

REPUBLIC OF KENYA



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KENYA NATIONAL ASSEMBLY

TENTH PARLIAMENT – FOURTH SESSION

THE BUDGET COMMITTEE REPORT ON THE ESTIMATES OF REVENUE AND
EXPENDITURE FOR 2012/2013

June 6, 2012

TABLE OF CONTENTS

BACKGROUND	2
EXAMINATION OF THE ESTIMATES OF REVENUE AND EXPENDITURE	4
ACKNOWLEDGEMENT	4
I. LINKING THE 2012/13 BUDGET AND THE 2012 BUDGET POLICY STATEMENT	6
II. KEY PRIORITY AREAS FOR THE 2012/13 BUDGET	10
III. PROVISION OF BASIC SOCIAL SERVICES	11
IV. UTILIZATION OF EXTERNAL FUNDING.....	14
V. STATE CORPORATIONS.....	15
VI. PREPAREDNESS FOR DEVOLUTION	15
VII. RECOMMENDATIONS	16
a) POLICY PRESCRIPTIONS	16
b) PROPOSED ADJUSTMENTS AND REALLOCATIONS IN THE 2012/13 BUDGET	18
ANNEX 1: KEY AREAS OF EXPENDITURE CUTS UNDER THE RECURRENT BUDGET	30

BACKGROUND

Mr. Speaker Sir, on behalf of the Members of the Budget Committee and as required under Article 221(5) of the Constitution as well as the Speakers ruling of 8th June, 2011 which gave clear direction on how the budget process will be conducted until the end of the life of this Parliament, I hereby present to the House, the Committee's Report on the 2012/13 Estimates of Revenue and Expenditure laid by the Minister for Finance on 26th April 2012; the expenditure Estimates of the Parliamentary Service Commission laid by the Vice-Chairman, Parliamentary Service Commission on 25th April, 2012; and the Estimates of expenditure for the Judiciary laid on 26th April, 2012.

Mr. Speaker Sir, the Budget Committee as currently constituted comprises the following Members:-

1. The Hon. Elias P. Mbau, M.P. – Chairperson
2. The Hon. Alfred Wekesa Sambu, M.P. – Vice-Chairperson
3. The Hon. Martin Ogindo, M.P.
4. The Hon. Danson Mungatana, M.P.
5. The Hon. Moses Lessonet, M.P.
6. The Hon. Omari Mbwana Zonga, M.P.
7. The Hon. John Mbadi, M.P.
8. The Hon. Nemeysus Warugongo, M.P.
9. The Hon. Sheik Dor, M.P.
10. The Hon. John Mututho, M.P.
11. The Hon. Nelson Gaichuhie, M.P.
12. The Hon. Emilio Kathuri, M.P.
13. The Hon. Abdul Bahari, M.P.
14. The Hon. Johnstone Muthama, M.P.
15. The Hon. Jackson Kiptanui, M.P.

Mr. Speaker Sir, in addition to the above members, the following Chairpersons of all Departmental Committees are ex-officio members of the Budget Committee:

1. The Hon. (Eng.) James Rege, MP. – Chairperson, Energy, Information and Communications
2. The Hon. David Koech, MP. – Chairperson, Education, Research and Technology
3. The Hon. Mutava Musyimi, MP. - Chairperson, Lands and Natural Resources

4. The Hon. John Mututho, MP. – Chairperson, Agriculture, Livestock and Cooperatives
5. The Hon. (Dr.) Robert Monda, MP. - Chairperson, Health
6. The Hon. David Were, MP. – Chairperson, Transport, Public Works and Housing
7. The Hon. Adan Keynan, MP. – Chairperson, Defence and Foreign Relations
8. The Hon. Fred Kapondi, MP. - Chairperson, Administration and National Security
9. The Hon. Chris Okemo, MP. - Chairperson, Finance, Planning and Trade
10. The Hon. Sophia Abdi Noor, MP. – Chairperson, Labour and Social Welfare
11. The Hon. David Ngugi, MP. – Chairperson, Local Authorities
12. The Hon. Ababu Namwamba, MP. – Justice and Legal Affairs Committee
13. The Hon. Njoroge Baiya, MP. – Justice and Legal Affairs Committee
14. The Hon. (Dr.) Julius Kones, MP. – Vice-Chairperson, Public Accounts Committee
15. The Hon. Mithika Linturi, MP. - Chairperson, Public Investments Committee
16. The Hon. Thomas Mwadeghu, MP. - Chairperson, Local Authorities and Funds Accounts Committee
17. The Hon. Ekwe Ethuro, MP. - Chairperson, Constituencies Fund Committee
18. The Hon. Mohamed Abdikadir, MP. - Chairperson, Constitutional Implementation Oversight Committee

Mandate of the Committee

The Budget Committee is established under the Standing Order 190 and is mandated to:

- a) Examine the Budget Policy Statement presented to the House and shall report to the House, what, if any, economies should be made consistent with proper carrying into effect of the policies implied in or by such statement and estimates; and
- b) Evaluate tax estimates, economic and budgetary policies and programmes with direct Budget outlays.

The Budget Committee is further given legal backing under the Fiscal Management Act, 2009 and the Constitution article 221 (4 and 5).

Mr. Speaker Sir, the Constitution has significantly altered the public finance landscape of this country. In this regard, the roles and powers of the Executive and the Legislature have been clearly delineated with Parliament having additional responsibilities over the management of public finances. Parliament has in particular received enhanced responsibility with regard to resource mobilization, allocation, monitoring and control.

Pursuant to Article 221(4) of the Constitution, the National Assembly will only consider the Estimates of Revenue and Expenditure after a relevant Committee - in this case the Budget Committee - discusses and reviews the Estimates and makes recommendations to the National Assembly.

EXAMINATION OF THE ESTIMATES OF REVENUE AND EXPENDITURE

In reviewing the 2012/2013 Budget Estimates and the Financial Statement laid by the Minister for Finance on 26th April, 2012, the Committee held 12 Sittings.

The Committee also held public hearings with the general public in line with **Article 221 (5)** of the Constitution. These Public Hearings were held in Nairobi, Nyeri, Machakos, Kisii, Malindi, Kisumu, Meru, Nakuru, Nyandarua, Wajir, Kakamega, Bungoma, Kitale, Isiolo, Voi, Lodwar and Kericho. These hearings were conducted under the theme "creating employment through the efficient utilization of available resources. The combined report of these hearings is annexed to this report.

Further, the Committee received written submissions with recommendations from all the twelve Departmental Committees. Other written submissions were also received from organized groups, civil society organizations and members of the public.

ACKNOWLEDGEMENT

Mr. Speaker Sir,

We must thank Kenyans who took time to attend the consultations and whose views we have taken into account in this report. The committee also received views from the African Women's Studies Centre based at the University of Nairobi, the National Youth Council through Kituo Cha Sheria, Kenya National Union of Teachers (KNUT), the Child Welfare Society of Kenya, the Economic & Social Rights Center, the Kenya Coconut Development Authority, The Kenyan Women Parliamentary Association and the Former Parliamentarians Association of Kenya, amongst others.


The Committee is also grateful to the Ministers and heads of government Departments who appeared before the Committee and also extends gratitude to the Provincial Administration across the country that helped in the mobilization of the people during the public hearings.

Lastly, the Committee is particularly grateful to the Office of the Speaker and the office of Clerk of National Assembly for the support received as it discharged its mandate of reviewing the 2012/13

Estimates of Expenditure and Revenue. The Committee is also grateful to the Members of Parliament who participated in the process, especially the public hearings in the aforementioned centres.

Mr. Speaker Sir,

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



Signed-----

THE HON. ELIAS P. MBAU, MP
CHAIRMAN, BUDGET COMMITTEE

Date-----

06/06/2012

I. LINKING THE 2012/13 BUDGET AND THE 2012 BUDGET POLICY STATEMENT

1. **Mr. Speaker Sir**, the Budget Policy Statement is an important document which provides the broad policy thrust for government. In addition to this, it is the overarching document that provides direction with regard to the allocation of resources between the three arms of government, namely the Judiciary, Executive and the Legislature. It is, however, disheartening to note that the government is slowly turning the Budget Policy Statement into a document of the willing. This is despite the fact that the government has been using the Medium term Expenditure Framework (MTEF) approach to budgeting that demands a strong link between planning and budgeting. The Budget Policy Statement also strengthens the link between policy, planning and allocation of resources. This means that the Budget Policy Statement should inform the printed Estimates and the deviation between the amounts of expenditure and revenue proposed in the Budget Policy Statement from those of the printed Estimates should be minimal.
2. **Mr. Speaker Sir**, the Budget Policy Statement and the Printed Estimates were laid in the House nine days apart in the month of April, 2012. There are, however, glaring discrepancies between the figures provided in the Budget Policy Statement and those provided in the Printed Estimates. For example, while the Budget Policy Statement Estimate of expenditure and net lending was **Kshs. 1.265 trillion**, the Printed Estimates now amount to **Kshs.1.462 trillion** excluding principle debt repayment. It is not clear why the fiscal framework has changed significantly and if the Budget Policy Statement actually informed the 2012/13 budget proposals.
3. In this regard, **Mr. Speaker Sir**, comparing these Estimates with the Budget Policy Statement, the Vision-2030 and the strategic plans of the various ministries, it is apparent that a 'business-as-usual' approach to budgeting remains deeply entrenched in the Executive. Hon. Members will also recall that in the Report on the BPS, this House called for deliberate reorientation from 'business as usual' incremental approach to budgeting to more innovative and efficiency-oriented budgeting that considers absorption capacity reduction of non-priority expenditure. I hope the Executive will keenly take note of this statement for we will not get far as a country if this continues indefinitely. **Mr. Speaker Sir**, the pace in the adoption of programme based budgeting which would address these concerns is still wanting. When will the budget be presented in a programme basis so that this House and the public can see the anticipated results or outcomes with the amounts of money that we are going to vote on?

4. **Mr. Speaker Sir**, Article 201 (c) of our Constitution provides that, “the burdens and benefits of the use of resources and public borrowing shall be shared equitably between present and future generations.” Hon. Members will note that no country can reach sustainable growth rates without having to shed off non-priority expenditure. History confirms that emerging economies started by creating a budget surplus and it is therefore high time that we made deliberate fiscal rules that are geared towards achieving a balanced budget. We, however, after careful review of the Estimates, note that the deficit continues to grow and as a result, the Consolidated Fund Services accounts for more than the budget for health and agriculture services put together. In the 2012/13 Estimates, the amount estimated stands at **Kshs.345.98 billion** translating to **24%** of the **Kshs.1.462 trillion** budgets proposed. Hon. Members will have a chance to save this country by demanding a balanced budget at national level in the medium term.

5. **Mr. Speaker Sir**, the committee is concerned that the total public debt continues to rise to unsustainable levels. Hon. Members, as at 31st of December 2011, the total public debt stood at **Kshs.1.5452 trillion** while the Gross Domestic Product stands at **Kshs.3.025 trillion**. This translates to a public debt level of **51%** of GDP. Such level is totally unsustainable and any further pressure will have a negative impact on the economy thereby undermining public service delivery.

6. **Mr. Speaker Sir**, recognizing the need to reverse the trend of maintaining high deficits, the Budget Committee in its Report on the Budget Policy Statement recommended to this House, budget ceilings specific for the three arms of Government. A careful review of the budget Estimates indicates that only the Parliamentary Service Commission and the Judiciary adhered to this recommendation of keeping a ceiling **Kshs. 18.15 billion** and **Kshs.16.4 billion**, respectively. The committee recommends that the ceiling for Parliamentary Service Commission and Judiciary be maintained as submitted safe for expenditure adjustments proposed in this report.

7. **Mr. Speaker Sir**, in the report on the Budget Policy Statement approved by this House, the budget for the Executive excluding public debt was to amount to **Ksh.937.73 billion**, as proposed in the BPS, but the budget for the Executive according to the printed Estimates now stands at **Ksh.1.075 trillion**, excluding public debt payment. The additional resources are neither for emergency services nor critical expenditure. **Mr. Speaker Sir**, there is urgent need to strengthen the budget process by sticking to the proposed ceilings in the Budget Policy Statement and cutting unnecessary spending. Austerity measures should therefore be instituted in non-core expenditure as well as anchoring the Annual Estimates to the Budget Policy Statement.

8. **Mr. Speaker Sir**, Kenya's national budget has been rising over time but questions still arise about whether government ministries and agencies use approved resources in the most prudent manner, or indeed whether some of the spending is necessary. The Constitution of Kenya provides in **Article 201(d)** that "**public money shall be used in a prudent and responsible way**". This means that the government should make every effort to reduce wastage of public resources and apply to the most productive activities. A lot of government money is placed to fund numerous non-core items such as: domestic and foreign travel, hospitality supplies, among others.
9. **Mr. Speaker Sir**, while most private entities would seek to reign in such non-core expenditures, and given that there is limited information about what government departments would optimally require for such items, the government continues to flagrantly increase allocations to these items every financial year. Some of these items, such as printing and supplies, hospitality supplies are the most prone to corruption through overpricing and other malpractices.
10. **Mr. Speaker Sir**, the present budgeting system is largely incremental which means that the government routinely allocates the funds available to existing programmes and new programmes regardless of whether those programmes generate public services in the most efficient way. The principle that should guide budget making should therefore be "achieving the greatest public good in the most cost-effective way."
11. **Mr. Speaker Sir**, furthermore, the Committee has noted systematic neglect of certain sectors or services which continue to drag the country back in development and standard of living. These include inadequate spending on the provision of healthcare, particularly the systematic shortage of required equipment and medicine for treatment and management of chronic diseases; neglect of the health professions with low training for doctors and low retention of personnel; continued neglect of police services, particularly equipment despite the central nature of this service in national development, among others. Other areas requiring urgent attention include measures to reduce chronic traffic jams in major cities and ways to reduce wastage of food harvests.
12. **Mr. Speaker Sir**, Hon. Members will also recall that in the Report on the Budget Policy Statement, we recommended that in line with the provisions of the Constitution **Article 221**, the Equalization Fund be operationalized and that an allocation of **Ksh.6.7 billion** be provided for. In addition to this, we also recommended that the Commission on Revenue Allocation make haste in publishing the criteria for identification of marginalized areas. There is currently no criteria published as yet but

after a careful review of the Estimates, the Committee has established that **Ksh.5.5 billion** has been allocated under the Equalization Fund as follows;

- i. Ministry of Finance – Kshs.3.0 billion
- ii. Ministry of Roads – West Pokot – Kshs.0.6 billion
- iii. Ministry of Livestock – Livestock Development Fund – Kshs.0.5 billion
- iv. Ministry of Energy – Solar – Kshs.0.18 billion
- v. Ministry of Finance – National Irrigation Board – Kshs.1.0 billion
- vi. Ministry of Education – Low cost schools – Kshs.0.3 billion

13. Mr. Speaker Sir, It is not spelt out exactly what criterion was used to select the aforementioned five ministries and the regions which have been allocated resources under the Equalization Fund. The funds allocated cannot also be immediately traced under the budgets of the individual ministries as part of the Equalization Fund since there is no line item indicating the purpose of the funds or that the funds are for the purposes of Equalization as envisaged in the Constitution. This renders the funds susceptible to misuse and abuse within these ministries. In this regard, **Mr. Speaker Sir,** these funds cannot be attributed to be coming from the Equalization Fund in as much as they are crucial for service provision.

14. In addition to this, **Mr. Speaker Sir,** Article 204(2) of the Constitution states that the national government shall use the Equalization Fund only to provide basic services including water, roads, health facilities and electricity to marginalized areas. This Committee therefore finds that the allocation of the funds under the Livestock Development Fund is in line with the 2011 report on the Budget Policy Statement, cannot form part of the Equalization Fund as envisaged in the Constitution.

15. Mr. Speaker Sir, in light of the continued delay by the Executive in operationalizing the Equalization Fund, the Committee would like to inform this House that these delays are hindering the appropriation and application of the resources under this Fund. It is therefore imperative that the Commission on Revenue Allocation moves with speed and identifies this.

II. KEY PRIORITY AREAS FOR THE 2012/13 BUDGET

a) FOOD SECURITY

16. **Mr. Speaker Sir**, it is estimated that about a third of Kenya's population is considered food insecure. In addition, **Article 43 (1) C** of our constitution provides that every person has a right to be free from hunger and to have adequate food of acceptable quality. Hon. Members may be aware that we spend, on a yearly basis, substantial resources on food importation yet some countries within this region have become food sufficient. **Mr. Speaker Sir**, a country that cannot produce sufficient food and guard against cheap imports runs the risk of being unable to realize meaningful development.
17. **Mr. Speaker Sir**, the Committee therefore calls for a comprehensive food security programme which is not solely dedicated to maize production but rather to the sustained production of all food crops. We especially need a policy that ensures farmers have access to quality certified seed and other inputs such as fertilizer and extension services. In this regard, the public informed the Committee that the current administration of fertilizers is inefficient, and prone to exploitation by middlemen. In addition to this, members of the public were concerned with the unequal distribution of irrigation resources in the Country.
18. **Mr. Speaker Sir**, from the public hearings the Committee heard of the need to establish a local factory for fertilizer production in the Country. The public also proposed that the Ministry of livestock should receive more funds in the 2012/13 budget to provide quality livestock extension services, and that some of the resources in the Ministry of Agriculture be specifically used to buy tractors for use or hire in agriculturally rich areas. The Committee is in support of these views and respective ministries should ensure that their proposals are implemented. As you may recall during last year's scrutiny of the Budget, the Committee set aside resources for the purchase of certified seeds and fertilizer. It is not clear exactly how many farmers and areas have benefitted from this provision.
19. **Mr. Speaker Sir**, members of the public further recommend that funds be allocated for setting up institutional structures and preparation of the legal and legislative framework for the implementation of a comprehensive food security programme.

b) CREATION OF EMPLOYMENT OPPORTUNITIES

20. **Mr. Speaker Sir**, unemployment contributes to poverty among our people and Hon. Members will share in the concern of this Committee. The only way the country will decisively deal with this problem is to provide opportunities for our youth to engage in gainful and productive activities in order to earn a decent living. This is indeed the reason why the Committee's main theme during public hearing was "creating employment opportunities through the budget."
21. **Mr. Speaker Sir**, members of the Public called for the allocation of significant and specific resources to the Ministry of Industrialization to facilitate the revival and establishment of various industries across the country such as agro-processing and textile industries in order to create more employment across the country. The public expressed concern that **Ksh.3.8 Billion** and **Ksh.1 Billion** that was allocated for Small and Medium Enterprises (SME's) in 2010/11 and 2011/12 financial years respectively did not effectively reach the intended beneficiaries because of structural inefficiencies and high interest rates charged by the Commercial Banks appointed to disburse the money. However, the public specifically proposed that the SME fund be increased.
22. **Mr. Speaker Sir**, the Committee notes that the industrialization of the Country will contribute significantly to creation of sustainable gainful employment. The Committee emphasizes that **at the heart of the pursuit of industrialization, lies the continued progression towards the ability to make machines and tools**. I am, therefore, glad to report that the budget Estimates have made budgetary allocations for the Kenya Industrial Estates, the Numerical Machining Complex, among others. We commend the Minister for this.

