

REPUBLIC OF KENYA

*Paper tabled
by the Hon. Sanku
on behalf of the
Chairman Budget
Committee on 13/4/11
Afternoon
J. Sanku*

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KENYA NATIONAL ASSEMBLY

TENTH PARLIAMENT – FOURTH SESSION

THE BUDGET COMMITTEE REPORT ON THE BUDGET
POLICY STATEMENT FOR 2011/2012

13th April, 2011

Preface

Mr. Speaker Sir, on behalf of the Members of the Budget Committee and as required under Standing Order No. 143(4), I would like to take this opportunity to present to the House, the Committee's Report on the 2011/12 Budget Policy Statement laid on the table of the House on Wednesday, 23rd March 2011. Pursuant to Standing Order 143, once laid before the House, The Budget Policy Statement stands committed to the Budget Committee for examination in consultation with departmental committees and by the 15th of April a report is laid in this house.

The control and oversight of the national Budget is one of Parliament's fundamental mandates. With enactment of Fiscal Management Act 2009, and coming into force of the new Standing Orders in December 2008, Parliament's role in the Budget process has been strengthened and for the second consecutive year a Budget Policy Statement (BPS) has been laid in this House for scrutiny and approval by Parliament.

Budget approval, which we do as legislators, only fulfills the minimum constitutional requirement. Effective execution of the mandate requires Parliament to satisfy itself that the Budget is fiscally sound, that the allocation of public resources is matched with the needs and priorities of the citizenry, and that the Budget is implemented properly and efficiently. Through the Budget, Parliamentarians have an opportunity to check whether the Government's stated agenda is affordable, equitable, comprehensive and transparent.

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

- 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. Muthama, M.P.
- 15) The Hon. Jackson Kiptanui, M.P.

Mr. Speaker, Sir, in addition the chairpersons of all Departmental Committees are *ex-officio* members of the Budget Committee where they actively participate. This makes the committee to be the largest. Indeed, this is in line with the importance of the issues which this Committee handles in its day to day operations.

Mandate of the Committee

The Budget Committee is established under the Standing Orders 190. The Committee 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.

Examination of the Budget Policy Statement

Mr. Speaker sir, during the review of the Budget Policy Statement, the Budget committee held 8 sittings and one workshop – the pre-Budget workshop. Further, the committee received submission from other departmental Committees which it considered and included in this report.

Acknowledgements

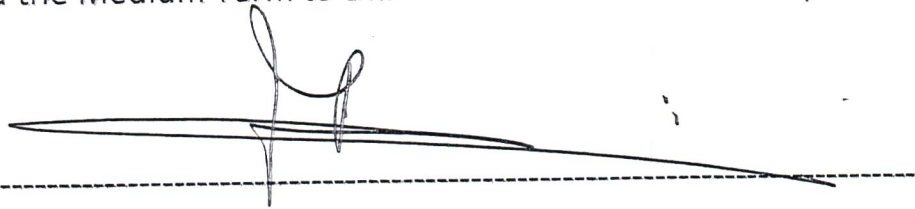
The Committee is grateful to the Offices of the Speaker and the Clerk of National Assembly for the support they gave this Committee during its consideration of the Budget Policy Statement. It is also grateful to the Parliamentary Service Commission, Deputy Prime Minister and Minister for Finance and his staff, the Judiciary Service Commission, the Registrar of the high court and their staff, the Interim Independent Electoral Commission, the Chief Electoral Officer and their

staff who appeared before the committee. The Committee is also grateful to other Ministries and stakeholders who made presentations during the Pre-Budget workshop.

Mr. Speaker, sir,

On behalf of the Budget Committee, I now have the honour and pleasure to present its report and recommendations relating to the Budget Policy Statement for 2011/2012 and the Medium Term to this House for debate and adoption.

Signed

A handwritten signature in black ink, appearing to be 'E. Mbau', written over a horizontal dashed line.

Chairman

Hon. Elias P. Mbau, MP

Dated

13 / 09 / 2011

REPORT OF THE BUDGET COMMITTEE ON THE BUDGET POLICY STATEMENT

1. Compliance to the Fiscal Management Act and standing Orders.

- The Budget Policy Statement (BPS) followed to some great extent the format prescribed in the *Fiscal Management Act, 2009* and Standing Orders. However, in terms of details, it fell short of expectations such as a table breaking down the ceilings into Ministries. This shortcoming was also cited in the last year's (2010) BPS and would pray that it is not repeated again. If at all the Budget Policy Statement has to achieve the intended purpose of establishing the total aggregate of national resources including how they are distributed such a table is a necessity. During the review of the budget Policy statement the Committee was able to get such details from the Treasury circular issued on 17th March 2011.
- The BPS has failed to address the issues pertaining to debt servicing charges for the financial year to which the budget relates and the next two financial years. There is also lack of clarity on the criteria used to allocate/apportion the available resources among the various programmes.
- Although the BPS mentions the underlying risks to the 2011/12 budget, it does not detail the statement of specific fiscal risks and contingent liabilities including guaranteed loans, pending bills, uninsured risks, promissory notes and other internationally accepted instruments and the rules that determine what constitutes current and future fiscal risks.

2. Linking the Budget to National Priorities:

- To meet the Governments objectives, the Budgeting system must provide a strong link between government policies and the allocation of resources.

Indeed, a major objective of the Medium Term Expenditure Framework which is the current approach to Budgeting that the government is using is to provide a linkage between policies, planning and budgeting. There is no doubt that a credible Budget system is that where the allocation of resources is driven by the policy decisions that are guided by policy documents.

- During a recent consultation meeting it was made clear that the Vision 2030 targets are not being met. The sectoral priorities have remained largely untenable because they are not adequately linked to the budget.
- The Government has been on record that they have introduced programme budgeting which in effect is a good move. However, the committee is concerned that in the BPS the programs included are not as sharp as they should be and that some Ministries have been reduced to just one programme. This indicates that adequate capacity has not been established in this area. The committee, therefore, urges the Minister to seriously look into this issue with a view to urgently addressing it.

3. Macroeconomic Performance: Recent development and projections into the future:

- Economic Growth:** The Budget Policy Statement asserts that overall growth for 2011/12 will be 6.1% (assuming normal weather pattern during the year) expanding to 6.7% in 2012/13 and 6.8% in 2013/14 with agriculture, electricity and water, finance, tourism and construction being the growth drivers. The Committee observed that the projected growth seems too optimistic given that one; Kenya's leading growth driver, agriculture, is too weather dependent. Two; the wait-and-see attitude of the investors around election

period will likely be a factor hindering growth as has historically been the case. Three, the Committee is concerned that the economic problems bedeviling a number of the international community will negatively affect Kenya's growth prospects.

- ii.) **Inflation:** - The Committee is concerned that there has been a tendency by Treasury to mix assumptions and rules thereby creating confusion in the management of macroeconomic variables. For example, the 5% inflation target is a rule and not an assumption as Treasury treats it. The Committee observed that the inflation rate has been on steady rise since November 2010 reaching 5.4% in January 2011, 6.5% in February 2011 and finally being 9.2% in March 2011.
- iii.) **Short term Interest Rates:** - The BPS acknowledges that the average lending rate for commercial banks rates have not fallen in tandem with short term rate. However, the Committee is concerned that despite the acknowledgement the BPS has not proposed prescription(s) to deal with the perpetual interest rate problem which has continued to ensure that banks rake in billions as profit at the expense of depositors who are continuously shortchanged.
- iv.) **The shilling exchange rate:** - The Budget Policy Statement (BPS) asserts that despite the stable exchange rate exhibited by the shilling in 2010, the shilling have started weakening against all major currencies in the first quarter of 2011 mainly due to rising oil prices. It however does not spell out the strategies the government would use to maintain predictability in exchange rate regime.
- v.) **The Public Debt** is projected to hit 50% of GDP. Focus for 2011/2012 and medium term is reducing it to about 46% of GDP. The Committee suggests

that public debt must be reduced to reach sustainable levels of not more than 42% by 2013/14. Thus the Minister of Finance should reduce the Net domestic borrowing to a sustainable level then provide for contingent liabilities. This can only be achieved through a concerted effort of taming public expenditure especially consumption type of expenditure.

4. Poor performance of Revenues and Appropriations in Aid: -

- i.) The Budget Policy Statement reports on the poor performance of revenue as well as the underperformance of Appropriations in Aid raised and used at source by Ministries. The Committee thus recommends that measures be instituted and that some of the AIAs be turned into revenue which should be collected and remitted to the exchequer.
- BPS acknowledges that the 2010/11 revenue target will be missed, just like in the previous year. The Committee is concerned that the same BPS has gone ahead to project future revenues based on overly optimistic macroeconomic variables. The government has continued to miss revenue targets at least in the last two consecutive fiscal years. This has consequently led to higher than expected domestic borrowing.
- The issues affecting revenue performance must be urgently addressed without leaving all revenue growth initiatives to be met by administrative measures which have now been fatigued overtime.
- On the side of expenditures, the Committee observed that the underlying macroeconomic strategy and policy on expenditure drivers is weak. As a result, projections into the future in particular development may be unrealistic.

5. Performance of Externally financed programmes: -

- The Budget Policy Statement indicates that the performance of Development Budget that is financed from external sources has been poor. This, according to the BPS, is attributed to lengthy and at times unnecessary disbursement steps and procedures, cumbersome procurement procedures and that these challenges are compounded by the insufficient understanding of donor policies by project personnel. The Ministry of Finance takes a lead in negotiating for these funds and thus it is expected that before the funds are included in the Budget all arrangements are in place. The Committee observed that despite the recognition of the challenges leading to poor performance of externally funded programmes.
- There are no measures indicated that the Ministry will be undertaking to streamline the execution of externally funded programmes. Thus, the Committee recommends that in the upcoming Budget, adequate information be provided on total commitments by donors and what has been absorbed. The Development budget in particular that relates to externally funded projects should take cognizance of the absorption capacities of Ministries.
- There is also the need for transparency and accountability when it comes to grants and especially when it comes to such funds having to support institutions which do not have development votes. In addition, there is need to ensure development partners declare all what they spend on various activities.

6. Deficit Financing and Public Debt:-The Budget Policy Statement does identify that more efforts and measures will be required to reduce the debt in particular the domestic debt. The Committee supports the principle of reducing the public debt, however, it is concerned that some of the important

expenditures which may cause distress in the framework and this include the implications of the new constitution dispensation which has not been included in the budget.

7. Resource Allocation Criteria: -

- It is a requirement under the Fiscal Management Act and the Standing Orders that the Budget Policy Statement would provide the criteria used to apportion available resources into programmes and projects. However the committee did observe that the criteria given in the BPS are too broad and unclear with no specification of total on-going mandatory expenditures. For example, it does not give the amount of the total resources that is going to be used for ongoing programmes and the amount to be allocated to new programmes.
- It is clear that the criteria given are not the ones envisaged in the Fiscal Management Act. The Committee recommends that there is need to work on certain areas that can be subjected to per unit cost. Further, austerity measures need to be identified e.g. curbing expenditures on foreign travel, domestic travel, hospitality and on rehabilitation etc. To this end, the committee observed that there is danger of going back to business as usual where Budget is incremental rather than based on specific outputs derived from the criteria.

8. In Year re-allocations. The Committee observed that the Budget Policy Statement does not give any administrative guidelines on the in-year variations of the Budget. The Committee notes that there are no legal guidelines for re-allocations and this has led to substantial re-allocations within various vote heads. The Committee is concerned that the amount of re-

allocations has been going up over the years. It therefore recommends that re-allocations should be pegged to no more than 8% of the total vote head in any Ministry. This will ensure that in year pressures from Ministries to the Ministry of Finance are contained.

9. Other concerns

- i.) **Unemployment:** - Unemployment has remained a major problem in Kenya. Indeed the Vision 2030 targeted to create about 800,000 employment opportunities per year around this time. The BPS however has not specified sound policies for increasing the number of jobs. Members and every one should be concerned when the last cow is sold to take a son or a daughter through university and then they are for several years unemployed this makes such a family sink further into poverty. Sustainable policies to increase jobs must be found and implemented.
- ii.) **Population growth rates:** The Kenya's growth rate currently stands at about 3%. A Country with such growth rates in population leads to strain in public resources to provision of basic social needs. Despite this reality, the BPS has given no attention to the population growth rate issues.
- iii.) **Drought and famine:** - A review of the Budget Policy Statement finds no serious discussion on food security; which is a key goal of MDGs. Kenya has a cyclical drought which requires that adequate plans must be made in advance to ensure that there are adequate reserves at times of scarcity. The Committee is concerned that the Budget Policy Statement did not include a discussion on food security and therefore recommends that as the Budget is finalized, there should be adequate provisions made for building the required

strategic food reserves which should also take note of food diversity in the country.

- iv.) **Economic Stimulus Programmes:** - The Committee observed that the BPS indicates discontinuation of economic Stimulus programmes. However, it should be recommended that there is need to carefully take stock and identify those programmes which have contributed to the well being of Kenyans. Also, care should be taken so that even those programmes to be phased out should be done so gradually.

10. Sectoral issues

The departmental committees presented their detailed sectoral reports which have been attached to this Budget Committee report. The Budget Committee has noted that a number of the departmental committees are asking for more resources for their ministries. However given the hard budget constraint which requires us to reduce expenditures to sustainable levels the committee supports only a few to be considered and in any case through a prioritization taking into account the hard budget constraint. Highlights of some of the sector issues are as follows:

- i.) On the **physical infrastructure**, Members are concerned that the continued non-existence of policies and enabling legal framework continues to retard positive growth. The fragmented pieces of legislation have proved unable to steer the sector in the right direction.
- Equally worrying is the slow pace of implementation of infrastructure flagship projects identified in Kenya's development blueprint, Vision 2030. A lot is said

but nothing seems to be moving regarding the development of Lamu Port, light railway around Nairobi, standards gauge railway line, among others.

- Policies and action towards development and distribution of alternative energy sources are not clear yet this country has inadequate water to continue relying on hydro power. Moreover, hydropower is expensive in addition to being in short supply thus contributing to underperformance of useful programmes such as Rural Electrification programmes.
- ii.) On **Education**, Members are concerned that despite the huge resources going towards education sector the ratio of teachers to pupils/students in public schools has continued to remain a challenge especially in rural areas leading to very uneven outcomes in examinations. There is no strategic policy direction in the BPS to correct this gapping imbalance.
- Even though education sector was a major beneficiary of the ESP, the projects are still on-going and the Government's plan to pull out of the ESP funding will result in so many stalled education projects throughout the country. These projects need to continue being funded to completion to avoid resources so far committed going to waste. In addition, there is no harmony in distribution of ICT infrastructure in schools jeopardizing the desire to roll out ICT in all schools.
 - The Committee is also concerned about lack of labour sector national policies including employment policy, industrial training policy, and attachment policies, among others. These should be prioritized to help this country achieve enhanced employment of the youth and stability in growth. In this regard the Committee proposes an urgent skills inventory so that the policies

on labour, employment and education can be adequately linked and prioritized.

- The Committee is also concerned that referral hospital system in the country is nearly collapsing. Serious challenges are negatively affecting the performance of the country's two referral hospitals such as obsolete equipment, dilapidated infrastructure, demoralized staff due to low compensation among others. There are also concerns regarding hiring of ambulances by the ministry of finance which has proved inefficient together with the continuation of Economic Stimulus package programmes in the health sub-sector.
- iii.) On **Public Administration and Governance Issues**, there is need to come up with a strategy to respond to increasing offences against morality and economic crimes. Need to come up with a strategy to respond to increasing offences against morality and economic crimes. Consideration of regional trends in the distribution of security resources. Consideration of regional trends in the distribution of security resources.
- iv.) On **Environment, Water and Irrigation**, there is need to fast track policy on increasing forest cover to 10%, policy on water harvesting and storage and also. Need to finalize sector policies in line with the New Constitution i.e. Mineral Policy, Irrigation and drainage policy and Land reclamation policy.
- v.) On **Special Programmes**, there is need for a Disaster management policy framework and an evaluation mechanism on what qualifies for emergency intervention since this is one area which takes huge resources.
- vi.) On **Agriculture and Rural Development**, there is need to address infrastructural challenges by working with other stakeholders to invest in

priority rural infrastructure projects. Institutionalize input-cost reduction through farmer – led and owned input supply and distribution facility. Need for a policy intervention on pre / post harvest.

- vii.) **Election process,** The committee observed that 2011/2012 will be the year to put the necessary logistics for carrying out the next general election. After a careful review of the ceilings given to the Interim Independent Electoral Commission it was established that financial requirement for carrying out the unusual election owing to the new constitution were not adequately provided. The Commission was requesting for Kshs 22. 5 billion but was however given kshs 5 billion. The Committee proposes that the allocations be beefed up to cater for some of the needs in the 2011/2012 financial year.
- viii.) **The parliamentary Service Commission and the Judiciary Service Commission:-** The new constitution provides for a direct submission to parliament of the budgets of the Parliamentary Service Commission and that of the Judiciary to be directly submitted top parliament. Therefore during the finalization of the BPS it is expected firm ceilings for the two should be established. The committee reviewed the ceilings for the two institutions and held discussion with the two commissions. It was able to establish that Judiciary would have wanted more but was ready to live within the ceilings as given in the Treasury circular however for the Parliamentary service commission the Development ceiling was an issue as one major project which required Kshs 800 million and which is construction of an Office Block was left out. The Committee is concerned and proposes that the parliamentary service commission should scale down the project and due to their past record in

resource absorptive capacity they be considered for kshs 400 million for this project.

11. The Committee's Recommendations

- Kenya currently faces myriad challenges, the compelling ones being the drought ravaging parts of the country, rising unemployment, poverty, and growing domestic and international debt burden. The aforementioned issues are indeed extraordinary in nature and therefore call for targeted policy interventions to tackle current and envisioned challenges.
- This should be the budget in which the government can afford to promulgate tough fiscal measures with limited political implications and resist the temptation to present populist measures, especially granting transfers and subsidies to lower income group that are not sustainable and that are market distorting in nature. To this end, the Committee recommends and would like the House to resolve that the Minister for Finance:
 - a) Makes adequate provisions in the 2011/12 budget for building the required strategic food reserve which should take note of food diversity in the country. In addition, the Committee proposes that in the coming budget a livestock development fund be set up with an initial allocation of at least Kshs.1 billion and that this fund be used for livestock off take and re-stocking ventures.
 - b) Comes up with appropriate regulatory framework to rein in the commercial banks to reduce the lending rates in line with best practice and narrow the gap between the lending and deposit rates.

- c) Puts in place measures to ensure the required level of Import cover is maintained at the stipulated 4 months level at all times in order not to expose the country to any adverse external shocks.
- d) Reduces the leakage on Appropriations in Aid by urgently reviewing all appropriations in aid and identify those that can be turned into revenue for better collection and accountability. In particular for 2011/12 to consider turning immigration and judicial related AIA into revenue.
- e) Limits the ceilings for Parliamentary Service Commission (PSC) recurrent to no more than **Kshs.6.5 billion** which **1.27%** of total national recurrent budget which is based on per unit cost of the parliamentary service and which in future should be increased based on cost of living adjustment that takes into account inflation rates. The development ceiling should be based on total cost of all programmes, absorption rates and prioritization based on available resources. In this regard the ceiling for PSC for development should be **Kshs.2.0 billion** which is **0.62%** of the national development budget.
- f) Limits the ceiling for Judicial Service Commission (JSC) recurrent to no more than **Kshs.6.807 billion** which is **1.33%** of the national recurrent budget and no more than **Kshs.2.544 billion** for development which is **0.79%** of national development budget.
- g) Consider adding resources to **Interim Independent Electoral Commission** for making the necessary arrangement for the unusual general election next year. The Minister should take into consideration prioritized activities together with efficiency and cost cutting measures.

- h) Brings down the public debt to sustainable level of not more than **42 percent** of GDP in the medium term and in this regard the Net domestic borrowing for FY/ 2011/2012 should not be more than **3.0 % of GDP**
- i) Hard times require difficult decisions to be made we must emphasize efficiency and cut down on unwarranted expenditure and thus this House should direct the Minister to keep the total expenditure including net lending to **not more than 30% of GDP**. This will mean any additional expenditure requirements should be allowed only if there are new resources.
- j) That the Minister should take the above recommendation into consideration as he finalizes the budget and which he should submit as per the constitutional requirements

..... End.....

MINUTES OF THE 58TH SITTING OF THE BUDGET COMMITTEE HELD ON WEDNESDAY 13 APRIL, 2011 IN THE COMMITTEE ROOM, CONTINENTAL HOUSE 5TH FLOOR, PARLIAMENT BUILDINGS STARTING 10.30 AM

PRESENT

Hon. Elias Mbau, M.P. - Chair person
Hon. Alfred Sambu, M.P - Vice Chairperson.
Hon. Moses Lessonet, M.P.
Hon. Omari Zonga, M.P.
Hon. Nemesyus Warugongo, M.P.
Hon. John Mbadi, M.P.
Hon. John Mututho, M.P.
Hon. Nelson Gaichuhie, M.P.
Hon. Emilio Kathuri, M.P.
Hon. Jackson K Kiptanui
Hon. Jeremiah Kioni, M.P.
Hon. (Dr.) Robert Monda, M.P – Chairperson, Health Committee
Hon. James Rege, M.P- Chairperson, Energy and Communication Committee
Hon. Sophia Noor, M.P- Chairperson, Labour and social welfare Committee
Hon. Hussein Abdukadir – Chairman, CIOC
Hon. Mohammed H. Gabbow - Chairman, Local Authorities Committee

APOLOGIES:

Hon. Danson Mungatana, M.P.
Hon. Abdul Bahari, M.P.
Hon. Johnstone Muthama, M.P.
Hon. Martin Ogindo, M.P.
Hon. Sheikh Dor Yakub, M.P.

IN ATTENDANCE:

Mrs. Phyllis Makau
Mr. Martin Masinde
Mr. Fredrick Muthengi

KENYA NATIONAL ASSEMBLY

- Principal Budget Officer
- Budget Officer
- Budget Officer

AGENDA

1. Preliminaries/ Confirmation of Agenda
2. Confirmation of Previous Meeting's Minutes
3. Matters Arising
4. Continuation and Finalization of the Consultations on the Budget Policy Statement

5. Any Other Business

MIN.NO. 45/2011: Preliminaries/ Confirmation of Agenda

The broad agenda was to discuss the Budget Policy Statement (BPS) with the Deputy Prime Minister and Minister for Finance

MIN.NO. 46/2011: Adoption of the Committee Report on the Budget Policy Statement.

The committee confirmed the set of all minutes of meetings held during consultations on the budget policy statement the meetings of 52nd, 53rd, 53rd B, 54th, 55th, 56th and 57th meetings.

Further the committee read the report clause by clause and amendments to a few sections and adopted the report. The amendments were incorporated to the main report.

MIN.NO. 47/2011: Adjournment

The Committee resolved that a similar meeting be held to regularly in order to give Committees ample time for consultations/engagement with the two ministries on the BPS. And other budgetary matters.

The Meeting was adjourned at 13.30

CHAIRMAN: _____


SIGNATURE

DATE: _____ 13/04/2011

MINUTES OF THE 57TH SITTING OF THE BUDGET COMMITTEE HELD ON MONDAY 11 APRIL, 2011 IN COMMITTEE ROOM 5, CONTINENTAL HOUSE, PARLIAMENT BUILDINGS AT 2:30PM

PRESENT

Hon. Elias Mbau, M.P -Chairman
Hon. Alfred Sambu, M.P-Vice Chair person
Hon John Mbadi, M.P
Hon. Abdul Bahari, M.P
Hon Jackson Kiptanui, M.P
Hon. James Rege, M.P- Chairperson, Energy and Communication Committee
Hon. Shakila Abdalla, M.P- Chairperson, Catering Committee
Hon. Thomas Mwadeghu, M.P. - Chairperson, LAFAC

APOLOGIES

Hon. Nemesyus Warugongo, M.P
Hon. Moses Lessonet, M.P
Hon. Danson Mungatana, M.P
Hon. Martin Ogindo M.P
Hon.Omari Zonga. M.P
Hon. Emilio Kathuri, M.P
Hon. Sheik Dor Yakub, M.P
Hon. Johnstone Muthama, M.P
Hon. John Mututho, M.P
Hon. Nelson Gaichuhie, M.P

IN ATTENDANCE

Mr. Fredrick Muthengi
Mr.Peter Kitheka
Ms. Rosemary Irungu
Ms. Millicent Ojiambo

KENYA NATIONAL ASSEMBLY

Fiscal Analyst
Junior Fellow
Junior Fellow
Junior Fellow

In Attendance

Amb. Yusuf A. Nzibo
Mr. James O. Oswago
Ms. Lucy Ndungu
Ms. Sellestine Kiuluku
Mr. Decimah M'mayi
Mr.Edward K. Karisa
Ms. Immaculate N. Kassait

Interim Independent Electoral Commission

Commissioner, IIEC
Chief Electoral Officer
Registrar of Political Parties
Director, H R and Administration
Director, Research and Development
Director, Finance and Procurement
Director, Voter Registration and Electoral OPP

Mr. Dismas Ong'ondi	Director,ICT
Mr. Abdirahman B. Issak	Director, Risk and Compliance
Ms. Ann Nderitu	Manager Partnerships
Ms. Tabitha N. Mutemi	Manager, Communications and Corporate Affairs

AGENDA

1. Preliminaries
2. Confirmation of previous meeting
3. Matters arising
4. **Continuation and Finalization of the Consultation on the BPS.**
5. Any Other Business
6. Date of the Next Meeting

MIN. No. 39 /2011: PRELIMINARIES

The meeting was called to order at 2:50pm after which a member of Staff from Parliamentary Budget Office led with a word of prayer. The Chairperson welcomed the Interim Independent Electoral Commission (IIEC) officials to the meeting and introductions were conducted.

The chairman alluded that the Committee was in receipt of the letter from IIEC requesting audience with the relevant Parliamentary Committee detailing that their huge budgetary requirements could not be accommodated in their sector ceilings as provided for by Treasury. However, they needed to discuss and look at the resource constraints in an effort to find a solution to fund the 2012 general election. To fund the general elections, the IIEC would require about Ksh.22.5 billion and Ksh.28 billion for the FY 2011/12 and FY 2012/13 respectively as per their budget projections.

Min. No. 40 /2011: Discussion with the IIEC on Funding the 2012 General Elections:

Major Activities and Timelines

The Chief Elections Officer took the Members through the presentation and highlighted the following:-

The FY 2011/12 budget is prepared against a backdrop of the provisions of the Constitution that provides for the Senators, Governors among others which are new innovations for 2012 General elections and thus require greater effort.

Other new developments include the voting by those people in the Diaspora and inclusion of 80 additional Constituencies. This calls for need to demonstrate urgency for certain infrastructural developments that include accelerated legislation.

There is need to create new perspectives in capital and financial projections hence the Commission is seeking the Support of the Budget Committee for early release of resources from Treasury in a timely manner owing to the fact that elections are conducted in an election cycle and through a process.

It was noted that, the 2012 General elections shall be conducted on the 2nd Tuesday of August as enshrined in the Constitution and hence there is need for early release of election resources for advance procurement of election materials.

Some elements of the IIEC strategic plan for 2010-2017 were as follows;

- a) **Legislative Framework**, the Elections Bill and Political Parties Bills need to be fast tracked and this needs involving stakeholders in a bid to incorporate best election practices hence requires research.

There is current high cost of litigation owing to penalties by Courts to IIEC to cater for electoral litigation. For instance in Juja By-election the IIEC incurred Ksh.68m as litigation charges while in Matuga By election the litigation charges was Kshs 40m. As such there is need to learn from last elections to minimize litigation costs.

- b) **Human Resource Requirements**, the constitution provides for establishment of additional 80 constituencies, translating to 80 new Constituency Election Coordinators (CECs) and support staff. The staff would be recruited once the Election Act is passed.

In addition the Constitution provides for establishment of 47 county offices and staff and staff operationalization need to be done as 2012 approaches. Capacity building for staff is critical for training of staff at all levels in preparation of the 2012 General elections.

In terms of infrastructure development warehouses are required for constituency and Regional offices.

- c) **Continuous Voter Registration**, the Commission intends to register additional 7 million voters by 2012. The Commission will increase registration centres from 20,000 to 30,000 this is in order to bring registration services closer to the people.

As regards the registration of Kenyans in the Diaspora, the Commission is grappling on how to go about it but this requires legislation for progressive registration.

The issue of cleaning the voter register is very critical to ensure they expunge the dead from the register.

- d) **Conduct of Elections**, The polling stations will be increased from 28,000 to 40,000 to have more streams owing to the 6 ballots to be cast by each voter. The Commission will hold mock elections as it nears the General elections so as to learn the weaknesses and strengths of the election process. In addition, there are provisions for a run off of the presidential elections for 21 days.
- e) **Voter Education**, the Commission intends to increase number of voters by 7 million and increase participation from 71% to 80% in 2012. Voter education curriculum will be developed for issue based politics.
- f) **The ICT Infrastructure**, the Commission had the intention to procure 30,000 Electronic Voter Registration (EVR) kit at a cost of Ksh.12 billion.

