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THE NATIONAL ASSEMBLY

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ELEVENTH PARLIAMENT – FOURTH SESSION

REPORT OF THE BUDGET AND APPROPRIATIONS COMMITTEE ON THE  
CONSIDERATION OF  
THE COUNTY ALLOCATION OF REVENUE BILL, 2016

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PARLIAMENT BUILDINGS  
NAIROBI

JUNE, 2016

*Approved for tabling.*

*Bat  
SNA  
15/6/16*

*Paper paid by  
the Chairman  
Budget Committee  
15/6/16  
Mwangi*

## PREFACE

**Mr. Speaker**, on behalf of the Budget and Appropriation Committee and as required under Article 111 and 218 of the Constitution, I hereby present to this House the Committee's report on the County Allocation of Revenue Bill, 2016 which was referred to the National Assembly on 9<sup>th</sup> June, 2016.

### **Mandate of the Committee**

**Mr. Speaker**, 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:

- i. Investigate, inquire into and report on all matters relating to coordination, control and monitoring of the national budget, and
- ii. Examine bills related to the national budget, including Appropriation Bills.

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

1. **Hon. Mutava Musyimi, M.P.** - **Chairperson**
2. **Hon. Mary Emaase, M.P** - **Vice Chairperson**
3. Hon. Phillip Rotino, M.P
4. Hon. Ababu Namwamba, E.G.H M.P
5. Hon. Benjamin Langat, M.P.
6. Hon. Edick Omondi Anyanga, M.P
7. Hon. (Dr.) Eseli Simiyu, M.P
8. Hon. Ferdinand Waititu, M.P
9. Hon. Jackson Kiptanui, M.P.
10. Hon. Jamleck Kamau, E.G.H M.P.
11. Hon. Mohamed Shidiye, M.P.
12. Hon. Moses Lessonet, M.P.
13. Hon. Moses Ole Sakuda, M.P.
14. Hon. Nelson Gaichuhie, M.P.
15. Hon. Richard Onyonka, M.P
16. Hon. Shakeel Shabbir, M.P
17. Hon. Yusuf Hassan Abdi, M.P
18. Hon. Abdikadir O. Ahmed, M.P

19. Hon. Abdulaziz Farah, M.P.
20. Hon. Abdullahi Diriye M.P
21. Hon. Ahmed .I. Abass, M.P
22. Hon. Alice Ng'ang'a, M.P.
23. Hon. Bady Bady Twalib, M.P
24. Hon. Ben Momanyi, M.P
25. Hon. Christopher Nakuleu, M.P
26. Hon. Christopher Omulele, M.P.
27. Hon. Daniel Nanok, M.P.
28. Hon. Denittah Ghati, M.P.
29. Hon. Dennis Kariuki, M.P.
30. Hon. Francis Njenga, M.P.
31. Hon. Gideon Ochanda, M.P.
32. Hon. James Gakuya, M.P.
33. Hon. James K. Bett, M.P
34. Hon. Jonathan Lelelit, M.P.
35. Hon. Jones Mlolwa, M.P.
36. Hon. Joseph Limo, M.P.
37. Hon. Kathuri Murungi, M.P
38. Hon. Kenneth Okoth , M.P
39. Hon. K.K Stephen Kinyanjui, M.P.
40. Hon. (Maj.) Marcus Muluvi, M.P
41. Hon. Moses Kuria, M.P
42. Hon. Muriuki Njagagua, M.P.
43. Hon. Nasra Ibrahim, M.P.
44. Hon. Njogu Barua, M.P
45. Hon. Patrick Ole Ntutu, M.P.
46. Hon. Peter Weru, M.P.
47. Hon. Priscilla Nyokabi, M.P.
48. Hon. (Dr.) Reginalda Wanyonyi, M.P.
49. Hon. Richard Tongi, M.P
50. Hon. Samuel Gichigi, M.P.
51. Hon. Tiyah Galgalo, M.P.

