

Paper laid by the
Hon. Ndindi Njiru
Chairperson, BAC

M. Lemuna
29/11/2022



REPUBLIC OF KENYA
KENYA NATIONAL ASSEMBLY

THIRTEENTH PARLIAMENT – FIRST SESSION -2022

SELECT COMMITTEE ON BUDGET AND APPROPRIATIONS

REPORT ON THE COUNTY GOVERNMENTS ADDITIONAL ALLOCATIONS (NO. 2)
BILL (SENATE BILLS NO. 4 OF 2022)

PARLIAMENT
OF KENYA
LIBRARY

NOVEMBER, 2022

KENYA NATIONAL ASSEMBLY	
DATE: 23 NOV 2022	
DAY: TUESDAY	
TABLED BY:	CHAIR, BAC
COMMITTEE:	HON. NDINDI NJIRU, MP
PREPARED BY:	Moses Lemuna

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1.0 CHAIRPERSON'S FOREWORD

1. This report contains proceedings of the Select Committee on Budget and Appropriations on its consideration of the County Governments Additional Allocations (No. 2) Bill (Senate Bills No. 4 of 2022) published on 26th October 2022. On Thursday, 24th November 2022, the Speaker notified the House that Senate had referred the bill to the National Assembly for concurrence. The bill was thereafter committed to the Budget and Appropriation Committee for review and reporting to the House pursuant to National Assembly Standing Order 127(2) and 143(2).
2. The Bill seeks to provide a legislative framework for transfer of conditional grants and proceeds from loans from the National Government to County Governments amounting to Kshs. 22.5 billion for the FY 2022/23. The additional allocations are pursuant to Articles 190 and 202 of the Constitution.
3. While considering the Bill, the Committee noted that once enacted, it will provide a legal instrument to facilitate transfer of additional allocations to county governments from the Consolidated Fund to the County Revenue Fund (CRF) and subsequently from CRF to spending units. In addition, it provides for the procedures of implementation, reporting and accountability of the funds.
4. On behalf of the Select Committee on Budget and Appropriations and pursuant to the provisions of Standing Order 199(6), it is my pleasant privilege and honour to present to this House the Report of the Committee on its consideration of the County Governments Additional Allocations (No. 2) Bill (Senate Bills No. 4 of 2022).
5. The Committee has considered the County Governments Additional Allocations (No. 2) Bill (Senate Bills No. 4 of 2022) and has the honour to recommend to the House that the Bill be **approved without amendments**.
6. The Committee is grateful to the Offices of the Speaker and Clerk of the National Assembly for the logistical and technical support accorded to it during its sitting. I wish to express my appreciation to the Honourable Members of the Committee and the Committee Secretariat who played a significant role towards scrutiny of the Bill and production of this report.

HON. NDINDI NYORO, M.P.

CHAIRPERSON, BUDGET, AND APPROPRIATIONS COMMITTEE

2.0 PREFACE

2.1. Establishment and Mandate of the Committee

7. Article 221 (4 and 5) 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.

2.2. Membership of the Committee

8. Pursuant to Standing Order 207(2), the Budget and Appropriations Committee as currently constituted comprises of the following Honourable Members:

NO.	MEMBER	CONSTITUENCY	PARTY
1	Hon. Ndindi, Nyoro, M.P.- Chairperson	Kiharu	UDA
2	Hon. Otucho, Mary Emaase, M.P.- Vice Chairperson	Teso South	UDA
3	Hon. Chumel, Samwel Moroto, M.P.	Kapenguria	UDA
4	Hon. Odhiambo, Millie Grace Akoth, M.P.	Suba North	ODM
5	Hon. (Dr.) Mulu, Makali Benson, M.P.	Kitui Central	WDM - K
6	Hon. Lesuuda, Josephine Naisula, OGW, M.P.	Samburu West	KANU
7	Hon. Robi, Mathias Nyamabe, M.P.	Kuria West	UDA
8	Hon. Ochieng, David Ouma, M.P.	Ugenya	MDG
9	Hon. Muchira, Michael Mwangi, M.P.	Ol Jorok	UDA
10	Hon. Shinali, Bernard Masaka, M.P.	Ikolomani	ODM
11	Hon. Mwakuwona, Danson Mwashako, M.P.	Wundanyi	WDM - K
12	Hon. Atandi, Samuel Onunga, M.P.	Alego Usonga	ODM
13	Hon. Mwirigi, John Paul, M.P.	Igembe South	UDA
14	Hon. Mejjadonk, Benjamin Gathiru, M.P.	Embakasi Central	UDA
15	Hon. Wangaya, Christopher Aseka, M.P.	Khwisero	ODM