Moreover, the IIEC highlighted the following as a priority;

Need to invest greatly on technology for credible elections

Voter education noting the complexity of voting with need for more polling stations and recruit more staff.

Investment in voter registers for a credible election process.

- g) **The Registrar of Political Parties** in responding to the issue of enforcement of Political parties Act noted that,
 - i. There is need to repeal the Political Parties Act so as to strengthen on enforcement through regulations.
 - ii. Political Parties need to improve on enforcement of their parties' constitutions in upholding compliance to political parties Act.
 - iii. There is need for Capacity building on Parties both regional and nationally.
 - iv. In terms of conflict resolution, a Political Parties Bill is being developed to address the conflict among parties.

The Commission observed that in terms of voting for the security officers and Voter clerks and other Official, including Political Party Observsers, they are working on a legislation to include their voting in advance.

The Commission reiterated that for a credible electoral process, the IIEC require financial autonomy to avoid a situation whereby the Commission cannot meet its obligations for lack of resources.

The Members agreed that there is need for further discussion on the IIEC budget which should be a tripartite meeting between Budget Committee, Treasury and The IIEC.

From the foregoing the Members resolved that the Commission should provide to the Budget Committee a one page summary on resource requirements for budget items of the IIEC. In addition, Members stressed that the Commission needs to rationalize its costs as much as possible.

MIN. No. 41/2011: ADJOURNMENT

The Members having exhausted the Agenda of the day, the meeting was adjourned at 6.35p.m.

CHAIRMAN: _____

SIGNATURE

DATE: _____

13/04/2011

MINUTES OF THE 56TH SITTING OF THE BUDGET COMMITTEE HELD ON MONDAY 11 APRIL, 2011 IN COMMITTEE ROOM 5, CONTINENTAL HOUSE, PARLIAMENT BUILDINGS AT 2:30PM

PRESENT

Hon. Elias Mbau, M.P -Chairman
Hon. Alfred Sambu, M.P-Vice Chair person
Hon John Mbadi, M.P
Hon. Abdul Bahari, M.P
Hon Jackson Kiptanui, M.P
Hon. James Rege, M.P- Chairperson, Energy and Communication Committee
Hon. Shakila Abdalla, M.P- Chairperson, Catering Committee
Hon. Thomas Mwadeghu, M.P. - Chairperson, LAFAC

APOLOGIES

Hon. Nemesyus Warugongo, M.P
Hon. Moses Lessonet, M.P
Hon. Danson Mungatana, M.P
Hon. Martin Ogindo M.P
Hon.Omari Zonga. M.P
Hon. Emilio Kathuri, M.P
Hon. Sheik Dor Yakub, M.P
Hon. Johnstone Muthama, M.P
Hon. John Mututho, M.P
Hon. Nelson Gaichuhie, M.P

IN ATTENDANCE

Mr. Fredrick Muthengi
Mr.Peter Kitheka
Ms. Rosemary Irungu
Ms. Millicent Ojiambo

KENYA NATIONAL ASSEMBLY

Fiscal Analyst
Junior Fellow
Junior Fellow
Junior Fellow

In Attendance

Amb. Yusuf A. Nzibo
Mr. James O. Oswago
Ms. Lucy Ndungu
Ms. Sellestine Kiuluku
Mr. Decimah M'mayi
Mr.Edward K. Karisa
Ms. Immaculate N. Kassait

Interim Independent Electoral Commission

Commissioner, IIEC
Chief Electoral Officer
Registrar of Political Parties
Director, H R and Administration
Director, Research and Development
Director, Finance and Procurement
Director, Voter Registration and Electoral OPP

Mr. Dismas Ong'ondi	Director,ICT
Mr. Abdirahman B. Issak	Director, Risk and Compliance
Ms. Ann Nderitu	Manager Partnerships
Ms. Tabitha N. Mutemi	Manager, Communications and Corporate Affairs

AGENDA

1. Preliminaries
2. Confirmation of previous meeting
3. Matters arising
- 4. Continuation and Finalization of the Consultation on the BPS.**
5. Any Other Business
6. Date of the Next Meeting

MIN. No. 39 /2011: PRELIMINARIES

The meeting was called to order at 2:50pm after which a member of Staff from Parliamentary Budget Office led with a word of prayer. The Chairperson welcomed the Interim Independent Electoral Commission (IIEC) officials to the meeting and introductions were conducted.

The chairman alluded that the Committee was in receipt of the letter from IIEC requesting audience with the relevant Parliamentary Committee detailing that their huge budgetary requirements could not be accommodated in their sector ceilings as provided for by Treasury. However, they needed to discuss and look at the resource constraints in an effort to find a solution to fund the 2012 general election. To fund the general elections, the IIEC would require about Ksh.22.5 billion and Ksh.28 billion for the FY 2011/12 and FY 2012/13 respectively as per their budget projections.

Min. No. 40 /2011: Discussion with the IIEC on Funding the 2012 General Elections:

Major Activities and Timelines

The Chief Elections Officer took the Members through the presentation and highlighted the following:-

The FY 2011/12 budget is prepared against a backdrop of the provisions of the Constitution that provides for the Senators, Governors among others which are new innovations for 2012 General elections and thus require greater effort.

Other new developments include the voting by those people in the Diaspora and inclusion of 80 additional Constituencies. This calls for need to demonstrate urgency for certain infrastructural developments that include accelerated legislation.

There is need to create new perspectives in capital and financial projections hence the Commission is seeking the Support of the Budget Committee for early release of resources from Treasury in a timely manner owing to the fact that elections are conducted in an election cycle and through a process.

It was noted that, the 2012 General elections shall be conducted on the 2nd Tuesday of August as enshrined in the Constitution and hence there is need for early release of election resources for advance procurement of election materials.

Some elements of the IIEC strategic plan for 2010-2017 were as follows;

- a) **Legislative Framework**, the Elections Bill and Political Parties Bills need to be fast tracked and this needs involving stakeholders in a bid to incorporate best election practices hence requires research.

There is current high cost of litigation owing to penalties by Courts to IIEC to cater for electoral litigation. For instance in Juja By-election the IIEC incurred Ksh.68m as litigation charges while in Matuga By election the litigation charges was Kshs 40m. As such there is need to learn from last elections to minimize litigation costs.

- b) **Human Resource Requirements**, the constitution provides for establishment of additional 80 constituencies, translating to 80 new Constituency Election Coordinators (CECs) and support staff. The staff would be recruited once the Election Act is passed.

In addition the Constitution provides for establishment of 47 county offices and staff and staff operationalization need to be done as 2012 approaches.

Capacity building for staff is critical for training of staff at all levels in preparation of the 2012 General elections.

In terms of infrastructure development warehouses are required for constituency and Regional offices.

- c) **Continuous Voter Registration**, the Commission intends to register additional 7 million voters by 2012. The Commission will increase registration centres from 20,000 to 30,000 this is in order to bring registration services closer to the people.

As regards the registration of Kenyans in the Diaspora, the Commission is grappling on how to go about it but this requires legislation for progressive registration.

The issue of cleaning the voter register is very critical to ensure they expunge the dead from the register.

- d) **Conduct of Elections**, The polling stations will be increased from 28,000 to 40,000 to have more streams owing to the 6 ballots to be cast by each voter. The Commission will hold mock elections as it nears the General elections so as to learn the weaknesses and strengths of the election process. In addition, there are provisions for a run off of the presidential elections for 21 days.
- e) **Voter Education**, the Commission intends to increase number of voters by 7 million and increase participation from 71% to 80% in 2012. Voter education curriculum will be developed for issue based politics.
- f) **The ICT Infrastructure**, the Commission had the intention to procure 30,000 Electronic Voter Registration (EVR) kit at a cost of Ksh.12 billion.

Moreover, the IIEC highlighted the following as a priority;

Need to invest greatly on technology for credible elections

Voter education noting the complexity of voting with need for more polling stations and recruit more staff.

Investment in voter registers for a credible election process.

- g) **The Registrar of Political Parties** in responding to the issue of enforcement of Political parties Act noted that,
 - i. There is need to repeal the Political Parties Act so as to strengthen on enforcement through regulations.
 - ii. Political Parties need to improve on enforcement of their parties' constitutions in upholding compliance to political parties Act.
 - iii. There is need for Capacity building on Parties both regional and nationally.
 - iv. In terms of conflict resolution, a Political Parties Bill is being developed to address the conflict among parties.

The Commission observed that in terms of voting for the security officers and Voter clerks and other Official, including Political Party Observers, they are working on a legislation to include their voting in advance.

The Commission reiterated that for a credible electoral process, the IIEC require financial autonomy to avoid a situation whereby the Commission cannot meet its obligations for lack of resources.

The Members agreed that there is need for further discussion on the IIEC budget which should be a tripartite meeting between Budget Committee, Treasury and The IIEC.

From the foregoing the Members resolved that the Commission should provide to the Budget Committee a one page summary on resource requirements for budget items of the IIEC. In addition, Members stressed that the Commission needs to rationalize its costs as much as possible.

MIN. No. 41/2011: ADJOURNMENT

The Members having exhausted the Agenda of the day, the meeting was adjourned at 6.35p.m.

CHAIRMAN: _____


SIGNATURE

DATE: _____

13/09/2011



**MINUTES OF THE 55TH SITTING OF THE BUDGET COMMITTEE
HELD ON THURSDAY 7TH APRIL, 2011 IN COMMITTEE ROOM 4,
CONTINENTAL HOUSE, PALIAMENT BUILDINGS AT 10:00 AM**

PRESENT

Hon. Elias P. Mbau, M.P -Chairman
Hon. Alfred Sambu, M.P- Vice Chair person
Hon. Omari Zonga. M.P
Hon John Mbadi, M.P
Hon Jackson K Kiptanui, M.P
Hon. Abdul Bahari, M.P
Hon. Nelson Gaichuhie, M.P
Hon. Shekel Shabbir, M.P.
Hon. Mohammed H. Gabbow-Chairperson, Local Authorities Committee
Hon. Ekwe Ethuro-Chairperson, CDF Committee

APOLOGIES

Hon. Martin Ogindo M.P
Hon. Nemesyus Warugongo, M.P
Hon. Danson Mungatana, M.P
Hon. Emilio Kathuri, M.P
Hon. Sheik Dor Yakub, M.P
Hon. Moses Lessonet, M.P
Hon. Johnston Muthama, M.P
Hon. John Mututho, M.P

In Attendance (Committee Secretariat) Kenya National Assembly

Mrs. Phyllis Makau	Director, Parliamentary Budget Office
Mr. Nicodemus Odongo	Fiscal Analyst
Mr. Fredrick Muthengi	Fiscal analyst
Mr. Martin Masinde	Fiscal analyst
Ms. Rosemary Irungu	Junior Fellow, PBO
Mr. Peter Kitheka	Junior Fellow, PBO
Ms. Millicent Ojiambo	Junior Fellow, PBO

IN ATTENDANCE

Hon. Zacharias Cheruiyot
Mr. Patrick G Gichohi

KENYA NATIONAL ASSEMBLY

Chairman, PSC, Finance Subcommittee
Clerk of the National Assembly

Mr. P.C. Omolo	Senior Deputy Clerk
Mr. Justin Bundi	Deputy Clerk – In Charge Of Projects
Mr. Clement Nyandire	Director, Information & Research Serv
Mr. Gerald Okolla	Director, Administrative Services
Ms. Faryd Shadia	Head of PSC Secretariat
Mr. Paul Onyango	Principal Finance Officer
Mr. Joel Irungu	Senior Finance Officer
Mr. Samuel Obundo	Principle Accounts Controller
Mr. Harrison Owino	Head of ICT

AGENDA

1. Preliminaries
2. Confirmation of previous meeting
3. Matters arising
4. **Continuous consultations on the Budget Policy Statement (Receiving submissions on BPS from Departmental Committees)**
 - a. **Education, Research & Technology**
5. **Meeting with the Parliamentary Service Commission / KNA over its FY 2011/12 Budget**
6. Any Other Business
7. Date of the Next Meeting

MIN. No.39/2011: Preliminaries

The Chairman called the meeting to order at 10:25am after which a member of the secretariat led with a word of prayer. The Chair welcomed the Members and informed them of the intended meeting with the accounting officer of the Parliamentary Service Commission (PSC) on the Budget Policy Statement (BPS). He stressed the importance of members to adequately participate in the interaction with the PSC follow up on key issues as briefed by the Parliamentary Budget Office (PBO).

MIN. No.40/2011: Meeting with the Parliamentary Service Commission / KNA Over Its FY 2011/12 Budget

The Chair welcomed the Clerk of the Kenya National Assembly together with his team of the Parliamentary Service Commission to the interactive consultations on the KNA 2011/12 budget in light of the Budget Policy Statement. The following are the highlights;

1. The CNA reiterated that the PSC estimates prepared were in pursuant to provisions of **Section 127 (6c)** of the **Constitution** and Section 20 of the **PSC Act, 2000**. In the MTEF, the 2010/11 budget was **Ksh.7.555 billion** and the 2011/12 gross estimates approved amounting to **Ksh.8.9 billion** with **Kshs. 6.5 billion** and **Kshs. 2.4 billion** constituting the Recurrent Estimates and Development Vote respectively. The growth of **Kshs. 1,364,223,960** (18.1%) in **FY 2011/12** is on account of development projects to create infrastructure in readiness of the bicameral House in the next Parliament.
2. The **2010/2011** budgets total payments and commitments were **Kshs. 4,792,748,027** representing about 68% absorption level by the end of the 3rd quarter. It is expected that the remaining 32% will be utilized attributed mainly to delays of implementation of some projects due to lengthy procurement process including International tendering.
3. The **2011/2012** KNA budget experienced a shortfall of **kshs. 800,000,000** from the estimated **Kshs 8.9 billion** attributed from the BPS ceiling allocation of **8.1 billion**. Recurrent estimates 73% Development estimates 27%. Major projects in this financial year include;
 - a. **Refurbishment of buildings**- **Kshs. 805 million** for remodeling the Old Chamber to create the Senate House.
 - b. **Construction of Buildings**-**Kshs. 600 million** for the initial construction works for the proposed office block with expected total cost of **Kshs. 4.5 billion** phased over 3 years. **KShs. 100 million** allocated for construction works at the newly established Centre for Parliamentary studies and training.
 - c. **Purchase of vehicles**-**Kshs. 50 million** allocated for the Senate Speaker and other officers of the expanded Parliament.
 - d. **Purchase of Specialized Plant, Equipment and Machinery** -**Kshs. 22 million** for completion of the security project has been allocated.
 - e. **Refurbishment of Buildings** - **Kshs. 700million** allocated to the partitioning Harambee Plaza, Protection House and Refurbishing Continental House is inadequate to create offices for 350 members of National Assembly and 68 Senators and about 100 additional staff.
 - f. **Acquisition of land**- **KShs. 50 million** provided for acquiring land for the House of the Senate Speaker.
 - g. **Purchase of computers, printers and ICT equipment** - **Kshs45 million** to Procure 450 computers and related equipment in readiness for next parliament.PSC will leverage on ICT for efficient and effective service delivery. This includes
 - E-voting system,

- Multi-Media Digital Congress,
- Hansard Production System (HPS),
- Live broadcasting.

4. Some of the challenges faced include;

- i. Procurement process is too long thus delaying project implementation.
- ii. Funds have previously been surrendered back to treasury due to low utilization as a result of delays.
- iii. Shortage of office space for both Members of Parliament and Staff.
- iv. PSC will require approximately 500 offices to accommodate the 418 members and staff.
- v. These offices will be created at Protection House, Harãmbëe Plaza and Continental House.

In conclusion, the PSC reiterated their on course implementation of its strategic plan 2008/2018 with intended maximization of ICT for effective and efficient service delivery.

From the Discussions, The following issues arose;

1. **The 4 month delays on the refurbishment of the old chamber** were on account of international procurement problems on bid and delivery of items.
2. **Staff needs of both the senate and national assembly** is being addressed awaiting he consultants report to be tabled in two weeks in order to build the framework for the two houses for staff expansion.
3. **Cost cutting policy options** for the KNA have and are being implemented with a 20% reduction in paper use in FY 2010/11 and maximizing on ICT with improved 10% use by members.
4. **The KNA programmes** are legislation and oversight carried out by committees. However the programmes are vague in nature and need to be more detailed.
5. **KNA donor funding** is currently through a memorandum of understanding with USAID via SUNY, Kenya intended for capacity building. In addition the new KNA development vote (D29) will enhance the channeling of donor funds.
6. **The National Assembly Fund** is still not operationalised due to lack of gazzettment of the fund by the ministry of finance in order for the fund to receive exchequer releases ^{800,000,000}
7. **The shortfall of Kshs. 8,000,000 in the 2011/12 budget** ceilings intended for the construction of the office blocks and Centre for Parliamentary studies and training is an issue because the KNA budget only constitutes 1.6 % of the total national budget.

8. **The priorities of the KNA** can be categorized as
- a. Chamber refurbishment
 - b. Construction and expansion of committee rooms
 - c. Construction and refurbishment of offices
 - d. Purchase of the ICT equipments and services
9. **The Audit of the Constituency Offices** has been ongoing since July 2005 with the appointment of constituency office managers. However the employee turnover rate is very high. To ensure proper functions, PSC has created the Constituency Liaison Office to coordinates the management of constancies Offices.

Min. No. 41/2011: Adjournment

There being no other business the meeting was adjourned at 2:30pm and the date of the next meeting would be on Monday 11th April 2011.

CHAIRMAN: _____

SIGNATURE

DATE: _____

13 / 04 / 2011

**MINUTES OF THE 54TH SITTING OF THE BUDGET COMMITTEE
HELD ON TUESDAY, 5TH APRIL, 2011 IN COMMITTEE ROOM, 5TH
FLOOR CONTINENTAL HOUSE, PARLIAMENT BUILDINGS
STARTING 11.00 AM**

PRESENT:

Hon. Elias Mbau, M.P. - Chair person
Hon. Alfred Sambu, M.P - Vice Chair person.
Hon. Martin Ogindo, M.P.
Hon. Moses Lessonet, M.P.
Hon. Omari Zonga, M.P.
Hon. John Mbadi, M.P.
Hon. Abdul Bahari, M.P.
Hon. Nelson Gaichuhie, M.P.
Hon. Emilio Kathuri, M.P.
Hon. Jackson K Kiptanui
Hon. Sophia Noor – Chairperson, Labour and Social Welfare Committee
Hon. Thomas Mwadeghu – Chairman, Local Authorities & Funds Accounts
Hon. Ekwe Ethuro – Chairman, CDF Committee
Hon. Mithika Linturi - Chairman, Public Investment Committee
Hon. Mohammed H. Gabbow - Chairman, Local Authorities Committee

APOLOGIES:

Hon. Sheikh Dor Yakub, M.P.
Hon. Danson Mungatana, M.P.
Hon. Nemesys Warugongo, M.P.
Hon. John Mututho, M.P.
Hon. Johnstone Muthama, M.P.

IN ATTENDANCE: PARLIAMENTARY BUDGET OFFICE

Ms. Phyllis Makau – Director, Parliamentary Budget Office
Mr. Fredrick Muthengi – Fiscal Analyst
Mr. Peter Kitheka – Junior Fellow
Ms. Millicent Ojiambo – Junior Fellow

AGENDA

1. Preliminaries/ Confirmation of Agenda
2. Confirmation of Minutes of the Previous Meeting
3. Matters Arising

4. Continuation of Consultations on the Budget Policy Statement (Receiving Submissions on BPS from Departmental Committees)-
5. Any Other Business

MIN.35 /2011: Preliminaries

The Chairman called the meeting to order at 11.40 am and one of the members led the meeting with an opening prayer. The Chairman thanked the members for attending the Press Conference held on 4th April, highlighting its importance in enforcing the presence and role of the Budget Committee. He also thanked the Parliamentary Budget Office for capturing all issues well in the press-statement and for ably facilitating the work of the Committee.

The Chairman stressed the need for all the chairs of the departmental Committees to be adequately briefed regarding the consultations on the Budget Policy Statement and to ensure that they make their submissions in time. The Parliamentary Budget Office informed the Committee that they would be informed of the outcome of interactions with the various departmental Committees as soon as these are submitted.

Min 36/2011: Continuation of Consultations on the Budget Policy Statement

The Chairman invited the Parliamentary Budget Office to brief the Committee on the progress of consultations on the Budget Policy Statement. The PBO informed the Committee that various departmental Committees had already been briefed on the Budget Policy Statement. And these included Committee on;

- i. Education, Research and Technology
- ii. Labour and Social Welfare
- iii. Transport, Public Works and Housing
- iv. Local Authorities,
- v. Administration and National Security
- vi. Finance, Planning and Trade

The Committees were also informed of the urgency of information and were aware that the submissions should be received by the Parliamentary Budget Office by the end of week. Committees that don't give their submissions in time will have estimates adopted as is. The outside stakeholders have already been consulted through the Midterm and Pre budget workshop and from all these submissions the resolutions will be finalised and the final report will be made. The Parliamentary

Budget Office also informed members that the report on the BPS must be laid before the House by 15th April.

The Chairman stressed the importance of understanding the Budget Policy Statement, the Budget Options and Unpacking of the Budget Policy Statement documents from the Parliamentary Budget Office in order to be able to adequately interrogate the BPS submissions. The Chairman then invited discussions on the various thematic areas in the Budget Policy Statement.

- i. **On unemployment**, the Parliamentary Budget Office informed members that unemployment was a major problem and that the jobs currently being created are not sustainable.

Members agreed with the observations of the Parliamentary Budget Office and stressed the need to tackle the problem urgently, describing it as a ticking time bomb and pointing out that the BPS was not giving firm proposals on what should be done to improve the situation. The effectiveness of the Youth Enterprise Fund and the Kazi Kwa Vijana initiative were queried in terms of how they operate, what value they had added and if they were sustainable. Members also submitted that the youth should be encouraged to take up blue collar jobs and not just white collar. It was pointed out that opportunities for employment vary from one area to another and that efforts should be made to identify these. It was agreed that job creation should be thought of in terms of value addition. Employment comes through investments and the government should therefore attract investment. Also, there is need to focus on the Ministry of Industrialization and Ministry of Agriculture as possible avenues for job creation. Money should be spent on productive activities such as mechanization of agriculture and irrigation. There is need for proper agricultural research. The Chairman directed the Parliamentary Budget Office to establish if there were policies on unemployment spelt out by the Ministry and to give recommendations on the same.

On the other thematic areas, members requested the Parliamentary Budget Office to do the matrix on the various thematic areas and give policy options to the Committee. They also requested for the inclusion of poverty and equalization fund as additional thematic areas.

Members also took issue with the way the CDF board was running the CDF kitty, stating that sometimes it places too many restrictions and bureaucratic procedures which makes it hard to implement projects as they are sometimes delayed due to delayed disbursements. The CDF board seems to be running on the same bureaucratic procedures that led to its establishment and there is need to look into this.

MIN.37/ 2011: ANY OTHER BUSINESS

- a) It is crucial to address the fate of CDF. Will CDF form part of the 15% devolved fund to county governments?
- b) The budget is forward looking and does not capture achievements/impacts/outcomes. Programme Based Budgeting should be implemented urgently.
- c) There is need to evaluate the impact of the Economic Stimulus Programme.
- d) The sub-Committee revenue workshop is still being followed up.

MIN.38/ 2011: ADJOURNMENT

There being no other business, the meeting was adjourned at 1.30 P.M. Next meeting will be held on Thursday, 7th April 2011 at 10.00 A.M.

CHAIRMAN: _____

SIGNATURE

DATE: _____

13/04/2011

**MINUTES OF THE 53RD (B) SITTING OF THE BUDGET COMMITTEE
HELD ON MONDAY 4TH APRIL, 2011 IN COMMITTEE ROOM 5,
CONTINENTAL HOUSE, PARLIAMENT BUILDINGS AT 10:00AM**

PRESENT

Hon. Elias Mbau, M.P -Chairman
Hon. Alfred Sambu, M.P-Vice Chair person
Hon Jackson Kiptanui, M.P
Hon. Moses Lessonet, M.P
Hon. Eng. James Rege, M.P. Chairperson, Energy, Com. & Information Committee
Hon. Dr. Robert Monda, M.P. Chairperson, Health Committee

APOLOGIES

Hon. Martin Ogindo M.P
Hon.Omari Zonga. M.P
Hon. Emilio Kathuri, M.P
Hon. Sheik Dor Yakub, M.P
Hon. Johnston Muthama, M.P
Hon. Abdul Bahari, M.P
Hon. John Mututho, M.P
Hon. Nelson Gaichuhie, M.P

IN ATTENDANCE

Mrs. Phyllis Makau
Mr. Fredrick Muthengi

KENYA NATIONAL ASSEMBLY

Director, Parliamentary Budget Office
Fiscal Analyst

AGENDA

1. Preliminaries
2. Matters arising
3.
 - a. **Continuation of the Consultations on BPS**
 - b. **Briefing on the Press Statement on the Budget Policy Statement - 2011**
4. Any Other Business
5. Date of the Next Meeting

MIN. No. 33 /2011: Preliminaries

The Committee reiterated to flag off the main issues emerging from the BPS and recap of the issues as follows;

MIN. No. 34 /2011: Press Statement on the Budget Policy Statement - 2011

That the objective of its Press Statement on the Budget Policy Statement is to lay the overarching goals and to identify policy areas that the government should focus on in the next national budget and more specifically, the Press Conference placed emphasis on the need to cut down/ reduce Government recurrent expenditures;

The Committee observed that;

The current Budget Policy Statement has been submitted to the house at a time when Kenyans are experiencing the following issues:-

- 1) An increased unemployment among the youth who are skilled.
- 2) Rising population that is causing a strain in public resources in particular in the provision of basic social services
- 3) Inflation due to internal and external factors such as high oil prices, high cost of production of goods.
- 4) An eminent drought which Kenyans must prepare for

These coupled with among many other things means that the manner in which the forecasts for resources and the criteria in which the resources raised is to be distributed is of concern to all Kenyans.

As a result the Committee takes the concerns of all Kenyans of goodwill and retorts in its initial response to the BPS that;

- a) Hard times require difficult solutions to be found for this reason one major choice the government will need to consider is to contract public spending in order to curb the rising inflation. No one can curb inflation with increase in recurrent expenditures.
- b) The manner in which the forecasts for resources and the criteria in which the resources raised is to be distributed is of concern to all Kenyans.
- c) Further there is need to contain the ballooning Public debt to sustainable levels as required. For the public debt to go down there is the urgent need to either raise additional resources or to reduce expenditure.
- d) Last year as the budget was being finalized we pointed out that this economy is running on one engine which is the domestic front and specifically private consumption. The Budget Policy Statement was an opportunity to identify strategies that would open up the economy through stepping up the export market in particular having to tap the exports to the regional market. The Budget Committee will be taking up this issue serious as it finalizes its review and reporting back to the house.

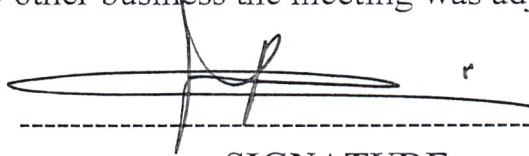
Further, the Committee observes that as per the *Fiscal Management Act and the Standing Orders* the Budget Committee is required to consult with other departmental committees as it reviews the Budget Policy Statement. The Departmental Committees all year round interrogate and interacts with line Ministries and it is expected they are already in the know of details concerning resource requirements and policy needs of their respective Ministries. Thus before finalizing the review consultations all respective Departmental committees are expected to advocate for their line ministry concerns and play their roles promptly. This is a challenge to all Committees to strengthen their budgetary roles.

In addition, the Constitution provides that the Judiciary Service, the Parliamentary Service and the executive budgets will be submitted directly to Parliament. It is therefore expected that the Budget Policy Statement gives an opportunity to establish expenditure levels. It is for this reason that the Budget Committee will consult with the Minister for Finance before laying its reports and seeking for specific resolutions.

Min. No. 35 /2011: Adjournment

There being no other business the meeting was adjourned at 11:30pm.

