

Approved for tabling



BA
SNA
5/12/18



REPUBLIC OF KENYA

THE NATIONAL ASSEMBLY

TWELFTH PARLIAMENT

SECOND SESSION

BUDGET AND APPROPRIATION COMMITTEE REPORT

REVIEW OF THE PROPOSED COUNTY ALLOCATION OF REVENUE (AMENDMENT) BILL,
2018

(SENATE BILL NO. 29 OF 2018)

5TH December, 2018

MANDATE OF THE COMMITTEE

Mr. Speaker Sir, Article 221 (4 and 5) of the Constitution and the Public Finance Management Act, 2012 provide for the establishment of a Committee of the National Assembly whose main role is to take the lead in budgetary oversight by the National Assembly. In this regard, Standing Order 207 establishes the Budget and Appropriations Committee with specific mandates among which is to:

1. Investigate, inquire into and report on all matters relating to coordination, control and monitoring of the national budget, and
2. Discuss and review the estimates and make recommendations to the House.
3. Examine Budget Policy Statement, Medium Term Debt Strategy Paper and Division of Revenue Bill (DORB) presented to the House
4. Examine Bills related to the national budget, including Appropriations Bill
5. Evaluate tax estimates, economic and budgetary policies and programs with direct budget outlays

Mr. Speaker Sir, the Budget and Appropriations Committee as currently constituted comprises of the following Honorable Members:

- 1) **Hon. Kimani Ichung'wah, M.P- Chairperson**
- 2) **Hon. Moses Lessonnet, M.P- Vice Chairperson**
- 3) Hon. CPA. John Mbadi, CBS, M.P.
- 4) Hon. Richard Onyonka, M.P.
- 5) Hon. Samwel Moroto, M.P.
- 6) Hon. Millie Odhiambo, M.P.
- 7) Hon. Twalib Bady, M.P.
- 8) Hon. (Dr.) Gideon Ochanda, M.P.
- 9) Hon. James Mwangi Gakuya, M.P.
- 10) Hon. (Dr.) Makali Mulu, M.P.
- 11) Hon. Moses Kiarie Kuria, M.P.
- 12) Hon. Benard Masaka Shinali, M.P.
- 13) Hon. John Muchiri Nyaga, M.P.

- 14) Hon. Jude Njomo, M.P.
- 15) Hon. (Dr.) Korei Ole Lemein, M.P.
- 16) Hon. Sarah Paulata Korere, M.P.
- 17) Hon. Naisula Lesuuda, OGW, M.P.
- 18) Hon. Christopher Wangaya Aseka, M.P.
- 19) Hon. Danson Mwashako, M.P.
- 20) Hon. Fatuma Gedi Ali, M.P.
- 21) Hon. Florence Chepnetich Koskey, M.P.
- 22) Hon. James Gichuki Mugambi, M.P.
- 23) Hon. (Dr.) John K. Mutunga, M.P.
- 24) Hon. (Eng.) Mark Nyamita, M.P.
- 25) Hon. Paul Abuor, M.P.
- 26) Hon. Qalicha Gufu Wario, M.P.
- 27) Hon. Ruth W. Mwaniki, M.P.

THE COUNTY ALLOCATION OF REVENUE (AMENDMENT) BILL (SENATE BILL NO. 29 OF 2018)

Mr. Speaker, the Senate submitted to the National Assembly the County Allocation of Revenue (Amendment) Bill (Senate Bill No. 29 of 2018) for concurrence, in line with Article 111 of the Constitution. This amendment Bill, proposes to amend the County Allocation of Revenue Act, 2018, with the aim of introducing three more conditional allocations for county governments for the FY 2018/19, to be financed by loans and grants from donors.

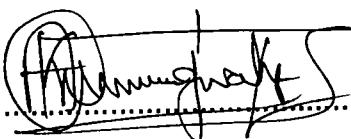
Mr. Speaker, the amendment bill was referred to the Budget and Appropriations committee on the 4th of December, 2018. The committee has had deliberations on this matter as hereby contained in this report.

Acknowledgements

Mr. Speaker, the committee is grateful to the your Office, the Office of the Clerk of the National Assembly and the Parliamentary Budget Office for the support received as it discharged its

mandate of reviewing the County Allocation of Revenue (Amendment) Bill, (Senate Bill No. 29 of 2018).