16	Hon. Wachira, Rahab Mukami, M.P.	Nyeri (CWR)	UDA
17	Hon. Masara, Peter Francis, M.P.	Suna West	ODM
18	Hon. Ongili, Babu Owino Paul, M.P.	Embakasi East	ODM
19	Hon. Guyo, Ali Wario, M.P.	Garsen	ODM
20	Hon. Lekuton, Joseph, M.P.	Laisamis	UDM
21	Hon. (Dr.) Murumba, John Chikati, M.P.	Tongaren	FORD-K
22	Hon. Busia, Ruth Adhiambo Odinga, M.P.	Kisumu (CWR)	ODM
23	Hon. Wanjiku, John Njuguna, M.P.	Kiambaa	UDA
24	Hon. Serгон, Florence Jematiah, M.P.	Baringo (CWR)	UDA
25	Hon. Mokaya, Nyakundi Japheth, M.P.	Kitutu Chache North	UDA
26	Hon. Kitilai, Ole Ntutu, M.P.	Narok South	Independent
27	Hon. Abdirahman Mohamed Abdi, M.P.	Lafey	Jubilee

2.3. Committee Secretariat

9. The Committee Secretariat is comprised of the following:

- | | | |
|---|---------------------|--|
| 1 | Mr. Danson Kachumbo | Fiscal Analyst I/ Clerk of the Budget and Appropriations Committee |
| 2 | Mr. Jibril Mohamud | Fiscal Analyst III/ Assistant Clerk of the Budget and Appropriations Committee |
| 3 | Mr. Moses Mwariri | Legal Counsel |
| 4 | Mr. Stanely Lagat | Sergeant-at-Arms |
| 5 | Ms. Faith Makena | Sergeant-at-Arms |
| 6 | Ms. Deborah Mupusi | Media Relations |
| 7 | Ms. Mercy Mayende | Media Relations |
| 8 | Mr. Nimrod Ochieng | Audio Officer |

10. The Committee also received technical assistance from Mr. Michael Kiminza, Fiscal Analyst III, Dr. Abel Nyagwachi, Fiscal Analyst, and Ms. Millicent Makina, Ag. Senior Fiscal Analyst, all under the direction of Ag. Director Dr. Martin Masinde.

3.0 INTRODUCTION

3.1. Background

11. On Thursday, November 24, 2022, the Honourable Speaker informed the House that he had received a message from the Senate regarding the passing of the County Governments Additional Allocations (No. 2) Bill (Senate Bills No. 4 of 2022). This is in accordance with the National Assembly Standing Order 41(4). The Bill was subsequently committed to the Budget and Appropriations Committee for consideration and approval in accordance with Standing Orders 127(2) and 143 (2). The Bill seeks to provide for additional allocations to County Governments for the 2022/2023 financial year; the responsibilities of the National Government and County Governments pursuant to such allocations; and for connected purposes.
12. The Committee notes that the County Governments Additional Allocations (No. 2) Bill (Senate Bills No. 4 of 2022) provides for the transfer of conditional allocations from the National government's share of revenue as per the Division of Revenue Act, 2022 as well as external loans and grants from development partners to the county governments for the FY 2022/23.
13. This is informed by the High Court Ruling No.252 of 2016 which held that conditional and non-conditional grants should be channeled to counties through an agreement that respects the institutional and functional integrity of both levels of government; but not in the Annual Division of Revenue Act as was previously the case.
14. The Constitution in Article 190 provides that Parliament may legislate for additional support to county governments, in which the support could be financial and take the form of conditional or unconditional allocation. Equally, the bill is consistent with article 202 (2) of the Constitution, which provides for the transfer of additional allocations from the National government's share of revenue.

