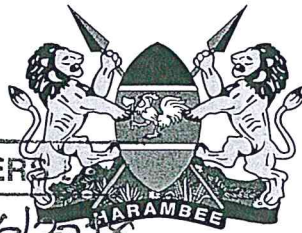


REPUBLIC OF KENYA



PAPERS	
DATE	06/06/2018
TABLED BY	Sen. Mutula Kilonzo on behalf of the PARLIAMENT
COMMITTEE	Finance
CLERK AT THE TABLE	Lillian

Hon. Speaker
You may approve.
[Signature]
06/06/18

THE SENATE

TWELFTH PARLIAMENT

REPORT OF THE STANDING COMMITTEE ON FINANCE AND BUDGET

ON

THE DIVISION OF REVENUE (AMENDMENT) BILL, (SENATE BILLS No. 14
OF 2018)

CLERKS CHAMBERS

THE SENATE

PARLIAMENT OF KENYA

NAIROBI

JUNE 2018

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PREFACE

Mandate and Functions of the Committee

Article 124 of the Constitution of Kenya 2010, provides for the establishment of Committees by either House of Parliament. Committees are central to the workings, roles and functions of Parliament as set out in Article 94 and more specifically in Article 96 of the Constitution as regards the Senate.

Parliamentary committees consider policy issues, scrutinize the workings and expenditure of the national and county governments and examine proposals for legislation. The roles of committees are twofold, investigative process and deliberative process. The end results of these processes are reports to the House in plenary on inquiry of certain issues under the mandate of a particular committee.

The Standing Committee on Finance and Budget is established pursuant to section 8 of the Public Finance Management Act, 2012 and standing order 212(3) of the Senate Standing Order and is mandated –

- a) *To investigate, inquire into and report on all matters relating to coordination, control and monitoring of the county budgets and to examine –*
 - i) *the Budget Policy Statement presented to the Senate;*
 - ii) *report on the Budget allocated to Constitutional Commissions and independent offices; and*
 - iii) *the Division of Revenue Bill, County Allocation of Revenue Bill, and cash disbursement schedule for county governments.*

- b) *To consider all matters related to resolutions and Bills for appropriations, share of national revenue amongst the counties and all matters concerning the National Budget, including public finance and monetary policies and public debt, planning and development policy; and*

- c) *Pursuant to Article 228 (6) of the Constitution, to examine the report of the Controller of Budget on the implementation of the budgets of county governments.*



Membership of the Committee

The Committee was constituted by the House on Thursday 14th December, 2017, during the First Session of the Twelfth (12th) Parliament. The Committee as currently constituted, comprises the following Members-

1. Sen. (Eng) Mohamed M. Mahamud, CBS, MP - Chairperson
2. Sen. (Dr) Isaac Mwaura, CBS, MP - Vice Chairperson
3. Sen. Aaron Cheruiyot, MP - Member
4. Sen. MutulaKilonzo Junior, MP - Member
5. Sen. Wetang'ula Moses Masika, EGH, MP - Member
6. Sen. (Dr.) Ali Abdullahi Ibrahim, CBS, MP - Member
7. Sen. (Dr) Rose Nyamunga, MP - Member
8. Sen. (Dr.) Boniface MutindaKabaka, MP - Member
9. Sen. CPA Farhiya Haji, MP - Member



BACKGROUND AND EXECUTIVE SUMMARY

The Division of Revenue Bill provides the financial framework through which the national government and county governments share the locally raised revenue. Further, the bill provides for the county conditional allocations to counties from the national government's share of revenue and grants from development partners and donors. The Bill is accompanied by an explanatory memorandum as required in Article 218(2) of the Constitution. The memorandum sets out the explanation of revenue allocation as proposed by the Bill.

At the time of enactment of the Division of Revenue Act, 2018 three conditional grants were not reflected and were brought to the attention of the Committee through various requests from the National Treasury and the Council of County Governors. These are-

- i) Agriculture Sector Development programme II (ASDP II) – Ksh. 1,005 million financed by the Government of Sweden;
- ii) Water Tower Protection and Climate Change Mitigation and Adaptation programme (WaTER) – Ksh. 880 million financed by EU;
- iii) IDA (world Bank) credit: Kenya Urban Support Project (KUSP) – Urban Institutional Grants (UIG) + Bal C/F in FY 2017/2018 – Ksh. 1,854 million financed by World Bank.

Following the above, the Committee resolved to sponsor an amendment to the Division of Revenue act, 2018 thus the Division of Revenue (Amendment) Bill, (Senate Bills No. 14 of 2018) was published on 15th May, 2018. The Bill was read a First Time in the Senate on Wednesday, 30th May, 2018, and thereafter stood committed to the Standing Committee on Finance and Budget pursuant to standing order 134 (1) of the Senate Standing Orders.

Pursuant to Article 118 (1) (b) of the Constitution and standing order 134(5) of the Senate Standing Orders, the Standing Committee, in its consideration of the Bill, invited key stakeholders, including the National Treasury, Council of Governors, Commission on Revenue Allocation, who made submissions to the Committee.

The Committee also invited other non-state actors and the general public to participate and submit their contributions. In that regard, the Committee facilitated public participation and took into account the views and recommendations of the public in its report to the Senate.

The Committee considered the Bill together with the submissions made and observed that-

- a) There was a disconnect on the timing of signing the conditional allocations' (Loans and Grants) agreements with development partners and the factoring of these conditional allocations in the Division of Revenue Bill. This has resulted in the increased number of proposed amendments to the Division of Revenue Act and County Allocation of Revenue Act;
- b) The number of conditional allocations (loans and grants) to the county governments have increased over the years and therefore there was need for a reporting framework to the Senate and the county governments on the performance of these conditional allocations by the implementing National Government Ministries, Departments and Agencies. This will facilitate efficient monitoring and evaluation;
- c) The National Government had allocated counties Kshs. 4.5 Billion in the Division of Revenue Act, 2017 for financial year 2017/18 for leasing of medical equipment, however it is not clear what necessitated an increase to Ksh. 6.1 Billion in the same FY 2017/18 without the requisite amendments to the Division of Revenue Act, 2017 and County Allocation of Revenue Act, 2017;
- d) There is no clear justification for the progressive increase in the amount that the National Government allocates for the leasing of medical equipment to county governments, that is, from Kshs. 4.5 billion to 6.1 billion and currently 9.4 billion;
- e) The allocations for leasing of medical equipment were deducted at source by the implementing government agencies and hence it was a challenge for the county



governments to pursue the matter of implementation with the government agencies; and

- f) The National Government allocation for the leasing of medical equipment is an issue that requires further scrutiny by the Committee in consultations with the Ministry of Health, National Treasury, Council of Governors to ascertain the total amount contracted for the Managed Equipment Service (MES) programme, the kind of equipment being leased, the number of equipment delivered in each county, the capacity to operate the equipment and the cost to be incurred by each county.



In view of the foregoing, the Committee recommends that-

- a) The Senate approves the Division of Revenue (amendment) Bill (Senate Bills No. 14 of 2018) without amendments,
- b) The Commission on Revenue Allocation develops a policy framework for conditional allocations which should include mechanism of engagement between the donors and implementing agencies, timelines within which such allocations should be effective and the reporting mechanism including the oversight,
- c) That in future, proper planning and coordination be done to ensure that the loans and grants from the development partners are properly synchronised with the national budget cycle to secure instances of amending the Division of Revenue Act in the course of the budget cycle, and
- d) The Committee holds a consultative meeting with the Ministry of Health, National Treasury, Council of Governors and any other stakeholder to ascertain the total amount contracted for the Managed Equipment Service (MES) programme, the kind of equipment being leased, the number of equipment delivered in each county, the capacity to operate the equipment, the cost to be incurred by each county and reports to the Senate within 60 days.

The enactment of the Division of Revenue (Amendment) Bill (Senate Bills No. 14 of 2018) is critical in ensuring the funds meant for county governments were allocated and channeled appropriately.

This report is hereby submitted to the Senate for its consideration and adoption pursuant to standing order 175 (3).

Acknowledgements

The Committee acknowledges the National Treasury, Commission on Revenue Allocation and the Council of Governors who made insightful contributions and recommendations to the Bill. Further, the Committee appreciates the Offices of the Speaker and Clerk of the Senate for the support extended to the Committee in execution of its mandate.

Appreciations to all Members of the Committee for their patience, sacrifice and commitment to public service, which enabled the Committee complete the assigned task within the stipulated time.

It is now my pleasant duty and privilege, on behalf of the Standing Committee on Finance and Budget, and pursuant to Standing Orders 207 (3) to present to the Senate, this Report of the Committee on the Division of Revenue (Amendment) Bill, (Senate Bills No. 14 of 2018).

SIGNED:



.....
SEN. MUTULA KILONZO JUNIOR, M.P.