III. PROVISION OF BASIC SOCIAL SERVICES

a) Healthcare

23. **Mr. Speaker Sir**, Kenya is a signatory of the Abuja declaration that requires that at least **15%** be allocated for health services yet only about **6%** has been allocated to the health sector. **Mr. Speaker Sir**, the public decried the low funding to the health sector and observed that public hospitals lack adequate facilities, pharmaceutical products and personnel. The public, therefore, called for more equipment for local health centers as they are more accessible. In spite of the low funding, the public was still concerned that there is still significant leakage of pharmaceutical products into private institutions instead of them being availed in hospitals. **Mr. Speaker Sir**, this

leakage must be addressed as a matter of urgency and in fact, it introduces the question of when the last Public Expenditure Tracking Survey (PETS) on the supply and distribution of drugs was conducted and who the results of that survey were presented to.

24. **Mr. Speaker Sir**, the public called for the government to take up, operationalize and facilitate various institutions that had been set up by the Constituency Development Fund in the rural areas but had since suffered from absence of medical equipment, personnel as well as drugs. The public also noted that many health facilities across the country were understaffed and undersupplied with medical equipment as well as pharmaceutical products. In addition to this, the public also observed the need to remunerate doctors adequately to avoid the suffering of patients. Moreover, they advocated for strengthening of the Kenya Medical Supply Agency (KEMSA) to enable it supply pharmaceutical products to the country in an efficient and timely manner.

b) **Education**

25. **Mr. Speaker Sir**, members of the public called for the provision of adequate funding for more teachers at all levels of education as well as to provide for regularized teacher refresher courses and closer supervision of the profession. The public also advocated for adequate resources to the Higher Education Loans Board in the 2012/13 budget.

26. In addition to this, **Mr. Speaker Sir**, the public noted that the infrastructure in the education sector was in need of upgrade and this should be extended to establishing an institute or technical training college in each County. Members of the public observed that village polytechnics should receive enhanced allocation as they have been helpful in providing employment opportunities for the youth. The public also called for the reorientation of the curriculums offered in institutions of higher learning to make them in tandem and responsive to the requirements of the vision 2030. In this regard, the public requested for increased training of engineers and artisans to fill the skill gaps in these essential fields as well as the allocation of resources towards "life skills" education in the country.

c) **Infrastructure**

27. **Mr. Speaker Sir**, the public pointed out that the quality of road repairs and maintenance across the country was poor which led to excessive damage during the rainy seasons. In this regard, the Public noted that the road repairs were always delayed and the government always spends more money to repair neglected roads.
28. The public also expressed concern about the poor road network in the Coastal and North Eastern region which has inhibited internal trade. They urged the Government to construct the road linking important industrial hubs as a matter of priority. The residents emphasized the need to develop feeder roads as this will open up the area and adequately tap the tourism potential.

d) **Social Services**

29. **Mr. Speaker Sir**, it was observed that the process of vetting people living with disability to qualify for the income tax waiver on part of their income is currently very laborious and strenuous. The public recommended for the procedure to be reviewed to make it friendly to the people
30. **Mr. Speaker Sir**, a memorandum from the Child Welfare Society of Kenya indicated that the government should allocate more resources for the care and protection of children as indicated in the constitution Articles 20,21,26,45 and 53. The public also recommended that a child fund be established to cater for vulnerable children and that the youth empowerment programmes under the social pillar of the Vision 2030 be funded with at least Ksh.20m in each Constituency.
31. The public also recommended the increase of the elderly cash transfers to cover all the vulnerable in all the counties of Kenya. The monthly payment should also be increased **Kshs.2,000** per household instead of **Kshs.1,000** that is currently allocated.

e) **Gender**

32. **Mr. Speaker Sir**, a review of the Estimates of expenditure indicates that the bulk of resources under recurrent expenditure are going towards compensation to employees. The Committee notes that as at December 2012, the overall proportion of women in the Civil Service (excluding Teachers) accounted for **28%**, whereas the male civil servants accounted for **72%**. As much as the overall distribution by gender has improved in the last ten years, the distribution by seniority still

indicates that female Civil Servants are concentrated more at the lower levels. This is in need of redress through affirmative action to ensure that women in the civil service have both the access and desire to pursue higher education as well as managerial and technical courses to bring everyone in public service at par as far as opportunities are concerned. In this regard, the Committee proposes that a gender responsive policy formulation and implementation process be established in the entire civil service to mitigate these concerns in order to promote equitable career progression throughout the government.

33. In addition to this, **Mr. Speaker Sir**, the Committee noted that women have different health requirements from men and these need special attention as opposed to blanket healthcare coverage. While the Committee notes the efforts being made in the health sector, there is, however, concern that cancer disproportionately affects women. In this regard, the Committee recommends that specific allocations be made to purchase cancer screening equipment in the 2012/13 Financial Year.

IV. UTILIZATION OF EXTERNAL FUNDING

34. **Mr. Speaker Sir**, the Committee notes that substantial resources which are sourced from development partners are devoted to meeting recurrent nature of expenditure such as foreign travel, hospitality and supplies among others. This is evident across the development estimates and the Committee strongly recommends that the development vote should be focused on expenditures that generate productive capital.
35. **Mr. Speaker Sir**, during the interaction with Ministries and government agencies, the Committee noted a low absorption rate of funds due to lengthy and bureaucratic procurement procedures. In this regard, the Committee notes that the reforms undertaken since 2005 with the enactment of the Public Procurement and Disposal Act have not served the country well and should therefore be enhanced.
36. In the meantime **Mr. Speaker Sir**, the Committee recommends that Government agencies prepare realistic work plans and accompanying procurement plans tied to the available resources, so as to avoid holding funds which would have otherwise be utilized to meet other pressing needs. In the 2012/13 estimates, the Committee has therefore reallocated funds from areas where absorption capacity has been lacking to areas of high priority.

V. STATE CORPORATIONS

37. **Mr. Speaker Sir**, the State Corporations in Kenya manage significant sums of money estimated at more than Kshs. 600 billion every year. We need to make these corporations accountable to reduce misappropriation. **Mr. Speaker Sir**, the Committee is deeply concerned with the allocations to some of these corporations especially moneys purported for development purposes. Corporations should be self sufficient and therefore this House should recommend a **4%** reduction on all grants to State Corporations under recurrent expenditure and a **25%** on development expenditures with exception to those related to provision of water, roads, electricity, health and education.
38. **Mr. Speaker Sir**, the Committee also recommends that the minister conduct a thorough review of all the resources transferred to state corporations through the budget as well as earmarked funds and extra budgetary funds. This should be done with the aim of instituting value-for-money spending and reducing unproductive expenditure.

VI. PREPAREDNESS FOR DEVOLUTION

39. **Mr. Speaker Sir**, the Committee noted that in the 2012/2013 proposed budget estimates, there are allocations for devolved functions within various ministries. However, the Committee notes with concern that there are five key ministries which have not specifically indicated any demarcated funds for devolved functions.
- a) **Ministry of Roads** - This ministry has not indicated the devolved functions/ funds under the Kenya Rural Roads Authority, allocating funds to devolved relevant functions in recurrent expenditure but none in development expenditure.
 - b) **Ministry of the Development of Northern Kenya and Arid Lands** – The Ministry has not indicated the devolved functions/funds in its budget for emergency relief and refugee assistance as well as construction and civil works.
 - c) **Ministry of Nairobi Metropolitan Development** – The Ministry of Nairobi Metropolitan Development also covers various counties. However, this ministry has not allocated money for devolved functions in its budget.
 - d) **Ministry of Energy** – While the ministry has set aside **Kshs.8.9 billion** for devolved functions, it does not identify the specific devolved functions under its mandate.

e) **Ministry of Trade** – Apart from the allocation under “headquarters” that is meant to cater for policy, much of the resources should be expressly devolved and provided for since the Fourth Schedule, Part 2 of the Constitution bestows trade development and regulation to county governments.

40. The Committee also notes with concern that there are no provisions within the Estimates for setting up of County Assembly structures. **Mr. Speaker Sir**, failure to fully provide specific funds for setting up County Assembly structures will result in County legislatures being unable to execute their mandates immediately after the next general election.

41. In addition to this, **Mr. Speaker Sir**, there is also a notable gap between the resource provision for devolved government under the 2012/13 fiscal framework in the BPS and the 2012/13 proposed budget estimates. In the 2012/13 fiscal framework, devolved government has been allocated **Kshs.166.7 billion**. However in the printed estimates, the allocation to devolved functions amounts to **Kshs.148 billion**.

42. **Mr. Speaker Sir**, in view of the need to provide the necessary infrastructure for county assemblies, this Committee recommends that **Kshs.1.5 billion** be allocated from the item “transfers for constitutional reforms” in the Ministry of Finance to be dedicated to setting up infrastructure in the County Assemblies.

VII. RECOMMENDATIONS

a) POLICY PRESCRIPTIONS

43. **Mr. Speaker Sir**, in addition to the expenditure needs that the public expressed during the public hearings, there were other critical issues that were pointed out as either inhibiting effective service provision and thereby restraining the socioeconomic growth of our country or being incongruent with the current legislation and therefore in need of redress. In this regard, **Mr. Speaker Sir**, the Committee proposes several policy measures to respond to the requests of the public while promoting efficient service-provision by the government. Specifically the Committee proposes immediate implementation of the following policies:

- ✓ That resource allocation to the Equalization Fund be increased to Kshs.6.7 billion and ring-fenced until the criteria for identification of marginalized areas is published and the legislation on public finance to administer the fund is enacted;
- ✓ The enactment of the PPP (Public Private Partnership) law that will operationalise BOT (Build, Operate, and Transfer) to ensure sufficient and cost-effective funding for infrastructure projects such as street lighting, power generation, railways, road networks and ports;
- ✓ That an all inclusive government integrated information system be established to capture all personal information and data from the time of birth and result in a common PIN (Personal Identification Number);
- ✓ To urgently formulate a comprehensive food security programme encompassing Agriculture, Livestock, Food and Fisheries Authority (ALFFA) to promote and regulate the agriculture sector both at the National and County governments and enhance food security;
- ✓ Harmonize all disaster related initiatives across the government pertaining to droughts and floods in order to come up with a structured strategy of addressing emergencies and perennial water shortage in the country;
- ✓ To allocate resources for the establishment of a fertilizer factory for local manufacture of fertilizer to ensure that the cost of inputs to farmers is affordable;
- ✓ To re-negotiate the Nile treaty and thereby enable the Lake Victoria region to be able to utilize the rivers in the region for meaningful damming and irrigation and ensure socio-economic development;
- ✓ Establishment of an urgent framework for the compensation of the victims of pyramid schemes in line with the Minister for Cooperative Development undertaking in the House;
- ✓ To fully provide resources and personnel for the setting up of county infrastructure so as to ensure a smooth transition to devolved government;
- ✓ To ensure, through the Kenya Medical Supplies Agency (KEMSA) that paediatric medicine for children under the age of 5 years is availed free of charge in all hospitals, particularly referral hospitals and the Kenyatta National Hospital;
- ✓ To accelerate the posting of advertisements online and specifically in government websites in order to realize resource savings in publicity and information dissemination and;
- ✓ To ensure that all proceeds from the Kenya Oil Storage Facility (KOSF) that is collected and recorded by the Ministry of Energy is converted into revenue and directly paid into the exchequer account of treasury.

- ✓ To introduce instant electronic ticketing based on biometric new identification system as a punitive measure to address the violation of traffic rules and to have resulting moneys paid directly into a designated public bank by the violators.

b) PROPOSED ADJUSTMENTS AND REALLOCATIONS IN THE 2012/13 BUDGET

44. **Mr. Speaker Sir**, the Committee received presentations by the Chairs of the various Departmental Committees on proposed recommendations and reallocations in the 2012/13 budget. In line with its mandate of evaluating economic and budgetary policies and programmes with direct budgetary outlays, the Budget Committee undertook to rationalize the proposals by the Committees to the extent possible. In doing so, keen attention was paid and care taken to ensure that any impact on service provision on the nation as a whole is positive.

45. **Mr. Speaker Sir**, the budget is the mechanism that allows a country to deliver on its promises to its people and an effective and comprehensive budget involves apportioning scarce resources to competing needs. Honourable members may be aware that the Budget Committee looks at how the overall expenditure fits in the fiscal framework. Indeed, due cognizance is given to having a stable macroeconomic environment especially ensuring that the fiscal Budget Deficit does not crowd out private sector investment as well as having a sustained level of debt. Thus, it was not possible to factor in the review, all the recommendations of the Departmental Committees.

46. **Mr. Speaker Sir**, in this regard, the remaining part of this report should be considered as a notice of motion to adjust the 2012/13 Estimates submitted to Parliament in order to have an efficient and responsive budget that addresses the needs and requests of Kenyans and meets the aspirations of the citizenry.

▪ Expenditure Adjustments

47. **Mr. Speaker Sir**, the Committee notes that there are several common non-core expenditures in the budget for 2012/13. These include expenditures for maintenance, operating expenses, printing, purchases of vehicles and equipments, construction of buildings, hospitality supplies, domestic and foreign travel, among others. With regard to foreign travels, it is self-evident that such spending is wasteful and also depletes Kenya's foreign currency. It is quite unsettling for government agencies to spend huge resources on non-core items while thousands of Kenyans lack kidney dialysis

machines and cancer screening or treatment machines. For this financial year, the Committee recommends that these funds be reduced significantly to release resources for these areas of government spending.

48. **Mr. Speaker Sir**, several yardsticks are used to identify areas where further expenditure cuts can be made. Firstly, it is important to appreciate that some agencies require more resources of the non-core type discussed above, while others due to their mandates need less to be able to execute their mandates effectively. Thus, expenditure reductions for items such as printing, routine maintenance of vehicles, hospitality supplies, among others are made where excessive spending is identified. In addition, pending a comprehensive assessment of actual needs for all agencies for these types of expenditures, the Committee recommends that these expenditures can be reduced modestly without crippling the targeted ministries or spending units.
49. Secondly, **Mr. Speaker Sir**, there are several cases where development expenditure contains large amounts of recurrent type items such as those mentioned above. For this reason, expenditure reductions are informed by the need to curb the use of development funds for recurrent type spending. In addition to this, it is proposed that foreign loans and grants approved by Parliament for development must commit at least 70 percent of the budget to demonstrable development projects. For instance, there are huge resources allocated in the Ministry of Finance that are recurrent in nature and yet they appear in the development budget.
50. **Mr. Speaker Sir**, to send a clear and unambiguous message of adherence to hard budget constraints and to follow on the austerity measures instituted in 2011/12 Budget by Parliament, the Committee recommends that the 2012/13 Estimates be revised as follows;

i. Expenditure cuts under Recurrent Expenditure

51. **Mr. Speaker Sir**, the following proposed reductions in the recurrent expenditure will result in a saving of **Kshs.15,344,599,994** of which **Kshs.12,248,541,087** arises due to cuts in the recurrent budget for all ministries including Parliament and Judiciary, while **Kshs.3,096,058,906** is savings from expenditure cuts of Parastatals recurrent budget. More specifically, the Committee recommends for reducing the following items as shown below; (**Annex 1 shows the details**):

- 1) Foreign Travel and Subsistence, and Other transportation Costs by 50 percent in all ministries, Judiciary and Parliament;

- 2) Communication supplies and services by 10 percent in all ministries, Judiciary and Parliament;
- 3) Domestic Travel and Subsistence, and Other Transportation Costs" by 30 percent in all ministries Judiciary, and Parliament;
- 4) "Printing, Advertising and Information Supplies and Services" by 30 percent in all ministries, Judiciary and Parliament, with the exception of Independent Electoral and Boundaries Commission and Ministry of Lands;
- 5) "Hospitality Supplies and Services" by 30 percent in all ministries, government agencies, Judiciary and Parliament with exception of: Ministry of Tourism, State House, Office of PM, and Ministry of Lands (this item is for Land boards and Land Tribunals);
- 6) "Fuel Oil and Lubricants" in all ministries, Judiciary and Parliament by 20% with exception of: Ministry of Roads, Ministry of Energy, Ministry of State for Defense, and Ministry of State for Provincial Administration and Internal Security;
- 7) "Other Operating Expenses" by 20 percent in all ministries, Judiciary and Parliament, and by 30 percent in Ministry of Finance, with exception of contracted services and legal fees;
- 8) "Routine Maintenance – Vehicles and Other Transport Equipment" by 20 percent in all ministries, Judiciary and Parliament with the exception of: Ministry of Roads, Ministry of Energy, Ministry of Public Works, Ministry of State for Defense, and Ministry of State for Provincial Administration and Internal Security;
- 9) "Purchase of Vehicles and Other Transport Equipment" by 50 percent all ministries, government agencies, and Judiciary with the exception of Ministry of Medical Services, Independent Electoral and Boundaries Commission and Ministry of State for Provincial Administration and Internal Security;
- 10) "Purchase of Office Furniture and General Equipment" by 20 percent in all ministries, government agencies, and Judiciary;
- 11) "Research, Feasibility Studies, Project Preparation and Design, Project Supervision" by 100 percent in all ministries and government agencies. This item appears in the almost all ministries and is often abused;
- 12) Expenditure under "Poverty Eradication Commission" by 88 percent under the Ministry of Planning and National Development;
- 13) Reduce by 4 percent all "current grants to government agencies" with the exception of those under Ministry of Health, Ministry of Education, Ministry of Roads, Ministry of Energy and Ministry of Regional Development Authorities. These Excludes subscriptions to international organizations.

ii. Expenditure cuts under Development Vote

52. **Mr. Speaker Sir**, the following proposed reductions in the development expenditure will result in a saving of **Kshs.4,295,495,004** of which **Kshs.4,043,196,023** arises due to cuts in the development budget for all ministries, while **Kshs.252,298,976** is savings from expenditure cuts of transfers in the development budget. **Mr. Speaker sir**, in arriving at the figure we excluded projects that have counterpart funding, ongoing projects, and key infrastructure projects and only proposed adjustments in areas that will not hamper service delivery. The following items are earmarked for expenditure cuts:

↳ The following items be revised to zero

- a. All training expenditure in the development budget that is not funded by development partners.
- b. Purchase of certified seeds, breeding stock and live animals under Ministry of Home Affairs.
- c. Capital Grants to Government Agencies and other levels of government under the Poverty Eradication Commission" under Ministry of Planning.
- d. Domestic Travel and Subsistence, and Other Transportation in all ministries, government agencies, Judiciary and Parliament.
- e. Hospitality Supplies and Service in all ministries, government agencies, Judiciary and Parliament.
- f. Foreign Travel and Subsistence, and Other transportation in all ministries, government agencies, Judiciary and Parliament.
- g. Rental of produced assets under Ministry of Forestry.
- h. Office and General Supplies and Services in all ministries, government agencies, Judiciary and Parliament.
- i. Printing, Advertising and Information Supplies and Services in all ministries and government agencies, Judiciary and Parliament.
- j. Fuel Oil and Lubricants by 100 in all ministries, government agencies, Judiciary and Parliament.
- k. Other Operating Expenses by 100 percent in all ministries, government agencies, Judiciary and Parliament.
- l. Routine Maintenance – Vehicles and Other Transport Equipment in all ministries, government agencies, Judiciary and Parliament.