3.2. Analysis of the County Governments Additional Allocations Bill, 2022

The County Government Additional Allocation Bill is structured as follows;

15. The Bill's title is given in Clause 1 as County Governments Additional Allocations (No. 2) Bill, 2022, making it the second Bill of its kind this year. The Committee observes that the County Governments Additional Allocations Act, 2022, which was passed on 29th April 2022, established allocations for the fiscal year 2021/22. Therefore, it was important to draw a

distinction between the two Acts. Once assented, it shall be deemed to have come in force on 1st July 2022.

16. Clause 2 provides for the various interpretations which include the additional allocations which means additional resources allocated to County Governments from the National Government's share of revenue or in the form of loans and grants from development partners.
17. According to Clause 3, the Bill's purpose is to facilitate the transfer of conditional and unconditional allocations to counties from the Consolidated Fund to the appropriate County Revenue Funds and Special Purpose Accounts as well as to provide for additional allocation for the Financial Year 2022/23 pursuant to Article 202(2) of the Constitution.
18. Clause 4 lists all additional allocations to county governments to be disbursed in the Bill. Clause 4(1) provides the additional allocations to County Government from the National Government share of revenue for the financial year 2022/23 as well as development partners in form of grants. Clause 4(2) highlights the additional allocations which will be included in the respective county governments appropriation bills for the 2022/23 financial year. Clause 4 (3) ensures that the National Treasury shall facilitate any agreement between a county government and a development partner. Thereafter, the National Treasury is required to table the agreements in Parliament before inclusion in the Budget Policy Statement.
19. Clause 5 allocates to each county government the proceeds of loans and grants received from development partners, as well as the conditional allocations from the National Government's share of revenue for the fiscal year 2022–2023. According to Section 17 of the PFM Act of 2012, the Bill provides that the County Government allocation be transferred to the appropriate County Revenue Fund in line with a payment schedule published in the Kenya Gazette by the Cabinet Secretary. The Cabinet Secretary must publish a monthly report on the actual transfers of all additional allocations to County Governments by the fifteenth (15) day of each subsequent month.
20. The Committee observes that County Governments will receive the allocation upon compliance with the requirements established by the Cabinet Secretary, National Treasury at the start of the fiscal year. The National Government will incorporate the allocations in its budget estimates before submitting them to Parliament for approval. The allocation is subject to an intergovernmental agreement between the National Government and the relevant County Government. In the case of a loan or grant from a development partner, the Cabinet Secretary

and the relevant development partner will have agreed in writing that the funds shall be transferred to the County Government.

21. In accordance with the Public Finance Management (PFM) Act of 2012, clauses 7 and 8 mandate county treasuries to record all transfers of conditional allocations made by the national government to the corresponding county governments in their books of accounts and include a report on those transfers in their consolidated quarterly and annual reports.
22. The First Schedule of the Bill outlines additional allocations amounting to Kshs.5.36 billion to County Governments from the National Governments' share of the revenue raised nationally for FY 2022/23. The two allocations are as follows:
 - i) Supplement for construction of County Headquarters Kshs. 163 million. This is allocation towards four counties out of the five Counties that have been receiving the allocation since inception which are Nyandarua (Ksh.59Million), Tana River (Ksh.42Million), Isiolo (Ksh.40Million) and Lamu (Ksh.22 million). The Cumulative project allocation over the period 2017/18-2021/22 stood at Kshs. 2.33 billion; and
 - ii) Leasing of medical equipment amounting to Kshs. 5.2 billion with each county receiving a total of 110.64 million.
23. The Committee takes note of the second conditional grant, which is the leasing of medical equipment, whose goal is to provide level 4 and level 5 hospitals with specialized, modern, and cutting-edge equipment, high-quality, specialized healthcare services, and to achieve equitable, affordable, and quality healthcare services of the highest attainable standard for citizens.
24. The Second Schedule lists additional funding for County Governments for FY 2022/23 from the National Governments in the form of loans and grants from Development Partners. The overall additional funding provided by the development partners for the Financial Year 2022/23 is Kshs. 17.20 billion, which represents a 47 percent decrease from the Kshs. 32.34 billion allocated for the Financial Year 2021/22. These are as follows:
 - i. Conditional allocations financed by World Bank to finance the National Agricultural and Rural Inclusive Growth Project (NARIGP) of Kshs.3.9 billion;
 - ii. Conditional allocation financed by a World Bank credit to finance the National Agricultural value chain Development Project (NAVCDP) amounting to Kshs. 1.82 billion
 - iii. Conditional allocation financed by a World Bank loan to finance the Kenya Climate Smart Agriculture Project (KCSAP) amounting to Kshs.2.2 billion;

