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COMMITTEE	Finance & Budget
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Rt. Hon. Speaker

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approval for tabling -

27/03/2024

REPUBLIC OF KENYA

THIRTEENTH PARLIAMENT - THIRD SESSION



28/03/24



THE SENATE

STANDING COMMITTEE ON FINANCE AND BUDGET

REPORT ON THE STATUS OF IMPLEMENTATION OF PROJECTS
FUNDED BY THE CONDITIONAL GRANT FOR THE CONSTRUCTION
OF COUNTY HEADQUARTERS

Clerk's Chambers,
Parliament Buildings,
NAIROBI.

March 2024

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LIST OF ABBREVIATIONS/ ACRONYMNS

COG- Council of Governors

CRF- County Revenue Funds

FY- Financial Year

PFM- Public Finance Management Act

SDPW- State Department of Public Works

SPA- Special Purpose Accounts

PREFACE

ESTABLISHMENT AND MANDATE OF THE COMMITTEE

Article 124 (1) of the Constitution of Kenya provides that each house of Parliament may establish committees and shall make Standing Orders for the orderly conduct of its proceedings, including the proceedings of its committees.

Parliamentary committees consider policy issues, scrutinize the workings and expenditures of the national and county governments, and examine proposals for legislation. The end result of any process in Committees is a report, which is tabled in the House for consideration.

The Senate Standing Committee on Finance and Budget is established under section 8(1) of the Public Finance Management (PFM) Act, 2012 and standing order 228 of the Senate Standing Orders and is mandated to-

- a) investigate, inquire into, and report on all matters relating to coordination, control, and monitoring of the county budgets and examine -
 - (i) the Budget Policy Statement presented to the Senate;
 - (ii) the report on the budget allocated to constitutional Commissions and independent offices;
 - (iii) the Division of Revenue Bill, the County Allocation of Revenue Bill, the County Governments Additional Allocations Bill, and the cash disbursement schedules for county governments;
 - (iv) all matters related to resolutions and Bills for appropriations, the share of national revenue amongst the counties, matters concerning the national budget, including public finance and monetary policies and public debt, planning, and development policy; and
- b) Pursuant to Article 228 (6) of the Constitution, to examine the report of the Controller of Budget on the implementation of the budgets of county governments.

MEMBERSHIP OF THE COMMITTEE

Following the constitution of the Standing Committees of the Senate of the Thirteenth (13th) Parliament on Thursday, 13th October, 2022, the Senate Standing Committee on Finance and Budget, as currently constituted, comprises the following Members-

- | | | |
|---|---|-------------------------|
| 1) Sen. (Capt.) Ali Ibrahim Roba, EGH, MP | - | Chairperson |
| 2) Sen. Maureen Tabitha Mutinda, MP | - | Vice-Chairperson |
| 3) Sen. (Dr.) Boni Khalwale, CBS, MP | - | Member |
| 4) Sen. Joyce Chepkoech Korir, MP | - | Member |
| 5) Sen. Tabitha Karanja Keroche, MGH, MP | - | Member |
| 6) Sen. Mohamed Faki Mwinyihaji, CBS, MP | - | Member |
| 7) Sen. Richard Momoima Onyonka, MP | - | Member |
| 8) Sen. Shakila Abdalla Mohamed, MP | - | Member |
| 9) Sen. Eddy Gicheru Oketch, MP | - | Member |

CHAIRPERSON'S FOREWORD

The Senate in 2015, through an Ad-Hoc Committee on County Headquarters, conducted an evaluation on the status of county headquarters in the Country. It was noted that some counties did not have any infrastructure to serve as county offices while others had infrastructure but in dilapidated state. In adopting the Committee's report, the Senate resolved that five (5) counties required immediate special intervention to enable them operate effectively. These counties were Lamu, Nyandarua, Isiolo, Tana River and Tharaka Nithi. These are counties which, at the advent of devolution, did not inherit adequate facilities from the defunct local authorities that could accommodate the new county governments' administration.

In implementation of the report, a resolution was made that the five counties be allocated a conditional grant to enable them construct headquarters. Each county was to receive Ksh.121 million for three consecutive fiscal years- amounting to Ksh.363 million. This would constitute 70% of the construction costs. The beneficiary counties were each to provide 30% of the construction costs.

The conditional grant on *supplement* for construction of county headquarters was introduced for the first time in the budget as part of the national government's conditional grants to counties in Financial Year 2016/2017. The State Department for Public Works was charged with management of the projects.

The county headquarters project was originally scheduled to be completed at a cost of Ksh.518 million over the course of three fiscal years, i.e., Financial Years 2016/17, 2017/18, and 2018/19. However, 8 years have lapsed and none of the five counties have completed construction of their headquarters. In some cases, the contractors left the site without completion of the project.

On 4th July, 2023, the Council of Governors appeared before the Standing Committee on Finance and Budget requesting the Senate to consider the status of the projects and facilitate transfer of the management of these projects from the State Department for Public

Works to the respective counties. Further, the Senate should ensure the funds yet to be disbursed to counties are availed from the national government to ensure completion of the projects.

The Committee considered the matter and resolved to follow up with a view of granting the request made. Consequently, the Committee convened several meetings with stakeholders to deliberate on the matter including the National Treasury and Economic Planning, the State Department for Public Works, Governors from the beneficiary counties and the Intergovernmental Relations Technical Committee.

In consideration of the matter, the Committee made a number of observations, *inter alia*-

- a) There has been an inordinate delay in implementation of the projects. The supplement for construction of county headquarters was to be transferred within three financial years and yet eight (8) years down the line most of the projects have stalled and the counties are yet to receive their allocation. The projects were started on the basis that the corresponding financing from the national government would be made available to counties and the beneficiary counties therefore had a reasonable expectation that the national government would meet its obligations.
- b) That the five counties identified by the Ad-Hoc Committee on County Headquarters, as requiring urgent intervention, still do not have county headquarters ten years after the advent of devolution. This has impeded the ability of the county government to deliver services and discharge their functions under the Constitution.
- c) The National Government was expected to contribute Kshs.121 million for three financial years (from FY 2017/2018 to 2019/20) per county (totaling Ksh.1,815,000,00 for 5 counties). However, as at the end of Financial Year 2022/23 the payments from the national government amounted Ksh.837,891,371.

- d) The original contract cost for the projects was no longer valid since the cost of construction materials and labour had been affected by the inflation/ cost escalation
- e) The intergovernmental agreements framework entered into by beneficiary counties and the State Department for Public Works posed the challenge in effective implementation of the projects. For instance, counties were to enter into contract with the contractor but the payments to the contractor were to be made directly to contractor by the State Department.

The Committee recommends that-

- a) That the intergovernmental agreements framework for the implementation of the projects should be revised to ensure expeditious completion of the projects.
- b) IGRTC should spearhead the process of revision of the intergovernmental agreements and ensure the projects are officially handed over to the beneficiary counties. Further, the IGRTC should submit monthly status report to the Senate.
- c) That, National Treasury, State Department for Public Works and Council of Governors in cooperation with the IGRTC should ensure the transfer of the projects is expedited.
- d) The overall responsibilities of project management including supervision, monitoring and payment of contractors of the projects should be handed-over to the respective/ beneficiary county governments.
- e) The National Treasury should allocate all the remaining balances towards these projects in the FY 2024/25.

Acknowledgement

The Committee appreciates all the stakeholders who appeared before the Committee and provided the information which enable the Committee deliberate on the matter and make necessary recommendations.

I take this opportunity to commend the Members of the Committee for their devotion and commitment to duty, which made the consideration of the issues affecting construction of county headquarters a success.

I thank the offices of the Speaker and the Clerk of the Senate for the support extended to the Committee in undertaking this important assignment.

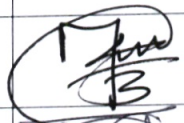
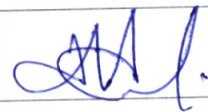
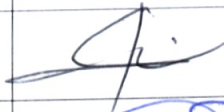
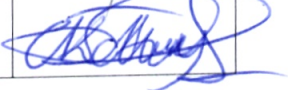
It is now my pleasant duty and privilege, on behalf of the Standing Committee on Finance and Budget, to present to the Senate, the Report of the Committee on the status of implementation of projects funded by the conditional grant for the construction of county headquarters.

Signature..........Date.....21/03/2024.....

**SEN. (CAPT.) ALI IBRAHIM ROBA, EGH, MP,
CHAIRPERSON,
STANDING COMMITTEE ON FINANCE AND BUDGET**

**ADOPTION OF THE REPORT ON THE STATUS OF
IMPLEMENTATION OF PROJECTS FUNDED BY THE CONDITIONAL
GRANT FOR THE CONSTRUCTION OF COUNTY HEADQUARTERS**

We, the undersigned Members of the Senate Standing Committee on Finance and Budget, do hereby append our signatures to adopt this Report-

	Name	Designation	Signature
1.	Sen. (Capt.) Ali Ibrahim Roba, EGH, MP	Chairperson	
2.	Sen. Maureen Tabitha Mutinda, MP	Vice-Chairperson	
3.	Sen. (Dr.) Boni Khalwale, CBS, MP	Member	
4.	Sen. Tabitha Karanja Keroche, MP	Member	
5.	Sen. Joyce Chepkoech Korir, MP	Member	
6.	Sen. Mohamed Faki Mwinyihaji, CBS, MP	Member	
7.	Sen. Richard Momoima Onyonka, MP	Member	
8.	Sen. Shakila Abdalla Mohamed, MP	Member	
9.	Sen. Eddy Gicheru Oketch, MP	Member	

CHAPTER ONE

BACKGROUND INFORMATION

1. Following Senate adoption and resolution on the report of the Ad-Hoc Committee on County Headquarters, in the Fiscal Year 2016/2017, the national government allocated Ksh.605 million as conditional grant to finance the supplement for the construction of county headquarters. The targeted counties were Lamu, Nyandarua, Isiolo, Tana River and Tharaka Nithi as identified in the Ad-Hoc Committee report.
2. The counties were identified by the virtue of the fact that they did not inherit, from the defunct local authorities', sufficient facilities that could support the administration of then newly formed county governments at the onset of devolution.
3. The construction of the county headquarters was initially expected to be implemented over a span of three years, that is, Financial Years 2016/17, 2017/18 and 2018/19, at an agreed cost of Ksh.518 million. Under the agreement, the national government was to provide 70% of the total project costs while each beneficiary county was to contribute 30% of the total project costs.
4. The conditional allocation from the national government (initial amount of Ksh.605 million annually) was to be distributed equally among the five county governments over the three-year period. Further, each county was to contribute Ksh.155.57 million in total over three-year period (Ksh.51.85 million annually). This counterpart financing by the county governments had to be included in the respective county governments budgets for approval by the respective county assemblies.
5. The State Department of Public Works in the Ministry of Lands, Public Works, Housing and Urban Development was primarily in charge of monitoring the projects and disbursement of the national government supplement.

6. The intergovernmental agreement provided that the accounting officer responsible was the Principal Secretary, State Department of Public Works. The responsibility of the national government accounting officer was to manage implementation of the project including managing the funds and all technical applications by consultants and contractors towards the construction of county headquarters.
7. At the county level, the accounting officer was responsible for matters relating to public works in the county governments. The role of this accounting officer was to facilitate on local logistics and provide regular progress brief on the projects.
8. The beneficiary counties proceeded to execute the projects as per the intergovernmental agreements. Consultants and contractors were procured by beneficiary counties at different times. The State Department was to pay contractors directly as well as the counties.
9. Following a request by the Council of Governors, the Standing Committee on Finance and Budget, held a meeting with the respective Governors of the beneficiary counties on 4th July, 2023. The Governors drew the attention of the Committee on the status of the projects. They requested for the Senate's intervention to ensure review of the intergovernmental financing framework of the projects and to allow the counties to have the overall responsibilities of project management, supervision and payment of contractors.
10. The Committee resolved to follow up on the matter with a view to establishing the actual status of the projects, the challenges experienced and making appropriate recommendations on the path to completion for the projects.

CHAPTER TWO

SUBMISSIONS FROM STAKEHOLDERS

11. The Committee held several consultative meetings with the following stakeholders to consider the status of the projects and best way forward-

- a) The Governors from the beneficiary counties- Lamu, Nyandarua, Isiolo, and Tharaka Nithi;
- b) The Senators from the beneficiary counties;
- c) The National treasury and Economic Planning;
- d) The State Department of Public Works; and
- e) The Intergovernmental Relations and Technical Committee (IGRTC).

1. Submissions from the Governors of the Beneficiary Counties

12. The Governors appeared before the Committee and submitted as follows-

- a) the original cost of the projects amounted to approximately Kshs. 2.6 billion. The National Government was expected to contribute 70% while the five beneficiary county governments were to contribute 30% of the cost;
- b) the total allocation from the National Government to the five (5) counties from the FY 2017/18 and over the years was amounting to Kshs.2.49 billion, however, the amount disbursed was less than 10%;
- c) the status of implementation of the projects for some counties-
 - (i) the commencement dates of the projects varied across the counties; for instance, Nyandarua County contract was awarded in March 2017 while Lamu was awarded in March 2020;
 - (ii) Tharaka Nithi County signed the first contract in 2015 and the expected year of completion was 2018. The project stalled while 60% complete;
 - (iii) Lamu County's project was 65% complete but stalled;
- d) the original cost of the projects had been revised severally, for instance,

- (i) Nyandarua's cost was revised from Kshs.617 million to Kshs.449 million;
 - (ii) Tharaka Nithi's cost was revised from Kshs.366 million to Kshs.458 million and the original cost of project was not comprehensive.
- e) there has been continued delay in completion of the projects which has led to increased project costs due to inflation. This delay of completion has compromised the value for money since the residents cannot use the facilities as intended; thus, the value for money from the projects may not be realized;
 - f) in some counties such as Tharaka Nithi, the initial contract was terminated three times. The contractors went to court and the county was almost being fined heavily, albeit, the county opted for alternative dispute resolution/arbitration to stop excessive charges;
 - g) there is need for review of the implementation of financing framework of the projects to give counties the overall responsibilities of project management, supervision and payment of contractors;
 - h) prioritization of the projects and allocation of adequate funds by the National Government is required to ensure the projects are completed within the financial year 2023/24;
 - i) as a result of rising inflation and increased cost on arbitration, the cost of the projects needs to be reviewed upwards, this might almost double the original cost of projects; and
 - j) there is need to expedite completion of the stalled projects to avoid further loss of value for money.

2. Submissions by the State Department for Public Works

13. The State Department for Public Works appeared before the Committee in August, 2023 and made submissions on the status of implementation for the five Counties as follows-

Lamu County

- a) The construction of Lamu County headquarters was underway in Mokowe. The works commenced on 1st July, 2018 and were expected to be completed by 1st September, 2025. The estimated cost of the construction at Mokowe was Ksh.215,000,000 from an initial contract of Ksh.126,823,550. There are two other sub-county headquarters to be constructed at Faza and Hindi with an estimated cost of Ksh.195,219,070 and Ksh.184,780,000 respectively. The estimated total cost for the three sites was Ksh.595,000,000. The Mokowe site was 60% complete.
- b) The contractor has been slow in project execution. Further, during tendering, the original scope for the civil and external works were reduced. However, these works would be reinstated as there are critical to the utilization of the building once complete. The estimated cost is Ksh.215 million. It is further noted that the sub-contractor for the mechanical works was yet to be contracted.
- c) For the Faza Island site, the tender was advertised on 20th February, 2018 and was opened on 16th March, 2018. The County Government, however, failed to award the contract citing lack of funds but the public procurement administrative review board vide decision 7/7/2018 of 12th June, 2018 directed the county to complete the award process. In January 2023, the contract was signed and the project was commenced with an expected completion date of 27th February, 2024. Notably, electrical and mechanical works sub-contractors had been awarded.
- d) For the Hindi site, the county is yet to commence tendering process.

Isiolo County

- e) The construction of Isiolo County Headquarter offices were underway at Isiolo Township. The works commenced on 4th March, 2019 and was initially expected to be completed by 30th August, 2021. The completion date was later revised to 30th August, 2025. The total cost of the project had been varied downwards from an

original contract sum of Ksh.870,706,010.84 to Ksh.556,905,702.88. The project was 60% complete.

