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TENTH PARLIAMENT – FOURTH SESSION

THE BUDGET COMMITTEE REPORT ON THE ESTIMATES OF REVENUE AND
EXPENDITURE FOR 2011/2012

July 21, 2011

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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 Speaker's ruling of 8th June, 2011. I take this opportunity to present to the House, the Committee's Report on the 2011/12 Budget Statement and proposals of Estimates of Revenue and Expenditure laid by the Deputy Prime Minister and Minister for Finance on 8th June 2011. Specifically, the report also covers the expenditure estimates of Parliamentary Service Commission laid by Vice-Chairman, Parliamentary Service Commission on 28th April, 2011; the estimates of expenditure for the Executive laid by the Deputy Prime Minister and Minister for Finance on 7th June 2011; and the Estimates of expenditure for the Judiciary laid by the Minister of Justice, National Cohesion and Integration on 7th June, 2011.

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 Bwana 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. Johnson 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, - Chairperson, Lands and Natural Resources
4. The Hon. John Mututho, MP – Chairperson, Agriculture, Livestock and Cooperatives
5. The Hon. (Dr.) Robert Monda, - Chairperson, Health
6. The Hon. David Were, MP – Chairperson, Transport, Public Works and Housing
7. The Hon. Aden Keynan, MP – Chairperson, Defence and Foreign Relations
8. The Hon. Fred Kapondi, MP, - Chairperson, Administration and National Security
9. The Hon. Chris Okemo, - Chairperson, Finance, Planning and Trade
10. The Hon. Sophia Abdi Noor, MP – Chairperson, Labour and Social Welfare
11. The Hon. Mohammed Gabbow, MP – Chairperson, Local Authorities
12. The Hon. Ababu Namwamba, MP – Justice and Legal Affairs
13. The Hon. (Dr.) Julius Kones, MP – Ag. Chairperson, Public Accounts Committee
14. The Hon. Mithika Linturi, MP-Chairperson, Public Investments Committee
15. The Hon. Thomas Mwadeghu, MP- Chairperson, Local Authorities and Funds Accounts Committee
16. The Hon. Ekwe Ethuro, MP, Chairperson- Constituencies Fund Committee
17. 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, it is important to underscore that the new Constitution has given Parliament a more expanded role in the budget making process. It has changed the role of Parliament from a budget approving institution to a budget making one. Indeed, the enhanced responsibility includes the ability to decide on 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 2011/2012 Budget Statement and proposals of revenue laid by the Deputy Prime Minister and Minister for Finance on 8th June 2011, the Committee held 12 Sittings, and one breakfast meeting.

The Committee also held public hearings with organized groups and the general public in line with Article 221 (5) of the Constitution. The public hearings were held in Nairobi, Mombasa, Kisumu, Embu, Nakuru, Nyeri, Garissa and Kakamega.

Further, the Committee received written submissions from all the twelve Departmental Committees which it considered and are annexed to this report. Other written submissions were also received from organized groups, civil society organization including Former Parliamentarians Association of Kenya, and members of the public, among others.

ACKNOWLEDGEMENT

Mr. Speaker,

The Committee is grateful to the Offices of the Speaker and the Clerk of National Assembly for the support received as it discharged its mandate of reviewing the 2011/12 budget statement and estimates of expenditure and revenue. The Committee is also grateful to the Members of

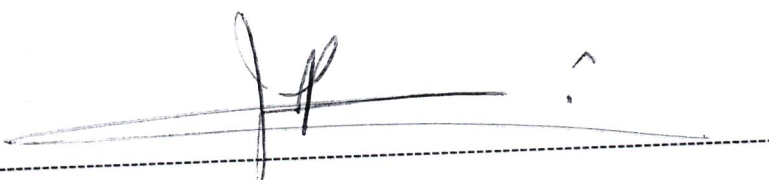
Parliament who participated in the process, especially the public hearings in the 8 centres named above.

The Committee appreciates the very positive contributions by stakeholders, the public and organized groups who appeared before the Committee as well as those who made submissions during the hearings. The committee is also grateful to the Office of the Deputy Prime Minister and Minister for Finance, other Ministries and heads of government Departments who appeared before the Committee. Lastly, the Committee extends gratitude to the Provincial Administration across the country who helped in coordination and mobilization of the people during the budget public hearings.

