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PREFACE

Mr. Speaker, Sir,

The Committee on Energy, Communications and Information was constituted on June 17th 2009 and its membership is as follows:-

- | | |
|--|----------------------|
| 1. The Hon. (Eng.) James Rege, M.P. | Chairman |
| 2. The Hon. Maina Kamau, M.P | Vice Chairman |
| 3. The Hon. Danson Mwazo Mwakulegwa, M.P | |
| 4. The Hon. Mohamed Hussein Ali, M.P | |
| 5. The Hon. (Eng.) Nicholas Gumbo, M.P | |
| 6. The Hon. Wilfred Ombui, M.P | |
| 7. The Hon. Edwin O. Yinda, M.P | |
| 8. The Hon. Emilio Kathuri, M.P | |
| 9. The Hon. Ekwee Ethuro ,M.P | |
| 10. The Hon. (Prof.) Phillip Kaloki, M.P | |
| 11. The Hon. Cyprian Omolo, M.P | |

Mandate of the Committee

The Committee is mandated to consider:-

- Development, production, maintenance and regulation of Energy.
- Communication.
- Information.
- Broadcasting, and
- Information Communications Technology (ICT) development.

The Committee executes its mandate in accordance with the provisions of Standing Order 198 (3), which is -

- a) to investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned Ministries and Departments;
- b) to Study the programme and policy objectives on Ministries and Departments and the effectiveness of the implementation;
- c) to Study and review all legislation referred to it;
- d) to study, assess and analyze the relative success of the Ministries and departments as measured by the results obtained as compared with their stated objectives;

- e) to investigate and enquire into all matters relating to the assigned Ministries and departments as they may deem necessary, and as may be referred to them by the House or a Minister; and
- f) to make reports and recommendations to the House as often as possible, including recommendation of proposed legislation.

Ministries assigned

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

- i) Ministry of Energy
- ii) Ministry of Information and Communications.

Mr. Speaker Sir,

Subsequent to its appointment, the Committee commenced its work immediately. During its first sitting on Tuesday 23rd June, 2009, the Committee elected the Hon. (Eng.) James Rege, M.P. and the Hon. Maina Kamau, M.P., as Chairperson and Vice-Chairperson, respectively. Thereafter, pursuant to Standing Order 152, the Committee commenced on the scrutiny of printed Estimates of the Ministries of Energy; and Information and Communications. These Estimates were Laid in the House on 10th June, 2009.

In considering the Estimates, the Committee held meetings with Ministers of Energy; and Information and Communications. The Ministers were accompanied by their Assistant Ministers, Permanent Secretaries, senior officials from the Ministries and Chief Executives of State Corporations under their Ministries. In total the Committee held seven sittings to consider the Estimates. The Committee also met with the staff of the Budget Office of the National Assembly. The minutes of these meetings are appended to this report.

The Committee, after scrutiny of the Estimates, recommends that the various amounts requested under Votes R.30, D.30, R.32 and D.32 be approved. However, the Committee recommends that the proposed construction of the National Oil Company of Kenya (NOCK) headquarters be shelved and that the excess Appropriations-in-Aid of Kshs.450 million under Vote D.30, Head 427, Item 3110500 be surrendered to Treasury for re-allocation to more priority areas.

Mr. Speaker Sir,

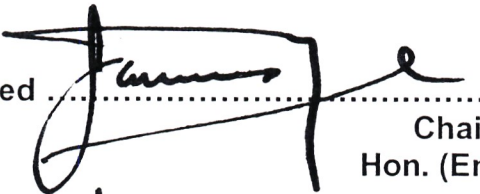
The Committee wishes to sincerely thank the Offices of the Speaker and the Clerk of the National Assembly for the necessary support extended to it in the execution of its mandate. The Committee further wishes to thank the Ministers for Energy; and Information and Communications for responding promptly to issues raised by the Committee during the examination of the 2009/2010 Estimates. As Chairman, I take this opportunity to thank all the Members of the Committee for their patience, sacrifice, endurance and hard work during the long sitting hours under tight schedules which enabled us to complete the tasks within the stipulated period.

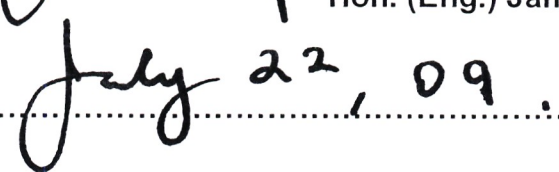
The Committee wishes to record its appreciation for the services rendered by the staff of the National Assembly attached to the Committee. Their efforts made the work of the Committee and the production of this Report possible.

Mr. Speaker Sir,

On behalf of the Departmental Committee on Energy, Communications and Information, I now have the honour and pleasure to present its Report and Recommendations relating to the 2009/2010 Financial Estimates for the Ministry of Energy and the Ministry of Information and Communications, to the House for debate and adoption.

Thank You.

Signed 
Chairman
Hon. (Eng.) James Rege, MP

Date: 

1. 0 MINISTRY OF ENERGY (VOTE 30)

1.1 Introduction

1. The Ministry of Energy is essential in achieving the development agenda of the country since several other sectors such as transport, manufacturing and tourism depend on energy. It is mandated to address the energy requirements of the country in line with Vision 2030 by ensuring access to affordable, reliable and safe supply of energy to Kenyans. A delicate balance is necessary between provision of affordable and reliable energy on the one hand, and protection of the environment on the other. For instance, Kenya's current demand for electricity is just matched by supply although in the event of insufficient rainfall, more output is needed from fuel-oil generation which, while crucial to abate energy insufficiency, results in pollution from the gases ensuing from combustion of fossil fuels.
2. The 2009 Budget speech lists the focus in the energy sector for this financial year as an emphasis on development of renewable energy such as geothermal, wind, bio-fuel, biomass and use of solid waste.
3. Kenya's total installed capacity as at December 2008 is 1,267.9 Megawatts (MW) of electricity 33% of which comes from thermal oil which depends on crude oil prices. This means that the cost of energy in the country is erratic and subject to global forces that are beyond the country's control and therefore the need for urgent and increased investments into alternative energy sources - geothermal, wind and solar - to satisfy our energy requirements. Furthermore, hydroelectric power generation has also proved to be unreliable in the recent past due to the persistent poor rains that result in dams not having sufficient capacity of water necessary to generate electricity at full capacity.
4. Another detrimental result of unreliable energy is the environmental degradation that results from a large segment of the population resorting to charcoal and firewood to satisfy their energy requirements. This is partly caused by the high poverty levels in the country, meaning that a large segment of the population can neither access nor afford petroleum products and/or electricity to meet their daily energy needs. There is also a new shift by several industries, especially tea, to using firewood as a fuel source in industrial production in the last few years because of unreliable and high cost of electricity.
5. The Ministry has nine State Corporation under its jurisdiction. They are Kenya Power & Lighting Company (KPLC), Kenya Electricity Generating Company (KENGEN), National Oil Corporation of Kenya (NOCK), Kenya Pipeline Company (KPC), Rural Electrification Authority (REA), Energy Regulatory Commission (ERC), Kenya Petroleum Refineries Ltd, Kenya Electricity Transmission Company (KETRACO) and Geothermal Development Company (GDC).

1.2 Allocations for the Financial Year 2009/2010

6. The net estimate of the Ministry for the Financial Year 2009/2010 amounts to Kshs. 21,016,290,740 compared to a total net of Kshs. 21, 336,966,960 in the last financial year reflecting a net decrease of Kshs.320, 676,220. The Ministry also expects to raise Kshs. 9,996,471,307 in Appropriations-in-Aid, from internal and external sources, to finance its operations. The estimates as per the sub-votes are as follows:-

Table 1

<u>Sub-Vote</u>		<u>2008/2009</u>		<u>2009/2010</u>		<u>Change</u>	
		<u>Recurr.</u>	<u>Dev.</u>	<u>Recurr.</u>	<u>Dev.</u>	<u>Recurr.</u>	<u>Dev.</u>
300: General Admin. & Planning	Gross	254,794,166	164,168,650	252,816,065	354,003,434	-	189,834,784
	A-in-A	118,618,825	69,958,650	118,632,825	51,518,650	14,000	-18,440,000
	Net	136,175,341	94,210,000	134,183,240	302,484,784	-	208,274,784
301: Renewable Energy Dev't	Gross	53,960,471	304,000,000	60,999,176	472,528,400	7,038,705	168,528,400
	A-in-A	25,600,000	304,000,000	25,600,000	372,528,400	0	68,528,400
	Net	28,360,471	-	35,399,176	100,000,000	7,038,705	100,000,000
302: Electric Power Dev't	Gross	45,362,261	30,260,080,844	45,509,281	28,877,218,706	147,020	-
	A-in-A	20,373,392	9,208,260,974	20,373,392	8,460,591,790	0	-747,669,184
	Net	24,988,869	21,051,819,870	25,135,889	20,416,626,916	147,020	-635,192,954
303: Petroleum Exploration & Substitution	Gross	11,743,409	532,105,000	12,791,735	936,895,250	1,048,326	404,790,250
	A-in-A	10,331,000	532,105,000	10,331,000	936,895,250	0	404,790,250
	Net	1,412,409	-	2,406,735	-	994,326	0
Total	Gross	365,860,307	31,260,354,494	372,116,257	30,640,645,790	6,255,950	-619,708,704
	A-in-A	174,923,217	10,114,324,624	174,937,217	9,821,534,090	14,000	-292,790,534
	Net	190,937,090	21,146,029,870	197,179,040	20,819,111,700	6,241,950	-326,918,170

Source: 2009/2010 Estimates of Recurrent Expenditure of the Government of Kenya for the Year ending 30th June, 2010. Vol. II; and 2009/2010 Estimates of Development Expenditure of the Government of Kenya for the Year ending 30th June, 2010. Vol. I.