(AG. CHAIRPERSON, STANDING COMMITTEE ON FINANCE AND
BUDGET)

6/6/18

Date:



Adoption of the Report

Pursuant to standing order 207 (2) of the Senate Standing Orders, the Senate Standing Committee on Finance and Budget Committee adopted the report on Division of Revenue (Amendment) Bill, (Senate Bills No. 14 of 2018). The Members of the Committee hereby affix their signatures to this Report to affirm the correctness of the contents and support for the Report –

Sen. (Eng) Mohamed M. Mahamud, CBS, MP -Chairperson _____

Sen. (Dr) Isaac Mwaura, CBS, MP -Vice Chairperson _____

Sen. Aaron Cheruiyot, MP - Member _____

Sen. Wetang'ula Moses Masika, EGH, MP - Member Wetang'ula _____

Sen. Mutula Kilonzo Junior, MP - Member Mutula Kilonzo Jr _____

Sen. (Dr.) Ali Abdullahi Ibrahim, CBS, MP - Member _____

Sen. (Dr) Rose Nyamunga, MP - Member _____

Sen. (Dr) Boniface Mutinda Kabaka, MP - Member Boniface Mutinda _____

Sen. CPA Farhiya Haji, MP - Member Farhiya Haji _____



CHAPTER ONE

INTRODUCTION

- 1) The National Treasury, through a letter dated 23rd April, 2018 submitted to the Clerks of the Senate and the National Assembly a proposal for consideration to amend the County Allocation of Revenue Bill, 2018, to allow additional conditional allocations to counties amounting to Ksh. 3,739,453,370 from the development partners during the FY 2018/19,
- 2) The National Treasury indicated that it had submitted the Division of Revenue Bill, 2018 and the County Allocation of Revenue Bill, 2018 by 15th February 2018 pursuant to Section 191 (1) and 25 (2) of the Public Finance Management Act, 2012. These Bills contained additional conditional allocations to county governments to be financed from proceeds of loans and grants received by them from the respective implementing Ministries, State Departments and Agencies (MDAs). However, the National Treasury had since then signed additional conditional allocations to county governments to be financed by loans and grants from donors for inclusion in the County Allocation of Revenue Bill, 2018;
- 3) The County Allocation of Revenue Act (CARA) is a legislation based on schedules and these schedules are derived from the schedules of the Division of Revenue Act (DORA). Therefore, CARA cannot carry out a consequential amendment to the DORA because the schedules in the DORA must be changed first. Therefore, the proposed amendment has to be reflected first in the Division of Revenue Act and subsequently in the County Allocation of Revenue Act,
- 4) In this regard, the conditional allocations as loans and grants from development partners have increased by Ksh. 3.739 billion over and above the approved figure in the Division of Revenue Act (DORA) for FY 2018/19 of Ksh. 33.241 Billion to Ksh. 36.981 Billion. Consequently, the total county allocations have increased from Ksh. 372.742 Billion in the Division of Revenue Act 2018 to Ksh. 376.481 Billion.



Additional Conditional Allocations (Loans & Grants) from Development Partners

a) Sweden- Agricultural Sector Development Support Programme (ADSP) II- Ksh. 1,005,453,370

5) 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 by the National Government’s State Department for Crops Development.

b) EU- Water Tower Protection and Climate Change Mitigation and Adaptation Programme (WaTER) - Ksh. 880,000,000

6) 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 of Cherangany Hills and Mount Elgon.

7) 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 by the National Government’s Ministry of Environment and Forestry and will benefit the 11 Counties. (*Bungoma, Busia, ElgeyoMarakwet, Kakamega, Kisumu, Nandi, Siaya, Trans Nzoia, UasinGishu, Vihiga and West Pokot*)

c) IDA (World Bank) credit: Kenya Urban Support Project (KUSP) - Urban Institutional Grant (UIG) Allocation - Ksh. 1,854,000,000



8) 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 by the National Government's State Department of Housing and Urban Development.



CHAPTER TWO

SUBMISSIONS FROM STAKEHOLDERS DURING PUBLIC HEARINGS

This chapter presents the deliberations of the Committee with various stakeholders. It highlights the views and recommendations of the public submitted during the public hearings held on Tuesday, 5th June, 2018.

1. Commission on Revenue Allocation (CRA)

The Commission is in support of the Bill which aims at providing more funds to the counties through conditional allocations financed by proceeds of loans/ grants from development partners and donors.

However, the Commission raised the following concerns-

- a) There is need for proper planning and coordination to ensure that the loans and grants from the development partners are properly synchronised with the national/implementing agency budget cycle to secure instances of amending the Division of Revenue Act in the course of the budget cycle, and
- b) The number of conditional allocations was increasing whereas the reporting mechanism was not very clear on some of the allocations.

2. The National Treasury

The amendments were important to allow the county governments receive funds which had been secured from development partners and donors. Further that-

- a) The National Treasury received the requests for inclusion of the three additional conditional allocations to county governments after the submission of the Division of Revenue Bill and County Allocation of Revenue Bill to the Parliament,
- b) The proposed conditional allocations for consideration are-



- i) Agriculture Sector Development programme II (ASDP II) – Ksh. 1,005 million financed by the Government of Sweden;
 - ii) Water Tower Protection and Climate Change Mitigation and Adaptation programme (WaTER) – Ksh. 880 million financed by EU;
 - iii) IDA (world Bank) credit: Kenya Urban Support Project (KUSP) – Urban Institutional Grants (UIG) + Bal C/F in FY 2017/2018 – Ksh. 1,854 million financed by World Bank.
- c) Following the approval of the amendments, the total county allocations would increase from Ksh. 372.7 billion to Ksh. 376.4 billion and
- d) the bill was within the legislative mandate of Parliament since it would allow the funds to be utilized within the stipulated timeframe.

3. The Council of Governors (CoG)

Through a letter dated 5th June, 2018, the Council of Governors made submission that they supported the proposed amendments however the council noted that with regard to the fuel levy, a proposal had been made to adjust the figures to reflect Kshs. 8.5 billion amounting to 20% based on the intergovernmental agreement signed between the Council and the Ministry of Transport. As such, the Council urges the Senate to adopt the said proposal in the amendment bill.

CHAPTER THREE

COMMITTEE OBSERVATIONS AND RECOMMENDATIONS

A. Observations

The Committee, having considered the Division of Revenue (Amendment) Bill (Senate Bills No. 14 of 2018) and the submissions from stakeholders made the following observations-

- a) There was a disconnect on the timing of signing the conditional allocations' (Loans and Grants) agreements with development partners and the factoring of these conditional allocations in the Division of Revenue Bill. This has resulted in the increased number of proposed amendments to the Division of Revenue Act and County Allocation of Revenue Act;
- b) The number of conditional allocations (loans and grants) to the county governments have increased over the years and therefore there was need for a reporting framework to the Senate and the county governments on the performance of these conditional allocations by the implementing National Government Ministries, Departments and Agencies. This will facilitate efficient monitoring and evaluation;
- c) The National Government had allocated counties Kshs. 4.5 Billion in the Division of Revenue Act, 2017 for financial year 2017/18 for leasing of medical equipment, however it is not clear what necessitated an increase to Ksh. 6.1 Billion in the same FY 2017/18 without the requisite amendments to the Division of Revenue Act, 2017 and County Allocation of Revenue Act, 2017;
- d) The National Government allocation for the leasing of medical equipment in the Division of Revenue Act, 2018 for financial year 2018/19 is Ksh. 9.4 Billion;
- e) There is no clear justification for the progressive increase in the amount that the National Government allocates for the leasing of medical equipment to county

governments, that is, from Kshs. 4.5 billion to 6.1 billion and currently 9.4 billion;

- f) The allocations for leasing of medical equipment were deducted at source by the implementing government agencies and hence it was a challenge for the county governments to pursue the matter of implementation with the government agencies and
- g) The National Government allocation for the leasing of medical equipment is an issue that requires further scrutiny by the Committee in consultations with the Ministry of Health, National Treasury, Council of Governors to ascertain the total amount contracted for the Managed Equipment Service (MES) programme, the kind of equipment being leased, the number of equipment delivered in each county, the capacity to operate the equipment and the cost to be incurred by each county.



Recommendations

The Committee recommends that-

- a) The Senate approves the Division of Revenue (amendment) Bill (Senate Bills No. 14 of 2018) without amendments;
- b) The Commission on Revenue Allocation develops a policy framework for conditional allocations (from national government share of revenue, loans and grants from development partners and donors) by November, 2018. The policy should include mechanism of engagement between the donors and implementing agencies, timelines within which such allocations should be effected and the reporting to the Senate and County Governments;
- c) That in future, the National Treasury should ensure proper planning and coordination be done to ensure that the loans and grants from the development partners are properly synchronised with the national budget cycle to secure instances of amending the Division of Revenue Act and County Allocation of Revenue Act in the course of the budget cycle;
- d) That the National Treasury submits to the Committee all the contract documents between the National Government and the suppliers on the leasing of medical equipment,
- e) That the National Treasury submits to the Committee the Memorandum of Understanding between the National Government and the Council of Governors on the leasing of medical equipment;
- f) The equal allocation of Kshs 19.6 million to all the counties for the rehabilitation of the Youth Polytechnics needs to be revised to ensure that a formula is put in place to address the issue of equity in the allocations; and
- g) The Committee holds a consultative meeting with the Ministry of Health, National Treasury, Council of Governors and any other stakeholders to ascertain the total



amount contracted for the Managed Equipment Service (MES) programme, the details of equipment being leased, the schedule of equipment delivered in each county, the operationalization of the equipment thereof, the total deductions from each county by end of Financial Year 2017/2018, total cost to be incurred by each county by the end of contract and reports to the Senate within 60 days.



APPENDICES

- (a) Minutes of the Committee sittings on the consideration of the Division of Revenue (Amendment) Bill 2018.
- (b) Submission by Commission on Revenue Allocation
- (c) Submission by National Treasury
- (d) Submission by Council of Governors



MINUTES OF THE 33RD MEETING OF THE SENATE STANDING COMMITTEE ON FINANCE & BUDGET HELD ON TUESDAY, 5TH JUNE, 2018 AT COUNTY HALL, GROUND FLOOR BOARDROOM, PARLIAMENT BUILDINGS AT 10.00 A.M.

PRESENT

1. Sen. Mutula Kilonzo Junior, MP - Member (Chairing)
2. Sen. Wetang'ula Moses Masika, EGH, MP - Member
3. Sen. CPA Farhiya Haji, MP - Member
4. Sen. (Dr) Boniface Mutinda Kabaka, MP - Member
5. Sen. (Dr) Rose Nyamunga, MP - Member

ABSENT WITH APOLOGY

1. Sen. (Eng) Mohamed M. Mahamud, CBS, MP - Chairperson
2. Sen. (Dr) Isaac Mwaura, CBS, MP - Vice Chairperson
3. Sen. (Dr) Ali Abdullahi Ibrahim, CBS, MP - Member
4. Sen. Aaron Cheruiyot, MP - Member

IN-ATTENDANCE

A. COMMISSION ON REVENUE ALLOCATION (CRA)

1. Dr. Jane Kiringai - Chairperson,
2. Dr. George Ooko - CEO,
3. Mr. Renny Mutai - CRA
4. Mr. Job Otiwa - CRA
5. Ms. Jecinta Hezron - CRA

B. NATIONAL TREASURY

1. Mr. Nelson Gaichuhie Chief Administrative Secretary
2. Mr. Albert Mwenda Director

C. SENATE SECRETARIAT

1. Mr. Boniface Lenairoshi - Principal Clerk
2. Mr. Christopher Gitonga - Clerk Assistant
3. Ms. Judy Wahito - Legal Counsel
4. Mr. Julie Mwithiga - PBO
5. Mr. Moses Kenyanchui - Legal Counsel
6. Ms. Joyce Chelangat - Audio Officer

MIN. NO. 151/6/2018:

PRAYERS

The Chairperson called the meeting to order at 10.10 a.m and welcomed the members. This was followed with a word of prayer.