- iv. Conditional allocations from a World Bank credit to finance the Water and Sanitation Development Project (WSDP) amounting to Kshs.3.5 billion;
 - v. Conditional allocations from a grant by DANIDA to finance Universal Healthcare in Devolved System Program amounting to Kshs. 1.02 billion;
 - vi. Conditional allocations from the World Bank credit to finance Locally Led Climate Action Program, (FLLoCA) for County Climate Institutional Support (CCIS) amounting to Kshs. 1.03 billion
 - vii. Conditional allocations financed by a loan from Government of Sweden to finance the Agricultural Sector Development Support Programme II (ASDSP II) amounting to Kshs.655.175 million;
 - viii. Conditional allocations financed by both loan and grant from the German Development Bank (KfW) to finance the Drought Resilience Programme in Northern Kenya (DRPNK) amounting to Kshs. 410 million;
 - ix. Conditional allocations financed by a credit from World Bank to finance Emergency Locust Response Project (ELRP) amounting to Kshs.1.2 billion;
 - x. Conditional allocations financed by a loan from the World Bank to finance the Kenya Informal Settlement Improvement Project (KISIP II) amounting to Kshs.1.3 billion; and
 - xi. Conditional allocations financed by a credit from IDA (World Bank) to finance the Kenya Urban Support Programme (KUSP) amounting to Kshs. 122.020 million.
25. These additional loan and grant allocations have different disbursement requirements depending on the financing agreement. It is important to note that IDA World Bank is funding a brand-new project for locally led climate change action program. There are two components to the program. In the first component, each county is given Kshs. 22 million for the institutional capacity enhancement of county governments under one component (level 1 grant). Since the eligibility for the grants is performance-based, there has been no allocation for the second component (level 2) yet. Instead, assessments of the beneficiary counties will be conducted by the Ministries, Departments, and Agencies to determine the performance allocation in the upcoming fiscal year.

4.0 COMMITTEE OBSERVATIONS

26. In considering the Bill, the Committee observed as follows:

- i) The Committee notes that only Marsabit and Turkana counties are covered by the financing for the drought resilience program. However, there are still more Counties that have not been included and are similarly impacted by the drought. These include Wajir, Mandera, Garissa, Isiolo, Kilifi among others.
- ii) It is important to note that the conditional allocations from National Government Revenue Share allocations have been rationalized in order to bring down the budget deficit from 8.4 percent to 5.8 percent of GDP in FY 2022/2023.
- iii) Only four of the five counties are receiving the conditional allocation for the supplement for building county headquarters. Notably, Tharaka Nthi County does not receive any funding, even though the building of the county headquarter is near completion. In addition, some of the county headquarters' construction has been underway for too long. To ascertain the project's stage of execution, expected total cost, and anticipated completion dates for the project in the five counties, the Committee will conduct site visits to apprise itself on the status of the project and the level of financial participation of its beneficiaries before appropriating additional resources.
- iv) The IDA (World Bank) Kenya Urban Support Programme (KUSP) is a new project which has received a total of Kshs. 122 million, with most of the counties receiving Ksh.2.3 million. The grant is meant for establishment of Municipalities, with board and administration in place. The Committee observes that counties that have not yet upgraded their towns to municipal status may not receive these grants.
- v) The leasing of medical equipment program had a contract of seven years and received funding from FY 2015/16. Some of the contracts were set to expire in December 2022. However, because of delays in implementation as well as varying start dates, the project is still ongoing and has a proposed allocation of Kshs.5.2 billion for the FY 2022/23. The Ministry of Health should submit a status of implementation report to Parliament for the leasing of the medical equipment programme. The report should contain, among other things, the successes, challenges and value for money of the

programme and more particularly detail the Ministry's option as regards the equipment when the contract comes to an end. It is critical that the persistent and pertinent issues surrounding this programme are addressed to guarantee a seamless transition.

5.0 RECOMMENDATIONS

27. The Committee, having considered the County Governments Additional Allocations (No. 2) Bill (Senate Bills No. 4 of 2022), recommends that the House **approves the Bill without amendments.**

SIGNED



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HON. NDINDI NYORO, M.P.