Mr. Speaker Sir,

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

Signed



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

Date

21/07/2011

I. LINKING THE 2011/12 BUDGET AND THE 2011 BUDGET POLICY STATEMENT

1. **Mr. Speaker Sir**, it is important to note that the Budget for 2011/12 Financial Year has been prepared against a backdrop of several challenges, arising from external and internal shocks. From the external front, the political instability in the oil producing countries, the Japanese Tsunami, the debt crisis in Europe, and piracy in Indian Ocean have resulted into unfavorable climate and soaring prices of imports. On the domestic side, the prevailing drought, high inflation, and high foreign exchange rate has driven the cost of living of ordinary Kenyans to unaffordable levels.
2. Against the aforementioned operating environment, the Minister expects to collect total revenue amounting to **Kshs.789.53 billion** which includes **kshs 713.62 billion** of ordinary revenue and **Kshs 75.91 billion** of Appropriations – In – Aid (AIA).
3. **Mr. Speaker Sir**, one of the key recommendations in the report on the Budget Policy Statement was for the Minister to urgently review all Appropriations – In - Aid and identify those that can be turned into ordinary revenue to increase efficiency and accountability. To this end, Mr. Speaker, the Committee commends the Minister on this account; indeed, he has been able to turn AIA worth **Kshs.9.2 billion** into ordinary revenue. However the Committee encourages the Minister to institute further measures including fully automating all government institutions that collect revenue which includes: hospitals, local authorities, land registries, public universities, judicial registries, etc.
4. **Mr. Speaker Sir**, this Committee considers the above recommendation very important and has already asked the relevant committee on Energy, Information and Communications to take the lead in ensuring that the proposed computerization is achieved to ensure all loopholes are closed and revenues are dully collected for economic development of this country.
5. **Mr. Speaker Sir**, you may recall that one of the recommendations in the report in the BPS was to limit total expenditure including net lending at **30 percent of GDP** by cutting non- essential expenditure. This recommendation was in line with the need to reduce public debt to **42**

percent of GDP over the medium term. However, a review of the proposed expenditures for the 2011/12 indicates that total expenditure including net lending is poised to stand at **33.5%** of GDP. This means that the gap between expenditure and revenues has widened and may lead to an increase in domestic borrowing. The Committee's view is that the proposed estimates may not be sustainable.

6. **Mr. Speaker Sir**, the 5.7% GDP growth forecast for Financial Year 2011/12 as presented in the Minister's Statement seems too ambitious. Independent forecast by Parliamentary Budget Office puts the growth forecast at 5.1%. The World Bank, in its recent report, forecast Kenya's growth for 2011 at around 4.9%. The IMF in its recent report indicated that Kenya will not achieve broad based growth in 2011 if various risks such as inflationary pressures and the drought are not strategically mitigated. The Committee is of the view that there are no sufficient mitigation measures to warrant the government's optimistic view of 5.7 percent growth rate.
7. **Mr. Speaker Sir**, the public out there are suffering due to the high inflation rate. When they shout "*unga*" and run in the streets they are not mad neither are they people disrupting peace; they are going through difficult times yet we seem to have nothing to offer them. Hon. Members, the current inflation is largely due to food and transport components. As indicated from the numbers of the Kenya Bureau of Statistics in June 2011, food and transport components recorded inflation of **22.52%** and **22.71%**, respectively. It is thus important that the government institutes firm measures to deal with the food shortage and the oil crisis.
8. **Mr. Speaker Sir**, you may recall that one of the recommendations of the report on the BPS was to limit the ceiling for Parliamentary Service Commission (PSC) to **Kshs.6.5 billion** and **Kshs.2.4 billion** in recurrent and development expenditure, respectively. In the proposed estimates, the Minister has allocated PSC **Kshs.6.496** in recurrent expenditure and **Kshs.1.6 billion** in development expenditure. This implies that the allocation of development expenditure was below the BPS recommendation by **Kshs.800 million** and therefore this recommendation was not adhered to.

9. It was also recommended that pursuant to Article 241 of the Constitution, the budget for the Ministry of State for Defense be separated to reflect allocations to each of the three of arms of Defence Forces and General Administration. However, a look at the estimates of expenditure indicates that this was not done.