Mr. Speaker, it is therefore my pleasant undertaking, on behalf of the Budget and Appropriations Committee to table this report and recommend it to the House for adoption.

Signed: 

HON. KIMANI ICHUNG'WA, MP

CHAIRMAN, BUDGET & APPROPRIATIONS COMMITTEE

Date: 05/12/18

1) **BASIS FOR THE AMENDMENT:**

Mr. Speaker, the proposed amendment to the County Allocation of Revenue Act, 2018 follows the amendments to the Division of Revenue Act, 2018 which was assented to on 5th, October, 2018. The purpose of the amendment was the inclusion of **Kshs. 3,739,453,368** additional conditional allocations to counties for the FY 2018/19 from three development partners, namely, Government of Sweden, European Union and World Bank

Mr. Speaker, the county allocation of revenue (amendment) bill (senate Bill, NO. 29 of 2018) proposes to amend the County Allocation of Revenue Act, 2018 with the aim of introducing the three more conditional allocations for County governments for the FY 2018/19 financed by loans and grants from donors.

Mr. Speaker, the amendment to the County Allocation of Revenue Act, 2018 proposes to allocate the additional grants amongst the beneficiary county governments. The allocation criteria are based on the financing agreements between the National Government and the development partners.

Mr. Speaker, this amendment is important to regularize and facilitate the utilization of these funds by the respective beneficiary county government in the FY 2018/2019.

Mr. Speaker, the first conditional grant amounts to Ksh. 1 Billion and is to be financed by the government of Sweden for the *Agricultural Sector Development Support Program II*. This program is part of the implementation strategy of the Agricultural Policy for both levels of government, and aims to facilitate commercialization of agricultural based enterprises, by transforming food, livestock and fishery production.

Mr. Speaker, This program will be implemented by the National Government's State Department for Crops Development and will benefit all the 47 counties. A breakdown of county allocations has been provided in the annexed schedule.

Mr. Speaker, the second conditional grant is valued at Ksh. 880 Million and funded by the European Union for the *Water Tower Protection and Climate Change Mitigation & Adaptation Program*. This program is aimed at facilitating the implementation of the National Climate Change Action Plan and the Master Plan for the conservation of water catchment areas. The

program will be implemented through the National Government's Ministry of Environment and Forestry and will benefit 11 counties each receiving Kshs. 80 million as shown in the annexed schedule.

Mr. Speaker, the third conditional grant is a worth Ksh. 1.85 billion, to be financed by the International Development Assistance (World Bank) and is geared towards the establishment and operation of Urban Institutional arrangements such as charters, boards, administrations, and for the initial preparation for urban infrastructure investments. This program will benefit 45 counties (Excluding Nairobi and Mombasa) with each county receiving Kshs.41.2 million as shown in the annex. Programme implementation will be undertaken by National Government's State Department for Housing and Urban Development.

COMMITTEE OBSERVATIONS:

Mr. Speaker, after deliberations, the following issues were observed by the committee—

- (i.) There is disconnect on the timing of signing conditional allocations' agreements with development partners and the inclusion of these conditional allocations in the Division of Revenue Bill and County Allocation of Revenue bill. This has resulted in the increased number of proposed amendments after the enactment of the aforementioned bills which in effect is time consuming and often occasion delays in completion of programmes funded by these conditional allocations.
- (ii.) There is need for a framework for carrying out regular appraisal on the performance of projects funded by these loans and grants. This will enhance oversight of these allocations by Parliament.

2) COMMITTEE RECOMMENDATIONS

i. Policy recommendations

Mr. Speaker, the following policy recommendations are proposed:

- a) That National Treasury and development partners to develop a framework to ensure early engagements in signing contractual agreements for conditional loans and grants to county governments, with a view to align it to Kenya's budget process timelines.

