 15 percent average for the last five years. A.I.A remains quite unstable and for this reason its past and future performance is unpredictable.

### Tax and Revenue Reforms

34) **Mr. Speaker Sir**, the 2015 BPS targets to achieve the following:

- i. Simplification of the tax systems and enactment of modern tax laws through submission of the Excise Duty Bill and Tax Procedure Bill in 2015 to the National Assembly.

- ii. Enacting two Bills on reorganization of KRA in 2015 to be two inter-dependent revenue agencies namely the Inland Revenue Agency and Customs and Border Control Agency.

35) **Mr. Speaker Sir**, the committee notes with concern that National Treasury failed to submit the Excise management and Tax procedure bills in 2014 as stated in the previous BPS. Hopefully, these bills will finally be submitted to Parliament in 2015. Overall, it is not clear how some of the above reforms will immediately affect or drive revenue collections. Rather, improved implementation of existing policies such as the CGT, VAT, and income tax could greatly enhance revenue collections in the coming financial year.

## V. INTERGOVERNMENTAL FISCAL RELATIONS AND DIVISION OF REVENUE

36) **Mr. Speaker Sir**, the BPS takes note of several challenges that have been experienced in the first two years of budgeting under the devolved system. These include disputes on County Government ceilings between the national institutions (CRA and CoB) on one hand and the County Assemblies on the other hand; business-unfriendly county finance bills and the submission of budget documents in formats that are not approved by law as well as the absence of medium term planning in budget cycles.

37) In reference to Revenue sharing basis for FY 2015/16, the National Treasury has added the following items to the 2014/15 equitable portion of revenue availed to counties;

- i. Allocation for Personnel Emoluments for staff transferred to County Governments from the State Department of Livestock Development amounting to **Ksh.1,466 million**;
- ii. Allocation of **Ksh.935 million for village polytechnics** previously under the Ministry of Education; and
- iii. Allocation of **Ksh.545 million for functions transferred to County Governments** vide TA gazette notice of March 2014. This results in a **new baseline figure of kshs.229.606 billion** for FY2015/16.

38) The National Treasury then proposes to grow the resultant figure by an "agreed" rate of revenue growth of 10.41 percent (Kshs.23.9 billion) and an additional allocation of kshs.4.5 billion which is provided for salary and allowances awarded to State and other Public Officers of the County Governments by the SRC in the 2014/15 financial year. This therefore means that the Equitable Revenue Share allocation for FY 2015/16 shall be Kshs.258 billion.

39) The BPS provides conditional grants to counties as follows;

- i. Free maternal healthcare – kshs.4.298 billion
- ii. Leasing of medical equipment – kshs.4.5 billion
- iii. Allocation for level 5 hospitals – kshs.2.06448 billion
- iv. Compensation for forgone user fees (health) – kshs.900 million
- v. Allocation from the Road Maintenance fuel levy fund (15percent) – kshs.3.3 billion
- vi. Conditional Allocations (loans and grants) kshs.10,671,205,204

40) **Mr. Speaker Sir**, the committee observes the following:

- (i) In the BPS, the fuel levy fund, loans and grants to Counties are considered as conditional allocations, but a keen look at Article 202(2) of the constitution seems to imply otherwise. According to the constitution, the National Government may allocate additional resources to counties from its own share of revenue as conditional or unconditional allocations.
- (ii) **Sharing of the county share of revenue;** CRA proposes to share the resultant revenue, Kshs.282.445 billion using the formula which would not necessarily provide the listed items on a need basis.
- (iii) **Underfunded and unfunded devolved functions:** It is not clear how the underfunding or lack of funding is determined since counties receive lump-sum resources for allocation to their priorities. Since these resources will be shared using the formula, there is no guarantee that the needs for a specific county with respect to these unfunded or underfunded functions will be met.

## VI. MEDIUM TERM EXPENDITURE FRAMEWORK

- 41) **On the medium Term Expenditure Framework**, the committee observes that a comparison of the ministerial expenditure ceilings proposed in the 2014 BPS and 2015 BPS indicates no linkage between the two documents. The target to reduce expenditure in the medium term in BPS 2014 to 18.3 percent of GDP in 2015/2016 seems not to be adhered to in the BPS 2015 which proposes an increase to 21.4 percent of GDP.
- 42) **On sectoral expenditures**, **Mr. Speaker Sir**, the BPS 2015 seeks to increase the overall expenditures from 21.3% of GDP in 2014/2015 to 21.4% of GDP in 2015/2016. The increase is occasioned by a rise in the allocations to the energy, infrastructure and ICT sector and national security sector. The Energy, Infrastructure and ICT sector will see an increase from 4.6% of GDP in 2014/2015 to 5.9% of GDP in 2015/2016. The National Security Sector is targeted to increase from 1.6% to 1.7% of GDP in the same period. Most of the other sectors will witness a reduction in their allocations with the education sector facing the largest reduction from 5.5% of GDP in 2014/2015 to 5.0% of GDP in 2015/2016.
- 43) **Mr. Speaker Sir**, the increment in the Energy, Infrastructure and ICT sector is predominantly for rail transport programme under the State Department for Transport. The programme will be allocated Kshs. 144 billion to develop 95km of the standard gauge railway (SGR), construction of 2 light rail systems and nine commuter rail stations.
- 44) **Mr. Speaker Sir**, the increments in the National security sector will be for both the Ministry of Defence and National Intelligence Service (NIS). The Ministry of Defence is to be allocated Kshs. 114.1 billion while NIS will be allocated Kshs. 20.1 billion. Both spending agencies will target to protect citizenry and restore law and order.

## VII. MEDIUM TERM SPENDING PRIORITIES IN THE BPS

### Overall Expenditure for 2015/2016 budget and the medium term

- 45) **Mr. Speaker Sir**, the committee notes that the overall resource envelope available for allocation among the National Government spending agencies amounts to Ksh. 1,395 billion as per the BPS. Of this amount, the Judiciary has been allocated Ksh.18 billion, Parliament has been allocated Ksh. 22.9 billion and other National Government agencies have been allocated Ksh 1,355 billion.
- 46) **Mr. Speaker Sir**, noting that most tax heads are forecasted to grow faster than in previous years, the Committee is concerned over the government's ability to collect the projected revenues. Previous years have seen significant shortfalls in revenue collection, forcing the government to either cut down on expenditures or increase borrowing which in turn expands the country's public debt. To this extent, the Committee recommends that **the projected expenditures be reduced to Ksh 1,345 billion** and any additional resources availed in the course of the year should go towards reduction of public debt.

### Sectoral Expenditure Ceilings

- 47) **Mr. Speaker Sir**, the Committee received recommendations from the various Departmental Committees and the Senate on the proposed budgetary allocations to various sectors as contained in the BPS. However, due to the short period available for interrogation of the BPS by Parliament, it was not possible for Departmental Committees and the Senate to undertake detailed scrutiny of the proposed policies behind the programmes as well as review past performance of the spending agencies under their respective jurisdictions.
- 48) **Mr. Speaker Sir**, in future, I urge the Committees to spend more time interrogating the policies being implemented by the Spending Agencies under their purview and to carry out regular review of the performance of these agencies. I also propose that the PFM Act 2012 be amended to provide more time for Parliament to adequately scrutinize the BPS.

49) Mr. Speaker Sir,

The following are the sectoral issues raised and recommendations made by various Departmental Committees:

a. Social sector

50) Mr. Speaker Sir, the social sector has a proposed expenditure ceiling of Ksh 404.8 billion in the BPS which is 29% of the total discretionary expenditures. The Committee noted that:

- i. The ministry of Sports, Culture and Arts has been allocated substantial resources but the ceiling is still not sufficient to fund a number of flagship projects including construction of phase one and two of national stadia (Eldoret and Mombasa) and the National Museums of Kenya. Some of the ministry's projects that may not be adequately funded include Ksh 1.5 billion for sports programme for operations including construction of national stadia, Ksh 2.1 billion for operation costs under the culture and arts including National Museums of Kenya; Ksh 447 million for library services to cater for operational costs, Ksh 450 million for presentation of national teams in international sport competition, Ksh 200 million for establishment of the Heroes Council among others.
- ii. The ministry of Labour, Social Security and Services mainly undertakes the National Safety Net Programme which handles cash transfers to older persons, orphans and persons with disability. The ministry intends to cater for 100,000 beneficiaries but the current allocation can only cater for 46,000 beneficiaries. Further, issues of employment which the ministry handles have also been having challenges over the recent years. The ceiling for the ministry may not be able to fully cater for the concerns of the ministry. Some programmes that may be underfunded include: National Safety Programme by Ksh 4.4 billion; Ksh 1.4 billion for National Industrial Training Authority, Ksh 564 million for social development services, Ksh 456 million for operationalization of National Employment Authority, Ksh 300 million for occupational safety and health institute, Ksh 297.5 million for persons with disability mass registration, and Ksh 765 million for other ministry operations.

## Health

- iii. The funding for the free maternity healthcare should be channeled through the National Hospital Insurance Fund for better implementation.
- iv. The allocation for the leasing of equipment project under the ministry of health has raised concerns with the justification of the Ksh 4.5 billion allocated in question. The allocations to the slum upgrading programme under the ministry is also questionable since the programme is still on redesigning stage and its implementation will be considered at a later stage. The allocations to these two projects should be reviewed downwards by Ksh 1.1 billion for leasing of equipment and Ksh 200 million for slum upgrading programme and the funds reallocated to other pressing projects including recruitment of staff from KMTC and KNH, salaries for registrars, and purchase of MTRH for medical equipment.
- v. The funding for the ministry of health should also be increased by additional 1.5 billion to cater for other pressing matters including: Ksh 400 million for purchase of tuberculosis drugs; Ksh 200 million for vaccines; Ksh 600 million for salaries of registrars; Ksh 300 million for MTRH ICU expansions.

## Education

- vi. The government had committed itself to improve the capitation of Free Primary Education (FPE) and the Free Day Secondary Education (FDSE). It also is implementing the programme in sanitary towels to vulnerable girls as well as providing bursaries. The Committee recognizes the request for additional Ksh. 12.07 billion under the State Department for Education for the following projects: Ksh 4.26 billion for Free Primary Education, Ksh 6.7 billion for Free Day Secondary Education and Ksh 1.17 billion for bursaries. However, it is the opinion of the Committee that further interrogation and audit be carried out on this matter to ensure finances are utilized prudently before additional funds can be allocated.
- vii. The state department for science and technology intends to develop Technical Training Institute in all 290 constituencies. Currently the department has already newly constructed 60 TTIs and is planning to develop 70 TTIs in 2016/2017. In setting up the TTIs, the CDF is required

to contribute Ksh 10 million. The current ceiling for the department will however not be able to adequately cater for the above projects. There is need for additional Ksh. 4.7 billion for equipping the newly constructed 60 TTIs. Furthermore, the Committee proposed that at least one TTI should be designed to meet the needs of persons with disabilities.

viii. Additional Ksh. 2.9 billion be allocated for completion of Centres of Excellence under the ESP programme.

ix. On the budgetary allocation for TSC, the Committee recommends that the ceiling be maintained as per the BPS. However, it notes that the TSC may require additional Ksh 9.3 billion to cater for the new allowances in the CBA and Ksh 26 billion for retired teachers court cases.

### **Sports, Culture and Arts**

x. The Committee recommends additional Ksh. 2.02 billion to cater for national teams (Ksh. 200 million), cash awards (Ksh. 20 million), registration of sports organisations (Ksh. 180 million), Inspection and auditing sports organizations (Ksh. 100 million), Jumuiya ya Afrika Mashariki Cultural Festival (Ksh. 100 million), construction of Phase 1 and 2 of National Stadia in Eldoret and Mombasa (Ksh. 200 million), purchase of equipment and construction of studio (Ksh. 100 million) and establishment of the Heroes Council (Ksh. 200 million), Dispute arising from registration between sports organisations arbitrated upon (Ksh. 20 million), sports register's office (Ksh. 20 million), sports tribunal (Ksh. 30 million), Monuments, historical sites and collections (Ksh. 500 million), operation expenses in Natural products Industry (Ksh. 85 million), Kenya Film Commission (Ksh. 200 million) and Department of film services (Ksh. 47 million).

### **Labour and Social Services**

The Committee recommends additional Ksh. 5.53 billion to cater for National Cash Transfer (Ksh. 4.4 billion), Administration of Cash Transfers (Ksh. 200 million); National Children Emergency Helpline (Ksh. 119 million); and funding of Social Development Services (Ksh. 564 million); mass registration of persons with disabilities in all counties (Ksh. 298 million)



## **b. Energy Infrastructure Communication and Technology**

51) **Mr. Speaker Sir**, this sector has a proposed allocation in the BPS of Ksh 385.4 billion which is 28% of the total discretionary expenditures. The Committee recommends that:

- i. The ceiling of the Ministries of Energy, Communication and Technology be maintained as proposed by the BPS.