II. KEY ISSUES ON THE REVENUE SIDE OF THE BUDGET

a) Overall Revenue Forecasting and Setting of Targets

10. Mr. Speaker Sir, the Committee is very concerned with the revenue underperformance in recent times. In the just ended financial year 2010/11, the Kenya Revenue Authority (KRA) realized a collection of Kshs.634.9 billion against the original target of Kshs.645 billion representing underperformance of Kshs. 10.1 billion. This trend is worrying given that the KRA also missed their target by over KSHS.14 billion in 2009/10. However, the Hon. Members are aware that it was reported that KRA had over performed against a revised target that had been agreed upon between themselves and the Treasury. The Committee is concerned that such targets are agreed upon without reference to Parliament. The Committee recommends that the National Assembly resolves that in future any revenue target revision must be agreed upon with Parliament to avoid misleading Kenyans.

b) Failure to disclose revenue impact of discretionary tax measures

11. The Committee noted that the Finance Minister, in his 2011 budget statement, failed to disclose revenue impact of the discretionary tax measures thus contravening the constitutional principle of transparency and full disclosure of information. This is important given that each and every revenue measure proposed in the budget results in either revenue loss or gain. The Committee therefore recommends that as the Finance Bill 2011 is being reviewed by the relevant Committee of this house the Minister be required to disclose the gains and losses from each of the proposed revenue measures.

c) Zero rating policy

12. The Committee is also concerned over the zero rating policy by the government that has now been extended to non priority items such as security detectors and CCTV Cameras. Indeed even some of the zero rating on food commodities is not leading to the intended benefit to

common mwananchi. The Committee thus recommends that as the Finance Bill 2011 is being reviewing the issue of zero rating of all products be adequately considered so as to ensure those items that are not priority to common mwananchi are removed from the list of zero rated items.

d) Additional Administrative measures on tax

13. The Committee observed that a number of measures were proposed to streamline tax collection namely: tightening rules for PAYE relief, increasing withholding taxes for professionals from 5% to 10%, and introducing withholding taxes on winnings from betting and lottery at 20%. Whereas these measures are expected to streamline tax collection and raise more revenue, they may be unlikely to resolve the rampant tax evasion menace of the targeted groups. In addition, some targeted taxes like winnings of betting and lottery may be difficult to determine, assess and collect. The Committee therefore recommends that as the Finance Bill 2011 is being reviewed the Minister be required to provide the measures the government will adopt in order to enforce the applicable tax laws. In addition, it the view of the Committee that the 20% withholding tax be levied on winnings from lotteries and price competition. We urge the Finance, Planning and Trade Committee to consider this issue as they review the Finance Bill.

e) Harmonization and re-design of taxes

14. Many stakeholders and even the government appreciate that Kenyan tax laws need comprehensive reforms in line with modern day best practices. The Committee observed that this year 2011, the Finance Minister did not propose any changes in the Value Added Tax Act with a promise that the whole act is being overhauled and will be presented to Parliament for approval. It is hoped that the new VAT Bill will correct some of the existing problems towards realizing government revenue. In addition, the government should work to reduce the number of taxes and levies that SMEs have to administer to make it easier to train staff to administer compliance with the tax liability. The Committee therefore recommends that the said Bill be brought to Parliament for passing and implementation not later than October 2011.

f) Streamlining and simplification of the tax laws

15. Tax laws remain very complex to many taxpayers with the effect that they become expensive to comply with. Organizations are thus faced with a big burden to employ/engage very expensive tax experts to help them. Even though turnover tax attempted to achieve this, it failed and even distorted the environment by only leaving it to individuals or business names and excluding companies, rental income and consultants. This market distortion therefore creates room for difficulty in implementation and opens fronts for continued evasion.

g) Revamping the Electronic Tax Register

16. As a strategy of collection of VAT, the Committee recommends for modernization of Electronic Tax Register (ETR) machines to include General Packet Radio Service (GPRS). The ETR control system based on GPRS terminals is designed to provide wireless connection of ETRs with the KRA central server. This means automatic management and control of ETR from a central point. The system solves the problem of updating collection of data from trades with ETR located in remote locations, regardless of their number. Collection of VAT revenue can be remitted according to the desired program to the designated KRA account on daily, weekly, monthly basis, thereby enhancing the cash flow for KRA. With the GPRS integrated system, VAT could be collected from the large number of small traders located anywhere in the country at minimum cost, thereby reducing tax evasion. The new generation, GPRS integrated ETRs will therefore save costs and enhance collection of VAT.

