



REPUBLIC OF KENYA

THE NATIONAL ASSEMBLY

*Paper Laid
by Chair of Budget
Appropriation Committee
3rd May, 2018*

03 MAY 2018

PAPER LAID

PARLIAMENT
OF KENYA
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12TH PARLIAMENT

SECOND SESSION

THE REPORT OF THE BUDGET AND APPROPRIATIONS COMMITTEE ON THE ESTIMATES OF
REVENUE TO AND EXPENDITURE FROM THE EQUALIZATION FUND FOR 2017/2018

MAY 2018

PREFACE

Mr. Speaker Sir, on behalf of the Members of the Budget and Appropriations Committee and pursuant to Article 204 of the Constitution, section 38 of the Public Finance Management Act, 2012, the Equalization Fund Regulations, 2015 and Standing Orders 240 B; it is my pleasure to present to this House, the Committee's Report on the Estimates of Revenue to and Expenditure From The Equalization Fund for financial year 2017/2018.

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. Pursuant to this constitutional provision, 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. Discuss and review the estimates and make recommendations to the House.
- iii. Examine the Budget Policy Statement presented to the House
- iv. Examine bills related to the national budget including appropriation bills
- v. Evaluate tax estimates, economic and budgetary policies and programmes with direct budget outlays, and
- vi. Examine the Division of Revenue Bill

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

1. **Hon. Kimani Ichung'wah, M.P- Chairperson**
2. **Hon. Moses Lessonet, M.P- Vice Chairperson**
3. Hon. CPA John Mbadi, M.P.
4. Hon. Richard Onyonka, M.P.
5. Hon. Samwel Moroto, M.P.
6. Hon. Millie Odhiambo, M.P.

Report on the Estimates of Revenue to and Expenditure from the Equalization Fund for the financial year 2017/2018.

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 Benson, 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, 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 Chepng'etich 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 Abuur, M.P.
26. Hon. Qalicha Gufu Wario, M.P.
27. Hon. Ruth W. Mwaniki, M.P.

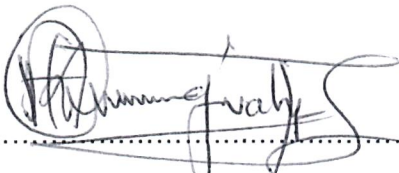
Examination of the Equalization Fund Estimates for Financial Year 2017/2018

Mr. Speaker, the Estimates of Revenue to and Expenditure from the Equalization Fund for the financial year 2017/2018 was submitted to the National Assembly on 19th April 2018, just two months before the end of the financial year. In accordance with Standing Order 243(3), once the Estimate was tabled, it was committed to the Budget and Appropriations Committee. The Committee has examined and discussed the estimates and has made recommendations, which are contained in this report. If approved by the House, these recommendations will form the basis for the passage of the Estimates of Revenue to and Expenditure from the Equalization Fund for the financial year 2017/2018.

Acknowledgements

Mr. Speaker, the Committee is grateful to the Office of the Speaker of the National Assembly, the Office of the Clerk of the National Assembly and the Parliamentary Budget Office for the steadfast support received as it discharged its mandate in reviewing the Estimates of Revenue to and Expenditure from the Equalization Fund for the financial year 2017/2018.

Mr. Speaker, it is therefore my humble duty and privilege, on behalf of the Budget and Appropriations Committee, to table the Report on the Estimates of Revenue to and Expenditure from the Equalization Fund for the financial year 2017/2018 and recommend it to the House for adoption.

Signed: 

Hon. Kimani Ichung'wah, M.P.

Chairperson, the Budget and Appropriations Committee

Date: 02/05/2018

I. OVERVIEW OF THE ESTIMATES OF REVENUE TO AND EXPENDITURE FROM THE
EQUALIZATION FUND FOR THE FINANCIAL YEAR 2017/2018

Introduction

- 1) **Mr. Speaker**, this is the second equalization fund budget to be prepared since the promulgation of the 2010 Constitution. It was tabled in the House on the 18th of April 2018; two months to the end of the financial year 2017/18.
- 2) **Mr. Speaker**, the Equalization Fund as established under Article 204 of the Constitution provides for annual appropriation of one half percent (0.5%) of all the revenue collected by National Government each year calculated on the basis of most recent audited accounts. Appropriation under this Fund is towards up scaling the delivery of basic but critical services such as water, roads, health facilities and electricity to marginalized areas to the extent necessary to bring the quality of those services to the level generally enjoyed by areas which are relatively better off.
- 3) **Mr. Speaker**, underpinned by the Constitution and the PFM Act 2012, the equalization fund Board under stewardship of the National Treasury carried advertisements in the dailies to undertake public hearings on projects proposed by Members of Parliament across the fourteen counties.
- 4) **Mr. Speaker**, the Constitution under Article 216 (4) obligates the Commission on Revenue Allocation (CRA) to determine, publish and regularly review a policy in which it shall set out the criteria by which to identify the marginalized areas for purposes of Article 204 (2).
- 5) **Mr. Speaker**, the primary criteria chosen for identifying marginalized counties in the policy is the county development index (CDI) which is a composite index, constructed from indicators measuring the state of health, education, infrastructure and poverty in a county. The lifespan of the policy was pegged at three financial years from the date of its approval. The first-generation policy identified fourteen counties to benefit from the Fund for the first three years namely: Turkana, Mandera, Wajir, Marsabit, Samburu, West Pokot, Tana River, Narok, Kwale, Garrissa, Kilifi, Taita Taveta, Isiolo and Lamu.
- 6) **Mr. Speaker**, equally, Parliament approved regulations on administration of equalization fund. The regulation vests the management of the Fund on the Equalization Fund Advisory Board and gives details of its membership while capping the funds administration monies at 4.28 percent. It also gives the source, object and purpose of the Fund.
- 7) **Mr. Speaker**, the PFM Act Section 18 (2) requires that the National Treasury shall keep the Equalization Fund in separate account maintained at the Central Bank and shall transfer into the equalization fund all revenues payable into the fund under Article 204 (1) of the Constitution and

transfer from that Equalization Fund, without undue delay, all money for purposes specified in Article 204 (2) of the Constitution. Despite this express provision of the PFM Act the national government has delayed the implementation of the fund well over six years.

- 8) **Mr. Speaker**, the committee is concerned that the submission of the Equalization fund estimates did not conform to Section 38 b (2) on submission of other budget documents, which requires that estimates of revenue allocated to, and expenditures projected from, the Equalization Fund over the medium term, with an explanation of the reasons for those revenue allocations and expenditures and how these estimates comply with the policy developed by the Commission on Revenue Allocation under Article 216(4) of the Constitution should be submitted together with the budget estimates for that year.