- ↓ Reduce Construction of building by the Ministry of Energy to serve as the headquarters for the Ministry and National Oil Corporation be scaled to Ksh.600 million.
- ↓ Reduce Purchase of Vehicles and Other Transport Equipment by 50 percent in all ministries, government agencies, and Judiciary and Parliament.
- ↓ Reduce Purchase of Office Furniture and General Equipment by 50 percent in all ministries, government agencies, Judiciary and Parliament.
- ↓ Reduce Research, Feasibility Studies, Project Preparation and Design, Project Supervision by 50 percent in all ministries and government agencies, Judiciary and Parliament.
- ↓ Reduce by 20 percent all "capital grants to government agencies" that purely benefit from Government Revenue (GREV), with the exception of those under Ministry of Medical Services, Ministry of Public Health and Sanitation, Ministry of Education, Ministry of Roads, Ministry of Energy and Ministry of Regional Development Authorities. In addition, the following items are excluded:

Vote	Head Code	Sub head name	Item name	Allocation
VOTE D110	1014Smallholder Horticulture Marketing Programme (ShopMap)	Headquarters	Insurance Costs	537,600
VOTE D110	1014Smallholder Horticulture Marketing Programme (ShopMap)	Headquarters	Government Pension and Retirement Benefits	19,062,546
VOTE D140	0011 Immigration Department-Headquaters	Headquarters	Purchase of Specialized plant, Equipment and Machinery	628,713,984
VOTE D159	0007Architectural Department	Headquarters	Construction of Building	2,960,723,424
VOTE D159	0007Architectural Department	Mitihani House Phase V Project	Other Operating Expenses	364,000,000
VOTE D121	0021 Directorate of Environment	Greening Programme	Purchase of Certified Seeds, Breeding Stock and Live Animals	200,000,000
VOTE D132	0001 Headquarters Administrative Services	Kenya Broadcasting Corporation	Capital Grants to Government Agencies and other Levels of Government	450,000,000

53. Mr. Speaker sir, with the aforementioned adjustments Mr. Speaker sir, the Committee has created savings amounting **Kshs.19,640,094,997** which I now hereby propose to be allocated in key priority areas as detailed here below.

- **Expenditure Increments**

54. **Mr. Speaker Sir**, whereas expenditure cuts are targeted to curb lavish use of public resources and to reduce opportunities for flagrant (business-as-usual) government spending, expenditure increments are informed by core needs identified through the budget process, through the Budget

Committee Report on the Budget Policy Statement to Parliament (Bullet 82, page 24-25), and the submissions from Kenyans around the country through the Public Hearings held between 11th, 12th and 14th May 2012 in seventeen centers across the country and submissions by individuals and organizations on the 2012/13 budget proposals.

55. Mr. Speaker Sir, the areas that are identified to receive additional funds also include “high impact” areas or chronically neglected, but important, areas of public spending such as the following: provision of cancer treatment and diagnosis equipment, provision of dialysis machines and other medical equipment. Other areas include the urgent need to increase health personnel through accelerated training of doctors, increased resources to develop science and industrial polytechnics, increased resources for post harvest crop management, increased funding for ambulances, conditional grants to the provincial hospitals, flagship projects under the vision 2030, and special grants to Kenyatta National Hospital. To fund these urgent programs, sacrifices have been made in non-core spending areas and those savings are used to secure provision for priority services. In summary, the following are the areas where expenditure increases and reallocations should be made:

- ⬇ An additional allocation of **Kshs.1.2 billion** for the Equalization Fund, operationalize it and establish the criteria for mapping out marginalized areas.
- ⬇ An additional allocation **Kshs. 562.875 million** for the Constituency Development Fund being the balance to meet the legal threshold of 2.5% of ordinary revenue.
- ⬇ An additional allocation of **Kshs. 2.683 billion** for the improvement of service delivery in the health sector specifically in the following areas:
 - a. **Kshs.683 million** to the Ministry of Medical Services for the recruitment of more health workers to meet the staff shortage in the hospitals;
 - b. **Kshs.200 million** to the Ministry of Medical Services for the improvement of specified health facilities at district and sub-district level;
 - c. **Kshs.300 million** to the Ministry of Public Health and sanitation for the Procurement of cancer screening equipment, especially to meet the requirement that was strongly supported by Kenya Women Parliamentarians (KEWOPA);
 - d. **Kshs.500 million** to the Kenya Medical Supplies Agency (KEMSA) specifically to purchase pharmaceutical products to meet the drug shortage in the country;
 - e. **Kshs.300 million** to the Kenya Medical Training College for the expansion of KMTC campuses;

- f. **Kshs.500 million** for the Kenyatta National Hospital for the procurement of specialized equipment; and
 - g. **Kshs.200 million** to Moi Teaching and Referral Hospital for the procurement of specialized equipment.
- ✚ An additional allocation of **Kshs.700 million** to improve the infrastructure in the country specifically in the following areas:
- a. **Kshs.500 million** to the Ministry of Roads for the repair of roads managed under the Kenya National Highways Authority (KENHA) which were extensively damaged by the floods currently being experienced; and
 - b. **Kshs.200 million** to the Ministry of Transport for National Safety Council.
- ✚ An additional allocation of **Kshs.2.275 billion** to improve security in the country and ensure that Kenya becomes a favourable destination specifically in the following areas;
- a. To counter the current security threats, **Kshs.1.275 billion** to the Ministry of State for Public Administration and National Security as counterpart funding for the installation of CCTV surveillance equipment.; and
 - b. **Kshs.1 billion** to the Ministry of State for Public Administration and National Security for the construction, and equipping of the CID Forensic Laboratory.
- ✚ An additional allocation of **Kshs.1.685 billion** to foster socio-economic growth of the country specifically in the following areas:
- a. **Kshs.200 million** to the Ministry of Labour for the upgrading of the technology used in industrial training centers;
 - b. **Kshs.1 billion** to the Ministry of Gender and Children Development for Cash transfers to older persons across the Country;
 - c. **Kshs.485 million** to the Ministry of Gender and Children Development as cash transfers for orphans and vulnerable children; and
- ✚ An additional allocation of **Kshs.3.63 billion** to improve the education services offered in our country specifically in the following areas;
- a. **Kshs.1.2 billion** to the Ministry of Education specifically for the completion of the construction of Mitihani House under the Kenya National Examination Council;
 - b. **Kshs.1 billion** to Ministry of Higher Education for the Higher Education's Loans Board to increase funds available to offer loan facilities, especially to cater for accelerated intake in public universities;
 - c. **Kshs.630 million** to the Ministry of Higher Education to upgrade and equip the Nine (9) new University colleges;

- d. **Kshs.300 million** to the Ministry of Higher Education for the National Council for Science and Technology; and
- e. **Kshs.500 million** to the Teachers Service Commission for the promotion of teachers.
- ⌚ An additional allocation of **Kshs.1.678 billion** to secure the country's borders and promote economic relations and trade with other nations specifically in the following areas:
 - a. **Kshs.688 million** to the Ministry of Defence for the construction of housing units for 10,000 junior Officers;
 - b. **Kshs.400 Million** for the purchase of a Chancery building in New York
 - c. **Kshs.440 million** to the Ministry of Foreign Affairs for the purchase of chancery in Kampala, Uganda and;
 - d. **Kshs.150 million** to the Ministry of Foreign Affairs for the Establishment of mission in Juba Southern Sudan.
- ⌚ An additional allocation of **Kshs.1.65 billion** to boost the agricultural sector and ensure food security specifically in the following areas:
 - a. **Kshs.1 billion** to the Ministry of Agriculture to increase resources for the Agricultural Finance Cooperation to provide capital to farmers,
 - b. **Kshs.350 million** to the Ministry of Agriculture for the revamping of the Pyrethrum Board of Kenya,
 - c. **Kshs.100 million** to the Ministry of Livestock for the Kenya Meat Commission to obtain a mark of quality, and
 - d. **Kshs.200 million** to the Ministry of Northern Kenya Development for the establishment of the National Drought Management Authority.
- ⌚ An additional allocation of **Kshs.1 billion** to the Ministry of Energy to increase the funding for Rural Electrification under the Rural Electrification Authority.
- ⌚ An additional allocation of **Kshs.100 million** to promote cohesion in our society and improve legal services specifically in the following areas:
 - a. **Kshs.50 million** to the Ministry of Justice, National Cohesion and Constitutional Affairs to further enable the National Cohesion and Integration Commission (NCIC) carry out its mandate, and
 - b. **Kshs.50 million** to the State Law Office for the recruitment of state counsels in the Attorney General's Office.
- ⌚ An additional allocation of **Kshs.600 million** to support devolution and promote improved service provision in urban areas specifically in the following areas:

- a. **Kshs.150 million** to the Ministry of Local Government for the establishment of the Transitional Authority;
 - b. **Kshs.250 million** to the Ministry of Local Government for Disaster management; and
 - c. **Kshs.200 million** to the Ministry of Nairobi Metropolitan Development for the purchase of fire fighting vehicles.
- ⊕ An additional allocation of **Kshs.500 million** to the Ministry of State for Planning, National Development and Vision 2030 specifically for conducting the Kenya Integrated Household Budget Survey (KIHBS).
 - ⊕ An additional allocation of **Kshs.1.385 billion** for fostering local economic growth and promoting industrialization in the country specifically in the following areas:
 - a. **Kshs.385 million** to the Ministry of Trade for the construction of Wholesale hubs and tier 1 retail markets;
 - b. **Kshs.500 million** to the Ministry of Industrialization for the revival of pan-paper mills; and
 - c. **Kshs.500 million** to the Ministry of Trade for Special Economic Zones.
 - ⊕ An additional allocation of **Kshs.382 million** for the Kenya National Audit office to cater for pending bills; purchase of vehicles and equipment; training, travel expenses, fuel, oil and lubricants and maintenance costs

- **Expenditure Reallocations**

56. **Mr. Speaker Sir**, the Committee has also identified certain areas where resources are to be re-allocated from one area to another. This has been done in order to promote efficiency in government operations, to provide scarce resources to crucial yet underfunded programmes by rationalizing while sending a clear message of the need to promote frugal and pragmatic use of government resources. These include:

- ⊕ Reallocation of **Kshs.8 billion** domiciled in the Ministry of Finance vote to be expressly provided to the National Irrigation Board under the Ministry of Water and Irrigation specifically for the development of irrigation infrastructure.
- ⊕ Reallocation of **Kshs.1.5 billion** domiciled in the Ministry of Finance Budget Under item 2630101; head code 0029, Headquarters towards putting up the infrastructure for County Assemblies in the responsible ministry.
- ⊕ Reallocation of **Kshs. 106 million** allocated for the Mission in Dublin Ireland to the establishment of a Consulate in Juba, Saudi Arabia.

- **Specific allocations based on the projects by the public hearings in the various centers**

57. **Mr. Speaker Sir**, there were several priority areas of funding that were identified during the public hearings. The committee recommends that **Kshs.3.14 billion** saved from adjustments across several ministries and agencies be allocated towards funding the projects summarised below:

- a. Revamping small scale industries in the agricultural sector:
 - Kshs.100 million be allocated to Kitinda Milk processing plant,
 - Kshs.50 million be allocated to Malakisi ginnery as a start-up capital,
 - Kshs.200 million be allocated to the Coconut Development Authority,
 - Kshs.80 million be allocated for the construction of an abattoir in Isiolo,
 - Kshs.50 million be allocated as start-up capital for the establishment of a fertilizer factory, and
 - Kshs.115 million for the repair and construction of road B7 (Embu – Kiritiri – Kangonde road).

- b. Revamping the infrastructure sector:
 - Kshs.200 million be allocated for the commencement of the construction of Nakuru Airport,
 - Kshs.300 million be allocated for the re-carpeting of roads within Lodwar municipality,
 - Kshs.200 million be allocated towards construction and repair of road C83,
 - Kshs.100 million be allocated towards construction and repair of road C68 / C66,
 - Kshs.200 million be allocated towards improvement of Kisumu port infrastructure,
 - Kshs.150 million be allocated for the improvement of Mbita Causeway (bridge), and
 - Kshs.100 million for the construction of a dam along Mzima Springs for provision of water in Taita-Taveta County.

- c. Supporting the improvement of the health service delivery:
 - Kshs.200 million be allocated to Kisii Hospital for improvement of emergency facilities, and
 - Kshs.100 million for the upgrade of Wesu District Hospital to the level of a training facility and the purchase of critical equipment for the provision of quality healthcare services.

- d. Supporting development of the social sector:
 - Kshs.20 million be allocated for the rehabilitation of the Kisii Childrens Home,
 - Kshs.175 million be allocated towards Child Welfare Society of Kenya, and
 - Kshs.150 million be allocated towards the development of a comprehensive food security programme coordinated by the Ministry of Agriculture and the University of Nairobi.

- e. Supporting the development of the Education sector:

- Kshs.200 million be allocated for revamping of the GRIFTU pastoral technical training college in Wajir,
- Kshs.250 million be allocated for the establishment of a technical training college in Murang'a, and
- Kshs.200 million for the improvement of Kipkabus technical training college in Uasin Gishu.

58. **Mr. Speaker Sir**, the financing gap arising from under provision of **Kshs.1.2 billion** and **Kshs.562 million** for Equalization Fund and Constituency Development Fund, respectively should be met by the Discretionary Tax Measures as well as key reforms in tax administration especially with the help of the recently enacted legislation on General Packet Radio Service (GPRS) enabled Electronic Tax Register. This will go a long way in enhancing VAT collection thereby closing the financing gap.

▪ **Key areas requiring immediate funding**

59. **Mr. Speaker Sir**, during our interaction with the public as well as consultation with the Departmental Committees, the Budget Committee identified other key projects/ programmes that require funding to the tune of **Kshs.32.053 billion**. Thus, if the Minister for Finance identifies any additional resources from revenue measures or expenditure re-allocation, the following programmes should be given priority:

Programmes/Projects	Amount in Kshs
Agricultural food security under advanced drip irrigation amounting to Kshs.9 billion while fertilizer and chemicals worth Kshs.1 billion	10 billion
Finalization of third generation identity cards programme and in improving the population registration services and issuance of ID's during the 2013 election year.	2.5 Billion
Purchase of Chancery building New York	800 Million
Construction of Olentare airport to serve four counties namely Narok, Homa-bay, Kisii and Nyamira.	400 Million
Installation of Lightening arresters in areas prone to lightening strikes	200 Million
Purchase of specialized equipments for regional referral Hospitals	485 million
Resources to cater for Increased annual admission in universities	280 million
Employment of 30,000 more teachers	8 Billion
Contribution in lieu of rates for Nairobi and Mombasa County Councils	1.8 Billion
Pending bills arising from ongoing stalled projects in Ministry of Local Government	659 million
Kenya Metrological Department – weather modification, recruitment of staff, purchase of satellite distribution system	954 million
Addition funding to Business Financing for MSME's under the Kenya Industrial Estates (KIE)	1 Billion
Additional allocation to Women Enterprise Fund	225 million

Programmes/Projects	Amount in Kshs
Provision of Urban Food Subsidy Cash Transfer Programme	200 million
Construction of Embu-Siakago-Ugweri D469	50 million
Repair of damaged Roads due the heavy rains managed under KURA and KERRA estimated at Kshs.2.6 billion and Kshs.7.6 billion respectively	10.2 Billion
Completion of Stalled projects under the Ministry of Works	4.7 Billion
Construction of the Embu-Siakago-Ugweri Road	300 million
Construction of Nyaribari – Manga – Mabuko road,	200 million
Completion of construction projects at Egerton University	1.229 billion
Subscriptions to meet the deficit to EAC	240 million
Total	43.782 billion

