KENYA NATIONAL ASSEMBLY
TENTH PARLIAMENT – FOURTH SESSION

REPORT
OF
DEPARTMENTAL COMMITTEE ON FINANCE, PLANNING & TRADE
ON
2010/2011 FINANCIAL ESTIMATES FOR THE LINE MINISTRIES

(i) **Ministry Planning, National Development & Vision 2030 – Vote 06**

(ii) **Office of the Deputy Prime Minister & Ministry of Finance – Vote 07**

(iii) **Ministry of Trade – Vote 16**

(iv) **Ministry of Tourism – Vote 46**

(v) **Ministry of Industrialization – Vote 60**

1.0 PREFACE

Hon. Speaker Sir,

On behalf of the Departmental Committee No. "F" on Finance, Planning, Trade & Tourism and pursuant to the provisions of Standing Order No. 152 (2), it is my pleasure and duty to present to the House, the Committee's Report on the examination of the 2010/2011 Financial Estimates for the line Ministries: Vote 06, 07, 16, 46 & 60. The 2010/2011 Financial Estimates were laid in the House on 10th June, 2010 and committed to the respective Departmental Committees for examination pursuant to Standing Order No. 152(1).

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

(i) To investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned Ministries and Departments;

(ii) To study the programme and policy objectives of the Ministries and Departments and the effectiveness for the implementation;

(iii) To study and review all legislation referred to it;

(iv) To study, assess and analyse the relative success of the Ministries and Departments as measured by the results obtained as compared with their stated objectives;

(v) To investigate and inquire into all matters relating to the assigned Ministries and Departments as they may deem necessary and as may be referred to them by the House or a Minister; and

(vi) To make reports and recommendations to the House as often as possible including recommendations of proposed legislation.

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

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

The Committee's line Ministries are:-

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

The Committee membership comprise of the following:-

The Hon. Chrysanthus Okemo, EGH, MP - **(Chairman)**
The Hon. (Prof.) Philip Kaloki, MP - **(Vice Chairman)**
The Hon. Jakoyo Midiwo, MGH, MP
The Hon. Musikari Kombo, MP
The Hon. Lucas Chepkitony, MP
The Hon. Lenny M. Kivuti, MP
The Hon. Nelson Gaichuhie, MP
The Hon. Ntoitha M'Mithiaru, MP
The Hon. Shakeel Ahmed Shabbir, MP
The Hon. Nkoidila Ole Lankas, MP
The Hon. Sammy Mwaita, MP

2.0 MINISTRY OF PLANNING, NATIONAL DEVELOPMENT & VISION 2030 – VOTE O6

Resource Allocation (Kshs)	2009/2010	2010/2011
Recurrent Expenditure	9,174,308,730	2,071,945,700
Development Expenditure	14, 361,500,180	16,567,929,620

MANDATE

The Ministry of Planning, National Development and Vision 2030 plays a key and strategic role in the overall structure of government administration. The Ministry's mandate is to facilitate and coordinate the national development planning process and to provide leadership in national economic policy management.

The core functions of the Ministry include the following:-

- The coordination of government economic policies, including regional and international cooperation policies;
- The coordination and preparation of the planning components of the Budget;
- The provision of leadership and coordination in the preparation of the main National Strategic Papers such as Economic Recovery Strategy (ERS), Vision 2030 and Medium Term Plans;
- The coordination and management of population, economic and national statistical services within the government;
- The coordination and provision of leadership in the national Monitoring and Evaluation of economic trends and policy;
- The coordination of Constituencies Development Fund.
- Kenya Institute for Public Policy Research & Analysis;
- New Partnership for African Development (NEPAD);
- Monitoring of Millenium Development Goals;
- District Focus Strategy for Rural Development;
- Implementation of Vision 2030;

- Economic Commission for Africa;
- African Caribbean and Pacific (ACP);
- African Peer Review Mechanism (APRM).

2.1 MINISTRY'S OBJECTIVES AND BUDGETARY REQUIREMENTS

(i) The Ministry has been allocated a Net total of Kshs 18, 639,875,320 for FY 2010/11 against a resource requirement of Kshs 26,467,695 resulting to a shortfall of Kshs 7,827,820.180.

