

Approved for tabling.

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Parler Laid

Hon. Mutana Mulyisi  
Chair, BAC on Tuesday  
23.04.2015 (Afternoon)  
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REPUBLIC OF KENYA



KENYA NATIONAL ASSEMBLY

ELEVENTH PARLIAMENT

THE BUDGET AND APPROPRIATIONS COMMITTEE REPORT ON THE FIRST  
SUPPLEMENTARY BUDGET FOR 2014/2015 FINANCIAL YEAR

APRIL, 2015

## PREFACE

**Mr. Speaker Sir**, on behalf of the Members of the Budget and Appropriations Committee and as required under Article 223 of the Constitution, section 44 of the Public Finance Management Act, 2012, Standing Orders 235 (5) and 243(1), it is my pleasure to present to this House, the Committee's Report on the first supplementary budget estimates for 2014/2015 financial year which was submitted to this House on 18<sup>th</sup> December, 2014. In accordance with Standing Order No. 235 (3), once it was tabled, the supplementary estimate 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**, 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 Lusweti, 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 is established under Standing Order No. 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 Nos. 235 and 243 the Budget and Appropriations Committee examined and discussed the first supplementary Estimates for 2014/2015 financial year and has made recommendations taking into account the provisions of Article 223 of the Constitution on supplementary appropriation.

### **Examination of the Supplementary Estimates**


**Mr. Speaker Sir,** in reviewing the first Supplementary Estimates for 2014/15 financial year, the Committee held a retreat to scrutinize the Supplementary estimates alongside other matters that were discussed. The Committee also held 3 sittings during which the Cabinet Secretary of the National Treasury was invited to give clarity on specific issues contained in the supplementary estimates. The Committee also received submissions from the Departmental Committees and held extensive discussions with their Chairpersons, on the supplementary budget requirements 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 made by various stakeholders. 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. 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 supplementary budget estimates for 2014/2015 financial year.

**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

DATED: 23.4.15

## Background Information

1. **Mr. Speaker Sir**, the first Supplementary Estimates for 2014/15 was submitted to the National Assembly on 18<sup>th</sup> December 2014. This is in line with Article 223 of the Constitution that gives latitude for introduction of supplementary appropriations for the National Government to appropriate funds in cases of inadequacies or where emergency has arisen.
2. **Mr. Speaker Sir**, the Supplementary Estimates I for 2014/15 shows that the total additional resources being requested amount to Kshs 57.07 billion. This comprises of Kshs 41,516 million for recurrent expenditures and Kshs 15,554 million for development expenditures. There are no additional obligations from the Consolidated Fund Services. The Appropriations Act, 2014 appropriated a total of Kshs 1,182.43 billion for discretionary (*Discretionary expenditure means resources voted for Ministerial/Departmental spending*) expenditures comprising of Kshs 687.54 billion for recurrent and Kshs 494.89 billion for development expenditure. **Mr. Speaker Sir**, the approval of the Supplementary Estimates by this house will effectively increase overall discretionary expenditure to Kshs 1,239.50 billion from Kshs 1,182.83 billion approved in the Appropriations Act of 2014.
3. The supplementary estimates do not propose any new sources of revenue to fund the additional expenditures. They also do not indicate any new commitments from development partners. Thus, it is likely to increase the country's indebtedness.

## UNSATISFACTORY CONDITIONS OF ADDITIONAL RESOURCES

4. **Mr. Speaker Sir**, as much as supplementary budget is provided for in the Constitution, it should be applied sparingly with a rider that only expenditures of an emergency or insufficient allocations in the Appropriations Act will be catered for under supplementary appropriation. There are explicit instances which do not warrant any additional spending. The National Treasury has been consistently introducing more than one supplementary budget midyear. **Mr. Speaker Sir**, This practice is prone to abuse and poor planning as

MDAs may from time to time fail to capture the totality of resource requirements in supplementary budget consideration in subsequent supplementary budgets.

**Mr. Speaker Sir,** The Committee is at great pains to consider approval of some items which it deems to be unsatisfactory and not of 'emergency' in nature. In this regard, the Committee is proposing to consider the supplementary budget item by item as opposed to approving the estimates to weed out unnecessary expenditures. **Mr. Speaker Sir,** the following are areas where additional resources are being sought include;

**Operations and Maintenance:** **Mr. Speaker Sir,** the 1<sup>st</sup> Supplementary estimates require substantial resources for operations and maintenance related expenses amounting to Kshs 10,421 million across a number of ministries, departments and agencies (MDAs). This in itself is a sign to noncompliance of the minimum threshold conditions of the items that should be funded under supplementary budget.

**Salaries and Remuneration:** **Mr. Speaker Sir,** the Committee notes with concern that personnel related costs are a recurring feature in the 1<sup>st</sup> supplementary estimates across many MDAs. A total of Kshs 4,523 million in the supplementary estimates funding relate to salaries. These additional allocations are in the Ministry of Health, Teacher Service Commission, Ministry of Industrialization and Enterprise Development, the State Department of Devolution and Ministry of Information, Communication and Technology.

**Mr. Speaker Sir,** given the ongoing debate on the growing public sector wage bill, the recent increments are likely to spillover to all sectors agitating for salary increments and further exacerbate labour unrest and disputes. Additionally, it sets a poor investment environment and cause capital flight as investors are likely to seek investment destinations with low labour costs and hurt the domestic economy further making our economy uncompetitive due to higher costs of doing business.

**Revenue and Tax Obligations:** **Mr. Speaker Sir,** the committee perceives as substantial expenditures relating to recurrent pending Bills and tax obligations. The supplementary estimates contain substantial resources to offset pending bills and tax

arrears obligations to Kenya Revenue Authority (KRA) and other contracting agencies. From analysis, a total of Kshs 7,477 million is being set aside to settle outstanding bills relating to pending bills and tax arrears obligations. This in itself is a sign of poor planning and non-adherence to policy circulars that restrict pending bills and tax obligation as a first charge in any ensuing financial year.

#### Observations

**Procedure:** Mr. Speaker Sir, the Committee while deliberating these supplementary estimates observes that there is lacuna in the procedure on discussion and review of the Supplementary Estimates in the National Assembly. The role of Departmental Committees and the time for considering the estimates is not explicitly provided for in the Standing Orders.

**Financing of the Supplementary Estimates:** Mr. Speaker Sir, the supplementary budget expands the fiscal framework by Kshs 57.1 billion. It is not clear from the information submitted to Parliament where the new funds will come from. The current performance of ordinary revenue is projected to be less than expected. It therefore means that this supplementary budget may lead to further reductions in the budget during a future supplementary or a rise in actual commitments if exchequer issues are not made on time.

**Additional funding to areas with Low Absorption Rate:** Mr. Speaker Sir, a careful review of the budget exchequer issues for the first half of the year indicates that some of the programmes being considered for additional funds have low absorption rates. This raises concerns as to whether any review was done on the absorption capacities before the proposed additional resources. Indeed, the details of this supplementary should have indicated the actual spending for some of these programs to date.

**Proposed Funds for Transfers (Rights Issues):** Mr. Speaker Sir, It should be a concern to everyone that during a supplementary there are additional funds for rights issues and transfers to State Corporations. There were expectation that the restructuring of 1990s reduced the role of government in the financial and banking sectors and some of the State Corporations. However, the substantial resources proposed for such institution now threaten the objectives of making these institutions efficient.



10. **New Projects in the Supplementary:** Mr. Speaker Sir, the purpose of supplementary is to cover areas where the budget was too low and only emergency areas should be allowed as new programs and projects. Introduction of new projects during the year is an indication of poor budgeting and eventually erodes the credibility of the budget. A case in point is the lighting in Kariakoo Constituency.