ANNEX 1: KEY AREAS OF EXPENDITURE CUTS UNDER THE RECURRENT BUDGET

Item	Ministry	Reduction (%)	Details	Amount Saved (Kshs)
Recurrent Expenditure				
2210400 – Foreign Travel and Subsistence, and Other transportation Costs	All ministries	50%		1,441,942,198
2210400 – Foreign Travel and Subsistence, and Other transportation Costs	Parliament	50%		286,569,650
2210400 – Foreign Travel and Subsistence, and Other transportation Costs	Judiciary	50%		25,441,542
2210200 – Communication, Supplies and Services	All ministries	10%		225,826,634
2210300 – Domestic Travel and Subsistence, and Other Transportation Costs	All ministries	30%		2,857,828,847
2210300 – Domestic Travel and Subsistence, and Other Transportation Costs	Parliament	30%		356,605,929
2210300 – Domestic Travel and Subsistence, and Other Transportation Costs	Judiciary	30%		143,526,624
2210500 – Printing, Advertising and Information Supplies and Services	All ministries	30%	With exception of: Independent Electoral and Boundaries Commission and Ministry of Lands	702,532,595
2210500 – Printing, Advertising and Information Supplies and Services	Parliament	30%		12,000,000
2210500 – Printing, Advertising and Information Supplies and Services	Judiciary	30%		25,243,557
2210800 – Hospitality Supplies and Services	All ministries	30%	With Exception of Ministry of Tourism, Office of PM, Lands(Land Boards, and Land Tribunals)	1,254,020,950
2210800 – Hospitality Supplies and Services	Parliament	30%		86,610,000
2210800 – Hospitality Supplies and Services	Judiciary	30%		18,445,819
2211200 – Fuel Oil and Lubricants	All ministries	20%	With exception of: Ministry of Roads ,Ministry of State for Defense, Ministry of State for PAIS	677,954,689
2211200 – Fuel Oil and Lubricants	Parliament	20%		5,100,000
2211200 – Fuel Oil and Lubricants	Judiciary	20%		17,309,861
2211300 – Other Operating Expenses	All ministries	20%	Contracted Services	326,704,245
2211300 – Other Operating Expenses	Judiciary	20%		26,596,568
2211300 – Other Operating Expenses	Ministry of Finance	30%	Legal Fees	309,973,236
2220100 – Routine Maintenance – Vehicles and Other Transport Equipment	All ministries	20%	With exception of: Ministry of Roads ,Ministry of Energy ,Ministry of Public Works, Ministry of State for Defense, Ministry of State for PAIS	1,290,616,857

Item	Ministry	Reduction (%)	Details	Amount Saved (Kshs)
2220100 – Routine Maintenance – Vehicles and Other Transport Equipment	Parliament	20%		6,000,000
2220100 – Routine Maintenance – Vehicles and Other Transport Equipment	Judiciary	20%		15,441,303
			This item also includes important purchases for some ministries. Thus, the reduction is targeted at purchases of motor vehicles only with exception of: Ministry of Medical Services, IEBC, and Ministry of State for PAIS	
3110700 – Purchase of Vehicles and Other Transport Equipment	All ministries	50%		885,094,710
3110700 – Purchase of Vehicles and Other Transport Equipment	Judiciary	50%		504,250,000
3110700 – Purchase of Vehicles and Other Transport Equipment	Parliament	30%		19,500,000
3111000 – Purchase of Office Furniture and General Equipment	All ministries	20%		310,766,121
3111000 – Purchase of Office Furniture and General Equipment	Judiciary	20%		20,501,424
3111400 – Research, Feasibility Studies, Project Preparation and Design, Project Supervision	All ministries	100%		337,901,990
	Ministry of Planning and National Development	88%		58,235,742
Poverty Eradication Commission				12,248,541,087.50
Parastatal Transfers				3,348,357,882
Total				15,344,599,994

MINUTES OF THE 120TH SITTING OF THE BUDGET COMMITTEE HELD ON WEDNESDAY, JUNE 6, 2012 IN THE COMMITTEE ROOM, FIFTH FLOOR, CONTINENTAL HOUSE AT 10.00 AM

PRESENT

- 1) Hon. Elias Mbau, M.P – Chairman
- 2) Hon. Alfred Sambu, M.P
- 3) Hon. Martin Ogindo, M.P
- 4) Hon. John Mbadi, M.P
- 5) Hon. Nelson Gaichuhie, M.P
- 6) Hon. Nemesyus Warugongo, M.P
- 7) Hon. Danson Mungatana, M.P
- 8) Hon. John Mututho, M.P – Chairman, Agriculture, Livestock and Cooperatives
- 9) Hon. Adan Keynan, M.P – Chairman, Defense and Foreign Relations
- 10) Hon. Ekwe Ethuro, M.P – Chairman, CDF (CFC) Committee
- 11) Hon. David Were, M.P – Chairman, Transport, Public Works and Housing
- 12) Hon. Chris Okemo, M.P – Chairman, Finance, Planning and Trade
- 13) Hon. Shakeel Shabbir, M.P – Member, Finance, Planning and Trade

Min 111/2012: Preliminaries

The meeting was called to order at 10.30 am and started with a word of prayer from a member of staff. The chairman welcomed members to the meeting and proceeded to the agenda of the day.

Min 112/2012: Confirmation of Previous Meeting Minutes

Members went through the minutes of the following sittings and adopted them as a true record of the committee's deliberations:

- The 117th Sitting Minutes held on 4th June 2012 at 2.30 pm. The minutes were proposed by Hon. Danson Mungatana and seconded by Hon. Alfred Sambu.
- The 118th Sitting Minutes held on 4th June 2012 at 4.30 pm. The minutes were proposed by Hon. David Were and seconded by Hon. Adan Keynan.
- The 119th Sitting Minutes held on 5th June 2012 at 10.00 am. The minutes were proposed by Hon. Nelson Gaichuhie and seconded by Hon. David Were.

Min 113/2012: Matters Arising

Min 109/2012 (the 119th sitting minutes) – Meeting with the Minister of Finance

Public Debt: members expressed dissatisfaction with the explanation given by the Minister of Finance on public debt levels. According to the Budget Committee, the level of debt is raising to unsustainable levels. Traditionally, the country has relied on the IMF as the

authority on debt sustainability and they have placed a target of 42% on the public debt to GDP ratio 42%. It was pointed out that available data indicates that the current debt levels actually amount to 51.8% of GDP (Debt amounts to 1.58 trillion against GDP of 3.02 trillion).

Min 114/2012: Refining the Outstanding Issue for Adoption into the 2012/13 Budget Report

Members were informed that the pending issues from the Departmental Committee on Defense and Foreign Relations report on budget estimates which had been deferred to allow for more discussion had now been finalized and incorporated into the report as follows:

- i. Kshs. 688 million to the Ministry of Defense for the construction of housing units for 10,000 Junior Officers
- ii. Kshs. 440 million to the Ministry of Foreign Affairs for the purchase of Chancery building in Kampala
- iii. Kshs. 150 million to the Ministry of Foreign Affairs for the establishment of mission in Juba, South Sudan
- iv. Re-allocate funds under Mission in Dublin, Ireland for opening a new consulate in Jeddah, Saudi Arabia
- v. Members were however informed that it was not possible to allocate funds to cater for service allowance to staff in embassies. This is because the staff intermingled with others under ministry of trade therefore the committee may not be able to allocate this amount to ministry as it may amount to preferential treatment.

The inclusion of the aforementioned issues into the Budget Committee Report was proposed by Hon. Ekwe Ethuro and adopted by members for inclusion in the Budget report.

Min 115/2012: Adjournment

There being no other business, the meeting was adjourned at 12.30 pm.

CHAIRMAN.....
SIGNATURE

DATE.....06/06/2012.....

MINUTES OF THE 119th SITTING OF THE BUDGET COMMITTEE
HELD ON TUESDAY, JUNE 5, 2012, IN THE COMMITTEE ROOM,
FIFTH FLOOR, CONTINENTAL HOUSE, PARLIAMENT BUILDINGS
AT 10:00 A.M

PRESENT

1. Hon. Elias Mbau, M.P – Chairman
2. Hon. Alfred Sambu, M.P
3. Hon. Martin Ogindo, M.P
4. Hon. Moses Lessonet, M.P
5. Hon. Emilio Kathuri, M.P
6. Hon. John Mbadi, M.P
7. Hon. Danson Mungatana, M.P
8. Hon. Abdul Bahari, M.P
9. Hon. Jackson Kiptanui, M.P
10. Hon. Nelson Gaichuhie, M.P
11. Hon. Sheikh Mohammad Dor, M.P
12. Hon. John Mututho, M.P – Chairman, Agri., Livestock and Cooperatives
13. Hon. David Koech, M.P – Chairman, Education, Research and Technology
14. Hon. Chris Okemo, M.P – Chairman, Finance, Planning and Trade
15. Hon. Fred Kapondi, M.P – Chairman, Administration and National Security
16. Hon. David Ngugi, M.P – Chairman, Local Authorities
17. Hon. James Rege, M.P – Chairman, Energy, Information and Communication
18. Hon. Thomas Mwadeghu, M.P – Chairman, LAFAC
19. Hon. David Were, M.P – Chairman, Transport, Public Works and Housing
20. Hon. Isaac Muoki, M.P – Vice-Chairman, Transport, Public Works & Housing
21. Hon. Adan Keynan, M.P – Chairman, Defense and Foreign Relations
22. Hon. Shakeel Shabbir, M.P – Finance, Planning and Trade
23. Hon. Walter Nyambati, M.P - Transport, Public Works & Housing Committee

In Attendance:

- | | |
|--------------------------|---------------------------------------|
| 1. Ms. Phyllis Makau | Director, Parliamentary Budget Office |
| 2. Mr. Martin Masinde | Parliamentary Budget Office |
| 3. Mr. Fredrick Muthengi | Parliamentary Budget Office |
| 4. Mr. Mwaniki Gichohi | Parliamentary Budget Office |
| 5. Mr. Gilbert Kipkirui | Parliamentary Budget Office |
| 6. Ms. Millicent Ojiambo | Parliamentary Budget Office |

MIN 107/2012: Preliminaries

The meeting was called to order at 10:35 am. The Chairman commended members who participated in the previous meeting which adjourned late in the evening. The chairman made a recap on the progress made in adopting the Budget 2012/13 Report. He also briefed the meeting on the resolutions agreed upon with the Speaker in regard to handling the recommendations by the Departmental Committee on Defence and Foreign Relations. Members were informed that it had been agreed that the Departmental Committee on Defence and Foreign Relations invites NSIS to discuss the agency's 2012/13 budget in the course of the day. Any resolutions of the Departmental Committee would then be included in the Report after it has provided audience to the NSIS whose budget had been proposed for reduction.

MIN 108/2012: Adoption of the Budget 2012/13 Report

Members resumed deliberations on the Draft Budget Committee Report on the Estimates of Revenue and Expenditure for 2012/13. The discussions and adoption of the Report progressed as follows:

- Proposed Adjustments and Reallocations in the 2012/13 Budget – Paragraphs 43 – 45: Adopted as presented
- Expenditure Adjustments – Paragraphs 46-49: Adopted as presented
- Expenditure Adjustments under Recurrent Expenditure – Paragraph 50: It was noted that agencies had been exempted from cuts on specific items that the Committee felt key to the operations of the agency and members were in agreement with the proposals. The section shall be amended based on the expected report from the Departmental Committee on Defence and Foreign Relations.
- Expenditure Adjustments under Development Expenditure – Paragraphs 51 to 52: Adopted as presented
- Expenditure Increments – Paragraph 53 to 54: Members were informed that resources realized could not cater for some of the proposals. Key projects/programs that could not be catered for in the 2012/13 estimates had been appended to the report for consideration if additional funds are realized. The meeting then adopted the proposals as presented

- Expenditure Reallocations – Paragraph 55: Adopted as presented
- Specific Allocations based on the projects proposed during the Public Hearings- Paragraphs 56 to 57: Adopted as presented
- Key areas requiring immediate funding – Paragraph 58: Members agreed that additional resources for specific agriculture programs be added to the list. The paragraph was adopted as presented with the amendment.

At this point the meeting was adjourned for members to interact with the Minister for Finance.

MIN 109/2012: Meeting with Minister for Finance

In their deliberations with the Minister of Finance, members raised the following concerns:

1. Payment of dues to former EAC employees

Members noted that former employees of the East African Community have not been paid their pension and sought assurance from the Minister that these former EAC employees would receive payment of dues. The minister concurred that it is true that the funds allocated for pension did not cater for some of the former East African Community employees. However, he gave an assurance that these would be taken care of.

2. State of infrastructure in Northern Kenya

Members pointed out that Northern Kenya has poor road infrastructure and this has rendered it inaccessible and underdeveloped. Indeed other than 135 km of road being enhanced, nothing else has been achieved. Furthermore, to address the issue of water scarcity in the region, the government has adopted water tankering as a means of delivering water in the region. However, this is not sustainable in the long run and there is need for more comprehensive and long lasting measures to be undertaken to address the problem. The minister noted the concerns and informed members that the African Development Bank will finance the remaining infrastructure in Northern Kenya among other projects meant to enhance the lives of the people of Northern Kenya including water provision. The loan agreement between the African Development Bank and the government of Kenya will cater for this.

3. Public Debt and revenue underperformance

Members noted that in terms of public debt to GDP ratio, the country is not doing well as this ratio has consistently increased with the Treasury shifting the target from 42% to 45% to the current 47%. This is a worrying trend. Furthermore, public debt has increased on account of maturity of Treasury Bonds. How does Treasury intend to manage debt? It was pointed out that the country should cease payment of 'ghost projects' such as KENREN in order to manage public debt. This is worsened by the fact that the Kenya Revenue Authority has not been able to meet its targets. The minister pointed out that Treasury is targeting to bring the debt to GDP ratio to 47% and have put in place a self imposed rule of not exceeding 50%. The structure of Kenya's debt is also commendable; standing at 50% local debt and 50% external debt. All details on public debt are available. Members however questioned the prudence of 50% external debt and 50% internal debt, noting that it would be better to externalize debt. The minister pointed out that the syndicated loan was a way of externalizing debt and reiterated that Debt to GDP ratio is comfortable until it exceeds 50% of debt. With regard to ghost projects, the minister noted that if country had committed itself, it has to repay external loans.

4. Food Security

Members sought to know what measures the Treasury is undertaking to mitigate food insecurity; noting that the biggest threat to agriculture is cartels; with only four families controlling 80% of Unga industry, sugar and rice importation.

The minister pointed out that the country should not import what it can adequately produce such as sugar and maize. The problem of food insecurity is worsened by the fact that the crops are not grown in areas where they would thrive most. In this regard, the government will endeavor to ensure that crops are grown in areas where they are most likely to yield a greater harvest.

Funds have already been set aside for drought mitigation and Kshs 2.5 billion has been allocated for the purchase of maize. However, the minister pointed out that maize is available locally but farmers have refused to sell as

they are waiting for maize prices to go up. The minister noted with concern that one hybrid grown in the most productive regions of the country such as Uasin Gishu had been plagued by a rare disease. This is a risk to food security in the country. With regard to cartels, the minister noted that the competition authority would be directed to look into the matter.

5. Challenges in the macroeconomic environment

Given the challenges in the macroeconomic environment such as developments in the bond market and pressure on the shilling, members sought clarification on the status of the fiscal framework. The minister noted that in May, the shilling usually comes under pressure due to remittance of dividends to non-resident shareholders. This explains the current pressure on the shilling. However, this is a temporary phenomenon as all other fundamentals are okay. However, there is a growing concern on the country's current account deficit which appears to be widening on account of a huge import bill. The minister noted that the only goods the country should import are fuel and capital machinery while the rest can be produced locally. In this regard, there is need for a strategy on how to reduce imports or expand exports.

6. Delays in releasing Free Primary Education/ Free Day Secondary Education funds

In the budget for the Ministry of Education, clarification was sought by members on the delays in releasing the Free Primary Education/ Free Day Secondary Education funds as the delay is affecting schools performance. It is important for the government to ensure that all children have access to education as the gap between the rich and the poor is widening due to lack of education. In this regard, there is need for clarification on the exact cause of the delay in releasing the FPE/FDSE funds. The Minister pointed out that there is mismatch between financial year and academic year, and this has brought about the delay in releasing funds. Furthermore, the Ministry of Education erroneously omitted the FPE/FDSE budget for second term in the supplementary budget and also delayed in preparing schedules for the release of funds. However, Treasury is currently working on a solution to the matter.

7. Recruitment of teachers/payment of pension for retired teachers

The country is still experiencing shortage of teachers despite recruitment of enough teachers being one of the targets under Vision 2030. Furthermore, there is no provision for the payment of pension for retired teachers. The minister noted that government recognizes the need for equity in education and as such, the government has set aside funds for the recruitment of 10,000 teachers every year. Currently, it is not possible to recruit 40,000 teachers as was the target as there are other needs that need to also be met. Early Childhood Education (ECD) has also been factored into the budget (1.6 billion) and retired teachers have been allocated 3.3 billion in the budget.

8. Preparedness for Devolution

It has not been possible to trace funds set aside for county infrastructure in the budget. The minister noted that Kshs 148 billion had been set aside in the budget for county governments but was under the various ministries. Furthermore, Kshs. 3 billion has been set aside for constitutional reforms. Members also sought clarification on how debts accrued by local authorities would be handled; noting that these should not be inherited by county governments. The Minister took note and stated that the Transition authority would be directed to look into the matter. He further stated that the Treasury is adequately prepared for devolution and is already training county treasuries to handle public funds at county level.

9. Programme Based Budgeting

Members sought to know why the Ministry of Finance delayed in preparing the budget on programme basis. The minister noted that currently, budgeting is incremental but that Programme Based Budgeting will be implemented in the next budget.

The Committee also requested for clarification on the following issues;

1. What measures the Minister has in place to ensure the food security of the country

2. What plans were in place to control the government borrowing and deficit in order to reduce the rising allocations to the Consolidated Funds Services
3. The reason for the change of the format of the Estimates from the previous financial years
4. Why some ministries did not have provision for devolution in their budgets.
5. What the government had in place to ensure the terminal benefits for the previous workers of the East African Community were catered for

The minister gave the following responses:

1. There was a change in format of accounts to reflect expenditure by geographical location and therefore it cannot tally with the former records and this was the reason for
2. A previously scheduled debate on the Public Financial Management Bill, 2012 on the floor of the House did not raise quorum which had resulted in such debate being postponed. As a result, Members implored the Minister to re-introduce the Bill on the floor of the House on Tuesday, 12th of June, 2012
3. The National Oil Corporation of Kenya is an important institution that requires funding but did not receive substantial amounts from the government. This is because the institution is perceived to have the capacity to incur and service its own debt either internally or externally and can therefore raise its own funds for its operations. The ministry is therefore able to allocate resources to other more needy government agencies.
4. Treasury had been in consultations with the African development Bank to construct key infrastructure projects in the country. There were also a Kshs.394 million Kitty allocated for the repair of the road infrastructure damaged by the recent rains across the country
5. Food security had been compromised by a disease that was targeting the high yield variety of maize (H 6-14) and there was urgent need to examine the source of this and design an appropriate solution.
6. Currently, the performance of VAT has been a disappointment but the ministry is in the process of carrying out significant tax reforms especially on VAT to enhance revenue collection. The Ministry is also

partnering with energy and water service providers to establish buildings that are business premises in a bid to bring property owners into the tax net. The Ministry is also targeting SMEs who currently do not pay taxes. It is expected that once these are brought into the net, the Kenya Revenue Authority will be able to meet its revenue target.

