REPUBLIC OF KENYA

OFFICE OF THE CONTROLLER OF BUDGET

BUDGET IMPLEMENTATION REVIEW REPORT

HALF YEAR
FY 2013 /2014

February, 2014

REPUBLIC OF KENYA

OFFICE OF THE CONTROLLER OF BUDGET

BUDGET IMPLEMENTATION REVIEW REPORT

HALF YEAR
FY 2013/2014

FEBRUARY, 2014

FOREWORD

It gives me great pleasure to present the half year Budget Implementation Review Report covering the period July to December for the FY 2013/2014. The report highlights the performance of Ministries, Departments and Agencies (MDAs) in terms of budget implementation in comparison to the same period for the previous financial year. It provides a synopsis of the macro-economic environment under which the MDAs implemented their respective budgets, brings to light the performance of revenue collection, exchequer issues released and the expenditure of (MDAs) as well as the challenges they encountered during the budgetary implementation process; and makes recommendations to overcome these challenges.

The basis for preparing this report is anchored in Article 228(6) of the Constitution of Kenya 2010, which mandates the Office of the Controller of Budget to prepare quarterly reports on the state of budget implementation by both the national and the county governments. The office is committed to ensuring that the public has information on budget execution. This therefore calls for the citizenry participation in the entire process to ensure transparency and accountability.

During the six month period under review, the National Government paid salaries of the staff seconded to the Counties to perform devolved functions. The counties are expected to reimburse the payroll costs to ministries but only a few have reimbursed the national government. This has constrained the operations and implementation of planned activities of ministries. In particular, the ministries of Health and Agriculture were adversely affected. The Office therefore recommends that the Counties should speed up the process of reimbursing the monies owed to the National Government in order to enable Ministries implement their planned activities.

Mrs Agnes N. Odhiambo
CONTROLLER OF BUDGET

TABLE OF CONTENTS

FOREWORD ii

LIST OF FIGURES v

LIST OF TABLES v

EXECUTIVE SUMMARY vii

ACRONYMS ix

1.0 INTRODUCTION 1

2.0 MACROECONOMIC HIGHLIGHTS 2

2.1 Economic Growth 2

2.2 Inflation 3

2.3 Exchange Rate 4

3.0 FINANCIAL ANALYSIS OF THE 2013/2014 BUDGET IMPLEMENTATION ... 5

3.1 Analysis of Revenue Estimates 5

3.1.1 Revenue Receipts by National Treasury 5

3.1.2 Performance of Revenue Collection by Kenya Revenue Authority (KRA)... 6

3.2 Exchequer Issues Released to National and County Governments..... 6

3.2.1 Sectoral Recurrent Exchequer Issues 7

3.2.2 Sectoral Development Exchequer Issues 8

3.3 Donor Releases 9

3.4 Consolidated Fund Services (CFS) 10

3.4.1 Public Debt 10

3.4.1.1 Domestic Debt 10

3.4.1.2 Foreign Debt 11

3.4.2 Pensions and Gratuities 11

3.4.3 Guaranteed Loans to State Parastatals 11

3.5 Recurrent Expenditure Analysis by Sector 11

3.5.1 Agricultural, Rural and Urban Development (AR&UD) 15

3.5.2 Education Sector 16

3.5.3 The Energy, Infrastructure and Information Communications Technology (EI & ICT) Sector..... 17

3.5.4 Environmental Protection, Water and Natural Resources Sector 18
3.5.5 General Economic and Commercial and Labour Affairs (GECLA) Sector .. 19
3.5.6 Governance, Justice, Law and Order Sector (GJLOS) 20
3.5.7 The Health Sector 22
3.5.8 The Public Administration and International Relations Sector 22
3.5.9 The Social Protection, Culture and Recreation Sector 24
3.5.10 National Security Sector 24
3.6 Development Expenditure Analysis by Sector 25
3.6.1 Agricultural, Rural and Urban Development (AR&UD) 26
3.6.2 Education Sector 27
3.6.3 The Energy, Infrastructure and Information Communications Technology (EI & ICT) Sector..... 28
3.6.4 Environmental Protection, Water and Natural Resources Sector 28
3.6.5 General Economic and Commercial and Labour Affairs (GECLA) Sector .. 29
3.6.6 Governance, Justice, Law and Order Sector (GJLOS) 30
3.6.7 The Health Sector 31
3.6.8 The Public Administration and International Relations Sector 32
3.6.9 The Social Protection, Culture and Recreation Sector 33

4.0 KEY CHALLENGES HIGHLIGHTED DURING BUDGET AND RECOMMENDATIONS 35
4.1 Low Absorption of Funds 35
4.2 Public Wage Bill 35
4.3 Integrated Financial Management Information System 35
4.4 Delays in Reimbursement of Funds Advanced to Counties by MDAs..... 36
4.5 Incomplete Reporting by MDAs 36
5.0 CONCLUSION 37
6.0 ANNEXURES 38

LIST OF FIGURES AND TABLES

Figures

Figure 1: Quarterly GDP growth for the period 2012-2013 2

Figure 2: Overall inflation rate for the period October 2011- December 2013 3

Figure 3: Analysis of Recurrent Expenditure by MDAs 13

Figure 4: Sectoral Comparison of Absorption Rates in 2013/2014 against 2012/2013 (Per cent) 15

Figure 5: Comparison of Gross Estimates and Actual Expenditure (Kshs. Billions) 26

Tables

Table 1: 6 - Months overall inflation 3

Table 2: Statement of Actual Revenue as at end of December 2013 (Kshs. Billions) 5

Table 3: Exchequer Revenue Performance for July to December 2013 (Kshs. Billions) 6

Table 4: Total Exchequer Issues, July to December 2013 (Kshs. Billions) 7

Table 5: Sectoral Recurrent Estimates and Exchequer issues July to December 2013 (Kshs. Billions) 8

Table 6: Sectoral Development Estimates and Exchequer Issues (Kshs. Billions) 9

Table 7: Summary of Grants and Loans Disbursement Status (Kshs. Billion) 10

Table 8 : Cumulative Expenditures from CFS (Kshs. Millions) 11

Table 9: Analysis of Recurrent Expenditure by MDAs (Kshs. Millions) 12

Table 10: Analysis of Recurrent Expenditure and Net Exchequer Issues for Agricultural, Rural and Urban Development Sector (Kshs. Billions) 16

Table 11: Analysis of Recurrent Expenditure and Net Exchequer Issues for Education Sector (Kshs. Billion) 17

Table 12: Analysis of Recurrent Expenditure and Net Exchequer Issues for Energy, Infrastructure and Information Communications Technology Sector (Kshs. Billion) . 18

Table 13: Analysis of Recurrent Expenditure and Net Exchequer Issues for Environmental Protection, Water and Natural Resources Sector (Kshs. Billions) 19

Table 14: Analysis of Recurrent Expenditure and Net Exchequer Issues for General Economic Commercial and Labour Affairs Sector (Kshs. Billions) 20

Table 15: Analysis of Recurrent Expenditure and Net Exchequer Issues for GJLOS Sector (Kshs. Billions) 21

Table 16: Analysis of Recurrent Expenditure and Net Exchequer Issues for Health Sector (Kshs. Billions) 22

Table 17: Analysis of Recurrent Expenditure and Net Exchequer Issues for Public Administration and International Relations Sector (Kshs. Billions) 23

Table 18: Analysis of Recurrent Expenditure and Net Exchequer Issues for Social Protection, Culture and Recreation Sector (Kshs. Billions) 24

Table 19: Analysis of Recurrent Expenditure and Net Exchequer Issues for National Security Sector (Kshs. Billions) 25

Table 20: Analysis of Development Expenditure and Net Exchequer Issues for Agricultural and Rural Development Sector (Kshs. Billions) 27

Table 21: Analysis of Development Expenditure and Net Exchequer Issues for Education Sector (Kshs. Billions) 27

Table 22: Analysis of Development Expenditure and Net Exchequer Issues for EI & Sector (Kshs. Billions) 28

Table 23: Analysis of Development Expenditure and Net Exchequer Issues for Environmental Protection, Water and Natural Resources Sector (Kshs. Billions) 29

Table 24: Analysis of Development Expenditure and Net Exchequer Issues for GECLA Sector (Kshs. Billions) 30

Table 25: Analysis of Development Expenditure and Net Exchequer Issues for GJLOS Sector (Kshs. Billions) 31

Table 26: Analysis of Development Expenditure and Net Exchequer Issues for the Health Sector (Kshs. Billions) 32

Table 27: Analysis of Development Expenditure and Net Exchequer Issues for Public Administration and International Relations Sector (Kshs. Billions) 33

Table 28: Analysis of Development Expenditure and Net Exchequer Issues for the Social Protection, Culture and Recreation Sector (Kshs. Billions) 34

EXECUTIVE SUMMARY

The Constitution of Kenya (2010) empowers the citizenry to ensure public resources are utilized effectively to implement planned activities. It is against this backdrop that the Constitution of Kenya, 2010 established oversight institutions to monitor the use of public resources. Article 228(6) of the Constitution requires the Controller of Budget to submit to each house of Parliament a report on the implementation of budgets for both the national and the county governments quarterly. In the same way, Section 39 (8) of PFM, Act 2012 requires the Controller of Budget to ensure that members of the public are given information on budget implementation. Therefore, the reports prepared by the Controller of Budget forms the basis for the public to engage in participatory monitoring of the use of public resources.

The first quarter of the financial year 2013/2014 recorded low absorption of funds, mainly attributed to MDAs' re-organization that saw the number of Ministries reduced from forty two to eighteen. This was further aggravated by the delay in the appointment of accounting officers in the relevant ministries and the operationalization of bank accounts for the restructured ministries. Towards the end of the first half of the FY 2013/2014, MDAs started executing their respective activities as scheduled in their individual work plans. This saw some notable expenditure recorded for both the recurrent and the development budget items.

Official data from the Kenya National Bureau of Statistics (KNBS) shows that the Kenyan economy expanded by 4.4 per cent during the third quarter of 2013 compared to 4.5 per cent recorded over the same period in 2012. The average inflation rate for the period July to December 2013 rose to 7.2 per cent from 4.96 per cent recorded in the same period in 2012. This average was slightly above the target range of 5 to 7 per cent for the FY 2013/2014. The Kenyan shilling remained stable against the major currencies and traded against the US Dollar at between Kshs. 86.90 in the month of July 2013 and Kshs. 86.30 in the month of December 2013.

In the period July to December 2013, the total exchequer revenue collected by the National Treasury stood at Kshs. 588.2 billion which represents 46.3 per cent of the printed estimates for the financial year 2013/2014. The revenue collection during the period under review increased by 21.5 per cent to Kshs. 588.2 billion from Kshs. 484.2 billion recorded in the same period of 2012/2013 financial year. Tax income contributed the highest revenue, accounting for Kshs. 423.8 billion. This represents 23.9 per cent growth relative to the same period in the previous financial year. Grants from international organizations contributed the least amount of the exchequer revenue, amounting to Kshs. 2.6 billion. However, this recorded the highest growth of 142.1 per cent over the same period last financial year.

The total exchequer issues during the period under review was Kshs. 585.4 billion which represents 40.7 per cent of the net estimates, a growth rate of 42.2 per cent compared to the same period in the last financial year. The exchequer issues comprised of Kshs. 299.7 billion released for recurrent expenditure, Kshs. 95.9 billion for development expenditure, Kshs. 123.3 billion for Consolidated Fund Services (CFS) and Kshs. 66.5 billion for the County governments.

Total expenditure during the period July to December 2013 was Kshs. 439.5 billion comprising of Kshs. 253.2 billion spent on recurrent activities, Kshs.115.8 billion spent on CFS and Kshs.70.5 billion for

development expenditure. The recurrent expenditure represented an absorption rate of 41.5 per cent of the annual recurrent gross estimates while development and CFS expenditures represented 15.8 per cent and 30.4 per cent of their respective annual gross estimates.

Out of the total recurrent expenditure, Kshs. 116.3 billion (54.9%) was spent on personnel emoluments while Kshs. 95.3 billion (45.1%) was spent on Operations & Maintenance activities. Analysis of the expenditure on the operations & maintenance reveals that Kshs. 1.0 billion was spent on foreign travel, Kshs. 813.6 million on domestic travel, Kshs. 605.7 million on training, Kshs. 593.5 million on hospitality, conferences, and catering Services, and Kshs. 92.4 billion on other recurrent expenditure such as electricity and publishing and printing services.

During the period under review, ministries had undertaken to pay salaries of staff seconded to the counties to perform devolved functions. Counties were expected to reimburse the costs to the respective ministries to defray the expenditures of other activities. By the end of the second quarter, very few counties had reimbursed monies owed to the ministries which affected the cash flow to the respective ministries and hence their budget implementation. This saw the absorption of budgeted resources by MDAs continue to plummet. Other key issues observed during the monitoring of budget execution include, low absorption of development funds, the escalating wage bill which is likely to affect resources allocated to development programmes that may be re-allocated to meet personnel costs. The necessary capacity by spending entities to provide timely and accurate information on budget implementation still remains a significant challenge. Most MDAs did not provide information on budget execution in time for the OCOB to compile the report. Equally, failure by some MDAs to operationalise IFMIS in capturing their financial transactions has greatly affected monitoring of expenditure and subsequent reporting.

To overcome these challenges, the Controller of Budget recommends that Counties should hasten the reimbursement of monies owed to the National Government ministries in good time to avoid interfering with the MDA work plans. In addition, all spending entities should post their transactions on a real time basis as well as report the Appropriation-In-Aid realized in the reporting period. The National Treasury should ensure all MDAs use the prescribed Financial Management Information System and address the challenge of the capacity of the users at all levels.

ACRONYMS

A-In-A	Appropriation-In-Aid
AG	Attorney General
AR&UD	Agricultural, Rural and Urban Development
BPS	Budget Policy Statement
CARA	County Allocation of Revenue Act
CBA	Collective Bargaining Agreement
CBK	Central Bank of Kenya
CFS	Consolidated Fund Services
CIC	Constitution Implementation Commission
EAC	East African Community
EACC	Ethics and Anti-Corruption Commission
EI &ICT	Energy, Infrastructure and Information Communications Technology
GDP	Gross Domestic Product
GECLA	General Economic, Commercial and Labour Affairs
GJLOS	Governance, Justice Law and Order Sector
G-PAY	Government Pay System
ICT	Information Communication Technology
IFMIS	Integrated Financial Management Information Systems
IMF	International Monetary Fund
IPPD	Integrated Personal Payroll Data
JICA	Japanese International Cooperation Agency
KBC	Kenya Broadcasting Cooperation
KNBS	Kenya National Bureau of Statistics
KNCHR	Kenya National Human Rights & Equality Commission
KRA	Kenya Revenue Authority
MDAs	Ministries Departments and Agencies
MDGs	Millennium Development Goals
MTEF	Medium Term Expenditure Framework

NIS	National Intelligence Service
OCOB	Office of the Controller of Budget
PAIR	Public Administration and International Relations
PAYE	Pay As You Earn
PE	Personnel Emoluments
PFM Act	Public Finance Management Act
VAT	Value Added Tax

1.0 INTRODUCTION

The report is prepared in fulfilment of the constitutional mandate as provided for under Article 228(6), which requires the Controller of Budget to submit to each House of Parliament a report on the implementation of the budgets of the national and county governments every four months. The objective of this budget implementation review report is to provide a synopsis on the status of the financial year 2013/2014 budget and execution of plans in reference to the national government.

The report analyses the macro-economic variables which are likely to have an impact on the budget execution. Other issues discussed include the total exchequer revenue generated by the National Treasury in order to meet government expenditure. In addition, the report provides information on Appropriations in Aid (A-I-A), which is the revenue projected to be raised and used by an MDA upon approval by Parliament. The report further highlights how MDAs have utilized the allocated funds on recurrent and development activities. The report then summarises the key findings during the budget execution process providing the basis towards the realization of the government objectives as stipulated in the BPS for the current financial year.

In the period under review, MDAs recorded significantly low absorption rates mainly on development expenditure. This implies that a considerable number of planned activities were not implemented during the first half of the financial year. The absorption rate is computed as the proportion of the total expenditure expressed as a percentage of the gross estimate for the all MDAs. In analysing total national expenditure, the report disaggregates the expenditures into the ten sectors. The performance of each sector is determined by the respective sub-sectors which are the main spending units. In addition, the report gives a breakdown of expenditure and classifies them into various economic categories. This classification details personnel emoluments, domestic and foreign travels, hospitality, other operations & maintenance expenses and development projects. This analysis is essential as it gives an overview on whether there is value for money in the utilization of public funds.

In the analysis of the macro-economic indicators, it is important to note that, the data available on GDP is calculated on calendar year. The GDP for the period October to December 2013 had not been compiled by the time of publishing this report.