- b) That a framework for assessing the performance of conditional allocations from loans and grants for effective oversight be developed by the National Treasury in consultation with the implementing Ministries, Departments and Agencies.

ii. Financial Recommendations

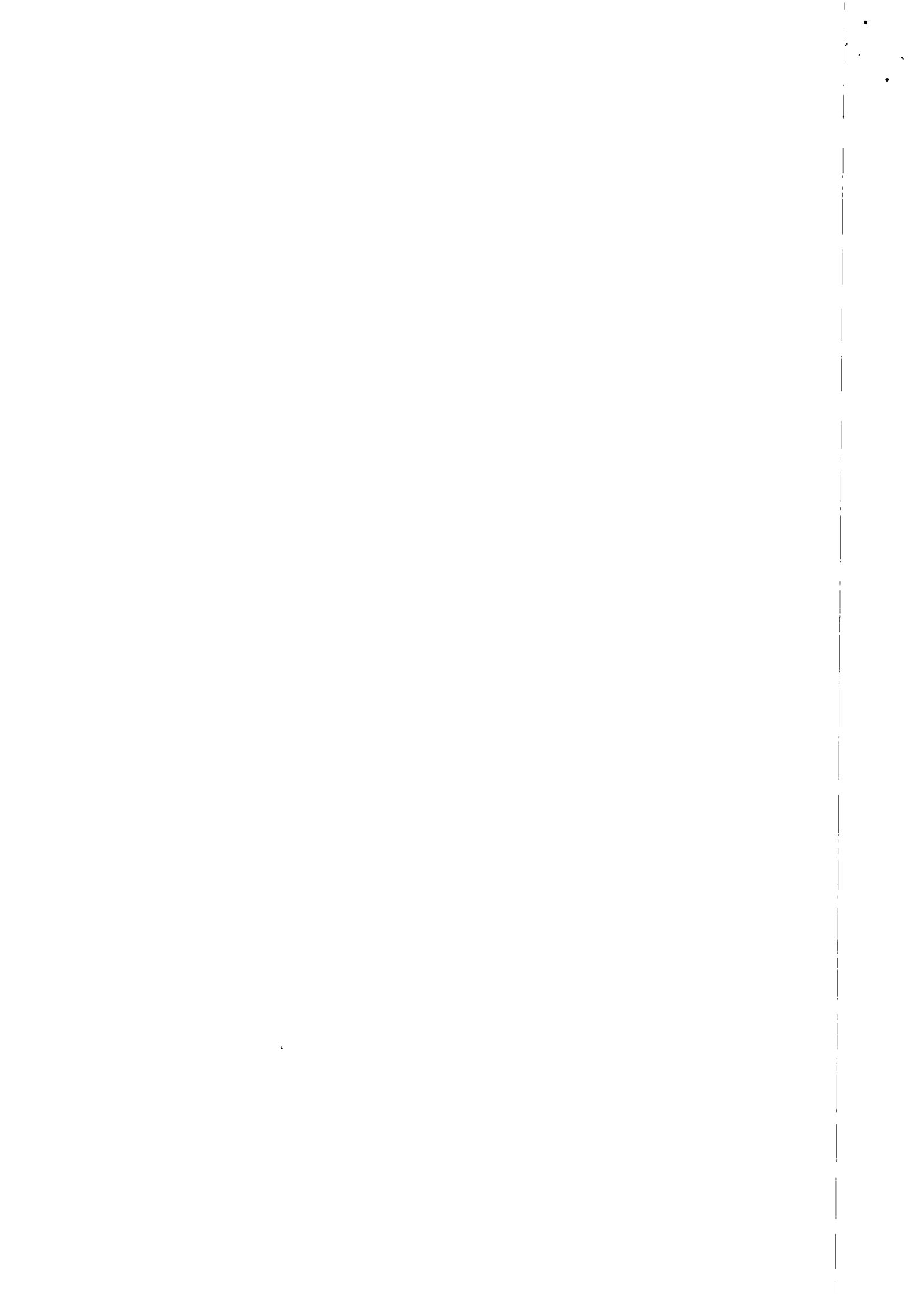
Mr. Speaker, the following financial recommendations are proposed:

- a) That this House approves the amendment of the County Allocation of revenue Act , 2018 to enable the disbursement of **Ksh. 3,739,453,368** for the following 3 additional conditional grants to county governments, for the FY 2018/19:
 - i. **Ksh. 1,005,453,368**, for the Agriculture Sector Development Program II (ASDP II)
 - ii. **Ksh. 880,000,000**, for the EU - Water Tower Protection & Climate Change mitigation & Adaptation Program
 - iii. **Ksh. 1,854,000,000**, IDA (World Bank) Credit for the Kenya Urban Support Project (KUSP) - Urban institutional Grants (UIG) plus balances carried forward from FY 2017/18.