11. **Provision for Pending Bills and Other:** Mr. Speaker Sir that this supplementary budget requires to address the pending bills and other pending contractual obligations is an indication that the Government is not complying with the National Treasury's circular on preparation of the annual budget. This is an indication of poor budget planning and costing of the projects. The cost of uncompleted projects and pending bills should be a first charge on ensuing budgetary allocations and should have been catered for within the estimates approved at the commencement of the financial year. Likewise, the allocation of payment of tax obligations is a sign of poor budgeting as all these levies are known in advance to the Government.

12. **Adherence to the Legal Framework:** The Public Finance Management (PFM) Act 2012 stipulates that the Supplementary Estimates should demonstrate how the proposed supplementary expenditure relates to the fiscal responsibility principles and financial objectives. This supplementary budget fails to comply with this provision as there is no such statement. This gives the impression that the PFM Act 2012 is a document of the willing and negates the intention of setting a fiscal framework.

13. **Mr. Speaker Sir,** the budget was presented in Programme-Based format but the Supplementary Budget is presented at item level. It is an uphill task to deduce which programmes are being affected by these increases and the expected outcomes. This makes measuring performance difficult and vague as the performance indicators are not explicitly shown. In the past, this Supplementary Budget lacks basic details especially the outcome of the additional funding is being sought. When an allocation is given and used for operation and maintenance, how would it be justified? What outcomes are expected in a broad term?

## RECOMMENDATIONS

The committee recommends that:

1. In future submissions for supplementary estimates should be accompanied by a statement indicating the sources of revenue to finance any additional expenditure.
2. The additional non-revenue generating units should be pegged on the absorptive capacities of the relevant departments and agencies. This will free resources to more effectively use other existing resources to areas with low absorptive capacities.
3. The recommendations of the taskforce on the restructuring of state corporations ought to be re-examined and implemented.
4. A total of Kshs. 225 million allocated to Food Supplements for HIV/AIDS patients under the Ministry of Health be reallocated to Kenyatta National Hospital Cancer Centre for Excellence.
5. Out of Kshs. 77 million allocated to Mathare and Nanyuki Hospitals for validated Bills, Kshs. 71 million be reallocated to Kenyatta National Hospital Cancer Centre for Excellence and the balance of Kshs. 6 million be reallocated for Payment of pending bills relating to ongoing construction works at Mathari Teaching & Referral Hospital.
6. Reallocation of Kshs. 200 million from the Supplementary Estimates allocation be made to the State Department of Welfare meant for National Government restructuring program to the extent that it is used to offset pending Bills, construct houses for staff, promote staff welfare and implement reforms in the Service and decongest the prisons.

Annex 1: The 2014/15 Recurrent Supplementary I

Area of Additional request	Vote /MDAs	Amount in Kshs in Millions	Description / Item	Committee Remarks & Recommendation
Operations and Maintenance	The Presidency	1,888.00	for O & M	Approved
Salaries and Wages Related Expenditures	The Presidency	33.00	for salaries	Approved
Transfers to State Corporations	The National Treasury	500.00	for grant to AFC to cushion crop and livestock farmers	Approved
Transfers to State Corporations	The National Treasury	500.00	for transfers- Consolidated Bank of Kenya	Approved
Transfers to State Corporations	The National Treasury	1,870.00	for conditional grant to counties – Level 5 hospitals,	Approved
Other Expenses	The National Treasury	7.00	East Africa Procurement Forum	Approved
Other Expenses	The National Treasury	3.00	PPOA Board,	Approved
Other Expenses	The National Treasury	42.00	Support contract plan for Budget	Approved
Operations and Maintenance	The National Treasury	50.00	for O & M Procurement Administrative Review Board,	Approved
Salaries and Wages Related Expenditures	The National Treasury	1,000.00	for Mortgage scheme for state officers,	Approved
Salaries and Wages Related Expenditures	The National Treasury	30.00	for salaries,	Approved
	The National Treasury	400.00	for IFMIS Licenses,	Approved
IFMIS and ICT Related Expenditures	The National Treasury	547.00	for IFMIS security,	Approved
IFMIS and ICT Related Expenditures	The National Treasury	80.00	Hard Ware support for IFMIS,	Approved

IFMIS and ICT Related Expenditures	The National Treasury	87.00	IFMIS academy	Approved
IFMIS and ICT Related Expenditures	The National Treasury	125.00	Implementation of IFMIS	Approved
IFMIS and ICT Related Expenditures	The National Treasury	25.00	for training cost	Approved
IFMIS and ICT Related Expenditures	The National Treasury	179.00	Software for IFMIS	Approved
Pending Bills and Taxes	The National Treasury	805.00	Refund of Motor Vehicle	Approved
Pending Bills and Taxes	The National Treasury	401.00	Department of Africa Risk Liability Insurance Company	Approved
Salaries and Wages Related Expenditures	The Commission on Administrative Justice	30	for salaries	Approved
Salaries and Wages Related Expenditures	Teachers Service Commission	696.00	for salary harmonization for the Secretariat	Approved
Pending Bills and Taxes	State Department of Transport	103.00	International subscriptions	Approved
Other Expenses	State Department for Planning	60.00	for Conference expenses for 3 Special Summit International Conference	Approved
Operations and Maintenance	State Department for Planning	200.00	for training, Assessment & Rationalization Programme	Approved
IFMIS and ICT Related Expenditures	State Department for Planning	1,500.00	for purchase of Hardware for IFMIS	Approved
Other Expenses	State Department for Interior	101.00	for training	Approved
Other Expenses	State Department for Interior	50.00	for training	Approved

Legal Suits & Court Fees	State Department for Interior	600.00	for Legal Compensation-Nairobi civil suit No. 617 of 2012,	Approved
Operational Maintenance	State Department for Interior	2,000.00	for National Government Restructuring,	Reduce the allocation for National Government restructuring by Kshs 200 m and reallocate the same Kshs 200 m for Prison Services (pending Bills)
Operational Maintenance	State Department for Interior	100.00	for National Cohesion and Integration commission Emergency expenditure,	Approved
Related Expenditures	State Department for Interior	200.00	National Government Administrative Services	Approved
Security Expenses	Related State Department for Interior	1,725.00	for security operation,	Approved
Security Expenses	Related State Department for Interior	3,000.00	for Police Modernization Programme,	Approved
Security Expenses	Related State Department for Interior	800.00	for police Training facilities	Approved
Security Expenses	Related State Department for Interior	477.00	for repatriation of refugees,	Approved
Pending Bills and Taxes	State Department for Interior	147.00	insurance shortfall for the police,	Approved
Pending Bills and Taxes	State Department for Interior	20.00	for pending Bill to Ms SAEN Limited,	Approved
Salaries and Wages Related Expenditures	State Department for Interior	130.00	for salaries to cater for a Collective Bargaining Agreement	Approved
Transfer to Corporations	State Department for Environment and Natural Resources	1,000.00	for O & M – Kenya Wildlife Service	Approved
Other Expenses	State Department for Environment and Natural Resources	30.00	for meetings &	Approved
Salaries and Wages Related Expenditures	State Department for Environment and Natural Resources	91.00	for salaries,	Approved

Transfers to State Corporations	State Department for Education	100.00	for Garissa University,	Approved
Other Expenses	State Department for Education	76.00	for – UNESCO & 50 Celebrations,	Approved
Operations and Maintenance	State Department for Education	18.00	for O & M for London Office,	Approved
Other Expenses	State Department for Devolution	71.00	Transition Authority,	Approved
Operations and Maintenance	State Department for Devolution	20.00	for O & M	Approved
	State Department for Devolution	1,000.00	for emergency relief food,	Approved
Salaries and Wages Related Expenditures	State Department for Devolution	199.00	for salaries &	Approved
	State Department for Coordination of National Government	800.00	for food and ration for the prisoners	Approved
Operations and Maintenance	State Department for Agriculture	121.00	for O & M	Approved
Operations and Maintenance	Public Service Commission	100.00	for O & M	Approved
Salaries and Wages Related Expenditures	Public Service Commission	59.00	for salaries &	Approved
	Public Service Commission	159.00		Approved
Operations and Maintenance	Parliamentary Service Commission	2,500.00	for good and services	Approved
Operations and Maintenance	Office of the Attorney General and Department of Justice	155.00	for O & M	Approved
Operations and Maintenance	National Police Service Commission	192	for O & M	Approved
Other Expenses	Ministry of Sports Culture and Arts	30.00	for bidding to host the 2017 World Youth Championship	Approved
Legal Suits & Court Awards	Ministry of Land Housing and Urban Development	86.00	for legal suits awarded by the courts	Approved
Salaries and Wages Related Expenditures	Ministry of Labour Social Security and Services	350.00	for Transfers for older persons & OVC	Approved

