Approved for tabling.
SNA
28/11/23

REPUBLIC OF KENYA

THE NATIONAL ASSEMBLY

THIRTEENTH PARLIAMENT – SECOND SESSION

DEPARTMENTAL COMMITTEE ON ENERGY

REPORT ON THE BUDGET IMPLEMENTATION MONITORING FOR FY 2022/2023 FOR THE FOLLOWING VOTES:
VOTE 1152 - STATE DEPARTMENT OF ENERGY
VOTE 1193 - STATE DEPARTMENT OF PETROLEUM

THE NATIONAL ASSEMBLY
PAPERS LAID
DATE: 28 NOV 2023 DAY: Tuesday
TABLED BY: Hon. Vincent Musyoka (Chairperson, Energy Committee)
CLERK-AT THE-TABLE: Inzafu Mwale

Published by:-

The Directorate of Departmental Committees
Clerk's Chambers
Parliament Buildings
NAIROBI

October, 2023

Table of Contents

Appendices

1. Adoption List
2. Minutes
3. Brief by Parliamentary Budget Office
4. Submissions from State Departments

Abbreviations

AiA	Appropriation in Aid
BETA	Bottom-up Economic Transformational Agenda
EPRA	Energy and Petroleum Regulatory Authority
FY	Financial Year
GDC	Geothermal Development Corporation
GoK	Government of Kenya
KenGen	Kenya Electricity Generating Company
KETRACO	Kenya Electricity Transmission Company
KPLC	Kenya Power & Lighting Company
Kshs.	Kenya Shillings
LPG	Liquefied Petroleum Gas
MoEP	Ministry of Energy & Petroleum
MTP	Medium Term Plan
MW	Megawatts
NOCK	National Oil Corporation of Kenya
NUPEA	Nuclear Power and Energy Agency
REREC	Rural Electrification and Renewable Energy Corporation
SAGAs	Semi-Autonomous Government Agencies

PART I: INTRODUCTION

1.1 Preface

1. This report is intended to inform the Departmental Committee on Energy on the budget implementation in FY 2022/23 for the Ministries, Departments and Agencies (MDAs) under its purview. This is in line with its role of monitoring and reporting on the implementation of the national budget as provided in Standing Order 216(5)(ba) and 245A(2)(C).

1.2 Mandate of the Committee

2. The Departmental Committee on Energy is established pursuant to the provisions of Standing Order No. 216. The Committee is mandated to;

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

   ii) study the program and policy objectives of Ministries and departments and the effectiveness of the implementation;

   iii) study and review all legislation referred to it;

   iv) study, assess and analyze the relative success of the Ministries and departments as measured by the results obtained as compared with their stated objectives;

   v) 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;

   vi) to vet and report on all appointments where the Constitution or any law requires the National Assembly to approve, except those under Standing Order 204 (Committee on Appointments);

   vii) examine treaties, agreements and conventions;

   viii) make reports and recommendations to the House as often as possible, including recommendation of proposed legislation;

   ix) make reports and recommendations to the House as often as possible, including recommendation of proposed legislation;

   x) consider reports of Commissions and Independent Offices submitted to the House pursuant to the provisions of Article 254 of the Constitution; and

   xi) examine any questions raised by Members on a matter within its mandate.

3. In accordance with the Second Schedule of the Standing Orders, the Committee is mandated to consider matters relating to the Fossil Fuel Exploration, Development, Production, Maintenance and Regulation of Energy.

4. In executing this mandate, the Committee oversees the following State Departments:

   i) The State Department for Energy

   ii) The State Department for Petroleum

1.3 Membership

5. The Departmental Committee on Energy was constituted by the House on 27th October, 2022 and comprises the following Members:

Chairperson
Hon. (Eng.) Vincent Musyoka Musau, MP
Mwala Constituency
United Democracy Alliance Party

Vice Chairperson
Hon. Lemanken Aramat, MP
Narok East Constituency
United Democracy Alliance Party

Members

The Hon. Charles Gimose, MP.
Hamisi Constituency
Amani National Congress Party

The Hon. Richard Chonga, MP.
Kilifi South Constituency
Orange Democratic Movement (ODM)

The Hon. Musili Mawathe, MP.
Embakasi Constituency
Orange Democratic Movement (ODM)

The Hon. Tom Mboya Odege, MP.
Nyatike Constituency
Orange Democratic Movement (ODM)

The Hon. Cecilia Ngitit, MP
Turkana County Women Representative
United Democracy Alliance Party

The Hon. Geoffrey Mulanya, MP
Nambale Constituency
Independent Party

The Hon. George Aladwa, MP
Makadara Constituency
Orange Democratic Movement (ODM)

The Hon. Elisha Odhiambo, MP.
Gem Constituency
Orange Democratic Movement (ODM)

The Hon. Walter Owino, MP.
Awendo Constituency
Orange Democratic Movement (ODM)

The Hon. Simon King'ara, MP
Ruiru Constituency
United Democracy Alliance Party

The Hon. Augustine Kamande, MP
Roysambu Constituency
United Democracy Alliance Party

The Hon. Victor Koech, MP
Chepalungu Constituency
Chama Cha Mashinani(CCM)

The Hon. Nolfason Obadiah, MP
Borabu Bomachoge Constituency
Orange Democratic Movement (ODM)

1.4 Secretariat

6. The following technical staff facilitate the Committee;

Mr. Adan Gindicha
<u>Principal Clerk Assistant (Team Leader)</u>

Ms. Mary Lemerelle
<u>Clerk Assistant II</u>

Mr. Salim Athman
<u>Clerk Assistant III</u>

Ms. Brigitta Mati
<u>Legal Counsel I</u>

Mr. Brian Njeru
<u>Fiscal Analyst III</u>

Mr. Robert Langat
<u>Research Officer III</u>

Ms. Loraine Onyiego
<u>Research Officer III</u>

Ms. Carolyne Musyoka
<u>Hansard Officer</u>

Ms. Rehema Chepkurui
<u>Audio-Recording Officer</u>

Mr. Josphat Bundotich
<u>Principal Sergeant at Arms</u>

1.5 Overview on the Budget Implementation FY 22/23

7. According to Article 95 (4) (c) of the CoK 2010, one of the roles of the National Assembly (N.A) is to oversight national revenue and expenditure. Budget implementation oversight is critical for the N.A to carry out its oversight role on this basis. Furthermore, N.A Standing Orders (S.O) 216(5) (ba)1 and S.O 245A focus on budget implementation monitoring. Specifically, (S.O) 245A (2) requires that each Departmental Committee (DC) conduct the following in terms of budget implementation oversight in accordance with S.O 216(5) (ba):

   i. *review the quarterly reports submitted by the Cabinet Secretary responsible for finance pursuant to the Public Finance Management Act;*
   ii. *review reports submitted by the Controller of Budget (CoB) on matters relating to implementation of the Budget by the national government;*
   iii. *examine and report on the expenditures and non-financial performance of the budget of the national government; and*
   iv. *examine the conformity of the implementation process with the principles and values of public finance as set out in Article 201 of the Constitution.*

8. Based on the legal basis stated above, the Budget Implementation Oversight becomes a critical tool for MPs to undertake their oversight job regarding budget implementation for FY 2022/23 by scrutinizing quarterly reports. As a result, the purpose of this report is to:

   i. *Apprise the House on the implementation status of the budgets of the agencies under its purview;*
   ii. *Help the Committee choose critical programs/projects to monitor;*
   iii. *Give important feedback that will help lawmakers come up with legislative initiatives to resolve challenges in budget implementation in a timely manner;*
   iv. *Help plan corrective measures, such as special audits, for delayed or stalled projects and programs that are currently under way; and*
   v. *Inform future budget reviews and scrutiny.*

9. Towards this end, the Committee held three (3) sittings commencing with a briefing by the Parliamentary Budget Office and meetings with the State Department for Energy and State Department for Petroleum.

