


Approved for tabling  
Bant  
SNA  
17/3/2020



REPUBLIC OF KENYA  
KENYA NATIONAL ASSEMBLY

TWELFTH PARLIAMENT – FOURTH SESSION

REPORT OF THE BUDGET AND APPROPRIATIONS COMMITTEE ON THE DIVISION OF REVENUE  
BILL (NATIONAL ASSEMBLY BILL NO. 3 OF 2020)

|  |  |
|--|--|
| <br>THE NATIONAL ASSEMBLY<br>PAPERS LAID |  |
| DATE: 17 MAR 2020  | DAY:<br>TUESDAY                        |
| TABLED<br>BY:<br>MARCH 2020  | HON. Ichung'ochi Kamani<br>Chairperson |
| CLERK AT<br>THE TABLE:   | Lemwa Masey                            |

## CHAIRPERSON'S FOREWORD

**Mr. Speaker**, the Division of Revenue Bill (National Assembly Bill No. 3 of 2020) was read for the first time in the National Assembly during the afternoon sitting of Tuesday, March 10<sup>th</sup>, 2020. Pursuant to Standing Order 127(2), the Bill was committed to the Budget and Appropriations Committee for review and recommendations. The Bill seeks to provide for sharing of revenue raised nationally between the national government and county governments for the financial year 2020/21 in accordance with Article 202, 203, 205 and 218 of the Constitution.

To this end, **Mr. Speaker**, the enactment of the Division of Revenue Bill, 2020 is critical in setting the stage for the preparation of the County Allocation of Revenue Bill, 2020, which will inform the firming up and completion of preparation of the annual budget estimates for the forty-seven (47) county governments. The spirit and letter of Article 224 of the Constitution requires that County Governments prepare and adopt their annual budgets and appropriations bills based on the approved Division of Revenue Act. It is important therefore that we dispense with the approval and subsequent enactment of the Bill in a timely manner thus ensuring that the county budgeting process goes on undisrupted.

### Mandate of the Committee

**Mr. Speaker**, Article 221 (4) of the Constitution and Section 7 of 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 as follows:

- i. Investigate, inquire into and report on all matters relating to coordination, control and monitoring of the national budget;
- ii. Discuss and review the budget 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.

## Membership of the Committee

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

| <b>Member</b>   | <b>Constituency</b> | <b>Party</b> |
|---|---------------------|--------------|
| 1. <b>Hon. Kimani Ichung'wah, CBS, M.P- Chairperson</b> | Kikuyu              | Jubilee      |
| 2. <b>Hon. Moses Lessonet, M.P- Vice Chairperson</b>    | Eldama Ravine       | Jubilee      |
| 3. Hon. CPA John Mbadi, EGH, CBS, M.P.                  | Suba South          | ODM          |
| 4. Hon. Richard Onyonka, M.P.                           | Kitutu Chache South | Ford Kenya   |
| 5. Hon. Samwel Moroto, M.P.                             | Kapenguria          | Jubilee      |
| 6. Hon. Millie Odhiambo, M.P.                           | Suba North          | ODM          |
| 7. Hon. Twalib Bady, M.P.                               | Jomvu               | ODM          |
| 8. Hon. (Dr.) Gideon Ochanda, M.P.                      | Bondo               | ODM          |
| 9. Hon. James Mwangi Gakuya, M.P.                       | Embakasi North      | Jubilee      |
| 10. Hon. (Dr.) Makali Mulu Benson, M.P.                 | Kitui Central       | Wiper        |
| 11. Hon. Moses Kiarie Kuria, M.P.                       | Gatundu South       | Jubilee      |
| 12. Hon. Benard Masaka Shinali, M.P.                    | Ikolomani           | Jubilee      |
| 13. Hon. John Muchiri Nyaga, M.P.                       | Manyatta            | Jubilee      |
| 14. Hon. Jude Njomo, M.P.                               | Kiambu Town         | Jubilee      |
| 15. Hon. (Dr.) Korei Ole Lemein, M.P.                   | Narok South         | Jubilee      |
| 16. Hon. Sarah Paulata Korere, M.P.                     | Laikipia North      | Jubilee      |
| 17. Hon. Naisula Lesuuda, OGW, M.P.                     | Samburu West        | KANU         |
| 18. Hon. Sakwa Bunyasi, M.P.                            | Nambale             | ANC          |
| 19. Hon. Danson Mwashako, M.P.                          | Wundanyi            | Wiper        |
| 20. Hon. Fatuma Gedi Ali, CBS, M.P.                     | Wajir County        | PDR          |
| 21. Hon. Florence Chepng'etich Koskey Bore, M.P.        | Kericho County      | Jubilee      |
| 22. Hon. James Gichuki Mugambi, M.P.                    | Othaya              | Jubilee      |
| 23. Hon. (Dr.) John K. Mutunga, M.P.                    | Tigania West        | Jubilee      |
| 24. Hon. (Eng.) Mark Nyamita, M.P.                      | Uriri               | ODM          |
| 25. Hon. Paul Abuor, M.P.                               | Rongo               | ODM          |
| 26. Hon. Qalicha Gufu Wario, M.P.                       | Moyale              | Jubilee      |
| 27. Hon. Wangari Mwaniki, M.P.                          | Kigumo              | Jubilee      |

## Parliamentary Budget Office & Committee Secretariat

1. Ms. Phyllis Makau Director, Parliamentary Budget Office
2. Mr. Martin Masinde Senior Deputy Director, Parliamentary Budget Office
3. Mr. Fredrick Muthengi Chief Fiscal Analyst

### Committee Secretariat

1. Mr. Joseph Ndirangu Fiscal Analyst II; Clerk, Budget and Appropriations Committee
2. Mr. Danson Kachumbo Fiscal Analyst II; Clerk, Budget and Appropriations Committee
3. Mr. Chacha Machage Fiscal Analyst II; Clerk, Budget and Appropriations Committee

### Examination of the Division of Revenue Bill (National Assembly Bill No. 3 of 2020)

**Mr. Speaker**, The Division of Revenue Bill (National Assembly Bill No. 3 of 2020) was read a first time during the afternoon sitting of Tuesday, March 10<sup>th</sup>, 2020. Pursuant to Standing Order 127(2), the Bill was committed to the Budget and Appropriations Committee and was reviewed in two sittings.

**Mr. Speaker**, given the prevailing conditions in the country and the guidelines relating to controlling the spread of the Coronavirus disease, the committee was unable to physically meet with the stakeholders. However, a call for memoranda was placed in newspapers on 12<sup>th</sup> March 2020 for the public to submit their views on the Bill. **Mr. Speaker**, I wish to inform this House that at the time of submission of this report, no memorandum on the Division of Revenue Bill had been received for consideration by the Committee.

