

PARLIAMENT  
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REPUBLIC OF KENYA



KENYA NATIONAL ASSEMBLY

ELEVENTH PARLIAMENT – FIRST SESSION

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BUDGET & APPROPRIATIONS COMMITTEE  
REPORT ON THE SECOND SUPPLEMENTARY ESTIMATES  
FOR FY 2012/13

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June 2013

## **Preamble**

**Mr. Speaker Sir,**

The Constitution has placed significant responsibilities on Parliament over the management of public resources. Parliament has in particular received enhanced responsibility with regard to resource mobilization, allocation, monitoring and control. This is specifically anchored in Chapter 12 of the Constitution and the Public Finance Management Act, 2012.

Standing Order 207 establishes the Budget & Appropriations Committee with specific mandate to:

- 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.

**Mr. Speaker Sir,** in line with the provisions of the Constitution, the Supplementary Estimates are to be presented to the National Assembly for approval to allow the National Government to appropriate money for an expenditure that was insufficiently funded or a need has arisen and the money was not allocated for funds in the Appropriation Act of that financial year, or for withdrawal of money from the Contingencies Fund. The Standing Order 243 requires the Supplementary Estimates to be accompanied with a statement showing how the additional expenditures relate to the fiscal responsibility principal and financial objectives.

**Mr. Speaker Sir,**

The Supplementary Estimates that were laid in the House on 11th June, 2013 were the 2<sup>nd</sup> Supplementary Estimates for the 2012/13 estimates of expenditure after the 1<sup>st</sup> Supplementary Estimates was passed by the House in January, 2013

The timing of our elections and the time it took to re-organize the entire government has had a bearing on our budget process. This is the first time we are approving Supplementary Estimates in the month of June when the government should be closing the books for the financial year. In addition, the 2<sup>nd</sup> Supplementary Estimates have not been accompanied with a statement showing how it relates to the fiscal responsibility and financial objectives.

I hope this is the last time we are getting such Supplementary Estimates without the necessary details as stipulated by the Standing Order 243.

**Mr. Speaker Sir,**

The Budget & Appropriations Committee as currently constituted comprises of the following Honorable Members:

1. Hon. Mutava Musyimi, MP - **Chairperson**
2. Hon. Mary Emaase, MP - **Vice Chairperson**
3. Hon. James Gakuya, MP
4. Hon. Stephen Kinyanjui, MP
5. Hon. Stephen Ngare, MP
6. Hon. Jamleck Kamau, MP
7. Hon. George Wanjohi, MP
8. Hon. Priscilla Nyokabi, MP
9. Hon. Nelson Gaichuhie, MP
10. Hon. Clement Wambugu, MP
11. Hon. George Muchai, MP
12. Hon. Francis Njenga, MP
13. Hon. Dennis Kariuki, MP
14. Hon. Moses Ole Sakuda, MP
15. Hon. Mohamed Shidiye, MP
16. Hon. Tiyah Galgalo, MP
17. Hon. Patrick Ole Ntutu, MP
18. Hon. Jackson Kiptanui, MP
19. Hon. Moses Lessonet, MP
20. Hon. Benjamin Langat, MP
21. Hon. Joseph Limo, MP
22. Hon. Lati Lelelit, MP
23. Hon. Bitok S. Kirwa, MP
24. Hon. Daniel Nanok, MP
25. Hon. Banticha Jaldesa, MP
26. Hon. Abdulaziz Farah, MP
27. Hon. Alfred Sambu, MP
28. Hon. Muriuki Njagagua, MP
29. Hon. Zebedeo Opore, MP
30. Hon. Samuel Gichigi, MP
31. Hon. Alfred Agoi, MP
32. Hon. Reginalda Wanyonyi, MP
33. Hon. Alice Ng'ang'a, MP
34. Hon. Lekuton Joseph, MP

35. Hon. Omar Mwinyi, MP
36. Hon. John Mbadi, MP
37. Hon. Mohamed Hassan Mwanyoha, MP
38. Hon. Chrisantus Wamalwa Wakhungu, MP
39. Hon. Suleiman Murunga Kasuti, MP
40. Hon. Omondi George Washington Malan, MP
41. Hon. Irshad Sumra, MP
42. Hon. Abdikadir Omar Aden, MP
43. Hon. Jared O. Opiyo, MP
44. Hon. Manson Nyamweya, MP
45. Hon. Onyonka Richard, MP
46. Hon. Silverse Lisamula Anami, MP
47. Hon. Dr. James W. Nyikal, MP
48. Hon. Benjamin Andola Andayi, MP
49. Hon. Charles Nyamai, MP
50. Hon. Shukran Hussein Gure, MP
51. Hon. Makali Mulu Benson, MP


**Mr. Speaker Sir,**

In reviewing the 2<sup>nd</sup> Supplementary Estimates for 2012/13, the Committee held two sittings. The committee also held extensive consultations with the Cabinet Secretary for the National Treasury.