1.6 Acknowledgement

10. The Committee is grateful to the Office of the Speaker and that of the Clerk of the National Assembly, and the secretariat for their invaluable support as it discharges its mandate on budget scrutiny. On behalf of the Members of the Departmental Committee on Energy and pursuant to the Public Finance Management Act, 2012 and S. O. 245A, it is my pleasant duty, to submit to the House, the Committee's report on Budget Implementation Oversight for FY 2022/23.

SIGNED: ________________ DATE: 22/11/2023

HON. (ENG.) VINCENT MUSYOKA M.P.
CHAIRPERSON, THE DEPARTMENTAL COMMITTEE ON ENERGY

PART II: SUBMISSIONS BY PARLIAMENTARY BUDGET OFFICE, MINISTRIES, DEPARTMENTS AND AGENCIESON THE BUDGET IMPLEMENTATION FY 2022/23

2.1 Submission by the Parliamentary Budget Office

2.1.1 State Department for Energy

11. In FY 2022/23, the State Department for Energy had an approved budget estimates of was allocated a total budget of Kshs 95.7 billion in the approved budget. However, the same was reduced to Kshs 54.8 billion in the Supplementary No.2 budget for the 2022/23 Financial Year. This represents a net reduction of Kshs. 40.9 billion, which consisted of reduction of Kshs. 3 billion in the recurrent vote which were majorly funds that were supposed to cushion KPLC from the effects of implementing the 15% subsidy on electricity and a reduction of Kshs. 37.9 billion in the development vote, mainly from donor funded projects budget cuts.

12. The Kshs. 54.8 billion budget allocation comprised of Kshs. 11.7 billion for recurrent expenditure and Kshs. 43.1 billion for development expenditure. The recurrent expenditure was to be funded from GoK Exchequer of Kshs. 5.3 billion and AIA of Kshs. 6.4 Billion while the development expenditure was to be funded from GoK Exchequer of Kshs. 12.3 billion, AIA of Kshs.8.6 billion and Donor Funds of Kshs. 22.2 billion.

13. According to the Ministry submissions on the Revenue Performance, at the end of the financial year, the State Department had received a total of Kshs. 36.6 billion of which Kshs. 8.8 billion was for recurrent expenditure and Kshs. 27.8 billion was for development expenditure.

14. The total funds received accounted for 67 percent of total budget estimates indicating the State Department did not receive Kshs. 18.2 billion.

15. Under recurrent expenditure, the GoK Exchequer was below target by Kshs. 1.3 billion due to under-disbursement of funds by the National Treasury while AiA collection was further below target by Kshs. 1.6 billion due to under-collections of AiA.

16. For development expenditure, the GoK Exchequer was below target by Kshs. 3.2 billion, AiA was below target by Kshs.2.4 billion due to under-collections of AiA while Donor Funding was below target by Kshs. 9.7 billion due to under-disbursement of funds from the donors. Table 1 provides a summary of the budget performance for the State Department;

Table 1: Summary of FY 2022/23 Revenue Performance in Kshs. Millions

		Approved Estimates	Actual Receipts	Differences
				Actual Receipts & Approved Estimates
Recurrent	Exchequer	5,319	4,045	(1,274)
	AIA	6,367	4,796	(1,571)
	Sub-Total	**11,686**	**8,841**	(2,845)
Development	Exchequer	12,307	9,052	(3,255)
	AIA	8,639	6,248	(2,391)
	Donor Funds	22,172	12,496	(9,676)
	Sub-Total	**43,118**	**27,796**	(15,322)
Total		**54,804**	**36,637**	**(18,167)**

Source: State Department for Energy

17. In comparison to the allocated budget, the State Department had an actual expenditure at the end of the year of Kshs. 39.0 billion comprising of Kshs. 9.2 billion of recurrent expenditure and Kshs. 29.8 billion of development expenditure. The state Department for Energy had an overall of 71% comprising of 79% for recurrent expenditure and 69% for development expenditures.

18. Further review of the CoB reports and the Ministry submissions indicates that the highest absorption rate was witnessed in the General Administration Planning and Support Services with 94% absorption rate, followed by the alternative technologies programme with an absorption of 75%,Power Transmission programme with an absorption rate of 74% while the lowest absorption rate was witnessed in the Power Generation Programme with an absorption rate of 60% as indicated in table 2:

Table 2: Expenditure Performance for FY 2022-23 in the State Department for Energy

Programme	Category	Budget Estimates FY 2022/23	Actual Expenditure for FY 2022/23	Budget Absorption Rate in %
		(Kshs. millions)	(Kshs. millions)	
Total Expenditure	**Recurrent**	11,686	9,259	79.2%
	Development	43,118	29,777	69.1%
	Total	54,804	39,036	71.2%
General Administration	Recurrent	338	304	89.9%
	Development	208	209	100.5%
	Total	**546**	**513**	94.0%
Power Generation	Recurrent	2,871	1,499	52.2%
	Development	8,729	5,461	62.6%
	Total	**11,600**	**6,960**	60.0%
Power Transmission	Recurrent	8,389	7,374	87.9%
	Development	32,535	22,896	70.4%
	Total	**40,924**	**30,270**	74.0%
Alternative Energy Technologies	Recurrent	88	82	93.2%
	Development	1,646	1,211	73.6%
	Total	**1,734**	**1,293**	74.6%

Source: State Department for Energy

19. According to the Ministry submissions, On the development category, In FY 2022/23, the State Department had 70 ongoing projects which were implemented by both the Headquarters(19) and SAGAs as follows: KETRACO (21), KPLC (12), REREC (7), NuPEA (5), KENGEN (3) and GDC (3).

20. An analysis of the CoB reports and the Ministry submissions in the development expenditure category indicates that bulk of the budget (94 percent) also goes to the SAGAs under the State Department. The biggest share is for KETRACO which accounts for 36% of the total development allocation, KPLC accounts for 22%, KENGEN accounts for 6%, GDC accounts for 12%,REREC accounts for 17% and NUPEA account for 1%.