CHAIRMAN: -----



SIGNATURE

DATE: -----

13 / 04 / 2011

MINUTES OF THE 53RD SITTING OF THE BUDGET COMMITTEE HELD ON FRIDAY 1ST APRIL, 2011 IN COMMITTEE ROOM 5, CONTINENTAL HOUSE, PARLIAMENT BUILDINGS AT 10:00AM

PRESENT

Hon. Elias Mbau, M.P -Chairman
Hon. Alfred Sambu, M.P-Vice Chair person
Hon. Nemesyus Warugongo, M.P
Hon John Mbadi, M.P
Hon. Moses Lessonet, M.P
Hon. Danson Mungatana, M.P
Hon. Dr. Robert Monda, M.P. Chairperson, Health Committee

APOLOGIES

Hon. Martin Ogindo M.P
Hon. Omari Zonga. M.P
Hon John Mbadi, M.P
Hon. Emilio Kathuri, M.P
Hon Jackson Kiptanui, M.P
Hon. Sheik Dor Yakub, M.P
Hon. Johnston Muthama, M.P
Hon. Abdul Bahari, M.P
Hon. John Mututho, M.P
Hon. Nelson Gaichuhie, M.P

IN ATTENDANCE

Mrs. Phyllis Makau
Mr. Nicodemus Odongo
Mr. Fredrick Muthengi
Mr. Martin Masinde
Ms. Rosemary Irungu
Mr. Peter Kitheka
Ms. Millicent Ojiambo

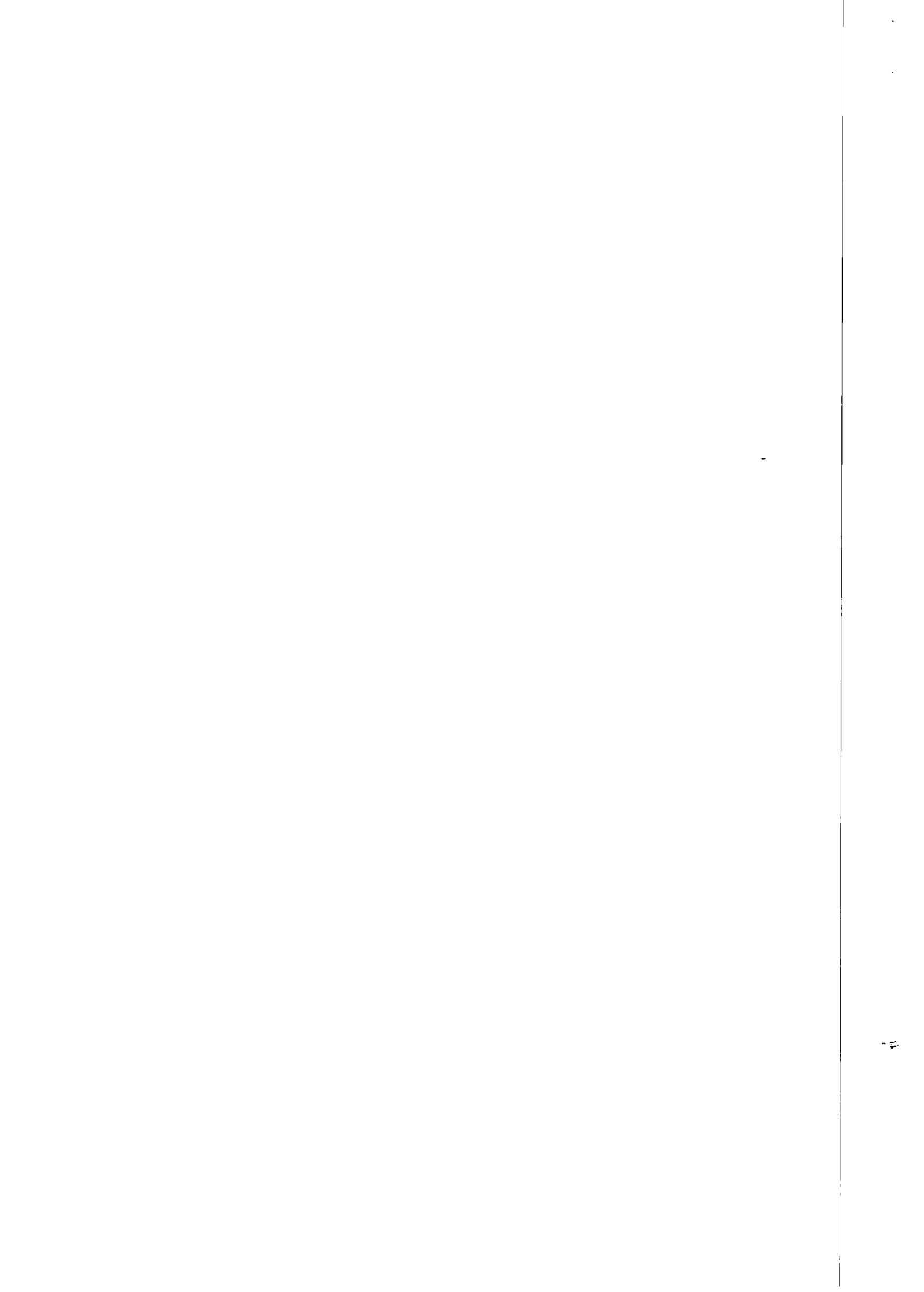
KENYA NATIONAL ASSEMBLY

Director, Parliamentary Budget Office
Fiscal Analyst
Fiscal Analyst
Fiscal Analyst
Junior Fellow, PBO
Junior Fellow, PBO
Junior Fellow, PBO

AGENDA

1. Preliminaries
2. Confirmation of previous meeting
3. Matters arising
- 4.

a. Briefing on the Budget Policy Statement (BPS - 2011)



**b. Continuation of Consultations on the Budget Policy Statement
(Receiving Submissions on BPS from Departmental Committees)**

5. Any Other Business
6. Date of the Next Meeting

MIN. No. 29 /2011: Preliminaries

The meeting was called to order at 10:20am after which a member of Staff from Parliamentary Budget Office led with a word of prayer. The Chair thanked members for attending a Mid - Term Review and Pre-budget workshop in Naivasha.

For the interest of time, Members resolved that they move to agenda 4(a) on Briefing on the Budget Policy Statement.

MIN. No. 30. /2011: BRIEFING ON THE BUDGET POLICY STATEMENT

The Parliamentary Budget Office informed the members the following from the Budget Policy Statement;

- As the BPS is reviewed there is need for consultation with the Departmental Committees.
- **The GDP growth** estimates by treasury for the 2011/12 is on the higher side taking note of the weather conditions and the External shocks that include oil prices owing to crisis in North African Countries like Libya and the Tsunami in Japan.
- **Inflation rate** being maintained at 5%, this is underestimation due to change in inflation computation methodology and is bound to increase.
- **The Fiscal Policy** available should be one to contract government expenditure which does not appear in the BPS.
- **Capital Markets**, How are the small scale shareholders being addressed so as invest in the Capital Markets.
- **Low performance of Revenues**, the PBO notes that, this is not on account of change on taxation of cigarettes but mainly because of underperformance of income tax.
- **Domestic Borrowing**, Public debt has been ballooning surpassing the sustainable levels of 45% of the GDP.
- **Budget Framework for 2011/112 Budget**, there is need to relook at the assumptions and identify what are the drivers of expenditure.
- **Criteria for allocation of resources** has been given as broad statements and as such the criteria for allocation of resources should be precise and be disaggregated to the problem, costing of new programmes, ongoing programmes and the expected outputs.

Other cross cutting issues include:-

- **Program Based Budgeting** although mentioned does not appear explicitly in the BPS.
- The Budget committee needs to lock the budget ceilings for the Judiciary, Legislature and the Executive during the submission of the Report of the BPS.

From the Briefing on the BPS the Members raised the following issues:-

- The Members sought guidance from Parliamentary Budget Office on Budget Ceilings.
- On Non-discretionary Expenditure especially on Fund Accounts such as European and Asiatic and Orphans Scheme there is need for piece of Legislation to repeal the inactive funds.
- It would be necessary to isolate ministries and agencies which have achieved targets and goals by high percentage and use that to increase their resources.
- It is necessary to examine appropriation on refurbishment and furniture and their impact on the citizenry.

However, Members noted that in containing the domestic borrowing, it should be fixed as was last year and move to contract public expenditure.

MIN .NO.31/2011: Any Other Business

- a) The members noted that an Advertisement on Parliamentary Budget Office staff recruitment had been posted in the press on Thursday 31, March 2011.
- b) In Overseeing the KNA Budget the Members noted there was need to ensure Prudent Financial Management that is Value for money especially on items like study tours both external and domestic as well as to cap by percentages and priority.

From the foregoing, the Members resolved to meet the Clerk of National Assembly on 7th April 2011 at 11.00a.m to discuss; Consultations on Kenya National Assembly FY 2011/12 Budget and progress report on the refurbishment of the Chamber.

- c) The Members agreed to hold a Press Conference on the emphasis on the Contents of the Budget Policy Statement and emphasized the need to Contract Government expenditure at 3.00 P.M on Monday 4th April 2011.

The press Conference shall focus on;

- i. Hard times require difficult solutions to be found for this reason one major choice the government will need to consider is to contract public spending in order to curb the rising inflation. No one can curb inflation with increase in recurrent expenditures.
 - ii. The manner in which the forecasts for resources and the criteria in which the resources raised is to be distributed is of concern to all Kenyans.
 - iii. Further there is need to contain the ballooning Public debt to sustainable levels as required. For the public debt to go down there is the urgent need to either raise additional resources or to reduce expenditure.
 - iv. Last year as the budget was being finalized we pointed out that this economy is running on one engine which is the domestic front and specifically private consumption. The Budget Policy Statement was an opportunity to identify strategies that would open up the economy through stepping up the export market in particular having to tap the exports to the regional market. The Budget Committee will be taking up this issue serious as it finalizes its review and reporting back to the house.
- d) Further, the members resolved that there is need for a resolution on processing of the Budget 2011/12 as per the Constitution and as such a motion was to be tabled by Hon. Danson Mungatana with regard to processing of budget in the House.
- e) As regards the referral of Budget related matters and Bills, the Chairman informed Members that he had met the Clerk of the National Assembly and discussed over the referral of the Budget related Matters and Bills to advise the Speaker accordingly. As such a letter was required over the discussion with the Clerk and a copy to the Speaker to raise the matter and as a matter of future record and reference for Chairman's signature.
- f) Members agreed to table a motion on the **Resolution** that once the annual estimates of the revenue and expenditure of the national government are submitted to the National Assembly in accordance to the Constitution articles 221 and 223 the same shall stand committed to the Budget Committee without

question being put. Further, the Budget Committee Chairman shall initiate debate on the Committee of Supply.

Min. No. 32 /2011: Adjournment

There being no other business the meeting was adjourned at 12:20pm.

CHAIRMAN: _____

SIGNATURE

DATE: _____

MINUTES OF THE 52ND SITTING OF THE BUDGET COMMITTEE HELD ON WEDNESDAY, 30TH MARCH, 2011 IN COMMITTEE ROOM, 5TH FLOOR CONTINENTAL HOUSE, PARLIAMENT BUILDINGS STARTING 10.30 AM

PRESENT:

Hon. Alfred Sambu, M.P – Chairing
Hon. Martin Ogindo, M.P
Hon. John Mbadi, M.P
Hon. Emilio Kathuri, M.P
Hon. Moses Lessonet, M.P
Hon. Abdul Bahari, M.P
Hon. Danson Mungatana, M.P
Hon. Nelson Gaichuhie, M.P
Hon. Mithika Linturi, M.P – Chairperson, Public Investment Committee
Hon. James Rege, M.P – Chairperson, Energy, Communication and Information Committee

APOLOGIES:

Hon. Elias Mbau, M.P- Chairman

IN ATTENDANCE: PARLIAMENTARY BUDGET OFFICE

Ms. Phyllis Makau – Director, Parliamentary Budget Office
Mr. Nicodemus Odongo – Senior Fiscal Analyst
Mr. Martin Masinde – Fiscal Analyst
Mr. Fredrick Muthengi – Fiscal Analyst
Mr. Peter Kitheka – Junior Fellow
Ms. Millicent Ojiambo – Junior Fellow
Ms. Rosemary Irungu – Junior Fellow

AGENDA:

1. Preliminaries/Confirmation of agenda
2. Confirmation of previous minutes
3. Matters Arising
4.
 - a) Briefing on the Budget Policy Statement
 - b) Consultations on the Budget Policy Statement (Receiving submissions on BPS from Departmental Committees)
5. Any Other Business
6. Date of the next meeting

MIN NO 33/2011: PRELIMINARIES/CONFIRMATION OF AGENDA

Hon. Alfred Sambu, MP, vice chairperson chairing the meeting, called the meeting to order at 11.00 am and led the members in a word of prayer. Members confirmed the Agenda which was proposed by Hon. Moses Lessonet, M.P and seconded by Hon. John Mbadi, M.P.

MIN NO 34/2011: CONFIRMATION OF PREVIOUS MINUTES

Members read through the minutes and proposed several amendments;

Under Min No 26/2011; that the secretariat be henceforth referred to as the Parliamentary Budget Office,

Under minute 30/2011; that the proposed date of the meeting with the Minister of Finance is 7th April 2011 and not 7th March 2011

Subject to the amendments, the minutes were proposed by Hon. Martin Ogindo and seconded by Hon. John Mbadi.

MIN NO 35/2011: MATTERS ARISING

Under Min 26/2011; on Appropriations in Aid (AiA) members were informed that the Appropriations in Aid was part of agenda.

Under Min 31/2011 a) on report on the Kenren chemicals debt, members were informed that the letter had already been forwarded to the Attorney General's office and that the A.G had responded stating the matter was not in their jurisdiction but in the jurisdiction of the Ministry of Finance. The Matter is still being followed up.

Under Min 31/2011 b) on the study trip to Indonesia, Members were informed that the letter had already been drafted and a response was expected soon. Members also proposed Singapore as a second study tour destination.

Under Min 31/2011 c) on the meeting with the Minister of Finance, members were informed that the Minister would not be available on the 7th of April 2011 as had been expected. It was agreed therefore that the Minister should suggest suitable dates when he would be available to meet with the committee.

MIN NO 35/2011: BRIEFING ON THE BUDGET POLICY STATEMENT

The Parliamentary Budget Office briefed the members on the following pertinent issues arising from the 2011/2012 Budget Policy Statement (BPS);

- ✓ **The real GDP growth rate** of 6.7% and 6.8% in 2012/13 and 2013/14 respectively is way too optimistic considering the effects the elections fevers have on economic growth. Mechanisms to counter the expected effects of the elections on economic growth have not been considered.

- ✓ Although the BPS states that **the global economy is on a recovery** path there are signs that the US economy is likely to plunge into double recession. This coupled with the current problems in Japan; there is a high likelihood that such an environment will impact negatively on the economy. This issue does not come clearly in the BPS. Overall, the growth envisaged in the BPS will be affected negatively.
- ✓ The largest among the downside risks to the national economy is the **possibility of a double dip recession** (a phenomena where the economy returns to a recession after temporary recovery) of developed economies such as the US. This coupled with the Tsunami effects in Japan, the global remain eminent. **It is estimated that it will cost Japan US\$ 200 billion to rebuild the country.** This calls for caution in the optimistic forecast GDP forecast by the Treasury. PBO view is that there is need for a conservative estimate for GDP and by extension the need to tighten the Governments belt with regard to recurrent expenditure. In case the environment improves the resources can be channeled to debt reduction as well key priority areas of Government.
- ✓ On the **comparison of inflation, the revision of the methodology** from old to the new regime renders it impossible to make any meaningful comparisons of the performance in 2008 and the developments in 2010.
- ✓ The BPS gives the assumption that inflation will be reduced and maintained at 5percent level. However, given the prevailing conditions both from the external and internal it is unlikely that this will be achieved. PBO estimates that inflation will hover around 7-8 percent.
- ✓ On **revenue performance for 2010/11**, the BPS indicates that revenue underperformed by Kshs.31.9 billion. The underperformance was majorly driven by underreporting of AIA by ministries and agencies. However, the report does not give the share of the loss that can be attributed to that shortfall.
- ✓ The **reasons given for the underperformance on revenue seem weak** and are not convincing. Recent data from KRA indicate that the alcohol law and the change in taxation of the cigarette regime has had little impact on revenue performance. This is a serious anomaly and needs to be clarified. Moreover, there is need to quantify the losses attributed to changes in taxation of cigarettes in the Finance Act, 2010 and the Implementation of the new Alcohol Control Bill. This is critical in terms ascertaining the cost and the benefits derived from the new laws and strategies to minimize the losses. Additionally, there are a number of tax issues that require transformation including tax administration in line with new developments.
- ✓ The **amount of contingent liabilities and its impact on debt sustainability** needs a serious relook. What is the current position on contingent liabilities? Does the Government have comprehensive records? It is important to note that

- implementing private programs and private sector participation in areas including infrastructure development is to be developed.
- ✓ The fact that average lending rate for commercial banks has not fallen in tandem with short-term rate is **an indication that the regulatory framework by CBK is inefficient** and therefore a concern to the Committee; Why hasn't the Central Bank been able to regulate the banking sector in same manner the CCK has done on mobile telephony sector where the mobile companies have been able to substantially lower tariffs?
 - ✓ The weakening of the shilling has been pegged to rise in oil prices and the political crisis in the Middle East and North Africa; **No commitment by CBK to closely monitor and act when necessary with the objective of stabilizing the macro-economic situation in the country.**
 - ✓ As relates to the activity in the Capital, **Steps taken to strengthen the supervisory capacity of the Capital Market Authority to contribute to improved stock market indicators are not clearly spelt out** in the BPS.
 - ✓ **Poor procurement planning has become a perennial challenge among Government Ministries**, what is treasury doing to address these particularly in the new Constitutional dispensation and with the huge responsibilities in line with devolution.
 - ✓ On how the Government is considering to achieve the national development objectives; the following **is not clear**:
 - ✓ No budget provision for the establishment of county infrastructure ahead of their creation in 2012
 - ✓ **What incentives are being given to investors to encourage domestic and FDI in flagship projects identified under Vision 2030 in comparison to other neighbouring countries preferred by investors.**
 - ✓ **What guarantees exist that future concessions will be forthcoming**
 - ✓ **The issues of teacher numbers continue to hamper quality of education and skills development despite the introduction of FPE**
 - ✓ **The BPS indicates a budget deficit of Kshs 105.2 Billion. What guarantees exist that this will not be manipulated to a figure upwards like is the trend?**

From the presentation, members gave the following submissions;

- i.) That there is need to make available to the committee the sectoral ceilings in line with Vision 2030 and ministerial strategic plans so that the committee is better able to evaluate the positions of the departmental committees.

- ii.) That the Department of Defence is consuming a lot of resources and there is need to prioritize expenditure to social sectors such as health, education and employment creation
- iii.) That Banks are recording abnormal profits yet they have refused to lower their lending rates and there is need for intervention
- iv.) That facts are needed on performance of cigarette and the mobile telephony sector in terms of revenue collection
- v.) Has a sufficient amount of resources been set aside in the budget for setting up county infrastructure?
- vi.) That the committee needs to be informed on the new procurement laws
- vii.) That the Treasury 2011/12 growth projections are indeed too optimistic but that there is usually a time lag with regard to election related risks to growth with the impact being felt the year after the election year
- viii.) Is the Parliamentary Budget Office using the Treasury model to make its own growth projections?
- ix.) That there is need to rationalize recurrent expenditure so that funds are released to development expenditure

The Parliamentary Budget Office informed members that they would include sectoral ceilings in their analysis. PBO agreed with the observation of members regarding the time lag with regard to election risks but pointed out that the fiscal year is affected even though the calendar year is not. Members were also informed that the Parliamentary Budget Office was using a framework similar to that of Treasury and that only the assumptions differed.

MIN NO 36/2011: Consultations on the Budget Policy Statement (Receiving Submissions on BPS from Departmental Committees)

Members were informed that the following issues would require interrogation:

1. The government had previously taken austerity measures with regard to training, domestic travel and foreign travel but that in the supplementary budget, the figures had been adjusted upwards implying a reversal of policy
2. Under Office of the President, the supplementary budget recorded a substantial reduction in monies going towards construction of police houses whereas in

the Ministry of Finance, equity participation in foreign banks had increased from 807 billion to 966 billion. What is the priority?

3. The new items opened in the supplementary budget such as printing, vehicle purchasing etc are not really of an emergency nature and can wait. This defeats the purpose of the supplementary budget and makes it no different from the main budget.
4. Under Ministry of Water and Irrigation, the statement that money supposed to come from borrowing authorities (Central Bank) is misleading as it implies that it is Central Bank which is the sole borrowing authority
5. Under the Lands Ministry, a substantial amount had been set aside for settlement of squatters in mt. Elgon yet under the ministry of special programmes, less money is going towards resettling IDPs
6. On the Micro and Small Enterprise Fund, the 3.8 billion which was budgeted for by the Ministry of Finance has reduced to 1 billion. Has the money been re-allocated or has it simply been scaled down?
7. The Budget has been inflated without looking at capacity

MIN NO 37/2011: ANY OTHER BUSINESS

There is need to brief members on the progress of parliament's refurbishment.

MIN NO 38/ 2011: ADJOURNMENT

There being no other business, the meeting was adjourned at 1.30 p.m. Next meeting will be held on Thursday, 31st March, 2011 at 11.00 a.m.

CHAIRMAN: _____


SIGNATURE

DATE: _____

13/09/2011



KENYA NATIONAL ASSEMBLY

TENTH PARLIAMENT – FOURTH SESSION

REPORT ON THE BUDGET POLICY STATEMENT

By

Departmental Committee on Health

(Submitted pursuant to Standing Order 143 (4))

Clerks Chambers,
Parliament Buildings,
NAIROBI.

April, 2010

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PREFACE

The Departmental Committee on Health was constituted on 17th June 2009 during the third Session of the Tenth (10th) Parliament pursuant to provisions of Standing Orders 198 (1). The Committee executes its mandate in accordance with the provisions of Standing Order 198 (3), from which it draws its mandate to -

- a) *Investigate, inquire into, and report on all matters relating to the mandate, management activities, administration, operations and estimates of the assigned Ministries.*
- b) *To study the programme and policy objectives of Ministries and departments and the effectiveness of the implementation.*
- c) *To study and review all legislation referred to it.*
- d) *To study, assess and analyze the relative success of the Ministries and departments as measured by the results obtained as compared with their stated objectives.*
- e) *To investigate and inquire into all matters relating to the assigned Ministries and departments as they may deem necessary, and as may be referred to them by the House or a Minister.*
- f) *To make reports and recommendations to the House as often as possible, including recommendation of the proposed legislation*

In executing its mandate, the Committee oversees the following Ministries:

- (a) Ministry of Medical Services
- (b) Ministry of Public Health and Sanitation

The Departmental Committee on Health comprises of the following Members

- The Hon. (Dr.) Robert Monda, M.P. - Chairperson
- The Hon. (Dr.) Nuh Nassir, M.P. – Vice Chairperson
- The Hon. Fredrick Outa, M.P.
- The Hon. Joseph Oyugi Magwanga, M.P.
- The Hon. (Dr.) Kioko Munyaka, M.P.
- The Hon. Cyprian Omollo, M.P.
- The Hon. Sheikh M. Dor, M.P.
- The Hon. (Dr.) David Eseli, M.P.
- The Hon. Joseph Lekuton, M.P.
- The Hon. Thomas Mwadeghu, M.P.

Pursuant to Standing Order 143 (4) in considering the Budget Policy Statement, the Budget Committee shall consult each Departmental Committee and shall, not later than 15th April, lay its report before the House.

The reason for having the Budget Policy Statement is to allow the Committee to give input which will be presented to the Minister for Finance by the Budget Committee. It allows the Committee to check whether planning is pegged on available resources.

The Departmental Committee on Health perused through the Budget Policy Statement and has made the following observations on the Budget Policy Statement in the key areas touching the Ministries under its mandate and is happy to present its findings to the Budget Committee.

Acknowledgements

The Committee is grateful to the Offices of the Speaker and the Clerk of National Assembly for the support they gave this Committee during its consideration of the Budget Policy Statement. It is also grateful to the Parliament Budget office for the meaningful contribution to the content of the report.

The Hon. (Dr) Robert Monda, MP

.....

Chairperson

Departmental Committee on Health

Dated: April 11, 2010

BUDGET POLICY STATEMENT REPORT BY THE DEPARTMENTAL COMMITTEE ON HEALTH

1.1 Back ground

Good health is a pre-requisite for socio economic development of the country. Furthermore; health is now widely recognized as a basic human right. The new Kenyan constitution, therefore, places great demands on the health sector as it is expected to lay a firm –enabling environment needed to translate the expectations embodied in the constitution into reality .the constitution revolutionizes the mode of governance and management of public health services

To most Kenyans ,the promulgation of the constitution is a major milestone towards the improvement of health standards .citizen `s high expectations are grounded on the fact that the new constitution states that every citizen has right to life ,quality healthcare, reproductive health emergency care ,free from hunger , clean safe and adequate water for Kenyans ,reasonable standards of sanitation ,food of acceptable quality and a clean healthy environment

This wide range of rights presents new challenges to the public health sector ,which calls for the ministries of health to consolidated gains made in respect to provision of service delivery ,leverage existing decentralized structures in health ,and re –position themselves to fulfill these expectations

The Health trends derived from the recent 2008/09 Kenya Demographic Health Survey (KDHS) show that many of the health indicators in Kenya have improved between the 2003 KDHS and the 2008/09 KDHS, use of contraception rose from 39 percent ,infant mortality rate decreased from 115 per 1000 live births to 74 .two of the indicators which did not show signs of improvement are maternal mortality at 488 per 100,000 live births (up from 414 in 2003) ; and malnutrition with 35 percent of children under five stunted up from 30 percent in 2003.

The health facility deliveries (from 40 to 43 percent) show slight improvements between 2003and 2008/09 KDHS .however ,there are significantly lower rates of delivery in health facilities in rural areas (35 percent) than urban areas (75 percent), along with significantly higher total fertility rates in rural areas (5.2) than urban areas (2.9) these numbers reflect the challenges in providing care to rural populations of Kenya and the huge variation in access to and utilization of care across the country.

HIV/AIDS continues to be of the most serious public health challenges in Kenya .the 2008/09 KDHS reported t hat the national prevalence rate for adults aged 15-49 was 6.3 percent, which is down from 6.7 percent in 2003. there are wide regional variations in HIV prevalence .Kenya `s relative success in rapidly scaling up access to anti-retroviral

treatment may account for some increases in prevalence currently ,there are nearly 400,000 people on ARV

A high disease burden I a barrier to economic growth – Most of sicknesses are caused by preventable conditions. Top five causes (malaria, Disease of the Respiratory System, Diseases of the Skin, diarrhea, and accidents) of outpatient morbidity account for about 70% of total causes with malaria contributing about a third to total morbidity.

1.2 Indicative progress in implementation of 2010/11 approved budget

- i) **Ministry of Medical Services**
 - (a) Infrastructure improvement.
 - The ministry continues to give priority to improvement of infrastructure.
 - * During the current financial year (2011/2011), the ministry is implementing development projects in 100 hospitals spread in all the provinces of the country. 86 out of these hospitals are 100% Government of Kenya funded.
 - * Some of these projects commenced in earlier financial years but had stalled. Some are being completed and others will continue to be implemented during the financial year 2011/2012.
 - (b) Strengthening hospital management.
 - Health managers have been trained on health systems management.
 - Strategic management and leadership training.
 - (c) Strengthening procurement and supply of health commodities (Recruitment of senior management staff).
 - (d) Human resources management
 - (i) Recruitment of 3,000 health workers.
 - (ii) Absorption of contract staff – 2000
 - (iii) Implementation of succession management circular – 15,000 benefited.
 - (iv) Translation of terms of services for 4,000 staff.
 - (v) Development of National Human Resources for Health Strategic Plan.
 - (vi) Development of Human Resources Information System.
 - (vii) Installation of integrated Records Management System.
 - (e) Enhanced periodic supportive supervision to hospitals has improved the environment and quality of services being offered within the existing financial resources.
 - (f) E-Health Strategy is being finalized to facilitate application of advanced ICT in treatment.
- ii) **Ministry of Public Health and Sanitation**
- iii) On – going projects emphasis is to complete on – going project, flag ship project and projects with high impact on poverty reduction and equity, employment and wealth creation
- iv) Strategic policy interventions: priority is given to policy intervention covering the entire nations, regional integration, social equity and environmental conservation.

1.3 Key/Main expenditure area

Ministry of Public Health and Sanitation

- a) Non –discretionary expenditure namely staff salaries take first changes
- b) Operation and maintenance
- c) Development expenditure. Shared out of on the basis of vision 2030 and MTP priorities

Ministry of Medical Services

The major expenditure items under the recurrent vote for 2011/2012 are personnel cost (55% of total allocation) and Parastatals (27%), leaving only 18% for procurement of drugs, non pharmaceuticals and operational costs for all hospitals and headquarters

1.4 Ministries priority areas for funding in 2011/12

Ministry of Medical Services

The Ministry of Medical Services has been allocated a total of Ksh 28.4 billion against a resources requirement of Ksh. 64.5 billion, translating to an under-funding of over 50%.

The total budget allocation for the Ministry of Medical Service has increased by Kshs. 480 million, or 2.3 percent, in nominal terms from the 2010/2011 financial year. The increase is on personnel related items and from Development partners.