## **Transport and Roads Infrastructure**

- ii. The Committee proposes that the budgetary allocations for the State Department for Infrastructure and the State Department for Transport be maintained as per the BPS.

## **c. Agriculture, Rural and Urban Development sector**

52) **Mr. Speaker Sir**, the Agriculture, Rural and Urban Development sector has a proposed allocation in the BPS of Ksh.65.2 billion which is 5% of the total discretionary expenditures. The Committee notes that:

### **Lands Sub-sector**

- i. There is duplication of functions between the National Land Commission (NLC) and the Ministry of Lands, Housing and Urban Development especially on the National Land Management Information System among other projects. There is need for streamlining the functions of these two institutions to avoid any duplication.
- ii. The National Land Commission is required to enact land policies, operationalization of County land Management Boards, land adjudication and setting up of land settlement fund. In the opinion of the Committee, the ceiling proposed will not be able to fund the above projects. The Committee therefore proposes that the NLC be allocated additional Ksh 4.2 billion to cater for enactment of policies (500 million), land adjudication (Ksh. 200 million) and Land settlement fund (Ksh. 3.5 billion).
- iii. Additional Ksh. 1.218 billion be allocated to the Ministry of Lands, Housing and Urban Development to cater for purchase of survey materials.

## **Agricultural sub-sector**

- iv. The implementation of comprehensive green agri-business initiative in secondary school through inter-agency framework will require collaboration between national and county government since it is being implemented by the State Department of Agriculture, State Department of Education and county governments.
- v. The Strategic Grain Reserve should not just be restricted to grain but should be reconstituted to be a food reserve catering to a wider range of foods. Furthermore, it is proposed that the Strategic Grain Reserve should be transferred to the Ministry of Devolution and Planning to facilitate distribution of food.
- vi. Additional Ksh. 400 million for improvement of animal genetics by KAGRC and ADC.
- vii. The department for fisheries development also seeks additional 500 million for national fish breeding and intensive culture technology development.

### **d. Governance, Legal and Security Sector**

53) **Mr. Speaker Sir**, the Governance, legal and Security sector has a proposed allocation in the BPS of Ksh 257.4 billion which is 18% of the total discretionary allocation. The Committee notes that:

#### **Interior Security**

- i. The leasing of vehicles for police and administrators should be moved in the ministry of interior and coordination of national government from the National Treasury to ensure efficient and effective management. The national treasury can offer oversight on the manner of leasing and use.
- ii. The construction of police housing should be moved from the ministry of lands, housing and urban development to the ministry of interior and coordination of national government for it to be adequately addressed.
- iii. The National Police Service Commission and IPOA have both been grossly underfunded making it hard for the two agencies to implement their functions. The IPOA requires additional Ksh 100 million to cater for additional staff and setting up of offices to facilitate operations.

iv. Finally, there is need to fast track police reforms in order to ensure efficiency in service delivery.

### **Defence and NIS**

v. The ceiling for the National Intelligence Service as well as the Ministry of Defence be maintained as proposed in the BPS.

### **Justice and Administration**

- vi. The Office of the Attorney General and Department of Justice has been allocated adequate resources. However, the committee recommends additional allocation of Ksh 300 million within its ceiling to cater for the victims fund. In addition, a policy should be prepared for the implementation of this fund. A critical target group will be the Nyayo House torture victims. The AG should also put a mechanism to implement the recommendations of the TJRC.
- vii. The Committee further recommends that additional Ksh. 1 billion be allocated to the EACC to cater for recruitment of additional staff, modernization of investigative equipment and purchase of headquarters office block.
- viii. The gender desks in various government agencies have not been set up especially in county governments. The national gender and equality commission should be allocated Ksh 240 million of which Ksh. 235 billion will cater for setting up of the gender based violence desks in all 47 counties; and additional Ksh. 5 million for baseline survey on the status of the boy child.
- ix. The IEBC needs to prepare for the 2017 elections by undertaking voter registration and purchasing of voting equipment. However, considering how the IEBC prepared for the 2013 elections, there is need for earlier preparations. The IEBC should therefore be allocated additional Ksh 1.8 billion to cater for voter registration.
- x. The ceiling for Presidency, State Department of Interior, State Department of Coordination of National Government, Public Service Commission, Judiciary, Registrar of Political Parties, CIC, ODPP, WPA, KNHCR, JSC and CAJ be maintained as proposed in the BPS.

#### e. General Economic and Commercial Affairs Sector

54) **Mr. Speaker Sir**, the General Economic and Commercial Affairs sector has a proposed allocation in the BPS of Ksh 14.7 billion which is 1% of the total discretionary allocation. The Committee recommends that:

- ❖ For the department of Commerce and Tourism, the Committee recommends that the ceiling be upscaled by Ksh. 2.105 billion to finance Tourism recovery and Marketing Promotion (Ksh. 380 million); National Commodities Exchange Programme (Ksh. 100 million); construction of a state of the art one stop shop by Kenya Investment Authority to facilitate ease of doing business (Ksh. 60 million); allocation to cater for the pending bills in the Ronald Ngala Utalii College and finance the next phase of the project (Ksh. 630 million); and allocation for Utalii college to cater for hostel, administration and tuition block as well as completion of dining hall construction (Ksh. 435 million); Kenya National Trade Cooperation (Ksh. 500 million)
  
- ❖ For the ministry of Industrial and Enterprise Development, the Committee recommends that additional Ksh.3.82 billion be allocated to the ministry to implement leather, textile and special Economic Zones projects that the government has prioritized in the medium term. Ksh. 1.4 billion for development leather sector; Ksh. 200 million for development of textile sector and Ksh. 2 billion for Special Economic Zones and 225 million for completion of Juakali sheds.

#### f. Public Administration sector

55) **Mr. Speaker Sir**, the Public Administration and International relations sector has a proposed allocation in the BPS of Ksh 217.3 billion which is 16% of the total discretionary allocation. The Committee recommends that:

- i. The PSC be allocated additional Ksh 6.3 billion over and above the ceiling contained in the BPS as per the Commission's request.
  
- ii. For the Commission on Revenue Allocation (CRA), the Committee recommends that the allocation be maintained as per the Budget Policy Statement. However, the Committee notes

with concern that the Equalization Fund has not been operationalized two years down the line.

- iii. Regarding the Office of the Controller of Budget, the committee recommends that the total allocation for the Office of the Controller of Budget be upscaled by Ksh. 112.3 million (from Ksh. 352.14 million to Ksh. 564.4 million) to adequately finance the operations of the office. This will constitute additional Ksh. 15.1 million to cater for house and hardship allowances for the officers serving in the Office of the Controller of Budget following enhancement by the SRC. It also includes additional Ksh. 97.2 million to cater for the gratuity of officers whose contracts will end within the 2015/16 financial year.
- iv. Regarding the Office of the Auditor General, the allocation be upscaled by Ksh. 1 billion for enhancement of audit services in counties.
- v. The National Treasury be allocated additional Ksh. 3 billion for public hearings.
- vi. Regarding the Salaries and Remuneration Commission, the Committee recommends that the ceiling be maintained as per the BPS.
- vii. There is need to streamline the coordination of the programme on social protection since it is being implemented by several ministries. The coordination will be more effective if it is carried out by one coordinating agency.
- viii. Allocate additional Ksh. 2 billion for affirmative action under the County Women Representative Fund; additional Ksh. 2 billion for CDF and Ksh 1.45 billion for entrenching devolution, monitoring and evaluation by the Senate.

**g. Environmental protection, water and natural resources**

**56) Mr. Speaker Sir,** the Environment Protection, Water and Natural Resources sector has a proposed allocation in the BPS of Ksh 51 billion which is 4% of the total discretionary allocation. The Committee proposes that:

- i. The budgetary allocations to the State Department for Environment and Natural Resources be increased by an additional Ksh 500 million to cater for compensation of victims of human-wildlife conflicts.
- ii. The budgetary allocation for the State Department for Water and Regional Authorities be maintained as per the BPS. The Committee also notes that though water distribution is largely a county function, most projects in the water sector are donor funded. The national government should continue financing water supply infrastructure development until a framework is developed for the county governments to handle their functions especially in relation to donor funded projects. Further, there is uncoordinated management of water infrastructure investment by different stakeholders including the national government, county government and non-governmental organizations.
- iii. The ceiling for the Ministry of Mining be maintained as proposed by the BPS.

## VIII. FINANCING MEASURES

**Mr. Speaker Sir,** from the foregoing, there arises an additional Ksh. 47.797 billion over and above the overall expenditure ceiling proposed under the BPS. In order to finance the gap arising from above additional funding, the Committee proposes that the following measures be considered to ensure that there is no financing gap:

- a) Reduce the sharable revenue for Counties from Ksh. 258 billion to Ksh. 245.6 billion to cater for the following:
  - i. Ksh. 1 billion for enhancing for enhancing county audit under the Office of the Auditor General
  - ii. Ksh. 1 billion to revamp anti-corruption strategy at the County level under the EACC
  - iii. Ksh. 4.06 billion to cater for village polytechnics in the constituencies at Ksh. 14 million per constituency.

- iv. Additional Ksh. 1.74 billion for level 5 hospitals
- b) The balance of Ksh. 39.99 billion be met from the following:
  - i. Re-prioritization within the programmes included in the BPS as the National Treasury finalizes the compilation of the detailed Estimates of various ministries.
  - ii. Savings accruing from public Service reforms in Semi-Autonomous Government Agencies
  - iii. Enhanced efficiency in utilization of public resources
- c) In order to ensure that macroeconomic stability is maintained in the annual estimates, this Committee recommends that the net domestic borrowing shall not exceed Ksh. 200 billion
- d) Any additional resources above the total ordinary revenue projected at Ksh. 1,347 billion should be utilized towards reducing domestic borrowing
- e) The ceiling for the Judiciary and the Judicial Service Commission is set at Ksh. 17.962 billion
- f) The ceiling for the Parliamentary Service Commission is set at Ksh. 28.3 billion

**Mr. Speaker Sir,** the Committee therefore requests this House to adopt this report and resolve that:

- i) the proposed recommendations as contained in this report on the BPS be adopted; and
- ii) that Schedule 1 and Schedule 2 attached to this report become the basis for the 2015/16 budget.

