SCANNED @ 29/08/22

Recommended & Forwarded for Tabling 07/08/19

REPUBLIC OF KENYA

HARAMBEE

PARLIAMENT

THE SENATE

TWELFTH PARLIAMENT

Approved 7/9/2018

REPORT OF THE STANDING COMMITTEE ON FINANCE AND BUDGET

ON

THE DIVISION OF REVENUE (NO. 2) BILL, (NATIONAL ASSEMBLY BILLS NO. 59 OF 2019)

PAPERS L	
DATE	07/08/2019
TABLED BY	Chairperson
COMMITTEE	Finance & Budget
CLERK AT THE TABLE	[illegible]

CLERK CHAMBERS

THE SENATE

PARLIAMENT OF KENYA

NAIROBI **AUGUST 2019**

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PREFACE

a) Mandate and Functions of the Committee

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

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

The Standing Committee on Finance and Budget is established pursuant to standing order 218(3) of the Senate *Standing Order and is mandated –*

a) To investigate, inquire into and report on all matters relating to coordination, control and monitoring of the county budgets and to examine –
  - *i) the Budget Policy Statement presented to the Senate;*
  - *ii) report on the Budget allocated to Constitutional Commissions and independent offices;*
  - *iii) the Division of Revenue Bill, County Allocation of Revenue Bill, and cash disbursement schedule for county governments.*
  - *iv) to consider all matters related to resolutions and Bills for appropriations, share of national revenue amongst the counties and all matters concerning the National Budget, including public finance and monetary policies and public debt, planning and development policy; and*

b) To 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.

b) Membership of the Committee

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

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

BACKGROUND AND EXECUTIVE SUMMARY

Article 218 of the Constitution provides for the submission of the Division of Revenue Bill and the County Allocation of Revenue Bill to Parliament, at least two months before the end of each financial year. Section 42 of the Public Finance Management Act, 2012 requires the bills be approved within 30 days after introduction.

The BPS is the precursor to the Division of Revenue Bill, since it sets the fiscal framework underpinning the sharing of revenue between the two levels of government. The adoption of the BPS Report paves way for the publication and subsequent introduction of the Division of Revenue Bill to the House. The Division of Revenue (No. 2) Bill, (National Assembly Bills No. 59 of 2019) was published on 16th July, 2019.

After approval by the National Assembly, the Division of Revenue (No. 2) Bill, (National Assembly Bills No. 59 of 2019), was submitted to the Senate and upon receipt the message was passed to the House.

The Bill provides for the equitable division of nationally raised revenue between the national and county levels of government as well as setting out specific resources to be provided to counties as conditional grants and loans, and the Equalization Fund. In addition, the bill provides for a mechanism for adjusting in case of variations due to revenue performance.

In addition, the Bill is accompanied by an explanatory memorandum as required in Article 218(2) of the Constitution. The memorandum sets out the explanation of revenue allocation as proposed by the Bill along with the evaluation of the Bill in relation to the criteria mentioned in Article 203(1) of the Constitution.

The enactment of the Division of Revenue Bill is critical in setting the stage for the preparation of the County Allocation of Revenue Bill, which will inform the preparation of respective county budget documents to facilitate fiscal clarity and planning in counties.

Committee's Recommendations

The Committee recommends that the Division of Revenue (No. 2) Bill, (National Assembly Bills No. 59 of 2019) be approved with amendments as follows-

a. Amending the Equitable Share to the County governments from Kshs 316,500,000,000 to Kshs 327,000,000,000.

Adjustments of the FY 2018/2019 county equitable share by prevailing core inflation rate of 4%

b. Amending the Conditional allocations (Loans &grants) on EU- Water Tower Protection and Climate Change Mitigation and Adaption Programme (WaTER) from Kshs 495,000,000 to Kshs 880,000,000

Acknowledgements

The Committee acknowledges the stakeholders who made insightful contributions and recommendations to the Bill. Further, the Committee thanks the Offices of the Speaker and Clerk of the Senate for the support extended to the Committee in execution of its mandate.

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

It is now my pleasant duty and privilege, on behalf of the Standing Committee on Finance and Budget, to present to the Senate, this Report of the Committee on the Division of Revenue (No. 2) Bill, (National Assembly Bills No. 59 of 2019).

SIGNED:

....

SEN. (ENG) MOHAMED M. MAHAMUD, CBS, M.P.