7. The minister noted that currently, the ratio of recurrent to development stands at two-thirds to one-third of the total budget. However, the Treasury is targeting a 50/50 ratio to enhance sustainability of the budget. Furthermore, in a bid to ensure that county governments utilize their funds for development purposes as opposed to simply generating employment, the Treasury will seek to put a cap on personnel costs and ensure they don't exceed 25%.

The Minister for Finance noted that the security of the country is important given that the country is currently facing security threats. As such, security organs such as the NSIS require additional funds. The funds allocated to the NSIS, Kshs. 13.4 billion were actually a bare minimum.

The Minister further informed members that will read his budget statement on Thursday, 14th June 2012.

Min 110/2012: Adjournment

There being no other business, the meeting was adjourned at 2.30 p.m.

CHAIRMAN:


SIGNATURE

DATE:

06/06/2012

**MINUTES OF THE 118th SITTING OF THE BUDGET COMMITTEE
HELD ON MONDAY, JUNE 4, 2012, IN THE COMMITTEE ROOM,
FOURTH FLOOR, CONTINENTAL HOUSE, PARLIAMENT
BUILDINGS AT 6.00 PM**

PRESENT

1. Hon. Elias Mbau, M.P – Chairperson
2. Hon. Alfred Sambu, M.P
3. Hon. Martin Ogindo, M.P
4. Hon. Abdul Bahari, M.P
5. Hon. John Mbadi, M.P
6. Hon. Emilio Kathuri, M.P
7. Hon. John Mututho, M.P - Chairman, Agri., & Livestock Cooperatives
8. Hon. Adan Keynan, M.P – Chairman, Defense & Foreign Relations
9. Hon. David Were, M.P – Chairman, Transport, Public Works & Housing

In Attendance:

- | | |
|--------------------------|---------------------------------------|
| 1. Ms. Phyllis Makau | Director, Parliamentary Budget Office |
| 2. Mr. Martin Masinde | Parliamentary Budget Office |
| 3. Mr. Fredrick Muthengi | Parliamentary Budget Office |
| 4. Mr. Mwaniki Gichohi | Parliamentary Budget Office |
| 5. Mr. Gilbert Kipkirui | Parliamentary Budget Office |

MIN 104/2012: Preliminaries

The meeting was called to order at 6:00 pm. The meeting was a subsequent to one held an earlier in the day.

MIN 105/2012: Adoption of the Budget 2012/13 Report

Members resumed deliberations on the Draft Budget Committee Report on the Estimates of Revenue and Expenditure for 2012/13. The discussions and adoption of the Report progressed as follows:

- Proposed Adjustments and Reallocations in the 2012/13 Budget – Paragraph 43: The Chairperson of Departmental Committee on Defense and Foreign Relations raised concern that issues forwarded by the Departmental Committee and agreed during the retreat were missing in the draft Report. It was noted that the Departmental Committee had proposed reduction of NSIS budget, which were to be reallocated to other agencies under the purview of the Departmental Committee. He emphasized that there was need for the Budget Committee Report to reflect recommendations by Departmental Committees, as per the Constitution and Standing Orders.

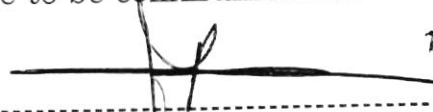
In his response, the Chairperson Budget Committee explained that areas that the Departmental Committee had proposed for additional funding had been catered for using savings from other areas. He noted that the proposed amendment on the NSIS budget had been put in abeyance since the agency had written to the Clerk explaining that they had not been given audience by the Departmental Committee.

After lengthy deliberations with members giving their concerns and proposal on the issues, it was agreed that the Chairpersons of the Budget Committee and the Departmental Committee on Defense and Foreign Relations and their Vice Chairpersons seek audience with the Speaker on how to progress with the specific recommendation of the Departmental Committee.

MIN 106/2012: Adjournment

The meeting was adjourned at 7:50 pm. Members were reminded of a meeting with Minister for Finance scheduled for the following day Tuesday, 5th June, 2012 at a venue to be communicated.

CHAIRMAN:



SIGNATURE

DATE:

06/06/2012

MINUTES OF THE 117th SITTING OF THE BUDGET COMMITTEE
HELD ON MONDAY, JUNE 4, 2012, IN THE COMMITTEE ROOM,
FOURTH FLOOR, CONTINENTAL HOUSE, PARLIAMENT
BUILDINGS AT 2:30 P.M

PRESENT

1. Hon. Elias Mbau, M.P – Chairperson
2. Hon. Alfred Sambu, M.P
3. Hon. John Mbadi, M.P
4. Hon. Martin Ogindo
5. Hon. Danson Mungatana, M.P
6. Hon. Abdul Bahari, M.P
7. Hon. Emilio Kathuri, M.P
8. Hon. Mutava Musyimi, M.P - Chairman, Lands & Natural Resources
9. Hon. David Were, M.P - Chairman, Transport, Public Works & Housing
10. Hon. John Mututho, M.P - Chairman, Agriculture & Livestock Cooperatives
11. Hon. Adan Keynan, M.P – Chairman, Defense & Foreign Relations
12. Hon. Hussein Abdikadir, M.P – Chairman, CIOC
13. Hon. Njoroge Baiya, M.P – Justice & Legal Affairs Committee

In Attendance:

- | | |
|--------------------------|---------------------------------------|
| 1. Ms. Phyllis Makau | Director, Parliamentary Budget Office |
| 2. Mr. Martin Masinde | Parliamentary Budget Office |
| 3. Mr. Fredrick Muthengi | Parliamentary Budget Office |
| 4. Mr. Mwaniki Gichohi | Parliamentary Budget Office |
| 5. Mr. Gilbert Kipkirui | Parliamentary Budget Office |

MIN 100/2012: Preliminaries

The meeting was called to order at 2:45 pm. The meeting started with a word of prayer from a member of staff. The Chairman welcomed members and appreciated the high turn out during the retreat to prepare the Committee Report. He also commended the Departmental Committees for the

cooperation they had accorded the Committee noting that the progress made was a result of combined efforts of all members.

MIN 101/2012: Confirmation of Minutes of the Previous Meetings

The meeting went through the Minutes of the following Sittings held in Simba Lodge, Naivasha:

- The 115th Sitting Minutes (Morning Sitting) held on 28th May, 2012, proposed by Hon. John Mbadi, M.P, seconded by Hon. John Mututho, M.P
- The 115th Sitting Minutes (Afternoon Sitting) held on 28th May, 2012, Proposed by Hon. Adan Keynan, M.P and seconded by Hon. Emilio Kathuri, M.P
- The 116th Sitting Minutes held on 29th May, 2012, proposed by Hon. Emilio Kathuri, M.P and Hon. Alfred Sambu, M.P

Members made some amendments on the minutes and adopted as true record of the Committee's deliberations.

MIN 102/2012: Adoption of the Budget 2012/13 Report

The Draft Budget Committee Report on the Estimates of Revenue and Expenditure for 2012/13 was circulated to members and Chairperson took the members through the document. The discussions and adoption of the Report progressed as follows:

- Background: Adopted as presented
- Examination of the Estimates of Revenue and Expenditure: Adopted as presented
- Acknowledgement: Adopted as presented
- Linking the 2012/13 Budget and the 2012 Budget Policy Statement – Paragraphs 1 to 14: Adopted as presented
- Key Priority areas for the 2012/13 Budget – Paragraphs 15 to 21: Adopted as presented
- Provision of Basic Social Services – Paragraphs 22 to 32: Adopted as presented
- Utilization of External Funding – Paragraphs 33 to 35: members were concerned on the utilization of borrowed funds especially loans since it

contributes to debt non-sustainability. It was thus agreed that Minister for Finance should provide clarifications on the debt levels of government. The Paragraphs were then adopted as presented.

- State Corporations – Paragraphs 36 to 37: Members observed that some state corporations were providing essential services without making profits and thus should be exempted from the proposed 4% reduction on grants to state corporations under recurrent expenditure and 25% on development expenditures. It was agreed that state corporations related to provision of water, roads, electricity, health, agriculture, education, and Regional Authorities be exempted from the proposed expenditure adjustments. The paragraphs were then adopted with the amendments.
- Preparedness for Devolution – Paragraphs 38 to 41: Members were concerned that there were inadequate resources set aside for setting of county infrastructure. It was then agreed that resources be set aside under Ministry of Finance for purposes of creating infrastructure for counties. The paragraph was adopted with amendment.
- Recommendations: Paragraph 42: It was observed that the Policy Prescriptions were broad policy issues that the Committee felt could help in propelling economic growth and ensuring equity in the country. The paragraph was adopted as presented.

MIN 103/2012: Adjournment

The meeting was adjourned at 5:50 pm. Members were reminded that the meeting was scheduled to resume after 10 minutes.

CHAIRMAN: _____


SIGNATURE

DATE: _____

06/06/2012

**MINUTES OF THE 116TH SITTING OF THE BUDGET COMMITTEE
HELD ON 29TH MAY 2012 IN SIMBA LODGE, NAIVASHA AT 8.00 A.M**

PRESENT

Hon. Elias Mbau, M.P – Chairperson
Hon. Alfred Sambu, M.P
Hon. Nelson Gaichuhie, M.P
Hon. Martin Ogindo, M.P
Hon. John Mbadi, M.P
Hon. Moses Lessonet, M.P
Hon. Emilio Kathuri, M.P
Hon. Jackson Kiptanui, M.P
Hon. John Mututho, M.P – Chairperson, Agri., Livestock and Cooperatives
Hon. Fred Kapondi, M.P – Chairperson, Administration & National Security
Hon. David Ngugi, M.P – Chairperson, Local Authorities
Hon. Adan Keynan, M.P – Chairperson, Defense and Foreign Relations
Hon. Thomas Mwadeghu, M.P – Chairperson, LAFAC
Hon. Isaac Muoki, M.P – Transport and Public Works Committee
Hon. George Nyamweya, M.P – Justice and Legal Affairs Committee

IN ATTENDANCE – PARLIAMENTARY BUDGET OFFICE

Ms. Phyllis Makau	– Director, Parliamentary Budget Office
Mr. Nicodemus Odongo	– Parliamentary Budget Office
Mr. Martin Masinde	– Parliamentary Budget Office
Mr. Fredrick Muthengi	– Parliamentary Budget Office
Ms. Lucy Makara	– Parliamentary Budget Office
Mr. Robert Nyaga	– Parliamentary Budget Office
Mr. Gichohi Mwaniki	– Parliamentary Budget Office
Ms. Millicent Ojiambo	– Parliamentary Budget Office
Mr. Benjamin Ng’imor	– Parliamentary Budget Office

MIN 95/2012: Preliminaries

The chairman called the meeting to order at 8.30 am. The meeting was started with a word of prayer from a member of staff. The Chairman welcomed Members and commended their commitment and spirit of accomplishing the report before them. Given that parliament was sitting that afternoon, it was resolved that the Committee would sit up to midday. The Committee further agreed to hold a follow-up meeting the following day to adopt the report for tabling on or before Thursday 31st May 2012.

MIN 96/2012: Summary of Issues from the Departmental Committees

Members continued with deliberations on the various proposals made by the Departmental Committees whose concerns had not been addressed in the previous meeting, identifying priority areas under various ministries. The following were the deliberations of the Committees' recommendations in the following order on the second day;

a) Justice And Legal Affairs

Ministry	Issues	Amount in Kshs
Ministry of Justice, National Cohesion and Constitutional Affairs	Support the electoral programme through civic education, especially in the electioneering period.	
	The National Cohesion and Integration Commission (NCIC) is underfunded and needs requisite funding especially in the electioneering period to cover the whole country	
State Law Office	Additional funding for attraction, recruitment and retention of lawyers especially to strengthen civil litigation department	
Independent electoral and boundaries commission	The Commission had requested Kshs. 41.4 billion from Treasury	17.5 Billion be approved for net recurrent expenditure

b) Energy, Communication and Information

Ministry	Issues	Amount in Kshs
Ministry of Energy	Reallocation from Kenya Electricity Transmission Company to National Oil Corporation as Capital Transfer to Non Financial Public Enterprises to fund their activities	1 Billion
	Reallocation from Geothermal Development Company to National Oil Corporation as Capital Transfer to Non Financial Public Enterprises to fund their activities	1 Billion
	Rural Electrification Authority for the FY 2012/13.	1 Billion

c) Local Authorities

Ministry	Issues	Amount in Kshs
Local Government	Transition Authority	200 million
	Disaster Management	250 million
	pending bills arising from ongoing stalled projects	659million
	solid waste management	500million
	completion of contracted markets	1billion
Nairobi Metropolitan Development	installation of urban surveillance television system	500million
	purchase of fire fighting vehicles	200million
	street lighting	300million
	metropolitan planning	205million

d) Land and Natural Resources

Ministry	Issues	Amount in Kshs
Environment and Water Resources	Department of mines and geology – purchase of airborne geophysical equipment	16.04 billion
	Kenya Metrological Department – weather modification, recruitment of staff, purchase of satellite distribution system	954 million
	NEMA – waste management fund, recruit staff, establish county offices	2.7 billion
	Remote sensing and resource survey	2.5 billion
Lands	Acquisition of land for landless	
	survey and monument national boundaries	
	implementation of new land laws	
Forestry and Wildlife	Kenya wildlife service - increase funding	

e) Finance, Planning and Trade

Ministry	Issues	Amount in Kshs
Planning	KIHBS – survey	500million
	recruit field officers	200million
	Micro and Small Enterprise Survey	100million
	South South Center establishment	58million
Trade	International trade fairs and exhibition	325million
	Export Market and Diversification	200million
	Capacity Building and rationalization	40million
	Promotion of Export zones	60million
	Purchase of standard and calibration equipment	194million
	Foreign Service allowance	40million
	International Trade show	31million
	Vehicles procurement	200million
	Equipments	100million
	Regional Business Training Offices	100million
	Equipping Regional Business Training Offices	100million
	Private sector development-capacity building	40million
	KNTC capacity building	50million
	General Administration	50million
	Special Economic Zones	638million
	Private sector development	35million
	Open office space	50million
	Equipping regional hubs	225million
	International distribution centers	250million
	Expansion of EPZA	450million
	Regional Business Information Centers	310million
	Joint Loans Board	500million
	Equipping of KIBT	285million
	Small business development fu	500million
	Tier retail Market	385million
	International trade centre	241million
Tourism	International and Domestic Tourism	446million
	Beach Tourist Markets	120million
	Operationalization of the tourism act 2011	1.5 billion
	Ronald Ngala Utalii College	800 million
	resort cities	900 million
	Kenya Utalii College	800 million
	KICC	200 million

	Bomas of Kenya	343 million
Industrialization	Recruitment of technical staff	200 million
	Project under vision 2030	1.5 billion
	Revival of pan paper mills	300million
	Constituency industrial Development and SME Industrial parks	678million
	Funding of Anti counterfeit Agency	152million
	Promotion of industrial products	16 billion
	Business financing for MSME-industrial development bank	1.17 billion
	Business Financing for MSME's (K.I.E)	500million
Salaries and Remuneration Commission	other operating expenses – job evaluation	153.5 million
	training expense	11.5 million
	insurance costs	10million
	hospitality	12million
	printing services	5million

The committee identified specific priority areas among the issues raised by the various departmental committees.

MIN 97/2012: Summary of Issues from Public Hearings, Emails and memoranda

Members went through the issues arising from public hearings and identified key priority areas for resource allocation in each of the public hearing centres. In addition, they went through the various written submissions that had been presented to the committee through Emails and memoranda; and identified various priority areas.

MIN 98/2012: Proposed Austerity Measures

A few areas were identified in the 2012/13 budget as constituting non-core expenditure and which if reduced, could generate significant resources for re-allocation into other areas of higher priority.

These include;

- 1) Foreign Travel and Subsistence, and Other Transportation Costs by 50 percent in all ministries, Judiciary and Parliament;
- 2) Communication supplies and services by 10 percent in all ministries, Judiciary and Parliament;
- 3) Domestic Travel and Subsistence, and Other Transportation Costs” by 30 percent in all ministries Judiciary, and Parliament;

- 4) "Printing, Advertising and Information Supplies and Services" by 30 percent in all ministries, Judiciary and Parliament, with the exception of Independent Electoral and Boundaries Commission and Ministry of Lands;
- 5) "Hospitality Supplies and Services" by 30 percent in all ministries, government agencies, Judiciary and Parliament with exception of: Ministry of Tourism, State House, Office of PM, and Ministry of Lands (this item is for Land boards and Land Tribunals);
- 6) "Fuel Oil and Lubricants" in all ministries, Judiciary and Parliament by 20% with exception of: Ministry of Roads, Ministry of Energy, Ministry of State for Defense, and Ministry of State for Provincial Administration and Internal Security;
- 7) "Other Operating Expenses" by 20 percent in all ministries, Judiciary and Parliament, and by 30 percent in Ministry of Finance, with exception of contracted services and legal fees;
- 8) "Routine Maintenance – Vehicles and Other Transport Equipment" by 20 percent in all ministries, Judiciary and Parliament with the exception of: Ministry of Roads, Ministry of Energy, Ministry of Public Works, Ministry of State for Defense, and Ministry of State for Provincial Administration and Internal Security;
- 9) "Purchase of Vehicles and Other Transport Equipment" by 50 percent all ministries, government agencies, and Judiciary with the exception of Ministry of Medical Services, Independent Electoral and Boundaries Commission (IEBC) and Ministry of State for Provincial Administration and Internal Security;
- 10) "Purchase of Office Furniture and General Equipment" by 20 percent in all ministries, government agencies, and Judiciary;
- 11) "Research, Feasibility Studies, Project Preparation and Design, Project Supervision" by 100 percent in all ministries and government agencies. This item appears in almost all ministries and is often abused;
- 12) Expenditure under "Poverty Eradication Commission" by 88 percent under the Ministry of Planning and National Development;
- 13) Reduce by 4 percent all "current grants to government agencies" with the exception of those under Ministry of Health, Ministry of Education, Ministry of Roads, Ministry of Energy.