II. HIGHLIGHTS OF THE 2017/18 EQUALIZATION FUND

- 9) **Mr. Speaker**, The total proposed allocation for the FY 2017/18 is Kshs.11, 981 million of which the total proposed equalization amount available for programmed projects across the 14 counties is Kshs.11, 553 million. On the other hand, the allocation amounting to Kshs.428 million will be spent on the Equalization Fund Advisory Board's recurrent grant towards administrative services and operational activities. **Mr. Speaker**, a total recurrent sum of Kshs 428.16 million, translating to 3.6 percent of the sum estimate has been allocated towards the Equalization Fund Advisory Board
- 10) **Mr. Speaker**, The Equalization Fund as envisaged in the Constitution was largely meant to bridge the socio-economic development of hitherto marginalized areas to the extent possible that they can be at the same level with the rest of the country. Against this background, the Constitution gives priority to water, roads, health and energy.
- 11) **Mr. Speaker**, in the proposed development estimates, the key areas that has been earmarked to be funded include water, roads, health, energy and education projects at 47 percent, 32 percent, 17 percent and 2 percent, respectively.
- 12) **Mr. Speaker**, regarding prioritization of the fund allocation by each of the counties identified by the marginalization policy, the sectors of water, roads and health were the biggest spenders featuring in all the fourteen counties. Significantly, water had the highest allocation in eight counties followed by expansion of road network, the need for better health care and electricity connection.

III. COMMITTEE OBSERVATIONS

- 13) **Mr. Speaker**, Members observed the need for Parliament to do an amendment to the Public Finance Management Act, 2012 in order to be very explicit that appropriation of monies from the Equalization Fund shall not lapse at the end of a financial year. These will go a long way in ensuring that there shall be predictability in the flow of funds to various projects being implemented.
- 14) **Mr. Speaker**, Members observed the need to have consultative meetings with stakeholders in the near future in regards to the new marginalization policy. In particular, **Mr. Speaker**, the formulation of the second marginalization policy should have greater involvement with the legislators like any other government policy document. This will help in unlocking existing policy hiccups such as transition arrangements between the two policies.
- 15) **Mr. Speaker**, Members noted with concern that whereas Parliament allocates and appropriates money for the equalization fund, there seems to be a delay from the National Treasury in disbursing the funds.
- 16) **Mr. Speaker**, Members also queried the if there is any transition arrangement in place given that the first generation marginalization policy under which the projects were identified is coming to an end.

IV. COMMITTEE RECOMMENDATIONS

17) Having considered the above matters, the committee recommends as follows:

a. Policy Recommendations

- i. **Mr. Speaker**, the committee recommends that in future in order to avoid further delays in the implementation of the Equalization Fund, the National Treasury should submit the Equalization Fund Estimate together with the annual estimate beginning with the 2018/19 financial estimate.
- ii. **Mr. Speaker**, the committee also recommends that the second-generation marginalization policy being developed by the Commission for Revenue Allocation (CRA) MUST be tabled and adopted by the House.
- iii. **Mr. Speaker**, the committee recommends the amendment of the PFM Act to provide the necessary safeguard of the resources in the Fund. Specifically, the committee will move amendments geared towards making sure that the resources appropriated do not lapse at

the end of the Financial Year. This will necessitate the seamless execution of development projects that are funded from this fund.

- iv. **Mr. Speaker**, the Committee further recommends that there is need to provide sufficient transition arrangements in a situation where a project has been proposed under the old policy, but the allocation needs to continue to the next phase under a new policy. **Mr. Speaker**, if this is left unchecked, the situation may lead to many stalled projects.

b. Financial Recommendations

18) Mr. Speaker, the Committee further recommends the following:

- i. That this House resolves to approve the issue of **Kshs. 11,977,764,688** out of the Equalization Fund for the 2017/18. Specifically:
 - a. Kshs.428,162,930.40 be allocated towards recurrent expenditure, and
 - b. Kshs.11,549,601,757.60 towards meeting development expenditure needs.
- ii. That the allocation as provided in schedule 1 becomes the basis of the Equalization Fund Appropriation Bill for 2017/18.

Schedule1: Equalization Fund 2017/18				
S/no	County/ Secretariat		Project	Amount (Kshs)
	Equalization Fund Secretariat	Recurrent Expenditure		428,162,930.4 0
1	Kilifi	Water	Baricho water works lot 1 and 11	85,000,000
			Water distribution from Gahaleni to Keresha area	9,000,484
			4 boreholes for rabai constituency	12,262,069
			4 boreholes for Kaloleni constituency	15,358,736
			4 boreholes for ganze constituency	13,828,319
			4 boreholes for Malindi constituency	15,903,670
			4 boreholes for Magarini constituency	15,368,936
			4 boreholes for Kilifi North constituency	14,671,650
			4 boreholes for Kilifi South constituency	14,662,284
			Distribution of piped water in Kikambala	20,678,412
			Distribution of piped water to Uyombo	20,260,000
			Distribution of piped water to Mkongani	20,861,295
			extension of piped water from kwa mwambire Ndungumnani to Mwangea Primary School	11,344,817
			Mtsengo-Kabatheni Tsangatsini Pipeline	8,740,977
			Distribution of piped water in Rumina Ward	9,400,000
			Piped water in Ruvuma ward	9,550,000
			Extension of pipeline from Mkampuni batani mwanjama water project	9,754,186
			Gangoni dam	9,474,123

Report on the Estimates of Revenue to and Expenditure from the Equalization Fund for the financial year 2017/2018.

Schedule1: Equalization Fund 2017/18				
S/no	County/ Secretariat		Project	Amount (Kshs)
			Mto Mkuu dam	9,123,743
			Penda Nguo dam	10,013,364
			damat Fundisa	9,397,336
			dam at magariini	9,713,855
			dam at chakama	8,013,161
			dam at kanjiri in bamba ward	8,954,742
			Distribution of piped water in Kikambala	5,569,523
			mwangaza water tank repair-Ganze	6,707,976
			Distribution water (Projects within Kaloleni Constituency)	9,904,861
			Toal Water Projects	393,518,519
		Roads	Improvement and upgrading of road D533 bitumen standard from Sabaki Bridge to marafa	90,113,012
			Kibao kiche-Bagamoyo road (10km)	11,897,333
			Construction of small bridge at chengoni	22,000,000
			Construction of timboni-dabaso-turtle bay	24,267,857
			Mzambarauni to Mtepeni road (11km)	10,000,000
			Sunguni Mtendani to Jibana road(10km)	8,443,408
			changande migumomiri Road (13.5km)	15,000,000
			Toal Roads Projects	181,721,610
		Health	Construction of health centre in msabaha	13,196,176
			Construction of maternity wing and fencing vipingo health centre	18,839,700
			Construction of mbudzi community hospital	42,602,000
			jilo health centre	6,865,210
			bandari health centre	4,966,710
			Ganze health centre-construction of a ward	8,841,550
			Construction and expansion of kazitani dispensary	4,301,990
			Completion of mwaradinda dispensary	5,279,640
			Completion of kaembeni dispensary	5,000,000
			Construction and expansion of Kulalu dispensary	4,674,175
			Ndigiria Health Centre	5,692,720