Ministry of Public Health and Sanitation

The MOPHS has allocated Kshs 22.515 Billion for the financial year 2011/2012. Recurrent Ksh 9.558 Billion, Development Kshs 12.957Billion. in the financial year 2011/12 the following is the Ministry's area of focus

- a) Increase number of immunize children
- b) Availability of family planning facilities.
- c) Number of schools implementing a comprehensive school health package
- d) Number of school age children de-wormed at least once per year
- e) Increase awareness on childhood disease prevention interventions
- f) Increase awareness on water safety

- g) Improve hospitals infrastructure (health care infrastructure)
- h) Strengthened human resource
- i) Improve hygienic practices; improved community participation
- j) 3.5 million clients counseled and tested
- k) 80% of pregnant HIV+ mothers receive ARVS
- l) Availability of condoms, ARVS
- m) Reduction of disease prevalence through primary health care interventions

1.5 Identified gaps/ areas left out

Ministry of Medical Services

- a) Personnel related items.

The ministry has made Human Resources a policy priority for the last three financial years. The Ministry recognizes that there is inadequate health professionals in the public health sector and will continue to address this matter through hiring additional staff including nurses, clinical officers, and other key health personnel over the short term. These efforts will reduce the burden of high patient/staff ratios currently being experienced within the public health institutions. The resource requirement under personnel for 2011/2012 financial year is Kshs 18.1 billion. However, Treasury allocated Kshs. 12.9 billion resulting to shortfall of Kshs 5.2 billion.

- b) KEMSA

- The operation of KEMSA have been greatly hampered by inadequate funding leading to pending bills in medical commodities and operations,
- In order for KEMSA to operate as stipulated in its mandate, during the FY 2011/12m it will require.

- i) Ksh 350 million for rationalization and compensation of employees.
- ii) Kshs 850 million for use of goods and services, which includes distribution of medical commodities.
- iii) Acquisition for non-financial assets of kshs1, 000 million, warehouse renovation 500 million and a further Kshs. 1,200 as capitalization funds.
- iv) Total KEMSA requirements for 201/12 are Ksh 3,900 million.

However, the allocation to Parastatals (KNH, Moi teaching and Referral, KEMSA, NHIF) under the Ministry amounts to a net total of Kshs. 6429,923,384 in 2011/2012 financial year. This is the same amount allocated in 2010/2011 financial year. Nevertheless, critical issues on Parastatals include;

1. Implementation of the Collective Bargaining Agreement (CBA) for unionisable staff at KNH.

2. Harmonization of salary for state parastatals.
 3. Rationalization of staff at KNH and KEMSA.
 4. Infrastructure development.
 5. Capitalization of KEMSA to ensure adequate buffer stocks and no stock outs and
 6. Compensating hospitals for expenses incurred by the patients who are not able to pay their bills (mostly the poor)
 7. Pension contributions.
- c) Hospital Management Services Fund.

The ministry has operationalized the Hospital Management Services fund (HMSF) in line with Legal Notice No: 155 of 16th Oct. 2009 whose objective is to streamline the flow of financial resources for medical supplies, support capacity building in management of health facilities, and improve the quality of health care services in the health facilities. In order to sustain the process, the ministry requires Kshs 3,000 million in 2011/2012 financial year to hospitals through the HMSF for operational costs. To make the facility committees a countable and transparent, the Medical Services Sub-sector requires another Kshs. 300 million each year for the next three years towards building of hospital management Committees across the county. However, 2011/2012 budget, Treasury allocated Kshs 879 million, same amount as 2010/2011 financial year.

Ministries of Public Health and Sanitation

- County health facilities and pharmacies
- Ambulance services – the treasury is too slow
- Promotion of primary health care

1.6 Challenges bedeviling both Ministries

Ministry of Medical services

i) Access and Equity

Despite the expansion of health facilities, provision of health services remains uneven and the sub sector continues to face a challenge in the geographical distribution of its health workforce. Many health facilities are not adequately equipped according to norms and standard. Furthermore, ensuring sufficient supplies and equipment remains problematic, especially in remote areas.

ii) Staffing

The medical services sub sector continues to have inadequate key health staff like doctors and nurses. Overall, Kenya has only 17 doctors and 120 nurses per 100,000 populations' respectively. There exist regional disparities in the distribution of the existing health workers, where arid and semi-arid areas are disadvantaged with less staff. Other challenges include:

Vision 2030 indicates plan to shift to promotive care in a bid to address environmental threats to health through the use of education programs: it will require a deliberate move by health sector stakeholders to invest in community extension workers. The country as a whole and the sub-sector in particular is likely to make saving and benefit immensely from such strategic arrangements given the accessibility and quality challenges surrounding rural health service delivery initiatives.

1.8 CONCLUSION

The health subsector (comprising of ministry of medical services and ministry of public health) is among two other ministries that from the human resource development sector. The sector envision achieving economic growth targeted, effective and efficient public spending. This is one of the most significant, subsector was allocated a total of Ksh. 41.5 billion representing 6.5% of the estimated government budget and 1.5% of the Gross Domestic Product (GDP). Nevertheless, the huge budgetary requirements and subsequent allocation have consistently not translated to improved quality of services. Indeed, the status of health delivery in the country is said to be overwhelmed by a huge disease burden dominated by HIV/AIDS prevalence, where south Africa has the highest rates, Kenya is seen to lag behind.

The question that begs answers is whether there is need to prioritize health need in the country given the scarce resource in a way that is like to translate to tangible healthy outcomes. The sub-sector through vision 2030 outlines plans to restructure for the medium term with strategic objectives summarized as follows (i) revolutionize the health care infrastructure (ii) strengthening of health care service delivered and (iii) developing of health care financing systems.

The subsector in its MTEF report for 2011/12 and the medium plans to prioritize;

- (i) where the ministry plans to improve the quality of these services by targeting priorities areas such as provision of essential medicine supplies (EMMS), including ARVs, malaria (much of which is supported by the global funds), strengthening the provision of health services, and infrastructure improvement in line with MDGs;
- (ii) To compliment curative services, the ministry intends to strengthen the referral services to enable such institutions like Kenyatta and Moi referral performs their core mandates effectively. The above intervention are to be developed alongside the implementation of a monitoring and evaluation (M&E) system for monitoring the quality of health care provided and setting standards for service delivery while introducing e-health;
- (iii) The ministry further is to spend Ksh 13 billion on preventive and promotive health and specifically on
 - (a) Disease control services. This include control of communicable and non communicable disease e.g. malaria, TB and lung disease; HIV/AIDS and vector borne

disease. To accomplish these, the ministry plans to strengthen the surveillance and oversight mechanisms, coordination of epidemic preparedness and

Response and conduct epidemiological investigations on suspect disease outbreak;

(b) Provision of family health interventions targeting the health of mothers and children with particular focus on immunization, family planning, reproductive and nutrition services;

(c) Environment health where improving of environmental health and hygiene is key to lowering disease break out;

(d) strengthening National public Health laboratories and laboratories at level 3 which is intended to enhance disease diagnosis and management and lastly

(e) Primary health services by constructing and equipping of rural health centre's and dispensaries. Previous attempts by the Government to improve affordability of services at health facilities through cost sharing and waivers have turned out to be ineffective and its implementation impractical.

(h) Strategic rural health infrastructure development: efforts by Government to provide certain critical services at primary health care facilities to increase uptake of services cannot be underestimated. The Kshs 14.4 billion projection for 2011/2012 And a systematic increment in the medium term to Kshs 18 billion is therefore expected. However, investing in infrastructure of primary health care facilities will only make economic sense if there is a rethinking in the distribution of both the facilities and the staff while developing an incentive structure that can ensure staff retention.

(i) Health care financing: efforts by government to increase accessibility of health services by lowering costs cannot be understated. In its MTP (2008 – 120, plans to develop a policy framework for institutionalizing Public-Private Partnership (PPP) was outlined. In addition, the sector planned to enact a policy to guide health sector financing that will inform debate on National Social Health Insurance Fund through increased sensitization and membership. Efforts to target the informal sector and those in self-employment will increase contributions and hence possibilities of diversifying products to include outpatient and other terminal diseases currently beyond the affordability of majority of Kenyans. Further, the Fund needs to strengthen its structures in readiness for any systematic transformation likely to foster accessibility of health care service, transparency and accountability.

Signed:

Hon. Dr. Robert Monda, M.P. Chairperson, Health Committee

Date: 12TH APRIL 2011

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REPUBLIC OF KENYA
KENYA NATIONAL ASSEMBLY

TENTH PARLIAMENT – FOURTH SESSION

THE
DEPARTMENTAL COMMITTEE
ON
LANDS AND NATURAL RESOURCES

REPORT ON
THE BUDGET POLICY STATEMENT, 2011

Clerk's Chambers,
Parliament Buildings
NAIROBI

APRIL, 2011

1.0 INTRODUCTION

The Departmental Committee on Lands and natural resources is established under Standing Order No. 198. Its mandate pursuant to Standing Order 198(3) is-

- a) to investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned Ministries and departments;
- b) to study the programme and policy objectives of the Ministries and departments and the effectiveness of the implementation;
- c) to study and review all legislation referred to it;
- d) to study, assess and analyse the relative success of the Ministries and departments as measured by the results obtained as compared with its stated objectives;
- e) to investigate and inquire into all matters relating to the assigned Ministries and Departments as they may deem necessary, and as may be referred to them by the House or a Minister and
- f) to make reports and recommendations to the House as often as possible, including recommendation of proposed legislation.

The Committee comprises:

1. Hon. Mutava, Musyimi, MP. - **Chairperson**
2. Hon. Simam, Peris Chepchumba, M.P. – **V/chairperson**
3. Hon. Dr. Mureithi, Erastus, MBS, HSC, M.P.
4. Hon. Washiali, Benjamin Jomo, M.P.
5. Hon. Muriuki, Ruteere Silas, M.P.
6. Hon. Kiema, Julius Kilonzo, M.P.
7. Hon. Gunda, Benedict Fondo, M.P.
8. Hon. Kizito, Justus Mugali, M.P.
9. Hon. Gitau, Peter Njuguna, M.P.
10. Hon. Affey, Mohammed Abdi, M.P.
11. Hon. Zonga, Omar Mbwana, M.P.

On Wednesday, 6th April, 2011, the Budget Policy Statement (BPS) was tabled in the House by the Minister for Finance pursuant to the provisions of the Standing Order No. 143 of the National Assembly and section 7 of the Fiscal Management Act (2009).

Pursuant to the provisions of the Standing Order No 143 (3), the BPS was committed to the Budget Committee without question put'. The Budget Committee is expected to consider the Budget Policy Statement and report back to the House before 15 April 2011, in accordance with the provisions of the Standing Order No. 143 (4), which states thus-

'In considering the Budget Policy Statement, the Budget Committee shall consult each Departmental Committee and shall, not later than 15th April, lay its report before the House'

The 2011 BPS is the second to be presented in the House by the Minister for Finance since the passage of the Fiscal Management Act (2009). The Minister has explained that the 2011 BPS is set to build on the implementation of policies and structural reforms set out in the 2010 BPS while providing for the coming Budgets for the next three financial years (2011/2012, 2012/2013 and 2013/2014), and the basis upon which to make progress in the achievement of the Vision 2030 and towards implementation of the new Constitution.

The Committee oversees the following Government Ministries and Departments, namely: -

1. Ministry of Lands;

2. Ministry of Water and Irrigations;
3. Ministry of Environment and Minerals Resources; and
4. Ministry of Forestry and Wildlife.

The Committee is mandated to consider the following subjects:-

- lands and settlement,
- forestry, water resource management and development,
- irrigation;
- environment,
- wildlife,
- Mining and natural resources.

The guiding principle behind the development of the 2011 BPS is the conscious effort to provide for expenditures among the targeted programmes 'in a manner consistent with the objective of reducing government debt in the medium term and also ensuring fiscal sustainability'.

The priority areas include-

- a) Infrastructure – particularly roads, investments in clean energy to mitigate against climate change, increase electric power generation capacity, development of Port of Lamu, modernization of the Port of Mombasa, development of affordable and modern urban commuter and freight railway systems.
- b) Implementation of the new Constitution.
- c) Security.
- d) Adequate allocation to socio-economic sectors, such as, agriculture and rural development, health and education, and support interventions aimed at employment creation.

SCRUTINY OF THE BUDGET POLICY STATEMENT

The Departmental Committee on Lands and Natural Resources deliberated on the BPS and noted the following as areas that the Minister for Finance should give emphasis under the sectors. The sectors discussed were: -

1. Agriculture and Rural Development in which the Ministry of lands falls;
2. Environment, Water and Irrigation – in which the Ministry of Water & Irrigation, Environment and Mineral Resources and Forestry and Wildlife falls.

The issues are:-

a) Continued underfunding in the two sectors above

In the scrutiny of the BPS, the Committee noted that the results of the analysis of the data at annex tables 6, 7 and 8 reflects continued underfunding in the sectors. Compared to previous years, 2010/2011 and 2009/2010. The sector also is very critical in the efforts to achieve sustained economic growth, employment creation (contributes to about 80 percent of employment), exports and poverty alleviation.

The BPS shows a decrease in funding during the FY 2012/2013, Kshs 45.3 billion from Kshs 52.3 billion in the FY 2011/2012.

There is no explanation given as why the decrease in funding.

The absorption capacity has been generally above 80% in the sector.

b) Under drought Mitigation

In this area, the BPS fails to recognize the need to increase the acreage under irrigation this in the long term will reduce impacts of drought.

c) Environment policy and climate change

Lack of an environment policy in the country is negatively impacting on the way to address issue of climate change impacts. The development and implementation of the policy will go a long way in addressing issue of mitigation and adaptation methods to combat effects of climate change.

The BPS recognizes the various protocols signed by Kenya both at regional and international level on climate change and its continued participation in the said activities and programmes spelt out by the said protocols without actualizing them nationally.

d) Digitization of land records

Due to lack of digitization of lands records or making it possible for the above to take place, has and will lead to a number of issues:-

- i. Lack of developments constraint by unavailability of proper land records;
- ii. Continued court disputes and conflicts;
- iii. Poor land use;

e) Increasing the water conservation and storage levels in the country – construction of large water reservoirs/dams;

Following various inspection visits of projects under the sector by the Committee in the last financial year, the policy shift that led to the constructing large dams by the Ministry of water and irrigations needs to be recognized. However, lack of resources may hamper the great idea.

The construction of large water reservoirs may appear to be expensive but in the long run the benefits outweigh the cost.

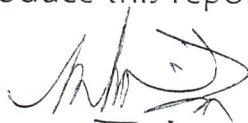
- f) Community participation in all the areas of environment, water, land use and forestry activities;
- g) Sector coordination is needed to realize the benefits of concerted efforts of all sectors.

h) Challenges of Water Services Boards

The BPS shows that the allocation to Water Services Boards is substantial. The Committee findings in its oversight role found out that the boards have governance challenges and therefore utilization of such funds allocated may not be as intended.

The BPS further fails to indicate how funds generated by such Water Services Boards from completed projects are utilized and at what time and rate will it recover the already allocated funds if Water Services Boards are to be self reliant.

With these remarks, it is therefore my pleasant duty and privilege, on behalf of the Departmental Committee on Lands and Natural Resources, to introduce this report to the Budget Committee.

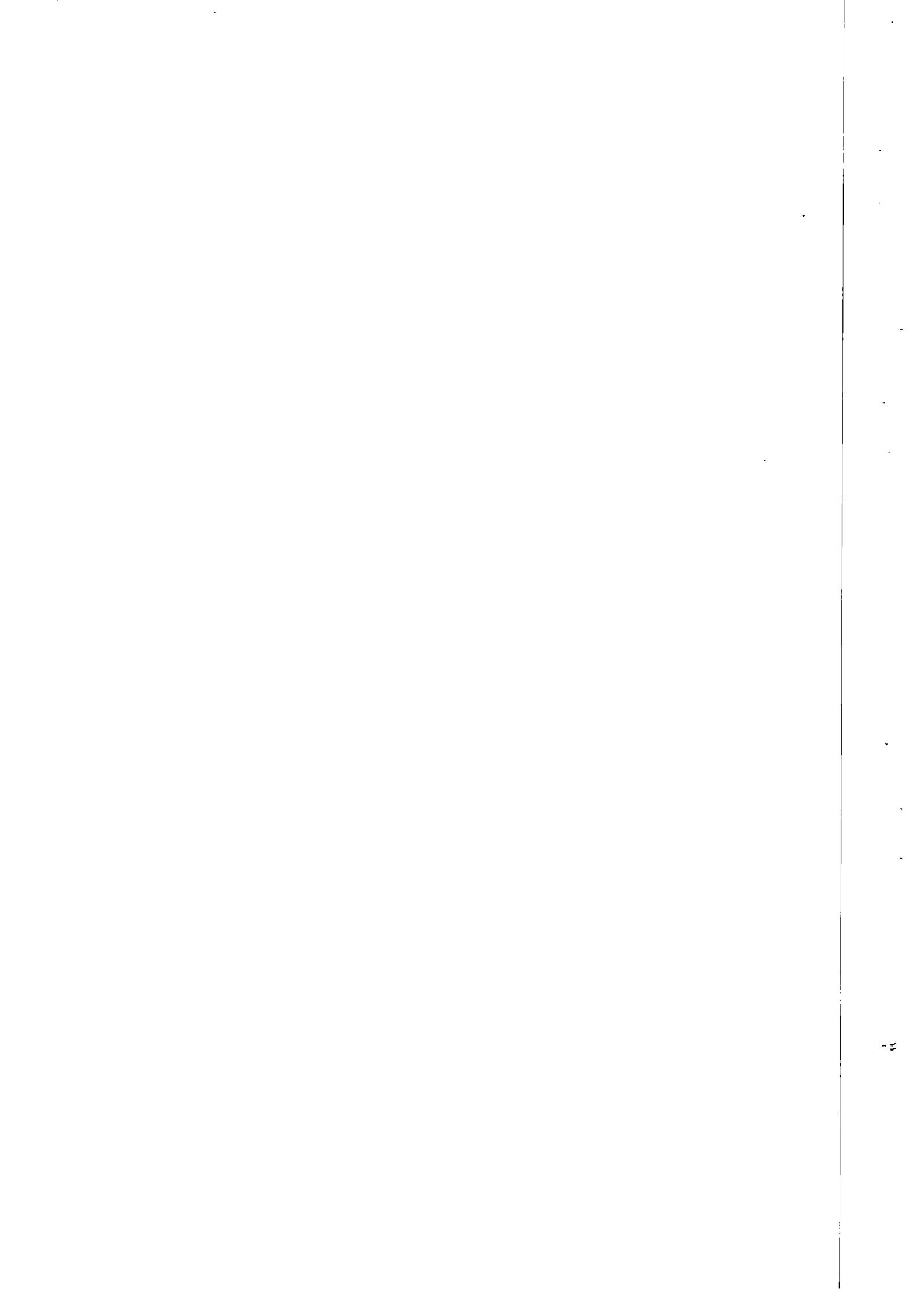


SIGNED:

HON. MUTAVA MUSYIMI, MP

CHAIRPERSON

DATE: 12-4-2011

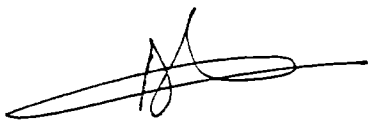


RESOLUTIONS ON THE BUDGET POLICY STATEMENT BY THE DEPARTMENTAL COMMITTEE ON EDUCATION, RESEARCH AND TECHNOLOGY

1. The Committee was concerned that the Budget Policy Statement did not address the key challenges in the education sector and identified the issues as follows;
 - i.) The Budget Policy Statement did not factor Free Primary Education (FPE) yet there is an urgent need for increased funding to cater for rising inflation which has increased expenses and therefore the allocation per child is not sufficient. The Committee recommends an upward review of the capitation grant per child.
 - ii.) BPS did not consider the high rate of teacher unemployment as there are many teacher graduates who are still unemployed yet the teacher to pupil ratio is still high. The Committee recommends that the Government should focus on employment of teachers to reduce teacher pupil ratio.
 - iii.) Teacher distribution in the country is imbalanced and the Committee recommends formulation of a recruitment and placement policy on teachers to ensure nationalization of teacher placement so that the teachers can be posted to any part of the country.
 - iv.) Supervision and quality control is wanting and the quality assurance needs to be improved for overall improvement of the quality of education.
 - v.) The Kenya Bureau of Statistics, Ministry of Planning, Federation of Kenya Employers and Ministry of Higher Education among others should carry out a skills audit to identify the country's skills gaps and therefore ensure tailoring of training courses according to the country's needs.
 - vi.) Transparency and accountability in the management of FPE funds should be stepped up to ensure that funds allocated to FPE are utilized in a transparent manner.
 - vii.) The Government should provide incentives to the private sector for

building of more private secondary schools to reduce congestion and low transition rates to secondary schools. The Government should however also ensure there are enough public secondary schools for those who cannot afford private education.

- viii.) Recognizing the increasing importance of ICT, the Committee recommends that it be made a compulsory subject in teacher training colleges and in all schools.
- ix.) The Committee recommends that Early Childhood Development and Education (ECDE) should have been factored in the BPS considering its importance as the foundation of education.
- x.) The Committee is of the opinion that research and technology should have been highlighted in the BPS and recommends an increase to the National Council of Science and Technology (NCST) to facilitate more research and innovation.
- xi.) The Committee feels that the education sector was not factored suitably under the BPS and recommends that in future, the Education sector should be given its own classification considering its importance in the country.

Signed: 

Hon. David Koech, Chairperson, Education, Research & Technology

Date: 11/04/2011

REPUBLIC OF KENYA



KENYA NATIONAL ASSEMBLY

TENTH PARLIAMENT-FIFTH SESSION

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REPORT OF

THE DEPARTMENTAL COMMITTEE ON LOCAL AUTHORITIES ON THE BUDGET
POLICY STATEMENT FOR 2011/2012 FINANCIAL YEAR

Clerk's chambers,
National Assembly,
NAIROBI

April, 2011

A) OFFICE OF THE DEPUTY PRIME MINISTER AND MINISTRY OF LOCAL GOVERNMENT

1.0. Introduction

- 1) The Ministry of Local government is categorized by Treasury under infrastructure sector. Other partner ministries include the Ministries of Housing, Energy, Public Works, Roads and Nairobi Metropolitan. It focuses on improving the infrastructural, governance and managerial capacity of Local Authorities which is geared towards the achievement of Vision 2030. The Ministry's main focus is to ensure and facilitate the operationalization of policy and institutional and legal framework within local authorities to enhance service delivery. The activities of the sub sector are in line with other government policies e.g. poverty reduction, equitable distribution of resources, employment, wealth creation, good governance as well as promotion of local economic growth and development. Over the period 2010/11- 2012/13 the ministry seeks to undertake the following programs:-
 - (i) Local Authority management and development with specific reference on Urban and County Development by developing various strategic plans;
 - (ii) Market development through construction and rehabilitation of various markets;
 - (iii) Local Authority Management and Advisory Services that will ensure improvement in governance;
 - (iv) Reform in Local Government including financial management, human resource management and development, decentralization policy, developing monitoring and evaluation tools, among others.
- 2) It is important to underscore that the Medium Term Plan of the Vision 2030 highlights nineteen (19) "*priority areas*" namely:-

a) Economic Pillars:

- (i) Tourism
- (ii) Agriculture, livestock and fishing
- (iii) Wholesale, retail and international trade
- (iv) Manufacturing
- (v) Business process outsourcing
- (vi) Financial services

b) Political Pillars

- (i) Governance and the rule of law
- (ii) Decentralization

c) Social Pillars:

- (i) Education and training
- (ii) Health
- (iii) Environment, water and sanitation
- (iv) Population, urbanization and housing
- (v) Gender, vulnerable groups and youth

d) Cross-cutting factors (enablers)

- (i) Physical infrastructure
- (ii) Science, technology and innovation
- (iii) Land use and management
- (iv) Public sector reform
- (v) Employment
- (vi) Security, peace building and conflict resolution

In this regard, the Ministry has a key role to play in achieving vision 2030 objectives namely, physical infrastructure, land use and management, decentralization, wholesale, retail and international trade. To this end, the Ministry has an important role to play in achieving the vision 2030 objectives and therefore the medium budget allocation should mirror the aforementioned goals.

2.0. The Budget Policy Statement 2011 and Physical infrastructure sector

According to the sector report for 2011, the priority in the Ministry is to enhance good governance and service delivery in local authorities through proper development and management of systems. Specifically, in order of priority the sector ranks Local Authority Management and Development number four. This is given below:-

- (i) Road Development, Maintenance and Management Programme;
- (ii) National Electrification Programme;
- (iii) Government Buildings;
- (iv) Local Authority Management and Development;
- (v) Transport Infrastructure Development;
- (vi) Housing Development and Human Settlement Programme;
- (vii) Coastline Infrastructure and Pedestrian Access;
- (viii) Metropolitan Infrastructure and Services;
- (ix) Transport Management and Safety;
- (x) Renewable Energy Resources Programme;
- (xi) Petroleum Exploration and Distribution Programme;
- (xii) Procurement Ware Housing and Supply;
- (xiii) Construction Standards and Research;
- (xiv) Centralized Support Services.

The sector working report indicates that for 2011/12, the Ministry requested resources to a tune of Kshs.33,000 million. At sector level, the Ministry was allocated Kshs.18,729. This translates to financing gap of Kshs.14,271 million.

However, in the Budget Policy Statement, the Ministry has been allocated Kshs.19,000 million. This is slightly above the resources shared at sector level.

3.0. Specific issues that need clarification

- i. In order of importance, what is the key priority of the Ministry?
- ii. The Budget Policy Statement indicates only one programme and yet the sector report shows four programmes.
- iii. There is a large discrepancy between the resources required, resources requested and Budget Policy Statement. What is the additional Kshs.281 million going to fund?.
- iv. What is the criteria and spatial distribution of some of the targets such as construction of markets across the country?.
- v. Financing of LATF should be guided by the Local Authorities Service Delivery Plan. Does the ministry look at the plans and ensure there is harmony between the funds disbursed and the plans?.
- vi. To what extent does the Ministry participate in upgrading the various local authorities from one level to another?. Is this in line with service delivery?
- vii. There is a mismatch between the various actors within the local authorities' arena. There is need for proper integration of the various Ministries such as Ministries of Water, Environment and Roads among others. This will go a long way in enhancing service delivery.
- viii. Need for long term strategy of addressing the level of indebtedness of local authorities since LATF that was intended to reduce debts of local authorities has had limited impact.
- ix. The Ministry should table the status of the impact of the LATF programme.

4.0. General issues that need clarification amid the new constitution

- (i) The structure of the local authorities consists of two levels; political and administrative. The political and decision making structure is likely to be taken over by the county governments. There is need to restructure the administrative structure to be in tandem with the new arrangement.
 - a. What is the fate of local authorities in the new constitutional dispensation?.
 - b. Preparedness of local authorities, municipal/town councils on the new dispensation.
 - c. There seems to be a general lack of preparedness with the confusion surrounding the fate of local authorities.
- (ii) Will county governments collect revenues previously collected by local authorities?. Local authorities (city councils, municipal councils, town councils, county councils) collect revenue from single business permits, property rates, Contributions In Lieu of Rates (CILOR), market fees, motor vehicle parking, plot rents, water and sewerage fees, cess receipts, game park fees and house rents. They also receive revenue from LATF, RMLF, CILOR, grants, administration charges, fines and interests,

advertising fees and planning approvals, income from commercial activities among others.

The new constitution stipulates under article 209 (3) that a county may impose property rates, entertainment taxes and any other tax that it is authorized to impose by an Act of Parliament. Article 209 (4) states that the national and county governments may impose charges for services.

It seems that local governments will be collecting the same revenues as county governments. However, LATF may no longer be a source of revenue for county governments even though it is currently the main sources of Local Authorities revenue (The LATF allocation percentage for the year 2007/2008 is 36.3 percent of total Local Authorities revenue). This implies a significant reduction in total county revenue but this will probably be offset by the county's share of revenue raised by the national government.

Collection of revenue is a big challenge to local authorities and there are many defaulters. Thus county governments will need to put in place adequate infrastructure that will enable them to optimize their capacity to generate revenue.

- (iii) Overall, is the Ministry prepared for the new transition?

B) MINISTRY OF NAIROBI METROPOLITAN DEVELOPMENT

1. Mandate of the Ministry

Through the Presidential Circular No. 1/2008 of May 2008, the Ministry of Nairobi Metropolitan development is tasked with developing an Integrated Nairobi Metropolitan Areas Growth and Development Strategy covering among other things:-

- (i) Integrated roads, bus and rail infrastructure for Metropolitan Area.
- (ii) Efficient Mass Transport System for Nairobi Metropolitan Area.
- (iii) Replacement of Slums with Affordable Low cost/rental Housing Provision of adequate Housing.
- (iv) Development and Enforcement of Planning and Zoning Regulations.
- (v) Preparation of Spatial Planning for Metropolitan Area.
- (vi) Efficient Water Supply and Waste Management Infrastructure.
- (vii) Promotion, Development and Investment in Sufficient Public Utilities, Public Services and World Class Infrastructure for Transforming Nairobi into a Global Competitive City for Investment and Tourism.

2. Key Policy Issues for the Medium Term (Medium Term Plan of the Vision 2030)

The following are the key policy issues that ought to guide the Ministry in the 2010/11 budget and the medium term.

