



THE REPUBLIC OF KENYA

OFFICE OF THE CONTROLLER OF BUDGET

# BUDGET IMPLEMENTATION REVIEW REPORT

**Third Quarter  
2011/2012**



April 2012



## Foreword

In our continuing efforts to improve on transparency and accountability in the public sector, the Office of the Controller of Budget (OCoB) is committed to continuously inform Kenyans on public implementation of the budget as mandated by Article 228(6) of the *Constitution of Kenya 2010*. This reporting effort is intended to contribute to improved fiscal management of Ministries Departments and Agencies (MDAs) performance by providing the fiscal responsibility.

It is hoped that the Monitoring and Evaluation framework that the Office of the Controller of Budget will put in place by June 2012 will be instrumental towards improving the budget execution. The framework will equip the OCoB with necessary tools to conduct Monitoring and Evaluation exercises regularly to ensure that the budget is implemented transparently for the benefit of the citizens. This exercise will be conducted by the OCoB in collaboration with the MDAs, civil society organisations and all stakeholders to foster an environment of openness, transparency and accountability, thereby increasing efficiency and effectiveness of the MDAs to deliver on their targets in line with government policies.

This third quarter budget implementation report present information on public finances and evaluates government's success in achieving its developmental plans through the annual budgets. This report consolidates the position of budget implementation for the first three quarters of FY 2011/2012, assesses the progress towards the attainment of goals set for the 2011/2012 Budget in terms of exchequer releases and rate of absorption, and recommends on what needs to be done.

It therefore gives me pleasure to present this report on budget implementation and urge the readers to examine its contents and give feedback so as to continuously improve it to match best practices. The review of the budget implementation helps in assessing the utilization of public finances and government's performance in delivering on its development goals. It is therefore my sincere hope that all MDAs and other stakeholders will find the information contained herein beneficial.



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## **Executive Summary**

This is the second report on budget implementation by the Office of Controller of Budget. One of the functions of the office of the Controller of Budget (OCoB) as stipulated in the Constitution (Article 228(4)) is to oversee the implementation of the Budgets both at national and county governments. This function entails regularly undertaking monitoring and evaluation of programmes and projects both at the national and county level. The Constitution mandates this office to prepare and submit quarterly budget implementation reports to the legislature and executive. The Constitution further mandates the OCoB to publish and publicize the reports.

The financial year 2011/2012 Budget focuses on enhancing the efficiency of government expenditure in view of critical resource limitations and ensuring macroeconomic stability. One approach adopted in the budgeting process is the linking of key projects and programmes in the budget to Kenya's Vision 2030, Medium Term Plan (2008-2012) and the Millennium Development Goals.

The macroeconomic environment for the fourth quarter of 2011 was generally stable. The overall inflation for the period under review showed a reduction trend, from 18.31 per cent in January to 16.69 per cent in February and 15.61 per cent in March against the target of 5 per cent as indicated in the 2011 Budget Policy Statement. The exchange rate strengthened at 10.4 per cent from Ksh. 93.87 per dollar in the second quarter to Ksh. 84.14 in the third quarter. The current account deteriorated to a deficit of Ksh. 290.1 billion from a deficit of Ksh. 187.7 billion in the same period of the previous year. This deficit was higher than the projected deficit of Ksh. 199.8 billion as per the 2011 Budget Policy Statement GDP at nominal value. This was mainly due to a widening visible trade deficit, which worsened further to stand at Ksh. 742.1 billion. However, the capital and financial account registered a surplus of Ksh. 349.7 billion on account of an increase in both long-term and short-term external support.

The total revenue target for the fiscal year 2011/12 is Ksh. 789.5 billion (or 24.7% of GDP) comprising Ksh. 713.6 billion of ordinary revenue and Ksh. 75.9 billion of Appropriations in Aid (AIA). Cumulatively, revenue collection for the period 1<sup>st</sup> July 2011 to 31<sup>st</sup> March 2012 stood at Ksh. 498.6 billion against a target of Ksh. 519.9 billion resulting in a revenue deficit of Ksh. 21.3 billion or an underperformance of 4.5 per cent. However, compared to the same period of FY 2010/11 there was a general growth in revenue of Ksh. 54.1 billion or 12.2 per cent.

The total budget for the financial year 2011/2012 was Ksh. 1,158.9 billion comprising Ksh. 552.8 billion for recurrent, Ksh. 396.5 billion for development and Ksh. 209.5 billion for consolidated fund services. A total of Ksh. 366.1 billion and Ksh. 142.7 billion was released to various Ministries, Departments and Agencies (MDAs), which represents 66.2 per cent and 35.98 per cent of the gross estimates to fund their recurrent and development expenditures respectively for the period ending March 2012. The development funds included donor releases amounting to Ksh.58.6 billion to undertake the various activities planned for this financial year.

The total recurrent expenditure for the period under review cumulatively stood at Ksh. 365.5 billion which represents 66.1 per cent of the gross estimates. The National Security sector had the highest absorption rate of 80.6 per cent, whereas the Physical Infrastructure had the least absorption rate of 38.2 per cent of their gross estimates for recurrent expenditure. The total expenditure for development for the same period was Ksh. 145.0 billion, which represents 36.6 per cent of the gross estimates, which is quite low. The Public Administration sector had the highest rate of absorption of 45.7 per cent, while Agriculture and Rural Development had the least absorption rate of 29.1 per cent.

The Office of the Controller of Budget has noted from the expenditure analysis that some of the MDAs have partially absorbed the resources available to them, which is a major concern, as the non-utilisation of resources results in non-provision of goods and services to the public. The low absorption of resources for development activities can be improved if the government addresses the procurement difficulties experienced by the MDAs, relook at the donor conditionalities to ensure they are in line with government guidelines and procedures, governance issues that result in delays in obtaining no objection letters from the donors, adoption of the right project management practices and implementation of a series of government intervention policies aimed at instilling best practices in budget implementation.

In conclusion, the government should put in place sound financial management information systems to address timely reporting for decision making both at national and county levels. This should include fast tracking of the legislation for financial management, devolution process and implementation of the Constitution in general to provide a proper legal framework for budget implementation for both national and county governments.



## Acronyms

AIA	Appropriation in Aid
AIE	Authority to Incur Expenditure
AG	Auditor General
BSD	Budget Supply Department
CBK	Central Bank of Kenya
CBR	Central Bank Rate
CFS	Consolidated Fund Services
CRR	Cash Reserve Ratio
CoB	Controller of Budget
GDP	Gross Domestic Product
GJLOS	Governance Justice Law and Order Sector
GOK	Government of Kenya
IFMIS	Integrated Financial Management Information System
KNBS	Kenya National Bureau of Statistics
KRA	Kenya Revenue Authority
MDAs	Ministries Departments and Agencies
MTP	Medium Term Plan
NSIS	National Security Intelligence Service
OCoB	Office of the Controller of Budget
OPM	Office of Prime Minister
ODPM	Office of Deputy Prime Minister
OVP	Office of Vice President
PAIR	Public Administration and International Relations
RIT	Research Innovation and Technology
TTI	Trade Tourism and Industry



## 1. Introduction

The office of the Controller of Budget (OCoB) was established under Article 228 of the Constitution of Kenya and became operational as from 27<sup>th</sup> August 2011 on the appointment of the Controller of Budget. The office of the Controller of Budget is an independent office under Article 248 (3) (b) of the constitution. The office has the following mandate as indicated under the various articles of the Constitution:

- To oversee implementation of the budgets of the national and county governments (Article 228 (4)) and ensure quarterly reporting on the same to the legislature (Article 228 (6)).
- Authorize withdrawals from public funds; Consolidated Fund (Article 206 (4)), Revenue Fund (Article 207 (3)), and Equalization Fund (Article 204 (9)) if satisfied that the same is in accordance with the law (Article 228 (5)).
- Financial advices to Parliament where a Cabinet Secretary has stopped transfer of funds to a state organ or public entity and there is need to uphold or renew the decision to stop further transfer of funds to the state organ (Article 225 (2)).
- Annual reporting on budget implementation to the Executive and Legislature (Article 254 (1)), and publishing and publicizing all reports (Article 254 (3)).
- Ad hoc reporting to Executive and Legislature on specific requested issues (Article 254 (2)).

The Budget for 2011/2012 financial year as observed from the activities being implemented by the MDAs lays emphasis on the growth momentum in productive sectors of manufacturing and agriculture besides infrastructure and social programmes under education and health sectors. The investment in this sectors aims at improving infrastructure, quality of life and human capital development. The government is also putting a lot of emphasis on the implementation of the Constitution. This provides a favourable legal framework, which leads to improvement in the efficiency of oversight bodies and the strengthening of financial management within the government. It also provides for deepening of the financial sector activities resulting in increase in access to financial services by the citizenry and a suitable business environment for investments for various stakeholders.

The economy has started to show signs of stabilising after recent pressures occasioned by external shocks and strong domestic demand. The shilling is also recovering following a rapid depreciation in the second quarter of 2011/2012 financial year, and inflation has declined from 19.7 per cent in November 2011 to 15.6 per cent in March 2012. However, the third quarter of the 2011/2012 financial year has experienced slowed down revenue collections due to subsidies on fuel and higher food prices.

The revenue collection has underperformed prompting the treasury to take austerity measures during the third quarter with the aim of containing financing constraints. This has affected the budget implementation of some MDAs as it has resulted in change in predictability and timeliness in the release of funds to allow for orderly planning and implementation of programmes. The Office of the Controller of Budget is

monitoring the performance of the expenditure and the absorption capacity of the MDAs in the remainder of the financial year in view of the austerity measures taken by Treasury and will advise on the necessary action to be taken to ensure service delivery to the public.

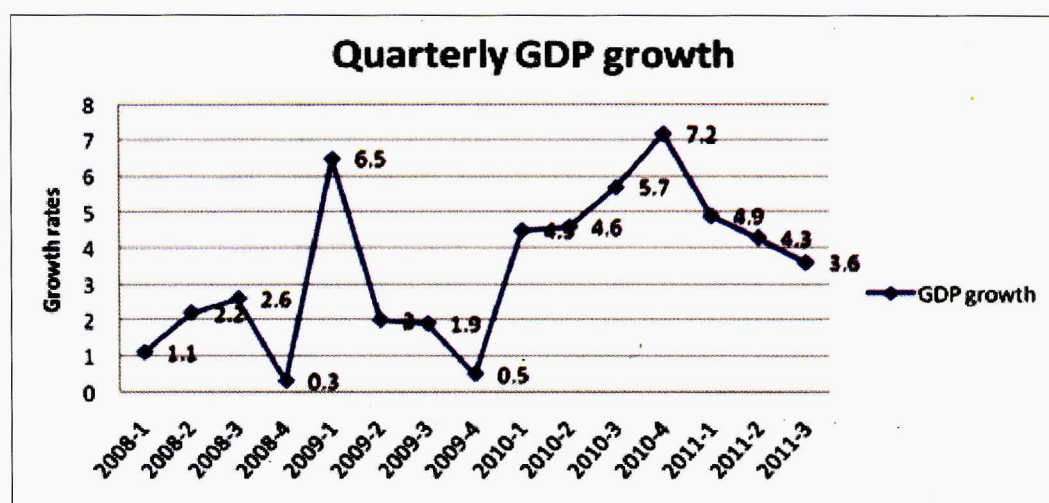
This second report by the office of Controller of Budget covers the activities of the Budget implementation for the Government of Kenya up to the end of the third quarter of the 2011/2012 financial year. It gives an appraisal of the Government's revenue and expenditure targets by sectors and sub-sectors and provides information on progress of both the recurrent and development budget implementation by each sub-sector. The report further looks at the prevailing macroeconomic environment for the period under review and analyses the 2011/2012 budget implementation starting with revenue, exchequer issues, donor fund releases, domestic borrowing, external debt expenses, expenses in respect of consolidated fund services, including pension payments, and recurrent and development expenditures. The recommendations and conclusions have been highlighted with a view to improving the budget implementation process.

## 2. Macroeconomic Development Highlights

### 2.1 Economic Growth (GDP)

The Gross Domestic Product grew by 3.6 per cent in the third quarter of 2011 compared to 4.3 per cent recorded in the second quarter. This was a slight drop compared to the growth of 4.5 per cent that was recorded in the third quarter of 2010. The main drivers of the GDP growth were agriculture and industry, which grew at 6.9 per cent, and real estate, renting and business services, which grew at 4.8 per cent in the reporting period. The overall GDP growth is far less than the projected 6.1 per cent during the financial year and needs to be addressed.

**Figure 1: Quarterly GDP growth for the period 2008-2011**

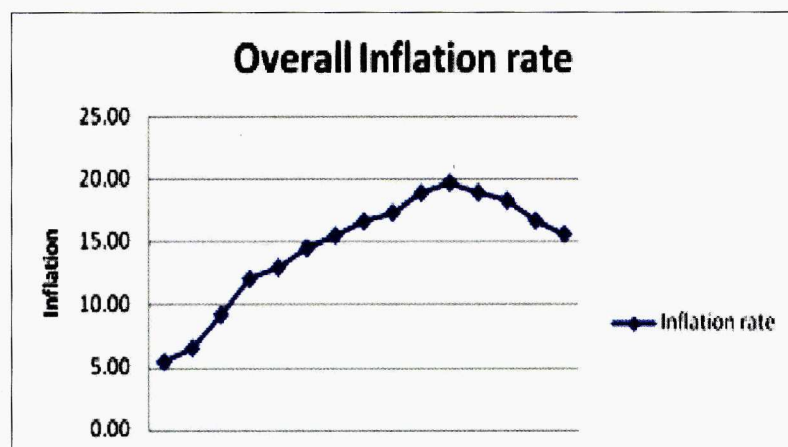


Source: KNBS, 2011

### 2.2 Inflation

The overall inflation for the period under review reduced from 18.3 per cent in January to 16.7 per cent in February, and 15.6 per cent in March against the targeted 9 per cent. Kenya National Bureau of Statistics (KNBS) has largely attributed this to the reduction in the prices of food items and petroleum products. The intensity of the rainy season being experienced in the country is expected to bolster farming activities that are likely to lead to further reduction of food prices, which may in turn lead to a lower inflation rate in the coming months. The Treasury needs to come up with appropriate policies to ensure that there is stability in inflation.