III. KEY PRIORITY AREAS FOR THE 2011/12 BUDGET

17. **Mr. Speaker Sir**, In line with **Article 221 (5)** of the Constitution which requires public participation in discussing and reviewing the estimates of revenue and expenditure, I am glad to inform the House that the Committee conducted the public hearing on the **24th** of June, 2011, in 7 centers namely: Nyeri, Mombasa, Garissa, Embu, Kakamega, Nakuru and Kisumu and Nairobi on 28th June 2011. However, the people around the country wished that the public hearings should have been ^{carried} out earlier in the Budget Process to ensure their views inform the budget estimates.

18. Based on the deliberations the key priority areas are detailed below:

a. Food security

19. **Mr. Speaker Sir**, on food security the public are concerned that the government policy on food security is haphazard, uncoordinated and does not recognize diversity in food needs in the country. The public also highlighted the frustration of the farmer regarding, timely release of resources for procurement of farm inputs such as certified seeds, fertilizer and other farming implements. The Committee is of the opinion that there is need to move away from consumption subsidies and emergency type of policies to more strategic production subsidy oriented policies to enable the farmers enhance production of food. Such strategies may include timely provision of affordable certified seeds, creating a sustainable and inclusive strategy on livestock, food storage and post harvest management, and Research & Development (R&D) in the Agricultural sector.

20. **Mr. Speaker Sir**, in this regard the Hon. Members will recall that one of the recommendations in the BPS was for the Government to make adequate provisions in the 2011/12 budget for building the required Strategic Food Reserve and creation of a sustainable and inclusive livestock development fund meant for livestock off-take and re-stocking with an initial capital of at least **Kshs.1 billion**. In 2011/12 budget, Kshs.1 billion has been provided for Strategic Grain Reserves, however, only Kshs 400 million has been provided for livestock off-take fund.

b. Unemployment

21. **Mr. Speaker Sir**, the public faulted the strategy being used by the Government to alleviate youth unemployment. Indeed, in most of the areas we visited, they do not support the *Kazi Kwa Vijana* (KKV) initiative since it does not recognize skills and is not a long term employment solution. An effective way of addressing the challenge of unemployed youth is to help them develop their skills in entrepreneurship and small business development.

22. Youth unemployment is a significant problem in Kenya. Kenya's economy is currently dependent on agriculture, however, the youth are moving to urban areas in large numbers. Therefore most new entrants to the labor force must choose between working in small-scale enterprises and being self employed. These factors have led to high levels of youth unemployment. **Mr. Speaker Sir**, available statistics indicate that:

- i. **60%** of the Kenyan population is under the **age of 35**,

- ii. Kenya's unemployment rate is estimated to be over **30 percent** among working-age adults, and
- iii. An estimated **64%** of unemployed Kenyans are youth.

23. Mr. Speaker Sir, the Hon. Members are aware the resources that have been provided for small scale enterprises are being channeled through private banking institution as opposed to channeling to the existing government institutions. For instance, the Kenya Industrial Estates (KIE) has a wide network in the country and can train and equip the youth to take up such endeavors.

24. Mr. Speaker Sir, the public and in particular the youth also brought out the plight of the educated and skilled youth who are unemployed. The Committee therefore recommends that: in order to generate employment, there is need to revive and invest in all local industries such as Pan Paper Mills, Numerical Machining Complex, Textile Industries (Kicomi, Rivatex), Ramisi Sugar, among others.

c. Provision of basic social services

25. Mr. Speaker Sir, allow me to highlight one moving submission we received during the Nairobi Public hearing. The Committee was particularly moved by the plight of persons with albinism in Kenya; a people who cannot enjoy a simple stroll in the sun without the risk of developing cancer, but who out of stigmatization, are often relegated to the confines of the jua kali sector where they are continuously exposed to the damaging effects of the sun. The committee was presented with the moving story of Agnes and Master Victor - Agnes who has lost her eyesight to the ravaging effects of cancer but is luckier than those who have lost their lives prematurely; and master Victor, the young boy who needs a guarantee to live a normal life like every other Kenyan but who runs the risk of ending up like Agnes if he does not have access to sunscreen, considered a luxury item." The committee therefore recommends that funds be urgently found to provide free sun-screen to this people and provide more cancer scanning machines.