MIN.NO. 152/6/2018:

ADOPTION OF THE AGENDA

The agenda of the meeting was adopted after it was proposed by Sen. CPA Farhiya Haji and seconded by Sen. (Dr.) Boniface Kabaka.

MIN. NO. 153/6/2018: SUBMISSIONS OF MEMORANDA ON THE DIVISION OF REVENUE (AMENDMENT) BILL, 2018

The Ag. Chairperson welcomed the members of the public to the meeting and this was followed with a round of introduction. He thereafter welcomed them to make their presentations.

A. Commission on Revenue Allocation (CRA)

The Chairperson informed the Committee that the Commission was in support of the Bill which aimed at providing more funds to the counties through conditional allocations financed by proceeds of loans/ grants from development partners and donors.

The Commission however raised the following concerns-

- a) There is need for proper planning and coordination to ensure that the loans and grants from the development partners are properly synchronised with the national/implementing agency budget cycle to secure instances of amending the Division of Revenue Act in the course of the budget cycle, and
- b) The number of conditional allocations was increasing whereas the reporting mechanism was not very clear on some of the allocations.

The Committee deliberated on the matter and resolved that-CRA develops a policy framework for conditional allocations which should include-

- a) The mechanism of engagement between the donors and implementing agencies,
- b) Timelines within which such allocations should be effective to ensure that it is harmonised with the budget and
- c) Reporting mechanism including the oversight.

B. The National Treasury

The Chief Administrative Secretary informed the Committee that the amendments were important to allow the county governments receive funds which had been secured from development partners and donors.

Further that-

- a) The National Treasury received the requests for inclusion of the three additional conditional allocations to county governments after the submission of the Division of Revenue Bill and County Allocation of Revenue Bill to Parliament,
- b) The proposed conditional allocations for consideration are-
 - i) Agriculture Sector Development programme II (ASDP II) – Ksh. 1,005 million financed by the Government of Sweden;
 - ii) Water Tower Protection and Climate Change Mitigation and Adaptation programme (WaTER) – Ksh. 880 million financed by EU; and
 - iii) IDA (world Bank) credit: Kenya Urban Support Project (KUSP) – Urban Institutional Grants (UIG) + Bal C/F in FY 2017/2018 – Ksh. 1,854 million financed by World Bank.
- c) Following the approval of the amendments, the total county allocations would increase from Ksh. 372.7 billion to Ksh. 376.4 billion and
- d) the bill was within the legislative mandate of Parliament since it would allow the funds to be utilized within the stipulated timeframe.
- e) Following the approval of the amendments, the total county allocations would increase from Ksh. 372.7 billion to Ksh. 376.4 billion.

Further, the Committee interrogated *inter alia* the leasing of medical equipment and rehabilitation of youth polytechnics and made the following observations-

A. Leasing of Medical Equipment

- a) The initial allocation was Ksh. 3.4 billion which has increased progressively over the years as follows-
 - i) Ksh. 3.4 billion to Ksh. 4.5 billion F/Y 2016-2017
 - ii) Ksh. 4.5 billion to Ksh. 6.1 billion F/Y 2017/2018
 - iii) Ksh. 6.1 billion to Ksh. 9.4 billion F/Y 2018/2019
- b) The contract had seven components which were being rolled out progressively/ in phases,
- c) The national government had entered into a contract with the supplies on behalf of the county governments,

- d) There was a Memorandum of Understanding (MoU) on the above contract that was drawn between the county governments and national government as a means of commitment to partnership in implementing the projects,
- e) There was a disconnect on the timing of signing the conditional allocations' agreements with development partners and the factoring of these conditional allocations in the Division of Revenue Bill. This has resulted in the increased number of proposed amendments to the Division of Revenue Act,
- f) The conditional allocations (loans and grants) to the county governments have increased over the years and therefore there was need for a framework for reporting to the Senate and the county governments on the performance of these conditional allocations by the implementing National Government Ministries, Departments and Agencies. This will facilitate efficient monitoring and evaluation,
- g) The National Government had allocated counties Kshs. 4.5 Billion in the Division of Revenue Act, 2017 for financial year 2017/18 for leasing of medical equipment, however it is not clear what necessitated an increase to Ksh. 6.1 Billion in the same FY 2017/18 without the requisite amendments to the Division of Revenue Act, 2017,
- h) The National Government allocation for the leasing of medical equipment in the Division of Revenue Act, 2018 for financial year 2018/19 is Ksh. 9.4 Billion,
- i) There is no clear justification for the progressive increase in the amount that the National Government allocates for the leasing of medical equipments to county governments, that is, from Kshs. 4.5 billion to 6.1 billion and currently 9.4 billion,
- j) The allocations for leasing of medical equipment were deducted at source by the implementing government agencies and hence it was a challenge for the county governments to pursue the matter of implementation with the government agencies and
- k) The National Government allocation for the leasing of medical equipment is an issue that requires further scrutiny by the Committee and consultations with the Ministry of Health, National Treasury, Council of Governors to ascertain the total amount contracted for the Managed Equipment Service (MES) programme, the kind of equipment being leased, the number of equipment delivered in each county, the capacity to operate the equipment and the cost to be incurred by each county and
- l) The project/ contract was being implemented through the Ministry of Health,

Rehabilitation of Youth Polytechnics

- a) The allocation is Ksh. 2 billion which will be implemented through the Ministry of Education under the State Department of Vocational and Technical Training, and
- b) Ksh. 1.06 billion was used as capitation of student fees while Kshs 19.6 million per county was for rehabilitation of the centres.

Recommendations

- a) That the National Treasury submits to the Committee all the contract documents between the National Government and the suppliers on the leasing of medical equipments,
- b) That the National Treasury submits to the Committee the Memorandum of Understanding between the National Government and the Council of Governors on the leasing of medical equipment,
- c) The equal allocation of Kshs 19.6 million to all the counties for the rehabilitation of the Youth Polytechnics needs to be revised to ensure that a formulae is put in place to address the issue of equity in the allocations,
- d) The Commission on Revenue Allocation develops a policy framework for conditional allocations which should include mechanism of engagement between the donors and implementing agencies, timelines within which such allocations should be effective and the reporting mechanism including the oversight,
- e) That in future, proper planning and coordination be done to ensure that the loans and grants from the development partners are properly synchronised with the national /implementing agencies budget cycle to secure instances of amending the Division of Revenue Act in the course of the budget cycle and
- f) The Committee holds a consultative meeting with the Ministry of Health, National Treasury, Council of Governors and any other stakeholder to ascertain the total amount contracted for the Managed Equipment Service (MES) programme, the kind of equipment being leased, the number of equipments delivered in each county, the capacity to operate the equipments and the cost to be incurred by each county.

MIN. NO. 154/6/2018: ANY OTHER BUSINESS AND ADJOURNMENT

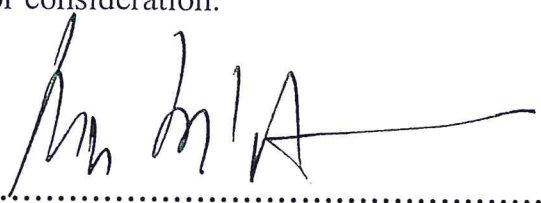
The following issues were deliberated upon under any other business-

Equalization Fund Policy

The Chairperson Commission on Revenue Allocation indicated that-

- a) The 2nd policy was ready for publication and yet the projects for the same have not been identified, and
- b) The Equalization Fund Appropriation Act lapses at the end of this financial year i.e 30th June, 2018, and urged the Senate to advocate for the enactment of a new act to ensure that funds for the current financial year and the next financial year were properly reflected.

The Committee requested CRA to submit the 2nd equalization policy to the Senate in a weeks' time for consideration.



SIGNATURE.....
(CHAIRPERSON: SEN. (ENG) MOHAMED MAALIM MAHAMUD)

DATE.....
6/6/18.



COUNCIL OF GOVERNORS

Westlands Delta House 2nd Floor, Waiyaki Way,
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REF: COG/6/12 Vol. 6

5th May 2018

J.M Nyegenye, CBS
Clerk of the Senate
P.O. Box 41842-00100
Parliament Buildings
Nairobi

Dear

Mr. Nyegonye,

DIVISION OF REVENUE (AMENDMENT) BILL (SENATE BILLS NO. 14 OF 2018)

Reference is made to your letter referenced SEN/SCF &B/CORR/2018/38 dated 30th May, 2018 on the above mentioned subject.

The Council of Governors appreciates that in realizing the objects of devolution, the principles of consultation and cooperation under Article 6(2) and Article 189 of the Constitution are inevitable.

In view of the foregoing, the Council of Governors has reviewed the Division of Revenue (Amendment) Bill (Senate Bills No. 14 of 2018) and hereby confirms that an allocation to the following programmes has been made as earlier requested by the Council;

1. Kenya Urban Support Programme
2. Agriculture Sector Development Programme

However, the Council notes that with regards to the Fuel levy, a proposal had been made to adjust the figures to reflect Kshs. 8.5 billion amounting to 20% as agreed based on the intergovernmental agreement signed between the Council and the Ministry of Transport. As such, the Council urges the Senate to adopt this proposal in the Amendment Bill.