**Figure 2: Overall inflation rate for the period January 2011- March 2012**

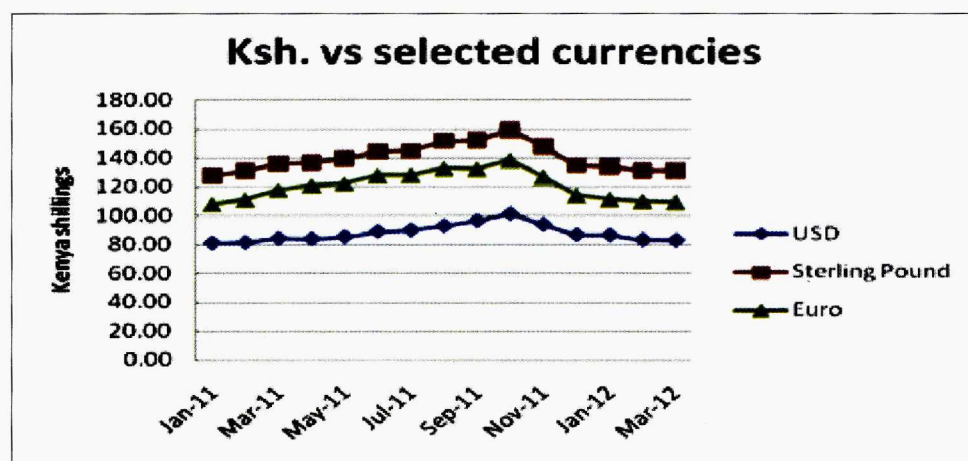


Source: KNBS, 2012

### 2.3 Exchange Rate

The Kenya shilling strengthened by 10.44 per cent against the US dollar from an average of Ksh. 93.9 in the second quarter to Ksh. 84.1 in the third quarter. It strengthened by 10.42 per cent against the Sterling Pound, from Ksh. 147.56 in the second quarter, to Ksh. 132.18 in the third quarter. It also strengthened by 12.91 per cent against the Euro from Ksh. 126.7 in the second quarter to Ksh. 110.34 in the third quarter.

**Figure 3: The Kenya shilling exchange rate trends with selected international currencies**



Source: Central Bank of Kenya, 2012

### 2.4 Balance of Payments

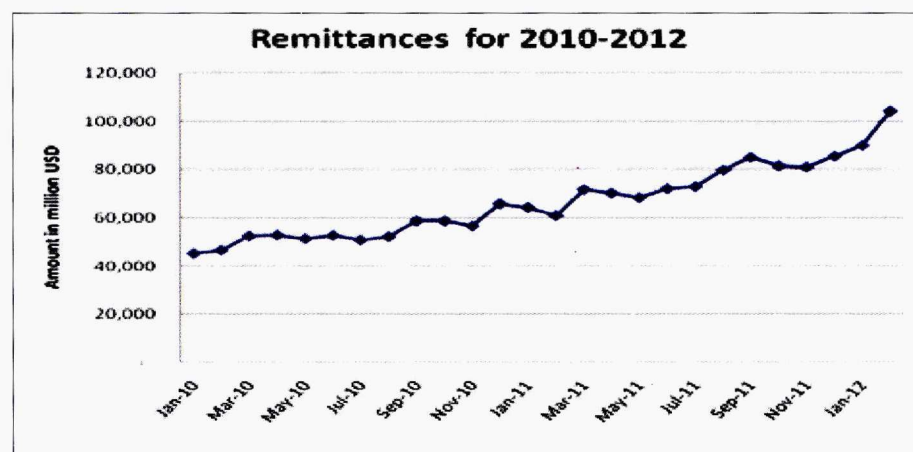
In 2011, balance of payments was under pressure on account of imports bill souring to over a trillion shillings and the Kenya shilling generally depreciating against major currencies. The current account deteriorated to a deficit of Ksh. 290.1 billion from a deficit of Ksh. 187.7 billion of the previous year. This was mainly due to a widening visible trade deficit, which worsened further to stand at Ksh. 742.1 billion.

The capital and financial account, however, registered a surplus of Ksh. 349.7 billion on account of increase of both long-term and shorter external support. Capital flows into Kenya grew significantly in 2011 as investors sought higher returns to finance infrastructure projects. Trade in international services registered a surplus of Ksh. 185.8 billion in 2011 up from a surplus of Ksh 138.2 billion recorded in 2010. According to Kenya National Bureau of Statistics this was partly attributable to increases in the earnings from tourism in 2011.

## 2.5 Remittances from the Diaspora

The total remittances to Kenya from July 2011 to February 2012 amounted to USD 678 million. In February 2012, remittances amounted to USD 104 million, which was 71.12 per cent higher than the level in February 2011 and 15.84 per cent higher than what was recorded in January 2012. The 12-month cumulative average remittances flow sustained an upward trend from the second half of 2010. This trend is shown in Figure 4. The remittances helped to stabilise the shilling over the short term period.

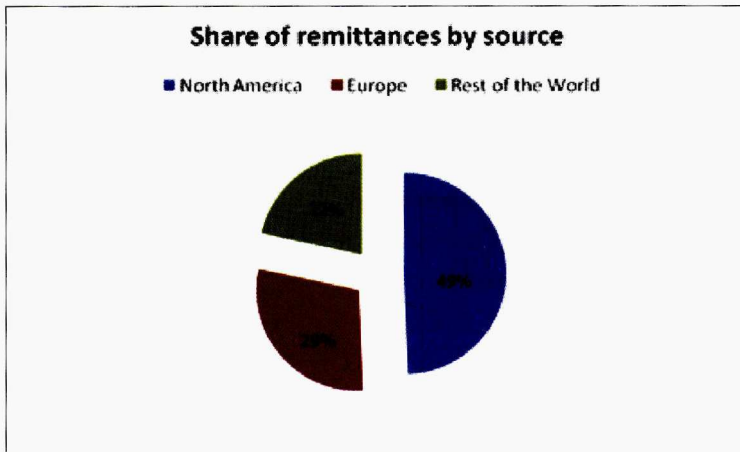
**Figure 4: Remittances from the Diaspora for the period January 2010 to February 2012**



Source: Central Bank of Kenya, 2012

The shares of the total remittances by source for the period November 2011- February 2012 is shown in figure 5 which indicates that about half of the remittances are from the United States of America and Canada. These remittances have had a favourable effect on foreign exchange rates by bringing them down and thus reducing the cost of imports.

**Figure 5: Share of remittances by source**

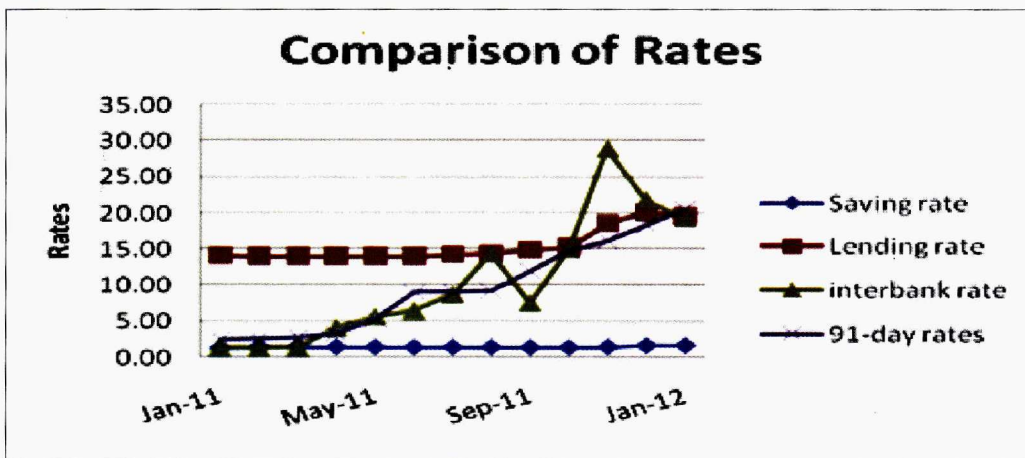


Source: Central Bank of Kenya, 2012

## 2.6 Interest Rates

The commercial bank saving rate has remained at an average of 1.40 per cent for the FY 2011-2012. The lending rate went up to 20.04 per cent in December 2011. The CBK’s interbank rate was volatile reaching a high of 28.9 per cent in November 2011 and reduced to 21.75 per cent and 19.27 per cent in December 2011 and January 2012 respectively. The 91-day Treasury bill rates rose from 16.14 per cent in November 2011, 18.3 per cent in December, and a further 20.56 per cent in January 2012.

**Figure 6: Selected Commercial and Central Bank rates**



Source: Central Bank of Kenya



### 3. Financial Analysis of the 2011/2012 Budget Implementation

#### 3.1 Revenue Performance

The total revenue target for FY 2011/2012 is Ksh. 789.5 billion (or 24.7% of GDP). The revenue collection for the third quarter stood at Ksh. 160.4 billion against a target of Ksh. 164.3 billion which represents 97.63 per cent of the targeted revenue collection for the third quarter. This represents a revenue shortfall of Ksh. 3.8 billion, but is an improvement of 13.5 per cent for the same period last year.

Cumulatively, revenue collection for the period 1st July 2011 to 31st March 2012 stood at Ksh. 498.6 billion against a target of Ksh. 519.9 billion, which represents a revenue deficit of Ksh. 21.3 billion. The Kenya Revenue Authority attributes the shortfall mainly to the removal of excise duty on kerosene, diesel, cereals and change in Value Added Tax withholding mechanisms regime. However, compared to the corresponding period in FY 2010/2011, revenue grew by Ksh. 54.1 billion or 12.2 per cent. Details of the cumulative collection by category during the nine months of FY 2011/12 are provided in Annex 2 and a summary is contained in Table 1.

**Table 1: Revenue collection by broad category (in Ksh. million), third quarter of 2011/12**

Description	Cumulative: July - March					
	2011/2012				2010/2011	% Change
	Actual	Target	Variance	Performance Rate (%)	Actual	
Petroleum Taxes	49.6	52.5	(3.0)	94.3	50.8	(2.5)
International Trade Taxes	176.2	183.0	(6.8)	96.3	161.6	9.0
Indirect Domestic Taxes	97,576	126,239	(28.6)	77.3	100.9	(3.3)
Direct Domestic Taxes	216.5	202.6	13.9	106.9	174.7	23.9
<b>Grand Total</b>	<b>498.6</b>	<b>519.9</b>	<b>(21.3)</b>	<b>95.9</b>	<b>444.5</b>	<b>12.2</b>

Source: Kenya Revenue Authority

According to Kenya Revenue Authority the performance of the revenue collection for the fourth quarter will depend on the following factors:

- The implementation of the Finance Bill passed by Parliament in mid-April 2012.
- Impact of the continued tightening of monetary policy on consumption and investment and of the Government's expenditure reduction measures on taxable expenditure.
- Uncertainty caused by election year activities, which may undermine economic activities as a wait-and-see attitude is adopted by businesses.

The shortfall in revenue collection will affect the implementation of the budget as some of the planned activities will not be funded. The A.I.A collected so far by MDAs is not clear, as most of them have not provided the data.

### **3.2 Exchequer Issues**

The total budget for the FY 2011/2012 was Ksh. 1,158.9 billion comprising Ksh. 552.8 billion for recurrent expenditure, Ksh. 396.6 billion for development expenditure and Ksh. 209.5 billion for consolidated fund services. The Ministries, Departments and Agencies received Ksh. 366.1 billion for the recurrent expenditure for the period under review ending March 2012 that was approved by the Controller of Budget (CoB). This represents a 66.2 per cent of the gross estimates for financial year 2011/2012. The sub-sectors of Special Programmes received Ksh. 7.9 billion which is 99.98 per cent of the net estimates, Development of Northern Kenya and Arid Areas 96.3 per cent, Nairobi Metropolitan 93.68 per cent and Roads 90.5 per cent.

The Controller of Budget approved exchequer releases for the period 1<sup>st</sup> July 2011 to 31<sup>st</sup> March 2012 for development expenditure amounting to Ksh. 142.4 billion, which was released to MDAs. This represents 55 per cent of the net estimates against a target of Ksh. 260.5 billion for the FY 2011/2012. The sub-sectors that received the highest percentage of their exchequer releases compared to their net estimates are: Ministry of Public Works, 98 per cent; Ministry of Gender and Children and Social Development, 96 per cent; Ministry of Justice, National Cohesion and Constitutional Affairs, 94 per cent; and, Ministry of Medical Services, 87.0 per cent. The following sub-sectors received the least exchequer issues for their development activities as compared to their net development estimates: Ministry of East African Community, 7 per cent; The Judiciary, 14 per cent; Ministry of Immigration and Registration of Persons, 26 per cent; National Assembly, 27 per cent; and Ministry of Transport, 30 per cent.

### **3.3 Donor Releases**

According to this financial year's budget, the Government is expected to raise Ksh. 183.1 billion through external sources as shown in Table 2. For the period under review only Ksh. 58.6 billion has been released by donors to undertake the various activities planned for the year, which is 32 per cent of the total expected disbursement, which is quite low.