At this juncture **Mr. Speaker**, I wish to highlight that the Division of Revenue Bill is the output of the review and finalization of the Budget Policy Statement and should therefore not be treated as other bills. Indeed, the policy underpinning the division of revenue was already subjected to substantial public hearing during the process of reviewing the Budget Policy Statement. Thus even without memoranda from the public on the Division of Revenue Bill, many key factors had already been considered.

**Mr. Speaker**, the Committee notes that the provisions under the DoRB, 2020 are in line with the House resolutions on the Budget Policy Statement and the Debt Management Strategy for 2020/21 and the medium term. This is in accordance with the provisions of Standing Order 232(8) (a).

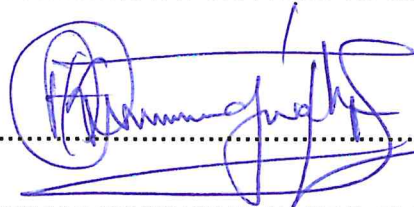
**Mr. Speaker**, on behalf of the Committee and Pursuant to the Standing Orders 199(6) of the National Assembly, it is therefore my pleasant duty and privilege, to table this report on the Division of Revenue Bill (National Assembly Bill no. 3 of 2020) for consideration and approval by the House.

## Acknowledgements

**Mr. Speaker**, the Committee wishes to thank the Office of the Speaker, the office of the Clerk of the National Assembly, and the Parliamentary Budget office for the support extended in fulfilling this mandate of reviewing the Division of Revenue Bill (National Assembly Bill No. 3 of 2020).

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

Signed: .....



HON. KIMANI ICHUNG'WAH, CBS, M.P.  
CHAIRPERSON, BUDGET & APPROPRIATIONS COMMITTEE

Date: .....

17/03/2020.

## A. INTRODUCTION

1. **Mr. Speaker**, the Division of Revenue Bill (National Assembly Bill No. 3 of 2020) provides for the sharing of revenue raised nationally between the national government and county governments for the financial year 2020/21 in accordance with Article 202, 203, 205 and 218 (2) of the Constitution. The revenue shared is calculated on the basis of the most recent audited accounts of revenue that have been approved by the National Assembly and is distributed equitably between the two levels of government then shared among counties using the formula approved under Article 217 of the Constitution. In this case, the latest audited revenues approved by Parliament relate to FY 2016/17 and stood at Kshs. 1,357.7 billion.
2. **Mr. Speaker**, apart from the sharable revenue, the Bill also sets out the indicative amounts for the conditional grants, the Road Maintenance Levy Fund, the Equalization fund and other allocations in the form of loans and grants.

## B. HIGHLIGHTS OF THE DIVISION OF REVENUE BILL, 2020

3. **Mr. Speaker**, the total shareable revenue for FY 2020/21 is estimated at Kshs 1,856.7 billion and is allocated as follows:

|      |  |                     |
|------|--|---------------------|
| i.   | National Government                      | Kshs. 1.53 Trillion |
| ii.  | County Government Equitable Share        | Kshs 316.50 billion |
| iii. | GoK Conditional allocations              | Kshs. 13.73 billion |
| iv.  | Road Maintenance Fuel Levy Fund          | Kshs. 9.43 billion  |
| v.   | Conditional allocations (loans & grants) | Kshs. 30.20 billion |
| vi.  | Equalization Fund                        | Kshs 6.788 billion  |
4. **Mr. Speaker**, Article 202 of the Constitution sets the indicative methodology for sharing of the nationally raised revenue among the national and county governments. The proposed County Equitable Share for FY 2020/21 of Ksh. 316.5 billion is equivalent to 23.3 percent of the last approved audited revenues worth Ksh 1,357,698 million and is above the 15% set constitutional threshold.

5. **Mr. Speaker**, the following factors were also taken into consideration in calculating the County Governments' equitable revenue share allocation for FY 2020/21;
- a) Continued underperformance in ordinary revenue, which forms the base for the annual division of revenue;
  - b) The fact that the National Government continues to solely bear shortfalls in revenue in any given Financial Year;
  - c) A 10.3% projected contraction in National Government's net spending in FY 2020/21 vis-à-vis FY 2019/20; and
  - d) The proposal by the National Treasury that in case of higher revenue yield in FY 2020/21, it will be earmarked for CFS, specifically debt repayment and pensions.

6. **Mr. Speaker**, the Bill also provides for additional allocation to County Governments, either conditionally or unconditionally in line with the provisions of Article 202(2) of the Constitution. The Bill therefore proposes the allocation of Kshs. 23.16 billion for the following additional conditional allocations to support specific national policy objectives to be implemented by County Governments:

- a) Additional Conditional Allocation to facilitate the leasing of medical equipment of Ksh 6.205 billion;
- b) Additional Conditional allocation for level-5 hospitals of Ksh. 4.3 billion;
- c) Additional Conditional allocation of Ksh. 900 million to compensate county health facilities for user fees foregone;
- d) Additional Conditional Allocation for Rehabilitation of Youth Polytechnics of Ksh. 2.0 billion;
- e) Additional Conditional allocation to supplement county allocation for the construction of county headquarters of Ksh. 300 Million in five counties; and
- f) Additional Conditional Allocation from the Road Maintenance Fuel Levy Fund of Ksh. 9.43 billion.

7. In addition **Mr. Speaker**, the following conditional allocations amounting to Ksh. 30.20 billion will be channeled to counties in the form of loans and grants;
- a) Transforming Health Systems for Universal Care Project conditional allocation of Ksh. 4.34 billion (World Bank credit);
  - b) DANIDA-Universal Healthcare for Devolved System Program of Ksh. 900 million;
  - c) National Agricultural and Rural Inclusive Growth Project; NARIGP of Ksh. 4.26 billion (World Bank credit);
  - d) Kenya Urban Support Program (KUSP) – Urban Development Grant (UDG) additional conditional allocation of Ksh.6.36 billion;
  - e) Kenya Devolution Support Program (KDSP) County Capacity Building (“level 1”) Grant of Ksh. 2.15 billion;
  - f) EU-Instruments for Devolution Advice and Support (IDEAS) grant of Ksh. 216 million;
  - g) IDA (World Bank) - Kenya Climate Smart Agriculture Project (KCSAP) of Ksh. 7.12 billion;
  - h) IDA – Water and Sanitation Development Project (WSDP) World Bank Credit of Ksh. 3.4 billion;
  - i) Agricultural Sector Development Support Programme (ASDSP) II- Ksh. 652 million;
  - j) EU- Water Tower Protection and Climate Change Mitigation and Adaptation Programme (WaTER) - Ksh. 528 million; and
  - k) Drought Resilience Programme in Northern Kenya (DRPNK) - Ksh. 300 million.
8. **Mr. Speaker**, though the importance of conditional allocations to counties cannot be gainsaid, I wish to bring to the attention of this House that lack of a proper policy framework has made it difficult to manage them and the status of some interventions is not clear. Furthermore, as reported in our report on the BPS, there isn't sufficient information provided on the rationale behind changes in some of the conditional grant allocations some of which have not been allocated any funds in the FY 2020/21. For instance, **Mr. Speaker**, the Kenya Devolution Support Program (KDSP) level 2 grant and Kenya Urban Support Program (KUSP) - UIG by the World Bank have not been allocated any resources for FY 2020/21 without any clear explanation. Furthermore, there appears to be no set timelines within which targeted outputs under the conditional grants are to be achieved.