In view of the foregoing, the Council supports the Division of Revenue (Amendment) Bill and we appreciate your continued support and cooperation.

Yours

Sincerely,

Jacqueline Mogeni
Chief Executive Officer

THE NATIONAL TREASURY AND MINISTRY OF PLANNING

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 KENYA



Ref No. IGFR/CG/01 (20)

Date: 23rd April, 2018

Mr. Michael R. Sialai, EBS
 Clerk of the National Assembly
 Clerk's Chambers
 Parliament Buildings
 NAIROBI



Mr. Jeremiah Nyegenye, CBS
 Clerk of the Senate
 Clerk's Chamber
 Parliament Buildings
 NAIROBI



Dear

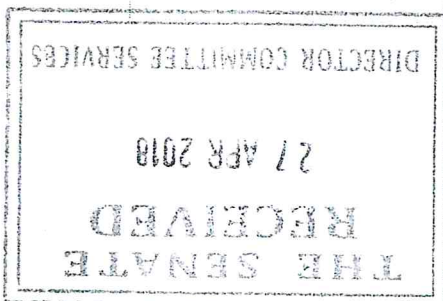
Mr. Nyegenye

RE: AMENDMENTS TO COUNTY ALLOCATION OF REVENUE BILL, 2018 TO INCLUDE ADDITIONAL CONDITIONAL ALLOCATIONS TO COUNTY GOVERNMENTS

As you are aware, the National Treasury submitted the Division of Revenue Bill, 2018 and the County Allocation of Revenue Bill, 2018 by 15th February 2018 pursuant to Section 191 (1) and 25 (2) of the Public Finance Management Act, 2012. These Bills contained additional conditional allocations to county governments to be financed from proceeds of loans and grants received by then from the respective implementing Ministries, State Departments and Agencies (MDAs).

However, we have since then received the following three more proposals on additional conditional allocations to county governments to be financed by loans and grants from donors for inclusion in the County Allocation of Revenue Bill, 2018;

Conditional allocations	Implementing MDAs	Funding source	Agreement signed	Amount for FY 2018/19 (Kshs.)	Beneficiary counties
1. Agriculture Sector Development Programme II (ASDP II)	State Department for Crops Development	Government of Sweden	2017	1,005,453,370	47
2. Water Tower Protection and Climate Change Mitigation and Adaptation Programme (WaTER)	Ministry of Environment and Forestry	European Union	2014	880,000,000	11



*② Clerk Assistant Finance Committee
 please deal
 27/4/18*

*① D/Com
 please deal
 27/4/18*

3.	<i>IDA (World Bank) credit: Kenya Urban Support Project(KUSP)- Urban Institutional Grants (UIG) + Bal C/f in FY 2017/18</i>	<i>State Department of Housing and Urban Development</i>	<i>Word Bank Credit</i>	<i>2018</i>	<i>1,854,000,000</i>	<i>45</i>
<i>Total</i>					<i>3,739,453,370</i>	

In this regard, and in order to ensure that the above grants reach the beneficiary county governments in the financial year 2018/19, we wish to propose amendments to the County Allocation of Revenue Bill, 2018, as follows:

1. That the County Allocation of Revenue Bill, 2018 be amended in sub-section (2) of section 5 as follows;-
 - in the introductory phrase by deleting "Column K"; appearing immediately after the words " shall be as set out" and substituting therefor the words " Column N";
 - by inserting the following new paragraphs immediately after paragraph (i)
 - (j) ***"Conditional allocations financed by a loan from Government of Sweden to finance Agriculture Sector Development Programme (ASDP II) as set out in Column K of the Third Schedule"***.
 - (k) ***"Conditional allocations financed by a grant from EU to finance Water Tower Protection and Climate Change Mitigation and Adaptation Programme (WaTER) as set out in Column L of the Third Schedule"***.
 - (l) ***"Conditional allocations financed by a credit from the World Bank to finance the Kenya Urban Support Project (KUSP) - Urban Institutional Grants (UIG) as set out in Column M of the Third Schedule"***.

Rationale

To provide for and facilitate the utilization of the three additional conditional allocations by respective beneficiary county governments in FY 2018/19. The financing agreements of the three grants have already been signed between the respective development partners and the Government of Kenya and the project implementation documents indicate that the programmes should be running by the beginning of FY 2018/19.

The additional conditional allocations financed by a credit from the World Bank to finance the Kenya Urban Support Project (KUSP) - Urban Institutional Grants (UIG) of Ksh. 927 million ought to have been disbursed in FY 2017/18, but was however not captured in the County Allocation of Revenue Act, 2017 thus has been added to the allocation of Ksh. 927 million in FY 2018/19 to make a total of Ksh. 1,854 million in FY 2018/19.

2. That the County Allocation of Revenue Bill, 2018 be amended by deleting sub-section (6) of section 5 and replacing thereof with ***"A county governments' allocation under sub-section (2) (a) ,(b), (c), (d), (e), (f), (g), (h), (i) (j), (k) and (l) above shall be transferred to the respective County Revenue Fund, in accordance with a payment schedule published in the Gazette by the Cabinet Secretary in accordance with section 17 of the Public Finance Management Act, 2012***

provided the Cabinet Secretary and the responsible development partner have agreed in writing that the funds shall be transferred to the county governments and such transfers shall be included in the budget estimates of the county government and submitted to the county assembly for approval”.

Rationale

To provide for the funds flow of the new additional conditional allocations and the requirement for them to be captured in budgets of the respective county governments as approved by the respective county assemblies.

3. That the County Allocation of Revenue Bill, 2018 be amended by replacing the Third (i.e. s. 5 (2)) with the new Third Schedule attached herein.

Rationale

To align the Third Schedule with the proposed amendment in above.

4. That the County Allocation of Revenue Bill, 2018 be amended in the Appendix (Explanatory Memorandum) by replacing it with the new Explanatory Memorandum to the County Allocation of Revenue Bill, 2018 attached as Appendix 1.

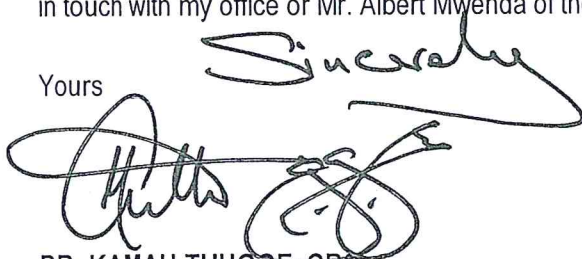
Rationale

To provide for clarity on the objectives and purpose of the three additional conditional allocations.

Also enclosed herein, are the frameworks for the management of the three additional conditional allocations as received from the respective Ministries, State Departments and Agencies.

Should you require any clarifications related to the above proposed amendments, please feel free to get in touch with my office or Mr. Albert Mwenda of the National Treasury.

Yours

Sincerely


DR. KAMAU THUGGE, CBS
PRINCIPAL SECRETARY, THE NATIONAL TREASURY

Enclosures



County Allocation of Revenue Bill Third Schedule (s. 5(2))
Conditional allocations to County Governments from National Government Revenue in Financial Year 2018/19
 (Figures are in Kenya Shillings)

County	2017/18 FY	2018/19 FY	Total Loans and Grants												
	Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column H	Column I	Column J	Column K	Column L	Column M	Column N	
		Transforming Health Systems for Universal Care Project (WB)	IDA (World Bank) credit (National Agricultural and Rural Inclusive Growth Project (NARIG))	IDA (World Bank) - Kenya Climate Smart Agriculture Project (KCSAP)	IDA (World Bank) credit: Kenya "Devolution Support Project (KDSP) " Level 1 grant"	IDA (World Bank) credit: Kenya Urban Support Project(KUSP)- Urban Development Grants (UDG)	DANIDA Grant (Universal Healthcare in Devolved System Program)	EU Grant (Instruments for Devolution Advice and Support IDEAS)	IDA (World Bank) credit: Water & Sanitation Development Project (WSDP)	IDA (World Bank) credit: Kenya "Devolution Support Project (KDSP)" Level 2 grant"	Sweden - Agricultural Sector Development Support Programme (ASDSP) II + Bal c/f in FY 2017/18	EU - Water Tower Protection and Climate Change Mitigation and Adaptation Programme (WATER)	IDA (World Bank) credit: Kenya Urban Support Project(KUSP)- Urban Institutional Grants (UG) + Bal c/f in FY 2017/18	Total Loans and Grants	
Baringo	299,821,230	78,899,347		117,000,000	43,729,455	52,360,500	16,706,250	85,000,000			20,718,749		41,200,000	455,614,301	
Bomet	149,391,438	86,405,581		117,000,000	44,888,193	168,334,800	17,617,500				20,485,395		41,200,000	495,931,469	
Bungoma	298,824,753	100,000,000	140,435,163		56,329,310	300,977,100	29,362,500				22,404,685	80,000,000	41,200,000	772,708,758	
Busia	155,229,716	86,622,298		117,000,000	47,393,422	101,071,500	19,541,250				21,640,239	80,000,000	41,200,000	514,468,709	
Elgeyo/Marakwet	142,673,578	50,000,000		117,000,000	38,552,919	89,802,100	12,150,000				19,408,938	80,000,000	41,200,000	448,113,957	
Embu	137,088,346	50,000,000	140,435,163		40,595,727	119,892,100	13,770,000				17,741,363		41,200,000	423,634,353	
Garissa	242,544,407	100,000,000		150,000,000	47,755,752	233,506,000	22,325,625		1,000,000,000		24,747,492		41,200,000	1,619,534,869	
Homa Bay	247,766,983	85,820,342	140,435,163		49,500,526	119,361,500	21,870,000				21,091,658		41,200,000	479,279,189	
Isiolo	128,629,328	66,229,830		150,000,000	38,666,826	93,968,100	12,656,250				22,028,970		41,200,000	424,751,976	
Kajiado	182,819,277	62,478,710		117,000,000	45,860,424	265,950,300	19,338,750				20,305,981		41,200,000	572,134,165	
Kakamega	259,177,644	100,000,000		117,000,000	63,508,830	389,118,800	33,311,250				23,774,757	80,000,000	41,200,000	847,913,637	
Kericho	123,263,880	61,507,974		117,000,000	44,538,343	256,299,000	17,516,250				19,110,608		41,200,000	557,172,175	
Kiambu	171,860,543	50,000,000	140,435,163		60,455,156	1,885,993,000	32,400,000				20,468,461		41,200,000	2,230,951,780	
Kilifi	393,492,525	100,000,000	140,435,163		61,148,106	330,534,500	33,361,875		400,000,000		23,653,874		41,200,000	1,130,333,518	
Kirinyaga	136,198,212	50,000,000	140,435,163		41,078,830	71,302,200	14,782,500				16,498,549		41,200,000	375,287,242	
Kisii	272,278,263	74,159,514	140,435,163		53,938,093	164,053,800	24,907,500	70,000,000			22,011,311		41,200,000	590,705,381	