1.2.1 Recurrent Expenditure (R.30)

7. The net estimate allocated for Recurrent Expenditure (Vote R.30) for the Ministry is Kshs. 197,179,040 (One hundred and ninety seven million, one hundred and seventy nine thousand and forty shillings). This reflects a net increase of Kshs. 6,241, 950. The Committee was informed that this increase is attributable to salary of staff in the Ministry. This Ministry will also raise Kshs.174, 937,217 from Appropriations-in-Aid through sales by non-market establishments.
8. Examination of Heads, by the Committee, under Vote R.30 was as follows:-

i) Head 428: Headquarters Administrative Services

The proposed net expenditure under this Head is Kshs.107, 302, 493. In addition, the Ministry expects to raise Kshs.109, 313,175 in Appropriations-in-Aid.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 107, 302, 493 be allocated to the Ministry for the expenditure proposed in the items under Head 428 and that the Ministry be allowed to raise Appropriations-in-Aid amounting to Kshs.109, 313,175 to finance its activities.

ii) Head 429: Headquarters Administration and Planning Services

The proposed net expenditure under this Head is Kshs.6, 944,558. The Ministry also expects to raise Kshs.4, 043,000 in Appropriations-in-Aid.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 6,944,558 be allocated to the Ministry for the expenditure proposed in the items under Head 429 and that the Ministry be allowed to raise Appropriations-in-Aid amounting to Kshs. 4, 043,000 to finance its operations.

iii) Head 574: Financial Management and Procurement Services

The proposed net expenditure under this Head is Kshs.134, 183,240. The Ministry also expects to raise Kshs.5, 276,650 in Appropriations-in-Aid.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 134,183,240 be allocated to the Ministry for the expenditure proposed in the items under Head 574 and that the Ministry be allowed to raise Appropriations-in-Aid amounting to Kshs. 5, 276,650 to finance its operations.

iv) Head 430: Woodfuel Resources Development

The proposed net expenditure under this Head is Kshs. 29,201,536. The Ministry also expects to raise Kshs.19, 200,000 in Appropriations-in-Aid.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 29,201,536 be allocated to the Ministry for the expenditure proposed in the items under Head 430 and that the Ministry be allowed to raise Appropriations-in-Aid amounting to Kshs. 19, 200,000 to finance its operations.

v) Head 433: Alternative Energy Technologies

The proposed net expenditure under this Head is Kshs. 6,197,640. The Ministry also expects to raise Kshs.6, 400,000 in Appropriations-in-Aid.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 6,197,640 be allocated to the Ministry for the expenditure proposed in the items under Head 433 and that the Ministry be allowed to raise Appropriations-in-Aid amounting to Kshs. 6, 400,000 to finance its operations.

vi) Head 435: National Grid System

The proposed net expenditure under this Head is Kshs. 7,967,725. The Ministry also expects to raise Kshs.10, 270,842 in Appropriations-in-Aid.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 7,967,725 be allocated to the Ministry for the expenditure proposed in the items under Head 435 and that the Ministry be allowed to raise Appropriations-in-Aid amounting to Kshs. 10, 270,842 to finance its operations.

vii) Head 436: Geothermal Resources Exploration

The proposed net expenditure under this Head is Kshs. 17,168,164. The Ministry further expects to raise Kshs.10, 102,550 in Appropriations-in-Aid.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 17,168,164 be allocated to the Ministry for the expenditure proposed on the items under Head 436 and that the Ministry be allowed to raise Appropriations-in-Aid amounting to Kshs. 10, 102,550 to finance its operations.

viii) Head 427: Petroleum and Coal Exploration

The proposed net expenditure under this Head is Kshs. 2,460,735. The Ministry further expects to raise Kshs.10, 331,000 in Appropriations-in-Aid.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 2,460,735 be allocated to the Ministry for the expenditure proposed on the items under Head 427 and that the Ministry be allowed to raise Appropriations-in-Aid amounting to Kshs. 10,331,000 to finance its operations.

1.2.2 Development Expenditure (D.30)

9. The net estimate allocated for Development Expenditure (Vote D.30) for the Ministry is Kshs. 20,819,111,700 (Twenty billion, eight hundred and nineteen million, one hundred and eleven thousand, and seven hundred). This reflects a net decrease of Kshs. 328,918,170. The Committee noted that this decrease was in the electric power development sector, a decrease in expenditure of kshs. 635 million. However, in addition to the net estimates, the Ministry expects to raise Kshs. 9, 821,534,090 as Appropriations-in-Aid from internal sources and from development partners.

10. In his Budget Speech, the Minister for Finance mentioned affordable and environment friendly energy as a prime target for the government this financial year. Indeed Kshs. 100 million has been allocated towards the promotion and implementation of environmental conservation and restoration programmes. A further Kshs. 114 is proposed to be spent in establishing new Energy Centres and to expand the existing centres.

11. Examination of Heads, by the Committee, under Vote D.30 was as follows:-

i) Head 428: Headquarters Administrative Services

The proposed net expenditure under this Head is Kshs. 302,484,784. In addition the Ministry expects to raise Kshs.36,500,000 as Appropriation-in-Aid from development partners.

The Committee notes that much of this amount will be used for purchase of specialised plant and equipment (100 million) and for research, feasibility studies and project design and supervision (144.5 million).

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 302,484,784 be allocated to the Ministry for the expenditure proposed in the items under Head 428 and that the Ministry be allowed to raise Appropriations-in-Aid amounting to Kshs. 36,500,000 to finance its operations.

ii) Head 429: Headquarters Administration and Planning Services

The Ministry expects to raise Kshs.15, 018,650 as Appropriations-in-Aid from internal sources and proposes to spend Kshs.15, 018,650 to finance its operations under this Head, making the net expenditure to be Nil.

The Committee notes that Kshs. 12 million of this allocation will be used to complete a study on the demand of petroleum products to determine the size and timing for construction of a second oil pipeline from Mombasa to Nairobi. However, the Minister informed the Committee that that KPC has no capacity to pump products upcountry to satisfy the demand and that petroleum trucks are used to supplement the supply of products.

The Committee is agreeable with the Minister's proposal.

Recommendation.

The Committee recommends that further allocations towards this expenditure be stopped as the construction of another pipeline from Mombasa is long overdue. From the above information by the Minister, it is evident that a second pipeline is needed and therefore no need for further studies to determine when to build the pipeline.

iii) Head 430: Woodfuel Resources Development

The Ministry expects to raise Kshs.291, 528,400 as Appropriations-in-Aid from internal sources and proposes to spend the whole of that amount to finance its operations under this Head, making the net expenditure to be Nil.

The Committee notes that Kshs. 100 million has been allocated towards the promotion and implementation of environmental conservation and restoration programmes. A further Kshs. 114 is proposed to be spent in establishing new Energy Centres and to expand the existing centres. This is commendable.

The Committee is agreeable with the Minister's proposal.

iv) Head 433: Alternative Energy Technologies

The proposed net expenditure under this Head is Kshs. 100,000,000. This is in addition to the Kshs. 81,000,000 that the Ministry expects to raise as Appropriations-in-Aid from internal sources.

This amount will be spent on undertaking various renewable energy activities including twelve small hydropower sites in tea growing areas of western and central Kenya. However, under this Head, some Kshs. 30 million from A-in-A will be spent on investment grade energy audits under Kenya Association of Manufacturers to encourage efficiency and conservation efforts by manufacturers.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 100,000,000 be allocated to the Ministry for the expenditure proposed in the items under Head 433 and that the Ministry be allowed to raise Appropriations-in-Aid amounting to Kshs. 81,000,000 to finance its operations.

v) Head 435: National Grid System

The proposed net expenditure under this Head is Kshs. 9,279,626,916. This is in addition to the Kshs. 4,523,777,462 that the Ministry expects to raise as Appropriations-in-Aid from development partners.

The Committee notes that Kshs.3.1 billion of this allocation will be remitted to KENGEN for subsidizing the cost of emergency power generation capacity of 146 MW and acquisition of another 80 MW to address the current drought related imbalance between demand and supply. A further Kshs. 5.3 billion has been proposed to be spent by KPLC to upgrade the power distribution system.