### **Examination of the Bill**

**Mr. Speaker,** The County Allocation of Revenue Bill, 2016 provides for the horizontal sharing of the revenue allocated to the county level of government, through the Division of Revenue Act, 2016, among the forty seven (47) counties. The horizontal sharing of revenue is on the basis determined in accordance with the resolution in force under Article 217 of the Constitution. The bill also indicates the conditional grants being allocated to counties both from the national government share of revenue and from development partners.

**Mr. Speaker,** In reviewing the Message from the Senate, the Committee held 2 sittings during which it deliberated and concurred with the message from the Senate on County Allocation Revenue Bill, 2016. The Committee observed that the Bill is critical towards the county budgeting process by providing specific allocations and thus guide the finalization of respective county budgets. Upon approval, the Bill will also provide a means of allocating resources to the respective County Governments and thus facilitate service delivery by devolved units.

### **Acknowledgement**

**Mr. Speaker,** the Committee is grateful to the Members of Parliament who participated in the process for their diligence and insightful input in making sure that Parliament fulfils its role provided under Article 95 of the Constitution.

Lastly, **Mr. Speaker,** the Committee is grateful to the Office of the Speaker, the Office of the Clerk of the National Assembly and the Parliamentary Budget Office for the continuous and relentless support received as it discharged its mandate.

**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. MUTAVA MUSYIMI, M.P**  
**CHAIRPERSON, BUDGET AND APPROPRIATIONS COMMITTEE.**

15<sup>th</sup> June 2016.

## **CONSIDERATION OF THE MESSAGE FROM THE SENATE ON THE COUNTY ALLOCATION OF REVENUE BILL, 2016**

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### **A. Introduction**

1. **Mr. Speaker**, the County Allocation of Revenue Bill, 2016 was referred to the National Assembly by the Senate on Thursday 9<sup>th</sup> June 2016. The Speaker of the National Assembly subsequently committed it to the Budget and Appropriations Committee on the same day and directed that the Committee presents a report to the House by Wednesday 15<sup>th</sup> June 2016.
2. **Mr. Speaker**, the principle object of the Bill is to divide among the counties the revenue, raised by the National Government, allocated to the county level of government for the financial year 2016/17. The equitable allocation of revenue is in accordance to the current basis determined in line with Article 217 of the Constitution.
3. **Mr. Speaker**, article 111 of the Constitution allows the National Assembly to review and propose amendments to any Special Bill from the Senate. However, an amendment to such a bill will only be by a resolution approved by two-thirds of the Members of the National Assembly.

### **B. Highlights of the County Allocation of Revenue Bill, 2016**

4. **Mr. Speaker**, the Division of Revenue Act, 2016 provided for total shareable revenue of Ksh 1.38 trillion for FY 2016/17. Out of this, the National Government Share amounted to Ksh 1.09 trillion while the County Equitable Share amounted to Ksh 280.3 billion. The bill further allocated the Counties an additional Ksh 21.8 billion in conditional grants. This brings the total county allocation to Ksh 302.2 billion representing 32.3% of the most recent audited revenues as approved by Parliament for the Financial Year 2013/14.
5. **Mr. Speaker**, the County Allocation of Revenue Bill, 2016 is based on the funds allocated to the County level of government as provided in the Division of Revenue Act, 2016. The total allocation to the county governments of Kshs. 302.2 billion is an increment from the Kshs. 287.0 billion approved for the current financial year 2015/16.