The OCOB as an oversight institution gives recommendations on the key challenges affecting budget execution in order to improve on the planning and budgeting processes to achieve the desired economic growth. The Public Finance Management Act 2012, Section 39 requires the OCOB to ensure the provision of adequate information to the public on budget implementation. This is accomplished through distribution of the printed copies of the report to both Houses of Parliament and to other relevant stakeholders. Apart from the printed copies, this information is also availed to the public through the organisation's website. ***(http://www.cob.go.ke/).***

2.0 MACRO-ECONOMIC HIGHLIGHTS

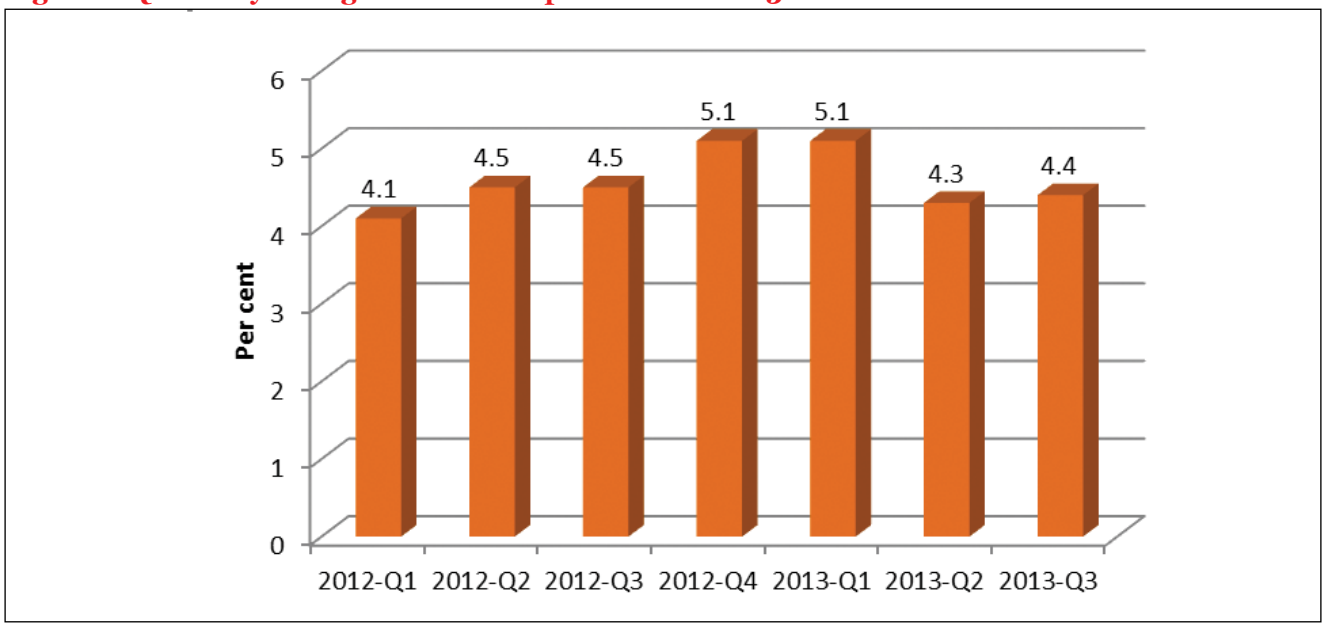
In the BPS for the FY 2013/2014, the National Treasury outlined measures geared towards accelerating economic growth. Key among the measures was to maintain a stable macro-economic environment by undertaking to keep the inflationary pressure low and maintain stable exchange rates. In addition, there is need to focus on efficient and effective delivery of services to the public through prudent spending of public funds. This section of the report highlights the macro-economic indicators under which the budget was executed during the period under review and the performance in the previous quarters for trend analysis. These include the GDP growth rate, inflation and the exchange rate.

2.1 Economic Growth

According to the 2013/2014 BPS, the Country's GDP is targeted to grow at 5.8 per cent in 2014. In the year 2012, the economy grew at 4.6 per cent compared to 4.4 per cent in 2011. In the first quarter of 2013, the GDP grew at 5.2 per cent but shrank to 4.3 per cent in the second quarter, compared to 4.1 and 4.4 per cent recorded in the first and second quarters of 2012 respectively. Provisional estimates from KNBS show that the GDP grew at 4.4 per cent in the third quarter of 2013 compared to 4.5 per cent achieved in the third quarter of 2012.

The growth in the second quarter of 2013 is attributed to robust activity in the Electricity and Water, Financial Intermediation, Agriculture and Forestry, as well as the Manufacturing sectors. In the third quarter of 2013, the growth was mainly supported by the improved performance in the Transport and Communication, Wholesale and Retail Trade, Manufacturing, Construction and Mining activities. Although the activities of the hotels and restaurants had a sluggish growth in the first quarter due to the uncertainties prior to the March 2013 general elections, they have showed a slight recovery after the electioneering period.

Figure 1: Quarterly GDP growth for the period 2012-2013



Source: *KNBS 2013*

2.2 Inflation

The overall six-month inflation fluctuated between 6.03 per cent in the month of July 2013 and 7.15 per cent in the month of December 2013, averaging 7.2 per cent against the targeted rate of 5.0-7.0 per cent for the FY 2013/2014 as per the BPS. This was an upward movement from the 4.96 per cent recorded in the same period last financial year.

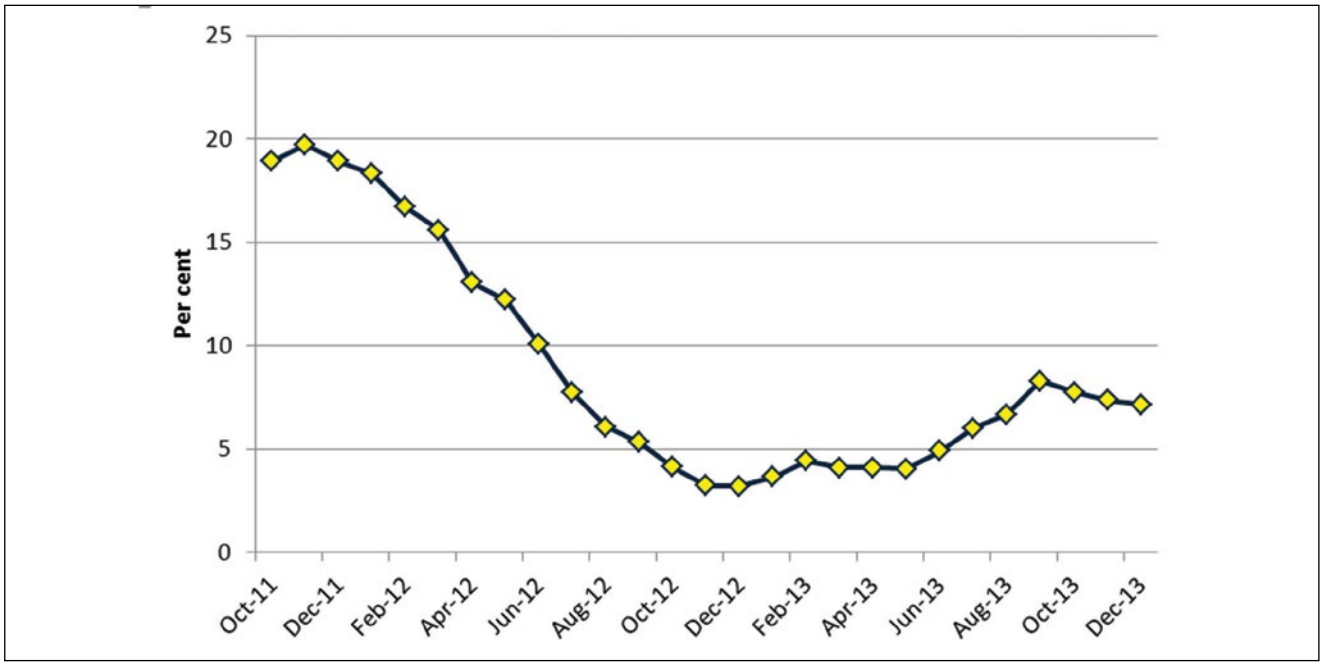
According to the KNBS, the inflationary pressure in the month of September is attributed to the implementation of the new Value Added Tax Act and increase of the prices of food and non-alcoholic drinks. In the month of December 2013, there was a significant reduction in the cost of electricity attributed to the waiver of the inflation levy and the reduction of forex adjustment costs. There was also a marginal rise in the transportation index attributed to the higher bus fares associated with the Christmas festivities and increase in petrol and diesel prices.

Table 1: 6 - Months overall inflation

Overall Inflation	FY2013/2014						FY 2012/2013					
	Jul	Aug	Sep	Oct	Nov	Dec	Jul	Aug	Sep	Oct	Nov	Dec
6 -Month	6.02	6.67	8.29	7.76	7.36	7.15	7.74	6.09	5.32	4.14	3.25	3.2

Source: *KNBS 2013*

Figure 2: Overall inflation rate for the period October 2011- December 2013



Source: KNBS, 2013

2.3 Exchange Rate

In the period under review, the Kenya shilling had mixed performance against the US Dollar, the Sterling Pound, the Euro and the South African Rand. The Shilling remained resilient against the US Dollar, and on average traded between Ksh.86.90 in the month of July 2013 and Ksh.86.30 in the month of December 2013. In the month of October 2013, the shilling appreciated against the US Dollar to trade at Ksh.85.31 for each USD. According to the CBK Monthly Economic Review of October 2013, the appreciation against the US Dollar was attributed to inflows from tea and horticulture exports, increased demand for the Kenya shillings from foreign investors targeting a stake in the 12 year infrastructure bond, and the trimming of the long dollar position by commercial banks resulting from the liquidity squeeze in the money market[1]. The Shilling weakened against the Sterling Pound, trading between Kshs.131.70 in July 2013 and at ksh.141.37 in December 2013.

The shilling weakened slightly against the Euro to trade at Ksh.113.70 in the month of July 2013 and closed at Ksh.118.18 in the month of December 2013. It remained stable against the South Africa Rand and appreciated marginally from Ksh.8.80 in the month of July 2013 to close at Ksh.8.34 in the month of December 2013.

1. CBK Monthly Economic Review

3.0 FINANCIAL ANALYSIS OF THE 2013/2014 BUDGET IMPLEMENTATION

3.1 Analysis of Revenue Estimates

According to the FY 2013/2014 Budget Policy Statement, revenue is estimated to decline from 24.9 per cent of the GDP in FY2012/2013 to 24.3 in the current financial year. Ordinary revenue is projected to sufficiently cover the recurrent expenditure. Development expenditure will however be mainly funded by external project grants and loans. Part of Domestic borrowing will also be channelled to funding development projects as well.

3.1.1 Revenue Receipts by National Treasury

This section of the report analyses the various categories of the government exchequer revenue generated to meet expenditure in the period July to December 2013. The total revenue received by the National Treasury was Kshs.588.16 billion representing 46.28 per cent of the revenue estimates for the 2013/2014 financial year. This translates to a 21.4 per cent growth from what was achieved in the same period last financial year.

In absolute terms, total tax income accounted for the highest revenue, of Kshs.423.78 billion representing 23.9 per cent growth over the same period last financial year while grants received from international organizations were the lowest at kshs.2.59 billion. The grants category however recorded the highest growth compared to the same period last financial year at 142.1 per cent as seen in table 2.

Table 2: Statement of Actual Revenue as at end of December 2013 (Kshs. Billions)

Receipts by Category	Printed Est. July 2013 to June 2014	Actual Receipts 31/12/2013	Actual Receipts 31/12/2012	% Growth over FY12/13
Opening Balance FY 2012/2013	0.0	0.5		
Total Tax Income	920.98	423.78	341.96	**23.93**
Total Non-Tax Income	38.87	11.32	17.13	**-33.92**
Total Borrowing & Repayment	236.18	134.30	112.13	**19.77**
Loans – External	46.04	12.33	9.59	**28.57**
Grants – External	10.87	3.29	2.35	**40.00**
Grants from International Organizations	17.96	2.59	1.07	**142.06**
Repayment From Domestic Lending & On Lending (recoveries)	0	0.05		
TOTAL	**1,270.90**	**588.16**	**484.23**	**21.46**

Source: *National Treasury 2013*

3.1.2 Performance of Revenue Collection by Kenya Revenue Authority (KRA)

In the FY 2013/2014, KRA has estimated to collect Kshs.973.5 billion of which Kshs.912.3 billion is exchequer Revenue and Kshs.61.2 billion is collections for various Agencies.

In the period July to December 2013, KRA collected exchequer revenue amounting to Kshs.437.8 billion against a target of Kshs 439.9 billion, a performance rate of 99.5 per cent. This impressive performance represented a growth of 21.5 per cent over the same period last financial year. In absolute figures, the Domestic Taxes Department collected the highest amount of revenue at Kshs.299.38 billion, representing a 21 per cent growth over the same period last financial year. This was however an underperformance of kshs.4.2 billion.

The KRA quarterly release has identified a number of key drivers behind the revenue performance in the first half of the financial year 2013/2014. These are: growth in Value Added Tax (VAT) supported by the new legal provisions; enhanced monitoring on PAYE remittances by the County governments; enhanced instalment tax remittances by corporates and the focus on Domestic VAT in compliance with the VAT Act 2013 provisions. This analysis is depicted in table 3.

Table 3: Exchequer Revenue Performance for July to December 2013 (Kshs. Millions)

Revenue Category	Actual 2013/2014	Target	Variance	Performance Rate (%)	Actual 2012/2013	Growth Rate Over 2012/2013 (%)
Customs Services	136,958	134,709	2,249	101.7	111,582	22.7
Domestic Taxes	299,382	303,607	(4,224)	98.6	247,505	21.0
Road Transport	1,474	1,659	(184)	88.9	1,211	21.7
Total	**437,815**	**439,975**	**(2,160)**	**99.5**	**360,298**	**21.5**

Source: *KRA 2013*

3.2 Exchequer Issues Released to National and County Governments

In the first half period of 2013/2014 financial year, the total exchequer issues was Kshs.585.4 billion, a major increase from Kshs.489.95 billion recorded in the same period last financial year. This represents 42.2 per cent of the exchequer to net estimates, a slight growth from 40.7 per cent recorded the same period last financial year.

The total exchequer issues towards recurrent expenditure amounted to Kshs.299.8 billion representing 51.2 per cent of the total exchequer issues, a decline from 59.9 per cent released in the same period last financial year. The total exchequer issues for development projects amounted to Kshs.96 billion, a decline from Kshs.106.7 billion released in the same period, last financial year. The exchequer issues for development represents 16.4 per cent of the total exchequer issues. The exchequer issues to the Counties amounted to Kshs. 66.5 billion representing 11.4 per cent of the total issues. The Consolidated Fund Services received Kshs.123.3 billion, an increase from Kshs.89.8 billion released in the same period last financial year, a growth rate of 37.3 per cent. Table 4 shows exchequer issues for both recurrent and development activities.

Table 4: Total Exchequer Issues, July to December 2013 (Kshs. Billions)

Name of the Sub Sector	FY 2013/2014				FY 2012/2013		
	Gross Est.	Net Est.	Exch. Issues	% of Exch. To N. Est.	Net Est.	Exch. Issues	% of Exch. To N. Est.
Agriculture, Rural & Urban Development	53.3	46.9	28.0	59.70	69.0	27.9	40.43
Education	276.2	248.9	125.6	50.42	205.3	109.9	53.53
The Energy, Infrastructure and Information Communications Technology (EI & ICT)	216.5	73.3	30.8	42.02	92.2	32.0	34.71
The Environmental Protection, Water and Natural Resources	57.1	34.3	11.3	32.94	19.2	8.8	45.83
General Economic & Commercial Affairs (GECLA)	12.9	12.2	5.6	45.90	13.1	5.8	44.27
The Governance, Justice, Law and Order (GJLOS)	125.7	124.5	58.8	47.23	130.6	63.2	48.39
The Health	36.2	28.8	24.5	85.07	68.7	29.8	43.38
The Public Administration and International Relations	173.5	142.3	62.1	43.57	142.9	69	48.29
The Social Protection, Culture and Recreation	20.5	19.8	7.0	35.35	24.3	10.1	41.56
National Security	84.7	84.7	42.1	49.70	83.7	43.5	51.97
Sub-Total MDAs	1,056.6	815.7	395.6	48.50	849	400.2	47.11
County governments	210.0	190.0	66.5	35.00	9.8	-	-
Sub-Total Consolidated Fund Services	380.3	380.3	123.3	32.42	346.0	89.75	25.94
Grand Total	**1,646.9**	**1,386.0**	**585.6**	**42.24**	**1204.8**	**489.95**	**40.67**

***Source**: Office of the Controller of Budget*

3.2.1 Sectoral Recurrent Exchequer Issues

In the FY 2013/2014, the gross estimates for recurrent expenditure was Kshs.610.5 billion while Appropriations-In-Aids was Kshs.53.1 billion resulting into net estimates of Kshs.557.4 billion. In the period under review, the exchequer issues for recurrent expenditure amounted to Kshs.299.8 billion representing 53.8 per cent of the net estimates. This is a 2.2 per cent increase from the amount released for recurrent expenditure in the same period last financial year.

The Health sub-sector received the full amount of its net estimates at 100 per cent, an increase from 49.9 per cent received in the same period last financial year. This has been occasioned by the national government paying the health workers whose salaries and related costs were expected to be met by the County governments. Health care is one of the devolved functions under the fourth schedule of the Constitution. Counties were expected to refund money paid on their behalf by the Ministry of Health but this has not been fully complied. The Social Protection, Culture and Recreation Sector received the lowest exchequer issues to the net estimates at 41.7 per cent, a marginal decline from 44.6 per cent received in the same period last financial year.

From the analysis, it is evident that most sectors have received more than fifty per cent of their exchequer issues to net estimates. This indeed is an indication that funds are released on time. Table 5 shows the trends analysis.

Table 5: Sectoral Recurrent Estimates and Exchequer issues July to December 2013 (Kshs. Billions)

Name of the Sector	FY2013/2014				FY 2012/2013		
	Gross Est.	Net Est.	Exch. Issues	% of Exch. to N. Est.	Net Est.	Exch. Issues	% of Exch. to N. Est.
Agriculture, Rural & Urban Development	15.0	13.9	11.6	83.5	24.8	11.9	48.0
Education	245.8	225.9	123	54.4	190.1	102.5	53.9
The Energy, Infrastructure and Information Communications Technology (EI & ICT)	27.5	6.8	3.7	54.4	9.1	3.2	35.2
The Environmental Protection, Water and Natural Resources	13.2	8.2	4.2	51.2	7.2	3.6	50.0
General Economic, Commercial and Labour Affairs (GECLA)	7.9	7.5	3.3	44.0	7.8	4.1	52.6
The Governance, Justice, Law and Order (GJLOS)	111.3	110.8	55.3	49.9	115.4	58.9	51.0
The Health	20.3	16.5	16.5	100.0	50.7	25.3	49.9
The Public Administration and International Relations	73.9	72.4	35.6	49.2	70.5	33.8	47.9
The Social Protection, Culture and Recreation	10.9	10.8	4.5	41.7	14.8	6.6	44.6
National Security	84.7	84.7	42.1	49.7	83.7	43.5	52.0
Total	**610.5**	**557.4**	**299.8**	**53.8**	**574.4**	**293.4**	**51.1**

Source: *Office of the Controller of Budget*

3.2.2 Sectoral Development Exchequer Issues

In the first half of the FY2013/2014, the exchequer issues to MDAs for development expenditure was Kshs.96 .0 billion representing 37.2 per cent of the net estimates for the financial year, a marginal decrease from 38.8 per cent recorded in the same period last financial year.

The Health Sector received the highest exchequer issues to net estimates at 65.0 per cent, an increase from 25.0 per cent received in the same period last financial year. The Agriculture, Rural and Urban Development Sector ranked second highest, receiving 49.7 per cent of target net estimate. The Education Sector received the least exchequer issues to the net estimates at 11.3 per cent, far below the expected percentage of at least fifty per cent. The analysis in table 6 shows that, only the Health Sector was above the fifty per cent of exchequer issues to net estimates.