Operations and Maintenance	Ministry of Information Communications and Technology	110.00	for IT equipment	Approved
Salaries and Wages Related Expenditures	Ministry of Information Communications and Technology	90.00	for salaries	Approved
Pending Bills and Taxes	Ministry of Information Communications and Technology	388.00	for pending bills and taxes	Approved
Transfers to State Corporations	Ministry of Industrialization and Enterprise Development	500.00	for industrialization	Approved
Operations and Maintenance	Ministry of Industrialization and Enterprise Development	50.00	for industrialization	Approved
Salaries and Wages Related Expenditures	Ministry of Industrialization and Enterprise Development	266.00	for salaries	Approved
Legal Suits & Court Awards	Ministry of Health	8.00	Legal Commission fee to KESAC for Health Care	Approved
	Ministry of Health	729.00	for mitigating Ebola outbreak	Approved
	Ministry of Health	225.00	Food Supplements for HIV/AIDS patients	Reallocate funds to Kenyatta National Hospital Cancer Centre for Excellence
	Ministry of Health	200.00	Vector Control activities in health facilities	Approved
Salaries and Wages Related Expenditures	Ministry of Health	200.00	for salaries	Approved
Salaries and Wages Related Expenditures	Ministry of Health	200.00	for salaries	Approved
Operations and Maintenance	Ministry of Foreign Affairs and International Trade	305.00	for international trade	Approved
Security Related Expenses	Ministry of Defence	1,000.00	for security related expenses	Approved
Pending Bills and Taxes	Ministry of Defence	500.00	for pending bills and taxes	Approved

Pending Bills and Taxes	Ministry of Defence	1,000.00	for unpaid G-Pay	
Salaries and Wages Related Expenditures	Independent Police Oversight Authority	92	for salaries	Approved
Pending Bills and Taxes	Independent Electoral and Boundaries Commission	2,850.00	payment of pending bills,	Approved
Pending Bills and Taxes	Independent Electoral and Boundaries Commission	263.00	outstanding taxes owed to KRA	Approved
Operations and Maintenance	Auditor - General	180.00	for O & M	Approved
Salaries and Wages Related Expenditures	Witness Protection Agency	35.00	for salaries	Approved



Development Supplementary

Vote	Amount	Details	Committee Remarks & Recommendation
Ministry of Energy & Petroleum	953	Lighting up of Nairobi City County	Approved
Ministry of Health	71	Mathare and Nanyuki Hospitals for validated Bills	Reallocate funds to Kenyatta National Hospital Cancer Centre for Excellence
	6		Payment of pending bills relating to ongoing construction works at Mathari Teaching & Referral Hospital
Ministry of Health	62	Othaya Hospital ongoing works,	Reallocate funds to Kenyatta National Hospital Cancer Centre for Excellence
Ministry of Industrialization and Enterprise Development	31	project operation costs	Approved
Ministry of Information, Communications and Technology	280	ongoing works (e-Government, and GITS) &	Approved
Ministry of Information, Communications and Technology	268	payment of VAT,	Approved
Ministry of Information, Communications and Technology	37	outstanding balance for IBM Laboratory Government contribution,	Approved
Ministry of Information, Communications and Technology	30	operationalisation of Government Advertising Agency	Approved
Ministry of Land Housing and Urban Development	200	Kericho and Ardhi House	Approved
Ministry of Land Housing and Urban Development	372	ongoing projects of land titling,	Approved
Ministry of Land Housing and Urban Development	1,100	land acquisition for resettlement of squatters	Approved
Parliamentary Service Commission	946	on-going capital projects	Approved
State Department for Agriculture	400	outstanding seed maize subsidy to Kenya Seed Company	Approved
State Department for	374	Kenya National Safety Net	Pending more information

Developer		Programme	Required
State Department for Development	2	National Drought Management Authority	Approved
State Department for Education	1	Infrastructure development in the 12 new university colleges,	Approved
State Department for Education	1	Infrastructure for primary and secondary school	Approved
State Department for Fisheries	1	Offshore Patrol Vessel (OPV)	Approved
State Department for Water and Regional Authorities	1	counterpart funding for Thwake Dam, and	Approved
State Department for Water and Regional Authorities	1	Land Water Distribution Project	Approved
State Department for Water and Regional Authorities	1	commissioning Mkanda Dam	Approved
State Department for Water and Regional Authorities	1	completion of ongoing works, water, Projects, WASSIP, WARSIP, Northern Collector Phase I,	Approved
The National Treasury	100	ongoing works and payment of outstanding bill,	Pending, More Information Required
The National Treasury	100	Rights Issue National Bank of Kenya	Pending, More Information Required
The Presidency	200	ongoing works and payment of outstanding bill,	Approved
The Presidency	20	refurbishment of Offices of the Retired Presidents	Approved

## Annex 2: The Departmental Committees Recommendations on the 2014/15 Supplementary I

### 1. Departmental Committee on Environment and Natural Resources

#### a. State Department for Environment and Natural Resources

- i. Additional 1.0 billion be allocated to KWS to cater for salaries and support operations since internally generated revenues have fallen due to a slump in the tourism industry. KWS should disclose its A-I-A and its expenditure.
- ii. Kshs. 91 million be allocated to the Kenya Water Tower Agency to cater for salaries and operations geared towards forest conservation.
- iii. Additional Kshs. 30 million be allocated for international environmental meetings and conferences relating to international agreements treaties and protocols on environmental protection and conservation of natural resources to which Kenya is a signatory.

#### b. State Department for Water and Regional Authorities

- i. That additional Kshs. 1.4 billion be allocated to Thwake Dam for GoK Counterpart funding for the Project.
- ii. That Kshs. 200 million be allocated to Mkanda Dam to cater for rehabilitation and expansion of the Dam.
- iii. Kshs 548 million meant for the Counterpart funding by the Government of Kenya be allocated. The Committee has however requested for Counterpart funding list to be provided.
- iv. The Ministry provides the Committee with a Compendium of all projects approved for funding in the budget and undertaken by the Ministry's Departments and SAGAS for purposes of continuous review by the Committee.
- v. The Cabinet Secretary should ensure that Departments and SAGA's put in place budgetary control measures to avoid situation where the Ministry expends money without approval.
- vi. An audit of the IFMIS system needs to be undertaken to help in understanding the limitations or challenges in the system and measures put in place to mitigate challenges experienced in the usage of the system.

## 2. Departmental Committee on Energy, Communication and Information

- i. After reviewing the request by Ministry of ICT, the Committee recommended that the requests of Kshs 615 million for Development and Kshs 590 million for Recurrent be approved as stipulated in the 2014/2015 1<sup>st</sup> Supplementary Budget Estimates.
- ii. The Committee further recommends the approval of the request by Ministry of Energy and Petroleum of Kshs 958 million under Development, as stipulated in the 2014/15 1<sup>st</sup> Supplementary Budget Estimates.

## 3. Departmental Committee on Justice and Legal Affairs

1. The Independent Electoral and Boundaries Commission (IEBC) seeking additional funds amounting to Kshs. 3.113 billion. The committee upon summoning and inquiring more from IEBC conditionally, welcomed the same.