9. **Mr. Speaker**, the Committee therefore noted that a report on the implementation of projects financed by conditional grants, particularly youth Polytechnique's and county headquarters, should be submitted to parliament to enable tracking of efficiency of use of resources. In addition, to the development of an implementation framework, this will increase transparency around the use of these resources and allow the requisite House to undertake adequate monitoring of the projects.
10. **Mr. Speaker**, in accordance with Article 187(2) of the Constitution, Schedule Four of the Constitution and Gazette Notice No. 1609 of 25<sup>th</sup> February 2020, specific functions of the Nairobi City County (NCC) were transferred to the National Government. The functions include;
- a) County Health Services that relate to: County health facilities and pharmacies, Ambulance services, Promotion of primary health care, Licensing and control of undertakings that sell food to the public among others.
  - b) County Transport Services that relate to: County roads, Street lighting, Traffic and parking, Public road transport, among others.
  - c) County Planning and Development Services that relate to: Statistics, Land survey and mapping, Boundaries and fencing, Housing and Electricity and gas reticulation and energy regulation.
  - d) County Public Works, Utilities and Ancillary services that relate to: Storm water management systems in built-up areas and Water and sanitation services.
11. **Mr. Speaker**, the Equitable share for Nairobi City County should therefore be set aside and arrangements put in place to ensure that the resources necessary for the performance of the function are transferred pursuant to Article 187 (2).








### C. RECOMMENDATIONS

12. **Mr. Speaker**, having considered the above matters, the Committee recommends that this House approves the Division of Revenue Bill as follows:
- |      |                                   |                      |
|------|-----------------------------------|----------------------|
| i.   | National Government               | Kshs. 1.53 trillion; |
| ii.  | County Government Equitable Share | Kshs 316.5 billion;  |
| iii. | GoK Conditional allocations       | Kshs. 13.73 billion; |


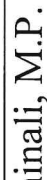

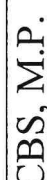
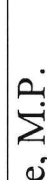
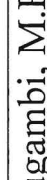


Members attendance list


Budget and Appropriations Committee: Date: 17.12.2010... Time:..... Sitting: .....

| Name  | Signature  |
|---|--|
| 1. Hon. Kimani Ichung'wah, CBS, M.P- Chairperson    |     |
| 2. Hon. (CPA) Moses Lessonet, M.P- Vice Chairperson |    |
| 3. Hon. (CPA) John Mbadi, EGH, CBS, M.P.            |     |
| 4. Hon. Richard Onyonka, M.P.                       |  |
| 5. Hon. Samwel Moroto, M.P.                         |     |
| 6. Hon. Millie Odhiambo, M.P.                       |    |
| 7. Hon. Twalib Bady, M.P.                           |  |
| 8. Hon. (Dr.) Gideon Ochanda, M.P.                  |  |
| 9. Hon. James Mwangi Gakuya, M.P.                   |  |
| 10. Hon. (Dr.) Makali Mulu, M.P.                    |   |



| Name                                  | Signature   |
|---------------------------------------|---|
| 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. Sakwa Bunyasi, M.P.          |   |
| 19. Hon. Danson Mwashako, M.P.        |   |
| 20. Hon. Fatuma Gedi Ali, CBS, M.P.   |  |
| 21. Hon. Florence C.K. Bore, M.P.     |  |
| 22. Hon. James Gichuki Mugambi, M.P.  |  |
| 23. Hon. (Dr.) John K. Mutunga, M.P.  |   |



| Name |                                | Signature   |
|------|--------------------------------|---|
| 24.  | Hon. (Eng.) Mark Nyamita, M.P. |   |
| 25.  | Hon. Paul Abuor, M.P.          |   |
| 26.  | Hon. Qalicha Gufu Wario, M.P.  |  |
| 27.  | Hon. Wangari Mwaniki, M.P.     |   |

Signed..... Date.....

Committee Clerk

Signed.....Date.....

Director of Committee Services





**MINUTES OF THE TWELFTH SITTING OF THE BUDGET AND  
APPROPRIATIONS COMMITTEE HELD ON THURSDAY, 12<sup>TH</sup> MARCH  
2020, AT SMALL DINING, NEW WING, MAIN PARLIAMENT BUILDING  
AT 10.30 A.M.**

**PRESENT:**

- 1) **Hon. Kimani Ichung'wah, CBS, M.P. – Chairperson**
- 2) Hon. (CPA) John Mbadi, EGH, CBS, M.P.
- 3) Hon. Millie Odhiambo, M.P.
- 4) Hon. (Dr.) Makali Mulu, M.P.
- 5) Hon. James Mwangi Gakuya, M.P.
- 6) Hon. Richard Onyonka, M.P.
- 7) Hon. (Dr.) Korei Ole Lemein, M.P.
- 8) Hon. (Dr.) Gideon Ochanda, M.P.
- 9) Hon. Sarah Korere, M.P.
- 10) Hon. Sakwa Bunyasi, M.P.
- 11) Hon. Florence C. K. Bore, M.P.
- 12) Hon. (Dr.) John K. Mutunga, M.P.
- 13) Hon. Danson Mwashako, M.P.
- 14) Hon. Fatuma Gedi Ali, CBS, M.P.
- 15) Hon. Paul Abuor, M.P.
- 16) Hon. Qalicha Gufu Wario, M.P.

**ABSENT WITH APOLOGY:**

- 1) **Hon. (CPA) Moses Lessonet, M.P. – Vice Chairperson**
- 2) Hon. Samwel Moroto, M.P.
- 3) Hon. Bady Twalib Bady, M.P.
- 4) Hon. Jude Njomo, M.P.
- 5) Hon. Moses Kiarie Kuria, M.P.
- 6) Hon. John Muchiri Nyaga, M.P.
- 7) Hon. Naisula Lesuuda, OGW, M.P.
- 8) Hon. Benard Masaka Shinali, M.P.
- 9) Hon. James Gichuki Mugambi, M.P.
- 10) Hon. (Eng.) Mark Nyamita, M.P.
- 11) Hon. Wangari Mwaniki, M.P.