**Mr. Speaker Sir,**

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

Signed



**The Hon. Mutava Musyimi, MP**  
**Chairman, Budget & Appropriations Committee**  
**June, 2013**

## I. Overall impact of the 2<sup>nd</sup> Supplementary Budget

1. **Mr. Speaker Sir**, the 2nd Supplementary Estimate for 2012/13 proposes to increase the net recurrent expenditure by Kshs. 9,515,116,136; reduce the net development expenditure by Kshs. 29,120,515,518; and increase the Consolidated Funds Services by Kshs. 5,347,092,268. The overall net expenditure was to reduce by Kshs. 14,258,307,114.
2. The Appropriations-in-Aid under the recurrent expenditure is to increase by Kshs. 1,517,368,653 while that of the Development Expenditure is to reduce by Kshs. 18,110,001,681.
3. **Mr. Speaker Sir**, notable increments in the 2nd Supplementary Estimates for recurrent expenditure include:
  - i. Kshs. 3,850,000,000 to the Ministry of State for Provincial Administration and Internal Security for other operating expenses,
  - ii. Kshs. 2,871,329,663 to the Teachers Service Commission for salaries and allowances of teachers,
  - iii. Kshs. 2,100,000,000 to the Ministry of Education for Free Secondary Education,
  - iv. Kshs. 2,070,000,000 to Ministry of Defence for capital grants to Kenya Defence Forces, and
  - v. Kshs. 1,216,770,359 to the Independent Electoral and Boundaries Commission for wages for temporary employees hired during the general elections.
4. Major reductions under the recurrent expenditure include:
  - i. Kshs. 1,563,000,000 under the Judiciary which was to be used for hiring of judicial officers, and
  - ii. Kshs. 825,000,000 under the Ministry of State for Special Programmes which was to be used for acquiring of strategic stock of relief food.
5. Hon. Members, the increase in the Appropriation-in-Aid was from the increased collection of transport levy by the Kenya Roads Board amounting to Kshs. 1,000,000,000 and Teachers Service Commission amounting to Kshs. 380,000,000.
6. **Mr. Speaker Sir**, notable increments in the development expenditure include:
  - i. Kshs. 2,713,131,922 to the Ministry of Agriculture for the fertilizer and seed fund,
  - ii. Kshs. 700,000,000 to the Cabinet office for construction of a building to house the office of the retired president, and

- iii. Kshs. 600,000,000 to the Office of the DPM and Ministry of Local Government for construction of buildings.
7. Major reductions under the development expenditure include:
- i. Kshs. 5,400,000,000 under the Ministry of State for Planning, National Development and Vision 2030 for Constituency Development Fund (CDF),
  - ii. Kshs. 3,000,000,000 under the Ministry of Finance for Equalization Fund,
  - iii. Kshs. 4,500,000,000 under the Ministry of Finance for Civil Contingencies Reserves,
  - iv. Kshs. 17,844,575,838 under the Ministry of Roads for capital grants to various government agencies which were majority funds from external donors.
  - v. Kshs. 1,764,952,579 under the Ministry of Water and Irrigation for construction and civil works for Water Service Boards which were funds majority from external donors
  - vi. Kshs. 1,718,000,000 under the Ministry of Water and Irrigation for construction and civil works for National Irrigation Board which were funds majority from external donors.
  - vii. Kshs. 892,354,858 under the Ministry of Energy which was for construction and civil works for the National Grid System which were funds majority from external donors.
  - viii. Kshs. 700,000,000 under the Ministry of Education which was for construction of a building for the Kenya National Examination Council, and
  - ix. Kshs. 1,150,000,000 under the Ministry of Public Health and Sanitation which was for wages for temporary employees.
8. Hon. Members, the decrease in the Appropriation-in-Aid under the development expenditure was from reduction in funds from external donors.
9. **Mr. Speaker Sir**, the committee noted that there was an increase in the Consolidated Funds Services expenditure especially for repayment of interest rates from domestic borrowing which has gone up by Kshs.13,618,111,349. On the other hand, there is a projected drop in the spending for pensions by Kshs 9,700,000,000.

## II. Concerns by the Committee

10. **Mr. Speaker Sir**, for any meaningful development of any nations, there must a link between planning and budgeting. Although the Constitution provides for a supplementary budget, it is important to underscore that supplementary budget could be a sign of poor planning as well as budget execution. To this end, the committee is concerned with the number supplementary budgets that have been submitted to this for 2012/13.