6. **County Equitable share of Kshs. 280.3 billion** – This is an increment of Ksh 20.5 billion from the allocation in the current FY 2015/16 amounting to Ksh 259.8 billion. The amount is shared equitably among the county governments using the basis determined in accordance with the resolution in force under Article 217 of the Constitution (first generation formula). The allocation of the equitable share per county has been captured in the First Schedule of the Bill.
7. **Conditional Allocations from National Government Revenue of Ksh 18.03 billion** – This is an increment of Ksh 1.43 billion from the allocation in the current FY 2015/16 amounting to Ksh 16.6 billion. The total conditional allocation for FY 2016/17 comprise of the following:
- Ksh 4.5 billion to facilitate the leasing of healthcare equipment with a view to equip at least two health facilities in each county;
  - Ksh 4.31 billion as allocation from the Road Maintenance Fuel Levy;
  - Ksh 4.12 billion towards free maternal healthcare;
  - Ksh 4.0 billion to Level 5 Hospitals;
  - Ksh 900 million as compensation for user fee forgone at the county level health facilities; and
  - Kshs. 200 million to be shared equally between the counties of Lamu and Tana River counties which is a special purpose grant supporting emergency medical services due to insecurities.
8. The distribution of the conditional allocations from National Government Revenue for each county has been captured in the Second Schedule of the Bill.
9. **Conditional Allocations from Loans and Grants of Kshs. 3.87 billion** – These are external loans and grants from development partners provided to supplement and support the delivery of health services in the various county health facilities. The total loans and grants for 2016/17 are lower than that of the current FY 2015/16 which amount to Ksh 10.6 billion. The reduction is attributed to the winding up some of the donor financed projects. The FY 2016/17 loans and grants comprises of the following:
- Kshs. 1.3 billion loan from the World Bank;
  - Kshs 422.3 million grant from the Danish Government (DANIDA); and
  - Other loans and grants amounting to Kshs 2.2 billion.

10. The distribution of the conditional allocations from loans and grants for each county has been captured in the Third Schedule of the Bill.
11. **Mr. Speaker**, the County Allocation of Revenue Bill, 2016 further proposes budget ceilings for recurrent expenditure for the county assembly and county executive in line with Section 107(2A) of the Public Finance Management Act, 2012. The County Assemblies have been allocated a total ceiling of Ksh 29.06 billion while the County Executive have been allocated a total ceiling of Ksh 20.84 billion. The recurrent expenditure ceilings for each County Assembly and County Executive have been provided in the Fourth Schedule of the Bill.

### **C. Committee Observations**

12. **Mr. Speaker**, the Committee noted that there was a marginal increment in the overall allocations to the counties as compared to the approved funds for FY 2015/2016. The increment was largely on the equitable share amounting to Ksh 20.5 billion while that from the conditional allocations from the National Government revenue increased by Ksh 1.4 billion. However, the conditional allocations from loans and grants had a substantial reduction amounting to Ksh 6.7 billion due to winding up of some of the donor funded projects. It also noted that the aggregate recurrent expenditure ceilings for County Executive and County Assemblies had a marginal increase by 1% and 6% respectively.
13. **Mr. Speaker**, the Committee lastly noted that the allocations was in line with the amounts approved under the Division of Revenue Act, 2016 and that these respective county allocations further provide clarity in the county budget processes with respect to specific budget items.

### **D. Recommendation**

14. **Mr. Speaker**, the Committee having considered the above matters, recommends that this House concurs with the Message from the Senate on the County Allocation of Revenue Bill, 2016.

**MINUTES OF THE 11<sup>TH</sup> SITTING OF THE BUDGET AND APPROPRIATIONS COMMITTEE (BAC) HELD ON TUESDAY, 14<sup>TH</sup> JUNE, 2016 AT 4:00 PM MINI- CHAMBERS, COUNTY HALL**