## PARLIAMENTARY BUDGET OFFICE

- |                           |                             |
|---------------------------|-----------------------------|
| 1) Ms. Phyllis Makau, OGW | Director, PBO               |
| 2) Mr. Martin Masinde     | Senior Deputy Director, PBO |
| 3) Mr. Frederick Muthengi | Chief Fiscal Analyst        |
| 4) Ms. Julie Mwithiga     | Fiscal Analyst II           |
| 5) Ms. Amran Yunis        | Fiscal Analyst III          |

## COMMITTEE SECRETARIAT

- |                        |                           |
|------------------------|---------------------------|
| 1) Mr. Joseph Ndirangu | Fiscal Analyst II & Clerk |
| 2) Mr. Danson Kachumbo | Fiscal Analyst II         |
| 3) Ms. Mercylyn Kerubo | Audio Officer             |
| 4) Mr. George Mbaluka  | Office Assistant          |

## AGENDA

1. Preliminaries & Confirmation of Agenda
2. Confirmation of Previous Minutes
3. Matters arising
4. *Briefing by Parliamentary Budget Office on: Division of Revenue Bill (DoRB) (National Assembly Bill No. 3 of 2020)*
5. *Briefing by Parliamentary Budget Office on: The National Treasury comments on the macro fiscal framework underpinning the FY 2020/21 Budget*
6. Any Other Business (A.O.B)

### MIN. NO. NA/BAC/2020/45: PRELIMINARY

The Chairperson welcomed the committee members to the meeting and called the meeting to order at 11.00 a.m. Thereafter a prayer was said.

### MIN. NO. NA/BAC/2020/46: CONFIRMATION OF THE PREVIOUS MINUTES

The committee confirmed and adopted minutes of the previous sitting held on Tuesday, 10<sup>th</sup> March 2020. Minutes to the 11<sup>th</sup> sitting were proposed by Hon. Sarah Korere, M.P. and seconded by Hon. (Dr.) Gideon Ochanda, M.P.

**MIN. NO. NA/BAC/2020/47: BRIEFING BY PARLIAMENTARY BUDGET OFFICE ON DIVISION OF REVENUE BILL (DoRB) (NATIONAL ASSEMBLY BILL NO. 3 OF 2020)**

The Chairperson welcomed the Parliamentary Budget Office to brief the Committee on the Division of Revenue Bill (DoRB) (National Assembly Bill No. 3 of 2020). The briefing highlighted the following:

1. Article 218 of the Constitution provides for the submission of the Division of Revenue Bill and the County Allocation of Revenue Bill to Parliament, at least two months before the end of each financial year. Further, section 191 of the Public Finance Management (PFM) Act, 2012, provides that each year when the Budget Policy Statement (BPS) is introduced, the Cabinet Secretary shall submit to Parliament a Division of Revenue Bill and County Allocation of Revenue Bill prepared by the National Treasury for the financial year to which that Budget relates.
2. The adoption of the BPS Report by both Houses paved way for the publication and subsequent introduction of the Division of Revenue Bill, 2020 in National Assembly. The Annual Division of Revenue Bill is an Act of Parliament to provide for the equitable division of revenue raised nationally between the national and county governments. The bill further sets out specific resources to be provided to counties as conditional grants and loans, and the Equalization Fund.

**HIGHLIGHTS OF THE DIVISION OF REVENUE BILL, 2020**

3. The Division of Revenue Bill (National Assembly Bills No. 3) was published on 9<sup>th</sup> March, 2020. The total shareable revenue is estimated at Kshs 1,856.7 billion. Therefore, from the forecasted revenue, the Bill makes the following

|  |                        |
|--|------------------------|
| a) the National Government                 | Kshs. 1,533.41 billion |
| b) Equitable Share                         | Kshs 316.5 billion     |
| c) GoK Conditional allocations             | Kshs. 13.73 billion;   |
| d) Road Maintenance Fuel Levy Fund         | Kshs. 9.43 billion     |
| e) Additional allocations (loans & grants) | Kshs. 30.20 billion.   |
| f) Equalization Fund –                     | Kshs 6,788.49 billion  |

## EQUITABLE SHARE OF REVENUE

4. Pursuant to Article 202 of the Constitution, the nationally raised revenue is shared equitably among the national and county governments. For financial year 2020/21 the equitable share is projected at Kshs 316.5 billion. The equitable share of the revenue raised nationally that is allocated to county governments shall be not less than fifteen per cent of all revenue collected by the national government and shall be calculated on the basis of the most recent audited accounts of revenue received, as approved by the National Assembly. The proposed Equitable Share for FY 2020/21 of Ksh. 316.5 billion is equivalent to 23.3 percent of the last audited accounts (**Ksh 1,357,698 million for FY 2016/17**) as approved by Parliament.
5. The following factors have been put into consideration in calculating the County Governments' equitable revenue share allocation for FY 2020/21;
- (i.) Continued underperformance in ordinary revenue, which forms the base for the annual division of revenue;
  - (ii.) The fact that the National Government continues to solely bear shortfalls in revenue in any given FY;
  - (iii.) There being a Ksh 161 billion funding gap in the FY 2019/20 budget;
  - (iv.) A 10.3% projected contraction in National Government's net spending in FY 2020/21 vis-à-vis FY 2019/20; and,
  - (v.) The proposal by National Treasury that the entire incremental revenue in FY 2020/21 be earmarked for CFS, specifically debt repayment and pensions.

## GOK CONDITIONAL ALLOCATIONS TO COUNTY GOVERNMENTS

6. In line with the provisions of Article 202(2) of the Constitution that provides National Government may provide for additional allocation to County Governments from its share of revenue, either conditionally or unconditionally. The Bill, proposes to allocate Kshs. 23.16 billion for the following additional conditional allocations to support specific national policy objectives to be implemented by County Governments:
- (i.) Additional Conditional Allocation to facilitate the leasing of medical equipment of Ksh 6.205 billion.
  - (ii.) Additional Conditional allocation for level-5 hospitals of Ksh. 4.3 billion.

- (iii.) Additional Conditional allocation of Ksh. 900 million to compensate county health facilities for user fees foregone.
- (iv.) Additional Conditional Allocation for Rehabilitation of Youth Polytechnics of Ksh. 2.0 billion:
- (v.) Additional Conditional allocation to supplement county allocation for the construction of county headquarters of Ksh. 300 Million in five counties.
- (vi.) Additional Conditional Allocation from the Road Maintenance Fuel Levy Fund of Ksh. 9.43 billion.