Table 6: Sectoral Development Estimates and Exchequer Issues (Kshs. Billions)

Name of the Sector	FY 2013/2014				FY 2012/2013			
	Gross Est.	Net Est.	Exch. Issues	% of Exch. to N. Est.	Gross Est.	Net Est.	Exch. Issues	% of Exch. to N. Est.
Agriculture, Rural & Urban Development	38.3	33	16.4	49.7	66.5	44.2	16.1	36.4
Education	30.4	23.0	2.6	11.3	26.7	15.2	7.4	48.7
The Energy, Infrastructure and Information Communications Technology (EI & ICT)	189.0	66.5	27.1	40.8	192.9	83.1	28.8	34.7
The Environmental Protection, Water and Natural Resources	43.9	26.1	7.1	27.2	15.0	11.9	5.2	43.7
General Economic, Commercial and Labour Affairs (GECLA)	5.0	4.7	2.3	48.9	5.4	5.2	1.7	32.7
The Governance, Justice, Law and Order (GJLOS)	14.4	13.7	3.5	25.5	16.1	15.2	4.3	28.3
The Health	15.9	12.3	8.0	65.0	32.4	18.0	4.5	25.0
The Public Administration and International Relations	99.6	69.9	26.5	37.9	87.8	72.4	35.2	48.6
The Social Protection, Culture and Recreation	9.6	9.0	2.5	27.8	10.3	9.5	3.5	36.8
Total	**446.2**	**258.2**	**96**	**37.2**	**453.2**	**274.8**	**106.7**	**38.8**

Source: *Office of Controller of Budget*

3.3 Donor Releases

In the financial year 2013/2014, the government budgeted to receive Kshs.240.6 billion from development partners. This includes loans revenue of Kshs.46.0 billion, grants revenue Kshs.10.9 billion, Loans A.I.A Kshs.134.7 billion and Grants A.I.A Kshs. 49.0 billion.

The total amount disbursed in the first half of FY 2013/2014 was Kshs.30.7 billion representing 12.8 per cent of the total targeted gross estimates, a marginal increase from 11.8 per cent recorded in the same period last financial year. Loans revenue category received the highest disbursements representing 27.2 per cent of the gross estimates. Grants A.I.A category received the lowest disbursements representing 5.1 per cent of the gross estimates, a decrease from 69.9 per cent which was recorded in the same period last financial year as can be seen in table 7.

Table 7: Summary of Grants and Loans Disbursement Status (Kshs. Billion)

Funding Type	Printed Estimates 2013/2014	Cumulative Disbursement as at December 2013	
		Disbursements	% Disbursed against Printed Estimates
Loans Revenue	46.04	12.52	27.19
Grants Revenue	10.88	2.36	21.67
Loans A.I.A	134.72	13.34	9.90
Grants A.I.A	49.01	2.49	5.07
Totals	**240.65**	**30.70**	**12.76**

***Source**: National Treasury 2013.*

3.4 Consolidated Fund Services (CFS)

Items funded from the CFS account are as follows; Public debt, salaries for constitutional office holders, pensions and gratuities, payment to international organizations and other miscellaneous payments by the government.

In the 2013/2014 financial year, the budget allocation for the CFS account was Kshs.380.3 billion. The public debt category had the highest allocation of Kshs.337.3 billion which was 88.7 per cent of the total allocation to the CFS. In the first half of the FY 2013/2014, the total exchequer releases to the CFS account amounted to Kshs.123.3 billion representing 32.4 per cent of the CFS annual estimates. This amount includes Kshs.107.8 billion as exchequer issues for the servicing of the public debt representing 87.4 per cent of the total exchequer issues to this account. The total expenditure by the CFS during the period was Kshs. 115.8 billion, representing absorption rate of 30.5 per cent.

3.4.1 Public Debt

This constitutes the amount owed by the Government of Kenya and includes both the domestic and foreign debt. As at the end of December, 2013, the outstanding public debt was Kshs. 2.11 trillion which is 57.6 per cent of the GDP[2] . This represents a 12 per cent increase from the Kshs.1.89 trillion outstanding as at June 2013. The total public debt is made up of Kshs1.189 trillion as domestic and Kshs 922.37 billion as foreign. During the first half period FY 2013/2014, the exchequer issues of Kshs.107.77 billion was released to facilitate the payment of public debt. Out of the total exchequer issued, Kshs.100.4 billion was spent to service the public debt.

Increasing public debt levels are as a result of an expanded budget that caters for national government functions as well as the devolved functions in all the counties. There is need for the National Treasury to assess the public debt pattern and the prevailing macro-economic environment and take remedial measures to ensure sustainability and efficiency in the borrowing process. Austerity measure should be enforced through all government entities to cut down on low priority expenses.

3.4.1.1 Domestic Debt

In the period under review, the gross domestic debt grew by Kshs. 138.6 billion (13%) from Kshs. 1.05 trillion in June 2013 to Kshs 1.189 trillion in December 2013. The cumulative domestic borrowing of Kshs 1.189 trillion is made up of Kshs.307.26 billion raised through floating of Treasury Bills, Kshs. 816.29 billion from Treasury bonds and Kshs.64.62 billion from other sources including the Central

[2] The National Treasury, Kenya-Monthly Debt Bulletin

Bank of Kenya overdraft of Kshs.34.2 billion. The total payment towards servicing of domestic debt in the first half FY 2013/2014 was Kshs 84.4 billion comprising Kshs. 57.7 billion for principal redemption and Kshs. 26.7 billion for interest payment.

3.4.1.2 Foreign Debt

During the period under review the stock of public and publicly guaranteed external debt was Kshs. 922.37 billion. This is a Kshs.90.13 billion (10.8 per cent) growth from the June 2013 stock of Kshs.832.24 billion. The total payments made to service foreign debt was Kshs.16.0 billion comprising of Kshs.10.9 billion as principal redemption and Kshs.5.1 billion as interest payments.

3.4.2 Pensions and Gratuities

The Pensions and Gratuities subcategory comprises of payments made to retired public servants. This vote was allocated Kshs.38.2 billion in the 2013/2014 financial year. In the first half year of FY 3013/14, the exchequer releases for pension and gratuity payments was Kshs.13.8 billion. The actual expenditure during the same period was Kshs.13.8 billion which translates to an absorption rate of 36.2 per cent.

3.4.3 Guaranteed Loans to state Parastatals

During the period July to December 2013, Kshs 655.74 million was issued as exchequer for the servicing of public guaranteed loans. The actual expenditure incurred to service the debt was Kshs 553.22 million. This was payment towards the loans guaranteed on behalf of Kenya Broadcasting Cooperation, Nairobi City Council and Tana and Athi River Development Authority. There were no new guaranteed loans to state corporations in the period under review. Table 8 shows cumulative expenditures trends from the CFS account.

Table 8 : Cumulative Expenditures from CFS (Kshs. Millions)

CFS	Gross Estimates	Net Estimates	Exchequer Issues	Actual Expenditure	Exchequer Issues as % Net Est.	Expenditure as a % of G. Estimates
Public Debt	337,291	337,291	107,772	100,404	31.95	29.77
Pensions and Gratuities	38,167	38,167	13,810	13,810	36.18	36.18
Salaries and Allowances	3,400	3,400	1,050	1,030	30.88	30.29
International Organisations*	0.5	0.5	-	-	-	-
Miscellaneous Services	128	128	-	-	-	-
Guaranteed Loans	1,304	1,304	655	553	50.23	42.41
Total	**380,291**	**380,291**	**123,287**	**115,797**	**32.42**	**30.45**

Source: The National Treasury 2013

*International organisation subscriptions is to International Monetary Fund

3.5 Recurrent Expenditure Analysis by Sector

In the Medium Term Budget Policy Statement 2013/2014, recurrent expenditure was highlighted to be reaching unsustainable levels thus leaving inadequate resources for development. The BPS for FY2013/2014 outlined measures to control expenditure, the need to support social spending

in education and health to achieve the Millennium Development Goals and to link education with employment as well as provision of health care to all Kenyans.

In the half year of the 2013/2014 financial year, the total exchequer issues for the recurrent expenditure amounted to Kshs.299.8 billion representing 53.8 per cent of the total net estimates, a slight increase from 51.1 per cent recorded the same period last financial year. The total recurrent expenditure for the period under review was Kshs.253.2 billion, an absorption rate of 41.5 per cent, a slight improvement from 39.5 per cent recorded the same period last financial year. The National Security Sector had the highest absorption rate at 49.1 per cent, a slight decline from 49.6 per cent recorded the same period last financial year. The Environment Protection, Water and Natural Resources Sector had the lowest absorption rate at 26.0 per cent, a drop from 32.6 per cent achieved the same period last financial year.

No MDA has managed above fifty per cent mark in the absorption of resources. This is the expected percentage for the second quarter of the financial year and it is attributed to the delay in the appointment of the accounting officers at the beginning of the financial year, contributed by the condensation of the Ministries from forty two to eighteen as analysed in table 9 and figure 3.

Table 9: Analysis of Recurrent Expenditure by MDAs (Kshs. Millions)

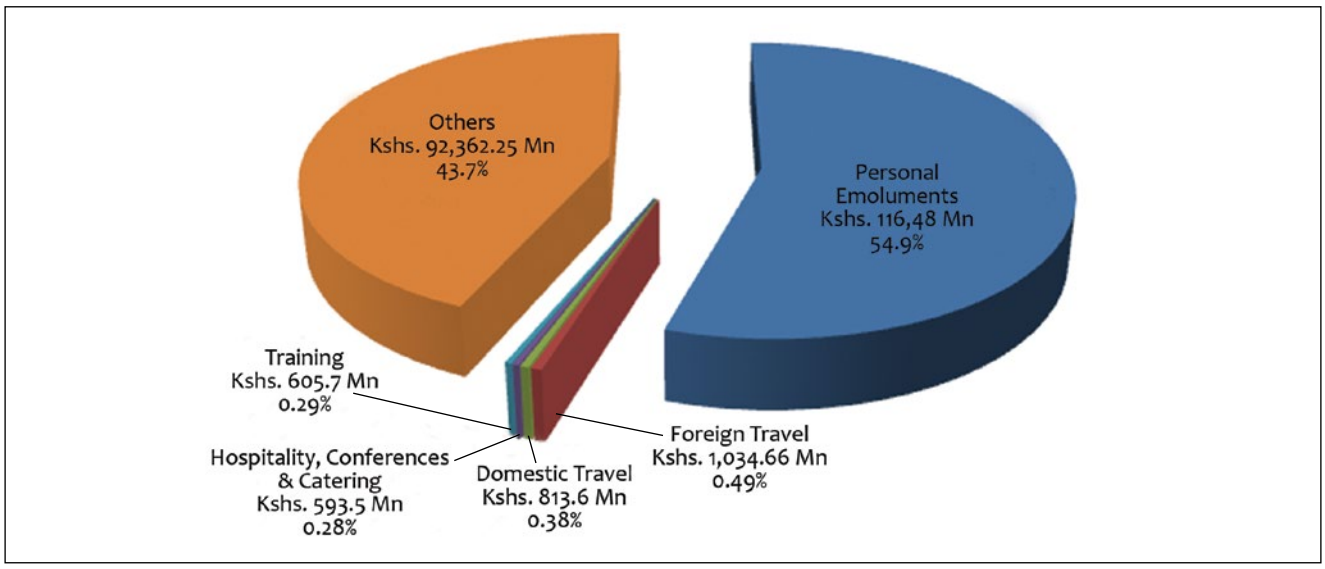
MINISTRY/DEPT	Personnel Emoluments	Foreign Travel	Domestic Travel	Hospitality, Conferences and Catering Costs	Training	Others	Total Recurrent Exp.
The Presidency	438.99	122.91	48.19	9.02	141.32	1,019.97	1,780.41
Ministry of Interior and Cordination of National Government	18,269.70	21.03	157.02	15.73	30.41	5,013.93	23,507.83
Ministry of Devolution and planning	3,059.20	25.61	34.19	62.50	84.98	2,344.43	5,610.91
Ministry of Foreign Affairs	1,733.90	461.87	46.24	44.71	6.35	188.44	2,481.52
Ministry of Education Sci. and Technology	1,141.69	8.02	22.85	12.81	8.24	33,818.30	35,011.91
The National Treasury	474.02	8.34	24.75	35.29	41.81	7,784.51	8,368.72
Ministry of Health	14.62	2.94	17.81	6.69	11.85	7,526.99	7,580.90
Ministry of Transport and Infrastructure	647.72	10.55	12.30	8.19	22.04	8,081.60	8,782.40
Ministry of Enviroment Water and Natural Resources	737.95	8.65	14.01	27.40	17.90	2,572.31	3,378.22
Ministry of Lands Housing and Urban Development	702.92	3.15	15.16	8.93	13.51	811.25	1,554.92
Ministry of Information & Communication and Technology	249.33	6.17	4.38	9.20	12.39	543.46	824.93
Ministry of Sports Culture and Arts	129.13	20.66	124.85	6.28	12.82	942.89	1,236.63
Ministry of Labour Social Security and Services	763.77	8.17	11.47	10.21	6.76	1,450.88	2,251.26
Ministry of Energy and Petroleum	5.97	4.48	3.00	3.48	8.25	971.98	997.17
Ministry of Agriculture Livestock and Fisheries	7.02	13.55	24.79	7.22	23.46	4,347.65	4,423.70
Ministry of Industrialisation and Enterprise Development	167.12	7.67	8.60	4.95	5.41	731.30	925.04
Ministry of East African Affairs Commerce and Tourism	204.68	53.90	25.33	37.70	8.97	1,329.23	1,659.81
Ministry of Mining	5.98	6.68	5.05	0.42	6.78	34.78	59.69
Office of the Attorney General and Department of Justice	270.91	11.60	2.54	2.72	3.88	615.56	907.21
The Judiciary	2,303.75	18.91	76.97	13.59	9.74	2,066.75	4,489.71
Ethics & Anti-Corruption Commission	-	-	-	-	-	453.94	453.94

MINISTRY/DEPT	Personnel Emoluments	Foreign Travel	Domestic Travel	Hospitality, Conferences and Catering Costs	Training	Others	Total Recurrent Exp.
Directorate of Public Prosecution	197.36	5.64	20.77	18.94	5.61	67.80	316.12
Commission for Implemenation of the Constitution	89.70	0.86	7.23	7.09	0.93	42.97	148.76
Registrar of Political Parties	16.73	0.39	1.65	0.44	0.39	107.43	127.03
Witness Protection Agency	69.98	2.65	2.43	4.46	0.63	15.21	95.36
Kenya National Human Rights & Equality Commission	87.24	0.97	3.26	1.36	4.50	53.44	150.78
Independent Electoral and Boundaries Commission	827.45	23.73	19.28	10.78	11.54	602.90	1,495.68
Parliamentary Service Commission	346.01	126.61	41.23	120.96	11.49	7,651.47	8,297.76
Judicial Service Commission	-	3.80	2.69	30.77	63.76	15.05	116.08
The Commission on Revenue Allocation	61.54	-	10.43	4.71	3.76	48.59	129.02
Public Service Commission	178.83	2.01	8.79	14.99	19.61	43.20	267.43
Salaries & remenuration commisssion	55.78	5.07	1.53	26.61	1.40	34.70	125.09
Teachers Service commission	81,956.07	-	-	-	-	424.02	82,380.09
National Police Service Commission	22.48	1.15	1.36	2.63	0.22	44.95	72.78
Auditor General	648.49	29.63	3.27	18.23	0.79	405.09	1,105.51
Controller of Budget	82.81	0.39	2.24	1.09	2.93	16.56	106.03
The Commission on Administrative Justice	68.13	3.28	2.67	1.59	0.77	60.88	137.31
National Gender & Equality Commission	68.80	3.51	4.01	0.66	0.38	38.12	115.48
Independent Police Oversight Authority	38.67	0.10	1.30	1.14	0.09	39.72	81.03
TOTAL	116,144.48	1,034.66	813.64	593.47	605.67	92,362.25	211,554.16
% of Total	**54.90**	**0.49**	**0.38**	**0.28**	**0.29**	**43.66**	**100.00**

Source: *MDAs*

Note: All MDAs except Ministry of Defence, National Intelligence Service and Parastals.

Figure 3: Analysis of Recurrent Expenditure by MDAs



Source: *MDAs*

This section provides an analysis of personnel emoluments and operations and maintenance expenditure for MDAs during the first half of FY 2013/2014. The expenditure information used for the analysis was mainly generated from the IFMIS system. The system provides expenditure against each item as voted in the budget estimates. This comparison provides the basis for monitoring of the budget execution and tracking of expenditure.

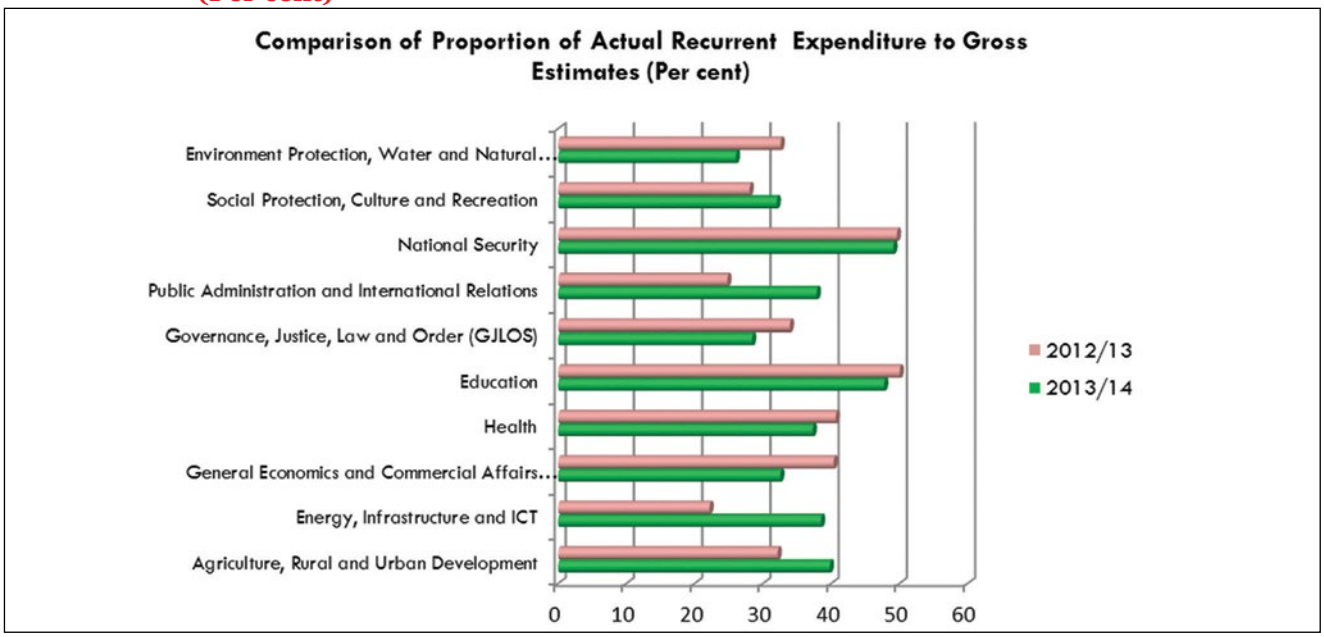
Although most MDAs have implemented the IFMIS system for their financial transactions, a number of state Agencies and constitutional Commissions are yet to implement the System. This has affected the monitoring and reporting of public expenditure by the Office of the Controller of Budget. In order to guarantee transparent financial management and standard financial reporting as contemplated by Article 226 of the Constitution, the National Treasury should ensure that all spending entities use the prescribed Financial Management Information System. This will facilitate proper monitoring and efficient management of public resources.