However, the Committee instructed the Commission to ensure as follows:-

- i. Negotiate with Advocates representing the Commission in legal suits to reduce charges in order to cut down expenditure on the same.
  - ii. To report to the Committee on the amount of expenditure incurred by South by elections. The election did not take place due to several candidates withdrew leaving one candidate unopposed.
  - iii. A list of pending bills is provided to the Committee and the bills are cleared;
  - iv. Hand over to the Committee a report on the particulars of election materials in the Commission's possession.
  - v. Liaise with the National Treasury to ensure the Commission has adequate funds for be elections as opposed to using funds meant for operations.
2. The Office of the Attorney General and Department of Justice seeking additional funds of Kshs. 155 Million in the Supplementary Budget. This was welcomed since it was recognized that there are structural and capacity building within the agency that needs to be successful.

achievement of the both 2014/15 budget targets and also to enhance the long term capacity of the agency to meet its mandate.

The Business Protection Agency seeking an additional funding of Kshs. 35 Million. The Committee after considering that in scrutinizing the initial draft estimates of Kshs 215 Million in the 2014/15 budget effectively had it increased by Kshs80 million to Kshs 250 Million; the Committee had reservations for the additional funding in the 1st Supplementary Budget. The Committee also noted that the indicative mid-year absorption rate was not too high to justify the additional funding in the 1st Supplementary.

The Commission on Administrative Justice seeking an additional funding of Kshs 102 Million. The Committee after considering that in scrutinizing the initial draft estimates of Kshs 272 Million in the 2014/15 budget effectively had increased by Kshs 102 Million to Kshs.374 Million; the Committee had reservations for the additional funds in the 1st Supplementary Budget. The Committee also noted that the indicative mid-year absorption rate was not too high to justify the additional funding in the 1st Supplementary.

5. According to the indicative 2014/15 mid-year absorption rates, most agencies within the Committee had not met their respective set budgetary targets hence will need to improve in their respective budget implementation in this half year so that service delivery to the public is not impaired.

#### 4.2 ~~Departmental~~ Committee on Finance, Planning and Trade

The Committee made the following recommendations;

- a) Under the **Ministry of National Treasury** the committee approved the following requests for additional funding under recurrent expenditure:
  - Kshs 1.9 billion for conditional grants to counties (level 5 hospitals),
  - Kshs 1 billion for mortgage scheme for State Officers,
  - Kshs 500 million for AFC to cushion crop & livestock farmers,
  - Kshs 57 million for IFMIS Academy,
  - Kshs 42 million for support contract plan to budget,
  - Kshs 25 million for Point to Point for county connectivity,
  - Kshs 7 million - East Africa procurement forum and
  - Kshs 1 million - PPOA board.

- b) Under the Ministry of Industrialization & Enterprise Development the Committee has approved Kshs 31 million on project operation costs which is under development.
- c) Under the State Department for Planning the Committee approved Kshs 200 million for Capacity Assessment & Rationalization Programme which is under recurrent expenditure.
- d) Under the State Department for Devolution the Committee approved the following items for additional funding under recurrent expenditure:
- i. Kshs 1 billion for emergency relief food,
  - ii. Kshs 71 million for Transition Authority
- e) Under the State Department for Devolution the Committee approved Kshs. 200 million for National Drought Management Authority which is under development expenditure.

**Table 5: Summary of the committee recommendations (Kshs billions)**

Department		Proposed Supplementary Estimates	Amounts approved by committee
National Treasury	Recurrent	6,651	3,514
	Development	6,233	-
	<b>Total</b>	<b>12,884</b>	<b>3,514</b>
Ministry of Industrialization & Enterprise Development	Recurrent	838	-
	Development	31	31
	<b>Total</b>	<b>869</b>	<b>31</b>
State Department for Planning	Recurrent	1,760	200
	Development	-	-
	<b>Total</b>	<b>1,760</b>	<b>200</b>
State Department for Devolution	Recurrent	1,290	1071
	Development	574	200
	<b>Total</b>	<b>1,864</b>	<b>1,271</b>

#### 5. Departmental Committee on Agriculture, Livestock and Fisheries

##### RECURRENT

- a) The State Department of Agriculture be granted the following additional funds:
- i. Kshs 200 million for the operationalization of the Agriculture Fisheries and Food Authority (AFFA) and Kenya Agriculture Livestock and Research Organisation (KALRO). The two organizations were created and commenced its activities

August, 2014 and hence its operation budgets were not captured in the 2014/15 Budget. The Organization is key in the fulfilment of the key objectives of Ministry of Agriculture among them ensuring food quality and food security is enhanced in Kenya.

- ii. Kshs. 465,980,000 to cater to arrears of employee recruitment and renewable of the medical insurance of the staff with NCPB. The shortfall arose from an omission during the approval of the national budget of FY 2014/15. Salaries of Ministry staff being a standing liability for the Government must be adequately provided for.
- iii. Kshs 156,101,268.15 to cater to Courts Awards by Associate Architects who design Mifugo House and Industrial sector for teachers and advances for staff who had sued for wrongful dismissal. The delay in settling these obligations shall result in the government paying more money in terms of interest for the outstanding court awards.
- iv. Kshs 1 billion to cater for the purchase of maize from farmers. Initially the Ministry had been allocated Kshs 224 billion to purchase the NCPB purchase over two million bags of maize from the farmers. However it is estimated that farmers still hold at least 1.35 million bags of maize on their farms for which the Ministry requires additional Kshs 1 billion to purchase it from the farmers. The purchase of this maize and payment of arrears to farmers for the deliveries made to NCPB shall provide farmers with the necessary money to buy farm inputs given that planting session in maize growing areas in the country is about to begin.

**b) The State Department of Livestock be granted following additional funds:**

- i. Kshs 130 million to cater for staff salaries in settlement of a Collective Bargaining Agreement by KEMFRI staff. The Collective Bargaining Agreement for the staff was a subject matter of the industrial court and its ruling favored the KEMFRI staff hence the government is obligated to honor the CBA.

**DEVELOPMENT**

**c) The State Department of Agriculture be granted the following additional funds:**

- i. Kshs 182 Million to cater for the purchase and construction of Grain storage facilities currently under construction and committed to construction of 2 No. new grain storage facilities under a Rural and Urban Innovation schemes requires an additional Kshs 182 million. These grain storage facilities are expected to eliminate the loss of harvested crops due to poor storage and reduce the prevalence of aflatoxin in mentioned counties.

- ii. Kshs 120 million for Irrigation projects in Gachoka Cluster which include construction of service lines for the project that is meant to serve 1,000 farmers.
- iii. Kshs 200 million for desilting of Irrigation Pans and Dams in Wajir, Mandera and North Rift Valley. This additional is crucial given the perennial effects of the droughts in these areas. The onsets of the long rains are expected in month of April and without desilting these Pans and Dams shall not adequately harvest the much needed rain water for use by livestock farmers as well as for irrigation.

**d) The State Department of Livestock be granted the following additional funds:**

- i. Kshs 350 million to Kenya Generic Research Centre to acquire , install and commission three liquid nitrogen plant in Sotik, Kirinyaga, Voi, Kilifi ,Migori and Kakamega. This is necessary to increase the reach by the Artificial Insemination Services in the country. The installation of this liquid nitrogen plants in the mentioned counties shall considerably reduce the cost of AI in the counties through reduction of transport cost and other administrative costs.
- ii. Kshs 350 million to KEVEVAPI In order to provide effective and cost effective animal vaccines. The institution shall upgrade of vaccine production from water based vaccine to purified and oil based vaccines hence reduce the cost of vaccines from the current Kshs 120 per straw to Kshs 40 per straw. Additionally the upgrade shall require that administration of vaccine for an animal shall now be done once a year instead of three times a year as it has been previously.
- iii. Kshs 158,859,430 to cater for Internship program for Veterinary Surgeon and Veterinary Paraprofessional as required by the Veterinary and Paraprofessional Act Cap 29 of 2011. These funds shall only cater for the remainder of the 3 months of the 2014/15 financial year. The request has been necessitated by the enactment of Veterinary and Paraprofessional Act Cap 29 of 2011, where it provides that all graduates in Veterinary science are now expected to undergo a mandatory Internship program for six months.
- iv. Kenya Dairy Board (KDB) required additional funds of Kshs. 173 million for control of informal milk marketing, enhance its market information systems, and establishment of an integrated information system. This will ensure that consumers are cushion from the hazards arising from Milk hawking.