21. The following are the key highlights under development expenditure:

    A. KETRACO- it had 21 ongoing projects in the Financial Year 2022-23, and the performance of the projects in FY 2022-23 was as follows;

       i. The Nanyuki-Isiolo-Meru project which had an initial approved budget allocation amounting to Kshs.207 million, which was reduced by the supplementary budget cuts to zero. However, from the Ministry submissions, the actual expenditure for the project for the FY 2022/23 was Kshs.55 Million, indicating an over-expenditure of Kshs.55 Million. The project was at 93%

completion as at 30/06/2023,and has been faced with the challenge of frequent budget cuts over the years.

ii. The 132 kV Sondu-Homabay-Ndhiwa-Awendo project had an initial budget allocation of Kshs.300 million which was reduced by the supplementary budget cuts to zero. However, from the Ministry submissions, the actual expenditure for the project for the FY 2022/23 was Kshs.71 Million, indicating an over-expenditure of Kshs.71 Million. The project status as at 30/06/2023 was 79%, and has been faced with the challenge of persistent budget cuts over the years.

iii. The 400 kV Olkaria-Lessos Kisumu Power Lines Construction Project had initial approved estimates of Kshs.1.7 billion, which was reduced by the supplementary budget cuts by 75 million to 1.625 billion. The actual expenditure for the project for FY 2022-23 was Kshs. 270 million indicating an under expenditure of Kshs.1.3 billion. The project was 100% complete as at 30/06/2023,however it has been faced with the challenge of pending bills arising from variation in the scope of works and exhaustion of the Loan.

iv. The 400 kV Multinational Kenya –Tz Power Interconnection project had initial approved Estimates of Kshs.1.3 billion which was reduced by supplementary budgets cuts to Kshs. 842 million shillings. The actual expenditure of 805 million against approved estimates of Kshs. 842 million shillings indicates an under expenditure of Kshs. 37 million. The project status of the project as at 30/06/2023 was 95%,and has been faced with litigation challenges in its implementation, as well as pending bills.

v. The 500kV HVDC Eastern Electricity Highway Project(Ethiopia –Kenya Interconnector)had an initial approved estimates amounting to Kshs.8.1 billion, which decreased as a result of supplementary budget cuts to Kshs.2.9 billion. The actual expenditure of Kshs.2.92 billion against approved estimates of Kshs. 2.93 million shillings indicates an under expenditure of Kshs.16 million. The project was at 99% completion by 30/06/2023,however it has accrued huge pending bills in the course of its implementation.

vi. The Mariakani Substation had had an initial approved estimates amounting to Kshs.25 million, which decreased as a result of supplementary budget cuts to Kshs.6 million. However, an analysis of the Ministry submissions indicates a total expenditure of Kshs. 459 million against total approved estimates of Kshs.

6 million indicating an over-expenditure of Kshs. 453 million. The project status as at 30/06/2023 was 93%.

vii. Power Transmission System Improvement Project had an initial budget allocation of Kshs.160 million which was reduced by the supplementary budget cuts to zero. However, from the Ministry submissions, the actual expenditure for the project for the FY 2022/23 was Kshs.58 Million, indicating an over-expenditure of Kshs.58 Million. The project was at 94% completion by 30/06/2023,and has experienced challenges in funding due to budget cuts.

viii. Supplementary Financing for Ethiopia Kenya Highway Project (Nanyuki UG) had an initial approved estimates amounting to Kshs.951 million and expended Kshs. 421 million indicating an under expenditure of Kshs. 530 million. The project was at 11% completion by 30/06/2023,and has faced wayleave challenges in its implementation.

ix. The 220 kV Turkwel-Ortum-Kitale had Project had an initial budget allocation of Kshs.760 million which was increased by the supplementary budget to Kshs.822 million. However, from the Ministry submissions, the actual expenditure for the project for the FY 2022/23 was Kshs.623 Million, indicating an under expenditure of Kshs.199 million. The project was 92% complete as at 30/06/2023,but has been faced by the challenge of pending bills.

x. The Machakos-Konza-Kajiado-Namanga project had initial budget allocation of Kshs.300 million which was increased by the supplementary budget to Kshs.353 million. An analysis of the ministry submissions indicate an actual expenditure of Kshs. 323 million indicating an under expenditure of Kshs. 30 million. The project status as at 30/06/2023 was 97%.

xi. The Kenya Power Transmission Expansion Project had an initial budget allocation of Kshs.2.3 billion which was reduced by the supplementary budget cuts to Kshs. 2.25 billion .The actual expenditure was 2.21 billion indicating an under expenditure of Kshs. 46 million The project status as at 30/06/2023 was 73%.

xii. The Kenya Power Distribution System Modernization and Strengthening Project had an initial budget allocation of Kshs.3 billion which was reduced by the supplementary budget cuts to zero. The actual expenditure to the project amounted to 28 million indicating an over expenditure of Kshs.28 million. The project status as at 30/06/2023 was 51% had has been faced with the challenge of exhaustion of the Loan.

xiii. The 220 kV Kamburu Embu Thika Transmission Line project had an initial budget allocation of Kshs.4.6 billion which was reduced by the supplementary budget cuts to zero. The actual expenditure to the project amounted to Kshs.37 million indicating an over expenditure of Kshs.37 million. The project status was 5% as at 30/06/2023 and has been affected by frequent budget cuts(donor) and inadequate Exchequer allocation.

xiv. The 400 kV Loyangalani-Suswa Transmission Line project had approved estimates of Kshs. 300 million to cater for the pending bills, however the actual expenditure was zero arising from under disbursement of the funds. The project status as at 30/06/2023 was 100%.

xv. The 132 kV Rabai Bamburi Kilifi project had an initial budget allocation of Kshs.1.1 billion which was reduced by the supplementary budget cuts to Kshs. 666 million. The actual expenditure towards the project was Kshs.723 million indicating an over expenditure of Kshs. 57 million. The project status as at 30/06/2023 was 60%.

xvi. The Dongo Kundu SEZ project had an initial budget allocation of Kshs.2.1 billion which was reduced by the supplementary budget cuts to Kshs. 2.0 billion. The actual expenditure to the project was Kshs. 350 million indicating an under expenditure of Kshs. 1.7 billion. The project status was 0% as at 30/06/2023 as a result of budget cuts.

xvii. The Electrification of Konza project had an initial budget allocation of Kshs.294 million which was reduced by the supplementary budget cuts to Kshs. 94 million. The actual expenditure of the project was Kshs. 68 million indicating an under expenditure of Kshs. 26 million. The project status was 0% as at 30/06/2023 as a result of frequent budget cuts.

xviii. The Reinforcement of Transmission Network (RETNET) had an approved budget amounting to Kshs. 30 million while the actual expenditure was Kshs. 6 million indicating an under expenditure of Kshs.24 million. The project status as at 30/06/2023 was 0% and has been faced with slow implementation challenges.

xix. The Naivasha Industrial Park project had Kshs.312 million in the initial approved estimates which was reduced to zero in the Supplementary Budgets. The actual expenditure to the project was Kshs 72 million indicating an over expenditure of Kshs. 72 million. The project status as at 30/06/2023 was 0%, however it was indicated that the site has been handed over to the contractor to commence works.

xx. The Africa Private Sector Assistance (FAPA) PPP's in Transmission Lines project had approved estimates of Kshs. 38 million and had an actual expenditure of Kshs.38 million. The project status as at 30/06/2023 was 0%.

xxi. The Narok Bomet Transmission Line project had an approved estimates of Kshs. 300 million while the actual expenditure was zero. The project status as at 30/06/2023 was 0%.