(CHAIRPERSON, STANDING COMMITTEE ON FINANCE AND BUDGET)

Date: 07/08/2019

Pursuant to standing order 213 (2) of the Senate Standing Orders, the Senate Standing Committee on Finance and Budget Committee adopted the report on Division of Revenue (No. 2) Bill, (National Assembly Bills No. 59 of 2019). The Members of the Committee hereby affix their signatures to this Report to affirm the support for the Report –

Sen. (Eng) Mohamed M. Mahamud, CBS, MP	-Chairperson	______________
Sen. (Dr) Isaac Mwaura, CBS, MP	-Vice Chairperson	______________
Sen. Wetang'ula Moses Masika, EGH, MP	- Member	______________
Sen. MutulaKilonzo Junior, MP	- Member	______________
Sen. Aaron Cheruiyot, MP	- Member	______________
Sen. (Dr.) Ali Abdullahi Ibrahim, CBS, MP	- Member	______________
Sen. (Dr) Rose Nyamunga, MP	- Member	______________
Sen. CPA Farhiya Haji, MP	- Member	______________
Sen. Boniface Mutinda Kabaka, MP	- Member	______________

Highlights of the Division of Revenue (No. 2) Bill, (National Assembly Bills No. 59 of 2019)

1. The 2010 Constitution established two levels of government that are distinct and interdependent. This set two levels of governance in relation to political representation at the lower level through County Assemblies and the national political representation through bicameral Parliament comprising of the National Assembly and the Senate. It also sets the financial devolution at the two levels of governments at the county level and national level.

2. Article 203 and 218 of the Constitution provides for equitable sharing of revenue raised nationally between the national and county governments. The Bill provides for the allocation for financial year 2019/20. It details the proposed sharable revenue, national government share of revenue, county equitable share of revenue, conditional grants and the Equalization fund.

3. The Budget Policy Statement (BPS) being a precursor to the Annual Division of Revenue Bill sets the fiscal framework in relation to equitable revenue sharing between the two levels of government.

4. The National Assembly approved the Division of Revenue (No. 2) Bill, (National Assembly Bills No. 59 of 2019) recommending an equitable share of revenue of Kshs 316.5 billion to the county governments and Kshs. 1,561.42 billion to the national government.

5. The Bill consists of the following;
    b. Total shareable revenue between the National Government and county governments for FY 2019/20 is projected at Ksh. 1.877 trillion of which:
        - The National Government share - Ksh. 1.561 trillion
        - Equitable Share- Ksh. 316.5 billion.
        - The Equalization Fund- Ksh. 5.76 Billion.

c. Conditional allocation- Ksh. 61.6 Billion of which:

- Additional conditional allocations from National Government Share of revenue)- Ksh. 13.911 Billion
- Allocation from the Fuel Levy Fund (15%)- Ksh. 8.984 Billion
- Allocations as loans and grants- Ksh. 38.704 Billion

6. The total allocation to the county governments for FY 2019/20 is Ksh. 378.1 Billion.

a) Conditional allocations (National Government Share of Revenue)

7. In accordance with Article 202(2) of the Constitution, the national government may allocate additional conditional allocations to the county governments from the national government share of revenue raised nationally, whose main object is intended to finance national strategic interventions to be implemented by the county governments. During the current FY 2019/20 the total additional conditional allocations from the revenue raised nationally, stands at Ksh. 22.9 billion. These conditional grants are transferred to county governments and included in the budgets of county governments to be approved by the respective county assemblies.

i) Level 5 Hospital (Kshs. 4,326 M): During the financial year 2019/20 the national government proposes to allocate Ksh. 4.3 billion. The objective of the conditional grant to level 5 hospitals is to sustain service delivery in designated Level 5 hospitals mainly former Provincial General Hospitals. This is to be achieved by targeting medical and surgical subspecialties, inter-county referral services and medical training.

ii) Supplement for Construction of County Headquarter (Kshs. 485 M): The grant was introduced as part of conditional grant during financial year 2016/17 whose purpose is to support construction of offices in five (5) County Governments which, in 2013/14, did not inherit adequate facilities from defunct Local

Authorities that could accommodate the new County Governments' administration both County Executive and the County Assemblies.

iii) ***Compensation for User Fees Forgone (Kshs. 900 M):*** This conditional grant was introduced during the financial year 2015/16 with the objective of compensating public dispensaries and health centers for lost revenue on abolishment of user fees. The grant has been set at Kshs. 900 million since its inception.