26. Mr. Speaker Sir, the public were also concerned on the access to health facilities and in particular the shortage of health staff and drugs. Mr. Speaker Sir, government has not met its obligation of targeting 15% of the national budget to the health sector in line with Abuja declaration of which Kenya is a signatory. The Committee recommends that additional resources be provided to recruit additional medical personnel, adequate equipment and drugs.

27. **Mr. Speaker Sir**, turning to the education sector the public is concerned about the perpetual shortage of teachers in public schools. Indeed they indicated that the better off members of the society are able to take their children to private schools whereas the ordinary Kenyans have no option other than taking their children to public school whose teacher pupil ratio is very worrying. The Committee therefore recommends that additional resources be voted to employment of 28,000 teachers of which those currently serving on temporary basis will be the first to be employed on permanent and pensionable terms and the remaining being from fresh recruitment.

d. Infrastructure

28. **Mr. Speaker Sir**, the public appreciates the efforts government is making on the ongoing expansion and enhancement of urban roads. However there are areas and regions where there is no tarmac road at all. This negatively affects businesses and makes it difficult for farmers to transport their produce. The public were also concerned over the slow and poor quality of road works in some areas.

29. The public recommends that there is need for affirmative action when it comes to resource allocation so that areas without good roads receive a higher percentage of total budgetary allocation for the road sector. On railways, the public are concerned that the railway transport sub sector has been left to degenerate. They thus recommend the rehabilitation of the existing railway network and extend it to other areas and regions.

30. On energy, the public is concerned over the access and the cost of energy. The cost of energy is high on account of transmission and fuel and thus it is important that more funds be allocated to rural electrification to improve on access in order for more rural areas to be covered and to geothermal development in order to bring down the cost of energy through provision of alternative sources.

e. Security and Defence

31. **Mr. Speaker Sir**, security is one of the most important determinants of investment climate. It was the view of the public that the allocation of funds to boost security operations is not enough. They expressed the need to increase the budget for Provincial Administration and

Internal Security. Moreover, the issue of equipping the police to combat rising crime levels was emphasized. Furthermore, police officers should be sufficiently remunerated and provided with suitable housing in order to boost their morale.

f. Governance and implementation of the new Constitution.

32. **Mr. Speaker Sir**, the hon. Members will recall that this House resolved that institutions involved in the implementation of the new constitution be adequately funded. In particular, this House resolved the levels of expenditures that should be provided for the Judiciary Service, the National Assembly and the Electoral Commission. However a review of the budget proposals submitted to this house by the Deputy Prime Minister and Minister for Finance indicates that the provisions for vote D29 for National Assembly is lower than the recommended level by Kshs 800 million. The Committee recommends that this House approves the vote D29 that was laid in this house by the vice chairman of the Parliamentary Service Commission as it is the one that was abiding to the resolutions of this house on the Budget Policy statement.
33. **Mr. Speaker Sir**, as much as Kenyan's overwhelmingly voted in the affirmative on the new constitution, many are still unaware of the full implications of this dispensation. The Committee was informed that inadequate provisions were made for civil education. Mr. speaker sir, after a careful review of the Estimates of the Ministry of Finance recurrent estimates the Committee established that Kshs 2 billion had been provided for the activities related to the implementation of the constitution and thus recommends some of these funds be re-allocated to the Ministry of Justice, National Cohesion and Constitutional Affairs which is at the centre of facilitating the various activities and institutions required for the implementation of the Constitution.

f. Austerity Measures and enhancing efficiency in use of public resources.