Schedule 1: Summary of Ministerial Ceilings

Vote/Programme	2015/2016 (In Kshs. Million)			2015/2016 (In Kshs. Million)			Change	Comments/Justification(s)
	Budget Policy Statement (BPS)			Committee Recommendations				
	Recurrent	Capital	Total	Recurrent	Capital	Total		
101. The Presidency	4,121	782	4,903	4,121	782	4,903	-	
104. Ministry of Defence	93,930	-	93,930	93,930	-	93,930	-	
105. Ministry of Foreign Affairs	11,215	1,549	12,764	11,215	1,549	12,764	-	
107. The National Treasury	57,441	32,470	89,911	57,441	35,470	92,911	3,000	Additional Ksh 3 billion for public hearing
108. Ministry of Health	28,009	23,398	51,407	29,509	23,398	52,907	1,500	Ksh 1.5 billion of which: Ksh 400m for tuberculosis, Ksh 200 million for vaccines, Ksh 300m for MTRH ICU expansion, Ksh 600m for registrar salaries
111. Ministry of Lands, Housing and Urban Development	5,459	21,547	27,006	5,459	22,765	28,224	1,218	Ksh 1.2 billion of purchase of survey materials
112. Ministry of Information and Communication	2,056	8,291	10,347	2,056	8,291	10,347	-	
113. Ministry of Sports, Culture and Arts	2,658	2,619	5,277	4,680	2,619	7,299	2,022	Ksh 2.02 billion of which: Ksh 200 million national teams, Ksh 20 million cash awards, Ksh 180 million registration of sports organization, Ksh 100 million inspection and audit of sport organizations, Ksh 100m JAMAFEST, Ksh 200 million stadia, Ksh 100 million equipment and construction of studio, Ksh 200 million for Heroes Council, Ksh 20 million for dispute, KSh 20m sport registrar office, Ksh 20 million refurbish sport registrar office, Ksh 30m sports tribunal, Ksh 500m monuments, KSh 85m NPI, Ksh 200m Kenya Film Commission, Ksh 47 million department of film services
114. Ministry of Labor, Social Security and Services	7,995	12,409	20,404	9,178	15,779	25,957	5,553	Ksh 5.5 billion of which: Ksh 4.4 billion for national cash transfers, Ksh 200 million for administration of cash transfers, Ksh 119 million for national children emergency helpline, Ksh 564 for funding of social development services in field offices, Ksh 298 million for mass registration of persons with disability in all counties
115. Ministry of Energy and Petroleum	2,029	79,412	81,441	2,029	79,412	81,441	-	
117. Ministry of Industrialisation and Enterprise Development	2,360	5,812	7,972	2,360	9,437	11,797	3,825	Ksh 3.82 billion of which: Ksh 1.4 billion for leather development, Ksh 200 million for textile development, Ksh 2 billion for special economic zones and Ksh 225 million for Jua Kali Sheds
119. Ministry of Mining	735	1,592	2,327	735	1,592	2,327	-	
120. Office of the Attorney General and Department of Justice	3,791	646	4,437	3,791	946	4,737	300	additional Ksh 300 million for Victims fund
121. Judiciary	12,124	5,366	17,490	12,124	5,366	17,490	-	
122. Ethics and Anti-Corruption Commission	1,562	600	2,162	2,562	600	3,162	1,000	additional Ksh 1 billion for EACC county offices
123. National Intelligence Service	20,142	-	20,142	20,142	-	20,142	-	
124. Directorate of Public Prosecutions	1,305	337	2,142	1,805	337	2,142	-	
125. Commission for the Implementation of the Constitution	312	-	312	312	-	312	-	
126. Registrar of Political Parties	511	-	511	511	-	511	-	
127. Witness Protection Agency	287	-	287	287	-	287	-	
133. State Department for Interior	84,634	9,912	94,546	84,634	9,912	94,546	-	
134. State Department for Coordination of National Government	15,795	611	16,406	15,795	611	16,406	-	
135. State Department for Planning	22,731	51,209	73,940	22,731	56,701	79,432	5,492	Ksh 5.5 billion of which Ksh 2 billion for CDF, Ksh 2 billion for Affirmative Action, Ksh 1.45 billion for monitoring and evaluation for senators
136. State Department for Devolution	2,268	5,091	7,359	2,268	5,091	7,359	-	
139. State Department for Education	112,037	28,364	140,401	112,037	31,264	143,301	2,900	Kshs.2.9 billion for completion of centers of Excellence that were under the ESP Programme
140. State Department for Science and Technology	8,295	7,421	15,716	8,295	12,121	20,416	4,700	Ksh 4.7 billion for equipment of 60 TTIs for newly constructed TTIs
143. State Department for Infrastructure	26,312	102,211	128,523	26,312	102,211	128,523	-	
144. State Department for Transport	5,819	159,279	165,098	5,819	159,279	165,098	-	
145. State Department for Environment and Natural Resources	9,809	7,472	17,281	10,309	7,472	17,781	500	Ksh 500 million for KWS to compensate victims
146. State Department for Water and Regional Authorities	4,282	27,088	31,370	4,282	27,088	31,370	-	
152. State Department for Agriculture	6,845	21,649	28,494	6,845	21,649	28,494	-	



Vote/Programme	2015/2016 (In Kshs. Million)			2015/2016 (In Kshs. Million)			Change	Comments/Justification(s)
	2015/2016			2015/2016				
	BPS			Committee Recommendations				
153. State Department for Livestock	1,855	3,804	5,659	1,855	4,204	6,059	400	Ksh 400 million for improvement of animal genetics by KAGRC and ADC
154. State Department for Fisheries	1,045	1,265	2,310	1,045	1,765	2,810	500	Ksh 500 million for national fish breeding
156. State Department for East African Affairs	1,688	50	1,738	1,688	50	1,738	-	
157. State Department for Commerce and Tourism	2,792	2,292	5,084	3,272	3,917	7,189	2,105	Ksh 2.1 billion of which: Ksh 380 million for tourism recovery and marketing promotion, Ksh 630 million for Ronald Ngala Utalii College, Ksh 435 million for Utalii college, Ksh 500 million for KNTC
201. Kenya National Commission for Human Rights	392	-	392	392	-	392	-	
202. National Land Commission	1,226	542	1,768	1,926	4,042	5,968	4,200	Ksh 4.2 billion of which: Ksh 200 million for dispute resolution, Ksh 500 million for enactment of land regulations
203. Independent Electoral and boundaries Commission	3,092	85	3,177	4,892	85	4,977	1,800	Ksh 1.8 billion for voter registration
204. Parliamentary Service Commission	20340	2607	22947	25077	3200	28277	5330	Ksh 5.33 billion for which: Ksh 1 billion for mileage for members of parliament and senators, Ksh 1.7 billion for committee operations, Ksh 1.3 billion for constituencies and county offices, Ksh 700 million for enhancement of security and Ksh 600 million for rental of buildings.
205. Judicial Service Commission	472	-	472	472	-	472	-	
206. Commission on Revenue Allocation	344	-	344	344	-	344	-	
207. Public Service Commission	922	167	1,089	922	167	1,089	-	
208. Salaries and Remuneration Commission	476	-	476	476	-	476	-	
209. Teachers Service Commission	171,041	200	171,241	171,041	200	171,241	-	
210. National Police Service Commission	319	-	319	319	-	319	-	
211. Auditor General	2,712	402	3,114	3,712	402	4,114	1,000	Ksh 1 billion for county offices
212. Controller of Budget	452	-	452	564	-	564	112	Ksh 112 million of which: Ksh 97.2 million for payment of gratuity and Ksh 15.1 million for house allowances
213. Commission on Administration of Justice	405	-	405	405	-	405	-	
214. National Gender and Equality Commission	325	-	325	565	-	565	240	Ksh 240 million of which: Ksh 235 million for boy child baseline survey and Ksh 5 million and Ksh 235 million for establishment of gender based violence desk in all counties
215. Independent Police Oversight Authority	244	-	244	344	-	344	100	Ksh 100 million for additional staff and operations
<b>Total</b>	<b>767,511</b>	<b>628,351</b>	<b>1,395,862</b>	<b>782,885</b>	<b>660,774</b>	<b>1,443,659</b>	<b>47,797</b>	

**Schedule II: Proposed Resource Allocations to County Governments (Ksh. Billions)**

Details	Amount (Ksh. Billions)
County Equitable Share**	245.60
<i>Add: Conditional Allocations</i>	
Enhancing county audit under the office of Auditor General	1.00
Revamping anti - corruption strategy at the county level	1.00
Village polytechnics in the Constituencies	4.06
Level 5 hospitals	3.81
Allocation from fuel levy fund (15 %)	3.30
Health care facilities compensation for forgone user fees	0.90
Conditional allocations - loans and grants	10.67
Leasing of medical equipments	3.40
Free maternity health care	4.30
<b>Total Resources to Counties ***</b>	<b>278.03</b>

*Notes*

\*Total audited revenues for 2012/13, Ksh. 776.9 billion

\*\*Total proposed County Equitable Share, Ksh. 245.6 billion (32% of 2012/13 audited revenues)

\*\*\*Total Resources to Counties, Ksh. 278 billion (36% of 2012/13 audited revenues)

MINUTES OF THE 6<sup>TH</sup> SITTING OF THE BUDGET AND  
APPROPRIATIONS COMMITTEE (BAC) HELD ON TUESDAY, 3<sup>RD</sup>  
MARCH , 2015 AT 10.00 AM AT COUNTY HALL, MINI CHAMBERS

PRESENT

1. Hon. MutavaMusyimi M.P. -Chair
2. Hon. Mary Emaase,M.P.- Vice Chair
3. Hon. Afred Sambu, M.P
4. Hon. Clement Wambugu, M.P
5. Hon. Moses Lessonet, M.P.
6. Hon. Abdikadir Omar Aden, M.P
7. Hon. Abdulaziz Farah, M.P
8. Hon. Alfred Agoi, M.P
9. Hon. Benjamin Andola Andayi, M.P
10. Hon. Daniel Nanok, M.P
11. Hon. Dr. J.W. Nyikal, M.P
12. Hon. Dr. ReginaldaWanyonyi, M.P
13. Hon. Francis Njenga, M.P
14. Hon. Isaac Mwaura, M.P
15. Hon. Jackson Kiptanui, M.P
16. Hon. Jared O. Opiyo, M.P
17. Hon. Joseph Limo, M.P
18. Hon. Makali Mulu Benson, M.P
19. Hon. Muriuki Njagagua , M.P
20. Hon. Omar Mwinyi, M.P
21. Hon. Omondi George, M.P
22. Hon. Tiyah Galgalo, M.P
23. Hon. Bitok S Kirwa, M.P
24. Hon. Irshad Sumra,M.P
25. Hon. James Lusweti, M.P
26. Hon. Patrick Ole Ntutu, M.P
27. Hon. Suleiman Murunga Kasuti,M.P
28. Hon. Jamleck Kamau, M.P
29. Hon. John Mbadi, M.P
30. Hon. Moses Ole Sakuda, M.P
31. Hon. Alice Ng'ang'a, M.P
32. Hon. Eng.Stephen Ngare, M.P
33. Hon. Priscilla Nyokabi, M.P

- 34.Hon. James Gakuya, M.P
35. Hon. Jonathan Lati Lelelit, M.P
- 36.Hon. Samuel Gichigi, M.P
37. Hon. Silverse Lisamula Anami,M.P

**ABSENT**

1. Hon. Charles Nyamai, M.P
2. Hon. KK Stephen Kinyanjui,M.P
3. Hon. Moses Kuria, M.P
4. Hon. Shukran Hussein Gure, M.P
5. Hon. Dennis Kariuki, M.P
6. Hon. Peter Weru Kinyua, M.P
7. Hon. Banticha Jaldesa, M.P
8. Hon. Ali, Fatuma Ibrahim, M.P
9. Hon. Nelson Gaichuhie, M.P
- 10.Hon. Benjamin Langat,M.P
- 11.Hon. Mwashetani Khatib Abdallah, M.P
- 12.Hon. Dorcas Kedogo, M.P
- 13.Hon. Mohamed Shidiye, M.P

**In Attendance:**

1. Dr. KamauThugge-
2. Dr. Geoffrey Mwau-
3. Mr. Musa Gathanje-
4. Mr. Onderi Ontweka
5. James Aloyo
6. Albert Mwenda
7. Bernard Kibet

**National Treasury**

- Principal Secretary, National Treasury
- National Treasury
- National Treasury
- National Treasury
- National Treasury
- National Treasury
- National Treasury

**IN ATTENDANCE**

1. Mr. Martin Masinde
2. Mr. Joseph Ndirangu
3. Mr. Robert Nyaga
4. Ms. Lucy Makara
5. Mr. Benjamin Ng'imor
6. Ms. Millicent Ojiambo
7. Mr. James Chacha

**BUDGET COMMITTEE SECRETARIAT**

- Senior Deputy Director, PBO
- Fiscal Analyst - Committee Clerk
- Chief Fiscal Analyst
- Principal Fiscal Analyst
- Fiscal Analyst
- Fiscal Analyst
- Fiscal Analyst

8. Mr. Thomas Ogwel	Fiscal Analyst
9. Mr. Ali Hussein	Fiscal Analyst
10. Ms. Julie Mwithiga	Fiscal Analyst
11. Mr. A. Gorod	Fiscal Analyst
12. Ms. Rose Omutere	Audio Recorder
13. Mr. Vitalis Ndambuki	Office Assistant

## **AGENDA**

1. Preliminaries
2. Confirmation of previous minutes meeting
3. Matter Arising
4. Agendas:
  - a) *Meeting with National Treasury to discuss the 2015/16 BPS*
  - b) *Consideration of the Draft committee report on the 2015/16 BPS*
  - c) *Adoption of the Committee report on 2015 BPS*
5. Any Other Business

### **MIN 6/2015/1: Preliminaries and confirmation of Agenda**

The meeting was called to order at 10:25a.m and the Chairman lead the members with a word of prayer.

The Chair informed members that the committee had a huge task ahead since the processing of the BPS had statutory deadlines and thus the committee was expected to consider and approve the report before the end of day.

### **MIN 6/2015/2: Confirmation of the previous meetings minutes**

The chair took members through the minutes of the 3<sup>rd</sup>, 4<sup>th</sup> and 5<sup>th</sup> meetings held on 19<sup>th</sup>, 24<sup>th</sup> February, 2015 and 2<sup>nd</sup> March, 2015 respectively.

- i. The minutes of the 3<sup>rd</sup> meeting were confirmed and proposed by Hon. Daniel Nanok and seconded by Hon Moses Lessonet,
- ii. The 4<sup>th</sup> meeting minutes were confirmed, they proposed by Hon. James Nyikal and seconded by Hon. Isaac Mwaura.,
- iii. The 5<sup>th</sup> meeting minutes were confirmed, they were proposed by Hon. Makali Mulu and seconded by Hon. James Gakuya.