Schedule1: Equalization Fund 2017/18				
S/no	County/ Secretariat		Project	Amount (Kshs)
			Total health projects	120,259,871
		Education	Construction of additional classrooms within malindi constituency	10,000,000
			Construction of Rabai technical training school	39,000,000
			Mayowe secondary school-laboratory	5,000,000
			Chimbi secondary school-Kilifi North	5,000,000
			Sosoni secondary school-4 classrooms	3,000,000
			Total education projects	62,000,000
		Energy	Highflood lights masts-solar powered-Bamba	250,000
			highflood lights masts-solar powered-Ganze	250,000
			Baricho water works lot 1 and 11-electricity connection	5,000,000
			Highflood lights masts-solar powered-Jariibuni	250,000
			Highflood lights masts-solar powered-Matano manne	250,000
			Total Energy projects	6,000,000
Grand Total				763,500,000
2	Turkana	Water	Kalokol water project	125,033,333
			Lodwar water project	80,000,000
			Loturerei water project	50,000,000
			Mogila (Nasikiria) Dam	100,033,333
			Songot/Nakururum/Naremeto/Napeikar/Teremugus water projects	75,000,000
			Narengeewoi/katiko/Lomekwi water projects	50,033,333
			Kakongu water project	25,000,000
			RietMinidam	75,033,333
			Nasiger water project	25,000,000
			Total Water Projects	605,133,332
		Roads	Katilia-parakati road	70,033,335
			Abur-Naipa bridge	100,000,000
			Kaputir-Nkwamoru bridge	150,033,333
			Total Roads Projects	320,066,668
		Health	Lokitaung sub county hospital project (eye unit, male/female wards, doctors quarters)	50,000,000
			Milimataatu health centre construction	75,000,000

Report on the Estimates of Revenue to and Expenditure from the Equalization Fund for the financial year 2017/2018.

Schedule1: Equalization Fund 2017/18				
S/no	County/ Secretariat		Project	Amount (Kshs)
			Total Health Projects	125,000,000
			Grand total	1,050,200,000
Total				
3	Isiolo	Water	Borehole-Yamicha, hururu and Duma boreholes	39,000,000
			Bula Pesa lotick borehole	15,000,000
			Alamachi borehole	16,000,000
			Bula bao borehole	12,000,000
			Mwangaza borehole	12,000,000
			Total water projects	94,000,000
		Roads	DB sambare-DB najir road	54,800,000
			Kubi Tulo bridge	247,800,000
			Kipsing-Oldorini bridge	120,000,000
			Gabra (Kiwanja)-Aremet Road	27,700,000
			Total roads projects	450,300,000
		Health	Upgraing of mert health centre to level 4	101,000,000
			Construction of Shambani health centre	15,000,000
			Construction of Mwangaza dispensary	10,000,000
			Construction of Bulesma health centre	10,000,000
		Total health projects	136,000,000	
		Energy	Kabi sheikh-Bures Dima floodlights	8,300,000
			Safi Estate-Uhuru primary floodlights	8,300,000
Total Energy projects	16,600,000			
Grand Total	696,900,000			
Total				
4	Samburu	Water	Maralal Mega(YAMO) Dam and water supply	296,217,863
			Expansion of Lchoro-lelerai Dam	50,000,000
			Lesepe Mega Dam in Baragoi Samburu North	97,000,000
			seren water extension	28,000,000
			Baisilinga water extension	19,000,000
			Wamba mega dam	110,000,000
			Expansion of Ndonyowasin Dam and water supply	45,000,000

Report on the Estimates of Revenue to and Expenditure from the Equalization Fund for the financial year 2017/2018.

Schedule 1: Equalization Fund 2017/18				
S/no	County/ Secretariat		Project	Amount (Kshs)
			Murit water supply	18,000,000
			Laililai water project	19,000,000
			Baawa water project	13,000,000
			Nkoroni mega dam	38,900,000
			Lentasim Boreholes	20,000,000
			Total water projects	754,117,863
		Roads	Angata Nanyekie road	36,800,000
			Parkati road	75,000,000
			Total roads	111,800,000
			Grand Total	865,917,863
5	Marsabit	Roads	Gravelling of serima-loyangalani road	52,688,000
			E827 road from harohukka to dub gobba to baddassa-Kituruni	46,240,000
			Gravelling of kambi nyoka-Demo road	50,000,000
			Total roads Projects	148,928,000
		Water	Construction of sarai dam	30,000,000
			construction of korr galtheilam dam	30,000,000
			Construction of irir merille dam	30,000,000
			Construction of H/hills multipurpose dam	60,000,000
			Construction of Bagasi kargi dam	30,000,000
			Expansion of butiye, manyatta and helu water supply	90,000,000
			Construction of Bododha dam	30,000,000
			Construction of Ele-borr water pan	30,000,000
			Construction of godoma water pan	30,000,000
			Expansion of Borole Rock water catchment	30,000,000
			Water piping from kubi qalo-boru harro, Guaqarsa-rukesa and manyatta jilo	50,000,000
			Completion of manyatta ginda water project	10,000,000
			Construction of 200 cubic meter tank for manyatta nagayo	5,000,000
			Rehabilitation of Aite wall	10,000,000
			Construction of mader kayo water pan	29,274,000
			Total water projects	494,274,000

Report on the Estimates of Revenue to and Expenditure from the Equalization Fund for the financial year 2017/2018.

Schedule1: Equalization Fund 2017/18				
S/no	County/ Secretariat		Project	Amount (Kshs)
		Health	Upgrading of north horr health centre	61,550,000
			Establishment of cancer screening centre at kalacha refferal hospital	35,498,000
			Construction and equiping of male/female and maternity wards at kalacha refferal hospital	49,950,000
			Construction of maternity wing, staff house at dukana health centre	20,000,000
			Construction of maternity wing at jirime dispensary	20,000,000
			Upgrading Leisamis Refferal hospital	40,000,000
			Total Health Projects	226,998,000
		Energy	Rural electrification at Kituruni centre	10,000,000
			Procurement of 4 transformers each at manyatta, jaldesa, manyatta konso, manyatta kevate	3,000,000
			Procurement of a transformer for boru hario derimbembo	3,000,000
			Total Energy Projects	16,000,000
			Grand Total	886,200,000
Total				
6	West Pokot	Water	Kaptarin Secondary school borehole	10,000,000
			Tamarukwo Borehole	10,000,000
			Kopro-weiwei water project	50,525,000
			Pusol water project	44,000,000
			Amakuriat, Kiwawa, Nasal, Orolwo, kasei township, Nauyapong Centre boreholes	60,000,000
			Konyao centre borehole	10,000,000
			Total water projects	184,525,000
		Roads	Nasolot to talon	56,000,000
			Runo to Lotongot 1	40,000,000
			Sekerr-songolol road	20,000,000
			Sarame-Tapach-Sondany road	86,000,000
			Lyon bridge	56,525,000
			Akiriemet bridge	40,525,000
			Kimpur bridge	20,000,000