CHAIRPERSON, BUDGET AND APPROPRIATIONS COMMITTEE

29-11-2022

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DATE



REPUBLIC OF KENYA
THE NATIONAL ASSEMBLY
13TH PARLIAMENT - FIRST SESSION, 2022
PARLIAMENTARY BUDGET OFFICE

MINUTES OF THE 4RD SITTING OF THE SELECT COMMITTEE ON BUDGET & APPROPRIATIONS HELD ON TUESDAY, 29TH NOVEMBER 2022 FROM 1.30 P.M. AT 5TH FLOOR COMMITTEE ROOM IN CONTINENTAL HOUSE

MEMBERS PRESENT

1. **Hon. Ndindi, Nyoro, M.P.- Chairperson**
2. Hon. Odhiambo, Millie Grace Akoth, MP
3. Hon. Lesuuda, Josephine Naisula, OGW, M.P.
4. Hon. Muchira, Michael Mwangi, M.P.
5. Hon. Mwakuwona, Danson Mwashako, M.P.
6. Hon. Atandi, Samuel Onunga, M.P.
7. Hon. Mwirigi, John Paul, M.P.
8. Hon. Mejjadonk, Benjamin Gathiru, M.P.
9. Hon. Wangaya, Christopher Aseka, M.P.
10. Hon. Wachira, Rahab Mukami, M.P.
11. Hon. Ongili, Babu Owino Paul, M.P.
12. Hon. Lekuton, Joseph, M.P.
13. Hon. Wanjiku, John Njuguna, M.P.
14. Hon. Kitilai, Ole Ntutu, M.P.
15. Hon. Abdirahman Mohamed Abdi, M.P.

ABSENT WITH APOLOGIES

1. **Hon. Otucho, Mary Emaase, M.P.- Vice Chairperson**
2. Hon. Chumel, Samwel Moroto, M.P.
3. Hon. (Dr.) Mulu, Makali Benson, M.P.
4. Hon. Robi, Mathias Nyamabe, M.P.
5. Hon. Ochieng, David Ouma, M.P.
6. Hon. Shinali, Bernard Masaka, M.P.
7. Hon. Masara, Peter Francis, M.P.
8. Hon. Guyo, Ali Wario, M.P.
9. Hon. Dr. Murumba, John Chikati, M.P.
10. Hon. Busia, Ruth Adhiambo Odinga, M.P.
11. Hon. Sergon, Flowrence Jematiah, M.P.
12. Hon. Mokaya, Nyakundi Japheth, M.P.

IN-ATTENDANCE

PARLIAMENTARY BUDGET OFFICE

- | | |
|--------------------------|----------------------|
| 1. Mr. Fredrick Muthengi | Chief Fiscal Analyst |
| 2. Dr. Abel Nyagwachi | Fiscal Analyst |
| 3. Mr. Ringine Mutwiri | Fiscal Analyst III |

COMMITTEE SECRETARIAT

- | | |
|------------------------|-------------------------------------|
| 1. Mr. Danson Kachumbo | Fiscal Analyst I/ Lead Clerk |
| 2. Mr. Jibril Mohamud | Fiscal Analyst III/ Assistant Clerk |
| 3. Ms. Jemimah Waigwa | Legal Counsel |
| 4. Mr. Moses Mwariri | Legal Counsel |
| 5. Ms. Mercy Mayende | Media Relations |
| 6. Mr. Nimrod Ochieng | Audio Officer |
| 7. Mr. Jared Amara | Office Assistant |

AGENDA

1. Prayers;
2. Preliminaries:
 - i. Adoption of the Agenda;
 - ii. Confirmation of previous minutes;
3. **Briefing by Parliamentary Budget Office(PBO) on the County Governments Additional Allocations (No. 2) Bill (Senate Bills No. 4 of 2022);**
4. **Consideration and Adoption of the Committee draft report on the County Governments Additional Allocations (No. 2) Bill (Senate Bills No.4 of 2022);**
5. Any Other Business (A.O.B); and
6. Adjournment.

MIN BAC 01/2022/20: PRELIMINARIES

The meeting was called to order at 1:30 p.m. and The Hon. Mwakuwona, Danson Mwashako, M.P lead the word of prayer.