The MDAs attributes this low disbursement to, among others, donor conditionalities and non-submission of expenditure returns by the MDAs for reimbursements. Grants revenue had the highest achievement rate of 40.8 per cent and the grants A.I.A. had the least achievement rate of 20.0 per cent. According to Treasury this is attributed to non-collection of the A-in-A and under reporting by MDAs.

**Table 2: Summary of grants and loans disbursement status (in billion Ksh)**

Funding Type	Printed Estimates 2011/2012	Cumulative Disbursement as at 31-03-2012	
		Disbursements	% Disbursed against Printed Estimates
Loans Revenue	39.5	14.9	37.7
Grants Revenue	12.7	5.2	40.8
Loans A.I.A	102.5	32.9	32.1
Grants A.I.A	28.4	5.7	20.0
<b>Totals</b>	<b>183.1</b>	<b>58.6</b>	<b>32.0</b>

Source: Ministry of Finance

### 3.4 Consolidated Fund Services (CFS)

The Consolidated Fund Services was allocated Ksh.209.5 billion which represents 18.1 per cent of this financial year 2011/2012 Budget. The CFS for this financial year comprised Ksh. 76.6 billion for domestic interest payments; Ksh. 7.5 billion for foreign interest payments; Ksh. 31.8 billion for pensions, and Ksh.3.0 billion for salaries and allowances of constitutional office holders and other non-discretionary expenditures. In addition, the government had budgeted to finance external and internal redemptions amounting to Ksh. 25.8 billion and Ksh. 63.4 billion respectively from the current F/Y 2011/2012 Budget.

#### 3.4.1 Domestic Borrowing

The government allocated Ksh. 140 billion for repayment of domestic debt during the financial year 2011/2012 out of which a total of Ksh. 43 billion and Ksh. 28 billion were issued from the exchequer to pay interest and redemptions respectively for maturing Treasury bonds. Further, the Treasury had estimated to borrow a total of Ksh. 119.5 billion from the domestic market as a measure to hedge against revenue shortfalls and to bridge the budget deficit. However, during the period from 1<sup>st</sup> July 2011 to 31<sup>st</sup> March 2012, the government was able to raise Ksh. 122.9 billion through the issue of bonds but performance of Treasury bills was poor, resulting in shortfall challenges occasioned by poor outcomes of the weekly roll over.

#### 3.4.2 Foreign Borrowing

For the FY 2011/2012, a total of Ksh. 34 billion was allocated to facilitate the payments of interest and principal of external loans. However, as at end of 31<sup>st</sup> March 2012, a total of Ksh. 29.1 billion for both interest and principal was approved and issued from the exchequer representing 85.6 per cent of the allocated amount. Overall cumulative repayment for both domestic and foreign debts amounted to Ksh. 101 billion against exchequer release of Ksh. 103 billion representing 98.06 per cent.

### 3.4.3 Pension and Gratuities

A total of Ksh 31.8 billion was allocated to cater for the payment of pensions and gratuities. The exchequer issues, as at 31<sup>st</sup> March 2012, was Ksh. 17.4 billion against an actual payment of Ksh. 18.2 billion. The expenditure of the department is therefore in excess of the exchequer issues by Ksh.758.2 million. This discrepancy requires urgent reconciliation.

### 3.4.4 Salaries and allowances

A total of Ksh. 3.0 billion was allocated to cater for salaries and allowances for Constitutional office holders. A total of Ksh. 1.1 billion had been released from the exchequer, which represents 33 per cent of the net estimates.

### 3.4.5 Guaranteed Loans

In the F/Y2011/2012, the Government allocated a total of Ksh. 1.41 billion to cater for the repayments of guaranteed loans. As at the end of 31<sup>st</sup> March 2012, a total of Ksh.1.4 billion had been paid for loans that were defaulted on by Nairobi City Council, Tana and Athi River Development Authority (TARDA) and Kenya Broadcasting Corporation (KBC). There is need for Treasury to make a follow up to determine why the government agencies that are not insolvent defaulted to repay the loans and recover from them these amounts. The Exchequer releases for guaranteed loans are included in the public debt exchequer issues as indicated in Table 3.

**Table 3: Analysis of CFS expenditures (in Ksh. Billions)**

Details of Votes	Gross Estimates	Net Estimates	Exchequer Issues	Actual Expenditure (billions)	Expenditure as a % of Gross Estimates	Expenditure as % of exchequer issues
Public Debt	173.2	173.3	103.0	101.0	33.8	100
Pensions and Gratuities	31.8	31.8	17.4	18.5	36.6	103.4
Salaries and Allowances	3.0	3.0	1.1	1.1	5.2	85.2
International Organisations	0.0005	0.0005		0		
Miscellaneous Services	0.06	0.06	-	0	-	-
Guaranteed Debt	1.4	1.4	1.4	1.4	0	0
<b>Total</b>	<b>209.5</b>	<b>209.5</b>	<b>122.9</b>	<b>123.0</b>	<b>33.6</b>	<b>100.5</b>

Source: Ministry of Finance and MDAs

## 3.5 Recurrent Expenditure Analysis by Sector

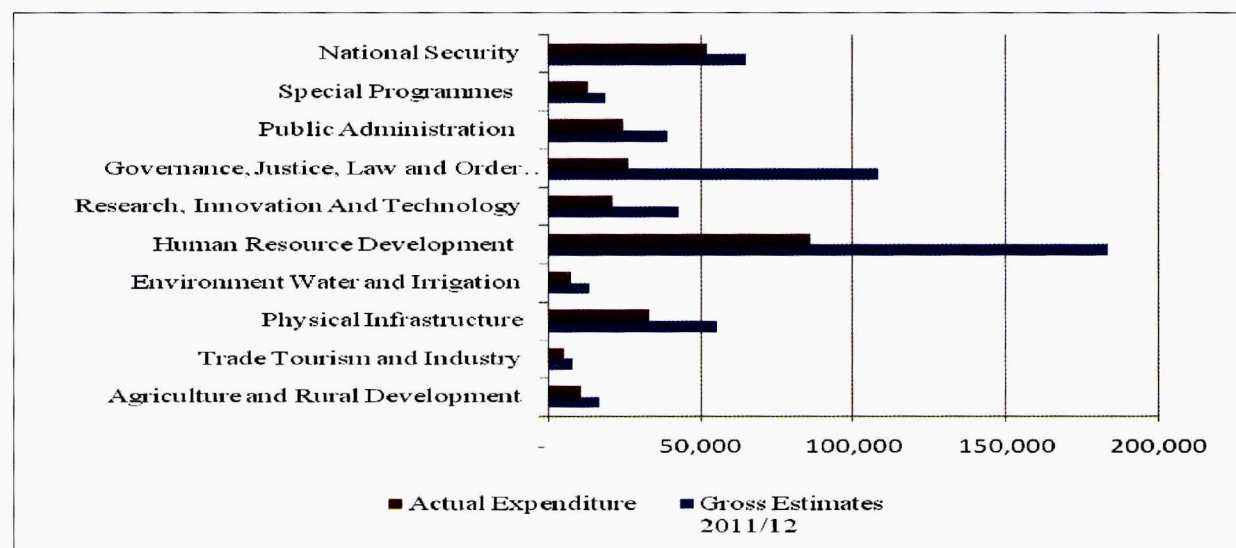
This section takes a critical analysis of each sector's recurrent budget verses the Exchequer's issues and actual expenditures for MDAs. The total recurrent expenditure for FY 2011/2012 for all the sectors was

estimated at Ksh. 552.9 billion which represents 47.7 per cent of the total budget. For the period July 2011 to March 2012 Ksh. 366.1 billion has been released as Exchequer issues to cover the recurrent budget, which represents 66.7 per cent of the gross estimates. The MDAs were expected to collect Ksh. 70.7 billion in form of appropriations in aid. Most MDAs have not provided data to assist in determining how much has been collected as appropriations in aid.

The Special Programmes sub-sector received Ksh.15.6 billion as exchequer issues, which represents 82.5 per cent of the net estimates. National Security received Ksh. 53.8 billion, which is 82.6 per cent of its net estimates, whereas Physical Infrastructure received the least amount of Ksh. 52.7 billion, which represents 56.0 per cent of its net estimates. The sub-sectors of Special Programmes and National security received higher exchequer issues to cover expenditure for the resettlement of Internally Displaced Persons (IDPs) and famine related costs for victims in the northern part of Kenya, and Operation Linda Nchi military operations in Somalia respectively.

The total recurrent expenditure for the period under review cumulatively stood at Ksh. 327.2 billion, which represents 59.2 per cent of the gross estimates. The National Security sector had the highest absorption rate of 80.6 per cent, whereas the Physical Infrastructure had the least absorption rate of 56.0 per cent of gross estimates. Figure 6 summarises the comparison between the actual expenditure for the period under review and the gross estimates for the FY 2011/2012.

**Figure 7: Comparison of actual expenditure and gross estimates (in Ksh. millions)**



Source: Office of the Controller of Budget and Ministry of Finance

### 3.5.1 Human Resource Development

This sector comprises five sub-sectors, namely Education, Teachers Service Commission, Labour, Medical Services, and Public Health and Sanitation. The Human Resource Development Sector is responsible for the provision and co-ordination of services relating to Education, Labour, Medical Services, Public Health

and Sanitation in order to create a globally competitive and adaptive human resource. For the current F/Y 2011/2012 this sector was allocated a gross estimate of Ksh. 183.8 billion for recurrent expenditure. The amount allocated included Ksh. 7.3 billion that was to be collected as appropriations in aid.

For the period under review the sector received exchequer issues amounting to Ksh. 140.7 billion for recurrent expenditure, which represents 77 per cent of the net estimates. The sub sectors of Medical Services received Ksh. 20 billion, which is 84.4 per cent of the net estimates. The other sub-sectors' exchequer issues as percentage of their net estimates were as follows: Labour, 65.3%; Education, 89.5%; Teachers Service Commission (TSC), 76%; and Public Health and Sanitation, 77.4%.

The actual expenditure for the sector was Ksh. 141.6 billion, representing an average absorption rate of 77 per cent. This sector showed improvement in absorption of resources of 2 per cent over and above its entitlement of exchequer issues as it collected Ksh. 900 million of the expected appropriations in aid. The sub sectors of Medical Services spent Ksh. 21.0 billion, which includes A.I.A collections, representing 76.0 per cent rate of absorption, while Labour spent Ksh. 981.9 million representing an absorption rate of 57.1 per cent. The TSC and Public Health and Sanitation sub sectors spent Ksh. 83.6 billion and Ksh. 7.7 billion representing absorption rates of 79 and 70.7 per cent respectively.

**Table 4: Analysis of recurrent expenditure and net exchequer issues for Human Resource Development (in Ksh. millions)**

Name of sub-sector	Gross Estimates 2011/12	Appropriation in Aid 2011/12	Net Estimates 2011/12	Exchequer Issues	Actual Expenditure	Expenditure as a percentage of Gross Estimates	Exchequer issues as a % Net estimates
Medical Services	27,628.9	3,824.0	23,804.9	20,099.0	21,008.3	76.0	84.4
Labour	1,720.3	89.0	1,631.3	1,064.7	981.9	57.1	65.3
Education	37,537.8	3,227.0	34,310.8	30,717.0	28,199.5	75.1	89.5
T.S.C	105,912.6	80.0	105,832.6	80,410.0	83,639.6	79.0	76.0
Public Health & Sanitation	10,970.5	58.0	10,912.5	8,443.3	7,752.0	70.7	77.4
<b>Total</b>	<b>183,770.0</b>	<b>7,278.0</b>	<b>176,492.0</b>	<b>140,733.9</b>	<b>141,581.3</b>	<b>77.0</b>	<b>79.7</b>

Source: Ministry of Finance & MDAs

### 3.5.2 Public Administration and International Relations Sector

The Public Administration and International Relations (PAIR) Sector comprises the Cabinet Office, State House, Public Service Commission, Office of the Prime Minister, Planning, National Development and Vision 2030, Public Service, Finance and Foreign Affairs. This sector provides leadership and overall strategic leadership and direction in the implementation of Government policies and further undertakes key functions cutting across all government agencies such as mobilisation of both human and capital resources, budgeting, planning and the management of the country's foreign policy. During the FY 2011/2012 the

Sector was allocated a total of Ksh. 39.3 billion under recurrent expenditure which represents 7.1 per cent of the recurrent budget.

PAIR sector received a total of Ksh. 30.6 billion as exchequer issues over the period July 2011 to March 2012, which is 80 per cent of the total net estimates for financial year. The sub sector of State for Public Service received a total of Ksh. 3.1 billion, which is 62.2 per cent of net estimates which is an improvement from 12 per cent achieved during the second quarter. The rate of absorption of the Public Service sector is attributed to the implementation of a medical scheme for the civil servants which commenced in the third quarter of the financial year. The recurrent expenditure of the sector stood at Ksh. 27.0 billion representing 68.7 per cent of the gross estimates. Table 5 summarises the current expenditure and net exchequer issues for the sector.