- f) The main challenge encountered during implementation of this project was the slow execution of works by the contractor. Further, the downward revision of the contractor sum led to the omission of some works from the contract sum in order to align the project to the limit of Ksh.500 million. The State Department for Public Works recommended that for the optimal utilization of the building after completion, the omitted works should be reinstated. The estimated cost of the omitted works amounted to ksh.139 million.

Nyandarua County

- g) The construction of Nyandarua County Headquarters was underway at Olkalou. The works commenced on 16th March, 2017 and were expected to be completed by 30th December, 2025. The total cost of the project was revised upwards from Ksh.617,644,564.15 to Ksh.679,644,563. The project was 55% complete.
- h) The project had encountered challenges with the contractor who terminated the contract. As a result, the project had been retendered and the process was yet to be concluded. The estimated cost of the retendered works was at Ksh.450 million which when added to the certified amount of Ksh.372 million, would result into project cost amounting to ksh.822 million. There is breach of the limit of Ksh.500 million for the construction of county headquarters. The State Department sought for a waiver of the limit in order to allow for the award of the contract and execution of outstanding works.

Tana River County

- i) The construction of the Tana River County headquarters was underway. The works commenced on 16th March, 2020 and was expected to be completed by 22nd

September, 2024. The contract sum for the project was Ksh.95,268,750. The project was 55% complete.

- j) In the early stages of the project, the documented site was changed. Thus, the civil works had to be redesigned for the new site. It was noted that in order to continue with the works within the new site and the execution of the omitted works, an additional fund amounting to Ksh.350 million was required.

Tharaka-Nithi County

- k) The construction of the proposed Tharaka Nithi County Headquarters was underway at Kathwana. The works commenced on 27th July, 2015 with the expected completion date to be 15th May, 2024. The total cost of the project had been varied upwards from Ksh.366,823,802.56 to Ksh.458,239,186.45. The project was at 82% complete.
- l) It was reported that additional cost of the project was occasioned by an extension in the size of the building by 7 meters in one wing, as well as an increase in slab thickness. Further, the project incurred costs due to fluctuation of labour and materials, interest on delayed payments and extended preliminaries. It was indicated that the contractor had taken the county to court and arbitration on the matter was ongoing.

3. Submissions by The National Treasury and Economic Planning

The Cabinet Secretary submitted that-

- 14. That the objective of the conditional allocation was to supplement financing for construction of the headquarters in the five County Governments namely, Isiolo, Lamu, Nyandarua, Tana River and Tharaka Nithi, which did not inherit adequate offices that could accommodate the new administration for devolution in the year 2013. The National Government was expected to contribute an additional conditional allocation of Ksh.605 million for three financial years from FY 2017/18

- to FY 2019/20 (totaling Ksh.1,815,000,000); with each County Government expected to get an allocation of Ksh.121 million for each of the three financial years.
15. As per the initial design of the project, each county government was to include in its budget estimates for FYs 2017/18, 2018/19 and 2019/20 a contribution totaling to Ksh.155.3 million being the equivalent of 30% contribution of the county to the construction costs, spread over the above FYs.
 16. These estimates were to be considered for approval by the respective county assemblies; and each county government was to ensure that proceeds from the conditional allocation (including both the contribution from the National Government and from the county) is apportioned between construction costs for county executive headquarters and county assembly headquarters in the ratio of 61% and 39%, respectively. This split was based on the approved costs per m² for constructing 7,000 m² of county executive offices and 4,500 m² of county assembly offices.
 17. The projects were expected to have been completed in the FY 2019/20. However, the actual commencement delayed due to revision of the original project designs, subsequent revision of the contract sums and procurement challenges. The projects thus commenced in 2017 (except for Tharaka Nithi County which had started earlier in 2015), though construction at the individual sites commenced at different times. Consequently, they were allocations still in the budget, for instance, Financial Year 2023/24 and 2024/25 had proposed allocation of Ksh.454 million and Ksh.445 million respectively.
 18. Due to insufficient monitoring and evaluation reports on the project implementation, the National Treasury led a joint monitoring and evaluation mission and site visit comprising of officers from the National Treasury, State Department of Public Works and Council of Governors from 22nd - 26th March, 2021 to establish the project status.
 19. The objective of the exercise was to review the progress on implementation of the projects, identify and address the challenges that the projects were facing. The main

finding of the team was that given the completion percentages and the periods left, all the projects were unlikely to be completed within the stipulated contract periods. The team also observed that even though the National Treasury had been allocating money to the State Department for Public Works for the projects since FY 2017/2018, the payment certificates for the projects had not been commensurate with the allocations owing to the slow pace of the implementation of the projects on one hand, and terminations and reinstatements of contracts on the other hand.

20. That the responsibilities of the county government accounting officer were-

- a) to avail site for the construction of the executive office;
- b) liaise with the contractors for access to the requisite services such as roads, water, electricity; and,
- c) Honor payments to the contractor on time.

21. The responsibilities of the National Government Accounting Officer (Principal Secretary, State Department for Public Works) on the other hand were-

- a) provide project management services during implementation of the projects i.e. supervising construction and issuing necessary guidance on the quality and scope of the works;
- b) raising payment certificates for payments for both National and County Governments;
- c) managing site inspections and meetings; and,
- d) preparation of the progress reports.

22. Further, the CS submitted that the major challenges leading to non- completion of the projects were-

- a) Supervision, management and bureaucracies arising from the project implementation model and the financing framework;
- b) Inadequate capacity at the counties;
- c) Prioritization of the project and failure to allocate adequate funds by some of the County Governments;

- d) Low absorption of the funds by counties which sometimes led to budget cuts;
- e) Delays in payment causing the contractors to slow down the progress of the work- The contractor for Nyandarua terminated the contract due to delayed payment and a completion contract was procured further delaying the project;
- f) Procurement challenges that led to slow implementation of the projects;
- g) Underperformance by contractors- Some of the contractors have been slow in execution of the works and thus delayed the completion;
- h) Varying of the original contract sums;
- i) Changes of the initial documented site of the project requiring civil works to be redesigned and documented (Tana River County);
- j) Some of the projects were above the Ksh.500 million threshold initially agreed upon; and
- k) Escalating project costs due to long periods of implementation and delayed costs.

23. The CS proposed a review of financial framework as follows-

- a) During the Financial Year 2023/24, the payment arrangements to be done by the State Department for Public Works (SDPW) being the Project Manager and County Governments being employer. The counties to engage SDPW to fast track the payments of certified certificates from the current voted funds for FY 2023/24 once approved.
- b) Further, since county governments had built sufficient capacities and competencies in project design, procurement, project contracting, implementation, supervision, and processing payments of project works the counties should take up the management of the projects. However, counties may continue to draw the support of SDPW whenever they need.

- c) To fast-track the completion of the County Headquarters that had taken too long, the projects should be implemented by the counties as conditional grants in the County Governments Additional Allocations Bill (CGAAB) for the Financial Year 2024/25. To this extent, county governments will be required to open Special Purpose Accounts (SPA) at the Central Bank of Kenya (CBK).
- d) For funds to flow to the SPAs, the SDPW shall write to the Principal Secretary, National Treasury to transfer funds from the Consolidated Fund to respective County Revenue Funds (CRFs). County Governments will then pay certified certificates from the SPAs. In these instructions, the SDPW would be expected to clearly specify that the recipient counties have met the conditions for the disbursements to be made by the National Treasury. The framework for the management of this conditional allocation will outline the conditions and the responsibilities of both parties.

4. Joint Assessment Report by State Department for Public Works and Council of Governors on Status of Payment for the projects

24. The parties had a site inspection to ascertain the status of implementation and the cost of pending works as per existing contract- to estimate the cost of remaining works based on the current market price; and to ascertain the status of payment made by both beneficiary county and the National Government. The two parties submitted the status of payment as follows-

a) Tharaka-Nithi County

25. The main structural frame including the roof has been done. However, no significant work done in the last 2 years.

Contract Sum	Amount Paid		Total Paid
	By National Government	By County Government	
Ksh.366,823,802	Ksh.195,259,122	Ksh.103,855,714	KSh.299,114,837

b) Lamu County Headquarters at Mokowe Island

26. The project commenced on 1st October, 2019 and the completion date was revised to 2nd November, 2023. The main structural frame including the roof had been done.

Contract Sum	Amount Paid		Total Paid
	By National Government	By County Government	
Mokowe- Ksh.126,823,550	Ksh.32,828,020	Ksh.67,353,224	KSh.100,181,244
Faza- Ksh.195,219,070			

c) Lamu County Headquarters at Faza Island

27. The project commenced on 27th February, 2023 with expected completion date of 27th February, 2024. The work was progressing well; however, the electrical and mechanical services were not awarded.

d) Nyandarua County Headquarters at Olkalou

28. The project commenced on 16th March, 2017 and the contract ended on 15th February, 2021. The initial contract was terminated by the main contractor on the basis of delayed payments and the completion contract was awarded to another contractor to complete the pending works.

Contract Sum	Amount Paid		Total Paid
	By National Government	By County Government	
Original Ksh.372,324,082	Ksh.308,399,278	Ksh.103,686,280	Ksh.412,085,560
Completion Ksh.449,097,569			

e) Tana River County Headquarters at Hola

29. The project commenced on 18th June, 2019 and the completion date was revised to 16th April, 2024.

30. The project was on course, with the structural frame having been completed. The contractor to commence on finishing and window fixing.

Contract Sum	Amount Paid		Total Paid
	By National Government	By County Government	
Ksh.495,268,750	Ksh.130,354,931	Ksh.152,541,606	KSh.282,896,538

f) Isiolo County Headquarters at Isiolo Township

31. The project commenced on 4th March, 2019, and the completion date was revised to 31st December, 2024.
32. The project was ongoing, with the construction of the structural frame in progress. However, it was noted that the contractor was quite slow in execution of the works and therefore recommended for close supervision and monitoring to ensure the works were completed on schedule.

Contract Sum	Amount Paid		Total Paid
	By National Government	By County Government	
Ksh.556,905,702	Ksh.171,050,020	Ksh.9,346,782	KSh.180,396,803

5. Submission by Intergovernmental Relations Technical Committee (IGRTC)

33. The IGRTC appeared before the Committee and noted that the construction of the targeted headquarters had stalled, partially because of the nature of the intergovernmental financing agreement that were in place.
34. The IGRTC committed to spearhead the processes of transferring the projects for completion to the beneficiary counties. Further to undertake any other role the Committee or Senate may recommend.

CHAPTER THREE

COMMITTEE OBSERVATIONS AND RECOMMENDATIONS

Observations

35. During consideration of the issues raised, the Committee made the following observations-

- a) There has been an inordinate delay in implementation of the projects. The supplement for construction of county headquarters was to be transferred within three financial years and yet eight (8) years down the line most of the projects have stalled and the counties are yet to receive their allocation. The projects were started on the basis that the corresponding financing from the national government would be made available to counties and the beneficiary counties therefore had a reasonable expectation that the national government would meet its obligations.
- b) That the five counties identified by the Ad-Hoc Committee on County Headquarters as requiring urgent intervention still do not have county headquarters ten years after the advent of devolution. This has impeded the ability of the county government to deliver services and discharge their functions under the Constitution.
- c) The National Government was expected to contribute Ksh.Kshs.121 million for three financial years (from FY 2017/2018 to 2019/20) per county (totaling Ksh.1,815,000,00 for the 5 counties). However as at the end of Financial Year 2022/23, the payments from the national government amounted Ksh.837,891,371.

- d) The proposed budgetary allocation under the County Government Additional Allocations Act (CGAAA), 2024 for the conditional allocation was Kshs.454 million.
- e) The original contract cost for the projects was no longer valid since the cost of construction materials and labour had been affected by the inflation/ cost escalation.
- f) The intergovernmental agreements framework entered into by beneficiary counties and the State Department for Public Works posed the challenge in effective implementation of the projects. For instance, counties were to enter into contract with the contractor but the payments to the contractor were to be made directly to contractor by the State Department.
- g) A number of Counties like Tharaka Nithi were undergoing litigation from the contractors due to delayed payments leading to further stalling of the projects.

Recommendations

36. The Committee recommends as follows-

- a) That the intergovernmental agreements framework for the implementation of the projects should be revised to ensure expeditious completion of the projects.
- b) IGRTC should spearhead the process of revision of the intergovernmental agreements and ensure the projects are officially handed over to the beneficiary counties. Further, the IGRTC should submit monthly status report to the Senate.
- c) That, National Treasury, State Department for Public Works and Council of Governors in cooperation with the IGRTC should ensure the transfer of the projects is expedited.
- d) The overall responsibilities of project management including supervision, monitoring and payment of contractors of the projects should be handed-over to the respective/ beneficiary county governments.
- e) The National Treasury should allocate all the remaining balances towards these projects in the FY 2024/25.
- f) The additional cost of the projects due to the escalation of the costs of materials and labour should be borne by the respective county governments.
- g) The State Department for Public Works should release to the beneficiary counties all the funds allocated to the projects in the FY 2023/24 to ensure full utilization of the funds towards completion of these projects.

Appendices

- a) Committee Minutes
- b) Stakeholders' submissions



MINUTES OF THE SIXTY-FIFTH MEETING OF THE SENATE STANDING COMMITTEE ON FINANCE AND BUDGET HELD ON TUESDAY, 4TH JULY, 2023 AT COUNTY HALL, GROUND FLOOR BOARD ROOM, PARLIAMENT BUILDINGS AND ON THE ZOOM ONLINE PLATFORM AT 11.00 A.M.

PRESENT

- | | | |
|---|---|--|
| 1. Sen. (Capt.) Ali Ibrahim Roba, EGH, MP | - | Chairperson |
| 2. Sen. Maureen Tabitha Mutinda, MP | - | Vice-Chairperson (Attended Virtually) |
| 3. Sen. (Dr.) Boni Khalwale, CBS, MP | - | Member |
| 4. Sen. Mohamed Faki Mwinyihaji, MP | - | Member (Attended Virtually) |
| 5. Sen. Shakila Abdalla Mohamed, MP | - | Member |
| 6. Sen. Eddy Gicheru Oketch, MP | - | Member |

ABSENT WITH APOLOGY

- | | | |
|-------------------------------------|---|--------|
| 1. Sen. Joyce Chepkocch Korir, MP | - | Member |
| 2. Sen. Richard Momoima Onyonka, MP | - | Member |
| 3. Sen. Tabitha Karanja Keroche, MP | - | Member |

SECRETARIAT

- | | | |
|----------------------------|---|---------------------------|
| 1. Mr. Christopher Gitonga | - | Clerk Assistant |
| 2. Ms. Beverlyne Chivadika | - | Clerk Assistant |
| 3. Ms. Millicent Makina | - | Fiscal Analyst |
| 4. Mr. Sekento Tonkei | - | Researcher |
| 5. Ms. Joan Mahinda | - | Researcher |
| 6. Mr. Elijah Ichwara | - | Audio Officer |
| 7. Mr. Malcolm Ngugi | - | Legal Counsel |
| 8. Mr. Jeff Mburu | - | Attachee |
| 9. Mr. Eugene Otieno | - | Attachee, Media Relations |

COUNCIL OF GOVERNORS

- | | | |
|--------------------------------|---|--------------------------------|
| 1. Hon. (Dr.) Kiarie Badilisha | - | Governor, Nyandarua County |
| 2. Hon. Muthomi Njuki | - | Governor, Tharaka Nithi County |
| 3. Hon. Issa A. Timamy | - | Governor, Lamu County |
| 4. Mr. Stephen Momanyi | - | Program Officer |

MIN/SEN/SCF&B/359/2023**PRELIMINARIES**

The Chairperson called the meeting to order at 11:13 a.m. This was followed by a word of prayer. Thereafter, a round of introduction.

MIN/SEN/SCF&B/360/2023**ADOPTION OF THE AGENDA**

The agenda was adopted after it was proposed by Sen. Shakila Abdalla Mohamed, MP, and seconded by Sen. Mohamed Faki Mwinyihaji, MP, as listed below-

1. Prayer;
2. Introduction;
3. Adoption of the agenda;
4. Meeting with the Council of Governors (COG) to deliberate on implementation of the conditional grant on supplement for construction of county headquarters (*Committee Paper No.38A*)
5. Any Other Business; and
6. Date of the Next Meeting and Adjournment.