Under this Head, the Ministry has allocated Kshs.4.83 billion to the Kenya Electricity Transmission Company (KETRACO) for construction of a new transmission lines including the proposed 400KV line from Mombasa to Nairobi. This new company will provide a major relief to consumers as electricity tariffs will not be raised to provide requisite funds for construction of new transmission lines as such lines will be largely funded by the Exchequer.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 9,279,626,916 be allocated to the Ministry for the expenditure proposed in the items under Head 435 and that the Ministry be allowed to raise Appropriations-in-Aid amounting to Kshs. 4,523,777,462 to finance its operations.

vi) Head 436: Geothermal Resources Exploration

The proposed net expenditure under this Head is Kshs. 5,720,678,000. This is in addition to the Kshs. 1,313,514,329 that the Ministry expects to raise as Appropriations-in-Aid from internal sources and development partners.

The Committee notes that Kshs.5.464 billion of this allocation will be spent in drilling of more geothermal development wells for steam production. This will be done by the newly formed company, the Geothermal Development Company (GDC) which has been established to undertake exploratory, appraisal and development drilling in identified geothermal fields.

To compliment this allocation, Kshs.810 million has been provided as loan from the World Bank under the Energy Sector Recovery Project for the development of a third 35 MW unit at Olkaria.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 5,720,678,000 be allocated to the Ministry for the expenditure proposed in the items under Head 436 and that the Ministry be allowed to raise Appropriations-in-Aid amounting to Kshs. 1,313,514,329 to finance its operations.

vii)Head 444: Rural Electrification Programme

The proposed net expenditure under this Head is Kshs. 5,416,322,000. In addition, the Ministry intends to raise Kshs.2, 623,299,999 as Appropriations-in-Aid from internal and external sources.

The Committee notes that allocations to this Head have been reduced by Kshs.2.4 billion from last year's figures. The gross expenditure under this Head is Kshs.8.04 billion. Kshs.1 billion will be paid to KPLC to cover over-runs of projects implemented by KPLC on behalf of the government under the Rural Electrification Programme (REP).

The Committee was concerned that despite the Minister for Finance, in his speech, allocating Kshs.7 billion towards REP, only Kshs.4.87 billion is actually allocated to the Rural Electrification Authority (REA). REP is an important programme towards the government's policy of 'expanding access to affordable energy supplies to all Kenyans'. Another concern by the Committee is the inclusion of 'urban' districts under the REP. Nairobi East, Nairobi West and Nairobi North Districts have been allocated a total of Kshs.37.2 million.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 5,416,322,000 be allocated to the Ministry for the expenditure proposed in the items under Head 444 and that the Ministry be allowed to raise Appropriations-in-Aid amounting to Kshs. 2, 623,299,999 to finance its operations.

Recommendation.

The Committee recommends that in line with Vision 2030 future allocations to REP should be increased so as to ensure access to affordable, reliable and safe supply of energy to Kenyans. They should also be itemized separately to show exactly how much has been actually allocated to the Programme.

viii) Head 427: Petroleum and Coal Exploration

The Ministry expects to raise Kshs.936, 895,250 as Appropriations-in-Aid (A-in-A) from internal sources and proposes to spend the whole of this amount to finance its operations under this Head, making the net expenditure to be Nil.

The Committee notes that Kshs. 331.9 million has been allocated towards the exploration of Coal, Oil and natural gas. Kshs. 5 million is being allocated to Kenya Pipeline for feasibility study for the design and construction of LPG import handling facilities in Mombasa. A further Kshs. 150 million is being allocated to National Oil Company (NOCK) to facilitate acquisition of additional primary data in the four sedimentary basins of Lamu, Anza, Mandera and Tertiary Rift. Kshs. 450 million will be allocated to NOCK for construction of its headquarters that will also house the Ministry's headquarters.

The Committee observed that allocations are being made to State Corporations that are profitable. It was also observed that the Ministry generates a lot of funds from A-in-A and then allocating resources to non-viable projects. Further the Committee noted that the Ministry had requested for Kshs.500 million from the Exchequer towards the construction of the proposed NOCK headquarters – in addition to Kshs.450 million from A-in-A. The same building is projected to cost additional Kshs.1 billion in the next 2 years.

The Committee is NOT agreeable to the proposal by the Minister under this Head.

Recommendations.

The Committee recommends that:-

- i) Future allocations to State Corporations that are profitable, such as, KPC and NOCK be stopped. Instead, the government should guarantee loans to such Corporations to ensure that the management work hard to repay such loans and remain profitable.
- ii) The proposed building of NOCK headquarters be shelved since even the Treasury did not allocate the Kshs.500 million requested for the same.
- iii) The excess Appropriations-in-Aid of Kshs.450 million that was meant for construction of NOCK headquarters under Item 3110500 be surrendered to Treasury for re-allocation.

2.0 MINISTRY OF INFORMATION AND COMMUNICATIONS

2.1 Introduction

12. The Ministry of Information and Communication is mandated to provide equitable and affordable quality information and communication services. This includes policy formulation for Information Communications Technology, broadcasting, film development, dissemination of public information as well as oversight of the Semi Autonomous Government Agencies that fall under the jurisdiction of the ministry.
13. Communication is vital to the attainment of the development agenda of the country because increased access to information, through better communication directly impacts on economic growth. The Vision 2030 identifies Business Process Outsourcing, which is heavily dependent on ICT, as one of the sectors that will immeasurably drive the growth of the economy.
14. Between 2007 and 2008, the telecommunications industry witnessed an increase in foreign direct investment as a result of the privatization of the fixed line operator – Telkom Kenya - and over the same period, competition in the market also intensified due to increased rollout of services by Orange Mobile and the launching of services by Econet Kenya Limited. Safaricom was also assigned a spectrum for 3G commercial services which was initially rolled out in Nairobi and Mombasa. The telecommunications subsector continued to experience tremendous growth fuelled by heavy investment in the mobile telephone sub-sector, indicating a preference in the country for electronic means of communication. However, among the telecommunications services, internet is among the least accessible in the country, which is mainly due to the weak competition regulatory framework as well as the lack of the fibre-optic cable which means set-up costs are relatively high. For broadcasting, there was increased demand for spectrum allocation and CCK assigned a total of 30 FM new frequencies out of a total of 295 applications while the number of applicants awaiting allocation for TV frequencies increased from 143 in 2007 to 192 in 2008. Circulation of newspapers also experienced an increase, for both English and Swahili print media.
15. The Ministry should work on its strategies by improving universal access to ICT services to the public by developing appropriate infrastructure, establishing digital villages and provide affordable ICT hardware and software. Public service provision through E-governance should be prioritized.
16. The Ministry should ensure that the Kenya Broadcasting Corporation (KBC) is revamped and made competitive. The government needs to step in and bail the Corporation out of its looming collapse. Further, the Postal Corporation of Kenya needs to re-engineer itself and change its strategy since the number of mails has dropped by 80%.

17. The Ministry lost out on two State Corporations - Telkom Kenya which is now a private company and no longer under control of the Ministry; and Multimedia University, formerly KCCT, which is now a university under the Ministry of Higher Education but its assets and Board of Management are under the Ministry of Information and Communications.

2.2 Allocations for the Financial Year 2009/2010

18. The net estimate of the Ministry for the Financial Year 2009/2010 amounts to Kshs. 4,401,006,880 compared to a total net of Kshs. 2,668,229,250 in the last financial year reflecting a net increase of Kshs. 1,732,777,630. This Ministry also expects to raise Kshs. 106,718,000 as Appropriations-in-Aid from internal and external sources. However, the Ministry had requested for Kshs. 20.16 billion from the Treasury. The estimates as per the sub-votes are as follows:-

Table 2

Sub-Vote		2008/2009		2009/2010		Change	
		Recurr.	Dev.	Recurr.	Dev.	Recurr.	Dev.
320: General Admin. & Planning	Gross	781,764,701	1,927,570,669	766,847,402	3,220,218,000	(14,917,299)	1,292,647,331
	A-in-A	82,445,599	493,570,669	82,445,599	4,218,000	-	(489,352,669)
	Net	699,319,102	1,434,000,000	684,401,803	3,216,000,000	(14,917,299)	1,782,000,000
322: Information and News Services	Gross	261,135,197	20,000,000	270,691,046	3,300,000	9,555,849	(16,700,000)
	A-in-A	4,054,401	-	4,054,401	-	-	-
	Net	257,080,796	20,000,000	266,636,646	3,300,000	9,555,850	(16,700,000)
323: Training	Gross	121,728,000	50,000,000	123,424,745	25,000,000	1,696,745	(25,000,000)
	A-in-A	10,500,000	-	11,000,000	-	500,000	-
	Net	111,228,000	50,000,000	112,424,745	25,000,000	1,196,745	(25,000,000)
325: Film Production Department	Gross	81,101,352	20,000,000	78,243,687	20,000,000	(2,857,665)	-
	A-in-A	4,500,000	-	5,000,000	-	500,000	-
	Net	76,601,352	20,000,000	73,243,687	20,000,000	(3,357,665)	-
Total	Gross	1,245,729,250	2,017,570,669	1,239,206,880	3,268,518,000	(6,522,370)	1,250,947,331
	A-in-A	101,500,000	493,570,669	102,500,000	4,218,000	1,000,000	(489,352,669)
	Net	1,144,229,250	1,524,000,000	1,136,706,880	3,264,300,000	(7,522,370)	1,740,300,000

Source: 2009/2010 Estimates of Recurrent Expenditure of the Government of Kenya for the Year ending 30th June, 2010. Vol. III; and 2009/2010 Estimates of Development Expenditure of the Government of Kenya for the Year ending 30th June, 2010. Vol. II.