### **MIN6/2015/3: Discussion with the National Treasury**

Members were informed that the PFM Act required that before the Committee finalizes on its report it should seek the views of the Cabinet Secretary in charge of

Finance. The Chair invited the P.S. National Treasury to make his comments on the issues that were raised by the Departmental Committees. The P.S. noted that the issues raised by the Committees are legitimate and requires concerted effort in tackling among all arms of the government.

The Chair informed the P.S. that during the review of annual estimates of 2015/16 the committee would require to meet with cabinet secretaries, permanent secretaries and departmental committee chairs on one hand and the budget committee with Cabinet Secretary, National Treasury on the other hand.

#### **MIN 6/2015/4: Consideration of the Draft BPS Report**

The Chairman asked the PBO to take the Committee through the draft report. Members were informed that the PFM Act and Standing Orders requires that the Budget and Appropriations Committee report on BPS that is to be tabled in the House should have a matrix showing the schedule of expenditure ceilings that are supposed to be approved by the House.

Members made the following recommendations for increment on the following votes/ programmes.

##### **State department of Planning**

Additional Kshs. 2 billion to the CDF and the affirmative action fund to be added at a growth rate of 6% of the 2014/15 allocation.

##### **Ministry of Lands, Housing and Urban Development**

An extra additional of Kshs. 7.44 billion

##### **Ministry of Sports, Culture and Arts**

Extra allocation of Ksh. 2.09 billion

##### **Office of the Attorney General and Department of Justice**

Additional Ksh, 300 million for victims fund

##### **Parliamentary Service Commission**

Additional allocation of Kshs. 6 billions

##### **State Department of Education**

An additional of Ksh. 4.7 billion for Technical Training Institute

##### **Ministry of Health**

Additional of Ksh. 1.5 billion to scale up the ceiling in the 2015 BPS

##### **National Land Commission**

An additional allocation of Ksh. 4.2 billion over the BPS ceiling

##### **National Police Service Commission**

An extra allocation of Ksh. 131 million for completion of police vetting and operation of the commission

##### **Independent police Oversight Authority**

An additional allocation of Ksh. 100 million for staffing the Authority

**National Gender and Equality Commission**

An additional allocation of Ksh.240 million including Ksh. 5 million for the boy child situation analysis.

**Controller of Budget**

An additional allocation of Ksh. 112.30 million For house and hardship allowances and to cater for the gratuity of officers.

**Auditor General**

Additional allocation of Ksh. 1 billion for operation

**Independent Electoral and Boundaries Commission**

An additional Ksh. 1.8 billion for voters' registration.

**State Department of Livestock**

Extra allocation of Kshs. 400 million for livestock breeding genetics

**State department of Fisheries**

An allocation of Kshs. 500 million for fish breeding

**Ethics and Anti-Corruption Commission**

An additional allocation of Kshs. 1 billion for County offices

**Ministry of Commerce and Tourism**

Additional Kshs. 500 Million for the Kenya national Trading Corporation.

**Ministry of Industrialization and Enterprise Development**

Additional allocation of Kshs. 3 billion for development of leather sector, textile sector and for special economic zones

Members were informed that the PFM Act required the committee to pronounce itself on the ceilings of the national government, judiciary, parliament and the indicative transfers to the counties and therefore the committee recommended that the equitable share to county governments to be Kshs.245.60 billion with an addition of Kshs. 22.43 billion as conditional grant.

Members also discussed the strategic interventions programme to be allocated Kshs. 3 billion, the programme will cover the public hearings held in October, 2014 .

Members also highlighted the need to fund to the 2009 stimulus projects which remain uncompleted to date amounting to Kshs. 10 billion which should be earmarked and ring fenced and allocated through the CDF framework.

**MIN6/2015/5: Adoption of the Report**

Members were taken through report which had incorporated the amendments and recommendations that members had agreed to. After long deliberations the report was unanimously adopted by the committee and the Chairman informed members that it will be tabled in the House on his behalf on Wednesday, 4<sup>th</sup> March, 2015 by the Committee Vice-Chairperson.

**MIN 6/2015/6: Any Other Business**

There being no other business the Chairman adjourned the meeting at 2.40pm. Next meeting will be held on Thursday, 5<sup>th</sup> March, 2015 at 11a.m

SIGNED



.....  
CHAIRPERSON

3. 3. 2015

.....  
DATE



MINUTES OF THE 5<sup>th</sup> MEETING OF THE BUDGET AND  
APPROPRIATIONS COMMITTEE (BAC) HELD IN BOMA  
HOTEL, NAIROBI HELD ON 2<sup>ND</sup> MARCH, 2015 AT 9.00 A.M.

PRESENT

1. Hon. Mutava Musyimi M.P. -Chair
2. Hon. Mary Emaase M.P.- Vice Chair
3. Hon. Charles Nyamai, M.P
4. Hon. Clement Wambugu, M.P
5. Hon. Moses Ole Sakuda, M.P
6. Hon. Mohamed Shidiye, M.P
7. Hon. Abdikadir Omar Aden, M.P
8. Hon. Abdulaziz Farah, M.P
9. Hon. Alfred Agoi, M.P
10. Hon. Dorcas Kedogo, M.P
11. Hon. Dr. J.W. Nyikal, M.P
12. Hon. Dr. Reginalda Wanyonyi, M.P
13. Hon. Francis Njenga, M.P
14. Hon. Isaac Mwaura, M.P
15. Hon. Jackson Kiptanui, M.P
16. Hon. Jared O. Opiyo, M.P
17. Hon. Joseph Limo, M.P
18. Hon. Makali Mulu Benson, M.P
19. Hon. Muriuki Njagagua, M.P
20. Hon. Omondi George W. Mallan, M.P
21. Hon. Tiyah Galgalo, M.P
22. Hon. Bitok S Kirwa, M.P
23. Hon. Silverse Lisamula Anami, M.P
24. Hon. Patrick Ole Ntutu, M.P
25. Hon. Suleiman Murunga Kasuti, M.P
26. Hon. Peter Weru Kinyua, M.P
27. Hon. James Gakuya, M.P
28. Hon. Omar Mwinyi, M.P
29. Hon. Priscilla Nyokabi, M.P
30. Hon. Samuel Gichigi, M.P
31. Hon. Muriuki Njagagua, M.P
32. Hon. Moses Kuria, M.PS
33. Hon. Jonathan Lati Lelelit, M.P
34. Hon. James Lusweti, M.P
35. Hon. Nelson Gaichuhie, M.P
36. Hon. Alice Ng'ang'a, M.P
37. Hon. Daniel Nanok, M.P
38. Hon. Dennis Kariuki, M.P

39. Hon. Benjamin Andola Andayi, M.P
40. Hon. Alfred Sambu, M.P
41. Hon. Jamleck Kamu, M.P
42. Hon. Moses Lessonet, M.P
43. Hon. Charles Nyamai, M.P
44. Hon. Banticha Jaldesa, M.P

#### ABSENT

1. Hon. Benjamin Langat, M.P
2. Hon. John Mbadi, M.P
3. Hon. Fatuma, Ali Ibrahim, M.P
4. Hon. Irshad Sumra, M.P
5. Hon. KK Stephen Kijanjui, M.P
6. Hon. Mwashetani Khatib Abdalla, M.P.
7. Hon. Shukran Hussein Gure, M.P

#### **In Attendance**

#### **Budget Committee Secretariat**

1. Mrs. Phyllis Makau- Director, PBO
2. Mr. Martin Masinde-Senior Deputy Director, PBO
3. Mr. Frederick Muthengi-Principal Fiscal Analyst/Clerk
4. Mr. Robert Nyage- Chief Fiscal Analyst
5. Ms. Lucy Makara –Ag. Chief Fiscal Analyst
6. Mr. Gichohi Mwaniki-Senior Fiscal Analyst
7. Mr. Benjamin Ngimor-Fiscal Analyst
8. Mr. Millicient Ojiambo-Fiscal Analyst
9. Mr. Joseph Ndirangu- Fiscal Analyst
10. Ms. Julie Mwithiga-Fiscal Analyst
11. Mr. Abdirahman Gorod-Fiscal Analyst
12. Mr. Thomas Ogwel-Fiscal Analyst
13. Mr. Vitalis Ndambuki- Office Assistant

#### AGENDA

1. Preliminaries / Confirmation of Agenda
2. Confirmation of Previous Meeting Minutes
3. Matters Arising
4. Agenda:
  1. Meeting with Departmental Committees Chairs to receive their recommendations on their BPS
5. Any Other Business

#### MIN 5/2015/1: Preliminaries and Confirmation of Agenda

The meeting was called to order at 9:30a.m and the Chair led the meeting with a word of prayer. He informed the committee that there was a request for a meeting from the Parliamentary Service Commission and the Ethics and Anti-Corruption Commission. The Committee agreed to the request and thus decided to meet the two institutions at 12p.m and 2p.m respectively.

#### MIN 5/2015/2: Confirmation of the previous meeting minutes

The confirmation of the previous minute was postponed up to the next meeting due to the delay in the commencement of the day's meeting.

#### MIN 5/2015/3: Meeting with Departmental Committee

##### 1. Energy, Communication and Information Committee

The Chairman of the departmental committee took the budget committee through the departmental committee report as follows:

1. For the Ministry of Energy and Petroleum- the committee was informed that the ceiling of the Ministry in the 2015/16 BPS is Kshs.81.44 billion of which Kshs.2.03 billion is for recurrent expenditure and Kshs.79.41billion is for development expenditure which reflect an increase of Kshs.5.153 billion when compared to the gross allocation of kshs.76.28 billion in the current fiscal year 2014/15.

##### Departmental Committee Concerns

- a. The committee observed that the Ministry had been underfunded with respect to the total amount requested.
  - b. The committee observed that there is project implementation gaps regarding the rural electrification projects.
  - c. The committee observed that some of the budget figures submitted for scrutiny needed to be reconciled to ensure accuracy to guide future deliberation.
  - d. The committee observed that the output and targets of general administration, planning and support services programme for the ministry was not provided in the BPS document.
2. For the Ministry of Information, Communication and Technology- the proposed ceiling in the ICT Ministry in the 2015/16 BPS is Kshs.10.348 billion of which Kshs.2.06 billion is for recurrent expenditure and Kshs.8.28 billion is for development. This reflects a marginal increase of Kshs.136 million from gross approved allocation of Kshs.10.212 billion in the current FY 2014/15.

##### Departmental Committee Concerns

- a. The committee recommend that the overall ceiling of ksh.10.348 billion and that of respective programme as provided in the 2015 BPS be maintained and approved.
- b. The output and targets of general administration, planning and support services programme should be provided in order to facilitate and enhance accountability.

## 2. Environment and Natural Resources Committee

The Chairperson of the departmental committee presented the 1 to the BAC committee report on the departmental committee report on the BPS on the state department for Environment and Natural Resources and the state department for water and regional Authorities.

The Chairperson of the committee took through the committee the departmental committee report on the sector.

1. State department of Environment and Natural Resources- the department in the 2015 BPS requested a budgetary allocation of Kshs.33.805 billion for FY 2015/16. However in the BPS, only Kshs. 17.281 billion was allocated thus representing a funding gap of Kshs. 16.524 billion.
2. State Department of Water and Regional Development Authorities – in the 2015 BPS the Department requested for allocation of Kshs. 137 billion for the 2015/16 FY but has been allocated Kshs. 31.4 billion translating into a financing gap of ksh.105.7 billion

### Departmental Committee Concerns

- (a) The committee observed that the Towers Agency, the institution responsible for rehabilitation of water towers has a funding deficit of Kshs.91million for salaries and Kshs.209 million for projects implementation.
- (b) KWS has been experiencing a shortfall in it's A-I-A for the last three consecutive financial years.
- (c) Two radar machines imported by Kenya Meteorological Service are being held at the Kenya Port Authority due to unpaid duty.KWS require Kshs. 200 million to install the radar machines and modern their equipment to enhance accuracy of their forecast.
- (d) Though water distribution is a devolved function most projects in the water sector are largely donor funded and the borrowing is done through the National Treasury therefore there is need for structural and institutional design in the water sector

### Departmental Committee Recommendation

1. All water towers management resources allocated to the Ministry of Energy and Petroleum should be transferred to the state department of

Environment and Natural Resource so as to consolidate water towers decision making.