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Schedule1: Equalization Fund 2017/18						
S/no	County/ Secretariat		Project	Amount (Kshs)		
			Totum-Kopoch-Miskkwony road	40,525,000		
			Kanyarkwat-Kongelai-Tipet road	58,000,000		
			Total roads projects	417,575,000		
		Health			Kanyarkwat Health Centre	40,000,000
					Kriich health Centre	32,000,000
					Sigor sub-county theatre	30,000,000
					Alale health centre	40,000,000
					Kasei health centre	12,000,000
					Kapchok health centre	10,000,000
					Total Health Projects	164,000,000
					Grand total	766,100,000
					Total	
7	Garissa	Water	Garissa Sewerage I & II	123,183,894		
			Modogashe water supply	70,000,000		
			5 shallow dams and various boreholes	29,980,000		
			Abagaile dam	40,000,000		
			Total water projects	263,163,894		
		Health			Construction of classrooms in KMTC, Garissa campus	35,000,000
					Total Health Projects	35,000,000
		Roads			Bulla argi-korakora-warbele road	177,520,000
					Garissa-Sankuri-salkan-Balambala road (86 km)	70,000,000
					Ijara- Galmagala Road	70,000,000
					Total Roads Projects	317,520,000
		Energy			Electricity Saka-balambala extension line	70,000,000
					Total Energy Projects	70,000,000
					Grand Total	685,683,894
8	Narok	Water	Augmentation of Suswa water supply	60,000,000		
			Inkorienito dam suswa	80,000,000		
			olchoro ole punyua water project pipe to ntulele	20,000,000		
			Manguara dam	36,750,000		
			Morijjo loita/ilkerin dams/boreholes	30,000,000		
			Total water Projects	226,750,000		

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Schedule1: Equalization Fund 2017/18				
S/no	County/ Secretariat		Project	Amount (Kshs)
		Roads	Ilmotiok (EI 484) Ittirben (B3) 20 km	30,100,000
			Ngoswani (C13) Nkoilalel (C12) road 50 km	60,000,000
			Ndero/ Emuroto Bridge	14,750,000
			Nodosoito Box culvert (2 cell 5m * 5m) Engepesi - Nadosito road	46,804,145
			Olgenchemi-Entepesi-Nadosoito-Tipis road and 2 bridges	28,000,000
			Motonnyi-Naisoya-Eor Enkitok road and 2 bridges	30,750,000
			Kamaget-Chebarra-Njipiship-Ndamama-Abossi-Olmelil-Kamermeru cheseon	22,500,000
			Chebonyo-Chemamit-Changina-Lelechonik-Lelagoi-Naisukut-Kiribwet-Chepkilu- and Chebarraa bridge	21,000,000
			Chebarra box culvert (2 cell 5m * 5m)- On kamaget-Chebarra road	17,000,000
			Total Roads Projects	270,904,145
		Health	Nkorrikori Health Centre	24,500,000
			Ololulunga District Hospital	40,000,000
			sogoo Dispensary	28,473,210
			Narosura Dispensary	32,000,000
			Oldanyatti health centre	36,000,000
			Sitoka health centre	36,000,000
			Angata barikoi dispensary	25,000,000
			Olchoro dispensary	28,000,000
			Kurangurik health centre and Kapkoros health centre	20,000,000
			Kapkoros health centre	11,872,645
			Chemamit health centre	7,000,000
			Lelaigoin health centre	5,000,000
			Murkan health centre	5,000,000
			Ochoropiruwa Dispensary	8,000,000
			Takitech health centre	5,000,000
			Total Health Projects	311,845,855
			Grand Total Projects	809,500,000
Total				
9	Mandera	Roads	Takaba-Burmaya Road	100,000,000

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Schedule1: Equalization Fund 2017/18					
S/no	County/ Secretariat		Project	Amount (Kshs)	
			Takaba-Burduras road	100,000,000	
			Rhamu-Malkamari Road	100,000,000	
			Total roads Projects	300,000,000	
		Water	Libehia Dam	80,000,000	
			Waranqara dam	80,000,000	
			Gurdis water project	80,000,000	
			Sukela dima water project	80,000,000	
			Arda Hagarsu Dam	50,000,000	
			Sarman dam	50,000,000	
			Guticha dam	50,000,000	
			Total Water Projects	470,000,000	
			Health	Contruaction of Kenya Medical Training College	170,600,000
		Total Health Projects		170,600,000	
		Energy	Mandera Solar street lighting	27,000,000	
			Total Energy Projects	27,000,000	
				Grand Total	967,600,000
		10	Taita Taveta	Water	Mzizima water project
	Distribution of water to kaya, Kidimu, mishokoroni,dembwa			13,000,000	
	chawia mwachabo area			13,000,000	
	Modambogho area/land/mgeno/chakaleri			13,000,000	
	mdeminyi water distribution project			14,000,000	
	mwachawaza water project			9,000,000	
	Nyangoro borehole-distribution to mwambota, mwakitau, kwa munengwa, msorongu			13,000,000	
	Distribution in ngolia, mbololo,lower sagala, maungu,kasigau and kaloleni ward			57,500,000	
	Chala (imbugu to majengo) water distribution			5,000,000	
	Malukiloriti in (mahoo ward)-water distribution			10,000,000	
	Njukini water distribution (ulawani area)			5,000,000	
	Total water Projects			165,500,000	
	Roads			Construction of timbila-rekeke road-lake jipe road	17,000,000

Report on the Estimates of Revenue to and Expenditure from the Equalization Fund for the financial year 2017/2018.

Schedule1: Equalization Fund 2017/18				
S/no	County/ Secretariat		Project	Amount (Kshs)
			Njoro-mkamani road (Bomeni ward)	10,000,000
			Kitobo-madarasani road (mboghoni ward)	10,000,000
			Construction of ikanga-konenyi-tausa ndome -ghazi-wongonyi-konenyi road	33,000,000
			Construction of Kasarani-sagala road	15,000,000
			Construction of road from the tarmac (mombasa road) to kajire	10,000,000
			Construction of maungu -kasigau road	25,000,000
			mwakingali roads	10,000,000
			mwangarani bridge of mwachunyi shopping centre	2,000,000
			murraming werugha-paranga road	20,500,000
			murraming mgange-mwaroko-sengenyi-mwafaru road	17,000,000
			murraming wundanyi-wesai road	10,000,000
			muramming nyache-shagha road	25,000,000
			murraming of bura-mgange-werugha-mbale-paranga road	115,000,000
			D540 msau-wanganga-mambirwa-fighinyi-D535	30,000,000
			E689-Kungu-Wusi-Dembwa	13,000,000
			E687-A23 mwatate-E689 Wusi	13,000,000
			UG3789 Kungu C104-Josa-murreys girls	11,000,000
			Box culvert on road EI 904 C 104	6,000,000
			Mtwamagodi -msau-kihombu	5,000,000
			Dodoma-majivu	15,000,000
			Bura mision-mnamu-mrughua-mghange dawida	2,000,000
			Total roads Projects	414,500,000
		Health	Construction of KMTC Taveta campus	130,500,000
			Kwa munengwa dispensary (maternity)	4,500,000
			Construction of KMTC Voi campus office block	21,700,000
			Equipping the Orthopedic-Moi hospital voi	10,000,000
			Miasemji health centre	5,000,000
			Total Health Projects	171,700,000
			Grand total	751,700,000
Total				