11. In addition, the Committee is concerned with the timing of the supplementary budget. Given that the budget has been submitted less than 1 month to the end of the financial year raises the question as to whether there will be enough time for some of the funds budgeted to be absorbed.
12. **Mr. Speaker Sir**, the Committee notes with concern that there are some allocations in the Supplementary budget such as the additional allocation to the Free Secondary Education (Kshs.1.894 billion), and Independent Electoral and Boundaries Commission (Kshs. Kshs.1.019 billion), among others, whose expenditure was not sought within two months after the first withdrawal of the money. This is against Article 223(3) of the Constitution which requires Parliament to approve any expenditure incurred within two months. The committee is concerned this particular provision has continuously been violated.
13. **Mr. Speaker Sir**, the Committee notes that expenditure from the Contingencies Fund did not conform to the conditions set in Section 21(4) of the Public Finance Management Act. The law clearly stipulates that money can be advanced from the Contingencies Fund only if an event threatens damage to human life or may cause loss of life, human illness or injury; homelessness or damage of property; disruption of food; water or shelter; and disruption of services, including health. A keen look at the advances from this Fund indicates that most of the allocations did not conform to the aforementioned conditions.
14. The supplementary budget presented indicates a reduction of development vote by Kshs.29.12 billion from National Revenue and Kshs.20.66 billion from loans. The committee observes that the huge reduction in the development allocation implies that the envisaged expenditure profile of key development will be short by the said amount. Indeed, the reductions include allocations going towards construction of roads (17.8 billion), national irrigation board (Kshs.3.81 billion), and energy related initiatives (Kshs.3.8 billion). **Mr. Speaker Sir**, for the Vision 2030 to be achieved, there is need for the Government to put in measures of making sure the allocation for development expenditure is not reduced.
15. The Standing Order 243 requires the Supplementary Estimates to be accompanied by a statement showing how the additional expenditures relate to the fiscal responsibility principal and financial objectives. The Committee notes with concern that this information has not been provided.
16. **Mr. Speaker Sir**, the Committee also raised concern with the reduction in funds for Constituency Development Fund amounting to Kshs. 5,400,000,000. The Committee indicated

that the CDFCs had already committed the funds to various projects in the constituencies. Moreover, the new CDFCs were already gazetted and operational. After lengthy deliberations, the committee proposed that the allocation be rolled out in the next financial year and the funds be disbursed immediately with the beginning of the financial year.

17. The Committee is additionally concerned with the allocation of Kshs. 700,000,000 to the Cabinet Office for purchase of an office for the retired president. Whereas the allocation of the office for retired President is in order, a major concern for the Committee is whether all other suitable, viable and affordable options were considered. The Committee was of the view that the matter was not a subject of the Supplementary Estimates. Ordinarily Supplementary Estimates are supposed to cater for unforeseen expenditures in accordance with the Constitution Article 223(1)(a). Moreover, the committee is concerned that a wrong decision made now will set a wrong and costly precedence.
18. The committee was also concerned with the reduction in funds for the construction of a building by the Kenya National Examination Council since this project had been dragged for a very long time.

### III. Committee Recommendations

**Mr. Speaker Sir,**

To this end, the Committee recommends the following

#### a) Policy measures

19. **Mr. Speaker Sir,** the Committee recommended that the Appropriation Bill, 2013 includes an additional Kshs. 5,400,000,000 to the Ministry of Devolution and Planning for Constituency Development Fund. This will cater for the shortfall arising from under provision of the grant in the 2012/13 budget.
20. **Mr. Speaker Sir,** the government has been grappling with the issue of low absorption of funds especially for development expenditure. Partly, this is caused by the stringent procurement rules in the country. This House should consider amendments to the Public Procurement Act to ensure the procurement process is less tedious.
21. **Mr. Speaker sir,** the government had indicated it will embark on a policy of leasing vehicles shunning away the tradition of purchasing vehicles for government departments. However, the



Supplementary Estimates indicate that this policy is not being adhered to by all government agencies. The policy should be instituted for all state organs to ensure that discipline is instilled and value for money is achieved.

22. There is need to provide a clear link between policy, planning and budgeting. To achieve this, the Treasury should come up with realistic expenditure forecasts including certainty in the flow of donor funds.
23. That advances from the Contingencies Fund should follow the provisions of the laid down in the PFM Law.
24. **Mr. Speaker Sir**, in this regard, the remaining part of this report should be considered as a notice of motion to adjust the 2<sup>nd</sup> Supplementary Estimates for 2012/13 submitted to the National Assembly in order to have an efficient and responsive budget that addresses the needs and requests of Kenyans and meets the aspirations of the citizenry.

#### b) Areas of Reduction

25. **Mr. Speaker Sir**, after intensive consultations, the committee resolved that the amount of Kshs. 700,000,000 proposed for purchase of an office for the immediately retired President be reviewed and deferred for consideration for FY 2013/14.