2.2.1 Recurrent Expenditure (R.32)

19. The net estimate allocated for Recurrent Expenditure (Vote R.32) for the Ministry is Kshs. 1,136,706,880 (One Billion, one hundred and thirty six million, seven hundred and six thousand, eight hundred and eighty shillings). This reflects a net decrease of Kshs. 7,522,370. The Committee was informed that this decrease is attributable to reduction on provision of telephone services, advertisement and publicity and purchase of furniture and fittings. This net expenditure is in addition to Kshs.102, 500,000 as Appropriations-in-Aid making a gross recurrent expenditure of Kshs.1.24 billion.
20. Examination of Heads, by the Committee, under Vote R.32 was as follows:-

i) Head 287: Headquarters Administrative Services

The proposed net expenditure under this Head is Kshs.507, 250,853. In addition, the Ministry intends to raise Kshs.1, 945,599 as Appropriations-in-Aid from internal sources.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 507, 250,853 be allocated to the Ministry for the expenditure proposed in the items under Head 287 and that the Ministry be allowed to raise Appropriations-in-Aid amounting to Kshs. 1, 945,599 to finance its operations.

ii) Head 406: Directorate of Communication

The proposed net expenditure under this Head is Kshs.12, 146,000. In addition, the Ministry intends to raise Kshs.64, 000,000 as Appropriations-in-Aid from internal sources.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 12, 146,000 be allocated to the Ministry for the expenditure proposed in the items under Head 406 and that the Ministry be allowed to raise Appropriations-in-Aid amounting to Kshs. 64,000,000 to finance its operations.

iii) Head 464: Central Planning Unit

The proposed net expenditure under this Head is Kshs.22, 488,950.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 22, 488,950 be allocated to the Ministry for the expenditure proposed on the items under Head 464.

iv) Head 713: Film Censorship Services

The proposed net expenditure under this Head is Kshs.126, 500,000. In addition, the Ministry intends to raise Kshs.16, 500,000 as Appropriations-in-Aid from internal sources and development partners.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 126, 500,000 be allocated to the Ministry for the expenditure proposed in the items under Head 713 and that the Ministry be allowed to raise Appropriations-in-Aid amounting to Kshs. 16,500,000 to finance its operations.

v) Head 781: Financial Management and Procurement Services

The proposed net expenditure under this Head is Kshs.16, 016,000.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 16, 016,000 be allocated to the Ministry for the expenditure proposed in the items under Head 781.

vi) Head 653: Directorate of Information

The proposed net expenditure under this Head is Kshs.97, 491,934.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 97, 491,934 be allocated to the Ministry for the expenditure proposed in the items under Head 653.

vii) Head 654: Provincial and District Information

The proposed net expenditure under this Head is Kshs.127, 852,663.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 127, 852,663 be allocated to the Ministry for the expenditure proposed in the items under Head 654.

viii) Head 655: Publication, Photography and Kenya News Agency

The proposed net expenditure under this Head is Kshs.10, 148,566. In addition, the Ministry intends to raise Kshs.3,000,000 as Appropriations-in-Aid from internal sources.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 10,148,566 be allocated to the Ministry for the expenditure proposed in the items under Head 655 and that the Ministry be allowed to raise Appropriations-in-Aid amounting to Kshs. 3,000,000 to finance its operations.

ix) Head 656: Mobile Cinema and Library Services

The proposed net expenditure under this Head is Kshs.8, 912,442.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 8, 912,442 be allocated to the Ministry for the expenditure proposed in the items under Head 656.

x) Head 658: Rural Press

The proposed net expenditure under this Head is Kshs.18, 101,921. In addition, the Ministry intends to raise Kshs.1,054,401 as Appropriations-in-Aid from internal sources.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 18, 101,921 be allocated to the Ministry for the expenditure proposed in the items under Head 658 and that the Ministry be allowed to raise Appropriations-in-Aid amounting to Kshs. 1,054,401 to finance its operations.

xi) Head 659: Central Media Services

The proposed net expenditure under this Head is Kshs.4, 129,119.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 4, 129,119 be allocated to the Ministry for the expenditure proposed in the items under Head 659.

xii) Head 665: Kenya Institute of Mass Communication

The proposed net expenditure under this Head is Kshs.112, 424,745. In addition, the Ministry intends to raise Kshs.11, 000,000 as Appropriations-in-Aid from fees paid by students.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 112, 424,745 be allocated to the Ministry for the expenditure proposed in the items under Head 665 and that the Ministry be allowed to raise Appropriations-in-Aid amounting to Kshs. 11,000,000 to finance its operations.

xiii) Head 723: Film Production Department - Headquarters

The proposed net expenditure under this Head is Kshs.49, 631,632. In addition, the Ministry intends to raise Kshs.5, 000,000 as Appropriations-in-Aid from internal sources.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 49, 631,632 be allocated to the Ministry for the expenditure proposed in the items under Head 723 and that the Ministry be allowed to raise Appropriations-in-Aid amounting to Kshs. 5,000,000 to finance its operations.

xiv) Head 724: Film Production Department - Field

The proposed net expenditure under this Head is Kshs.23, 612,055.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 23, 612,055 be allocated to the Ministry for the expenditure proposed on the items under Head 724.

2.2.2 Development Expenditure (D.32)

21. The net estimate allocated for Development Expenditure (Vote D.32) for the Ministry is Kshs. 3,264,300,000 (Three billion, two hundred and sixty four million, three hundred thousand). This reflects a net increase of Kshs. 1,740,300,000. The Committee noted that this increase was due to the provision for acquisition of land for the proposed ICT Park (Kshs.800 million) and also provision for the Economic Stimulus for Constituencies. A further Kshs.4,218,000 as Appropriations-in-Aid from development partners is proposed to be spent under this vote.

22. Examination of Heads, by the Committee, under Vote D.32 was as follows:-

i) Head 287: Headquarters Administrative Services

The proposed net expenditure under this Head is Kshs.3, 194,000,000. In addition, the Ministry intends to raise Kshs.4, 218,000 as Appropriations-in-Aid from development partners.

The Committee notes that:-

- a) Other Operating Expenses under Item 2211300 had increased from Kshs. 5 million in the year 2008/2009 to Kshs. 215 million this year. Kshs.210 million will be spent to operationalize mobile computer laboratories in the 210 constituencies. Each constituency will get Kshs.1 million for day to day operating costs for the mobile computer classes.
- b) The purchase of office furniture and general equipment under Item 3111000 has been allocated Kshs.600 million, whereas no monies were allocated in the last financial year. This goes against the policy of cutting expenditure in non-priority areas. The Minister informed the Committee that this amount will be used to purchase 210 buses and equip them with furniture, computers, solar panels and servers for the mobile computer laboratories in the 210 constituencies.
- c) Under Item 3130100 the Ministry intends to acquire 5,000 acres of land at Malili ranch near Machakos for the ICT Park at a price of Kshs. 200,000 per acre. The total being Kshs. 1 billion. However, the Ministry has been allocated Kshs.800 million this year and Kshs.400 million in the last financial year 2008/2009 totaling to Kshs. 1.2 billion. It is also projected that acquisition of land will cost the Ministry a further Kshs.3.5 billion in the next two years. The Minister informed the Committee that the Kshs.200 million will be used to meet the costs of transaction advisor and other consultancy services.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 3, 194,000,000 be allocated to the Ministry for the expenditure proposed in the items under Head 713 and that that the Ministry be allowed to raise Appropriations-in-Aid amounting to Kshs. 4,218,000 to finance its operations.

Recommendations.

The Committee recommends that:-

- a) The Ministry should carry out a study to determine the size of land it needs. Meanwhile future allocations to the Ministry for acquisition of land should be stopped.
- b) The Ministry put mechanisms in place to govern the operations of the mobile computer laboratories.

ii) Head 713: Film Censorship Services

The proposed net expenditure under this Head is Kshs.22, 000,000.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 22, 000,000 be allocated to the Ministry for the expenditure proposed in the items under Head 713.

iii) Head 654: Provincial and District Information

The proposed net expenditure under this Head is Kshs.3, 300,000.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 3, 300,000 be allocated to the Ministry for the expenditure proposed in the items under Head 654.

iv) Head 665: Kenya Institute of Mass Communication

The proposed net expenditure under this Head is Kshs.25, 000,000.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 25, 000,000 be allocated to the Ministry for the expenditure proposed in the items under Head 665.

v) Head 723: Film Production Department - Headquarters

The proposed net expenditure under this Head is Kshs.20, 000,000.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 20, 000,000 be allocated to the Ministry for the expenditure proposed in the items under Head 723.