**Present**

**1. Hon. Mutava Musyimi, M.P-**

**Chairperson**

2. Hon. James Gakuya, M.P.

3. Hon. Richard Tongi, M.P

4. Hon. Phillip Rotino, M.P

5. Hon. Gideon Ochanda, M.P.

6. Hon. Kathuri Murungi, M.P

7. Hon. Muriuki Njagagua, M.P.

8. Hon. James K. Bett, M.P

9. Hon. Jonathan Lelelit, M.P.

10. Hon. Kenneth Okoth, M.P

11. Hon. Jamleck Kamau, M.P.

12. Hon. Nelson Gaichuhie, M.P.

13. Hon. Tiyah Galgalo, M.P.

14. Hon. Abdullahi Diriye M.P

15. Hon. Alice Ng'ang'a, M.P.

16. Hon. Abdulaziz Farah, M.P.

17. Hon. Daniel Nanok, M.P.

18. Hon. Christopher Nakuleu, M.P

19. Hon. Joseph Limo, M.P.

20. Hon. Richard Onyonka, M.P

21. Hon. Moses Lessonet, M.P.

22. Hon. Ababu Namwamba, EGH, M.P

23. Hon. Abdikadir O. Ahmed, M.P

24. Hon. Edick Omondi Anyanga, M.P

25. Hon. Mohamed Shidiye, M.P.

26. Hon. Moses Kuria, M.P

27. Hon. Patrick Ole Ntutu, M.P.

28. Hon. Nasra Ibrahim, M.P.

**ABSENT**

**1. Hon. Mary Emaase, M.P-**

**Vice Chairperson**

2. Hon. Samuel Gichigi, M.P

3. Hon. Jackson Kiptanui, M.P.

4. Hon. Moses Ole Sakuda, M.P.

5. Hon. Yusuf Hassan, M.P

6. Hon. Njogu Barua, M.P



7. Hon. (Dr.) Eseli Simiyu, M.P.
8. Hon. Christopher Omulele, M.P.
9. Hon. Francis Njenga, M.P.
10. Hon. K.K Stephen Kinyanjui, M.P.
11. Hon. Benjamin Langat, M.P.
12. Hon. Ahmed.I. Abass, EGH, M.P
13. Hon. Jones Mlolwa, M.P.
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16. Hon. (Dr.) Reginalda Wanyonyi, M.P.
17. Hon. Bady Bady Twalib, M.P
18. Hon. Ben Momanyi, M.P
19. Hon. Denittah Ghati, M.P.
20. Hon. Dennis Kariuki, M.P.
21. Hon. Priscilla Nyokabi, M.P.
22. Hon. Shakeel Shabbir, M.P
23. Hon. Ferdinand Waititu, M.P

#### **IN ATTENDANCE**

1. Hon. Irungu Kangata, M.P.
2. Hon. Rachael Nyamai, M.P.
3. Hon. Samuel Chepkonga, M.P.
4. Hon. Adan Nooru, M.P.

#### **NATIONAL TREASURY**

- |                          |                        |
|--------------------------|------------------------|
| 1. Mr. Henry Rotich, EGH | CS National Treasury   |
| 2. Mr. Francis Anyona    | Director, BSD          |
| 3. Mr. Samuel Kiiru      | Deputy Chief Economist |
| 4. Ms. Miriam Musyoki    | Senior Economist       |

#### **Budget committee secretariat in attendance**

- |                          |                          |
|--------------------------|--------------------------|
| 5. Ms. Phyllis Makau     | Director PBO             |
| 6. Martin Masinde        | SDD, PBO                 |
| 7. Mr. Robert Nyaga      | Chief Fiscal Analyst     |
| 8. Ms. Lucy Makara       | Chief Fiscal Analyst     |
| 9. Mr. Fredick Muthengi  | Principal Fiscal Analyst |
| 10. Mr. Benjamin Ng'imor | Fiscal Analyst           |
| 11. Mr. Abdinasir Moge   | Fiscal Analyst           |
| 12. Mr. Danson Kachumbo  | Fiscal Analyst           |

## **AGENDA**

1. Review of the National Treasury Comments on the submissions from the Departmental Committees on;
  - a. Health
  - b. Justice and Legal Affairs
  - c. Energy and Information and Communications
  - d. Agriculture
  - e. Labour and Social Welfare
  - f. Finance, Planning and Trade
2. Review of proposed Amendments Budget Committee Report on Estimates
  - a. Hon. Irungu Kangata, M.P
  - b. Hon. Abdullahi Diriye, M.P
3. Discussions on the Message from the Senate on the *County Allocation of Revenue Bill, 2016*
4. Any Other Business

### **MIN BAC/07/2016/01: Preliminaries**

The Chairman called the meeting to order at 4.15 p.m. and welcomed the Cabinet Secretary National Treasury to make his presentation.

### **MIN BAC/07/2016/02: Review of the National Treasury Comments on the submissions from the Departmental Committees;**

The National Treasury made their comments and response to the implications of the report of the BAC on the Estimates. It was stated that the proposed reallocations would negatively affect programmes.