Kisumu	205,150,974	67,364,355	117,000,000	49,642,674	773,573,300	21,371,250	90,000,000			19,953,472	80,000,000	41,200,000	1,260,705,051
Kitui	344,841,672	100,000,000	140,435,163	57,462,594	232,374,200	29,008,125				24,573,008		41,200,000	625,053,090
Kwale	321,582,696	98,175,267	140,435,163	50,747,782	50,000,000	24,300,000	45,000,000	400,000,000		23,138,788		41,200,000	872,997,000
Laikipia	212,173,539	67,077,728	117,000,000	41,121,027	50,000,000	15,086,250	90,000,000			19,398,638		41,200,000	440,883,643
Lamu	94,106,696	50,000,000	150,000,000	33,793,559	50,000,000	8,302,500				16,158,635		41,200,000	349,454,694
Machakos	175,585,978	95,401,875	117,000,000	53,423,784	1,018,320,500	24,806,250				21,107,671		41,200,000	1,371,260,080
Makueni	294,396,316	100,000,000	140,435,163	50,750,604	136,261,600	22,882,500	45,000,000			22,730,225		41,200,000	559,260,092
Mandera	283,179,311	100,000,000	150,000,000	58,673,488	175,819,500	32,653,125				27,908,979		41,200,000	586,255,092
Marsabit	315,742,158	100,000,000	150,000,000	48,985,872	50,000,000	22,072,500	80,000,000			27,420,231		41,200,000	519,678,603
Meru	4,092,379,277	50,000,000	140,435,163	53,939,835	116,890,200	25,818,750				20,703,287		41,200,000	448,987,235
Migori	333,790,711	100,000,000	140,435,163	49,609,593	518,367,800	21,667,500	90,000,000			21,019,514		41,200,000	982,299,570
Mombasa	107,425,868	50,000,000		53,333,725		27,337,500		600,000,000		19,054,949			749,726,174
Muranga	175,025,300	50,000,000	140,435,163	48,244,593	62,437,600	20,756,250				19,046,832		41,200,000	382,120,438
Nairobi	2,290,502,230	54,429,184		83,424,144		51,637,500				25,659,140			215,149,968
Nakuru	237,657,424	95,036,352	140,435,163	60,282,958	1,084,843,300	31,083,750				21,983,635		41,200,000	1,474,865,158
Nandi	210,116,247	97,229,498	140,435,163	44,551,044	177,231,700	17,111,250				19,236,534	80,000,000	41,200,000	616,995,189
Narok	282,870,376	100,000,000	140,435,163	49,037,031	74,905,300	21,870,000				21,002,709		41,200,000	448,450,203
Nyamira	149,561,205	50,000,000	140,435,163	42,383,765	114,705,300	15,491,250				19,827,574		41,200,000	424,043,052
Nyandarua	166,497,908	50,000,000	117,000,000	43,069,316	135,543,400	15,997,500	45,000,000			18,522,640		41,200,000	466,332,856
Nyeri	92,761,342	50,000,000	117,000,000	43,740,998	236,639,100	16,605,000				17,424,659		41,200,000	522,609,757
Samburu	318,897,301	97,143,610	140,435,163	39,330,852	50,000,000	12,757,500	70,000,000			22,652,198		41,200,000	473,519,323
Siaya	160,144,386	56,758,154	117,000,000	46,076,429	50,000,000	18,528,750				19,311,593	80,000,000	41,200,000	428,874,926
Taita Taveta	196,900,401	50,000,000	117,000,000	39,327,939	50,000,000	13,061,250	90,000,000	400,000,000		19,996,264		41,200,000	820,585,453
Tana River	253,251,635	100,000,000	150,000,000	44,003,842	50,000,000	17,921,250	80,000,000			24,526,177		41,200,000	507,651,269
TharakaNithi	100,798,020	50,000,000	117,000,000	38,536,081	50,000,000	12,352,500				17,878,176		41,200,000	326,966,757
Trans Nzoia	230,131,937	100,000,000	140,435,163	46,456,661	299,106,900	18,933,750				19,595,837	80,000,000	41,200,000	745,728,311
Turkana	342,211,436	100,000,000	140,435,163	65,446,016	95,023,200	33,766,875				31,376,224		41,200,000	507,247,478

UasinGishu	214,773,880	81,893,450	117,000,000	46,739,163	630,147,800	19,136,250	45,000,000				18,994,969	80,000,000	41,200,000	1,080,111,632
Vihiga	196,636,664	73,956,778	140,435,163	41,604,116	250,950,700	14,782,500					18,161,321	80,000,000	41,200,000	661,090,578
Wajir	353,279,800	100,000,000	150,000,000	53,401,112	165,643,500	27,286,875	45,000,000	1,000,000,000			28,906,597		41,200,000	1,611,438,084
West Pokot	314,393,341	100,000,000	117,000,000	42,917,546	73,392,300	15,896,250	70,000,000				22,091,862	80,000,000	41,200,000	562,497,958
Total	20,407,826,143	3,636,589,847	2,949,138,423	2,300,000,000	11,464,702,500	1,012,500,000	1,040,000,000	3,800,000,000	4,000,000,000		1,005,453,368	880,000,000	1,854,000,000	36,981,384,138

APPENDIX 1

EXPLANATORY MEMORANDUM TO THE COUNTY ALLOCATON OF REVENUE BILL, 2018

Background

1. This memorandum is prepared in fulfilment of the requirements of Article 218(2) of the Constitution and section 191 of the Public Finance Management Act, 2012, which require that the County Allocation of Revenue Bill tabled in Parliament be accompanied by a memorandum that:
 - (a) explains the revenue allocation as proposed by the Bill;
 - (b) evaluates the Bill against the criteria set out in Article 203(1) of the Constitution;
 - (c) provides a summary of significant deviations from the recommendations of the Commission on Revenue Allocation (CRA) together with the explanation for such deviations;
 - (d) explains the extent, if any, of deviation from the recommendations of the Intergovernmental Budget and Economic Council (IBEC); and
 - (e) explains any assumptions and formulae used in arriving at the respective shares under the County Allocation of Revenue Bill, 2018.

Explanation of Revenue Allocation as Proposed by the Bill

2. The County Allocation of Revenue Bill, 2018 proposes to allocate a total of Ksh. 376.5 billion of resources raised nationally to county governments. This is equivalent to 40.2 percent of most recent audited revenues which have been approved by the National Assembly for the financial year 2013/14 (i.e. Ksh. 935.7 billion). This comprises of an equitable share of Ksh. 314 billion or 33.6 percent of the most recent audited revenue and conditional allocations of Ksh. 62.5 billion or 6.7 percent of the most recent audited revenue.
3. The county governments' equitable share of revenue was allocated among the county governments on the second basis of the revenue allocation criteria approved by Parliament in accordance with Article 217 of the Constitution.

4. The Bill proposes to allocate county governments conditional allocations amounting to Ksh. 25.5 billion from the national government share of revenue raised nationally in line with Article 202(2) of the Constitution. This reflects an increase of Ksh 2.2 billion compared to 2017/18 financial year allocations. These allocations are intended to finance national strategic interventions to be implemented by the county governments. Out of the total conditional allocations from the revenue raised nationally, Ksh. 16 .1 billion, will be transferred to the county governments and will be included in the budgets of county governments to be approved by the respective county assemblies. The balance of Ksh. 9.4 billion for the leasing of medical equipment will be included in the National Government budget and shall be managed by the National Government. The additional conditional allocations proposed in the Bill include:

- **Additional Conditional Allocation to facilitate the leasing of medical equipment of Ksh 9.4 billion.** This grant which is in its fourth year of implementation, is proposed to increase from Ksh. 6.1 billion in FY 2017/18 to Ksh. 9.4 billion in FY 2018/19 and is intended to facilitate the purchase of modern specialised medical equipment in at least two health facilities in each County Government over the medium term. This will facilitate easy access to specialised health care services and significantly reduce the distance that Kenyans travel in search of such services today. This increase in budgetary allocation by Ksh. 3.3 billion is attributed to the Jubilee government agenda to provide Universal healthcare whose implementation has been extended to county governments. In addition, this may also be attributed to purchase and installation of the Medical Equipment in more counties leading to an increase in estimated cost of maintenance of the equipment.
- **Additional Conditional allocation for level-5 hospitals of Ksh. 4.3 billion.** Level-5 hospitals have continued to play a significant role in providing specialised health care services to Kenyans. These hospitals provide specialised health care services to citizens residing outside their host County, usually for complicated cases referred from lower level health facilities. In order to compensate them for the costs incurred in rendering services to neighbouring Counties, the national government proposes to allocate Ksh. 4.3 billion in financial year 2018/2019 up from Ksh. 4.2 billion allocated in FY 2017/18.
- **Additional Conditional allocation of Ksh. 900 million to compensate county health facilities for forgone user fees.** It is the intention of government to sustain the Government policy of not charging user fees in public health facilities. In this regard, and in furtherance of this policy, the National Government has allocated Ksh. 900 million in the financial year 2018/19 to compensate county governments for revenue forgone by not charging user fees

in the county health facilities. This additional conditional allocation is in its 4th year of implementation.