#### c) Areas of Reallocations

26. **Mr. Speaker Sir**, after intensive consultations, the committee recommends that to avoid a pending bill in the Ministry of Education towards the construction of the Mtihani House, the development vote of the Ministry of Finance be reduced by Kshs. 200,000,000 and the development vote of the Ministry of Education be increased by Kshs. 200,000,000.
27. **Mr. Speaker Sir**, the Annex 1 indicates a summary of the key areas of changes proposed by the 2<sup>nd</sup> Supplementary Estimates for 2012/13.

## ANNEX 1: KEY CHANGES PROPOSED IN THE 2<sup>ND</sup> SUPPLEMENTARY BUDGET

**Table 1: Major changes in recurrent funds allocated to Ministries**

Vote	Details of vote	Changes	Key area of changes
<b>Major Increments</b>			
R101	Ministry of State for Provincial Administration & Internal Security	3,625,000,000	<ul style="list-style-type: none"> <li>For other operating expenses under the OOP Headquarters</li> <li>Utilities supplies and service under field command and regional AP services</li> </ul>
R102	State House	217,500,000	For hospitality supplies and services and domestic travel under State House Nairobi
R104	Ministry of Foreign Affairs	315,570,096	Foreign travel under headquarter administrative services Membership fees for the Africa Union
R108	Ministry of State for Defence	1,550,000,000	<ul style="list-style-type: none"> <li>For capital grants to Kenya Defence Forces</li> </ul>
R111	Ministry of Medical Services	787,770,575	<ul style="list-style-type: none"> <li>Headquarters - other operating expenses</li> <li>Specialized materials and supplies for provincial and district health services</li> </ul>
R113	Ministry of Roads	910,957,248	<ul style="list-style-type: none"> <li>For capital grants to Kenya Roads Board</li> </ul>
R117	Ministry of Justice, National Cohesion & Constitution Affairs	353,000,000	<ul style="list-style-type: none"> <li>Current grant to government agencies under National Cohesion and Integration Commission</li> <li>Current grant to government agencies under TJRC</li> </ul>
R123	Cabinet Office	151,448,112	Hospitality supplies and services, printing and advertising, and purchase of motor vehicles under headquarters
R131	Ministry of Education	1,894,851,090	<ul style="list-style-type: none"> <li>For Free Secondary Education</li> </ul>
R209	Teachers Service Commission	2,871,329,663	<ul style="list-style-type: none"> <li>For salaries and personal allowances for teachers and staff of TSC</li> </ul>
R141	Ministry of State for National Heritage and Culture	69,360,000	<ul style="list-style-type: none"> <li>Current Grants to Government agencies under library services</li> </ul>
R148	Office of the Prime Minister	271,172,136	<ul style="list-style-type: none"> <li>Other Operating expenses under Headquarters and administrative services</li> </ul>
R149	Ministry of Public Health and Sanitation	134,000,000	<ul style="list-style-type: none"> <li>Current grants to government agencies to Rural Health Centers and Dispensaries</li> </ul>
R160	Ministry of Industrialization	62,930,000	<ul style="list-style-type: none"> <li>Hospitality supplies and services under Headquarters and Administrative Services</li> </ul>
R170	Transitional Authority	108,000,000	<ul style="list-style-type: none"> <li>Current grants to the Transition Authority</li> </ul>
R203	Independent Electoral and Boundaries Commission	1,019,992,392	<ul style="list-style-type: none"> <li>For wages of temporary employees under the General and By-elections head</li> <li>Purchase of Office Furniture and General Equipment under ICT Unit</li> </ul>

Vote	Details of vote	Changes	Key area of changes
			<ul style="list-style-type: none"> <li>• Rentals of Produced Assets under the General and By elections head</li> <li>• Specialized materials and supplies under the General and By-elections head</li> <li>• Printing, Advertising and Information Supplies and Services under voter registration</li> <li>• Other Operating expenses under Legal and Public Affairs</li> </ul>
R207	Public Service Commission	200,000,000	<ul style="list-style-type: none"> <li>• Purchase of Vehicles and Other Transport equipment under headquarters</li> </ul>
R214	National Gender and Equality Commission	70,000,000	<ul style="list-style-type: none"> <li>• Refurbishment of buildings under Headquarters</li> </ul>
<b>Major Reductions</b>			
R107	Ministry of Finance	(140,000,000)	<ul style="list-style-type: none"> <li>• Other operating expenses under the headquarters</li> </ul>
R110	Ministry of Agriculture	(51,000,000)	<ul style="list-style-type: none"> <li>• Membership fees and dues and subscriptions to international organizations under the headquarters</li> </ul>
R112	Office of Deputy PM & Min of Local Govt	(107,698,745)	<ul style="list-style-type: none"> <li>• Current grants to transitional authority</li> </ul>
R121	Ministry of Environment and Mineral Resources	(78,000,000)	<ul style="list-style-type: none"> <li>• Personal allowance-paid as part of salary</li> </ul>
R125	The State Law Office	(116,430,000)	<ul style="list-style-type: none"> <li>• Other operating expenses under headquarters</li> </ul>
R126	The Judiciary	(1,563,000,000)	<ul style="list-style-type: none"> <li>• For salaries and allowances for judicial officers</li> </ul>
R135	Ministry of State for Special Programmes	(679,216,890)	<ul style="list-style-type: none"> <li>• For acquisition of strategic stock for relief food</li> </ul>