MIN/SEN/SCF&B/361/2023

MEETING WITH THE COUNCIL OF GOVERNORS (COG) TO DELIBERATE ON IMPLEMENTATION OF THE CONDITIONAL GRANT ON SUPPLEMENT FOR CONSTRUCTION OF COUNTY HEADQUARTERS (COMMITTEE PAPER NO.38A)

Upon invitation by the Chairperson, the representatives from the Council of Governors (3 beneficiary counties of the grant) thanked the Committee for having considered and acceded to their request to appear before the Committee to deliberate on the grant on construction of County Headquarters and presented the following-

- a) the original cost of the projects amounted to Kshs.2,785,058,202. National Government was expected to contribute 70% while the five beneficiary county governments 30% of the cost;
- b) the total allocation from the National Government to the five (5) counties from the FY 2017/18 amounting to Kshs.2.49 billion, however, the amount disbursed was less than 10%;
- c) the status of implementation of the projects for some counties-
 - Commencement dates variations across counties - March, 2017 for Nyandarua and March, 2020 for Lamu;
 - Tharaka Nithi county signed the first contract in 2015 and the expected year of completion was 2018. The project is 60% complete and has stalled;
 - Lamu county's project is 65% complete and has stalled;
- d) the original cost of the projects had been revised. For instance,
 - Nyandarua's cost was revised from Kshs.617 million to Kshs.449 million;

- Tharaka Nithi's cost was revised from Kshs.366 million to Kshs.458 million and the original cost of project is not comprehensive.
- e) there has been continued delay in completion of the projects which has led to increased project costs due to inflation;
- f) the delay of completion has compromised the value for money since the residents cannot use the facilities as intended;
- g) in some counties such as Tharaka Nithi, the initial contract was terminated thrice. The contractors went to court and the county was almost being fined heavily, when it opted for alternative dispute resolution/arbitration to stop excessive charges;
- h) as a result of mismanagement of the funds, value for money from the projects may not be realized;
- i) there is need for review of the implementation of financing framework of the projects to give counties the overall responsibilities of project management, supervision and payment of contractors;
- j) prioritization of the projects and allocation of adequate funds by the National Government is required to ensure the projects are completed within the current financial year;
- k) as a result of rising inflation and increased cost on arbitration, the cost of the projects need to be reviewed upwards, this may almost double the original cost of projects; and
- l) there is need to expedite completion of the stalled projects to avoid further loss of value for money.

Following deliberations, the Committee resolved-

- a) that there was need to conduct audit of the current status of the project, prepare bill of quantities for remaining phases to ensure completion of the projects, review the financing framework with view of hand over the complete control of the projects to the respective county governments;
- b) to invite the Ministry of Lands, Public Works, Housing, and Urban Development to a meeting to deliberate on status of implementation of the projects funded by conditional grant on supplement for construction of county headquarters and way forward on completion of such stalled projects.
- c) To engage the Ministry of Lands, Public Works, Housing, and Urban Development to ensure preparation and submission to the Committee status report on implementation of projects and Bills of Quantities for incomplete phases.
- d) To engage the National Treasury and Economic Planning to ensure release of funds meant for completion of the construction of county headquarters.

The Chairman thanked the Governors for drawing the attention of the Committee to the status of the implementation of the projects and that the Committee will endeavour to follow the matter to its logical conclusion.

There being no other business, the meeting adjourned at 12:15 p.m. The next meeting shall be held on Thursday, 6th July, 2023 at 9:00 a.m.

SIGNATURE.......... DATE.....25/7/2023.....

SEN. (CAPT.) ALI IBRAHIM ROBA, EGH, MP
(CHAIRPERSON)



**MINUTES OF THE SEVENTY-SEVENTH MEETING OF THE SENATE
STANDING COMMITTEE ON FINANCE AND BUDGET HELD ON
THURSDAY, 10TH AUGUST, 2023 AT COUNTY HALL, GROUND FLOOR
BOARD ROOM, PARLIAMENT BUILDINGS FROM 9.00 A.M.**

PRESENT

- | | | |
|---|---|--------------------|
| 1. Sen. (Capt.) Ali Ibrahim Roba, EGH, MP | - | Chairperson |
| 2. Sen. (Dr.) Boni Khalwale, CBS, MP | - | Member |
| 3. Sen. Mohamed Faki Mwinyihaji, MP | - | Member |
| 4. Sen. Richard Momoima Onyonka, MP | - | Member |
| 5. Sen. Eddy Gicheru Oketch, MP | - | Member |

ABSENT WITH APOLOGY

- | | | |
|-------------------------------------|---|-------------------------|
| 1. Sen. Maureen Tabitha Mutinda, MP | - | Vice-Chairperson |
| 2. Sen. Tabitha Karanja Keroche, MP | - | Member |
| 3. Sen. Shakila Abdalla Mohamed, MP | - | Member |
| 4. Sen. Joyce Chepkoech Korir, MP | - | Member |

SECRETARIAT

- | | | |
|----------------------------|---|-------------------------|
| 1. Mr. Christopher Gitonga | - | Clerk Assistant |
| 2. Ms. Beverlyne Chivadika | - | Clerk Assistant |
| 3. Ms. Lucy Makara | - | Deputy Director, PBO |
| 4. Ms. Lucy Radoli | - | Legal Counsel |
| 5. Ms. Millicent Makina | - | Fiscal Analyst |
| 6. Ms. Joan Mahinda | - | Researcher |
| 7. Mr. Nandemu Barasa | - | Media Relations Officer |
| 8. Mr. Kioko Kiminza | - | Fiscal Analyst |
| 9. Mr. Elijah Ichwara | - | Audio Officer |
| 10. Mr. Jeff Mburu | - | Attachee |
| 11. Mr. Ouma Fredrick | - | Seargent-At-arms |

IN ATTENDANCE

**MINISTRY OF LANDS, PUBLIC WORKS, HOUSING, AND URBAN
DEVELOPMENT**

- | | | |
|------------------------|---|---------------------|
| 1. Mr. Joel Arumonyang | - | Principal Secretary |
|------------------------|---|---------------------|

- | | | |
|-------------------------------|---|---------------------------|
| 2. QS. Nicholas Mutua | - | Works Secretary |
| 3. Arch. David Waititu | - | Deputy Chief Architect |
| 4. Mr. Joseph Proo Kamashampu | - | Personal Assistance to PS |

MIN/SEN/SCF&B/444/2023 **PRELIMINARIES**

The Chairperson called the meeting to order at 9:30 a.m. This was followed by a word of prayer. Thereafter, a round of introduction.

MIN/SEN/SCF&B/445/2023 **ADOPTION OF THE AGENDA**

The agenda was adopted after it was proposed by Sen. Eddy Gicheru Oketch, MP, and seconded by Sen. Richard Momoima Onyonka, MP, as listed below-

1. Prayer;
2. Introduction;
3. Adoption of the agenda;
4. Confirmation of minutes of the 75th and 76th sittings;
5. Matters arising from minutes of the previous meeting;
6. Meeting with the CS for the Ministry of Lands, Public Works, Housing, and Urban Development to deliberate on the status of implementation of the conditional grant on the supplement for construction of County Headquarters (*Committee Paper No.38B*);
7. Consideration of matrix of stakeholders' submissions on the County Governments Additional Allocations Bill, (National Assembly Bills No. 23 of 2023) (*Committee Paper No. 57D*);
8. Consideration of responses to (*Committee Paper No. 56A*)-
 - a) Statement by Sen. Samson Cherarkey, MP, regarding the reduction of salaries and allowances payable to MCAs in the FY 2022/23; and
 - b) Statement by Sen. Samson Cherarkey, MP, regarding the review of salaries, benefits, and allowances for judges and magistrates.
9. Consideration of the pending legislative business (*Committee Paper No. 59B*);
10. Any Other Business; and
11. Date of the Next Meeting and Adjournment.

MIN/SEN/SCF&B/446/2023 **CONFIRMATION OF MINUTES**

Confirmation of the minutes of the Seventy-Fifth and Seventy-Sixth sittings was deferred to the next meeting.

MIN/SEN/SCF&B/447/2023 **MEETING WITH THE CS FOR THE
MINISTRY OF LANDS, PUBLIC WORKS,
HOUSING, AND URBAN DEVELOPMENT TO
DELIBERATE ON THE STATUS OF
IMPLEMENTATION OF THE
CONDITIONAL GRANT ON SUPPLEMENT**

**FOR CONSTRUCTION OF COUNTY
HEADQUARTERS (COMMITTEE PAPER
NO.38B)-**

The Chairperson informed the Committee that the Cabinet Secretary was unavailable, away on other official duties, and therefore the Principal Secretary (PS) for Public Works had been requested to represent him in the meeting. The Committee acceded to the request.

Upon invitation, the Principal Secretary briefed the Committee regarding the status of the implementation of the conditional grant on the supplement for construction of the five County Headquarters as summarized below-

- a) The proposed construction of the County headquarters was co-financed by both the National Government and the beneficiary County Governments. Procurement of the contractors was done by the County Governments, except for Nyandarua County project which was procured by the State Department for Public Works.
- b) The budget limit of each project was set by the Commission on Revenue Allocation at Kshs.500 million.
- c) Most of the projects faced among others, funding challenges, delay in determining boundary of site, variations of the projects, and change of contractors, which resulted in delays in payments to the contractors hence slowing down the works.
- d) As at 30th June, 2023, the National Government through the Ministry of Lands, Public Works, Housing, and Urban Development, State Department for Public Works, had paid a total of Kshs.805,026,77. The balance stands at Kshs.988,696,977.
- e) Similarly, the five beneficiary County governments had paid a total of Kshs.401,417.71. The balance stands at Kshs.367,321,047.

After deliberations, the Committee resolved that, the Ministry of Ministry of Lands, Public Works, Housing, and Urban Development should-

- a) Undertake appraisal of the existing projects in the five beneficiary counties (Nyandarua, Tharaka Nithi, Isiolo, Lamu and Isiolo) to ascertain the status of completion;
- b) Prepare a report on the status of completion of the projects, providing recommendations for each County;
- c) Prepare Bill of Quantities (BQ) for the remaining phase of the projects;
- d) Prepare formal handover documents to each of the beneficiary counties, for official handover of management and implementation of the projects to the respective county governments; and
- e) Submit the above-mentioned documents to the Committee on or before 15th September, 2023.

MIN/SEN/SCF&B/448/2023

CONSIDERATION OF MATRIX OF
STAKEHOLDERS' SUBMISSIONS ON THE
COUNTY GOVERNMENTS ADDITIONAL
ALLOCATIONS BILL, (NATIONAL
ASSEMBLY BILLS NO. 23 OF 2023)
(COMMITTEE PAPER NO. 57D)-

The agenda item was deferred to the next sitting.

MIN/SEN/SCF&B/449/2023

CONSIDERATION OF RESPONSES TO
STATEMENTS (COMMITTEE PAPER NO.
56A)-

The agenda item was deferred to the next sitting.

MIN/SEN/SCF&B/450/2023

CONSIDERATION OF PENDING
LEGISLATIVE BUSINESS BEFORE THE
COMMITTEE (COMMITTEE PAPER NO.
59B)-

The agenda item was deferred to the next sitting.

MIN/SEN/SCF&B/451/2023

ADJOURNMENT

The meeting adjourned at 10:57 a.m. The next meeting shall be on notice.

SIGNATURE..........DATE.....17/10/2023.....
SEN. (CAPT.) ALI IBRAHIM ROBA, EGH, MP
(CHAIRPERSON)



MINUTES OF THE HUNDRED AND SEVENTH (107TH) MEETING OF THE SENATE STANDING COMMITTEE ON FINANCE AND BUDGET HELD ON FRIDAY, 23RD FEBRUARY, 2024 AT THE COUNTY HALL IN THE GROUND FLOOR BOARDROOM FROM 10:00 A.M.

PRESENT

- | | | |
|---|---|-------------------------|
| 1. Sen. (Capt.) Ali Ibrahim Roba, EGH, MP | - | Chairperson |
| 2. Sen. Maureen Tabitha Mutinda, MP | - | Vice-Chairperson |
| 3. Sen. (Dr.) Boni Khalwale, CBS, MP | - | Member |
| 4. Sen. Richard Momoima Onyonka, MP | - | Member |
| 5. Sen. Shakila Abdalla Mohammed, MP | - | Member |
| 6. Sen. Mohammed Faki Mwinyihaji, CBS, MP | - | Member |
| 7. Sen. Joyce Chepkoech Korir, MP | - | Member |
| 8. Sen. Eddy Gicheru Oketch, MP | - | Member |

ABSENT WITH APOLOGY

- | | | |
|-------------------------------------|---|--------|
| 1. Sen. Tabitha Karanja Keroche, MP | - | Member |
|-------------------------------------|---|--------|

SECRETARIAT

- | | | |
|----------------------------|---|-------------------------|
| 1. Mr. Christopher Gitonga | - | Clerk Assistant |
| 2. Ms. Gloria Wawira | - | Clerk Assistant |
| 3. Ms. Beverlyne Chivadika | - | Clerk Assistant |
| 4. Ms. Lucy Makara | - | Deputy Director, PBO |
| 5. Ms. Lucy Radoli | - | Legal Counsel |
| 6. Ms. Millicent Makina | - | Fiscal Analyst |
| 7. Mr. Gorod Abdirahman | - | Fiscal Analyst |
| 8. Mr. Constant Wamuyuyi | - | Researcher |
| 9. Mr. Elijah Ichwara | - | Audio Officer |
| 10. Mr. Fredrick Ouma | - | Seargent-at-arms |
| 11. Mr. Nandemu Barasa | - | Media Relations Officer |
| 12. Mr. Oliver Otieno | - | Intern |

IN ATTENDANCE

A. SENATORS

- | | | |
|------------------------------|---|------------------------|
| 1. Sen. Fatuma Dullo, MP | - | Senator for Isiolo |
| 2. Sen. Danson Mungatana, Mp | - | Senator for Tana River |

B. THE NATIONAL TREASURY AND ECONOMIC PLANNING

- | | | |
|-------------------------------|---|---|
| 1. Prof. Njuguna Ndung'u, CBS | - | Cabinet Secretary |
| 2. Mr. Albert Mwenda | - | Director General, Budget, Fiscal and Economic Affairs |
| 3. Mr. Samuel Kiptorus | - | Director, Intergovernmental Fiscal Relations |
| 4. Mr. Livingstone Bumbe | - | Deputy Director, Public Debt Management Office |
| 5. Mr. Joseph Ngugi | - | Director-Macro Planning |
| 6. Mr. Martin Ngugi | - | Director - Liaison |
| 7. Mr. John Njora | - | Director - Planning |
| 8. Mr. Benard Kibet | - | Principal Economist |
| 9. Ms. Catherine Kalachia | - | Principal Economist |
| 10. Ms. Mary Nguli | - | Economist |

C. STATE DEPARTMENT FOR PUBLIC WORKS

- | | | |
|------------------------|---|------------------------|
| 1. Mr. Joel Arumonyang | - | Principal Secretary |
| 2. Mr. Nicholas Mutua | - | Works Secretary |
| 3. Arch. David Waititu | - | Deputy Chief Architect |

D. THE COUNCIL OF GOVERNORS

- | | | |
|--------------------------|---|----------------------------|
| 1. Hon. Muthoni Njuki | - | Tharaka Nithi County |
| 2. Hon. Abdi Hassan | - | Isiolo County |
| 3. Hon. Kiarie Badilisha | - | Nyandarua County |
| 4. Hon. Issa Timamy | - | Lamu County |
| 5. Mr. Stephen Momanyi | - | Program Officer |
| 6. Ms. Mary Njogu | - | Liaison Officer, Nyandarua |
| 7. Mr. Mohamed Galgalo | - | Personal Assistant |

E. INTERGOVERNMENTAL RELATIONS TECHNICAL COMMITTEE

- | | | |
|---------------------------|---|------------------------|
| 1. Dr. Kipkurui Chepkwony | - | CEO |
| 2. Ms. Joy Bigambo | - | Deputy Director, Legal |

MIN/SEN/SCF&B/620/2024 **PRELIMINARIES**

The Chairperson called the meeting to order at 10:30 a.m. This was followed by a word of prayer and a round of introduction.