(ii) The key Ministerial activities that will be affected by this shortfall include:-

- Coordination of Kazi Kwa Vijana;
- Operations of the Vision 2030 Delivery Secretariat;
- Operationalization of the newly created districts;
- Starting of knowledge Management Africa, Kenya Chapter;
- Expansion of Rural Resource Centre;
- Provision of transport and requisite activities for District Development Offices;
- Counterpart funding for western Kenya Community programme funded by Finland;
- Implementation of the T-21 macro-economic model;
- Kenya's participation in the High Level UN summit;
- Participation in the NEPAD and APRM activities;
- Operations and scaling up the Poverty Eradication Commission activities; and
- Re-positioning of family planning programmes in order to bring the population growth under control.

2.2 COMMITTEE'S OBSERVATIONS

(i) The huge variation between the Ministry's resource requirement (Kshs 26.467 billion) and the actual budgetary allocation of Kshs 18.639 billion implies that the ministry will not implement the key activities in the 2008/2012 Strategic Plan.

(ii) The Women and Youth fund is being administered through commercial banks at commercial rates which is very expensive and inaccessible by the targeted group.

2.3 COMMITTEE'S RECOMMENDATIONS

(i) The Kazi Kwa Vijana programme should be coordinated by the Ministry of Planning and not by the Ministry of Finance.

(ii) Kenya Institute of Public Policy and Research Analysis (KIPPRA) should be strengthened to take a leading role in research and policy analysis. In addition, KIPPRA should provide guidelines and regulations on how opinion polls should be undertaken given the impact of opinion polls on business and management of politics in the country.

3.0 OFFICE OF THE DEPUTY PRIME MINISTER AND MINISTRY OF FINANCE - VOTE O7

Resource Allocation (Kshs)	2009/2010	2010/2011
Recurrent Expenditure	16,366,400,000	31,152,255,000
Development Expenditure	22,381,840,940	20,919,302,200

MANDATE

- The Ministry of Finance coordinates all government financial operations and implements the economic, fiscal and monetary policies in the country. The Ministry also provides overall direction, control and management of public finances. The

Ministry is therefore charged with the responsibility of preparing the budget, facilitating disbursements from the Consolidated Fund and monitoring the implementation of the budget in line with the government policy.

- The Ministry's Vote includes for contingency reserves totalling Kshs 4.1 billion for emergencies such as drought and famine relief. The Ministry is also holding Kshs 6.2 billion in respect of critical development initiatives awaiting disbursement to the implementing agencies once the relevant implementation modalities are prepared and greed on (Youth Enterprise Fund-Kshs 3.8 billion, Construction of Commuter Railway line in Nairobi - Kshs 1.9 billion, Write-off through co-operatives of losses incurred by farmers -Kshs 200 million). Therefore, the Ministry's Vote is used as a Clearing-House for funds awaiting delineation to various parastatals and government bodies.

3.1 MINISTRY'S OBJECTIVES AND BUDGETRAY REQUIREMENTS FOR 2010/11

The Ministry has a budgetary provision of Kshs 53,348 billion to cater for its programmes, projects and activities during FY 2010/11. The Ministry will be implementing the following 3 major programmes:-

(i) Public Financial Management

This involves formulation and implementation of policies relating to mobilization, allocation and management of public financial resources and also serves as a coordination hub for the preparation of the annual budget in liaison with other government ministries, departments and agencies. The programme will require Kshs 48,289.5 million.

(ii) Development & stabilization of the financial sector

The objective of the programme is to facilitate economic development and this will entail supervision and regulation of the banking, capital market, retirement benefits and insurance sectors. The programme will require Kshs 2,106.2 million

(iii) Promotion of investments, private enterprises and competition

The programme involves creating an enabling environment for private sector participation in economic development. This will entail provision of incentives to investors, implementation of regional and international economic cooperation agreements, removal of unfair trade practices and barriers to trade and investment, and consumer protection. The programme will require Kshs 1,675.9 million.