**e) State Department of Fisheries be granted the following additional funds**

- i. The State Department of Fisheries be granted additional Kshs 300 Million for the purchase of the offshore Patrol Vessel (OPV). In the FY 2014/15, Kshs 800 million was allocated to the Fisheries for the purchase of the Vessel. The total cost of designing, building, supply and commissioning of the vessel is Kshs 3.5 billion. The



Offshore Patrol Vessel will go a long way to fight against drug smuggling and curb illegal and unreported/unregulated fishing in Kenya's exclusive economic zone.

ii. The Committee further recommends the following to be considered for availability of funds in the Supplementary Estimates 2 for 2014/2015.

*Kshs 1.36 billion to cater for outstanding seed maize subsidy to Kenya Seed Company. The Treasury has provided Kshs 400 million as additional funds for the subsidy. This provision results to a deficit of Kshs 960 million. This additional fund request is meant to cushion farmers from rising planting costs and ensure that the costs of maize seeds is maintained at the current level of Kshs 360 per 2kg bag of maize seeds*

#### 6. Departmental Committee on Defense and Foreign Affairs

i. The National Treasury should identify areas from which they can allocate funds to help the two Ministries realize their goals for the 2014/2015 budget. Since they are key for both peace and security and the international image of the country. The Committee therefore approved the supplementary estimates for 2014/2015 subject to consideration of the above recommendation.

#### 7. Departmental Committee on Transport, Public works and Housing.

The Committee made the following recommendations:

- i. After reviewing the request by the Department of Transport, the Committee recommends that the requests of Kshs 103 million for international subscription be approved as stipulated in the 2014/2015 Supplementary Budget Estimate.
- ii. The Committee further recommends the approval of the Department of Housing request of Kshs 86 million for Recurrent and Kshs 1.672 billion for Development Items relating to Housing and Urban Developments as stipulated in the 2014/2015 Supplementary Budget Estimates.

#### 8. Departmental Committee on Health

The Committee recommends approval for an additional Kshs. 2.495 billion to be allocated in various programs for the Ministry both in recurrent and development expenditure as follows;

##### Recurrent Vote

- i. Contractual Employees (Interns Doctors): The Committee recommends that Kshs 1.5 billion be allocated for salaries for 1,241 intern doctors to support the Government's role of capacity building and training and to avoid recruitment

- Salaries to Registrars: the Committee recommends that Kshs. 200 million for salaries be allocated for 338 Registrar Doctors who are currently undertaking post graduate programs.
- Emergency Relief Funding of Ebola Mitigation, Preparedness and Response): the Committee recommends that Kshs. 728 million be allocated for funding Ebola mitigation, Preparedness and Response.
- Food Supplement for HIV/AIDS Patients: the Committee recommends that Kshs. 208 million requested for this program be reallocated to Kenyatta National Hospital Cancer Centre of Excellence.
- Legal Dues and Execution Payments: the Committee recommends that Kshs. 3 million be allocated for payment of legal dues awarded by the Attorney General's Office to avoid further punitive judgements.

Development

- i. Construction of Buildings (Pending Bills at Nanyuki Hospital): the Committee recommends that Kshs. 71 million requested for this project be reallocated to Kenyatta National Hospital Cancer Centre of Excellence.
- ii. Construction of Buildings (Pending Bills at Mathari Hospital): the Committee recommends that Kshs. 6 million be allocated for payment of pending bills incurred in the on-going construction works at Mathari Teaching & Referral Hospital.
- iii. Construction of Buildings (On-going works at Othaya Hospital): the Committee recommends that Kshs. 62 million requested for the completion of the ongoing construction works at Othaya District Hospital be reallocated to Kenyatta National Hospital Cancer Centre of Excellence.

9 Department of Lands

Recommendation

The Committee makes the following recommendations, THAT:

- a. Under the Ministry of Lands, Housing and Urban Development: THAT
  - That the Government allocate Kshs. 200 Million for the Completion of the Kericho Ardhi House and Kshs. 370 million for the National Titling Centre.
  - That the Government include budget for Additional funds of Kshs. 1.1 billion for Land acquisition and settlement of squatters from SFT in the 2015/2016 FY budget since this had not been budgeted for in the Current financial Year.
  - That the Government rejects the request for additional funds of Kshs. 86 million for the purchase of land specifically meant for settling legal suits awarded by the courts.

- iv. That the Ministry provides a justification for the request for reversal of funds for national Functions that were transferred to Counties.
- v. That the Ministry provides an itemized report on the A-I-A collected by the Ministry in the 1<sup>st</sup> Quarter.

b) Under the National Land Commission: THAT

- i. The National Land Commission first utilizes the allocation for the 1st quarter of development funding amounting to Kshs. 542 million.
- ii. The NLC fast-tracks the swearing in and inductions of members of County Land Management Boards in the remaining counties where this has not been done yet.

#### **10. Departmental Committee on Labour And Social Welfare**

Upon consideration of the submissions, the Committee made the following recommendations:

##### **(A) The Ministry of Sports, Culture and the Arts**

Kshs. 92,270,000 be approved to the ministry to be utilized as follows:

1. Kshs. 60,000,000 to cater for upcoming international sporting events as follows:-
  - a) 41 million towards World Championships Athletics in Beijing (in March, 2015) in which Kshs. 30 Million is for bidding and Kshs. 11 Million to facilitate participation.
  - b) 13 million towards World Championships cross country in Weiyang, China (in March 2015)
  - c) Kshs 6 million towards African youth championships in Khartoum, Sudan, (in early April)
2. Kshs. 2,270,000 towards rent for Department of Culture.
3. Kshs. 15,000,000 towards rent for Department of Sports
4. Kshs. 10,000,000 to cater for Monitoring and Evaluation.
5. Kshs. 5,000,000 to cater for film production materials.

##### **(B) Ministry of Labour, Social Security and Services**

Kshs. 314,750,000 be approved to the ministry to be utilized as follows:

1. Kshs. 20 million for rehabilitation schools, children's remand homes, and children rescue centers.
2. Kshs. 282 million for Department of Social Development Services to undertake its activities at the county level.
3. Kshs. 5 million to cater for work injuries compensation.
4. Kshs. 7 million to procure two salon vehicles
5. Kshs. 750,000 towards older persons Cash Transfer programme which is a progressive counterpart funding programme.

## 11. Departmental Committee on Administration and Regional Security

The Committee welcomed the funding of some key areas in the Supplementary Budget:-

- i. The National Police Service which had received KShs 1,775,000,000 for security operations. The funding would enhance security in the country by ensuring the police are well equipped to patrol our borders and attend incidences of insecurity as well as apprehending or suspected criminals. The National Police Service had also received KShs 800,000,000 to fund police training facilities that would improve the performance of police officers in executing their mandate.
- ii. The State Department of Interior which had received KShs 1,000,000,000 National Government restructuring. This will help the National Government to offer administrative services effectively throughout the country.
- iii. Correctional Services which received KShs 800,000,000 to cater for food and ration for Prisoners.
- iv. National Cohesion and Integration Commission Emergency, which had been allocated KShs. 100,000,000.

