paper laid
By the 1st chairperson
of committees (Hon. Cheboi)
on 3/3/16.
Please
3/3

REPUBLIC OF KENYA

THE NATIONAL ASSEMBLY

ELEVENTH PARLIAMENT – FOURTH SESSION

REPORT OF THE LIAISON COMMITTEE ON THE BUDGET POLICY STATEMENT AND THE DEBT MANAGEMENT STRATEGY FOR 2016/17 AND THE MEDIUM TERM

PARLIAMENT BUILDINGS
<u>NAIROBI</u>

<u>MARCH, 2016</u>

TABLE CONTENTS

Preface

Mr. Speaker, on behalf of the Members of the Liaison Committee and pursuant to section 25(7) of the Public Finance Management Act, it is my pleasure to present to this House the Committee's report on the Budget Policy Statement (BPS), 2016 and Medium Term Debt Management Strategy 2016

Mandate of the Committee

Mr. Speaker, during the sitting of the House held on Tuesday, 16th February, 2016, you directed that in the interim period when the Budget and Appropriations committee is not constituted and since the consideration of the BPS,2016is time bound, that all functions, for the time being performed by the Budget and Appropriations Committee would be taken over by the Liaison Committee of the House.

Mr. Speaker,according to the Standing Order 207(3) the Liaison Committee assumes the following functions:

i. Investigate, inquire into and report on all matters related to coordination, control and monitoring of the national budget,
ii. Discuss and review the estimates and make recommendations to the House;
iii. Examine the budget policy statement presented to the House;
iv. Examine bills related to the national budget, including appropriations bills;
v. Evaluate tax estimates, economic and budgetary policies and programmerswith direct budget outlays and.
vi. Examine the Division of Revenue Bill

Mr. Speaker, the Liaison Committee as currently constituted comprises of the following Honorable Members:

1. Hon. (Dr.) Joyce Laboso, M.P. - **(Deputy Speaker /Chairperson)**
2. Hon. Moses Cheboi, M.P. - **(Vice Chairperson)**
3. Hon Mustafa Idd, MP
4. Hon. Adan Mohamed Nooru, MP
5. Hon. Aden Keynan, MP
6. Hon. Alex Mwiru, MP
7. Hon. Amina Abdalla, MP
8. Hon. Asman Kamama, MP
9. Hon. Benjamin Langat, MP
10. Hon. David Were, MP
11. Hon. Dr. Rachel Nyamai, MP
12. Hon. Florence Kajuju, MP
13. Hon. Jamleck Kamau, MP
14. Hon. Janet Nangabo Wanyama, MP
15. Hon. Johnson Sakaja, MP
16. Hon. Maina Kamanda, MP
17. Hon. Moses Lessonet, MP
18. Hon. Ndungu Gethenji, MP
19. Hon. Nicolas Gumbo, MP

20. Hon. Njoroge Baiya, MP
21. Hon. Roselinda Soipan, MP
22. Hon. Sabina Chege, MP
23. Hon. Samuel Chepkong'a, MP
24. Hon. William Cheptumo, MP

Mr. Speaker,
The Medium Term Budget Policy Statement (BPS), 2016, and the Medium Term Debt Management Strategy were submitted to Parliament by National Treasury on 15th February, 2016.Subsequently the BPS was committed to each Departmental Committee for deliberation upon according to their respective mandates and make recommendations to the Liaison Committee.

Mr. Speaker,
In line with sections, 25(8) of the PFM Act and PFM regulation 27(4), once the House approves the report on 2016 Budget Policy Statement, the ceilings approved shall serve as a basis of expenditure ceilings for the coming financial year and the medium term. More importantly, PFM regulations 27(5), spells out that once the House adopts the report, the ceiling for development expenditure and personal emoluments of the national government shall be binding for the next two years.

Acknowledgements

Mr. Speaker,
The Committee thanks the Offices of the Speaker and Clerk of the National Assembly for the support extended to the Committee in the execution of its mandate. The Committee takes this opportunity to thank the Commission on Revenue Allocation and the Cabinet Secretary in charge of National Treasury for their contribution during committee deliberations clarified on some of the pertinent issues in the BPS 2016. The Chairperson of the Committee also takes this opportunity to thank all Members of the Committee for their patience, unwavering sacrifice and commitment to public service, which enabled the Committee complete this important task within the stipulated time. Further, the Committee acknowledges the technical input of the staff from Parliamentary Budget Office which was invaluable in the consideration of BPS, 2016.

Mr. Speaker, it is now my pleasant duty and privilege, on behalf of the Liaison Committee, to present to the National Assembly, the Report of the Committee on Budget Policy Statement 2016and Medium TermDebt Strategy, 2016.

Signed: ....

Hon. (Dr.) Joyce Laboso, M.P.
Chairperson, Liaison Committee

Date: ....3/3/16..

I. INTRODUCTION

1. **Mr. Speaker,**as honorable members areaware the BPS is underpinned by Public Finance Management Act,2012 and PFM regulations 2015. The committee was able to establish that the statement largely adhered to the provisions of the law. However, the committee observes that there were some provisions of the law that were not adhered to. In particular, the lack of adherence to fiscal responsibility principles as set out in section 15 of PFM Act and section 26(1) of PFM regulation. For example; the BPS failed to factor in compensation of employees from State Owned Enterprises as required under PFM Regulations 26(1) (a). Secondly, there was no information provided relating to the level of budgetary expenditures by economic and functional classifications (PFM Regulations 29 (1) (a) (ii)).

2. Finally, **Mr. Speaker,**although the BPS provides information on the sector working groups as required under section 25(2) of PFM Act and section 6(4) of the PFM regulation, the committee found limited information regarding the extent to which public views were factored in the BPS.

II. RECENT ECONOMIC DEVELOPMENTS AND POLICY OUTLOOK

a) Real Economic Growth

3) According to the BPS 2016, the economy is projected to grow at 5.6% in 2015, 6.0% in 2016 and 6.5% in the medium term. In terms of Financial Years, the growth is estimated to be 5.5% in 2014/15, 5.8% in 2015/16 and 6.1% in 2016/17. This growth is premised on increased production in agriculture on account of favorable weather, completion of infrastructure projects, recovery of the Tourism sector, enhanced private consumption, investor confidence and deepening of the regional integration.

4) The committee is concerned that due to recent and external economy these growth projections the revenue projections may be unrealistic. Mr. Speaker, this often leads to revising expenditure and increasing debt.

b) Inflation

5) The BPS 2016 states that the average annual inflation was 6.8 percent in January 2016 compared to 6.7% in January 2015 and therefore has been within the Government's target of plus or minus 5 percent. However, on a month on month basis, the inflation in December 2015 and January 2016 surpassed the Government's target to stand at 8.01% and 7.78 % respectively. The Government projects inflation to remain within the target in 2016 and the medium term. Nevertheless, it is important to note that the expenditure pressures and high import bill arising from the forthcoming general election may result to higher inflation.In addition, the predicted lower than normal rain in many parts of the country in 2016 may lead to additional inflationary pressures.

6) **To this end, Mr. Speaker,** the Committee notes that food and non-alcoholic beverages category continues to be a majorcomponent of contributor to inflation, thus to reduce inflationpressure there is need to regulate the incidental costs of food production, to make food more affordable especially in the urban areas.

c) **Interest rates**

7) **Mr. Speaker,** the Monetary Policy Stance by the Central Bank, as measured by the Central Bank Rate has remained constant since July 2015. This can be explained by the low levels of inflation which have been experienced over the same period. In contrast, Mr. Speaker, the committee is concerned that despite the near constant level of the Central Bank Rate, the average lending rate has averaged 16.1 percent over the period January, 2015 to January 2016. The high lending rates imply that the banking industry has not been able to respond to monetary policy signals. Indeed, interest rate spread between the average lending and deposit rates remained constant at 9.2 percent since 2014.

d) **Exchange rate and foreign reserves**

8) In 2015, the exchange rate depreciated against major international currencies but has since stabilize. However, the committee observes a real risk of the shilling declining further due to high imports and non performing export sector. Hon. Members, it is important to note that, an improved performance of the Kenya's exports and a full recovery of the tourism sector are likely to result in sustainable levels of foreign exchange reserves that will boost the country's confidence in tackling exchange rate shocks.

e) **Public Debt**

9) **Mr. Speaker,**the medium public debt is projected to stand at 44.6% of GDP in 2016/17, 45.9% of GDP in 2017/18 and decrease to 45.4% of GDP in 2018/19. Consistent with debt to GDP ratio, the primary budget balance is expected to slow down from 5 percent of GDP in 2015/16 to 1.5 percent in 2018/19. It's worth mentioning that public debt has been on a rising trend, as a proportion of GDP, public debt has risen from 43.1% in 2010/11 to 44.9% in 2014/15.

10) **Mr. Speaker,** fiscal Risks associated with weather related risks, underperformance of revenue collection coupled with weak cash management systems at county level will lead to continued expansionary fiscal policy. This will increase financing needs of the government which will drive up domestic debt serving costs.

11) Mr. Speaker, given that nearly 60 percent of Kenya's external debt is dollar denominated, further depreciation of the shilling against the dollar, may increase the external debt service burden. This may be likely since the current of the shilling has been from accumulation of external debt and this is unsustainable since the debt will be paid in the near future.

12) Realization of contingent liabilities associated with explicit lending or implicit guarantees to state- owned enterprises and county governments would lead to increased debt stocks and servicing costs.

III. FISCAL POLICY OUTLOOK AND THE 2016/17 AND MEDIUM TERM FISCAL FRAMEWORK

13) **Mr. Speaker,** according to BPS 2016, the Medium Term Fiscal Policy aims at supporting rapid and inclusive economic growth, ensuring sustainable debt position and at the same time supporting the devolved system of Government for effective delivery services. **Mr. Speaker,** this shall be attained through increasing revenue over the medium term from the estimated 20.6 percent of GDP in 2015/16 to 21.1 percent of GDP in 2018/19. On the other hand, the government targets to contain growth of expenditure over the medium term; the total expenditure is set to decline from 28.3 percent of GDP in 2016/17 to 26.0 percent of GDP in 2018/19. This will ultimately reduce the overall deficit, inclusive of grants, from 6.8 percent of GDP in 2016/17 to 4.1 percent of GDP in 2018/19. The decline in the overall fiscal balance over the medium term will allow for total public debt to gradually decline from 44.6 percent of GDP in 2015/16 to about 45.4 percent of GDP in 2018/19.

a) Revenue Projection

14) **Mr. Speaker,** For the FY 2016/17, the government's target revenue collection amounting to Kshs. 1.5 trillion (20.6 percent of GDP) from Kshs. 1.36 trillion (21.1 percent of GDP) in 2015/16. The ordinary revenue is projected to be Ksh 1.38 trillion (19 percent of GDP) in 2016/17 compared to Kshs.1.25 trillion (19.5 percent of GDP) in 2015/16. The Appropriations-in-Aid are projected at Kshs. 116.2 billion (1.6 percent of GDP) compared to Kshs. 103.2 billion (1.6 percent of GDP) in 2015/16. However, **Mr. Speaker,** an analysis of the revenue collection as a proportion of GDP indicates a contraction. The largest revenue heads; income tax and VAT, are projected to contract in 2016/17, import duty and other revenue are set to remain unchanged while excise duty is expected to grow from 2.2 percent of GDP, in 2015/16, to 2.5 percent of GDP in 2016/17.

15) **Mr. Speaker,** furthermore a review of approved budgets against actual revenue performances in previous years indicates systematic overestimations of revenue. Already, the first half performance for 2015/16 shows that Revenue has underperformed by 11.52 percent. The underperformance has a negative impact on expenditure performance. The revenue targets should therefore be reviewed for a realistic projection to be given.

b) Expenditure Projection

16) **Mr. Speaker,** the total expenditure and net lending is projected at Kshs. 2.05 trillion or 28.3 percent of GDP, compared to Kshs. 2 trillion (31 percent of GDP) in 2015/16. The contraction in expenditure as a proportion of GDP is witnessed in both recurrent and development expenditures. The total recurrent expenditure is projected at Kshs. 1.19 trillion (15.1 percent of GDP) compared to Kshs. 1.09 trillion (15.7 percent of GDP) in 2015/16 while total development and net lending is projected at Kshs. 706.3 billion (11.1 percent of GDP) compared to Kshs.1,901.8 billion (9.2 percent of GDP) in 2015/16.

17) **Mr. Speaker,** ministerial recurrent is set to reduce, while the allocation for Consolidated Fund Services (CFS) expenditures is set to increase from 3.5 percent of GDP in 2015/16 to 3.8 percent of GDP in 2016/17. OnDevelopment expenditure, **Mr. Speaker,** both domestically financed and foreign financed development are projected to contract, while the equalization fund is set to be maintained at 0.1 percent of GDP, over the medium term.

18) **Mr. Speaker,** the emphasis to contain growth of expenditures, by the government, is laudable since this is the first time in recent years that expenditures are contracting. However, there is no clear indication of whether there is a shift of resources from recurrent to development expenditures since both are set to reduce in 2016/17. Indeed, the reduction of development expenditure over the medium implies the need for Government to find alternative sources of finance to meet the ever increasing development needs.

❖ **Deficit Financing**

19) **Mr. Speaker,** fiscal deficit including grants is set to reduce from Kshs. 569.2 billion (8.8 percent of GDP) in 2015/16 to Kshs. 495.5 billion (6.8 percent of GDP) in 2016/17. This reduction will be sustained gradually over the medium term to Ksh 372.7 billion (4.1 percent of GDP) in 2018/19. The deficit in 2016/17 will be funded by net external financing amounting to Ksh 310.7 billion (4.3 percent of GDP) and domestically amounting to Ksh 184.8 billion (2.5 percent of GDP).

20) **Mr. Speaker,** the gradual decline in fiscal deficit over the medium term, will see external financing reduce from 4.3 percent of GDP in 2016/17, down to 2.5 percent of GDP in 2018/19. Likewise, domestic financing will reduce from 2.5 percent of GDP in 2016/17 to 1.6 percent of GDP in 2018/19.

21) **Mr. Speaker,** the committee is concerned on the realism of deficit envisioned in the BPS. Amid contracting revenues, achieving the fiscal deficit target set under the convergence criteria within EAC will proof very difficult. The development needs will continue to put pressure on the Government expenditure, which may additional financing via borrowing.

IV. MEDIUM TERM DEBT MANAGEMENT STRATEGY

a) Introduction

22) **Mr. Speaker,** the 2016 Medium Term Debt Management Strategy (MTDS) was submitted to Parliament on 15th February, 2016. This is in pursuant to section 33 (1) of the Public Finance Management Act, 2012 which requires the Cabinet Secretary, National Treasury to submit to Parliament a statement on or before 15th February in each year setting out the National Government's debt management strategy over the medium term. It should provide information on the total stock of debt as at the date of submission; the sources of loans made to the National Government; the nature of guarantees given by the National Government; the principal risks associated with these loans and guarantees;

the assumptions underlying the debt management strategy and an analysis of the sustainability of the amount of debt, both actual and potential.

23) **Mr. Speaker,** Section 50(2) of the PFM Act 2012, gives Parliament the authority to set the limit or ceiling of National Government borrowing. In 2014, Parliament approved an increase in the ceiling for external debt from USD 14 Billion (Kshs. 1.2 Trillion) to USD 28 Billion (Kshs. 2.5 Trillion). As of end of December 2015, the external public debt stock was USD 15.79 Billion (Kshs. 1.615 Trillion)1, therefore the gap between the approved debt ceiling and the current uptake of external debt stands at Kshs. 885 Billion.

b) Linking BPS 2016 and MTDS 2016

24) One of the requirements in the PFM Act is that the Medium Term Strategy should be aligned to the broad strategic priorities and policy goals set out in the Budget Policy Statement. The MTDS must be anchored on sound and realistic macroeconomic assumptions taking into account historical and projected performance of the country. In this regard, the debt strategy must be linked to the medium term macroeconomic objectives of the country so as to ensure stability of the economy as whole. The 2016 BPS and 2016 MTDS highlight the objectives as economic growth rates of 5.8 % in FY 2015/16, 6.1 % in FY 2016/17 and 6.3 % in FY 2017/18. The international reserves are projected at 4.8 months of import cover in FY 2015/16, 5.1 in FY 2016/17 and 5.3 in FY 2017/18. Inflation rate is expected to remain within the target of 5 percent ± 2.5. Indeed, there are some inconsistencies in the projections of both the primary balance and the overall fiscal balance given in the two documents. The projections in the 2016 MTDS are higher than those given in the BPS 2016.

25) The following are some key areas linking the BPS and the MTDS: -

a) Primary Deficit

26) The primary deficit has been a key driver of the 8.8 % of GDP buildup of public debt in FY 2014/15 and FY 2015/16. The primary deficit is projected at 5.1% of GDP for FY 2015/16 compared to 5.5 % in FY 2014/15 and expected to decline to 3.9% in FY 2016/17 and 3.0% in FY 2017/18. The decline is on account of mobilization of additional revenue and commitments to contain current spending. The primary deficit is as a result of Government expenditures being in excess of the revenue collections and therefore as the BPS sets ceilings on the expenditures of various programmes, it is important to show other than interest payment and principal repayment, the capital projects being financed through additional borrowing. This will ensure that accumulation of new debt does not go towards the financing of recurrent expenditures but rather towards the financing of development projects that contribute to accumulation of real capital stock for the country and accelerate economic growth.

b) Debt Strategy

27) The 2016 MTDS scrutinizes four alternative debt management strategies and arrives at a strategy that comprise of the following: 60% external borrowing and 40 % domestic

[1] QEBR February 2016 Edition: An exchange rate of Ksh/USD= 102.311 as of end December 2015

borrowing to finance the National Government budget. The external borrowing will comprise 24% concessional loans, 24% semi-concessional loans and 12% commercial loans. The domestic borrowing will be tilted more towards issuing Treasury Bonds which are longer term.

28) **Mr. Speaker,** there is a significant shift in 2016 debt strategy as it is pro-external borrowing compared to the strategy selected in the 2015 MTDS, which was more inclined to domestic borrowing at 55% while external borrowing was 45%. **Mr. Speaker,** the committee notes that this shift in debt strategy exposes the economy to refinancing risks as a result of the following: - Kenya's upgrade to a lower middle income country which makes it harder for her to access concessional loans while the increase in United States interest rates; slowdown in China's economy; collapse in oil and other commodity prices are all likely to affect the international financial market.

29) **Mr. Speaker,** a review of the previous debt strategies in various issues of the MTDS show that there have been variations between the strategy chosen in the MTDS and the actual financing strategy implemented in the Budget. The only exception is in FY 2011/12 where there was no deviation.

c) Debt Sustainability

30) Public debt is projected to grow from 44.9% in FY 2014/15 to 46.5% of GDP in FY 2015/16 and decrease to 44.6 % of GDP in FY 2016/17 but increase to 45.9% of GDP in 2017/18. Mr. Speaker, in the worst case scenario, one of the indicators of debt sustainability is Debt-service as a percentage of Revenue standing at 29% against a threshold of 30%, as of 2015. This is particularly worrying as it may indicate that Government has to rollover debt if there is no significant improvement in revenue collection.

31) Mr. Speaker, the latest debt sustainability analysis (DSA) report for Kenya notes Kenya's debt is sustainable. The DSA compares debt burden indicators to indicative thresholds over 20 -year projection period. However, the report cautions that sustainability could deteriorate if a significantly lower than anticipated growth materializes. In particular, this could be triggered by a repeated and more severe drought; a protracted slowdown in growth for major trading partners, in particular the Euro area; continued decline in commodity prices; reduced remittance and FDI inflows; and an increase in global food and fuel prices.

d) Emerging Concerns

32) **Mr. Speaker, the Committee notes the following concerns:**

i. The BPS 2016 and MTDS 2016 overlook the importance of listing the projects both on-going and earmarked projects by sector to be implemented using projected debt resources in the medium term. Further, the MTDS should include a detailed debt servicing information that comprises which projects the country is paying for and the status of their implementation and, feasible alternatives for financing huge infrastructure projects to reduce demand for debt. Doing this will increase transparency and accountability, ensure that the accumulation of more public debt is demand-driven and not largely for recurrent expenditures.

ii. One of the underlying assumptions to debt sustainability is an exchange rate depreciation of 5% in 2016 and the medium term. A large portion of external borrowing is transacted in USD and if the Kenyan Shilling depreciates like it did in 2015 to a high of Ksh/USD=105.28, then the assumption of a 5% will not hold and may therefore be unrealistic.

iii. A proportion of the external borrowing will be on commercial terms and these have a characteristic of a shorter maturity period and high interest rates. The Government must consider taking a conservative approach for this kind of borrowing and adhere to appropriate timing when going on the capital market to raise financing in order to caution it from high refinancing risks.

iv. The country expects to have large refinancing needs in the year 2018/19 of US$1.3 and 2023/24 amounting to approximately US$2.5 million due to repayment of the international Bonds. The Government will be required to raise funds equivalent to the amount of loans falling due. There is therefore need to create adequate foreign reserves which act as a buffer to caution on any external shocks in order to meet these constitutional obligations. In addition, Kenya's public domestic debt is susceptible to high refinancing risk particularly in 2015/16 as 35% of the domestic debt amounting to US$ 4.9 million falls due.

v. Kenya's credit risk profile was downgraded from a B+ early 2015 to a B- in July/October 2015 due to worsening public finances, mounting public debt stock and increasing external vulnerability. The down grade has potential negative implication on external borrowing from the international capital market to either refinance the existing debt or finance the implementation of new development projects.

vi. The Government's outstanding guaranteed debt to state owned enterprises stands at Kshs. 44 Billion. The Realization of contingent liabilities associated with explicit lending or implicit guarantees to state- owned enterprises and county governments would lead to increased debt stocks and servicing costs.

V. SECTORAL PRIORITIES

33) **Mr. Speaker,** the BPS 2016 is anchored on a five pillar transformation program that began three years ago as indicated in BPS 2015 and BPS 2014. However, the BPS 2016 has slightly revised the contents of these five pillars making it hard to track the progress of some of the policies.

PILLAR 1: SUSTAINING CONDUCIVE BUSINESS ENVIRONMENT FOR INVESTMENT OPPORTUNITIES

34) **Mr. Speaker,** the government targets to invest in security infrastructure such as housing, offices, and security installations among others. It also plans to continue with the police welfare improvement through comprehensive medical cover and building capacity of security agencies in key security functions ranging from field operations, investigation, and enforcement.