3.0 RECOMMENDATIONS

The Committee makes the following overall recommendations:-

1. Vote R.30

- i) That the proposal by the Minister to withdrawal from the Consolidated Fund a sum of Kshs. 197,179,040 (One hundred and ninety seven million, one hundred and seventy nine thousand and forty shillings) for Recurrent Expenditure under the Ministry of Energy, be approved.
- ii) That the Ministry be allowed to raise Kshs.174, 937,217 (One hundred and seventy four million, nine hundred and thirty seven thousand, two hundred and seventeen) as Appropriations-in-Aid to finance its operations.

2. Vote D.30

- i) That the proposal by the Minister to withdrawal from the Consolidated Fund a sum of Kshs. 20,819,111,700 (Twenty billion, eight hundred and nineteen million, one hundred and eleven thousand, and seven hundred) for Development Expenditure under the Ministry of Energy, be approved .
- ii) That the Ministry's proposal to raise Kshs. 9, 821,534,090 as Appropriations-in-Aid to finance its operations be **REDUCED** by Kshs. 450 million. This reduction will affect the proposed building of NOCK headquarters which should be shelved.
- iii) That the excess Appropriations-in-Aid of Kshs.450 million that was meant for construction of NOCK headquarters under Head 427, Item 3110500 be surrendered to Treasury for re-allocation.
- iv) That future allocation to State Corporations that are profitable, such as, KPC and NOCK be stopped. Instead, the government should guarantee loans to such Corporations to ensure that the management work hard to repay such loans and remain profitable
- v) That further allocations towards the expenditure on studies on the demand of petroleum products to determine the size and timing for construction of a second oil pipeline from Mombasa to Nairobi be stopped as the construction of another pipeline from Mombasa is long overdue. From the information given by the Minister, it is evident that a second pipeline is needed and therefore no need for further studies to determine whether or when to build the pipeline.
- vi) That in line with Vision 2030 future allocations to Rural Electrification Programme should be increased so as to ensure access to affordable, reliable and safe supply of energy to Kenyans. The estimates should be itemized separately to show exactly how much has been actually allocated to the Programme.

3. Vote R.32

- i) That the proposal by the Minister to withdrawal from the Consolidated Fund a sum of Kshs. 1,136,706,880 (One Billion, one hundred and thirty six million, seven hundred and six thousand, eight hundred and eighty shillings) for Recurrent Expenditure under the Ministry of Information and Communications, be approved.
- ii) That the Ministry be allowed to raise Kshs. 102, 500,000 (One hundred and two million, five hundred thousand) as Appropriations-in-Aid to finance its operations.

4. Vote D.32

- i) That the proposal by the Minister to withdrawal from the Consolidated Fund a sum of Kshs. 3,264,300,000 (Three billion, two hundred and sixty four million, three hundred thousand) for Development Expenditure under the Ministry of Information and Communications, be approved.
- ii) That the Ministry be allowed to raise Kshs. 4,218,000 (Four million, two hundred and eighteen thousand) as Appropriations-in-Aid to finance its operations.
- iii) That the Ministry should carry out a study to determine the size of land it needs. Meanwhile future allocations to the Ministry for acquisition of land should be stopped.
- iv) The Ministry put mechanisms in place to govern the operations of the mobile computer laboratories.

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX

MINUTES OF THE SECOND SITTING OF THE DEPARTMENTAL COMMITTEE ON ENERGY, COMMUNICATION AND INFORMATION HELD ON TUESDAY 7TH JULY, 2009 IN THE MAIN CONFERENCE ROOM, COUNTY HALL, PARLIAMENT BUILDINGS AT 3.00 P.M.

PRESENT

- | | |
|--|----------------------|
| 1. The Hon. (Eng.) James Rege, M.P. | Chairman |
| 2. The Hon. Maina Kamau, M.P | Vice Chairman |
| 3. The Hon. Danson Mwazo Mwakulegwa, M.P | |
| 4. The Hon. Mohamed Hussein Ali, M.P | |
| 5. The Hon. (Eng.) Nicholas Gumbo, M.P | |
| 6. The Hon. Wilfred Ombui, M.P | |
| 7. The Hon. Edwin O. Yinda, M.P | |
| 8. The Hon. Emilio Kathuri, M.P | |
| 9. The Hon. Ekwee Ethuro ,M.P | |
| 10. The Hon. Cyprian Omolo, M.P | |

ABSENT

The Hon. (Prof) Phillip Kaloki, M.P

IN ATTENDANCE:

1. Mr. Nicodemus Odongo
2. Mr. Zakayo Mogere
3. Mr. Gichohi Mwaniki
4. Mr. David Chumo

NATIONAL ASSEMBLY:

Budget Officer I
Second Clerk Assistant
Intern, Budget Office
Parliamentary Intern

MIN. NO. 004/2009:

CONFIRMATION OF MINUTES OF PREVIOUS SITTING

Confirmation of Minutes of the First Sitting was deferred to a later date.

MIN. NO. 005/2009:

BRIEFING BY THE OFFICE OF THE FISCAL ANALYSIS ON VOTE 30 & 32 OF THE 2009/10 ESTIMATES.

The Budget Officer took the Committee through the printed Estimates of the Ministry of Energy and the Ministry of Information and Communications. The Committee was informed that the two Ministries were allocated a total of Kshs.31, 012,762,047 and Kshs. 4,507,724,880 respectively. The breakdown between Recurrent and Development expenditure is as follows:-

	Ministry of Energy	Ministry of Info. & Communications
<u>Recurrent</u> –Net Approved 2008/09	190,937,090	1,144,229,250
Gross Expenditure 2009/10	372,116,257	1,239,206,880
Appro. In Aid 2009/10	174,937,217	102,500,000
Net Expenditure 2009/10	197, 179,040	1,136,706,880
<u>Development</u>-Net Approved 2008/09	21,146,029,870	1,524,000,000
Gross Expenditure 2009/10	30,640,645,790	3,268,518,000
Appro. In Aid 2009/10	9,821,534,090	4,218,000
Net Expenditure 2009/10	20,819,111,700	3,264,300,000
Total – Gross 2009/10	31, 012,762,047	4,507,724,880
Total – Net 2009/10	21,016,290,740	4,401,006,880

Members noted the issues raised against respective Vote Heads in the brief and asked the Secretariat to summarize the issues in form of questions to be used when the Ministers appear before the Committee.

MIN. NO. 006/2009: ADJOURNMENT.

There being no other business for discussion, the Chair adjourned the meeting at fifteen minutes past five O'clock, until Wednesday 8th July 2009 at 9.30 am.

Hon. (Eng.) James Rege, MP

SIGNED:.....

CHAIRPERSON

14th July, 2009

DATE:.....

MINUTES OF THE THIRD SITTING OF THE DEPARTMENTAL COMMITTEE ON ENERGY, COMMUNICATION AND INFORMATION HELD ON WEDNESDAY 8TH JULY, 2009 IN THE MAIN CONFERENCE ROOM, COUNTY HALL, PARLIAMENT BUILDINGS AT 10.00 A.M.

PRESENT

1. The Hon. (Eng.) James Rege, M.P. **Chairman**
2. The Hon. Danson Mwazo Mwakulegwa, M.P
3. The Hon. Mohamed Hussein Ali, M.P
4. The Hon. (Eng.) Nicholas Gumbo, M.P
5. The Hon. Wilfred Ombui, M.P
6. The Hon. Edwin O. Yinda, M.P
7. The Hon. Emilio Kathuri, M.P
8. The Hon. Cyprian Omolo, M.P

ABSENT

1. The Hon. Maina Kamau, M.P **Vice Chairman**
2. The Hon. Ekwere Ethuro, M.P
3. The Hon. (Prof) Phillip Kaloki, M.P

IN ATTENDANCE:

1. Hon. Kiraitu Murungi, EGH, MP
2. Hon. (Amb.) Mohamed Maalim, MP
3. Hon. Charles Keter, MP
4. Mr. Patrick M. Nyoike, CBS
5. Eng. Joel M. Kiilu
6. Eng. Joseph K. Njoroge
7. Mr. Mwendia Nyaga
8. Eng. Kaburu Mwirichia
9. Mr. Zachary O. Ayieko
10. Mr. Eddy Njoroge
11. Mr. Selest Kilinda
12. Mr. B. Khadiagala
13. Mr. Samuel Odoyo
14. Ms. Elizabeth Akinyi
15. Mr. Ken Mugambi
16. Mr. Urbanus Musinga
17. Mr. John Mudany
18. Mr. James Kilonzo
19. Mr. Daniel Njuguna
20. Mr. Enoch N. Onchwari
21. Mr. Ng'ang'a Munyu
22. Mr. John M. Omenge
23. Mr. Wilfred Deche
24. Mr. Daniel Muthike

MINISTRY OF ENERGY

Minister for Energy.
Assistant Minister for Energy
Assistant Minister for Energy.
Permanent Secretary for Energy (MOE)
Ag. MD, KETRACO
MD, KPLC
MD, NOCK
Director General, ERC
CEO, REA
MD, KENGEN
Kenya Pipeline Corporation
Chief Finance officer
Ag. Finance Manager KPC
Snr Planning Officer KPC
Strategic Planning Officer, NOCK
Finance Manager, NOCK
Finance Director, KENGEN
Snr Manager, Finance & Strategic Planning ERC
Ag. Finance Manager KETRACO
Chief Manager, Finance REA
General Manager, REA
Chief Geologist, MOE
Chief Economist, MOE
Transformation Manager, KENGEN

25. Mr. Stanley K.Mutwiri
26. Mr. Lawrence Yego
27. Eng. Ole Nchoe
28. Mr. Silas Simiyu
29. Mr. John Oyomba
30. Mr. Joseph K.Kwambai

Team Leader Scale up, KPLC
Chief Manager, Finance, KPLC
Chief Manager, IT&T, KPLC
Geothermal Development Authority
MOE
MOE.