3) CONCLUSION

Mr. Speaker, the committee hereby recommends that the House adopts this report on the County Allocation of Revenue (Amendment) Bill, (Senate Bill No. 29 of 2018)

Thank you.



MINUTES OF 60th SITTING OF THE BUDGET AND APPROPRIATIONS COMMITTEE HELD ON TUESDAY, 5th DECEMBER 2018, IN SMALL DINING, NEW WING, MAIN PARLIAMENT BUILDINGS AT 10.00 A.M.

PRESENT

1. **Hon. Kimani Ichung'wah, M.P- Chairperson**
2. **Hon. Moses Lessonet, M.P- Vice Chairperson**
3. Hon. Millie Odhiambo, M.P.
4. Hon. Samwel Moroto, M.P.
5. Hon. Richard Onyonka, M.P.
6. Hon. James Gichuki Mugambi, M.P.
7. Hon. (Dr.) Makali Mulu, M.P.
8. Hon. James Mwangi Gakuya, M.P.
9. Hon. Naisula Lesuuda, OGW M.P.
10. Hon. Sakwa Bunyasi, M.P.
11. Hon. Fatuma Gedi Ali, M.P
12. Hon. John Muchiri Nyaga, M.P.
13. Hon. (Dr.) John K. Mutunga, M.P.
14. Hon. Paul Abuor, M.P.
15. Hon. Qalicha Gufu Wario, M.P.
16. Hon. Wangari Mwaniki, M.P.
17. Hon. Twalib Bady, M.P

ABSENT WITH APOLOGIES

1. Hon. CPA. John Mbadi, CBS, M.P.
2. Hon. (Dr.) Gideon Ochanda, M.P.
3. Hon. (Dr.) Korei Ole Lemein, M.P.
4. Hon. Florence Chepngetich Koskey, M.P.
5. Hon. Danson Mwashako, M.P.
6. Hon. Sarah Paulata Korere, M.P.
7. Hon. Jude Njomo, M.P.
8. Hon. Moses Kiarie Kuria, M.P.
9. Hon. Benard Masaka Shinali, M.P.
10. Hon. (Eng.) Mark Nyamita, M.P

PARLIAMENTARY BUDGET OFFICE /SECRETARIAT

1. Ms. Phyllis Makua	Director, PBO
2. Mr. Danson Kachumbo	Clerk/ Fiscal Analyst III
3. Ms. Amran Yunis	Fiscal Analyst III
4. Mr. Yusuf Moge	Fiscal Analyst III
5. Ms. Flora Atisa	Office Attendant

AGENDA

1. Preliminaries
2. Confirmation of Agenda
3. Agenda:

A. Committee Discussion and Decision on of draft BAC report on review of the proposed County Allocation of Revenue (Amendment) Bill 2018 (Senate Bill No. 29 of 2018)

B. Adoption of the draft report

4. Any Other Business.

MIN BAC /60 /2018/01: PRELIMINARIES/CONFIRMATION OF AGENDA

The Chairperson called the meeting to order at 10.30 and welcomed members of the committee to the meeting. Thereafter, Hon. James Mugambi, M.P. led the committee with a word of prayer. In his introductory remarks, the Chairperson read the agenda of the meeting. Thereafter, he called upon Parliamentary Budget Office (PBO) to brief members on their analysis on proposed County Allocation of Revenue (Amendment) Bill 2018 (Senate Bill No. 29 of 2018).

MIN BAC /60/2018/02: Adoption of the draft report on The County Allocation Of Revenue (Amendment) Bill (Senate Bill No.29 of 2018

The committee considered the senate bill no. 29 on the amendments to county allocation of revenue act, 2018. The amendments were necessitated by the approval and enactment of the amendments to the Division of revenue act 2018 which included additional allocations of Kshs. 3.74 billion conditional allocations to the County Governments.

The additional conditional allocations were from development partners, namely, government of Sweden, European union and the world bank. The funds had been left out because the proposals for these additional conditional allocations were received after the enactment of the

DORB 2018. The financing agreements have already been signed between the development partners and the National Government and the programmes to be funded have been included in the FY 2018/19 approved budget.