MIN BAC 01/2022/21: ADOPTION OF THE AGENDA

The agenda of the meeting was adopted as having been proposed and seconded by The Hon. Mejjadonk, Benjamin Gathiru, M.P. and The Hon. Lekuton, Joseph, M.P. respectively.

MIN BAC 01/2022/22: CONFIRMATION OF PREVIOUS MINUTES

The Members reviewed the Minutes of the previous Sitting held on Tuesday, 15th November 2022, and confirmed them as a true reflection of the meeting's proceedings. The minutes were adopted having been proposed by Hon. Kitilai, Ole Ntutu, M.P and seconded by Hon. Mejjadonk, Benjamin Gathiru, M.P.

**MIN BAC 01/2022/23: BRIEFING BY PARLIAMENTARY BUDGET OFFICE(PBO)
ON THE COUNTY GOVERNMENTS ADDITIONAL ALLOCATIONS (NO. 2) BILL
(SENATE BILLS NO. 4 OF 2022);**

The Chairperson invited the Parliamentary Budget Office (PBO) to take Members through the Bill. In the presentation PBO indicated as follows:

1. The County Governments additional allocation (No.2) Bill, 2022 is an Act of Parliament that provides for the transfer of additional allocations from the National government's share of revenue as per the Division of Revenue Act, 2022 as well as external loans and grants from development partners to the county governments for the FY 2022/23.
2. The Bill complies with the High Court Ruling No.252 of 2016 which held that conditional and non-conditional grants should be channeled to counties through an agreement that respects the institutional and functional integrity of both levels of government; but not in the Annual Division of Revenue Act as was previously the case.
3. The Bill is in line with article 190 of the Constitution which provides that Parliament may legislate for additional support to county governments. The support could be financial and take the form of conditional or unconditional allocation. Equally, the bill is consistent with Article 202 (2) of the Constitution, which provides for the transfer of additional allocations from the National government's share of the revenue.
4. The Bill proposes the following:
 - i. Clause 1 gives the title of the Bill as County Governments Additional Allocations (No.2) Bill, 2022 which makes it the second such a Bill this year. It is noted that there is a previous County Governments Additional Allocations Act, 2022 which was passed on 29th April 2022 to provide allocations with respect to the 2021/22 financial year. It was necessary therefore to make a clear distinction between the two Acts once passed and it shall be deemed to have come into force on 1st July 2022.
 - ii. Clause 2 gives various interpretations that include the additional allocations which mean additional resources allocated to County Governments from the National Government's share of revenue or in the form of loans and grants from development partners.
 - iii. Clause 3 gives the object of the Bill which is to provide for additional allocation for the Financial Year 2022/2023 pursuant to Article 202 (2) of the Constitution and including loans and grants from development partners, and to facilitate the transfer of conditional and unconditional allocations made to counties under the Bill from the Consolidated Fund to the respective County Revenue Funds and Special Purpose Accounts.

- iv. Clause 4 lists all additional allocations to county governments to be disbursed in the Bill. Clause 4 (1) gives additional allocations to County Government from the National Government's share of the revenue for the financial year 2022/23 as well as development partners in form of loans and grants while Clause 4(2) highlights that the additional allocations will be included in the respective county governments appropriation bills for the 2022/23 financial year. Clause 4 (3) ensures that the National Treasury shall facilitate any agreement between a county government and a development partner. The National Treasury is required to table the agreements in Parliament before inclusion in the Budget Policy Statement.
- v. Clause 5 gives the conditional allocations to county governments from the National Government's share of revenue for the financial year 2022/23 as well as proceeds of loans and grants from development partners to each county government. The Bill proposes that the County Government allocation will be transferred to the respective County Revenue Fund in accordance with a payment schedule published in the Gazette by the Cabinet Secretary as per Section 17 of the PFM Act, 2012.

Notably, County Governments will get the allocation after meeting the conditions set by the Cabinet Secretary, national treasury at the beginning of the financial year. The allocations will be included in the budget estimates of the National Government and submitted to Parliament for approval. This is however conditional to the National Government and the respective County Government entering into an intergovernmental agreement and in case of a loan or grant by a development partner, the Cabinet Secretary and the responsible development partner have agreed in writing that the funds shall be transferred to the County Government.