During the period under review, total recurrent expenditure was Kshs.211.6 billion which comprised Kshs. 116.1 billion (54.9%) spent on personnel emoluments and Kshs. 95.3 billion (45.1%) spent on Operations and Maintenance activities. Analysis of Operations and Maintenance expenditure indicates that Kshs. 1.04 billion (0.5%) was spent on foreign travel, Kshs. 813.6 million (0.4%) on domestic travel, Kshs. 605.7 million (0.3%) on training, Kshs. 593.5 million (0.3%) on hospitality, conferences, and catering Services, and Kshs. 92.4 billion (43.7%) on other recurrent expenditure such as electricity and publishing and printing services.

From the analysis, much of the recurrent expenditure was towards personnel emoluments where Kshs.116.3 billion was spent in the first six months. In the same period the total expenditure toward development activities was Kshs.70.5 billion comparing unfavourably to the resources utilised for salaries and wages. Recurrent expenditure should be incurred in support of development work being undertaken which therefore raises concern over the disproportionate expenditure trend. The National Treasury and the Parliament should gradually streamline the hiring of Officers in the National and County Governments through policy guidelines that will keep the public wage bill at appropriate levels suitable to the prevailing macro-economic context. Budgetary share to other items under the recurrent category should be further interrogated so that resources are allocated to priority areas. For example, there is need to rationalize expenditures on items such as foreign and domestic travel, printing and advertising, training, and hospitality, conference and catering.

Further analysis of the recurrent expenditure showed that the Teachers Service Commission had the highest expenditure on Personnel Emoluments at Kshs. 82 billion which was mainly attributed to salaries for all teachers while the Ministry of Mining had the lowest at Kshs. 6 million. The Ministry of Foreign Affairs spent the highest on foreign travel at Kshs. 461.9 million. This is because the core mandate of the ministry is to promote international relations. On the other hand, the Independent Police Oversight Authority had the lowest expenditure on foreign travels at Kshs. 0.1 million. Ministry of Interior and Coordination of National Government had the highest domestic travel expenditure at Kshs. 157 million which can be attributed to its mandate. Conversely the Independent Police Oversight Authority had the lowest expenditure on domestic travel at Kshs. 1.3 million. The Parliamentary Service Commission, whose role is to provide services and facilities to ensure the efficient and effective running of Parliament, had the highest expenditure on Hospitality Services at Kshs. 121 million. The Registrar of Political Parties had the lowest expenditure on Hospitality Services at Kshs.0.4 million. The Presidency had the highest expenditure on Training at Kshs. 141 million while the Independent Police Oversight had the lowest at Kshs.0.1 million.

Figure 4: Sectoral Comparison of Absorption Rates in 2013/2014 against 2012/2013 (Per cent)



Source: *Office of the Controller of Budget and National Treasury*

3.5.1 Agricultural, Rural and Urban Development (AR&UD) Sector

This sector comprises of two sub-sectors namely, the Ministry of Agriculture, Livestock and Fisheries and the Ministry of Lands, Housing and Urban Development .The sector is a significant contributor to the country's economic growth. In the 2013/2014 financial year the sector was allocated Kshs.15 billion to cater for its recurrent expenditure, being 2.5 per cent of the total recurrent budget.

During the period July to December 2013, the sector received exchequer issues amounting to Kshs.11.6 billion which was 83.4 per cent of the net estimates, a significant increase from 47.8 per cent received in the same period last financial year. The Agriculture, Livestock and Fisheries sub sector received exchequer issues amounting to Kshs. 8.9 billion representing 86.6 per cent of the net estimates, a substantial increase from 49.2 per cent received by the end of the second quarter of financial year 2012/2013. The Lands, Housing and Urban Development sub sector received exchequer issues representing 74.0 per cent of the net estimates, a remarkable increase from 43.5 per cent received in the same period last financial year 2012/2013.

In the period under review, the Agriculture and Rural Development sector spent Kshs. 6.0 billion representing an absorption rate of 39.8 per cent, an improvement from the 32.2 per cent absorption rate recorded in the same period in the financial year 2012/2013. Agriculture, Livestock and Fisheries sub sector spent Kshs. 4.4 billion representing an absorption rate of 40.6 per cent up from 32 per cent recorded in the same period last financial year. The Lands, Housing and Urban Development sub sector had an absorption rate of 37.6 per cent having spent Kshs. 1.6 billion which was an improvement compared to 32.8 per cent recorded in the first half of financial year 2012/2013. See table 10 for the data analysis.

Table 10: Analysis of Recurrent Expenditure and Net Exchequer Issues for Agricultural, Rural and Urban Development Sector (Kshs. Billions)

Name of the Sub Sector	FY 2013/2014						FY 2012/2013					
	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.
Ministry of Land, Housing and Urban Development	4.1	3.6	2.7	1.6	74.0	37.6	6.6	6.1	2.6	2.2	43.5	32.8
Ministry of Agriculture, Livestock and Fisheries	10.9	10.3	8.9	4.4	86.6	40.6	20.9	18.8	9.2	6.7	49.2	32.0
Total	**15.0**	**13.9**	**11.6**	**6.0**	**83.4**	**39.8**	**27.5**	**24.8**	**11.9**	**8.8**	**47.8**	**32.2**

Source: *National Treasury & MDAs*

3.5.2 Education Sector

This sector comprises of two subsectors namely the Ministry of Education, Science and Technology and the Teachers Service Commission. Kenya's Vision 2030 identifies education as a critical element in the creation of a globally competitive and adaptive human resource base. Furthermore, education is recognized by the Constitution of Kenya as a key economic and social right. It is against this backdrop that the sector aims to provide and promote quality education, training and research in order to empower individuals to become competent and resourceful citizens. The sector was allocated Kshs. 245.8 billion in the FY 2013/2014 to cater for its recurrent activities representing 40.3 per cent of the total recurrent budget.

In the first half of FY 2013/2014, the sector received exchequer issues amounting to Kshs. 123.0 billion which was 54.4 per cent of the net estimates, a marginal increase from the 53.9 per cent of the net estimates received over the same period of FY2012/2013. The Ministry of Education, Science and Technology received Kshs. 35.5 billion as exchequer issues representing 45.9 per cent of the net estimates, a 4.4 percentage point increase from the 41.5 per cent of net estimates received over the same period last financial year. The Teachers Service Commission received exchequer issues totalling to Kshs. 87.5 billion, which was 58.9 per cent of the net estimates and an improvement of 3.1 percentage points over the same period last financial year.

The total expenditure for the sector during the period July to December 2013 was Kshs. 117.4 billion. This amount represents 47.8 per cent of the sector's gross estimates which declined from the 50.0 per cent recorded in a similar period last financial year. During the period under review, the Teachers Service Commission had an expenditure of Kshs. 82.4 billion, representing 55.4 per cent of the gross estimates, a marginal decline from 56.4 per cent absorption rate recorded in similar period last financial year. The Ministry of Education, Science and Technology spent Kshs. 35.0 billion, thereby absorbing 36.0 per cent of the gross estimates, a 5.5 per cent decline from 41.5 per cent recorded over the same period in FY 2012/2013 as shown in table 11.

Table 11: Analysis of Recurrent Expenditure and Net Exchequer Issues for Education Sector (Kshs. Billions)

Name of the Sub Sector	FY 2013/2014						FY 2012/2013					
	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.
Education, Science and Technology	97.2	77.4	35.5	35.0	45.9	36.0	89.5	70.4	35.7	37.2	50.7	41.5
Teachers Service Commission	148.6	148.5	87.5	82.4	58.9	55.4	119.8	119.7	66.8	67.5	55.8	56.4
Total	**245.8**	**225.9**	**123.0**	**117.4**	**54.4**	**47.8**	**209.3**	**190.1**	**102.5**	**104.7**	**53.9**	**50.0**

Source: *National Treasury & MDAs*

3.5.3 The Energy, Infrastructure and Information Communications Technology (EI & ICT) Sector

The sector consists of the Ministry of Transport and Infrastructure, Ministry of Information, Communication and Technology, and Ministry of Energy and Petroleum. The Ministry of Transport and Infrastructure is mandated to provide, maintain and manage quality road infrastructure in the spirit of Kenya's Vision 2030 aspirations. The Ministry also aims to ensure that the transport system is safe, efficient, accessible and sustainable. The mandate of the Ministry of Information, Communication and Technology is to develop Kenya as a globally competitive and prosperous nation by creating an enabling environment that encourages and enhances the development, expansion and use of ICT. The Ministry of Energy and Petroleum is responsible for the provision of clean, sustainable, affordable, reliable and secure energy sources to all Kenyans. The EI & ICT sector was allocated Kshs. 27.5 billion to cater for its recurrent activities in the FY 2013/2014, which constituted 4.5 per cent of the total recurrent budget.

In the period July to December 2013, exchequer issues released to the sector was Kshs. 3.7 billion which is 55.3 per cent of the net estimates, a significant improvement from the 35.7 per cent in the same period of FY2012/2013. The Energy and Petroleum sub-sector received the highest exchequer issues amounting to Kshs. 1.4 billion, 66 per cent of its net estimate whereas the Information, Communication and Technology sub-sector received the lowest exchequer issues amounting to Kshs. 0.8 billion translating to 42.1 per cent of the net estimates.

The total expenditure for the sector during the first two quarters of the FY 2013/2014 was Kshs. 10.6 billion representing 38.5 per cent of the gross estimates, a significant improvement from 22.2 per cent recorded in same period last financial year. The Energy and Petroleum sub-sector had the highest absorption rate of 41.5 per cent having spent Kshs. 1.0 billion for the first six months of FY 2013/2014, a marginal improvement from 40.1 per cent absorption rate recorded the same period of FY 2012/2013. The ICT sub-sector had the lowest absorption rate of 35 per cent having spent Kshs. 0.8 billion, thereby maintaining the same absorption rate as that of first half of FY 2012/2013 as shown in Table 12.

From the analysis, the Ministry of Transport and Infrastructure sub-sector generated A-in-A of Kshs.7.5 billion hence the expenditure is higher than the exchequer issues.

Table 12: Analysis of Recurrent Expenditure and Net Exchequer Issues for Energy, Infrastructure and Information Communications Technology Sector (Kshs. Billions)

Name of the Sub-sector	FY 2013/2014						FY 2012/2013					
	Gross Est.	Net Est.	Exc. Issues	Exp.	%Exc. Issues to Net. Est.	% Exp. to Gross Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% Exch. Issues to Net Est.	% Exp. to Gross Est.
Min. of Transport and Infrast-ructure.	22.8	2.3	1.3	8.8	58.7	38.6	32.6	4.3	1.4	6.5	33.3	19.8
Min. of Info. Comm. and Tech.	2.4	2.4	1.0	0.8	42.1	35.0	2.3	2.3	1.1	0.8	45.4	34.8
Min. of Energy and Petroleum	2.4	2.1	1.4	1.0	66.0	41.5	2.7	2.5	0.8	1.1	30.8	40.7
Total	**27.5**	**6.8**	**3.7**	**10.6**	**55.3**	**38.5**	**37.7**	**9.1**	**3.2**	**8.4**	**35.7**	**22.2**

Source: *National Treasury & MDAs*

3.5.4 Environmental Protection, Water and Natural Resources Sector

This sector comprises of the following sub sectors: Environment, Water and Natural Resources and Mining. The sector endeavours to provide decent, secure and habitable environment as well as access to portable water. The sector also promotes mineral exploration and mining management, the development of mineral development policies, and carrying out an inventory and mapping on mineral resources. The sector was allocated Kshs. 13.2 billion to cater for its recurrent activities which represent 2.2 per cent of the total recurrent budget for the financial year.

During the first half of the financial year 2013/2014, the Environmental Protection, Water and Natural Resources Sector received exchequer issues amounting to Kshs. 4.2 billion representing 50.4 per cent of the net estimates compared to 50.3 per cent over the same period last financial year. The exchequer issues to the Environment, Water and Natural Resources sub-sector were Kshs. 4.0 billion representing 51.9 per cent of the net estimates compared to 50.7 per cent of net estimates over the same period last financial year. The Mining sub-sector received exchequer issues amounting to Kshs. 0.2 billion representing 28.8 per cent compared to 49.6 per cent over the same period last financial year.

Total expenditure for the Environmental Protection, Water and Natural Resources sector was Kshs. 3.4 billion representing 26.0 per cent of the gross estimates during the first half of the financial year 2013/2014 compared to Kshs. 3.3 billion which was 32.6 per cent of gross estimates over the same period last financial year. The Environment, Water and Natural Resources sub sector spent Kshs. 3.4 billion representing an absorption rate of 26.7 per cent during the first half of the financial year 2013/2014 compared to Kshs 31.9 per cent over the same period last financial year. The Mining sub-sector spent Kshs. 0.06 billion representing an absorption rate of 10.5 per cent compared to 34.3 per cent over the same period last financial year as shown in table 13.

Table 13: Analysis of Recurrent Expenditure and Net Exchequer Issues for Environmental Protection, Water and Natural Resources Sector (Kshs. Billions)

Name of the Sub-Sector	FY 2013/2014						FY 2012/2013					
	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.
Ministry of Environment, Water and Natural Resources	12.6	7.7	4.0	3.4	51.9	26.7	7.0	4.7	2.4	2.2	50.7	31.9
Ministry of Mining[1]	0.6	0.6	0.2	0.06	28.8	10.5	3.0	2.5	1.2	1.0	49.6	34.3
Total	**13.2**	**8.2**	**4.2**	**3.4**	**50.4**	**26.0**	**10.0**	**7.2**	**3.6**	**3.3**	**50.3**	**32.6**

Source: *Ministry of Finance & MDAs*

3.5.5 General Economic and Commercial and Labour Affairs (GECLA) Sector

The General Economic and Commercial Affairs (GECLA) sector comprises of Industrialization and Enterprise Development sub-sector and East African Affairs, Commerce and the Tourism sub-sector. The sector aims at creating employment opportunities, poverty reduction, overseeing the fast tracking of the EAC regional integration initiatives, creation of the human resource base for global competitiveness and the promotion of equity among the Kenyan citizens. In order to achieve its mandate in the 2013/2014 financial year, the sector was allocated Kshs.7.9 billion for its recurrent activities, representing 1.3 per cent of the total recurrent budget for the financial year.

During the period July to December 2013, the sector received exchequer issues amounting to Kshs. Kshs.3.3 billion which was 44.8 per cent of the net estimates, a decline from 52.8 per cent issued in the same period last financial year. The Industrialization and Enterprise Development sub sector received Kshs. 1.3 billion as exchequer issues which was 54.1 per cent of net estimates, an improvement from 47.7 per cent recorded in the same period last financial year. The East African Affairs, Commerce and Tourism sub-sector received exchequer issues amounting to Kshs. 2.1 billion representing 40.6 per cent of the net estimates, a drop from 56.2 per cent received in the same period last financial year.

The total expenditure for the sector during the period under review was Kshs.2.6 billion, representing an absorption rate of 32.5 per cent, a decrease from the 40.4 per cent achieved in the same period last financial year. The East Africa Affairs, Commerce and Tourism sub-sector spent Kshs.1.7 billion, an absorption rate of 32.0 per cent, a decline from 42.8 per cent registered in the first two quarters of financial year 2012/2013. The Industrialization and Enterprise Development sub sector spent Kshs.0.9 billion to achieve an absorption rate of 33.5 per cent, representing a decline from 36.7 per cent for same period last financial year. See table 14 below.

Table 14: Analysis of Recurrent Expenditure and Net Exchequer Issues for General Economic Commercial and Labour Affairs Sector (Kshs. Billions)

Name of the Sub- Sector	FY 2013/2014						FY 2012/2013					
	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.
Ministry of Industrial-ization and Enterprise Development	2.8	2.3	1.3	0.9	54.1	33.5	3.4	3.2	1.5	1.2	47.7	36.7
Ministry of East Africa Affairs, Com-merce and Tourism	5.2	5.1	2.1	1.7	40.6	32.0	4.9	4.6	2.6	2.1	56.2	42.8
Total	**7.9**	**7.5**	**3.3**	**2.6**	**44.8**	**32.5**	**8.3**	**7.8**	**4.1**	**3.3**	**52.8**	**40.4**

Source: *Ministry of Finance & MDAs*

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

The Governance, Justice, Law and Order Sector (GJLOS) is made up of the following fourteen sub-sectors: Ministry of Interior and Coordination of National Government, Office of the Attorney General and Department of Justice, the Judiciary, Judicial Service Commission, Ethics and Anti-Corruption Commission, Kenya National Commission for Human Rights , Registrar of Political Parties, Witness Protection Agency, National Police Service Commission, Independent Electoral and Boundaries Commission, National Gender and Equality Commission, Commission for the Implementation of the Constitution (CIC) and the Independent Police Oversight Authority.

The aim is to create a favourable environment that fosters socio-political development of the country and prevention of corruption and economic crimes. The GJLOS sector also aims at facilitating the implementation of the Constitution and to improve access to judicial and legal services for all Kenyans. The sector further enhances the national security and social-economic development by maintaining an all-inclusive population database, proper migration management and timely registration and issuance of secure identification. The GJLOS sector was allocated Kshs. 111.3 billion during the FY 2013/2014 to meet its recurrent expenditure, representing 18.2 per cent of the total recurrent budget.

During the second quarter of the FY 2013/2014, the sector received exchequer issues amounting to Kshs. 55.3 billion. This amount represents 49.9 per cent of the total net estimates, a marginal decline from 50.9 per cent received over the same period last financial year. The Independent Electoral and Boundary Commission subsector received exchequer issues of Kshs. 2.2 billion, which was 70.1 per cent of the net estimates, the highest proportion within the sector, but a 9.5 per cent decline from 79.6 per cent recorded over the same period of FY2012/2013. On the other hand, the Judicial Service Commission sub-sector received exchequer issues amounting to Kshs. 0.1 billion which represents 29.5 per cent of exchequer issues to net estimates and the lowest in the sector.