3.2 MINISTRY'S ACHIEVEMENTS

The Committee was informed that the Ministry has achieved the following in the last three years:-

(i) Macro-economic stability

- Strong economic performance was possible through the pursuit of policies supportive of stable macro-economic conditions.
- Underlying inflation was broadly within the 5% target while the overall inflation averaged at 11.2%.
- Lending rates declined from over 18% in 2002 to 12% in 2007 while the deposit rates and the Kenya shilling exchange rate remained fairly stable during the same period.

(ii) Revenue mobilization

Revenue collection improved significantly from Kshs 289 billion in 2004/05 to Kshs 500 billion in 2009/10 representing a growth of over 28% in nominal terms. Revenue collection is expected to be maintained at 22.4% of GDP during FY 2010/11.

(iii) Expenditures

Total expenditures rose from Kshs 303.7 billion in 2004/05 to just below Kshs one trillion in 2010/11. The increase in expenditures was prompted by the government desire to finance pro-poor priority progarmmes and projects like health, education, agriculture and physical infrastructure.

(iv) Financing

- The government priority has been to reduce the overall fiscal balance to 3.2 % of the GDP. Due to strong revenue collection, the deficit averaged 2% while the domestic borrowing was reduced from 3.6% in 2002/03 to 2% in 2006/07. Domestic borrowing will be pegged at 3.4% of the GDP in the FY 2010/11.

- Kenya faces a low risk of external debt distress and cautious approach has been pursued to ensure debt sustainability.

(v). Reforms

The ministry in collaboration with stakeholders and with a view to enhancing financial management in the public sector, has carried out reforms under the following key areas:-

- Procurement
- Tax modernization

- Business Licensing
- Pension Management
- Competition Policy and Law
- Privatization and Parastatal management
- Public Expenditure and Financial Management
- Financial Sector restructuring and management

3.3 COMMITTEE'S OBSERVATIONS

(i) The Ministry is disbursing the Youth Enterprise Fund through commercial banks instead of using established government structures and the banks are charging commercial rates.

(ii) There is no justification in giving grants to Telkom Kenya which has been sold.

4.0 MINISTRY OF TRADE - VOTE 16

Resource Allocation (Kshs)	2009/2010	2010/2011
Recurrent Expenditure	1,791,302,400	1,469,648,000
Development Expenditure	688,410,000	522,300,000

MANDATE

The Ministry of Trade is responsible for the promotion of trade domestically, regionally and internationally through creation of an enabling business and investment environment. The Trade sector plays a crucial role towards attainment of national development objectives particularly as envisaged in the Vision 2030. In addition, the realization of the Millenium Development Goals, one and eight, on eradication of Extreme Poverty and Developing Global Partnership for development through improved market access respectively.

The strategic objectives of the Ministry are to:-

- Promote private sector development through enterprise and enterpreneurship development.
- Improve business environment and promote attractive investment climate.
- Promote growth and development of wholesale and retail.
- Broaden and deepen the export base markets.
- Foster conducive linkages and collaboration mechanism.
- Enhance the Ministry's capacity for quality service delivery.

The Ministry has one programme namely, Trade Development within the context of programme based budgeting. The objective of the programme is to establish a vibrant business economy supported by functioning infrastructure and social amenities for transformation of Kenya into regional service hub and expansion of Kenya exports.

4.1 MINISTRY'S OBJECTIVES AND BUDGETARY REQUIREMENTS

The Ministry's budget proposal for recurrent expenditure was Kshs 2,333 billion while the actual allocation by the Treasury is 1.469 billion thereby occasioning a deficit of Kshs 864 billion. Similarly, the actual budgetary allocation for development expenditure is Kshs 522 million against a budget proposal of Kshs 6.35 billion thereby reflecting a deficit of Kshs 5.83 billion.

The Ministry is expected to implement the following programmes as per the trade sector strategic Plan 2008-2012:-

- Creation of ten (10) hubs and 1000-1500 producer business groups with a pilot project in Maragua district. However, the ministry did not receive any budgetary allocation for the project.