iv) ***Road Fuel Levy Fund (Kshs. 8,984 M):*** The main objective of the Road Maintenance Fuel Levy Fund is to maintain county roads. The allocation has grown over time from Kshs 3.4 billion in 2015/16 to the proposed Kshs 8.98 billion. The allocation to this conditional grant is based on collections from the Roads Maintenance Fuel Levy Fund at 15% of total projected collections. The allocation caters for the maintenance of public roads, including the former local authority unclassified roads.

v) ***Rehabilitation of Village Polytechnics (Kshs. 2,000 M):*** The conditional grant was introduced in FY 2017/18 with the initial allocation of Kshs 2.0 billion and has been maintained at the same amount for the subsequent years. The main objective of this targeted grant to the county governments is to improve access, quality, equity and relevance in Vocational Training, through rehabilitation of the village polytechnics.

vi) ***Leasing of Medical Equipment (Kshs. 6,200 M)*** The programme has been running since FY 2015/16 with initial allocation of Kshs 4.5 billion and grown to Kshs 9.4 billion in FY 2018/19 but has been scaled down to Kshs 6.2 billion in FY 2019/20. It aims at supporting provision of specialized medical services in public hospitals in an effort to improve access to specialized medical services for all Kenyans, especially those living in rural areas. The objective is to equip at least two medical facilities at each county and upscale the referral system at the county level thereby easing congestion at national referral hospitals and at the same time reduce distances in seeking medical health care.

b) Conditional Allocations (Loans and Grants)

8. These are conditional allocations from development partners that amount to Ksh. 38.704 Billion for FY 2019/20. The conditional allocations are disbursed through State Departments according to the respective financing agreements and in fulfilment of the set conditions. During the FY 2019/20, the following additional conditional allocations will be channeled to counties;

   i) **Kenya Devolution Support Program (KDSP) County Capacity Building ("level 1") Grant of Ksh. 1.410 billion.** This is the third year of its implementation and is a conditional grant financed by a World Bank credit to support county governments' capacity building. This grant has been reduced from an allocation of Ksh. 2.3 billion in FY 2018/19 to Ksh. 1.4 billion in FY 2019/20.

   ii) **Kenya Devolution Support Program (KDSP) Performance ("level 2") Grant amounting to Ksh. 4.890 billion.** KDSP "Level 2", financed by a World Bank credit, is a performance grant which will be utilized by beneficiary counties toward physical investments articulated in their respective County Integrated Development Plans (CIDPs). As such, this grant is intended to incentivize county governments that achieve good results in the PFM Reforms.

   Performance is to be assessed by an independent firm to be recruited through a competitive process. The budget allocation for this grant, which is in its third year of implementation, has increased from Ksh. 4 billion in financial 2018/19 to Ksh. 4.9 billion in financial year 2019/20 to cater for increased number of counties who will have met the performance score after independent assessment.

iii) **Transforming Health Systems for Universal Care Project conditional allocation of Ksh. 2.994 billion (World Bank credit)-** This conditional allocation through the Ministry of Health is meant for continued improvement in delivery, utilization and quality of primary health care services with focus on reproductive, maternal, new-born, child and adolescent health (RMNCAH) at the county level. This additional conditional allocation has reduced to Ksh. 2.99 billion in the financial year 2019/20 from Ksh. 3.6 billion in FY 2018/19 in accordance with the financing agreement between the donor and the National Government.

iv) **DANIDA Grant (Universal Healthcare in Devolved System Program) Kshs 986.583 million:** The purpose of the grant is improvement of access to quality of primary health care and reproductive, maternal, newborn, child and adolescent health (RMNCAH) services at the county level. It is implemented through Ministry of Health who are responsible for ensuring funds are included in the budget estimates of the ministry for the FY 2019/20 and submission of quarterly and annual financial and performance reports to the National Treasury and separate copies to each county government.

v) **National Agricultural and Rural Inclusive Growth Project (NARIGP) of Ksh. 7.232 billion (World Bank credit): -** This additional conditional allocation, which in FY 2018/19 amounted to Ksh. 1.05 billion is expected to increase to Ksh. 7.2 billion in FY 2019/20. This conditional allocation is meant to compliment efforts by counties to increase agricultural productivity and profitability of targeted rural communities in selected counties, and to provide immediate and effective response in case of crisis or emergency.

vi) **EU-Instruments for Devolution Advice and Support (IDEAS) grant of Ksh. 492.698 million:** This grant, which is in its third year of implementation, is expected to decrease from Ksh 1.04 billion in FY 2018/19 to Ksh. 492.7 million in FY 2019/20. The allocation is meant for disbursement of the 2nd tranche of the grant to facilitate implementation of projects identified in financial year 2018/19 for the achievement of Local Economic Development (LED) in the county respective contracts.