**Table 2: Major changes in development funds allocated to Ministries**

Vote	Details of vote	Changes	Key area of changes
<b>Major Increments</b>			
110	Ministry of Agriculture	2,377,925,888	<ul style="list-style-type: none"> <li>• Fertilizer and Seed Fund – Other Operating Expenses</li> </ul>
111	Ministry of Medical Services	379,331,053	<ul style="list-style-type: none"> <li>• Increase in allocation for Specialized materials and supplies under district health services</li> <li>• Reduction in allocation for construction of building under district health services</li> <li>• Capital grants to government agencies under family planning maternal and child health</li> </ul>
112	Office of Deputy PM & Min of Local Govt	600,000,000	<ul style="list-style-type: none"> <li>• Construction of Buildings under planning and development and basic infrastructure local authorities</li> </ul>
118	Ministry of Gender, Children	138,673,500	<ul style="list-style-type: none"> <li>• Other capital grants and transfers under</li> </ul>

Vote	Details of vote	Changes	Key area of changes
	and Social Devt		children services
119	Ministry of Livestock Development	216,000,000	<ul style="list-style-type: none"> <li>• Capital grants to government agencies under headquarters administrative and technical services</li> <li>• Specialized materials under foot and mouth disease control</li> </ul>
123	Cabinet Office	683,000,000	<ul style="list-style-type: none"> <li>• Purchase of building</li> </ul>
155	Ministry of Forestry and Wildlife	589,775,000	<ul style="list-style-type: none"> <li>• Other operating expenses under forest preservation programme (funds from external donors)</li> </ul>
<b>Major Reductions</b>			
101	Min of State for Provincial Admin. & Internal Security	(231,850,000)	<ul style="list-style-type: none"> <li>• Construction of buildings under CID Headquarters</li> </ul>
104	Ministry of Foreign Affairs	(100,000,000)	<ul style="list-style-type: none"> <li>• Purchase of Specialized Plant, Equipment and machinery</li> <li>• Refurbishment of Buildings in Rome and New York</li> </ul>
105	OVP and Ministry of Home Affairs,	(199,500,000)	<ul style="list-style-type: none"> <li>• Construction of building under headquarters administration services and small and medium prisons</li> <li>• Purchase of specialized plant and equipment under Vice President Press Unit</li> </ul>
106	Min. Planning & National Devt & Vision 2030	(5,408,529,256)	<ul style="list-style-type: none"> <li>• Capital Grants for CDF</li> </ul>
107	Ministry of Finance	(11,961,311,000)	<ul style="list-style-type: none"> <li>• Capital grants under the Budgetary and Supplies Department</li> <li>• Civil Contingencies Reserves</li> <li>• Economic Affairs Department (other capital grants and transfers)</li> <li>• Department of Government Investment and Public Enterprise (Subsidies to non-financial public enterprise, Subsidies to small businesses, cooperatives &amp; self employed, Construction and Civil Works)</li> </ul>
109	Ministry of Regional Development Authorities	(235,000,000)	<ul style="list-style-type: none"> <li>• Construction and civil works in KVDA (funds from external donors)</li> <li>• Capital grants to TARDA (funds from external donors)</li> </ul>
113	Ministry of Roads	(17,844,575,838)	<ul style="list-style-type: none"> <li>• Capital grants to government agencies under Major Roads (funds from external donors)</li> <li>• Capital grants to government agencies under other roads (funds from external donors)</li> </ul>
114	Ministry of Transport	(930,200,000)	<ul style="list-style-type: none"> <li>• Capital grants to government agencies under headquarters (funds from external donors)</li> </ul>