B. KPLC – it had 12 ongoing projects in the Financial Year 2022-23 and the performance of the projects in FY 2022-23 was as follows;

i. The Last mile connectivity project had an initial budget allocation of Kshs.5.8 billion which was reduced by the supplementary budget cuts to Kshs. 3.7 billion. The actual expenditure of the project was Kshs. 832 million indicating an under expenditure of Kshs. 2.8 billion. The project was at 72% completion as at 30/06/2023,and has been affected by dwindling GoK counterpart funding to the project as well as procurement challenges arising from litigation.

ii. The Kenya Electricity Modernization had an initial budget allocation of Kshs.3.8 billion which was reduced by the supplementary budget cuts to Kshs. 3.5 billion. The actual expenditure of the project was Kshs. 3.6 billion indicating an over expenditure of Kshs. 138 million. The project status as at 30/06/2023 was 99%.

iii. The Connectivity Subsidy project had an initial budget allocation of Kshs.100 billion which was reduced by the supplementary budget cuts to Kshs. 25 million,with the actual expenditure also being Kshs.25 million. The project status as at 30/06/2023 was 75%.

iv. The Streetlighting project had an initial budget allocation of Kshs.300 million which was increased by the supplementary budgets to Kshs. 500 million,with the actual expenditure also being Kshs.500 million. The project status as at 30/06/2023 was 91%.

v. The Retrofitting of Mini Grids project had an initial budget allocation of Kshs.1.2 billion which was reduced by the supplementary budgets to 800 million, while the actual expenditure was Kshs.502 million, indicating an under expenditure of Kshs. 298 million. The project status as at 30/06/2023 was 25% and was faced with challenges including delay in the finalization of the subsidiary agreement and issuance of the legal opinion at the inception of the project.

vi. The Electrification of Healthcare Facilities- Isiolo had an initial budget allocation of Kshs.56 million which was reduced by the supplementary budgets to 36 million, while the actual expenditure was Kshs.36 million. The project was 84% done as at 30/06/2023.

vii. The Electrification of Level 4 and Level 3 Hospitals project had an initial budget allocation of Kshs.381 million which was reduced by the supplementary budgets to 81 million, while the actual expenditure was Kshs.81 million. The project status as at 30/06/2023 was 41%.

viii. The Kenya Off-Grid solar access programme (KOSAP) project had an initial budget allocation of Kshs.2 billion which was reduced by the supplementary budgets to 320 million, while the actual expenditure was zero indicating an under expenditure of Kshs.320 million. The project was 10% done as at 30/06/2023.

ix. The Rural Electrification Schemes project, which is a reimbursement for cost incurred in implementation of Rural Electrification schemes on behalf of Government, had an initial budget allocation of Kshs.1 billion which was reduced by the supplementary budgets to 467 million, while the actual expenditure was Kshs.147 million indicating an under expenditure of Kshs.320 million. The project was 42% done by 30/06/2023,and has faced the challenge of budget cuts which in turn affect the financial position of KPLC.

x. The Establishment of a Utility Run Super Esco project had approved estimates amounting to Kshs. 50 million and nil expenditure by the end of the financial year. The project status as at 30/06/2023 was 5%.

xi. The Machoki-Kokua-Mwataru project had approved estimates of Kshs. 10 million and expended Kshs.10 million. The project status as at 30/06/2023 was 5%.

xii. The Energy Centre Bumula Project had approved estimates of Kshs. 30 million and actual expenditure of Kshs. 30 million. The project status as at 30/06/2023 was 5% but has however experienced challenge on the implementation agency of the project between KPLC and REREC.

C. REREC– it had 7 ongoing projects in the Financial Year 2022-23 and the performance of the projects in FY 2022-23 was as follows from the ministry submissions review;

i. The Electrification of Public Facilities project had initial approved estimates of Kshs.4.84 billion which was increased in the supplementary budgets to 4.88 billion, while the actual expenditure was Kshs.3.15 billion indicating an under expenditure of Kshs.1.73 billion. The project status as at 30/06/2023 was 65%.

ii. The Installation of transformers in constituencies project had initial approved estimates of Kshs.1 billion which was reduced in the supplementary budgets to 750 million, while the actual expenditure was Kshs.500 million indicating an under expenditure of Kshs.250 million. The project status as at 30/06/2023 was 71%.

iii. The Kenya Off-Grid Solar Project (REA) had initial approved estimates of Kshs.1.9 billion which was reduced in the supplementary budgets to 200 million, while the actual expenditure was Kshs.8 million indicating an under expenditure of Kshs.192 million. The project status as at 30/06/2023 was 65%.

iv. The Solar Maintenance Programme had initial approved estimates of Kshs.100 million and expended Kshs. 94 million indicating an under expenditure of Kshs. 7 million. The project status as at 30/06/2023 was 50%.

v. The Expansion of Energy Centers project which was transferred from the Ministry HQ had approved estimates of Kshs. 80 million and actual expenditure towards the project was nil indicating an under expenditure of Kshs. 80 million. The project status as at 30/06/2023 was 62%.

vi. The Electrification of the Galana Kulalu Project had approved estimates of Kshs.636 million and actual expenditure towards the project was nil indicating an under expenditure of Kshs. 636 million. The project status as at 30/06/2023 was 0%.

vii. The Kenya Modernization Project-KEMP (REREC) had initial approved estimates of Kshs.343 million which was increased in the supplementary budgets to 450 million, while the actual expenditure was Kshs.396 million indicating an under expenditure of Kshs.54 million.The project status as at 30/06/2023 was 32%.

D. NuPEA– it had 5 ongoing projects in the Financial Year 2022-23 and the performance of the projects in FY 2022-23 was as follows from the ministry submissions and COB review, key among the findings on the challenges being the slow pace of implementation of the projects;

i. The Nuclear Power Plant Siting project had initial approved estimates of Kshs.250 million which was reduced in the supplementary budgets to Kshs. 150 million, while the actual expenditure was Kshs.149 million. The project status as at 30/06/2023 was 19%.

ii. The Nuclear Policy and Legislation project had initial approved estimates of Kshs.100 million which was reduced in the supplementary budgets to 50 million, while the actual expenditure was Kshs.49 million. The project was 17% done as at 30/06/2023.

iii. The Strategic Environmental Assessment project had initial approved estimates of Kshs.50 million which was reduced in the supplementary budgets to 12.5 million, while the actual expenditure was Kshs.17.7 million, indicating an over expenditure of Kshs.5.2 million. The project status as at 30/06/2023 was 59%.

iv. The Resource Development for the Nuclear Power project had initial approved estimates of Kshs.70 million which was reduced in the supplementary budgets to 17.5 million, while the actual expenditure was Kshs.24.4 million, indicating an over expenditure of Kshs.6.9 million. The project was 7% done as at 30/06/2023.

v. The Publicity and advocacy project had approved estimates of Kshs. 110 million while the actual expenditure of Kshs. 99.5 million, indicating an under expenditure of Kshs.10.5 million. The project was 24% done as at 30/06/2023.