35) **Mr. Speaker,** the committee's concerns with regard to these proposals lies in the fact that though previous Budget Policy Statements highlighted the construction for police

housing units as a key target. The BPS 2014 and BPS 2015 indicated the government's promised to construct 15,000 housing units over the medium term for National Police Service, Kenya Defense Forces and Prisons. However, the government is yet to present a status of these projects. In 2013/2014, the government only managed 700 houses.

36) In the House resolutions of the BPS 2015, it was resolved that the leasing of motor vehicles by the police be domiciled under the State Department of Interior. Similar treatment should also be accorded to the housing project. It seems as if this recommendation has completely been overlooked. This has in the process slowed down the completion of the project, thereby affecting the working environment of the uniformed officers. Moreover, there is no status report on the leasing of vehicles for the police in the 2014/15 Financial Year had been provided and the Government had only provided 340 vehicles out of the 2700 promised during the period.

37) **Mr. Speaker,** Although the Budget Policy Statement indicates one of the key achievements in the security sector as being the establishment of a forensic laboratory. The Committee established that the facility was only 65% complete. The Committee further established that no funds had been allocated for the project in the 2016/17 Financial Year. The National Treasury needs to allocate Kshs. 500 million to facilitate the completion of the project.The committee was informed that the police medical cover scheme as at December 2015 had not been operationalized.

38) With regard to Government Printing Services, the Government has envisaged to modernize its operations by replacing obsolete machinery. The Committee further observed that the government would save funds by printing all government documents, including passports at the facility. There is need for the National Treasury to make budgetary provision for the modernization of the Government Printing Services.

39) No budgetary provision had made in the resource allocation for the State Department of Interior to facilitate the operations of the National Police Reservists as provided for under the National Police Service (Amendment) Act, 2014. To this end, the National Treasury needs to allocate funds to facilitate operations of the National Police Reservists.

40) The Correctional Services programme falling under State Department of Coordination of National Government (now State Department of Correctional Services), faces funding challenges due to unforeseen rise in the number of prison inmates.

PILLAR II: CONTINUED INVESTMENT IN INFRASTRUCTURE TO UNLOCK CONSTRAINTS TO GROWTH

❖ **Further expanding the road network**

41) **Mr. Speaker,** the BPS 2016 recognizes that good road network enhances trade, commerce, agricultural productivity as well as boosting regional trade. The strategy therefore, is to develop an effective, efficient and secure road network through construction of 3,800 km of low volume seal roads in the rural areas, continued expansion of major roads in urban centers and prioritization of construction of East Africa link roads. Further, it aims at creating an independent body to audit and certify construction and maintenance of roads beginning with the National Road Network. The

Committee is however concerned that there are a large number of ongoing and uncompleted projects in the sector that require substantial amount of funds.

Mr. Speaker, other key infrastructure projects are detailed as follows:

a. **Rail Transport** – 2016 BPS indicates that the Mombasa-Nairobi (Standard Gauge Railway) SGR is over 60 percent complete and set to be completed by mid-2017 and that the government is currently in the process of securing funding for an extension from Nairobi-Naivasha. The BPS also highlighted the plan to upgrade and modernize the urban commuter mass transit system through Public Private Partnership (PPP). In addition, the Southern Sudan-Ethiopia Transport (LAPSSET), from Lamu to the oil exploration locations through Public Private Partnership (PPP) will be given a priority.

b. **Modernization of the Port**: the BPS 2016 strategy rides on the progress made in modernization of the Port of Mombasa including the expansion of the terminals and cargo areas; the near completion of the second container terminal (expected in early 2016); and the integration of the single window system. Further, the government plans to further dredge the port and improve the road networks in and out of the port, while at the same time prioritizing the construction of a modern pipeline under the Lamu Port.

c. **Airports:** The BPS highlighted the progress made in expansion of Jomo Kenyatta International Airport (JKIA) and rehabilitation of five airstrips (Nanyuki, Ikanga, Lodwar, Embu and Malindi). The JKIA Terminal 1A is near completion and the government aims to commission the new terminal 1E while work is expected to commence on the Second Runway with expected completion by end of 2018.

42) **Mr. Speaker,** the Committee while appreciating the fact that the Government is on schedule on the SGR, there is a concern that other large projects such as the JKIA, the LAPSSET projects, are experiencing delays in their completion.

- **Access to adequate affordable and reliable energy supply**

43) **Mr. Speaker,** the government targets to provide affordable and competitive electrical energy through generating additional 5,000 MW of power by end of 2017. So far, the government has been able to inject additional 680 MW into the National Grid, since 2013. The government is required to produce 4,385 MW by end of 2017. Some of the key projects targeted for the medium term include 987 MW Lamu Coal Power Project; 300 MW Turkana Wind Project; and 300 MW Kitui Coal Project.

44) **Mr. Speaker,** the Committee is concerned at the pace of project execution in this sector. For example, the strategy to increase power production by 5,000 MW by 2017 has delayed and 14% completion has been achieved so far within the first three years. The Government should prioritize allocations towards on-going programmes and projects.

PILLAR III: SUSTAINED SECTORAL SPENDING FOR EMPLOYMENT CREATION

- **Agricultural Transformation to sustain growth**

45) **Mr. Speaker,** the Government plans to prioritize research and extension services, agro-ecological zoning and re-organization of farmers into viable cluster groups for economies of scale; establish Disease Free Zones facilities (Bachuma, Kurawa, Miritini); finalize procurement of offshore patrol vessel (OPV); complete the fertilizer manufacturing plant by September 2016; and increase the acreage in the Galana/Kulalu Ranch Irrigation from the pilot 10,000 acres to 100,000 acres.

46) **Mr. Speaker,**Kenya Vision 2030 requires that the Kenyan Youth, who forms a huge portion of the population, be actively engaged in agriculture. This requires that agriculture should be modernized to be attractive and profitable in order to attract the Youth. On fisheries, the Fish Quality Laboratories that are currently under construction will be completed in 12 months' time and will require technical staff to be recruited and also the accreditation of the Laboratories to promote fish farming which will require funding

47) **Mr. Speaker,** the BPS 2016 has indicated a number of strategies it intends to pursue for improvement of agriculture. With the agricultural sector being devolved, these strategies may require strong intergovernmental framework geared towards strong involvement of County Governments. However, the strategies developed seem to indicate what the national government intends to do but has no clear guidelines on how information is disseminated to the county governments. The committee recommends clear collaboration and coordination between the two levels of government

- **Supporting Growth of Manufacturing for Employment Creation**

48) **Mr. Speaker,**Government proposes to prioritize the establishment of industrial and technology parks in Eldoret, Juja and Taita-Taveta, to catalyze innovation and value addition. It also plans to establish green industrial parks under the Special Economic Zones along the railway lines. Further, it plans to develop a framework for applied technology and artisan training to improve technical skills.

49) The Committee observed that there is insufficient value addition that is stifling performance of Kenyan products in international markets thereby contributing to unfavorable balance of trade. The Committee further observed that there are still challenges in acquisition of trade licenses and permits which should be addressed by collaboration with other related institutions. There is room for improvement on the ease of doing business so as to accelerate industrialization; there should be incentives like tax exemptions to attract investments in industrial projects and create employment.

❖ Tourism, Sports, Culture and Arts

50) **Mr. Speaker,** the tourism sector has been boosted by withdrawal of travel advisories by key tourist source countries. The BPS 2016 indicates the governments focus will be on improvement of security, tourism promotion and marketing and continued investment in conference tourism facilities in Nairobi, Coast and Western Kenya.

51) The committee observed that part of the reason why the tourism industry has deteriorated in the recent past is due to insecurity, travel advisories, poaching, inadequate utilities and infrastructure. The government has put in place measures to address insecurity and poaching menace. However, the funding for improvement of tourism facilities and infrastructure is low. The committee noted that some of tourism development should be undertaken under Public Private Partnership (PPP).

52) **Mr. Speaker,** on sports and arts, the government plans to construct five stadia through Public Private Partnership (PPP), review the sports policy and legislation and create awareness on anti-doping issues. Further, it sets to roll out incentive packages to ensure film and music flourishes in Kenya

PILLAR IV: SUSTAINED INVESTMENT IN SOCIAL SERVICES FOR THE WELFARE OF KENYANS

a) Healthcare

53) **Mr. Speaker,** the 2016 BPS proposes to scale up expenditure for universal health initiatives such as free maternity service and free basic healthcare services; modernization of equipment in 94 hospitals, 2 per county; reducing morbidity and mortality rates from Malaria, HIV/AIDS, TB and non-communicable diseases; and recruitment of more health workers.

54) **Mr. Speaker,** the Committee further notes that the country is yet to achieve Abuja Declaration for allocation of at least 15% of the total annual expenditure to health programmes. Given that the National Government ceiling for health in 2016/17 is Ksh. 59.57billion, which is merely about 3% of total expenditure, then substantially more resources will need to be allocated by counties to move towards this ambitious target.

55) The Committee observed that donor funds for critical public health intervention such as immunization, reproductive health, TB drugs and anti-retroviral drugs, is steadily declining. This therefore requires both levels of government to increasingly set aside resources for these critical health services.

56) The Committee further noted a delay in full implementation of key flagship projects such as Managed Equipment Service project where out of 98 health facilities expected to receive specialized equipment only 6 health facilities have so far received the equipment. Similarly, Slum Upgrading Project is behind schedule despite the allocation of Kshs. 1billion in 2015/16.

57) **Mr. Speaker,** in regard to the conditional grants to counties, the Committee has noted that in FY 2016/17 Kshs 13.72 billion, equivalent to 62.7 percent of the conditional grants, are health related. Another notable bottleneck affecting conditional grants is the recent cash crunch which has delayed disbursements thus affecting services such as free maternity services.

b) Quality and relevant Education for all Kenyans

58) **Mr. Speaker,** the education strategy in the BPS includes: the integration of ICT curriculum in all levels of education and the strengthening of quality assurance; national skills survey with aim of developing a national human resource development plan; aligning education and training curriculum to meet the demands of the labour market; and, revitalizing youth polytechnics.

59) **Mr. Speaker,** the BPS proposes a ceiling of Ksh 342 billion to the education sector out of which Ksh 306 billion is for recurrent expenditure while Ksh 35.5 billion is earmarked for development expenditure. The allocation is projected to increase over the medium to Ksh. 376 billion and Ksh 393 billion in 2017/18 and 2018/19, respectively.

60) **Mr. Speaker,** the Committee notes that the education sector is yet to fully complete all the flagship projects under the Second Medium Term Plan of the Vision 2030. For example, Mitihani house has taken about 29years. Further, the cumulative pending bill for the Ministry of Education, Science and Technology and the Teachers Service Commission amounts to Kshs 8.7 billion.

61) The Committee is also concerned by low Exchequer issues especially for development spending and the fact that most public universities continue to under report Appropriations in Aid collected. These factors affect the absorption rate of funds and thus hinder proper budget implementation.

c) Scaling up social safety nets

62) **Mr. Speaker,** the government has several targets under social safety net programs, these include; the training and empowering of persons with disability for self-reliance, providing education support to Orphans and Vulnerable Children (OVC), increasing the number of counties linked to the single registry for National Safety Net Programme from 10 to 25, and setting up a national safety net compliant and grievance structure.

63) Furthermore, this BPS proposes to increase the number of beneficiaries in the cash transfer programs from 717,000 in 2015/16 to about 1.7 million, in 2018/19. This will, in effect, increase the coverage for households with older persons from 310,000 to 760,000; the household with OVCs from 360,000 to 810,000; and, persons with severe disability from 47,000 to 137,000.

d) Empowering Youth, Women and Persons with Disability for employment creation

64) **Mr. Speaker,** the BPS 2016 indicates that in the financial year 2016/17 about 21,870 youth will be trained by NYS and another 150,000 through social transformation program. Further, 300 community youth SACCOs will be registered, 5,000 youth will be mentored on leadership and national values, and another 30,000 youth will be sensitized on entrepreneurship skills. The government will also construct 40 youth polytechnics and disseminate Ksh 6 billion through UWEZO Fund to benefit Youth, Women and Persons with Disabilities.

The Committee notes that over the last two years, it has been recommending for the amalgamation of all this multiple funds to support Women, Youth and Persons with Disability so as to reduce duplication of efforts and administrative costs so as to increase efficiency.

e) Environmental Conservation and making water accessible

65) **Mr. Speaker,** the BPS strategy is to prioritize implementation of programs under the Growth Initiative. The government will also ensure that an Environmental Impact Assessment is undertaken on all projects. To mitigate the impact of climate change there is planned investment in re-forestation, roll out water harvesting and storage in all public institutions, and in green energy. Further, government will target the construction and rehabilitation of water pans, and investment in mini-dams and mid-size dams to store water for household and agricultural use.

66) The BPS proposes to allocate Kshs 74.55 billion, Kshs. 83.9 billion and Kshs. 84.3 billion for the FY 2016/2017, 2017/2018 and 2018/2019 respectively. Out of the total proposed allocation for the FY 2016/2017, Kshs 19.53 billion is for recurrent expenditure while Kshs 55.02 billion is for development expenditure.

67) **Mr. Speaker,** the Committee notes that that the Presidential Task Force on parastatal reforms recommended consolidation of the Kenya Water Towers Agency, the Kenya Forest Service, the Kenya Wildlife Service to form one entity. Similarly, the transfer of functions related to Regional Development Authorities (RDAs), and water conservation and forestry to the county government needs to be completed expeditiously.

68) The Committee recommended that the country invests in utilization of the existing bamboo resources in the country which are estimated to cover over 165,000 hectares.

PILLAR V: FURTHER ENTRENCHING DEVOLUTION FOR BETTER SERVICE DELIVERY

69) **Mr. Speaker,** as honorablemembers are aware devolution has had positive effects on Kenyans with counties becoming the centres of economic activity.The BPS 2016 affirms the need to support the devolved structures by increasing their allocation of sharable revenues and strengthening accountability and fiscal discipline in use of resources. It promises to put in place a strategy to enhance county revenue raising measures and correct duplication plus distortion in local taxes and fees by;

i. Implementing a framework that will establish limits and guidelines for borrowing by county governments consistent with the PFM Act.
ii. putting in place a mechanism to monitor and ensure full compliance to contain fiscal risk and ensure debt sustainability
iii. implementation of a strategy to enhance revenue management but counties in order to strengthen their revenue raising measures and correct duplication and distortion in local taxes and fees

70) **Mr. Speaker,** other measures to improve the operations of the devolved system include;(i) sensitization of public officers and general public on Public Audit Act, Procurement and Asset Disposal Act, and PFM Regulations;**(ii)** prioritization of disbursement to counties with the least fund balances at the CBK(iii) initiate development over national framework legislation to support the enhancement of county own source revenue in addition to a comprehensive review and harmonization of existing legislation on county taxes, fees, and user charges and business licenses(iv)strengthen the linkage between planning, budgeting and implementation at both levels of government in line with appropriate development plans.

71) **Mr. Speaker,** the Committee notes that this year marks the end of transition period into the devolved system of governance.However, the BPS fails to report on the achievements achieved so far and the challenges facing devolution. There is need and eliminate duplication of functions by the two levels of Government.

VI. INTER-FISCAL REVENUE ISSUES AND DIVISION OF REVENUE, 2016/17

a) Overview

72) **Mr. Speaker,** the actual framework for sharing is stipulated in Article 201, 202, 216, 217 and 218. Article 216 establishes the Commission on Revenue Allocation, whereas Article 217 and 218 clearly sets out the basis of division of revenue among counties and the annual division and allocation bills.

73) **Mr. Speaker,** the Committee observes that financing of counties has steadily increased since the 2013 and the nascent benefits of devolution can be seen on the economic and developmental front. The revenue share to counties has not only exceeded the minimum 15% since 2013 but has risen impressively year-on-year according to the Annual Division of Revenue Acts. Total revenue allocated to counties from nationally raised revenue (including conditional allocations) have risen from Kshs. 210 billion in 2013/14 financial year to Kshs. 226.7 billion in 2014/15, and further to Kshs. 287.044 billion in 2015/16. In the latest revenue sharing cycle, the National government share rose from Kshs.799.65 billion in 2014/15 to Kshs. 975.389 billion in 2015/16. Thus, total allocation to county governments rose by 25.6%, relative to Kshs.21.9% growth in the revenue share to the national government.

74) There are several lessons to be learnt from devolution itself to resource sharing and use at both levels of government. In particular, revenue sharing process has not been easy due to competing interests, high expenditure demands, and transfer of functions. These expenditure pressures at both levels of government are partly responsible for rising debt accumulation and shortfalls in cash releases to agencies as actual revenue collections fall short of targets.

75) **Mr. Speaker,** the Committee notes that concerted prioritization of resources at county level within available resources and enhanced "own revenue" collection is essential to reduce yearly demands for increased equitable share of revenue and overall fiscal pressures at the national level. As counties strengthen own revenue capacities among other factors, it will be possible for the governments to set some resources at least for every function in Schedule 4.

b) Division of Revenue between the National and County Governments

76) The Committee observed that the BPS proposes to allocate a gross amount of Kshs.302.198 billion to counties for 2016/17 comprising of Kshs. 280.3 billion as equitable revenue share and Kshs. 21.897 billion as conditional allocations. The equitable share is derived by increasing the baseline amount (Kshs. 259.775 billion) by 7.9%, the assumed revenue growth on account of weak revenue performance.

77) The additional allocations (including conditional allocations) in the BPS are seven, six of which can be found in the Division of Revenue Act, 2015 and one more to cater for medical emergencies in Lamu and Tana River. Three conditional allocations namely Level 5 Hospitals, Compensation of User Fees Forgone, and Leasing of Medical Equipment are allocated the same amount as in the current Act. Thus, Level 5 hospitals will receive Kshs.4 billion, Leasing of Medical Equipment, Kshs.4.5 billion and compensation for user fees forgone, Kshs. 0.9 billion which are the same amounts allocated through the 2015 Act.

78) The amount for Free Maternal Health is marginally reduced from Kshs. 4.298 billion in the Division of Revenue Act, 2015 to Kshs. 4.121 billion in the proposal for 2016/17, while the conditional allocation out of the Fuel Levy Fund rises by Ksh. 1 billion from Kshs. 3.3 billion in the current Act to Kshs. 4.307 billion as proposed in the BPS. The proposed amounts for loans and grants declines from Kshs.10.671 billion to Kshs. 3.87 billion. The BPS further introduces a new conditional allocation of Kshs. 200 million known as Special Purpose Medical Emergency for two counties namely Lamu and Tana River.

79) On other hand, **Mr. Speaker,** the CRA recommends that **Kshs. 377.518 billion, comprising of Kshs. 331.765 billion as equitable share and Kshs. 45.753 billion as conditional allocations**, be transferred to counties. CRA grows baseline allocation of equitable share of revenue in the current financial year by **a three-year revenue growth 15.09%.** Additional amounts for **County Roads and Public Participation amounting to Ksh. 27.79 billion and Kshs. 5 billion, respectively, thrusts the** proposed equitable revenue share amount according to CRA to Kshs. 331.765 billion.

80) In addition, **five new categories of conditional transfers** are included in the Commission's recommendation **valued at Kshs. 25.692 billion**. These include: **Kshs. 5.196 billion for salaries for devolved staff** retained by county governments; **Kshs. 4 billion to build county headquarters** in Lamu, TharakaNithi, Nyandarua, Tana River and Isiolo; **Kshs. 5 billion for rehabilitation of Secondary and primary schools; Kshs. 5.196 billion** to be transferred as conditional allocation to counties for **County Emergency Funds;** and, **Kshs. 6.3 billion for rehabilitation of village polytechnics**.

c) Committee Observations and Recommendations

81) A careful look at the two approaches shows that comparatively, CRA's recommended total allocation for 2016/17 will rise by 31.5% relative to the allocation in 2015/16 whereas the BPS allocation will rise by a mere 5.27%, relative to 2015/16 allocation to counties. The difference between CRA's recommendation for equitable share and that of the BPS exceeds Kshs.51 billion. Equally, CRA proposes to approximately double the amount of conditional allocations that the draft BPS is proposing. The committee raises the following concerns:

i. Need to entrench fiscal prudence and austerity in the light of weak domestic revenue collections and deteriorating debt financing conditions. The Committee in particular noted the flagrant spending on non-essential items like non-essential travel, allowances. Equally, the Committee was concerned about inflated expenditures and contracts and corruption which continue to bleed scarce resources. Owing to weak domestic revenue performance and emerging borrowing constraints, each level of government should attempt to achieve same targeted services with minimal resources.

ii. Need to base allocations on real revenue growth: The Committee noted variations in the revenue assumptions used to compute equitable shares, which partly explain the differences in the revenue sharing proposals (CRA 15.09% relative to BPS 7.9%). Reconciliation of these measures could help bridge the differences.

iii. **Conditional Allocations should remain stable**. Strong justifications for conditional allocations and pre-negotiations could help reduce the proliferation of conditional allocations in the light of the enabling (remedial) Article 187 of the constitution. Where conditional allocations are negotiated and given, a good framework for implementation and transfer of resources need to be devised, including where necessary the transfer of functions between levels of government.

iv. **Revenue Sharing (Horizontal) formula among county governments:** The Committee noted with concern that the current and proposed formula for sharing revenue among counties was biased towards counties with large population and those with high poverty levels. The formula cannot capture the unique but deplorable needs of urban slum poor. This, approach, it was observed is unlikely to achieve the primary goal of devolution which is to reduce inequities in public goods and services given that some of the poorest citizens dwell in urban slums. Thus, the ideal sharing formula should 'needs-based', where "needs" can be discerned through a Human Development Index.

v. **Revenue allocations should also be informed by gross financing resources** available to each level of government. In this regard, consideration should be made with regard to "own county revenues" to inform the overall debate on revenue share determinations (counties collected about Ksh. 33 billion in 2014/15).

vi. **Need to boost some conditional allocations:** The Committee noted that the amounts to free maternal health and leasing of medical equipment need to be enhanced given their impact on overall well-being of the population.

vii. The need to formalize the revenue sharing framework as provided in the constitution: Article 202 and 203 are the bedrock of revenue sharing between the two levels of government. However, as the Committee noted, the framework for determination of the revenue allocation were far from adequate. For example, the Committee proposed that the basis of sharing in Article 203(1) be formalized through clear interpretation or legislation so as to determine contentious issues such the meaning of "National Interest". Similarly, the framework for conditional and unconditional allocations should also be expounded so as to make revenue sharing easier, less acrimonious, and stable.