After lengthy discussions, it was observed that the recommendations proposed by the Committees on Health, Energy and Information and Communications, and Agriculture had been deliberated lengthy in the Departmental Committee and the recommendations will not adversely affect the implementation of the budgets by the respective ministries. Thus, the BAC accepted to maintain the recommendations as proposed in the report.

The Committee noted that the recommendations by Justice and Legal Affairs, Labour and Social Welfare, and Finance, Planning and Trade Committees touched on critical expenditures and that the Committees needed to reconsider their recommendations together with the National Treasury. The Committee agreed that each of the three

Departmental Committees should hold an urgent meeting on Wednesday 15<sup>th</sup> June 2016 in the morning together with the National Treasury and report back to the BAC with their final recommendations by 12.00pm the same day.

made the reallocations with consultations with the Ministry of health and

- a. Justice and Legal Affairs
- b. Energy and Information and Communications
- c. Agriculture
- d. Labour and Social Warfare
- e. Finance, Planning and Trade

### **MIN BAC/07/2016/03: Review of proposed Amendments Budget Committee Report on Estimates**

The Committee considered the proposed amendments by two MPs; Hon. Irungu Kangata, M.P and Hon. Abdullahi Diriye, M.P. It was noted that both of the amendments would affect the ceilings of ministries and that there was need for concurrence with the respective Chairs of Departmental Committees. Due to the timelines of the budget process and the current stage at which the budget is, the Committee decline to approve these amendments and requested the affected MPs in future to bring these amendments through the Departmental Committee so as to have earlier concurrence on their proposal. This will ensure the budget process is not adversely impacted at later stages.

### **MIN BAC/07/2016/04: Discussions on the Message from the Senate on the County Allocation of Revenue Bill, 2016**

#### **Highlights of the County Allocation of Revenue Bill, 2016**

The Division of Revenue Act, 2016 provided for total shareable revenue of Ksh 1.38 trillion for FY 2016/17. Out of this, the National Government Share amounted to Ksh 1.09 trillion while the County Equitable Share amounted to Ksh 280.3 billion. The bill further allocated the Counties an additional Ksh 21.8 billion in conditional grants. This brings the total county allocation to Ksh 302.2 billion representing 32.3% of the most recent audited revenues as approved by Parliament for the Financial Year 2013/14.

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- iii.) Ksh 4.12 billion towards free maternal healthcare;
- iv.) Ksh 4.0 billion to Level 5 Hospitals;
- v.) Ksh 900 million as compensation for user fee forgone at the county level health facilities; and
- vi.) Kshs. 200 million to be shared equally between the counties of Lamu and Tana River counties which is a special purpose grant supporting emergency medical services due to insecurities.

**Conditional Allocations from Loans and Grants of Kshs. 3.87 billion** – These are external loans and grants from development partners provided to supplement and support the delivery of health services in the various county health facilities. The total loans and grants for 2016/17 are lower than that of the current FY 2015/16 which amount to Ksh 10.6 billion. The reduction is attributed to the winding up some of the donor financed projects. The FY 2016/17 loans and grants comprises of the following:

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### **Committee Observations**


The Committee noted that there was a marginal increment in the overall allocations to the counties as compared to the approved funds for FY 2015/2016. The increment was largely on the equitable share amounting to Ksh 20.5 billion while that from the conditional allocations from the National Government revenue increased by Ksh 1.4 billion. However, the conditional allocations from loans and grants had a substantial reduction amounting to Ksh 6.7 billion due to winding up of some of the donor funded projects. It also noted that the aggregate recurrent expenditure ceilings for County Executive and County Assemblies had a marginal increase by 1% and 6% respectively.

The Committee lastly noted that the allocations was in line with the amounts approved under the Division of Revenue Act, 2016 and that these respective county allocations further provide clarity in the county budget processes with respect to specific budget items.

### **MIN BAC/07/2016/05: Adoption of the Draft Report**

The Committee having considered the above matters, concurred with the Message from the Senate on the County Allocation of Revenue Bill, 2016. The Committee adopted the report.

Signed

A handwritten signature in black ink, appearing to be 'M. J. ...', written over a dotted line.

Chairperson

A handwritten date '15.6.16' in black ink, written above a dotted line.

Date