Vote	Details of vote	Changes	Key area of changes
			<ul style="list-style-type: none"> <li>• Capital grants to government agencies under aircraft accidents investigation (funds from external donors)</li> </ul>
115	Ministry of Labour	(65,500,000)	<ul style="list-style-type: none"> <li>• Construction of buildings under director of micro and small enterprise development</li> </ul>
116	Ministry of Trade	(184,700,000)	<ul style="list-style-type: none"> <li>• Research and feasibility under headquarters administration services and department of internal trade</li> </ul>
117	Ministry of Justice, National Cohesion & Constitution Affairs	(106,000,000)	<ul style="list-style-type: none"> <li>• Capital grants to government agencies under headquarters administrative services</li> <li>• Research and feasibility under headquarters under headquarters &amp; administration services</li> </ul>
120	Ministry of Water and Irrigation	(3,807,047,439)	<ul style="list-style-type: none"> <li>• Water Service Boards – construction and civil works (funds from external donors)</li> <li>• National Irrigation Board – construction and civil works (funds from external donors)</li> </ul>
126	The Judiciary	(823,585,271)	<ul style="list-style-type: none"> <li>• Construction of buildings</li> <li>• Capital grants to government agencies under the Magistrates' and Kadhis Courts (funds from external donors)</li> </ul>
130	Ministry of Energy	(3,859,004,348)	<ul style="list-style-type: none"> <li>• National Grid System – construction and civil works (funds from external donors)</li> <li>• Capital grants to Kenya Electricity Generating Company and Geothermal Development Company (funds from external donors)</li> <li>• Geothermal and Coal Resource Exploration – Construction and Civil Works (funds from external donors)</li> <li>• Rural Electrification Programme – Construction and Civil Works (funds from external donors)</li> </ul>
131	Ministry of Education	(1,216,000,000)	<ul style="list-style-type: none"> <li>• Headquarters Administration Services – Overhaul and refurbishment of construction and civil works</li> <li>• Kenya National Examination Council – construction of building</li> </ul>
134	Ethics and Anti-Corruption Commission	(90,000,000)	<ul style="list-style-type: none"> <li>• Construction of building</li> </ul>
135	Min of State for Special Programmes	(359,222,169)	<ul style="list-style-type: none"> <li>• Construction of building under general administrative services</li> <li>• Other operating expenses under National Aids Council</li> </ul>
140	Immigration & Registration of Person	(430,000,000)	<ul style="list-style-type: none"> <li>• Purchase of specialized plan under immigration under immigration department</li> </ul>

<b>Vote</b>	<b>Details of vote</b>	<b>Changes</b>	<b>Key area of changes</b>
142	Ministry of Youth Affairs and Sports	(359,000,000)	<ul style="list-style-type: none"> <li>• Basic wages to temporary employees under general administration and planning services</li> <li>• Construction of roads under NYS</li> </ul>
143	Ministry of Higher Education Science and Technology	(450,000,000)	<ul style="list-style-type: none"> <li>• Construction of building under Technical Training Institutes</li> </ul>
144	Ministry of Housing	(200,000,000)	<ul style="list-style-type: none"> <li>• Construction and civil works under housing department and slum upgrading and housing development</li> </ul>
148	Office of the Prime Minister	(120,000,000)	<ul style="list-style-type: none"> <li>• Research and feasibility studies (funds from external donors)</li> </ul>
149	Ministry of Public Health and Sanitation	(1,062,000,000)	<ul style="list-style-type: none"> <li>• Headquarters administrative services – Temporary wages to employees</li> </ul>
156	Ministry of Fisheries Development	(355,964,827)	<ul style="list-style-type: none"> <li>• Purchase of specialized plant under forest preservation programme (funds from external donors)</li> </ul>
157	Ministry of Nairobi Metropolitan Development	(119,991,480)	<ul style="list-style-type: none"> <li>• Construction of building and refurbishment of building under social infrastructure</li> </ul>
159	Ministry of Public Works	(230,000,000)	<ul style="list-style-type: none"> <li>• Construction of building under architectural department</li> <li>• Construction and civil works under structural department</li> </ul>
160	Ministry of Industrialization	(589,500,000)	<ul style="list-style-type: none"> <li>• Equity participation in domestic public non-financial enterprise under headquarters</li> <li>• Other operating expenses under directorate of industries</li> </ul>
204	Parliamentary Service Commission	(700,000,000)	<ul style="list-style-type: none"> <li>• Purchase of building, construction of building and acquisition of land</li> </ul>

MINUTES OF THE 11<sup>TH</sup> SITTING OF THE BUDGET AND APPROPRIATIONS  
COMMITTEE HELD ON 18<sup>TH</sup> JUNE 2013 HELD IN SMALL DINING ROOM AT  
9.00 A.M