**Table 5: Analysis of recurrent expenditure and net exchequer issues for PAIR (in Ksh. millions)**

Name of sub-sector	Gross Estimates 2011/12	Appropriation in Aid 2011/12	Net Estimates 2011/12	Exchequer Issues	Actual Expenditure	Expenditure as a % of Gross Estimates	Exchequer issues as a % Net estimates
State House	1,277.0	2.0	1,275.0	1,187.6	1,158.9	90.7	93.1
State for Public Service	5,097.5	46.0	5,051.5	3,140.9	760.4	14.9	62.2
Foreign Affairs	8,062.0	787.0	7,275.0	6,581.2	7,456.0	92.5	90.5
P.N.D & Vision 2030	2,806.2	12.0	2,794.2	1,911.3	2,121.9	75.6	68.4
Finance	17,930.4	-	17,930.4	14,886.6	12,613.4	70.3	83.0
Cabinet Office	1,310.5	1.0	1,309.5	846.9	826.9	63.1	64.7
Public Service Commission	649.7	4.0	645.7	364.0	496.3	76.4	56.4
Office of the Prime Minister	1,812.0	1.0	1,811.0	1,420.8	1,363.4	75.2	78.5
The CRA	367.9	-	367.9	292.0	270.0	79.4	79.4
<b>Total</b>	<b>39,313.3</b>	<b>853.0</b>	<b>38,460.3</b>	<b>30,631.3</b>	<b>26,991.1</b>	<b>68.7</b>	<b>79.6</b>

Source: Ministry of Finance & MDAs

### 3.5.3 Trade, Tourism and Industry (TTI) Sector

The sector comprises the following sub-sectors: Trade, East African Community, National Heritage and Culture, Tourism and Industrialisation. The sector contributes significantly to the overall national development agenda as envisioned by the Kenya Vision 2030, by overseeing the fast tracking of the EAC regional integration initiatives, poverty reduction and creation of employment opportunities. The Sector also plays a significant role towards achievement of the Millennium Development Goals (MDGs). During FY 2011/2012, the sector was allocated a total of Ksh. 8.1 billion under recurrent expenditure.

The sector received Ksh. 6.1 billion which represent 79.9 per cent of the net estimates for the period ending March 2012 to cover their recurrent budget. The sub sectors of Trade received 85.1 per cent, East Africa Community 82.7 per cent, Tourism 78.7 per cent, Heritage 80.1 per cent, and Industrialisation 74.6 per cent as indicated in Table 6.

The total expenditure for the sector stood at Ksh. 5.6 billion for the period under review, which is 68.9 per cent of the gross estimates. The sub sector of Trade spent Ksh. 1.0 billion representing 56.7 per cent, the EAC sub sector 83.4 per cent, while the National Heritage and Culture sub sector spent 75.7 per cent of the gross estimates. Table 6 summarises the sector details.

**Table 6: Analysis of recurrent expenditure and net exchequer issues for Trade, Tourism and Industry sector (in Ksh. millions)**

Name of Sub Sector	Gross Estimates 2011/12	Appropriation in Aid 2011/12	Net Estimates 2011/12	Exchequer Issues	Actual Expenditure	Expenditure as a % of Gross Estimates	Exchequer issues as a % Net estimates
Trade	1,803.5	215.5	1,588.0	1,350.7	1,022.5	56.7	85.1
East African Community	1,015.9	1.0	1,014.9	839.7	847.0	83.4	82.7
National Heritage & Culture	1,765.6	21.0	1,744.6	1,397.2	1,336.7	75.7	80.1
Tourism	1,568.5	11.0	1,557.5	1,225.0	1,150.3	73.3	78.7
Industrialisation	1,914.1	126.0	1,788.1	1,333.6	1,273.3	66.5	74.6
<b>Total</b>	<b>8,067.6</b>	<b>374.5</b>	<b>7,693.1</b>	<b>6,146.3</b>	<b>5,629.9</b>	<b>69.8</b>	<b>79.9</b>

Source: Ministry of Finance & MDAs

### 3.5.4 Agricultural and Rural Development Sector

This sector comprises the following five subsectors: Agriculture; Livestock Development; Fisheries Development; Lands and Settlement; and Cooperative Development and Marketing. This sector is critical for economic growth, employment and poverty reduction. The sector was allocated Ksh. 16.8 billion.

The total exchequer issues to the sector were Ksh. 12.9 billion for the period July 2011 to March 2012. The sub sector of Agriculture received Ksh. 6.1 billion as exchequer issues which represent 79.3 per cent of the net estimates. Livestock Development sub sector received the highest allocation amounting to Ksh. 2.9 billion, which represents 80.5 per cent of the net estimates. The sub sector of Cooperative Development and Marketing received 0.86 billion which represents 79 per cent of the net estimates. Lands sub sector received the least exchequer issues of Ksh. 1.5 billion representing 71.1 per cent of the net estimates. Sub sector of Fisheries Development received Ksh. 0.9 billion representing 72.3 per cent of net estimates.

The sectors' actual expenditure for the period under review was Ksh. 11.0 billion. The sub sector of Agriculture's actual expenditure stood at Ksh. 6.1 billion representing 71.5 per cent of the gross estimate. Livestock Development sub sector's expenditure was Ksh. 2.3 billion representing 61.2 per cent absorption rate as indicated in Table 7.



**Table 7: Analysis of recurrent expenditure and net exchequer issues for Agricultural and Rural Development Sector  
(in Ksh. millions)**

Name of sub-sector	Gross Estimates 2011/12	Appropriation in Aid 2011/12	Net Estimates 2011/12	Exchequer issues	Actual Expenditure	Expenditure as a % of Gross Estimates	Exchequer issues as a % Net estimates
Agriculture	8,541.0	175.3	8,365.7	6,632.2	6,104.3	71.5	79.3
Livestock Development	3,709.3	24.5	3,684.8	2,966.3	2,269.7	61.2	80.5
Cooperative Development & Marketing	1,105.4	13.0	1,092.4	862.7	566.0	51.2	79.0
Lands and Settlements	2,167.3	-	2,167.3	1,541.2	1,377.2	63.5	71.1
Fisheries Development	1,262.1	-	1,262.1	911.9	715.9	56.7	72.3
<b>Total</b>	<b>16,785.1</b>	<b>212.8</b>	<b>16,572.3</b>	<b>12,914.4</b>	<b>11,033.1</b>	<b>65.7</b>	<b>77.9</b>

Source: Ministry of Finance & MDAs

### 3.5.5 Environment, Water and Irrigation Sector

This sector comprises the Environment and Mineral Resources, Water and Irrigation, and Forestry and Wildlife. These sub-sectors form the foundation for a clean, secure and sustainable environment by promoting the quality of the country's environment and natural resources. The sector is expected to: develop and review policies, legislation, regulations, standards, strategies and guidelines pertaining to the natural resources; enhance sustainable management and development of environment, water and natural resources; generate, manage and disseminate timely, efficient and accurate meteorological services, environment and natural resources data; Increase access to water and sewerage services; promote sustainable utilization of forestry and wildlife products; and build capacity for sustainable environmental and natural resource management. The sector was allocated Ksh. 13.7 billion for recurrent expenditure for FY 2011/2012 which is 1.2 per cent of the total budget.

For the period under review, the Sector has received Ksh. 7.9 billion as exchequer releases representing 75.8 per cent of the gross estimates. The total expenditure for the sector for the period totalled Ksh. 7.6 billion. The absorption rates for Water and Irrigation and the Environment and Mineral Resources sub sectors was 43.4 per cent and 66.9 per cent respectively. The Environment and Mineral Resources sub sector had the highest rate of absorption of 66.9 per cent, while the Forestry and wildlife sub sector had the least absorption of 65.0 per cent. Table 8 summarises the sector's financial status.

**Table 8: Analysis of recurrent expenditure and net exchequer issues for Environment Water and Irrigation  
(in Ksh. millions)**

Name of sub-sector	Gross Estimates 2011/12	Appropriation in Aid 2011/12	Net Estimates 2011/12	Exchequer Issues	Actual Expenditure	Expenditure as a percentage of Gross Estimates	Exchequer issues as a % Net estimates
Water and Irrigation	5,998.6	1,923.7	4,074.9	3,180.0	2,601.4	43.4	78.0
Environment and Mineral Resources	2,545.6	203.4	2,342.2	1,888.4	1,702.0	66.9	80.6
Forestry and Wildlife	5,153.3	1,091.1	4,062.2	2,874.4	3,350.6	65.0	70.8
<b>Total</b>	<b>13,697.5</b>	<b>3,218.2</b>	<b>10,479.3</b>	<b>7,942.8</b>	<b>7,654.0</b>	<b>55.9</b>	<b>75.8</b>

Source: Ministry of Finance & MDAs

### 3.5.6 Governance, Justice, Law and Order Sector (GJLOS)

The Governance, Justice, Law and Order Sector (GJLOS) comprises the following sub-sectors: Provincial Administration and Internal Security; Office of the Vice President and Home Affairs; Justice, National Cohesion and Constitutional Affairs; State Law Office; Judiciary; Ethics and Anti-Corruption Commission; National Assembly; Kenya National Audit Office; Immigration and Registration of Persons; Independent Electoral and Boundaries Commission; and, Directorate of Public Prosecution.

The sector plays an important role in providing a stable environment for political, social and economic development of the country. Specifically the role of the sector includes: constitutional implementation, provision of security, making laws, ensuring good governance and accountability in public resources, management of electoral process, delimitation of electoral and administrative boundaries, registration, regulation and funding of political parties, rehabilitation, reintegration and resettlement of custodial and non-custodial offenders, providing migration services and maintaining law and order in the country. During the FY 2011/2012 the sector was allocated a total of Ksh. 108.3 billion for recurrent expenditure, which represents 9.4 per cent of the total budget.

The GJLOS sector received a total of Ksh. 69.7 billion as exchequer releases for the period July 2011 to March 2012 representing 64.6 per cent of the net estimates. The Judiciary received 4.1 billion from exchequer representing 63.9 per cent, which is below the 75 per cent threshold for up to the third quarter. The Provincial Administration and Internal Security sub sector received Ksh. 40.1 billion representing 71.8 per cent of net estimates.

The actual expenditure for the sector stood at Ksh. 25.5 billion for the period ending 30<sup>th</sup> March, 2012 representing 65.7 per cent of the gross estimate. The Kenya National Audit Office had an absorption rate of 50.3 per cent, while the Independent Electoral and Boundaries Commission's had 16.3 per cent. The sector witnessed low level of absorption of funds that need to be addressed. Table 9 below summarises the status of the sector's performance.

**Table 9: Analysis of recurrent expenditure and net exchequer issues for GJLOS (Ksh. millions)**

Name of sub-sector	Gross Estimates 2011/12	Appropriation in Aid 2011/12	Net Estimates 2011/12	Exchequer Issues	Actual Expenditure	Expenditure as a % of Gross Estimates	Exchequer issues as a % net estimates
Provincial Administration and Internal Security	55,940.2	-	55,940.2	40,153.7	38,498.0	68.8	71.8
Office of the Vice-President and Home Affairs	13,742.6	-	13,742.6	11,593.9	8,192.3	59.6	84.4
Justice, National Cohesion and Constitutional Affairs	2,057.1	157.0	1,900.1	1,412.8	1,490.4	72.5	74.4
State Law Office	1,336.0	-	1,336.0	1,074.3	1,061.6	79.5	80.4
The Judiciary	6,362.5	-	6,362.5	4,067.2	4,547.1	71.5	63.9
Kenya National Audit Office	1,547.7	110.0	1,437.7	908.8	778.7	50.3	63.2
National Assembly	8,861.1	4.0	8,857.1	6,204.7	5,344.6	60.3	70.1
Independent Electoral & Boundaries Commission	11,438.9	7.0	11,431.9	1,795.5	1,862.9	16.3	15.7
Ethics & Anti-Corruption Commission	1,617.0	8.0	1,609.0	992.1	983.4	60.8	61.7
Immigration and Registration of Persons	3,921.0	-	3,921.0	757.5	2,577.3	65.7	19.3
Directorate of Public Prosecutions	355.0	-	355.0	220.0	199.7	56.3	62.0
Human Rights and Equality Commission	324.5	-	324.5	245.0	210.4	64.9	75.5
Commission for the Implementation of the Constitution	524.0	-	524.0	320.0	259.5	49.5	61.1
The National Police Service Commission	250.0	-	250.0	-	-	-	-
<b>Total</b>	<b>108,277.5</b>	<b>286.0</b>	<b>107,991.5</b>	<b>69,745.5</b>	<b>66,005.9</b>	<b>61.0</b>	<b>64.6</b>

Source: Ministry of Finance & MDAs

### 3.5.7 Physical Infrastructure Sector

The Physical Infrastructure Sector consists of the following sub-sectors: Roads; Public Works; Transport; Energy; Local Government; Nairobi Metropolitan Development; and, Housing. The Kenya Vision 2030 recognizes the importance of development infrastructure as critical for socio-economic transformation. The Infrastructure Sector aspires for a country with modern metropolitan cities, municipalities and towns with infrastructural facilities that meet international standards to make Kenya a globally competitive and prosperous country. During the FY 2011/2012 the sector was allocated a total of Ksh. 55.8 billion under recurrent expenditure. The allocation included Ksh. 43.0 billion to be collected as Appropriation in Aid.

The sector received Ksh. 7.1 billion as exchequer issues for the period under review which represents 56.0 per cent of the net estimates. The Office of the Deputy Prime Minister and Local Government sub

sector received 735.9 million accounting for 68.2 per cent of the net estimates. The Nairobi Metropolitan Development sub sector received the Ksh. 272.2 million representing 93.7 per cent of net estimates which was the highest in the sector. Transport sub sector received the lowest at 25.6 per cent of the net estimates amounting to Ksh. 1.0 billion. The Energy sub sector received 60.9 per cent amounting to Ksh. 1.4 billion, while Housing and Roads sub sectors received Ksh. 735 million (61.5 per cent) and Ksh. 2.1 billion (90.6 per cent) of their net estimates respectively.

The actual expenditure for the sector was Ksh. 21.3 billion. The Office of the Deputy Prime Minister and Local Government sub sector spent Ksh. 930.4 million representing an absorption rate of 5.1 per cent (these figure excludes the Local Authorities Transfer Fund expenditures), while the Transport sub sector expenditure was Ksh. 1.0 billion representing a 25.8 per cent absorption rate. The sector's expenditure and absorption rates are summarised in the Table 10 below.