However, the Committee noted with concern that there was no funding in the Supplementary Estimates for:-

- i) Forensic Laboratory
- ii) 'Nyumba Kumi' initiative
- iii) IPOA was still underfunded despite the Committee raising the matter repeatedly in the last budget cycle

The Committee recommends that in the 2019/2020 Supplementary Budget Estimates, more funding should be made to:-

1. The Ministry of Interior and Coordination of Traditional Government to purchase more vehicles for field administration and other para-military equipment such as aircrafts and boats. Further, there is need for more para-military equipment to cover other major towns.

2. Immigration Department to facilitate population registration services, immigration services, border control services, identity card production and management of foreign nationals.

The Prisons Services to offset pending Bills, construct houses for staff, improve staff remuneration, implement reforms in the Service and decongest the prisons. In the immediate short term, the Committee recommends reallocation of Kshs. 200,000,000 from the supplementary estimates allocation made to the State Department of Interior's internal Government restructuring program.

4. Criminal Investigation Directorate for the Completion of the Forensic Laboratory.

### 3. Departmental Committee on Education, Research and Technology

The Committee recommends that, an additional amount Kshs. 94 million under the State Department for Education for the vote on UNESCO and 50 year celebration and the London Office be approved. However, the Committee noted that the supplementary requests for additional funds to meet pending issues was an indication that the Ministry of Education, Science and Technology did not comply with the National treasury circular on pending obligations at the beginning of a financial year and poor planning and costing. UNESCO 50 year's celebration was a celebration that was well known before that it would take place in October and therefore the same should have been factored in the main budget estimates.

#### **Infrastructure funds for public secondary and primary schools**

The Committee recommends that,

An additional amount of Kshs. 493 million be approved to cater for infrastructural component for the public and primary schools. The funds should be given since they are meant to cater for emergency situations that may occur like fire, damage e.t.c.

Summary: An additional amount of Kshs. 587 million be approved under the State Department of Education.

#### **State Department of Science and Technology**

The Committee recommends that,

An additional amount of Kshs. 100 million be approved under the recurrent expenditure for Garrissa University. The amount Kshs. 100 million had been provided in the 2013/14 FY but was not released and therefore the Ministry requested the National Treasury to reserve the amounts for Garrissa University College. The Committee notes that Garrissa University College is one of the newly

upgraded University Colleges hence the amounts would be used to cater for recurrent expenditure.

- iv. An additional amount Kshs. 700 million be approved under the development expenditure for twenty four (24) new universities that have been newly upgraded. Each of the universities would benefit with Kshs. 29,166,667 million as the attached is.

### **Summary**

- v. An amount of Kshs. 800 million be approved Under the State Department of Science and Technology.

### **Teachers Service Commission**

- vi. The Committee recommends that,  
An additional Kshs. 696 million be approved to cover for the shortfall in the current estimates in order to harmonise for the Teachers Service Commission (TSC) secretariat. The Committee however, noted that the TSC was yet to implement the Integrated Financial Management Information System (IFMIS).

MINUTES OF THE 10<sup>TH</sup> SITTING OF THE BUDGET AND  
APPROPRIATIONS COMMITTEE BEC HELD ON TUESDAY, 31<sup>ST</sup>  
MARCH, 2015 AT 11:00 AM AT SMALL DINING HALL, MAIN  
PARLIAMENT

PRESENT

1. Hon. Mwanza Mwanza M.P. - Chair
2. Hon. Mary Emaase M.P. - Vice Chair
3. Hon. Benjamin Amos M.P.
4. Hon. Alfred Agui M.P.
5. Hon. James Muriuki M.P.
6. Hon. Joseph Mwangi M.P.
7. Hon. David Mwangi M.P.
8. Hon. KK Stephen Kinyanjui. M.P.
9. Hon. Dorcas Ndegwa M.P.
10. Hon. Dr. Reginald Wangari M.P.
11. Hon. James Gakuya M.P.
12. Hon. Jonathan Lati Laleli M.P.
13. Hon. Makali Mulu Benson. M.P.
14. Hon. Tiyah Galgalo. M.P.
15. Hon. Moses Lessonet. M.P.
16. Hon. Muriuki Njagagua M.P.
17. Hon. Mwashari Mwangi M.P.
18. Hon. Silverse Mwangi M.P.
19. Hon. Dr. J. J. Nyika M.P.
20. Hon. Jackson Kiptanui. M.P.
21. Hon. Abdourahmane Farah M.P.
22. Hon. (Eng) Stephen Ngunjiri M.P.
23. Hon. Moser Ole Sambo M.P.
24. Hon. James Kamau M.P.
25. Hon. Abdourahmane Omar Amet M.P.
26. Hon. Dennis Karim M.P.
27. Hon. Patrick Mwangi M.P.
28. Hon. Peter Mwangi M.P.
29. Hon. Patrick Nyong'o M.P.
30. Hon. Sulaiman Mwangi M.P.

## ABSENT

1. Hon. Alfred Sambu, M.P.
2. Hon. Alice Ng'ang'a, M.P.
3. Hon. Ali, Fatuma Ibrahim, M.P.
4. Hon. Banticha Jaldesa, M.P.
5. Hon. Benjamin Langat, M.P.
6. Hon. Irshad Sumra, M.P.
7. Hon. John Mbadi, M.P.
8. Hon. Nelson Gaichuhie, M.P.
9. Hon. Mohamed Shidiye, M.P.
10. Hon. Bitok S. Kirwa, M.P.
11. Hon. Shukran Hussein Gure, M.P.
12. Hon. Jared O. Opiyo, M.P.
13. Hon. Moses Kuria M.P
14. Hon. Omar Mwinyi, M.P.
15. Hon. Omondi George W. Mallan, M.P.
16. Hon. Samuel Gichigi, M.P.
17. Hon. Charles Nyamai, M.P.
18. Hon. Clement Wambugu, M.P.
19. Hon. Francis Njenga, M.P.
20. Hon. Isaac Mwaura, M.P

## IN ATTENDANCE

## BUDGET COMMITTEE SECRETARIAT

- |                          |                                |
|--------------------------|--------------------------------|
| 1. Mr. Fredrick Muthengi | Principal Clerk/Fiscal Analyst |
| 2. Ms. Lucy Makara       | Ag. Chief Fiscal Analyst       |
| 3. Mr. Omar Abdirahim    | Fiscal Analyst                 |
| 4. Mr. Amran Mursal      | Fiscal Analyst                 |
| 5. Mr. Danson Kachumbo   | Fiscal Analyst                 |



## AGENDA

1. Preliminaries / Confirmation of Agenda
2. Confirmation of the Minutes of the Previous Meeting
3. Matters arising
4. Agendas:
  - a) *Presentation and consideration of the 1<sup>st</sup> supplementary budget by the committee*
  - b) *Presentation and discussion by the committee on the 2<sup>nd</sup> supplementary budget of the 2014/15 budget*

5. Any Other Business

### MIN 10/2015/1: Preliminaries

The Chairman called the meeting to order at 11.00 a.m. and led the meeting with a word of prayer.

### MIN 10/ 2015/2: Confirmation of the Minutes of the Previous Meeting

It was agreed that the minutes of the previous meeting and matters arising shall be discussed in the forth coming meeting.

### MIN 10/2015/3: Presentation and adoption of the 1<sup>st</sup> supplementary budget by the committee

The committee was taken through the report on the 1<sup>st</sup> supplementary budget 2014/15. The Committee considered approval of some items and deemed it unsatisfactory and not of 'emergency' in nature. In this regard, the Committee is proposed to consider the supplementary budget item by item or approval of approval of the estimates to weed out unnecessary expenditures. Some of the unsatisfactory areas where additional resources are being sought include:

- i. *Operations and Maintenance:* the 1<sup>st</sup> Supplementary estimates require substantial resources for operations and maintenance related activities amounting to Kshs 10,421 million across a number of ministerial departments and agencies (MDAs). This in itself is a sign of noncompliance of the minimum threshold for sufficient conditions of the items that should be funded under supplementary budgets.