- (i) Combating crime and insecurity and as well as overcoming urban planning challenges;
- (ii) Improving infrastructure and utilities;
- (iii) Enhancing transport mobility and connectivity;
- (iv) Provision of basic necessities such as shelter;
- (v) Making Nairobi a hub of investment in Eastern Africa.

3. Ministry's sector priorities

The Ministry of Nairobi Metropolitan Development is ranked eighth in the sector's programme ranking:


- (i) Road Development, Maintenance and Management Programme
- (ii) National Electrification Programme
- (iii) Government Buildings;
- (iv) Local Authority Management and Development
- (v) Transport Infrastructure Development;
- (vi) Housing Development and Human Settlement Programme;
- (vii) Coastline Infrastructure and Pedestrian Access;
- (viii) Metropolitan Infrastructure and Services;
- (ix) Transport Management and Safety;
- (x) Renewable Energy Resources Programme;
- (xi) Petroleum Exploration and Distribution Programme;
- (xii) Procurement Ware Housing and Supply;
- (xiii) Construction Standards and Research;
- (xiv) Centralized Support Services.

4. Issues to follow up with the Ministry

- i. The sector report indicates that for 2011/12, the Ministry requested resources amounting to 9,712 million (580 million in recurrent and 9,132 million in development) but was allocated a total of 1,892 million (334 million in recurrent and 1,558 million in development). Hence the resource gap of 7,820 million. What is the place of the Ministry of Nairobi Metropolitan Development under the current constitutional dispensation? If retained, the Ministry may end up having overlapping mandates with the various county governments.
- ii. For budget accountability purpose, there is need for a clear delineation of the role of Nairobi Metropolitan and other ministries such as

Ministry of Local Government, especially in the new constitutional dispensation.

- iii. There is need for proper alignment of the strategic plan objectives and the year in budgetary provision. The Ministry seems to be contented with the meager resources and yet strategic plan require huge resources.
- iv. What is the purpose of National Urban and Metropolitan Areas Development Board?



Signed.....

(Chair)

Date..... 11. 04. 2011

REPUBLIC OF KENYA



KENYA NATIONAL ASSEMBLY


TENTH PARLIAMENT – FOURTH SESSION

**THE DEPARTMENTAL COMMITTEE
ON
ENERGY, COMMUNICATIONS AND INFORMATION**

**REPORT ON
THE BUDGET POLICY STATEMENT, 2011**

**Clerks Chambers,
Parliament Buildings
NAIROBI**

APRIL, 2011



**RECOMMENDATIONS ON THE BUDGET POLICY STATEMENT BY
THE DEPARTMENTAL COMMITTEE ON ENERGY, INFORMATION
AND COMMUNICATIONS PRESENTED TO THE BUDGET
COMMITTEE.**

1. The Energy, Information and Communications committee oversees sub-sectors in Research, Innovation and Technology and Physical infrastructure as classified in the Sector Working Groups of Treasury. The Committees oversees two Ministries; The Ministry of Energy Ministry and the Ministry for Information and Communications (MIOC).
2. The Committee held a sitting on Thursday 7th April 2011 to consider the Budget Policy Statement (BPS).
3. The Committee noted that the BPS acknowledges that despite progress made, the sectors continue to face major challenges including;
 - Obsolete oil refinery
 - Constrained oil pipeline system
 - High cost of rural electrification
 - High cost of power
 - Weak transmission and distribution network
 - Inadequate power supply capacity/over-reliance on hydropower
 - Non incorporation of ICTs in new buildings design at on-set
 - Inadequate exposure of Kenya to the world as a filming destination of choice
 - Decaying moral values by the youth due to insufficiently controlled broadcast and internet information content
 - Extending access to ICT through extensive partnership between private and public sectors

4. The Committee subsequently made the following observations and recommendations:

- i.) That the challenges in the ICT sector including cable vandalism and cyber crime among others which cripple the ICT industry have not been identified in the BPS. The Committee further notes that no specific intervention strategies are mentioned in the BPS to tackle these challenges among others and recommends specific intervention strategies including formulation and enactment of the necessary policy and legal frameworks.
- ii.) The Committee supports the development of the ICT Park and recommends that adequate resources be allocated to the project so as to facilitate its timely completion.
- iii.) The Committee notes that the BPS has not identified overall goals for Research, Innovation and Technology sector and specific strategies to achieve these goals and recommends that this ought to be done.
- iv.) The Committee is concerned over the unreliable and high cost of power caused by over-reliance on hydro-electricity and notes that there is need to explore renewable energy sources such as wind and geothermal which is available, clean, cheap, reliable and has other indirect benefits. The Committee therefore recommends that the Government should focus mainly on development of geothermal energy and should provide an increase in budgetary allocation to Geothermal Development Corporation (GDC) for successful power production.
- v.) The Committee is also concerned with the relations between GDC and Kengen in relation to supply of geothermal power to the grid and recommends that the Minister critically looks into this issue.

vi.)The Committee commends the work of Rural Electrification Authority (REA) in power connectivity to public utilities in the constituencies but is however concerned with the continuing reduction in allocations to REA (Ksh. 6.6b in 08/09, 6.4 b in 09/10 and 4.2b in 10/11). Further, the Committee notes that, the allocation to REA in 2011/2012 is estimated to be Ksh.4.2 billion which translates to about Ksh.4 million per constituency a drastic decline from 22 million in 08/09 financial year. The Committee feels that with these continuing reductions, REA will only manage to finance electrification of about 200 public utilities by 2012 falling short of the remaining 7,000 public utilities. The Committee therefore recommends an increase of not less than Ksh. 3 billion to REA to speed up rural electrification in line with Vision 2030's target of electrifying all major public facilities by 2012/2013.

vii.) The Committee further recommends that REA be exempted from VAT payments for procurement of various power line materials including transformers, poles, and insulators among others which drive the electrification costs higher and slows down the rural electrification progress.

viii.) The Committee is concerned over the high cost of fuel in the country and recommends that the Minister should formulate policies to effectively address the challenges affecting the sector including insufficiencies at Kenya Pipeline Company (KPC) and Kenya Refineries Limited (KRFL).

ix.)The Committee notes that there is an inadequate framework on Public-Private Partnerships (PPPs) in ICT and recommends this be put in place to ensure extension of access to ICT to all parts of the country through extensive partnership between the public and private sectors.

x.) The Committee is concerned with the absorption rate and utilization of funds in the sector and the value output viz-a-viz the allocations and resolved to monitor usage of these funds by requesting for regular progress reports from the Ministry on implementation of projects viz-a-viz the allocations.

A handwritten signature in black ink, appearing to read 'James Rege', with a stylized flourish extending to the right.

Hon. (Eng.) James Rege, M.P.

Chair, Departmental Committee on Energy, Information and Communications



REPUBLIC OF KENYA

KENYA NATIONAL ASSEMBLY

TENTH PARLIAMENT – FOURTH SESSION

THE DEPARTMENTAL COMMITTEE
ON
AGRICULTURE, LIVESTOCK AND COOPERATIVES

REPORT ON
THE BUDGET POLICY STATEMENT, 2011

PARLIAMENT BUILDINGS
NAIROBI

APRIL, 2011

1.0 INTRODUCTION

The Departmental Committee on Agriculture, Livestock and Cooperatives is established under Standing Order No. 198. Its mandate pursuant to Standing Order 198(3) is-

- a) to investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned Ministries and departments;*
- b) to study the programme and policy objectives of the Ministries and departments and the effectiveness of the implementation;*
- c) to study and review all legislation referred to it;*
- d) to study, assess and analyse the relative success of the Ministries and departments as measured by the results obtained as compared with its stated objectives;*
- e) to investigate and inquire into all matters relating to the assigned Ministries and Departments as they may deem necessary, and as may be referred to them by the House or a Minister; and*
- f) to make reports and recommendations to the House as often as possible, including recommendation of proposed legislation.*

The Committee comprises:

1. The Hon. John M. Mututho, MP (Chairperson)
2. The Hon. Lucas Chepkitony, MP (Vice Chairperson)
3. The Hon. Benson Mbai, MP
4. The Hon. (Dr.) Victor Munyaka, MP
5. The Hon. John D. Pesa, MP
6. The Hon. (Dr.) Erastus Mureithi, HSC, MBS, MP
7. The Hon. (Dr.) Robert Monda, MP
8. The Hon. Frederick Outa, MP
9. The Hon. Evan Akula, MP
10. The Hon. (Dr.) Mohammad Sirat, MP
11. The Hon. Benjamin Washiali, MP

On Wednesday, 23th March, 2011, the Budget Policy Statement (BPS) was tabled in the House by the Minister for Finance pursuant to the provisions of the Standing Order No. 143 of the National Assembly and section 7 of the Fiscal Management Act (2009). Pursuant to the provisions of the Standing Order No 143 (3), the BPS *'.....shall stand committed to the Budget Committee without question put'*.

Thereafter, the Budget Committee is expected to consider the Budget Policy Statement and report back to the House before 15 April 2011, pursuant to the provisions of the Standing Order No. 143 (4), which states that:-

'In considering the Budget Policy Statement, the Budget Committee shall consult each Departmental Committee and shall, not later than 15th April, lay its report before the House'

This Report contains the deliberations of the Departmental Committee on Agriculture, Livestock and Cooperatives on the Budget Policy Statement to the Budget Committee.

In compiling this report, the Committee considered the contents of the BPS as presented by the Minister for Finance and relates to the proposed allocation of the resources among the programmes and projects of the Ministries which the Committee exercises its oversight.

These are the Ministries of-

- (i) Agriculture
- (ii) Co-operative Development and Marketing;
- (iii) Regional Development;
- (iv) Development of Northern Kenya and other Arid Lands;
- (v) Livestock Development; and

(vi) Fisheries Development.

The requirements of the BPS are that the Minister for Finance spells out strategic macroeconomic issues that inform the basis for budget of the succeeding financial year and medium term. These include, that the Minister:-

- (i) state broad strategic priorities for the forthcoming budget;
- (ii) state any changes to short term and medium term intentions; and
- (iii) explain the criteria for allocation of available resources among the set programmes and projects; and
- (iv) explain how the changes in objectives and short-term intentions accord with the principles of responsible fiscal management.

The 2011 BPS is the second to be presented in the House by the Minister for Finance since the passage of the Fiscal Management Act (2009). In the BPS, the Minister explains that it set to build on the implementation of policies and structural reforms set out in the 2010 BPS while also providing for the Budgets for the next three financial years (2011/2012, 2012/2013 and 2013/2014).

The Minister further explains that the BPS provides the basis upon which to make progress in the achievement of the Vision 2030 and towards implementation of the new Constitution.

The Minister also explains that the guiding principle behind the development of the 2011 BPS is the conscious effort to provide for expenditures among the targeted programmes *'in a manner consistent with the objective of reducing government debt in the medium term and also ensuring fiscal sustainability'*.

The Minister also outlines priority areas for the coming budgets to include-

- (i) Infrastructure – particularly roads, investments in clean energy to mitigate against climate change, increasing electric power generation capacity, development of Port of Lamu, modernization of the Port of Mombasa, development of affordable and modern urban commuter and freight railway systems.
- (ii) Implementation of the new Constitution.
- (iii) Security.
- (iv) Adequate allocation to socio-economic sectors, such as, agriculture and rural development, health and education, and support interventions aimed at employment creation.

The Minister justifies that these priority programmes have been identified to have high impact on the national objectives in view of the scarce resources available.

2.0 SCRUTINY OF THE BUDGET POLICY STATEMENT

The Departmental Committee deliberated on the anticipated spending estimates in the Agriculture and Rural Development sector which fall under its purview. The sector comprises of the Agriculture, Fisheries Development, Cooperative Development and Marketing, and Livestock Development.

Although lands fall in this sector, this was not considered since it is a portfolio sector outside the mandate of the Agriculture Committee.

In the scrutiny of the BPS, the Committee noted that the results of the analysis of the data at annex tables 6, 7 and 8 reflects continued low budgetary provisions in the agricultural sector in the coming budgets and in the medium term.

The total share of budget allocation to the agricultural sector is given as 4.4 percent in 2011/2012 compared to 4.0 percent and 3.9 percent in the previous

years, 2010/2011 and 2009/2010, respectively. It is also projected that the sector will attract a share of 4.0 percent and 4.1 percent in 2012/2013 and 2013/2014, respectively.

The figures depict inconsistency for a sector that contributes significantly to an estimated 26 percent of the national GDP in the country. The sector is also very critical in the efforts to achieve sustained economic growth, employment creation (contributes to about 80 percent of employment), exports and poverty alleviation. The progress in the vision to be an industrialized country by 2020 will also rest in the development of agro-based industries.

In July 2003, the Maputo Declaration by African Heads of State and Government has underscored the critical role played by the agriculture in the economies and food security in Africa.

Subsequently, the African leaders at the summit endorsed a *'commitment to the allocation of at least 10 percent of national budgetary resources to agriculture and rural development policy implementation within five years'*.

Therefore, the data on the share of budget allocations to the sector in the BPS indicate that there is no real commitment towards making efforts to attain the goal of 10 percent budgetary allocation to the agricultural sector. This is despite the fact that majority of the population live in the rural areas and relies on agriculture for their livelihoods.

In paragraph 85 of the BPS, the Minister makes reference to regional and international protocols with have bearings on agriculture with no mention of the Maputo Protocol on Agriculture and Food Security.

This works to explain that the country continues to suffer food insecurity and application of haphazard interventions in the response to drought and famine situations which have become frequent occurrences in the country due to climatic change.

In contrast, the countries which have worked towards achieving the target of at least data 10 percent in their national budgets to agriculture have reduced their food insecurity problems. Such countries include Niger (20 percent), Burkina Faso (13.7 percent), Chad (12 percent) and Malawi (11 percent).

Therefore, agricultural expenditure should be given priority and adequately provided for in the budgetary provisions since agriculture remains the mainstay of our economy, growth and development, and alleviating rural poverty.

This can only be possible if we are to make meaningful progress towards what the Minister has described in paragraph 84 of the BPS relating to the goal and aims of the sector. The Minister clearly states the goal of the sector is to achieve:-

'an innovative, commercially oriented and modern agriculture by raising agricultural productivity, exploiting irrigation potential, increasing commercialization of agriculture, undertaking comprehensive review of the legal and policy framework for agriculture, improving governance of agricultural institutions, and land development'.

The sector working report indicates that for the 2011/2012, the sector requested resources amounting to Kshs 41,715 million against the printed estimates in 2010/11 of Kshs 32.057million and ceilings for 2011/12 of Kshs 33,208 million. This indicates a financial gap of Kshs 8,507million.

(iv) Lack of Strategic Agricultural Programmes

The BPS has not spelt out new critical programmes to stimulate growth in the agriculture sector. The irrigation sector which promises prospects in making progress towards achieving food security still continue to remain a function of the Water Ministry.

This is despite the Committee's recommendation during the debate on the financial estimates for the year (2010/2011) that the irrigation component reverted to the Ministry of Agriculture since it is well endowed with the technical capacity to exploit the irrigation potential for food security.

Subsequently, the Committee proposes that a new outfit to replace the National Irrigation Board (NIB) be formed by the Agriculture Ministry to execute the mandate of irrigation function.

The Committee notes that the massive investments in the construction of dams and boreholes by the Ministry of Water and Irrigation appear to be directed at providing the communities with access to water supplies without regard to the irrigation function.

It is also the view of the Committee that the BPS could have provided for priority in development of maize handling facilities at the Port of Mombasa to address issues of trade in maize, such as, cheap importation of maize for the Strategic Grain Reserves (SGR). While on a visit to the Port of Mombasa in 2010, the Committee noted that one of the maize handling facilities had been converted to a fertilizer handling facility (at Mbaraki terminal) by the Grain Bulk Handlers Ltd.

The Committee also proposes that the marketing function of commodities be undertaken through cooperatives. Subsequently, marketing bodies misplaced in the Ministries of Agriculture, Livestock Development and Regional Development be brought under the docket of the Ministry of Cooperatives.

(v) Late Supply of Farm Inputs

The Committee was concerned that the BPS was prepared and tabled in the House at a time when the farmers were raising complaints over delayed supply of seeds and fertilizers.

Consequently, the BPS could have contained strategies in addressing future occurrences of such delays. This is because late planting has adverse impacts on the crop yields.

In the efforts to provide for timely supply of farm inputs, the budgetary provisions should include expenditures for the rehabilitation of the Kenya Farmers Associations' stores to stock the inputs and act as distribution points before the planting season.

To reduce the high cost of fertilizers, the BPS should have spelt out the urgent need to provide for resources to cater for the feasibility studies for a fertilizer factory which has been the talk by the government for sometime now.

(vi) Gender Empowerment

Women provide a source of an estimated 62 percent of farm labour force and the BPS has not spelt out programmes under the agricultural sector to empower women. Schemes including access to farm credit and land to women are missed out yet we are at such times we are fast tracking the implementation process of the new Constitution.

Women are our farm managers and constitute the majority in the rural areas. Subsequently, they are the back bone of our rural agriculture economy and we must provide for their empowerment in agricultural budgets. Therefore the Committee proposes that the women self help groups or '*chamas*' be strengthened by providing with credit incentives to address farm related-issues.

(vii) Recovery of grabbed KARI and ADC land

The Committee is aware that ADC and KARI plots of land in various parts of the country have been grabbed by individuals and thereby disrupting research activities by the two bodies.

The Committee therefore strongly recommends that the Ministry of Lands move expeditiously to recover grabbed pieces of land owned by the state corporations to facilitate for their agricultural research services necessary to improve crop and livestock varieties.

2.2 Ministry of Cooperative Development and Marketing

The BPS failed to give recognition to the critical role of cooperative movement in the economy given the fact that many economies around the world have been built on cooperatives. Cooperatives contribute significantly in terms of creation of employment, settlement of the people, and generation of income and acquisition of property.

There are an estimated 63 percent of Kenyans who draw their livelihood from cooperative-based enterprises in the country. The cooperatives have increasingly become vibrant and have recorded growth in every sector, including agriculture,

finance, housing, construction, labour and industry. It is estimated that the cooperatives contributes a turnover in excess of 200 billion.

The recent entry into the sector by the matatu industry is expected to enhance the mushrooming of cooperatives. This calls for major restructuring and organization of the sector to keep pace with the rapid growth in the sector and make the sector a blessing to the cooperators.

The Committee noted that the BPS has provided budgetary provisions for cooperative tribunal services, compliance, training of management committees of SACCOs, and capacity for commodity value addition and market access.

However, budgetary provision for regulatory mechanisms through building capacity for the newly established SACCO Regulatory authority is lacking. The Committee is aware of strained capacity in the Ministry of Cooperative Development to respond to the dramatic increase in SACCOs arising from registration of matatu SACCOs. There is therefore need for budgets to strengthen the oversight authority to respond to the rapidly expanding cooperative sector.

Although a cabinet memo has been developed which seek to provide for resources in the budget to rescue the giant Kenya Planters Cooperative Union (KPCU) under receivership from collapse, there is no real indication this has been captured in the BPS. It is therefore unclear how the government intends to cushion out the KPCU debts without factoring into the proposed expenditures for the coming budgets against the background of non-provision of Economic Stimulus Package (ESP) in the forth coming budget.

The BPS has also not made reference and made provisions for the envisaged privatization of sugar companies. In view of the Committee, the government should encourage farmers to buy shares through their cooperatives if they have to

reap potential benefits from the privatization. The Cooperatives are well structured and organized to mobilize resources on behalf of the farmers.

2.3 Ministry of Regional Development

The Ministry has the development objective:-

'To achieve an equitable national socio-economic development through sustainable utilization and management of basin-based resources in an integrated manner'

It functions through six Regional Development Authorities (RDAs), namely-

- i) Ewaso Ngiro North Development Authority (EWNDA),
- ii) Ewaso Ngiro South Development Authority (EWNDA),
- iii) Tana and Athi Rivers Development Authority (TARDA),
- iv) Lake Basin Development Authority (LBDA),
- v) Coast Development Authority (CDA) and
- vi) Kerio Valley Development Authority (KVDA).

The BPS has made provisions for implementation of projects whose feasibility studies were envisaged in the 2010/2011 estimates. Therefore, the Committee agrees with the BPS in the proposals.

The BPS has also stated the infrastructural developments which include construction of boreholes and schools in the ASAL areas, and development of irrigation schemes. These infrastructural facilities are necessary to spur development of the ASALs and other areas which suffer water scarcity.

The provision for budgets to cover the sector programme involving rehabilitation of Mau catchment with tree planting is laudable given its importance as the catchment for the rivers that drain into Lake Victoria which is the source of River

Nile. The River Nile provide water resources for its ten (10) basin riparian countries, namely Egypt, Sudan, Ethiopia, Uganda, Rwanda, Kenya, Burundi, Tanzania, Democratic Republic of Congo and Eritrea. These riparian nations have come together under the Nile Basin Initiative to exploit the Nile waters to achieve socio-economic development in the region.

However, the Committee is concerned that most of the dams which have been constructed have not been fully utilized according to original design and works. Consequently, the people have not reaped desired benefits from the huge investments in the dam construction even after they surrender their land for such developments.

The Committee observes that some of the dams which were multipurpose in design have been exploited for only one use, that is, hydroelectricity at the expense of other uses, such as, irrigation, fisheries, water sport and domestic needs.

For example, in a recent visit to Masinga area, the Committee noted that the community continues to experience water scarcity despite its proximity of Masinga and Kiamburu dams. Turkwell dam should also be made an asset to the local people as it currently used for hydropower generation.

The Committee therefore strongly recommends that future budgets provide for implementation of other components of the multipurpose dams in order for the riparian communities to enjoy maximum benefits from constructed dams as new dams are designed and constructed.

The programmes proposed for consideration include de-silting and maintenance, stocking with fish to improve food requirements, water sporting and eco-tourism

in order to maximize accruing incomes and improve livelihoods of the local people of the areas covered by the dams.

2.4 Ministry of Development of Northern Kenya and Other Arid Lands

The Ministry is a cross cutting body that facilitate and coordinate development in the northern Kenya and other ASAL areas which cover an estimated 80 percent of the total area of the country.

The Ministry brings together all stakeholder ministries to work to promote development of the ASAL regions through investments in areas of:-

- Infrastructural Development;
- Township Planning;
- Livestock Development;
- Water Supply and Irrigation;
- Natural Resource Management including tapping of solar and wind energy;
- Mineral Resource Exploration and Development;
- Tourism Development; and
- Human Resource Development.

Given the fact that programmes and projects to be implemented by this Ministry have been provided under the agricultural and regional development sectors and coupled with lack of clear coordination mechanism between the Ministry and its stakeholder line Ministries, it makes it impossible to understand how budgetary provisions in the BPS would be used efficiently and effectively to promote development by the Ministry.

It is also not clear how the development agenda of northern parts of Kenya would be addressed against the background of increased insecurity posed by the

instability in Somalia and subsequent incursions of Al-shabab militants into the region if the BPS has not spelt out appropriate measures and interventions.

The Committee is of the view that road and railway infrastructure, education and provision of water supplies rank high in efforts to open up and facilitating rapid development in the ASALs, especially Northern Kenya.

Subsequently, the BPS ought therefore to have given special mention and explained how the development challenges in the development of Northern Kenya and other ASALs would be addressed in order to effectively bring such areas into mainstream development in Kenya.

The Committee also propopses that:-

- (i) The highway linking Isiolo-Moyale-Liboi-Mandera under construction be fast tracked.
- (ii) A water pipeline along the highway be constructed to supply water from the Mt. Kenya areas and to be charged with borehole waters along its course.
- (iii) Underground electric cables are proposed for construction to provide reliable energy neddss of the areas traversed by the highway.

It is construed that the establishment of the Ministry was informed by efforts to promote development of Northern Kenya and other ASAL areas which for a long time have lack behind due to marginalization and adverse weather conditions.

However, in view of the duplication of sectoral programmes undertaken by the Ministry and other line Ministries, the Committee considers that there is need to review the existence of the Ministry although it may well be consistent with affirmative action in the quest for equitable development in all regions of Kenya.

The Committee further considers that its programmes and projects may well be adequately covered under the Ministry of Regional Development if the Ministry of Development of Northern Kenya is scrapped after all.

2.5 Ministry of Livestock Development

The livestock sector make a major contribution to the country's GDP (12%) and employs an estimated 50 percent of the agricultural labour force.

Statistics also indicate that an estimated 10 million people living in the ASALs depends on livestock for their livelihood.

However, the sector is faced by several challenges in its effort to achieve sustainable livestock production. These include:-

- recurrent droughts which lead to loss of livestock
- insecurity in livestock producing areas due to cattle rustling and conflict over pasture
- fodder and water availability
- disease outbreaks
- export restriction due to livestock diseases
- low budgetary allocation
- understaffing
- inadequate transport for livestock extension officers

The Committee notes that programmes spelt out at annex 9 of the BPS are critical to addressing some of the challenges posed to the sector. In particular, the budgetary provisions for disease control and disease surveillance, disease free zones, branding to control theft of livestock, construction of slaughter houses,

establishment of cooling plants and value addition of milk products, improved livestock breeds, access to artificial insemination services and veterinary research are praiseworthy.

The Committee further notes that the sector has attracted increased provisions of Kshs. 6.77 billion in the 2011/2012 year compared to 6.51 billion in the 2010/2011 year. It is also projected that the provisions would rise to 8.77 billion and 9.90 billion in the 2012/2013 and 2013/2014 years, respectively.

The increasing trend in the proposed budgets in successive years point to the growing significance attached to the livestock sector in the BPS, and especially in raising the livelihoods of pastoralists in ASALs areas who rely mainly on the livestock.

The Committee also notes that the passage of the Veterinary Surgeons and Veterinary Paraprofessional Bill (2010) would be a boon to building and strengthening the capacity and professionalism of the personnel in the livestock sector.

While deliberating on the move by the Minister to provide for budgets in the BPS for slaughter houses, the Committee recommends that these abattoirs be constructed at livestock producing areas to prevent deterioration in quality of the livestock (and meat) due to long distances covered during transportation to the Kenya Meat Commission (KMC) at Athi River, in the Nairobi metropolis.

It was also noted the Ministry of Livestock has been undertaking livestock off-take programme to rid farmers of livestock deaths during droughts very late when mass deaths have occurred. The off-take initiatives must be in real time to rescue farmers.

In the same breadth, the Ministry of Agriculture must remain proactive to cater for the expected increases in crop production occasioned by conducive weather conditions. Recently, farmers in some areas and North Rift in particular were in dilemma where to market successful harvests of maize after they found that the National Cereals and Produce Board (NCPB) was ill-prepared to receive and purchase the maize deliveries.

The Committee proposes that the Ministry establishes livestock holding grounds in the livestock areas to rescue individual farmers from related issues of livestock marketing and allow the Ministry to buy the disposed livestock in bulk.

The Committee further proposes that ADC Mutara and ADC Galana ranches which keep livestock, and the KCC Ltd be brought under the Ministry of Livestock Development as they are misplaced in their current parent Ministries.

The Committee also proposes that disease free zones be extended to cover areas of coast province which is not currently considered in the survey.

2.6 Ministry of Fisheries Development

The potential of fisheries sector to contribute to the national economy in terms of employment creation, foreign exchange earnings, poverty reduction and food security is great. However, the sector had been neglected in the past and emphasis placed on major cash crops such as tea, coffee, pyrethrum, horticulture, and cereal production.

The establishment of the specific Ministry to deal with the development of fisheries meant that the sector is on the path of development of its full potential if the needed resources are adequately provided in the budgets.

During the presentation of last year's budgetary estimates (2010/2011), the Minister for Fisheries Development narrated the pressing challenges which

threaten the fish sector from gaining its momentum of expected growth following the investments being directed to the sector.

The challenges include:-

- piracy (especially off-shore fishing)
- poor storage facilities
- insecurity and poor surveillance
- illegal fishing
- inadequate funds for research
- inadequate and poorly remunerated staff
- poor fish sales and marketing
- lack of fish policy development and implementation
- low stakeholder involvement
- low priority in resource allocation

The BPS has made provisions for priority programmes that appear to address some of the challenges and to promote growth in the sector. These include programme areas of:-

- development of policy and legal framework
- fish production
- aquaculture development
- stocking of farmers ponds with fingerlings
- conservation of fisheries habitats
- Ecosystem management
- fish inspection to ensure quality
- mariculture production

The Committee considers that the proposed allocations to these areas are justified and consistent with the policy priorities of the Ministry. The Committee is aware

that the Ministry has already developed Fisheries Bill which is awaiting introduction in the House. The provision in the budget is therefore opportune to ensure implementation of the activities envisaged in the Bill once passed by the House.

Conservation of habitats and ecosystem management are critical to controlling pollution and degradation of aquatic environments which host fish resources and fish production, and to ensure that fish harvested from these aquatic habitats remains of high quality.

Investment in fish safety and quality is also worthwhile in fish sales and marketing. It is noted that foreign markets, especially the European Union countries, have often placed quarantine on Kenyan fish as not meeting the standards of quality.

However, the BPS has not addressed the fish technologies necessary to control fish harvesting, and the urgent need to deal with sea piracy which the Ministry notes pose a threat to off-shore marine fisheries.