IN ATTENDANCE:

1. Mr. Onderi N. Ontweka
2. Ms. Janet Nalyanya

MINISTRY OF FINANCE/TREASURY

Chief Finance Officer, Ministry of Finance
Finance Officer, Ministry of Finance

IN ATTENDANCE:

1. Mrs. Phyllis Makau
2. Mr. Zakayo Mogere
3. Mr. Gichohi Mwaniki
4. Mr. David Chumo
5. Mr. Albert Langat

NATIONAL ASSEMBLY

Principal Budget Officer
Second Clerk Assistant
Intern, Budget Office
Parliamentary Intern
Parliamentary Intern

MIN. NO. 007/2009: PRAYER

The proceedings were opened with a word of prayer by Mrs. Phyllis Makau.

MIN. NO. 008/2009: MEETING WITH THE MINISTER FOR ENERGY

The Minister for Energy accompanied by two Assistant Ministers, the Permanent Secretary, Mr. Patrick Nyoike and other Ministry officials appeared before the Committee and took Members through the mandate and functions of the Ministry and the Budget Estimates allocated to the Ministry for the Financial Year 2009/2010. The Minister informed the Committee that:-

- i) The Ministry comprises of three sub-sectors of Electricity, Petroleum and Renewable Energy. The Electricity sub-sector faces challenges of reliability and inadequate generation of power. The Petroleum sub-sector is faced with challenges of limited pumping capacity coupled with rising costs of petroleum products while there are no tacit systems in place to utilize renewable energy fully.
- ii) The Ministry had been allocated Kshs.31.013 billion out of their request of Kshs. 49.2 billion for year 2009/10. The Development expenditure will take Kshs. 30.64 billion while the Recurrent expenditure takes Kshs. 0.373 billion.
- iii) Arising from the insufficient allocations given to the Ministry, several projects are unfunded and /or underfunded. These projects include emergency power rentals to bridge the gap between demand and supply; expansion of transmission systems countrywide; drilling of geothermal wells; Rural electrification projects; and oil exploration by NOCK.

- iv) Two new companies have been formed under the Ministry – Kenya Electricity Transmission Company (KETRACO) and Geothermal Development Company (GDC). KETRACO will undertake new transmission lines with Government Budgetary support of Kshs. 4.56 billion for construction of new transmission lines and Kshs.266 million for its operations. GDC will undertake exploratory, appraisal and development drilling in identified geothermal fields. To this end, Kshs. 5.464 billion has been allocated to drill more geothermal wells and a further Kshs.256 million has been provided for the recurrent cost of GDC.
- v) The Ministry intends to upgrade power distribution system of KPLC by allocating Kshs.5.3 billion towards this project. A further Kshs.3.1 billion has been allocated for remittance to Kengen for subsidizing the cost of emergency power generation capacity of 146 MW and acquisition of another 80 MW to address the current drought related imbalance.
- vi) The Rural Electrification Program (REP) was allocated Kshs.8.039 billion of which Kshs. 1 billion is to KPLC to cover over-run of projects it implemented under the REP.
- vii) The Ministry intends to provide Kshs. 600 million to NOCK out of which Kshs.150 million will be used to facilitate acquisition of additional primary data in the four sedimentary basins of Lamu, Anza, Mandera and Tertiary Rift. A further Kshs. 450 million will be spent to construct the NOCK headquarters building.

While interrogating the Estimates of the Ministry, Members noted that:-

- i) Allocations for REA had been reduced despite its impact on people's lives - (Kshs.10.635 billion last year to Kshs.8.039 billion this year). According to the Minister, REA intends to connect 1 million Kenyans by 2012 – having connected 200,002 persons in the last one year.
- ii) Some districts earmarked for REP are not 'rural'. Such districts classified as rural are Nairobi West, East and North. The Minister informed the Committee that the Energy Act does not distinguish between urban and rural. The Act gives mandate to supply electricity to areas of low economic activity.
- iii) The Ministry under Head 427 for the Development expenditure intends to allocate Kshs. 5 million to Kenya Pipeline for feasibility study for the design and construction of LPG import handling facilities in Mombasa. Kenya Pipeline is a profit making organization and the Committee was concerned at the practice of allocating funds to profitable State Corporations. Under the same Head, the Ministry proposes to allocate Kshs.600 million to NOCK, Kshs.450 million of which is to build its headquarters which will also house the Ministry headquarters. Members were concerned and asked the Minister why the Ministry could not build its headquarters and then house NOCK. Further the Committee asked the Minister to avail details of how the Kshs.450 million for construction, was arrived at.
- iv) The Ministry under Head 433 for the Development expenditure intends to allocate Kshs.30 million to Kenya Association of Manufacturers (KAM) towards investment grade energy audits – a campaign for promotion of energy efficiency and conservation efforts aimed at reduction of cost of energy to manufacturers. The Committee was concerned that such funds were not being used for public campaign on energy efficiency. However the Minister informed the Committee that an allocation to KAM would encourage and protect our industries and thus keep jobs in Kenya.

- v) The Committee was concerned about the performance and operational capacity of the Kenya Pipeline Corporation. Members noted that KPC was losing out its Rwanda & Burundi market to Tanzania as a result of its incapacity and price charged. It was further noted that in some instances, road transport of petroleum products is cheaper than pipeline. The Minister assured the Committee that reforms are on-going in KPC and that most Board members had been replaced and senior management will be recruited competitively. The Committee was also informed that the Ministry now has a mechanical engineer who will be instrumental in evaluation of projects.

MIN. NO. 009/2009: PAPER LAID

The Minister, Hon. Kiraitu Murungi laid the following papers before the Committee:-

- i. *Statement to the Departmental Committee on Energy, Communications and Information on the examination of estimates for Ministry of Energy (R 30 & D 30) For 2009/10 Financial year by the Permanent Secretary.*
- ii. *Ministry of Energy Strategic Plan 2008/2012*
- iii. *Draft 5 year Corporate Strategic Plan for Kenya Power & Lighting Company*
- iv. *Kenya Power and Lighting Company Ltd. Budget for 2009/2010*
- v. *Rural Electrification Authority Strategic Plan 2008-2012*
- vi. *Rural Electrification Authority Budget for 2009-2010*
- vii. *Kengen Budget 2009-2010*
- viii. *Kengen Business Plan 2008-2013*
- ix. *National Oil Corporation of Kenya Strategic Plan 2009/2013*
- x. *National Oil Corporation of Kenya Budget 2009/2010*
- xi. *Kenya Pipeline Company Ltd 5year Corporate Strategic Plan 2008/09- 2012/13*
- xii. *Kenya Pipeline Company Ltd budget 2009/10*
- xiii. *Energy Regulatory Commission budget 2009/10*

The Minister undertook to forward a list of all projects funded directly by the Ministry.

MIN. NO. 010/2009: ADJOURNMENT.

There being no other business for discussion, the Chair adjourned the meeting at fifty minutes past two O'clock, until Thursday 9th July 2009 at 9.30 a.m.

Hon. (Eng.) James Rege, MP

SIGNED:.....

CHAIRPERSON

22nd July, 2009

DATE:.....

MINUTES OF THE FOURTH SITTING OF THE DEPARTMENTAL COMMITTEE ON ENERGY, COMMUNICATION AND INFORMATION HELD ON THURSDAY 9TH JULY, 2009 IN THE MAIN CONFERENCE ROOM, COUNTY HALL, PARLIAMENT BUILDINGS AT 9.45 A.M.