- vi. Clause 6 speaks to reporting on transfers of all additional allocations and requires the Cabinet Secretary to publish by the fifteenth (15th) day of each subsequent month, a monthly report on actual transfers of all additional allocations to County Governments.
- vii. Clause 7 and 8 of the proposed bill require the county treasuries to reflect all transfers of conditional allocations by the National Government to the respective County Governments in its books of accounts; and to report on the same as part of the consolidated quarterly and annual reports as per PFM Act, 2012.

a) Analysis of the County Governments Additional Allocation (No.2) Bill, 2022

First Schedule: Additional allocations to County Governments from the National Government's share of the revenue for FY 2022/23

5. The bill proposes to allocate county governments additional allocations amounting to Ksh.5.36 billion from the national government's share of revenue raised nationally in line with Article 202 (2) of the Constitution.
6. There are two additional allocations from the national government's share of revenue to support specific national policy objectives to be implemented by County Governments. These are:
 - i) *Supplement for Construction of County Headquarters - Ksh.163 million:* The allocation is towards four counties out of the five Counties that have been receiving the allocation since inception: The allocation per county includes; Nyandarua (Ksh.59 million), Tana River (Ksh.42 million), Isiolo (Ksh.40 million) and Lamu (Ksh.22 million). The cumulative project allocation over the period FY 2017/18-2021/22 stood at Ksh.2.33 billion.
 - ii) *Leasing of medical equipment - Ksh.5.2 billion:* each County will receive a total of Ksh. 110.64 million.
7. As shown in table 1, the allocation towards the construction of county headquarters has continued despite the outstanding disbursements to the project by the National Treasury. Since inception, the actual disbursement towards the projects stands at Ksh.500 Million. The FY 2022/23 is the sixth year that a supplement allocation for the construction of the headquarters is being provided. This project should therefore be interrogated to determine the status of implementation, projected total cost and envisaged dates of completion for the project in the five counties.
8. The second conditional grant is the leasing of medical equipment whose objective is to attain equitable, affordable and quality healthcare services of the highest attainable standard for citizens and equipping Level 4 and Level 5 hospitals with specialized, modern and state-of-the-art equipment, for quality and specialized healthcare services.
9. The leasing of medical equipment program had a contract of seven years and received funding as from FY 2015/16 meaning therefore that if the contract had been implemented as per the plan, the programme would have concluded in FY 2021/22. However, because of delays in implementation as well as varying start dates, the project is still ongoing and has a proposed allocation of Ksh.5.2 billion for FY 2022/23. In this regard, the committee can consider engaging the Ministry of Health to provide a report to Parliament on the

successes, challenges, and value for money of these programmes and more particularly, detail the Ministry's options as regards the equipment when the contract comes to an end.

10. Table 1 shows a breakdown of the allocations to these projects from the FY 2015/16-2022/23

Table 1: Additional Allocations between 2015/16 and 2022/23 Kshs. Millions									
N o.	GoK Conditional Grant	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
1	Supplement for construction of county headquarters	-	-	605	605	485.15	300	332	163
2	Conditional Grant Leasing of Medical Equipment	4,500	4,500	4,500	9,400	6,200	6,205	7,205	5,200
	Total	4,500	4,500	5,105	10,005	6,685.15	6,505	7,537	5,363

SOURCE: CARA, Various

Second Schedule: Additional allocations to County Governments from the National Governments as loans and grants from Development Partners for FY 2022/23

11. The second schedule is with respect to additional allocations to county governments from proceeds of loans and grants from development partners during the financial year 2022/23. The disbursement criteria of these additional allocations from loans and grants vary according to the financing agreements.

12. In the financial year 2022/23, the total additional allocations from the development partners amount to Kshs. 17.20 billion, translating to a reduction of 47 percent compared to the 2021/22 allocation of Kshs. 32.34 billion. The significant drop in the allocations is on account of the ongoing rationalization of budget estimates of ministries.