- Building of at least ten (10) Tier 1 market in all regions starting with a pilot project in Athi River but the Ministry did not receive any requested amount for the project.

- The Ministry has plans to establish some special economic zones as identified in the vision 2030. However, the Ministry did not receive the requested amounts to enable the acquisition of land and undertaking of feasibility study.

- Export development and promotion budgetary provision reflects underfunding of Kshs 72 million and this is likely to affect the operations of the agencies development and promotion of exports.

4.2 PROGRAMMES OMITTED IN THE 2010/11 ESTIMATES

As a result of the shortfall in funding to Export Promotion Council and Export Processing Zones Authority, the following planned activities have been omitted in the Ministry's 2010/11 Financial Estimates.

- Trade promotion activities (Trade fairs in East Africa Commission – Uganda, Burundi, Rwanda, Dar es-Salaam; and the rest of COMESA- solo exhibition in Lubumbushi, Khartoum, Addis Ababa, Zimbabwe, Zambia and Malawi; 9th AGOA forum & exhibition and market research and surveys in Burundi, Southern Sudan, DRC, Angola, Central Africa and Congio-Brazzaville).

- Decentralization of Council services to Kisumu, Nyeri and Embu.

- Increasing the Export Promotions Councils network both locally and internationally.

- Scaling down activities under the small & medium enterprises e.g. exporters training for the youth, women and marginalized.

- Scaling down of outreach programmes to exporters and producers of export goods and services.

- Agency efficiency and productivity are likely to be hampered due to failure to undertake training and building capacity resulting from financial constraints.

4.3 CHALLENGES FACING THE MINISTRY

The Ministry executes its mandate through the following parastatals:-

(i) Industrial & Commercial Development Corporation which is mandated to provide venture capital and loan finance to entrepreneurs countrywide is facing the following challenges:-

- Impairments of investments in loans to higher risk borrowers.
- Non-availability of cheaper local financial resources for onward lending at more competitive rates.
- High establishment costs owing to geographical spreads of ICDC loanees countrywide.

(ii) Kenya National Trading Corporation which is mandated to promote wholesale, retail trade and stabilize consumer commodities prices countrywide is challenge by the following:-

- Under capitalization
- Lack of diversification and poor trading overtime
- Social dimension nature of its original assigned objective hence in conflict with commercial practices.

(iii) Kenya Wine Agency Ltd. is facing the challenges like:-

- ♦ Counterfeit and illicit brews
- ♦ Smuggled products
- ♦ Diversion of transit goods into the local market.

(iv) Others challenges facing the trade sector are:-

- ♦ Inadequate funding.
- ♦ High cost of doing business.
- ♦ Difficulties in Market Access.
- ♦ Product quality and diversity.
- ♦ Global financial crisis.
- ♦ Low adoption of ICT especially in enterprises.
- ♦ Delayed approvals of environmental assessments.
- ♦ Overlaps and ambiguity in mandates and functions.
- ♦ Low level of local and foreign direct investments.
- ♦ Membership to multiple regional trading agreements.
- ♦ Influx of sub-standard, counterfeit and contra-band goods.
- ♦ Weak policy, legal, regularity and institutional framework.

4.4 COMMITTEE'S OBSERVATIONS

(i) The huge variation between the resource requirement (Kshs 2,333 billion) and the actual budgetary allocation of Kshs 1,469 billion implies that the ministry will not implement the following prorammes as per the trade sector strategic Plan of 2008-2012:-

- ♦ Creation of ten (10) hubs and 1000-1500 producer business groups with a pilot project in Maragua district.

- ♦ Building of at least ten (10) Tier 1 market in all regions starting with a pilot project in Athi River.

- Establishment of Special Economic Zones (SEZ) as identified in the Vision 2030 and this will delay the transition of EPZ programme to SEZ.

(ii) The reduction of the budgetary allocation for export development and promotion will be counterproductive and is likely to worsen the performance of the export sector whose activities are capital intensive and predominantly implemented overseas.