*ii. Salaries and Remuneration related expenditures:* the Committee noted ~~that~~ Personnel related costs are a recurring feature in the 1<sup>st</sup> ~~supplementary~~ estimates across many MDAs. A total of Kshs 4,523 ~~million~~ in the supplementary estimates funding relate to salaries. These ~~allocations~~ allocations are in the Ministry of Health, Teacher Service ~~Commission~~ Ministry of Industrialization and Enterprise Development ~~and the~~ Department of Devolution.

*iii. Pending Bills and Tax Obligations:* the committee perceives as ~~unacceptable~~ expenditures relating to recurrent pending Bills and tax ~~obligations~~. The supplementary estimates comprise substantial resources to ~~offset~~ pending bills and tax arrears obligations to Kenya Revenue ~~Authority~~ KRA. From analysis, a total of Kshs 7,477 million is being set ~~aside~~ to settle outstanding bills relating to pending bills and tax arrears ~~obligations~~. This in itself is a sign of poor planning and non-adherence to ~~policy~~ ~~provisions~~ that restrict pending bills and tax obligation as a first charge in any ensuing financial year.

### Observations

The Committee while deliberating these supplementary estimates observes that there is ~~inadequacy~~ ~~in~~ the procedure on discussion and review of the Supplementary ~~Estimates~~ ~~to~~ the National Assembly. The role of Departmental Committees and time line for considering the estimates is not explicitly provided for in the ~~Standing Order~~.

*Impact of Supplementary Estimates:* it is noted that the supplementary ~~budget~~ ~~adds~~ to the fiscal framework by Kshs 57.1 billion. It is not clear from ~~the~~ ~~estimates~~ submitted to Parliament where the new funds will come from. The ~~current~~ performance of ordinary revenue is projected to be less than ~~expected~~ ~~performance~~ means that this supplementary budget may lead to further ~~revisions~~ ~~to~~ the budget during a future supplementary or a rise in actual ~~commitments~~ ~~if~~ ~~budgetary~~ issues are not made on time.

*Additional funding to areas with Low Absorption Rate:* a careful review of the budget ~~exchequer~~ issues for the first half of the year indicates that some

of the Ministries being considered for additional funds have with low absorption rates. This raises concerns as to whether any review was done on the absorption capacities before the proposed additional resources. Indeed, the details of this supplementary should have indicated the actual spending for some of these programs to date.

*Additional Funds for Transfers (Rights Issues);* It should be a concern of everyone that during a supplementary there are additional funds for rights issues and transfers to State Corporations. There were expectation that the restructuring of 1990s removed the role of government in the financial and banking sectors and some of the State Corporations. However, the substantial resources proposed for such institution now negates the objectives of making these institutions efficient.

After long deliberations, the committee adopted the draft report.

#### MIN 10/2015/4: Presentation and Discussion by the Committee on 1<sup>st</sup> Half Performance of the 2014/15 Budget

The committee was taken through the Controller of Budget report on the 1<sup>st</sup> half performance of the 2014/15 budget by an analyst from the Parliamentary Budget Office. Key highlights of the report included, the following;

- a) The following salient issues arise from the analysis of the half year budget performance for 2014/2015 financial year.
  - i) The 1<sup>st</sup> Quarter Budget Implementation Review Report for the Financial Year 2014/15 was tabled in the National Assembly on 2<sup>nd</sup> December, 2014 while half year report for 2014/15 was tabled on 10<sup>th</sup> March, 2015. The Budget and Appropriation Committee report on the budget implementation review by the COB will inform the debated by the house.
  - ii) After a careful analysis of the COB half year budget implementation report for 2014/15. It is observed that the report presents an aggregate performance of budget implementation by Ministries, Departments and Agencies (MDAs) on resource utilization but has not indicated the status

of the performance of targets set per annum on the basis for resource allocation in a programme based budget.

- iii) The report has limited information on all leading in some cases to lack of linkages between expenditure and associated issues.
- iv) The report has not given details on the movement of funds from funds account. Funds from funds account are issued as disbursement from parent ministries and the details on collection and outputs of the same is not indicated in the report.

#### b) Observations

Some of the key observations and policy issues that may be considered as implementation of the 2014-2015 financial year target progress:

i) *Low Revenue Collections:* - The financial year 2014-2015 financial year revenue target has not been met by the government. Reports from the National Treasury and the Controller of Budget indicates that the revenue target up to December 2014 was missed by approximately Kshs. 46.5 billion as per the National Treasury, reports and by approximately Kshs. 31 billions as per the Controller of Budget report. Failure to collect adequate revenues is likely to jeopardize implementation of various programmes within the financial year.

ii) *Low Absorption of Development Budget:* - The expenditure of development projects in the 1<sup>st</sup> half of the year 2014-2015 financial year for all MDAs as shown in the report is 26.1% of the gross development budget estimates and against a target estimation of 50% this clearly indicates a low budget execution which is a major challenge that requires attention. The budget is not yielding meaningful outcome and impact on the lives of the citizens as development projects are executed within budget and in a timely manner.

iii) *Budgetary Support to State Corporations:* - The government allocates significant amount of budget to transfer to various state corporations including Semi-Autonomous Government Agencies (SAGAS). It's important that the performance reports and itemized budgets for the said agencies are reported at the end of the outcomes of the interventions at the end of the financial year to inform future allocation.

*Public Debt Account:* - The Controller of Budget report for the period indicates that expenditure on public debt exceeded budgeted issues by Kshs. 18.94 billion. The Auditor-General should undertake a special audit on the

public debt account to establish the cause of the significant difference and provide a true status report of the public debt account

After the brief, the Committee further resolved that the members would first acquaint themselves with the report before taking any resolution and therefore its discussion was postponed to the following meeting.

**MIN 10/2015/6: Any Other Business**

The chair brought to the attention of the members the need by the committee to expense and conclude the discussion on the proposed Retirement bill, 2013 which was before the committee.

The chair stressed the urgency of the bill following a discussion he had with Speaker of the National Assembly. However, the committee decided the matter be put on the agenda in the subsequent meeting and a brief be prepared by the secretariat on the content of the bill.

As there was no any other business, the meeting was procedurally adjourned.

The committee resolved to meet on Thursday, 2<sup>nd</sup> April, 2015 at Small Dining Hall, Main Parliament.

SIGNED



CHAIRPERSON

2.4.15

DATE

MINUTES OF THE 1<sup>ST</sup> BUDGET AND APPROPRIATIONS COMMITTEE  
HELD ON 17<sup>TH</sup> FEBRUARY 2015 AT 11:30 AM AT THE MINI-CHAMBER  
COUNTY HALL, PARLIAMENT BUILDINGS.