Schedule1: Equalization Fund 2017/18					
S/no	County/ Secretariat		Project	Amount (Kshs)	
11	Tana River	Roads	Sala madogo road	29,000,000	
			Hirimani el-neka road	25,000,001	
			Opening up of road (B8-Garsen TTI) 10KM	35,000,000	
			Tula bridge	40,000,000	
			Total Roads Projects	129,000,000	
		Water	Construction of Bangal sand dam	100,000,000	
			One dam to did-ade village	50,000,000	
			One dam to Haroresa village	45,000,000	
			Construction of Dam at tank -E	60,000,000	
			Construction of Titila Borehole	15,000,000	
			Constraction of Taje sand dam	20,000,000	
			Construction of Gurujo sand dam	20,000,000	
			Construction of Hadhama sand dam	20,000,000	
			Extension of water supply to villages within Garsen area	40,000,000	
			Construction of water supply to garsen TTI and its surrounding araes	40,000,000	
			One dam to Kalkalcha village	42,000,000	
			One dam to maderte village	50,000,000	
			Piping & installation of water for holla mango factory & its environ	40,000,000	
			Mau mau memorial girls secondary water piping	29,000,000	
			Kalkacha primary school water piping	10,000,000	
			Hola secondary school water piping	10,000,000	
			Hola primary school water piping	10,000,000	
			Bura Water Supply	54,000,000	
			Total water projects	655,000,000	
			Education	Construction &equiping of modern laboratories (science Labs) & two dormitories at Sane girls high school	30,000,000
				Construction &equiping of modern laboratories (science Labs) & two dormitories at Garsen high school	30,000,000
				Total water projects	60,000,000
			Energy	Electrification of Ngao level 4 hospital	10,000,000
		electrification and installation of Galore Farmers		5,000,000	

Report on the Estimates of Revenue to and Expenditure from the Equalization Fund for the financial year 2017/2018.

Schedule1: Equalization Fund 2017/18				
S/no	County/ Secretariat		Project	Amount (Kshs)
			Training Centre	
			Total Energy Projects	15,000,000
			Grand total	859,000,000
Total				
12	Lamu	Roads	Mtangaanda-Kizingitini Road (Rd E991)	99,000,000
			Pandaguo Witu Road	39,805,300
			mahamarani-muongano road	40,000,000
			Total Roads Project	178,805,300
		Water	vumbe water project phase 11	56,081,368
			mangai-kiunga water projects	38,730,544
			mokowe water project	62,455,119
			Hindi water projects	19,975,200
			Amu water projects	19,958,515
			Mpeketoni water projects	18,580,424
			Witu water projects	19,635,626
			mbwajuwali sea wall	20,000,000
			kipungani sea wall	20,000,000
			pate sea wall	20,000,000
			chalaluma irrigation project (witu) (10 acres)	3,762,344
			witu irrigation project (5 acres)	2,677,202
			kiongwe-mjini irrigation (10 acres)	3,845,574
			mabogoni irrigation (10 acres)	4,086,358
			Amu irrigation (3 acres)	6,718,082
			pate irrigation (5 acres)	6,686,240
			Baragoni water pan/ irrigation project	13,211,704
			lake kenyatta conservation programme	4,000,400
			Total water projects	340,404,700
		Health	Furnishing and equipping of King fahad hospital	25,000,000
			Block to house KMTC at king fahad hospital	20,000,000
			Doctors housing project at mpeketoni	18,507,290
			Doctors housing project at Faza	9,699,210
			Doctors housing project at Witu	9,783,500

Report on the Estimates of Revenue to and Expenditure from the Equalization Fund for the financial year 2017/2018.

Schedule1: Equalization Fund 2017/18				
S/no	County/ Secretariat		Project	Amount (Kshs)
			Doctors housing project at six new facilities (sinambio, Ishakani, Kiunga)	30,000,000
			Construction of new dispensaries at dide, waride and kipungani	30,000,000
			Total Health Projects	142,990,000
		Energy	manda electricity supply	60,000,000
			Total Energy Projects	60,000,000
			Grand total	722,200,000
Total				
13	Wajir	Roads	Construction of Ade Masajida bridge	30,000,000
			Basir tularoba road (30km)	50,000,000
			Total Roads Projects	80,000,000
		water	Tarbaj water supply	155,000,000
			Kursin water supply	90,000,000
			Wajirbor water supply	95,000,000
			adan awale water supply	40,000,000
			Construction of Dela dam	30,000,000
			Construction of madahlibah water pan	30,000,000
			Construction of Tito Dam	20,000,000
			Construction of Beladwein dam	10,000,000
			Eldas water supply	30,800,000
			Total water projects	500,800,000
		Health	Upgrading of Dasheg health facility	24,000,000
			Upgrading of Burder health centre	20,000,000
			Upgrading of Sabuli health centre	20,000,000
			Upgrading of Dadaja bula health centre	20,000,000
			Upgrading of salelma health facility	20,000,000
			Upgrading of jogbaru health centre	20,000,000
			Upgrading of koton health centre	20,000,000
			Upgrading of Hadado hospital	30,000,000
			Upgrading of adhibohol Hospital	20,000,000
			Upgrading of lagboqol Dispensary	20,000,000
			Upgrading of Buna sub-district hospital	35,000,000

Report on the Estimates of Revenue to and Expenditure from the Equalization Fund for the financial year 2017/2018.

Schedule1: Equalization Fund 2017/18				
S/no	County/ Secretariat		Project	Amount (Kshs)
			Upgrading of danaba Health centre	20,000,000
			upgrading of Ajawa health centre	30,000,000
			Upgrading of Eldas sub-district Hospital	20,000,000
			Upgrading of Basir Dispensary	15,000,000
			Upgrading of Tutala Total Health facility	15,000,000
			Total Health Projects	349,000,000
			Grand total	929,800,000
Total				
14	Kwale	water	Mkangombe dam	50,000,000
			Tobora dam	50,000,000
			Mkanda dam	60,000,000
			8 boreholes-Mahuruni, Masimbani school, Chwaka, Kwa MasaiDzombo, Mwena Hospital, Wasini, Kikoneni, Mkwiru	40,000,000
			2 desalination machine @ 10,000,000 (mkwiru and wasini)	20,000,000
			Namelok water pan	10,000,000
			mwanguli water pan	10,000,000
			8 boreholes in matuga constituency @kshs 5,000,000	40,000,000
			Total Water Projects	280,000,000
		Roads	Kinango Rd-D546, grading and murraming, 35 Km	57,825,000
			Cabro road construction -Kinango town	41,000,000
			D.D.I-ngombeni road murraming	25,000,000
			Cabro road construction -from waa stage to waa health centre	15,000,000
			Cabro road construction from tiwi spot to twiga amani beach junction	38,825,000
			(Malele) kwale tiribe mwapala murraming road	45,000,000
			Fuzi-course way roads	33,825,000
			cabro-shimoni	16,000,000
			cabro-vanga	22,000,000
			milalani-muje roads	18,000,000
			galu-neptune roads	20,000,000
			Total Roads Projects	332,475,000

Report on the Estimates of Revenue to and Expenditure from the Equalization Fund for the financial year 2017/2018.