The cumulative expenditure for the GJLOS sector during the first half of the FY2013/2014 totalled to Kshs. 31.8 billion, an absorption rate of 28.5 per cent, a 5.5 per cent decline from 33.9 per cent

recorded over the same period of FY 2012/2013. Further analysis of the sub-sectors shows that the Kenya National Commission of Human Rights spent 0.10 billion and recorded the highest absorption rate of 62.4 per cent for the period under review. The office of the Director of Public Prosecution sub-sector had the lowest absorption rate at 22.8 per cent, a marginal increase from 22.0 per cent recorded the same period last financial year. See table 15 below.

Table 15: Analysis of Recurrent Expenditure and Net Exchequer Issues for GJLOS Sector (Kshs. Billions)

Name of the Sub- Sector	FY 2013/2014						FY 2012/2013					
	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.
Ministry of Interior and Coordination of National Government	89.6	89.2	44.42	23.51	49.8	26.3	80.9	80.0	37.9	35.1	47.3	43.5
Office of the Attorney General and Department of Justice	2.1	2.0	0.99	0.91	49.0	42.4	1.6	1.6	0.8	0.7	49.0	45.8
The Judiciary	11.9	11.9	5.65	4.49	47.6	37.8	12.1	12.1	4.5	2.0	36.7	16.4
E.A.C.C	1.0	1.0	0.53	0.45	51.3	43.4	1.6	1.6	0.7	0.6	44.9	38.4
Directorate of Public Prosecutions	1.4	1.4	0.46	0.3	32.8	22.8	0.9	0.9	0.2	0.2	25.8	22.0
C.I.C	0.3	0.3	0.22	0.15	67.2	46.1	0.5	0.5	0.3	-	53.1	-
Registrar of Political Parties	0.3	0.3	0.16	0.13	48.5	38.5	0.4	0.4	0.2	-	43.4	-
Witness Protection Authority	0.2	0.2	0.09	0.10	46.4	49.2	0.2	0.2	0.1	-	29.7	-
K.N.C.H.R	0.2	0.2	0.15	0.10	62.9	62.4	0.3	0.3	0.1	-	55.7	-
I. E. B.C	3.1	3.1	2.19	1.50	70.1	47.7	17.6	17.5	14.0	0.8	79.6	4.6
J.S.C	0.5	0.5	0.14	0.12	29.5	24.5	-	-	-	-	-	-
National police Service Commission	0.2	0.2	0.10	0.07	44.8	32.6	0.3	0.3	0.1	-	34.7	-
National Gender and Equality Commission	0.2	0.2	0.11	0.12	54.6	59.5	0.2	0.2	0.1	0.1	59.0	35.2
Independent Police Oversight Authority	0.2	0.2	0.08	0.08	52.0	52.7	-	-	-	-	-	-
Total	**111.3**	**110.8**	**55.27**	**32.1**	**49.9**	**28.8**	**116.5**	**115.7**	**58.9**	**39.6**	**50.9**	**33.9**

Source: *National Treasury & MDAs*

3.5.7 The Health Sector

The Ministry of Health is the only sub-sector in the sector. The overall goal of this sector is to ensure that there is provision of equitable and affordable health care to the citizenry at the highest affordable standards. The Ministry of Health is mandated to promote and participate in the provision of integrated and high quality curative, preventive and rehabilitative services that is equitable, responsive, accessible and accountable to Kenyans. There are two programmes that have been given priority in the 2013/2014 Budget. The first one is curative health programme whose objective is to improve the health status of the individual, family and community by ensuring affordable health care services. The second programme is preventive and rehabilitative health care services whose objective is to increase access to quality and effective rehabilitative and preventive health care services in the country.

The sector was allocated Kshs. 20.3 billion to fund its recurrent expenditure for the financial year 2013/2014 representing 3.3 per cent of the total recurrent expenditure and was a decline compared to Kshs. 54.6 billion that was allocated to the sector during the Financial Year 2012/2013. The budgetary allocation to the sector was reduced after some of the functions of the Ministry of Health were transferred to the County governments in accordance with schedule four of the Constitution.

The total exchequer issues for the sector in the period July to December 2013 amounted to Kshs. 16.5 billion representing 100 per cent of the net estimates compared 49.9 per cent that had been issued to the sector in the same period last financial year. The high exchequer issue to the sector was attributed to payment of personnel emoluments for officers whose functions were devolved to the counties but could not be paid by the counties as payroll data had not been made available to the counties. The County governments are required to reimburse to the National Government ministries the funds that were paid on their behalf.

The expenditure for the sector in the period under review amounted to Kshs. 7.6 billion representing 37.3 per cent of the gross estimates compared to an absorption rate of 40.7 per cent last financial year. This expenditure excludes money spent by the sector on payment of staff working under the county governments as this was not part of the Ministry's budget. The total amount due from the counties by December 2013 was Kshs.15.3 billion. See table 16 below.

Table 16: Analysis of Recurrent Expenditure and Net Exchequer Issues for Health Sector (Kshs. Billions)

Name of the sub-sector	FY 2013/2014						FY 2012/2013					
	Gross Estim.	Net Estim.	Exc. Issues	Exp	% Exc. Issues to Net Est.	% Exp. To Gross Est.	Gross Estima.	Net Estimate	Exchequer Issues	Exp.	% Exch. To Net Est.	% Exp. to Gross Est.
Health	20.3	16.5	16.5	7.6	100.0	37.3	54.6	50.7	25.3	22.2	49.9	40.7
Total	20.3	16.5	16.5	7.6	100.0	37.3	54.6	50.7	25.3	22.2	49.9	40.7

Source: *National Treasury & MDAs*

3.5.8 The Public Administration and International Relations Sector

The Public Administration and International Relations Sector (PAIR) plays a key role is the national

policy formulation and implementation, monitoring and evaluation of public financed projects. To meet its recurrent activities, the sector was allocated Kshs. 73.9 billion for the financial year 2013/2014 representing 12.1 per cent of the recurrent budget.

The total Exchequer issued to the sector in the first half of financial year 2013/2014 was Kshs. 35.6 billion representing 49.1 per cent of the net estimates, a slight improvement compared to 46.5 per cent received over the 2012/2013 financial year. The Presidency recorded the highest ratio of exchequer issues to net estimate at 63.7 per cent, an improvement compared to 57 per cent recorded for the first two quarters of 2012/2013 financial year. The Controller of Budget sub-sector received the lowest ratio of exchequer issues to net estimates at 29.8 per cent, which is a substantial increase from the 12.9 per cent received in the same period in the financial year 2012/2013.

In the first half the FY2013/2014, the sector's total expenditure was Kshs. 28 billion which represents an absorption rate of 37.9 per cent, an improvement from 24.8 per cent achieved in the same period last financial year. The Presidency had the highest absorption rate within the sector at 56.9 per cent having spent Kshs. 1.8 billion on its recurrent activities. This was a significant improvement compared to the 43.7 per cent absorption rate recorded during the same period of 2012/2013 financial year. The Foreign Affairs sub-sector had the least absorption rate, at 21.2 per cent of its gross estimates, a decline from the 27.2 per cent absorption achieved in the same period last financial year as shown in table 17.

Table 17: Analysis of Recurrent Expenditure and Net Exchequer Issues for Public Administration and International Relations Sector (Kshs. Billions)

Name of the Subsector	FY2013/2014						FY2013/2014					
	Gross Est.	Net Est.	Ex-cheq Is-sues	Exp.	% Exch. to N. Est.	% Exp to G. Est.	Gross Est.	Net Esti.	Ex-cheq Is-sues	Exp.	% Exch. to N Est.	% Exp to G. Est.
The Presidency	3.1	3.1	2.0	1.8	63.7	56.9	4.3	4.3	2.5	1.9	57.0	43.7
Ministry of Devolution and Planning	16.3	16.1	7.5	5.6	46.5	34.4	43.3	21.7	11.6	6.6	53.5	15.2
Ministry of For-eign Affairs	9.6	8.6	4.6	2.0	53.1	21.2	9.6	8.6	4.6	2.6	53.0	27.2
The National Treasury	24.0	23.9	9.7	8.4	40.8	34.9	20.6	20.6	9.9	8.2	48.2	40.0
Parliamentary Ser-vice Commission	16.6	16.6	9.7	8.3	58.5	50.1	13.4	13.4	3.9	3.2	29.0	23.9
Commission on Revenue Alloca-tion	0.3	0.3	0.2	0.1	60.0	43.8	0.4	0.4	0.2	0.1	48.9	27.2
Public Service Commission	0.7	0.7	0.3	0.26	41.6	36.8	0.6	0.6	0.2	0.3	41.8	42.6
Salaries and Remuneration Commission	0.3	0.3	0.1	0.1	41.8	36.1	0.4	0.4	0.1	0.1	19.0	16.7
Auditor General	2.2	2.1	1.2	1.1	57.5	50.7	1.9	1.7	0.6	0.6	36.6	31.0
Controller of Budget	0.4	0.4	0.1	0.11	29.8	26.3	0.6	0.6	0.08	0.03	12.9	5.0
Commission on Administrative Justice	0.3	0.3	0.1	0.1	51.0	50.1	0.3	0.3	0.11	0.09	36.3	30.7
Total	**73.9**	**72.4**	**35.6**	**28.0**	**49.1**	**37.9**	**95.4**	**72.7**	**33.8**	**23.6**	**46.5**	**24.8**

Source: *National Treasury & MDAs*

3.5.9 The Social Protection, Culture and Recreation Sector

The Social Protection, Culture and Recreation sector consists of two sub-sectors, namely the Ministry of Sports, Culture and Arts and the Ministry of Labour, Social Security and Services. The Sector's main role is the formulation and implementation of national and cultural heritage policies, youth empowerment, gender, children and social development, disaster management and coordination of development activities in arid and semi-arid areas which cut across all the three pillars of the Kenya's Vision 2030. The sector was allocated Kshs. 10.9 billion for its recurrent expenditure, representing 1.8 per cent of the total recurrent budget.

The Social Protection, Culture and Recreation sector received exchequer issues of Kshs. 4.5 billion representing 41.9 per cent of the net estimates during the first half of the financial year 2013/2014. During the review period, the Sports, Culture and Arts sub-sector received the highest exchequer issues to the net estimates at Kshs. 1.6 billion which was 64.3 per cent, a significant improvement compared to 50.5 per cent of exchequer issues over the same period last financial year. The Labour, Social Security and Services sub-sector received the least exchequer issues to net estimates at 35.3 per cent, a slight decline compared to 37.6 per cent issued over the same period last financial year.

During the first half of the financial year 2013/2014, the Social Protection and Recreation Sector spent Kshs.3.5 billion representing an absorption rate of 32.0 per cent, a slight improvement compared to 28.1 per cent over the same period last financial year. The Sports, Culture and Arts sub-sector had the highest absorption rate of 50.6 per cent, a major improvement from 30.2 per cent attained in the same period of the previous financial year. The Labour, Social Security and Services sub-sector had the lowest absorption rate of 26.7 per cent as shown in table 18.

Table 18: Analysis of Recurrent Expenditure and Net Exchequer Issues for Social Protection, Culture and Recreation Sector (Kshs. Billions)

Name of the Sub -Sector	FY 2013/2014						FY 2012/2013					
	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.
Ministry of Sports, Culture and Arts	2.4	2.4	1.6	1.2	64.3	50.6	8.0	7.9	4.0	2.4	50.5	30.2
Ministry of labour Social Security and Services	8.4	8.3	2.9	2.3	35.3	26.7	7.0	6.9	2.6	1.8	37.9	25.6
Total	**10.9**	**10.8**	**4.5**	**3.5**	**41.9**	**32.0**	**15.0**	**14.8**	**6.6**	**4.2**	**44.6**	**28.1**

Source: *National Treasury & MDAs*

3.5.10 National Security Sector

The National Security Sector comprises of the Defence sub-sector and the National Intelligence Services (NIS) sub-sector. The mandate of this sector is to safeguard the security of the country against any threats emanating both from within and without the Kenyan boundaries, defend the country and

provide support to civil power in the maintenance of peace and order. The sector was allocated Kshs. 84.7 billion for recurrent expenditure during the financial year 2013/2014 representing 13.9 per cent of the total recurrent budget.

The exchequers issues to the National Security Sector in the first half of the financial year 2013/2014 was Kshs. 42.1 billion representing 49.7 per cent of the net estimates for the sector. The Ministry of Defence received Kshs. 33.4 billion which was 47.2 per cent of the net estimates, while the National Intelligence Services received exchequer issues amounting to Kshs. 8.7 billion, being 62.3 per cent of its net estimates.

During the period under review, the recurrent expenditure for the sector was Kshs. 41.6 billion, representing 49.1 per cent of the gross estimates. The recurrent expenditure for the Ministry of Defence was Kshs. 33.0 billion representing a 46.7 per cent absorption rate, a 4.1 per cent reduction from 50.8 per cent absorption rate recorded in the same period of the previous financial year. The National Intelligence Service spent Kshs. 8.6 billion, representing an absorption rate of 61.3 per cent, a 17.6 percentage point improvement from 43.7 per cent recorded in the first six months of FY2012/2013 period as shown in Table 19.

Table 19: Analysis of Recurrent Expenditure and Net Exchequer Issues for National Security Sector (Kshs. Billions)

Name of the Sub Sector	FY2013/2014						FY2012/2013					
	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.	Gross Est.	Net Est.	Exch. Is-sues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.
Defence	70.7	70.7	33.4	33.0	47.2	46.7	70.3	70.3	36.8	35.7	52.4	50.8
N.I.S	14.0	14.0	8.7	8.6	62.3	61.3	13.4	13.4	6.7	5.9	49.8	43.7
Total	**84.7**	**84.7**	**42.1**	**41.6**	**49.7**	**49.1**	**83.7**	**83.7**	**43.5**	**41.5**	**52.0**	**49.6**

Source: *Ministry of Finance & MDAs*

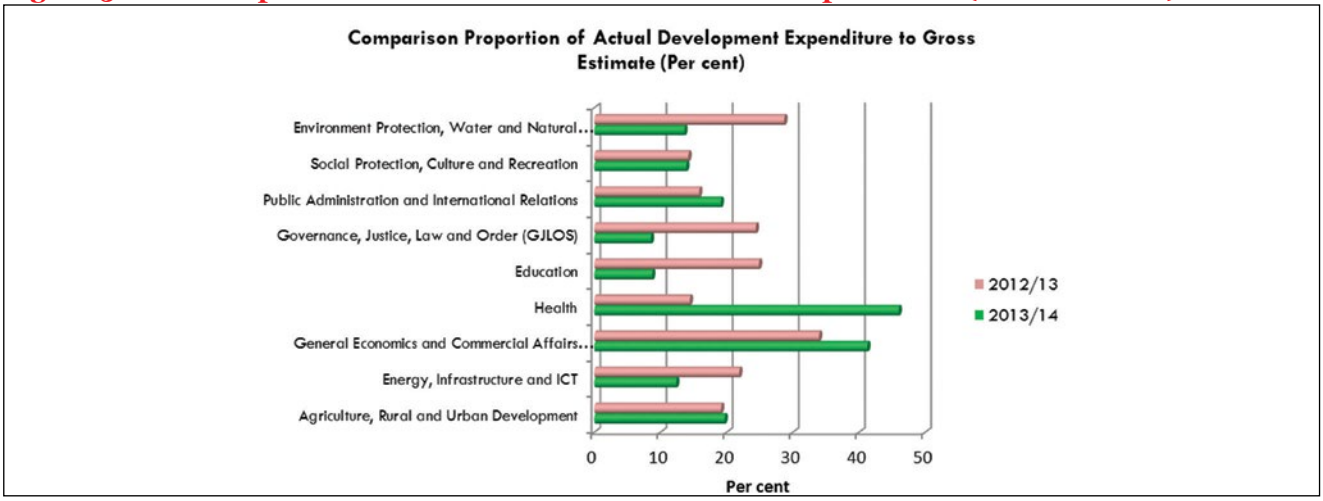
3.6 Development Expenditure Analysis by Sector

The Public Finance Management Act, 2012 15 (2a) mandates the National Treasury to ensure that over the Medium Term Expenditure Framework (MTEF), a minimum of thirty (30) per cent of the national and county governments budgets is allocated to development expenditures. The 2013/2014 FY BPS budget highlights some policies geared towards achieving economic development in order to expand the level of employment and reduce poverty. These include investing in infrastructure i.e. roads, energy, rail and ports to expand Kenyan links with regional partners, ensuring food security by investing in modernising the agricultural sector and endeavouring to improve security for all the Kenyans. In the FY 2013/2014, the National Government set aside Kshs. 446.2 billion for development expenditure, representing 31.0 per cent of the total budget estimates for the National Government. This was a decline from the previous financial year which was at 31.1% of the total budget.

In the first half year of FY 2013/2014, the total exchequer issues towards development expenditure was Kshs.95.9 billion representing 37.2 per cent of the net estimates, a decline from 38.8 per cent realized the same period the previous financial year. A total Kshs.70.5 billion was spent on development activities representing 15.8 per cent of the total gross estimates, a decline from kshs.91.8 billion spent the same period last financial year, representing 20.2 per cent of the total gross estimates. This low

absorption of development funds is attributed to the lengthy procurement procedures and delays in the release of donor funds by the development partners as shown in figure 5.

Figure 5: Comparison of Gross Estimates and Actual Expenditure (Kshs. Billions)



***Source**: Office of the Controller of Budget and National Treasury*

3.6.1 Agricultural, Rural and Urban Development (AR&UD) Sector

The Agricultural, Rural and Urban Development sector aims at raising agricultural productivity, exploiting irrigation potential, increasing commercialization of agriculture, improving the legal and policy framework for agriculture, improving governance of agricultural institutions, land development as well as the promotion of sustainable management of fisheries, forestry and wildlife resources. In order for the sector to achieve the above objectives, Kshs. 38.3 billion was allocated for development expenditure in the 2013/2014 financial year representing 8.6 per cent of the development budget.

In the period July to December 2013, the sector received exchequer issues amounting to Kshs.16.4 billion representing 49.7 per cent of the net estimates, an increase from 36.3 per cent received in the same period last financial year. The Agriculture, Livestock and Fisheries sub-sector received exchequer issues of Kshs. 13.5 billion representing 59.8 per cent of the net estimate, an increase from 36.1 per cent received in the same period last financial year. The Land, Housing and Urban Development sub-sector received exchequer issues amounting to Kshs. 2.9 billion, which was 27.7 per cent of the net estimates, a decline from 37 per cent issued in the same period last financial year.