E. GDC– it had 3 ongoing projects in the Financial Year 2022-23 and the performance of the projects in FY 2022-23 was as follows from the ministry submissions and COB review, key among the findings on the challenges being the slow pace of implementation of the projects;

i. The Bogoria Silali Geothermal project had initial approved estimates of Kshs.5.8 billion which was reduced in the supplementary budgets to Kshs.4.1 billion, while the actual expenditure was Kshs.3.7 billion, indicating an under expenditure of Kshs.481 million. The project status as at 30/06/2023 was 24% and has been faced with challenges in under disbursement of Donor Funding and Local AiA from the sale of steam.

ii. The Menengai Geothermal Development Project had initial approved estimates of Kshs.1.2 billion which was reduced in the supplementary budgets to Kshs.1.05 billion, while the actual expenditure to the project was Kshs.1.05 billion. The project status as at 30/06/2023 was 85% (105MW) 32% (60MW) 2% (300MW),however the challenge has been the slow pace of commercializing the Menengai geothermal steam for direct use to power commercial sized investments.

iii. The 300MW Suswa geothermal Project had initial approved estimates of Kshs.194 million which was reduced in the supplementary budgets to Kshs.102 million, while the actual expenditure to the project was Kshs.64 million indicating an under expenditure of Kshs.38 million. The project status as at 30/06/2023 was 2% and has been previously embroiled in litigation challenges.

F. KENGEN– it had 3 ongoing projects in the Financial Year 2022-23 and the performance of the projects in FY 2022-23 was as follows from the ministry submissions and COB review;

i. The Olkaria I and IV project had initial approved estimates of Kshs.2 billion while the actual expenditure to the project was Kshs.1.8 billion indicating an under expenditure of Kshs.167 million. The project status as at 30/06/2023 was 99%.

ii. The Ol Karia I Units 1,2,3 Geothermal Power Plant Rehabilitation Project had initial approved estimates of Kshs.5.5 billion which was reduced in the supplementary budgets to Kshs.559 million, while the actual expenditure to the project was zero indicating an under expenditure of Kshs.559 million. The project was 15% done as at the end of the FY 2022/23,and has faced budgetary constraints from donor sources(JICA).

iii. The East Africa Skills for Transformation & Regional Integration Project had initial approved estimates of Kshs.40C million which was reduced in the supplementary budgets to Kshs.150 million, while the actual expenditure to the project was Kshs.150 million. The project status for this project as at 30/06/2023 was 20%.

22. On the non-financial performance in the state Department for Energy according to the CoB reports and Ministry submissions, some of the key achievements in the period under review include 26.7MW against a target of 20MW, 99.75% completion rate of 83.3MW Olkaria 1 Unit 6 Power plant,269 transformers installed against a target of 147 and 385.89kms of distribution lines constructed against a target of 162.85kms of distribution lines. This was attributed to among other factors; the enhanced last mile connectivity project and the extension of Low Voltage lines which consume less material.

23. Some of the unmet targets by the end of FY 2022/23 include;5 wells drilled against a target of 7,129 Kms of Transmission Lines Constructed against a target of 146,0 substations constructed against a target of 6,574 Public Facilities Connected with Power against a target of 1,078,135 Primary Schools Solar Systems Maintained against a target of 200, 318,217 additional annual New Customer Connected against a target of 550,000.00 and 14,307 street lights erected against a target of 15,000.The non-attainment of the targets was attributed to major challenges encountered during the review period which included: way leaves and project sites, acquisition challenges, litigation affecting project implementation progress; non-payment of electricity bills and maintenance costs; damage of underground network by other utilities; vandalism of energy infrastructure creating an additional cost for maintenance, security and restoration.

24. On the pending bills in the state Department for Energy according to the CoB reports and Ministry submissions, as of 30th June 2023, the State Department for Energy had a total

pending bill of Kshs. 43 billion comprising of Kshs. 19.6.billion for KPLC, Kshs. 22.2 billion for KETRACO and Kshs. 1.2 billion for GDC arising from pending payments for works done by contactors, budgetary constraints, litigations and wayleave compensations. It is noted that KPLC also owes Energy SAGAs and other contractors a total of Kshs.82.5 billion with the lion's share of the funds being owed to IPPs(Kshs38.9 billion),KENGEN(Kshs.21.7 billion),REREC(Kshs.7.8 billion),Imports(Kshs.4.2 billion), KETRACO(Kshs.2.6 billion) and other suppliers(Kshs.6.6 billion).The table 3 give details of the projects with pending bills under the State Dept:

Table 3: Pending Bills in the SAGAs in the State Dept for Energy as of 30th June 2023

Entity	Description	Amount (Kshs. Millions)
KPLC	KPLC Subsidy and RES Capital Jobs	121
	RES Projects Maintenance	19,234
	REREC Primary Schools	248
	Sub-Total for KPLC	**19,603**
GDC	Budgetary Challenges	295
	Under Litigation	1.1
	In Dispute	5.8
	Cash Flow Challenges	919
	Sub-Total for GDC	**1,221**
KETRACO	Menengai-Soilo	139
	Mombasa-Nairobi	1,398
	Isinya-Suswa	131
	Kenya-Tanzania transmission project	70
	Lessos-Tororo TL	7,289
	Olkaria-Lessos-Kisumu TL	3,398
	Eastern Electricity Highway Project	4,529
	Kenya Power System Improvement Project (KPTSIP)	298
	Garsen-Hola-Garissa TL	3,408
	Turkwel-Ortum-Kitale	135
	Loiyangalani-Suswa TL	1,374
	Sub-Total for KETRACO	**22,169**
Total Pending Bill		**42,993**

Source: State Department for Energy

2.1.2 State Department for Petroleum

25. In FY 2022/23, the State Department for Petroleum had an approved budget estimates of Kshs. 66.2 billion comprising of Kshs. 63.7 billion for recurrent expenditure and Kshs. 2.5 billion for development expenditure.

26. The recurrent expenditure was to be funded from GoK Exchequer of Kshs. 43.2 billion and AIA of Kshs. 20.5 Billion while the development expenditure was to be funded from GoK Exchequer of Kshs. 8 million, and AIA of Kshs.2.475 billion.

27. A review of the Ministry submissions on the Revenue Performance, at the end of the financial year, the State Department had received a total of Kshs. 66.2 billion of which Kshs. 63.7 billion was for recurrent expenditure and Kshs. 2.5 billion was for development expenditure.

28. The total funds received accounted for 100 percent of total budget estimates. This could be attributed to prompt exchequer issues as well as collection and utilization of the AiA from royalties and PDL . Table 4 provides a summary of the budget performance for the State Department.

Table 4: Summary of FY 2022/23 Revenue Performance in Kshs. Millions

		Approved Estimates	**Actual Receipts**	**Differences**
				Actual Receipts & Approved Estimates
Recurrent	GoK Exchequer	43,212	43,212	-
	AIA	20,525	20,525	-
	Sub-Total	**63,737**	**63,737**	-
Development	GoK Exchequer	8	8	-
	AIA	2,475	2,475	-
	Sub-Total	**2,483**	**2,483**	-
Total		**66,220**	**66,220**	-

Source: National Treasury

29. The state department currently undertakes one programme of Exploration and Distribution of Oil and Gas which comprises of Oil and gas exploration, Distribution of petroleum and gas and the General Administration and Support Services sub-programmes with bulk of its resources being utilized under the Oil and gas exploration sub-programme.