- **Additional Conditional Allocation for Rehabilitation of Youth Polytechnics of Ksh. 2 billion:** this additional conditional allocation which is in its second year of implementation and implemented through the State Department of Vocational and Technical Training, is meant to support county governments in equipping Technical and Vocational Centres and capitation of student fees. The additional conditional allocation aims at enhancing access to quality and relevant vocational skills training.
- **Additional Conditional allocation to supplement county allocation for the construction of county headquarters of Ksh. 605 Million in five counties:** This conditional allocation is intended to further supplement financing for construction of headquarters by five County Governments that did not inherit adequate offices. The five counties are Isiolo; Lamu; Nyandarua; Tana River and Tharaka Nithi. The allocation which is part of a three year plan, beginning financial year 2016/17, to supplement the five counties construct their county headquarters will be shared equally, with each getting an allocation of Ksh. 121 million in FY 2018/19. This marks the second phase of the agreement whereby the National Government will contribute 70 percent of the budget while County Governments will contribute 30 percent. The National Government's contribution will be spread over three financial years.
- **Additional Conditional Allocation from the Road Maintenance Fuel Levy Fund of Ksh. 8.3 billion.** This conditional allocation which is in its fourth year of allocation is proposed to amount to Ksh8.3 billion in FY 2018/2019. This allocation is meant to further enhance County Governments' capacity to repair and maintain county roads and is equivalent to 15 percent of the Road Maintenance Fuel Levy Fund.

Other conditional allocations to be financed by proceeds of grants and loans from development partners include:

- **Transforming Health Systems for Universal Care Project conditional allocation of Ksh. 3.6 billion (World Bank credit) :-** This conditional allocation through the Ministry of Health is expected to continue to improve delivery, utilization and quality of primary health care services with focus on reproductive, maternal, new-born, child and adolescent health (RMNCAH) at the county level. This additional conditional allocation amounts to Ksh. 3.6 billion for financial year 2018/19 up from Ksh. 2.75 billion in FY 2017/18.

- **National Agricultural and Rural Inclusive Growth Project; NARIGP of Ksh. 2.9 billion (World Bank credit):** - this additional conditional allocation, which in FY 2017/18 amounted to Ksh. 1.05 billion is expected to increase to Ksh. 2.9 billion in financial year 2018/19. This additional conditional allocation is meant to further compliment efforts by counties to increase agricultural productivity and profitability of targeted rural communities in selected counties, and to provide immediate and effective response in case of crisis or emergency.
- **Kenya Urban Support Program (KUSP) additional conditional allocation of Ksh.11.5 billion:-**The Program Development Objective (PDO) of this additional conditional allocation is to establish and strengthen urban institutions to deliver improved infrastructure and services in participating counties in Kenya. This allocation will provide capacity building and institutional support to 47 counties; however, direct financial support will be provided to 45 counties other than the city counties of Nairobi and Mombasa, and to 59 potentially eligible urban areas within those counties.
- **Kenya Devolution Support Program (KDSP) County Capacity Building (“level 1”) Grant of Ksh. 2.3 billion.** This is a conditional grant, which is in its second year of implementation, financed by a World Bank credit to support county government’s capacity building under the Kenya Devolution Support Program (KDSP) amounting to Ksh. 2.3 billion. This grant is intended to support capacity building initiatives in the counties in the following areas:
 - Strengthening public financial management (PFM) systems;
 - Strengthening County Human resource management;
 - Improving county planning and Monitoring & Evaluation systems;
 - Civic Education and Public Participation; and,
 - Strengthening Intergovernmental relations.
- **KDSP Performance (“level 2”) Grant amounting to Ksh. 4 billion.** This is a conditional grant financed by a World Bank credit which is intended to incentivise county governments that achieve good results in the following key areas:
 - Strengthening public financial management (PFM) systems;
 - Strengthening County Human resource management;
 - Improving county planning and Monitoring & Evaluation systems;
 - Civic Education and Public Participation; and
 - Strengthening Intergovernmental relations.

- Performance of counties in the above areas is to be assessed by an independent firm to be recruited through a competitive process.
- **EU-Instruments for Devolution Advice and Support (IDEAS) grant of Ksh. 1.04 billion:** This grant, which is in its second year of implementation, is expected to increase from Ksh. 985.8 million in financial year 2017/18 to Ksh. 1.04 billion in financial year 2018/19. The grant is meant to support National and County government's capacities for the management of the devolution process and the responsible transfer and use of resources for the achievement of local economic development at the county level.
- **IDA – Water And Sanitation Development Project (WSDP) World Bank Credit of ksh. 3.8 billion:** The Project Development Objective (PDO) of this program, financed by this additional conditional allocation, is to improve water supply and sanitation services in six select counties located in the coastal and northeastern regions of Kenya. This will be achieved by investing in water supply and sanitation infrastructure in urban centers in these counties. The project will also improve services by strengthening institutional capacity in areas, such as reducing Non-Revenue Water (NRW), improving billing and revenue collection systems, and developing medium-term business plans. In addition, the WSDP will establish a results-based financing mechanism at the national level to provide incentives to the Water Services Providers (WSPs) to accelerate access to water supply and sanitation services and improve operational and financial performance.
- **Agricultural Sector Development Support Programme (ADSP) II- Ksh. 1 billion-** The Agricultural Sector Development Support Programme II (ASDSP II) follows ASDSP I which concluded in June 2017. ASDSP II is part of the implementation strategy of the Agricultural Policy (AP) for the national and county governments. In line with the AP, 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”. The Programme Purpose is “to Develop Sustainable Priority Value Chains (PVCs) for Improved income, food and nutrition security”. ASDSP II addresses four key problems that hinder commercialization of agriculture i.e. low productivity along the entire PVC, inadequate entrepreneurial skills along PVCs and among service providers, low access to markets by Value Chain Actors (VCAs) and weak and inadequate structures and capacities for consultation, cooperation and coordination within the Sector.
- **EU- Water Tower Protection and Climate Change Mitigation and Adaptation Programme (WaTER) - Ksh. 880 million:** -The objective of this programme is to facilitate the implementation of the national climate change action plan and the master plan for the conservation of water catchment areas of Cherangany Hills and Mount Elgon.

The program will improve the quality and quantity of ecosystem services provided by the two water towers, through increased forest cover, improved landscape and natural resource management / waste management systems that will lead to increased benefits to communities from forest, agriculture and agro-forestry land use systems

The program 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 and will benefit the eleven Counties of 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 Infrastructure Grant Allocation (UIG) 2018/19- Ksh. 1,854 million** – The main purpose of this programme is to provide 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 operation of Urban Institutional arrangements and for the initial preparation of urban infrastructure investments.

Evaluation of the Bill against Article 203(1) of the Constitution

5. **Developmental needs of county governments and their ability to perform the functions assigned to them:** The Bill proposes to allocate equitable share of revenue among county governments on the second basis of the formula for sharing revenue approved by Parliament in accordance with Article 217 of the Constitution. The formula uses parameters that proxy demand for services and therefore expenditure needs of county governments. These parameters include: development factor (1%), population (45%), land area (8%), and poverty (18%). The equitable share of revenue for county governments in 2018/19 reflects an increase of 4 percent compared to the allocation in 2017/18. This means that there is more money in 2018/19 to meet the developmental needs of counties.
6. **Economic disparities among counties as well as disadvantaged areas and groups within counties:** The allocation of the sharable revenue among counties was based on the formula for sharing revenue among counties approved by Parliament in accordance with Article 217 of the Constitution, which takes into account disparities among counties and aims at equitable distribution of resources. It should also be noted that Ksh. 4.7 billion has also been set aside for the Equalization Fund in 2018/19 which translates to 0.5 per cent of last audited revenue accounts of governments and is within the minimum constitutional requirement of 0.5 percent. This Fund will be used to finance development programmes that aim to reduce regional disparities among counties. County Governments are also expected to come up with programs

to redress inequalities within counties. In addition, County Governments are expected to adhere to the requirement under the Public Procurement and Assets Disposal Act of 2015, to reserve 30% of the public procurements in the counties for disadvantaged groups within the counties, comprising of women, youth and persons living with disabilities.

7. **Stability and Predictability of County Revenue Allocations:** The Division of Revenue Bill, 2018 has proposed that county governments' equitable share of revenue raised nationally be ring-fenced. Variance in revenue raised nationally from the expected revenue is not expected to affect the county governments' allocations of the equitable share of revenue raised nationally. This is because under Section 5 of the DoRB for FY 2018/19, provides that if the actual revenue raised nationally in the financial year falls short of the expected revenue set out in the Schedule upto a threshold to be prescribed by the Cabinet Secretary, the shortfall shall be borne by the national government
8. **Fiscal capacity and efficiency:** Fiscal capacity for county governments, that is, the potential revenues that can be generated from the tax bases assigned to the counties when a standard average level of effort is applied. The second generation formula developed by Commission on Revenue Allocation for sharing equitable share of Revenue has provided for fiscal responsibility of (2%) which is the measure used for fiscal capacity and efficiency of county governments. However this measure may have some weakness because of lack of accurate data. For instance it may benefit counties that project lower revenue targets which are easy to achieve. However this challenge will be solved once the study on revenue potentials of each county government is finalized in FY 2018/19.

Evaluation of Deviations from the recommendations of the Commission on Revenue Allocation

9. There are no differences between the National Treasury's proposal on the equitable share of revenue allocation among county governments and CRA's recommendations. The Division of Revenue Bill, 2018 proposes to allocate county governments an equitable share of Ksh. 314 billion from the shareable revenue raised nationally. This is in line with the revised position of CRA to allocate to county governments Ksh. 314 billion as equitable share in FY 2018/19.
10. However, the Commission on Revenue Allocation has in the financial 2018/19 proposed new conditional allocations amounting to Ksh. 6 billion relating to cancer interventions that the National Treasury has not included in its proposal. These have resulted in a variance between

the National Treasury and the CRA proposals on Vertical Division of FY 2018/19. These include;

- a. **Allocation to cater for establishment of two Regional Cancer treatment centres at Ksh. 5.0 billion:** - CRA has proposed an additional conditional allocation of Ksh. 5.0 billion for establishment of two Regional Cancer Centres, at a cost of Ksh. 2.5 billion each. These centres are intended to complement the Governments program of leasing medical equipment for counties with cancer diagnostics equipment. In addition, these cancer diagnostic equipment are intended to ease pressure at Kenyatta National Hospital, Moi Teaching Referral Hospital and Nyeri Level 5 hospital for surgical, chemotherapy and Radiotherapy services.