**Table 10: Analysis of recurrent expenditure and net exchequer issues for Physical Infrastructure Sector  
(in Ksh. millions)**

Name of sub-sector	Gross Estimates 2011/12	Appropriation in Aid 2011/12	Net Estimates 2011/12	Exchequer issues	Actual Expenditure	Expenditure as a % of Gross Estimates	Exchequer issues as a % net estimates
Local Government	18,380.7	17,301.9	1,078.8	735.9	930.4	5.1	68.2
Roads	27,446.2	25,147.5	2,298.7	2,082.0	15,934.5	58.1	90.6
Transport	4,036.8	62.0	3,974.8	1,016.3	1,040.8	25.8	25.6
Energy	2,371.5	-	2,371.5	1,443.6	1,687.2	71.1	60.9
Housing	1,680.3	485.0	1,195.3	735.6	570.2	33.9	61.5
Nairobi Metropolitan Development	291.9	1.0	290.9	272.5	218.1	74.7	93.7
Public Works	1,545.8	-	1,545.8	856.1	915.2	59.2	55.4
<b>Total</b>	<b>55,753.2</b>	<b>42,997.4</b>	<b>12,755.8</b>	<b>7,141.9</b>	<b>21,296.4</b>	<b>38.2</b>	<b>56.0</b>

Source: Ministry of Finance & MDAs

### 3.5.8 Special Programmes Sector

Special Programmes Sector comprises the following five sub-sectors: Regional Development Authorities; Gender, Children and Social Development; Special Programmes; Youth Affairs and Sports; and Development of Northern Kenya and Other Arid Lands. The sector spearheads the formulation and implementation of regional development policies, youth empowerment, gender, children and social development. In the 2011/2012 financial year the sector was allocated a total of Ksh. 19.0 billion under recurrent budget with Ksh. 84 million as gross estimates.

The Regional Development Authorities sub sector was issued with Ksh. 646.9 million representing 81.5 per cent of the net estimates, while the Gender, Children and Social Development sub sector received Ksh. 2.7 billion accounting for 67.1 per cent of the net estimates. The Special Programmes sub sector received almost 100 per cent of the net estimates of Ksh. 7.9 billion occasioned by the expenditure on famine programmes and the resettlement of the Internally Displaced Persons (IDPs) of the 2007/8 post-election violence among other programmes. The sub sectors of Youth Affairs and Sports and Development of Northern Kenya and Other Arid Lands received Ksh. 4.0 billion (68.8 per cent) and Ksh. 299.7 million (96.4 per cent) respectively.

The total actual expenditure for the sector stood at Ksh. 13.5 billion. The Regional Development Authority spent Ksh. 613.6 million representing 77.0 per cent absorption rate. The Gender, Children and Social Development sub sector spent Ksh. 2.6 billion representing 64 per cent absorption rate, while the Special Programmes sub sector spent Ksh. 7.4 billion amounting to 93 per cent absorption rate.

**Table 11: Analysis of recurrent expenditure and net exchequer issues for Special Programmes (in Ksh. millions)**

Name of sub-sector	Gross Estimates 2011/12	Appropriation in Aid 2011/12	Net Estimates 2011/12	Exchequer Issues	Actual Expenditure	Expenditure as a percentage of Gross Estimates	Exchequer issues as a % Net estimates
Regional Development Authorities	794.2	-	794.2	646.9	613.6	77.3	81.5
Gender, Children and Social Development	4,021.7	9.5	4,012.2	2,690.9	2,575.0	64.0	67.1
Special Programmes	7,922.8	3.0	7,919.8	7,918.4	7,381.9	93.2	100.0
Youth Affairs and Sports	5,902.1	69.5	5,832.6	4,014.4	2,695.4	45.7	68.8
Dev. of N. Kenya & Other Arid Lands	313.1	2.0	311.1	299.7	154.8	49.4	96.3
<b>Total</b>	<b>18,953.8</b>	<b>84.0</b>	<b>18,869.9</b>	<b>15,570.4</b>	<b>13,420.7</b>	<b>70.8</b>	<b>82.5</b>

Source: Ministry of Finance & MDAs

### 3.5.9 Research, Innovation and Technology Sector

The Research, Innovation and Technology (RIT) Sector comprises the Information and Communications, and the Higher Education, Science and Technology sub-sectors. The sector plays an important role in developing and promoting research, innovation and technology for high value products and services; developing modern national ICT infrastructure for sustainable development; developing and strengthening training capacity of higher education institutions; formulating human resource development policies that attract and retain professionals; strengthening systems for the creation, translation of data, knowledge and dissemination of information; collecting, collating, analyzing, storing, archiving and retrieving data and;

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developing and strengthening policies and capabilities of Sector institutions. During the FY 2011/2012, the sector was allocated a total of Ksh. 43.1 billion under recurrent budget, which represents close to 7.8 per cent of the total recurrent budget.

For the period under review the Information and Communications sub sector received Ksh. 1.4 billion representing 75.7 per cent of the net estimates. The Higher Education, Science and Technology received Ksh. 15.4 billion, which is 77.6 per cent of the net estimates. Information and Communication actual expenditure was Ksh. 1.3 billion representing 69.7 per cent of the gross estimates, while the Higher Education, Science and Technology spent Ksh. 20 billion representing 48.5 per cent of the gross estimates.

**Table 12: Analysis of recurrent expenditure and net exchequer issues for RIT Sector (in Ksh. millions)**

Name of sub sector	Gross Estimates 2011/12	Appropriation in Aid 2011/12	Net Estimates 2011/12	Exchequer issues	Actual Expenditure	Expenditure as a percentage of Gross Estimates	Exchequer issues as a % Net estimates
Information and Communications	1,839.1	-	1,839.1	1,391.5	1,282.5	69.7	75.7
H. Educ. Sci. & Tech.	41,266.9	15,392.0	25,874.9	20,087.9	19,994.8	48.5	77.6
<b>Total</b>	<b>43,106.0</b>	<b>15,392.0</b>	<b>27,714.0</b>	<b>21,479.3</b>	<b>21,277.3</b>	<b>49.4</b>	<b>77.5</b>

Source: Ministry of Finance & MDAs

### 3.5.10 National Security Sector

The sector comprises two sub-sectors, namely Defence and National Security Intelligence Service (NSIS). This sector is important in ensuring that the country is secure. The Department of Defence was allocated Ksh. 43.1 billion accounting for 83.0 per cent of the net estimates. The NSIS was allocated Ksh. 10.7 billion, which accounts for 81.2 per cent of the net estimates. The total actual expenditure for the National Security sector was Ksh. 52.5 billion. The Defence sub sector spent 43.4 billion amounting to 83.4 per cent of gross estimates. The NSIS sub sector spent Ksh. 9.2 billion representing 70 per cent of gross estimates.

**Table 13: Analysis of recurrent expenditure and net exchequer issues for National Security Sector (in Ksh. millions)**

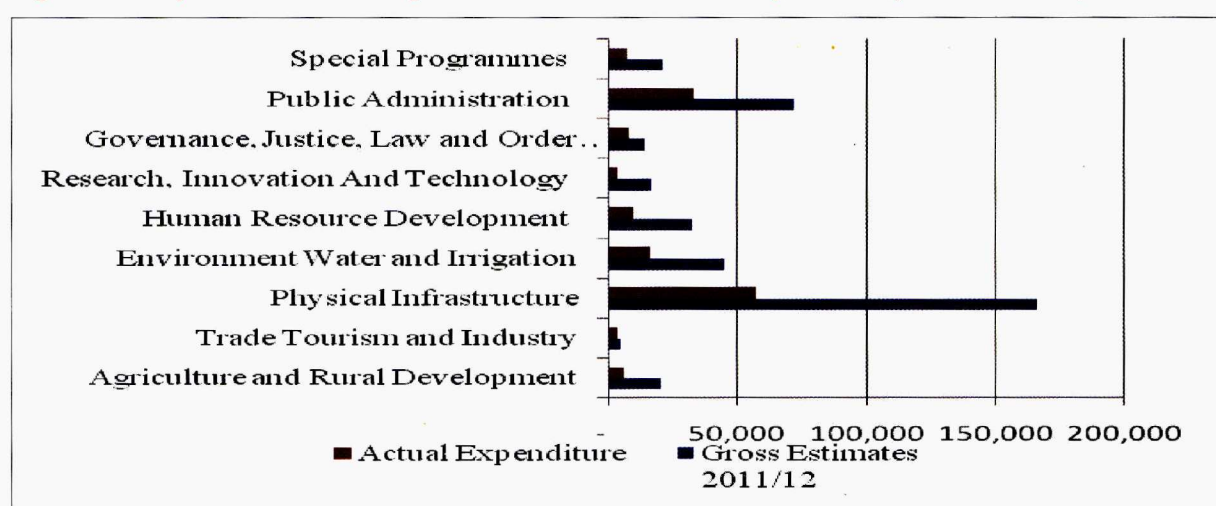
Name of sub-sector	Gross Estimates 2011/12	Appropriation in Aid 2011/12	Net Estimates 2011/12	Exchequer issues	Actual Expenditure	Expenditure as a % of Gross Estimates	Exchequer issues as a % Net estimates
Defence	52,016.7	-	52,016.7	43,157.3	43,363.5	83.4	83.0
NSIS	13,146.1	-	13,146.1	10,672.5	9,153.9	69.6	81.2
<b>Total</b>	<b>65,162.8</b>	<b>-</b>	<b>65,162.8</b>	<b>53,829.9</b>	<b>52,517.4</b>	<b>80.6</b>	<b>82.6</b>

Source: Ministry of Finance & MDAs

### 3.6 Development Expenditure Analysis by Sector

The development expenditure of all the sectors for FY 2011/2012 was estimated at Ksh. 396.6 billion which represents 34.2 per cent of the total budget. Out of this amount, Ksh. 136.1 billion was to be financed through AIA, comprising direct project financing of Ksh.28.4 billion in form of grants, Ksh. 102.5 billion in form of loans, and Ksh. 5.2 billion in form of local AIA. The total exchequer issues to fund the development budget for the period under review were Ksh. 142.4 billion, which is 54.7 per cent of net estimates. The total expenditure for development during the same period was 145.1 billion, which 36.6 per cent of the gross estimates.

**Figure 8: Comparison of net exchequer issues and MDAs' actual expenditure (in Ksh. millions)**



Source: Office of the Controller of Budget and Ministry of Finance

#### 3.6.1 Human Resource Development

The Human Resource Development sector was allocated a total of Ksh. 32.5 billion, which includes Ksh. 12.7 billion as AIA. For the period July 2011 to March 2012, a total of Ksh.11.5 billion was released as exchequer issues representing 58 per cent of the net estimates.

The Medical Services sub sector received exchequer issues of Ksh. 2.0 billion representing 87.2 per cent of the net estimates, while the Labour sub sector received the exchequer issues of Ksh. Ksh. 199 million, which is 35.8 per cent of the net estimates. The Labour sub sector had the least exchequer issues as percentage of net estimates, while the Medical Services sub sector had the highest in this sector.

The actual expenditure for the sector was Ksh. 10.1 billion, which represents 31 per cent of the gross estimates. The Medical Services sub sector spent Ksh. 2.3 billion representing 50.9 per cent absorption rate, while the Labour sub sector spent Ksh. 86 million and hence had the lowest absorption rate of 7.4 per cent. The summary of the sector is shown in Table 14.

**Table 14: Analysis of development expenditure and net exchequer issues for Human Resources Development (in Ksh. millions)**

Name of the Sub Sector	Gross Estimates 2011/12	Appropriation in Aid 2011/12	Net Estimates 2011/12	Exchequer issues	Actual Expenditure	Expenditure as a % of Gross Estimates	Exchequer issues as a % Net estimates
Medical Services	4,434.5	2,098.5	2,336.0	2,037.6	2,259.3	50.9	87.2
Labour	1,167.0	611.1	555.9	198.9	85.8	7.4	35.8
Education	5,615.5	1,670.5	3,945.0	2,780.4	2,888.6	51.4	70.5
Public Health and Sanitation	21,280.5	8,326.0	12,954.5	6,444.6	4,868.6	22.9	49.7
<b>Total</b>	<b>32,497.5</b>	<b>12,706.1</b>	<b>19,791.4</b>	<b>11,461.5</b>	<b>10,102.4</b>	<b>31.1</b>	<b>57.9</b>

Source: Ministry of Finance & MDAs

### 3.6.2 Public Administration and International Relations Sector

The sector was allocated Ksh. 72.6 billion, which includes Ksh. 12.1 billion in AIA. The sector received exchequer issues of Ksh. 24 billion representing about 40 per cent of the net estimates. The Finance sub sector received exchequer issues of Ksh. 10.3 billion and the Cabinet Office sub sector received exchequer issues of Ksh. 60.9 million, which represents 31 per cent and 33 per cent of the net estimates respectively.

The expenditure of the sector for the period under review was Ksh. 33.3 billion, which amounted to 45.7 per cent absorption rate. The Cabinet Office sub sector spent Ksh. 63 million, which represent a paltry 1.5 per cent absorption rate, while the Planning, National Development and Vision 2030 sub sector spent Ksh. 4.2 billion representing the highest absorption rate of 81 per cent in this sector. Table 15 below summarises the expenditure for the sector.