vii) **IDA (World Bank) - Kenya Climate Smart Agriculture Project (KCSAP) - Kshs 3.643 billion:** This conditional grant to the counties is implemented through the State Department of Agriculture. Purpose of the grant is to increase agricultural productivity and build resilience to climate change risks in targeted smallholder farming and pastoral communities.

viii) **Kenya Urban Support Program (KUSP) - Urban Development Grant (UDG) additional conditional allocation of Ksh. 11.464 billion:** - The objective of this additional conditional allocation is to establish and strengthen urban institutions to deliver improved infrastructure and services in participating counties in Kenya. It is in its second year of implementation and is meant to ensure provision of capacity building and institutional support to 47 counties. However, direct financial support will be provided to 45 counties other than the city counties of Nairobi and Mombasa, and to 59 potentially eligible urban areas within those counties.

ix) **Kenya Urban Support Project (KUSP) - Urban Infrastructure Grant Allocation (UIG) - Ksh. 396.000 million** – The main purpose of this programme is to provide support to participating County Governments for the formulation of urban development plans including the establishment and operation of urban institutional arrangements such as charters, boards, administrations and operation of Urban Institutional arrangements and for the initial preparation of urban infrastructure investments. This grant has decreased from an allocation of Ksh. 1.854 billion in FY 2018/19 to Ksh. 396 million in FY 2019/20 because the allocation in FY 2018/19 included a balance of Ksh. 927 million carried forward from the FY 2017/18.

x) **IDA – Water and Sanitation Development Project (WSDP) World Bank Credit of Ksh. 3.50 billion:** The Project Development Objective (PDO) of this program, financed by this additional conditional allocation, is to improve water supply and sanitation services in six select counties located in the coastal and north eastern regions of Kenya. This will be achieved by investing in water supply and sanitation infrastructure in urban centers in these counties. This additional conditional allocation, which has been reduced slightly from Ksh. 3.8 billion in FY 2018/19 to Ksh. 3.5 billion in FY 2019/20, is meant to facilitate continued implementation of the projects started in 2018/19.

xi) **Sweden Agricultural Sector Development Support Programme (ASDSP) II-Ksh. 849.626 million:** The ASDSP II, which is in its second year of implementation, is part of the implementation strategy of the Agricultural Policy (AP) for the national and county governments. In line with the AP, the overall goal of ASDSP II is to contribute to "transformation of crop, livestock and fishery production into commercially oriented enterprises that ensure sustainable food and nutrition security". The Programme Purpose is "to Develop Sustainable Priority Value Chains (PVCs) for improved income, food and nutrition security", which will contribute to achievement of the "BIG FOUR" agenda of the Government.

xii) **EU- Water Tower Protection and Climate Change Mitigation and Adaptation Programme (WaTER) - Ksh. 495.000 million**: -The purpose of this additional allocation, which is in its second year of implementation, is to facilitate the implementation of the national climate change action plan and the master plan for the conservation of water catchment areas of Cherangany Hills and Mount Elgon and includes Lake Victoria and Turkana basins. It is also addressing a number of cross-cutting issues like climate change, gender equality, good governance and human rights.

xiii) **Drought Resilience Programme in Northern Kenya (DRPNK) - Ksh. 350.000 million-** This is a new programme financed by proceeds of a loan and grant from the German Development Bank for Turkana and Marsabit counties. The programme objective is defined as follows: "to ensure that Drought resilience and climate change adaptive capacities of the pastoral and agro□ pastoral production systems and livelihoods in selected areas of Turkana and Marsabit County are strengthened on a sustainable basis by expanding and rehabilitating relevant infrastructure." The expected projects outputs are to ensure: - access to water is improved for humans and livestock; fodder basis is improved; access to market infrastructure is improved; and rural transportation is improved in the two counties.

Committee Observations

9. The Committee made the following observations-
   a) The bill proposed an increment of Kshs 2.5 billion from previous Financial Year (2018/2019) county equitable share allocation. The proposed growth (0.796%) for allocation to county equitable share does not take into consideration the effects of the inflation on service delivery.
   b) The Committee noted the Communication from the National Treasury, Ref. No. ZZ 81/014/TY II(5), which indicated that additional funding of Kshs 385,000,000 meant for Conditional Allocations (proceeds from loans &grants) on Water Tower Protection and Climate Change Mitigation and Adaptation Programme (WaTER) had been received.