National Treasury appreciates this proposal which if implemented would boost chances of the country plan to achieve universal healthcare access. Such a program, however, requires careful planning to ensure that adequate human and financial resources can be availed to guarantee the sustainability and viability of such a program. Consultation with the Ministry of Health which provides policy leadership on such matters have not been concluded. It is expected that such a proposal should be discussed and agreed on at MTEF Sector hearings pursuant to provisions of Treasury Circular No. 8/2017 on administration of Intergovernmental Fiscal Transfers when introducing any new additional conditional allocations.

- b. **Allocation of Ksh. 1 .0 billion to Ministry of Health for central procurement of drugs through KEMSA:-** CRA has proposed an additional conditional allocation of Ksh. 1.0 billion for a National Cancer Drug Access Programme starting FY 2018/19. This would ensure that cancer conditions are not only properly diagnosed, but also adequately treated. The National Treasury supports the efficiencies that would come with a centralised procurement of cancer drugs at KEMSA through the Ministry of Health. This proposal should be discussed and agreed in MTEF Sector hearings.

11. On the hand, the National Treasury has proposed additional conditional allocations to be financed from the proceeds of loans and grants from Development partners amounting Ksh. 37 billion in financial 2018/19 which CRA has not factored. These grants include Kenya Devolution Support Program (KDSP), Instruments for Devolution Advice and Support (IDEAS), DANIDA- Universal Health care for devolved systems, Kenya Climate Smart Agriculture (KCSAP), IDA- National Agriculture & Inclusive Rural Growth, IDA-Water And

Sanitation Development Project (WSDP) financed by a World Bank Credit and Kenya Urban Support program and others.

12. **Other differences have been occasioned by;** - National Treasury proposed increase in additional conditional allocation for Leasing of Medical Equipment to Ksh. 9.4 billion in FY 2018/19 whereas CRA proposed an allocation of Ksh. 4.5 billion. to the National Treasury proposal to increase the allocation for Leasing of Medical Equipment is in line with the Jubilee government agenda to provide Universal healthcare whose implementation has been extended to county governments. In addition this may also be attributed to purchase and installation of the Medical Equipment in more counties leading to an increase in estimated cost of maintenance of the equipment.
13. Despite the small differences between the proposals set out in the County Allocation of Revenue Bill, 2018 and the CRA's recommendations notwithstanding, the proposed county governments' equitable share of revenue in the Bill, at 33.6 percent of the most recent audited revenue, as approved by the National Assembly, is way above the minimum threshold required under Article 203(2) of the Constitution.
14. In addition, the National Treasury proposes to provide conditional allocations of Ksh. 62.5 billion which further increases the allocations to county governments to 40.2 percent of the most recent audited revenue.

ANNEXES: FRAMEWORKS FOR MANAGING ADDITIONAL CONDITIONAL ALLOCATIONS

I. Additional Conditional Allocations financed from proceeds of Loans and grants from Development Partners – Government of Sweden

Sweden – Agricultural Sector Development Support Programme (ASDSP) II			
Ministry/State Department Responsible	Agriculture and Irrigation		
Accounting officer of National Government Responsible	PS, State Department for Crop Development		
Responsibilities of the National Government accounting officer	<ul style="list-style-type: none"> • Ensure funds are included in the budget estimates of the ministry for the FY 2018/19 • Submit quarterly and annual financial and performance reports to the National Treasury and separate copies to each county governments • Monitor and evaluate performance of the allocation and report to the National Treasury 		
Conditions	a) Funding will be triggered by counterpart funds from both levels of GoK (national and counties). b) County Governments will ensure that the funds disbursed by Sweden through the National Government are subsequently disbursed to respective spending units have made provision for co-financing		
Allocation: 2018/19	KES 1,005,453,370		
Purpose of the grant	To develop sustainable priority value chains so as to contribute to the sector goal of transforming crop, livestock and fisheries production into commercially oriented enterprises that ensure sustainable food and nutrition security.		
Allocation criteria	Based on financing agreement between the Government of Sweden and the Government of Kenya and approved work plans.		
Allocation by County			
County	Total		
	A	b	c=a+b
Counties	Carry Over: FY 2017/2018	Budget: FY 2018/2019	Total
Baringo	10,359,375	10,359,375	20,718,749
Bomet	10,242,697	10,242,697	20,485,395
Bungoma	11,202,343	11,202,343	22,404,685

Busia	10,820,119	10,820,119	21,640,239
Elgeyo-Marakwet	9,704,469	9,704,469	19,408,938
Embu	8,870,682	8,870,682	17,741,363
Garissa	12,373,746	12,373,746	24,747,492
Homabay	10,545,829	10,545,829	21,091,658
Isiolo	11,014,485	11,014,485	22,028,970
Kajiado	10,152,990	10,152,990	20,305,981
Kakamega	11,887,378	11,887,378	23,774,757
Kericho	9,555,304	9,555,304	19,110,608
Kiambu	10,234,231	10,234,231	20,468,461
Kilifi	11,826,937	11,826,937	23,653,874
Kirinyaga	8,249,274	8,249,274	16,498,549
Kisii	11,005,655	11,005,655	22,011,311
Kisumu	9,976,736	9,976,736	19,953,472
Kitui	12,286,504	12,286,504	24,573,008
Kwale	11,569,394	11,569,394	23,138,788
Laikipia	9,699,319	9,699,319	19,398,638
Lamu	8,079,318	8,079,318	16,158,635
Machakos	10,553,835	10,553,835	21,107,671
Makueni	11,365,112	11,365,112	22,730,225
Mandera	13,954,490	13,954,490	27,908,979
Marsabit	13,710,116	13,710,116	27,420,231
Meru	10,351,644	10,351,644	20,703,287
Migori	10,509,757	10,509,757	21,019,514
Mombasa	9,527,474	9,527,474	19,054,949

Muranga	9,523,416	9,523,416	19,046,832
Nairobi	12,829,570	12,829,570	25,659,140
Nakuru	10,991,817	10,991,817	21,983,635
Nandi	9,618,267	9,618,267	19,236,534
Narok	10,501,355	10,501,355	21,002,709
Nyamira	9,913,787	9,913,787	19,827,574
Nyandarua	9,261,320	9,261,320	18,522,640
Nyeri	8,712,329	8,712,329	17,424,659
Samburu	11,326,099	11,326,099	22,652,198
Siaya	9,655,796	9,655,796	19,311,593
TaitaTaveta	9,998,132	9,998,132	19,996,264
Tana River	12,263,088	12,263,088	24,526,177
Tharaka-Nithi	8,939,088	8,939,088	17,878,176
Trans Nzoia	9,797,919	9,797,919	19,595,837
Turkana	15,688,112	15,688,112	31,376,224
Uasingishu	9,497,484	9,497,484	18,994,969
Vihiga	9,080,661	9,080,661	18,161,321
Wajir	14,453,298	14,453,298	28,906,597
West Pokot	11,045,931	11,045,931	22,091,862
County total	502,726,685	502,726,685	1,005,453,370
Notes	Note 1	Note 2	Note 3

Source: State Department for Crops Development.

Notes ; The Amount to be included in FY 2018/2019 Budget Estimate

Note 1- Represent DONOR FUNDS- carry over for the County FY 2017/2018

Note 2- Represent DONOR FUNDS- Budget Allocation For The Counties FY 2018/2019

Note 3- Represent TOTAL DONOR FUNDS carry over for the Counties & Allocation FY 2018/2019

II. Additional Conditional Allocations financed from proceeds of Loans and grants from Development Partners- European Union

European Union – Water Tower Protection and Climate Mitigation and Adaptation (WATER) Programme	
Ministry/State Department Responsible	Ministry of Environment and Forestry
Accounting officer of National Government Responsible	PS, Ministry of Environment and Forestry
Responsibilities of the National Government accounting officer	<ul style="list-style-type: none"> • Management of the Grant Contracts for the 11 listed counties, amounting to Euro 16 million over a 3-year period
Conditions	<ul style="list-style-type: none"> c) Programmes to be funded must be included in the CIDPs of the respective Counties developed through a participatory process d) Grants must be included in the County Allocation of Revenue Act (CARA) according to the forecast disbursement schedule e) Activities must be relevant to the Specific Objectives of the Programme <ol style="list-style-type: none"> 1. Increase forest and tree cover and reverse forest degradation 2. Enhance forest-based economic, social and environmental benefits 3. Enhance capacity development, research and adoption of technologies 4. Increase investments in forest development 5. Integrate national values and principles of good governance in forest development
Allocation: 2018/19	KES 880,000,000
Purpose of the grant	Implementation of programme activities in line with the specific objectives outlined above.
Allocation criteria	Equal share for each of the 11 counties.
Allocation by County	
County	Ksh.
Bungoma	80,000,000
Busia	80,000,000
Elgeyo-Marakwet	80,000,000
Kakamega	80,000,000
Kisumu	80,000,000
Nandi	80,000,000
Siaya	80,000,000
Tana River	80,000,000
Trans Nzoia	80,000,000
Uasin Gishu	80,000,000
Vihiga	80,000,000
County total	880,000,000

III. Additional Conditional Allocations financed from proceeds of Loans and grants from Development Partners- IDA- World Bank