34. **Mr. Speaker Sir**, the Hon. Members will recall that the Minister during his 2010 Budget Speech outlined austerity measures on various items of expenditure which were aimed at reducing the overall non essential expenditure in government. A review of the 2011/12 budget proposals indicates that that these measures seem to have been reversed and the government is back to business as usual. Mr. Speaker Sir, hard times require hard decisions, the General public have

tightened their belts and government should also demonstrate the same. The Committee therefore recommends that the budget proposals for these items be reversed back to the original policy and spirit envisaged in the 2010/11 budget.

g. Comprehensiveness of the Budget

35. **Mr. Speaker Sir**, The Constitution has completed the transition of Parliament from a budget approving legislature to a budget making one and has brought openness and accountability in the budget process. The Committee is concerned that some budget documents for instance the Estimates of revenue and Expenditure for state corporations for 2011/12 exhibited perceived mathematical errors. In addition, the revenue estimates book does show the line for withholding tax which is a critical component of the income tax. It imperative that any budget document must be understandable simple and clear.
36. In addition the Committee is concerned of the slow pace of the government in moving to programme based budgeting which is a basic tool that supports the Medium Term Expenditure Framework. The Committee recommends that the Government moves with speed from input based budget to output based programme budgeting framework. In addition the development budget needs to have an attachment that gives specific project and the envisaged total cost as well as the expected time of completion.

IV. RECOMMENDATIONS

37. In view of the above, the Committee recommends that this House resolves that:
- I. In future, any revenue target revision must be agreed upon with Parliament.
 - II. As the Finance Bill 2011 is being reviewed by the relevant Committee of this House, the Minister be required to disclose the gains and loses from each of the proposed revenue measures.
 - III. In the process of reviewing the Finance Bill 2011 the issue of zero rating of all products be adequately considered so as to ensure those items that are not priority to common *mwananchi* are removed from the designated list of zero rated items.
 - IV. The VAT Bill be brought to Parliament for passing and implementation not later than October 2011.
 - V. The Minister considers modernizing the ETR machines to make them General Packet Radio Service (GPRS) enabled.

- VI. That convinced of the imperative need to address the pathetic condition of most former Members of Parliament, the Akiwumi Tribunal of 2009 recommended that all former members of parliament earning a monthly pension less than prescribed Commonwealth minimum monthly pension be paid the equivalent of \$1,000 per month in pension. The committee agrees and therefore recommends that the Akiwumi report be operationalised. In addition, the Committee recommends that PSC introduces a bill to amend the Parliamentary Service Pensions Act to provide that MPs who have served for one term qualify for pension.
- VII. As resolved by the House, the Budget for Ministry of State for Defense be separated to reflect allocations to each of the three of arms of Defence Forces and General Administration.
- VIII. To enable the Kenyans with Albinism live a descent life, **Kshs.100,000,000** be allocated for purchase of sunscreen to be availed to them free of charge. In addition **Kshs 150,000,000** be allocated for purchase three cancer scanning machines to be distributed in three Hospitals namely, Coast General Hospital, Kenyatta National Hospital, and Nyanza Provincial General Hospital. These projects should be operationalised by KEMSA.
- IX. That an additional **28,000 teachers** be employed on permanent and pensionable terms by absorbing **18,060 intern** teachers and as additional **10,000 teachers**; to this end, **Kshs. 5,000,000,000** be allocated for this purpose.
- X. That **Kshs.2,400,000,000** be transferred from D31 Ministry of Education to Teachers Service Commission under R47
- XI. **To boost food security** the following should be provided:
- ✓ **Kshs.500,000,000** for affordable certified seeds,
 - ✓ Increase funding for Livestock Development Fund to **Kshs.800,000,000** by providing an additional **Kshs.400,000,000**, and
 - ✓ Providing **Kshs.1, 100,000,000** for Strategic Grain Reserve production of locally grown cereals by NYS.
- XII. To open up the rural areas, an additional **Kshs. 4,000,000,000** be allocated to Rural Electrification Authority (REA). This should be financed from the following areas:

- ✓ **Kshs.2,000,000,000** from dividend income earned from preference shares of KPLC owned by the Government, and
 - ✓ **Kshs.2,000,000,000** be re-allocated from Vote D30,Head 0243, Item, 2630200.
- I. To boost the provision of alternative sources of energy an additional **Kshs.3,000,000,000** be allocated to Geothermal Development Agency (GDC) for drilling in Menengai. To this end, **Kshs.3,000,000,000** under the Ministry of Energy, D30, item 3110500 KenGen be revised to Zero.
 - XIII. To ensure that there is a peaceful, united, harmonious and integrated Kenyan society, **Kshs.100,000,000** be allocated to the National Cohesion and Integration Commission.
 - XIV. To fully operationalise the Judges and Magistrates Vetting Board **Kshs.160,000,000** should be allocated to this entity.
 - XV. That **Kshs.120,000,000** be allocated to Political Parties Tribunal, this is an important body, especially as the 2012 elections near.
 - XVI. To fully automate the land registry which is a key prerequisite for collection of property tax for county governments, **Kshs.650,346,484** be allocated for this purpose.
 - XVII. To equip our hospitals with the necessary tools and human resource, so as to offer medical services adequately, **Kshs.234,000,000** be allocated for hiring medical personnel.
 - XVIII. The **Kshs.1,000,000,000** under Vote D07,Head, 137, Item 2640500 be allocated to fund development of small scale micro enterprises and for the Youth fund be re-allocated to Kenya Industrial Estates (KIE).
 - XIX. **Kshs. 845,000,000** be allocated for cash transfers to seniors, orphans and vulnerable community, and women. Specifically, **Kshs.300 million, Kshs.200 million, Kshs.200 million,** and **Kshs.145 million,** respectively be allocated to the elderly, orphans, Women Enterprise Fund, and grants to the women.
 - XX. To achieve comparative advantage in agricultural potential across the regions, **Kshs.1,100,000,000** be re-allocated from **Kshs.8,500,000,000** earmarked for irrigation under the National Irrigation Board in the Ministry of Finance.
 - XXI. **Kshs.63,000,000** be allocated from the **Kshs.2,000,000,000** set aside by the Communications of Kenya (CCK) for the purchase of frequency to the Kenya

information Communication Board for Business Processing outsourcing /IT enabled services marketing activities.

38. In line with principle of maintaining macroeconomic stability, the Committee recommends that the following areas be rationalized to create savings so as to fully fund the above mentioned priority areas:
- I. The provision of budget reserves under the Ministry of Finance be revised to zero as this is a miscellaneous allocation. This will free resources amounting to **Kshs.2,000,000,000**.
 - II. Under Ministry of Finance, (D07) Head 137, 2640500,071, financial services be revised to zero to free resources worth **Kshs.2,000,000,000**.
 - III. Hard times require hard decisions, with this in mind, Foreign Travel and Subsistence, and other transportation costs including those of the Kenya National Assembly should be maintained at the level approved in 2010/11. This will free resources amounting to **Kshs.206,733,281**.
 - IV. The allocation for Head 2210500 on printing, advertising and information supplies and services allocation be reduced by 50%, to create savings of resources amounting to **Kshs.1,008,007,318**.
 - V. The allocation for Hospitality Supplies and Services to be cut by 25% to create saving amounting to **Kshs.1,076,690,038**.
 - VI. The budget for Office and General Supplies and Services should be allocated the same amount as was in the revised estimates of estimates for 2010/11. This will result into a saving of **Kshs.487,509,880**.
 - VII. The allocation for purchase of vehicles be reduced by 50%, except the allocation for Ministry for State for Internal Security and Provincial Administration-Police as well as the purchase of ambulances under the Ministry of Medical Services. This will create savings worth **Kshs.971,000,000**.
 - VIII. In line with the overall principle of re-orienting expenditure to priority areas, the Grant to Non-Governmental Organization under Head (D07), Sub-Head (0422), Item (221300) be revised to zero. This will free resources amounting to **Kshs.250,000,000**.
 - IX. Under the Ministry of Finance, Head 136, D07, item 221300 other operating expenses be revised to zero to free resources amounting to **Kshs.250,000,000**.

- X. **Kshs.1,000,000,000** be reallocated under the Ministry of Finance item 2211300 (other operating expenses) under Vote R (07), Head (135), 0000 (Headquarters).
- XI. The item of furniture and fittings, Telephone, Telex, Facsimile and Mobile Phone Services, and Courier and Postal Services be maintained at the same level as it was in 2010/11, this will create savings of **Kshs.264,405,967**.
- XII. Additional fund amounting to **Kshs.845,000,000**, under Vote D18, Head,558, Item 2640500 in the Ministry of Gender, Children and Social Development , Other Capital Grants and Transfers be revised to zero.

39. Mr. Speaker sir, in conclusion, the above proposed new areas of funding and re-allocations do not add an extra burden to the fiscal framework. Indeed, the Committee has adhered to total gross expenditure ceiling as presented by the Deputy Prime Minister and Minister for Finance of **Kshs.1.153 trillion**. Therefore, the recommendations by the Committee do not create an additional financing gap.