(iii) Overlaps and ambiguity in the Ministry's mandate and functions has led to the interference by the Ministry of foreign Affairs on the mandate of the Ministry of Trade on international trade matters.

4.5 COMMITTTEE'S RECOMMENDATIONS

(i) The Treasury should give provide adequate budgetary provision to the Ministry of Trade since the Ministry is key pillar to the achievement of Vision 2030 given that 3 out of the 6 earmarked sectors are within the Ministry's mandate. The Treasury should avail additional funding to ensure that the Ministry of Trade acquires land and undertakes feasibility studies for the flagship projects/economic zones.

(ii) The conflicting roles and mandate of both Ministry of trade and the Ministry of Foreign Affairs on international trade matters should be resolved urgently.

(iii) Effective communication channels should be established with the trade and investment promotion agencies including commercial offices abroad.

(iv) Small & Medium Enterprises should be under Ministry of Trade for coordination and mainstreaming for purposes of trade promotion.

5.0 MINISTRY OF TOURISM - VOTE 46

Resource Allocation (Kshs)	2009/2010	2010/2011
Recurrent Expenditure	1,596,935,500	1,378,510,900
Development Expenditure	1,269,000,000	1,000,000,000

MANDATE

The Ministry of Tourism mandate is to formulate appropriate tourism polices, promotion, marketing, research and ensuring sustainability of the tourism industry. This is a key ministry in the attainment of the Vision 2030 and flagship projects have been identified for this sub-sector.

- The total budget requirements for the Ministry for 2010/11 financial year is Kshs 6.61 billion and the Treasury allocated Kshs 2.37 billion thereby resulting in a deficit of Kshs 4.24 billion.
- The development budget allocation has increased by 19.6 % from Kshs 804 million to Kshs 1 billion.
- The Ministry has maintained a high absorption capacity averaging 97% between 2006/07 and 2008/09.
- The objectives of the Ministry of Tourism are:-
  - Promoting sustainable International tourism.
  - Promoting sustainable Domestic tourism.
  - Promoting sustainable Conference tourism.
  - Promoting sustainable Cultural tourism.
  - Product standardization and classification.
  - Tourism infrastructure development.

5.1 MINISTRY'S OBJECTIVES AND BUDGETARY REQUIRMENTS

(i) International and domestic tourism promotion & marketing (Kshs 2.76 billion)

The Ministry's target is to increase the number of international tourists visiting the country from the current 1.4 million to 1.6 million with a view to increasing tourism earnings from Kshs 62.5 billion to Kshs 68.75 billion in 2010. However, this target may not be achieved due to underfunding to Kenya Tourist Board, which has been allocated Kshs 650 million against the requested amount of Kshs 2.9 billion hence a deficit of Kshs 1.44 billion (69%).

(ii) Tourism infrastructure development (Kshs 1.69 billion)

Tourism facilities need to be expanded in order to cope with the anticipated increase in tourism and the targets are to be achieved through the following:-

- New investments. Kenya tourist Development Corporation requested for Kshs 1.2 billion for refurbishment of the existing hotels and new investment in the sector and was only allocated Kshs. 330 million.

- Community Product Development. Tourism Trust Fund requested for Kshs 310 million to continue supporting the community projects which stalled after European Development Fund withdrew funding yet no funding has been provided under this item.

- Vision 2030. The ministry is undertaking a project to develop a Resort City at Isiolo as a key project under Vision 2030 and has only been allocated Kshs 28 million against the requested amount of Kshs 60 million.

(iii) Cultural tourism development (Kshs 0.53 billion)

The Ministry intends to promote cultural tourism by constructing cultural conference centre and cultural villages at Bomas of Kenya.

(iv) Conference tourism promotion & marketing (Kshs 0.36 billion)

The Ministry intends to refurbish Kenya International Conference Centre (KICC) to modernize the old building and increase its competitiveness to attract more meetings, conferences and exhibitions.

(v) Product standardization, classification and training (Kshs 0.78 billion)

The ministry intends to standardize and improve the quality of tourism services and products by re-classifying hotels and restaurants in line with the East African Community criteria. The Ministry has also gazetted the Hotel and Restaurant Authority Board to de-link classification and licensing from the Directorate of Tourism.