VII. RECOMMENDATIONS ON THE BUDGET POLICY STATEMENT AND THE MEDIUM TERM DEBT STRATEGY PAPER

82) **Mr. Speaker,** the Committee extensively considered the Budget Policy Statement and the Medium Term Debt Management Strategy. The Committee also sought the views of the National Treasury and the Commission on Revenue Allocation. More importantly, the Committee also received recommendations from the various Departmental Committees. After a careful consideration and importantly noting the huge budget constraint as reflected in the macro-fiscal framework, the committee recommends the following

a) Vertical Sharing of Nationally Raised Revenues

- Having considered the submissions by the National Treasury, the CRA, Departmental Committees, and other stakeholders, and given the need to enhance fiscal austerity and productivity of public resources, and to ensure that the overall fiscal deficit and debt accumulation is within reasonable limits, the Committee recommends that the allocation between the two levels of government be as follows:
    1. That the National Government be allocated Ksh. 1,099.902billion,
    2. That counties be allocated gross amount of Kshs. 302.198. billion comprising of:
        a. Equitable Share allocation amounting to Kshs. 280.3 billion,
        b. Conditional allocation for Level 5 hospitals, amounting to Ksh. 4 billion,
        c. Conditional allocation for Free Maternal Health Care, Kshs. 4.121 billion,

d. Conditional allocation for Compensation of User Fees Forgone, Ksh. 0.900 billion, and
e. Conditional allocation for Leasing of Medical Equipment, Ksh. 4.5billion.

3. That counties be allocated Ksh. 4.307 billion out of the Fuel Levy Fund for road maintenance.
4. Special purpose supporting emergency medical services for Lamu and Tana River, Kshs. 0.2 billion
5. That counties be allocated Kshs. 3.870 billion being amounts raised through loans and grants by the National Government for specific projects at the county level.

- The total allocation to counties is equivalent to 32.2% of the most recent audited revenue approved by the National Assembly. This allocation is therefore realistic given the expected revenue collection, expected economic growth, and ongoing fiscal austerity policies being implemented by the government. The Committee further recommends that the vertical share forms the basis of the Division of Revenue Bill 2016 that will be introduced in this House.

- Further, the Committee is concerned that conditional grants from the National Government are not linked with county budgets. To this end, the Committee recommends the need to put in place an intergovernmental framework to effectively deal with conditional grants, more so the donor funded projects to ensure they are well captured in the county budgets.
- That a proper framework for disbursement of the equalization fund be expedited and finalized in good time to allow the selected marginalized counties to benefit from this fund. The Committee further recommends that Kshs.6 Billion be allocated to this fund in 2016/17 financial year;

b) Expenditure Ceilings

96. **Mr. Speaker,** the Committee recommends that the ceilings for the three arms of government be set as follows:

1. National Executive (MDAs)-Kshs. 1,451,646 million
2. Parliament- Kshs. 29,406 million of which
    i. PSC Vote 2041- Kshs. 13,458 million
    ii. National Assembly Vote 2042- Kshs. 15,948 million
3. Judiciary Vote1261-Kshs. 17,309 million

- **Mr. Speaker**, as you are aware the Government has been implementing the Medium Term Expenditure Framework (MTEF) budgeting for enhanced predictability in resource allocation and to enable better planning. However, a number of projects initiated have either stalled or remain uncomplete and have no direct link with the Budget Policy Statement, the annual estimates.In this regard the committee recommends no new project should be introduced after the adoption the BPS and that the annual estimates that shall be laid in this House sometimes in April must include a detailed list of project that are reconcilable with the Development estimates for 2016/17.

- That in line with the PFM regulations 27(5) the ceilings that are included in the BPS 2016 for Development and for wage bill in the medium term are binding.
- That in line with Article 221(5) of the Constitution which requires the National Assembly take into account the views of the public when finalizing the budget, this House should earmark Kshs. 1 billion for resources that can be used for Economic Stimulus Programmes in areas that have not benefited before. The Committee recommends that acriteria be developed on the amount of funds to be allocated before the time of receiving the budget estimates and the procedure of identifying several projects before the finalization of the estimates.
- That the House approves the schedule of ceilings for spending agencies towards recurrent and development spending per programme as provided under schedule 1.
- That this house notes the additional requests for critical expenditures as shown in schedule 2 that are unfunded and directs treasury to find the resources within the framework as adopted in the BPS 2016.

c) Medium Term Debt Management Strategy

- That the House approves the debt management strategy underpinning the 2016/17 budget. The approved shall remain binding for 2016/17 and any change in strategy must be approved by this House.
- National Treasury provides details on which projects both on-going and earmarked projects by sector are to be implemented using projected debt resources during the Annual Estimates.
- The MTDS should be realigned to the broad strategic priorities and policy goals set out in the BPS as required by the PFM Act, to ensure there is credibility of the debt strategy being pursued by the Government.
- The Government pursues debt policies that are aimed at achieving fiscal consolidation and efficiency in revenue collection intended to achieve a balanced Government budget.

d) Policy Recommendations

- That Treasury initiates a comprehensive assessment of the existing projects and provides the Legislature with a plan of action on how the said projects are going to be completed within the current and medium term resource framework.That all expenditure adjustments in form of supplementary budget should be done on or before April of any given year. This will assist in addressing the issue of pending bills, occasioned by late approval of the supplementary appropriation Bill.
- That Treasury endeavors to issue guidelines on foreign travel and domestic travel that supports the objective of reducing wastage while at the same time maintain the purpose and objective of such activities.

i. Departmental Committees

83) Mr. Speaker, the Committee also received policy recommendations from the various Departmental committees and recommends that the National Treasury and the concerned MDAs takes into account these recommendations:

a) **Departmental Committee on Administration and National Security**

- That the leasing of motor vehicles for police and the police housing project be domiciled under the State Department of Interior in line with the House resolutions on the Budget Policy Statement 2015 in order to bring efficiency in the police service.

b) **Departmental Committee on Transport, Public Works and Housing**

- That the National Treasury provides adequate documentation relating to the break-down of the Road Maintenance Fuel Levy Fund and the allocations to the relevant spending agencies and that this practice should be carried forth into future Budget Policy Statements.

c) **Departmental Committee on Education, Research and Technology**

- That the Ministry fast tracks the completion of the education flagship projects of the vision 2030 within the remaining period of the Second Medium Term Plans planned to avoid the risk in carrying the projects over to the Third Medium Term Plan.

- That the National Treasury put in place mechanisms to ensure that exchequer re-leases especially for development spending are disbursed in good time to allow the spending agencies to fully implement their development budgets and cushion against poor absorption capacity at the close of the financial year.

- That the Ministry of Education, Science and Technology and the National Treas-ury to put in place proper measures to ensure that Public Universities fully dis-close the Appropriations-in-Aidthey collect to mitigate against loss of revenues occasioned by the partial disclosure.

- That the State Department of Science and Technology put in place incentives to encourage public private partnerships within the Public Private Partnership policy framework especially in undertaking infrastructural development in the education sector to augment government efforts.

- That the State Department of Education develop a framework to streamline the award of bursaries to ensure that all deserving students benefit and access educa-tion.

d) **Departmental Committee on Health**

- That the free maternity program by the National Government be reconceptualised immediately and a new coordinated implementation strategy be adopted to avoid duplication of efforts by other Government agencies and programs. In this regard, the Ministry of Health ensures that the allocation of Kshs. 4.2 billion earmarked for free maternity be channelled through the National Hospital Insurance Fund (NHIF). Further that in the long-term the Ministry reforms NHIF as a matter of urgency for the Parastatal to be able to function as expected.

- That there is need to fast track the implementation of the Managed Equipment Services (MES) flagship projects. Further, the Ministry should undertake continuous evaluation of the MES project so as to be able to address the emerging challenges associated with the implementation of the project among them; the inadequate skilled health workers to operate the machines, access to reagents and supplies, appropriate rooms and space and amongothers.

e) Departmental Committee on Agriculture, Livestock and Cooperatives

- That the National and County Governments should establish a mechanism to ensure that at least 10% of the general government budget is allocated to the agriculture sector in accordance with the Maputo Declaration.

- That guidelines should be formulated on how research findings by national research institutions such as Kenya Agriculture, Livestock Research Organisation, Kenya Sugar Research Foundation, Tea and Coffee Research foundations among others can be disseminated to the counties for mutual benefit of the two levels of government.

- That the two levels of government should collaborateand come up with a framework on implementation of resources set asidethrough budgetary allocation for the establishment of seed and fertilizer subsidy fund and livestock and crop insurance scheme.

f) Departmental Committee on Finance, Planning and Trade

- That the resettlement of the Internally Displaced Persons has taken a longer than planned time and that this process should be expedited to avoid the persistent requests for budgetary allocations.

- That the National Treasury should take necessary measures to ensure that public debt does not reach unsustainable level more so with the constitutional provision allowing county governments to borrow. That will cushion the economy from macroeconomic imbalance such as high interest rates and inflation and also cushion the future generations from a heavy debt burden.

- That the National Treasury should ensure that the IFMIS system works efficiently. In particular, the system support to the e-procurement to ensure that rural suppliers are not disfranchised.

- That the National Treasury in collaboration with county treasuries should put in place mechanisms to mitigate against revenue leakage at the county level which is majorly occasioned by non-disclosure of collected revenue and misuse of revenue at the point of collection.

- That the parastatals in the Ministry with overlapping mandates should be merged to create a coherent, leaner and efficient entity that can be adequately funded to achieve the optimal returns in terms of out puts.

- That the National Treasury should partner with the Ministry of Information Communication, and Technology in the laying down of the fibre optic in every county to ensure robust internet connectivity to maximize the efficiency of the system.

g) Departmental Committee on Energy, Communications and Information

- That both ministries prioritizebudgetary allocation towards on-going flagship projects so as to be delivered without delay.

- That all ICT programme and funding of all Government agencies be allocated to the Ministry of ICT for purposesof quality controls and support of e-government. This consolidation of ICT projects and programs within the relevant ministry should be policy priority

- That the Ministry prioritizes the restructuring of Kenya Broadcasting Corporation (KBC) with a view to settling its outstanding obligations as quickly as possible, and in order to set the state corporation on a sound financial footing capable of competing in the media sector and attract and retain qualified staff establishment. In addition, KBC as a national broadcaster be supported and resourced to enable it to achieve global standards of a national broadcaster.
- That Konza ICT project should be anchored on law to enable itattract foreign investment.

h) Departmental Committee on Environment and Natural Resources

- That the funds allocated to the National Youth Service (NYS) for construction of water pans and dams under the Ministry of Devolution and planning in the Financial Year 2015/2016 should be transferred to the Ministry of water and Irrigation given that in the remaining time, NYS will not be able to absorb the funds. Further, to avoid administrative costs and time wasted on negotiations between the Ministry of Water and NYS, the funds allocated to NYS should be allocated to Regional Development Authorities which should partner with NYS to use their equipment when necessary.

- That the Ministries should concentrate on projects that generate income and create employment to reduce their reliance on the exchequer.

i) Departmental Committee on Justice and Legal Affairs Committee

- Improve in the disbursement of resources for development expenditure in to actualize implementation of the 2015/16 projects.
- Consider increasing the allocation for the office of Director of Public prosecution and witness Protection Agency in order to enable the aforementioned offices achieve their mandate.

j) Departmental Committee on Defense and Foreign Relatives

- Modernization programme for the Ministry of Defense and National Intelligence Service Commission to be fully implemented for effective service delivery of their mandate.
- Acquisition of more personnel and facilities for Foreign mission abroad for effective and positive placement of the country to attract international trade and diplomatic representation.

k) Departmental Committee on Lands

- Treasury should follow the cash flow plans from the Ministries, Departments, and Agencies (MDAs) in order to enable ministries carry out development projects in a timely manner.
- There is need for additional resources towards land resettlement.
- Reorientation of funds from the General Administration, Planning and Support Services from National Lands Commission (NLC) to settle land disputes and conflict management in the Ministry of Lands.

l) Departmental Committee on Labour and Social Welfare

- Adequately support the National Gender and Equality Commission to carry out the operation of the commission.
- Establish two employment attaches in the Middle East Countries (Qatar and Saudi Arabia)
- Provide adequate resources for National Museums of Kenya and for Kenya Film classification board for refurbishments of monuments and Personnel emoluments.
- Establishment of a National labor market information system
- Establish the National Employment Authority as per the enacted legislation.
- Provide additional resources for under 17 world youth championship in July 2017 as well as setting up Anti – Doping agency of Kenya
- Transfer of the National safety net funds from development to recurrent vote.

ANNEXES

SCHEDULE 1: PROPOSED CEILINGS FOR SPENDING AGENCIES (Ksh millions)												
Vote		Programmes		Draft Ceilings			Increments/Reductions			Revised Ceilings		
Number	Details	Number	Details	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
1011	The Presidency		**Total**	**6,973**	**1,741**	**8,714**	**-**	**-**	**-**	**6,973**	**1,741**	**8,714**
		0702000	P.2 Cabinet Affairs	1,265	1,109	2,374	-	-	-	1,265	1,109	2,374
		0703000	P.3 Government Advisory Services	314	-	314	-	-	-	314	-	314
		0704000	P.4 State House Affairs	3,010	459	3,469	-	-	-	3,010	459	3,469
		0734000	P.6 Deputy President Services	2,384	173	2,557	-	-	-	2,384	173	2,557
1021	State Department for Interior		**Total**	**98,002**	**15,181**	**113,183**	**-**	**-**	**-**	**98,002**	**15,181**	**113,183**
		0601000	P.1 Policing Services	80,485	12,899	93,384	-	-	-	80,485	12,899	93,384
		0602000	P.2 Planning, Policy Coordination and Support Service	12,589	611	13,200	-	-	-	12,589	611	13,200
		0603000	P.3 Government Printing Services	727	121	848	-	-	-	727	121	848
		0605000	P.4 Population Management Services	4,201	1,550	5,751	-	-	-	4,201	1,550	5,751
1022	State Department for Coordination of National Government		**Total**	**19,291**	**1,050**	**20,341**	**-**	**-**	**-**	**19,291**	**1,050**	**20,341**
		0604000	P.1 Correctional services	18,875	1,032	19,907	-	-	-	18,875	1,032	19,907
		0623000	P.2 General Administration, Planning and Support Services	346	18	364	-	-	-	346	18	364
		0624000	P.3 Betting Control, Licensing and Regulation Services	70	-	70	-	-	-	70	-	70
1031	State Department for Planning		**Total**	**18,492**	**54,684**	**73,176**	**-**	**(1,051)**	**(1,051)**	**18,492**	**53,633**	**72,125**
		0706000	P.1 Economic Policy and National Planning	1,124	38,141	39,265	-	-	-	1,124	38,141	39,265
		0707000	P.2 National Statistical Information Services	1,818	1,572	3,390	-	-	-	1,818	1,572	3,390
		0708000	P.3 Monitoring and Evaluation Services	43	163	206	-	-	-	43	163	206
		0709000	P.4 General Administration Planning and Support Services	746	144	890	-	-	-	746	144	890
		0710000	P.5 Public Service Transformation	6,600	910	7,510	-	-	-	6,600	910	7,510
		0711000	P.6 Gender & Youth Empowerment	8,161	13,754	21,915	-	(1,051)	(1,051)	8,161	12,703	20,864
1032	State Department for Devolution		**Total**	**2,242**	**7,994**	**10,236**	**-**	**-**	**-**	**2,242**	**7,994**	**10,236**
		0732000	P.3 General Administration, Planning and Support Services	269	-	269	-	-	-	269	-	269
		0712000	P.7 Devolution Services	1,029	10	1,039	-	-	-	1,029	10	1,039
		0713000	P.8 Special Intiatives	574	1,507	2,081	-	-	-	574	1,507	2,081
		0733000	P.9 Accelerated ASAL Development	370	6,477	6,847	-	-	-	370	6,477	6,847
1041	Ministry of Defence		**Total**	**96,952**	**42**	**96,994**	**-**	**-**	**-**	**96,952**	**42**	**96,994**
		0801000	P.1 Defence	95,219	42	95,261	-	-	-	95,219	42	95,261
		0802000	P.2 Civil Aid	450	-	450	-	-	-	450	-	450
		0803000	P.3 General Administration, Planning and Support Services	1,283	-	1,283	-	-	-	1,283	-	1,283
1051	Ministry of Foreign Affairs and International Trade		**Total**	**13,232**	**1,000**	**14,232**	**-**	**-**	**-**	**13,232**	**1,000**	**14,232**
		0715000	P.2 Foreign Relation and Diplomacy	9,310	402	9,712	-	-	-	9,310	402	9,712
		0714000	P.1 General Administration Planning and Support Services	3,172	598	3,770	-	-	-	3,172	598	3,770
		0716000	P.3 International Trade and Investments Promotion	750	-	750	-	-	-	750	-	750
1061	State Department for Education		**Total**	**59,412**	**21,974**	**81,386**	**-**	**100**	**100**	**59,412**	**22,074**	**81,486**
		0501000	P.1 Primary Education	17,225	18,986	36,211	-	-	-	17,225	18,986	36,211

SCHEDULE 1: PROPOSED CEILINGS FOR SPENDING AGENCIES (Ksh millions)												
Vote		Programmes		Draft Ceilings			Increments/Reductions			Revised Ceilings		
Number	Details	Number	Details	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
		0502000	P.2 Secondary Education	33,681	1,343	35,024	-	100	100	33,681	1,443	35,124
		0503000	P.3 Quality Assurance and Standards	4,978	903	5,881	-	-	-	4,978	903	5,881
		0508000	P.8 General Administration, Planning and Support Services	3,528	742	4,270	-	-	-	3,528	742	4,270
1062	State Department of Science and Technology		**Total**	**60,560**	**13,431**	**73,991**	**(300)**	**100**	**(200)**	**60,260**	**13,531**	**73,791**
		0504000	P.4 University Education	55,990	7,567	63,557	-	-	-	55,990	7,567	63,557
		0505000	P.5 Technical Vocational Education and Training	2,004	5,363	7,367	-	-	-	2,004	5,363	7,367
		0506000	P.6 Research, Science, Technology and Innovation	872	501	1,373	-	100	100	872	601	1,473
		0507000	P.7 Youth Training and Development	-	-	-	-	-	-	-	-	-
		0508000	P.8 General Administration, Planning and Support Services	1,694	-	1,694	(300)	-	(300)	1,394	-	1,394
1071	The National Treasury		**Total**	**46,732**	**44,712**	**91,444**	**-**	**-**	**-**	**46,732**	**44,712**	**91,444**
		0717000	P.1 General Administration Planning and Support Services	39,816	4,804	44,620	-	-	-	39,816	4,804	44,620
		0718000	P.2 Public Financial Management	5,422	37,994	43,416	-	-	-	5,422	37,994	43,416
		0719000	P.3 Economic and Financial Policy Formulation and Management	1,174	1,859	3,033	-	-	-	1,174	1,859	3,033
		0720000	P.4 Market Competition	320	55	375	-	-	-	320	55	375
1081	1081 Ministry of Health		**Total**	**28,940**	**30,635**	**59,575**	**-**	**-**	**-**	**28,940**	**30,635**	**59,575**
		0401000	P.1 Preventive & Promotive Health Services	1,736	13,845	15,581	-	-	-	1,736	13,845	15,581
		0402000	National Referral and Specialized Services	14,079	10,229	24,308	-	600	600	14,079	10,829	24,908
		0403000	P.3 Health Research and Development	5,025	624	5,649	-	-	-	5,025	624	5,649
		0404000	P.4 General Administration, Planning & Support Services	6,100	181	6,281	-	(100)	(100)	6,100	81	6,181
			Health Policy, Standards and Regulations	2,000	5,756	7,756	-	(500)	(500)	2,000	5,256	7,256
1091	State Department for Infrastructure		**Total**	**31,596**	**102,949**	**134,545**	**-**	**-**	**-**	**31,596**	**102,949**	**134,545**
		0202000	P.2 Road Transport	31,596	102,949	134,545	-	-	-	31,596	102,949	134,545
1092	State Department for Transport		**Total**	**5,793**	**124,960**	**130,753**	**-**	**-**	**-**	**5,793**	**124,960**	**130,753**
		0201000	P.1 General Administration, Planning and Support Services	397	5	402	-	-	-	397	5	402
		0203000	P.3 Rail Transport	-	109,170	109,170	-	-	-	-	109,170	109,170
		0204000	P.4 Marine Transport	502	11,500	12,002	-	-	-	502	11,500	12,002
		0205000	P.5 Air Transport	4,378	3,985	8,363	-	-	-	4,378	3,985	8,363
		0206000	P.6 Government Clearing Services	65	-	65	-	-	-	65	-	65
		0216000	P.7 Road Safety	451	300	751	-	-	-	451	300	751
1101	State Department for Environment and Natural Resources		**Total**	**14,616**	**11,680**	**26,296**	**-**	**-**	**-**	**14,616**	**11,680**	**26,296**
		1010000	P.1 General Administration, Planning and Support Services	586	25	611	-	-	-	586	25	611
		1011000	P.2 Environment and Natural Resources Management and Protection	12,214	7,435	19,649	-	-	-	12,214	7,435	19,649
		1012000	P.3 Meteorological Services	1,157	1,101	2,258	-	-	-	1,157	1,101	2,258
		1005000	P.5 Integrated Regional Development	659	3,119	3,778	-	-	-	659	3,119	3,778
1102	Ministry for Water and Regional Authorities		**Total**	**4,162**	**42,122**	**46,284**	**-**	**-**	**-**	**4,162**	**42,122**	**46,284**
		1001000	P.1 General Administration, Planning and Support Services	616	190	806	-	-	-	616	190	806
		1004000	P.4 Water Resources Management	2,692	29,429	32,121	-	-	-	2,692	29,429	32,121
			P.3 Irrigation and Land Reclamation	854	12,503	13,357	-	-	-	854	12,503	13,357
1111	Ministry of Lands, Housing and Urban		**Total**	**3,969**	**23,872**	**27,841**	**300**	**1,300**	**1,600**	**4,269**	**25,172**	**29,441**
		0101000	P.1 Land Policy and Planning	2,302	4,772	7,074	300	-	300			