In the first half of the financial year 2013/2014, the sector registered an expenditure of Kshs 7.5 billion representing an absorption rate of 19.7 per cent. This is a marginal increase from 19.1 per cent recorded in the same period of financial year 2012/2013. The Agriculture, Livestock and Fisheries sub-sector spent Kshs 6.7 billion translating to an absorption rate of 25.1 per cent, an increase from 15.2 per cent realized in the same period of last financial year. Land, Housing and Urban Development sub-sector spent Kshs 0.9 billion, an absorption rate of 7.5 per cent which is a sharp decline from 38.6 per cent recorded in the same period last financial year as shown in table 20.

Table 20: Analysis of Development Expenditure and Net Exchequer Issues for Agricultural and Rural Development Sector (Kshs. Billions)

Name of the Sub Sector	FY2013/2014						FY2012/2013					
	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.
Ministry of Land, Housing and Urban Development	42	10.4	2.9	0.9	27.7	7.5	11.2	11.2	4.1	4.3	37.0	38.6
Ministry of Agriculture, Livestock and Fisheries	26.5	22.5	13.5	6.7	59.8	25.1	55.3	33.1	11.9	8.4	36.1	15.2
Total	**38.3**	**33.0**	**16.4**	**7.5**	**49.7**	**19.7**	**66.5**	**44.2**	**16.1**	**12.7**	**36.3**	**19.1**

Source: *National Treasury & MDAs*

3.6.2 Education Sector

The Education Sector seeks to harmonize and coordinate higher education together with science and technology geared towards knowledge led economic development to meet the goals and objectives of Vision 2030. The sector aims at revolutionizing education through the introduction of technology in the learning process. The sector through the Ministry of Education, Science and Technology was allocated Kshs. 30.4 billion in the financial year 2013/2014 to undertake its development activities representing 4.6 per cent of the total development budget.

The sector received exchequer issues amounting to Kshs. 2.6 billion during the first half of 2013/2014 financial year to cater for development activities. This amount represents 11.1 per cent of the net exchequer issues, a 37.7 per cent reduction from 48.8 per cent recorded over the same period of FY 2012/2013.

The cumulative expenditure for the sector during the period under review stood at Kshs. 2.7 billion, which is 8.7 per cent of the gross estimates. This performance represents a significant decline from 24.9 per cent recorded in the same period of the financial year 2012/2013 as shown in table 21.

Table 21: Analysis of Development Expenditure and Net Exchequer Issues for Education Sector (Kshs. Billions)

Name of the Sub-Sector	F Y 2013/2014						FY2012/2013					
	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.
Min of Education, Science & Technology	30.4	23.0	2.6	2.7	11.1	8.7	26.7	15.2	7.4	6.6	48.8	24.9
Total	**30.4**	**23.0**	**2.6**	**2.7**	**11.1**	**8.7**	**26.7**	**15.2**	**7.4**	**6.6**	**48.8**	**24.9**

Source: *National Treasury & MDAs*

3.6.3 The Energy, Infrastructure and Information Communications (EI & ICT) Sector

The (EI & ICT) Sector's aim is to expand, rehabilitate and maintain the road network; to ensure availability of accessible, efficient, reliable and affordable ICT services in Kenya, and to provide adequate, affordable and reliable energy supply. To achieve these objectives, the sector was allocated Kshs. 189.0 billion for development expenditure, which is 42.4 per cent of the total development budget.

In the six months period, the sector received exchequer issues totalling to Kshs. 27.1 billion to cater for development activities. This amount represents 40.7 per cent of the net estimates and an improvement from 34.6 per cent issued in the first six months of FY 2012/2013. The Energy and Petroleum sub-sector received exchequer issues amounting to Kshs. 9.2 billion which was the highest proportion of exchequer issues to net estimates at 56.3 per cent. This was a 27.5 per cent improvement from 28.8 per cent recorded in the same period last financial year. The Transport and Infrastructure sub-sector received exchequer issues amounting to Kshs. 15.8 billion, the lowest proportion of exchequer issues to net estimates at 35.2 per cent for the period under review.

The total development expenditure for the sector was Kshs. 23.4 billion representing an absorption rate of 12.4 per cent, a decline from the 21.9 per cent recorded in the same period last financial year. Further analysis shows that The Transport and Infrastructure sub-sector spent Kshs. 17.2 billion thereby recording the highest absorption rate of 16.7 per cent. In contrast, the Energy and Petroleum sub-sector spent Kshs. 4.9 billion recording the lowest absorption rate of 6.3 per cent a decline from the 29.4 per cent recorded in a similar period last financial year as shown in table 22.

Table 22: Analysis of Development Expenditure and Net Exchequer Issues for EI & ICT Sector (Kshs. Billions)

Energy, Infrastructure and ICT	FY 2013/2014						FY 2012/2013					
	Gross Esti.	Net Esti.	Exch. Issues	Exp.	% Exc. Issues to Net Est.	% Exp. to Gross Est.	Gross Esti-mates	Net Esti-mates	Exch. Issues	Exp.	% Exc. Is-sues to Net Est.	% Exp. To Gross Est.
Min. of Transport and Infra-structure	102.4	44.9	15.8	17.2	35.2	16.7	110.8	52.8	19.4	17.9	36.7	16.2
Min. of Information, Communi-cation and Technology	9.1	5.2	2.1	1.3	40.1	14.3	4.6	4.6	2.0	1.5	43.6	33.1
Min. of Energy and Petroleum	77.4	16.4	9.2	4.9	56.3	6.3	77.5	25.8	7.4	22.8	28.8	29.4
Total	**189.0**	**66.5**	**27.1**	**23.4**	**40.7**	**12.4**	**192.9**	**83.1**	**28.8**	**42.2**	**34.6**	**21.9**

Source: *National Treasury & MDAs*

3.6.4 The Environment Protection, Water and Natural Resources Sector

In the current financial year, the sector aims at achieving expansion of water coverage and sewerage facilities, scaling up water storage to improve water security, accelerating irrigation to reduce dependence on rain fed agriculture, protection, conservation and management of catchment areas,

mitigation and adaptation measures on climate change, modernization of meteorological services and mineral exploration. The Environmental Protection, Water and Natural Resources sector was allocated Kshs. 43.9 billion to cater for its development activities representing 9.8 per cent of the total development budget for the 2013/2014 financial year.

During the first half of the 2013/2014 financial year, the Environmental Protection, Water and Natural Resources sector received exchequer issues amounting to Kshs. 7.1 billion representing 27.3 per cent of the net estimates, compared to Kshs. 5.2 billion representing 43.5 per cent over the same period last financial year. The Environment, Water and Natural Resources sub-sector received exchequer issues amounting to Kshs. 7.0 billion, representing 27.4 per cent of the net estimates, compared to the Kshs. 3.9 billion received, representing 51.9 per cent of the net estimates over the same period last financial year. Exchequer issues to the Mining sub-sector amounted to Kshs. 0.1 billion representing 20.8 per cent of the net estimates during the period under review compared to Kshs. 5.2 billion representing 43.5 per cent which was issued to the sub-sector over the same period of last financial year.

The total expenditure for the Environmental Protection, Water and Natural Resources sector during the period under review was Kshs. 6.0 billion, representing an absorption rate of 13.6 per cent, a decline from 28.7 per cent absorption rate recorded in the same period last financial year. The Environmental Protection, Water and Natural Resources sub-sector spent the highest amount at Kshs. 6.0 billion representing an absorption rate of 13.8 per cent compared to Kshs. 3.4 billion representing an absorption rate of 32.3 per cent over the same period the previous financial year. The total expenditure for the Mining sub-sector during the period under review was Kshs. 4.4 million representing an absorption rate of 0.8 per cent compared to 20.1 per cent achieved over the same period last financial year as shown in table 23.

Table 23: Analysis of Development Expenditure and Net Exchequer Issues for Environmental Protection, Water and Natural Resources Sector (Kshs. Billions)

Name of the Sub-Sector	FY2013/2014						FY2012/2013					
	Gross Esti.	Net Esti.	Exch. Issues	Gross Exp.	% Exch. Issues to Net Est.	% Exp. to G. Est.	Gross Esti.	Net Esti.	Exch. Issues	Gross Exp.	% Exch. Issues to Net Est.	% Exp. to G. Est.
Ministry of Environment, Water and Natural Resources	43.4	25.5	7.0	6.0	27.4	13.8	10.6	7.6	3.9	3.4	51.9	32.3
Ministry of Mining	0.6	0.6	0.1	0.004	20.8	0.8	4.4	4.3	1.3	0.9	28.9	20.1
Total	**43.9**	**26.1**	**7.1**	**6.0**	**27.3**	**13.6**	**15.0**	**11.9**	**5.2**	**4.3**	**43.5**	**28.7**

Source: *National Treasury & MDAs*

3.6.5 General Economic, Commercial and Labour Affairs (GECLA) Sector

During the financial year 2013/2014, the Sector's strategy is to create an enabling business environment for trade and investment, deepen regional integration, and promote best labour practices, manpower planning, development and utilization. In addition the sector also promotes tourism development and marketing, undertakes policy, legal and institutional reforms for the development of the sub-sector as

well as supporting entrepreneurship and industrial development. The sector was allocated Kshs. 5.0 billion for its development expenditure in the financial year 2013/2014 representing 1.1 per cent of the development budget.

As at the end of the second quarter of financial year 2013/2014, the sector had received exchequer issues amounting to Kshs. 2.3 billion representing 48.4 per cent of the net estimates, a considerable increase from 32.7 per cent received in the same period of the previous financial year. The Industrialization and Enterprise Development Sub-Sector received exchequer issues of Kshs. 1.7 billion representing 48.1 per cent of the net estimates, an increase from 33.7 per cent received in the same period last financial year. The East Africa Affairs, Commerce and Tourism Sub sector received Kshs. 0.6 billion as exchequer issues for development expenditure, representing 49.2 per cent of the net estimates, an improvement from 30.7 per cent received in the same period last financial year.

The expenditure for the sector during the period under review stood at Kshs.2.2 billion representing an absorption rate of 43.4 per cent, a significant increase from 33.9 per cent achieved in the same period last financial year. Industrialization and Enterprise Development sub sector spent Kshs.1.6 billion to achieve an absorption rate of 42.5 per cent, an improvement from 34.7 per cent recorded in the same period last financial year. The East Africa Affairs, Commerce and Tourism spent Kshs.0.6 billion representing an absorption rate of 45.9 per cent, an improvement compared to 32.6 per cent recorded in the same period last financial year as shown in table 24.

Table 24: Analysis of Development Expenditure and Net Exchequer Issues for GECLA Sector (Kshs. Billions)

Name of the Sub-Sector	FY 2013/2014						FY 2012/2013					
	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.
Ministry of Industrialization and Enterprise Development	3.7	3.6	1.7	1.6	48.1	42.5	3.6	3.5	1.2	1.2	33.7	34.7
Ministry of East Africa Affairs, Commerce and Tourism	1.3	1.2	0.6	0.6	49.2	45.9	1.8	1.7	0.5	0.6	30.7	32.6
Total	**5.0**	**4.7**	**2.3**	**2.2**	**48.4**	**43.4**	**5.4**	**5.2**	**1.7**	**1.8**	**32.7**	**33.9**

Source: *National Treasury & MDAs*

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

The Sector's goal is to coordinate and facilitate the realization of democratic governance in a secure environment through protection and enjoyment of fundamental rights and freedoms, creation of constitutional order, promotion of ethics and integrity and nurturing a cohesive society and to provide quality and efficient legal services to the government and the public. The sector was allocated Kshs. 14.4 billion for its development in the financial year 2013/2014 representing 3.2 per cent of the total development budget.

During the first half of the of financial year 2013/2014, the sector received exchequer issues amounting

to Kshs. 3.5 billion which represents 25.4 per cent of the net estimates, a 2.8 percentage point decline from 28.2 per cent recorded over the same period of FY 2012/2013. The Office of the Attorney General and Department of Justice received the highest exchequer issues at 94.6 per cent of the net estimates. The Directorate of Public Prosecution Subsector received exchequer issues amounting to 0.01 billion which was 8.8 per cent of the exchequer issues to net estimates and the lowest in the sector. The Ethics and Anti-Corruption Commission subsector did not receive any exchequer issue in the period under review.

The total expenditure for the sector in the first quarter of financial year 2013/2014 was Kshs. 1.23 billion. This amount represents an absorption rate of 8.5 per cent which is a 15.9 percentage point decline from 24.4 per cent recorded over the second quarter of FY2012/2013. The Office of the Attorney General and Department of Justice had the highest absorption rate of 37 per cent, an increase from 16.3 per cent compared to the same period last financial year. The Directorate of Public Prosecution sub-sector had the lowest absorption rate at 1.3 per cent, and from the expenditure returns, Ethics and Anti-Corruption Commission sub-sector did not spend any amount on development as can be seen in table 25.

Table 25: Analysis of Development Expenditure and Net Exchequer Issues for GJLOS Sector (Kshs. Billions)

Name of the Sub Sector	FY 2013-2014						FY 2012-2013					
	Gross Est.	Net Est.	Exch. Issues	Exp	% Exch. To Net. Est.	% Exp. to G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% Exch. To Net. Est.	% Exp to G. Est.
Ministry of Interior and Coordination of National Government	7.7	7.5	2.31	0.51	30.8	6.6	12.7	11.8	3.9	3.63	32.8	28.6
Office of the Attorney General and Department of Justice	0.6	0.2	0.24	0.22	94.6	37.0	0.2		0.0	0.04		16.3
The Judiciary	6.0	5.7	0.92	0.50	16.1	8.4	2.9	2.9	0.3	0.25	11.8	8.6
Ethics and Anti-Corruption Commission	0.1	0.1	-	-	-	-	0.2	0.2	0.0	0.01	0.0	3.6
Directorate of Public Prosecutions	0.1	0.1	0.01	0.02	8.8	1.3	0.1	0.1	0.0	0.00	18.8	0.0
Total	14.4	13.7	3.48	1.23	25.4	8.5	16.1	15.2	4.3	3.92	28.2	24.4

Source: *National Treasury & MDAs*

3.6.7 The Health Sector

The sector's goal is to provide equitable and affordable health care to Kenyans. For the current financial year, the sector aims at reducing mortality rates, improving health infrastructure, recruiting qualified health personnel and providing medicine and medical supplies to the health facilities. This Sector has only one Health sub-sector. The sector was allocated Kshs. 15.9 billion to fund its development activities for financial year 2013/2014 representing 3.6 per cent of the total development budget.

The total exchequer issues released for development activities to the Health Sector in the first half of financial year 2013/2014 amounted to Kshs. 8.0 billion representing 65.2 per cent of the net estimates, compared to 52 per cent released during the same period last financial year.

Total development expenditure for the sector during the period under review was Kshs. 7.3 billion representing an absorption rate of 46.0 per cent, compared to an absorption rate of 14.4 per cent in the same period last financial year. This was a significant increase in the absorption of development funds for the sector. Table 26 provides the data analysis.

Table 26: Analysis of Development Expenditure and Net Exchequer Issues for the Health Sector (Kshs. Billions)

Name of the Sub Sector	FY 2013/2014						FY 2012/2013					
	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.
Health	15.9	12.3	8.0	7.3	65.2	46.0	32.4	18.0	4.5	4.7	25.1	14.4
Total	**15.9**	**12.3**	**8.0**	**7.3**	**65.2**	**46.0**	**32.4**	**18.0**	**4.5**	**4.7**	**25.1**	**14.4**

Source: *National Treasury & MDAs*

3.6.8 The Public Administration and International Relations Sector

This sector is tasked with the overseeing the implementation of the new Constitution, provide leadership and policy direction in the governance of the country, and coordinate and supervise government affairs. Other roles include promotion of sound public financial and economic management for socioeconomic development, articulation and implementation of Kenya's foreign policy for national development. Nevertheless all this cannot be achieved unless there is macro-economic stability and proper mainstreaming of the national policy on planning and budgetary process. Finally the sector also carries out monitoring and evaluation of projects, promotes efficient and effective human resource management as well as promoting public service integrity. The sector was allocated 99.6 billion to fund its development expenditure for financial year 2013/2014 representing 22.3 per cent of the total development budget.

The total exchequer issues to the sector was Kshs. 26.5 billion representing 37.9 per cent of its net estimates, a significant decline compared to the 48.7 per cent recorded over the same period of FY 2012/2013. The Presidency sub-sector received the highest proportion of exchequer issues to net estimates at 63.8 per cent a significant increase from 24.7 per cent recorded the same period last financial year. The Foreign Affairs sub-sector had the lowest of exchequer issues to net estimates at 9.3 per cent. From the returns, the Auditor General did not spend any funds on development for the period under review.

As can be seen in Table 26, the total expenditure for the sector was Kshs.19 billion which is an absorption rate of 19.1 per cent. The presidency sub-sector recorded the highest absorption rate of 64.4 per cent, an improved performance compared to 11.4 per cent achieved in the first half of 2012/2013 financial year.

Table 27: Analysis of Development Expenditure and Net Exchequer Issues for Public Administration and International Relations Sector (Kshs. Billions)

Name of the Sub -Sector	FY 2013/2014						FY 2012/2013					
	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.
The Presidency	1.2	1.1	0.7	0.8	63.8	64.4	2.7	1.4	0.3	0.3	24.7	11.4
Ministry of Devolution and Planning	61.5	46.2	20.7	14.2	44.9	23.1	42.3	37.3	23.6	8.8	63.3	20.8
Ministry of Foreign Affairs	0.3	0.3	0.03	0.001	9.3	0.4	0.9	0.9	0.2	0.2	18.0	23.1
The National Treasury	33.4	19.1	3.9	3.5	20.4	10.6	39.0	29.8	10.8	4.3	36.3	11.1
Parliamentary Service Commission	2.4	2.4	1.0	0.5	42.5	19.8	2.9	2.9	0.3	0.3	10.2	10.5
Public Service Commission	0.3	0.3	0.06	0.04	21.6	15.5	0.1	0.1	0.0	0.0	6.3	2.8
Auditor General	0.5	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Total	**99.6**	**69.9**	**26.5**	**19.0**	**37.9**	**19.1**	**87.8**	**72.4**	**35.2**	**13.9**	**48.7**	**15.8**

Source: *National Treasury & MDAs*

3.6.9 The Social Protection, Culture and Recreation Sector

This sector is mandated to carry out the following activities during the current financial year, including disaster mitigation; increasing coverage of cash transfers for the vulnerable groups in the country, developing the cultural and heritage infrastructure, rehabilitating and equipping the Youth Polytechnics and empowerment centres. The sector was allocated Kshs. 9.6 billion in the FY 2013/2014 for development expenditure to accomplish these activities representing 2.2 per cent of the development budget.