Schedule1: Equalization Fund 2017/18				
S/no	County/ Secretariat		Project	Amount (Kshs)
		Energy	217 light poles	37,000,000
			Ramisi street lighting	10,000,000
			Ukunda street lighting	10,000,000
			Kinondostreetlighting	10,000,000
			Gombato Street lighting	10,000,000
			Total Energy Projects	77,000,000
		Health	Expansion of Mwena hospital	10,825,000
			Total Health Projects	10,825,000
		Education	Lunga lunga sheltered workshop for the disabled/ physically challenged persons	15,000,000
			Lunga lunga sheltered workshop for the disabled/ physically challenged persons	15,000,000
			Technical training institute	50,000,000
			Msambweni sheltered workshop for the disabled/ physically challenged persons	15,000,000
			Total Education Projects	95,000,000
			Total	795,300,000
			Sub-Total	11,549,601,757
			Grand-Total	11,977,764,687

MINUTES OF 20th SITTING OF THE BUDGET AND APPROPRIATIONS COMMITTEE HELD ON WEDNESDAY, 2nd MAY 2018, IN MINI CHAMBERS, COUNTY HALL AT 9.30 A.M.

PRESENT

1. **Hon. Kimani Ichung'wah, M.P- Chairperson**
2. **Hon. Moses Lessonet, M.P- Vice Chairperson**
3. Hon. (Dr.) Makali Mulu, M.P.
4. Hon. Twalib Bady, M.P.
5. Hon. (Dr.) Gideon Ochanda, M.P.
6. Hon. (Dr.) Korei Ole Lemein, M.P.
7. Hon. Naisula Lesuuda, OGW M.P.
8. Hon. Benard Masaka Shinali, M.P.
9. Hon. Fatuma Gedi Ali, M.P.
10. Hon. John Muchiri Nyaga, M.P.
11. Hon. Christopher Wangaya Aseka, M.P.
12. Hon. Florence Chepngetich Koskey, M.P.
13. Hon. Danson Mwashako, M.P.
14. Hon. Paul Abuor, M.P.
15. Hon. Sarah Paulata Korere, M.P.
16. Hon. James Gichuki Mugambi, M.P.
17. Hon. Qalicha Gufu Wario, M.P.
18. Hon. Ruth W. Mwaniki, M.P.

ABSENT WITH APOLOGIES

1. Hon. CPA. John Mbadi, CBS, M.P
2. Hon. Millie Odhiambo, M.P.
3. Hon. Richard Onyonka, M.P.
4. Hon. Samwel Moroto, M.P.
5. Hon. James Mwangi Gakuya, M.P.
6. Hon. Jude Njomo, M.P
7. Hon. (Dr.) John K. Mutunga, M.P.

8. Hon. Moses Kiarie Kuria, M.P.
9. Hon. (Eng.) Mark Nyamita, M.P.

PARLIAMENTARY BUDGET OFFICE

- | | |
|-----------------------|-----------------------------|
| 1. Mr. Martin Masinde | Senior Deputy Director, PBO |
| 2. Mr. Adan Abdi | Fiscal Analyst III |

SECRETARIAT

- | | |
|-------------------------|---------------------------|
| 1. Mr. Joseph Ndirangu | Clerk/ Fiscal Analyst III |
| 2. Mr. Danson Kachumbo | Fiscal Analyst III |
| 3. Ms. Joyce Chelang'at | Hansard |
| 4. Mr. Joram Baraza | Office Attendant |

AGENDA

1. Preliminaries
2. Confirmation of Agenda
3. Confirmation of the previous minutes
4. Matters Arising
5. Agenda: **Briefing by Parliamentary Budget Office on unpacking of the estimates from 2017/18 Equalization Fund.**
6. Any Other Business

MIN BAC /20/2018/01: PRELIMINARIES/CONFIRMATION OF AGENDA

The chairman called the meeting to order at 9.30 a.m. and welcomed members of the committee to the meeting. Thereafter, Hon. Sarah Paulata Korere, M.P, led the committee with a word of prayer. In his introductory remarks, the Chairman read the agenda of the meeting. Thereafter, he called upon Parliamentary Budget Office to brief the committee on unpacking of the estimates from 2017/18 Equalization Fund.

**MIN BAC /20/2018/02: CONFIRMATION OF PREVIOUS MINUTES/
MATTERS ARISING**

No minutes were confirmed.

**MIN BAC /20/2018/03: BRIEFING BY PARLIAMENTARY BUDGET
OFFICE ON UNPACKING OF THE ESTIMATES FROM 2017/18
EQUALIZATION FUND**

The presentation from PBO highlighted that:

- 1) This is the second equalization fund budget to be prepared since the promulgation of the 2010 Constitution. It was tabled in the House on the 18th of April 2018; two months to the end of the financial year 2017/18.
- 2) The Equalization Fund as established under Article 204 of the Constitution provides for annual appropriation of one half percent (0.005) of all the revenue collected by National Government each year calculated on the basis of most recent audited accounts. Appropriation under this Fund is towards up scaling the delivery of basic but critical services such as water, roads, health facilities and electricity to marginalized areas to the extent necessary to bring the quality of those services to the level generally enjoyed by areas which are relatively better off.
- 3) Underpinned by the Constitution and the PFM Act 2012, the equalization fund Board under stewardship of the National Treasury has carried advertisements in the dailies to undertake public hearings on projects proposed by members of parliament across the fourteen counties.
- 4) The Constitution under Article 216 (4) obligates the Commission on Revenue Allocation (CRA) to determine, publish and regularly review a policy in which it shall set out the criteria by which to identify the marginalized areas for purposes of Article 204 (2).
- 5) The primary criteria chosen for identifying marginalized counties in the policy is the county development index (CDI) which is a composite index, constructed from indicators measuring the state of health, education, infrastructure and

poverty in a county. This policy was approved by Parliament in December, 2014 and the lifespan of the policy was pegged at three financial years from the date of its approval. The first-generation marginalization policy identified fourteen counties to benefit from the Fund for the first three years namely: Turkana, Mandera, Wajir, Marsabit, Samburu, West Pokot, Tana River, Narok, Kwale, Garrissa, Kilifi, Taita Taveta, Isiolo and Lamu.