SCHEDULE 1: PROPOSED CEILINGS FOR SPENDING AGENCIES (Ksh millions)												
Vote		Programmes		Draft Ceilings			Increments/Reductions			Revised Ceilings		
Number	Details	Number	Details	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
	Development									2,602	4,772	7,374
		0102000	P.2 Housing Development and Human Settlement	458	6,959	7,417	-	1,300	1,300	458	8,259	8,717
		0103000	P.3 Government Buildings	328	1,232	1,560	-	-	-	328	1,232	1,560
		0104000	P.4 Coastline Infrastructure and Pedestrian Access	59	41	100	-	-	-	59	41	100
		0105000	P.5 Urban and Metropolitan Development	297	10,868	11,165	-	-	-	297	10,868	11,165
		0106000	P.6 General Administration Planning and Support Services	525	-	525	-	-	-	525	-	525
1121	Ministry of Information, Communication and Technology		**Total**	**2,930**	**8,288**	**11,218**	-	-	-	**2,930**	**8,288**	**11,218**
		0207000	P.1 General Administration Planning and Support Services	723	619	1,342	-	-	-	723	619	1,342
		0208000	P.2 Information And Communication Services	1,060	110	1,170	-	-	-	1,060	110	1,170
		0209000	P.3 Mass Media Skills Development	215	135	350	-	-	-	215	135	350
		0210000	P.4 ICT Infrastructure Development	932	7,424	8,356	-	-	-	932	7,424	8,356
1131	Ministry of Sports Culture and Arts		**Total**	**2,850**	**2,646**	**5,496**	**1,700**	**250**	**1,950**	**4,550**	**2,896**	**7,446**
		0901000	P.1 Sports	737	1,545	2,282	1,300	-	1,300	2,037	1,545	3,582
		0902000	P.2 Culture	866	358	1,224	150	250	400	1,016	608	1,624
		0903000	P.3 The Arts	380	130	510	250	-	250	630	130	760
		0904000	P.4 Library Services	555	590	1,145	-	-	-	555	590	1,145
		0905000	P.5 General Administration, Planning and Support Services	312	23	**335**	-	-	-	312	23	335
1141	Ministry of Labour Social Security and Services		**Total**	**9,221**	**15,433**	**24,654**	**100**	**150**	**250**	**9,321**	**15,583**	**24,904**
		0906000	P.1 Promotion of the Best Labour Practice	389	235	624	100	-	100	489	235	724
		0907000	P.2 Manpower Development, Employment and Productivity Management	633	271	904	-	150	150	633	421	1,054
		0908000	P.3 Social Development and Children Services	2,641	842	3,483	-	-	-	2,641	842	3,483
		0909000	P.4 National Social Safety Net	5,067	14,070	19,137	-	-	-	5,067	14,070	19,137
		0910000	P.5 General Administration Planning and Support Services	491	15	506	-	-	-	491	15	506
1151	Ministry of Energy and Petroleum		**Total**	**1,973**	**89,108**	**91,081**	-	-	-	**1,973**	**89,108**	**91,081**
		0211000	P.1 General Administration Planning and Support Services	289	300	589	-	-	-	289	300	589
		0212000	P.2 Power Generation	741	26,950	27,691	-	-	-	741	26,950	27,691
		0213000	P.3 Power Transmission and Distribution	766	59,073	59,839	-	-	-	766	59,073	59,839
		0214000	P.4 Alternative Energy Technologies	157	827	984	-	-	-	157	827	984
		0215000	P.5 Exploration and Distribution of Oil and Gas	20	1,958	1,978	-	-	-	20	1,958	1,978
1161	State Department for Agriculture		**Total**	**7,199**	**16,127**	**23,326**	-	-	-	**7,199**	**16,127**	**23,326**
		0107000	P.1 General Administration Planning and Support Services	1,307	1,900	3,207	-	-	-	1,307	1,900	3,207
		0108000	P.2 Crop Development and Management	5,715	14,227	19,942	-	-	-	5,715	14,227	19,942
		0109000	P.3 Agribusiness and Information Management	177	-	177	-	-	-	177	-	177
1162	State Department for Livestock		**Total**	**1,968**	**4,868**	**6,836**	-	-	-	**1,968**	**4,868**	**6,836**
		0112000	P.6 Livestock Resources Management and Development	1,968	4,868	6,836	-	-	-	1,968	4,868	6,836
1163	State Department for Fisheries		**Total**	**1,576**	**3,119**	**4,695**	-	-	..	**1,576**	**3,119**	**4,695**
		0111000	P.5 Fisheries Development and Management	1,576	3,119	4,695	-	-	-	1,576	3,119	4,695
1171	Ministry of Industrialization and Entreprise Development		**Total**	**2,487**	**5,261**	**7,748**	-	-	-	**2,487**	**5,261**	**7,748**
		0301000	P.1 General Administration Planning and Support Services	509	-	509	-	-	-	509	-	509
		0302000	P.2 Industrial Development and Investments	1,744	5,101	6,845	-	-	-	1,744	5,101	6,845

SCHEDULE 1: PROPOSED CEILINGS FOR SPENDING AGENCIES (Ksh millions)												
Vote		Programmes		Draft Ceilings			Increments/Reductions			Revised Ceilings		
Number	Details	Number	Details	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
		0304000	P.4 Cooperative Development and Management	234	160	394	-	-	-	234	160	394
1181	State Department for Commerce and Tourism		**Total**	**2,683**	**3,267**	**5,950**	-	-	-	**2,683**	**3,267**	**5,950**
		0306000	P.2 Tourism Development and Promotion	1,246	1,091	2,337	-	-	-	1,246	1,091	2,337
		0307000	P.3 Trade Development and Promotion	809	455	1,264	-	-	-	809	455	1,264
		0308000	P.4 General Administration, Planning and Support Services	628	1,721	2,349	-	-	-	628	1,721	2,349
1182	State Department for East African Affairs		**Total**	**1,598**	**65**	**1,663**	-	-	-	**1,598**	**65**	**1,663**
		0305000	P.1 East African Affairs and Regional Integration	1,598	65	1,663	-	-	-	1,598	65	1,663
1191	Ministry of Mining		**Total**	**760**	**1,215**	**1,975**	-	-	-	**760**	**1,215**	**1,975**
		1007000	P.1 General Administration Planning and Support Services	341	100	441	-	-	-	341	100	441
		1008000	P.2 Resources Surveys and Remote Sensing	208	406	614	-	-	-	208	406	614
		1009000	P.3 Mineral Resources Management	211	709	920	-	-	-	211	709	920
1251	Office of the Attorney General and Department of Justice		**Total**	**4,011**	**494**	**4,505**	-	-	-	**4,011**	**494**	**4,505**
		0606000	P.1 Legal Services	1,558	45	1,603	-	-	-	1,558	45	1,603
		0607000	P.2 Governance, Legal Training and Constitutional Affairs	1,776	140	1,916	-	-	-	1,776	140	1,916
		0609000	P.4 General Administration, Planning and Support Services	677	309	986	-	-	-	677	309	986
1261	The Judiciary		**Total**	**12,860**	**4,449**	**17,309**	-	-	-	**12,860**	**4,449**	**17,309**
		0610000	P.1 Dispensation of Justice	12,860	4,449	17,309	-	-	-	12,860	4,449	17,309
1271	Ethics and Anti-Corruption Commission		**Total**	**2,691**	**100**	**2,791**	-	-	-	**2,691**	**100**	**2,791**
		0611000	P.1 Ethics and Anti-Corruption	2,691	100	2,791	-	-	-	2,691	100	2,791
1281	National Intelligence Service		**Total**	**23,846**	-	**23,846**	-	-	-	**23,846**	-	**23,846**
		0804000	P.1 National Security Intelligence	23,846	-	23,846	-	-	-	23,846	-	23,846
1291	Office of the Director of Public Prosecutions		**Total**	**1,953**	**150**	**2,103**	-	-	-	**1,953**	**150**	**2,103**
		0612000	P.1 Public Prosecution Services	1,953	150	2,103	-	-	-	1,953	150	2,103
1301	Commission for the Implementation of the Constitution		**Total**	-	-	-	-	-	-	-	-	-
		0613000	P.1 Implementation of the Constitution	-	-	-	-	-	-	-	-	-
1311	Office of the Registrar of Political Parties		**Total**	**507**	-	**507**	-	-	-	**507**	-	**507**
		0614000	P.1 Registration, Regulation and Funding of Political Parties	507	-	507	-	-	-	507	-	507
1321	Witness Protection Agency		**Total**	**360**	-	**360**	-	-	-	**360**	-	**360**
		0615000	P.1 Witness Protection	360	-	360	-	-	-	360	-	360
2011	Kenya National Human Rights Commission		**Total**	**454**	-	**454**	-	-	-	**454**	-	**454**
		0616000	P.1 Protection and Promotion of Human Rights	454	-	454	-	-	-	454	-	454
2021	National Land Commission		**Total**	**1,081**	**300**	**1,381**	**(300)**	-	**(300)**	**781**	**300**	**1,081**
		0113000	P.1 General Administration, Planning and Support Services	827	250	1,077	(527)	-	(527)	300	250	550
			P.13 Land Administration and Management	164		164	-	-	-	164		164
			P.14 National Land Management Information System	40	50	90	-	-	-	40	50	90
			P. 15 Land Disputes and Conflict Management	50	-	50	227	-	227	277	-	277
2031	Independent Electoral and Boundaries Commission		**Total**	**19,321**	**103**	**19,424**	-	-	-	**19,321**	**103**	**19,424**
		0617000	P.1 Management of Electoral Processes	19,321	103	19,424	-	-	-	19,321	103	19,424
		0618000	P.2 Delimitation of electoral boundaries	-	-	-	-	-	-	-	-	-
2041	Parliamentary Service Com-		**Total**	**9,058**	**3,200**	**12,258**	**1,200**	-	**1,200**	**10,258**	**3,200**	**13,458**

SCHEDULE 1: PROPOSED CEILINGS FOR SPENDING AGENCIES (Ksh millions)												
Vote		Programmes		Draft Ceilings			Increments/Reductions			Revised Ceilings		
Number	Details	Number	Details	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
	mission	0721000	P.1 National Legislation, Representation and Oversight	-	-	-	-	-	-	-	-	-
		0722000	P.2 Senate Affairs	5,332	-	5,332	1,200	-	1,200	6,532	-	6,532
		0723000	P.3 General Administration, Planning and Support Services	3,726	3,200	6,926	-	-	-	3,726	3,200	6,926
2042	The National Assembly		**Total**	**15,448**	-	**15,448**	**500**	-	**500**	**15,948**	-	**15,948**
		0721000	P.1 National Legislation, Representation and Oversight	15,448	-	15,448	500	-	500	15,948	-	15,948
2051	Judical Service Commission		**Total**	**450**	-	**450**	-	-	-	**450**	-	**450**
		0619000	P.1 General Administration, Planning and Support Services	450	-	450	-	-	-	450	-	450
2061	The Commission on Revenue Allocation		**Total**	341	-	**341**	-	-	-	341	-	**341**
		0724000	P.1 Inter-Governmental Revenue and Financial Matters	341	-	341	-	-	-	341	-	341
2071	Public Service Commission		**Total**	**1,114**	**50**	**1,164**	-	-	-	**1,114**	**50**	**1,164**
		0725000	P.1 General Administration, Planning and Support Services	805	50	855	-	-	-	805	50	855
		0726000	P.2 Human Resource management and Development	187	-	187	-	-	-	187	-	187
		0727000	P.3 Governance and National Values	122	-	122	-	-	-	122	-	122
2081	Salaries and Remunaration Commission		**Total**	**543**	-	**543**	-	-	-	**543**	-	**543**
		0728000	P.1 Salaries and Remuneration Management	543	-	543	-	-	-	543	-	543
2091	Teachers Service Commission		**Total**	**186,544**	**100**	**186,644**	**4,650**	-	**4,650**	**191,194**	**100**	**191,294**
		0509000	P.1 Teacher Resource Management	181,204	-	181,204	4,550	-	4,550	185,754	-	185,754
		0510000	P.2 Governance and Standards	199	-	199	-	-	-	199	-	199
		0511000	P.3 General Administration, Planning and Support Services	5,141	100	5,241	100	-	100	5,241	100	5,341
2101	National Police Service Commission		**Total**	**430**	-	**430**	-	-	-	**430**	-	**430**
		0620000	P.1 National Police Service Human Resource Management	430	-	430	-	-	-	430	-	430
2111	Auditor General		**Total**	**3,850**	**300**	**4,150**	-	-	-	**3,850**	**300**	**4,150**
		0729000	P.1 Audit Services	3,850	300	4,150	-	-	-	3,850	300	4,150
2121	Controller of Budget		**Total**	**573**	-	**573**	-	-	-	**573**	-	**573**
		0730000	P.1 Control and Management of Public finances	573	-	573	-	-	-	573	-	573
2131	The Commission on Administrative Justice		**Total**	**474**	-	**474**	-	-	-	**474**	-	**474**
		0731000	P.1 Promotion of Administrative Justice	474	-	474	-	-	-	474	-	474
2141	National Gender and Equality Commission		**Total**	**307**	-	**307**	**151**	-	**151**	**458**	-	**458**
		0621000	P.1 Promotion of Gender Equality and Freedom from Discrimination	307	-	307	151	-	151	458	-	458
2151	Independent Police Oversight Authority		**Total**	**416**	-	**416**	-	-	-	**416**	-	**416**
		0622000	P.1 Policing Oversight Services	416	-	416	-	-	-	416	-	416
Total Ministerial, Department and Agencies Expenditures				**832,841**	**656,670**	**1,489,511**	**8,001**	**849**	**8,850**	**840,842**	**657,519**	**1,498,361**

SCHEDULE 2: CRITICAL AREAS THAT ARE UNFUNDED (Ksh millions)							
Vote		Programmes		Additional Requests			Details of additional requests
Number	Details	Number	Details	Current	Capital	Total	
1041	Ministry of Defence		Total	**54,270**	-	**54,270**	
		0801000	P.1 Defence	54,270	-	54,270	54.27 billion for morderni-zationprogramme
1051	Ministry of Foreign Affairs and International Trade		Total	**12,000**	-	**12,000**	
		0715000	P.2 Foreign Relation and Diplomacy	12,000	-	12,000	12 billion for additional personnel and facilities for foreign missions abroad
1061	State Department for Education		Total	-	**500**	**500**	
		0502000	P.2 Secondary Education	-	500	500	500 million for decongestion and refurbishment of National Schools (This is Phase 1 covering 25 schools)
1062	State Department of Science and Technology		Total	-	**3,000**	**3,000**	
		0505000	P.5 Technical Vocational Education and Training	-	3,000	3,000	3 billion for equipping of 60 Technical Training Institutes which are near completion
1081	1081 Ministry of Health		Total	**30**	**1,000**	**1,030**	
		0401000	P.1 Preventive & Promotive Health Services	30	-	30	30 million for operationalization of Tobacco Control Board
		0402000	National Referral and Specialized Services	-	500	500	500 million for: expansion of Government Chemist (100 million); Phase 1 construction of National Quality Control Laboratories (100 million); Procurement of Vaccines (300 million)
		0403000	P.3 Health Research and Development	-	500	500	500 million for expansion of KMTC campuses
1091	State Department for Infrastructure		Total	-	**16,400**	**16,400**	
		0202000	P.2 Road Transport	-	16,400	16,400	16.4 billion for: pending bills (KeNHA; KeRRA; KURA)
1092	State Department for Transport		Total	**200**	**10,000**	**10,200**	
		0204000	P.4 Marine Transport	-	10,000	10,000	10 billion for first three berths at Port of Lamu (LAPPSET)
		0216000	P.7 Road Safety	200	-	200	NTSA for implementation of road safety action plan (200 million)
1101	State Department for Environment and Natural Resources		Total	**4,000**	**4,970**	**8,970**	
		1011000	P.2 Environment and Natural Resources Management and Protection	4,000	-	4,000	4 billion for compensation of victims of human-wildlife conflict
		1005000	P.5 Integrated	-	4,970	4,970	4.97 billion for: KVDA to

SCHEDULE 2: CRITICAL AREAS THAT ARE UNFUNDED (Ksh millions)							
Vote		Programmes		Additional Requests			Details of additional requests
Number	Details	Number	Details	Current	Capital	Total	
			Regional Development				cater for expenditure shortfalls (300 million); TARDA for pending bills in Kieni Irrigation Project (200 million); ENSDA for bamboo sector development (1 billion); ENSDA for leather factory project (170 million); and RDAs pending bills (3.3 billion)
1102	Ministry for Water and Regional Authorities		**Total**	-	**8,750**	**8,750**	
		1004000	P.4 Water Resources Management	-	8,150	8,150	8.15 billion for: GoKconterpart funding of projects (5 billion); Compensation and resettlement of people occupying dam sites areas in Mwache and Lower Nzoia (3 billion); water storage and supplies emergency interventions (150 million)
			P.3 Irrigation and Land Reclamation	-	600	600	600 million for small-scale irrigation
1131	Ministry of Sports Culture and Arts		**Total**	**1,420**	-	**1,420**	
		0901000	P.1 Sports	1,300	-	1,300	1.3 billion for: Setting up of Anti-Doping Agency of Kenya (500 million); Logistical support for athletes and officials in the 2016 Summer Olympics in Brazil (800 million)
		0902000	P.2 Culture	120	-	120	120 million for personnel emoluments in the New State Department for Culture and Arts
1141	Ministry of Labour Social Security and Services		**Total**	**924**	-	**924**	
		0907000	P.2 Manpower Development, Employment and Productivity Management	734	-	734	734 million for establishment of National Employment Authority
		0908000	P.3 Social Development and Children Services	190	-	190	190 million for Productivity, Improvement, Measurements and Promotion
1162	State Department for Livestock		**Total**	-	**700**	**700**	
		0112000	P.6 Livestock Resources Management and Development	-	700	700	500 million for KMC Mordenization; 100 million for KEVEVAPI; 100 million for Disease Free Zone
1163	State Depart-		**Total**	**50**	**50**	**100**	

SCHEDULE 2: CRITICAL AREAS THAT ARE UNFUNDED (Ksh millions)							
Vote		Programmes		Additional Requests			Details of additional requests
Number	Details	Number	Details	Current	Capital	Total	
	ment for Fisheries	0111000	P.5 Fisheries Development and Management	50	50	100	50 million for operationalization of fisheries bill (establishment of Kenya Fisheries Services, Fisheries Advisory Council and Fish Marketing Authority); 50 million for completion of fish quality laboratories
1191	Ministry of Mining		**Total**	**786**	**2,000**	**2,786**	
		1008000	P.2 Resources Surveys and Remote Sensing	-	2,000	2,000	2 billion for National Airborne Geophysical Survey
		1009000	P.3 Mineral Resources Management	786	-	786	786 for various expenditure shortfalls
1261	The Judiciary		**Total**	**500**	**500**	**1,000**	
		0610000	P.1 Dispensation of Justice	500	500	1,000	500 million for recurrent expenditure; 500 million for development expenditure
1281	National Intelligence Service		**Total**	**5,400**	**-**	**5,400**	
		0804000	P.1 National Security Intelligence	5,400	-	5,400	5.4 billion for modernization programme
2041	Parliamentary Service Commission		**Total**	**-**	**1,000**	**1,000**	
		0723000	P.3 General Administration, Planning and Support Services	-	1,000	1,000	1 billion for purchase of land for CPST
2091	Teachers Service Commission		**Total**	**3,150**	**-**	**3,150**	
		0509000	P.1 Teacher Resource Management	3,150	-	3,150	1.35 billion for recruitment of additional teachers; and 1.8 billion for promotion of teachers in various cardes
2111	Auditor General		**Total**	**1,270**	**-**	**1,270**	
		0729000	P.1 Audit Services	1,270	-	1,270	1.27 billion for: Personnel Emoluments (449.6 million); domestic travel (82 million); purchase of motor vehicle (100 million); ICT (184.02 million); rentals of assets (74.42 million); outsourcing of audits (180 million); car loans (200 million)
Total Additional for Critical Areas				**84,000**	**48,870**	**132,870**	

MINUTES OF THE 24TH SITTING OF THE LIAISON COMMITTEE HELD ON THURSDAY 3RD MARCH, 2016 IN ROOM 9, MAIN PARLIAMENT BUILDINGS AT 9:00 AM.

PRESENT

1. **Hon. (Dr.) Joyce Laboso, MP** - **Deputy Speaker/ Chairperson**
2. **Hon. Moses Cheboi, MP** - **Vice Chairperson/Member of the Speaker's Panel**
3. Hon. Asman Kamama, MP
4. Hon. Adan Nooru, MP
5. Hon. Amina Abdalla, MP
6. Hon. Janet Nangabo Wanyama, MP
7. Hon. Ndung'u Gethenji, MP
8. Hon. David Were, MP
9. Hon. (Dr.) Rachael Nyamai, MP
10. Hon. Maina Kamanda, MP
11. Hon. Sabina Chege, MP

ABSENT WITH APOLOGY

1. Hon. Adan Keynan, MP
2. Hon. Benjamin Langat, MP
3. Hon. Moses Lessonet, MP
4. Hon. Jamleck Kamau, MP
5. Hon. Florence Kajuju, MP
6. Hon. Samuel Chepkong'a, MP
7. Hon. William Cheptumo, MP
8. Hon. Alex Mwiru, MP
9. Hon. Nicolas Gumbo, MP
10. Hon. Roselinda Soipan, MP
11. Hon. Johnson Sakaja, MP
12. Hon. Njoroge Baiya, MP

IN ATTENDANCE

NATIONAL ASSEMBLY SECRETARIAT

1. Ms. Phyllis Makau - Director, Parliamentary Budget Office
2. Mr. Peter Chemweno - Deputy Director, Committee Services
3. Mr. Martin Masinde - Deputy Director, Parliamentary Budget Office
4. Mr. Dennis Mogare - Clerk Assistant III
5. Mr. Benjamin Ngimor - Fiscal Analyst
6. Mr. Joseph Ndirangu - Fiscal Analyst
7. Mr. Danson Kachumbo - Fiscal Analyst

9. Mr. Vitalis Ndambuki - Office Assistant

MIN. NO.23/2016 – PRELIMINARIES

The Chairperson called the meeting to order at 9.26 am and said a prayer. She then stated that the agenda of the meeting was consideration and adoption of the Committee's Report on the 2016 Budget Policy Statement.

MIN. NO.24/2016 - CONSIDERATION AND ADOPTION OF THE REPORT ON THE 2016 BUDGET POLICY STATEMENT.