During the first half of the FY 2013/2014, the Social Protection, Culture and Recreation sector received exchequer issues of Kshs.2.5 billion representing 27.9 per cent of its net estimates, a decline compared 36.5 per cent issued in the same period last financial year. The Sports, Culture and Arts sub-sector received the highest exchequer issues to net estimates, at 68.6 per cent which was a major improvement from 36.9 per cent issued in the same period last financial year. The Labour, Social Security and Services sub-sector received the lowest exchequer issues to net estimates at 23.5 per cent which was a decline from 36.1 per cent recorded over the same period last financial year.

The Social Protection, Culture and Recreation sector spent Kshs. 1.3 billion during the review period representing an absorption rate of 13.9 per cent a marginal decline from 14.2 per cent recorded over the same period last financial year. The Sports, Culture and Arts sub-sector had the highest absorption rate of 64.4 per cent. This was a significant increase from 12.1 per cent achieved in the same period last financial year. The Labour, Social Security and Services sub-sector had the lowest absorption rate of 8.8 per cent which is a decline from 16.3 per cent recorded in the similar period last financial year as can be seen in table 28.

Table 28: Analysis of Development Expenditure and Net Exchequer Issues for the Social Protection, Culture and Recreation Sector (Kshs. Billions)

Name of the Sub-sector	FY 2013/2014						FY 2012/2013					
	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.
Ministry of Sports, Culture and Arts	0.9	0.9	0.6	0.6	68.6	64.4	5.1	4.8	1.8	0.6	36.9	12.1
Ministry of labour Social Security and Services	8.8	8.1	1.9	0.8	23.5	8.8	5.3	4.7	1.7	0.9	36.1	16.3
Total	**9.6**	**9.0**	**2.5**	**1.3**	**27.9**	**13.9**	**10.3**	**9.5**	**3.5**	**1.5**	**36.5**	**14.2**

Source: *National Treasury & MDAs*

4.0 EMERGING ISSUES OBSERVED DURING MONITORING OF BUDGET EXECUTION AND RECOMMENDATIONS

In the current Budget Implementation Review Report, the Office of the Controller of Budget has highlighted some of the key challenges impeding the budget execution process for the half year period of the FY 2013/2014. It further provides recommendations that once implemented will overcome the challenges and improve budget implementation by the MDAs.

4.1 Low Absorption of Funds

The level of absorption of funds budgeted for development programmes has been quite low for the country to achieve the double digit economic growth envisaged by the Medium Term Plan. The report shows that in first half of the FY 2013/2014, the absorption rate of development funds was 15.8 per cent of the annual development budget against a mid-year target of 50 per cent. This has been largely attributed to among other things, the length procurement processes, delays in release of funds due to revenue shortfalls, weak reporting mechanisms, and weak monitoring and tracking systems.

In order to improve the absorption of development funds, the resolutions agreed upon during a meeting of all Permanent Secretaries/Accounting Officers, organized by the Executive in conjunction with the then Ministry of Finance and the Office of the Controller of Budget in July 2012 on how to address challenges encountered in budget implementation should be implemented in full. Some of these resolutions include the need for MDAs to enhance synchronization of the strategic plans with workable, realistic work plans, procurement plans, and the budget and cash flow projections. Project preparation and design should be completed before securing the finances. There is need to review the legal framework governing procurement and build capacity for procurement functions in the spending units. MDAs should develop and implement credible financial management systems, establish effective monitoring units and ensure establishment of effective project management units in addition to building capacity in project management of the spending agencies.

4.2 Public Wage Bill

Analysis of the budget shows that expenditure on personnel emoluments recorded the highest share of the recurrent expenditure at 54.9 per cent. This has been attributed to the bloated workforce, and lack of a national policy on staff rationalization and salary harmonization. This implies that substantial resources in the budget are spent to meet remuneration of the public servants. This high wage bill may not be sustainable in the medium term. The Government must therefore come up with a wage policy to rationalize staffing and contain the escalating wage bill.

4.3 Integrated Financial Management Information Systems

The National Treasury has prescribed the Integrated Financial Management Information System (IFMIS) as the financial management system to be used by all government agencies according to Section 12 (1) (e) of the Public Financial Management Act, 2012. While most MDAs have implemented the system for their financial transactions, a number of Agencies are yet to implement the System. In order to guarantee transparent financial management and standard financial reporting as contemplated by

Article 226 of the Constitution, the National Treasury should ensure that all MDAs use the prescribed Financial Management Information System and address the challenge of the capacity of the users at all levels. This will facilitate proper monitoring and efficient management of public resources.

4.4 Delays in Reimbursement of Funds Advanced to Counties by MDAs

In the period July to December, 2013, the National Government paid payroll costs for all staff performing devolved functions with the County Governments expected to reimburse the funds to the respective MDAs. Out of the total of Kshs. 23.0 billion invoiced to the Counties, only Kshs.3.7 billion had been refunded to the National Government by the end of the second quarter of FY 2013/2014. This implies that a total of Kshs.19.3 billion is still outstanding for the period July to December, 2013. The slow pace of refunding these payroll costs is adversely affecting the implementation of crucial activities by the affected ministries. The office of the Controller of Budget recommends for a meeting between all stakeholders and the Counties to chart the way forward to ensure that the MDAs planned activities are not jeopardised.

4.5 Incomplete Reporting by MDAs

The analysis of the data obtained from MDAs shows that some of them do not disclose the amount received as A-in-A. This means therefore that their expenditures are higher than the exchequer issues. There is need for all spending entities to report all A-In-A collected in the reporting period and post the transactions on a real time basis in the IFMIS system. This will ensure financial reports are accurate and reflect the true financial position of the government entities.

5.0 CONCLUSION

The office of the Controller of Budget prepared the National Budget Implementation Review Report in fulfilment of the Constitutional mandate that requires the Office to report to the two Houses of Parliament on the status of budget implementation of both the National and County governments. This report provides the status of budget execution for the first half of the FY 2013/2014. The report underlines the emerging issues and challenges encountered in the execution of budget during the period under review and makes suggestion on how to address them. One of the key issues that were observed during the period is progressing trend of low absorption of development funds by the MDAs. This trend is perturbing and should be addressed with decisively. The escalating wage bill is also of concern given that it's likely to strain resources set aside for development expenditure.

The effect of the transition to the devolved system of government has affected budget execution in the national government. The transfer of devolved functions from National to County governments as provided for in the Fourth Schedule of the Constitution has had its shortcomings. The National Government undertook to pay salaries of the staff performing the devolved functions because the counties had not established their own payroll systems. This was a short term intervention to allow the county governments to establish its own systems and manage their payroll systems. However, monies paid to counties are yet to be reimbursed to the national government. The delay in reimbursement of the funds has constrained the execution of budget for national government ministries.

During the reporting period, the office established that a number of agencies were operating outside the IFMIS system. This is likely to compromise the information generated for monitoring budget execution. All spending entities should post their expenditure transactions in the IFMIS for effective reporting. The National Treasury should therefore enforce the use the prescribed Financial Management Information System by all MDAs and address the challenge of the capacity of the users at all levels.

ANNEXURES

Annex 1: Analysis of Recurrent Expenditure and Exchequer Releases of MDAs

Vote	FY 2013/2014				FY 2012/2013			
	Gross Estimates	Net Estimates	Exchequer Issues	Expenditure	Gross Estimates	Net Estimates	Exchequer Issues	Expenditure
The Presidency	3,131,640,671	3,124,640,671	1,990,000,000	1,780,405,068	4,346,025,531	4,342,625,531	2,475,000,000	1,899,371,848
Ministry of Interior and Coordination of National Government	89,551,142,659	89,187,142,659	44,415,000,000	23,507,828,504	80,856,699,358	80,042,699,358	37,900,000,000	35,147,640,362
Ministry of Devolution and Planning	16,319,349,903	16,113,749,903	7,490,000,000	5,610,913,484	43,326,264,504	21,702,364,504	11,611,600,000	6,570,705,574
Ministry of Defence	70,743,170,921	70,743,170,921	33,375,000,000	33,031,699,548	70,290,420,100	70,290,420,100	36,845,000,000	35,683,117,588
Ministry of Foreign Affairs	9,641,331,694	8,638,940,987	4,590,000,000	2,481,516,447	9,550,659,790	8,579,004,098	4,550,000,000	2,601,788,192
Ministry of Education, Science and Technology	97,214,862,593	77,399,662,593	35,490,000,000	35,011,908,932	89,455,623,873	70,425,847,329	35,705,000,000	37,164,558,251
The National Treasury	23,977,412,933	23,884,412,933	9,740,000,000	8,368,716,624	20,556,576,204	20,556,576,204	9,915,000,000	8,232,189,260
Ministry of Health	20,324,743,113	16,462,866,636	16,462,866,636	7,580,897,358	54,583,764,008	50,702,083,295	25,310,000,000	22,210,193,377
Ministry of Transport and Infrastructure	22,777,574,566	2,282,116,954	1,340,000,000	8,782,401,060	32,623,807,552	4,256,607,552	1,418,000,000	6,453,719,111
Ministry of Environment, Water and Natural Resources	12,631,278,995	7,685,120,756	3,990,000,000	3,378,220,044	7,016,262,009	4,711,192,009	2,386,700,000	2,235,236,575

Vote	FY 2013/2014				FY 2012/2013			
	Gross Estimates	Net Estimates	Exchequer Issues	Expenditure	Gross Estimates	Net Estimates	Exchequer Issues	Expenditure
Ministry of Land, Housing and Urban Development	4,131,349,644	3,593,684,894	2,661,025,000	1,554,921,197	6,570,709,739	6,058,294,989	2,635,000,000	2,157,107,203
Ministry of Information, Communication and Technology	2,355,646,803	2,351,646,803	990,000,000	824,931,140	2,341,034,376	2,324,034,376	1,056,000,000	817,562,356
Ministry of Sports, Culture and Arts	2,445,664,191	2,435,264,191	1,566,000,000	1,236,625,286	8,025,359,613	7,911,759,613	3,992,000,000	2,424,941,079
Ministry of Labour Social Security and Services	8,447,515,597	8,333,576,117	2,941,000,000	2,251,263,751	6,981,632,263	6,882,132,263	2,609,500,000	1,784,610,706
Ministry of Energy and Petroleum	2,400,353,594	2,144,353,594	1,416,000,000	997,170,496	2,702,259,088	2,482,259,088	765,000,000	1,082,940,801
Ministry of Agriculture, Livestock and Fisheries	10,890,891,117	10,319,391,117	8,940,000,000	4,423,697,268	20,937,807,668	18,771,085,072	9,239,000,000	6,691,097,965
Ministry of Industrialisation and Enterprise	2,759,649,528	2,328,552,440	1,260,000,000	925,044,204	3,354,757,714	3,190,257,714	1,521,000,000	1,231,693,694
Ministry of East African Affairs, Commerce and Tourism	5,181,792,595	5,126,692,595	2,080,000,000	1,659,807,164	4,937,253,935	4,636,156,847	2,607,500,000	2,115,030,950
Ministry of Mining	568,906,061	555,406,061	160,000,000	59,686,255	3,020,242,894	2,511,842,894	1,245,000,000	1,034,884,033
Office of the Attorney General and Department of Justice	2,139,804,299	2,019,204,299	990,000,000	907,214,161	1,601,189,243	1,601,189,243	784,000,000	733,750,285

Vote	FY 2013/2014				FY 2012/2013			
	Gross Estimates	Net Estimates	Exchequer Issues	Expenditure	Gross Estimates	Net Estimates	Exchequer Issues	Expenditure
The Judiciary	11,877,299,342	11,877,299,342	5,650,000,000	4,489,711,994	12,130,816,925	12,130,816,925	4,453,000,000	1,984,548,672
Ethics and Anti-Corruption Commission	1,045,066,500	1,034,066,500	530,000,000	453,942,060	1,590,748,800	1,581,748,800	710,000,000	611,423,984
National Intelligence Service	13,980,000,000	13,980,000,000	8,711,000,000	8,575,315,949	13,414,000,000	13,414,000,000	6,675,000,000	5,856,109,391
Directorate of Public Prosecutions	1,388,402,397	1,388,402,397	455,000,000	316,118,793	892,235,245	892,235,245	230,000,000	196,547,508
Commission for the Implementation of the Constitution	322,531,650	322,531,650	216,758,080	148,762,727	510,268,800	510,268,800	271,000,000	
Registrar of Political Parties	329,726,897	329,726,897	160,000,000	127,030,892	405,325,945	405,325,945	176,000,000	
Witness Protection Authority	193,808,999	193,808,999	90,000,000	95,362,053	218,513,800	218,513,800	65,000,000	
Kenya National Commission of Human Rights	238,527,589	238,527,589	150,000,000	150,775,429	251,453,850	251,453,850	140,000,000	
Independent Electoral and Boundaries Commission	3,132,606,759	3,122,606,759	2,190,000,000	1,495,677,668	17,579,498,660	17,529,498,660	13,955,000,000	809,586,152
Parliamentary Service Commission	16,569,000,000	16,565,000,000	9,696,000,000	8,297,764,245	13,430,648,870	13,426,648,870	3,895,000,000	3,206,486,791
Judicial Service Commission	473,804,034	473,804,034	140,000,000	116,081,755				
Commission on Revenue Allocation	294,637,054	293,437,054	176,138,553	129,020,000	408,932,593	408,932,593	200,000,000	111,401,000

Vote	FY 2013/2014				FY 2012/2013			
	Gross Estimates	Net Estimates	Exchequer Issues	Expenditure	Gross Estimates	Net Estimates	Exchequer Issues	Expenditure
Public Service Commission	717,750,033	709,750,033	295,000,000	267,432,826	589,365,000	581,365,000	243,000,000	251,220,811
Salaries and Remuneration Commission	346,861,703	346,761,703	145,000,000	125,085,443	442,050,000	442,050,000	84,000,000	73,972,033
Teachers Service Commission	148,612,870,015	148,492,870,015	87,460,000,000	82,380,092,947	119,802,263,239	119,722,263,239	66,800,000,000	67,534,114,859
National Police Service Commission	222,997,214	222,997,214	100,000,000	72,779,881	288,000,000	288,000,000	100,000,000	
Auditor General	2,180,505,700	2,070,505,700	1,190,000,000	1,105,507,056	1,859,287,709	1,749,287,709	640,000,000	577,307,198
Controller of Budget	402,552,069	402,552,069	120,000,000	106,028,745	582,924,320	582,924,320	75,000,000	29,216,896
Commission on Administrative Justice	274,340,827	274,340,827	140,000,000	137,311,953	302,978,200	302,978,200	110,000,000	93,090,497
National Gender and Equality Commission	194,025,586	194,025,586	106,000,000	115,478,340	206,764,427	206,764,427	122,000,000	72,712,001
Independent Police Oversight Authority	153,871,168	153,871,168	80,000,000	81,029,011		-	-	-
Total Voted Expenditure	**610,585,267,013**	**557,416,482,660**	**299,687,788,269**	**253,161,177,758**	**657,984,425,845**	**576,623,508,462**	**293,514,300,000**	**259,679,877,002**

Annex 2: Summary of Sectoral Recurrent Expenditure and Exchequer Issues of MDAs (Kshs. Billions)

Vote	FY 2013/2014						FY 2012/2013					
	Gross Estimates	Net Estimates	Exchequer Issues	Expenditure	% Exch. Issues to Net Est.	% Exp to G. Est.	Gross Estimates	Net Estimates	Exchequer Issues	Expenditure	% Exch. Issues to Net Est.	% Exp to G. Est.
Agriculture, Rural and Urban Development	15.0	13.9	11.6	6.0	83.4	39.8	27.5	24.8	11.9	8.8	47.8	32.2
Energy, Infrastructure and ICT	27.5	6.8	3.7	10.6	55.3	38.5	37.7	9.1	3.2	8.4	35.7	22.2
General Economics and Commercial Affairs (GECLA)	7.9	7.5	3.3	2.6	44.8	32.5	8.3	7.8	4.1	3.3	52.8	40.4
Health	20.3	16.5	16.5	7.6	100.0	37.3	54.6	50.7	25.3	22.2	49.9	40.7
Education	245.8	225.9	123.0	117.4	54.4	47.8	209.3	190.1	102.5	104.7	53.9	50.0
Governance, Justice, Law and Order (GJLOS)	111.3	110.8	55.3	32.1	49.9	28.8	116.5	115.7	58.9	39.6	50.9	33.9
Public Administration and International Relations	73.9	72.4	35.6	28.4	49.1	38.5	95.4	72.7	33.8	23.6	46.5	24.8
National Security	84.7	84.7	42.1	41.6	49.7	49.1	83.7	83.7	43.5	41.5	52.0	49.6
Social Protection, Culture and Recreation	10.9	10.8	4.5	3.5	41.9	32.0	15.0	14.8	6.6	4.2	44.6	28.1
Environment Protection, Water and Natural Resources	13.2	8.2	4.2	3.4	50.4	26.0	10.0	7.2	3.6	3.3	50.3	32.6
Total	**610.6**	**557.4**	**299.7**	**253.2**	**53.8**	**41.5**	**658.0**	**576.6**	**293.5**	**259.7**	**50.9**	**39.5**

Annex 3: Analysis of Development Expenditure and Exchequer Releases of MDAs

Vote	FY 2013/2014				FY 2012/2013			
	Gross Estimates	Net Estimates	Exchequer Issues	Expenditure	Gross Esti-mates	Net Estimates	Exchequer Issues	Expenditure
The Presidency	1,165,520,000	1,143,520,000	730,000,000	751,117,919	2,698,600,000	1,359,000,000	335,317,360	308,183,603
Ministry of Interior and Coordination of National Government	7,661,245,473	7,510,245,473	2,311,144,550	509,379,088	12,690,640,000	11,802,191,650	3,871,450,000	3,631,540,840
Ministry of Devolution and Planning	61,508,967,720	46,169,029,251	20,708,031,920	14,209,904,043	42,276,085,654	37,322,709,667	23,631,815,392	8,781,305,279
Ministry of Foreign Affairs	268,513,852	268,513,852	25,000,000	962,500	877,000,000	877,000,000	158,000,000	202,979,719
Ministry of Education, Science and Technology	30,414,718,477	23,013,680,000	2,555,000,000	2,660,302,086	26,715,980,036	15,198,647,070	7,421,000,000	6,644,930,915
The National Treasury	33,433,153,282	19,082,668,966	3,893,949,100	3,546,564,548	39,013,931,831	29,848,484,000	10,822,459,419	4,322,363,589
Ministry of Health	15,893,355,964	12,285,699,194	8,006,585,261	7,309,187,989	32,384,651,639	17,966,395,269	4,513,508,896	4,670,331,329
Ministry of Transport and Infrastructure	102,428,482,590	44,911,286,186	15,788,814,865	17,156,132,776	110,768,252,476	52,760,322,596	19,356,113,495	17,927,441,268
Ministry of Environment, Water and Natural Resources	43,356,454,896	25,548,733,013	7,004,883,649	5,977,563,233	10,627,211,925	7,583,564,500	3,934,762,383	3,430,940,704
Ministry of Land, Housing and Urban Development	11,823,137,537	10,427,911,437	2,883,442,065	891,292,161	11,235,755,875	11,154,529,775	4,123,206,585	4,341,117,893