**Table 15: Analysis of development expenditure and net exchequer issues for PAIR (in Ksh. millions)**

Name of the Sub Sector	Gross Estimates 2011/12	Appropriation in Aid 2011/12	Net Estimates 2011/12	Exchequer issues	Actual Expenditure	Expenditure as a % of Gross Estimates	Exchequer issues as a % Net estimates
State House	423.0	-	423.0	138.5	223.9	52.9	32.7
Public Service	714.1	24.0	690.1	397.1	195.9	27.4	57.5
Foreign Affairs	892.5	22.5	870.0	499.8	188.7	21.1	57.4
Planning, N. D.&V.2030	27,893.8	3,414.6	24,479.2	12,133.3	22,513.9	80.7	49.6
Finance	37,285.7	4,067.3	33,218.4	10,304.7	9,600.9	25.7	31.0
Cabinet Office	4,185.6	4,000.6	185.0	60.9	62.9	1.5	32.9
Office of the Prime Minister	1,224.4	554.3	670.2	366.6	377.6	30.8	54.7
<b>Total</b>	<b>72,619.1</b>	<b>12,083.2</b>	<b>60,535.9</b>	<b>23,900.9</b>	<b>33,163.8</b>	<b>45.7</b>	<b>39.5</b>

Source: Ministry of Finance & MDAs



### 3.6.3 Trade, Tourism and Industry (TTI) Sector

The TTI sector was allocated Ksh. 5.3 billion for its development programmes. The total exchequer releases for the period was Ksh. 3.6 billion representing 71.3 per cent of the net estimates. The Tourism sub sector had the highest exchequer issue of Ksh. 953 million representing 79 per cent of the net estimates, while East Africa Community sub sector had Ksh. 700,000 amounting to 7.3 per cent of the net estimates.

The actual expenditure for the sector was Ksh. 4.0 billion representing 75 per cent absorption rate. The Tourism sub sector spent Ksh. 1.1 billion representing an absorption rate of 92 per cent, while the East African Community sub sector spent Ksh. 1.3 million representing an absorption rate of 1.7 per cent. Table 16 below summarises the expenditure of the sector.

**Table 16: Analysis of development expenditure and net exchequer issues for TTI (in Ksh. millions)**

Name of the Sub Sector	Gross Estimates 2011/12	Appropriation in Aid 2011/12	Net Estimates 2011/12	Exchequer issues	Actual Expenditure	Expenditure as a % of Gross Estimates	Exchequer issues as a % Net estimates
Trade	614.4	184.4	430.0	215.0	207.4	33.8	50.0
East African Community	74.4	65.4	9.0	0.7	1.3	1.7	7.3
National Heritage and Culture	686.0	-	686.0	495.6	597.8	87.1	72.2
Tourism	1,242.0	33.0	1,209.0	952.7	1,146.9	92.3	78.8
Industrialisation	2,700.8	39.5	2,661.3	1,896.0	2,043.8	75.7	71.2
<b>Total</b>	<b>5,317.6</b>	<b>322.3</b>	<b>4,995.3</b>	<b>3,559.9</b>	<b>3,997.1</b>	<b>75.2</b>	<b>71.3</b>

Source: Ministry of Finance & MDAs

### 3.6.4 Agricultural and Rural Development Sector

This sector is the engine of the GDP growth of the Kenyan economy. The sector's development budget for FY 2011/2012 is Ksh. 17.82 billion. The exchequer issues for the period ending March 2012 stood at Ksh. 10.2 billion, which represents 57.2 per cent of net estimates. The Livestock Development sub sector and the Cooperative Development and Marketing sub sector received 64 and 47 per cent of their net estimates respectively.

The actual expenditure of the sector amounted to Ksh. 6.03 billion against Ksh. 20.7 billion of the gross estimates representing 29 per cent absorption. The Agriculture sub sector spent Ksh. 3.4 billion representing 30 per cent absorption rate, while the Fisheries Development sub sector spent Ksh. 454 million representing an absorption rate of 14 per cent. Table 17 summarises the expenditure for the sector.

**Table 17: Analysis of development expenditure and net exchequer issues for Agriculture and Rural Development Sector (in Ksh. millions)**

Name of the Sub Sector	Gross Estimates 2011/12	Appropriation in Aid 2011/12	Net Estimates 2011/12	Exchequer issues	Actual Expenditure	Expenditure as a % of Gross Estimates	Exchequer issues as a % Net estimates
Agriculture	11,349.2	2,126.3	9,222.9	5,049.5	3,379.6	29.8	54.7
Livestock Development	4,378.6	269.8	4,108.8	2,634.2	1,379.7	31.5	64.1
Cooperative Development and Marketing	368.0	-	368.0	172.3	191.5	52.0	46.8
Lands	1,304.2	131.2	1,172.9	716.1	628.7	48.2	61.1
Fisheries Development	3,316.5	370.4	2,946.1	1,626.9	454.3	13.7	55.2
<b>Total</b>	<b>20,716.4</b>	<b>2,897.6</b>	<b>17,818.8</b>	<b>10,199.0</b>	<b>6,033.8</b>	<b>29.1</b>	<b>57.2</b>

Source: Ministry of Finance & MDAs

### 3.6.5 Environment, Water and Irrigation Sector

This sector was allocated Ksh. 45.5 billion for development activities, which included Ksh. 17.8 billion that was to be collected as AIA. The sector received Ksh. 17.6 billion as exchequer issues, which represents 63.7 per cent of the net estimates. The Water and Irrigation sub sector received Ksh. 14 billion representing 68 per cent of the net estimates, while the Environment and Mineral Resources sub sector received Ksh. 2 billion accounting for 51 per cent of the net estimates.

The sector's total expenditure was Ksh. 16.2 billion representing 36 per cent of the gross estimates. The Water and Irrigation sub sector spent Ksh. 11.6 billion representing an absorption rate of about 31 per cent, while the Environment and Mineral Resources sub sector spent Ksh. 2.7 billion representing an absorption rate of 67 per cent. The Forestry and Wildlife sub sector spent Ksh. 1.9 billion representing 54 per cent absorption rate. Table 18 summarises the sector's development expenditure

**Table 18: Analysis of development expenditure and net exchequer issues for Environment, Water and Irrigation Sector (in Ksh. millions)**

Name of the Sub Sector	Gross Estimates 2011/12	Appropriation in Aid 2011/12	Net Estimates 2011/12	Exchequer issues	Actual Expenditure	Expenditure as a % of Gross Estimates	Exchequer issues as a % Net estimates
Water and Irrigation	37,918.5	17,160.0	20,758.5	14,074.9	11,644.7	30.7	67.8
Environment and Mineral Resources	4,105.8	153.9	3,951.9	2,017.7	2,734.4	66.6	51.1
Forestry and Wildlife	3,488.9	484.0	3,004.9	1,551.7	1,865.9	53.5	51.6
<b>Total</b>	<b>45,513.1</b>	<b>17,797.9</b>	<b>27,715.3</b>	<b>17,644.3</b>	<b>16,245.0</b>	<b>35.7</b>	<b>63.7</b>

Source: Ministry of Finance & MDAs

### 3.6.6 Governance, Justice, Law and Order Sector (GJLOS)

The GJLOS sector was allocated Ksh. 14.5 billion, which includes Ksh. 1.1 billion as AIA. The sector received exchequer issues amounting to Ksh. 5.8 billion representing 44 per cent of the net estimates. The Provincial Administration and Internal Security sub sector received exchequer issues of Ksh. 3.0 billion representing 64 per cent of the net estimates, while the Office of Vice President and Home Affairs sub sector received exchequer issues of Ksh. 1.3 billion representing 68 per cent of the net estimates.

The sector spent a total of Ksh.4.0 billion representing 28 per cent absorption rate. The Provincial Administration and Internal Security sub sector's expenditure was Ksh. 1.0 billion representing absorption rate of 22 per cent, while the Office of the Vice President and Home Affairs sub sector spent Ksh. 952 million representing a 49.6 per cent absorption rate. The Justice, National Cohesion and Constitutional Affairs sub sector spent Ksh. 55.4 million representing 5.3 per cent absorption rate. Table 19 summarises the sector's development expenditure.

**Table 19: Analysis of development expenditure and net exchequer issues for GJLOS Sector (in Ksh. millions)**

Name of the Sub Sector	Gross Estimates 2011/12	Appropriation in Aid 2011/12	Net Estimates 2011/12	Exchequer issues	Actual Expenditure	Expenditure as a % of Gross Estimates	Exchequer issues as a % Net estimates
Provincial Administration and Internal Security	4,734.5	150.0	4,584.5	2,950.7	1,043.3	22.0	64.4
Office of the V.P& Home Affairs	1,918.0	-	1,918.0	1,312.4	952.0	49.6	68.4
Justice, National Cohesion and Constitutional Affairs	1,040.4	925.5	114.9	107.6	55.4	5.3	93.7
State Law Office	42.8	-	42.8	20.3	34.9	81.5	47.5
The Judiciary	2,519.0	-	2,519.0	352.6	725.4	28.8	14.0
National Assembly	1,600.0	-	1,600.0	435.0	428.7	26.8	27.2
Ethics and Anti-Corruption Commission	232.0	32.0	200.0	0.8	0.3	0.1	0.4
Immigration and Registration of Persons	2,387.4	-	2,387.4	630.5	770.2	32.3	26.4
<b>Total</b>	<b>14,474.0</b>	<b>1,107.5</b>	<b>13,366.5</b>	<b>5,809.8</b>	<b>4,010.3</b>	<b>27.7</b>	<b>43.5</b>

Source: Ministry of Finance & MDAs

### 3.6.7 Physical Infrastructure Sector

The sector was allocated Ksh. 166.8 billion for development activities for the current financial year. The sector received exchequer issues of Ksh. 52.2 billion representing 60 per cent of the net estimates. The Office of the Deputy Prime Minister and Local Government sub sector received exchequer issues of Ksh. 2.4 billion representing 45 per cent of the net estimates, while the Roads sub sector received exchequer issues of Ksh. 2.8 billion representing 66 per cent of the net estimates.

The total actual expenditure for this sector stood at Ksh. 57.7 billion representing 34.6 per cent of the gross estimates. The Office of the Deputy Prime Minister and Local Government sub sector spent Ksh. 976.4 million representing 16.0 per cent of gross estimates, while the Roads sub sector spent Ksh. 15.9 billion accounting for 21.7 per cent of the gross estimates. Table 20 summarises the expenditure of the sector.

**Table 20: Analysis of development expenditure and net exchequer issues for Physical Infrastructure Sector**  
(in Ksh. millions)

Name of the Sub Sector	Gross Estimates 2011/12	Appropriation in Aid 2011/12	Net Estimates 2011/12	Exchequer issues	Actual Expenditure	Expenditure as a % of Gross Estimates	Exchequer issues as a % Net estimates
Local Government	6,117.1	646.0	5,471.1	2,440.4	976.4	16.0	44.6
Roads	73,424.2	31,812.1	41,612.1	27,529.0	15,934.5	21.7	66.2
Transport	14,257.3	6,931.3	7,326.0	2,208.2	2,338.5	16.4	30.1
Energy	63,773.6	39,849.4	23,924.3	12,531.1	32,168.1	50.4	52.4
Housing	2,319.4	-	2,319.4	1,475.5	1,505.6	64.9	63.6
Nairobi Metropolitan Development	1,980.7	-	1,980.7	1,124.4	1,274.3	64.3	56.8
Public Works	4,961.0	-	4,961.0	4,875.9	3,490.3	70.4	98.3
<b>Total</b>	<b>166,833.4</b>	<b>79,238.8</b>	<b>87,594.6</b>	<b>52,184.4</b>	<b>57,687.7</b>	<b>34.6</b>	<b>59.6</b>

Source: Ministry of Finance & MDAs

### 3.6.8 Special Programmes Sector

The Special Programmes sector was allocated Ksh. 21.4 billion, which includes Ksh. 4.8 billion as AIA. The sector received exchequer issues of Ksh. 12 billion representing 73 per cent of net estimates. The Regional Development Authority sub sector received exchequer issues of Ksh. 2.8 billion representing 73 per cent of the net estimates, while the Gender, Children and Social Development sub sector received exchequer issues of Ksh. 3.1 billion representing 96 per cent of net estimates.

The sector spent a total of Ksh. 7.6 billion representing 35.4 per cent of the gross estimates. The Regional Development sub sector spent Ksh. 2.7 billion representing 42.2 per cent absorption rate, while the Gender, Children and Social Development sub sector spent 704.9 million representing 17.8 per cent absorption rate.

The Development of Northern Kenya and Other Arid Lands sub sector had the highest absorption rate at 53 per cent, while the Gender, Children and Social Development sub sector had the least at 18 per cent. This sector's expenditure and absorption rate is summarised in Table 21 below.

**Table 21: Analysis of development expenditure and net exchequer issues for Special Programmes Sector  
(in Ksh. millions)**

Name of the Sub Sector	Gross Estimates 2011/12	Appropriation in Aid 2011/12	Net Estimates 2011/12	Exchequer issues	Actual Expenditure	Expenditure as a % of Gross Estimates	Exchequer issues as a % Net estimates
Regional Development Authorities	6,333.2	2,481.2	3,852.0	2,827.1	2,673.3	42.2	73.4
Gender, Children and Social Development	3,969.4	685.9	3,283.5	3,152.2	704.9	17.8	96.0
State for Special Programmes	5,139.2	1,579.6	3,559.6	1,719.3	1,690.7	32.9	48.3
Youth Affairs and Sports	3,772.2	19.0	3,753.2	2,369.8	1,350.8	35.8	63.1
Development of Northern Kenya and Other Arid Lands	2,151.5	20.9	2,130.7	1,970.8	1,144.7	53.2	92.5
<b>Total</b>	<b>21,365.6</b>	<b>4,786.6</b>	<b>16,579.0</b>	<b>12,039.1</b>	<b>7,564.4</b>	<b>35.4</b>	<b>72.6</b>

Source: Ministry of Finance & MDAs

### 3.6.9 Research, Innovation and Technology (RIT) Sector

The sector was allocated Ksh. 17.2 billion for its development activities. It has received exchequer issues to the tune of Ksh. 5.6 billion, which represents 47 per cent of total net estimates. The Information and Communications sub sector received exchequer issues of Ksh. 2.1 billion representing 38 per cent of the net estimates, while the Higher Education, Science and Technology sub sector received exchequer issues of Ksh. 3.6 billion representing 53 per cent of the net estimates.