2. The water tower agency be allocated to Kshs.300 million to meet the financing gap.
3. KWS be allocated Kshs. 1 billion for operation and maintenance so as to mitigate against its shortfall in A-J-A
4. KRA waives duty owed to the Kenya Meteorological Services over the two radars machines imported by the service. Also KWS be allocated ksh.1.1 billion out of this ksh.200 million will be for installation of the radar machines and ksh.900 million for modernization of equipment.
5. An additional Kshs.4.8 billion be allocated to enable the Ministry to achieve its targets in the construction and rehabilitation of water storage and flood control measures.
6. Kshs. 1.5 billion to be allocated to the Ministry for emergency boreholes and Kshs.500 million for rural water supply to enhance access to water in the rural areas.
7. The committee recommend that RDAs be allocated Kshs.2.5 billion at minimum to enable them complete stalled projects and Kshs.300 million for the tannery project in Narok, lake basin development authority be allocated Kshs.500 million, Kshs.1.7 billion to shared equally to the remaining Regional Development Authorities.

### 3. Transport, Public Works and Housing Committee

The V/Chairperson of the departmental committee who was representing the Chair informed the members that total budget ceiling of the state department of Transport in the 2015-16 is Kshs. 165.1 Billion of which Kshs.5.8 billion is meant for recurrent expenditure while Kshs. 159.3 billion is for development expenditure. He stated that the proposed budget is significantly higher than the last financial year budget and this is largely occasioned by the increased allocation for rail transportation which has been allocated Kshs.144.4 billion to cater for the standard gauge railway among other rail development projects.

He informed the committee that the state department of infrastructure had a resource ceiling of Kshs. 128.5 billion out of which Kshs. 26.3 billion is for recurrent expenditure and Kshs. 102.2 for development expenditure. The departmental committee had noted that the state department had been allocated inadequate resources and this will impact negatively on overall departmental mandate and affect supervision and monitoring of many projects under the developmental budget. He stated that failure to allocate more resource to recurrent vote will make it impossible for the Engineers Board of Kenya to roll out the much anticipated Graduates Engineers Programme. seek ISO

certification, hire its own staff and carry out research and feasibility studies concerning the engineering profession in Kenya

On the directorate of housing and public works and urban development, he stated that the total proposed budget ceiling for the directorate of housing and urban development is Kshs. 19.5 billion of which Kshs. 2.8 billion is for recurrent expenditure and Kshs.16.733 billion is for development expenditure. He informed the committee that the funding will be used to construct the Kibera slum upgrading projects, construct housing units in Mavoko SNP project among other projects.

#### Departmental Committee Observation

1. The state department of transport requires a net recurrent budget of ksh.2.4 billion but has been allocated ksh.0.818 billion resulting into a shortfall of ksh.1.6 billion
2. The Ministry of transport and infrastructure has a shortfall of in development budget of ksh.47.8 billion to fund various key infrastructure projects.
3. The Ministry of transport and infrastructure had an outstanding bills portfolio of ksh.20.14 billion.
4. The directorate of housing and urban development is facing a shortfall in budget of ksh.4.3 billion. This fund was meant for financing stalled and coast line infrastructure projects , footbridges and construction of ESP district HQs

#### 5. Meeting with Parliamentary Service Commission

The Secretary of the Parliamentary Service Commission took members through a presentation that covered the following highlights:

1. That the budget performance for the period July- December 2014 shows an absorption rates of 40% in recurrent and 12.6% in development expenditures.
2. That the PSC has a resource requirement of Kshs. 28.35 Billion in 2015/16 but the 2015/16 BPS has set a ceiling of Kshs. 22.9 billion resulting into a resource gap of approximately Kshs. 5 Billion.
3. That the PSC budget for the current year 2014/15 is Kshs. 26 Billion and thus reducing it in 2015/16 will greatly hamper the Commission operations.

#### Members concerns

The Committee Members stated that the PSC had been allocated Kshs. 26 Billion on the account that there were various development activities that were going on and thus they are expected to be completed within this financial year

it would be prudent for the commissions budget to be reduced to current BPS ceiling of Kshs.22 billion.

Members asked the Commission to unpack the Kshs.22 billion been proposed in the BPS ceiling.

Members asked the Commission to justify on account of usage the additional resources of around Kshs. 6 Billion that they were requesting.

#### Commission Reply

The commission stated that the additional resources required are meant to cover important activities that will be adversely affected if the proposed ceiling is maintained. They stated that rentals, salaries, mileage, ex-gratia payments, medical insurance for members and staff, domestic and foreign votes will be affected most and thus asked the Committee to consider their request.

#### 6. Agriculture, Livestock and Cooperative

The Chairman informed the budget committee that the proposed ceiling for the Ministry of Agriculture, Livestock and Fisheries in the 2015 BPS for the FY 2015/16 is Kshs.36.4 billion with a share of recurrent and capital budget in the FY 2015/16 is projected to be 27% and 73% respectively.

#### Departmental Committee observations

1. Agriculture is allocated 2.6% of the total government allocation to MDAs and its sectors contribute directly approximately 25% of the national GDP there the allocation is insufficient in the sector.
2. Proposal for the implementation of comprehensive green agri-business initiative in secondary schools through inter-agency framework may require collaboration between national and county government.
3. Establishment of inter-ministerial committee on Galana/Kulalu , Kenya Intergrated Agricultural Irrigation Fund will increase SAGAs in the Ministry despite a recommendation of reduction of the same by presidential taskforce on parastatals reforms.

#### Departmental Committee recommendations

1. That Key flagship projects likely to help in attainment of Vision 2030 and programmes projected to increase revenue for the country be considered for more funding in the 2015/16 FY and the medium term.
2. Priority of the ministry be adequately funded because investment in the sector have great potential to pay back in a short period.
3. The ceiling for Agriculture, Rural and Urban Development sector be considered for revision upward to cater for the key flagship projects.
4. The strategic grain reserve sector be transferred to the Ministry of Agriculture, Livestock and Fisheries to Ministry of Devolution and Planning.

### Concerns by Members

Members noted that the Agriculture sector is devolved and thus many of the projects/activities been undertaken by the ministries would be well be undertaken by the devolved governments.

Concern over the delayed implementation of major irrigation projects in the Country e.g Kulalu/Galana, Mbalambala irrigation etc.

### 7. Finance, Planning and Trade Committee

The Vice-chairman who was representing the Chair took members through the recommendations of the departmental committee on the BPS. The following were the key highlights:

1. For Controller of Budget- the committee recommended that the budget ceiling for the office of the Controller of Budget should be up scaled by Kshs. 112.3 million from the ceiling of Kshs. 352.14 million to Kshs.564.44 million
2. For SRC- the committee observed that the commission is spending huge sum of money in consultancy and thus Kshs.91.4 million allocated for consultancy cannot be justified thus the committee recommend scaling down. The Kshs. 7.5 million allocated for foreign travels intended for the commission capacity trip abroad. The committee recommend the commission has built enough capacity and no need for further benchmarking trip that will occasion an additional Kshs.2.7 million. The committee recommends that the budget for the Salaries and Remuneration Commission be scaled down by a total of Kshs. 50 million therefore the new ceiling for the 2015/16 for the commission be Kshs. 394.83 million.
3. For Commerce and Tourism- the allocation to the department of Commerce and Tourism is too minimal as compared to the huge contribution it makes to the GDP. Therefore the committee recommends as follows:
  - ✓ the SAGAs in the ministry with overlapping mandates should be merged
  - ✓ Allocation of an additional Kshs.380 million to the ministry for tourism recovery and marketing promotion
  - ✓ Additional Kshs. 100 million sought for national commodities exchange programmes be allocated to implement the business idea.
  - ✓ Kenya investment authority should be given an additional Kshs.60 million for use in constructing a state of the art one stop to ease business.



- ✓ Additional allocation of Kshs.60 million to Ronald Ngala Utalii College due to pending bills the Kshs 850 million allocated is inadequate
- ✓ Additional allocation of Kshs.435 million to Utalii College.
- ✓ Allocation of Kshs. 800 Million be made to the Kenya National Trading Corporation (KNTC) so as to revive it.

Therefore the committee recommends that the ceiling for the department of Commerce and Tourism should be scaled up by Ksh.1.705 billion to finance critical programmes .

4. For the Ministry of Devolution and Planning-

- Allocation of Ksh.14.633 million to general administration in the state department of planning.
- The social welfare affirmative action fund (county women Rep) that requires additional ksh. 2.03 billion and the Uwezo Fund that requires ksh.6 billion.
- There is no allocation for internally displaced for 2015/16 and if it were to be re-opened would need ksh 350 million to undertake the exercise.
- Huduma centers- 10 more huduma centres in 2015/16 .there is a feeling that this is a duplication of work already done by relevant government agencies.
- Social protection-this programmes is done by the Ministry of Devolution and Planning and the Ministry of Labour and Social Services thus the committee recommend that the programme be rationalized and coordinated from one Ministry.

5. Ministry of Industrialization and Enterprise Development-

- Funding of productive sectors of the economy has not been prioritised as reflected by a budget deficit of ksh.12.548 billion
- The Ministry should be allocated additional resource of ksh.3.6 billion to implement the leather, textile and special economic zones projects.

6. National Treasury- on the National Treasury the committee recommends.

- The National Treasury budget be reduced to provide resource to be used by needy MDAs.
- The amount of ksh.1.5 billion earmarked for Capacity Assessment Rationalization Programme in the National Treasury Budget will be implemented by the Ministry of Devolution and Planning.
- The Kshs. 11.7 billion held by National Treasury earmarked for Department of Defense (DoD) .negotiation are under within government agencies to determine the exact figure that will go to this programme.

#### 8. Committee on Administration and National Security

The chairman informed the budget committee that in the 2015 BPS provided for the following:

- a ceiling of Kshs.4.9 billion to the presidency against a resource requirement of Kshs.12.3 billion.

(1) State department for Interior – has a budget ceiling of Kshs. 94.5 billion against a resource requirement of Kshs. 134.1 billion

(2) State department of Coordination of National government has a budget ceiling of Kshs. 16.4 billion against a resource requirement of 19.1 billion.

(3) Public Service Commission has a budget ceiling of 1.1 billion against a resource requirement of ksh.2.7 billion.

(4) National Police Service Commission – has a budget ceiling of 319 million against a resource requirement of ksh. 833 million

(5) Independent Police Oversight Authority- Has budget Ceiling of ksh. 244 million against 460 million.

#### Committee Recommendations

- Leasing of vehicles used by the police and administrator should be domiciled under the Ministry of Interior and Coordination to ensure efficient and effective management of resource
- The component of construction of police housing should be domiciled under the ministry of Interior and Coordination of National Government since ministry understand the housing needs of the police
- That the budget ceiling for the National police Service Commission in the 2015/16 FY be increased to ksh. 450 million from 319 million to facilitate the commission on the vetting of police officers.
- That the budget ceiling for the IPOA in the 2015/16 FY be increased to ksh.400 million from ksh.244 million. The Authority requires additional staff and setting up offices to facilitate operation.
- Revenue for prison enterprise should be structured in such a manner that prisons retain up to 60% of their revenue raised to address serious budgetary shortages.

#### 9. Justice and Legal Affairs Departmental Committee

The departmental committee vice-chairperson informed the Budget committee that they held 3 meetings to deliberate the BPS 2015 with the following 3 agencies

1. Judicial Service Commission-

- The committee raised concerns on the commission's managements of finances and were of the view that JSC spending has not been justifiable
- On the plan to strengthen and devolve the office of the Ombudsperson in 5 Counties, the committee were of the view that JSC and Commission

on Administrative of Justice should agree on each Departmental's mandate as this may be seen as duplication of functions.

### 2. Independent Electoral and Boundaries Commission-

The Departmental Committee was concerned on the IEBC planning before elections and observed that this is the 3<sup>rd</sup> budget after 2013 election and the commission is still paying debt and proposed that the resource of IEBC need to be looked at before the general election.

The committee noted that the commission has not been doing well in its target in voter's registration. Therefore the committee proposed that IEBC budget ceiling be increased to take care of voters education and registration.

### 3. Ethics and Anti- Corruption Commission-

The committee observed that the country does not have national anti-corruption policy to guide in the fight against corruption and that the commission itself does not have the mechanisms in place. The also observed the need to devolved EACC to the county level to address corruption challenges and thus the committee proposed that the commission needed an additional allocation of funds after going through the commission comprehensive report.