PRESENT

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|--|-----------------|
| 1. The Hon. (Eng.) James Rege, M.P. | Chairman |
| 2. The Hon. Danson Mwazo Mwakulegwa, M.P | |
| 3. The Hon. Mohamed Hussein Ali, M.P | |
| 4. The Hon. (Eng.) Nicholas Gumbo, M.P | |
| 5. The Hon. Wilfred Ombui, M.P | |
| 6. The Hon. Edwin O. Yinda, M.P | |
| 7. The Hon. Emilio Kathuri, M.P | |
| 8. The Hon. Ekwere Ethuro, M.P | |
| 9. The Hon. (Prof) Phillip Kaloki, M.P | |
| 10. The Hon. Cyprian Omolo, M.P | |

ABSENT

The Hon. Maina Kamau, M.P	Vice Chairman
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IN ATTENDANCE:

MINISTRY OF INFORMATION & COMMUNICATIONS

- | | |
|-------------------------------------|--|
| 1. Hon. Samuel L. Pogishio, EGH, MP | Minister for Information and communication |
| 2. Dr. Bitange Ndemo, CBS | Permanent Secretary (MOIC) |
| 3. Mr. Charles J.K Njoroge. | Director General CCK |
| 4. Mr. Ezekiel Mutua | Director of Information |
| 5. Mr. David Pkosing | CEO, Kenya Film Censorship Board (KFCB) |
| 6. Mr. George O.Madanji | Head of procurement MOIC |
| 7. Ms. Christina Njoka | Head/HR &Admin ICT Board. |
| 8. Mr. Augustus Munywoki | Economist MOIC/CPPMU |
| 9. Mr. Evans O.Mogusu | Ag. Dep. Director MOIC/DFS |
| 10. Mr. Abraham Ondeng | Assistant Secretary MOIC/HQS |
| 11. Mr. Orare Mose | Ass. Director MOIC |
| 12. Mr. Murerwa Bernard | Ag. Director Finance &Strategy PCK |
| 13. Mr. Korir Peter | Asst. Manager/ Finance PCK |
| 14. Mr. Joseph Kimwele | Ag. Chief Finance Officer MOIC |
| 15. Mr. Hiram Mucheke | Ag. Principal, KIMC |
| 16. Mr. Ernest K. Kerich | Ag. Director of Film |
| 17. Ms. Catherine M. Shikoko | Principal Accountant, MOIC |
| 18. Mr. Paul G. Macharia | Senior Economist, MOIC |

IN ATTENDANCE:

MINISTRY OF FINANCE/TREASURY

- | | |
|------------------------|--------------------------------|
| 1. Mr. Felix Oulo | Budget supply Office, Treasury |
| 2. Mr. Titus G.Kariuki | Budget Supply Office ,Treasury |

IN ATTENDANCE:

1. Mr. Zakayo Mogere
2. Mr. Gichohi Mwaniki
3. Mr. David Chumo

NATIONAL ASSEMBLY

Second Clerk Assistant
Intern, Budget Office
Parliamentary Intern

MIN. NO. 011/2009:**PRAYER**

The proceedings were opened with a word of prayer by Ms. Christina Njoka.

MIN. NO. 012/2009:**MEETING WITH THE MINISTER FOR INFORMATION & COMMUNICATIONS**

The Minister for Information and Communications accompanied by the Permanent Secretary, Dr. Bitange Ndemo and other Ministry officials appeared before the Committee and took Members through the mandate and functions of the Ministry and the Budget Estimates allocated to the Ministry for the Financial Year 2009/2010. The Minister informed the Committee that:-

- i) The Ministry comprises of two interrelated sub-sectors of Information & Broadcasting; and Communications whose main policy priorities are: reduction of costs of access to ICT through infrastructure development, affordable hardware and software; enhancing economic productivity by lowering transaction costs; encouraging entrepreneurship innovation and create more jobs; and enabling universal access to technology and information to build a knowledge based economy.
- ii) The Ministry had been allocated Kshs.4.5075 billion out of their request for Kshs. 20.1637 billion for year 2009/10. In the previous year it had been allocated Kshs. 2.668 billion out of their request of Kshs. 13.32 billion.
- iii) Arising from the insufficient allocations given to the Ministry, several projects are unfunded and /or underfunded. These projects include the 10% final payment for the National Optic Fibre Network Backhaul Initiative (NOFBI), Analogue digital migration and modernization of KBC equipment, expansion of NOFBI project, National Data Centre, Information field offices, and the Kenya Transparency Communication Infrastructure Programme (KTCIP).
- iv) The Ministry's absorption capacity has always been 100% except for non remitted donor commitments as in the cases of KTCIP.
- v) The Kenya Broadcasting Corporation (KBC) is in the verge of collapsing unless the Government intervenes. KBC is in debts to the tune of Kshs. 23 billion due to mismanagement in the past and its outdated technology. The Treasury allocated Kshs. 200 million directly to KBC towards its modernization projects. KBC needs to change its operations from MW/SW to FM. This would reduce electricity bills from Kshs. 30 million per month to Kshs. 5 million.
- vi) The Postal Corporation of Kenya needs to re-engineer itself and change its strategy since the number of mails has dropped by 80%.

- vii) Multimedia University, formerly KCCT, is now a university under the Ministry of Higher Education.
- viii) Telkom Kenya is now a private company and no longer under control of the Ministry.

While interrogating the Estimates of the Ministry, Members noted with concern that:-

- i) KBC is of strategic importance to the country and should not be left to collapse. The Government should step in and ensure that the modernization projects are undertaken to ensure that the institution is modern, competitive and profitable.
- ii) Multi Media University was transferred to the Ministry of Higher Education without due process. The Board of Management of the institution is under CCK and its assets worth Kshs.2.4 billion are under the Ministry of Information and Communication.
- iii) The Ministry under Head 287 for the Development expenditure intends to acquire 5,000 ha of land at Malili ranch near Machakos for the ICT Park at a price of Kshs. 200,000 per acre. The total being Kshs. 1 billion. However, the Ministry has been allocated Kshs.800 million this year and Kshs.400 million in the last financial year 2008/2009 totaling to Kshs. 1.2 billion. It is also projected that acquisition of land will cost the Ministry a further Kshs.3.5 billion in the next two years.
- iv) The purchase of office furniture and general equipment under Head 287 on the Development expenditure has been allocated Kshs.600 million, whereas no monies were allocated in the last financial year. This goes against the policy of cutting expenditure in non-priority areas. The Minister informed the Committee that this amount includes construction of buildings.
- v) The operating expenses under Head 287 on the Development expenditure had increased from Kshs. 5 million in the year 2008/2009 to Kshs. 215 million this year. The Minister informed the Committee that the steep rise in the expenses relates to feasibility studies. However, feasibility studies are provided for as a separate item.

Members asked the Minister to furnish the Committee with more details and documentary evidence to support the estimates in (iii), (iv), and (v) above.

MIN. NO. 013/2009: PAPER LAID

The Minister, Hon Samuel Pogisho laid the following papers before the Committee:-

- i) Presentation of 2009/10 printed Estimates to the Departmental Committee on Energy, Communications and Information.*
- ii) Strategic Plan 2008-2012 for the Ministry of Information and Communications*
- iii) Ministry's District Allocation Budget 2009/2010*

The Minister undertook to forward budgets of State Corporations under the Ministry by Monday 13th July 2009.

MIN. NO. 014/2009: ADJOURNMENT.

There being no other business for discussion, the Chair adjourned the meeting at twenty minutes past twelve O'clock, until Tuesday 14th July 2009 at 2.30 p.m.

Hon. (Eng.) James Rege, MP

SIGNED:.....

CHAIRPERSON

14th July, 2009

DATE:.....

MINUTES OF THE FIFTH SITTING OF THE DEPARTMENTAL COMMITTEE ON ENERGY, COMMUNICATION AND INFORMATION HELD ON TUESDAY 14TH JULY, 2009 IN THE MAIN CONFERENCE ROOM, COUNTY HALL, PARLIAMENT BUILDINGS AT 2.30 P.M.

PRESENT

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|--|------------------------|
| 1. The Hon. (Prof) Phillip Kaloki, M.P | Acting Chairman |
| 2. The Hon. Mohamed Hussein Ali, M.P | |
| 3. The Hon. (Eng.) Nicholas Gumbo, M.P | |
| 4. The Hon. Edwin O. Yinda, M.P | |
| 5. The Hon. Emilio Kathuri, M.P | |

ABSENT

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|--|----------------------|
| 1. The Hon. (Eng.) James Rege, M.P. | Chairman |
| 2. The Hon. Maina Kamau, M.P | Vice Chairman |
| 3. The Hon. Danson Mwazo Mwakulegwa, M.P | |
| 4. The Hon. Wilfred Ombui, M.P | |
| 5. The Hon. Ekwee Ethuro, M.P | |
| 6. The Hon. Cyprian Omolo, M.P | |

IN ATTENDANCE:

1. Mr. Zakayo Mogere
2. Mr. David Chumo

NATIONAL ASSEMBLY

- Second Clerk Assistant
Parliamentary Intern

MIN. NO. 015/2009:

ELECTION OF ACTING CHAIRMAN

Pursuant to Standing Order 170 Members present unanimous elected the Hon. (Prof) Philip Kaloki to Chair the proceedings of the day.

MIN. NO. 016/2009:

CONFIRMATION OF MINUTES OF PREVIOUS SITTINGS

Minutes of the 1st Sitting held on 23rd June 2009 were confirmed as a true record of the deliberations and signed by the Acting Chair after being proposed by Hon. Mohamed Ali and seconded by Hon. Emilio Kathuri.

Minutes of the 2rd Sitting held on 7th July 2009 were confirmed as a true record of the deliberations and signed by the Acting Chair after being proposed by Hon. Edwin Yinda and seconded by Hon. (Eng) Nicholas Gumbo.

Confirmation of Minutes of the 3rd Sitting held on 8th July 2009 was deferred to a later date.

Minutes of the 4th Sitting held on 9th July 2009 were confirmed as a true record of the deliberation and signed by the Acting Chair after being proposed by Hon. Edwin Yinda and seconded by Hon. Emilio Kathuri.