Vote	FY 2013/2014				FY 2012/2013			
	Gross Estimates	Net Estimates	Exchequer Issues	Expenditure	Gross Esti-mates	Net Estimates	Exchequer Issues	Expenditure
Ministry of Information, Communication and Technology	9,133,725,058	5,201,012,776	2,086,282,443	1,304,399,561	4,578,522,270	4,577,322,270	1,993,784,155	1,515,449,374
Ministry of Sports, Culture and Arts	876,672,280	860,679,610	590,000,000	564,516,852	5,092,810,200	4,787,810,200	1,766,229,630	616,366,627
Ministry of Labour Social Security and Services	8,772,983,451	8,091,133,451	1,903,416,400	774,340,560	5,256,470,720	4,745,255,300	1,710,857,400	855,570,985
Ministry of Energy and Petroleum	77,436,165,122	16,362,696,500	9,205,454,406	4,901,384,853	77,524,155,811	25,807,972,380	7,427,365,075	22,799,117,312
Ministry of Agriculture, Livestock and Fisheries	26,498,010,603	22,541,604,155	13,490,478,080	6,654,326,246	55,291,687,154	33,050,524,979	11,941,259,455	8,398,866,920
Ministry of Industrialisation and Enterprise	3,709,784,403	3,560,195,403	1,713,600,000	1,577,523,670	3,572,478,960	3,514,455,960	1,183,170,600	1,238,288,317
Ministry of East African Affairs, Commerce and Tourism	1,278,953,370	1,173,853,370	577,000,000	480,031,187	1,837,246,000	1,717,350,000	527,800,000	598,291,203
Ministry of Mining	576,911,000	576,911,000	120,150,000	4,427,360	4,421,543,030	4,344,127,370	1,256,870,400	887,264,798
Office of the Attorney General and Department of Justice	608,256,430	249,896,000	236,412,300	224,881,254	230,000,000	230,000,000	48,200,000	37,541,694
The Judiciary	5,950,000,000	5,735,000,000	923,156,260	497,389,168	2,860,000,000	2,860,000,000	337,600,000	246,569,957
Ethics and Anti-Corruption Commission	54,000,000	54,000,000	-	-	222,000,000	200,000,000	-	7,921,308

Vote	FY 2013/2014				FY 2012/2013			
	Gross Estimates	Net Estimates	Exchequer Issues	Expenditure	Gross Esti-mates	Net Estimates	Exchequer Issues	Expenditure
Directorate of Public Prosecutions	137,000,000	137,000,000	12,000,000	-	80,000,000	80,000,000	15,000,000	-
Independent Electoral and Boundaries Commission	477,690,120	63,200,000	30,000,000	-				
Parliamentary Service Commission	2,435,000,000	2,435,000,000	1,036,000,000	482,339,218	2,890,000,000	2,890,000,000	295,000,000	303,640,980
Judicial Service Commission	-	-			-	-	-	-
Public Service Commission	290,000,000	290,000,000	62,500,000	44,993,017	80,000,000	80,000,000	5,000,000	2,219,970
Auditor General	500,000,000	500,000,000		-	-	-	-	-
Total	**446,688,701,628**	**258,193,469,637**	**95,893,301,299**	**70,522,959,289**	**453,225,023,581**	**274,757,662,986**	**106,675,770,245**	**91,768,244,584**

Annex 4: Summary of Sectoral Development Expenditure and Exchequer Issues of MDAs (Kshs. Billions)

Vote	FY 2013/2014						FY 2012/2013					
	Gross Estimates	Net Estimates	Exche-quer Issues	Ex-pend.	% Exch. Issues to Net Est.	% Exp to G. Est.	Gross Esti-mates	Net Esti-mates	Exche-quer Issues	Expend.	% Exch. Issues to Net Est.	% Exp to G. Est.
Agriculture, Rural and Urban Development	38.3	33.0	16.4	7.5	49.7	19.7	66.5	44.2	16.1	12.7	36.3	19.1
Energy, Infrastructure and ICT	189.0	66.5	27.1	23.4	40.7	12.4	192.9	83.1	28.8	42.2	34.6	21.9
General Economics and Commercial Affairs (GECLA)	5.0	4.7	2.3	2.1	48.4	41.2	5.4	5.2	1.7	1.8	32.7	33.9
Health	15.9	12.3	8.0	7.3	65.2	46.0	32.4	18.0	4.5	4.7	25.1	14.4
Education	30.4	23.0	2.6	2.7	11.1	8.7	26.7	15.2	7.4	6.6	48.8	24.9
Governance, Justice, Law and Order (GJLOS)	14.4	13.7	3.5	1.2	25.4	8.5	16.1	15.2	4.3	3.9	28.2	24.4
Public Administration and International Relations	99.6	69.9	26.5	19.0	37.9	19.1	87.8	72.4	35.2	13.9	48.7	15.8
Social Protection, Culture and Recreation	9.6	9.0	2.5	1.3	27.9	13.9	10.3	9.5	3.5	1.5	36.5	14.2
Environment Protection, Water and Natural Resources	43.9	26.1	7.1	6.0	27.3	13.6	15.0	11.9	5.2	4.3	43.5	28.7
Total	**446.2**	**258.1**	**95.9**	**70.5**	**37.1**	**15.8**	**453.2**	**274.8**	**106.7**	**91.8**	**38.8**	**20.2**

Annex 5: Summary of Both Development and Recurrent Expenditure and Exchequer Release of MDAs (Kshs. Billions)

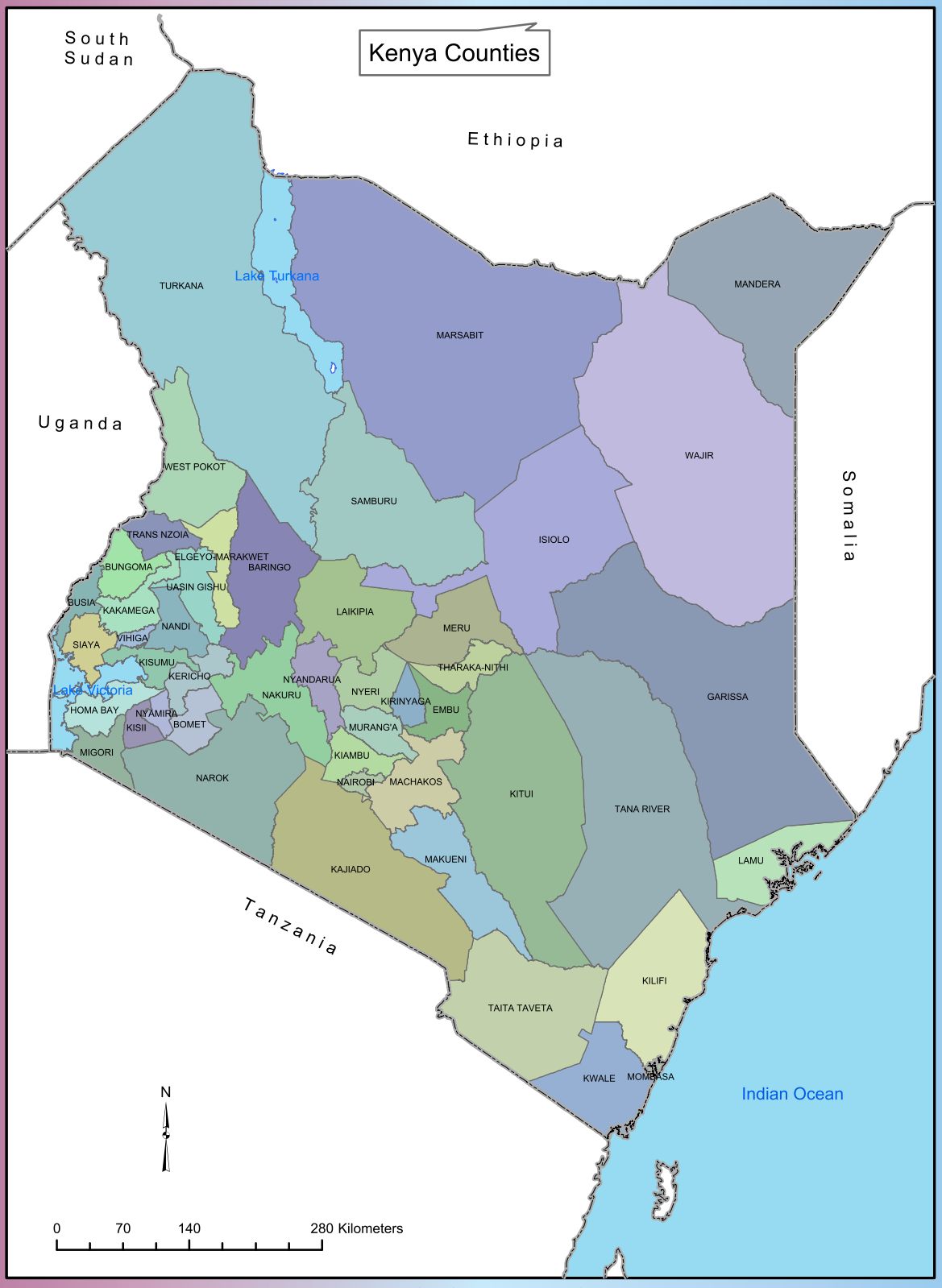
Vote	FY 2013/2014						FY 2012/2013					
	Gross Estimates	Net Estimates	Excheq. Issues	Expend.	% Exch. Issues to Net Est.	% Exp to G. Est.	Gross Estimates	Net Estimates	Excheq. Issues	Expend.	% Exch. Issues to Net Est.	% Exp to G. Est.
Agriculture, Rural and Urban Development	53.3	46.9	28.0	13.5	59.7	25.4	94.0	69.0	27.9	21.6	40.5	23.0
Energy, Infrastructure and ICT	216.5	73.3	30.8	34.0	42.1	15.7	230.5	92.2	32.0	50.6	34.7	21.9
General Economics and Commercial Affairs (GECLA)	12.9	12.2	5.6	4.6	46.2	35.9	13.7	13.1	5.8	5.2	44.7	37.8
Health	36.2	28.7	24.5	14.9	85.1	41.1	87.0	68.7	29.8	26.9	43.4	30.9
Education	276.2	248.9	125.5	120.1	50.4	43.5	236.0	205.3	109.9	111.3	53.5	47.2
Governance, Justice, Law and Order (GJLOS)	125.7	124.4	58.8	33.3	47.2	26.5	132.6	130.8	63.2	43.5	48.3	32.8
Public Administration and International Relations	173.5	142.3	62.0	47.4	43.6	27.4	183.2	145.1	69.0	37.6	47.6	20.5
National Security	84.7	84.7	42.1	41.6	49.7	49.1	83.7	83.7	43.5	41.5	52.0	49.6
Social Protection, Culture and Recreation	20.5	19.7	7.0	4.8	35.5	23.5	25.4	24.3	10.1	5.7	41.4	22.4
Environment Protection, Water and Natural Resources	57.1	34.4	11.3	9.4	32.8	16.5	25.1	19.2	8.8	7.6	46.1	30.3
Total	**1,056.8**	**815.5**	**395.6**	**323.7**	**48.5**	**30.6**	**1,111.2**	**851.4**	**400.2**	**351.4**	**47.0**	**31.6**

Annex 6: Analysis of Recurrent Expenditure for MDAs FY 2013/2014

Vote	Personnel Emoluments	Foreign Travel	Domestic Travel	Hospitality. Conferences and Catering Costs	Training	Others	Total Recurrent Expenditure.
The Presidency	438,993,145	122,912,901	48,190,039	9,016,436	141,318,889	1,019,973,658	1,780,405,068
Ministry of Interior And Coordination of National Government	18,269,702,600	21,031,773	157,018,241	15,731,999	30,413,035	5,013,930,856	**23,507,828,504**
Ministry of Devolution And Planning	3,059,197,403	25,613,310	34,191,898	62,497,497	84,983,906	2,344,429,470	5,610,913,484
Ministry of Defence	205,289,982	3,839,358	414,720	564,110	1,093,518	32,820,497,859	33,031,699,547
Ministry of Foreign Affairs	1,733,902,179	461,874,863	46,237,002	44,712,842	6,353,573	188,435,988	2,481,516,447
Ministry of Education Sci. and Technology	1,141,690,261	8,022,297	22,851,016	12,807,421	8,235,873	33,818,302,064	**35,011,908,932**
The National Treasury	474,023,212	8,335,316	24,746,078	35,293,459	41,807,524	7,784,511,035	8,368,716,624
Ministry of Health	14,622,962	2,938,340	17,813,647	6,686,120	11,846,741	7,526,989,548	7,580,897,358
Ministry of Transport and Infrastructure	647,724,370	10,547,701	12,300,322	8,186,202	22,043,521	8,081,598,945	8,782,401,060
Ministry of Environment Water and Natural Resources	737,953,105	8,651,373	14,006,118	27,399,546	17,896,203	2,572,313,699	3,378,220,044
Ministry of Lands Housing and Urban Development	702,922,130	3,151,233	15,162,371	8,925,347	13,507,919	811,252,197	1,554,921,197
Ministry of Information & Communication and Technology	249,326,786	6,172,473	4,379,422	9,201,838	12,388,296	543,462,325	824,931,140
Ministry of Sports Culture and Arts	129,129,678	20,662,161	124,852,425	6,276,527	12,815,426	942,889,069	1,236,625,286
Ministry of Labour Social Security and Services	763,770,124	8,169,339	11,469,797	10,212,831	6,764,384	1,450,877,276	2,251,263,751
Ministry of Energy and Petroleum	5,972,696	4,482,334	3,002,169	3,482,009	8,248,168	971,983,120	997,170,496
Ministry of Agriculture Livestock and Fisheries	7,022,412	13,554,006	24,792,115	7,221,474	23,460,784	4,347,646,477	4,423,697,268

Vote	Personnel Emoluments	Foreign Travel	Domestic Travel	Hospitality. Conferences and Catering Costs	Training	Others	Total Recurrent Expenditure.
Ministry of Industrialisation and Enterprise Development	167,117,135	7,666,039	8,604,539	4,946,976	5,409,839	731,299,676	925,044,204
Ministry of East African Affairs Commerce and Tourism	204,679,874	53,895,791	25,326,588	37,701,174	8,972,894	1,329,230,843	1,659,807,164
Ministry of Mining	5,984,182	6,675,037	5,048,676	420,365	6,776,076	34,781,919	59,686,255
office of The Attorney General and Department of Justice	270,911,896	11,602,291	2,538,540	2,724,255	3,881,483	615,555,696	907,214,161
The Judiciary	2,303,749,704	18,912,555	76,973,560	13,587,896	9,736,314	2,066,751,965	4,489,711,994
Ethics & Anti-Corruption Commission	-	-	-	-	-	453,942,060	453,942,060
National Intelligence Service	-	-	-	-	-	8,575,315,949	8,575,315,949
Directorate of Public Prosecution	197,362,511	5,637,849	20,767,153	18,942,855	5,609,061	67,799,364	316,118,793
Commission For Implementation of The Constitution	89,695,904	857,727	7,231,286	7,085,284	925,699	42,966,827	148,762,727
Registrar of Political Parties	16,728,352	391,492	1,653,230	435,247	392,226	107,430,345	127,030,892
Witness Protection Agency	69,980,856	2,652,718	2,433,104	4,455,096	634,810	15,205,469	95,362,053
Kenya National Human Rights & Equality Commission	87,244,019	974,370	3,256,195	1,355,384	4,501,298	53,444,163	150,775,429
Independent Electoral and Boundaries Commission	827,454,703	23,728,946	19,282,239	10,779,495	11,536,701	602,895,584	1,495,677,668
Parliamentary Service Commission	346,005,277	126,608,706	41,230,032	120,962,157	11,492,135	7,651,465,938	8,297,764,245
Judicial Service Commission		3,804,575	2,688,509	30,774,240	63,764,059	15,050,372	116,081,755
The Commission On Revenue Allocation	61,540,000		10,425,000	4,710,000	3,756,000	48,589,000	129,020,000
Public Service Commission	178,830,855	2,006,489	8,792,347	14,990,264	19,612,230	43,200,641	267,432,826
Salaries & Remuneration Commission	55,782,491	5,065,598	1,533,072	26,606,149	1,398,555	34,699,578	125,085,443
Teachers Service Commission	81,956,073,214					424,019,733	82,380,092,947

Vote	Personnel Emoluments	Foreign Travel	Domestic Travel	Hospitality. Conferences and Catering Costs	Training	Others	Total Recurrent Expenditure.
National Police Service Commission	22,478,535	1,145,182	1,356,945	2,627,346	218,200	44,953,673	72,779,881
Auditor General	648,491,768	29,629,526	3,270,041	18,234,311	793,913	405,087,497	1,105,507,056
Controller of Budget	82,814,343	393,752	2,237,963	1,094,603	2,930,306	16,557,778	106,028,745
The Commission On Administrative Justice	68,126,267	3,275,879	2,672,318	1,587,988	767,677	60,881,824	137,311,953
National Gender & Equality Commission	68,802,310	3,509,938	4,006,280	659,557	379,880	38,120,374	115,478,340
Independent Police Oversight Authority	38,673,613	103,864	1,299,490	1,137,086	93,400	39,721,558	81,029,011
Total	**116,349,770,854**	**1,038,497,103**	**814,054,487**	**594,033,387**	**606,760,516**	**133,758,061,412**	**253,161,177,758**



Bima House, 12th Floor, Harambee Avenue
P. O. Box 35616 - 00100 Nairobi, Kenya
Tel: +254 (0) 20 318939, 2211056
Fax: +254 (0) 20 2211920
Email: cob@cob.go.ke • Website: www.cob.go.ke