The sector's total expenditure was Ksh. 6.3 billion against the gross estimates of Ksh. 17.2 billion representing absorption rate of 36 per cent. The Information and Communication sub sector spent Ksh. 2.2 billion representing 41 per cent of the gross estimates, while Higher Education sub sector spent Ksh. 4.1 billion representing 34 per cent of the gross estimates.

**Table 22: Analysis of development expenditure and net exchequer issues for Information, Science and Technology  
(in Ksh. millions)**

Name of the Sub Sector	Gross Estimates 2011/12	Appropriation in Aid 2011/12	Net Estimates 2011/12	Exchequer issues	Actual Expenditure	Expenditure as a % of Gross Estimates	Exchequer issues as a % Net estimates
Information and Communications	5,360.2	1.2	5,359.0	2,055.9	2,198.0	41.0	38.4
Higher Education, Science and Technology	11,854.3	5,140.3	6,714.0	3,584.4	4,058.2	34.2	53.4
<b>Total</b>	<b>17,214.5</b>	<b>5,141.5</b>	<b>12,073.0</b>	<b>5,640.3</b>	<b>6,256.1</b>	<b>36.3</b>	<b>46.7</b>

Source: Ministry of Finance & MDAs

#### **4. Key Issues Affecting Implementation of the Budget**

The following key issues are likely to adversely affect the implementation of the budget both at national and county government levels.

- Inadequate financial management information systems to provide timely and accurate information on revenue and expenditure both at national and county government levels.
- Lack of proper coordination of the devolution process. The Transition Authority is not yet functional.
- Lack of physical infrastructure and human capacity in counties is likely to affect the absorption of the allocated resources and hence budget implementation.
- Delay in conducting civic education by the various stakeholders on the role of the public in budget implementation and citizen participation in the budget process may affect budget implementation.
- The absorption of the allocated resources, especially development funds is still low in most of the key ministries mainly due to procurement delays, donor conditionalities, cash rationing and inaccurate cash flow projections from some MDAs.
- The delay in enactment of bills related to fiscal decentralisation (e.g. Public Financial Management Bill) poses a lot of challenges in the coordination and management of the initial activities necessary to ensure smooth transition to county governments.
- The shortfall in revenue collection is adversely affecting implementation of some of the planned programmes and projects by MDAs.
- Lack of a clear and effective monitoring and evaluation framework for budget implementation by the MDAs results in poor supervision of projects and low absorption of funds.
- High interest rates during the period under review have led to increase in the cost of capital.
- The high inflation rate (double digit) has led to high cost of living leading to demands for higher salaries by workers in the public sector.
- The depreciation of the Kenya shilling against major currencies has resulted in costly imports, and higher repayments for debt redemption, hence affecting budget implementation.

## **5. Recommendations**

The Office of the Controller of Budget proposes the following recommendations for consideration by the relevant government agencies in order to improve budget implementation.

- The implementation of reliable, accurate and up to date financial management information systems at national and county governments needs to be carried out as it is a pre-requisite for timely and accurate reporting on the budget implementation. The change management process of the financial management information systems implementation both at national and county government levels should be properly managed to achieve the intended results. The Office of the Controller of Budget recommends that all the stakeholders be involved in the crucial processes of implementation and testing of the financial management information systems to ensure ownership and usage.
- The government should fast track the legislation and enactment of the key laws to enable faster implementation of the Constitution, especially those that are required for devolution.
- The setting up of the Transition Authority should be fast tracked to coordinate the activities of devolution of power and resources.
- To enhance project implementation and value for money, the MDAs should develop effective monitoring and evaluation frameworks. The National Integrated Monitoring and Evaluation System (NIMES) should be fully facilitated to improve its capacity to handle monitoring and evaluation on a real time basis.
- As earlier noted in the half year report, there is urgent need to start capacity building for the county governments so as to prepare them to absorb allocated resources and to set up the required institutional infrastructure.
- The Treasury should put in place policies to address high inflation and interest rates to manageable levels to mitigate adverse effects on economic growth.
- The shortfall in revenue collection needs to be addressed to facilitate effective budget implementation.



## 6. Conclusion

In the first half of the financial year, the Office of the Controller of Budget noted with concern from the analysis of expenditure, that some of the MDAs had partially absorbed the available resources, which is still a major concern in the period under review. The non-utilisation of resources results in non-provision of goods and services to the public. The absorption rate of development budget has been quite low for most of the MDAs. In particular, the uptake of donor funds by the MDAs has been slow and challenging due to problems with the procurement processes, governance and accountability issues, lack of adequate capacity for project management and delays in obtaining no objections to facilitate the absorption of the funds.

During the period under review, the implementation of the budget was partly affected by the austerity measures introduced by the Treasury to contain financing constraints due to revenue shortfall. The stoppage of procurement of some budgeted activities adversely effected the budget implementation of some MDAs during the third quarter.

The shortfall in revenue collection and delay in release of donor funds has impacted negatively on budget implementation. Further, donor releases have been slow and stood at Ksh. 58.6 billion against a target of Ksh. 183.1 billion for the financial year. As a long term measure, the government needs to come up with appropriate mechanisms to enhance revenue collections, institutionalize fiscal discipline and address issues affecting disbursement of donor funds in order to improve budget implementation.

## Annexes

### Annex 1: Overall Inflation (%)

Month	Overall inflation
July-2011	17.32
August-2011	16.67
September-2011	17.32
October-2011	18.91
November-2011	19.91
December-2011	18.90
January-2012	18.31
February-2012	16.69
March-2012	15.61

Source: Kenya National Bureau of Statistics

## Annex 2: Revenue collection by category, July 2011 to March 2012 (in Ksh. millions)

Description	Cumulative: July - March					
	2011/2012				2010/2011	% Change
	Actual	Target	Variance	Perf. Rate (%)	Actual	
<b>Petroleum Taxes</b>						
Import Duty - Oil	792	784	8	101.0	626	26.6
Excise Duty- Oil	22,819	26,299	(3,480)	86.8	26,902	(15.2)
VAT -Oil	6,701	5,565	1,135	120.4	4,525	48.1
Petroleum Development Levy	1,194	2,196	(1,001)	54.4	1,156	3.3
Road Maintenance Levy	17,943	17,564	379	102.2	17,529	2.4
Petroleum Regulatory Levy	102	118	(16)	86.3	100	2.2
<b>Sub-Total</b>	<b>49,551</b>	<b>52,527</b>	<b>(2,976)</b>	<b>94.3</b>	<b>50,837</b>	<b>(2.5)</b>
<b>Trade Taxes</b>						
Import Duty- Ordinary	37,119	40,448	(3,328)	91.8	33,769	9.9
Excise Duty - Ordinary	6,057	7,503	(1,446)	80.7	6,018	0.6
VAT Import - Ordinary	63,894	64,339	(445)	99.3	55,519	15.1
Transit Road Toll	430	375	55	114.7	347	23.7
Import Declaration Fees	18,821	17,448	1,373	107.9	14,767	27.5
Sugar Levy (CSD)	156	327	(171)	47.7	229	(31.8)
Miscellaneous	138		138		131	5.7
<b>Sub-Total</b>	<b>126,615</b>	<b>130,439</b>	<b>(3,824)</b>	<b>97.1</b>	<b>110,780</b>	<b>14.3</b>
Excise Duty Domestic	22,952	28,682	(5,730)	80.0	21,661	6.0
VAT -Domestic	60,053	81,851	(21,798)	73.4	66,732	(10.0)
Excise Duty on Airtime	6,510	7,347	(837)	88.6	5,857	11.2
Sugar Levy (DTD)	1,071	1,125	(54)	95.2	1,005	6.6
Stamp Duty	6,008	6,182	(174)	97.2	4,880	23.1
Land Rent	981	1,052	(71)	93.2	757	29.6
<b>Sub-Total</b>	<b>97,576</b>	<b>126,239</b>	<b>(28,663)</b>	<b>77.3</b>	<b>100,891</b>	<b>(3.3)</b>
PAYE & WCP	125,828	118,912	6,916	105.8	101,986	23.4
Corporation Tax	55,553	53,249	2,304	104.3	46,157	20.4
Withholding Tax	32,463	28,001	4,461	115.9	24,459	32.7
Individual Tax	2,568	2,357	211	108.9	2,022	27.0
Turnover tax	96	105	(9)	91.2	88	9.0
<b>Sub-Total</b>	<b>216,508</b>	<b>202,625</b>	<b>13,883</b>	<b>106.9</b>	<b>174,713</b>	<b>23.9</b>
Traffic Fees	2,055	2,273	(219)	90.4	1,990	3.3
Airport Revenue	2,698	2,414	284	111.8	2,307	16.9
Aviation Revenue	2,366	2,045	322	115.7	1,786	32.5
Advance Tax & Other Taxes	785	870	(85)	90.2	707	11.0
K.A.A. Concession Fees	66	69	(3)	96.0	63	5.5

Description	Cumulative: July - March					
	2011/2012				2010/2011	% Change
	Actual	Target	Variance	Perf. Rate (%)	Actual	
Merchant Superintendent Shipping Levy	90	75			75	
Kenya Bureau of Standards' Levy	313	357	(45)	87.5	330	(5.3)
<b>Sub-Total</b>	<b>8,372</b>	<b>8,103</b>	<b>269</b>	<b>103.3</b>	<b>7,257</b>	<b>15.4</b>
<b>Grand Total</b>	<b>498,622</b>	<b>519,933</b>	<b>(21,311)</b>	<b>95.9</b>	<b>444,479</b>	<b>12.2</b>

Source: Kenya Revenue Authority

## Annex 3: Summary of sectoral recurrent exchequer issues and expenditure (in Ksh. millions)

Name of the Sector	Gross Estimates 2011/12	Appropriation in Aid 2011/12	Net Estimates 2011/12	Exchequer Issues	Actual Expenditure	Expenditure as a % of Gross Estimates	Exchequer issues as a % Net estimates
Agriculture And Rural Development	16,785.1	212.8	16,572.3	12,914.4	11,033.1	65.7	77.9
Trade Tourism And Industry	8,067.6	374.5	7,693.1	6,146.3	5,629.9	69.8	79.9
Physical Infrastructure	55,753.2	42,997.4	12,755.8	7,141.9	21,296.4	38.2	56.0
Environment Water And Irrigation	13,697.5	3,218.2	10,479.3	7,942.8	7,654.0	55.9	75.8
Human Resource Development	183,770.0	7,278.0	176,492.0	140,733.9	141,581.3	77.0	79.7
Research, Innovation & Technology (RIT) Sector	43,106.0	15,392.0	27,714.0	21,479.3	21,277.3	49.4	77.5
Governance, Justice, Law And Order Sector (GILOS)	108,277.5	286.0	107,991.5	69,745.5	66,005.9	61.0	64.6
Public Administration	39,313.3	853.0	38,460.3	30,631.3	25,056.2	63.7	79.6
Special Programmes	18,953.8	84.0	18,869.9	15,570.4	13,420.7	70.8	82.5
National Security	65,162.8	-	65,162.8	53,829.9	52,517.4	80.6	82.6
<b>Total</b>	<b>552,886.8</b>	<b>70,695.9</b>	<b>482,190.9</b>	<b>366,135.6</b>	<b>365,472.2</b>	<b>66.1</b>	<b>75.9</b>

Source: Office of the Controller of Budget and Ministry of Finance

## Annex 4: Analysis of MDAs recurrent exchequer issues and expenditure (in Ksh.millions)

Name of sub sector	Gross Estimates 2011/12	Appropriation in Aid 2011/12	Net Estimates 2011/12	Exchequer issues	Actual Expenditure	Expenditure as a percentage of Gross Estimates	Exchequer issues as a % Net estimates
Ministry of State for Provincial Administration and Internal Security	55,940.2	-	55,940.2	40,153.7	40.2	68.8	71.8
State House	1,277.0	2.0	1,275.0	1,187.6	1,158.9	90.7	93.1
Ministry of State for Public Service	5,097.5	46.0	5,051.5	3,140.9	760.4	14.9	62.2
Ministry of Foreign Affairs	8,062.0	787.0	7,275.0	6,581.2	7,456.0	92.5	90.5
Office of the Vice-President and Ministry of Home Affairs	13,742.6	-	13,742.6	11,593.9	8,192.3	59.6	84.4
Ministry of State for Planning, National Development and Vision 2030	2,806.2	12.0	2,794.2	1,911.3	187.0	6.7	68.4
Office of the Deputy Prime Minister and Ministry of Finance	17,930.4	-	17,930.4	14,886.6	12,613.4	70.3	83.0
Ministry of State for Defence	52,016.7	-	52,016.7	43,157.3	43,363.5	83.4	83.0
Ministry of Regional Development Authorities	794.2	-	794.2	646.9	613.6	77.3	81.5
Ministry of Agriculture	8,541.0	175.3	8,365.7	6,632.2	6,104.3	71.5	79.3
Ministry of Medical Services	27,628.9	3,824.0	23,804.9	20,099.0	21,008.3	76.0	84.4
Office of the Deputy Prime Minister and Ministry of Local Government	18,380.7	17,301.9	1,078.8	735.9	930.4	5.1	68.2
Ministry of Roads	27,446.2	25,147.5	2,298.7	2,082.0	15,934.5	58.1	90.6
Ministry of Transport	4,036.8	62.0	3,974.8	1,016.3	1,040.8	25.8	25.6
Ministry of Labour	1,720.3	89.0	1,631.3	1,064.7	981.9	57.1	65.3
Ministry of Trade	1,803.5	215.5	1,588.0	1,350.7	1,022.5	56.7	85.1
Ministry of Justice, National Cohesion and Constitutional Affairs	2,057.1	157.0	1,900.1	1,412.8	1,490.4	72.5	74.4