MIN/SEN/SCF&B/621/2024 **ADOPTION OF THE AGENDA**

The agenda was adopted after it was proposed by Sen. Maureen Tabitha Mutinda, MP, and seconded Sen. Richard Momoima Onyonka, MP, as listed below-

1. Prayer;
2. Introduction;
3. Adoption of the agenda;
4. Meeting with-
 - a) The National Treasury and Economic Planning;
 - b) The Council of Governors (CoG);
 - c) The Intergovernmental Relations Technical Committee; and

- d) State Department for Public Works
to deliberate on the status of projects funded by conditional allocation for the construction of county headquarters (*Committee Paper No.79*);
5. Any Other Business; and
6. Date of the Next Meeting and Adjournment.

MIN/SEN/SCF&B/622/2024

**DELIBERATION ON THE STATUS OF
PROJECTS FUNDED BY CONDITIONAL
ALLOCATION FOR THE CONSTRUCTION
OF COUNTY HEADQUARTERS
(COMMITTEE PAPER NO.79);**

- a) The Chairperson briefed the meeting on the progress the Committee had made in consideration of the status of projects funded by the conditional allocation for construction of County Headquarters- Isiolo, Tharaka Nithi, Nyandarua, Tana River and Lamu.
- b) The projects had taken inordinately long time than expected to be completed. Additionally, a number of them had stalled and contractor vacated the site.
- c) The purpose of the meeting was to reach a consensus on the way forward to ensure that the completion of the projects is expedited.
- d) The Committee had engaged the State Department for Public works who submitted the status of implementation of the projects, and the Bill of Quantities for the remaining phase of the projects for each of the five beneficiary counties.
- e) Upon invitation, the Council of Governors informed the meeting that their request was that the funds be disbursed as a conditional additional allocation directly to the five beneficiary counties, and not through the State Department of Public Works.
- f) The PS of the State Department of Public works presented to the Committee on the updated status of payment by National Government and county governments towards the projects.
- g) The Cabinet Secretary of National Treasury committed to transfer the funds owed to county governments provided for in the approved County Government Additional Allocations Bills for FY 2023/24 and 2024/25. However, the County Assemblies will be required to appropriate any additional funds that may be required to complete the projects.
- h) The Governors present committed to take over the implementation of projects and will provide any extra funding required to complete the projects. For avoidance of doubt, any additional cost due to inflation would be borne by the respective counties.

Committee Observations

- a) The National Government was expected to contribute Kshs.121 million for three financial years (from FY 2017/2018 to 2019/20) per county (totaling Kshs1,815,000,00).
- b) The amount paid by the National Government as at date of this meeting totaled Kshs.837,891,317.
- c) The proposed budgetary allocation under the County Government Additional Allocations Bill (CGAAB), 2023 and proposed CGAAB, 2024 was Kshs.454 million and Kshs.445 million respectively.

- d) Consequently, the outstanding balance from the National Government stood at approximately Kshs.78 million, which will be factored in the subsequently CGAAB.
- e) The implementing County Governments will be required to open Special Purpose Accounts (SPA) at the CBK.
- f) The IGRTC would be tasked with oversee the hand-over processes.

Following deliberations and via consensus, it was resolved-

- a) The Intergovernmental Relations Technical Committee will spearhead the official handover of the implementation and management of the projects to the respective county governments and submit the status report to the Committee within 14 days.
- b) The State Department for Public Works should prepare and hand-over all the necessary documentations concerning the projects (including management, supervision and monitoring of the projects) to the respective county governments.
- c) The respective county governments should take over the projects and provide additional funding (emanating from additional cost of building materials and inflation) to ensure the projects are completed in time.
- d) The National treasury should ensure timely release of the funds as budgeted. Further, the balance, Kshs.78 million, should be factored in the proposed CGAA Bill for FY 2024/25.

MIN/SEN/SCF&B/623/2024 **ADJOURNMENT**

The meeting adjourned at 12:30 p.m.

SIGNATURE.....

DATE.....

SEN. (CAPT.) ALI IBRAHIM ROBA, EGH, MP

(CHAIRPERSON)



MINUTES OF THE HUNDRED AND SEVENTEENTH (117TH) HYBRID MEETING OF THE SENATE STANDING COMMITTEE ON FINANCE AND BUDGET HELD ON WEDNESDAY, 20TH MARCH, 2024 IN THE GROUND FLOOR BOARDROOM, COUNTY HALL, PARLIAMENT BUILDING AT 8:00 A.M.

PRESENT.

1. Sen. (Capt.) Ali Ibrahim Roba, EGH, MP	-	Chairperson
2. Sen. Maureen Tabitha Mutinda, MP	-	Vice-Chairperson
3. Sen. Mohamed Mwinyihaji Faki, CBS MP	-	Member
4. Sen. Richard Momoima Onyonka, MP	-	Member
5. Sen. Shakila Abdalla Mohamed, MP	-	Member
6. Sen. Eddy Oketch Gicheru, MP	-	Member

ABSENT WITH APOLOGY.

1. Sen. (Dr.) Boni Khalwale, CBS, MP	-	Member
2. Sen. Joyce Chepkoech Korir, MP	-	Member
3. Sen. Tabitha Karanja Keroche, MGH MP	-	Member

SECRETARIAT.

1. Mr. Christopher Gitonga	-	Clerk Assistant
2. Ms. Beverlyne Chivadika	-	Clerk Assistant
3. Ms. Lucy Radoli	-	Legal Counsel
4. Mr. Josphat Motonu	-	Fiscal Analyst
5. Ms. Millicent Makina	-	Fiscal Analyst
6. Mr. Kiminza Kioko	-	Fiscal Analyst
7. Mr. Joash Ng'eno	-	Media Relations Officer
8. Mr. Godana Mamo	-	Serjeant-At-Arms
9. Mr. Elijah Ichwara	-	Audio Officer
10. Mr. Constant Wamayuyi	-	Research officer
11. Mr. Oliver Onyango	-	Intern

MIN/SEN/SCF&B/684/2024 **PRELIMINARIES**

The Chairperson called the meeting to order at 8:29 a.m. This was followed by a word of prayer and around of introduction.

MIN/SEN/SCF&B/685/2024 **ADPOTION OF THE AGENDA**

The agenda was adopted after being proposed by Sen. Mohamed Mwinyihaji Faki, CBS MP and seconded by Sen. Richard Momoima Onyonka, MP, as listed below-

1. Prayer;
2. Adoption of the agenda;
3. Confirmation of minutes of the 105th, 110th, 111th, 112th, 113th and 114th sittings;
4. Matters Arising from the Minutes
5. Consideration of Medium-Term Revenue Strategy (*Committee Paper No.84*)
6. Consideration of the County Governments Additional Allocations Cash Disbursement Schedule for FY 2023/24 (*Committee Paper No.85*)
7. Any Other Business; and
8. Adjournment and Date of the Next Meeting.

MIN/SEN/SCF&B/686/2024 **CONFIRMATION OF PREVIOUS MEETINGS.**

Confirmation of the Minutes of the 105th, 110th, 111th, 112th, 113th and 114th sittings were deferred to subsequent sitting.

MIN/SEN/SCF&B/687/2024. **CONSIDERATION OF MEDIUM-TERM REVENUE STRATEGY (COMMITTEE PAPER NO.84)**

The Committee considered Committee Paper No.84 on the Medium-Term Revenue Strategy and noted the content thereof as follows-

- a) The Medium-Term Revenue Strategy (MTRS) aim is to increase Kenya's revenue yield from the current 14.3% of the Gross Domestic Product (GDP) to at least 20% of the GDP, and compliance rate from 70% to 90% and increase the ratio of investment to GDP from 19.3% to 25.7% by 2026/27.
- b) The Tax Policy Measures highlighted in the MTRS include:
 - Lowering corporate income tax rate from 30% to 25%, reintroducing the minimum tax for companies experiencing tax losses, and phasing out preferential corporate tax rates for Special Economic Zones (SEZs) and Export Processing Zones (EPZs).

- Reassessment of non-resident withholding tax rates to match the corporate income tax rate or set them at 25%.
- A review of the PAYE graduated scale to expand tax bands and decrease the highest PAYE rate to 30%.
- The strategy proposes to scrutinize tax reliefs to eliminate counterproductive ones and reconsider the residential rental income tax rate to align it with the 30% corporate income tax rate.
- Value Added Tax (VAT)-in a bid to reduce the VAT gap, which is at 39.8%, there is a plan to review the VAT rate and threshold for registration.
- Excise Duty- there are plans to raise excise duties on alcoholic beverages, tobacco products, and non-alcoholic beverages and sugar confectionaries.
- The strategy proposes the introduction of the motor vehicle circulation tax, payable annually by vehicle owners upon obtaining insurance coverage, explore carbon tax and green fiscal incentives as well as focusing on the hard to tax areas such as informal sector, digital commerce, and agriculture.
- Full roll out of the electronic Tax Invoice Management System (eTIMS), mapping of rental properties and upscaling the utilization of iTax system would be prioritized.

Following deliberation, the Committee resolved to consider and adopt the report on the MTRS in the subsequent meeting.

MIN/SEN/SCF&B/688/2024 **CONSIDERATION** **OF** **COUNTY**
GOVERNMENTS **ADDITIONAL**
ALLOCATIONS **CASH** **DISBURSEMENT**
SCHEDULE FOR FY 2023/2024 (COMMITTEE
PAPER NO.85)

The Committee considered Committee Paper No. 85 and noted the content thereof regarding the County Governments Additional Allocations Cash Disbursement Schedule for Financial Year 2023/24.

The Committee noted that the County Governments Additional Allocations Cash Disbursement Schedules include disbursements of additional allocations of Kshs.162.8 million on transfer of Library services, Kshs.2.9 billion on mineral royalties, and Kshs.108.7 million on court fines. However, the said amounts were not contained in the FY 2023/24 Budget and should therefore be factored in the Supplementary Estimates II of FY 2023/24.

MIN/SEN/SCF&B/689/2024

**CONSIDERATION AND ADOPTION OF THE
REPORT ON THE COUNTY GOVERNMENTS
ADDITIONAL ALLOCATIONS CASH
DISBURSEMENT SCHEDULE FOR FY 2023/2024**

The Committee considered the report on the County Governments Additional Allocations Cash Disbursement Schedule for FY 2023/24. After deliberations, the Committee unanimously adopted the report having been proposed by Sen. Mohamed Mwinyihaji Faki, CBS MP, and seconded by Sen. Maureen Tabitha Mutinda, MP, with the following recommendations-

- a) That, the Senate approves the County Governments Additional Allocations Cash Disbursement Schedule as tabled on 19th March 2024.
- b) That, the National Treasury should adhere to the Cash Disbursement Schedule and prioritize transfers to the projects contained in the CGAA Act given that no amounts had been transferred since the beginning of the Financial Year 2023/24.
- c) That, the National Treasury should ensure the inclusion of the allocation for Library Services (Ksh.162.8 million), for mineral royalties (Ksh.2.9 billion) and for court fines (Ksh.108.6 million) in the Supplementary Estimates II of FY 2023/24 before submission to the Parliament.
- d) That, with regard to the allocation for the Financing Locally-Led Climate Action (FLLoCA) Program (County Climate Resilience Investment (CCRI) Grant), the National Treasury should expedite assessment of counties on the basis of the criteria in section 5(6)(l) of the County Government Additional Allocations Act, 2024 to ensure that the funds are disbursed in a timely manner.

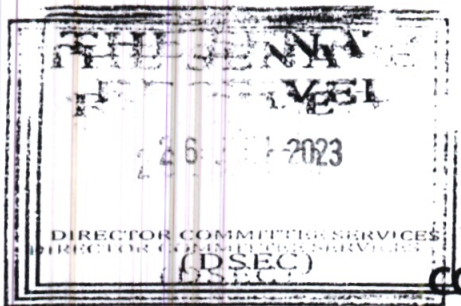
MIN/SEN/SCF&B/690/2024

**ADJOURNMENT AND THE DATE OF THE
NEXT MEETING**

There being no other business, the meeting was adjourned at 9:27 a.m. The next meeting will be held on Thursday, 21st March 2024.

SIGNATURE..... DATE.....

**SEN. (CAPT.) ALI IBRAHIM ROBA, EGH, MP
(CHAIRPERSON)**



26 JUN 2023

COUNCIL OF GOVERNORS

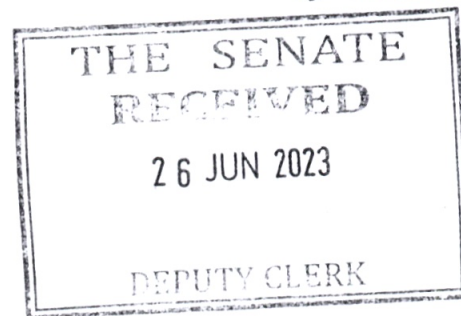
Westlands Delta House 2nd Floor, Waiyaki Way.
P.O. BOX 40401-00100,
Nairobi.

Tel: (020) 2403314, 2403313
E-mail: info@cog.go.ke

Our Ref: COG/8/5A Vol.10(29)

23rd June 2023

Mr. Jeremiah M. Nyegenye, CBS
Clerk of the Senate
The Senate of Kenya
Main Parliament Buildings
NAIROBI



Dear Mr. Nyegenye

REQUEST FOR A MEETING WITH THE SENATE STANDING COMMITTEE ON FINANCE AND BUDGET TO DISCUSS THE IMPLEMENTATION OF THE SUPPLEMENT FOR CONSTRUCTION OF COUNTY HEADQUARTERS

Greetings from the Council of Governors.

As you are aware, at the advent of devolution in Kenya, five (5) Counties did not inherit adequate offices to set up their headquarters. It was on this basis that the Senate approved a conditional grant from the National Government to supplement financing for construction of headquarters by the County Governments. However, ten (10) years down the line, the County Governments are yet to have Headquarters as most of the projects are stalled due to inefficiencies associated with the management of the grant. There is therefore an urgent need for the Senate and the County Governments to re-evaluate the management of the conditional grant to ensure that the projects are completed without further delay and that there is value for money.

The purpose of this letter is to request for a meeting with the Standing Committee on Finance and Budget at the earliest opportunity to discuss on the implementation of this grant and find a way forward on completion of the stalled projects.

We assure you of our highest esteem and consideration.

Yours sincerely,

Mary Mwit
Chief Executive Officer

Copy: **H.E Abdi Hassan**
Governor
Isiolo County

③ Lead Clerk
Finance Committee
Kindly deal
26/06/2023

① DSEC

Kindly deal.

② DSEC
Kindly deal
26/06/2023

Ep
26/06/23



H.E Issa Timamy, EGH
Governor
Lamu County

H.E Dr. Kiarie Badilisha
Governor
Nyandarua County

H.E Maj. (Rtd) Dr. Dhadho Godhana
Governor
Tana River County

H.E Hon. Muthomi Njuki, EGH
Governor
Tharaka Nithi County



COUNCIL OF GOVERNORS

**BRIEF ON THE SUPPLEMENT FOR CONSTRUCTION OF COUNTY HEADQUARTERS
CONDITIONAL GRANT TO ISIOLO, LAMU, THARAKA NITHI, NYANDARUA AND TANA RIVER
COUNTIES**

*Presented during a meeting with the Senate Standing Committee on Finance and Budget on
4th July 2023.*

Introduction

At the advent of devolution in Kenya in year 2013, five (5) Counties (Isiolo, Lamu, Nyandarua, Tana River and Tharaka Nithi) did not inherit adequate infrastructural facilities that could accommodate the new administration for their headquarters. It was on this basis that the Senate, in 2017, approved a conditional grant from the National Government to supplement financing for construction of headquarters by the County Governments. However, it has been observed that the construction of all the five (5) County Headquarters is behind schedule due to various unresolved issues.