PRESENT

1. Hon. Mutava Mwangi MP – Chairman
2. Hon. Mutua Ngunjiri MP – Vice Chair
3. Hon. Alfred Ngunjiri MP
4. Hon. Thomas Nyamwaya MP
5. Hon. Clement Mwangi MP
6. Hon. Jackson Kiprotich MP
7. Hon. John Ngunjiri MP
8. Hon. Mwangi Ngunjiri MP
9. Hon. Moses Lessonet MP
10. Hon. Moses Ole Sanya MP
11. Hon. Abubakar Chacha MP
12. Hon. Abubakar Fatah MP
13. Hon. Alfred Agwa MP
14. Hon. Benjamin Anson Andayi MP
15. Hon. Bitok S. Kirwa MP
16. Hon. Dorcas Kedogo MP
17. Hon. Dr. J.W. Nyikal MP
18. Hon. Dr. Reginalda Wanyonyi MP
19. Hon. Eng. Stephen Ombui MP
20. Hon. Fanny Mwangi MP
21. Hon. Fanny Mwangi MP
22. Hon. James Gathungu MP
23. Hon. Jared O. Onivo MP
24. Hon. Jonathan Mwangi MP
25. Hon. Joseph Ombui MP
26. Hon. Isaac Mwangi MP
27. Hon. Malinda Mwangi MP
28. Hon. Mwangi Mwangi MP
29. Hon. Mwangi Mwangi MP
30. Hon. Mwangi Mwangi MP
31. Hon. Mwangi Mwangi MP
32. Hon. Mwangi Mwangi MP
33. Hon. Mwangi Mwangi MP
34. Hon. Mwangi Mwangi MP

## ABSENT

1. Hon. Benjamin Langat, MP
2. Hon. Jamleck Kamau, MP
3. Hon. Nelson Gaichuhie, MP
4. Hon. Alice Ng'ang'a, MP
5. Hon. Banticha Jaldesa, MP
6. Hon. Daniel Nanok, MP
7. Hon. Dennis Kariuki, MP
8. Hon. Irshad Sumra, MP
9. Hon. James Lusweti, MP
10. Hon. KK Stephen Kinyanjui, MP
11. Hon. Omar Mwinyi, MP
12. Hon. Patrick Ole Ntutu, MP
13. Hon. Samuel Gichigi, MP
14. Hon. Shukran Hussein Gure, MP
15. Hon. Suleiman Murunga Kasuti, MP
16. Hon. Tiyah Galgalo, MP

## IN ATTENDANCE

- |                        |                                      |
|------------------------|--------------------------------------|
| 1. Mr Henry Rotich     | Cabinet Secretary, National Treasury |
| 2. Dr. Kamau Thugge    | PS, National Treasury                |
| 3. Mr. Onderi Ontweka  | National Treasury                    |
| 4. Mr. Onderi Ontweka  | National Treasury                    |
| 5. Mr. Albert Mwende   | ” ”                                  |
| 6. Mr. Geofrey Malombe | ” ”                                  |
| 7. Mr. Musa Kathanje   | ” ”                                  |
| 8. Ms. Jerome Ochieng  | ” ”                                  |
| 9. Ms. Isabella Kogei  | ” ”                                  |

## Parliamentary Budget Office Staff

- |                          |                                |
|--------------------------|--------------------------------|
| 1. Mr. Fredrick Muthengi | Principal Fiscal Analyst/Clerk |
| 2. Mr. Salat Hussein     | Fiscal Analyst/Clerk           |
| 3. Mr. Vitalis Ndambuki  | Office Assistant               |

## AGENDA

1. Preliminaries/Confirmation of Agenda
2. Confirmation of Minutes
3. Matters Arising
4. Meeting with the Cabinet Secretaries National Treasury

## 5. Any Other Business

### MIN 2/ 2015/1: Preliminaries

The chairperson called the meeting to order and a prayer was said. He then welcomed members. He thanked members for support and standing with the family during the time of bereavement of the fallen colleague to all those who attended the two functions – the memorial Service as well as the Burial.

The chairman read the agenda of the meeting and the Committee agreed to postpone confirmation of the minutes to a later date. The minutes will be part of the committee Report on the Supplementary I for 2014-15.

The chair also gave the background to the meeting with the National Treasury which was agreed upon during the Mid-term Review Workshop in Mombasa to shed more light on the rationale of the Supplementary Estimates. He then proceeded to welcome the National Treasury team lead by the Cabinet Secretary, Principal Secretary and other staff of the National Treasury.

### MIN 2/ 2015/2: Presentation by Cabinet Secretary, the National Secretary

#### The Supplementary Estimates

The Cabinet Secretary briefed members on the supplementary estimates. The Cabinet secretary informed the Committee that The National Treasury had received a total of Ksh.118.9 billion requests from various Ministries, Departments and Agencies (MDAs). However, after consultations this figure was scaled down to the current request of Ksh. 57.1 billion up from the initial supplementary estimates of Kshs 118.9 billion.

Some of expenditure pressures from the MDAs amounting to Kshs 118.9 billion can be categorized as resulting from Salary related Kshs 67.7 billion, recurrent and maintenance Kshs 77.7 billion, ongoing projects Kshs 14.7 billion among other requests. However, the National treasury rationalized the Supplementary requests and proposed a framework and agreed with the MDAs on implementation strategy.

The Cabinet Secretary informed the Committee that indeed there were challenges in revenue performance. In the First half year ending 31 December 2014, the reported Revenue Shortfall was about Kshs 20 billion. The revenue challenges relate to Finance Bill, 2014 resulting from amendments to Income and Capital Gain Tax.



The Cabinet Secretary informed the committee on the financing approaches to the supplementary budget. He mentioned the moving budget which had not taken off such as funds meant for various projects amounting to Kshs 17 Billion in primary schools. He informed the committee that National Treasury expects to raise 25 billion from proceeds from the sovereign bond. Other sources as mentioned by the Cabinet Secretary include the 4.9 billion allocated to the National Bank of Kenya, foreign remittances of 7.1 billion in unpaid taxes from the treasury and contributions from financial institution amounting to 20 billion so as to continue the operation of government activities in financing the supplementary budget.

The Cabinet Secretary informed the committee that the supplementary budget will be used to finance the government recurrent expenditure as well as projects whose financing have been affected after default in release of funds or they were late to honour their pledges. He also informed the members that the proposed supplementary budget conforms to the PFM law that requires 30% of the budget should be used for development expenditure and the remaining is splitted into 43% of recurrent expenditure and 26% of consolidated fund.

#### a) Concerns by members

After the presentation by the Cabinet Secretary the Committee raised the following issues:

- i. The members expressed concern on the need for additional information on why some ministries require more funding especially those MDAs with low absorption rates.
- ii. Justification on additional financial support to parastatals and additional transfers to other level of government – the State Corporations.
- iii. Concerns for the justification on the launching of new projects e.g. the lighting up of the Nairobi city.
- iv. The members raised concern that the content of the supplementary budget is not programme based and rather is project based as the programmes that require additional funding is not clear.
- v. The committee wanted to know what the national treasury is doing to ensure the compliances of MDAs to PFM.
- vi. Concerns on the need for the economic stimulus package.

## b) Response by the CS on the concerns

The CS in his response to the concerns by members informed the meeting that his Ministry will provide on the required information on the additional funding to the MDAs with less absorption rate as well as a statement to accompany the supplementary budget.

On the issue of the funding of the new project to light up the city of Nairobi, he informed the committee that this is essential to boost more security in the city as only 15% of the street lights in the city are working. The City County of Nairobi (CCN) and National government entered signed a memorandum of financing the project where each was to contribute 60% and 40% respectively for the lighting Nairobi. However, the initial funding was borne by the national Government where the CCN would repay instalments for a period of one year.

The CS also informed the committee that that most government entities complies with the IFMIS apart from the NIS, ministry of defense , commission on administrative of justice as well as some county assemblies and assured the committee that soon all the state corporation will be compliant with the requirement of installation and use of IFMIS for all financial transactions.

On the issue of the economic stimulus package, The CS rather suggested the issue of National Strategic intervention as Economic Stimulus Package can only be applied in situation where the economy is almost hitting zero percent, he cited as an example during the 2007/2008 post-election violence where economic growth was nearly zero per cent. However, there was general concurrence that ring-fencing some projects to ensure completion of stalled projects was in order.

The Cabinet Secretary acknowledged that indeed there were reporting challenges especially in development partners' financed projects. However, the ministry is minimizing the challenges and adopting reporting formats that conforms to all development partners' requirements.

### MIN 2/ 2015/3: Any Other Business

The committee raised the concern for the need for the National Treasury to brief the committee on the Budget Policy Statement (BPS) and thus it invited the CS on

Thursday, 19<sup>th</sup> February 2015. There being no other business the meeting  
adjourned at 2.30 pm.

SIGNED



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CHAIRMAN, BUDGET AND APPROPRIATIONS COMMITTEE

19.2.15

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DATE