There is urgent need for budgetary provisions to build capacity of our naval officers and marine guards to counteract the menace posed by Somali pirates who continue roam the Indian Ocean off the Kenyan Coast.

The Committee considers the need to develop fish ports at the coast and also at Lake Victoria to ensure rational exploitation of marine fish resources and guard against inappropriate technologies such as trawlers.

There is also urgent need to build capacity in the extension services by the Ministry to cope with the needs of growing fish sector. Many farmers and schools are investing in fish ponds in addition to the number of ponds constructed in constituencies with the assistance of Economic Stimulus Package.

The Committee proposes that in order to sustain water holding capacities in fish ponds in areas faced by water scarcity, the Ministry provides for liners to small scale farmers although this may lead to environmental disposal problems.

In the meanwhile, the Committee concurs with the Minister's proposal during the presentation of the 2010/2011 that the Ministry be renamed the 'Ministry of Fisheries Development and Marine Affairs' to be consistent with its Mandate.

Developments in fisheries surely have the potential to spur rural development, and improve incomes in rural areas while working to ensure food security and diet requirements.

3.0 CONCLUSION

The BPS has outlined the basis for the proposed expenditures in the forth coming budgets in line with the development objectives of the ministries which were under consideration by the Committee.

However, the Committee was not satisfied that the Minister for Finance has provided sufficient budgets to the agricultural sector to drive the agenda and progress towards improved agriculture and to achieve food security, and to move away from over-reliance on food imports in an effort to reduce current poverty levels.

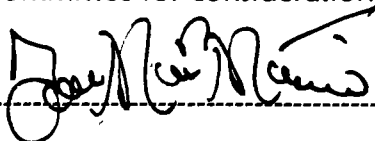
The Committee notes that the progress towards Vision 2030 will also rest in our concerted efforts to make investments in the agro-based industries as the driver of the industrialization process.

Finally, the Committee recommends that:-

- (i) The Ministry of Finance progressively moves towards providing for the 10 percent share of budgetary provisions to the agricultural sector in accordance with the Maputo Protocol which Kenya is a signatory.
- (ii) The government fast tracks the decision to construct a fertilizer factory in order to reduce the cost of fertilizers.
- (iii) The irrigation component currently in the docket of the Ministry of Water be reverted to the Ministry of Agriculture which has the capacity to address issues relating to the sector as explained earlier in the report of the Committee to the House on financial estimates of the 2010/2011.
- (iv) The Ministry of Agriculture be compelled to make a report to the House addressing the status of farm inputs early every year, in preparation of the next planting season. This will ensure that the country is prepared on time for the planting season so as to reap good harvest.
- (v) The Cooperative Societies (SACCOs) be given priority in the purchase of shares in the privatization of companies and that the government recovers fixed assets during the privatization process.
- (vi) The Ministry of Regional Development be merged with the Ministry of Development of Northern Kenya and Other Arid Lands.

With these few remarks and on behalf of the Committee, I now have the duty, privilege and pleasure to present this Report on the Budget Policy Statement (BPS) for the 2011/2012 by the Committee on Agriculture, Livestock and Cooperatives relating to the analysis of the proposed budgetary provisions for the Ministries under the Agricultural and Rural Development sector and Regional Development to the Budget Committee for consideration.

SIGNED



CHAIRMAN
(HON. JOHN M. MUTUTHO, MP)

DATE

12th. April 2011

REPUBLIC OF KENYA



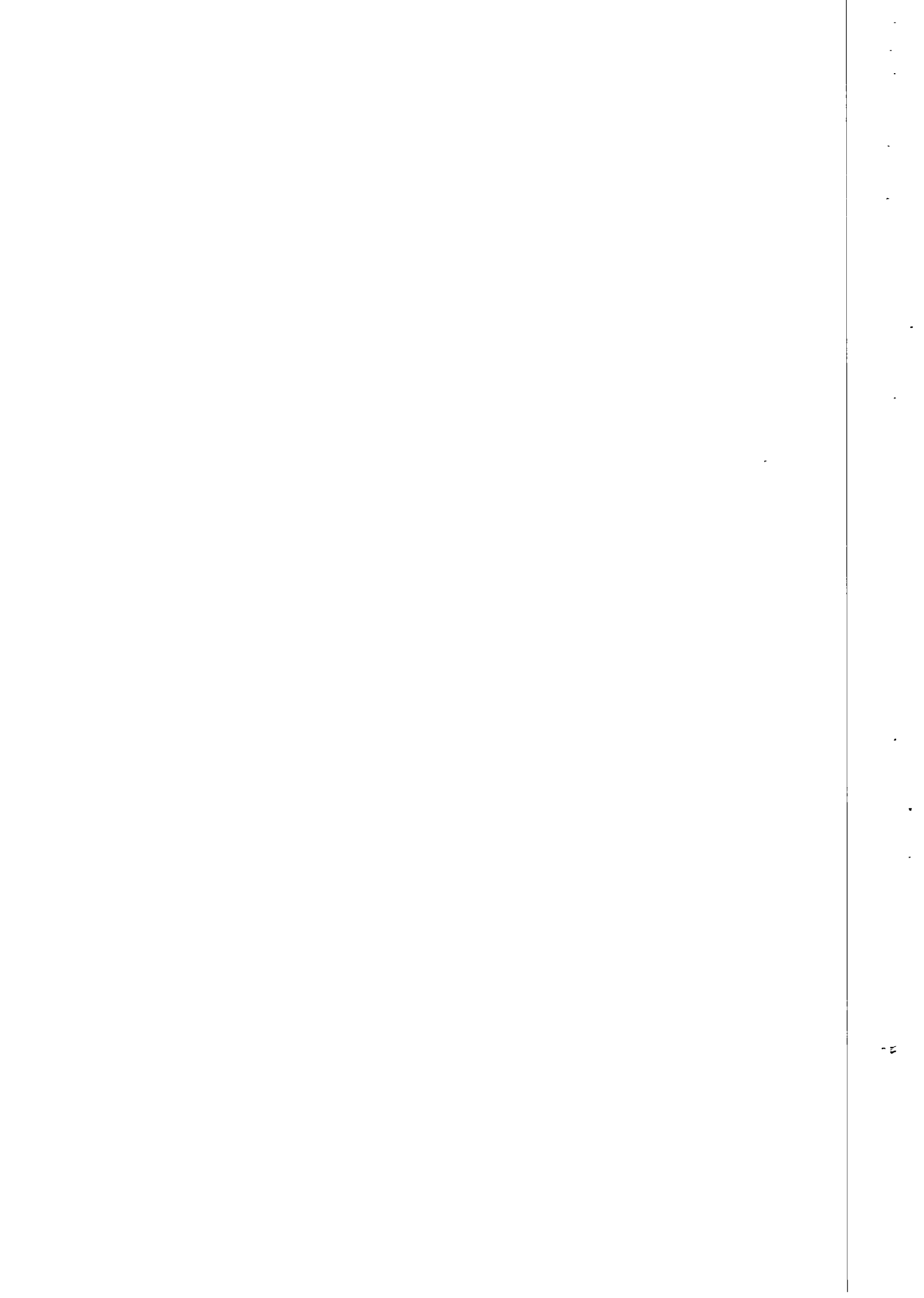
NATIONAL ASSEMBLY

TENTH PARLIAMENT – FOURTH SESSION - 2011

**REPORT OF THE COMMITTEE ON THE
SCRUTINY OF THE BUDGET POLICY STATEMENT
PRESENTED TO THE BUDGET COMMITTEE ON
8TH APRIL, 2011**

CLERK'S CHAMBERS,
PARLIAMENT BUILDINGS,
NAIROBI

APRIL, 2011



PREFACE

Mr. Speaker, Sir,

The Parliamentary Departmental Committee on Administration and National Security was constituted pursuant to the provisions of Standing Order No. 198 of the National Assembly and has executed its mandate in accordance with the provisions of the said Standing Order 198 (3), which mandates the Committee to;

- (a) investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned Ministries and departments;*
- (b) study the programme and policy objectives of Ministries and departments and the effectiveness of the implementation;*
- (c) study and review all legislation referred to it;*
- (d) study, assess and analyze the relative success of the Ministries and departments as measured by the results obtained as compared with their stated objectives;*
- (e) investigate and inquire into all matters relating to the assigned Ministries and departments as they may deem necessary, and as may be referred to them by the House or a Minister; and*
- (f) make reports and recommendations to the House as often as possible, including recommendation of proposed legislation.*

Mr. Speaker, Sir,

The Committee, according to Schedule II of the Standing Orders, examines the following subjects:

- i) Public Administration
- ii) National security
- iii) Internal Security
- iv) Immigration
- v) National Youth Service, and;
- vi) Natural disasters

The Committee deals with the following Ministries and Departments:

- (i) Office of the President (Cabinet Office & State House)
- (ii) Ministry of Provincial Administration and Internal Security
- (iii) Office of the Prime Minister

.....
(i)

- (iv) Ministry of State for Public Service
- (v) The Public Service Commission
- (vi) Ministry of State for Immigration & Registration of Persons
- (vii) Office of the Vice President and Ministry of Home Affairs

Mr. Speaker,

The following are the Members of the Committee:

- The Hon. Fred Kapondi Chesebe, MP **(Chairman)**
- The Hon. Peter Kiilu, MP **(Vice Chairman)**
- The Hon. Cyprian Omollo, MP
- The Hon. Danson Mungatana, MP
- The Hon. Raphael Letimalo, MP
- The Hon. Pollyins Ochieng', MP
- The Hon. Mohamed Hussein Ali, MP
- The Hon. Maison Leshoomo, MP
- The Hon. Nkoidila ole Lankas, MP

Mr. Speaker, Sir,

The Budget Policy Paper (BPS) was laid on the floor of the House by the Finance Minister pursuant to Standing order 143 and the Fiscal Management Act (2009). Standing order 143 (3) stipulates that-

"Upon being laid before the House, the Budget Policy Statement Paper shall stand committed to the Budget Committee without question put".

Standing order 143 (4) provides that-

"In considering the Budget Policy Statement, the Budget Committee shall consult each Departmental Committee..."

Pursuant to the provisions of the said Standing order 143, the Departmental Committee has scrutinized the BPS and presented its report to the Budget Committee. As required by the said Standing order, the Budget Committee has to lay its report in the House not later than 15th April every year.

Mr. Speaker,

..... (ii)

The Committee embarked on the scrutiny of the BPS on 5th April, 2011 after a briefing by the Budget Office. The Committee Members raised a number of issues which they wanted the Government to address in the current budget.

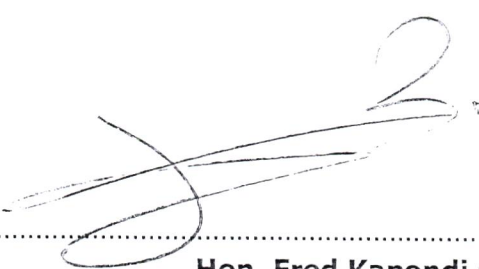
The Committee welcomed the plan by the Government to recruit Police Officers during this financial year. Recruitment of both the Administration and Regular Police had not been factored in the 2010/2011 Budget. Other concerns by the Committee were; the perennial housing shortage for the police; under-funding of key Ministries such as Immigration; continued funding of State Lodges that are barely used, and; poor working and living conditions of prison staff especially the wardens.

Mr. Speaker, Sir,

The Committee lauds Parliament for continued scrutiny of the pre-Budget proposals. The Committee again appreciates the fact that Parliament is now part of the budget formulation process, which is geared to ensuring there is an equitable distribution of resources to all the sectors and regions. The Budget should strive to make sure that the resources are shared equally, if this country is to achieve some meaningful economic growth.

Mr. Speaker,

On behalf of the Committee, it is my pleasant duty to present to the Budget Committee the Report of the Departmental Committee on Administration and National Security on the scrutiny of the Budget Policy Statement, for inclusion into the Budget Committee's Report, and for onward tabling, deliberation and adoption by the House.

Signed.......... Date.....13/04/11.....

Hon. Fred Kapondi Chesebe, MP

Chairman, Departmental Committee on Administration and National Security

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(iii)

**REPORT ON THE BUDGET POLICY STATEMENT BY THE DEPARTMENTAL COMMITTEE ON
ADMINISTRATION AND NATIONAL SECURITY**

8TH APRIL, 2011

Provincial Administration and Internal Security

The sub-sector projected estimates in the MTEF period 2011/2012 total is Kshs.48.0 billion on Recurrent Expenditure while Development Expenditure stands at Kshs.4.1 billion. It is noted that among the important areas of financing by the Government is in the security sector. The Government has budgeted for recruitment and training of Regular and Administration Police officers in the 2011/2012 FY. **The Committee welcomes this funding by the Government.**

1. Operationalization of the new Counties still remains a teething problem given that the new administrative units are now a reality and should be funded. There is need to set aside substantial amounts to establish adequate infrastructure to operationalize the County Governments. **The Committee is of the view that the process of funding for the County infrastructure should start in the current fiscal year, otherwise there will be serious gaps such as lack of offices for staff who will run the County regions.**
2. The Ministry of State for Provincial Administration and Internal Security still lacks adequate vehicles and communication equipment to enable it to discharge the core business of public administration and police patrol. **The Committee requests that for efficient delivery of services, more funds ought to be availed to the Ministry to purchase more vehicles, install enough CCTV cameras in major towns, acquire communication equipment and purchase patrol boats, helicopters and aircrafts and be able to fuel and service them.**
3. Matters of housing and remuneration for serving Police officers still need to be addressed by the Government. **The Committee feels that in order to improve service delivery by the police, their welfare should be looked into. Better housing and remuneration shall immensely boost morale for the officers and spur them to improve performance while they discharge of their duties.**

Ministry of State for Immigration and Registration of Persons

The Ministry's projected estimates for the 2011/2012 MTEF period is Kshs.4.2 billion and Kshs.2.0 billion on Recurrent and Development Expenditures respectively. The Committee recognizes the important role that the Ministry plays especially towards enhancement of security in the country. The Committee is deeply concerned at the slow rate at which registration of persons is being carried out. The Ministry is unable to issue identity cards to new applicants. This has cast serious concerns on whether the Ministry has been adequately

financed to run its programmes without hitches. **The Committee recommends that the Ministry be adequately funded to enable it to run its operations smoothly.**

Office of the Prime Minister

The Office of the Prime Minister estimated resource requirement in the 2011-2012 MTEF period is Kshs.6.0 billion for the Recurrent Expenditure and Kshs.897 million for the Development Expenditure. There is a sharp reduction in the recurrent vote compared to last FY. The Committee made an extensive tour of the Office in November 2010 to ascertain how funds had been used. **The Committee notes with satisfaction that funds allocated during the last financial year to refurbish the Office of the Prime Minister at BP & Shell Building were prudently utilized.**

Cabinet Office

Cabinet Office estimates in the 2011/2012 MTEF period remain constant at Kshs.743 million. The sector plays the important role of Cabinet Affairs and Public Sector Advisory Services.

State Houses and Lodges

Kshs.1.0 billion is earmarked for the Recurrent Expenditure while Kshs.423 million is set aside for the Development Vote in the 2011-2012 MTEF period. **The Committee still feels strongly that funds should be allocated to fund moribund State Lodges that are barely used. Such Lodges should instead be converted to Government Training Institutes, as earlier recommended.**

Office of the Vice President and Ministry of Home Affairs

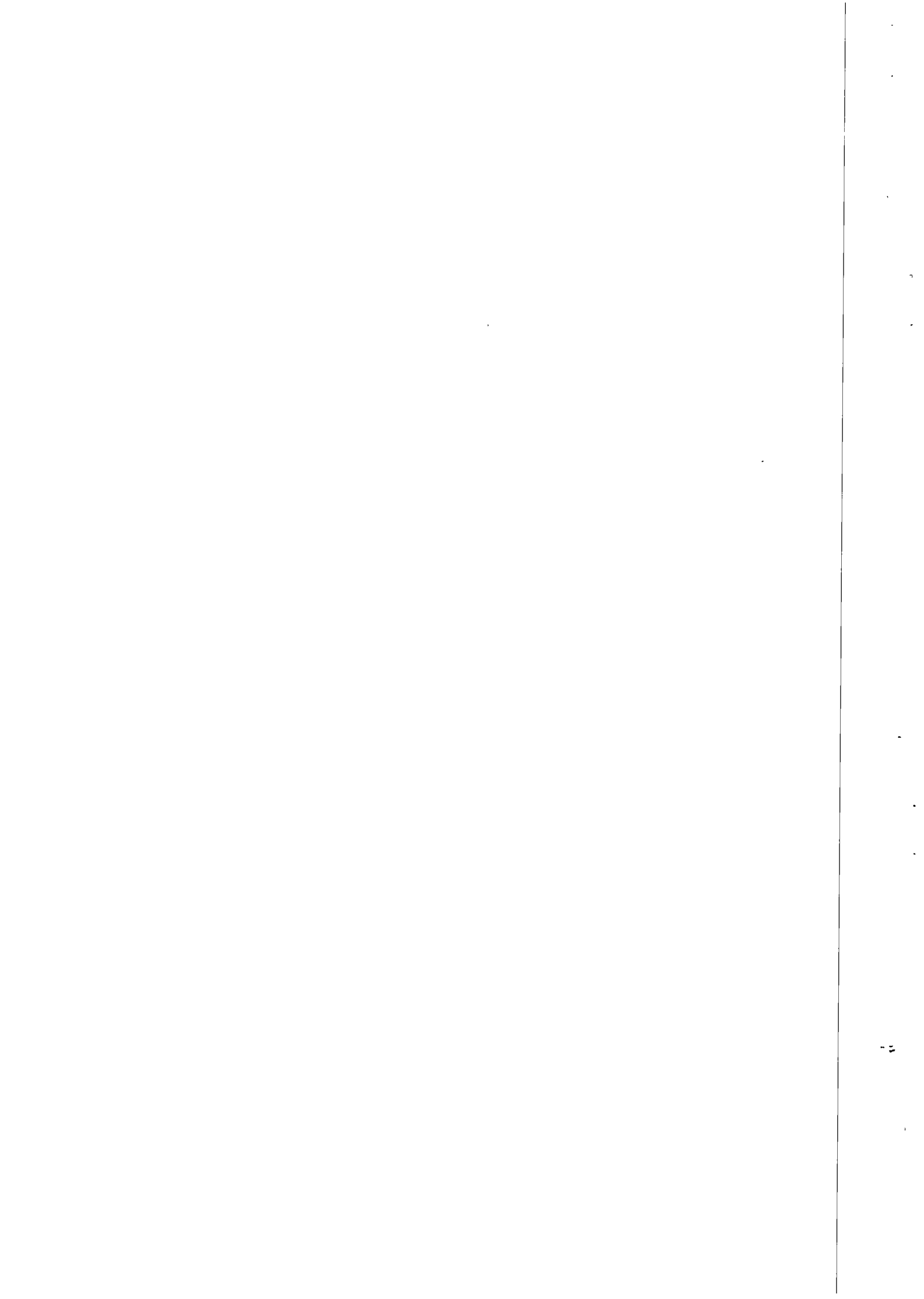
The Ministry's projected estimates in the 2011/2012 MTEF is Kshs.16.0 billion. The Committee notes that a big chunk of the total expenditure is directed at Correctional Services. **The Committee recommends that the housing challenges for prison wardens should be addressed in the budget. The poor living conditions experienced in the living quarters of the prison staff is also a major concern that the Government has to address.**

Ministry of State for Public Service

The Ministry receives a big boost in its Recurrent Vote which stands at Kshs.5.3 billion, while the Development Expenditure is Kshs.1.0 billion in the 2011/2012 MTEF period. **The Committee hopes that the huge increment in the Recurrent Expenditure for the Ministry shall be translated into improved service delivery through Public Service.**

Public Service Commission

PSC Recurrent Expenditure is Kshs. 393 million in the 2011/2012 MTEF period. **The Committee still recommends that PSC should be made autonomous from being a Government department and be empowered to run its own affairs independently.**





KENYA NATIONAL ASSEMBLY

TENTH PARLIAMENT – FOURTH SESSION

REPORT ON THE BUDGET POLICY STATEMENT

By

Departmental Committee on Labour and Social Welfare

(Submitted pursuant to Standing Order 143 (4))

Clerks Chambers
Parliament Buildings
NAIROBI

April 2011

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PREFACE

The Departmental Committee on Labour and Social Welfare was constituted on 17th June 2009 during the third Session of the Tenth (10th) Parliament pursuant to provisions of Standing Orders 198 (1). The Committee executes its mandate in accordance with the provisions of Standing Order 198 (3), from which it draws its mandate to; –

- a) Investigate, inquire into, and report on all matters relating to the mandate, management activities, administration, operations and estimates of the assigned Ministries.
- b) To study the programme and policy objectives of Ministries and departments and the effectiveness of the implementation.
- c) To study and review all legislation referred to it.
- d) To study, assess and analyze the relative success of the Ministries and departments as measured by the results obtained as compared with their stated objectives.
- e) To investigate and inquire into all matters relating to the assigned Ministries and departments as they may deem necessary, and as may be referred to them by the House or a Minister.
- f) To make reports and recommendations to the House as often as possible, including recommendation of the proposed legislation

The Committee is mandated to consider the following issues; Labour, Trade Union Relations, Manpower or Human Resources Planning, Gender, Culture and Social Welfare, Youth, and Children's welfare.

In executing its mandate, the Committee oversees the following Ministries:

- I. Ministry of Labour and Human Resource
- II. Ministry of State for Youth Affairs and Sports
- III. Ministry of Gender and Children Development
- IV. Ministry of State for National Heritage and Culture
- V. Ministry of State for Special Programmes

The Departmental Committee on Labour and Social Welfare comprises the following Members

- I. The Hon. Sophia Abdi Noor, M.P. - Chairperson
- II. The Hon. Lenny Kivuti, M.P. – Vice Chairperson
- III. The Hon. Joseph Oyugi Magwanga, M.P.
- IV. The Hon. Aden Keynan, M.P.
- V. The Hon. Gideon Konchella, M.P.
- VI. The Hon. Elijah Lagat, M.P.
- VII. The Hon. Alfred B. Odhiambo, M.P.
- VIII. The Hon. Clement Waibara, M.P.

- IX. The Hon. Charles Keter, M.P.
- X. The Hon. Polyn's Ochieng, M.P.
- XI. The Hon. Jackson Kiptanui, M.P.

Pursuant to Standing Order 143 (4) in considering the Budget Policy Statement, the Budget Committee shall consult each Departmental Committee and shall, not later than April 15, lay its report before the House.

The reason for having the Budget Policy Statement is to allow the Committee to give input which will be presented to the Minister for Finance by the Budget Committee. It allows the Committee to check whether planning is pegged with available resources.

The Departmental Committee on Labour and Social Welfare perused through the Budget Policy Statement and has the following observations on the Budget Policy Statement in the key areas touching the Ministries under its mandate and is happy to present its findings to the Budget Committee.



The Hon. Sophia Abdi Noor, MP
Chairperson
Departmental Committee on Labour and Social Welfare

Dated: April 12, 2011

1.1 THE BUDGET POLICY STATEMENT 2011

The Ministries under the jurisdiction of the Labour and Social Welfare are; Ministry of Special Programmes, Ministry of Gender, Children and Social development, Ministry of Labour, Ministry of State for National Heritage and Culture and the Ministry of Sports and Youth Affairs.

Treasury, through the BPS 2011 identifies the overall goals for the above sectors as:

- Management of disasters
- Manpower development
- Employment creation and enterprise competitiveness
- Facilitation and empowerment of vulnerable groups including women and youth
- To preserve our national heritage and culture

The BPS acknowledges that despite the progress made, the sectors continue to face major challenges which are:-

- outdated labour market information,
- dilapidated infrastructure and equipments,
- Resettlement of IDPs,
- the increase of Orphans due to HIV and AIDS,
- High unemployment rate and population pressure among youths,
- Child labour and trafficking, and
- Drug substance and Abuse.

The BPS indicates that in the Medium term, the Government seeks to address these challenges through:

- Children's services;
- gender and social and development;
- youth development and empowerment services;
- management and development of sports and sport facilities;
- building capacity in industrial training,
- optimal utilization of human resources;
- National heritage and culture.

1.2 SECTORS FUNDING ISSUES

Resource envelope to Ministries under the Labour and Social Welfare Committee

Ministries	Revised Budget 2010/11			Budget Ceiling 2011/12			
	Recur ent	Dev	Total	Recur ent	Dev t	Total	% chan

							ge
Labour	1,315	1,128	2,443	1,569	1,326	2,895	18.5
National Heritage and Culture	1,731	439	2,170	1,884	637	2,521	16.2
Special programmes	5,621	6,982	12,603	4,102	6,388	10,490	-16.7
Gender and Social Development	2,853	3,282	6,135	2,775	3,432	6,207	1.2
Youth Affairs and Sports	5,756	4,672	10,428	5,543	4,922	10,465	0.35

1.3 INTERVENTIONS ISSUES

No specific interventions strategies in the Labour and Special programmes sectors are mentioned. Moreover, the sectors programmes are attached to the BPS at gross levels without indicating strategies to achieving them.

The Committee noted that the following issues remain some of the challenges in the Labour and Special Programmes sectors.

- Disaster management and policy framework
- Evaluation mechanism on what qualifies for emergency intervention / response.
- Resettlement of IDPs and refugees issues.
- Effectiveness of Special funds Youth Enterprise Development Fund, Women Enterprise Development Fund the awareness levels, uptake and recovery of loans challenges and solutions
- Eminent resource leakages in the Special Programmes sector due to emergency type of expenditure within a weak financial framework.