30. On actual expenditure according to the ministry submissions, an analysis of the absorption rate indicates a total absorption rate of 98.9% which consists of a recurrent expenditure absorption of 99.1% and a development expenditure absorption of 94.0%.The high absorption rate in the recurrent category was attributed to disbursement of exchequer issues as well as collections in Appropriations in Aid from royalties and PDL.

31. In the sub-programmes, the absorption rate was highest in the General Administration with an absorption rate of 99%,oil and gas with an absorption rate of 94% and Distribution of petroleum and Gas being at 95% as indicated in table 5:

Table 5:Budget Performance for FY 2022-23 in the State Department for Petroleum

Sub-Programme	Category	Revised Gross Estimates FY 2022/23 (Kshs. millions)	Actual Expenditure for FY 2022/23 (Kshs. millions)	Budget Absorption Rate in %
Total	Recurrent	63,737	63,151	99.1%
	Development	2,483	2,334	94.0%
	Total	66,220	65,485	98.9%
Oil and gas exploration	Recurrent	69	68	98.6%
	Development	2,139	2,007	93.8%

Sub-Programme	Category	Revised Gross Estimates FY 2022/23 (Kshs. millions)	Actual Expenditure for FY 2022/23 (Kshs. millions)	Budget Absorption Rate in %
	Total	**2,208**	**2,075**	**94.0%**
Distribution of petroleum and gas	Recurrent	-	-	0.0%
	Development	344	327	**95.1%**
	Total	**344**	**327**	**95.1%**
General Administration	Recurrent	63,668	63,083	**99.1%**
	Development	-	-	0.0%
	Total	**63,668**	**63,083**	**99.1%**

Source: National Treasury

32. On the development expenditure category according to the Ministry submissions and the CoB reports, in FY 2022-23,there were 6 projects implemented in the state department of which the ministry HQ undertook 4 of the projects, fuel marking(Kshs.38 million),Oil exploration and monitoring projects(Kshs.954 million) are carried out by both HQ and EPRA and petroleum exploration in block 14T project which is carried out by NOCK had a budget of Kshs.250 million, and the performance of the projects in FY 2022-23 was as follows from the ministry submissions and COB review, key among the findings on the challenges being the slow pace of implementation of the projects;

i. The Petroleum Exploration in Block 14T project had approved estimates of Kshs.250 million,while the actual expenditure to the project was Kshs. 250 million. The project status as at 30/06/2023 was 45%,with its implementation affected by the financial challenges affecting NOCK.

ii. The Fuel Marking project which is a capital transfer to EPRA to support efforts against fuel adulteration and dumping of export products into the Kenyan market had initial approved estimates of Kshs.60 Million which was reduced in the supplementary budgets to Kshs.38 million, while the actual expenditure to the project was Kshs.37 million. The project status as at 30/06/2023 was 14%.

iii. The Preparatory activities for the Lokichar - Lamu Crude Oil Pipeline had initial approved estimates of Kshs.750 Million which was reduced in the supplementary budgets to Kshs.735 million, while the actual expenditure to the project was Kshs.735 million. The project status as at 30/06/2023 was 26%.

iv. The Early Monetization of First Oil Project had approved estimates of Kshs.200 Million, while the actual expenditure to the project was Kshs.200 million. The project status as at 30/06/2023 was 24%.

v. The LPG Distribution and Infrastructure project had initial approved estimates of Kshs.471 Million which was reduced in the supplementary budgets to Kshs.306 million, while the actual expenditure to the project was Kshs.290 million indicating an under expenditure of Kshs.16 million. The project status as at 30/06/2023 was 20% but its implementation has been hampered by a number of issues, including the purchase of defective cylinders, project implementation uncertainties caused by the absence of crucial policies, modalities to identify target beneficiaries with a view of commencing distribution and a lack of technical support and smart metering services for dispensing LPG from the source point to consumers who made up the point of use.

vi. The Oil Exploration and Monitoring project had initial approved estimates of Kshs.1.2 billion which was reduced in the supplementary budgets to Kshs.954 million, while the actual expenditure to the project was Kshs.822 million indicating an under expenditure of Kshs.132 million. The project status as at 30/06/2023 was 54%,with its implementation affected by delay in finalizing the field development plan.

33. The National Oil Corporation of Kenya in FY 2022-23 implemented one project which is the Petroleum Exploration in Block 14T,therefore it will be critical to enhance oversight on the project which is geared towards supporting petroleum exploration activities in the country. There is need to also oversight on the implementation of the cabinet proposal to revive and commercialize the National Oil Corporation of Kenya (NOCK).

34. A review of the submissions by the SAGAs in the State Department for Petroleum indicates that Kenya Pipeline Company(KPC) whose budget is Funded by its internally Generated Revenue, had actual revenues of Kshs.32.5 billion against an approved revenue budget of Kshs.30.7 billion, with the positive difference being attributed to improved throughput growth by 6% and impact of the Kenyan shilling depreciation on USD Denominated Sales and further translating to a profit before tax of Kshs.7.5 billion for the FY 2022-23.

35. Against the approved recurrent expenditure budget of Kshs.25.4 billion, the actual expenditure of the corporation was Kshs.24.9 billion and on the capital expenditure of the corporation, the budgeted expenditure for FY 2022-23 was Kshs.8.6 billion, however the actual expenditure on the development was Kshs.2.8 billion, which affected the implementation of all the 10 key projects under implementation for FY 2022-23 except for the LPG Bulk storage and Handling Facility.

36. During the Financial Year 2022-23,the KPC management also undertook reallocation of Kshs.1.1 billion which was 3% of the total approved FY 2022-23 Budget of Kshs.41.7 billion.

37. A further review of the Regulator submissions indicates that Energy and Petroleum Regulatory Authority(EPRA) whose budget is Funded by both GOK Exchequer, Donor Funds and internally Generated Revenue(AiA), had actual revenues of Kshs.1.6 billion

against an approved revenue budget of Kshs.2.2 billion, an underperformance of nearly Kshs.600 million.

38. Against the approved recurrent expenditure budget of Kshs.1.9 billion, the actual expenditure of the corporation was Kshs.1.7 billion and on the capital expenditure of the corporation, the budgeted expenditure for FY 2022-23 was Kshs.107.5 million, however the actual expenditure on the same was Kshs.53.3 million.

39. On the non-financial performance in the state Department for Petroleum according to the CoB reports and Ministry submissions, some of the key achievements in the period under review include 40 Petroleum blocks marketed against a target of 40, 20,608 samples tested from different petroleum distribution points, 20% completion of the makeup water pipeline against a target of 20%,2 Geophysical Reports and Geological Reports against a target of 2 for each. The attainment of the targets was due to Marketing of Petroleum Blocks is done through local and international conferences and the State Department drafting the Key agreements to support the Crude Oil Pipeline project as well as engaging the community and relevant stakeholders towards acquisition of land for the project.

40. On the other part, the unmet targets during the period under review include;0 Field Development plan for South Lokichar against a target of 1,0 Acreage of land acquired for upstream development (Acres) against a target of 22,000,0 wells drilled against a target of 1, 5,543.5 Metric tonnes of petroleum products distributed ('000) against a target of 7,200,and 0 6 kg LPG cylinders distributed against a target of 100,000.The reasons for lack of meeting the said targets include; reduced number of cargoes imported within the review period since the country transitioned from the Open Tender System (OTS) mode of importation to the Government-to-Government mode of importation of petroleum products, reprocessing and reinterpretation of new key data to properly understand the drillable prospect and delay in making a decision on the approval/rejection of the FDP as well as delay in rollout of the Mwananchi gas project by NOCK which should be coordinated by the state Department for Petroleum.