In addition, in order to ensure that all priority areas receive some amount of resource allocation, it was suggested that some development expenditure be also considered for possible reductions. The Budget Office to suffice the list.

MIN 99/2012: Adjournment

There being no other business, the meeting was adjourned at 2.00 pm to pave way for members to travel back for parliamentary session that afternoon.

CHAIRMAN.....
SIGNATURE

DATE..... 06/06/2012

MINUTES OF THE 115TH AFTERNOON SITTING OF THE BUDGET COMMITTEE HELD IN SIMBA LODGE, NAIVASHA ON 28TH MAY 2012

PRESENT

1. Hon. Elias Mbau, M.P
2. Hon. Alfred Sambu, M.P
3. Hon. Jackson Kiptanui, M.P
4. Hon. Martin Ogindo, M.P
5. Hon. John Mbadi, M.P
6. Hon. Nelson Gaichuhie, M.P
7. Hon. Emilio Kathuri, M.P
8. Hon. Moses Lessonet, M.P
9. Hon. John Mututho, M.P – Chairperson, Agri. Livestock and Cooperatives
10. Hon. Fred Kapondi, M.P – Chairperson, Admin. & National Security
11. Hon. Adan Keynan, M.P – Chairperson, Defence and Foreign Relations
12. Hon. David Koech, M.P – Chairperson, Education, Research & Technology
13. Hon. Isaac Muoki, M.P – Transport, Public Works and Housing Committee
14. Hon. Thomas Mwadeghu, M.P – Chairperson, Local Auth. & Fund Accounts
15. Hon. (Dr). Robert Monda, M.P – Chairperson, Health Committee
16. Hon. Ekwe Ethuro, M.P – Chairman CDF (CFC) committee
17. Hon. George Nyamweya, M.P – Justice and Legal Affairs Committee
18. Hon. David Ngugi, M.P – Chairperson, Local Authorities
19. Hon. Julius Kones, M.P – Public Accounts Committee

IN ATTENDANCE – PARLIAMENTARY BUDGET OFFICE

- | | |
|--------------------------|---|
| 1. Ms. Phyllis Makau | – Director, Parliamentary Budget Office |
| 2. Mr. Nicodemus Odongo | – Parliamentary Budget Office |
| 3. Mr. Martin Masinde | – Parliamentary Budget Office |
| 4. Mr. Fredrick Muthengi | – Parliamentary Budget Office |
| 5. Ms. Lucy Makara | – Parliamentary Budget Office |
| 6. Mr. Robert Nyaga | – Parliamentary Budget Office |
| 7. Mr. Gichohi Mwaniki | – Parliamentary Budget Office |
| 8. Ms. Millicent Ojiambo | – Parliamentary Budget Office |
| 9. Mr. Benjamin Ng’imor | – Parliamentary Budget Office |

MIN: 92/2012: Preliminaries

The meeting was called to order at 2.30pm and started with a word of prayer from a member of staff. The chairman thanked Members and welcomed new members who joined the meeting after lunch hour, noting the importance of consideration of the various Departmental Committees’ Recommendations.

MIN 93/2012: Summary of Issues from the Departmental Committees

The various Departmental Committees' recommendations were circulated and discussed at length. Members deliberated at key issues proposed by the various Departmental Committees for additional resource allocation. However, given resource constraints, the Committee sought to identify the key priority areas within line ministries according to the Departmental Committees. This is to ensure that resources are optimally allocated among the competing needs.

The issues/concerns raised by the various departmental committees are as follows:

1) Health Committee

Ministry	Issues	Amount in Kshs
Public Health And Sanitation	Additional ambulances for the remaining constituencies for model health centres	300 million
	For Maintenance of Health Centres	214 million
	vaccinations to curb the ongoing measles outbreak countrywide	400 million
	Procurement of cervical and breast cancer screening equipment health centres and dispensaries through the country;	300 million
	Absorption of the existing health workers contracted through the ESP and engagement of a further ten nurses per constituency for the operationalisation of CDF dispensaries	350 million
	To cater for the installation of off-grid solar power water system (pumps) in Health Facilities in the country	200 million
Ministry of Medical Services	Recruitment of more Health workers to meet the staff shortage in the hospitals	683 million
	Purchase of specialized equipments for regional referral Hospitals	485 million
	Procurement of 58 ambulances at Ksh.6 million, for each county and the eleven (11) Health facilities.	320 million
Kenya	capitation of KEMSA to meet the drugs shortage in the	500 Million

5. Mr. G. Kipkirui, Fiscal Analyst, Parliamentary Budget Office
6. Ms. Millicent Ojiambo , Fiscal Analyst, Parliamentary Budget Office
7. Mr. E. Kanyi, Junior Fellow, Parliamentary Budget Office
8. Mr. L. Wandaka, Junior Fellow , Parliamentary Budget Office

AGENDA

1. Preliminaries / Confirmation of Agenda
2. **Presentation of the Judiciary Estimates of Expenditure for 2012/2013**
3. Any Other Business

Min 59/2012: Preliminaries

The meeting was called to order at 11:55 am with introductions by the Chairman, members of the budget committee, the parliamentary budget office staff and the judiciary team present.

The Committee had suspended its business for the day so as to give the Judicial Service Commission an opportunity to present their estimates of expenditure for the financial year 2012/2013 as required by Article 221 of the Kenyan Constitution. The Judicial Service Commission had already made a presentation to the Departmental Committee on Justice and Legal Affairs at an earlier date.

Min 60/2012: Presentation of the Judiciary Budget Estimates

The Chief Registrar of the Judiciary made a presentation to the members of the budget committee on the Judiciary proposed budget estimates 2012/2013. The key highlights of the presentation included;

- The Judiciary had a history of being underfunded and understaffed. This was partly the reason for the backlog of cases currently being witnessed in the courts.
- The budget estimates for the financial year 2012/2013 were Kshs. 16.8 billion, of which Kshs .13.9 billion was recurrent expenditure and Kshs. 2.9 billion was development expenditure.
- The Judiciary was hiring more judicial officers hence the increase in recurrent expenditure.

**MINUTES OF THE 110TH SITTING OF THE BUDGET COMMITTEE
HELD ON WEDNESDAY APRIL 25TH, 2012 IN COMMITTEE ROOM 9,
MAIN PARLIAMENT BUILDING, AT 11:50 AM**

PRESENT

1. Hon. Elias Mbau, M.P- Chairperson
2. Hon. Alfred Sambu, M.P
3. Hon. Danson Mungatana, M.P
4. Hon. Abdul Bahari, M.P
5. Hon. Nelson Gaichuhie ,M.P
6. Hon. Jackson K. Kiptanui, M.P
7. Hon. David Koech, M.P- Chairman, Education, Research &Technology Committee
8. Hon. David Ngugi M.P- Chairman, Local Authorities Committee
9. Hon. Mithika Linturi M.P - Chairman, Public Accounts Committee
- 10.Hon. Ekwe Ethuro, M.P- Chairman ,CDF Committee
- 11.Hon. Njoroge Baiya, M.P- Justice and Legal Affairs Committee
- 12.Hon. Hussein Abdikadir, M.P - Chairman, Constitution Implementation Oversight
- 13.Hon. Adan Keynan, M.P - Chairman, Defense & Foreign Relation committee

IN ATTENDANCE

THE JUDICIAL SERVICE COMMISSION

1. Hon. Lady Justice, Njoki Ndungu, Supreme Court Judge
2. Hon. Justice. Dr Smokin Wanjala, Supreme Court Judge
3. Ms. Gladys Boss Shollei, Chief Registrar of the Judiciary
4. Mr. Duncan Okello, Chief of Staff of the Chief Justice
5. Mr. Dennis Kabaara
6. Mr. Nicholas Okemwa
7. Mr. Wycliff Klanga
8. Mr. P.D.M. Maundu

THE KENYA NATIONAL ASSEMBLY

1. Ms. Phyllis Makau, Director- Parliamentary Budget Office
2. Mr. F. Muthengi, Fiscal Analyst, Parliamentary Budget Office
3. Mr. M. Masinde, Fiscal Analyst, Parliamentary Budget Office
4. Mr. G. Mwaniki, Fiscal Analyst, Parliamentary Budget Office

MIN.68/2012: ADJOURNMENT

There being no other business, the meeting was adjourned at 12.40pm. The next meeting will be held on Tuesday, 8th May at 10am.

CHAIRMAN.....

A handwritten signature in black ink, consisting of a horizontal line with a vertical stroke intersecting it near the center, and a small flourish at the end.

SIGNATURE

DATE.....

06/06/2012

The following team leaders for each center were identified and they accepted to participate.

TEAM	LEADERS
Kitale team	Hon. David Koech, M.P Hon. James Rege, M.P Hon Jackson Kiptanui, M.P
Bungoma team	Hon. Alfred Sambu, M.P
Nakuru team	Hon. Moses Lessonet, M.P Hon. Nelson Gaichuhie, M.P
Malindi team	Hon. Thomas Mwadeghu, M.P
Nyeri team	Hon. Nemesyus Warugongo, M.P Hon. Erastus Mureithi, M.P
Nyandarua team	Hon. Nemesyus Warugongo, M.P Hon. Erastus Mureithi, M.P Hon. Nelson Gaichuhie, M.P

Members of the remaining teams would be identified in the next meeting and the above Members would confirm placement before the exercise was embarked upon.

MIN.67/2012: ANY OTHER BUSINESS

The chairman informed Members that there would be another meeting on Tuesday, 8th May 2012 at 10am to specifically:

- ✓ Confirm the Centers and the Center’s team leaders
- ✓ Discuss agenda 4 (a) which was not discussed

The chairman also informed Members that as they would be going out to consult the public on the Budget, they were expected to collect views from the public on the CRA revenue allocation formula in order to save on time and resources.

outlets and Parliament will seek the support of existing provincial administration to mobilize the public within their jurisdiction.

Members noted that the stations had been expanded in relation to the 2011/12 budget hearings which they termed as laudable but were concerned on the distribution and the time allocated.

Members were of the opinion that the selected centers were not comprehensive and that one day was not enough to undertake exhaustive discussions yet the exercise is a constitutional requirement and touches on financial matters which is a sensitive issue.

The Chair and the Vice Chair undertook to consult the Speaker of the National Assembly to discuss the possibility of having an extra day to carry out the exercise.

Members were also concerned about the mode of communication that will be used to reach out to the public in remote parts of the country. They recalled that from the previous exercise, the public lamented that they were requested to give their opinions on a document which was alien to them.

Going forward, Members requested the Budget Office to prepare a small brief on the Estimates which will be circulated to the public in order to make the process more fruitful.

The Chair informed members that for the Hearings to have an impact, each center would need at least 3 Members of Parliament. Members suggested asking the Speaker to make a communication to Members of Parliament to ascertain the how many of them would be available for the exercise.

The members approved the proposed centers with amendments. The Centers agreed on are:

- | | | | |
|-------------|-------------|--------------|------------|
| 1. Wajir | 6.Nyandarua | 11. Kakamega | 16. Voi |
| 2. Machakos | 7.Nyeri | 12. Bungoma | 17. Isiolo |
| 3. Meru | 8.Kericho | 13. Lodwar | |
| 4. Nakuru | 9. Kisumu | 14. Malindi | |
| 5. Kitale | 10. Kisii | 15. Nairobi | |

MIN. 64 /2012: CONFIRMATION OF PREVIOUS MEETING MINUTES

In view of time constraints, members agreed to defer confirmation of the previous meeting minutes to a later date and deal with more substantive matters.

MIN. 65/2012: MATTERS ARISING

Some members were concerned about the absence of their names from the previous meeting minutes. The Director apologized on behalf of the staff responsible and promised that the error will be corrected.

Due to time constraints, the chair suggested that this agenda be postponed to a later date.

MIN. 66 /2012: PUBLIC HEARINGS

The Chair invited the Director to give Members a brief of the proposed centers where public hearings on the 2012/13 Budget would be held.

Members were first informed of the rationale behind the Public Hearing exercise. They were informed of a proposal to have the hearings take place in at least 17 centers with consultations taking place simultaneously on Friday 11th 2012.

The proposed centers were chosen on account of diversity and wider participation. Members were informed of the proposal that the hearings take place not later than 14th May 2012 because Committees were required to lay their reports within 21 days of tabling of the Estimates.

The proposed centers were:

- | | | |
|---------------|-------------|--------------|
| 1. Garissa | 7. Nakuru | 12. Kericho |
| 2. Wajir | 8. Eldoret | 13. Kisumu |
| 3. Mombasa | 9. Thika | 14. Kisii |
| 4. Machakos | 10. Nyeri | 15. Kakamega |
| 5. Embu | 11. Kericho | 16. Lodwar |
| 6. Meru North | 12. Kisumu | 18. Nairobi |

Members were requested to approve the proposed centers and were informed that once approved, Advertisements meant to inform the public will be put on media

AGENDA

1. Preliminaries/Confirmation of Agenda
2. Confirmation of previous meeting minutes
3. Matters arising
4. **Agenda**
 - a) **Overview of the 2012/13 Budget Estimates**
 - b) **Public Hearings**
5. Any Other Business

MIN.63 /2012: PRELIMINARIES/CONFIRMATION OF AGENDA

The meeting was called to order at 11.00 am. The Chair welcomed and thanked members for finding time to attend the meeting and apologized to them for the change of venue.

The Chair took members through the agenda and it was agreed the meeting discusses agenda 4(b).

The chair informed members that the Budget Committee report on the BPS was successfully tabled in the House and thanked members for the vital role they played during the House debates.

The Chair invited the Vice Chair to give remarks on the issue of press conferences with respect to committee proceedings especially concerning the meeting between the Committee and Commission on Revenue Allocation.

In his remarks, he requested Members to refrain from public pronouncements that were not endorsed by the Committee.

Concerning the CRA formula, members were informed that it was indeed a sensitive matter that ought to be deeply and exhaustively deliberated on before being adopted.

Members were informed that the Chair would issue a press statement stating that the Committee is studying the CRA proposal and would thereafter provide comprehensive guidance on the issue.

**MINUTES OF THE 111th SITTING OF THE BUDGET COMMITTEE
HELD ON THURSDAY, 3RD MAY 2012, IN THE RESTAURANT, 7TH
FLOOR CONTINENTAL HOUSE, PARLIAMENT BUILDINGS, AT 10.00
AM**

PRESENT

1. Hon. Elias Mbau, M.P-Chairperson
2. Hon. Alfred Wekesa Sambu, MP
3. Hon. Moses Lessonet, M.P
4. Hon. Nelson Gaichuhie, M.P
5. Hon. Danson Mungatana, M.P
6. Hon. Jackson K. Kiptanui, M.P
7. Hon. Nemesyus Warugongo,M.P
8. Hon. John Mbadi, M.P
9. Hon. Ababu Namwamba, M.P - Justice and Legal affairs Committee
- 10.Hon. James Rege,M.P - Chairman, Energy, Communication and Information Committee
- 11.Hon. Ekwe Ethuro, M.P - Chairman, CDF (CFC) Committee
- 12.Hon. Thomas Mwadeghu - Chairman, Local Authorities and Funds Accounts Committee
- 13.Hon. David Koech, M.P - Chairman, Education, Research and Technology Committee

IN ATTENDANCE

- 14.Hon. Erastus Mureithi, M.P

KENYA NATIONAL ASSEMBLY STAFF

1. Ms Phylis Makau -Director, Parliamentary Budget Office
2. Mr. Martin Masinde-Fiscal Analyst,
3. Mr. Fredrick Muthengi-Fiscal Analyst
4. Mr.Gilbert Kipkurui-Fiscal Analyst
5. Mr.Gichohi Mwaniki-Fiscal Analyst
6. Mr. Eric Kanyi-Junior Fellow

The Chairman informed members that Speaker would make a communication with regard to this matter in the House that afternoon. The chairman urged members to participate in the public hearings.

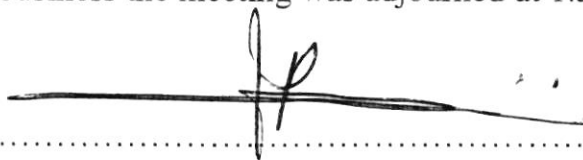
MIN.72/2012: ANY OTHER BUSINESS

Members were informed that Parliamentary Centre had organized a workshop on the Second African Parliamentary Index (API) Assessment of Kenya's parliament performance in financial oversight on the Budget. The workshop will be held on 17th May, 2012 at a venue to be communicated later once confirmed.

MIN 73/2012: ADJOURNMENT

There being no other business the meeting was adjourned at 1.30 p.m.

CHAIRMAN.....



SIGNATURE

DATE.....

06 / 06 / 2012

5. **Commission to CBK:** Members wanted to know what commission to CBK was for. The Parliamentary Budget Office informed members that the Commission was paid to CBK by Treasury for services rendered by CBK on behalf of treasury mainly with regard to the issue of government securities.
6. **Pension to the UK Government:** Members noted with great concern why the Kenyan government paid pension to the UK government. They were informed that there existed an agreement between the British and Kenya governments at independence in which the Kenyan government would pay the pensions of former colonial government civil servants. The members were further informed that the pension was paid through an agent. Members noted that it was unlikely that the civil servants who were paid this pension were still alive. **The members resolved that in their budget report on the estimates the Budget Committee makes a recommendation that a Parliamentary investigation on the pensions to former colonial civil servants be conducted.**
7. **Public Pensions:** Members raised concern about the level of public pensions which they noted was unsustainable in the long run. **The Committee members resolved that the Ministry of State for Public Service be summoned to explain what the government was planning with regard to pensions in the public sector.**
8. **Youth and Women Enterprise Funds:** Members noted that funds meant for youth and women channeled through financial intermediaries were inaccessible. The members resolved that an investigation be conducted to establish how the financial intermediaries utilized and distributed those funds.
9. **Industrial and Youth Polytechnics:** Members noted that there was an urgent need to provide funds for industrial and youth polytechnics so as to provide opportunities to youth for training.

MIN. 71 /2012: PUBLIC HEARINGS

Members agreed that the public hearing would be conducted in 17 centres around the country between 11th – 14th May, 2012. The hearings will be on Friday 11th May, 2012 in the following centres: Nyeri, Malindi, Kisii, Nakuru, Machakos, Kisumu, Bungoma, Kericho, and Kitale. The Committee also agreed that public hearings will be held on Saturday 12th May, 2012 in Isiolo, Wajir, Meru and Kakamega and on Monday 14th May, 2012 in Lodwar, Nairobi, Voi and Nyahururu.