(vi) Ronald Ngala Utalii Academy

The Ministry has gazetted the Ronald Ngala Utalii Academy in order to enhance training capacity. However, the Ministry has only been allocated Kshs 300 million for the construction of the Academy against the requested amount of Kshs 500 million.

5.2 PROGRAMMES OMITTED IN THE 2010/11 ESTIMATES

The following programmes which were aimed at improving the country's capacity to handle the increasing demand for tourism in the country by improving the quality and quantity of the facilities, have been omitted in the Ministry's 2010/11 Financial Estimates.

- Refurbishment and modernization of KICC.
- Establishment of an amusement park at Bomas of Kenya.
- Community development projects under Tourism Development Fund.
- ISO certification to attain internationally recognized standards.
- Classification of tourists establishment and tourism institutions database.
- Development of new markets and products.
- Legal Framework and Tourism Policy Bill.

5.3 REFORMS INITIATED BY THE MINISTRY

The Ministry is implementing the following reforms to improve service delivery in the tourism sector:-

(i) De-linking the management of Kenya Utalii Hotel from the Kenya Utalii College to enhance efficiency in the two institutions.

(ii) Enactment of the Tourism Bill to guide and regulate operations in the tourism sector.

(iii) De-linking Hotels and Restaurants Authority from the Directorate of Tourism to streamline the classification and licensing of hotels.

(iv) Expanding training opportunities in the sector by opening a second hospitality training institution in Mombasa.

(v) Opening additional regional offices in South, Eastern and North Eastern regions to promote tourism activities.

(vi) Opening up information Bureaus countrywide equipped with an inventory of tourist product.

(vii) Policy formulation to put in place a National Tourism Strategy, Green Initiative Strategy and Air Growth Strategy.

(viii) Reduction of the visa fees to attract more tourists.

5.4 CHALLENGES FACING THE MINISTRY

(i) Inadequate funding of the sector, as the budgetary allocation to the Ministry of Tourism is only 4% of the revenue generated by the sector and 36th % of the total resource requirements of the Ministry.

(ii) Tourism products quality and diversity as the country relies mainly on beach and wildlife tourism for its earnings and new products should be introduced to diversify the industry.

(iii) Perceived and real insecurity in some tourist circuits scare away would be tourists.

(iv) Inadequate and poor infrastructure in the tourist circuits leading to difficulties in accessing tourist sites and facilities.

(v) Unplanned urban centres like Mombasa, Malindi, Narok, and Isiolo which hinder provision of quality services.

(vi) A weak private sector capacity to partner with the government hence the Ministry is unable to come up with public private partnership programme.

(vii) Poor coordination of activities by the inter-related government Ministries and other government agencies especially on roads, transport, wildlife, water, and energy. Raising park fees by Kenya Wildlife Service should be done in consultation with the Ministry of Tourism.

(viii) Beach boys menace and the Ministry is planning to implement beach management programme so as to relocate the beach boys.

5.5 COMMITTEE'S OBSERVATIONS

(i) The huge variation between the resource requirement (Kshs 6.61 billion) and the actual budgetary allocation of Kshs 2.37 billion implies that the ministry will not achieve its objectives and this calls for a deliberate prioritization of its programmes.

(ii) The tourism sector heavily relies on promotions and awareness campaigns for its success. The underfunding for promotion and marketing will heavily affect Kenya Tourism Board's ability to market the sector in the new source markets, global advertising and domestic tourism.

(iii) The tourism sector needs urgent upgrading of the existing infrastructure and development of new facilities if the country is to cope with the increased tourism activity. However, the underfunding will greatly affect the Ministry's ability to improve the facilities.

5.6 COMMITTTEE'S RECOMMENDATION

Budgetary allocation to the Ministry of Tourism should pegged to the revenue generated by the industry given that the sector is a major foreign exchange earner and generator of employment in Kenya with a contribution of about 10% to the Gross Domestic Product.