41. On the pending bills in the state Department for Petroleum according to the CoB reports and Ministry submissions, the total amount of pending bills as of 30th June 2023 amounted to Kshs.173.4 million. There is also an historical pending bill under development expenditure amounting to Kshs.223 million as at 31st January 2023 related to the procurement of LPG cylinders and has not been paid since the delivered items were found to be faulty.

2.2 Submission by the State Department for Energy

42. Mr. Alex Wachira, the Principal Secretary, Ministry of Energy accompanied by; Chief Executive Officers of the State Corporations under the Ministry's purview and other Ministry officials appeared before the Committee and made the following submissions:-

43. On the Overall Budget Performance, The State Department of Energy, vote 1152 in the FY 2022/2023 was allocated a total budget of Kshs.95.7 billion in the approved budget, However, the budget was reduced to Kshs 54.8 billion in the Supplementary No.2 budget for the 2022/23 Financial Year. This represent a net reduction of Kshs. 40.9 billion, as outlined in table 6;

Table 6: Approved Budget for FY 2022/23(AMOUNT Kshs.)

	PRINTED ESTIMATES 2022/22 FY	SUPPLEMENTARY II ESTIMATES 2022/23 FY	NET CHANGE
RECCURENT	14,696,000,000	11,686,402,336	-3,009,597,664
DEVELOPMENT	80,971,855,000	43,118,355,000	-37,853,500,000
TOTAL VOTE	95,667,855,000	54,804,757,336	-40,863,097,664

Source: State Department for Energy

44. The table above shows a reduction of Kshs. 3 billion in the recurrent vote and a reduction of Kshs.37.9 billion in the development vote.

45. On the Recurrent and Development receipts Summary, The State department had three main sources of funds in the financial year that include Exchequer issues, Donor and

Appropriation in Aid (AIA) whose sources included sale of steam, royalties on Geothermal Development, Electricity Levy - REP, Petroleum Development Levy (PDL), Sale of Electricity KOSF Storage Charges, and sale of wood fuel. He also pointed out that Royalties on Geothermal Development had an overcollection of Kshs.238.5M and that the 5% electricity Levy for REREC who have been receiving the AIA collections in arrears from previous years.

46. He also indicated that the overall absorption rate is at 71% whereas the absorption rate for recurrent expenditure is 79%. The Compensation of Employees variance of Kshs. 9,091,311 was payment for employees who are not in payroll. while the absorption rate for development expenditure is 69%. The absorption was affected by delays in the disbursement of funds.

47. On pending bills, he indicated that as at 30th June 2023,KETRACO had a pending bill amounting to Kshs.22.2 billion while NUPEA had a pending bill of Kshs.82.9 million.

2.3 Submission by the State Department for Petroleum

48. Mr. Alex Wachira, the Principal Secretary, Ministry of Energy sitting in for Mr. Mohamed Liban, Principal Secretary, State Department of Petroleum and accompanied by Mr. Ogot, Head of Finance and other Ministry Officials appeared before the Committee and made the following submissions:-

49. On Actual Revenue Receipts; Exchequer issues, donor and AIA, During Financial Year 2022/2023, the State Department overall Budget receipts was Kshs. 23,000 million AIA and Kshs. 43,491 million from Exchequer. The total revenue receipts amounted to Kshs. 66,491 Million as shown in the table 7 below;

Table 7:Summary of Revenue (Kshs. Million)

Economic Classification	Approved Estimates	Expenditure	Percentage Absorption (%) / Outturn
	2022/23	2022/23	2022/23
Gross	66,492	65,601	98.7
AIA	23,000	22,698	98.7
GOK	43,491	42,908	98.7

Source: State Department for Petroleum

50. On the recurrent budget receipts, During Financial Year 2022/2023, the State Department Recurrent Budget receipts were Kshs. 20,525 million AIA and Kshs. 43,466 million from Exchequer. The total revenue receipts amounted to Kshs. 63, 991 Million as shown in the table 8 below;

Table 8; Summary of Recurrent Budget Issues (Kshs. Million)

Economic Classification	Approved Estimates	Expenditure	Percentage Absorption (%)/ Outturn
	2022/23	2022/23	2022/23
Gross	63,991	63,346	99.0
AIA	20,525	20,463	99.7
GOK	43,466	42,883	98.7

Source: State Department for Petroleum

51. On the development budgets receipts, During Financial Year 2022/2023, the State Department Development Budget receipts were Kshs. 2,475 million AIA and Kshs. 25 million from Exchequer. The total revenue receipts amounted to Kshs. 2,500 Million as shown in table 9 below.

Table 9; Summary of Development Budget Issues (Kshs. Million)

Economic Classification	Approved Estimates	Expenditure	Percentage Absorption (%)/ Outturn
	2022/23	2022/23	
Gross	2,500	2,261	90.4
AIA	2,475	2,236	90.3
GOK	25	25	100

Source: State Department for Petroleum

PART III: OBSERVATIONS

52. Based on the written and oral submissions received from the State Department for Energy and State Department for Petroleum, the Committee made the following observations;

3.1 The State Department for Energy

53. There were several projects undertaken by KETRACO which include Nanyuki–Isiolo-Meru, Sondu-Homabay-Ndhiwa-Awendo, Power Transmission System Improvement Project, Kamburu-Embu-Thika Transmission Line, and Naivasha Industrial Park were affected by budget cuts which reduced their project budgets to zero, however they still received budget disbursements.

54. There were several projects undertaken by the State Department For Energy which are bundled together, and they include the last mile connectivity project, Street-lighting, Electrification of Public Facilities and Installation of transformers in constituencies project.

55. There was an under-performance of AIA witnessed in the 5% Electricity Levy-REP, the sale of steam, KOSF storage charges and Sale of Wood fuel Burners in the recurrent expenditure category while in the development expenditure category, underperformance was witnessed in the 5% electricity levy.

56. The State Department for Energy had a budgeted development expenditure from foreign sources i.e., grants and loans of Kshs.22.2 billion, however the actual expenditure arising from the two sources amounted to Kshs.12.5 billion resulting to an underperformance of Kshs.9.7 billion.

57. As at 30th June 2023, the pending Bills among the SAGAs under the State Dept. for Energy were incurred by KETRACO (Kshs.22.16 billion) owing from wayleave claims and compensations, NUPEA (Kshs.82.9 million) owing from conferences and project funding constraints and GDC (Kshs.1.22 billion) as a result of budgetary challenges, under litigation, dispute and cash flow challenges. KPLC has pending bills amounting to Kshs.82.5 billion which comprises Kshs.75.1 billion owed to Energy Suppliers who

include KenGen, KETRACO,REREC and IPPs, Kshs.876 million owed as statutory payments such as royalty, and dividends and Kshs.6.5 billion owed to General and other suppliers. On the other hand, the National Government owed KPLC Kshs.19.6 billion of which Kshs.19.2 billion emanates from the RES projects maintenance, Kshs.121 million owing to the tariff compensation subsidy and Kshs. 248 million for REREC primary schools maintenance.