- Project grants are set to increase by Kshs.8 billion which is a 17% increase over the last financial year from Kshs.48.2 billion to Kshs.56.2 billion. Programme grants are also to increase by Kshs.9.2 billion over the same period (18% increase) from Kshs.47.0 billion to kshs.56.2 billion.
- Domestic Debt: There is a high projected increment in debt rollover which is more than double the allocation for the last financial year and is budgeted at Kshs.170.5 billion in 2012/13 against Kshs.62.3 billion for 2011/12.
- Over 95% of internal debt redemption and interest payments relates to Treasury Bills and Treasury Bonds. Internal debt redemption is expected to increase by over 170% compared to the 2011/12 levels while External Debt Redemption is projected to increase by about 3%. Pension is also projected to increase by about 30%, external interest payments by 28% and internal interest payments by 22%.

Members raised some concerns about the budget estimates. Some of the concerns included:

1. **The External Military Funding:** Members wanted to know the amount of external funding the Kenyan Military would receive. They were informed by the budget office that according to Financial Statement 2012/13 the Kenya Military would receive Kshs.15.7 billion from AMISOM.
2. **PBO Revenue Projections:** Members wanted to know what the Parliamentary Budget Office revenue projection for 2012/13 was. They were informed that PBO had projected Kshs.872.4 billion.
3. **Public Debt:** Members wished to know the level of public debt in Kenya and what level was sustainable. They were informed that Kenya had a public debt level of 52% of GDP which was above the recommended international debt sustainable level of 42% of GDP for developing countries. The members were further informed that Kenya needs to be cautious with regard to its public debt and measures need to be taken to reduce the debt levels to 42% of GDP.
4. **The Pre-1997 Government Overdraft:** Members were concerned about the Pre-1997 Government Overdraft. However, the Committee was informed that it was a loan advanced to Treasury by the Central Bank of Kenya. The Members were further informed, that outstanding period of loan was 25 years. Members recommended that the Treasury be summoned to give further explanations regarding this overdraft.

- Based on the analysis of economic classification, bulk of the resources (43.6 percent) are poised to go towards transfer and subsidies. They are mostly in form of grants to parastatals and other levels of Government. On the other hand, compensation to employees which comes in form of salaries and other benefits will amount to about 41.1 percent of the recurrent budget. Lastly, use of goods and services and acquisition of capital will take 13.4 percent and 1.93 percent respectively.
- The Budget Policy Statement which sets out the ceilings for the Annual Estimates has also not been adhered to as there are significant differences seen. This raises the question of whether the BPS is a policy document that the three arms of government respect as basis for the budget.
- **DEVOLUTION:** the Financial Year 2012/13 will likely experience the advent of the implementation of the devolved system of government which is at the heart of the stipulations of the Constitution. Funds have been demarcated for devolution through ministerial budgets but there is however, no specific allocation for the County Assemblies or for provision of basic infrastructure in the Counties and this may hamper the seamless implementation of devolution. There is also a critical need to calculate and ascertain the cost of devolved functions and services in order that the provisions for the counties may match the needs of the respective devolved units.
- Further, Programme budgeting is not yet institutionalized in the Ministerial and vote-by-vote budgets and it is therefore difficult to match the allocations with expected outputs of the ministry-specific programmes.
- **Revenue:** the government has projected the 2012/13 revenue to reach Kshs.870.52 billion but this is highly unlikely to be realized due to unfavourable macroeconomic environment including the depreciation of the Kenya Shilling which appears to persist on a downward trend. This affects economic growth since Kenya's economy is import dependent.
- **External Financing:** the government projects foreign financing of the budget to increase from Kshs.182.9 billion in 2011/12 to Kshs.225.5 billion in the financial year 2012/13. This is largely on account of project loans as opposed to grants which means that the government is expecting to borrow significantly this financial year to finance development. This will have the impact of higher redemption in future (both interest and principal) and will therefore likely tighten the discretionary expenditure of the country unless commensurate economic growth results.

MIN.69 /2012: PRELIMINARIES

The meeting started at 10.50 a.m. with a word of prayer from Parliamentary Budget Office staff, after which, the Chairman gave a welcome address. Upon consultations, the Committee agreed to defer confirmation of the previous minutes and move to the main agenda of the meeting. The Chairman then invited the Director of the Parliamentary Budget office to give her remarks. The Director informed members that the various Departmental Committees had been briefed on the budget estimates for the various ministries under their jurisdiction. The Director further informed the Committee that the Parliamentary Budget Office would make a presentation to the Committee on the annual budget estimates.

MIN. 70/2012: PRESENTATION OF THE BUDGET ESTIMATES FOR FY 2012/13

The Parliamentary Budget Office made a presentation to the members of the budget committee on the proposed budget estimates for the financial year 2012/13. The Key highlights of the presentation included:-

- The Kenyan economic environment for the year 2012/13 was uncertain given the global economic conditions.
- The 2012/13 Annual Estimates envisage a total expenditure of Kshs.620.7 billion of Recurrent Expenditure and kshs.445.9 billion of Development Expenditure bringing the total of kshs.1076.6 billion for the Executive. This is in contrast with the last financial year where the total gross expenditure for the government was Kshs.925.9 billion in 2011/12 and Kshs.811.87 billion in 2010/11. This growth in expenditure is higher than the annual growth rate in the economy and the country is therefore consuming more than the economy can sustainably produce.
- Development expenditure has grown at a significantly slower rate for this financial year when compared to recurrent expenditure in relation to the previous 4 financial years. Since 2009/10 financial year, development expenditure grew at an average of 25% per annum while recurrent expenditure grew at an average of 10% per annum.
- These figures are, however, reversed when considering the growth of the 2012/13 over the 2011/12 Estimates. The draft Estimates for 2012/13 envisage recurrent expenditure to grow at 20% while development expenditure is poised to grow at 13% which signifies reversal of government policy in prioritizing resource allocation to development expenditure as opposed to recurrent.

MINUTES OF THE 112th SITTING OF THE BUDGET COMMITTEE HELD ON TUESDAY, 8TH MAY 2012, IN COUNTY HALL CONFERENCE HALL, AT 10.00 AM

PRESENT

1. Hon. Elias Mbau, M.P-Chairperson
2. Hon. Alfred Wekesa Sambu,M.P
3. Hon. Nelson Gaichuhie, M.P
4. Hon. Danson Mungatana, M.P
5. Hon. John Mbadi, M.P
6. Hon. Jackson K. Kiptanui, M.P
7. Hon. Martin Ogindo,M.P
8. Hon. Emilio Kathuri,M.P
9. Hon. David Koech, M.P. Chairman, Education, Research and Technology
- 10.Hon. James Rege, M.P. – Chairman Energy, Communication and Information Committee
- 11.Hon. Mutava Musyimi,M.P, Chairman, Lands and Natural Resources Committee
- 12.Hon. Sophia Noor, M.P. – Chairperson, Labour & Social Welfare Committee
- 13.Hon. Ekwe Ethuro, M.P-Chairman, CDF (CFC) Committee

KENYA NATIONAL ASSEMBLY STAFF

1. Ms Phyllis Makau -Director, Parliamentary Budget Office
2. Mr. Nicodemus Odongo - Parliamentary Budget Office
3. Mr. Fredrick Muthengi- Parliamentary Budget Office
4. Mr.Gichohi Mwaniki- Parliamentary Budget Office
5. Mr. Gilbert Kipkirui- Parliamentary Budget Office
6. Mr. Lewis Mungai- Parliamentary Budget Office

AGENDA

1. Preliminaries/Confirmation of Agenda
2. Confirmation of previous meeting minutes
3. Matters arising
4. **Agenda**
 - a) **Overview of the 2012/13 Budget Estimates**
 - b) **Preparation on Public Hearings on the Budget Estimates**
5. Any Other Business

(VII).Parliamentary Centre: The members were informed that the Parliamentary Centre had invited all members of the money committees of parliament to half day workshop at the Laico Regency on 17th May, 2012 from 9:00 am for the African Parliamentary Index (API). The chair of the meeting urged members to participate in the workshop. The chair informed members that the Parliamentary Centre is one of the partners working with Parliament.

Min 77/:2012 ADJOURNMENT

There being no other business, the meeting was adjourned at 12:30pm.

CHAIRMAN..........
SIGNATURE

DATE.....06 / 06 / 2012.....

recommended that in future, Members shall be informed early enough to schedule the hearings in their calendars as well as indicate their preferred venues.

Members noted that they received poor communication from the Kenya National Assembly as to where they would go for the public hearings. In addition, the committee noted that the official communication to the provincial administration from the Kenya National Assembly was not effectively done. It emerged that some provincial administration officials were made aware of the public hearings by the Members of parliament. It was agreed that in the future, the communication with regard to the public hearings from the Kenya National Assembly with regard to public hearings should be given in a timely manner.

The committee observed that members of the public appreciated the public hearings and it would be good to expand the number of centres in the future to include the small town centres.

Members requested that the Budget Office furnishes the committee with information and data with regard to vertical division of revenue, the Consolidated Fund Services and infrastructure budgets.

Min 76/ 2012: ANY OTHER BUSINESS

(I).The Revenue Accounts: The meeting was informed that a member of parliament had sought a ministerial statement on revenue accounts and that the matter was directed to a joint committee of Budget, PAC and the finance, planning and trade committees. Members were further informed that the budget committee is expected to take the lead in investigating the matter. The committee resolved to summon the Auditor General to shed light on the matter.

(II). The Auditor General Budget estimates: The committee resolved to invite the Auditor General to discuss the proposed 2012/2013 FY budget estimates for the Office of the Auditor General on 22nd May,2012 at 10:00 am.

(III). Parliamentary Service Commission Budget Estimates: The committee noted that there was need to carefully interrogate the budget estimates for the Parliamentary Service Commission. The committee resolved that the Parliamentary Service Commission will be invited at a later date to discuss its proposed budget estimates.

(VI).Budget Report Writing Retreat: The committee resolved to take a 3 day retreat to prepare its report on the 2012/2013 budget estimates from the 27th May,2012 preferably in Naivasha or Mombasa.

3. Matters arising
4. **Agenda**
 - a) **Overview of the key highlights from the public hearing**
 - b) **Program of activities in processing the budget report**
- 5) Any other business

MIN 74/2012: PRELIMINARIES

The meeting was called to order at 10:50 am with a word of prayer from a member of staff. The vice-chairman welcomed the members of the committee and informed them that the chairman was away on parliamentary duties therefore he would chair the meeting. He expressed gratitude to all members for participating in the recently concluded public hearings, reiterating that this will culminate in the committee's report on the Estimates of the Expenditure.

The meeting noted the agenda ahead of them, and considering that there was also a *speaker's kamukunji* at 12:30 pm with regard to EALA rules, the members agreed to defer the confirmation of previous minutes and move to the main agenda of the meeting so that they are able to attend the *kamukunji*.

MIN 75/2012: OVERVIEW OF THE KEY HIGHLIGHTS FROM THE PUBLIC HEARINGS

The committee was briefed on the issues that emerged from the public hearings conducted in the previous week in the 17 centres across the country. Some of the recommendations made by the public include more funding for health, agriculture and security sectors. In addition, the public requested for additional recruitment of teachers. The committee was further informed that the Parliamentary Budget Office was in the process of receiving written memoranda and would compile them into a report for the committee.

Members were informed that the reports from the public hearings were being compiled into one report which shall be shared with all Departmental committees so as to inform them of the various sectoral issues emerging from the public hearings as the committees prepare to submit their reports to the budget committee.

Members noted that the public awareness on the budget hearings was wanting. It was recommended that in addition to newspapers, the radio through local radio stations should be used to publicize the public hearings. The Committee further

**MINUTES OF THE 113TH SITTING OF THE BUDGET COMMITTEE
HELD ON WEDNESDAY MAY 16TH, 2012 IN THE COMMITTEE ROOM,
5TH FLOOR, CONTINENTAL HOUSE, PARLIAMENT BUILDINGS AT
10:00 AM**

PRESENT

1. Hon. Alfred Sambu, M.P-Vice Chairperson
2. Hon. Danson Mungatana, M.P
3. Hon. Nelson Gaichuhie, M.P
4. Hon. John Mbadi, M.P
5. Hon. Martin Ogindo, M.P
6. Hon. Jackson K. Kiptanui, M.P
7. Hon. Omari Zonga, M.P
8. Hon. Abdul Bahari, M.P
9. Hon. Njoroge Baiya, M.P- Justice and Legal Affairs committee
- 10.Hon. David Were, M.P- Chairman, Transport, Public works and Housing committee
- 11.Hon. David Koech, M.P-Chairman, Education, Research & Technology committee
- 12.Hon. Sophia Noor, M.P-Chairperson, Labour & Social Welfare committee

IN ATTENDANCE

THE KENYA NATIONAL ASSEMBLY

1. Ms. Phyllis Makau, Director- Parliamentary Budget Office
2. Mr. Nicodemus Odongo- Fiscal Analyst , Parliamentary Budget Office
3. Mr. F. Muthengi, Fiscal Analyst, Parliamentary Budget Office
4. Ms. Lucy Makara, Fiscal Analyst, Parliamentary Budget Office
5. Mr.G. Kipkirui, Fiscal Analyst, Parliamentary Budget Office
6. Mr. L. Wandaka, Junior Fellow, Parliamentary Budget Office .

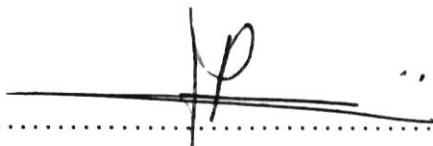
AGENDA

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

MIN 85/2012: ADJOURNMENT

There being no other business, the meeting was adjourned at 2.30 pm.

CHAIRMAN.....

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SIGNATURE

DATE.....

06/06/2012

Training	41,000,000.00
TOTAL	2,054,694,000.00

The Chairman assured the National Audit officers that the figures which have been arrived at after the deliberations will be included in the report which will be tabled in the House.

Members suggested that in terms of sectors, the National Audit Office Budget need to be domiciled under the Parliamentary Service Commission as opposed to the Executive. This suggestion was supported by the KENAO.

The Chairman advised that there is need to look at the issue more keenly and to seek further clarification. There is need also to ascertain the legal implications of such a move before the final decision is made.

Hon. Martin Ogindo, M.P was appointed to pursue that matter and report to the Committee.

The Chairman emphasized the need for the National Audit Office to consider purchasing their own building instead of renting offices.

MIN 84/2012: ANY OTHER BUSINESS

The Chairman appreciated the Members for their commitment to the Committee in discharging its mandate noting that they had participated actively during the Public hearings.

He also thanked the Kenya National Assembly staff who took part in the public hearings.

Members were urged to attend the retreat slated for Monday 28th May 2012 and Tuesday, 29th May 2012 to finalize the Budget report 2012/13.

Members emphasized the need of the National Audit office, being an office of repute and ought to have the capacity to audit County Accounts. They urged the National Audit Office to be the first institution to set up offices in Counties to ensure corruption is not devolved to County level. KENAO assured members that the National Audit offices will preside over other systems devolved to County level to set up internal controls.

The Auditor General presented a Budget summary of key areas where the Audit Office says are critical yet the amount of money allocated to these items was reduced.

Item	Amount
Budget Allocation 2012/13	1,672,300,000.00
Add Pending bills	54,250,000.00
Domestic travelling	83,500,000.00
Foreign Travelling	13,900,000.00
Fuel, oil and lubricants	21,000,000.00
Maintenance of vehicles and transport other equipments	21,144,000.00
Purchase of vehicles and other Equipments	125,000,000.00
Maintenance-other Assets	77,463,175.00
Purchase of equipment e.g. laptops	61,000,000.00
Training	41,000,000.00
TOTAL	2,170,557,175.00

After deliberations between the Members and officers from the National Audit Office the KENAO Budget Summary was adjusted and agreed upon as follows;

Item	Amount
Budget Allocation 2012/13	1,672,300,000.00
Add Pending bills	54,250,000.00
Domestic travelling	83,500,000.00
Foreign Travelling	6,500,000.00
Fuel, oil and lubricants	21,000,000.00
Maintenance of vehicles and transport other equipments	21,144,000.00
Purchase of vehicles and other Equipments	65,000,000.00
Maintenance-other Assets	50,000,000.00
Purchase of equipment e.g laptops	40,000,000.00

Members noted that that there is always inertia when Committees have joint sittings leading to substantial delays and asked the Budget Committee to take the lead and ensure they table their findings in one month as directed by the Speaker.

MIN.83/2012: PRESENTATION OF KENYA NATIONAL AUDIT OFFICE 2012/13 BUDGET ESTIMATES

The meeting with the Kenya National Audit Office started with a round of introductions from all present. The Chair invited the Auditor General to give KENAO's submission with regard to the 2012/13 Budget estimates. The Auditor General gave a brief background of the National Audit Office, emphasizing on its independence and Constitutional mandate.

Members were informed that the National Audit Office had requested a total of Kshs 2.4 billion but had only been allocated Kshs 1.67 billion in 2012/13 Financial year. Thus the National Audit office will only remain with Kshs 1.2 billion to spend in 2012/13 Financial year after paying the pending bills and this Kshs 1.2 billion translates to 50% of the resource they require.

In their submission, the National Audit Office noted that core costs of the office have been cut such as foreign travel yet such travels are meant to audit Kenya foreign offices which are vulnerable to financial malpractices due to distance.

Members wanted to know the key business of the National Audit office and to whom they report to. Members also wanted to know how the National Audit office will help fight corruption especially under the devolved system of Governance.

In response, they were informed by the Auditor General that the National Audit Office is tasked to audit the three arms of the Government and any other place where there is Government money especially in areas where there is vulnerability. The audit office ensures accountability in utilization of the funds. Members were also informed that the National Audit Office reports to parliament.

Members were concerned that there was no indication from the estimates submitted by the National Audit office that they plan to devolve their functions to County levels. In response they were informed that the National Audit office will devolve its functions to county level where each county will have a Director, two senior Auditors and an Auditor.

Members were informed that the issue of venue for the retreat was being addressed. They were informed that the secretariat had zeroed in on either Simba Lodge or Enashipai resort in Naivasha. The final venue will be communicated to members in due course.

Members were informed that all bona fide members of the Budget Committee are expected to attend the retreat together with all other ex officio members of the Committee.