### Committee observation and recommendation

1. Office of the Attorney General and department of Justice- the committee observed the need for victims funds for the dispensation of justice, that the office needs legal services on governance, legal training and constitutional affairs and the proposal to implement the TJRC report. therefore the committee recommends the ceiling of the Attorney general should be as per the BPS 2015 and should include an additional Kshs. 300 million for the victims fund.
2. Judiciary- the resource ceiling for the Judiciary in 2015/16 of Kshs. 17.490 billion as per the BPS 2015 be maintained.
3. EACC- the ceiling for EACC in 2015/16 should be increased from the proposed Kshs. 2.162 billion to Kshs. 2.6 billion to cater for their staffing needs, establishment of offices in the counties and the acquisition of an office building.
4. Office of the Director of Public Prosecution- the ceiling of the ODPP should be maintained as per the BPS 2015 ksh.2.142 billion
5. Commission of the Implementation of the Constitution- the ceiling of CIC should be maintained as per the BPS 2015 ksh.312 million
6. Registrar of Political Parties- the ceiling for the registrar of political parties 2015/16 should be increased to Kshs.511 million to the minimum recommended by the political parties Act 2011.

7. Witness Protection Agency- the ceiling of the witness protection agency should be maintained as per the BPS 2015 ksh.287 million.
8. Kenya National Commission on Human Rights- the ceiling of the KNHCR should be maintained as per the BPS 2015 ksh.392 million.
9. Judicial Service Commission- the ceiling of JSC be maintained as per the BPS 2015 ksh.17.49 billion.
10. Commission on Administrative Justice- the ceiling for the CAJ be maintained as the 2105 BPS Kshs. 405 million
11. National Gender and Equality Commissions- set aside Kshs. 235 million for gender based violence desks in all the 47 counties and establishment of GBV centres.

#### **10. Departmental Committee on Health**

The Chairperson informed the committee that the total ceiling allocated to the Ministry of Health FY 2015/16 is Kshs, 51.4 billion against a resource requirement of of ksh. 88.9 billion therefore this leaves a resource gap of ksh. 37.5 billion. On the total allocation, Kshs.28.009 billion has been earmarked to the recurrent vote against a resource requirement of ksh.50.5 billion and ksh.23.4 billion to the development vote against a resource requirement of ksh. 38.5 billion.

#### **Departmental Committee Observation and Recommendations**

- The committee observed that the overall Ministry's Ceiling as presented in the BPS is not adequate as underfunding was noted in critical areas such as: Immunization, Vaccine, HIV/AIDS ,SAGAs, Training , Tuberculosis and Capitalization of KEMSA.
- The committee recommends that the allocation of ksh. 4.5 billion from the leasing of equipments is not justified and therefore the allocation of ksh.3.4 billion to reflect the figure that was passed in the FY 2014/15
- Slum Upgrading- the amount of ksh.200 million allocated for this programme to be reallocated .this is in view of the fact that the programme is at redesign stages and that it will be considered at later date.

#### **11. Committee on Defence and Foreign Relation**

The Chairman informed the Budget committee of the resource requirements and ceilings in the 2015 BPS to the Ministry and State Department under its purview.

1. Ministry of Defence- the resource requirement for the ministry of defence for the 2015/16 FY is Kshs. 112,845 million, the BPS ceiling for the ministry is ksh.71,830 representing a deficit of ksh.41,015 million.
2. Ministry of Foreign Affairs and International Trade- the ministry has a resource requirement of ksh.34. 535 million for the FY 2015/16 .the

BPS ceiling stands at ksh.12, 764 million Therefore the ministry has a resource shortfall of ksh.21,771 million

3. National Intelligence Service- the NIS has been given a budget ceiling of ksh. 18.2 billion in the 2015 BPS against a resource requirement of ksh. 25.2 billion in the BPS.
4. State department of East African Affairs- the BPS ceiling for the department is ksh.1.7 billion against a resource requirement of Kshs.2.5 billion. this leave the state department with a deficit of ksh. 804 million

#### Committee observation and recommendation

1. The Committee recommends that the budget committee to approve the budget ceiling of ksh.20.1 billion for the National Intelligence Service and additional ksh.6.8 billion for the service to carry out its modernization programme effectively.
2. The Committee recommends that the budget committee approve the ceiling of Kshs.12.7 billion as it appear in the BPS to the ministry of foreign affairs and further ksh.5 billion to be allocated to the ministry to enable to accomplish its mission abroad.
3. The Committee recommends to the budget committee to
4. approve the resource ceiling of ksh.71.8 billion to discharge its mandate effectively for the FY 2015/16. The committee further recommends a an additional 17 billion to enable the ministry equip its facilities to carry out its operational and administrative roles.
5. The committee recommends that the state department of East African Affairs be allocated according to the BPS 2015 ceiling of ksh.1.7 billion against the resource requirement of ksh.2.2 billion

#### 12. Committee on Education, Research and Technology

The chairperson of the committee informed the budget committee as follows:

1. Free primary education- in order to fulfil the government commitment to grow capitation for free primary education by 33% for the next three years , the FPE requires ksh.4.26 billion in the FY 2015/16S
2. Free day secondary school- that free day secondary school requires Ksh. 6.7 billion to cater for capitation fund for FDSE.
3. Provision of sanitary towers- an additional amount of ksh.100 million be provided in the budgetary allocations to cater for this.
4. An additional amount of Kshs. 1.17 billion be allocated to the bursary fund noting that the amount was not factored in 2014/15 budget.
5. Equipment for Technical Training Institute- the 60 new TTIs set up in the current FY requires to be equipped and thus Kshs.4.7 billion be provided.
6. Construction of new 70 TTIs –the ministry intends to roll out TTIs in the 290 constituencies in the current FY 60 TTIs are targeted to be built.

The ministry is targeting to launch 70 more which requires ksh 2.8 billion. In setting up TTIs, each constituency was expected to contribute ksh. 10 million therefore the amount is yet to be disbursed through CDF in the current FY. the ministry also requires ksh.600 million to refurbish the existing TTIs across the country.

7. New public universities and colleges- the newly establish universities and colleges requires capitation fund amounting ksh.1 billion hence the shortfall in the state department of science and technology is ksh.11.4 billion
8. Teachers Service Commission- with current teachers shortage, TSC requires to employ 10,000 teachers to reduce teachers shortage and teachers pupils ration, to cater for this ksh. 5 million be provided for the recruitment of 10,000 teachers. TSC also requires ksh.2 billion to cater for the promotion of teachers. Budgetary allocation requirement for TSC is ksh. 16.3 billion.

### 13. Departmental Committee on Labour and Social Welfare

The Chair of the departmental committee informed the budget committee that the L.ministry resource ceiling in the 2015 BPS is 20.403 billion against a resource requirement of ksh.33.172 billion in the FY 2015/16.

4. That the ministry intends to increase the beneficiaries of the cash transfers programme for older people by 100,000 annually while the current allocation take cares of 46,000 beneficiaries. the total projected allocation of the programme in the FY 2015/16 is ksh.15.25 billion this was against a resource requirement of ksh. 19.6 billion.
5. There is no budgetary allocations towards administration of the cash transfers at the constituency levels.
6. The ministry require ksh. 234 million to develop the national labour market information
7. The ministry also require an allocation of ksh.456 million to establish and operationalize the national employment authority which will coordinate matters relating to employment in Kenya
8. The ministry will require an allocation of ksh.80 million for productivity improvement and management that will lead to enhancement of country workforce
9. To fund the social development service in the field offices the ministry requires an allocation of ksh.564 million which enable officers to undertake activities at the county level.
10. To address the incapacity issues in the child protection help line the ministry requires an allocation of ksh.119 million.
11. The ministry requires an allocation of ksh.52 million to establish conciliation and mediation commission
- 12 Ksh. 30 million for wages and remuneration policy

13. Ksh. 50 million to clear pending backlogs of pending accidents and occupational disease claim by public officers
14. Ksh. 300 million to construct and equip the occupational safety and health institute
15. Ksh 297.5 million for the registration of person with disabilities in the 47 counties
16. Ksh. 1.36 billion for the National industrial Training Authority.

#### 14. Departmental Committee on Lands

A member of the committee who was representing the chairman informed the budget committee the following:

1. In the 2015 BPS the Ministry of Lands housing and urban development has a budget ceiling of ksh.27.01 billion which ksh. 5.46 is recurrent and ksh.21.55 billion is development. The ministry resource requirement in the 2015/16 FY is ksh. 41.9 billion translating into a shortfall of ksh.14.9 billion
2. The National Lands Commission in the BPS ceiling is ksh.1.76 billion. The Commission resource requirement in the 2015/16 FY is ksh.4.2 billion against an allocation of ksh.1.7 billion this translates into a short fall of 2.4 billion.

#### Departmental Committee recommendations

- In the view of the submission of the ministry of lands, housing and urban development and the performances of the programmes so far against the printed estimates of 2014/15 ,the committee recommends that the ceiling of ksh.6.5 billion which is that of the respective programmes relating to the mandates of the committee as provided in the 2014 BPS be maintained and approved.
- In addition, the committee recommends additional fund totalling to ksh. 2 billion for purchase of survey equipments and ksh.20 million to finalize 400,000 land adjudication
- With regards to NLC, the committee recommends that the overall ceiling of ksh.1.7 billion and that of its respective programmes as provided in the 2015 BPS be approved.
- an additional Kshs. 6.8 billion to NLC under its programme of land administration and management bring a total ceiling of ksh.8.6 billion.

#### Members Concerns

Members raised concern on the perennial differences between the Lands ministry and the National land Commission.

Members noted that several programmes or activities were been duplicated by the Ministry of lands and the commission and thus stated that there is need for

clarity on which institution undertakes which function. They stated that the duplication would lead to loss of public resources.

MIN 5/2015/4: Any Other Business

The Chairman thanked the members, the departmental committee chairman and the parliamentary budget office staff for their resilience, hardwork and determination noting that the meeting had taken close to 12 hours.

The committee resolved to meet the National Treasury on Tuesday 3<sup>rd</sup> March, 2015 at County hall at 10a.m. The PBO was tasked to prepare a draft report on the 2015 BPS for consideration by the committee in the next meeting.

There being no any other business, the meeting was procedurally adjourned at 8:35 p.m.

SIGNED



-----  
CHAIRPERSON

3.3.15

-----  
DATE



MINUTES OF THE 4<sup>TH</sup> SITTING OF THE BUDGET AND  
APPROPRIATIONS COMMITTEE (BAC) HELD ON TUESDAY, 24<sup>TH</sup>  
FEBRUARY, 2015 AT 10.30 AM AT THE NATIONAL ASSEMBLY  
CHAMBERS, PARLIAMENT BUILDING

PRESENT

1. Hon. Mutava Musyimi M.P. -Chair
2. Hon. Mary Emaase M.P.- Vice Chair
3. Hon. Charles Nyamai, M.P
4. Hon. Clement Wambugu, M.P
5. Hon. Moses Ole Sakuda, M.P
6. Hon. Mohamed Shidiye, M.P
7. Hon. Abdikadir Omar Aden, M.P
8. Hon. Abdulaziz Farah, M.P
9. Hon. Alfred Agoi, M.P
10. Hon. Dorcas Kedogo, M.P
11. Hon. Dr. J.W. Nyikal, M.P
12. Hon. Dr. Reginalda Wanyonyi, M.P
13. Hon. Francis Njenga, M.P
14. Hon. Isaac Mwaura, M.P
15. Hon. Jackson Kiptanui, M.P
16. Hon. Jared O. Opiyo, M.P
17. Hon. Joseph Limo, M.P
18. Hon. Makali Mulu Benson, M.P
19. Hon. Muriuki Njagagua , M.P
20. Hon. Omondi George W. Mallan, M.P
21. Hon. Tiyah Galgalo, M.P
22. Hon. Bitok S Kirwa, M.P
23. Hon. Irshad Sumra, M.P
24. Hon. Patrick Ole Ntutu, M.P
25. Hon. Suleiman Murunga Kasuti, M.P
26. Hon. Fatuma Ali Ibrahim, M.P
27. Hon. James Gakuya, M.P
28. Hon. Omar Mwinyi, M.P
29. Hon. Priscilla Nyokabi, M.P
30. Hon. Samuel Gichigi, M.P

ABSENT

1. Hon. Benjamin Langat, M.P
2. Hon. Jamleck Kamau, M.P
3. Hon. John Mbadi, M.P
4. Hon. Nelson Gaichuhie, M.P
5. Hon. Alice Ng'ang'a, M.P

6. Hon. Banticha Jaldesa, M.P
7. Hon. Eng. Stephen Ngare, M.P
8. Hon. Dennis Kariuki, M.P
9. Hon. Peter Weru Kinyua, M.P
10. Hon. Shukran Hussein Gure, M.P
11. Hon. Jonathan Lati Lelelit, M.P
12. Hon. KK Stephen Kinyanjui, M.P
13. Hon. Moses Kuria, M.P
14. Hon. Silverse Lisamula Anami, M.P
15. Hon. Daniel Nanok, M.P
16. Hon. James Lusweti, M.P
17. Hon. Mwashetani Khatib Abdalla, M.P
18. Hon. Alfred Sambu, M.P
19. Hon. Moses Lessonet, M.P
20. Hon. Benjamin Andola Andayi, M.P

#### **In Attendance**

#### **Budget Committee Secretariat**

1. Ms. Phyllis Makau- Director, PBO
2. Mr. Martin Masinde- Senior Deputy Director, PBO
3. Mr. Frederick Muthengi- Principal Fiscal Analyst/Clerk
4. Mr. Joseph Ndirangu- Fiscal Analyst
5. Mr. Salat Hussein- Fiscal Analyst
6. Mr. Danson Kachumbo- Fiscal Analyst
7. Ms. Julie Mwithiga- Fiscal Analyst
8. Mr. Vitalis Ndambuki- Office Assistant

#### **AGENDA**

1. Preliminaries
2. Confirmation of Previous Minute
3. Matters Arising
4. Agenda:
  - a) *Briefing by Parliamentary Budget Office on the 2015 BPS highlights*
5. Any Other Business

#### **MIN 4/2015/1: Preliminaries**

The Chairman called the meeting to order at 11.30 a.m. and led the members with a word of prayer and apologies to the members on the delayed commencement of the meeting as the venue Scheduled for the Meeting was used by the Lands Committee of the National Assembly.