- 6) Equally, Parliament approved regulations on administration of equalization fund. The regulation vests the management of the Fund on the Equalization Fund Advisory Board and gives details of its membership while capping the funds administration monies at 4.28 percent. It also gives the source, object and purpose of the Fund.
- 7) It is also important to note that, as per Article 204 (4) of the constitution, the National Assembly must consult the CRA and its recommendations must be taken into account before Parliament passes any Bill appropriating money out of the Equalization Fund.
- 8) Further, the PFM Act Section 18 (2) requires that the National Treasury shall keep the Equalization Fund in separate account maintained at the Central Bank and shall transfer into the equalization fund all revenues payable into the fund under Article 204 (1) of the Constitution and transfer from that Equalization Fund, without Undue delay, all money for purposes specified in Article 204 (2) of the Constitution. Despite this express provision of the PFM Act the national government has delayed the implementation of the fund well over six years.

B. PERFORMANCE OF THE EQUALIZATION FUND ALLOCATION

- 9) Allocation from the equalization fund to the fourteen various counties has so far been only Kshs 11,553 million with Turkana county receiving the highest allocation at Kshs 1,050 million and Lamu county having the lowest allocation at Kshs 722 million. Table 1 gives the allocations to the various counties benefitting from the Equalization Fund.

- 10) The submission of the equalization fund estimates did not conform to Section 38 b (2) on submission of other budget documents, which requires that estimates of revenue allocated to, and expenditures projected from, the Equalization Fund over the medium term, with an explanation of the reasons for those revenue allocations and expenditures and how these estimates comply with the policy developed by the Commission on Revenue Allocation under Article 216(4) of the Constitution should be submitted together with the budget estimates for that year.

Table 1: Equalization fund entitlement for FY 2011/12-2017/2018

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	Total
Audited and approved revenues by National Assembly	468,152	529,300	529,300	776,900	776,900	935,600	935,600	4,951,752
Equalization Fund (statutory)	2,341	2,647	2,647	3,885	3,885	4,678	4,678	24,759
Equalization Fund allocation	-	-	400	6,000	4,678	6,000	7,727	24,805
Variation	(2,341)	(2,647)	(2,247)	2,116	794	1,322	3,049	46
Actual expenditure	-	-	-	-	-	-	-	-

- 11) Table 1 show that whereas the fund's total statutory allocation is up to date the allocation has been accelerated over the last three financial years. Inferring from table 1, based on the most recent audited accounts as approved by Parliament, the statutory allocation in the fund stands at Kshs. 24, 805 million. It is important to note that there is a minor variation between the cumulative figure provided in the various policy documents by the National Treasury and the Constitutional computation. Indeed, the statutory requirement stands at Kshs.24, 759 million, compared to a provision of Kshs. 46 million.

C. HIGHLIGHTS OF THE 2017/18 EQUALIZATION FUND

- 12) The Estimates of revenue and expenditure of the Equalization Fund for the financial year 2017/18 is estimated at Kshs 11,981.5 million. This consists of recurrent of Kshs 428.1 million and Kshs 11,553.3 million for development. Table 2 gives the percent share among the fourteen (14) marginalized counties.

Table 2: Equitable Share among the Marginalized Counties

Recurrent	Administration Expenses (at least 4.82% of total)		428,162,930.40
	Name of County	% share	County share balance
Development	Garrissa	5.9	685,683,894.00
	Isiolo	6	696,900,000.00
	Kilifi	6.6	763,500,000.00
	Kwale	6.9	795,300,000.00
	Lamu	6.3	722,200,000.00
	Mandera	8.4	967,600,000.00
	Marsabit	7.7	886,200,000.00
	Narok	7	809,500,000.00
	Samburu	7.5	869,700,000.00
	TaitaTaveta	6.5	751,700,000.00
	Tana River	7.4	859,000,000.00
	Turkana	9.1	1,050,200,000.00
	Wajir	8	929,800,000.00
	West Pokot	6.6	766,100,000.00
Total		100	11,553,383,894.00
Grand Total			11,981,546,824.40

Source; National treasury

- 13) The total proposed allocation for the FY 2017/18 is Kshs. 11, 981 million of which the total proposed equalization amount available for programmed projects across the 14 counties is Kshs. 11,553 million. On the other hand, the allocation amounting to Kshs. 428 million was to be spent on the Equalization Fund Advisory Board's recurrent grant towards administrative services and operational activities.
- 14) Recurrent expenditures under the equalization fund is a grant towards the Equalization Fund Advisory Board. The fund allocates at least 4.28 per cent of the total allocation towards the boards operation activities.
- 15) Table 3 shows that Kshs 428.16 million, translating to 3.6 percent of the sum total has been allocated towards the Equalization Fund Advisory Board of which monitoring and evaluation of projects takes up the highest percentage point at 47 percent followed by operating administrative expenses at 23 percent. Other

expense of the Board is around public consultations, board expenses and procurement and installation of financial management system.

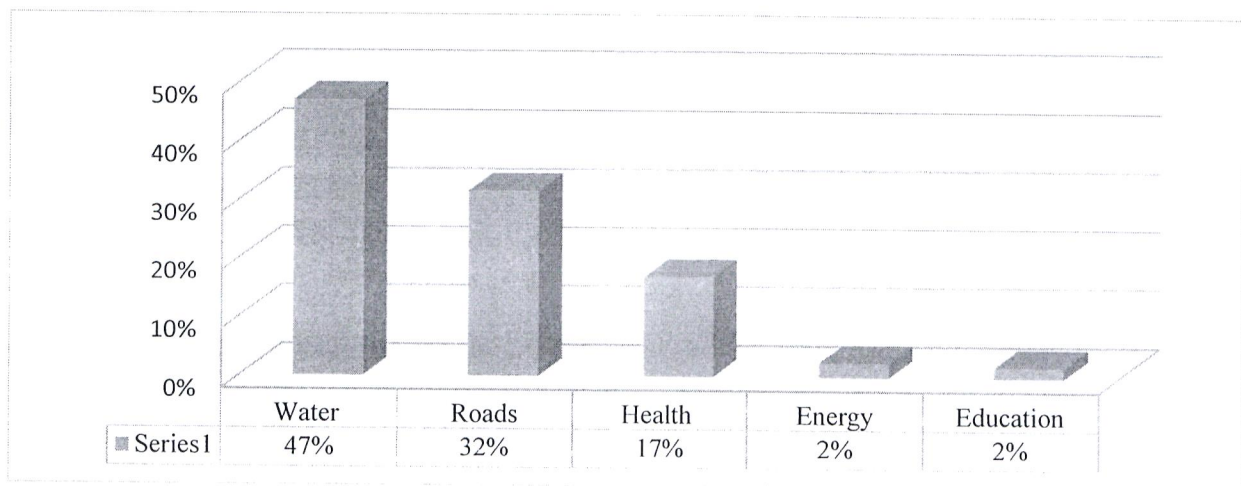
Table 3: Proposed Recurrent Expenditures

Operating Administrative Expenses	100	23%
Monitoring and Evaluation of Projects	200	47%
Public Consultations to identify Projects	50	12%
Board Expenses	30	7%
Procurement & Installation of financial management system for the fund	15	4%
Purchase of Equipment & furniture For the Fund Secretariat	5	1%
Capacity Building to marginalized Counties for project Identification	10	2%
Printing & Publishing of Equalization Fund Reports	8.16	2%
Top-up allowances for the fund Secretariat	10	2%
Total Recurrent Expenditure	428.16	100%

Source: National treasury

16) The Equalization Fund as envisaged in the Constitution was largely meant to bridge the socio-economic development of hitherto marginalized areas to the extent possible that they can be at the same level with the rest of the country. Against this background, the Constitution gives priority to water, roads, health and energy.