Therefore, Ministry should be allocated at least 10% of the revenue generated by the sector for tourism promotion and marketing.

6.0 MINISTRY OF INDUSTRIALIZATION - VOTE 60

Resource Allocation (Kshs)	2009/2010	2010/2011
Recurrent Expenditure	1,159,519,000	1,439,100,700
Development Expenditure	1,475,970,000	2,844,604,000

MANDATE

The mandate of the Ministry is to provide a policy framework and enabling environment for industrialization in Kenya by formulating and implementing industrial development policies and strategies.

The strategic objective of the Ministry is to stimulate industrial technological activities that will enhance product value addition and diversification to ensure product competitiveness and create enabling environment for investment.

6.1 MINISTRY'S OBJECTIVES AND BUDGETARY REQUIRMENTS

The Ministry had proposed a budgetary allocation of Kshs 12.083 billion but has been allocated Kshs 4,550,504,700 for FY 2010/11 compared to Kshs 3,198,835,00 for FY 2009/10 thereby reflecting an increase of Kshs 1,351,669,700.

The huge variation between the resource requirement (Kshs 12.083 billion) and the actual budgetary allocation of Kshs 4.5 billion implies that the ministry will not achieve the following primary objectives in the 2008/2012 Strategic Plan, which have been omitted in the estimates:-

- Feasibility study for Industrial Parks (Kshs 1.5 billion).
- 4K initiative Project (Kshs. 30 million).
- Setting up of Industrial Information Centre (10 million).

6.2 CHALLENGES FACING THE MINISTRY

(i) Inadequate budgetary allocation

The Ministry's budgetary allocations have been below the resource requirement and this has negatively affected the implementation of the Ministry's activities and programmes.

(ii) Zoning of field offices

The Ministry has 22 zones comprising of several districts and each zone is manned by one officer who is unable to manage scheduled activities in all the districts.

(iii) Inadequate human resource

The Ministry has inadequate human resource especially the technical officers.

(iv) Inadequate equipment and facilities

Due to inadequate budgetary allocation, field offices lack modern and adequate equipment, and facilities including office accommodation to effectively execute their mandate.

(v) Lack of vehicles

The Ministry lack vehicles specifically field offices to operate and coordinate government programmes in the districts e.g. constituency Industrial Development Centres.

6.3 COMMITTEE'S OBSERVATIONS

(i) Industrialization is key to the achievement of Vision 2030 and the manufacturing sector is a major contributor to the economic growth. However, the inadequate budgetary allocation cannot enable the Ministry to implement its porgammes yet the Ministry is one of the major drivers that can enable the country to achieve Vision 2030.

(ii) The flagship projects captured in the Ministry's Strategic Plan have been omitted in the financial estimates and there is need to re-look at the classification of sector ceilings with a view to re-prioritizing.

(iii) Land factor is a major challenge to industrial development and the government should acquire as a matter of policy, industrial land for industrial development.

(iv) The Kenya Industrial Estates (KIE) has 42 existing shades countrywide and the Ministry of Finance should channel funds through KIE and not the commercial banks.

(v) It is not prudent to pump Kshs 5 million into Webuye Paper Mill without addressing the problems that led to the closure of the factory. Therefore, the immediate solution is to sort out both short and long term lenders before embarking on full operationalization of the factory.

7.0 CONCLUSION

The Committee observed that:-

- There is a huge disparity between the printed estimates and ceilings as provided for by the Treasury Circular for both recurrent and development expenditure respectively, which raises the issue of predictability in budget.

- The difference between the outputs in the Budget Policy Statement and the Budget Policy Strategy Paper and the direct mismatch between resource requirements in the strategic plan and the actual allocation implies that there is a disconnect between planning and budgeting and the fact that Budget Policy Statement is not a guide to the Budget.

Mr. Speaker Sir, May I take this opportunity to thank all Members of the Committee for their input and valuable contributions during the deliberations.

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Hon. Chrysanthus Okemo, EGH, MP
Chairman
Departmental Committee on Finance, Planning, Trade & Tourism

Date ……17/8/2010……