They were also informed that all public hearings and Committee reports will be available together with a brief on areas in the 2012/13 budget estimates where the Parliamentary Budget Office feels there is wastage of resources. Also available will be the cost of delivering service in eight sample Counties as proposed by Members.

Members were informed that the Budget Policy Statement report which was tabled in the House should be actualized in the 2012/13 Budget Estimates.

Members were also informed that all minutes of Budget Committee sittings regarding the 2012/13 Budget estimates will be confirmed during the retreat so that the minutes form part of the report to be tabled in Parliament.

Members requested the Parliamentary Budget Office to produce a small write up on the Budget process to give guidance to members since many changes have occurred under the new dispensation. The Vice Chair reiterated the importance of the retreat and urged members to find time and attend the same.

Members were reminded that under the new Constitution there is a Budget process and not a Budget day hence the need for members to be actively engaged in it.

MIN.82/2012: JOINT COMMITTEE SITTING

Members were informed of the joint sitting between Public Accounts Committee, Budget Committee and Finance Trade and Planning Committee on 23rd May 2012 at 11 am with regard to inconsistencies in Revenue accounts in 2008/09.

Members were informed that the Tuesday 22nd May 2012 meeting with the National Audit Office was to discuss their Budget Estimates and not inconsistencies in Revenue accounts in 2008/09.

Members were informed that Parliament has a Constitutional mandate to scrutinize the Kenya National Audit Office Budget estimates.

The National Audit Office has been allocated Kshs 1.67 Billion in 2012/13 estimates which translates to 69% of what they requested for. Members were also informed that the National Audit Office has no development expenditure and all its expenditures are recurrent.

The National Audit Office expects to raise Kshs 110 million as Appropriations in Aid in 2012/13 Financial year.

Members wanted to know from the Parliamentary Budget Office, the implications of underfunding the National Audit office.

They were informed that there was a possibility that the National Audit office would be constrained especially when it comes to devolving its functions to Counties since it has no other source of revenue.

Members were concerned that the Appropriations in Aid collected by the National Audit Office was very little yet they have the potential to raise more and meet their budget shortfall. They pointed out that the National Auditor charges less than their private counterparts who charge almost six times higher for audit services rendered to clients.

Members were informed that the fee the National Audit Office charges are stipulated under the Audit act which unless amended, cannot alter the fee they charge clients.

MIN.81/2012: RETREAT FOR FINALIZING THE BUDGET REPORT

The Parliamentary Budget Office was invited to give a brief of the planned retreat to finalize the Budget report which will be tabled in the House.

Members were informed that the Clerk of the National Assembly had approved the retreat and that it will be held on Monday, 28th May 2012 and Tuesday, 29th May 2012.

IN ATTENDANCE

1. Mr. Edward Ouko-Auditor General, Kenya National Audit Office.
2. Mr. Edward Gikonyo- Kenya National Audit Office.
3. Mr. Humphrey Wanyama- Kenya National Audit Office.
4. Mr. Alex Lagera- Kenya National Audit Office.
5. Mr. Gregory Kitema- Kenya National Audit Office.
6. Mr. Meshack Onyango- Kenya National Audit Office.
7. Ms Nancy Gathungu- Kenya National Audit Office.

AGENDA

1. Preliminaries/Confirmation of Agenda
2. Confirmation of previous meeting minutes
3. Matters arising
4. **Agenda**
 - a) **Meeting with the Auditor General over their 2012/13 Estimates**
 - b) **Retreat for finalizing the Budget Report**
5. Any Other Business

MIN. 78 /2012: PRELIMINARIES/CONFIRMATION OF AGENDA

The Vice Chairman called the meeting to order at 10.45 am and invited one member of staff to open with a word of prayer. The Vice Chairman then welcomed and thanked members for finding time to attend the meeting.

MIN. 79 /2012: CONFIRMATION OF PREVIOUS MEETING MINUTES

Members agreed that all minutes will be confirmed during the retreat to finalize the Budget report since the minutes in question will form part of the report to be tabled in the House.

MIN. 80/2012: KENYA NATIONAL AUDIT OFFICE 2012/13 BUDGET ESTIMATES

The Vice Chairman invited the Parliamentary Budget Office to give highlights on the Kenya National Audit Office (KENAO) 2012/13 Budget Estimates.

MINUTES OF THE 114th SITTING OF THE BUDGET COMMITTEE HELD ON TUESDAY, 22ND MAY 2012, IN THE COMMITTEE ROOM, 4TH FLOOR CONTINENTAL HOUSE PARLIAMENT AT 10.00 AM

PRESENT

1. Hon. Elias Mbau, M.P-Chairperson
2. Hon. Alfred Wekesa Sambu, M.P
3. Hon. Nelson Gaichuhie, M.P
4. Hon. Danson Mungatana, M.P
5. Hon. Jackson K. Kiptanui, M.P
6. Hon. Martin Ogindo, M.P
7. Hon. Emilio Kathuri, M.P
8. Hon. Njoroge Baiya, M.P, Acting Chairman, Justice and Legal affairs Committee
9. Hon. John Mututho, M.P, Chairman, Agriculture, Livestock and Cooperatives Committee.
10. Hon. Mutava Musyimi, M.P, Chairman, Lands and Natural Resources Committee
11. Hon. Fred Kapondi, M.P, Chairman, Administration and National Security Committee
12. Hon. Ababu Namwamba, M.P - Justice and Legal affairs Committee
13. Hon. Ekwe Ethuro, M.P - Chairman, Constituency Development Fund (Constituency Fund Committee) Committee

KENYA NATIONAL ASSEMBLY STAFF

1. Ms Phyllis Makau -Director, Parliamentary Budget Office
2. Mr. Martin Masinde-Parliamentary Budget Office
3. Mr. Fredrick Muthengi- Parliamentary Budget Office
4. Mr. Gilbert Kipkurui- Parliamentary Budget Office
5. Mr. Joash Kosiba- Parliamentary Budget Office
6. Mr. Lewis Mungai- Parliamentary Budget Office
7. Mr. Eric Kanyi- Parliamentary Budget Office

MIN 89/2012: Summary of issues from the Budget Committee for BPS 2012

Members went through the recommendations as per the report on the BPS 2012/13 arising from the various Departmental Committee reports and compared them to the amount allocated to the ministries with regard to these items in the 2012/13 budget.

It was established that while some recommendations in the *Budget Committee Report on the BPS* had been considered in the 2012/13 budget estimates, a number of issues recommended had not been taken into account.

MIN 90/2012: Summary of Issues from the Departmental Committees

Members went through the key issues proposed by the various Departmental Committees for additional resource allocation and reallocations and given resource constraints, sought to identify the key priority areas within each ministry according to the Departmental Committees. This is to ensure that resources are optimally allocated among the competing needs.

- a) Health Committee
- b) Transport, Public Works and Housing
- c) Administration & National Security
- d) Labour and Social Welfare
- e) Education, Research and Technology
- f) Defense and Foreign Relations
- g) Agriculture, Livestock and Cooperatives

MIN 91/2012: Adjournment

In view of time constraints, members agreed to adjourn at 1.30 pm. The next meeting was scheduled in the afternoon at 2.30 pm.

CHAIRMAN.....

SIGNATURE

DATE.....

MIN: 86/2012: Preliminaries

The meeting was called to order at 9.30 am and started with a word of prayer from a member of staff. The chairman welcomed members to the meeting, noting its importance in the budget process. He reiterated the Committee's dedication to comply with the Constitution that Appropriations Act should be passed before the Commencement of the financial year. Therefore the Budget Report will kick start the Committee of Supply and eventually the Appropriations Act.

MIN 87/2012: Confirmation of Previous Meetings Minutes

Members read through and confirmed the five sets of minutes (110th - 114th Sittings the Budget Committee).

- a) First set, the 110th Sitting held on 25th April 2012
- b) Second set, the 111th Sitting held on 3rd May 2012
- c) Third set, the 112th Sitting held on 8th May 2012
- d) Fourth set, the 113th Sitting held on 16th May 2012
- e) Fifth set, the 114th Sitting held on 22nd May 2012

The minutes were adopted as a true record of the committee's deliberations. These minutes will form part of the *Budget Committee Report on the Estimates of Expenditure 2012/13*.

MIN 88/2012: Lessons Learned From 2011/12 Budget Process

Members went through the key recommendations arising from *the 2011/12 Budget Committee Report on the Estimates of Revenue and Expenditure*. It was established that overall, a lot had been achieved from the recommendations the committee had made. Most of these achievements were from expenditure adjustments (almost 100 percent achievement) but in terms of application, a number of recommendations were not taken into account. **Members agreed that going forward, there was need to ensure that the *Budget Committee Report on Estimates of Expenditure* is fully taken into account by the Treasury when finalizing the budget.**

MINUTES OF THE 115TH MORNING SITTING OF THE BUDGET COMMITTEE HELD IN SIMBA LODGE, NAIVASHA ON 28TH MAY 2012

PRESENT

1. Hon. Elias Mbau, M.P
2. Hon. Alfred Sambu, M.P
3. Hon. Jackson Kiptanui, M.P
4. Hon. Martin Ogindo, M.P
5. Hon. John Mbadi, M.P
6. Hon. Nelson Gaichuhie, M.P
7. Hon. Emilio Kathuri, M.P
8. Hon. Moses Lessonet, M.P
9. Hon. John Mututho, M.P – Chairperson, Agri. Livestock and Cooperatives
10. Hon. Fred Kapondi, M.P – Chairperson, Admin. & National Security
11. Hon. Adan Keynan, M.P – Chairperson, Defence and Foreign Relations
12. Hon. David Koech, M.P – Chairperson, Education, Research & Technology
13. Hon. Isaac Muoki, M.P – Transport, Public Works and Housing Committee
14. Hon. Thomas Mwadeghu, M.P – Chairperson, Local Auth. & Fund Accounts
15. Hon. (Dr). Robert Monda, M.P – Chairperson, Health Committee
16. Hon. Ekwe Ethuro, M.P – Chairman CDF (CFC) committee
17. Hon. George Nyamweya, M.P – Justice and Legal Affairs Committee
18. Hon. David Ngugi, M.P – Chairperson, Local Authorities
19. Hon. Julius Kones, M.P – Public Accounts Committee
20. Hon. Lucas Chepkitony, M.P – Finance, Planning and Trade

IN ATTENDANCE – PARLIAMENTARY BUDGET OFFICE

- | | |
|--------------------------|---|
| 1. Ms. Phyllis Makau | – Director, Parliamentary Budget Office |
| 2. Mr. Nicodemus Odongo | – Parliamentary Budget Office |
| 3. Mr. Martin Masinde | – Parliamentary Budget Office |
| 4. Mr. Fredrick Muthengi | – Parliamentary Budget Office |
| 5. Ms. Lucy Makara | – Parliamentary Budget Office |
| 6. Mr. Robert Nyaga | – Parliamentary Budget Office |
| 7. Mr. Gichohi Mwaniki | – Parliamentary Budget Office |
| 8. Ms. Millicent Ojiambo | – Parliamentary Budget Office |
| 9. Mr. Benjamin Ng’imor | – Parliamentary Budget Office |

	Dam, Lower Ewaso Nyiro project and Olkejuado project • Kshs. 900 million to drip irrigation	
Livestock	rabbit farming	50 million
	Kenya Meat Commission - mark of quality	100 million
Fisheries	purchase means of transport for fisheries field officers	
	increase allocations for aquaculture farming	
Cooperatives	staff recruitment	
	capacity development for increasing urban transport SACCO	200 million
Northern Kenya Development	National Drought Management Authority	412 million
	National Drought and Disaster Contingency Fund	2 billion

MIN 94/2012: Adjournment

In view of time constraints, members agreed to adjourn at 7.30 pm. Next meeting will be held on Tuesday, 29th May 2012 in the same venue at 8.00 am.

CHAIRMAN.....

SIGNATURE

DATE.....

06/06/2012

6) Defense and Foreign Relations

Ministry	Issues	Amount in Kshs
Ministry of state for defense	Re-allocation for Recurrent expenditure to finance salaries, General Administration and Planning and expenses related to the Kenya Armed Forces; construction of housing units for 10,000 junior soldiers	688 million
NSIS	Reduction of NSIS Grant and the reduced amount to be re-allocated to the other issues mentioned herein	Reduced by (2,798,000,000)
Ministry of East African Community	Re-allocation for Kenya's ascension to EAC and hosting of the 12 th Extra Ordinary summit of EAC.	240 Million
Ministry of Foreign Affairs	Re-allocation for Foreign services allowance to staff	470 Million
	Re-allocation to cater for Purchase of Chancery building Kampala	450 Million
	Re-allocation to cater for Purchase of Chancery building New York	800 Million
	Re-allocation for Development of the mission in Juba	150 Million
	Money allocated to the mission in Dublin should be re-allocated to open a new consulate in Jedah (Saudi Arabia)	106.9 Million

7) Agriculture, Livestock and Cooperatives

Ministry	Issues	Amount in Kshs
Agriculture	strategic grain reserve - purchase of 5.7 million bags of maize (it should be transferred from National Irrigation Board to Ministry of Agriculture)	17 billion
	Agriculture Finance Corporation - credit scheme	2 billion
	Agricultural Livestock Food and Fisheries Authority to get reallocated funds from patrol boats in the fisheries ministry	500million
	Pyrethrum Board of Kenya	350million
Regional Development Authority	Reallocation of Kshs. 1.4 million from feasibility and engineering designs as follows: <ul style="list-style-type: none"> • Kshs. 500 million for Mwache River Dam, Aror 	

4) Labour and Social Welfare

Ministry	Issues	Amount in Kshs
Labour	compensation of employees	71million
	NGOs coordination board	100million
	Occupation Safety and Health Fund	12.5 million
	Upgrading Technologies in Industrial Training Centers	200million
Gender and Children Development	Women Enterprise Fund	225million
	Cash Transfer to Older Persons	1 billion
	Urban Food Subsidy Cash Transfer Programme	218million
	Cash Transfer for Orphans and Vulnerable Children	485million
Special Programmes	strategic grain reserve	17 billion
	Resettlement of forest evictees	3.5 billion
National Heritage and Culture	Remuneration of personnel for Kenya National Library Services	200million
	Construction of International Center for Arts and Culture	600million
	Open record centers in 4 counties	50million
	develop heroes corner at Uhuru Gardens	300million
	National Youth Service	3.5 billion
	Department of Sports - International Competitions	570million
National Gender and Equality Commission	Department of Youth Development	720million
	Employment of personnel	134.2 million
	Commission Programmes	371.9 million

5) Education, Research and Technology

Ministry	Issues	Amount in Kshs
Education	Mitihani house	1.3 billion
	Early childhood development education is mainstreamed in education policy	
Higher Education	National Council for Science and Technology	400million
	Higher Education Loans Board	1.5 Billion
	9 new university colleges	630million
	Bursaries	100million
	increased annual admission	280million
TSC	employ 30,000 more teachers	8billion
	promotion of teachers	500million

	Homa-bay, Kisii and Nyamira.	
	development of Nakuru airport	400 Million
	for the second runway and the associated facilities at the Jomo Kenyatta International Airport	700 Million
Ministry of Roads	For the repair of roads all over the Country, extensive damaged by the floods currently being experienced	10.7 Billion
Ministry of Public Works	To complete 26 stalled projects	4.7 Billion
	To pay for pending bills arising from ongoing works on stalled projects.	1 Billion
	For installation of lightening arrestors in the Counties	200 Million
	For recruitment of technical staff to be distributed to the Counties.	822 Million
	To operationalize the National Construction Authority.	178.3 M
	For supervision of projects throughout the Country.	270 M
	To cater for one footbridge per Constituency.	1.5 Billion
Ministry of Public Housing	The Civil Servant Housing Scheme Fund which requires an additional funding	3 Billion
	The Slum Upgrading programme	3 Billion
	The Housing Development programme	2 Billion
	Government Estates Management to be able to purchase View Park Towers and Hazina Towers	4 Billion

3) Administration & National Security

Ministry	Issues	Amount in Kshs
Ministry of State for Provincial Administration & Internal Security	CID Forensic Laboratory	1 billion
	Communication and Command/ CCTV installation	1.275 billion
	Recruit the 3,500 Police officers	2.5 billion
	Security coverage during the forthcoming General elections	1 billion
	Salary review for Police officers	4.08 billion
	Suspend the awarding of a contract to a Chinese company to supply motor vehicles for the Police	
Ministry of State for Immigration and Registration of Persons	Finalization of third generation identity cards programme and in improving the population registration services and issuance of ID's during the 2013 election year.	2.5 billion
	Staffing in the Ministry	506.9 million
Ministry of State for Public Service	The implementation of the hardship allowance.	3.2 billion

Medical Supplies Agency	country	
	medical supplies distribution	50 million
	rationalization of staff at KEMSA	72 million
Kenya Medical Training College-	expansion of KMTC campuses	300 million
	recruitment of staff at KMTC	100 million
	Promotion and training of staff, to avert a looming industrial crisis at the College.	100 million
Kenyatta National Hospital	procurement of Gastroenterology/ Endoscopy Units, Critical Care Units, Renal Units, Cardiac Centre (catheterization laboratory) and New Born Unit	500 Million
	enable the hospital to respond adequately and cater for victims of disasters	100 million
	Catering for indigents who are unable to pay for health services received at the hospital	100 million
	improvement of the ICT, particularly for collection of fees payable by patients at the Hospital	50 million
	meeting the existing pay roll deficits and improvement of human resource emoluments at the Hospital	250 million
Moi Teaching and Referral Hospital	procurement of specialized equipment at the Moi Teaching and referral Hospital	200 million
	automation of healthcare facilities in the country	564 million
	construction and improvement of the specified health facilities at District and Sub-District level	200 million

2) Transport, Public Works and Housing

Ministry	Issues	Amount in Kshs
Ministry of Transport	Purchase of two (2) new ferries.	1.2 Billion
	Counterpart funds of the Second Container Terminal project.	1 Billion
	Dredging of Port of Mombasa.	4 Billion
	Construction of the first three berths including causeway.	2 Billion
	Development of the Standard Gauge rail system in line with the agreements with the Ugandan government.	4.1 Billion
	To address the escalating road carnage in the country.	260 Million
	To complete the Isiolo International Airport	800 Million
	Olentare airport to serve four counties that is Narok.	400 Million