### **ADDITIONAL CONDITIONAL ALLOCATIONS (LOANS & GRANTS)**

7. These are conditional allocations from development partners which are disbursed through State Departments according to the respective financing agreements and in fulfilment of the set conditions. During the FY 2020/21, the following additional conditional allocations amounting to Kshs. 30.20 billion will be channeled to counties in the form of loans and grants;

- i. Transforming Health Systems for Universal Care Project conditional allocation of Ksh. 4.34 billion (World Bank credit
- ii. DANIDA-Universal Healthcare for Devolved System Program of ksh. 900 million.
- iii. National Agricultural and Rural Inclusive Growth Project; NARIGP of Ksh. 4.26 billion (World Bank credit).
- iv. Kenya Urban Support Program (KUSP) – Urban Development Grant (UDG) additional conditional allocation of Ksh.6.36 billion
- v. Kenya Devolution Support Program (KDSP) County Capacity Building (“level 1”) Grant of Ksh. 2.15 billion.
- vi. EU-Instruments for Devolution Advice and Support (IDEAS) grant of Ksh. 216 million
- vii. IDA (World Bank) - Kenya Climate Smart Agriculture Project (KCSAP) of Ksh. 7.12 billion
- viii. IDA – Water and Sanitation Development Project (WSDP) World Bank Credit of ksh. 3.4 billion
- ix. Agricultural Sector Development Support Programme (ASDSP) II- Ksh. 652 million
- x. EU- Water Tower Protection and Climate Change Mitigation and Adaptation Programme (WaTER) - Ksh. 528 million

- xi. Drought Resilience Programme in Northern Kenya (DRPNK) - Ksh. 300 million

## **IMPLICATIONS OF THE NAIROBI CITY COUNTY TRANSFERRED FUNCTIONS**

8. In accordance to Article 187(2) of the Constitution and Gazette Notice No. 1609 of 25<sup>th</sup> February 2020, some functions of the Nairobi City County (NCC) as given in schedule four of the Constitution were transferred to the National Government. The functions include;
- i.) **County Health Services:** This include: County health facilities and pharmacies, Ambulance services; Promotion of primary health care, Licensing and control of undertakings that sell food to the public; Veterinary services (excluding regulation of the profession), Cemeteries, funeral parlors and crematoria; Refuse removal, refuse dumps and solid waste disposal and County Transport Services;
  - ii.) **County Transport Services:** County roads; Street lighting; Traffic and parking; and Public road transport;
  - iii.) **County Planning and Development Services:** Statistics; Land survey and mapping; Boundaries and fencing; Housing and Electricity and gas reticulation and energy regulation;
  - iv.) **County Public Works, Utilities and Ancillary services:** Storm water management systems in built-up areas and Water and sanitation services
9. The Equitable share for Nairobi City County should therefore be set aside and arrangements put in place to ensure that the resources necessary for the performance of the function are transferred pursuant to Article 187 (2).

After the presentation, the Chairperson informed the Committee that he had an informal meeting with the Cabinet Secretary, the National Treasury on the Bill, the previous day. The Cabinet Secretary informed the Chairperson that on the issue of transfer of some functions of Nairobi City County Government to the National Government pursuant to Article 187(2) of the Constitution and Gazette Notice No. 1609 of 25<sup>th</sup> February 2020, the Executive would like to form a committee that will run the affairs of the county. Therefore, the equitable share for Nairobi won't

be transferred to the National Government but will rather remain at the County level.

## COMMITTEE DELIBERATIONS

- i. Members of the Committee queried who will be held accountable if a committee is formed and questioned the legality of the formation of such Committee. It was further observed that there is lack of clarity on arrangements put in place that ensure adequate resources for performance of the functions of the Nairobi City County Government (NCCG) transferred to National Government pursuant to Article 187(2) of the Constitution and Gazette Notice No. 1609 of 25th February 2020.
- ii. It was observed that there is lack of a clear policy framework on how to deal with conditional grants to counties. The National government has not provided timelines for the grants and the operations surrounding such grants are opaque such as the Rehabilitation of Youth Polytechnics.
- iii. In the FY 2020/21, the Kenya Devolution Support Program (KDSP) level 2 grant has not been allocated any resources while it had an allocation of Kshs. 4.89 billion in the FY 2019/20. In addition, the Kenya Urban Support Program (KUSP) - UIG by the World Bank had an allocation of Kshs. 396 million in the FY 2019/20 and has no allocation for the FY 2020/21.

**After lengthy deliberations, the Committee resolved to invite the Cabinet Secretary, the National Treasury, Cabinet Secretary, Devolution & ASAL and the Attorney General in the next meeting that will be held on Tuesday, 17<sup>th</sup> March 2020, to deliberate further on the issues raised above.**

**MIN. NO. NA/BAC/2020/47: BRIEFING BY PARLIAMENTARY BUDGET OFFICE ON THE NATIONAL TREASURY COMMENTS ON THE ~~MACRO FISCAL FRAMEWORK UNDERPINNING THE FY 2020/21~~ BUDGET**

The Committee was informed that in a meeting held on 28<sup>th</sup> February, 2020 between the Budget and Appropriations Committee and the National Treasury on the 2020 Budget Policy Statement and the Medium Term Debt Strategy (MTDS), one of the critical issues that arose was on the lack of clarity of the fiscal framework underpinning the 2020 BPS. Specifically, the committee observed that the commercial financing is projected to increase from Kshs. 213.10 billion in FY 2019/20 to Kshs. 274.40 billion in FY 2020/21.

In the said meeting, the committee was concerned that this contradicted the government promise on the approval of the public debt ceiling of shifting from commercial loans to concessional loans. Further, an increase in commercial financing was a vulnerability to Kenya's debt sustainability. According to the most recent debt sustainability analysis, Kenya's vulnerability to liquidity risk remains high as indicated by a breach of the 30 percent threshold of the public debt service to revenue ratio and the 21 percent threshold of external debt service to export ratio in 2019 and in the medium term.

In this regard, it was agreed that the National Treasury should prepare and resubmit a clear fiscal framework indicating the amount of concessional, semi concessional and commercial loans; as well as clearly outlining the country's borrowing strategy that is realigned to the MTDS.

The presentation from Parliamentary Budget Office highlighted some key terms used in the fiscal framework and it was noted that it was critical that there is an agreement on the definition of those terms: -

- i. **Programme Financing:** This is mainly for budgetary support and are external finances not attached to any project. They can be in form of loans or grants, Appropriations in Aid or Revenue. They are often in form of concessional loans but can also be on semi-concessional terms.
- ii. **Commercial Financing:** This is external borrowing at market interest rates with a short-term pay-back period, no grace period and often between 2 to 7 years. This kind of financing is not easy to reschedule and this increases the repayment risk which is often emanates from



exchange rate risk and interest rate risk. Ideally, it should be linked to specific projects as in the case of Zambia where the Eurobond was targeted at specific projects. Other forms of commercial financing are in form of sovereign bonds and syndicated bonds.