The Chairman informed the members that in the light of the court verdict regarding the constitutionality of the CDF Act, that there is need for the Social-

economic audit report of the Constitution undertaken by the social –economic team be finalised and tabled. The Committee resolved to meet with the team in two weeks' time.

The Chairman also noted that with one year deadline on the operation of CDF that certain projects be earmarked and be undertaken in the constituencies by the National government in the event that there is no constitutional amendment into the CDF Act, however some members informed the committee that the ruling on the legality of the CDF Act does not affect the allocation to the fund in the 2015/16 budget but will take effect on the 2015/16 budget.

**MIN 4/2015/2: Confirmation of the previous meeting minutes**

The confirmation of the previous minute was postponed up to the next meeting due to the delay in the commencement of the day's meeting

**MIN 4/2015/3: Briefing by Parliamentary Budget Office on the BPS highlights**

The Parliamentary Budget Office took the committee through the unpacking of the 2015 Budget Policy Statement and the Medium Term .Members were informed that the BPS is the document that set out the broad strategic priorities and policy goal that guide the two levels of government in preparing their budgets for the next financial year and the medium term.

The committee was informed that the office had done a review of compliance of the 2015 Budget policy statement in terms of its submission timeline, the BPS assessment of the current state of the economy and the financial outlook in the medium term, financial outlook with respect to government revenues, expenditure and borrowing, the proposed expenditure ceilings for the three arms of the government among others. The review had found out that the compliance level was at 87%.

On the issue of compliance the Parliamentary Budget Office raised the following issues:

- 1. The 2015 BPS does not give a clear status of the outputs and key targets that were supposed to be achieved in 2014/15 financial year.*
- 2. The submission of the BPS document much earlier by the National Treasury so as to enable to give Parliament ample time to review.*
- 3. Introduction of new programmes without an explanation of what will happened to the programmes of the previous year and whether the targets and the outputs were achieved.*

The committed was taken through the following 5 broad pillars in the 2015 BPS that are meant to enhance economic transformation for shared prosperity in Kenya.

1. **Creating a conducive business environment:** the area of focus on this pillar is maintaining macroeconomic stability, deepening structural and governance reforms and to improve security in order to encourage innovation and investment, foster growth and expansion of economic and employment opportunities in the country.
2. **Agricultural transformation and food security:** under this pillar the government plan to prioritize investment in agriculture by undertaking agricultural reforms and transformation geared towards spurring an inclusive economic growth.
3. **Transport, logistics, energy and water for inclusive growth:** the government under this pillar emphasizes the government strategy to investment in infrastructure covering, establishing a first-class rail and road networks, navigable waterways, modern and efficient ports and harbours etc.
4. **Access to quality social services:** under this pillar the government plan to ensure building a healthier Kenya and towards quality and relevant education for all Kenyans.
5. **Further entrenching devolution for better service delivery:** under this pillar the BPS targets to enhance political and financial accountability necessary for efficiency and effectiveness in service delivery, alleviation of poverty and convergence in county development.

The unpacking had noted that the following emerging issues in the five pillars as outlined in the 2015 BPS which includes:

- a. *Lack of measures to contain the growth in total expenditure as outlined in the 2014 BPS.*
- b. *Lack of measures to rationalize public expenditure to remove overlaps and wastages*
- c. *Lack of proper policy regarding on leasing of programmes undertaken by government.*
- d. *The unpacking had noted the following issue as either moving targets as promised in the 2014 BPS or lacking status reports.*
  - ✓ *Lack submission to parliament of the central bank bill so as to ensure financial sectors reforms*
  - ✓ *No status on the progress on the reforms and modernization of security as outlined in the 2014 BPS.*

- ✓ *The status report on the progress of the Galana/Kulalu irrigation scheme.*
- ✓ *PFM regulations not submitted to parliament so as to enhance expenditure management*
- ✓ *On the public sector reforms, the BPS has not mentioned the progress on the implementation on the report of the parastatal reforms.*
- ✓ *Replications of several targets mentioned in 2014 BPS*
- ✓ *No enough information on the status on the fate of Asset management programmes programme and the status of what was achieved in the 2014 BPS.*
- ✓ *The submission of the excise duty bill and tax procedure bill target was not achieved in 2014 and has not been moved to 2015.*
- ✓ *The target on the 2014 BPS to digitize its payment transaction by April 2014 has not been realized.*
- ✓ *The target on the 2014 BPS that every year 3,000 water pans will be constructed. The status of the progress on this initiative is not there.*

On the recent economic the committee was informed that the PBO economic growth projection in Kenya in 2015 is 6.2% on account of improved business environment, expansion of EAC market, social gains from devolution and higher agricultural productivity while in the 2015 BPS the National Treasury projects economic growth of 6.9% and 7.0% over the medium term.

Concerning the National Treasury projection of 6.9 percent economic growth, the committee was informed of the following salient issues:

1. *A growth of 6.9 percent is unlikely to be achieved owing to unpredictability in development spending by counties*
2. *Low absorption development expenditure especially for infrastructure projects may impede timely completion of major flagship projects and envisioned key drivers of economic growth.*
3. *The national treasury premised increased production in agriculture as one of the key driver of growth and assumption of normal weather pattern in 2015 and medium term has not considered on the account that majority of the agricultural activities are rain feed and erratic weather pattern in the past few years.*
4. *That increased investors' confidence will largely depend on stringent measures that the government takes to curb insecurity in the country as well as political instability.*

Further the committee was informed that the inflation rate reduced from 6.6 percent in September 2014 to 5.5 percent in January 2015. On public debt the committee was informed that in accordance to the 2015 BPS the present value of public debt in percentage of GDP increased from 36.8 percent in 2013, to 40.7 percent in 2014 and expected to reduce to 40.8 percent in 2015.

The committee was briefed on the 2015/16 budget framework that the overall budget for FY 2015/16 budget as outlined in the BPS is Kshs. 1.88 trillion. Thus this year's budget framework will increase expenditure by 5.8 % relative to the baseline of 2013/14 MTEF. The committee was informed of the fiscal deficit that is set to rise by Kshs. 23.6 billion in 2015/16. The 2015/16 fiscal deficit is expected to be financed by net external financing and net domestic borrowing. The committee was informed of expected increase in foreign borrowing of Kshs. 269.3 billion in the 2015/16 and that domestic debt is set to rise to Kshs.208.3 billion. Commercial loans on the sale of treasury bills in stock exchange are set to decrease by Kshs. 23.1 billion.

Further the committee was briefed on the division of revenue sharing basis as outlined in the 2015 BPS. That the 2014/15 budget allocation of Kshs. **226.66 billion** to county governments has been used as the baseline in calculating the 2015/16 proposed allocation with the following additions:

- ✓ Allocation for personnel emoluments for staff transferred to county government from the state department of livestock development amounting to Kshs.1,466 million
- ✓ Allocation of Kshs.935 million for village polytechnics previously under the ministry of education
- ✓ Allocations of Kshs. 545 million for functions transferred to county governments by TA.

This gives a figure of Kshs. 229.606 billion which is also added to the following items:

- ✓ The adjustment of revenue growth factor( growth factor 10.41 %) amounting to Kshs. 23,902 million
- ✓ Adjustment of salaries and allowances awarded by SRC in 2014/15 amounting to Kshs.4,500 million

This brings the equitable revenue share allocation in 2015/16 to Kshs. 258 billion.

The committee was further informed that the BPS proposes to provide conditional grant to county governments as follows:

1. Free maternal healthcare-Kshs.4.298 billion
2. Leasing of medical equipment's- Kshs.4.5 billion

3. Allocation for level 5 hospitals – Kshs.2.06448 billion
4. Compensation for forgone user fees(health)-Kshs.900 million

Added together this will result in allocation to county governments to stand at Kshs. 283 billion (representing an approximate of 37% of the last audited and approved revenues).

### **Members Concerns**

After the presentation the committee raised the following concerns

1. The members proposed that Parliamentary budget office should not only diagnosis problems on the BPS but provide recommendation on the salient issues they raise.
2. That there is need to develop policies for the following:
  - ✓ To stop wastage in the devolved units of the government
  - ✓ To address youth unemployment in the country
  - ✓ To address double allocations and duplications in government expenditure.
3. Establishment of audit services in the county level and thus allocation to auditor general office need to enhanced so as strengthen the office at the county level.
4. That the leasing of equipment's policy by Government is not clear.
5. The committee raised concerns on absorption of development funds by MDAs.

### **MIN 4/2015/5: Any Other Business**

The Committee proposed for a two day report writing retreat to be held within the environs of Nairobi from 1st to 3rd March, 2015. The following hotels were proposed in order of preference: hemmings way in Karen, Windsor golf or the Boma.

Further, the committee resolved to meet on Thursday, 26th February 2015 at County Hall Mini-Chamber Parliament buildings so as to receive submissions on the 2015 BPS from the various departmental committees.

There being no any other business, the meeting was procedurally adjourned at 1:00 P.M

SIGNED

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

CHAIRPERSON

A handwritten date '3-3-15' in black ink, written over a horizontal dotted line.

DATE



MINUTES OF THE 3<sup>RD</sup> SITTING OF THE BUDGET AND  
APPROPRIATIONS COMMITTEE (BAC) HELD ON THURSDAY,  
19<sup>TH</sup> FEBRUARY, 2015 AT 10.00 AM AT COUNTY HALL, MINI  
CHAMBERS

PRESENT

1. Hon. MutavaMusyimi M.P. -Chair
2. Hon. Mary Emaase M.P.- Vice Chair
3. Hon. Charles Nyamai, M.P
4. Hon. Clement Wambugu, M.P
5. Hon. Moses Lessonet, M.P.
6. Hon. Mohamed Shidiye, M.P
7. Hon. Abdikadir Omar Aden, M.P
8. Hon. Abdulaziz Farah, M.P
9. Hon. Alfred Agoi, M.P
10. Hon. Benjamin Andola Andayi, M.P
11. Hon. Daniel Nanok, M.P
12. Hon. Dorcas Kedogo, M.P
13. Hon. Dr. J.W. Nyikal, M.P
14. Hon. Dr.ReginaldaWanyonyi, M.P
15. Hon. Francis Njenga, M.P
16. Hon. Isaac Mwaura, M.P
17. Hon. Jackson Kiptanui, M.P
18. Hon. Jared O. Opiyo, M.P
19. Hon. Joseph Limo, M.P
20. Hon. Makali Mulu Benson, M.P
21. Hon. Muriuki Njagagua , M.P
22. Hon. Mwashetani Khatib Abdallah, M.P
23. Hon. Omar Mwinyi, M.P
24. Hon. Omondi George W. Mallan, M.P
25. Hon. Tiyah Galgalo, M.P
26. Hon. Bitok S Kirwa, M.P
27. Hon. Irshad Sumra, M.P
28. Hon. James Lusweti, M.P
29. Hon. Patrick Ole Ntutu, M.P
30. Hon. Suleiman Murunga Kasuti. M.P