MINISTRY OF YOUTH AFFAIRS AND SPORTS

1.1 APPROVED ALLOCATION FOR 2010/2011 FINANCIAL YEAR

Recurrent Budget:

- Personnel Emoluments Kshs. 1,625M
- Grants & Transfers Kshs. 622M (SSMB, YEDF & Sports)
- O & M Expenses Kshs. 3,509M

Development Budget:

- GoK Kshs. 3,118M
- Loans Kshs. 200M
- Grants Kshs. 1,354M

Total Budget **Kshs. 10,428M**

1.2 SUMMARY OF EXPENDITURE BY PROGRAMMES AND SUB PROGRAMMES FOR 2010/2011 FINANCIAL YEAR

Programmes/Sub Programmes	Approved 2010/11 (Kshs. in Millions)	Estimate 2011/12 (Kshs. in Millions)
Programme 1: Youth Development Services		
National Youth Service Training	3,545	3,558
Youth Polytechnic (YP) Training	2,112	2,119
Youth development services	1,717	1,724
Youth Employment Services	882	885
Total Expenditure for Programme 1	8,257	8,286
Programme 2: Management and development of Sports and Sports facilities		
Community Sports Programme	463	465
Sports administration and Development	1,546	1,551
Development of sports facilities	162	163
Total Expenditure for Programme 2	2,171	2,179
Total Expenditure of vote	10,428	10,465

1.3 PROGRAMMES OUTPUTS AND PERFORMANCE INDICATORS IN 2010/2011 F/Y

YOUTH DEVELOPMENT SERVICES		
Outcome: Development and Empowerment of Youth		
	Key Performance Indicators	Key Outputs
SP 1.1	National Youth Service Training	
	Create Skilled Manpower in Building/Artisan (Skilled disadvantaged and orphaned youth)	5448 Graduates trained (2754)
	Trained youth in paramilitary skills	13692 Recruits trained
	Barracks for service men/women	25 Barracks constructed
	Create skilled manpower in driving (Skilled disadvantaged and orphaned youth)	600 Graduates trained (525)
	Create skilled manpower in engineering (Skilled disadvantages and orphaned youth)	1366 Graduates trained (400)
	Create Skilled Manpower in Business Management (Skilled disadvantaged and orphaned youth)	1350 Graduates trained (300)
	Create Skilled Manpower in Catering (Skilled disadvantaged and orphaned youth)	732 Graduates trained (221)
	Km of road Constructed	28 Kilometres of Hola-Garsen Road constructed by June 2010
SP 1.2	Youth Polytechnic (YP) Training	
	YPs Rehabilitated and revitalized	64 YPs rehabilitated and revitalized
	YP Instructors inducted	1388 instructors inducted
	YPs Equipped	168 YPs Equipped with a set of workshop tools for one trade.
	YPs inspected on Quality Assurance	550 YPs inspected on Quality Assurance
	Curriculum Implementation	49 YPs Piloting new Curriculum
SP 1.3	Youth Development Services	
	Youth trained on entrepreneurship	150,000 youth trained on entrepreneurship
	Youth Empowerment centers constructed.	30 Empowerment centers completed and equipped.
	Sensitized youth on crime, drugs and substance abuse	55,800 youth sensitized
	Youth trained in leadership, life skills and vision 2030	525,000 Youth trained

1.4 ALLOCATION AND REQUIREMENTS FOR 2011/2012 FINANCIAL YEAR

RECURRENT	ALLOCATION (In Kshs. Billion)	REQUIREMENTS (In Kshs. Billion)
Personal Emoluments	1,674	1,871
Grants & Transfers	622	622
O & M	3,247	6,271
Total Recurrent	5,523	8,764
DEVELOPMENT		
GoK	3,368	8,354
Loans	200	200
Grants	1,354	1,354
Total Development	4,922	9,908
TOTAL FOR VOTE 42	10,465	18,672

1.5 PROGRAMMES FINANCIAL SHORTFALL 2011/2012 FINANCIAL YEAR

1.0 *RECURRENT*

1.1 *PERSONAL EMOLUMENTS*

- *Instructors Allowances – NYS Gilgil*
 - *Recruitment of Technical Officers*
 - *Gratuity – Civil Servants*
 - *NYS Uniformed Officers enhanced allowances*
- TOTAL**

Kshs.197,429,865

1.2 *OPERATIONAL AND MAINTENANCE EXPENSES*

1.2.1 *National Youth Service*

- *Food and rations*
- *Uniform and Clothing for Trainees*
- *Bedding and Linen for Trainees*
- *Trainee Allowances*
- *Training Materials for Training Institutions*
- *Utilities*
- *Travel Costs*
- *Veterinary Supplies*
- *Fungicides, Insecticides and Sprays*
- *Agricultural Material Supplies*
- *NYS Disaster Preparedness (protective gear)*
- *Small Equipment and Supplies*
- *Purchase of Animal and Breeding Stock*

- *Refined Fuel and Lubricants*
- *UHF Radio Communication System*
- *Fuel Expenses*
- TOTAL** **Kshs. 1,123,267,000**

1.2.2. Department of Sports

- *All Africa Games*
- *International Qualifiers*
- *World Championships*
- *Harambee Stars 2012 Qualifier matches*
- *London Olympics*
- *Local training for other international events*
- *Establishment of the sports development authority*
- TOTAL** **Kshs 1,440,000.00**

1.2.3. Department of Youth Training

- *Examination/piloting of New Curriculum (NCVET)* **Kshs 60,000,000**

1.2.4. National Youth Council Elections

- *Rent for Uchumi House*
- *Operationalizing National Youth Council*
- **TOTAL** **Kshs 355,000.00**

1.2.5. Sports Stadia Management Board

- *Pending Bills for utilities* **Kshs 46,000.00**

RECURENT SUB-TOTAL **Kshs 3,221,696,865**

2.0 DEVELOPMENT

2.1 National Youth Service

- *Construction of Buildings*
- *Refurbishment of Residential/Non-residential Buildings*
- *Completion of Hola-Garsen road*
- TOTAL** **Kshs 1,461,000.00**

2.2. Department of Sports

- *Rehabilitation of Moi Stadium Mombasa, Kirigiti and*
- *General Kago Stadia*
- *National Sports Institute*
- *Public Golf Course at Kasarani*
- TOTAL** **Kshs. 1,080,000.00**

2.3. Sports Stadia Management Board

- *International Sports Academy*
- *Renovation of Stadia (Moi Stadium Kisumu, Bukhungu, Ruringu and Kipchoge Keino Stadium)*
- TOTAL**

Kshs 995,000,000

2.4. Department of Youth Training

- *Contractual Employees (YPs Instructors)*
- *Construction/Rehabilitation of Field Offices*
- TOTAL**

Kshs 110,000,000

2.5. Department of Youth Development

- *Youth Empowerment Centres – Construction (104 No.)*
- *Youth Empowerment Centers – Equipping (106 No.)*
- *Construction of Field Offices*
- *Construction of National Development Infrastructure*
- TOTAL**

Kshs 1,240,000.00

2.6 General Administration and Planning

- *Purchase of vehicles 30 No. at Kshs. 3M for the Newly created Districts*
- TOTAL**

Kshs. 90,000,000.00

DEVELOPMENT SUB-TOTAL

Kshs 4,986,000.00

GRAND TOTAL

Kshs 8,207,696,865

3.0 OBSERVATION

The Committee observed that the Ministry has many projects and programmes that are geared towards fulfilling vision 2030 and which are of great help to the youths as they gain training and acquire employment through these projects and programmes. Some of the programmes and projects such as the construction and equipping of the youth centres need to be fast tracked for the purposes of equity in all the constituencies. Other programmes such as the youth training and development need to be given priority as that equips the youth with the proper skills for the economic growth. There is also need to come give adequate funding for the formation of the ongoing youth council for proper implementation of the youth policy. It is therefore paramount for the Ministry to get all the required funding so as to continue the noble work that they are doing for the youth of the country.

4.0 RECOMMENDATIONS

The Committee therefore finds the request for more funds by the Ministry justifiable and recommends that the Ministry gets additional funds in the following areas:-

- Personal emoluments which include; instructors allowances – NYS Gilgil, recruitment of technical officers, gratuity for civil servants and NYS uniformed officers enhanced allowances totalling up to **Kshs197, 429,865.**
- Operational Expenses, for the National Youth Service totalling up to **Kshs1,123,267,000.**
- Department of Sports, which has the following activities; All Africa Games, International qualifiers, World championships, Harambee Stars 2012 qualifier matches, London Olympics, Local training for other international events and establishment of the Sports Development Authority totalling up to **Kshs1,440,000,000**
- The Department of Youth Training, **Kshs60,000,000** for examination/piloting of the new curriculum
- The Department of Youth Development, **Kshs355,000,000** for the National Youth Council elections, rent for Uchumi House and operationalization of the Youth Council.
- The Sports Stadium Management Board **Kshs46,000,000** to pay pending bills.

Development Budget

- The National Youth Service, **Kshs1,461,000,000** for construction of buildings, refurbishment of residential/non residential buildings and completion of the Hoal – Garsen road.
- The Department of Sports **Kshs1,080,000,000** for rehabilitation of the Moi Stadium Mombasa, General Kago and Kirigiti, National Sports Institute and Public Golf Course at Kasarani.
- The Sports Stadium Management Board, **Kshs1,005,000,000** for International Sports Academy, and renovation of Stadium (Moi Stadium Kisumu, Bukhungu, Ruringu and Kipchoge Keino Stadium).
- The Department of youth training, **Kshs110,000,000** for contractual employees (YP instructors) and construction/rehabilitation of field offices.
- Department of youth development, **Kshs1,240,000,000** for construction of 104 Youth Empowerment Centres, equipping of 106 Youth Empowerment Centres, construction of field offices and construction of National Development Infrastructure.

- A total of **Kshs 25,974,223** has been spent being funds for purchase of building materials for construction of houses for IDPs on Government purchased land.
- A total of **Kshs. 57,206,800** will be spent on logistics, purchase of food and non-food items for IDP Resettlement on newly purchased land.

1.6. UNDP funded livelihoods recovery project

- 4 District Business Solutions Centres (DBSC) Have been established and equipped, one in Nakuru, Eldoret, Kitale and Kisumu at a cost of Kshs 11 million.
- 1,459 women and youth were trained on entrepreneurship and business development skills at a cost of Kshs 2.52 Million.
- 1600 households were supported with farm inputs including seeds and fertilizers at a cost of Kshs 4.265 million.
- 444 acres of IDP land in Giwa farm was ploughed at a cost of Kshs 1.5 million.
- 15 fish ponds were constructed in Nakuru district benefiting 300 households. In addition 54 households in Kisumu have been supported with 1,080 fishing nets, at a total cost of Kshs. 3.6 million.
- 48 dairy cows have been procured at cost of Kshs. 3.5m and distributed to IDP households in Kisumu, Eldoret, Kitale and Nakuru.
- 20,000 trees have been planted at a cost of Kshs. 2.9m in Kitale and Eldoret.
- Psycho-socio support and counseling mainly in the Rift Valley Province was provided to 1,639 people at a cost of Kshs. 670,000.

Restoration of farm infrastructure and rural livelihood project (ADB)

- This was an African Development Bank/GoK funded project costing Kshs. 1.4 billion spread over 3 years.
- 5,816 houses were constructed for IDPs in the greater Molo and Uasin Gishu Districts.
- In addition 8,500 householders were provided with farm inputs.
- An additional 6,609 beneficiaries are expected to receive farm-inputs and houses in the next financial year.

Disaster Risk Reduction and Preparedness

- Translation of information, education and communication materials has been done and buying of non-foods items

1.7 PROGRAMMES FINANCIAL SHORTFALL 2011/12 FY.

National Food Security

National Food Security, Strategic Grain Reserve (SGR) stocks currently stands at 3 million bags. The target for SGR next financial year is to increase the stocks to 6 million bags totaling Kshs 5.4 billion hence requires an additional Kshs 3.9 Billion. The objective is to ultimately raise the stocks to 8 million bags.

The ministry has over time borrowed 2.5 million bags of SGR maize for relief program. The Ministry requires Kshs 4.5 billion to clear the above debt.

Department of Mitigation and Resettlement

The Ministry has been directed to fast track resettlement of forest evictees among other IDPs. Therefore it requires additional fund totaling to Kshs. 960 million to cater for the construction of houses, purchases of food and non-food items, sanitation and engagement of Psycho Socio Counselors.

National aids Control Council

The NACC was allocated Kshs 323 million and not Kshs 302 million as indicated in the Recurrent ceilings for the period 2010/12/2013/2014. This was to take care of the implementation of the new KNASP III 2009/10-20-2012/13 and strengthen the operations of the decentralized structures. Treasury is yet to allocate the Kshs 21 million.

At least 60% of HIV/Aids funding may be given by GoK and not continue to rely on Donors.

Relief and Rehabilitation

The Ministry spent Kshs. 350 million on logistics (transport cost and other charges) for distribution of relief food and non food items to various parts of the country.

The Ministry will require an additional Kshs. 100 million to cater for the escalating costs of fuel and maintenance.

The pending bill owed to NCPB as agency fees for storage and maintenance of relief food and reconciliation of the bill is ongoing.

Western Kenya Community driven and Flood Mitigation

It is expected that in the next Financial year the donor funding will resume to the tune of Kshs. 722 Million and the counterpart GOK funding will be Kshs. 104 million.

1.8 OBSERVATIONS

The Committee was concerned with the constant state of unpreparedness by the Government to deal with disasters and hence the need to allocate the Ministry all the required funds to ensure adequate preparations.

Further, the issue of IDPs has been an ongoing concern and the Committee would like to have them settled.

There is also the constant issue of food security which the Government needs to give priority in ensuring that there is enough stock in the Strategic Grain Reserves.

Further, that:-

- The prevailing drought in the country has led to increase in relief requirements.
- Rising inflation rate has resulted in rise of food and fuel costs which is affecting relief programme.
- There is a long process of procurement of land to resettle IDPs.
- HIV transmission is spreading faster within marriage/heterosexual union, rural areas leading to higher HIV prevalence rates compared to urban areas.
- The most at risk populations have expanded, this calls for a change in strategy in the national response.
- The Western Kenya Community Flood Mitigation Project will resume in April 2011
- Over 500,000 bags of maize was purchased raising stock to 3.1 million bags from 2.6 million bags.
- The ministry has over time borrowed 2.5 million bags of SGR maize for relief program and requires Kshs 4.5 billion to clear the debt.
- The Disaster Management policy has been formulated and ready for cabinet approval.
- Ksh 436 million Japans grant in form of equipment will be received for disaster management.
- The Ministry needs to create 47 Disaster preparedness offices within the counties.
- Training is ongoing at Moi University on disaster preparedness.
- Water tracking is being done in major 15 areas.

1.9 RECOMMENDATIONS

The Committee therefore was of the view that the request for additional funds by the Ministry is justifiable so as to deal with the issues above and therefore recommends the following:

- **National Food Security**
Kshs4.5 billion added for the Strategic Grain Reserve so as to raise the number of bags from 3 million to 8 million.
- **Department of Mitigation and Resettlement**
Kshs950 million be added to cater for the construction of houses, purchase of food and non food items, sanitation and engagement of psycho socio counsellors for the IDPs.
- **National Aids Control Council**
Treasury allocates Kshs21 million to take care of the implementation of the new KNASP 111 2009/10 -20-2012/13 and strengthen the operations of the decentralized structures.
- **Relief and Rehabilitation**
An additional Kshs100 million be given to cater for the escalating costs of fuel and maintenance.
- **Western Kenya Community Driven and Flood Mitigation**

The GOK gives **Kshs104 million**, as it is expected that in the next financial year, the donor funding will resume to the tune of Kshs722 million.

MINISTRY OF LABOUR

1.0 To address the challenges and emerging issues the ministry has prioritized the implementation of various projects and programmes aimed at creating a vibrant and competitive human resource within a conducive work environment.

1.1 **PROGRAMMES OUTPUTS AND PERFORMANCE INDICATORS 2010/11 FY.**

- The Ministry has prepared a National Occupational Safety and Health Policy and the National Policy on Child Labour and submitted the two policies to Cabinet. In addition a Draft National Productivity Policy and the National Employment Policy have been prepared awaiting submission to cabinet.
- The Ministry has resolved 4,411 reported industrial disputes.
- Time taken to resolve reported industrial disputes has been reduced from 12 months at the beginning of the 2010/11 Financial Year to an average of 4 months.
- A total of 3,378 workmen's compensation cases have been processed out of which 126 claims were settled thus exhausting the budgetary allocation in 2010/11 financial year of Kshs. 89,093,347 for the item.
- The Ministry has trained 96 Productivity Technical service Providers (TSPs) productivity Improvement programmes have been implemented in 7 private sector enterprises in Mombasa and Kisumu.
- The Ministry has carried out 5,909 workplace inspections aimed at increasing compliance with labour laws.
- The Industrial Court has arbitrated and awarded 376 trade disputes.
- The Ministry has secured premises for the establishment of a Regional Industrial Court in Mombasa. Refurbishment works are on-going.
- The pilot of the National Manpower Survey was carried out and a report prepared. Survey instruments have been reviewed and the sample design and methodology for the main survey developed.
- A total of 3,439 jobseekers were placed in employment through the public employment services.
- All the 45,078 candidates who registered for trade testing were examined and certified.
- The Ministry trained 2,849 students in the relevant industrial skills and attached 5,192 students in industry to expose them to the world of work.
- A total of 4,711 members of health and safety committees and other workers were trained on Occupational Safety and Health matters.
- 3,023 hazardous industrial equipments were examined to enhance safety at workplaces.

- The Ministry has acted upon 664 cases out of the 692 reported cases within the timeline of 1 month. This translates to 95.9% of all reported cases being acted upon within the set 1 month period.
- Construction of the Occupational Safety and Health institute is at 41% completion level.
- 23,844 workers in hazardous occupations were examined and action taken on the affected cases.
- The Micro and Small Enterprise (MSE) Bill was finalized and submitted to the Cabinet.
- 376 Micro and Small Enterprise (MSE) operators were facilitated to attend local, regional and international exhibitions and trade fairs.
- 171 Micro and Small Enterprise (MSE) operators were trained on entrepreneurship.
- Expansion and refurbishment works were carried out in the five industrial training centres in Nairobi, Athi River, Mombasa and Kisumu. The Ministry has secured funding to the tune of Kshs. 859.36 million from Government of Korea for major expansion and upgrading of the Technology Development Centre, Athi River.

1.2 BUDGETARY ESTIMATES TO THE MINISTRY FOR THE 2011/12 FY

Programme	Approved Estimates for 2010/11 (Million Kshs.)	Estimate for 2011/12 (Million Kshs.)
Promotion of harmonious industrial relations	353	434
Arbitration of trade disputes	99	140
Promotion of occupational safety and health services	236	278
Human resource planning, development utilization	198	191
Employment promotion	63	66
Micro and small enterprise development	167	250
Productivity improvement, awareness, measurement and promotion	29	33
Provision of industrial skills in the country	1045	389
Policy, planning and administration	254	332
	2,444	2,114

1.3 PROGRAMMES FINANCIAL SHORTFALLS 2011/12 FY.

The ministry has continuously been grossly under-funded both in the recurrent and development budgets, a situation that has hampered its capacity to offer quality services. The following are the most affected areas which require immediate attention before finalization of the 2011/12 Financial Year budget:-

Recruitment of Employees – Kshs 182 million

As per the 2011/12 financial year ceilings the Ministry was allocated Kshs. 577 million for personnel emolument. Out of this allocation the Ministry can only be able to cater for the basic salary, personal allowances paid as part of the salary and reimbursable allowances for the existing staff. The Ministry has no funds for additional recruitment in 2011/12 financial year. Consequently, the Ministry requires additional funds for the recruitments of Technical officers whose resultant expenditure is estimated at Kshs 182 Million.

Rent Arrears – Kshs 130 Million

The ministry has rent arrears of Kshs. 130 million owed mainly to the National Social Security Fund (NSSF). Due to inadequate budgetary provision, the Ministry has only managed to allocate the rent for 2011/12 occasions promised to consider providing funds for clearance of the arrears but this has not been forthcoming.

Furniture and office equipment – Kshs 16 million

The situation is more severe in the field offices where some officers do not even have chairs and basic office tools. Within the ceilings provided in 2011/12 financial year, the Ministry has allocated Kshs 14 million for furniture, Kshs 14 for purchase of computers and printers and Kshs 3 million for photocopiers. The ministry requires an additional Kshs 6 million to cater for office furniture and equipment in the 2011/12 financial year.

Pending Bills – Kshs 40 Million

The Ministry has not been able to adequately meet its obligations to contractors for services delivered. There is therefore need for an additional allocation of Kshs 40 million to clear pending bills and enhancement of future allocations for these items to avoid further pending bills.

Workmen Compensation – Kshs 191 million

The Ministry has pending Workmen compensation cases for Civil Servants injured in the course of duty. As for 30th March, 2011, the Ministry had processed 1,587 cases but could manage to pay 126 claims with the Kshs 89 million allocated in the 2010/11 financial year. The remaining 1,461 cases amounting to Kshs 573 cannot be paid due to lack of funds.

Upgrading and Refurbishment of Industrial Trainign Centres – Kshs 120 Million

The Directorate of Industrial Training (DIT) coordinates (5) Industrial Training Centres in Nairobi, Mombasa, Kisumu and Athi River. The Kenya Vision 2030 has identified these centres as crucial vehicles for achieving the human resource base capable of meeting the challenges of a rapidly industrializing economy. Four of these centres were constructed over 30 years ago and their infrastructure is currently dilapidated.

Digitalization and Automation of Ministry Activities – Kshs 42 Million

As per the Presidential directive all the ministries/departments are expected to computerize their registries in order to improve service delivery. This was reiterated by Ministry of State for Public Service vide Circular Ref. No. MSPS.

1/3/5A VOL. VIII (98) dated 23rd July, 2010 on Establishment of Record Management Units in Ministries/Departments. All Ministries are expected to computerize their operations and spearhead the adoption of Integrated Records Management Systems (IRMS). The Ministry requires an estimated Kshs 50 million to initiate these activities. The Ministry has allocated Kshs 8 million for digitalization and automation of Ministry activities in the 2011/12 Financial year. An additional Kshs 42 million is therefore required towards this exercise which is expected to greatly improve service delivery standards.

Foreign Travel Expenses – Kshs 11 million

Kenya is a signatory to the International Labour Organization (ILO). The Ministry is expected to participate in all ILO scheduled meetings.

1.4 OBSERVATIONS

The Committee was of the view that, the Ministry has been grossly underfunded year after year and thus the Ministry has not been in a position to conclude/ and or start some of its projects and programmes. Among these programmes is the employment of more staff, refurbishment of the Industrial Training Centres which are in a very bad state to an extent of being referred to as unfit for dwelling by NEMA, lack of furniture and equipment for both the new and old offices, payment of the workmen's Compensation bill which has accumulated over the years and digitalization and automation of the Ministry's activities which is a requirement by the Government.

1.5 RECOMMENDATIONS

The Committee therefore recommends that the Ministry gets additional funding in the following areas:-

- **Recruitment of Employees**
Kshs182 million for recruitment of technical officers.

- **Rent Arrears**
Kshs130 million to pay rent arrears owed to the National Social Security.
- **Furniture and Office Equipment**
Kshs16 million to cater for furniture and office equipments which are lacking especially in the field offices.
- **Pending Bills**
Kshs40 million to clear the bills for contractual obligations relating to cleaning, telephone, security and water and sewerage services .
- **Workmen Compensation**
Kshs191 million to clear pending workmen compensation.
- **Upgrading and refurbishment of Industrial Training Centres**
Kshs120 million to refurbish the centres which were constructed over 30 years ago and are in dire need of expansion, and refurbishments works including re-roofing, plumbing, sanitation and drainage, electrical re-wiring, re-painting, flooring and other civil works and re-equipping.
- **Digitalization and automation of Ministry activities**
Kshs42 million for digitization and automation of the Ministry's activities
- **Foreign Travel expenses**
Kenya is a signatory of the International Labour Organization and the Ministry is expected to participate in all the scheduled meetings hence the need for an additional Kshs11 million.

MINISTRY OF GENDER, CHILDREN & SOCIAL DEVELOPMENT

1.1 PROGRAMMES OUTPUT INDICATORS 2010/11 FY

ALLOCATION FOR 2010/2011 FINANCIAL YEAR, KSHS MILLIONS.

Programme	Recurrent	Development	Total	Percentage
Policy and General Administrative Services	601.87	16.51	618.38	10.36
Gender and Social Development	980.36	830.00	1,810.36	30.35
Children Services	1,270.89	2,265.91	3,536.80	59.29
<u>TOTAL</u>	<u>2.853.12</u>	<u>3,112.42</u>	<u>5,965.54</u>	<u>100.00</u>

1.2 PROGRAMMES FINANCIAL SHIORTFALL 2011/12 FY

ALLOCATION FOR 2011/2012 FINANCIAL YEAR IN KSHS. MILLIONS

Programme	Recurrent	Development	Total	Percentage
Policy and General Administrative Services	494.36	12.50	506.86	7.50
Gender and Social Development	999.73	1,390.11	2,389.84	35.35
Children Services	1,281.21	2,582.21	3,863.42	75.15
<u>TOTAL</u>	<u>2,775.30</u>	<u>3,984.82</u>	<u>6,760.12</u>	<u>100.00</u>

1.3 BUDGETARY REQUEST VERSUS ALLOCATION FOR FY 2011/2012

Programme	2010/11 Approved Estimates	Request 2011/12	Total 2011/12 Allocation	Variance
Policy and General Administrative Services	618.38	580.5	506.86	73.64
Gender and Social Development	1,810.36	7,313.5	2,389.84	4,923.66
Children Services	3,536.80	4,951.9	3,863.42	1,088.48
TOTAL	5,965.54	12,860.8	6,760.12	6,085.78

1.4 PROJECTED OUTPUTS OF PRORAMMES AND PROJECTS FOR 2011/2012 FY.

Sub-Programme	2011/12 Allocation (Kshs. Billions)	Projected Output	Disaggregated Allocations for Specific Activities (Kshs. Billions)

Policy and General Administrative Services (<i>Heads 558, and parts of 900 and 122</i>)	506.86	<ul style="list-style-type: none"> • Policy direction and overall coordination • Monitoring, evaluation and reporting • Human resources management and development • Provision of support services for smooth programme and projects implementation 	<ul style="list-style-type: none"> • Kshs.308.5 – Ministry Headquarters • Kshs.69.4 – Gender And Social Development Headquarters • Kshs.116.4 – Children Services Headquarters • Kshs.12.5 – Refurbishment Under Open Office Policy
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Community Mobilization and Development	449.25	<ul style="list-style-type: none"> • 250 group leaders trained on management and leadership • 25,000 SHG registered • Documentary video on Self Help Groups (SHGs) best practices • Impact assessment on grants to SHGs • 1,200 community groups assisted with grants • Finalize community development training manual • Finalize and disseminate Community Development Policy 	<ul style="list-style-type: none"> • Kshs.267 – field operations • Kshs.83.6 – construction of district offices and refurbishment of Community Capacity Support Programme (CCSP) institutions • Kshs.80 – grants to community SHGs • Kshs.18.65 – other operations
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Social Welfare	1,292.41	<ul style="list-style-type: none"> • Review of Social Protection Policy • 25,000 HIV/AIDS vulnerable persons assisted through WFP food rations • 33,000 older persons supported with monthly cash transfers • 30 needy individuals and institutions supported • 4,200 persons with severe disabilities supported with monthly cash transfers • Disbursements of the National Development Fund for PWDs • National coordination of issues and activities on disabilities 	<ul style="list-style-type: none"> • Kshs.250 – fund for PWDs • Kshs.32 – operations of the National Council for PWDs • Kshs.530 – older persons cash transfers • Kshs.467.13 – WFP and GoK food rations allocation • Kshs.13.28 – other operations
Vocational Rehabilitation	98.43	<ul style="list-style-type: none"> • 9 new modern courses introduced in the Vocational Rehabilitation Centres (VRCs) • 495 students trained in various skills (60% PWDs and 40% able-bodied) • Refurbishment of at least 6 VRCs 	

Gender Mainstreaming and Development	549.75	<ul style="list-style-type: none"> • Hold 3 workshops to disseminate Gender and Development Policy • Train 200 Gender Officers on gender mainstreaming • Prepare 2 Kenya Country reports on Convention on Status of Women (CSW) • Disseminate CEDAW report to 200 stakeholders • Train 100 Gender Officers on monitoring and evaluation skills • Train 200 DGSDOs as TOT on Gender Based Violence (GBV) • Affirmative Action Policy developed and disseminated alongside disseminating policies on Gender and Development as well as GBV Work • Develop specific gender indicators for key sectors in the public service • Produce and disseminate reports on implementation of the 30% Presidential directive on affirmative action • Plans of Action for the abandonment of FGM disseminated and implemented • 240 stakeholders sensitized on GBV and FGM • 10,000 more women entrepreneurs benefit from WEF through MFIs • 120,000 more women entrepreneurs benefit from WEF through CWEFS • 23,500 more women benefit from WEF training of women entrepreneurship
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Children Services (Kshs. 3,863.42 Millions)

To safeguard the rights and welfare of all children in Kenya in order to promote Child development; Rights and welfare of all Children in Kenya safeguarded.

<i>Sub-Programme</i>	2011/2012 Allocation (Million)	Projected Outputs	Disaggregated Allocations for Specific Activities (Millions)
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Child Community Support services	3,507.03	<ul style="list-style-type: none"> • Construct 18 District Offices. • 1,000 children to be placed on rehabilitation and care programmes. • 132,000 households on OVC-CT. • Inspect 350 CCIs • Register 66 CCIs. • Establish 45 AACs. • Operationalize 16 District Children's Offices. 	<ul style="list-style-type: none"> • Kshs. 50M -Construction of district offices. • Kshs.50M -National Council for Children Services. • Kshs.3,091.8- Cash transfer to orphans and vulnerable children:-GoK Component-766.9M UNICEF-258.7M, WB-TF-666.2M, WB-1,400M • Kshs.58.9- Operational budget for OVC-CT . • Kshs.20M -Children's Parliament • Kshs.257M -Operations budget for district offices and provinces. • Kshs.20.67-Other Operation
Child Rehabilitation and custody	356.39	<ul style="list-style-type: none"> • Construct 2 new Rescue Centers (Meru, Kisumu West) • Construct a Remand Home in Machakos to be done in collaboration with UNICEF. • Complete a Perimeter Wall and 1 Child Protection Centre (CPC) (Malindi). • 2100 children to be placed on rehabilitation programmes in Remand Homes • 75% of the reforms document implemented. • 4 old institutions refurbished – (Kisumu, Nakuru, Kakamega and Malindi). 	<ul style="list-style-type: none"> • Kshs.12M -Refurbishment of children institutions. • Kshs.74.7M-Construction projects (children's institutions). • Kshs.269M-Operations budget for Children institutions. • Kshs.0.69M- Other operations

1.5 PROGRAMMES FINANCIAL SHORTFALL IN 2011/12 FY.

<i>Programmes</i>	<i>Sub-Programmes</i>	<i>Vote Type</i>	<i>Amount (Kshs. Millions)</i>	<i>Justification</i>
<i>Policy and General Administrative Services</i>	<i>Policy and General Administrative Services</i>	<i>Recurrent</i>	50	<i>Kshs. 50 million is required to establish the Social Protection Secretariat</i>
			70	<i>Additional amount of Kshs. 70 million is required to facilitate the establishment of structures to accommodate the requirements of the new Constitution with particular emphasis on reviewing policies and legal framework</i>
	<i>Capacity Building for Human Resources (recruitment and replacement)</i>	<i>Recurrent</i>	41	<i>The deficit of Kshs. 41 million is to be utilized in paying emoluments to additional staff to be recruited this Financial Year as authorized by Treasury; in particular Gender and Social Development Officers, Children Officers and Technical Instructors in Institutions</i>
<i>Gender and Social Development</i>	<i>Gender Mainstreaming and Development</i>	<i>Recurrent</i>	50	<i>Additional amount of Kshs. 50 million required to establish the Secretariat of African Women Decade-2010 to 2020</i>
			50	<i>Kshs. 50 million is required to establish and operationalize the Gender Research Institute (GRI) following the successful hosting of the Great Lakes</i>

				<i>Region forum for Ministers in-charge of women affairs in Mombasa in 2009</i>
	<i>Social Welfare</i>	<i>Recurrent</i>	30	<i>Kshs. 30 million is required to establish the National Advisory Council for Older Persons and Ageing which is in the process of being gazetted</i>
			32	<i>Additional amount of Kshs. 32 million required to expand the activities of the National Council for Persons with Disabilities, arising from high demand of services</i>
			790	<i>Additional amount of Kshs. 790 million required to meet the target of covering 66,000 households; that is doubling the CT-OP and providing for a short in the allocation</i>
		<i>Development</i>	150	<i>The deficit of Kshs. 150 million required to support activities of National Development Fund for Persons with Disabilities and other functions stipulated in the Persons with Disabilities Act, with emphasis on cash transfers to persons with severe disabilities and enterprise development</i>

1.6 OBSERVATIONS

The Committee reiterated the importance of ensuring up scaling of the social protection cash transfers especially for the elderly and the orphaned and vulnerable children as they were greatly benefitting from the cash transfers and noted that with the high inflation rates are affecting the

usage of the cash transfer hence the need to increase the money to cushion against the high inflation rate.