Emerging issues

a) IDA (World Bank) Credit (Financing Locally-led Climate Action Programme, FLLoCA)

13. This is a new project financed by IDA World Bank which is for a locally led *climate program (FLLoCA) for County Climate Resilience Investment (CCRI)*. The programme has two components: one component (level 1 grant) is meant for institutional capacity building of county governments and each county is allocated Ksh. 22 million. The second component (level 2) has received no allocation, to allow time for assessments of the

beneficiary counties since the grant's eligibility is performance-based and such, assessments will be carried out by the Ministries, Departments and Agencies to determine the performance allocation in the coming financial year.

b) German Development Bank (KfW) – Drought Resilience Programme in Northern Kenya

14. According to the second schedule, this programme has an allocation of Ksh.410 million up from the Ksh. 370 million allocated in the last financial year. The project is undertaken in two counties comprising Ksh.220 million to Turkana County and Ksh.190 to Marsabit County. The allocation is meant to support drought resilience and climate change adaptive capacities of the pastoral and agro-pastoral production and livelihoods.

c) The IDA (World Bank) Kenya Urban Support Programme (KUSP)

This is a new project and has received a total of Kshs. 122 million, with most of the counties receiving Kshs. 2.3 million. The grant is divided into two components; The Urban Institutional Grant (UIG) and the Urban Development Grant (UDG). The disbursements to the two tiers shall be Kshs. 51.5 million and Ksh.70.5 million respectively. An observable condition for the grant to benefit counties is the establishment of a Municipal, with a board and administration in place. This means counties lagging to upgrade their towns into Municipal status may miss out on this grant.

d). IDA (World Bank) Credit (National Agricultural Value Chain Development Project; NAVCDP)

This is a new project meant to increase market participation and value addition from the targeted farmers in select value chain project areas. The allocation to the project is Ksh. 1.82 billion, with each county receiving Ksh.70 million and counterpart contributions from the counties being Ksh. 5 million.

After the presentation, the Chairperson welcomed members of the Committee to give feedback on the presentation. The following were the Committee's observations:

- i) The Committee notes that only Marsabit and Turkana counties are covered by the financing for the drought resilience program. However, there are still more Counties that have not been included and are similarly impacted by the drought. These include Wajir, Mandera, Garissa, Isiolo, Kilifi among others.
- ii) It is important to note that the conditional allocations from National Government

Revenue Share allocations have been rationalized in order to bring down the budget deficit to 5.8 percent in FY 2022/2023.

- iii) Only four of the five counties are receiving the conditional allocation for the supplement for building county headquarters. Notably, Tharaka Nthi County does not receive any funding, even though the building of the county headquarter is near completion.
- iv) The IDA (World Bank) Kenya Urban Support Programme (KUSP) is a new project which has received a total of Kshs. 122 million, with most of the counties receiving Ksh.2.3 million. The grant is meant for the establishment of Municipalities, with board and administration in place. The Committee observes that counties that have not yet upgraded their towns to municipal status may not receive these grants.
- v) Notably, some of the county headquarters' construction has been underway for too long. To ascertain the project's stage of execution, expected total cost, and anticipated completion dates for the project in the five counties, the Committee will conduct site visits to apprise itself on the status of the project and the level of financial participation of its beneficiaries before appropriating additional resources.
- vi) The leasing of medical equipment program had a contract of seven years and received funding from FY 2015/16. Some of the contracts were set to expire in December 2022. However, because of delays in implementation as well as varying start dates, the project is still ongoing and has a proposed allocation of Kshs.5.2 billion for the FY 2022/23. The Ministry of Health should submit a status of implementation report to Parliament for the leasing of the medical equipment programme. The report should contain, among other things, the successes, challenges and value for money of the programme and more particularly detail the Ministry's option as regards the equipment when the contract comes to an end. It is critical that the persistent and pertinent issues surrounding this programme are addressed to guarantee a seamless transition.

MIN BAC 01/2022/24: CONSIDERATION AND ADOPTION OF THE COMMITTEE DRAFT REPORT ON THE COUNTY GOVERNMENTS ADDITIONAL ALLOCATIONS (NO. 2) BILL (SENATE BILLS NO.4 OF 2022)

Having gone through the report and following the deliberations, the Committee unanimously adopted the report that the Bill be passed without amendments. The adoption was proposed by Hon. Abdirahman Mohamed, M.P. and seconded by Hon. Wanjiku, John Njuguna, M.P.

MIN BAC 01/2022/25: ANY OTHER BUSINESS & ADJOURNMENT

There being no other business, the meeting was adjourned at 2.30 p.m. The next meeting will be communicated in due course.

Signed..... 

**HON. NDINDI NYORO, MP
(CHAIRPERSON)**

Date..... 29-11-2022

DATE