## ABSENT

1. Hon. Benjamin Langat, M.P
2. Hon. Jamleck Kamau, M.P
3. Hon. John Mbadī, M.P
4. Hon. Moses Ole Sakuda, M.P
5. Hon. Nelson Gaichuhie, M.P
6. Hon. Ali, Fatuma Ibrahim, M.P
7. Hon. Alice Ng'ang'a, M.P
8. Hon. Banticha Jaldesa, M.P
9. Hon. Eng. Stephen Ngare, M.P
10. Hon. Dennis Kariuki, M.P
11. Hon. Peter Weru Kinyua, M.P
12. Hon. Priscilla Nyokabi, M.P
13. Hon. Shukran Hussein Gure, M.P
14. Hon. James Gakuya, M.P
15. Hon. Jonathan Lati Lelelit, M.P
16. Hon. KK Stephen Kinyanjui, M.P
17. Hon. Moses Kuria, M.P
18. Hon. Samuel Gichigi, M.P
19. Hon. Silverse Lisamula Anami, M.P

## **In Attendance: National Treasury**

1. Mr. Henry Rotich- Cabinet Secretary, National Treasury
2. Dr. Kamau Thugge- Principal Secretary, National Treasury
3. Dr. Geoffrey Mwau- National Treasury
4. Mr. Musa Gathanje- National Treasury

## **In Attendance: Social –Economic Audit Group (Auditor –General)**

1. Mr. Edward Ouko
2. Dr. Elizabeth Owiti
3. Mr. Wamwachai M
4. Mr. Mangeni Sosan
5. Mr. Philip Kimisa
6. Mr. Luret Ndolo
7. Mr. Abdirizack Nunow
8. Ms. Wanjiku Wagai
9. Prof. David Some
10. Mr. Muleach Ondikek

#### **In Attendance**

1. Mr. Martin Masinde-
2. Mr. Joseph Ndirangu-
3. Mr. Salat Hussein Ali-
4. Mr. Danson Kachumbo-
5. Mr. Vitalis Ndambuki-

#### **Budget Committee Secretariat**

- S/ Deputy Director PBO  
Fiscal Analyst  
Fiscal Analyst  
Fiscal Analyst  
Fiscal Analyst

#### **AGENDA**

1. Preliminaries
2. Confirmation of previous minutes meeting
3. Matter Arising
4. Agendas:
  - a) *Briefing on the highlights of the 2015/16 BPS by the National Treasury*
  - b) *Meeting with the Constitution Social-Economic Audit Team*
5. Any Other Business

#### **MIN 3/2015/1: Preliminaries**

The Chairman called the meeting to order at 10.30 a.m. and led the members with a word of prayer. The Chairman welcomed the members present, National treasury officials and the committee secretariat. He informed members that the committee was expected to meet with the National Treasury for the briefing on the contents of the 2015 BPS and the Constitution Social-Economic Audit team for briefing on the progress made. He later asked the P.S National Treasury to make presentation.

#### **MIN 3/2015/2: Confirmation of Minutes:**

The committee resolved to confirm the previous meeting minutes in the next meeting.

#### **MIN 3/ 2015/3: Meeting with the National Treasury on the 2015/16 BPS highlights**

The Principal Secretary took the committee through a brief highlight of the 2015 Budget Policy Statement (BPS) on the broad policies and strategies outlined in the 2015 BPS under the five pillar transformation program.

The PS outlined the five pillars that include:

- a. *Creating a conducive business environment*
- b. *Investing in agricultural transformation to ensure food security*

- c. Investing in first class transport and logistics*
- d. Access to quality social services*
- e. Entrenching devolution for better service delivery*

The PS informed the committee that growth prospect in the domestic front remain strong as:

- a. Inflation has been contained at 5%,*
- b. Interest rates are trending downwards,*
- c. Exchange rates is broadly stable,*
- d. Public debt remain sustainable and,*
- e. Both fiscal and external buffers have been strengthened despite the downside risks associated with the sluggish global recovery.*

He also informed the committee that the economy grew by 5.7 percent in 2013 and now expected to have expanded by 5.3 percent in 2014, rising to 6.9 percent in 2015 and 7.0 percent in the medium term.

The P.S informed the members on the macro indicators issues:

- a. That overall month on month inflation declined to 5.5% in January 2015 from 6.0% in December 2014 due to lower food and fuel inflation*
- b. Short term interest rates have declined to below 10 percent*
- c. Lending rates declined to 16.0% in December 2014 from 17.0% in December 2013.*
- d. Private sector credit expanded in 22.2% in December 2014 with enhanced lending to the productive sector in the economy.*

He also informed the committee revenue growth declined in December 2014 with 11.8% which was below the target of Kshs. 43.2 billion on account of under performances of AIA and ordinary revenue.

The committee was also informed that the total expenditure by end of December 2014 was at Kshs.614 billion and thus below the target of Kshs.765.2 billion. He stated that there was under performance of both recurrent and development expenditure by Kshs. 44.3 billion and Kshs.82.5 billion respectively.

The PS also outlined that a strong economic growth is expected in 2015 and the medium term on the account of:

- a. The strengthening global economy which will benefit export, stable macro-economic environment, increased foreign direct investment,*

- b. Continued investment in infrastructure projects , and growth in credit towards productive sectors of the economy*
- c. Increased production in agriculture , expansion of activities in other sectors of the economy such as building and construction, manufacturing, retail and wholesale among others*
- d. Increased investment and domestic demand*

The P.S informed the committee on the macro economic projections in terms of the monetary and fiscal policies as follows:

- (i) On the monetary policies projection, he informed the members on the following issues:
  - The focus is on maintain a stable inflation rate of around 5% and stable interest and exchange rates. Interest rates are expected to remain stable in the 2015/16 and the medium term on the account of the following:
    - a. The monetary policy adopted by CBK*
    - b. Reduced pressure on government domestic borrowing following receipts from the international capital markets,*
    - c. The impact of KBRR in the pricing of loans in the market*
- (ii) On the fiscal side the committee was informed on the following targets that will cover the medium term.
  - (a) Domestically mobilized resource will finance about 80% of the total expenditure priorities in the budget
  - (b) Tax revenue account will account for over 85.5% of total revenue and expected to reach 20.7 % of the GDP in 2015/16,
  - (c) Committed total external support is expected to be about 4.1% of GDP in 2015/16.

The P.S informed the committee on the 2015/16 expenditure ceilings as follows:

1. National Government – **Kshs. 1.3 Trillion**
2. Parliament- **Kshs.22 Billion**
3. The Judiciary –**Ksh.17.9 Billion**
4. County Government Transfers – **Kshs.258 Billion**

Further the PS informed the members that development expenditure is shared out in line with the Vision 2030 and MTP II priorities and thus the guiding principles are:

1. *Ongoing projects*- emphasis to be given to completion of on-going projects and in particular those with high impact on poverty reduction, equity and growth.
2. *Counterpart fund*- priority given to counterpart funds for externally funded projects
3. *Strategic policy intervention*- priority also given to policy interventions covering the entire country and affecting regional integration
4. *Social equity and environmental conservation*.

The P.S informed the committee that County Governments in the 2015/16 budget will receive a total allocation of 283.7 billion which comprises the following: equitable share of Kshs. 258 billion, conditional grant from National Government share of revenue of Kshs. 15.1 billion, Kshs. 10.7 billion allocation from the conditional loans and grants from development partners. This is approximately 37% of the most recently audited revenues.

#### **Members concerns to the BPS highlights**

After the presentation the committee members raised the following concerns

1. That the 2015 BPS fails to give concrete strategy on measures to fight graft in public institutions and thus a corruption index like for other economic variables like inflation, GDP etc should be developed,
2. Concerns on lack of clear policy regarding the leasing of medical equipment in the counties,
3. Concerns with huge resources allocations to agricultural sectors without substantial returns e.g. investment in huge agricultural projects like Galana/Kulalu irrigation project.
4. Concerns on huge budgetary allocations to health sector yet the health sector are largely devolved function.
5. The issue of unpaid bills rising from projects undertaken by government,
6. The BPS failed to highlights the progress on the status of the Kulalu/Galana whether the irrigation project was on course or whether it is a “white elephant”.
7. The level of public debts and its growth seems to be risky- is the country burdening the next generation with debt.
8. Concerns on how sharing of equalization fund will be done.

9. Ways on reaching the poor, article in the media showing a 40% level of poverty in the country and robust economic growth that does not trickle down its benefits to the majority of the people.
10. Why the CDF ceilings as proposed in the 2015/16 budget BPS has remained at Ksh.33 billion just like the 2014 budget allocation.

#### Cabinet Secretary response on the issues of concern

The CS informed the committee that more time is needed for the members to internalise the concepts in the BPS and suggested a two day retreat so as to iron out the other issues like division of revenue between the two levels and public debt levels.

On the issue of corruption the CS informed the committee that his ministry are empowering institution mandated on the fight against corruption eg EACC, office of the DPP and the Auditor –General through more resource allocation.

On issue of health the CS informed the committee that health function are devolved but the health policies, state cooperation in the health docket and referral hospitals remain with the national government. On the leasing of medical equipment the members were informed that the national government is providing a conditional grant allocation of Kshs.4.5 billion to Counties for the leasing of medical equipment's.

On agriculture the committee was informed that treasury is engaging with NIB to do cost benefit analysis of the irrigation projects under their jurisdiction. The CS stated that Kulalu-Galana irrigation project is faced with implementation challenges but an inter-ministerial committee has been constituted and tasked to try and resolved the problem.

On security, the CS informed the committee the modernization of the police force has not been undertaken in the last two decade since it has been surrounded with controversies like the Anglo-leasing scandal-it has been difficult and thus the insecurity problems currently been experienced can be alluded to that. Therefore the modernization process should be undertaken as soon as possible. He also stated that the youth polytechnics have been devolved.

On CDF, the CS stated that due to constrains in available resources and owing to the fact that in the 2014/15 budget the CDF allocation was increased

immensely by Kshs. 10 billion at a go ( from Ksh. 23 to 33 million) then it would not be possible for increment in the 2015/16 budget.

### MIN 3/2015/3: Meeting with the Constitution Socio- Economic Audit Team

The Constitution Social-Economic Audit team took the committee through on the emerging issues that they have encountered since they started the task of auditing the Constitution. They informed members that they need to get information from the various stakeholders and thus they were seeking the budget committee Members memorandum on issues they would like tackled.

The emerging issues included stated were as follows:

Ethnicity, devolution corruption, civics education and inclusivity, the size of the Parliament , the relationship between the Senate and the National Assembly and the role of the Attorney general in legislation, the public views on the performances of the Judiciary, the independence of the judiciary ,the relationship between the constitutional commissions and ministries e.g. the working relations of the National Land Commission and the Ministry of Lands, the number of commissioners/commission and merging of commissions to form one commission, the relationship on the chain of roles and human resource issues between the national police service commission and the office of the inspector general as well as the issue of gender representation.

The team further informed the committee on the task ahead and the set timelines for completion of stage 1 and 2 of the activity, they highlighted that a stakeholders' consultative meetings that includes public participation is required so as to come up with interim draft report by end of March 2015. The team also requested an additional Kshs. 120 Million over the initial allocation of 80 million in the supplementary budget to enable for completion of the activity.

### Members concerns to the team

After presentation the members raised the following issues:

1. The committee raised the concern that there is slow progress in the activity and thus the completion of the Audit report is taking long.



2. That the proposed increased allocation by the team is not realistic as compared to work schedule and they should justify the need of the additional allocation.
3. The committee asked the team to give recommendation and resolution on how to tackle the emerging issues that the team had mentioned.
4. That the team need to reach out to the County Governments and other stakeholders and other organization to address with the issue of gender representation.
5. Members stated that the socio-economic audit team seemed not to understand their assignment.
6. That the committee cannot write a memorandum to the team on the issues it wants addressed since members belongs to different ideological orientation.

#### Response from the Audit team

The team stated that their need to meet as many stakeholders as possible and to expand the consultative meetings.

On the issue of the additional allocation the team informed the committee that they intend to increase public participation and carry out more consultative meetings across all the counties.

The team stated that they will seek each committee member view on the emerging issues.

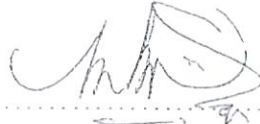
They also informed the committee that they intend to audit the broad impact of devolution to the Kenya society.

#### MIN 3/2015/5: Any Other Business

The committee resolved to the need to meet with the National Treasury on Tuesday, 24<sup>th</sup> February 2015 at Small dining, main Parliament buildings.

So as to seek more clarification on the 2015 BPS, division of revenue and public debt. There being no any other business, the meeting was procedurally adjourned at 1:30 P.M

SIGNED

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

CHAIRPERSON

A handwritten date '3.3.15' in black ink, written over a horizontal dotted line.

DATE