The additional conditional grants were as follows;

Sweden- Agricultural Sector Development Support Programme (ADSP) II- Ksh. 1.01 Billion

The Agricultural Sector Development Support Programme II (ASDSP II) follows ASDSP I which was concluded in June 2017. ASDSP II is part of the implementation strategy of the Agricultural Policy for the National and County governments. The overall goal of ASDSP II is to contribute to “transformation of crop, livestock and fishery production into commercially oriented enterprises that ensure sustainable food and nutrition security”. This allocation will benefit all the 47 counties and will be implemented through the National Government’s State Department for Crops Development.

EU- Water Tower Protection and Climate Change Mitigation and Adaptation Programme (WaTER) - Ksh. 880 Million

The Water Tower Protection and Climate Change Mitigation and Adaptation Programme (WaTER) is aimed at facilitating the implementation of the national climate change action plan and the master plan for the conservation of water catchment areas. The programme will be implemented in Cherangany Hills and Mount Elgon ecosystems and will include Lake Victoria and Turkana basins. It will also address a number of cross-cutting issues like climate change, gender equality, good governance and human rights. It will be implemented through the National Government’s Ministry of Environment and Forestry and will benefit the 11 Counties. (Bungoma, Busia, Elgeyo Marakwet, Kakamega, Kisumu, Nandi, Siaya, Trans Nzoia, Uasin Gishu, Vihiga and West Pokot)

IDA (World Bank) credit: Kenya Urban Support Project (KUSP) - Urban Institutional Grant (UIG) Allocation - Ksh. 1.85 Billion

The Kenya Urban Support Project (KUSP) is aimed at providing support to participating County Governments for the formulation of urban development plans including the establishment and operation of Urban Institutional arrangements such as charters, boards, administrations and for the initial preparation of urban infrastructure investments. This

allocation for the Urban Institutional Grant (UIG) will benefit 45 counties (Nairobi and Mombasa excluded) and will be implemented through the National Government's State Department of Housing and Urban Development.

In its deliberations, the committee made the following **observations**;

- a) There is disconnect on the timing of signing conditional allocations' agreements with development partners and the inclusion of these conditional allocations in the Division of Revenue Bill and the County Allocation of Revenue Bill. This has resulted in the increased number of proposed amendments after the enactment of the aforementioned Bills. There is need for a harmonized timeframe for these conditional allocations so as to ensure predictability and credibility of the budget process.
- b) The conditional allocations (loans and grants) to the county governments have increased over the years and therefore there is need for a framework for reporting to parliament, the performance of these conditional allocations to the county governments by the implementing National Government Ministries, Departments and Agencies. This will also facilitate efficient monitoring and evaluation.

The made the following **policy** recommendations;

- a) That agreements for conditional loans and grants to county governments, should be aligned to Kenya's budget process timelines.
- b) That a framework for assessing the performance of conditional allocations from loans and grants for effective oversight be developed by the National Treasury in consultation with the implementing Ministries, Departments and Agencies.

The following **financial** recommendations were also made;

- a) That this House approves the amendment of the County Allocation of revenue Act, 2018 to enable the disbursement of Ksh. 3,739,453,368 for the following 3 additional conditional grants to county governments, for the FY 2018/19:
 - i. Ksh. 1,005,453,368, for the Agriculture Sector Development Program II (ASDP II)

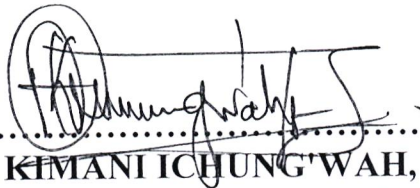
- ii. Ksh. 880,000,000, for the EU - Water Tower Protection & Climate Change mitigation & Adaptation Program
- iii. Ksh. 1,854,000,000, IDA (World Bank) Credit for the Kenya Urban Support Project (KUSP) - Urban institutional Grants (UIG) plus balances carried forward from FY 2017/18.

The committee **adopted** the proposed amendments to the County Allocation of Revenue Act, 2018 which was proposed through the amendments in the senate Bill, No. 29.

MIN BAC /60 /2018/03: ANY OTHER BUSINESS

There being no other business the meeting was adjourned at 12.30 p.m.

SIGNED



.....
HON. KIMANI ICHUNG'WAH, M.P.
CHAIRMAN, BUDGET AND APPROPRIATIONS COMMITTEE

05/12/18

.....
DATE

11