PRESENT

1. Hon. Mutava Musyimi, M.P -Chair
2. Hon. Mary Emaase, M.P.-V. Chair
3. Hon. Benjamin Langat, M.P
4. Hon. Charles Nyamai, M.P.
5. Hon. Clement Wambugu, M.P
6. Hon. Jackson Kiptanui, M.P.
7. Hon. Jamleck Kamau, M.P.
8. Hon. Moses Lessonet, M.P
9. Hon. Moses Ole Sakuda, M.P
10. Hon. Nelson Gaichuhie, M.P
11. Hon. Alfred Agoi, M.P
12. Hon. Bitok S. Kirwa, M.P
13. Hon. Muriuki Njagagua, M.P
14. Hon. Chrisantus Wakhungu, M.P.
15. Hon. Dennis Kariuki, M.P.
16. Hon. Dr. J.W. Nyikal, M.P.
17. Hon. Francis Njenga, M.P.
18. Hon. George Wanjohi, M.P.
19. Hon. James Gakuya, M.P.
20. Hon. Jared O. Opiyo, M.P.
21. Hon. Joseph Limo, M.P.
22. Hon. KK Stephen Kinyanjui, M.P
23. Hon. Makali Mulu Benson, M.P.
24. Hon. Manson Nyamweya, M.P.
25. Hon. Mohamed Hassan Mwanyoha, M.P.
26. Hon. Omar Mwinyi, M.P.
27. Hon. Omondi George W. Mallan, M.P.
28. Hon. Onyonka Richard, M.P.
29. Hon. Patrick Ole Ntutu, M.P.
30. Hon. Reginalda Wanyonyi, M.P.
31. Hon. Samuel Gichigi, M.P.
32. Hon. Silverse Lisamula Anami, M.P.
33. Hon. Stephen Ngare, M.P.

34. Hon. Suleiman Murunga Kasuti, M.P.
35. Hon. Zebedeo Opore, M.P.
36. Hon. Abdulaziz Farah, M.F.
37. Hon. Sabina W. Chege, M.P.
38. Hon. Julius K. Melly, M.F

#### **ABSENT WITH APOLOGIES**

1. Hon. Alfred Sambu, M.F.
2. Hon. Lekuton Joseph, M.F
3. Hon. John Mbadu, M.F
4. Hon. Mohamed Shidiye, M.P
5. Hon. Abdikadir Omar Aden, M.P
6. Hon. Alice Ng'ang'a, M.P
7. Hon. Banticha Jaldesa, M.P
8. Hon. Benjamin Andola Andayi, M.P
9. Hon. Daniel Nanok, M.P
10. Hon. George Muchai, M.P
11. Hon. Irshad Sumra, M.P
12. Hon. Lati Lelelit, M.P
13. Hon. Priscilla Nyokabi, M.P
14. Hon. Shukran Hussein Gure, M.P
15. Hon. Tiyah Galgalo, M.P

#### **IN ATTENDANCE**

1. Ms. Phyllis Makau
2. Mr. Martin Masinde
3. Mr. Benjamin Ng'imor
4. Ms. Millicent Ojiambo
5. Mr. Joseph Ndirangu
6. Mr. Erick O. Otieno
7. Mr. Danson Kachumbo

#### **SECRETARIAT**

- Director, PBO
- Deputy Director, PBO
- Fiscal Analyst
- Fiscal Analyst
- Fiscal Analyst
- Junior Fellow
- Junior Fellow



## **AGENDA**

1. Preliminaries / Confirmation of Agenda
2. Confirmation of the Minutes of the Previous Meeting
3. Matters arising
4. Meeting with the Cabinet Secretary for the National Treasury.
5. Considering the 2012/13 Supplementary Estimates II Statement
6. Any Other Business

### **MIN 46/2013: Preliminaries**

The Chairman called the meeting to order at 9.30 am. The meeting was started with a word of prayer followed by welcome remarks. The chairman then welcomed the Cabinet Secretary to the meeting followed by introductions from all present.

### **MIN 47/2013: Resolution on Budget Related Bills, 2013**

The chairman informed the meeting that following the bringing of the budget related bills to the National Assembly, the committee was required to give recommendations on whether the budget related bills, which are money bills, should be proceeded with. The Committee unanimously resolved to have the bills introduced in the House.

### **MIN 47/2013: Meeting with the Cabinet Secretary for the National Treasury**

#### **a) The Financial Year 2012/13 Supplementary Estimates II**

The Cabinet Secretary was invited to respond to various concerns raised by the Committee with regard to the Supplementary Estimates II that was laid in the House on June 12<sup>th</sup> 2013. The concerns were with regard to:

- Increment for purchase of buildings under Cabinet Office
- Reduction of funds allocated to CDF
- Reduction of capital grants to government agencies under the ministry of Roads, development vote
- Reduction of donor programmes in various ministries
- policy on purchase of vehicles (additional allocation for purchase of vehicles under Public Service Commission)

**i. Purchase of Building under Cabinet Office**

Members were informed that the increment of purchase of Building under Cabinet Office was occasioned by the need to provide suitable office space to the retired president as part of his benefits as required under section 5(e) of the Presidential Retirement Act No. 11/2003.