The Committee considered the Report on the Budget Policy Statement and the Debt Management Strategy for 2016/17 and the Medium Term and adopted the following changes to the ceilings as follows:

1. A reduction by Ksh 1.051B for the state department of Planning.
2. An increase by Ksh 100M for the state department of education.
3. Under the State Department of Science and Technology:
    a) An increase by Ksh Ksh 100M to the research, science, technology and innovation program.
    b) A reduction by Ksh 300M from the general administration, planning and support services program.
4. Under the Ministry of Health:
    a) An increase by Ksh 600M to the national referral and specialized services program.
    c) A reduction by Ksh 100M from the general administration, planning and support services program.
    b) A reduction by Ksh 500M from the health policy, standards and regulations.
5. An increase by Ksh 300M to the Ministry of Lands, Housing and Urban Development
6. A reduction by Ksh 300M from the National Land Commission.
7. An increase by 1.950B to the Ministry Of Sports, Culture And Arts.
8. An increase by 250M to the Ministry Of Labour, Social Security And Services.
9. An increase by 1.2B to the Parliamentary Service Commission.
10. An increase by 500M to the National Assembly.
11. An increase by 4. 650B to the Teachers' Service Commission.
12. An increase by 151M to the National Gender And Equality Commission.

The Committee, thereafter, considered and adopted the Report on the Budget Policy Statement and the Debt Management Strategy for 2016/17 and the Medium Term after being proposed and seconded by Hon. David Were, MP and Hon. Amina Abdalla, MP respectively.

MIN. NO.25/2016 - ADJOURNMENT

There being no other business, the Chairperson adjourned the meeting at 11:35 am. The next meeting shall be convened on notice.

Sign ....

(Chairperson)

Date 3/3/16

MINUTES OF THE 23RD SITTING OF THE LIAISON COMMITTEE HELD ON WEDNESDAY 2ND MARCH, 2016 IN THE MINI CHAMBER, COUNTY HALL, PARLIAMENT BUILDINGS AT 3:00 PM.

PRESENT

1. **Hon. (Dr.) Joyce Laboso, MP** - Deputy Speaker/ Chairperson
2. **Hon. AsmanKamama, MP**
3. Hon. Adan Nooru, MP
4. Hon. Amina Abdalla, MP
5. Hon. David Were, MP
6. Hon. (Dr.) Rachael Nyamai, MP
7. Hon. Johnson Sakaja, MP
8. Hon. MainaKamanda, MP
9. Hon. Alex Mwiru, MP
10. Hon. Nicolas Gumbo, MP
11. Hon. RoselindaSoipan, MP
12. Hon. Sabina Chege, MP

ABSENT WITH APOLOGY

1. Hon. Moses Cheboi, MP - Vice Chairperson/Member of the Speaker's Panel
2. Hon. Adan Keynan, MP
3. Hon. Benjamin Langat, MP
4. Hon. Moses Lessonet, MP
5. Hon. JamleckKamau, MP
6. Hon. Florence Kajuju, MP
7. Hon. Samuel Chepkong'a, MP
8. Hon. William Cheptumo, MP
9. Hon. NjorogeBaiya, MP
10. Hon. Janet NangaboWanyama, MP
11. Hon. Ndung'uGethenji, MP

IN ATTENDANCE

The National Treasury

1. Dr. Kamau Thugge, CBS - Principal Secretary / National Treasury
2. Dr. Geoffrey Mwau, EBS - Director General/ Budget Financial and Economic Affairs
3. Mr. Francis Anyona, OGW - Director/ Budget Department
4. Mr. Geoffrey Malombe. HSC - Senior Assistant Accountant General
5. Mr. Samuel Kiilu - Deputy Chief Economist
6. Ms. Miriam Musyoka - Economist I
7. Ms. FelisterKivisi -Ag. Director, Debt

National Assembly Secretariat

1. Ms. Phyllis Makau - Director, Parliamentary Budget Office
2. Mr. Peter Chemweno - Deputy Director, Committee Services
3. Mr. Martin Masinde - Deputy Director, Parliamentary Budget Office
4. Mr. Dennis Mogare - Clerk Assistant III
5. Mr. Benjamin Ngimor - Fiscal Analyst
6. Mr. Joseph Ndirangu - Fiscal Analyst
7. Mr. Danson Kachumbo - Fiscal Analyst
8. Ms. Rehema Koech - Audio Recording Officer

MIN. NO.22/2016 – PRELIMINARIES

The Chairperson called the meeting to order at 3.25 pm and said a prayer. She then welcomed all those present to introduce themselves.

MIN. NO.23/2016 - CONFIRMATION OF MINUTES OF THE PREVIOUS SITTING

Confirmation of the minutes of the previous sittings was deferred to the next meeting.

MIN. NO.24/2016 - MEETING WITH THE NATIONAL TREASURY

The Chairperson stated that the meeting was a continuation of consutations on the proposals made by departmental committees on re-allocation of funds within provided ceilings and requests for additional funding.

After lengthy deliberations, it was resolved that: -

1. Requests for additional funding, above the set 2016 BPS ceilings, be honoured to a total of **Ksh. 8.850 Billion** as follows:-
   a) Recruitment of 5,000 teachers (TSC) - **Ksh. 2.350B**
   b) Retired teachers arrears ordered by the Supreme Court (TSC) – **Ksh. 2.2B**
   c) Youth championships (Ministry of Sports, Culture and Arts) – **Ksh. 1.3B**
   d) Ministry of Lands and Housing - **Ksh. 1.3B** (to be moved from within the ceiling of the State Department of Interior)
   e) National Assembly - **Ksh. 0.5B**
   f) Parliamentary Service Commission - **Ksh. 1.2 B**

2. Requests for reallocations be declined since the initial allocations were well justified.

MIN. NO.25/2016 - ADJOURNMENT

There being no other business, the Chairperson adjourned the meeting at 6:15 pm. The next meeting was scheduled for 3rd March, 2016 at 9.00 am.

Sign ....
(Chairperson)

Date ....3/3/16...........................

MINUTES OF THE 22ND SITTING OF THE LIAISON COMMITTEE HELD ON TUESDAY 1ST MARCH, 2016 IN THE MINI CHAMBER, COUNTY HALL, PARLIAMENT BUILDINGS AT 9:00 AM.

PRESENT

1. **Hon. (Dr.) Joyce Laboso, MP** - Deputy Speaker/ Chairperson
2. **Hon. Moses Cheboi, MP** - Vice Chairperson/Member of the Speaker's Panel
3. Hon. Asman Kamama, MP
4. Hon. Adan Nooru, MP
5. Hon. Amina Abdalla, MP
6. Hon. David Were, MP
7. Hon. (Dr.) Rachael Nyamai, MP
8. Hon. Johnson Sakaja, MP
9. Hon. Maina Kamanda, MP
10. Hon. Nelson Gaichuhie, MP
11. Hon. Adan Keynan, MP
12. Hon. Nicolas Gumbo, MP
13. Hon. Moses Lessonet, MP
14. Hon. Florence Kajuju, MP
15. Hon. Sabina Chege, MP
16. Hon. Jamleck Kamau, MP

ABSENT WITH APOLOGY

1. Hon. Benjamin Langat, MP
2. Hon. Samuel Chepkong'a, MP
3. Hon. William Cheptumo, MP
4. Hon. Njoroge Baiya, MP
5. Hon. Alex Mwiru, MP
6. Hon. Janet Nangabo Wanyama, MP
7. Hon. Roselinda Soipan, MP
8. Hon. Ndung'u Gethenji, MP

IN ATTENDANCE

PARLIAMENTARY SERVICE COMMISSION

1. Mr. J.M Nyegenye - Clerk Senate/Secretary PSC
2. Mr. Justin Bundi - Clerk, National Assembly
3. Dr. Wakah Odhiambo - Ag. Director, Finance And Accounts
4. Mr. Irungu Kigundu - Ag. Deputy Director, Finance And Accounts

COMMISSION ON REVENUE ALLOCATION

1. Mr. Micah Cheserem - Chairperson, Commission on Revenue Allocation
2. Ms. Fatuma Abdikadir - Vice Chairperson, CRA
3. Ms. Linet Oyugi - Director, CRA
4. Mr. George Ooko - CEO, CRA
5. Mr. H.H. Kimura - Commissioner, CRA

THE NATIONAL TREASURY

1. Mr. Henry Rotich, EGH - Cabinet Secretary / National Treasury
2. Dr. Kamau Thugge, CBS - Principal Secretary / National Treasury
3. Dr. Geoffrey Mwau, EBS - Director General/ Budget Financial and Economic Affairs
4. Mr. Bernard Ndungu - Director General / Accounting Services & Quality Assurance
5. Mr. Francis Anyona, OGW - Director/ Budget Department
6. Mr. Geoffrey Malombe. HSC - Senior Assistant Accountant General
7. Mr. Samuel Kiilu - Deputy Chief Economist
8. Mr. John Njera - Senior Economist
9. Mr. Charles Kairu - Senior Economist
10. Ms. Miriam Musyoka - Economist I
11. Ms. Isabella Kogei - Finance Officer
12. Mr. Fred Owegi - Advisor- Intergovernmental Fiscal Relations.

NATIONAL ASSEMBLY SECRETARIAT

1. Ms. Phyllis Makau - Director, Parliamentary Budget Office
2. Mr. Peter Chemweno - Deputy Director, Committee Services
3. Mr. Martin Masinde - Deputy Director, Parliamentary Budget Office
4. Mr. Nicholas Emejen - Principal Clerk Assistant I
5. Mr. Dennis Mogare - Clerk Assistant III
6. Mr. Benjamin Ngimor - Fiscal Analyst
7. Mr. Joseph Ndirangu - Fiscal Analyst
8. Mr. Danson Kachumbo - Fiscal Analyst
9. Ms. Rehema Koech - Audio Recording Officer
10. Mr. John Mungai - Audio Recording Officer
11. Mr. Vitalis Ndambuki - Office Assistant

MIN. NO.13/2016 – PRELIMINARIES

The Chairperson called the meeting to order at 9.28 am and said a prayer. She then welcomed all those present to make a self-introduction.

MIN. NO.14/2016 - CONFIRMATION OF MINUTES OF THE PREVIOUS SITTING

Confirmation of the minutes of the previous sittings was deferred to the next meeting.

MIN. NO.15/2016 - MEETING WITH THE PARLIAMENTARY SERVICE COMMISSION

The Chairperson stated that the meeting was convened to address the matters of the ceilings of the Parliamentary Service Commission in the 2016 Budget Policy Statement. She then invited Mr. J.M Nyegenye, Clerk Senate/Secretary PSC, to make his presentation. In his presentation, he stated that:

1. The Public Finance Management Act, 2012 provides Parliament with two votes. Vote 2041 for the Parliamentary Service Commission (which covers the Senate, Parliamentary Joint Service and the Centre for Parliamentary Studies and Training) and vote 2042 which covers the recurrent expenditure of the National Assembly.
2. The 2016 BPS had provided inadequate ceilings for both vote 2041 and 2042. He observed that the BPS provided for **Ksh 9.058 Billion** under vote 2041 for the Parliamentary Service Commission for financial year 2016/2017 compared to **Ksh 8.920 Billion** in 2015/2016. The slight increase of **Ksh. 138 Million** was on account of compensation to employees. The development budget had a ceiling of **Ksh 3.2 Billion** in vote 2041 (PSC) reflecting no increase.
3. The BPS, 2016 had provided for a ceiling of **Ksh. 15.448 Billion** in vote 2042 for the National Assembly in financial year 2016/17 compared to **Ksh. 15.157 Billion** in financial year 2015/16. The slight increment of Ksh. 291 Million was on account of an adjustment in compensation to employees under vote 2041.
4. The ceilings were inadequate in view of the expenditure trends already incurred under the two votes. Further, the 2016 BPS had not factored in the following:
    a) The monitoring and evaluation fund of the senate which was being projected to cost about **Ksh 1 Billion.**
    b) In financial year 2017/18 ceilings, an adjustment needs to be incorporated to cover the car grants for newly elected members of the 12th parliament. This was expected to cost **Ksh. 1.75 Billion** under vote 2042 and **Ksh. 340 Million** under vote 2041.
5. On recurrent expenditure performance:
    a) Vote 2041 with an appropriated budget of **Ksh. 8.920 Billion** had been utilized to an amount of **Ksh. 5.7 Bilion** (64%) as at 29th February, 2016.
    b) Vote 2042 with a budgetary provision of **Ksh 15.2 Billion** had expended **Ksh. 8.5 Billion** representing 56% of voted provisions.
    c) Expenditure trends indicate that domestic and foreign travel expenditure items were greatly constrained an indication that the budgetary provision

was inadequate hence the need for additional funding to bridge the deficit. Travel was a core activity to fulfil parliament's mandate.

6. The PSC was seeking an upward adjustment of the BPS ceiling for the respective votes as follows:

Vote	BPS Ceiling Ksh (Billion)	PSC Request Ksh (Billion)	Increment Ksh (Billion)	Justification
Vote2041 (PSC)	9.058	11.258	2.2	1B for Senate M&E program, 200 M for general operations especially local and foreign travel for legislative oversight and 1B for purchase and development of CPST land.
Vote 2042 (N/A)	15.448	15.948	0.5	To fund general operations especially local and foreign travel for legislative oversight

MEMBERS CONCERNS/OBSERVATIONS

Members expressed the following concerns/observations, that:

1. The development expenditure was too high and it was likely that parliament may not have the capacity to absorb.
2. There 1 Billion meant for senate's M&E program was unjustifiable as the senate was funded for its regular oversight functions just like the National Assembly. There was therefore need to allocate the 1 Billion to productive sectors of the economy.
3. The 1Billion meant for land and its development for CPST was not justifiable in terms of value/ benefits that are likely to accrue to parliament from the Centre.
4. How could PSC justify the request for increased allocation to domestic and foreign travel in light of the presidential directive curtailing the same as an austerity measure?

CLERK SENATE/SECRETARY PSC'S RESPONSE

In response to the Member's concerns, Mr. J.M Nyegenye stated that:

1. With regard to the high development vote, parliament had an ambition of creating a parliamentary square and was therefore purchasing buildings around parliament and renovating them for use. Equally, there was a modern office block under construction. All these led to the high allocation to the development vote. However, he noted that once the transition phase comes to an end, the vote shall reduce drastically.
2. The 1 Billion for purchase and development of CPST land was value for money as the institution, once it operates optimally shall save parliament funds in terms of travel and accommodation of staff on training. The institution was also positioning itself to play the role of a premier training institution on parliamentary affairs, nationally, regionally and for county assemblies. The current premises were on a residential area and not ideal for a training facility.
3. The domestic and foreign travel was severely limited yet it formed a core function in parliament as travel was at the Centre of oversight. Travel was therefore essential in parliament's operations. There was therefore need to increase the allocation.

He finally stated that the requests made to the committee represented the bare minimum PSC could request.

MIN. NO.16/2016 - MEETING WITH THE COMMISSION ON REVENUE ALLOCATION

After introductions, the Committee Chairperson welcomed the Chairperson, CRA to make his presentation. In his presentation, Mr. Micah Cheserem, Chairperson, Commission on Revenue Allocation stated that:

1. The CRA recommendation on the equitable share to county governments for financial year 2016/17 of Ksh. 332 billion was equivalent to 35 % of the latest audited accounts for financial year 2013/14, equivalent to 936 billion. However, this was equivalent to 24% of the projected shareable revenue for financial year 2016/17 estimated at Ksh. 1,397 billion.
2. Recommendation on the equitable share to county governments is illustrated below:

NO.	ITEM	2015/16 (KSH M)	2016/17 (KSH M)
1.	Latest Audited Accounts	2012/13	2013/14
2.	Sharable Revenue (Audited Accounts)	776, 858	935,653
3.	Equitable Share (Baseline)	259,775	259,775
4.	Adjust by 3 year average revenue growth of 15.09%		39,200
5.	Add allocation to county roads		27, 790
6.	Add allocation for public participation		5,000
7.	**Total equitable share to counties**	**259,775**	**331,765**
8.	**Percentage share to counties**	**33.44%**	**35.46%**

3. On Allocation for County Roads - Allocation to county governments for construction and rehabilitation of county roads is grossly underfunded. Kenya's current total road network is 161,451 Kms. County governments have are in charge of a total of 120,112.6 Kms of roads while the National government is in charge on 41,339 Kms. **The Commission recommends that Ksh. 27,790 million currently allocated to other roads in the 2015/16 national government budget be transferred to counties as equitable share for 2016/17.**
4. On Public Participation - The county governments need to be funded adequately in order to set up the required structures to ensure effective citizen participation. All counties have grossly underfunded public participation resulting in unnecessary litigations. To streamline public participation in counties, **the commission recommends that Ksh. 5 billion be allocated as part of the equitable share of counties for 2016/17.**
5. On Level Five Hospitals - These grants are meant to benefit the health referral hospitals whose catchment area is beyond the boundaries of a specific county. For this reason, a total of Ksh. 3,600 million was set aside in FY2015/16 to compensate the host counties and the funds were shared based on the percentage bed occupancy per hospital in 2014. **The commission recommends that the grant is**

retained and be adjusted by a growth rate of 15.09 percent to Ksh. 4,143 million.

6. On Free Maternal Health Care - Health care is largely a devolved function. As one of the strategic intervention under health care the counties had a total of Ksh. 4,298 million for the FY2015/16. The grant was shared using a direct re-imbursement to health providers based on percentage to contribution to total number of maternity deliveries during the FY2013/14. **The Commission recommends that grant be retained and adjusted by a growth rate of 15.09 percent to Ksh. 4,947 million. The money should be shared based on county's percentage contribution to total number of maternity deliveries during the FY2014/15.**
7. On Compensation of user fees forgone - The national government introduced this conditional grant to compensate the counties for the revenue from the user fees charged by health centers and dispensaries. During the financial year 2015/16, the national government set aside Ksh. 900 million for this purpose. The National Treasury used the annual consolidated facility outpatient attendance workload to share the money to health centers and dispensaries within the county. **The Commission recommends that the conditional allocation be retained and adjusted by a growth rate of 15.09 percent to Ksh. 1,036 million. The allocation will compensate counties for user fees forgone and will be share among the counties for the same purpose and shared using annual consolidated facility outpatient attendance workload.**
8. On Leasing of Health Care Equipment - The national government provided for a total budgetary allocation of Ksh. 4,500 million in 2015/16 to facilitate the purchase of modern specialised health care equipment in at least two health facilities in each county government. **The Commission recommends that the allocation be retained and increased by a growth rate of 15.09 percent to Ksh. 5,179 million for FY2016/17.**
9. On Road Maintenance Fuel Levy Fund - The national government set aside Ksh. 3.3 billion in FY2015/16 for counties to use to maintain 90,000Kms of county roads. Additional roads, equivalent to 31,113 Kms have been transferred to county governments by the Transition Authority in 2016. In total, county governments are in charge of 120,113Kms of roads whereas the national government will be in charge of 41,339 Kms of roads.

   Sharing of money under this grant is based on the approved revenue sharing formula among county governments. During 2014/15, the Kenya Roads Board received Kshs. 31.7 billion as fuel levy. **The Commission recommends Ksh. 4,756 million, which is 15 percent of the amount collected in 2014/15 to be allocated to county governments based on the approved revenue sharing formula among county governments.**

9. On Personnel Emoluments for county governments - County governments have raised concerns based on the amount of resources they have spent on personnel emoluments for staff for devolved functions and former Local Authorities. The Commission recommends as a short term stop gap measure, to cushion counties against high expenses on salaries as the results and implementation of the staff rationalization programme are awaited. **The Commission recommends Kshs. 5,196 million to be shared proportionately based on the payroll of the devolved staff.**

10. On Construction of County Headquarters - The Transition Authority carried out an audit for all counties and identified the headquarters and office space for each county. During the transition period, each county received a total of Ksh. 61.6 million to refurbish and buy furniture. However, five counties did not have headquarters. These are: Tharaka Nithi, Nyandarua, Isiolo, Lamu and Tana River. To enable these counties construct headquarters, **the Commission recommends a conditional grant of Ksh. 4 billion to be shared equally among the five counties as shown below:**

No.	County	Allocations Ksh. Millions
1.	Tharaka Nithi	800
2.	Lamu	800
3.	Nyandarua	800
4.	Tana River	800
5.	Isiolo	800
Total		4,000

11. On Establishment of County Emergency Fund - The PFM Act Section 110 (1) provides for the establishment of the County Emergency Fund to manage urgent and unforeseen expenditure needs at the county level. The County Emergency Fund consists of monies appropriated by the County Assembly. The PFM Act Section 113 limits the withdrawal from the County Emergency Fund to two percent of the total audited county government revenue for the previous financial year. **The Commission recommends that, based on the equitable transfer to county governments for financial year 2015/16 amounting to Ksh. 259,775 million,**

two percent translates to an Emergency Fund of Ksh. 5,196 million to be shared proportionately using the county total revenues for 2014/15.

12. On Rehabilitation of Village Polytechnics - Village polytechnics if well-equipped are good centres of excellence to empower the youth with skills to generate employment opportunities. **The Commission recommends that county governments be allocated a conditional grant of Ksh. 6,300 million from the national government share to build, equip and or renovate the village polytechnics. The grant will be shared among all the counties based on the approved revenue sharing formula.**
13. The CRA had come up with the second formula, a basis for equitable sharing of revenue among the county governments. The first formula was approved by the 10th Parliament in November 2012 and was used to share revenue for Financial Years 2012/13; 2013/14; 2014/15 and 2015/16. The second formula is as tabulated below:

Parameter	**Current Formula**	**CRA Recommendation**	**Senate Committee &COG Recommendation**
Population	45%	45%	45%
Basic Equal Share	25%	26%	25%
Poverty	20%	18%	20%
Land Area	8%	8%	8%
Fiscal Responsibility	2%	2%	2%
Development Factor	-	1%	
TOTAL	100%	100%	100%

14. There were a lot of vested interests in coming up with a revenue sharing formula among county governments hence need to empower the CRA to determine the

sharing formula. The senate should only turn down the CRA recommendation if it objects with a 2/3 majority.

MEMBERS CONCERNS/ OBSERVATIONS

Members expressed the following concerns/ observations:

1. There was need to evaluate the social impact of the utilization of the funds allocated to counties instead of focusing on just increment of the allocations.
2. There was no clarity on the utilization of funds on public participation allocated to counties in the previous financial year. The current allocation may therefore not be justifiable.
3. There was an over emphasis on allocation of nationally generated resources to counties at the expense of encouraging revenue generation at the counties.
4. The County Emergency Fund could be allocated from the share of resources for county governments instead of an allocation from the national level.
5. The recommendations by the CRA may not be realistic in light of the dismal performance of the economy and challenges experienced in raising revenue by the national government.
6. There was need to explain the rationale for growing the allocation for leasing of medical care equipment at the rate of 15.09 percent to Ksh. 5,179 million for FY2016/17 and the allocation for construction of county headquarters.
7. CRA was expected to make recommendations on proper financial management at both levels of government. It seems to be ignoring this vital function.
8. Most conditional allocations o counties were in the health sector but the funds were reported not to reach the intended facilities.
9. There was need to use indicators like the Human development Index not indicators like poverty levels and population in allocation of revenues among counties. The formula too needs to factor in revenue generation to encourage counties to compete on that front and hence instill fiscal responsibility.