Name of sub sector	Gross Estimates 2011/12	Appropriation in Aid 2011/12	Net Estimates 2011/12	Exchequer issues	Actual Expenditure	Expenditure as a percentage of Gross Estimates	Exchequer issues as a % Net estimates
Ministry of Gender, Children and Social Development	4,021.7	9.5	4,012.2	2,690.9	2,575.0	64.0	67.1
Ministry of Livestock Development	3,709.3	24.5	3,684.8	2,966.3	2,269.7	61.2	80.5
Ministry of Water and Irrigation	5,998.6	1,923.7	4,074.9	3,180.0	2,601.4	43.4	78.0
Ministry of Environment and Mineral Resources	2,545.6	203.4	2,342.2	1,888.4	1,702.0	66.9	80.6
Ministry of Cooperative Development and Marketing	1,105.4	13.0	1,092.4	862.7	566.0	51.2	79.0
Cabinet Office	1,310.5	1.0	1,309.5	846.9	826.9	63.1	64.7
Ministry of East African Community	1,015.9	1.0	1,014.9	839.7	847.0	83.4	82.7
State Law Office	1,336.0	-	1,336.0	1,074.3	1,061.6	79.5	80.4
The Judiciary	6,362.5	-	6,362.5	4,067.2	4,547.1	71.5	63.9
Public Service Commission	649.7	4.0	645.7	364.0	496.3	76.4	56.4
Kenya National Audit Office	1,547.7	110.0	1,437.7	908.8	778.7	50.3	63.2
National Assembly	8,861.1	4.0	8,857.1	6,204.7	5,344.6	60.3	70.1
Ministry of Energy	2,371.5	-	2,371.5	1,443.6	1,687.2	71.1	60.9
Ministry of Education	37,537.8	3,227.0	34,310.8	30,717.0	28,199.5	75.1	89.5
Ministry of Information and Communications	1,839.1	-	1,839.1	1,391.5	1,282.5	69.7	75.7
Interim Independent Electoral Commission	11,438.9	7.0	11,431.9	1,795.5	1,862.9	16.3	15.7
Ethics & Anti-Corruption Commission	1,617.0	8.0	1,609.0	992.1	983.4	60.8	61.7
Ministry of State for Special Programmes	7,922.8	3.0	7,919.8	7,918.4	7,381.9	93.2	100.0
Ministry of Lands	2,167.3	-	2,167.3	1,541.2	1,377.2	63.5	71.1
The Commission on Revenue Allocation	367.9	-	367.9	292.0	270.0	73.4	79.4

Name of sub sector	Gross Estimates 2011/12	Appropriation in Aid 2011/12	Net Estimates 2011/12	Exchequer issues	Actual Expenditure	Expenditure as a percentage of Gross Estimates	Exchequer issues as a % Net estimates
Ministry of State for Immigration and Registration of Persons	3,921.0	-	3,921.0	757.5	2,577.3	65.7	19.3
Ministry of State for National Heritage and Culture	1,765.6	21.0	1,744.6	1,397.2	1,336.7	75.7	80.1
Ministry of Youth Affairs and Sports	5,902.1	69.5	5,832.6	4,014.4	2,695.4	45.7	68.8
Ministry of Higher Education, Science and Technology	41,266.9	15,392.0	25,874.9	20,087.9	19,994.8	48.5	77.6
Ministry of Housing	1,680.3	485.0	1,195.3	735.6	570.2	33.9	61.5
National Security Intelligence Service	13,146.1	-	13,146.1	10,672.5	9,153.9	69.6	81.2
Ministry of Tourism	1,568.5	11.0	1,557.5	1,225.0	1,150.3	73.3	78.7
The Teachers Service Commission	105,912.6	80.0	105,832.6	80,410.0	83,639.6	79.0	76.0
Office of the Prime Minister	1,812.0	1.0	1,811.0	1,420.8	1,363.4	75.2	78.5
Ministry of Public Health and Sanitation	10,970.5	58.0	10,912.5	8,443.3	7,752.0	70.7	77.4
Ministry of Forestry and Wildlife	5,153.3	1,091.1	4,062.2	2,874.4	3,350.6	65.0	70.8
Ministry of Fisheries Development	1,262.1	-	1,262.1	911.9	715.9	56.7	72.3
Ministry of Nairobi Metropolitan Development	291.9	1.0	290.9	272.5	218.1	74.7	93.7
Ministry of Development of Northern Kenya and Other Arid Lands	313.1	2.0	311.1	299.7	260.0	83.0	96.3
Ministry of Public Works	1,545.8	-	1,545.8	856.1	915.2	59.2	55.4
Ministry of Industrialisation	1,914.1	126.0	1,788.1	1,333.6	1,273.3	66.5	74.6
Directorate of Public Prosecutions	355.0	-	355.0	220.0	199.7	56.3	62.0
Human Rights and Equality Commission	324.5	-	324.5	245.0	210.4	64.9	75.5



Name of sub sector	Gross Estimates 2011/12	Appropriation in Aid 2011/12	Net Estimates 2011/12	Exchequer issues	Actual Expenditure	Expenditure as a percentage of Gross Estimates	Exchequer issues as a % Net estimates
Commission for the Implementation of the Constitution	524.0	-	524.0	320.0	259.5	49.5	61.1
The National Police Service Commission	250.0	-	250.0	-	-	-	-
<b>Total</b>	<b>552,886.8</b>	<b>70,695.9</b>	<b>482,190.9</b>	<b>366,135.6</b>	<b>327,195.6</b>	<b>59.2</b>	<b>75.9</b>

Source: Office of the Controller of Budget and Ministry of Finance

## Annex 5: Summary of sectoral development exchequer issues and expenditure (in Ksh. millions)

Name of The Sector	Gross Estimates 2011/12	Appropriation in Aid 2011/12	Net Estimates 2011/12	Exchequer issues	Actual Expenditure	Expenditure as a % of Gross Estimates	Exchequer issues as a % Net estimates
Agriculture And Rural Development	20,716.4	2,897.6	17,818.8	10,199.0	6,033.8	29.1	57.2
Trade Tourism And Industry	5,317.6	322.3	4,995.3	3,559.9	3,997.1	75.2	71.3
Physical Infrastructure	166,833.4	79,238.8	87,594.6	52,184.4	57,687.7	34.6	59.6
Environment Water And Irrigation	45,513.1	17,797.9	27,715.3	17,644.3	16,245.0	35.7	63.7
Human Resource Development	32,497.5	12,706.1	19,791.4	11,461.5	10,102.4	31.1	57.9
Research, Innovation and Technology (RIT) Sector	17,214.5	5,141.5	12,073.0	5,640.3	6,256.1	36.3	46.7
Governance, Justice, Law And Order Sector (GJLOS)	14,474.0	1,107.5	13,366.5	5,809.8	4,010.3	27.7	43.5
Public Administration	72,619.1	12,083.2	60,535.9	23,900.9	33,163.8	45.7	39.5
Special Programmes	21,365.6	4,786.6	16,579.0	12,039.1	7,564.4	35.4	72.6
<b>Total</b>	<b>396,551.2</b>	<b>136,081.4</b>	<b>260,469.8</b>	<b>142,439.3</b>	<b>145,060.7</b>	<b>36.6</b>	<b>54.7</b>

Source: Office of the Controller of Budget and Ministry of Finance

## Annex 6: Analysis of development net exchequer issues and expenditure (in Ksh. millions)

Name of sub sector	Gross Estimates 2011/12	Appropriation in Aid 2011/12	Net Estimates 2011/12	Exchequer issues	Actual Expenditure	Expenditure as a percentage of Gross Estimates	Exchequer releases as % of Net Estimates
Ministry of State for Provincial Administration and Internal Security	4,734.5	150.0	4,584.5	2,950.7	1,043.3	22.0	64.4
State House	423.0	-	423.0	138.5	223.9	52.9	32.7
Ministry of State for Public Service	714.1	24.0	690.1	397.1	195.9	27.4	57.5
Ministry of Foreign Affairs	892.5	22.5	870.0	499.8	188.7	21.1	57.4
Office of the Vice-President and Ministry of Home Affairs	1,918.0	-	1,918.0	1,312.4	952.0	49.6	68.4
Ministry of State for Planning, National Development and Vision 2030	27,893.8	3,414.6	24,479.2	12,133.3	22,513.9	80.7	49.6
Office of the Deputy Prime Minister and Ministry of Finance	37,285.7	4,067.3	33,218.4	10,304.7	9,600.9	25.7	31.0
Ministry of Regional Development Authorities	6,333.2	2,481.2	3,852.0	2,827.1	2,673.3	42.2	73.4
Ministry of Agriculture	11,349.2	2,126.3	9,222.9	5,049.5	3,379.6	29.8	54.7
Ministry of Medical Services	4,434.5	2,098.5	2,336.0	2,037.6	2,259.3	50.9	87.2
Office of the Deputy Prime Minister and Ministry of Local Government	6,117.1	646.0	5,471.1	2,440.4	976.4	16.0	44.6
Ministry of Roads	73,424.2	31,812.1	41,612.1	27,529.0	15,934.5	21.7	66.2
Ministry of Transport	14,257.3	6,931.3	7,326.0	2,208.2	2,338.5	16.4	30.1
Ministry of Labour	1,167.0	611.1	555.9	198.9	85.8	7.4	35.8
Ministry of Trade	614.4	184.4	430.0	215.0	207.4	33.8	50.0
Ministry of Justice, National Cohesion and Constitutional Affairs	1,040.4	925.5	114.9	107.6	55.4	5.3	93.7
Ministry of Gender, Children and Social Development	3,969.4	685.9	3,283.5	3,152.2	704.9	17.8	96.0
Ministry of Livestock Development	4,378.6	269.8	4,108.8	2,634.2	1,379.7	31.5	64.1
Ministry of Water and Irrigation	37,918.5	17,160.0	20,758.5	14,074.9	11,644.7	30.7	67.8

Name of sub sector	Gross Estimates 2011/12	Appropriation in Aid 2011/12	Net Estimates 2011/12	Exchequer issues	Actual Expenditure	Expenditure as a percentage of Gross Estimates	Exchequer releases as % of Net Estimates
Ministry of Environment and Mineral Resources	4,105.8	153.9	3,951.9	2,017.7	2,734.4	66.6	51.1
Ministry of Cooperative Development and Marketing	368.0	-	368.0	172.3	191.5	52.0	46.8
Cabinet Office	4,185.6	4,000.6	185.0	60.9	62.9	1.5	32.9
Ministry of East African Community	74.4	65.4	9.0	0.7	1.3	1.7	7.3
State Law Office	42.8	-	42.8	20.3	34.9	81.5	47.5
The Judiciary	2,519.0	-	2,519.0	352.6	725.4	28.8	14.0
National Assembly	1,600.0	-	1,600.0	435.0	428.7	26.8	27.2
Ministry of Energy	63,773.6	39,849.4	23,924.3	12,531.1	32,168.1	50.4	52.4
Ministry of Education	5,615.5	1,670.5	3,945.0	2,780.4	2,888.6	51.4	70.5
Ministry of Information and Communications	5,360.2	1.2	5,359.0	2,055.9	2,198.0	41.0	38.4
Ethics & Anti-Corruption Commission	232.0	32.0	200.0	0.8	0.3	0.1	0.4
Ministry of State for Special Programmes	5,139.2	1,579.6	3,559.6	1,719.3	1,690.7	32.9	48.3
Ministry of Lands	1,304.2	131.2	1,172.9	716.1	628.7	48.2	61.1
Ministry of State for Immigration and Registration of Persons	2,387.4	-	2,387.4	630.5	770.2	32.3	26.4
Ministry of State for National Heritage and Culture	686.0	-	686.0	495.6	597.8	87.1	72.2
Ministry of Youth Affairs and Sports	3,772.2	19.0	3,753.2	2,369.8	1,350.8	35.8	63.1
Ministry of Higher Education, Science and Technology	11,854.3	5,140.3	6,714.0	3,584.4	4,058.2	34.2	53.4
Ministry of Housing	2,319.4	-	2,319.4	1,475.5	1,505.6	64.9	63.6
Ministry of Tourism	1,242.0	33.0	1,209.0	952.7	1,146.9	92.3	78.8
Office of the Prime Minister	1,224.4	554.3	670.2	366.6	377.6	30.8	54.7
Ministry of Public Health and Sanitation	21,280.5	8,326.0	12,954.5	6,444.6	4,868.6	22.9	49.7
Ministry of Forestry and Wildlife	3,488.9	484.0	3,004.9	1,551.7	1,865.9	53.5	51.6

Name of sub sector	Gross Estimates 2011/12	Appropriation in Aid 2011/12	Net Estimates 2011/12	Exchequer issues	Actual Expenditure	Expenditure as a percentage of Gross Estimates	Exchequer releases as % of Net Estimates
Ministry of Fisheries Development	3,316.5	370.4	2,946.1	1,626.9	454.3	13.7	55.2
Ministry of Nairobi Metropolitan Development	1,980.7	-	1,980.7	1,124.4	1,274.3	64.3	56.8
Ministry of Development of Northern Kenya and Other Arid Lands	2,151.5	20.9	2,130.7	1,970.8	1,144.7	53.2	92.5
Ministry of Public Works	4,961.0	-	4,961.0	4,875.9	3,490.3	70.4	98.3
Ministry of Industrialisation	2,700.8	39.5	2,661.3	1,896.0	2,043.8	75.7	71.2
<b>Total</b>	<b>396,551.2</b>	<b>136,081.4</b>	<b>260,469.8</b>	<b>142,439.3</b>	<b>145,060.7</b>	<b>36.63</b>	<b>54.65</b>

Source: Office of the Controller of Budget and Ministry of Finance





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