- iii. **Project Loans:** These are for specific projects in the budget and are often on concessional terms.
- iv. **Net external borrowing:** This is the external borrowing that has netted out the external debt repayments.
- v. **Deficit including/ excluding commitments:** This is the deficit that either includes or excludes expenditures (on-going obligations) that have been committed and are not limited to a specific financial year.
- vi. **Deficit including/ excluding grants:** This is the deficit that either includes or excludes financial assistance for the budget by development partners, which is not paid back. It can be a project grant or a programme grant.
- vii. **Deficit including accounting adjustments:** This is the deficit adjusted for anticipated expenditures that are yet to be captured or for revenues, but measures have been identified on how to raise revenues or reduce expenditures.

## **DETAILS OF THE REVISED FISCAL FRAMEWORK**

The Public Finance Management (PFM) Act provides that the MTDS should be aligned to the broad strategic priorities and policy goals set out in the BPS, which therefore implies that the fiscal framework underpinning both the BPS and the MTDS should be the same. The 2020 MTDS provided the debt path of gross external financing at 28% and gross domestic borrowing at 72% which was different from what was indicated in the 2020 BPS where the financing requirements for FY 2020/21 comprised of 39% of domestic borrowing while external borrowing was at 61% of total new borrowing. This may point to a lack of ownership and commitment to make the numbers in the fiscal framework as key drivers of the budget.

The response provided by the National Treasury indicates that in FY 2019/20, the government plans on not accessing any commercial financing as had been planned but will instead access Development Policy Operation (DPO) financing from the World Bank of Kshs. 75 Billion and run down its deposits of Kshs. 105.70 billion.

Therefore, the following adjustments in the financing of the deficit have been made, however, the overall financing of the deficit remains the same as was provided in the 2020 Budget Policy Statement: -

- a) A reduction in the commercial financing from Kshs. 213.1 billion to Kshs. 13.1 billion in FY 2019/20 and further to almost zero in 2020/21 and the medium term.
- b) An introduction of a new category in the fiscal framework known as semi-concessional and other loans with allocations in FY 2020/21 and the medium term.
- c) A combination of programme loans with other concessional loans and an increase in the amount for FY 2019/20, FY 2020/21 and the medium term.
- d) An increase in other domestic financing in FY 2019/20 from Kshs. 3.2 billion to Kshs. 108.9 billion.

The following are some key observations on the adjusted framework on financing the deficit-

- a) **Development Policy Operation (DPO):** The adjustments to the fiscal framework from commercial financing are partly on account of access to DPO financing. According to the World Bank<sup>1</sup>, Kenya's access to the first Development Policy Operation (DPO) with the World Bank was approved in May, 2019 for an amount of 750 Million USD in IDA credits and was for supporting the Big Four Agenda priorities under Food Security, Universal Health Coverage, Manufacturing and Affordable Housing. Therefore, this financing should fall under the category of project loans and before these resources are disbursed by the World Bank, there are specific key performance indicators that have to be met in the implementation of the budget.
- b) **Commercial Financing:** The reduction in the commercial debt to almost zero in the fiscal framework is inconsistent with the borrowing strategy in the MTDS which indicates that the composition of debt in the medium-term will have an increasing component of commercial financing from 4% in MTDS 2019 to 13% in MTDS 2020. In addition, it is not clear which type of debt reorganization has been used to spread the commercial financing that had been indicated in the 2020 BPS

between programme & other concessional loans and semi-concessional loans. According to the GFS Manual 2014, debt reorganization can be under the following four main types-

- **Debt forgiveness**-which is a reduction in the amount of, or the extinguishing of, a debt obligation by the creditor via a contractual arrangement with the debtor.
  - **Debt rescheduling or refinancing**- which is a change in the terms and conditions of the amount owed, which may result in a reduction in debt burden in present value terms.
  - **Debt conversion and debt prepayment**- where the creditor exchanges the debt claim for something of economic value, other than another debt claim, on the same debtor; examples of debt conversion are debt-for equity swaps, debt-for-real-estate swaps; debt for- development swaps, and debt-for-nature swaps.
  - **Debt assumption**- when a third party is also involved.
- c) **Programme Financing:** Programme financing can be in form of concessional or semi-concessional loans, therefore, it is not clear why in the adjustment there is a separate category of semi-concessional loans and other loans.
- d) **An increase in domestic borrowing:** The adjustment in other domestic borrowing for FY 2019/20 by Kshs. 105.7 billion to partly cover the reduction in commercial financing from Kshs. 213.1 billion to Kshs. 13.1 billion implies that the policy of reducing domestic debt will not be met.
- e) **Credibility of the fiscal framework:** The fiscal framework underpinning the Budget Policy Statement and the Budget Estimates should be held in high regard. Adjustments to the fiscal framework after the submission of the Budget Policy Statement questions the credibility and transparency of the macro-fiscal framework and the country's debt strategy.

**After lengthy deliberations, the Secretariat was tasked to in the Cabinet Secretary to attend a meeting with the Committee during its Post Budget**

**Policy Statement retreat scheduled 23<sup>rd</sup> to 26<sup>th</sup> March 2020 to discuss further the revised fiscal framework that was submitted to Parliament.**

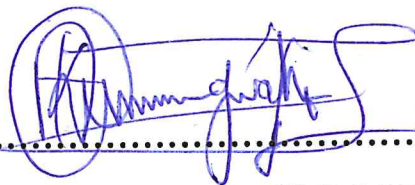
**MIN.NO.NA/BAC/2020/48: ANY OTHER BUSINESS & ADJOURNMENT  
UNDER MIN.NO.NA/BAC/2020/39: FORMATION OF MONITORING AND  
EVALUATION SUBCOMMITTEE**

The Director, Parliamentary Budget Office informed the Committee that after consulting with the Clerk of the National Assembly and the Director, Committee Services, the office could not dispatch the letter inviting the Cabinet Secretary for Transport, Infrastructure, Housing and Urban Development to discuss budget implementation under his ministry. This would violate National Assembly Standing Orders as this mandate is for Departmental Committee on Transport, Public Works and Housing.

After a lengthy deliberation on the matter, the Committee resolved that during the planned retreat with the Cabinet Secretary, National Treasury to discuss FY 2019/20 Budget Implementation, he should be accompanied by Cabinet Secretary for Transport, Infrastructure, Housing and Urban Development. This will enable the Committee to discuss issues surrounding budget implementation under the Ministry of Transport without violating Standing Orders.

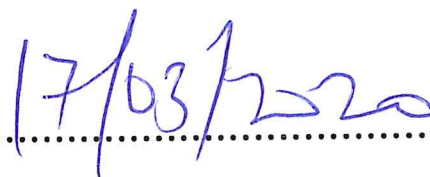
There being no other matters to consider, the meeting was adjourned at 1.00 p.m. The next sitting will be held on Tuesday, 17<sup>th</sup> March, 2020 at 9:30 a.m.