CRA CHAIRPERSON'S RESPONSE

In his response to the above concerns, Mr. Micah Cheserem, Chairperson, Commission on Revenue Allocation stated as follows:

1. The leasing of medical care equipment contract was based on foreign currency hence the growth of the allocation at the rate of 15.09 percent was meant to provide for the falling shilling.
2. There was wastage noted in operations of counties but equally a lot of progress had been made. The solution to misappropriation of funds lay in proper funding of the office of the Auditor General to curb the same.

3. The CRA cannot ring fence funds meant for health purposes. However proper oversight through county assemblies could ensure funds were utilized for intended functions.
4. The CRA was helping counties to increase their revenue generation through supporting automation of revenue collection for instance in Kericho, Kiambu, Nakuru and Machakos.
5. On financial management, the CRA had advised against both local and foreign travel at both levels of government. It had also decried the high number of nominated women MCAs and urged for other ways of meeting the gender requirements of the constitution be sought to avoid crippling the economy.
6. The 5 Billion County Emergency Fund proposed was seed money and shall not be a perpetual allocation to counties.

He finally stated that the bare minimum in terms of sharable revenue should remain at 33% (The percentage that was used in the 2015/16 financial year).

MIN. NO.17/2016 - MEETING WITH THE CABINET SECRETARY, NATIONAL TREASURY

After introductions, the Committee Chairperson welcomed the Cabinet Secretary, National Treasury to make his presentation. In his presentation, Mr. Henry Rotich, the Cabinet Secretary, National Treasury stated that:

1. The 2016 BPS re-emphasises the implementation of economic policies and structural reforms which revolve around the Economic Transformation Agenda, namely;
   a) creating a conducive business environment for job creation;
   b) investing in sectoral transformation to ensure broad based and sustainable economic growth;
   c) investing in infrastructure in areas such as transport, logistics, energy and water;
   d) investing in quality and accessible health care services and quality education as well as strengthening the social safety net to reduce the burden on households and promote shared prosperity; and
   e) Consolidating the gains made in devolution.
2. On Recent Economic Developments and Outlook in FY2016/17 he stated that:
   a) On Economic growth, Kenya's macroeconomic performance remains broadly stable in the face of the global economic slowdown. Economic growth expanded by 5.3 percent in 2014. In the third quarter of 2015, the economy grew by 5.8 percent, an improvement from a growth of 5.0 in Quarter 1 and 5.6 percent in Quarter 2 of 2015. In 2015, real GDP is estimated at 5.6

percent and 6.0 percent in 2016 before increasing to 6.5 percent in the medium term.

b) On Inflation, Month on month overall inflation increased to 8.01 percent in December 2015 from 7.3 percent in September slightly above the upper target of 7.5 percent largely due to increases in food prices.

c) On Exchange Rate, The exchange rate of Kenya Shilling against major currencies had remained stable. This is despite the rise in U.S. interest rates, impact of the slowdown of growth in China, and volatility in other global financial markets.

d) On Foreign Exchange Reserves, The reserves of Central bank increased to 4.5 months of import cover.

e) On Fiscal Policy, Aims at supporting that rapid and inclusive economic growth, ensuring sustainable debt position and at the same time supporting the devolved system of Government for effective delivery of services

3. On Fiscal Performance, July – December 2015 he stated that:

   a) Budget implementation during the FY2015/16 started off on a low pace. Underperformance of the revenues and borrowing delayed the disbursement of funds to the MDAs and Counties. Since the commencement of the current financial year, the treasury had received requests for additional funding amounting to over KSh.130.2 billion. These additional requests include expenditures to support salary shortfalls, security operations, cushion affected households from the impact of El Nino rains, and outstanding payments for completed projects among others.

4. The following criterion was used in apportioning resources in the BPS programmes: Mandatory expenditures, On-going projects, Counterpart funds and Strategic policy interventions.

5. If more resources were to be realized, the following priority areas will be considered for additional resources: The five thematic areas of the transformative agenda; Interventions identified by stakeholders during public consultations; Implementation of any outstanding priorities not accommodated within the baseline ceilings issued to MDAs such as; Security operations including Police and Military Modernisation; Expansion of street lighting in urban areas and connection of electricity in the rural areas; Irrigation programme to ensure food security and modernization of the sector and Youth and women programmes.

6. On overview of FY 2016/17 Budget: The budget targets revenue collection including Appropriation-in-Aid (AIA) is 20.8% of GDP from a projection of 20.3% of GDP in FY 2015/16. While on expenditure Projections, FY2016/17, expenditure and net lending is projected at 28.5% of GDP from the estimated 29.6% of GDP in the FY2015/16. Recurrent expenditures will amount to 15.0% of GDP compared with 15.4% of GDP in FY2015/16. The rest (13.5% of the GDP) will be the ceiling for

development expenditures including foreign financed projects. On overall deficit and financing, the overall fiscal balance excluding grants, is projected at 7.7% of the GDP in FY2016/17 compared with 9.2% of GDP in FY2015/16.

7. On resources to support County Governments he stated that:
    a) To arrive at County Governments' equitable share of revenue for FY2016/17, the baseline equitable revenue share allocation in FY2015/16 was adjusted by revenue growth factor of 7.8%. Based on this adjustment, County Governments' equitable share of revenue in FY2016/17 is estimated at KSh 280.3 billion.
    b) In addition to the equitable share allocation, County Governments will in FY 2016/17, receive Ksh 22.1 billion through various financing streams as follows:
        - KSh 13.7 billion conditional allocations relating to: free maternal healthcare; leasing of medical equipment; compensation of user fees foregone; and, Level 5 hospital grant.
        - Ksh 4.3 billion in the form of a conditional grant transferred from the Road Maintenance Levy Fund (RMLF).
        - Ksh 0.2 billion in the form of a Special Purpose Grant supporting strengthening of access to emergency medical services in Lamu and Tana River counties, which are vulnerable to security threats.
        - Ksh 3.9 billion from proceeds of loans and grants from Development Partners to finance devolved functions within specific counties in accordance with the signed financing agreement for each loan/grant.
    c) On Equalization Fund he stated that Funds were set aside for the Equalization Fund of Kshs.6.0 Billion for the 2015/16 financial year; Parliament approved the Guidelines on the Equalization Fund in 2015; The National Treasury had already appointed an Administrator of the Fund in readiness for the constitution of the Fund advisory board; the Administrator had opened an Equalization Fund Account No. 1000183225 at the Central Bank of Kenya; the Administrator has also received Kshs. 340 million from the amount budgeted for in the financial year 2014/2015; and the arrears of the Equalization Fund shall be provided for financial year 2015/16.
    d) On County Allocation of Revenue Bill, 2016 he stated that the equitable share of revenue and the conditional allocations are allocated among county governments on the basis of the revenue sharing formula approved by Parliament in November 2012.
    e) On Medium-Term Debt Management Strategy he stated that the Government's borrowing plan (both internal and external) remains anchored

in the Medium Term Debt Strategy which aims at ensuring public debt sustainability.

MEMBER'S CONCERNS/OBSERVATIONS

Members expressed the following concerns/observations:

1. How was Kenya fairing in terms of revenue to GDP ratio in the East Africa region?
2. There were a lot of stalled projects that amounted to wastage of public funds. The National Treasury needed to prioritise such.
3. There was failure to meet revenue targets leading to delays in exchequer releases. The National Treasury ought to intervene and find ways of making KRA efficient.
4. Youth unemployment was a potential security threat yet despite the passage of the National Employment Authority Bill, no provisions had been made for operationalization of the same in the 2016 BPS.
5. There seemed to be an over emphasis, in the 2016 BPS, on grand projects at the expense of quick win projects with high social impact.
6. There was a major increase in the allocation to constitutional commissions from Ksh 189,066 M in the 2015/16 financial year to Ksh 208, 763 in the 2016/17 financial year.
7. The figure for laptops remained at Ksh 17, 580M yet the program had been changed to a digital literacy program, expected to cost less.
8. The leasing of medical equipment had been provided for adequately yet the Kenya Medical Training College which was supposed to provide the health professionals to operate the equipment was grossly underfunded.
9. The government had failed to provide counterpart funding under the GAVI vaccines initiative leading to the country losing out on the same.
10. The key Lamu Port-South Sudan-Ethiopia- Transport (LAPSSET) corridor project was not allocated resources in the BPS.
11. There had been recommendations that the construction of houses for the police and prisons officers should be domiciled in the Ministry of Interior and Coordination of National Government. The same had been ignored over time.
12. The establishment of a forensic laboratory, funds for recruitment of police reservists and medical cover for the police where key aspects not provided for in the 2016 BPS.

RESPONSE BY THE CABINET SECRETARY, NATIONAL TREASURY

In his response, Cabinet Secretary stated that:

1. The ratio of revenues to GDP stood at 20-21% of GDP compared to counties in the region that range btween 14-18%.

2. The policy on stalled projects was to ensure that incomplete ones are completed before embarking on new projects. But thre was a challenge as spending agencies started new ones in response to public participation.
3. KRA reforms were in top gear to address largely admninsitrative challeges in order to spur the agency to efficiency. Relevant legislations had already been put in place and a law on income tax was in the pipeline.
4. The National Employment Authority shall be given support when re-allocations are made in response to proposals from the BPS.
5. The government was striking a balance between long ternm capital projects and quick win, high social impact projects.
6. The allocation for laptops remained at Ksh 17, 580M although it had been changed to a digital literacy program because it was an initial investment after which the amount shall reduce drastically.
7. The Kenya Medical Training College was a key inistitution and increased funding to the inistitution was under consideration. The Managed Equipment Service too had a training component in its contract.
8. On vaccnines, he indicated that the trend was to replace donor support with local funding in line with kenya's middle income status.
9. On the LAPPSET project, Treasury had asked the line Ministry to release funds from roads to reallocate to the project.
10. On the national debt, he stated that it was thus far manageable as evident from independent assessors like the IMF nad the World Bank.
11. On recommendations that the construction of houses for the police and prisons officers should be domiciled in the Ministry of Interior and Coordination of National Government, he noted that that was not the core business of the ministry. The same was best done by the ministry in charge of housing.
12. On establishment of a forensic laboratory, funds for recruitment of police reservists and medical cover for the police he stated that the forensic lab was crucial and shall continue to be funded; Ksh 5 B had been set aside for medical cover for the police and Ksh 600 M had allocated for recruitment of police reservists.

RESOLUTION

The Committee resolved to provide the National Treasury with a list of proposed re-allocations and additional funding sought by various sectors for consideration before holding a final consultative meeting on 2nd March, 2016.

MIN. NO.18/2016 - ADJOURNMENT

There being no other business, the Chairperson adjourned the meeting at 3:05 pm. The next meeting was scheduled for 2nd March, 2016 at 3 pm.

Sign ....

(Chairperson)

Date 3/3/16 ....

MINUTES OF THE 21ST SITTING OF THE LIAISON COMMITTEE HELD ON MONDAY 29TH FEBRUARY, 2016 IN THE MINI CHAMBER, COUNTY HALL, PARLIAMENT BUILDINGS AT 2:30 PM.

PRESENT

1. **Hon. (Dr.) Joyce Laboso, MP** - Deputy Speaker/ Chairperson
2. **Hon. Moses Cheboi, MP** - Vice Chairperson/Member of the Speaker's Panel
3. Hon. Asman Kamama, MP
4. Hon. Adan Nooru, MP
5. Hon. Amina Abdalla, MP
6. Hon. David Were, MP
7. Hon. Alex Mwiru, MP
8. Hon. (Dr.) Rachael Nyamai, MP
9. Hon. Johnson Sakaja, MP
10. Hon. Maina Kamanda, MP

ABSENT WITH APOLOGY

1. Hon. Benjamin Langat, MP
2. Hon. Samuel Chepkong'a, MP
3. Hon. Nicolas Gumbo, MP
4. Hon. Moses Lessonet, MP
5. Hon. Florence Kajuju, MP
6. Hon. William Cheptumo, MP
7. Hon. Njoroge Baiya, MP
8. Hon. Janet Nangabo Wanyama, MP
9. Hon. Roselinda Soipan, MP
10. Hon. Adan Keynan, MP
11. Hon. Ndung'u Gethenji, MP
12. Hon. Sabina Chege, MP
13. Hon. Jamleck Kamau, MP

IN ATTENDANCE

Office of The Auditor General

1. Mr. Edward Ouko - Auditor General
2. Mr. Agnes C. Mita - Deputy Auditor-General
3. Mr. Charles M. Mwitari - Director, Finance
4. Mr. Samuel M. Muchiri - Manager, Finance
5. Mr. Leonard Milgo - Manager

National Assembly Secretariat

1.	Mr. Peter Chemweno	-	Deputy Director. Committee Services
2.	Mr. Martin Masinde	-	Deputy Director. Parliamentary Budget Office
3.	Mr. Nicholas Emejen	-	Principal Clerk Assistant I
4.	Mr. Dennis Mogare	-	Clerk Assistant III
5.	Mr. Benjamin Ngimor	-	Fiscal Analyst
6.	Mr. Joseph Ndirangu	-	Fiscal Analyst
7.	Mr. Danson Kachumbo	-	Fiscal Analyst
8.	Ms. Rehema Koech	-	Audio Recording Officer
9.	Mr. John Mungai	-	Audio Recording Officer

MIN. NO.11/2016 – PRELIMINARIES

The Chairperson called the meeting to order at 2.50 pm and said the prayer. The Chair welcomed all those present to make a self-introduction.

MIN. NO.12/2016 - CONFIRMATION OF MINUTES OF THE PREVIOUS SITTING

Confirmation of the minutes of the previous sittings was deferred to the next meeting.

MIN. NO.13/2016 - PRESENTATION BY THE AUDITOR GENERAL ON THE 2016 BUDGET POLICY STATEMENT

The Chairperson welcomed the Auditor General to make his presentation on the expenditure ceilings of the office of the Auditor General as proposed in the BPS. In his presentation, Mr. Edward Ouko, the Auditor General, informed the Committee that: -

(i) The Office of the Auditor-General was allocated Ksh. 3,850,000,000 for the Recurrent Budget and Ksh. 300,000,000 for the Development Budget. This was against a budgetary request of Ksh. 6,143,252,937 and Ksh. 2,110,000,000 for recurrent and development respectively.

(ii) Following the under-provision of resources at the sector level, the Office of the Auditor-General will face a budgetary deficit amounting to Ksh. 4,103.17M which will result into the following unfunded major areas:-

a) Personnel Emoluments - Kshs. 449.60M

The Salaries and Remuneration Commission reviewed the salary structure of the OAG staff effective 1st January, 2016.The Office plans to recruit 280 new auditors to fill the staff deficit. This means that the Personnel Emoluments budget of Ksh. 2,183.42Mn awarded will not be enough to pay staff salaries in the 2016-17 financial year. In this regard, the office will require a further Ksh. 449.6 M for the Personnel Emoluments budget of which Kshs. 350 M is required to cover the deficit for the existing staff.

b) **Domestic Travelling – Kshs. 82M**

The mandate of the OAG requires staff to travel extensively. Therefore, the Domestic Travelling item is very core to the organization. Due to the recent increase in staff per diems by SRC and the expected increase in staff numbers, the domestic travelling item's budget is expected to rise from the current Ksh. 291.24 M to Ksh. 400.37 M. The 2016-17 allocation stands at Ksh. 318.37 occasioning a deficit of Kshs. 82 M.

c) **Purchase/Lease of Motor Vehicles and Staff Car loans – Kshs. 300M**

The mandate of the OAG requires staff to travel extensively. In this regard, availability of vehicles is very crucial to the office. The current fleet of vehicles owned by the office is not adequate in ensuring audits are carried out within the stipulated time periods. Following the approval of Staff Car Loan scheme by SRC, the office wishes to start a policy where staff use their own vehicles for official work after which they are paid some mileage allowance. This will save the office millions that would have otherwise been used to purchase vehicles. The Office would therefore request for an additional Ksh. 300 M for this purpose.

d) **Office Rent – Kshs. 74.42M**

The office endeavors to have its presence in the Counties as envisaged in the Constitution. In the long term, the office plans to construct offices at every county. There will therefore be need to rent some county offices before this vision is achieved. To this end, the Office is requesting for the approval of a further Ksh. 74.42 M.

e) **Information and Communication Technology – Kshs. 184.05m**

The Office intends to continue to leverage on ICT in order to deliver on its mandate despite the limited resources. ICT will be a major component of the Office's audit activities and has budgeted Ksh. 350 million for ICT equipment, hardware and software. This includes purchase of 200 laptops for new staff and replacement of obsolete computers.

In order to reduce paperwork and increase efficiency, the organization has invested in the CCH®TeamMate Audit Management Software which is currently being utilized at a limited level. There are plans to enhance the coverage and move all the audit centers towards Computer Based Auditing. The Office received an allocation of Ksh. 166.89m for this item causing a deficit of Kshs. 184.05m.

f) **Outsourcing of Audits**

The Office of the Auditor-General continues to encounter operational limitations and is not able to perform all the upcoming audits on its own and will thus from time to time continue to engage third parties to perform certain audit functions. These will include audit of CDF funds and other special audits that may be assigned from time to time. In this regard, the office has allocated Ksh.250 million towards these audits. However, the Office was allocated Kshs.70m occasioning a deficit of Kshs. 180m.

g) **Staff Mortgage Scheme**

Following the SRC and the National Treasury guidelines on provision of car loan and mortgage schemes to staff, the Office sought and got approval of scheme guidelines from the National Treasury. The office has allocated Kshs. 800 m seed capital towards this initiative in 2016/17 financial year. No allocation has been made for this item.

h) **Development Expenditure**

In order for the Office of Auditor-General (OAG) to carry out its audit work efficiently, safeguard its independence and reduce the rental expenditure, the OAG desires to have its own offices in Nairobi, at the hubs and county offices. In the 2013-14 financial year the Office purchased Land in Upper Hill at Ksh. 525m. It has now become apparent that the Office is never likely to receive enough Development Vote budget for constructing OAG Headquarters. The Office proposes to adopt the Public-Private Partnership framework for the swift construction of the proposed Headquarters.

PROPOSED CAPITAL PROJECTS

Project Description	**Approved 2015/16**	**Proposed 2016/17**	**Proposed 2017/18**
	Ksh. million	**Ksh. Million**	**Ksh. million**
Designing and Construction of OAG Headquarter at Bishops Road	92	800	
Construction of Garissa Hub Office	60	60	
Construction of Kakamega Hub Office	40	80	
Construction of Busia county Office	10	70	
Purchase of Land and Construction of Eldoret Hub office	80	100	
Purchase of Land and Construction of Nakuru Hub office	60	120	

Purchase of Land and Construction of Kisumu Hub office(inclusive of ICT back up)	60	150	
Purchase of Land and Construction of Embu Hub office		60	120
Purchase of Land and Construction of Mombasa Hub office		500	500
Purchase of Land and Construction of Nyeri Hub office		60	120
Construction of Migori county Office		10	70
Construction of Homabay county Office		10	70
Purchase of Land and Construction of Meru county Office		50	70
Purchase of Land and Construction of Isiolo county Office		20	70
Purchase of Land and Construction of Narok county Office		20	70
Total	**402**	**2,110**	**1,090**

(iii) The Office of the Auditor General ought to be moved from the PAIR Sector and back to the GJLO Sector in the budget, where other oversight and governance institutions like the EACC are currently placed.

MIN. NO. 14/2016 - COMMITTEE OBSERVATIONS/CONCERNS

The Committee made the following observations:-

1. The Auditor General's Office should consider seeking idle government buildings both in Nairobi and across the counties as its ambitious capital projects may not materialize given the budgetary constraints the country was facing.

2. There were concerns that the Auditor General's officers especially at the counties had been compromised and were too close to county governments to offer any meaningful oversight. The office needs to reign in such cases as they tainted its image.

3. The 2015/16 allocation for *other recurrent expenses* seems underutilized (Ksh 895.35M was allocated yet only Ksh 152.66M had been utilized). The office may consider a re-allocation of the same to purchase motor vehicles.

4. The Office had been allocated Ksh 402M in the 2015/16 financial year yet it had not been utilized at all.

5. The office was seeking a lot of resources to outsource audit which is wasteful.

6. The Office needed to audit revenues collected at the county level instead of only concentrating on audit of funds transferred to counties from the national level.

Auditor General's Response

In response to the concerns raised above, the Auditor General stated that:

1. The office had never owned its own offices. It relied on being housed by its clients i.e. government ministries and agencies and rentals. This was contributing to challenges of maintaining integrity due to familiarity inherent in such arrangements. Hence the desire to secure independent offices for the office.

2. With regard to non-utilization of the Ksh 402M, the procurement process was lengthy hence hindering speedy execution of projects. However, Ksh 60 M had been secured out of the figure and was due for utilization. Equally Ksh 200M had already been cut off by the treasury due to a general reduction in development spending across the public sector.

3. Integrity of its officers was a concern to the office and whenever such cases arose, they were promptly investigated and dispensed with. Constant rotation of staff had been effected to curb such vices.

4. Outsourcing of audits was necessary because there was a lot of work yet the staffing levels were inadequate and some audits require specialized expertise that was not easy to maintain in house.

5. On utilization under the item *other recurrent expenses* most of the funds had been committed and shall be utilized before end of the financial year. Overall, the office's absorption rate ranged between 55% - 56% thus far.

6. The audit of revenues had been a challenge both at the county and the national levels in terms of staff training for the same and the resourcing of the office to effectively tackle such audits. However, the Office was positioning itself to audit revenues continuously – throughout the year at both levels of government.

MIN. NO. 15/2016 - ADJOURNMENT

There being no other business, the Chairperson adjourned the meeting at 5:51 pm. The next meeting was scheduled for 1st March, 2016 at 9 am.

Sign .... Date ....

(Chairperson)

MINUTES OF THE 20TH SITTING OF THE LIAISON COMMITTEE HELD ON MONDAY 29TH FEBRUARY, 2016 IN THE MINI CHAMBER, COUNTY HALL, PARLIAMENT BUILDINGS AT 9:00 AM.