Members expressed dissatisfaction with the Kshs 700 million allocated in the supplementary budget to purchase an office for the retired president. Whereas it was agreed that the retired president should be allocated an office as part of his benefits, members felt that it would be proper to consider other more affordable options. This includes using existing government offices and buildings so as to free up resources for other more pertinent expenditures. Furthermore, it was felt that the purchase of office did not constitute a substantive matter for a supplementary budget. After deliberations, it was agreed that the allocation was not necessary in the current supplementary budget and should therefore be revised to zero.

**ii. Reduction of Funds allocated to the CDF**

Members were informed that the reduction in CDF had been occasioned by the slow performance in revenue and the emerging priorities necessitating the rationalization of the budget. The reduction was essentially borrowing by the national government to address other expenditure needs, taking into account that the absorption of CDF had been low and it was unlikely that CDF will disburse the remaining amount within the less than two weeks remaining.

The committee expressed concern over the reduction, pointing out that CDF had enabled meaningful grassroots development and that reducing it would hinder this development. They disagreed with the Cabinet Secretary on the issue of low absorption of CDF funds, pointing out that the low absorption was largely occasioned by delays from Treasury. Members further pointed out that the amount had already been budgeted for and in fact, there were stalled projects in constituencies as well as students on CDF bursaries whose school fees had to be paid. After lengthy deliberations with the Cabinet Secretary, it was resolved that the amount reduced would be re-allocated to CDF through the appropriation bill for 2013/14. The allocation to CDF for 2013/14 should also include Kshs 1.3 billion recommended in the Budget and Appropriations Committee report on the Estimates of Revenue and Expenditure. Members also proposed that the CDF funds be released quarterly.

**iii. Reduction on capital grants to government agencies under Ministry of Roads, Development Vote**

Members were informed that given revenue underperformance, the National Treasury was yet to release Kshs 7 billion to the Ministry of roads. It was pointed out that it was unlikely for this balance to be released but the ministry was expected to clear any outstanding obligations with the FY 2013/14 provision.

**iv. Reduction of donor programmes**

Members were informed that the reduction in donor provisions was based on the likelihood of absorption by the MDAs. However, it was pointed out that going forward, mechanisms would be put in place to enhance absorption capacity and ensure aid effectiveness.

**v. Policy on Purchase of Motor Vehicles**

Members were informed that the Public Service Commission had requested Treasury for additional funding to purchase additional motor vehicles to cater for replacement of old fleet as well as new demand. In this regard, the commission had been allocated Kshs 150 million.

**Funding for Teachers**

The committee expressed concern over the threats by teachers to go on strike due to demands for salaries and allowances, provision for commuter allowance which was to be harmonized with civil servants, Kshs 3.5 billion for teacher's promotion, Kshs 500 million for development of TIVET curriculum, Kshs 1.4 billion for the leave allowance. The Cabinet Secretary informed members that they were in discussions with the Salary and Remuneration Commission to review the Teacher's salaries and benefits and were waiting for an indication from the commission on the same. He cautioned against arbitrary salary increments which were likely to have a spiral effect as other workers join in.

Members were also informed that the National Treasury had revised the provision for Mitihani house under the Ministry of Education from Kshs 900 million to Kshs 200 million due to low uptake of funds. However, the Ministry of Education had since submitted to the National Treasury, processed certificates of

Kshs. 166.3 million and another of Kshs 21 million that was being processed. Therefore, to avoid a pending bill, the National Treasury requested to reduce the development vote in the Ministry of Finance by Kshs. 200 million and increase the development vote of the Ministry of Education by Kshs 200 million.

After deliberations, it was agreed that Kshs 4 billion should be made available by reducing the allocation to the Ministry of East African Affairs, Commerce and Tourism by Kshs 2 billion and the allocation to the ministry of Industrialization and Enterprise Development by 2 billion. This amount would be re-allocated to the Ministry of Education.

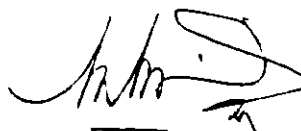
It was also agreed that the Committee on Education, Research and Technology would review the allocation for the Laptop project and identify ways through which some funds can be re-allocated to cater for the teachers' demands. It was resolved that the Education Committee would avail the report to the Budget and Appropriations Committee by Thursday, 20<sup>th</sup> June 2013.

**b) Processing of the 2013/14 Appropriation Bill**

In the interest of time, it was agreed that the National Treasury should submit the Appropriation Bill to the National Assembly by 21<sup>st</sup> June 2013.

**MIN 48/2013: Any Other Business**

There being no other business, the meeting adjourned at 12.55 pm.

SIGNED .....  .....

CHAIRPERSON

..... 19<sup>th</sup> June 2013 .....

DATE