MIN. NO. 017/2009: MATTERS ARISING

i) Under Min.012/2009: Meeting with the Minister for Information and Communications

Members directed the Secretariat to write to the Minister for Information to remind him to furnish the Committee with details and documentary evidence to support Estimates relating to Items 2211300, 3111000, and 3130100 of Head 287 of the Development expenditure.

ii) Under Min.013/2009: Paper Laid

The Committee noted that the Minister for Information and Communications had forwarded budgets of the following State Corporations, under his Ministry, as directed:-

- Brand Kenya Board
- Postal Corporation of Kenya (PCK)
- Kenya Broadcasting Corporation (KBC)
- ICT Board
- Kenya Film Commission
- Communications Commission of Kenya (CCK)
- Kenya Year Book Editorial Board.

It was noted that CCK, PCK and Gilgil Telecommunication Industries are self funding and did not request for funds from the Treasury.

MIN. NO. 019/2009: ADJOURNMENT.

There being no other business for discussion, the Chair adjourned the meeting at twenty five minutes past twelve O'clock, until Thursday 16th July 2009 at 2.30 p.m.

Hon. (Eng.) James Rege, MP

SIGNED:.....
CHAIRPERSON

16th July, 2009

DATE:.....

MINUTES OF THE SIXTH SITTING OF THE DEPARTMENTAL COMMITTEE ON ENERGY, COMMUNICATION AND INFORMATION HELD ON THURSDAY 16TH JULY, 2009 IN THE MAIN CONFERENCE ROOM, COUNTY HALL, PARLIAMENT BUILDINGS AT 3.00 P.M.

PRESENT

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|--|------------------------|
| 1. The Hon. (Prof) Phillip Kaloki, M.P | Acting Chairman |
| 2. The Hon. (Eng.) Nicholas Gumbo, M.P | |
| 3. The Hon. Ekwee Ethuro, M.P | |

ABSENT WITH APOLOGY

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| 1. The Hon. (Eng.) James Rege, M.P. | Chairman |
| 2. The Hon. Mohamed Hussein Ali, M.P | |

ABSENT

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| 1. The Hon. Maina Kamau, M.P | Vice Chairman |
| 2. The Hon. Edwin O. Yinda, M.P | |
| 3. The Hon. Emilio Kathuri, M.P | |
| 4. The Hon. Danson Mwazo Mwakulegwa, M.P | |
| 5. The Hon. Wilfred Ombui, M.P | |
| 6. The Hon. Cyprian Omolo, M.P | |

IN ATTENDANCE:

1. Mr. Zakayo Mogere
2. Mr. David Chumo

NATIONAL ASSEMBLY

- Second Clerk Assistant
Parliamentary Intern

MIN. NO. 020/2009:

ELECTION OF ACTING CHAIRMAN

Pursuant to Standing Order 170 Members present unanimous elected the Hon. (Prof) Philip Kaloki to Chair the proceedings of the day.

MIN. NO. 021/2009:

CONFIRMATION OF MINUTES OF PREVIOUS SITTINGS

Confirmation of Minutes of the 3rd Sitting held on 8th July 2009 was deferred to the next sitting.

Minutes of the 5th Sitting held on 14th July 2009 were confirmed as a true record of the deliberations and signed by the Acting Chair **subject to an amendment that the Hon. (Eng.) James Rege and Hon. Ekwee Ethuro were absent with apology.**

MIN. NO. 022/2009: CONSIDERATION OF SUBMISSIONS ON ESTIMATES – VOTE 30 AND 32

The Committee went through all Heads under the two Votes together with the submissions that were given by the respective Ministers when they appeared before the Committee.

Members agreed to the estimates in all Heads subject to receiving satisfactory explanation on the estimates of the Items that they had asked the Ministers to avail more information on. The Items are:-

- i) Ministry of Energy – Vote D.30, Head 427, Item 3110500 – Kshs.450 million for construction of NOCK headquarters.

- ii) Ministry of Information and Communications – Vote D.32, Head 287, Items 2211300, 3111000, and 3130100 – Operating Expenses, Purchase of office furniture and Acquisition of land.

MIN. NO. 023/2009: ADJOURNMENT.

There being no other business for discussion, the Chair adjourned the meeting at forty five minutes past three O'clock, until Tuesday 21st July 2009 at 10.00 am.

SIGNED:.....
CHAIRPERSON

DATE:.....

MINUTES OF THE SEVENTH SITTING OF THE DEPARTMENTAL COMMITTEE ON ENERGY, COMMUNICATION AND INFORMATION HELD ON WEDNESDAY 22ND JULY, 2009 IN COMMITTEE ROOM NO.7, MAIN PARLIAMENT BUILDINGS AT 9.20 A.M.

PRESENT

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|--|----------------------|
| 1. The Hon. (Eng.) James Rege, M.P. | Chairman |
| 2. The Hon. Maina Kamau, M.P | Vice Chairman |
| 3. The Hon. (Eng.) Nicholas Gumbo, M.P | |
| 4. The Hon. Edwin O. Yinda, M.P | |
| 5. The Hon. Emilio Kathuri, M.P | |
| 6. The Hon. Danson Mwazo Mwakulegwa, M.P | |
| 7. The Hon. Wilfred Ombui, M.P | |
| 8. The Hon. Cyprian Omolo, M.P | |

ABSENT WITH APOLOGY

The Hon. Mohamed Hussein Ali, M.P

ABSENT

1. The Hon. (Prof) Phillip Kaloki, M.P
2. The Hon. Ekwee Ethuro, M.P

IN ATTENDANCE:

Mr. Zakayo Mogere

NATIONAL ASSEMBLY

Second Clerk Assistant

MIN. NO. 024/2009:

PRAYER

The proceedings were opened with a word of prayer by Hon. (Eng.) Nicholas Gumbo.

MIN. NO. 025/2009:

CONFIRMATION OF MINUTES OF PREVIOUS SITTINGS

Minutes of the 3rd Sitting held on 8th July 2009 were confirmed as a true record of the deliberations and signed by the Chairperson after being proposed by Hon. Danson Mwakulegwa and seconded by Hon. Cyprian Omolo.

MIN. NO. 026/2009:

CONSIDERATION AND ADOPTION OF THE COMMITTEE REPORT ON THE ANNUAL ESTIMATES OF 2009/2010 FOR THE MINISTRIES OF ENERGY AND; INFORMATION AND COMMUNICATIONS– VOTE 30 AND 32

The Committee was informed that the Ministry of Information and Communications had responded to the issues that they had been asked to provide more information. The Committee was informed of the Ministry's proposed expenditure on the following Items under Head 287 of Vote D.32:-

i) Item 2211300 – Other Operating Expenses -Kshs. 215 million

The Committee was informed that Kshs. 210 million had been proposed for day to day operating costs for the mobile computer classes in 210 constituencies. This means that each constituent will be allocated Kshs.1 million towards the fueling of the bus, paying staff and all other expenses associated with the running of buses.

ii) Item 3111000 - Purchase of Office Furniture and General Equipment – Kshs.600 million

The Committee was informed that this amount will be used to purchase 210 Bus Chases at a cost of Kshs.2.2 million each. The amount will also be used to build bodies for the buses, furnish them to fit a class of 24-30 pupils, install computers and solar panels.

The Committee was concerned by the practicability of this project and why the expenditure was captured under the item of 'office furniture'. It was resolved that the Minister, while moving this Vote, be asked to shed more light on this project including its ownership and control and a proposal to fund the existing learning institutions rather than a moving bus.

iii) Item 3130100 – Acquisition of Land – Kshs.800 million

The Committee noted that Kshs.400 million had been paid as a down payment and that Kshs.800 million allocated this year was to settle the balance of Kshs. 600 million and also meet the cost of transaction adviser and other consultancy services.

It was resolved to seek more clarification, on the floor of the House, from the Minister on the Kshs.200 million that is set to meet the cost of transaction adviser and other consultancy services. The Committee also recommends that future allocations towards acquisition of land by the Ministry be stopped until the Ministry determines the size of land it requires.

Further, the Committee noted with concern that the Minister for Energy had failed to avail more information on the list of projects undertaken by the Ministry and the bill of quantities for the proposed National Oil Company of Kenya (NOCK) headquarters as he was asked to and reminded by a letter from the Clerk of the National Assembly dated 14th July, 2009.

In the absence of the above information the Committee recommends that the Ministry be denied authority to spend Kshs. 450 million from Appropriations-in-Aid to construct a headquarter for NOCK (Item 3110500, Head 427, Vote D.30). Further it is recommended that the excess Appropriations-in-Aid of Kshs. 450 million be surrendered to Treasury for re-allocation to more priority areas such as Rural Electrification Programme.

Members went through the draft report and adopted it subject to the above amendments. Hon Maina Kamau, the Vice Chairperson, was requested to Table the report on behalf of the Committee.

MIN. NO. 027/2009: ADJOURNMENT.

There being no other business for discussion, the Chair adjourned the meeting at fifty minutes past ten O'clock, until Friday 24th July 2009 at 10.00 am.

Hon. (Eng.) James Rege, MP

SIGNED:.....

CHAIRPERSON

22nd July, 2009

DATE:.....