IDA (World Bank) credit: Kenya Urban Support Project (KUSP): Urban Infrastructure Grant Allocation		
Ministry/ State Department Responsible	Ministry of Transport, Infrastructure, Housing & Urban Development.	
Accounting officer of National Government Responsible	Principal Secretary- State Department of Housing and Urban Development.	
Responsibilities of the National Government accounting officer	<ul style="list-style-type: none"> • Ensure funds are included in the budget estimates of the ministry for the FY 2018/19 • Submit quarterly and annual financial and performance reports to the National Treasury and separate copies to each county governments • Monitor and evaluate performance of the allocation and report to the National Treasury 	
Conditions	Participating County Governments have committed itself to participation in KUSP.	
Allocation: 2018/19	KES: 1,854,000,000	
Purpose of the grant	Provide 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 operation of Urban Institutional arrangements and for the initial preparation of urban infrastructure investments.	
Allocation criteria	Based on financing agreement between the IDA and the Government of Kenya.	
County	UIG ALLOCATION 2018/2019 KES	
1	Baringo	41,200,000
2	Bomet	41,200,000
3	Bungoma	41,200,000
4	Busia	41,200,000
5	Elgeyo Marakwet	41,200,000
6	Embu	41,200,000
7	Garissa	41,200,000
8	Homa bay	41,200,000
9	Isiolo	41,200,000
10	Kajiado	41,200,000

11	Kakamega	41,200,000
12	Kericho	41,200,000
13	Kiambu	41,200,000
14	Kilifi	41,200,000
15	Kirinyaga	41,200,000
16	Kisii	41,200,000
17	Kisumu	41,200,000
18	Kitui	41,200,000
19	Kwale	41,200,000
20	Laikipia	41,200,000
21	Lamu	41,200,000
22	Machakos	41,200,000
23	Makueni	41,200,000
24	Mandera	41,200,000
25	Marsabit	41,200,000
26	Meru	41,200,000
27	Migori	41,200,000
28	Muranga	41,200,000
29	Nakuru	41,200,000
30	Nandi	41,200,000
31	Narok	41,200,000
32	Nyamira	41,200,000
33	Nyandarua	41,200,000
34	Nyeri	41,200,000
35	Samburu	41,200,000
36	Siaya	41,200,000
37	Taita Taveta	41,200,000
38	Tana River	41,200,000
39	Tharaka Nithi	41,200,000
40	Trans Nzoia	41,200,000
41	Tukana	41,200,000
42	Uasin Gishu	41,200,000
43	Vihiga	41,200,000
44	Wajir	41,200,000
45	West Pokot	41,200,000
	TOTAL	1,854,000,000

Source: State Department of Housing and Urban Development

REPUBLIC OF KENYA



THE NATIONAL TREASURY

**BRIEF ON DIVISION OF REVENUE (AMENDMENT) BILL,
2018.**

*Brief by the National Treasury to the Senate Standing Committee on
Finance and Budget.*

Date: Tuesday, June 5th, 2018

I. Background

Section 191 (1) and 25 (2) of the Public Finance Management Act, 2012 requires that the Division of Revenue Bill (DoRB) and the County Allocation of Revenue Bill (CARB) be submitted to Parliament together with the Medium Term Budget Policy Statement.

The National Treasury in fulfillment of the above requirement, submitted the DoRB, 2018 and CARB, 2018 before 15th February, 2018 seeking a resolution of the house on the same.

II. The Division of Revenue Bill, 2018 and the County Allocation of Revenue Bill, 2018

1. The DoRB, 2018 and the CARB, 2018 proposes to allocate a total of Ksh. 372.7 billion of resources raised nationally to county governments. This is equivalent to 39.8 percent of most recent audited revenues which have been approved by the National Assembly for the financial year 2013/14 (i.e. Ksh. 935.7 billion). This comprises of an equitable share of Ksh. 314 billion or 33.6 percent of the most recent audited revenue and conditional allocations of Ksh. 58.7 billion or 6.3 percent of the most recent audited revenue.
2. The county governments' equitable share of revenue was allocated among the county governments on the second basis of the revenue allocation criteria approved by Parliament in accordance with Article 217 of the Constitution.
3. The additional conditional allocations to county governments were allocated using various criteria determined by respective by MDAs as follows;-
 - a. Ksh 25.5 billion as additional conditional allocations from the national government share of Revenue comprising of;

- Ksh 9.4 billion for leasing of medical equipment. Allocation is based on annual MES Contract commitments ;
 - Ksh 900 million for compensation of user fees foregone. Sharing among Counties is based on population data from KNBS (2016 projections), and Distribution to recipient health centers and dispensaries in a county is based on outpatient attendance (OPD) workload for 2016/17 as reported routinely in DHIS.;
 - Ksh 4.3 billion for level 5 hospital grant. Allocation is based on Bed occupancy rate of the respective facilities in 2017 ;
 - Ksh 2 billion for rehabilitation of Youth Polytechnics. Allocation is based on Equity (Equal share of Ksh. 19,960,000 per County and current enrolment (Capitation at KES 15,000 per trainee); and
 - Ksh 605 million as a supplement for construction of five county headquarters. This aggregate allocation is shared equally by the five (5) County Governments.
- b. Ksh 8.3 billion in the form of a conditional grant transferred from the Road Maintenance Levy Fund (RMLF). This is 15% of the expected total RMLF collections in the FY 2018/19. Allocation among county governments is based on Revenue sharing formula approved by Parliament under Article 217 of the Constitution.
- c. Ksh 33.2 billion from proceeds of external loans and grants from Development Partners to finance devolved functions

within specific counties: allocation among beneficiary counties is in accordance with the signed financing agreement for each loan/grant.

III. Proposed further amendments to the county allocations set out in the County Allocation of Revenue Bill, 2018

4. The National Treasury has however since the submission of the DoRB, 2018 and the CARB, 2018, received requests for inclusion of three additional conditional allocations to county governments in the CARB 2018. The three additional conditional allocations to be financed by loans and grants from donors include;

- a. Agriculture Sector Development Programme II (ASDP II)- Ksh. 1,005 million financed by Government of Sweden;
- b. Water Tower Protection and Climate Change Mitigation and Adaptation Programme (WaTER)- Ksh. 880 million financed by EU; and
- c. IDA (World Bank) credit: Kenya Urban Support Project(KUSP)- Urban Institutional Grants (UIG) + Bal C/f in FY 2017/18- Ksh. 1,854 million financed by World Bank.

5. In this regard, and in order to ensure that the above grants reach the beneficiary county governments in the financial year 2018/19, we have proposed amendments the County Allocation of Revenue Bill, 2018 to include the above additional grants amounting to Ksh. 3.7 billion
6. Consequently, and with approval for inclusion of the additional grants, this will bring total allocation to county government in FY 2018/19 to Ksh. 376.4 billion or 40.3 percent of the most recent audited revenue.

Thank You.

**Henry Rotich, EGH
CABINET SECRETARY/NATIONAL TREASURY AND
PLANNING**

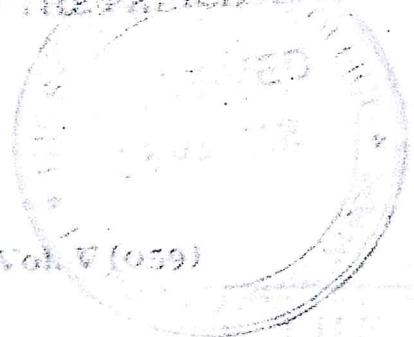
5th June 2018



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24/05/18

MINISTRY OF TRANSPORT, INFRASTRUCTURE, HOUSING AND URBAN DEVELOPMENT
State Department for Housing, Urban Development and Public Works
OFFICE OF THE PRINCIPAL SECRETARY



Phone: 020 2717000
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Date: 7th May, 2018

Ref No. MTHUD/DH/3/3/Vol. V (039)

M. Nyegenye, CBS
Kenya Senate
Parliament Buildings
NAIROBI

THE SENATE
RECEIVED

Dear

**ADDITIONAL CONDITIONAL ALLOCATIONS TO COUNTY GOVERNMENT
FOR FY 2018/19 FOR INCLUSION IN DIVISION AND COUNTY
ALLOCATION REVENUE BILLS**

Reference is made to Division of Revenue Bill, 2018, that reflects all conditional grants allocated to Counties. The Kenya Urban Support Program under State Department of Housing and Urban Development will disburse conditional grants to the Counties, Urban Institutional Grants (UIG) Kshs. 927,000,000.00 and Urban Development Grants (UDG) Kshs 1,454,702,500.00.

The Urban Development Grants have been captured in the Division for Revenue Bill 2018, but the Urban Institutional Grants have been excluded.

It is therefore, to submit the additional conditional allocation to County Governments under the Kenya Urban Support Program for financial Years 2018/19. Attached herewith is the financing matrix indicating the allocations to the Counties.

Thank you for your continued support.

Yours

Charles H. Mwaura
Principal Secretary

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Responsible Accounting officer of National Government
 Responsible Accounting officer of the National Government

Principal Secretary - State Department of Housing and Urban Development.

- Recurrent funds are included in the budget estimates of the ministry for the FY 2018/19
- Submit quarterly and annual financial and performance reports to the National Treasury and separate copies to each county governments
- Monitor and evaluate performance of the allocation and report to the National Treasury

Participating County Governments have committed itself to participation in KUSP.

KES: 927,000,000.00

Purpose of the grant: Provide support to participating County Governments for the formulation of urban devp plans including the establishment and operation of urban institutional arrangements such as charters, boards administrations and operation of Urban Institutional arrangements and for the initial preparation of urban infrastructure investments.

Allocation criteria: Based on financing agreement between the IDA and the Government of Kenya.

County		UIG ALLOCATION 2018/2019 KES
		20,600,000.00
1	Baringo	20,600,000.00
2	Bomet	20,600,000.00
3	Bungoma	20,600,000.00
4	Busia	20,600,000.00
5	Elgeyo	20,600,000.00
	Morakwet	20,600,000.00
6	Embu	20,600,000.00
7	Garissa	20,600,000.00
8	Homa bay	20,600,000.00
9	Isiolo	20,600,000.00
10	Kajiado	20,600,000.00
11	Kakamega	20,600,000.00
12	Kericho	20,600,000.00
13	Kiambu	20,600,000.00
14	Kilifi	20,600,000.00

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