Conditions for the grant

1. The original Cost of the projects amounted to **Ksh.2,785,058,202** with the National Government expected to contribute **Ksh.1,949,540,741**, equivalent to 70% of the construction cost and the Five County governments to contribute **Ksh.835,517,460** being an equivalent of 30% of the County headquarter construction costs.
2. Responsibilities of County Government Accounting Officer include: - to avail site for the construction of the executive office; liaise with the contractors for access to the requisite services such as roads, water, electricity etc., Honor payments to the contractor on time.
3. Responsibilities of National Government Accounting Officer include: - Provide project management services during implementation of the projects i.e supervising construction and issuing necessary guidance on the quality and scope of the works, raising payment certificates for payments for both National and County Governments, managing site inspections and meetings and preparation of the progress reports.

Allocations from the National Government's share of revenue.

The total allocation from the National government to the 5 Counties from the FY 2017/18 to FY 2022/23 amount to **Ksh.2.49 billion** as shown in table 1 below.

Table 1: Total allocations to the 5 Counties from the National Government from 2017/18 – 2022/23 FYs

S/No.	Financial Year	Amount Allocated (Kshs.)
1	2017/18	605,000,000
2	2018/19	605,000,000
3	2019/20	485,152,184
4	2020/21	300,000,000
5	2021/22	332,000,000
6	2022/23	163,000,000
Total		2,490,152,184

Source: DoRA 2018,2019,2020, 2021 and CGAAA 2022 (1&2)

The proposed allocation for the FY 2023/24 amounts to Ksh.454,000,000 as contained in the County Governments Additional Allocations Bill, 2023.

Status of Implementation of the Projects

The status of implementation of the projects to date is as shown in tables 2 & 3 below.

Table 2: Contract details

County	Commencement Date	Contract Period	Completion Date	Contract Sum
Isiolo	4 th March 2019	Original – 86weeks Revised - 120 weeks	Original – 30 th August 2021 Amended – 30 th August 2022	Original - Ksh.870,706,010.84 Revised - Ksh.556,905,702.88
Lamu	1st July 2018	24Months	Original - 1st September 2021	Ksh.126,823,550
Nyandarua	16th March 2017	Original – 224 weeks Revised - 302 weeks	Original - 30th June 2021 Revised - 30th December 2022	Original - Ksh.617,644,564.15 Revised – 449,097,569
Tana River	16th March 2020	75weeks	Original - 22nd September 2021	Ksh.495,268,750
Tharaka Nithi	27th July 2015	208 weeks	Original - 15th January 2021	Original - Ksh.366,823,802.56 Revised - Ksh.458,239,186.45

Table 3 : Status of financing of the projects as at June 2023

Project Name	Contract Sum (Kshs)	Amount Certified to date (Kshs)	Amount Paid by the NG (Kshs) – Dec, 22	Amount Paid by the CG (Kshs) – Dec 22	Outstanding Balances (Kshs)
County headquarters at Isiolo County	556,905,702.88	180,396,809.70	171,050,027.23	-	385,855,675.65
County headquarters at Kathwana, Tharaka Nithi County	458,239,186.45	297,236,217.46	193,380,503.28	103,855,714.18	161,002,968.99
County headquarters at Ol Kalau Nyandarua County	617,644,564.15	372,324,082.46	275,911,410.37	63,924,802.63	277,808,351.06
County headquarters at Tana River County	495,268,750.00	259,874,590.94	107,332,986.12	152,541,604.82	235,394,159.06
County Annex headquarters at Mokowe Lamu County	126,823,550.00	43,066,952.50	11,079,623.00	31,987,329.50	83,756,597.50

Challenges faced by Counties in the implementation of the Projects

- Continued delay in completing the projects has led to increased project costs.
- Delays in payments causing main contractors slow down on progress.
- Some works were omitted from the original contracts and as a result the original contract sums are not comprehensive.
- In some Counties the initial contract was terminated due to non – performance by the main contractor necessitating arbitration to stop termination of the contract which has led to further delays.

Requests to the Committee

1. The Senate to cause restructuring of the implementation/financing framework of the grant to give the Counties the overall responsibilities of project management, supervision of construction and payment of contractors thereof.
2. The Senate to ensure financial appraisal is undertaken to accommodate the omitted works among other emerging issues such as labour and material cost fluctuations and interest accrued because of delayed payments.
3. The Senate to ensure prioritization of the projects and allocation of adequate funds by National Government to ensure that they are completed within the next financial year.



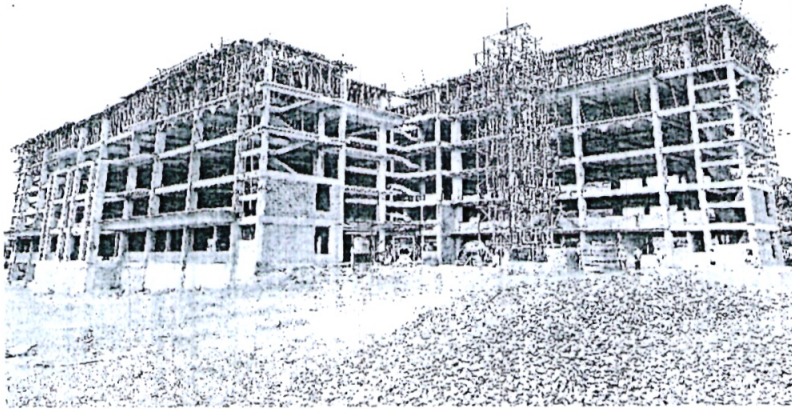
**MINISTRY OF LAND, PUBLIC WORKS, HOUSING
& URBAN DEVELOPMENT**
State Department for Public Works

**STATUS REPORT AND PROPOSALS ON THE WAY FORWARD FOR THE
FIVE (5) COUNTY HEADQUARTERS**

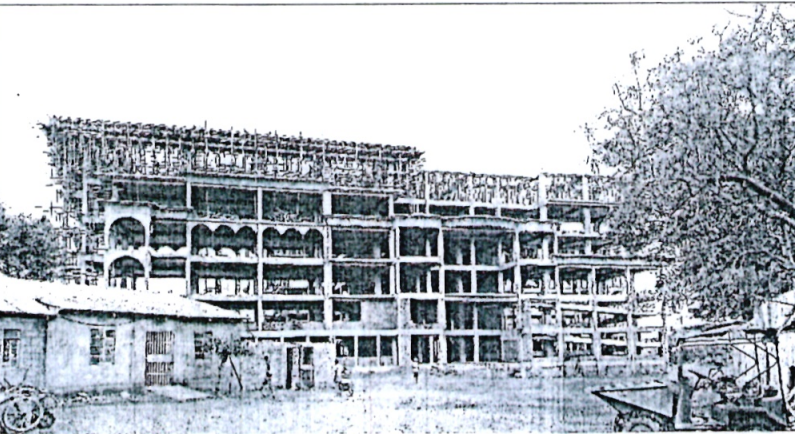
I. PROPOSED CONSTRUCTION OF ISIOLO COUNTY HEADQUARTERS

- (a) The project is co-financed by both the National Government and the County Government of Isiolo on a 70%:30% basis where the 70% is a conditional grant by the National Government to the County Government through the State Department for Public Works.
- (b) Procurement of the contractor was done by the County Government of Isiolo.
- (c) The contract data is as follows:
 - Contractor - M/s DWG International Construction
 - Contract Period - 86 weeks
 - Commencement Date - 4/03/2019
 - Tender Sum - Kshs. 870,706,010.84
 - Contract Sum - Kshs. 556,905,702.88
 - Initial Completion Date - 30/8/2021
 - Revised Completion date - 20/8/2022
 - Completion achieved - 50%
 - Payment certified to date - Kshs. 180,396,809.70
- (d) **Challenges to the Project**
 - The entire project was tendered at Kshs. 870,706,010.84 but had to be scaled down to fit within the budget limit set by the Commission of Revenue Allocation at Kshs. 500,000,000.00 per County headquarter. The contract was therefore awarded at Kshs. 556,905,702.88 after omitting some works.
 - The project has faced funding challenges which have resulted to delay in payments to the contractor hence leading to slowing down of the works.
 - There was a delay in determining the extent of the boundary of the site. This caused a delay in determination of the extent of the external works.
 - The contractor has had challenges of capacity to perform.

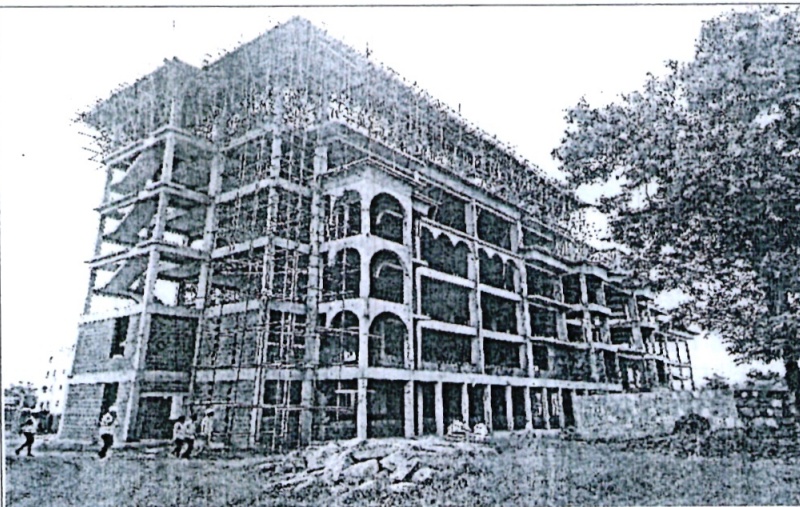
PROPOSED CONSTRUCTION OF ISIOLO COUNTY HEADQUARTERS AT ISIOLO TOWNSHIP



Rear perspective.



Front elevation



Side elevation perspective.



**MINISTRY OF LAND, PUBLIC WORKS, HOUSING
& URBAN DEVELOPMENT**
State Department for Public Works

**STATUS REPORT AND PROPOSALS ON THE WAY FORWARD FOR THE
FIVE (5) COUNTY HEADQUARTERS**

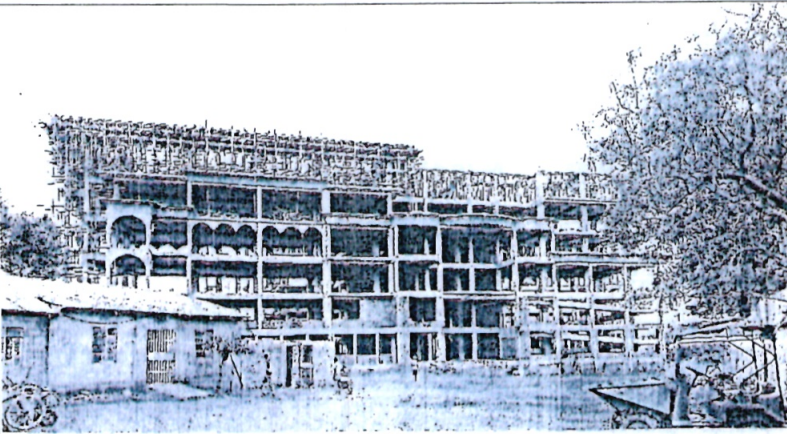
I. PROPOSED CONSTRUCTION OF ISIOLO COUNTY HEADQUARTERS

- (a) The project is co-financed by both the National Government and the County Government of Isiolo on a 70%:30% basis where the 70% is a conditional grant by the National Government to the County Government through the State Department for Public Works.
- (b) Procurement of the contractor was done by the County Government of Isiolo.
- (c) The contract data is as follows:
- | | |
|-----------------------------|--------------------------------------|
| • Contractor | - M/s DWG International Construction |
| • Contract Period | - 86 weeks |
| • Commencement Date | - 4/03/2019 |
| • Tender Sum | - Kshs. 870,706,010.84 |
| • Contract Sum | - Kshs. 556,905,702.88 |
| • Initial Completion Date | - 30/8/2021 |
| • Revised Completion date | - 20/8/2022 |
| • Completion achieved | - 50% |
| • Payment certified to date | - Kshs. 180,396,809.70 |
- (d) **Challenges to the Project**
- The entire project was tendered at Kshs. 870,706,010.84 but had to be scaled down to fit within the budget limit set by the Commission of Revenue Allocation at Kshs. 500,000,000.00 per County headquarter. The contract was therefore awarded at Kshs. 556,905,702.88 after omitting some works.
 - The project has faced funding challenges which have resulted to delay in payments to the contractor hence leading to slowing down of the works.
 - There was a delay in determining the extent of the boundary of the site. This caused a delay in determination of the extent of the external works.
 - The contractor has had challenges of capacity to perform.

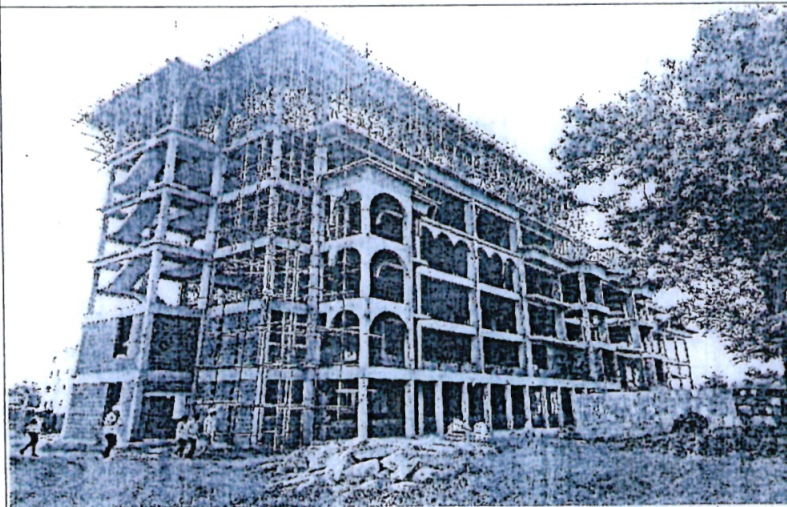
PROPOSED CONSTRUCTION OF ISIOLO COUNTY HEADQUARTERS AT ISIOLO TOWNSHIP



Rear perspective.



Front elevation



Side elevation perspective.

II. PROPOSED THARAKA NITHI COUNTY HEADQUARTERS

- (a) The project was initiated and the contractor procured by the County Government of Tharaka Nithi, who were also the project manager for the project.
- (b) The State Department for Public Works (SDPW) was brought in later as a co-financier through the conditional grant. The SDPW also took over the role of the project manager.
- (c) The contract data is as follows:
 - Contractor - M/s Terra Craft Ltd
 - Contract Period - 156 weeks
 - Commencement Date - 27/7/2015
 - Initial Completion Date - 27/6/2018
 - Revised Completion date - 31/12/2020
 - Contract Sum - Kshs. 366,823,802.56
 - Payment certified to date - Kshs. 297,236,217.46
 - Completion achieved - 82%

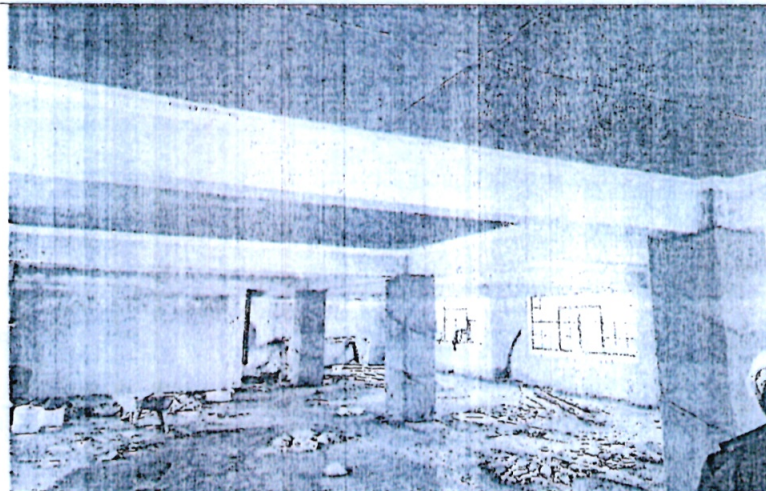
(d) Challenges to the Project

- Some variations were effected in the initial stages of the project by the County Government of Tharaka Nithi due to change in size of building in one wing by 7 metres and increase in the thickness of concrete slabs from 150 mm to 175 mm. This occasioned additional cost to the project.
- Delayed payments caused delays in implementation leading to prolonged contract period, hence subjected the project to price fluctuations, interest on delayed payments and extended preliminaries.
- The contractor had challenges of performance and was unable to continue with the works, even after all the certified payments had been honoured.
- After serving the contractor the requisite notices for non-performance without any improvement, the SDPW advised the client (the County Government of Tharaka Nithi) to terminate the contract but no action has been taken. The project has thus stalled.