17) In the proposed estimates, the key areas that have earmarked to be funded include water, roads, health and energy and education projects at 47 percent, 32 percent, 17 percent and 2 percent, respectively. Figure 1 shows the allocation under the equalization fund by sector.



18) Regarding prioritization of the fund allocation by each of the counties identified by the marginalization policy, the sectors of water, roads and health were the biggest spenders featuring in all the fourteen counties. Significantly, water had the highest allocation in eight counties followed by expansion of road network, the need for better health care and electricity connection.

COMMITTEE OBSERVATIONS

- 1) Members observed the need for Parliament to do an amendment to the Public Finance Management Act, 2012 in order to be very explicit that appropriation of monies from the Equalization Fund shall not lapse at the end of a financial year. These will go a long way in ensuring that there shall be predictability in the flow of funds to various projects being implemented.
- 2) Members observed the need to have consultative meetings with stakeholders in the near future in regards to the new marginalization policy. In particular, the formulation of the second marginalization policy should have greater involvement with the legislators like any other government policy document. This will help in unlocking existing policy hiccups such as transition arrangements between the two policies.
- 3) Members noted with concern that whereas Parliament allocates and appropriates money for the equalization fund, there seems to be a delay from the National Treasury in disbursing the funds.

- 4) Members also queried the if there is any transition arrangement in place given that the first-generation marginalization policy under which the projects were identified is coming to an end.

MIN BAC /20/2018/05: ADOPTION OF REPORT

Members were taken through the draft report by Parliamentary Budget Office. Thereafter, the report was proposed by Hon. Qalicha Gufu Wario, MP and seconded as true reflection by Hon. Danson Mwashako, MP. After deliberations, the committee adopted the report with the following recommendations:

COMMITTEE RECOMMENDATIONS

- 5) Having considered the above matters, the committee recommends as follows:

a. Policy Recommendations

- i. **Mr. Speaker**, the committee recommends that in future in order to avoid further delays in the implementation of the Equalization Fund, the National Treasury should submit the Equalization Fund Estimate together with the annual estimate beginning with the 2018/19 financial estimate.
- ii. **Mr. Speaker**, the committee also recommends that the second-generation marginalization policy being developed by the Commission for Revenue Allocation (CRA) MUST be tabled and adopted by the House.
- iii. **Mr. Speaker**, the committee recommends the amendment of the PFM Act to provide the necessary safeguard of the resources in the Fund. Specifically, the committee will move amendments geared towards making sure that the resources appropriated do not lapse at the end of the Financial Year. This will necessitate the seamless execution of development projects that are funded from this fund.

- iv. **Mr. Speaker**, the Committee further recommends that there is need to provide sufficient transition arrangements in a situation where a project has been proposed under the old policy, but the allocation needs to continue to the next phase under a new policy. **Mr. Speaker**, if this is left unchecked, the situation may lead to many stalled projects.

b. Financial Recommendations

- 6) **Mr. Speaker**, the Committee further recommends the following:
 - i. That this House resolves to approve the issue of **Kshs. 11,977,764,688** out of the Equalization Fund for the 2017/18. Specifically:
 - a. Kshs.428,162,930.40 be allocated towards recurrent expenditure, and
 - b. Kshs.11,549,601,757.60 towards meeting development expenditure needs.
 - ii. That the allocation as provided in schedule 1 becomes the basis of the Equalization Fund Appropriation Bill for 2017/18.

MIN BAC /20/2018/06: ANY OTHER BUSINESS

Members were informed by the Clerk of the Committee that the committee had received letters from National Treasury in regards to the use of Article 223 of the 2010 Constitution in the second supplementary estimates 11 for 2017/18 for the land compensation for Ruaraka High School and Drive Inn Primary School as well as allocation for purchase of CT scans. Thereafter the Committee deliberated on the issue and agreed on the following:

- i. *The second supplementary appropriation bill for 2017/18 be amended so as to exclude Kshs. 1.5 billion for land compensation for Ruaraka High School and Drive Inn Primary School. Members felt that since there is an*

- active investigation on the issue, there is need to stop any payment until investigations are concluded by the relevant authorities.*
- ii. *Members were in agreement with Kshs. 1.7 billion allocations for purchase of CT scans as proposed in the second supplementary appropriation bill for 2017/18. The committee agreed that the Kshs. 1.7 billion was a counterpart funding and therefore it would unlock the loan the government would receive from China on purchasing those equipment. However, the committee agreed that there was need to amend the Public Finance Act, 2012 so as to allow scrutiny and approval of all government loans by Parliament.*

The clerk also informed the Committee about the letter from National Treasury in regards to forwarding of legislative proposals. The following were the recommendations from National Treasury:

1. The Teachers Service Commission (Amendment) Bill, 2017

The Teachers Service Commission Act is adequate in its current form and therefore it does not require any amendment to ensure the current teachers shortage is dealt with.

2. The National Government Coordination (Amendment) Bill, 2017

The government is working towards streamlining the wage bill. Including allowances for village elders as part of National Government wage would bloat the wage bill further given the large numbers involved. Therefore, National Treasury does not support the amendment of the Act by inserting subsection 15(3) which proposes allowances to village elders.

3. The Kenya Reparation Bill, 2017

The functions as stated in the proposed Reparation functions can be achieved under the current existing Government Institutions including those of Kenya National Commission on Human Rights and the judiciary. This will save the country the much-limited funds to run the proposed Reparation Commission and the proposed Human Rights Violations Victim's memorial committee.

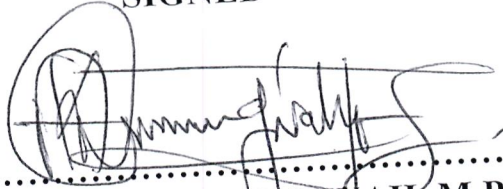
National Treasury had reservation to the passage of Kenya Reparation Bill 2017 and the establishment of the proposed Reparation Commission and the proposed Human Rights Violations Victim's Memorial articulated in the proposed Kenya Reparation Bill 2017.

4. The Constitution of Kenya (Amendment) Bill, 2017

The provisions as envisaged in the Bill are unattainable in the current economic conditions and in light of expenditure pressures relating to security and other priority interventions. In this regard any policies that will involve additional charge to the exchequer should be deferred till the economy is in position to accommodate.

The committee decision on the above legislative proposals in light of National Treasury recommendations were differed to the next sitting.

SIGNED



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

02/5/18

DATE