The Committee said that it was important for the Disability cash transfer to be fast tracked so as to help the disabled people.

The Committee noted that it was important for the Ministry to look into having children centres in all the counties so as to avoid misuse of children by the children homes purporting to be taking care of the children.

Further, the Committee noted that the Women Enterprise Fund was helping many women in the country and recommended that the Ministry undertakes a research in the country so as to grow the cottage industry in various regions.

1.7 RECOMMENDATIONS

The Committee therefore recommends for additional of funds in the following areas:-

- Kshs50 million is required to establish the Social Protection Secretariat.
- Kshs70 million is required to facilitate the establishment of structures to accommodate the requirements of the new Constitution with particular emphasis on reviewing policies and legal framework.
- Kshs41 million is to be utilized in paying emoluments to additional staff to be recruited this Financial Year as authorized by Treasury; in particular Gender and Social Development Officers, Children Officers and Technical Instructors in Institutions.
- Kshs50 million required to establish the Secretariat of African Women Decade-2010 to 2020.
- Kshs50 million is required to establish and operationalize the Gender Research Institute (GRI) following the successful hosting of the Great Lakes Region forum for Ministers in-charge of women affairs in Mombasa in 2009.
- Kshs30 million is required to establish the National Advisory Council for Older Persons and Ageing which is in the process of being gazette.
- Kshs32 million required to expand the activities of the National Council for Persons with Disabilities, arising from high demand of services.
- Kshs790 million required to meet the target of covering 66,000 households; that is doubling the CT-OP and providing for a short in the allocation.
- Kshs150 million required to support activities of National Development Fund for Persons with Disabilities and other functions stipulated in the Persons with Disabilities Act, with emphasis on cash transfers to persons with severe disabilities and enterprise development.

MINISTRY OF STATE FOR NATIONAL HERITAGE AND CULTURE

1.1 The Ministry carries out programmes to promote intercultural dialogue between Kenya's communities, leading to a greater sense of national pride, developing heritage sites, honouring our heroes etc.

The Ministry's poor financial operating in the current financial year 2010/11 was occasioned by the budgetary cuts effected by Treasury without prior consultations. As a consequence the Ministry lost budgetary resources totaling to **Kshs 160 million**. The biggest challenge is the current Financial Year 2010/11 due to inadequate financial resources.

The Ministry was unable to undertake a number of programmes in the current financial year 2010/11, some which are still in progress.

1.2 PROGRAMMES OUTPUT INDICATORS 2010/11 FY

The Research, preservation and promotion of National Heritage concluded the development of a policy and legal framework, the Kenya Heroes Bill and Sessional Paper on Criteria and Modalities for Honouring Heroes and Heroines in Kenya, which await cabinet approval.

The National Museums of Kenya (NMK) was able to undertake various development programmes aimed at promoting and preserving Kenya's heritage including;

1. Exhibition development for Nairobi National Museum (Exhibition collections, and development) including Mzee Jomo Kenyatta Exhibition development at Nairobi National Museum.
2. Construction of Garissa Museum.
3. Rehabilitation of old buildings in Lamu and Lamu Museum. You will recall that Lamu was declared a world heritage site.
4. Construction of the Heritage Collection Centre at the NMK Headquarters
5. Development of Uhuru Garden (The Heroes Square)
6. Completion of the refurbishment of buildings at Research Institute for Swahili Studies in Eastern Africa (RISSEA) by Providing additional office and training facilities.
7. Completion of the restoration works in the old Malindi's D.C. building and landscaping, to be used for display of exhibitions
8. Rehabilitation of Old DC's building in Machakos.
9. Rehabilitation of the Njuri Ncheke shrine as a heritage site.
10. Rehabilitation and renovation of Jaramogi Oginga Odinga Mausoleum.
11. Rehabilitation of Animal cages at Institute of Primate Research.

The Public library services carried out by the Kenya National Library services operational activities which are supported annually at Kshs. 500 Million include Publishing the Annual

Kenya National Bibliography (KNB) and Kenya Periodical Directory (KPD) every two years, Maintaining a database of all publishers and authors for reference, Provision for the acquisition of book stocks, this year they will acquire 120,000 additional books as part of their development programme. This year the Buruburu Library, a modern facility and Nakuru library is almost complete and will be opened by the end of the year.

The National Cultural Services promotes the various forms of culture including, Music, Visual arts, languages and oral traditions and Performing arts. In November 2010 the Ministry hosted a successful UNESCO meeting on the Intangible Cultural Heritage (ICH) where various ICH elements were presented for recognition and safeguarding. Among the Kenya's elements identified for safeguarding is the Maasai rite of passage.

The Ministry has continued with the development of various Cultural Centres across the Country. The policy is to have a centre in each of the 210 constituencies. However due to the limited adequate resources available 16 cultural centres are being developed that are at different levels of completion. The funding for the centres has been on an upward trend. Some cultural activities are carried out at the centres even though they are not complete. The cultural involvement includes empowering cultural practitioners in various areas with skills, organizing cultural festivals and having cultural exchange with other countries to promote culture globally.

The Public records and archives management have built the capacity of the National Archives including creating the capacity to store documents in various forms including digitization and microfilming for safety and ease of reference. In 2011/12 plans to have digitized about 7.5 million copies, microfilmed 100 documents and restored 3000 old documents and also continue to collect information from public offices across the country for archiving.

1.3 PROJECTED PROGRAMMES OUTPUT INDICATORS 2011/12 FY.

The Ministry will be initiating the implementation of Kenya's Digital National Library (the National Repository Centre) under the legal requirements of Books and Newspaper Act Cap 111 of the Laws of Kenya. Under the Act Publishers are required to deposit 2 copies of all their publications with the National Library of Kenya for Preservation, national reference and research services. These collections have grown immeasurably to the tune of 400,000 copies and require adequate space for storage, preservation, circulation and access by readers within a conducive working and reading environment.

The proposed project has incorporated a component on modern technologies to enhance preservation, real time access to library information collections by end users. **Kshs 250 Million provision** has been provided for this project that is expected to cost **Kshs 1.3 billion** on completion.

Kshs. 50 million provision has been provided for a National Heroes' Monument to be erected at the Heroes Corner at Uhuru Gardens Nairobi, by the end of this year 2011. The project is estimated to cost **Kshs 300 million** within a two year period.

Kshs 85 Million provision from the current years allocation of **Kshs 62 Million** funding of the construction of the ongoing 16 community cultural centres spread across the country.

The preservation, care and promotion of access to all public records and archives and to ensure that archival materials are adequately protected, the National Archives building from all forms of hazards such as fire, water, biological and chemical agents to mitigate against these risks the National Archives is implementing on a continuous basis various means of securing the information it holds including digitization, microfilming and repair of old documents.

There is need to secure the building and the information therein. To secure provisions for an automatic fire suppression system that is gas operated a provision of **Kshs 50 Million** for installation of the system which is estimated to cost **Kshs 120 Million** upon completion. Also **kshs 45 million** to help in installation of mobile shelves across the 6 record centres to help hold more documents that are received continuously from all public offices and capacity building.

1.4 PROGRAMMES FINANCIAL SHORTFALL 2011/12 FY.

*The National Heroes Monument the Ministry has made an effort to fund the project within the ceiling even though the project was not provided for. The kshs 50 million provided is below the desired initial funding. To complete the project within two years, the initial requirement of **kshs 150 Million** is not enough an additional **Kshs 100 Million** is therefore required.*

*The National Archives Building Automatic Fire Suppression System the project is estimated to cost **Kshs 120 million** against the **Kshs 50 million**. The continued existence of the national archives building without adequate capacity to deal with fire hazard lives the wealth of information therein at the mercy of the unknown, a huge security risk. Its an outstanding matter over a long period of time. An additional **Kshs 70 Million** is needed to fully install the system in the forth coming year.*

The National Museums of Kenya through its agent Institute of Primate Research (IPR) requires funds to conclude the research on a novel product (Unipron) for dual function as a Microbial Contraceptive to prevent HIV infection and pregnancy.

Studies already concluded on baboons show that (Unipron) lowers vaginal pH for 3 hrs within which HIV infection and pregnancy may occur. The findings have been published in the Journal of Reproduction and Contraception volume 19 number 2(2008) pages 107 – 118.

*An additional **Kshs 162 million** is needed to conclude this research and others at the IPR.*

1.5 OBSERVATIONS

The Committee observed that culture in other countries is the uniting factor and therefore the Ministry needs to work towards getting the country a uniting culture that will create harmonious living among all the communities in Kenya.

Further, the Committee stated the importance of the mobile libraries, the regional culture centres and the need to preserve the cultural artifacts, materials and traditions of the communities.

The Ministry's current financial year 2010/11 was occasioned by the budgetary cuts effected by Treasury totaling to Kshs 160 million which Treasury needs to explain the rationale.

1.6 RECOMMENDATIONS

The Committee therefore recommends additional funding in the following areas

- **Development of the National Heroes Monument**
Kshs 100 Million for completion of the monument.
- **Automatic Fire Suppression System for the National Archives Building**
Kshs 70 Million to fully install the system.
- **Novel product (Unipron)**
Kshs 162 million to conclude the research of the Unipron product which has a dual function as a microbial contraceptive to prevent HIV infection and pregnancy.

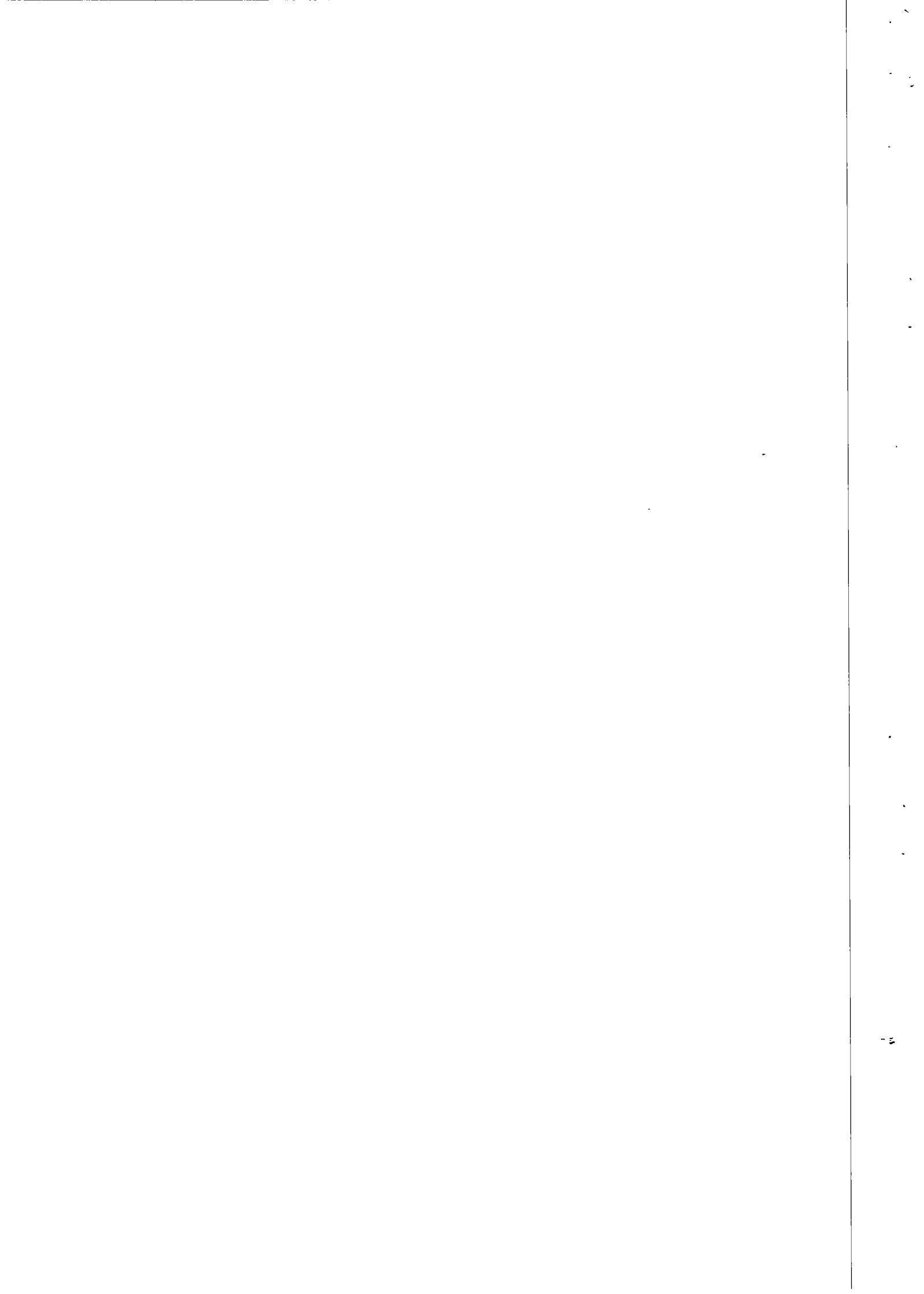


**KENYA NATIONAL ASSEMBLY
TENTH PARLIAMENT – FOURTH SESSION**

**REPORT
OF
DEPARTMENTAL COMMITTEE
ON FINANCE, PLANNING & TRADE
ON
BUDGET POLICY STATEMENT (2011)**

**Clerks Chambers
Parliament Building
NAIROBI**

April, 2011



1.0 DEPARTMENTAL COMMITTEE ON FINANCE, PLANNING & TRADE

Finance, Planning & Trade Committee is one of the Departmental Committees established under Standing Order No. 198 whose functions are:-

- (i) To investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned Ministries and Departments;
- (ii) To study the programme and policy objectives of the Ministries and Departments and the effectiveness for the implementation;
- (iii) To study and review all legislation referred to it;
- (iv) To study, assess and analyse the relative success of the Ministries and Departments as measured by the results obtained as compared with their stated objectives;
- (v) To investigate and inquire into all matters relating to the assigned Ministries and Departments as they may deem necessary and as may be referred to them by the House or a Minister; and
- (vi) To make reports and recommendations to the House as often as possible including recommendations of proposed legislation.

The subjects falling within the purview of the Departmental Committee on Finance, Planning, Trade & Tourism are:-

- ◆ Public Finance, Banking and Insurance;
- ◆ Population and National Development;
- ◆ Trade, Tourism promotion and management;
- ◆ Commerce and Industry.

The Committee's line Ministries are:-

- (i) Office of the Deputy Prime Minister & Ministry Finance
- (ii) Ministry of Planning, National Development & Vision 2030
- (iii) Ministry of Industrialization
- (iv) Ministry of Tourism
- (v) Ministry of Trade

The Committee membership comprise of the following:-

The Hon. Chrysanthus Okemo, EGH, MP - **(Chairman)**

The Hon. (Prof.) Philip Kaloki, MP - **(Vice Chairman)**

The Hon. Jakoyo Midiwo, MGH, MP

The Hon. Musikari Kombo, MP

The Hon. Lucas Chepkitony, MP

The Hon. Lenny M. Kivuti, MP

The Hon. Nelson Gaichuhie, MP

The Hon. Ntoitha M'Mithiaru, MP

The Hon. Shakeel Ahmed Shabbir, MP

The Hon. Nkoidila Ole Lankas, MP

The Hon. Sammy Mwaita, MP

2.0 BUDGET POLICY STATEMENT (2011)

- (i) Revenue projections and Expenditure forecasts for 2011/12

Revenue projections including A.I.A are expected to be Kshs 774.4 billion while overall expenditure are projected at Kshs 975.98 billion which is 31.7% of the GDP.

The ceiling for development expenditure including donor funded projects will increase to kshs 331 billion, an increase of 10.8% of the GDP.

(ii) Deficit and financing

The overall budget deficit including grants in 2011/12 is projected to be Kshs 150.6 billion with external financing of Kshs 47.4 billion to cover part of the deficit and the balance of Ksh 105.2 billion to be financed through the domestic borrowing.

3.0 COMMITTEE'S OBSERVATIONS AND RECOMMENDATIONS

3.1 MINISTRY OF FINANCE

1. Growth rate

The growth rate envisaged by the Budget Policy Statement for the outer years is very optimistic and unrealistic due to unreliable weather pattern which is likely to dampen the growth rate. In addition, the outer economy is also impacting on Kenya's economy as there is no guarantee that the position will remain constant. E.g. Crisis in Northern Africa has increased the oil prices, Tsunami effect on Japan will result in aid cut.

2. Inflation rate

The inflation rate figures indicated in the Budget Policy Statement are misleading as the 2008 and 2010 figures which have been compared are based on different methodologies.

3. Interest rate

Commercial banks are charging very low interest rates for saving and higher rates for lending while statistics and performance at the Stock Exchange are not offering better alternative for savings.

4. Sectoral expenditure

Concerns regarding expenditure framework for the following:-

- Economic Stimulus. One-off expenditure instead of being phased out gradually.

- Implementation of the Constitution. Lack of strong measures and policy on the same.
- Revenue. No strong measures to raise additional revenue from the “underground economy”.
- Devolution. The local funds should be additional to the revenue allocated to the Counties and not factored in as part of the 15% of County allocation.

3.2 TRADE, TOURISM & INDUSTRY SECTOR

The total 2011 MTEF estimate for the sector is Kshs 43.7 billion.

Trade, Tourism and Industry Sector						
Kshs billion	2010/11	2011/12	2012/13	2013/14	2011 Total	MTEF
	Revised	Medium-term estimates				
Total	12.3	13.5	14.1	16.1	43.7	
	1.2	1.2	1.2	1.2	3.6	

Trade, Tourism and Industry sector still faces a myriad of challenges that hampers the subsector from realizing its full potential.

The priority programmes identified for implementation during the MTEF for 2011/12 are five namely:-

- (i) Trade, development investment
- (ii) Coordination of East African Community matters
- (iii) National heritage and culture
- (iv) Tourism development and marketing
- (v) Industrial development and investment.

3.2.1

MINISTRY OF TOURISM

- (i) Budgetary allocation to the Ministry of Tourism should be pegged to the revenue generated by the industry given that the sector is a major foreign exchange earner and generator of employment in Kenya with a contribution of about 10% to the Gross Domestic Product.
- (ii) The Ministry should be allocated at least 10% of the revenue generated by the sector for tourism promotion and marketing since the tourism sector heavily relies on promotions and awareness campaigns for its success. The underfunding for promotion and marketing will heavily affect Kenya Tourism Board's ability to market the sector in the new source markets, global advertising and domestic tourism.
- (iii) The tourism sector needs urgent upgrading of the existing infrastructure and development of new facilities if the country is to cope with the increased tourism activity.

3.2.2

MINISTRY OF TRADE

- (i) The Treasury should provide adequate budgetary provision to the Ministry of Trade since the Ministry is a key pillar to the achievement of Vision 2030 given that 3 out of the 6 earmarked sectors are within the Ministry's mandate. The Treasury should avail additional funding to ensure that the Ministry of Trade acquires land and undertakes feasibility studies for the flagship projects/economic zones.
- (ii) The conflicting roles and mandate of both Ministry of trade and the Ministry of Foreign Affairs on international trade matters should be resolved.

- (iii) Effective communication channels should be established with the trade and investment promotion agencies including commercial offices abroad.
- (iv) Small & Medium Enterprises should be under Ministry of Trade for coordination and mainstreaming for purposes of trade promotion.

3.2.3 MINISTRY OF INDUSTRIALIZATION

- (i) Industrialization is key to the achievement of Vision 2030 and the manufacturing sector is a major contributor to the economic growth. There should be adequate budgetary allocation to enable the Ministry to implement its programmes since the Ministry is one of the major drivers that can enable the country to achieve Vision 2030.
- (ii) Land factor is a major challenge to industrial development and the government should acquire as a matter of policy, industrial land for industrial development.

4.0 CONCLUSION

The Ministry of Finance should ensure that there is a match between the outputs in the Budget Policy Statement and resource requirements in the strategic plan and the actual allocation so that there is no disconnect between planning and budgeting and so that the that Budget Policy Statement can act as a guide to the Budget.

Chrysanthus Okemo

.....
Hon. Chrysanthus Okemo, EGH, MP

Chairman

Departmental Committee on Finance, Planning & Trade

Date ..13/4/2011

REPUBLIC OF KENYA



NATIONAL ASSEMBLY
TENTH PARLIAMENT – FOURTH SESSION, 2011

REPORT OF THE DEPARTMENTAL COMMITTEE (L)
ON TRANSPORT, PUBLIC WORKS AND HOUSING ON CONSIDERATION
OF THE BUDGET POLICY STATEMENT;

MINISTRY OF TRANSPORT
MINISTRY OF ROADS
MINISTRY OF PUBLIC WORKS
MINISTRY OF HOUSING

CLERK'S CHAMBERS
NATIONAL ASSEMBLY
PARLIAMENT BUILDINGS
NAIROBI

APRIL 2011

PREFACE

Mr. Chairperson Sir,

- 1 On behalf of the Members of the Departmental Committee on Transport, Public Works and Housing, and pursuant to the provisions of Standing Order No. 143 (4), it is my pleasure to present to the Budget Committee the Committee Report on the Budget Policy Statement.

Committee Membership comprises of the following: -

- i. The Hon. David Were, M.P. – Chairperson
- ii. The Hon. Isaac Muoki, M.P. – Vice-Chairperson
- iii. The Hon. Walter Nyambati, M.P.
- iv. The Hon. Mohammed H. Gabbow, M.P.
- v. The Hon. Edwin O. Yinda, M.P.
- vi. The Hon. Yusuf K. Chanzu, M.P.
- vii. The Hon. (Dr.) Wilbur Ottichilo, M.P.
- viii. The Hon. Boaz Kaino, M.P.
- ix. The Hon. Benjamin Langat, M.P.
- x. The Hon. Joseph Kiuna, M.P.
- xi. The Hon. Clement Wambugu, M.P.

- 2 The Departmental Committee on Transport, Public Works and Housing is one of the Departmental Committees established under Standing Order No. 198 whose functions are *inter alia*:-

- i. investigate, inquire into and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned Ministries and Departments;
- ii. study the programme and policy objectives of the Ministries and Departments and the effectiveness of the implementation;
- iii. study and review all legislation after First Reading subject to the exemptions under Standing Order 101 A (4);
- iv. study and review all legislation referred to it;
- v. study, assess and analyse the relative success of the Ministries and Departments as measured by the results obtained as compared with its stated objectives;
- vi. investigate and inquire into all matters relating to the assigned Ministries and Departments as they may deem necessary, and as may be referred to them by the House or a Minister; and
- vii. make reports and recommendations to the House as often as possible, including recommendations of proposed legislation.

- 3 The Committee is mandated to consider the following issues; Transport, Roads, Public Works, Construction and Maintenance of Roads, Rails and Buildings, Air, Seaports and Housing.

- 4 In executing its mandate, the Committee oversees the following Ministries:
- i. Ministry of Transport;
 - ii. Ministry of Public Works;
 - iii. Ministry of Roads; and
 - iv. Ministry of Housing.
- 5 The Ministries of Transport, Road Public Works and Housing fall in the category of Physical Infrastructure Sector, a very critical sector to the socio-economic needs of Kenya. Infrastructure is a major contributor to the creation of a favourable environment for economic growth as it supports all other economic and social activities and is therefore critical to the achievement of the vision 2030.

Mr. Chairperson Sir,

- 6 As you are aware, pursuant to Standing Order 143 (1), every year, not later than 21st March, the Minister responsible for matters relating to finance, shall prepare and lay before the House a Paper to be referred to as the Budget Policy Statement. Standing Order 143 (3) provides that upon being laid before the House, the Budget Policy Statement shall consult each Departmental Committee and shall, not later than 15th April, lay its report before the House.

The House shall consider the report of the Budget Committee on a motion that “this House do adopt the report of the Budget Committee on the Budget Policy Statement made by the Minister for Finance on (date when the Statement was made)”

- 7 In considering the Budget Policy Statement (BPS), the Departmental Committee on Transport, Public Works and Housing held a total of three sittings where it analysed the Budget Policy Statement, in particular, Ministries of Transport, Roads, Public Works, Housing. The Committee also received a comprehensive brief from the Parliamentary Budget Office on the BPS.
- 8 Based on the analysis of the Budget Policy Statement conducted, the following were the observations made under the Ministries of Transport, Roads, Public Works and Housing:-
- a) Treasury, through the BPS had identified the overall goals for the physical infrastructure sector as among others; to accelerate ongoing infrastructure development; to improve efficiency and effectiveness of the infrastructure development process at all levels of planning, contracting and construction; aesthetics and functionality of the infrastructure services developed; to focus on quality; and to support identified flagship projects to ensure contribution to the economic growth and social equity goals.
 - b) The BPS acknowledges that despite the progress made, the sector continued to face major challenges. Some of the challenges identified by the physical

infrastructure sector MTEF report include huge maintenance backlog of the road network; fragmented transport system; slack enforcement of rules and regulations; out-dated Legislation on transport; Security/safety at ports and Airports; Overreliance on one transport corridor; capacity of the Port of Mombasa; Lack of comprehensive housing sector legislation; delay in establishment of New Construction Authority; increased demand for new office space and facilities; inadequate plant and equipment under Mechanical and Transport Fund; and lack of technology to stabilize murrum roads in the parks and reserves; encroachment of road reserves by private developer.

- c) The BPS indicates that in the Medium term, the Government seeks to address these challenges through among others things road development, maintenance and management; Transport infrastructure development; construction standards and research; Transport Management and Safety; Government Buildings; Coastline infrastructure and Pedestrian Access; procurement, warehousing and supply; housing development and human settlement programme.
- d) The BPS has not identified the specific challenges facing the sector other than the general statement that challenges still exist despite the major achievements over the recent past.
- e) There is no mention of specific intervention strategies towards challenges facing the physical infrastructure sector. Moreover, the sector programmes are attached to the BPS at gross level without indicating strategies for achieving them.
- f) The Infrastructure Sector MTEF Report 2011/12 – 2013/14 indicates that in the Medium term, the Government seeks to put more funds towards infrastructure programmes and sub-programmes including Roads, Transport, Housing and Public Works Sub-Sectors, which was commendable. However, slow implementation of infrastructure projects arising from among other things, slow procurement process and lack of construction capacity makes the sector a quick target for reduction during Supplementary Budgets.
- g) Though some Ministries continued to indicate their serious need for more funding year in, year out, as is evidenced by the Physical Infrastructure Sector MTEF Report 2011/12 – 2013/14 utilization capacity was still low with many Ministries not fully utilizing funds allocated.
- h) Some of the issues that remain a challenge in the physical infrastructure sector include lack of/weak sector policies, slow implementation of infrastructure flagship projects identified in Vision 2030 and budgetary issues whereby, the development budget is usually allocated substantial resources, but quickly becomes the first target of reduction during

Supplementary Budgets. Other challenges facing the physical infrastructure sector include;

- Delays in Exchequer releases towards the sector, which Members partly attributed to delays in release of development vote.
- Lack of clear of information regarding prioritization of sectoral funding.
- Huge recurrent expenditures.
- Poor quality of construction works in particular road works.
- Poor quality of road construction materials and resistance by various parties towards adoption of cheaper, quality materials
- Lack of policy to ensure diversification as well as adoption of new technologies with regard to construction materials.
- Low absorption capacity attributed to slow and lengthy procurement procedures.

9 Thereupon, the Committee recommends that;

- i. There is need to amend the lengthy and cumbersome PP&D Act, 2005 to make tendering process shorter.
- ii. There is need to have in place a policy to ensure diversification as well as adoption of new technologies with regard to construction materials
- iii. Treasury should make it known to Parliament how they conduct the prioritization of sectoral funding.
- iv. Treasury should address delays in exchequer releases that contribute greatly to low absorption capacity of funds allocated and delays in completion of projects.

10 On behalf of the Committee, I now wish to present to the Budget Committee the Report on the Consideration of the Budget Policy Statement, Ministries of Transport, Roads, Public Works, Housing by the Departmental Committee on Transport, Public Works and Housing.

The Hon. David Were, MP
Chairperson
Departmental Committee on Transport,
Public Works and Housing

Dated: April 12, 2011