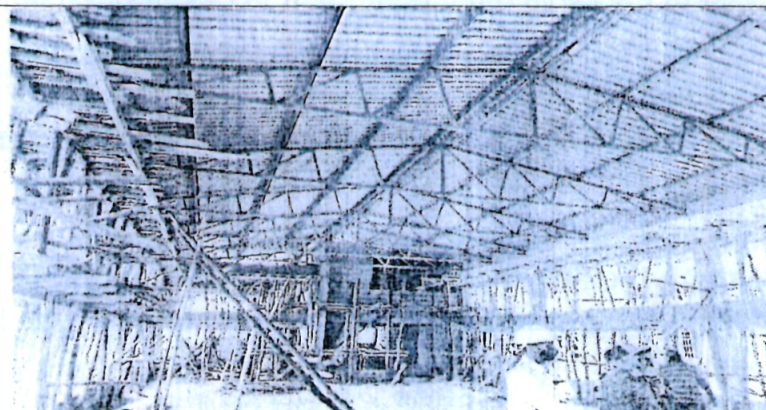
PROPOSED THARAKA NITHI COUNTY HEADQUARTERS AT KATHWANA



Front elevation – external render has been done 50%



Internal masonry wall and plastering ongoing



Multipurpose hall roofing ongoing

IV. PROPOSED CONSTRUCTION OF TANA RIVER COUNTY HEADQUARTERS

- (a) The project was initiated by the County Government of Tana River.
- (b) The procurement of the Contractor was done by the County Government of Tana River.

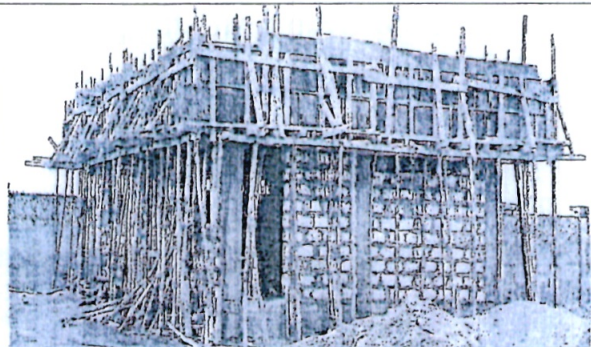
- (c) The contract data is as follows:

• Contractor	- M/s Daeco Construction Ltd.
• Commencement Date	- 19/6/2019
• Original Completion Date	- 27/6/2022
• Contract Sum	- Kshs. 495,268,750.00
• Completion achieved	- 60%

(d) Challenges to the Project

- There has been a challenge of funding that has resulted to delayed payments to the Contractor, leading to slow progress of the works. Sometimes payment certificates have had to be split into smaller amounts due to the little amounts being availed from exchequer.
- There was a change of the site after the contractor had mobilised and delivered materials. A claim for relocating the materials has been lodged by the contractor and is under consideration.
- Despite the challenges, the contractor is progressing with the works though with delays.

PROPOSED CONSTRUCTION OF TANA RIVER COUNTY HEADQUARTERS

	Front elevation
	Side elevation external plastering ongoing
	External public toilet/Ablution block ongoing
	External power house ongoing

V. PROPOSED CONSTRUCTION OF LAMU COUNTY HEADQUARTERS

(a) This project is in three (3) sites (components)

- i) Mukowe
- ii) Faza Island
- iii) Hindi Island

(i) Mukowe Site

The contract was awarded by the County Government of Lamu who did the procurement.

The contract data is as follows:

- | | |
|----------------------------|---------------------------|
| • Contractor | - M/s Craft Builders Ltd. |
| • Contract Period | - 24 months |
| • Commencement Date | - 1/7/2018 |
| • Contract Sum | - Kshs. 126,823,550.00 |
| • Original Completion Date | - 2/11/2021 |
| • Payments certified | - Kshs. 55,226,562.50 |
| • Completion achieved | - 60% |

Challenges to the Project

- Delay in payments due to delayed exchequer release
- Slow execution of the works by the contractor
- The County Government did not award the sub-contract for mechanical works even though the tender documents were forwarded to them.

(ii) Faza Island

The contract was awarded in January 2023

The contract data is as follows:

- | | |
|---------------------|------------------------|
| • Contractor | - M/s Superserve Ltd. |
| • Contract Sum | - Kshs. 195,219,070.00 |
| • Commencement Date | - 27/02/2023 |
| • Completion Date | - 27/02/2024 |

- Contract Period - 52 weeks
- Payments certified - Kshs. 9,588,788.46

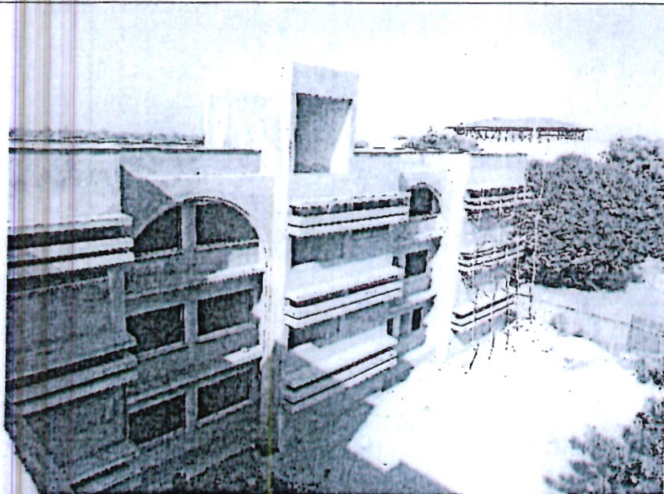
Challenges to the Project

- The County Government had initially declined to award the contract to the bidder. The bidder appealed to the Public Procurement Administrative Review Board (PPARB) and the award took long to be issued. Eventually it was awarded in January 2023 after 4½ years delay.

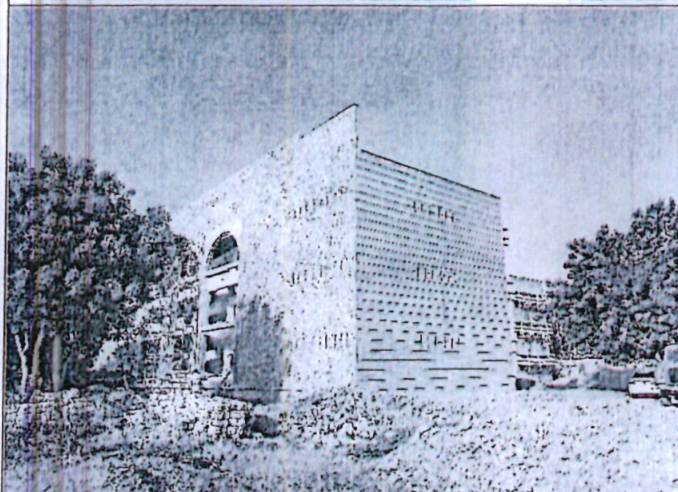
(iii) Hindi

Yet to be tendered

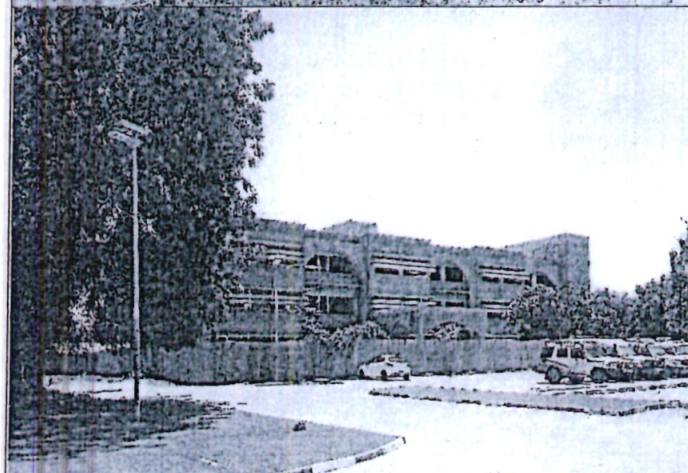
PROPOSED CONSTRUCTION OF LAMU COUNTY HEADQUARTERS ANNEX AT MOKOWE



- The RC frame structure is complete
- Natural stone i.e., coral walling external and internal is also complete
- Sun-shading element at advance stage
- Internal partition walling and Internal plaster is in progress

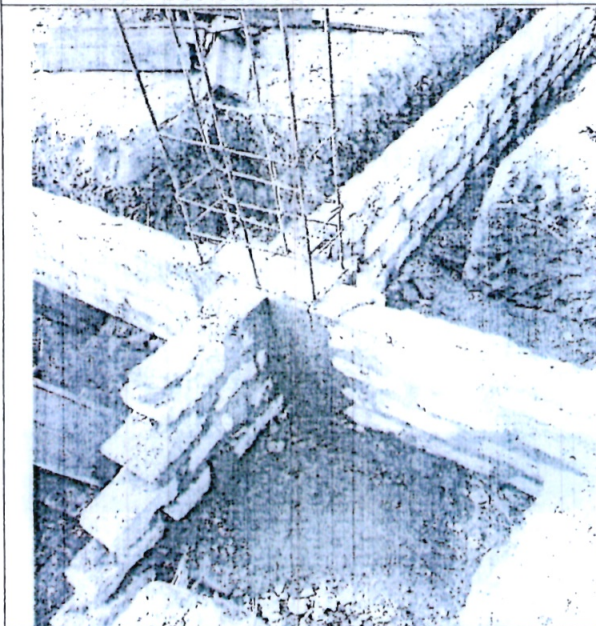


- Building Ablution block i.e., ladies, gents and 2 no. disabled toilets
- External wall cladding ongoing
- Mechanical works not awarded.

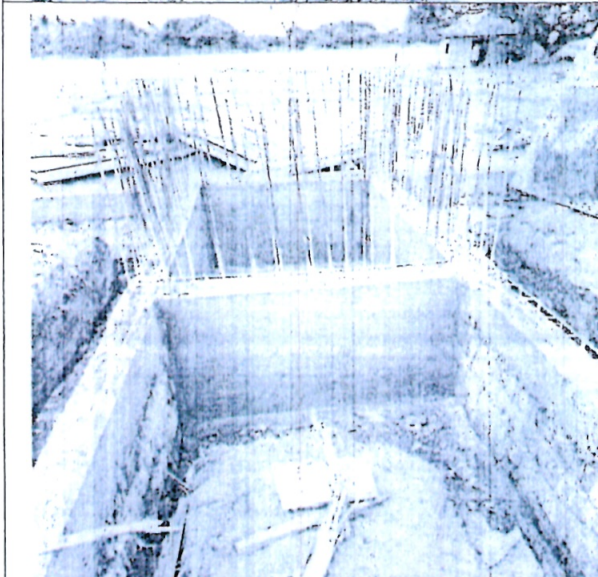


- Front entrance canopy/ vehicular drop off point.
- The new building will use existing cabro parking.

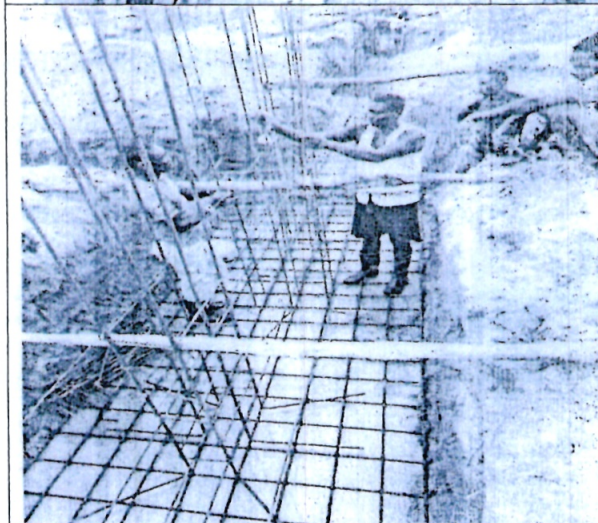
PROPOSED CONSTRUCTION OF LAMU SUB COUNTY HEADQUARTERS AT FAZA ISLAND



- Foundation works



- Foundation works



Column bases inspected.

VI. WAY FORWARD

- Reliable funding be secured to ensure timely honouring of contractors' payment certificates.
- The County Government of Lamu to urgently procure a mechanical sub-contractor for Mokowe site so that works are not delayed further.
- Conclusion of the termination of the contractor for Tharaka Nithi County Headquarters so that a new contractor may be procured.
- Conclusion of the procurement for the component of Lamu County Headquarters at Hindi Island so that the works may be executed.

JOEL P. L. ARUMONYANG
PRINCIPAL SECRETARY

ANNEX II: STATUS OF PAYMENTS TO COUNTIES AS AT 30TH JUNE 2023

ANNEX II: STATUS OF PAYMENTS TO COUNTIES AS AT 30TH JUNE 2023						
	Date	Certificate	Amount Certified	Payment by National Government	Payment by County Government	Total
1 Isiolo						
	30/06/2019	I.P.C. NO. 1	91,964,700.53	24,500,000.00	-	24,500,000.00
	15/11/2019			48,315,000.00	-	48,315,000.00
	31/12/2019			19,149,700.00	-	19,149,700.00
				91,964,700.00		
	26/09/2020	I.P.C. NO. 2	10,335,494.76	221,395.76	-	221,395.76
	26/09/2020			10,114,094.00	-	10,114,094.00
				10,335,489.76		
	28/01/2021	I.P.C. NO. 3	27,805,935.95	20,158,273.00	-	20,158,273.00
	28/01/2021			7,647,662.95	-	7,647,662.95
				27,805,935.95		
	31/11/2021	I.P.C. NO. 4	19,320,266.52	19,320,266.00	-	19,320,266.00
	21/06/2022	I.P.C. NO. 5	21,623,629.47	21,623,629.00	-	21,623,629.00
		I.P.C. NO. 6	9,346,782.47		9,346,782.47	9,346,782.47
	Total for Isiolo		180,396,809.70	171,050,020.71	9,346,782.47	180,396,803.18
2 Lamu						
	Mokowe					
		I.P.C. NO. 1	22,132,070.00	-	22,132,070.00	22,132,070.00
		I.P.C. NO. 2	9,855,260.00	-	9,855,260.00	9,855,260.00
	14/10/2021	I.P.C. NO. 3	11,079,622.50	11,079,622.50	-	11,079,622.50
	06/07/2023	I.P.C. NO. 4	12,159,610.00	12,159,610.00		12,159,610.00
	Faza					
	26/05/2023	I.P.C. NO. 1	9,588,788.00	9,588,788.00		9,588,788.00
	Total for Lamu		64,815,350.50	32,828,020.50	31,987,330.00	64,815,350.50
3 Nyandarua						
	High Point/ Solitaire					
	22/05/2017	I.P.C. NO. 1	20,007,294.23	20,007,294.23	-	20,007,294.23
	30/06/2017	I.P.C. NO. 2	8,374,686.92	8,374,686.92	-	8,374,686.92
	08/11/2017	I.P.C. NO. 3	26,599,579.22	13,612,498.93	-	13,612,498.93
	23/02/2018			12,987,080.09	-	12,987,080.09
				26,599,579.02		
	18/04/2018	I.P.C. NO. 4	2,689,618.80	2,689,618.80	-	2,689,618.80
	09/01/2019	I.P.C. NO. 5	13,078,306.27	13,078,306.27	-	13,078,306.27
	25/06/2018	I.P.C. NO. 6	30,873,640.11	30,873,640.00	-	30,873,640.00
	26/09/2020	I.P.C. NO. 7	63,895,197.73	24,000,000.00	-	24,000,000.00
	07/10/2021			15,895,197.70	-	15,895,197.70
				24,000,000.00		24,000,000.00
				63,895,197.70		
		I.P.C. NO. 8	19,339,944.32	-	19,339,944.32	19,339,944.32
		I.P.C. NO. 9	12,662,170.31		12,662,170.31	12,662,170.31
	03/11/2021	I.P.C. NO. 10	13,229,311.81	13,229,311.81	-	13,229,311.81
	21/10/2021	I.P.C. NO. 11	13,089,281.54	13,089,281.55	-	13,089,281.55
	21/10/2021	I.P.C. NO. 12	8,056,060.84	8,056,060.85	-	8,056,060.85
		I.P.C. NO. 13	31,922,687.94	-	31,922,687.94	31,922,687.94
	17/02/2022	I.P.C. NO. 14	21,258,242.31	21,258,242.31	-	21,258,242.31
		I.P.C. NO. 15	11,344,567.43	11,344,567.43		11,344,567.43
	11/05/2022	I.P.C. NO. 16	28,430,177.04	28,430,177.04	-	28,430,177.04
	08/02/2023	I.P.C. NO. 17	26,330,013.68	26,330,013.68	-	26,330,013.68
		I.P.C. NO. 18				-
	14/04/2023	I.P.C. NO. 19	21,143,301.96	2,919,980.00	-	2,919,980.00
				18,223,321.00	-	18,223,321.00
				21,143,301.00		
	GoodLuck					
		I.P.C. NO. 1	27,878,478.00		27,878,478.00	27,878,478.00
		I.P.C. NO. 2	11,883,000.00		11,883,000.00	11,883,000.00
					39,761,478.00	
	Total for Nyandarua		412,085,560.46	287,255,977.61	103,686,280.57	412,085,559.18