**SIGNED**



**HON. KIMANI ICHUNG'WAH, CBS, M.P.**

**CHAIRPERSON, BUDGET AND APPROPRIATIONS COMMITTEE**



**DATE**

**MINUTES OF THE 13<sup>th</sup> SITTING OF THE BUDGET AND APPROPRIATIONS COMMITTEE HELD ON TUESDAY, 17<sup>th</sup> MARCH 2020, AT SMALL DINING, NEW WING, MAIN PARLIAMENT BUILDING AT 10.00 A.M.**

**PRESENT:**

- 1) **Hon. Kimani Ichung'wah, CBS, M.P. – Chairperson**
- 2) **Hon. (CPA) Moses Lessonet, M.P. – Vice Chairperson**
- 3) Hon. (CPA) John Mbadi, EGH, CBS, M.P.
- 4) Hon. Samwel Moroto, M.P.
- 5) Hon. Millie Odhiambo, M.P.
- 6) Hon. Moses Kiarie Kuria, M.P.
- 7) Hon. (Dr.) Makali Mulu, M.P.
- 8) Hon. Benard Masaka Shinali, M.P.
- 9) Hon. Bady Twalib Bady, M.P.
- 10) Hon. (Dr.) Korei Ole Lemein, M.P.
- 11) Hon. (Dr.) Gideon Ochanda, M.P.
- 12) Hon. James Gichuki Mugambi, M.P.
- 13) Hon. Florence C. K. Bore, M.P.
- 14) Hon. Qalicha Gufu Wario, M.P.
- 15) Hon. Fatuma Gedi Ali, CBS, M.P.

**ABSENT WITH APOLOGY:**

- 1) Hon. James Mwangi Gakuya, M.P.
- 2) Hon. Richard Onyonka, M.P.
- 3) Hon. Sarah Korere, M.P.
- 4) Hon. Naisula Lesuuda, OGW, M.P.
- 5) Hon. John Muchiri Nyaga, M.P.
- 6) Hon. Sakwa Bunyasi, M.P.
- 7) Hon. Danson Mwashako, M.P.
- 8) Hon. Paul Abuor, M.P.
- 9) Hon. Benard Masaka Shinali, M.P.
- 10) Hon. (Dr.) John K. Mutunga, M.P.
- 11) Hon. Wangari Mwaniki, M.P.

12) Hon. (Eng.) Mark Nyamita, M.P.

13) Hon. Jude Njomo, M.P.

## **PARLIAMENTARY BUDGET OFFICE**

1) Ms. Phyllis Makau, OGW

Director, PBO

2) Mr. Martin Masinde

Senior Deputy Director, PBO

## **COMMITTEE SECRETARIAT**

1) Mr. Joseph Ndirangu

Fiscal Analyst II & Clerk

2) Mr. James Chacha

Fiscal Analyst II

3) Mr. Danson Kachumbo

Fiscal Analyst II

4) Ms. Nimord Ochieng

Audio Officer

5) Mr. Benard Omondi

Sergeant at Arms

6) Mr. Joram Barasa

Office Assistant

## **AGENDA**

1. Preliminaries & Confirmation of Agenda
2. Confirmation of Previous Minutes
3. *Discussion and Adoption of the Committee draft report on the Division of Revenue Bill, (National Assembly Bill. No3 of 2020)*
4. Any Other Business (A.O.B)

## **MIN. NO. NA/BAC/2020/49: PRELIMINARY**

The Chairperson welcomed the committee members to the meeting and called the meeting to order at 10.30 a.m. Thereafter a prayer was said.

## **MIN. NO. NA/BAC/2020/50: CONFIRMATION OF THE PREVIOUS MINUTES**

The committee confirmed and adopted minutes in the following manner: Minutes to the 12<sup>th</sup> sitting were proposed by Hon. John Mbadi, M.P. and seconded by *Hon. (Dr.) Makali Mulu, M.P.*

**MIN. NO. NA/BAC/2020/51: MATTERS ARISING**

**UNDER MIN. NO. NA/BAC/2020/47: SUBMISSION FROM THE NATIONAL TREASURY, MINISTRY OF DEVOLUTION & ASAL AND THE OFFICE OF ATTORNEY GENERAL**

It was noted that the Cabinet Secretary, the National Treasury, Cabinet Secretary, Devolution & ASAL and the Attorney General had sent apologies.

**MIN. NO. NA/BAC/2020/51: DISCUSSION AND ADOPTION OF THE COMMITTEE DRAFT REPORT ON THE DIVISION OF REVENUE BILL, (NATIONAL ASSEMBLY BILL. NO.3 OF 2020)**

The Chairperson welcomed the Parliamentary Budget Office to brief the Committee on the Draft Report. After deliberations, the Committee **ADOPTED** the following report:

**A. INTRODUCTION**

1. **Mr. Speaker**, the Division of Revenue Bill (National Assembly Bill No. 3 of 2020) provides for the sharing of revenue raised nationally between the national government and county governments for the financial year 2020/21 in accordance with Article 202, 203, 205 and 218 (2) of the Constitution. The revenue shared is calculated on the basis of the most recent audited accounts of revenue that have been approved by the National Assembly and is distributed equitably between the two levels of government then shared among counties using the formula approved under Article 217 of the Constitution. In this case, the latest audited revenues approved by Parliament relate to FY 2016/17 and stood at Kshs. 1,357.7 billion.
2. **Mr. Speaker**, apart from the sharable revenue, the Bill also sets out the indicative amounts for the conditional grants, the Road Maintenance Levy Fund, the Equalization fund and other allocations in the form of loans and grants.

## B. HIGHLIGHTS OF THE DIVISION OF REVENUE BILL, 2020

3. **Mr. Speaker**, the total shareable revenue for FY 2020/21 is estimated at Kshs 1,856.7 billion and is allocated as follows;

|   |                     |
|---|---------------------|
| i. National Government                      | Kshs. 1.53 Trillion |
| ii. County Government Equitable Share       | Kshs 316.50 billion |
| iii. GoK Conditional allocations            | Kshs. 13.73 billion |
| iv. Road Maintenance Fuel Levy Fund         | Kshs. 9.43 billion  |
| v. Conditional allocations (loans & grants) | Kshs. 30.20 billion |
| vi. Equalization Fund                       | Kshs 6.788 billion  |

4. **Mr. Speaker**, Article 202 of the Constitution sets the indicative methodology for sharing of the nationally raised revenue among the national and county governments. The proposed County Equitable Share for FY 2020/21 of Ksh. 316.5 billion is equivalent to 23.3 percent of the last approved audited revenues worth Ksh 1,357,698 million and is above the 15% set constitutional threshold.