PRESENT

1. **Hon. (Dr.) Joyce Laboso, MP** - Deputy Speaker/ Chairperson
2. **Hon. Moses Cheboi, MP** - Vice Chairperson/Member of the Speaker's Panel
3. Hon. Asman Kamama, MP
4. Hon. Adan Nooru, MP
5. Hon. Amina Abdalla, MP
6. Hon. Adan Keynan, MP
7. Hon. David Were, MP
8. Hon. Alex Mwiru, MP
9. Hon. (Dr.) Rachael Nyamai, MP
10. Hon. Ndung'u Gethenji, MP
11. Hon. Sabina Chege, MP
12. Hon. Maina Kamanda, MP

ABSENT WITH APOLOGY

1. Hon. Benjamin Langat, MP
2. Hon. Samuel Chepkong'a, MP
3. Hon. Nicolas Gumbo, MP
4. Hon. Moses Lessonet, MP
5. Hon. Florence Kajuju, MP
6. Hon. William Cheptumo, MP
7. Hon. Njoroge Baiya, MP
8. Hon. Johnson Sakaja, MP
9. Hon. Janet Nangabo Wanyama, MP
10. Hon. Roselinda Soipan, MP
11. Hon. Jamleck Kamau, MP

IN ATTENDANCE

1. Hon. Nelson Gaichuhie, MP - Vice Chairperson, Finance, Planning and Trade Committee
2. Hon. Priscilla Nyokabi, MP – Vice Chairperson, Justice and Legal Affairs Committee
3. Hon. William Kisang, MP - representing the

Senate Committee on Monitoring, Evaluation and Impact Assessment Fund

1. Sen. (Dr.) Agnes Zani
2. Sen. (Eng.) Muriuki Karue
3. Sen. Juma Boy Juma
4. Sen. George Khaniri

5. Sen. (Prof.) John Lonyangapuo

National Assembly Secretariat

1. Mr. Peter Chemweno	-	Deputy Director. Committee Services
2. Mr. Martin Masinde	-	Deputy Director. Parliamentary Budget Office
3. Mr. Nicholas Emejen	-	Principal Clerk Assistant I
4. Mr. Dennis Mogare	-	Clerk Assistant III
5. Mr. Benjamin Ngimor	-	Fiscal Analyst
6. Mr. Joseph Ndirangu	-	Fiscal Analyst
7. Mr. Danson Kachumbo	-	Fiscal Analyst
8. Ms. Rehema Koech	-	Audio Recording Officer
9. Mr. John Mungai	-	Audio Recording Officer

MIN. NO.05/2016 – PRELIMINARIES

The Chairperson called the meeting to order at 9.29 am and said the prayer. The chairperson briefed the Members on the agenda of the meeting as follows:-

(i) Receive submissions/presentations from departmental Committees on the 2016 Budget Policy Statement; and

(ii) Receive presentation from the Senate Committee on Monitoring. Evaluation and Impact Assessment Fund on the proposal to allocate Ksh. 1 Billion through the Parliamentary Service Commission budget for senators to carry out monitoring, evaluation and impact assessment at the county level.

MIN. NO.06/2016 - CONFIRMATION OF MINUTES OF THE PREVIOUS SITTING

Confirmation of the Minutes of the previous sittings was deferred to the next meeting.

MIN. NO.07/2016 – PRESENTATIONS BY DEPARTMENTAL COMMITTEES ON THE 2016 BUDGET POLICY STATEMENT

The Chairperson invited the chairpersons to make presentations on their Committee's recommendations with respect to the 2016 Budget Policy Statement. The following presentations were made: -

1. Departmental Committee on Administration and National Security

The Chairperson. Hon. Asman Kamama. MP informed the Committee that:-

(i) The Departmental Committee on Administration and National Security oversights the Presidency Vote 1021; State Department for Interior. Vote 1022; State Department of Coordination of National Government. Vote 2071: The Public Service Commission. Vote

2101; National Police Service Commission. Vote 2151: and The Independent Police Oversight Authority.

(ii) After a critical consideration of the 2016 Budget Policy Statement the Committee recommended, that: -

a) The House approves the ceilings of **Ksh. 8,714 million** for the Presidency, vote 1011. **Ksh. 20,341million** for the State Department of Coordination of National Government. vote1022. and **Ksh. 1,163 million** for the Public Service Commission. vote 2071. as submitted to Parliament by the National Treasury.

b) The House approves resource ceilings for State Department for Interior; vote 1021 be reduced by **Ksh. 213 million** from **Ksh. 113,183** to **Ksh. 112,970 million.**

c) The resource ceiling for the Independent Policing Oversight Authority vote 2151 in the 2016/17 Financial Year be increased by **Ksh. 150 Million** from **Ksh. 416 Million** to **Ksh. 566 million** to facilitate decentralization of services through the establishment of five regional offices.

d) The resource ceiling for the National Police Service Commission vote 2101 in the 2016/17 Financial Year be increased by **Ksh. 63 million** from **Ksh. 430 Million** to **Ksh. 493 million**. **Ksh. 51 million** to used to facilitate the completion of vetting of officers in the rank of Chief Inspectors and Inspectors and **Kshs. 12 million** for the recruitment of secretariat staff.

e) The Police Housing Project and the leasing of motor vehicles for police should be domiciled under the State Department of Interior as per the House resolutions on the 2015 BPS. The prisons housing project should also be domiciled in the State Department of Correctional Services.

2. The Departmental Committee on Agriculture, Livestock and Cooperatives

The Chairperson, Hon. Adan Nooru, MP presented as follows, that:-

(i) The Committee oversights the state departments of Agriculture; Co-operative Development and Marketing; Livestock & Fisheries Development; and Irrigation.

(ii) After a critical consideration of the 2016 Budget Policy Statement the Committee recommended, that: -

(iii) The programs should be implemented with their allocations as stated in the BPS. i.e.

Vote Details	Programmes	Resource requirement	BPS 2016/17 ceilings
State Department of Agriculture	General administration and support services	9.999	3.207
	Crop development and management	37.145	19.943
	Agribusiness and information management	2.164	177
	TOTALS		23.327
State Department for Livestock	Livestock resource management and development	13,344	6836
State Department for Fisheries	Fisheries development and management	9,503	4.695
Ministry of Industrialization and Enterprise Development	Cooperative Development and Management	**849**	**394**
State Department of Water and Irrigation	Irrigation and land reclamation		**13,857**

(iv) The National and County Governments should establish a mechanism to ensure that at least 10% of the national budget is allocated to the agriculture sector in accordance with the Maputo Declaration.

(v) Guidelines should be formulated on how information carried out by national research institutions such as KARI. Kenya Sugar Research Foundation. Tea and Coffee Research Foundations can be disseminated to the counties for mutual benefit of the two levels of Government.

(vi) The Ministry should prioritize its limited budgetary allocations for effective use such as endeavoring to complete ongoing projects such as Kenya Meat Commission among others. An additional **Kshs.1.0 Billion** be allocated to the State Department of Livestock & Fisheries to complete this Stimulus Programme.

(vii) The National Treasury should release funds to the ministries as budgeted to avoid accumulation of pending bills.

(viii) Collaborations should be established by the two levels of government on how budgetary allocations can be made for the establishment of seed and fertilizer subsidy fund and livestock and crop insurance scheme.

(ix) A further Kshs. **2 Billion** should be provided for Youth in Agriculture Programmes; Kshs. **50 Million** be provided for smooth operationalization of the Fisheries Bill; Kshs. **56 million** be provided for the Fish Quality Laboratories; Kshs.**150 Million** be provided to cater for fluctuation of currency.

3. The Departmental Committee on Defence and Foreign Relations

The Chairperson, Hon. Ndung'u Gethenji, MP presented as follows, that:-

(i) The Committee oversights the Ministry of Defense; Ministry of Foreign Affairs & International Trade; National Intelligence Service; and the State Department of East African Affairs.

(ii) The Committee after critical consideration of the 2016 Budget Policy Statement recommended, that:-

a) An additional Kshs. 54,270 million be sourced from any other government department to enable the Kenya Defence Forces carry out its modernization programme and effectively deliver on its mandate which is the anchor to economic growth.

b) In addition to the Ministry of Foreign Affairs and International Trade ceiling of Ksh. 14,232 billion as contained in the BPS, Ksh. 6 Billion be sourced from any other department to enable the Ministry accomplish its objective of acquiring more personnel and facilities for Kenya's foreign missions abroad in line with Kenya's economic diplomacy.

c) In addition to the BPS ceiling of Ksh. 23.8 billion, Ksh. 5.4 million be sourced from any other department to enable the National Intelligence Service carry out its modernization programme and effectively deliver on its mandate.

d) The State Department of East African Affairs BPS 2016 ceilings of Ksh. 1,663 million be retained to enable the department achieve its mandate of widening and deepening regional Integration.

4. **Departmental Committee on Education, Research and Technology.**

The Chairperson. Hon. Sabina Chege. MP presented as follows. that:-

(i) The Committee oversights the National Commission for Science and Technology and Innovation (NACOSTI): Higher Education Loans Board: Commission for University Education (CUE): Kenya Universities and Colleges Central Placement: Kenya Institute of Curriculum Development (KICD): Kenya Education Management Institute (KEMI): School Equipment Production Unit-SEPU: National Council for Nomadic Education in Kenya NACONEK: Kenya National Commission for UNESCO (KNATCOM); Kenya Institute of Special Education (KISE); Kenya National Examination Council (KNEC): Jomo Kenyatta Foundation (JKF): Center for Mathematics Science and Technology Education in Africa (CEMASTEA); Kenya National Qualifications Framework Authority (KQF) – Newly Launched; University Funding Board - newly Launched.

(ii) After consideration of the 2016 Budget Policy Statement the Committee agreed with the overall Education sector resource ceiling as presented in the Budget Policy Statement 2016. However. the Committee proposes readjustments in some programmes as follows:-

(a) The General Administration. Planning and Support Services programme budget under the State Department of Science and Technology be reduced by **Ksh. 300 million** to remain at **Ksh. 1.394 billion**. The reallocated **Ksh. 300 million** be distributed to the following programmes to enhance the development projects:-

Programme	Amount (Ksh Millions)	Purpose
Secondary Education	100	Mitihani House construction
Research. Science. Innovation and management	100	Fast tracking the completion of NACOSTI headquarters
Teachers Service Commission	100	To facilitate TSC field Officers to effectively discharge their responsibilities of supervising on curriculum delivery.

(iii) An additional **Ksh. 11.2 Billion** be allocated to take care of the following interventions for the overall improvement of the quality of education

Entity	Intervention	Amount (Billions)
Teachers Service Commission	Payment of retired teachers arrears in as ordered by the Supreme Court. The Committee proposes that the payment of Kshs 6.6 Billion could be done in three tranches of Kshs 2.2 Billion in each tranche.	2.2
	Recruitment of 10,000 teachers	3.7
	Promotion of Teachers in various cadres	1.8
Technical Vocational Education and Training	To commence the process of equipping of the 60 TTI's which are near completion with modern equipments	3
State Department of Education	Decongestion and refurbishment of National Schools to cover phase 1 25 schools for a period of 4 years	0.5
Total		**11.2**

5. The Departmental Committee on Finance, Planning & Trade

The Vice Chairperson, Hon. Nelson Gaichuhie, MP presented that:-

(i) The Committee oversights include: The National Treasury; The Ministry of Devolution and Planning; The Ministry of Industrialization & Enterprise Development; The State Department of Commerce and Tourism; The Salaries and Remuneration Commission; The Commission on Revenue Allocation and the Controller of Budget.

(ii) After consideration of the 2016 Budget Policy Statement the Committee recommended that:-

a) Due to the prevailing budgetary constraints, the total ceiling for the Salaries and Remuneration Commission as set in the proposed BPS 2016/17 be maintained.

b) The proposed funds ceiling for the Commission on Revenue Allocation be maintained as per the 2016 BPS.

c) The Ministry of Devolution and Planning should speedily conclude the resettlement of the IDPs. Arising from the duplication of efforts by various government agencies, in particular on the strengthening of devolution through capacity building of county governments, and coupled with the limited funds to finance the budget, no additional funds should be allocated to the Ministry.

d) The office of the Controller of Budget should rationalize its budget so as to re-allocate funds to the staff pension scheme for the new staff which requires **Ksh.12,721,483.**

e) The State Department for Tourism should merge the SAGAs with overlapping mandates to create a coherent, leaner and efficient entity that can be adequately funded to achieve the optimal returns in terms of out puts. An additional **Ksh.101 Million** be reallocated to KTB (This is to come from a reduction of **Ksh. 50 Million** and **Ksh. 51 Million** from Bomas of Kenya and Tourism Fund respectively).

f) The total ceiling for the State Department for Commerce be retained as set in the BPS 2016/17 due to the prevailing budgetary constraints.

g) The Ministry of Industrialization and Enterprise Development should rationalize its expenditure to accommodate its core projects within the proposed ceilings in the 2016 BPS.

h) No additional allocations should be made to the National Treasury's 2016/17 budget.

i) Following concerns on the country's debt sustainability, there is need for downward review of the external debt limit. The National Treasury should undertake interventions in public expenditure so that the envisaged fiscal deficit of 3% by 2021 is achieved.

j) The National Treasury should partner with the Ministry of Information, Communication and Technology in the laying down of the fiber optic in every county to ensure internet connectivity in order to maximize the efficiency of the system.

6. The Departmental Committee on Health

The Chairperson, Hon. Dr. Rachael Nyamai, MP, presented that:-

(i) The Committee oversights the Ministry of Health, The Kenyatta National Hospital, Moi Teaching and Referral Hospital, Kenya Medical Training College, Kenya Medical Supplies Authority, National Hospital Insurance Fund, Kenya Medical Research institute and National Aids and Control Council.

(ii) After consideration of the 2016 Budget Policy Statement the Committee made the following recommendations. that:-

a) The overall expenditure estimate ceiling for the health sector for financial year 2016/17 should be adjusted upwards from Ksh. 59.575 billion as per the BPS 2016 to Ksh. 61.005 billion.

b) A reduction be made in the expenditure ceiling estimate for the following specific programme and sub-programme:-

Program	**Sub-program**	**Program/Project**	**2016/17 Allocations**	**Reductions**	**Rationale**
Health Policy, Standards and Regulations	SP 5.3 Health Standards and Regulations	Construction &equipping of health centers in slums	1B	500 million	This is to allow for absorption of the previous allocations to give room for funding other critical services
General Administration and Support Services	SP 4.1 General Administration	Emergency and Disaster Response	124M	100M	The Coordination of Emergency and Disaster response is done by both the county and national governments.
TOTAL SAVINGS				600	

c) The savings of Ksh. 600 million made from the reductions above should be reallocated to the following programmes and sub-program as shown in the table below:

program	sub-program	Program/Project	2016/17 Allocations in Ksh.	Additional funding in Ksh.	Rationale
National Referral and Specialized Services	SP 2.1 National Referral Health Services	KNH	7.1 billion	250 Million	Procurement of Specialized medical equipment (Bunker and linear accelerator)
National Referral and Specialized Services	SP 2.1 National Referral Health Services	MTRH	4.87 Billion	100 Million	Procurement of Specialized medical equipment (Bunker and linear accelerator)
National Referral and Specialized Services	SP 2.2 Specialized Health Services	Mathari Mental Hospital	109.5 Million	100 Million	Rehabilitation of the hospital facilities and General Operation.
National Referral and Specialized Services	SP 2.2 Specialized Health Services	National Spinal Injury Hospital	84 Million	50 Million	Rehabilitation of the hospital facilities and General Operations.
National Referral	SP 2.4 Forensic	National Blood Transfusion	151 Million	100	Expansion of blood

e) **Kshs. 150 Million** be reallocated towards establishment of a National Labour Market Information System-(LMIS)

On additional requests

f) **Ksh. 734 million** towards establishing the National Employment Authority.

g) **Ksh. 1.3 Billion** to host the 2017 Under 17 World Youth Championships in July 2017.

h) **Ksh. 500 million** towards setting up Anti-Doping Agency of Kenya (ADAK) in an effort to clear the country's image and sensitize its sportsmen and women on dangers associated with the doping menace in line with the guidelines of the World Anti-Doping Agency (WADA).

i) **Ksh. 800 million** in the 2016/17 Financial Year to procure air tickets, equipment, pay accommodation and allowances for athletes and officials in the 2016 summer Olympics in Rio De Janeiro, Brazil .

j) **Ksh. 120 million** to cater for operation and maintenance and Personnel Emoluments in the new State Department of Culture and the Arts

k) **Ksh. 190 Million** for Productivity Improvement, Measurement and Promotion.

l) Transfer the National Safety Net funds from development vote to recurrent vote.

m) The resources for the Gender and Youth Empowerment programmes should be captured in the budget for the Ministry of Public Service, Youth and Gender Affairs.

8. Departmental Committee on Transport, Public Works and Housing.

The Chairperson, Hon. Maina Kamanda, MP presented on the 2016 BPS as follows, that:-

(i) The Committee oversights the Ministry of Transport and Infrastructure; Department of Housing and Directorate of Public Works in the Ministry of Lands, Housing & Urban Development.

(ii) After consideration of the 2016 Budget Policy Statement the Committee made the following recommendations, that:-

a) The development ceiling for the State Department to be increased by Ksh. 26.6 billion to cater for current and capital transfers to Government agencies, with Ksh. 200 million allocated to NTSA for the implementation of road safety action plan, Urban Commuter Railway System (Ksh. 15.55 billion), second generation smart card based driving license (Ksh. 550 milion), roll out of Second Generation

Number plates sticker (Ksh. 300 million) and Ksh. 10 billion allocated to the development of the first three berths at the Port of Lamu whose contract sum is Ksh. 42 billion.

b) An additional 22.217 billion be allocated to the State Department of Infrastructure to cater for pending bills (KeNHA - Ksh. 18.6 billion, KeRRA - Ksh. 821.4 million and KURA - Ksh. 2.83 billion). The Committee therefore recommends that the ceiling be increased from Ksh. 134.545 billion to Ksh. 156.762 billion.

c) The State Department of Public Works was allocated a ceiling of Ksh. 1.66 billion. The State Department has an outstanding pending bills portfolio of Ksh. 1.67 billion (comprising of Ksh. 1.591 Billion for 40 stalled government buildings and Ksh. 83.3 million for foot bridges). The State Department also requests Ksh. 3.394 billion, broken down as follows; Ksh. 2 billion for ongoing government projects. Ksh. 330 million for the National Construction Authority. Ksh. 629 million for the economic stimulus program district headquarters and Ksh. 435 million for the refurbishment of the supplies branch. In conclusion the Committee therefore recommends a total additional Ksh. 5.064 billion in the FY 2016/17 to this State Department thus increasing the ceiling from Ksh. 1.66 to Ksh. 6.724 billion.

d) The Ministry of Transport and Infrastructure total budget ceiling be increased from Ksh. 265.298 billion to Ksh. 314.115 billion to cater for pending bills and to allow the Ministry to undertake the key crucial infrastructure projects.

e) The State Department of Housing and Urban Development is facing a short fall in budget of Ksh. 4.018 billion. The funds were meant for implementation of GoK counterpart funding for Kenya Municipal Program (KMP) - World Bank project (718 million), the construction of National Police and Kenya Prison housing units (1 billion), construction of 5,072 housing units in Mariguini (2,000) informal settlement and Kibera Soweto East zone B (3,072) - (Ksh. 1.9 billion) as well as the promotion of Appropriate Building Materials and Technologies (ABMT) – (Ksh. 400 million). The budget ceiling of the State Department should be increased from Ksh. 18.58 to Ksh. 22.598 billion.

f) Due to the inconsistencies caused by the lack of transparency concerning the Road Maintenance Fuel Levy Fund collections, that has resulted in understatement of the collections of the fuel levy by Ksh. 9.379 billion (intended for the low volume seal roads) under the BPS. It is therefore recommended that the national treasury provides adequate documentation relating to the breakdown

					laboratories
Preventive, Promotion and RMNAC	SP 1.4 RMNCA	National Vaccines and Immunization Program	310 M	300 million	Procurement of vaccines
Total				**1.03 billion**	

7. **Departmental Committee on Labour and Social Welfare**

The Chairperson, Hon. David Were, MP, presented that:-

(i) The Committee oversights the Ministry of Sports, Culture & the Arts, State Departments for Labour, Social Security & Services, Youth & Gender Affairs and the National Gender & Equality Commission.

(ii) After scrutinizing the 2016 Budget Policy Statement, the Committee made the following recommendations, that:-

On re-allocation:

a) **Ksh. 151 Million** be reallocated from the Ministry of Public Service, Youth and Gender Affairs NYS Programme to National Gender and Equality Commission for programmes (100 Million) and emoluments (51 Million).

b) **Ksh. 100 Million** be reallocated from the Ministry of Public Service, Youth and Gender Affairs, NYS programme to the programme of employment promotion in the Ministry of Labour for the establishment of two Employment Attaches in the Middle East Countries (Qatar and Saudi Arabia).

c) **Ksh. 400 Million** be reallocated from the Ministry of Public Service, Youth and Gender Affairs, NYS programme towards conservation of National Heritage Sub programme of which 250 Million will be used in restoration and refurbishing of monuments by the National Museums of Kenya and Ksh. 150M for personal emoluments.

d) **Ksh. 250 million** be reallocated from the Ministry of Public Service, Youth and Gender Affairs, NYS programme to The Kenya Film Classification Board of which Kshs 100Mn will be for personal emoluments and the remaining 150Mn for public awareness on film consumption, upgrading of film examination and classification equipment and expansion of the capacity of the broadcast monitoring equipment.

and Specialized Services	and Diagnostic Services	Services		Million	transfusion services.
TOTAL				600 Million	

d) The National Treasury mobilizes additional financial resources to fund the following critical and specialized national government health functions which have been grossly underfunded as per the BPS 2016 expenditure estimate ceiling.

program	**sub-program**	**Program/Project**	**2016/17 Allocations in Ksh.**	**Additional funding in Ksh.**	**Rationale**
Health Research and Development	SP 3.1 Pre-service and In-Service Training	KMTC	2.7B	500 million	Expansion of campuses to train more staff especially for the MES equipment.
Preventive, Promotive and RMNCA	SP 1.5 Environmental Health	Tobacco Control Board	34.5M	30 million	Funds to operationalize the board, publicity
National Referral and Specialized Services	SP 2.4 Forensic and Diagnostic Services	Government Chemist	186 M	100 Million	Expansion of Government Chemist.
National Referral and Specialized Services	SP 2.4 Forensic and Diagnostic Services	National Quality Control Labs	73.4 M	100 Million	To commence phase one of construction of

of the Road Maintenance Fuel Levy Fund and the allocations to the relevant spending agencies. This practice should be carried forth into future Budget Policy Statements.