ANNEX II: STATUS OF PAYMENTS TO COUNTIES AS AT 30TH JUNE 2023

	Date	Certificate	Amount Certified	Payment by National Government	Payment by County Government	Total
4 Tana River						
	26/09/2020	I.P.C. NO. 1	58,368,850.98	25,000,000.00		25,000,000.00
	10/11/2020			25,000,000.00		25,000,000.00
	14/10/2021			8,368,850.00		8,368,850.00
				58,368,850.00		
		I.P.C. NO. 1A	49,526,875.00	-	49,526,875.00	49,526,875.00
		I.P.C. NO. 2	46,211,896.90	-	46,211,896.90	46,211,896.90
		I.P.C. NO. 3	56,802,834.80	-	56,802,834.80	56,802,834.80
	08/02/2022	I.P.C. NO. 4	34,341,412.15	29,131,150.00		29,131,150.00
	09/05/2022			5,210,262.05		5,210,262.05
				34,341,412.05		
	09/05/2022	I.P.C. NO. 5	14,622,722.99	11,289,736.85		11,289,736.85
	08/02/2023			3,332,986.00		3,332,986.00
	12/05/2023	I.P.C. NO. 6	11,300,648.00	11,300,648.00		11,300,648.00
	Total for Tana River		271,175,240.82	118,633,632.90	152,541,606.70	271,175,239.60
5 Tharaka Nithi						
		I.P.C. NO. 1	36,682,380.25	-	36,682,380.25	36,682,380.25
		I.P.C. NO. 2	8,000,000.00	-	8,000,000.00	8,000,000.00
		I.P.C. NO. 3	22,189,532.00	-	22,189,532.00	22,189,532.00
		I.P.C. NO. 4	36,983,801.92	-	36,983,801.92	36,983,801.92
	17/01/2017	I.P.C. NO. 5	24,593,617.39	24,593,617.39	-	24,593,617.39
	27/04/2017	I.P.C. NO. 6	29,024,762.54	29,024,762.54	-	29,024,762.54
	30/06/2017	I.P.C. NO. 7	11,658,723.70	11,658,723.70	-	11,658,723.70
	02/10/2017	I.P.C. NO. 8	21,778,840.67	17,505,585.57	-	17,505,585.57
				4,273,255.13	-	4,273,255.13
				21,778,840.70		
	27/02/2018	I.P.C. NO. 9	1,517,522.04	1,517,522.04	-	1,517,522.04
	20/03/2018	I.P.C. NO. 10	9,054,814.80	9,054,814.80	-	9,054,814.80
	23/10/2018	I.P.C. NO. 11	41,242,441.18	41,242,440.00	-	41,242,440.00
	27/12/2019	I.P.C. NO. 12	21,852,606.26	21,852,606.26	-	21,852,606.26
	26/09/2020	I.P.C. NO. 13	21,041,737.55	21,041,737.55	-	21,041,737.55
	05/10/2021	I.P.C. NO. 14	9,978,327.95	9,978,327.95	-	9,978,327.95
	25/11/2021	I.P.C. NO. 15	3,515,729.60	3,515,729.60	-	3,515,729.60
	Total for Tharaka Nithi		299,114,837.85	195,259,122.53	103,855,714.17	299,114,836.70
			1,227,587,799.33	805,026,774.25	401,417,713.91	1,227,587,789.16

**MINISTRY OF LANDS, PUBLIC WORKS, HOUSING &
URBAN DEVELOPMENT**
State Department for Public Works

County	Contract Sum	National Government			County Government			% paid by NG	% paid by CG
		70% Paid		Balance	30% Paid		Balance		
Nyandarua (Highpoint)	372,324,082								
Nyandarua (Good Luck)	449,097,569	574,995,156	287,255,977	287,739,179	246,426,495	103,686,280	142,740,215	35.0	12.6
Isiolo	556,905,702	389,833,991	171,050,020	218,783,971	167,071,711	9,346,782	157,724,929	30.7	1.7
Tana River	495,268,750	346,688,125	118,633,632	228,054,493	148,580,625	152,541,606	-3,960,981	24.0	30.8
Lamu (Mokowe)	126,823,550	225,429,834	32,828,020	192,601,814	96,612,786	31,987,329	64,625,457	10.2	9.9
Lamu (Faza)	195,219,070								
Tharaka Nithi	366,823,802	256,776,661	195,259,122	61,517,539	110,047,141	103,855,714	6,191,427	53.2	28.3
TOTAL	2,562,462,525	1,793,723,768	805,026,771	988,696,997	768,738,758	401,417,711	367,321,047	44.9	52.2

NB: The payments by the County Government are as follows:

Tana River, Lamu and Tharaka Nithi - payment certificates raised by the counties and paid by the respective counties and copies submitted to SDPW for records.

Nyandarua and Isiolo - payment certificates prepared by the SDPW and submitted to the respective counties to pay.

Allocation 2023/2024: Isiolo - 58,000,000; Lamu - 46,840,000; Nyandarua - 119,000,000; Tana River - 119,000,000; Tharaka - 101,160,000



State Department for Public Works and Council of Governors

CONSTRUCTION OF COUNTY HEADQUARTERS – ASSESSMENT REPORT

Following the deliberation from a consultation forum on the construction of County Headquarters held on 6th October 2023 and chaired by H.E the Deputy President, two teams, consisting of members from State Department for Public Works, County Headquarters and C.O.G representatives carried out a site inspection of the following County Headquarters.

<u>Team 1</u>	<u>Team 2</u>
• Tharaka Nithi	• Tana River
• Nyandarua	• Lamu Mokowe
• Isiolo	• Lamu Faza

The Agenda of the Site inspection was to;

1. To ascertain the status of implementation and the cost of pending works as per existing contract.
2. To estimate the Cost of remaining work based on the current market price.
3. To ascertain the status of payment made by both County and National government

The teams conducted the site inspections and prepared the report as below;

1. Tharaka Nithi County Headquarters at Kathwana. Works Item No:
TNCG/01/BDG/2014-2015

A. Project Data:

Description	Status
i. Employer	County Government of Tharaka Nithi
ii. Project Manager	Works Secretary, State Department for Public Works P.O. Box 30743-00100 Nairobi
iii. Main Contractor	M/S Terra Craft (K) ltd P.O Box 45001-00100 Nairobi
iv. Commencement Date	27 th July 2015
v. Contract Period	208 weeks
vi. Revised Completion date	18 th June 2022
xi. Contract Sum	KShs. 366,823,802.56

B. Status

- ✓ The main structural frame including the roof has been done.
- ✓ No significant work done in the last 2 years; SDPW advised the County to terminate the contract.

C. Recommendations

- ✓ To terminate the contract.
- ✓ Document for completion works and procure fresh contract.

D. Allocation for Construction of Tharaka Nithi County Headquarters:

FY	Printed estimates	Approved Estimates
2016/17	121,000,000	60,000,000
2017/18	115,600,000	88,900,000
2018/19	113,500,000	60,000,000
2019/20	96,630,000	21,852,606
2020/21	48,000,000	32,000,000
2021/22	76,000,000	38,000,000
2022/23	101,160,000	0
2023/24	101,000,000	Ongoing
Total	772,390,184	300,752,606

E. Amount paid by the State Department for Public Works

Cert No.	Date Paid	Amount
NO. 5	17/01/2017	24,593,617.39
NO. 6	27/04/2017	29,024,762.54
NO. 7	30/06/2017	11,658,723.70
NO. 8	02/10/2017	21,778,840.67
NO. 9	27/02/2018	1,517,522.04
NO. 10	20/03/2018	9,054,814.80
NO. 11	23/10/2018	41,242,441.18
NO. 12	27/12/2019	21,852,606.26
NO. 13	26/09/2020	21,041,737.55
NO. 14	05/10/2021	9,978,327.95
NO. 15	25/11/2021	3,515,729.60
Total		195,259,122.53

A. Amount paid by the county government

Cert No.	Date Paid	Amount
Cert. 1	12 th June 2015	36,682,380
Cert. 2	11 th Dec 2015	8,000,000
Cert. 3	13 th Jan 2016	22,189,532
Cert. 4	7 th Apr 2016	36,983,801
Total Amount		103,855,713

2A. Lamu County Headquarters at Mokowe. Works Item No: D103 CO/LAM/1702

A. Project Data

Description	Status
i. Employer	County Government of Lamu
ii. Project Manager	Works Secretary, State Department for Public Works P.O. Box 30743-00100 Nairobi
iii. Main Contractor	M/S M-Craft Builders P.O. Box 82247 -80100 Mombasa
iv. Commencement Date	1 st October 2019
v. Contract Period	52 Weeks
vi. Revised Completion date	2 nd November 2023
xi. Contract Sum	KShs. 126,823,550.00

B. Status

- ✓ The main structural frame including the roof has been done.
- ✓ No significant work done in the last 2 years; the contractor has requested for the winding up of the contract.

C. Recommendations

- ✓ The existing contract to be mutually wound up.
- ✓ Document for completion works and procure fresh contract.

D. Allocation for Construction of Lamu County Headquarters

FY	Printed estimates	Approved Estimates
2016-2017	121,000,000	37,500,000
2017-2018	108,500,000	0
2018-2019	115,000,000	24,400,000
2019-2020	96,630,000	0
2020-2021	50,000,000	0
2021-2022	38,000,000	11,079,630
2022-2023	22,000,000	21,748,398
2023-2024	46,840,000	Ongoing
TOTAL	597,970,000	94,728,028

E. Amount paid by the State Department for Public Works

Cert No.	Date Paid	Amount
Cert. 3	14/10/2021	11,079,622.50
Cert.4	06/07/2023	12,159,610.00
Total Amount		23,239,232.50

F. Amount paid by the Lamu county government

Cert No.	Date Paid	Amount
Cert. 1		
Cert. 2		
Total Amount		31,987,330

2B. Lamu Sub-County Headquarters at Faza. Works Item No: D103 CO/LAM/1702
Job No 10151A

A. Project data:

	Description	Status
i.	Employer	County Government of Lamu
ii.	Project Manager	Works Secretary, State Department for Public Works P.O. Box 30743-00100 Nairobi
iii.	Main Contractor	M/S Superserv Limited P.O. Box 8356-80100 Mombasa
iv.	Commencement Date	27 th February 2023
v.	Contract Period	52 weeks
vi.	Expected Completion date	27 th February 2024
xi.	Contract Sum	KShs. 195,219,070.00

B. Status

- ✓ The works commenced in February 2023 and progressing well. Scheduled completion date is February 2024.
- ✓ The electrical and mechanical services were not awarded.

C. Recommendations

- ✓ The contract supervision to continue as scheduled.
- ✓ Services sub-contractors to be procured, tender documents prepared by SDPW are ready.

G. Amount paid by the State Department for Public Works

Cert No.	Date Paid	Amount
Cert. 1	26/05/2023	9,588,788.46
Total Amount		9,588,788.46

D. Amount paid by the county government

Cert No.	Date Paid	Amount
Cert. 2		
Total Amount		35,365,894.23

3A. Nyandarua County Headquarters at Olkalou. Works Item No: D103 CE/NYA/1601
Job No.10121A (Initial Contract)

A. Project Data:

Description		Status
i.	Employer	County Government of Nyandarua
ii.	Project Manager	Works Secretary, State Department for Public Works P.O. Box 30743-00100 Nairobi
iii.	Main Contractor	M/s High Point Agencies. P.O. Box 8460-00200 Nairobi.
iv.	Commencement Date	16 th March 2017
v.	Contract Period	302 Weeks
vi.	Completion date	15 th February 2021
xi.	Contract Sum	KShs. 617,644,564.15

B. Status

- ✓ The initial contract was terminated by the Main contractor on the basis of delayed payments.
- ✓ The completion contract was awarded to M/s Goodluck Logistic Ltd P.O. Box 1782-00901 Kikuyu to complete the pending works.

C. Allocation for Construction of Nyandarua County Headquarters:

FY	Printed estimates	Approved Estimates
2016-2017	121,000,000	23,900,000
2017-2018	108,900,000	87,225,000
2018-2019	107,500,000	50,100,000
2019-2020	96,630,000	0
2020-2021	48,000,000	48,000,000
2021-2022	75,000,000	98,000,000
2022-2023	119,000,000	48,908,999
2023-2024	119,000,000	
TOTAL	795,030,000	356,133,999

D. Amount paid by the State Department for Public Works

Cert No.	Date Paid	Amount
NO. 1	22/05/2017	20,007,294.23
NO. 2	30/06/2017	8,374,686.92
NO. 3	08/11/2017	26,599,579.02
NO. 4	18/04/2018	2,689,618.80
NO. 5	09/01/2019	13,078,306.27
NO. 6	25/06/2018	30,873,640.00
NO. 7	26/09/2020	63,895,197.70
NO. 8		County

NO. 9		County
NO. 10	03/11/2021	13,229,311.81
NO. 11	21/10/2021	13,089,281.55
NO. 12	21/10/2021	8,056,060.85
NO. 13		County
NO. 14	17/02/2022	21,258,242.31
NO. 15		County
NO. 16	11/05/2022	28,430,177.04
NO. 17	08/02/2023	26,330,013.68
NO. 18		County
NO. 19	14/04/2023	21,143,301.00
TOTAL		308,399,278.61

E. Amount paid by the county government

Cert No.	Date Paid	Amount
Cert. 8		
Cert. 9		
Cert. 13		
Cert. 18		
Total Amount		63,924,802.00

3.B Nyandarua County Headquarters at Olkalou. Works Item No: D103 CE/NYA/1601
Job No.10121B- Completion Contract.

A. Project Data

Description	Status
i. Employer	County Government of Nyandarua
ii. Project Manager	Works Secretary, State Department for Public Works P.O. Box 30743-00100 Nairobi
iii. Main Contractor	M/s Goodluck Logistic Ltd P.O. Box 1782-00901 Kikuyu
iv. Commencement Date	9 th June 2023
v. Contract Period	102 Weeks
vi. Completion date	23 rd May 2025
xi. Contract Sum	KShs. 449,097,569.78

B. Status

- ✓ This is a completion contract which commenced in June 2023 with a contract period of two years.

C. Recommendations

- ✓ The contract supervision to continue as scheduled.

D. The State Department for Public works has a pending certificate amounting to Kshs.

9,486,706.00

F. Amount paid by the county government

Cert No.	Date Paid	Amount
Cert.		
Cert.		
Cert. 3		
Total Amount		39,761,478.00

G. The County has a pending certificate amounting to KShs. 29,912,979.00

4. Tana River County Headquarters at Hola. Works Item No: TNCG/01/BDG/2014-2015

A. Project Data

Description	Status
i. Employer	County Government of Tana River
ii. Project Manager	Works Secretary, State Department for Public Works P.O. Box 30743-00100 Nairobi
iii. Main Contractor	M/s Daeco Construction Limited P.O. Box 95810-80100 Mombasa
iv. Commencement Date	18 th June 2019
v. Contract Period	104 weeks
vi. Revised Completion date	16 th April 2024
xi. Contract Sum	KShs. 495,268,750.00

B. Status

- ✓ The project is ongoing – the structural frame has been completed.
- ✓ The Main Contractor to commence on finishing and window fixing.