58. The project list submitted by the Ministry HQs and the SAGAs in the State Department for Energy mostly covers projects funded through the Exchequer, AiA and foreign funding contained in the budget books hence is not exhaustive of all projects undertaken by the respective Semi-Autonomous Government Agencies (SAGAs).

59. The Narok-Bomet Line which was introduced in the FY 2022/23 Supplementary I Estimates, with a budget allocation of Kshs.300 million, was yet to commence and had not expended funds on the project as at 30th June 2023.

60. The Electrification of the Galana Kulalu Project which was introduced in the FY 2022/23 Supplementary II Estimates, with a budget allocation of Kshs.636 million, was yet to commence and had not expended funds on the project as at 30th June 2023.

3.2 The State Department for Petroleum

61. The State Department for Petroleum is withholding disbursement of funds meant for procurement and distribution of Liquefied Petroleum Gas (LPG) cylinders. However, this is part of the mandate of National Oil Corporation of Kenya (NOCK) while the State Department's role is supposed to be formulation of policies to govern the sector.

62. Kenya Pipeline is losing throughput products of 0.04% which is notably lower than the threshold of 0.25 set by EPRA based on international benchmarks. While this standard is acceptable, it could be much lower with further surveillance through upgrade of requisite infrastructure.

63. The LPG Bulk storage and Handling Facility in Mombasa undertaken by KPC which had a budget of Kshs.195 million in FY 2022/23, had an actual expenditure of Kshs.192 million and is indicated as complete, however only feasibility works have so far taken place on the facility.

64. An analysis of the pending bill owed to the Oil marketing companies as at the 15 December 2022 - 14 January 2023 pricing cycle indicates that the pending bill amounted to Kshs.53.3 billion, while a further analysis indicates that the pending bill as the 15th May 2023- 14th June 2023 pricing cycle was at Kshs.45.7 Billion, a difference of only Kshs.7.6 billion, despite the programme having an allocation of Kshs.63.1 Billion in FY 2022-23,which was an increase of Kshs.42.7 billion from Kshs.20.4 billion in the initial estimates. It is also critical to note that the funding was approved by the National Treasury in line with article 223 of the constitution, and Kshs.22.59 billion had already been disbursed, meaning subject to the regularization of the expenditure in the FY 2022/23 Supplementary Estimates which was done by Parliament, the amount that was remaining to be disbursed was Kshs.20.15 billion.

65. The National Oil strategic partnership deal that was approved by Cabinet on 8th August 2023 geared towards revival and commercialization of NOCK, though feasible does not address existing unpaid bank loans which amount to Kshs. 8.3 billion, with Kshs 6.1 billion to KCB Bank and Kshs 2.2 billion to Stanbic Bank.

PART IV: RECOMMENDATIONS

66. Arising from observations made, the Committee recommends as follows;

4.1 The State Department for Energy

67. The Cabinet Secretary for the National Treasury to initiate a review of the Budget reporting template by 31st January 2024 in order to cater for incidences where money was disbursed but allocations to the project was affected by Supplementary budget cuts in order to promote accountability of funds.

68. The Cabinet Secretary for the Ministry of Energy and Petroleum in conjunction with the Cabinet Secretary for the National Treasury to undertake the unbundling of the projects in the subsequent budget i.e., FY 2024-25 annual budgets by 28th February 2024, with the breakdown containing the list of projects to be funded per constituency against their allocation in order to promote transparency in allocation of projects and their implementation.

69. The Cabinet Secretary for the Ministry of Energy and Petroleum to initiate a review of the Appropriations in Aid projections for the SAGAs in the State Department by 31st January 2024 in order to be more realistic in line with their collections potential and also to align the collections with the planned activities.

70. The Cabinet Secretary for the Ministry of Energy and Petroleum in conjunction with the Cabinet Secretary for the National Treasury to initiate a feasibility study on donor funded projects by 31st March 2024 in order to ascertain their viability owing to the huge variance

owed as wayleave compensations to individuals and those that have been pending for more than 4 years by 28th February 2024. The limited funding allocated each year should also be evenly distributed across a number of pending bills instead of settling one pending bill at a time.

72. The Cabinet Secretary for the Ministry of Energy and Petroleum to ensure that there is full disclosure of all development projects undertaken by the respective SAGAs under his purview in subsequent budget implementation oversight submissions by 30th November 2023 in order to promote transparency and accountability.

73. The Cabinet Secretary for the Ministry of Energy and Petroleum to furnish the Committee with a comprehensive report on the implementation status of the Narok - Bomet project by 30th November 2023: which is critical in evacuating cheap geothermal power from Olkaria to the South Rift.

74. The Cabinet Secretary for the Ministry of Energy and Petroleum to furnish the Committee with a comprehensive report on the implementation status of the Electrification of the Galana Kulalu Project by 30th November 2023: which is critical in promoting irrigation in the scheme and boosting food security.

4.2 The State Department for Petroleum

75. The Cabinet Secretary for the National Treasury to designate the budget line for the LPG Distribution and Infrastructure project to the National Oil Corporation of Kenya (NOCK) by 31st December 2023, in order for the corporation to undertake the function of procurement and distribution of the LPG cylinders. To this end, the NOCK should fast-track its current reforms i.e., acquiring a non-equity strategic partner(s) in order to accommodate this function and ensure that it does not overlap with its current commercial gas business.

76. The Kenya pipeline company to leverage on technology by 31st March 2024 e.g., use of tactic drones to enhance surveillance on their pipeline network, reduce costs accruing

from acquisition of SCADA (supervisory control and data acquisition) as well as help reduce incidences of product theft.

77. The Cabinet Secretary for the Ministry of Energy and Petroleum to provide to the Committee a comprehensive status report regarding the entire cost of the LPG Bulk storage and Handling Facility in Mombasa, its expected completion date and a breakdown of the utilization of the Kshs.192 million spent so far on the project by 30^{th} November 2023.

78. The Cabinet Secretary for the Ministry of Energy and Petroleum in conjunction with the Cabinet Secretary for the National Treasury to furnish the Committee with a comprehensive report by 30^{th} November 2023; which should include the utilization of the funds meant for the petroleum stabilization programme since inception to 15^{th} October 2023 i.e. details on the date and amount of payments to be made, the oil companies that received payments and the amount in liters sold by each company, balance in the PDL account, who manages the programme, details on the results of the treasury bonds issued to offset the pending bills, and the relevant legal anchoring including the relevant regulations for the Petroleum Stabilization programme.

79. There is need for the Cabinet Secretary for the Ministry of Energy and Petroleum in conjunction with the Cabinet Secretary for the National Treasury to explore possible ways for the incoming non-equity strategic partner(s) by 31^{st} January 2024 to address the bank loan book balance of the National Oil Corporation of Kenya (NOCK) in order to enable the corporation, execute its mandate.

SIGNED: ____________________ DATE: 22/11/2023

HON (ENG.) VINCENT MUSYOKA, M.P.
CHAIRPERSON, THE DEPARTMENTAL COMMITTEE ON ENERGY