5. **Mr. Speaker**, the following factors were also taken into consideration in calculating the County Governments' equitable revenue share allocation for FY 2020/21;

- a) Continued underperformance in ordinary revenue, which forms the base for the annual division of revenue;
- b) The fact that the National Government continues to solely bear shortfalls in revenue in any given Financial Year;
- c) A 10.3% projected contraction in National Government's net spending in FY 2020/21 vis-à-vis FY 2019/20; and
- d) The proposal by the National Treasury that in case of higher revenue yield in FY 2020/21, it will be earmarked for CFS, specifically debt repayment and pensions.



6. **Mr. Speaker**, the Bill also provides for additional allocation to County Governments, either conditionally or unconditionally in line with the provisions of Article 202(2) of the Constitution. The Bill therefore proposes the allocation of Kshs. 23.16 billion for the following additional conditional allocations to support specific national policy objectives to be implemented by County Governments:

- a) Additional Conditional Allocation to facilitate the leasing of medical equipment of Ksh 6.205 billion;
- b) Additional Conditional allocation for level-5 hospitals of Ksh. 4.3 billion;
- c) Additional Conditional allocation of Ksh. 900 million to compensate county health facilities for user fees foregone;
- d) Additional Conditional Allocation for Rehabilitation of Youth Polytechnics of Ksh. 2.0 billion;
- e) Additional Conditional allocation to supplement county allocation for the construction of county headquarters of Ksh. 300 Million in five counties; and
- f) Additional Conditional Allocation from the Road Maintenance Fuel Levy Fund of Ksh. 9.43 billion.

7. In addition, **Mr. Speaker**, the following conditional allocations amounting to Ksh. 30.20 billion will be channeled to counties in the form of loans and grants;

- a) Transforming Health Systems for Universal Care Project conditional allocation of Ksh. 4.34 billion (World Bank credit);
- b) DANIDA-Universal Healthcare for Devolved System Program of Ksh. 900 million;
- c) National Agricultural and Rural Inclusive Growth Project; NARIGP of Ksh. 4.26 billion (World Bank credit);

- d) Kenya Urban Support Program (KUSP) – Urban Development Grant (UDG) additional conditional allocation of Ksh.6.36 billion;
  - e) Kenya Devolution Support Program (KDSP) County Capacity Building (“level 1”) Grant of Ksh. 2.15 billion;
  - f) EU-Instruments for Devolution Advice and Support (IDEAS) grant of Ksh. 216 million;
  - g) IDA (World Bank) - Kenya Climate Smart Agriculture Project (KCSAP) of Ksh. 7.12 billion;
  - h) IDA – Water and Sanitation Development Project (WSDP) World Bank Credit of Ksh. 3.4 billion;
  - i) Agricultural Sector Development Support Programme (ASDSP) II- Ksh. 652 million;
  - j) EU- Water Tower Protection and Climate Change Mitigation and Adaptation Programme (WaTER) - Ksh. 528 million; and
  - k) Drought Resilience Programme in Northern Kenya (DRPNK) - Ksh. 300 million.
8. **Mr. Speaker**, though the importance of conditional allocations to counties cannot be gainsaid, I wish to bring to the attention of this House that lack of a proper policy framework has made it difficult to manage them and the status of some interventions is not clear. Furthermore, as reported in our report on the BPS, there isn't sufficient information provided on the rationale behind changes in some of the conditional grant allocations some of which have not been allocated any funds in the FY 2020/21. For instance, **Mr. Speaker**, the Kenya Devolution Support Program (KDSP) level 2 grant and Kenya Urban Support Program (KUSP) - UIG by the World Bank have not been allocated any resources for FY 2020/21 without any clear explanation. Furthermore, there appears to be no set

timelines within which targeted outputs under the conditional grants are to be achieved.

9. **Mr. Speaker**, the Committee therefore noted that a report on the implementation of projects financed by conditional grants, particularly youth Polytechnique's and county headquarters, should be submitted to parliament to enable tracking of efficiency of use of resources. In addition, to the development of an implementation framework, this will increase transparency around the use of these resources and allow the requisite House to undertake adequate monitoring of the projects.

10. **Mr. Speaker**, in accordance with Article 187(2) of the Constitution, Schedule Four of the Constitution and Gazette Notice No. 1609 of 25<sup>th</sup> February 2020, specific functions of the Nairobi City County (NCC) were transferred to the National Government. The functions include;

- a) County Health Services that relate to: County health facilities and pharmacies, Ambulance services, Promotion of primary health care, Licensing and control of undertakings that sell food to the public among others.
- b) County Transport Services that relate to: County roads, Street lighting, Traffic and parking, Public road transport, among others.
- c) County Planning and Development Services that relate to: Statistics, Land survey and mapping, Boundaries and fencing, Housing and Electricity and gas reticulation and energy regulation.
- d) County Public Works, Utilities and Ancillary services that relate to: Storm water management systems in built-up areas and Water and sanitation services.

11. **Mr. Speaker**, the Equitable share for Nairobi City County should therefore be set aside and arrangements put in place to ensure that the resources necessary for the performance of the function are transferred pursuant to Article 187 (2).

### **C. RECOMMENDATIONS**

12. **Mr. Speaker**, having considered the above matters, the Committee recommends that this House approves the Division of Revenue Bill as follows:

- |   |                          |
|---|--------------------------|
| i. National Government                      | Kshs. 1.53 trillion;     |
| ii. County Government Equitable Share       | Kshs 316.5 billion;      |
| iii. GoK Conditional allocations            | Kshs. 13.73 billion;     |
| iv. Road Maintenance Fuel Levy Fund         | Kshs. 9.43 billion;      |
| v. Conditional allocations (loans & grants) | Kshs. 30.20 billion; and |
| vi. Equalization Fund                       | Kshs 6.788 billion.      |

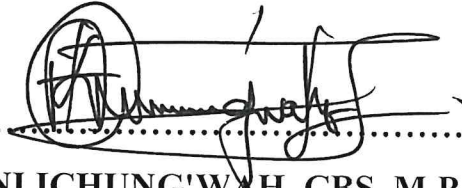
Finally, **Mr. Speaker**, the Committee requests that this House approves the Division of Revenue Bill, 2020 to be read a second time. Thank you.

The committee noted that a report on the implementation of projects financed by conditional grants, particularly youth Polytechnique's and county headquarters, should be submitted to parliament to enable tracking of efficiency of use of resources. In addition, to the development of an implementation framework, this will increase transparency around the use of these resources and allow the requisite House to undertake adequate monitoring of the projects. In particular, framework for implementation

### **MIN.NO.NA/BAC/2020/52: ANY OTHER BUSINESS & ADJOURNMENT**

There being no other matters to consider, the meeting was adjourned at 12.00 p.m. The next sitting will be communicated later.

**SIGNED**



.....  
**HON. KIMANI ICHUNG'WAH, CBS, M.P.**  
**CHAIRPERSON, BUDGET AND APPROPRIATIONS COMMITTEE**

.....  
17/03/2020

**DATE**