C. Recommendations

- ✓ The contract implementation and supervision to continue as scheduled.

D. Allocation for Construction of Tana River County Headquarters:

FY	Printed estimates	Approved Estimates
2016/17	121,000,000	11,000,000
2017/18	108,500,000	0
2018/19	113,500,000	28,400,000
2019/20	96,630,000	0
2020/21	50,000,000	50,000,000
2021/22	75,000,000	54,000,000
2022/23	102,000,000	14,633,634
2023/24	119,000,000	Ongoing
Total	785,630,000	158,033,634

E. Amount paid by the State Department for Public Works

Cert No.	Date Paid	Amount
1st payment		
1A	26/09/2020	25,000,000.00
1B	10/11/2020	25,000,000.00
1C	14/10/2021	8,368,850.98
4th Payment	08/02/2022	34,341,412.15
5th Payment		
5A	09/05/2022	11,289,736.85
5B	08/02/2023	3,332,986.00
6th Payment	12/05/2023	11,300,648.62
7 th Payment	15/09/2023	11,721,298.50
Total amount		130,354,931.40

F. Amount paid by the county government

Cert No.	Date Paid	Amount
1st payment		
2nd Payment		
3rd Payment		
Total amount Certified to date		152,541,605.00

5. Isiolo County Headquarters at Isiolo Township. Works Item No:
D109/EN/ISL/1601- JOB NO 10153A

A. Project Data

Description	Status
i. Employer	County Government of Isiolo
ii. Project Manager	Works Secretary, State Department for Public Works P.O. Box 30743-00100 Nairobi
iii. Main Contractor	M/S Dwg International Construction Limited, P.O. Box 19109-00100, Nairobi.
iv. Commencement Date	4 th March 2019
v. Contract Period	120 Weeks
vi. Revised Completion date	31 st December 2024
xi. Contract Sum	KShs. 556,905,702.88

B. Status

- ✓ The project is ongoing – construction of the structural frame is in progress.
- ✓ The contractor is quite slow in execution of the works.

C. Recommendations

- ✓ Close supervision and monitoring to ensure the works are completed on schedule.

D. Allocation for Construction of County Headquarter:

FY	Printed estimates	Approved Estimates
2016-2017	121,000,000	9,900,000
2017-2018	108,900,000	-

2018-2019	115,000,000	24,500,000
2019-2020	96,630,000	86,515,901
2020-2021	96,000,000	56,000,000
2021-2022	68,000,000	49,500,000
2022-2023	100,000,000	0
2023/24	101,000,000	Ongoing
Total	772,390,184	300,752,606

E. Amount paid by the State Department for Public Works

Cert No.	Date Paid	Amount
1st payment		
1A	30/06/2019	24,500,000.00
1B	15/11/2019	48,315,000.00
1C	31/12/2019	19,149,700.53
2nd payment		
2A	26/09/2020	10,114,094.00
2B	26/09/2020	221,395.76
3rd Payment		
3A	28/01/2021	20,158,273.00
3B	28/01/2021	7,647,662.95
4th Payment	31/11/2021	19,320,266.52
5th Payment	21/06/2021	21,623,629.47
Total		171,050,022.23

F. Amount paid by the county government

Cert No.	Date Paid	Amount
Cert. 6		
Cert.		
Cert.		
Cert.		
Total Amount		157,158,506.62

**MINISTRY OF LANDS, PUBLIC WORKS, HOUSING &
URBAN DEVELOPMENT**
State Department for Public Works

A	B	C	D	E	F	G	J	K	H	I	L	M
County	Date commenced	Contract Sum	Amount paid	Balance (C-D)	Estimated outstanding cost to completion (E*factor of inflation)	Total project cost (D+F)	Allocation - NG & CG		Payments to date		Balance to pay	
							NG (G*0.7)	CG (G*0.3)	NG	CG	NG (J-H)	CG (J-I)
Nyandarua (original)	16/03/2017	372,324,082	412,085,560	409,336,091	429,802,896	841,888,456	589,321,919	252,566,537	308,399,278	103,686,280	280,922,641	148,880,257
Nyandarua (Completion)	09/06/2023	449,097,569										
Isiolo	04/03/2019	556,905,702	180,396,803	376,508,899	470,636,124	651,032,927	455,723,049	195,309,878	171,050,020	9,346,782	284,673,029	185,963,096
Tana River	16/03/2020	495,268,750	282,896,538	212,372,212	318,558,318	601,454,856	421,018,399	180,436,457	130,354,931	152,541,606	290,663,468	27,894,851
(Mokowe)	01/07/2012	126,823,550	100,181,244	221,861,376	332,792,064	432,973,308	303,081,316	129,891,992	32,828,020	67,353,224	270,253,296	62,538,768
Lamu (Faza)	27/02/2023	195,219,070										
Tharaka Nithi	27/07/2014	366,823,802	299,114,837	67,708,965	135,417,930	434,532,767	304,172,937	130,359,830	195,259,122	103,855,714	108,913,815	26,504,116
TOTAL		2,562,462,525	1,274,674,982	1,287,787,543	1,687,207,331	2,961,882,313	2,073,317,619	888,564,694	837,891,371	436,783,606	1,235,426,248	451,781,088



REPUBLIC OF KENYA
THE NATIONAL TREASURY AND ECONOMIC PLANNING

SUBMISSION BY NJUGUNA NDUNG'U, CBS, THE CABINET SECRETARY, NATIONAL TREASURY AND ECONOMIC PLANNING TO THE SENATE STANDING COMMITTEE OF FINANCE AND BUDGET ON IMPLEMENTATION OF THE PROJECTS FUNDED BY THE CONDITIONAL GRANT ON THE SUPPLEMENT FOR CONSTRUCTION OF COUNTY HEADQUARTERS

Hon. Chairperson and Hon. Members,

It is my pleasure and honor to be invited to this Honorable Committee to submit the views of the National Treasury on the above subject.

Hon. Chairperson,

We invite you to note the following:

The objective of this conditional allocation was to supplement financing for construction of the headquarters by the five County Governments namely, Isiolo, Lamu, Nyandarua, Tana river and Tharaka Nithi. These Counties did not inherit adequate offices that could accommodate the new administration for devolution in the year 2013. The National Government was expected to contribute an additional conditional allocation of **Ksh. 605 million** for three financial years from FY 2017/18 to FY 2019/20 (totaling **Ksh. 1,815,000,000**); with each County Government expected to get an allocation of Ksh. 121 million for each of the three financial years.

As per the initial design of the project, each County Government was to include in its budget estimates for FYs 2017/18, 2018/19 and 2019/20 a contribution totaling to Ksh.155.3 million being the equivalent of 30% contribution of the County Headquarter construction costs, spread over the above FYs. These estimates were to be considered for approval by the respective County Assemblies; and each County Government was to ensure that proceeds from the conditional allocation (including both the contribution from the National Government and from the county) is apportioned between construction costs for County Executive headquarters and County Assembly

headquarters in the ratio of 61% and 39%, respectively. This split was based on the approved costs per m² for constructing 7,000 m² of County Executive offices and 4,500 m² of County Assembly offices.

The projects were expected to have been completed in the FY 2019/20. However, the actual commencement delayed due to revision of the original project designs, subsequent revision of the contract sums and procurement challenges. The projects thus commenced in 2017 (except for Tharaka Nithi County which had started earlier in 2015), though construction at the individual sites commenced at different times. Consequently, they are still in the budget for the current Financial Year 2023/24 and 2024/25 financial year with a proposed allocation of Ksh. 454 million and Ksh.445 million respectively, as you may have noted under the proposed County Government Additional Allocations Bills for the two years.

Due to insufficient monitoring and evaluation reports on the project implementation, the National Treasury led a joint monitoring and evaluation mission and site visit comprising of officers from the National Treasury, State Department of Public Works and Council of Governors from 22nd to 26th March 2021 to establish the project status.

The objective of the exercise was to review the progress on implementation of the projects, identify and address the challenges that the projects were facing. The main finding of the team was that given the completion percentages and the periods left, all the projects were unlikely to be completed within the stipulated contract periods. The team also observed that even though the National Treasury had been allocating money to the State Department for Public Works for the projects since FY 2017/2018, the payment certificates for the projects had not been commensurate with the allocations owing to the slow pace of the implementation of the projects on one hand, and terminations and reinstatements of contracts on the other hand.

Chairperson,

The responsibilities of the County Government Accounting Officer were-

- i. to avail site for the construction of the executive office;
- ii. liaise with the contractors for access to the requisite services such as roads, water, electricity; and,
- iii. Honor payments to the contractor on time.

The responsibilities of the National Government Accounting Officer (Principal Secretary, State Department of Public Works) on the other hand were: -

- i. Provide project management services during implementation of the projects i.e. supervising construction and issuing necessary guidance on the quality and scope of the works;
- ii. raising payment certificates for payments for both National and County Governments;
- iii. managing site inspections and meetings; and,
- iv. preparation of the progress reports.

Hon. Chairperson,

The major challenges leading to non- completion of the projects were-

- i. Supervision, management and bureaucracies arising from the project implementation model and the financing framework
- ii. Inadequate capacity at the Counties
- iii. Prioritization of the project and failure to allocate adequate funds by some of the County Governments
- iv. Low absorption of the funds by counties which sometimes led to budget cuts
- v. Delays in payment causing the contractors to slow down the progress of the work- The contractor for Nyandarua terminated the contract due to delayed payment and a completion contract was procured further delaying the project.
- vi. Procurement challenges that led to slow implementation of the projects
- vii. Underperformance by contractors- Some of the contractors have been slow in execution of the works and thus delayed the completion.
- viii. Varying of the original contract sums
- ix. Changes of the initial documented site of the project requiring civil works to be redesigned and documented (Tana River County)
- x. Some of the projects are above the Kshs. 500 Million limit initially agreed
- xi. Escalating project costs due to long periods of implementation and delayed costs

Hon. Chairperson,

During a consultative meeting held on 6th October 2023 attended by all relevant parties and chaired by H.E the Deputy President at his official residence in Karen, the status of implementation of the projects was discussed with an objective to determine how to effectively and efficiently complete the projects within new timelines. The meeting agreed as follows-

- i. To constitute a team comprising of the State Department of Public works, Council of Governors and the respective counties to ascertain the status of implementation of the projects
- ii. To task the above team to establish the payments made so far by each party i.e. the five(5) County Governments and the State Department of Public Works against what ought to have been paid based on initial project costs (determine in proportionate terms how much has been paid by each of the two parties)
- iii. To establish the cost of the remaining/pending works based on the initial scope of the projects costed by the current market prices

The meeting agreed to fastrack the management and supervision aspects of the project and ensure timely completion of the project under a restructured financing model. It was also agreed that the initial scope of works be maintained(no variations were to be permitted).

The payment made so far by each party and the project status for each of the project is hereby attached as **ANNEX I** and **ANNEX II**.

Hon. Chairperson,

The proposed budgetary allocation under the County Government Additional Allocations Bill (CGAAB), 2023 and CGAAB, 2024 is Ksh. 454 million and Ksh.445 million respectively as earlier mentioned broken down per each county as follows-

Conditional Allocations to the Project for FY 2023/24 and FY 2024/25

<i>County</i>	<i>FY 2023/24</i> <i>Kshs. Mn</i> <i>(Proposed)</i>	<i>FY 2024/25</i> <i>Kshs. Mn</i> <i>(Proposed)</i>	<i>TOTAL</i>
<i>Isiolo</i>	60	60	120
<i>Lamu</i>	48.84	119	167.84

<i>Nyandarua</i>	121	119	240
<i>Tana River</i>	121	119	240
<i>Tharaka Nithi</i>	103.16	28	131.16
<i>TOTAL</i>	454	445	899

Hon. Chairperson,

The proposed financial framework is as follows-

1. During the current financial year 2023/24, the current payment arrangements will prevail with State Department for Public Works(SDPW) being the Project Manager and County Governments being employer. We recommend that County Governments engage SDPW to fast track the payments of certified certificates from the current voted funds for FY 2023/24 once approved.
2. Further, County Governments have now built sufficient capacities and competencies in project design, procurement, project contracting, implementation, supervision, and processing payments of project works. However, Counties can continue to draw the support of SDPW whenever they need.
3. To fast rack, the completion of the County Headquarters that have taken too long, we propose that the projects be implemented by the Counties as Conditional Grants under in the County Governments Additional Allocations Bill (CGAAB) for the financial year 2024/25. To this extent, County Governments will be required to open Special Purpose Accounts (SPA) at the Central Bank of Kenya (CBK).
4. For funds to flow to the SPAs, the SDPW shall write to the Principal Secretary, National Treasury to transfer funds from the Consolidated Fund to respective County Revenue Funds (CRFs). County Governments will then pay certified certificates from the SPAs. In these instructions, the SDPW will be expected to clearly specify that the recipient counties have met the conditions for the disbursements to be made by the National Treasury. The framework for the management of this conditional allocation will outline the conditions and the responsibilities of either parties.

Hon. Chairperson,

The National Treasury and Economic Planning recommends that the above recommendations be adopted by the Committee to enable an efficient and effective completion of the projects under the restructured financing model.

A handwritten signature in red ink, appearing to be 'Njuguna Ndung'u', written in a cursive style.

NJUGUNA NDUNG'U, CBS
THE CABINET SECRETARY

ANNEX I

Annex II

COUNTY	STATUS	RECOMMENDATIONS
Nyandarua	• The initial contract was terminated by the Main contractor on the basis of delayed payments. • The completion contract was awarded to M/s Goodluck Logistic Ltd to complete the pending works. • The completion contract commenced in June, 2023 with a contract period of two years and completion date of 23rd May, 2025. • The project is ongoing.	➤ The contract supervision is to continue as scheduled. ➤ The State Department for Public Works (SDPW) has a pending certificate amounting to Kshs. 9,486,706.00. ➤ The County has a pending certificate amounting to Kshs. 29,912,979.00. The payment process be fast tracked.

COUNTY	STATUS	RECOMMENDATIONS
Isiolo	• The project is ongoing – construction of the structural frame is in progress. • The contractor is quite slow in the execution of the project work.	➤ Close supervision and monitoring to ensure the works are completed on schedule as per the revised Completion date of 31st December 2024.
Tana River	• The project is ongoing and progressing well. So far, the structural frame has been completed, though the project is experiencing delays due to the current floods in the region associated with El-Nino rains. • The Main Contractor is to commence on finishing and window fixing.	➤ The contract implementation and supervision are to continue as schedule. ➤ The revised completion date is 16th April, 2024. ➤ The contractor has been requested to launch certificates for payment.
Lamu County Headquarters at Mokowe.	• The main structural frame including the roof has been done. • However, there has been no significant work done in the last two years; the contractor has requested the winding up of the contract.	➤ The existing contract to be mutually wound up, and the project be documented for completion works and procure fresh contract.
Lamu Sub-County	• The works commenced in February, 2023 and are progressing well.	➤ The contract supervision is to continue as scheduled.

COUNTY	STATUS	RECOMMENDATIONS
Headquarters at Faza	• The scheduled completion date is February, 2024, though it is clear the works cannot be completed by that date. • The contractor has been advised to apply for an extension of the contract period. • The electrical and mechanical services were not awarded.	➤ Services sub-contractors to be procured, tender documents have been prepared by SDPW and are ready for the County Governments to procure contractor-specialized works. ➤ It should be noted that the sub-county offices earlier proposed for Hindi were not contracted. ➤ The County Government has requested that the funds earmarked for Hindi be utilized to construct an annex block adjacent to the Mokowe project.
Tharaka Nithi	The main structural frame including the roof has been done. However, there has been no significant work done in the last two years; SDPW has advised the county to terminate the contract.	➤ County Government to terminate the contract immediately. ➤ In consultations with SDPW, document the project for completion works and procure a fresh contract.