9. **Departmental Committee on Environment & Natural Resources**

The Chairperson, Hon. Amina Abdalla, MP presented that:-

(i) The Committee oversights the State Department for Environment and Natural Resources (Vote 145): State Department for Water and Regional Authorities (Vote 146); Ministry of Mining.

(ii) After a critical consideration of the 2016 Budget Policy Statement, the Committee made the following recommendations, that:-

a) **Ksh. 2 billion** be allocated to the Ministry of Mining to carry out the much needed Nationwide Airborne Geophysical Survey. An additional **Ksh. 786 million** be allocated to the Ministry to cover a funding gap needed to strengthen and enable its institutions to change the fiscal regime (taxes and royalties) and the legal framework as shown below;

- Geological data bank @ **330 million**
- Modernizing & equipping accredited mineral certification laboratory @ **200 million**
- Geological surveys and equipment @ **300 million**
- National Mining corporation @ **100 million**
- Mineral Rights Advisory Board @ **70 million**
- Mining Institute @ **100 million**
- Online transactional mining cadastre portal @ **50 million**
- Mineral Metals and commodity Exchange @**50 million**
- Special Minerals economic processing zones @ **100 million**
- Mineral Audit unit @ **100 million**
- Survey and mapping of natural resources @**500 million**
- Field research and exploration @ **100 million**

b) **Ksh. 3 billion** be allocated to the Ministry of Water and Irrigation for compensation and resettlement of people occupying dam site areas (Mwache and Lower Nzoia). It is important to note that most of the new dams under consideration are to be funded by development partners who do not pay for compensation to resettle displaced people:

c) **Ksh. 5 billion** be allocated to the Ministry of Water and Irrigation for GoK counterpart funding of projects:

d) Allocate **Ksh. 150 million** to the Ministry of Water and Irrigation for water storage and supplies emergency interventions;

e) Although the recurrent expenditure shortfall at the Ministry of Environment. Natural Resources & Regional Development Authorities stands at Kshs. 1.72 billion, the Committee recommends only addition of **Ksh. 300 million** to Kerio Valley Development Authority. The Authority has demonstrated that with this money. it will be able to clear its arrears of Ksh. 152 million and undertake a voluntary retirement programme that will reduce its annual payroll by Ksh. 102 million;

f) Allocate **Ksh. 200 million** to Tana and Athi-River Development Authority (TARDA) for the Kieni irrigation project to pay pending bills for this project that has been ongoing for long:

g) Kenya is not exploiting the existing bamboo resources in the country estimated to be over 165,000 hectares while a country like China whose Anji County. a county in Southern China, has only 70.000 hectares from which it has created a multi-billion industry generating USD 18 billion annually. In this regard. the Committee recommends that **Ksh. 1 billion** be allocated to Ewaso Nyiro South Development Authority for bamboo sector development. These funds will be used to promote production of seedlings and growing of bamboo as well as explore private – public- partnerships in value addition which will reduce importation of bamboo products;

h) An additional **Ksh. 170 million** be allocated to Ewaso Nyiro South Development Authority to enable the Authority complete a leather factory project; this factory is geared at creating employment and also value addition to skins and hides generated around that area for economic growth

i) **Ksh. 4 billion** be allocated to the Ministry of Environment, Natural Resources & Regional Development Authorities to enable it to compensate victims of human-wildlife conflict;

j) **Ksh. 3.3 billion** be allocated to Regional Development Authorities to settle pending bills.

10. Departmental Committee on Energy, Communication & Information

The Chairperson. Hon. Jamleck Kamau. MP presented that:-

(i) The Committee oversights the Ministry of Energy and Petroleum and the Ministry of Information, Communication and Technology.

(ii) After a critical consideration of the 2016 Budget Policy Statement the Committee made the following recommendations, that:-

a) The proposed total ceiling of Kshs. 11.218 billion, comprising of Kshs. 8.28 billion as development and Kshs. 2.93 billion as recurrent be maintained.

b) The Ministry prioritizes its allocation towards on-going flagship projects so as to be delivered without further delay.

c) In view of the huge short fall in resource requirement. the ICT sub sector be considered for enhanced allocation in the medium term.

d) The Ministry prioritizes the restructuring of KBC with a view to settling its outstanding obligations and set the state corporation on a sound financial footing capable of competing in the media sector and attract and retain qualified staff establishment. KBC as a national broadcaster be supported and resourced to enable it to achieve global standards of a national broadcaster.

e) Konza techno city be anchored on a law to enable it attract foreign investment.

11. Departmental Committee on Lands

The Chairperson. Hon. Alex Mwiru, MP presented that:-

(i) The Committee oversights the Ministry of Lands, Housing and Urban Development and the National Lands Commission

(ii) After a critical consideration of the 2016 Budget Policy Statement the Committee made the following recommendations, that:-

a) The Ceiling for the General Administration. planning & Support services in the National Lands Commission be reduced from the Ksh. 1077 Million to Ksh. 250 Million;

a) Ksh. 200M be reallocated from the General Administration, planning & Support services of the National lands Commission to the Land disputes and conflict management making the total for the programme to Ksh. 250 M to cater for dispute resolution:

b) Ksh. 627M from the General Administration. planning & Support services of the National Lands Commission to be reallocated to the land policy and planning programme in the state Department of Lands for resettlement of squatters through the SFT in the areas recommended by the Committee in its various House reports and building of 20 more registries countrywide as hereunder tabulated:

Programme	**BPS Ceilings 2016/17 (Millions)**	**Reduction/ Increase (Millions)**	**New Ceiling(Millions)**
Land Policy and planning	7074	627	7701
General Administration. planning & Support services	1077	(827)	250
Land Administration & Management	164	-	164
NLMS	90	-	90
Land Dispute and Conflict Management	50	200	250
Total	8,455	0	**8,455**

12. Departmental Committee on Justice and Legal Affairs

The Vice-Chairperson. Hon. Pricillah Nyokabi. MP presented that:-

(i) The Committee undertakes oversight over the Office of the Attorney General & Department of Justice. Ethics & Anti-Corruption Commission. Kenya National Commission on Human Rights (KNCHR). Office of The Director Of Public Prosecutions (ODPP). Registrar Of Political Parties (RPP). Witness Protection Agency (WPA). Commission on Administrative Justice (CAJ). The Judiciary and Judicial Service Commission.

(ii) The Committee having considered the 2016 Budget Policy Statement the recommends. that:-

a) The ceiling for the Judiciary should be increased by a further Ksh.1 billion to cater for recurrent and development expenditure as follows; Ksh.500 million for recurrent expenditure and Ksh.500 million for development expenditure

b) The Ceilings for other spending agencies within the mandate of the Committee should be retained at the ceilings of the 2015/2016 FY.

MIN. NO.08/2016 - MEETING WITH THE SENATE COMMITTEE ON MONITORING, EVALUATION AND IMPACT ASSESSMENT FUND

The Vice Chairperson of the Committee, Senator Agnes Zani, informed the Committee that:

(i) The Sessional Committee on Monitoring, Evaluation and Impact Assessment fund was established to:

(a) Consider bi annual disbursements out of the fund

(b) Receive reports on the performance of the fund from the administrator

(c) Examine the monitoring programs being undertaken by the funds' recipients

(d) Prepare and submit an annual report on the operations and performance of the fund to the senate

(e) Perform any other function the senate may approve.

(ii) The Taskforce on Administration and Disbursement of the Monitoring and Evaluation Program of the Senate was established on 1st July, 2014 with a membership of 13 senators. The taskforce was mandated to come up with legislation for the establishment of a county development fund for the senators. The terms of reference have since been expanded to include:-

(a) Formulation of a framework and regulations for the disbursement and allocation of Ksh 1 Billion for monitoring, evaluation and impact assessment at the counties.

(b) Work with the National Assembly to realign the legislation on CDF to the constitution.

(iii) The senate approved the Finance, Commerce and Budget Committee's report on the BPS, 2015 which was forwarded to the National Assembly Budget and Appropriations Committee with one of the recommendations therein being a proposal to allocate Ksh. 1 Billion through the Parliamentary Service Commission budget for senators to carry out monitoring, evaluation and impact assessment at the county level.

(iv) The allocation of Ksh 1 Billion was provided for in the budget estimates for year 2015/16 under the Parliamentary Service Commission, however the Budget and Appropriations Committee of the National Assembly declined approval of the same because there were no guidelines on utilization of the money.

(v) The taskforce came up with draft framework regulations and guidelines and submitted them to the Parliamentary Service Commission for Consideration. The regulations governing the program were promulgated through the Public Finance Management (Senate Monitoring and Evaluation) Regulations, 2015 (Legal Notice No. 251) which were gazetted on 3rd December, 2015 trough Gazette Notice No. 192.

(vi) The Parliamentary Service Commission and the National Treasury have been engaged with a view to allocating money to the Fund, leading to a resolution to allocate Ksh. 332 million to be included in the supplementary budget subject to approval by the National Assembly.

MIN. NO. 09/2016 COMMITTEE RESOLUTIONS

The Committee resolved that:-

(i) The issues of concern raised in the presentations by departmental committees will be discussed with the Cabinet Secretary, National Treasury on 1st March, 2016.

(ii) Further consultations with the Parliamentary Service Commission on the Senate Monitoring, Evaluation and Impact Assessment Fund will be done.

MIN. NO. 10/2016 - ADJOURNMENT

There being no other business, the Chairperson adjourned the meeting at 1: 47 pm. The next meeting will be held on Monday 29th February, 2016 at 2.30 pm.

Sign ....
(Chairperson)

Date ....

MINUTES OF THE 19TH SITTING OF THE LIAISON COMMITTEE HELD ON THURSDAY 18TH FEBRUARY, 2016 IN THE MINI CHAMBER, COUNTY HALL, PARLIAMENT BUILDINGS AT 12:00 NOON.

PRESENT

1. **Hon. (Dr.) Joyce Laboso, MP** - Deputy Speaker/ Chairperson
2. **Hon. Moses Cheboi, MP** - Vice Chairperson/Member of the Speaker's Panel
3. Hon. Adan Nooru, MP
4. Hon. Roselinda Soipan, MP
5. Hon. Jamleck Kamau, MP
6. Hon. Amina Abdalla, MP
7. Hon. Adan Keynan, MP
8. Hon. David Were, MP
9. Hon. Janet Nangabo Wanyama, MP
10. Hon. Alex Mwiru, MP
11. Hon. Njoroge Baiya, MP
12. Hon. Johnson Sakaja, MP

ABSENT WITH APOLOGY

1. Hon. Asman Kamama, MP
2. Hon. Benjamin Langat, MP
3. Hon. (Dr.) Rachel Nyamai, MP
4. Hon. Samuel Chepkong'a, MP
5. Hon. Ndung'u Gethenji, MP
6. Hon. Sabina Chege, MP
7. Hon. Nicolas Gumbo, MP
8. Hon. Maina Kamanda, MP
9. Hon. Moses Lessonet, MP
10. Hon. Florence Kajuju, MP
11. Hon. William Cheptumo, MP
12. Hon. Mustafa Idd, MP

IN ATTENDANCE

National Assembly Secretariat

1. Ms. Phyllis Makau - Director, Parliamentary Budget Office
2. Mr. Peter Chemweno - Deputy Director, Committee Services
3. Mr. Martin Masinde - Deputy Director, Parliamentary Budget Office
4. Mr. Nicholas Emejen - Principal Clerk Assistant I
5. Mr. Dennis Mogare - Clerk Assistant III
6. Mr. Joseph Ndirangu - Fiscal Analyst

7. Mr. Danson Kachumbo - Fiscal Analyst

Parliamentary Budget Office Staff, Zambia

1. Mr. Misael Kateshi - Parliamentary Budget Office, Zambian Parliament
2. Mr. Ferchnard Chikabwe - Parliamentary Budget Office, Zambian Parliament

MIN. NO. 01/2016 – PRELIMINARIES

The Chairperson called the meeting to order at 12.29 pm and said the prayer. She observed that the meeting was convened in respect of the assignment by the Speaker, of the work of the Budget and Appropriations Committee to the Liaison Committee. She stated that the meeting was meant to brief Members of the Committee on the task of processing the 2016 Budget Policy Statement and the timelines involved.

MIN. NO. 02/2016 - CONFIRMATION OF MINUTES OF THE PREVIOUS SITTING

Confirmation of the minutes of the Eighteenth Sitting held on 4^{th} August, 2015 was deferred to the next meeting.

MIN. NO. 03/2016 - BRIEFING ON THE 2016 BUDGET POLICY STATEMENT.

The Chairperson invited the Director of the Parliamentary Budget Office to brief Members on processing the Budget Policy Statement.

Presentation by the Director, Parliamentary Budget Office

In her presentation, the Director, Parliamentary Budget Office, Ms. Phyllis Makau informed the Committee that: -

1. Delivery of the national agenda through the budget highly depends on how well the budget is linked to the national priorities. For many years, the focus on the budget had been the line item allocation hence leading to incremental budgeting often blind to needs and priorities of the country.

2. For the budget to be a credible mechanism through which the national agenda can be delivered, it has to be issue based and policy driven hence the need for the preparation and tabling of the Budget Policy Statement (BPS) in Parliament. The BPS will give an opportunity to the Members of Parliament to engage on the budget at the policy level.

3. Budgeting should be based on national strategy i.e. strategic thinking on identification of issues through Sessional Papers, Sectoral reports etc. The country was shifting away from incremental budgeting to policy driven budgeting.

4. In achieving allocative efficiency, decisions are based at programme level hence shifting the decision on what to finance to what is to be achieved i.e. focus on results and outputs.

5. It's a legal requirement that by 15th February each year, the BPS should be presented and laid in the National Assembly. In order to enhance transparency and accountability there is consultation with parliamentary committees and other stakeholders.

6. To ensure that the budget is credible there is need to consider among other, the Economic growth targeted and what must be done to achieve the target; the size of the resource envelope, both external and local; the financing gap and whether all the critical expenditures are provided for and what measures are being put in place to ensure that the total expenditure is affordable. The budget policy statement should be a guide to the annual estimates.

7. The timelines for processing the 2016 BPS are as tabulated below: -

No	Activity	Responsibility	Timeline
1.	Submission and laying of the Estimates in the House	Leader of Majority	15th and 16th February
2.	Review of the BPS By Departmental Committees	Chairs of the Various Departmental Committees	17th February to 24th February 2016
3.	Submission of recommendations by DPTCs to Liaison Committee	Chairs of DPTCs	By 26th February 2016
4.	Review and consolidation of Recommendations by DPTCs	Liaison Committee	27th to 29th February 2016
5.	Consultations with CS National Treasury		1st March 2016
6.	Finalization of the report on BPS	Liaison Committee	Ideally 1st March. (2nd & 3rd March)
7.	Submission and laying of report in the House	Liaison Committee	3rd March 2016
8.	Debate of the report and adoption	House business Committee	8th March 2016

9.	Introduction of DORB in the House	Chairperson. Liaison committee	9th March 2016

Presentation by the Deputy Director, Parliamentary Budget Office

In his presentation. Deputy Director, Parliamentary Budget Office. Mr. Martin Masinde informed the Committee that: -

1. The budget policy statement was a lever for linking policies, planning and budgeting. It was the engine of Medium Term Expenditure Framework that was broadly anchored on Article 201 of the Constitution. It actualizes Article 221(4&5).

2. The BPS had its legal underpinning in the Constitution, the Public Finance Management Law and the Public Finance Management Regulations.

3. The contents of the BPS include: Broad policies for sustaining prosperity in a volatile global economy; recent economic developments and medium term outlook; Fiscal Policy Outlook; FY2016/17 budget and Medium Term; and County Financial Management and Division of Revenue.

4. With regard to compliance with the law. the BPS has not yet complied with the Public Finance Management Regulations as follows:

   a) PFM Regulation 26(1) (a) – Adherence to the regulation that requires expenditure on compensation to employees not to exceed 35% of national government's equitable share of revenue.

   b) PFM Regulation 29(1) (a) (ii) – Presentation of the budget information by economic and functional classification. This has not been adequately provided for individual ministries.

   c) PFM Regulation 29(1) (a) (viii) – Providing all additional information in Kshs. The information on funding Public Private Partnership projects funding is presented in USD.

   d) PFM Regulations 29(1) (c) – Analysis and explanation of revenue policy including planned changes to taxes and other revenue policies. This information has not been provided.

5. The pillars underpinning the BPS include: Sustaining Conducive Business Environment for Investment Opportunities; Continued Spending in Infrastructure to unlock constrains

to growth; Sustained Sectoral Spending for Employment Creation i.e. agriculture, manufacturing, Tourism recovery, sports, culture and arts; Sustained Investment in Social Services for the welfare of Kenyans; and Entrenching Devolution:

6. Kenya's growth had posted mixed results. The GDP is estimated to expand by 5.5%, 5.8%, 6.1% in 2014/15, 2015/16 and 2016/17 respectively.

7. The lessons learnt include: Consumer spending can be a key driver of growth but has its risks; the need to focus more on productive investments; need to enhance higher total factor productivity growth (share of contribution to GDP declined from 13 percent in 2006 to 11 percent in 2013); a deteriorating balance of trade is worsening the current account balance; Insufficient Foreign Exchange reserves had made the Country to be susceptible to external shocks; the solution to long term growth lay in agricultural productivity and exports.

8. On public debt, over the medium term, the stock of debt was set to reduce from 50.3% of GDP in 2015/16 to 48% in 2018/19 and that the country had shifted focus from domestic to external debt.

9. Despite Treasury projections of a reducing primary balance, figures indicate that debt will continue rising in the medium term.

10. Assuming a real GDP growth of 5.4 Percent in 2015 (growth in 2016 at same level as 2015) and a weighted average real interest rate of 0.7 Percent, the debt stabilizing primary balance required to keep the debt level in 2016 at the end of 2015 level is -2.7%. However, the actual primary balance provided was -5.8%.

11. On the fiscal out turn, the Committee heard that: Revenues and grants were set to reduce from 22.2% of GDP in 2015/16 to 21.4% in 2016/17 then gradually increase in the medium term to 21.9% in 2018/19; Total Expenditure was set to reduce gradually over the medium term; from 31% of GDP in 2015/16 to 28.3% in 2016/17 further to 26% in 2018/19; Recurrent, Development and County Allocations are set to reduce gradually from 2016/17 and the medium term. There is no indication of a shift in resources from recurrent to development expenditure; Contingency Allocation is set to be maintained at 0.1% of GDP; Budget Deficit (inclusive of grants) reduces gradually from -8.8% of GDP in 2015/16 to -4.1% in 2018/19. The EAC fiscal rule requires that the budget deficit for all members be below -3% of GDP by 2020/21; both external borrowing and domestic borrowing reduce gradually over the medium term.

12. The Economy was estimated to grow by 5.4%, 5.6%, and 5.8% in 2015/16, 2016/17,2017/18 and there was need for:

- Reduction of the budget deficit (inclusive of grants) to attain the EAC Fiscal rule of 3 percent of GDP by 2021.

- Increasing of the allocations to counties over the medium term to above 4 percent of GDP as allocations to national Government for expenditures that duplicate those in the devolved units are reduced.

- Addressing the governance issues affecting the country.

13. Over the period 2002/03- 2014/15 the allocation towards development grew by 29 times in nominal terms. However, the rate of completion of projects had been very low. As of June 2015, there were more than 1,000 projects which were classified as ongoing. The estimated cost to complete these projects was estimated at Kshs.3 trillion. In a country where cost overruns in project implementation is inevitable, it means the overall completion costs for these projects will eventually be more than Kshs.3 trillion.

14. On Inter-fiscal relations and sharable revenue the committee was briefed that:-

    a) There were huge sums of idle resources at the County Revenue Funds accounts at CBK and that Counties were still largely dependent on national share of revenue with little growth of own-sources of revenue and that transfer of functions was yet to be finalized.

    b) Counties were set to receive Ksh 302.2 Billion of which Ksh 280.3 Billion was for equitable share and Ksh 21.9 Billion was as conditional grants.

    c) A new conditional grant of Ksh 200 Million had been introduced for Hola (Tana River) and Lamu County Referral Hospitals to provide emergency care to patients affected by terror attacks.

    d) The breakdown of allocations to counties was as tabulated below:

	2015/16	2016/17
	KSH BILLIONS	
County Equitable Share	259. 774.5	280. 300
Conditional Allocations	27. 269.7	21. 898.5
• Free maternal healthcare	4.298.0	4. 121.0
• Leasing of medical equipment	4.500.0	4.500.0

○ Compensation for user fee forgone	900.0	900.0
○ Level 5 hospitals	3.600.0	4000.0
○ Allocation from fuel levy fund (15%)	3,300.0	4,306.8
○ Special grant supporting access to emergency medical services	-	200.0
○ Loans and grants	10,671.2	3, 870.7
Total County Allocation	**287.044.2**	**302,198.5**

Members' Observations

Members observed that:

1. The timelines for processing the BPS were tight which called for total dedication and commitment to the process.
2. There was concern with regard to ongoing projects which required about Kshs. 3 trillion to execute. The Committee requested to be furnished with a list of the said projects.
3. There was need to reign in the expenditure on wage bill by the County Governments which were employing human resources without regard to the ballooning wage bill.
4. To curb overspending on recurrent expenditure, there was need to ring-fence funds meant for capital (development) spending to ensure they are used for intended purposes.
5. It was unacceptable for the Commission on Revenue Allocation to allocate funds for rehabilitation of schools in terms of conditional grants yet CDF was dedicated specifically to education, health and security matters hence covering the rehabilitation of schools component.

Resolutions

The Committee resolved that:-

1. The Parliamentary Budget Office should provide Members with a list of incomplete/ongoing projects for the last three yaers.
2. The Liaison Committee shall receive submissions from departmental committees on the BPS on 29th February, 2016; meet the Cabinet Secretary, National Treasury and the

Parliamentary Service Commission Sub-Committee on Finance on 1st February, 2016 on the BPS.

MIN. NO. 04/2016 - ADJOURNMENT

There being no other business, the Chairperson adjourned the meeting at fifty four minutes to One O'clock. The next meeting will be convened through a notice to members.

Sign ....
(Chairperson)

Date ....3/3/16..