      The Committee acceded to the request of the National Treasury that the Bill be amended by replacing Kshs 495 million with Kshs 880 million allocated to the Conditional Allocations (proceeds from loans &grants) on Water Tower Protection and Climate Change Mitigation and Adaptation Programme (WaTER).

Committee Recommendations

10. The Committee recommends that the House approves the Division of Revenue (No. 2) Bill, (National Assembly Bills No. 59 of 2019) with amendments as follows-

   a. Amending the Equitable Share to the County governments from Kshs 316,500,000,000 to Kshs 327,000,000,000.

   Adjustments of the FY 2018/2019 county equitable share by prevailing core inflation rate of 4%

   b. Amending the Conditional allocations (Loans &grants) on EU- Water Tower Protection and Climate Change Mitigation and Adaption Programme (WaTER) from Kshs 495,000,000 to Kshs 880,000,000.

Following the proposed amendments, the new schedule referred in Clause 4 will be as follows-

Type/level of allocation	**Amount in Ksh.**	**Percentage (%) of 2014/15 audited and approved Revenue i.e. Ksh.1,038,035 Millions**
A. National Government*	**1,544,416,497,191**	
Of which:		
1. Leasing Of Medical Equipment	6,200,000,000	
2. Compensation For User Fees Forgone	900,000,000	
3. Level 5 Hospitals	4,326,000,000	
4. Supplement For Construction Of County Headquarters	485,152,184	
5. Rehabilitation of Youth Polytechnics	2,000,000,000	
B. Equalization Fund	**5,760,000,000**	0.60%
C. County Equitable Share	**327,000,000,000**	31.5%
D. Total Shareable Revenue	**1,877,176,497,191**	
Memo items		
1. County Equitable Share	**327,000,000,000**	
2. Additional conditional allocations(National Government share of Revenue) of which;	**13,911,152,184**	
2.1. Leasing Of Medical Equipment		

	6,200,000,000	
2.2 Compensation For User Fees Forgone	900,000,000	
2.3 Level 5 Hospitals	4,326,000,000	
2.4 Supplement For Construction Of County Headquarters	485,152,184	
2.5 Rehabilitation of Youth Polytechnics	2,000,000,000	
3. Allocation from Fuel Levy Fund (15%)	**8,984,062,500**	
4. Conditional allocations (Loans & grants) of which:	**39,089,877,210**	
4.1 IDA-Kenya Devolution Support Program (KDSP) Level 1	1,410,000,000	
4.2 IDA-Kenya Devolution Support Program (KDSP) (Level 2 Grant)	4,890,000,000	
4.3 IDA-Transforming Health Systems for Universal Care Project	2,994,247,736	
4.4 DANIDA-Universal Healthcare For Devolved System Program	986,583,544	
4.5 IDA-National Agriculture & Rural Inclusive Growth Project (NARIGP)	7,232,719,940	
4.6 EU-Instruments for Devolution Advice and Support (IDEAS)	492,698,583	
4.7 IDA (World Bank) - Kenya Climate Smart Agriculture Project (KCSAP)	3,643,298,670	
4.8 World Bank- Kenya Urban Support Program(KUSP)- UDG	11,464,702,500	
4.9 World Bank- Kenya Urban Support Program(KUSP)- UIG	396,000,000	
4.10 IDA- Water and Sanitation Development Project (WSDP)	3,500,000,000	
4.1 1 Sweden Agriculture Sector Development Programme II (ASDP II)	849,626,237	
4.12 EU- Water Tower Protection and Climate Change Mitigation and Adaptation Programme (WaTER)	880,000,000	
4.13 Drought Resilience Programme in Northern Kenya	350,000,000	
Total County Allocations= (1+2+3+4)	**388,985,091,894**	

13 JUN 2019

REPUBLIC OF KENYA

THE NATIONAL TREASURY AND MINISTRY OF PLANNING

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When replying please quote

P O Box 30007
NAIROBI
KENYA

Ref No. ZZ 81/014/TY II (5)

10th June, 2019

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

RECEIVED
13 JUN 2019
CLERK'S OFFICE

URGENT

DLS
(1) Dlom
Kindly urgently bring to the attention of the Committee.

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

Dear Mr. Nyegenye

RE: AMENDMENTS TO DIVISION OF REVENUE BILL, 2019 AND COUNTY ALLOCATION OF REVENUE BILL, 2019 TO INCLUDE ADDITIONAL CONDITIONAL ALLOCATIONS TO COUNTY GOVERNMENTS

13/06/19
(2) PCA - F & Budget
For attention of the Committee
13/06/19

This is to draw your attention to the above subject matter

As you are aware, the National Treasury submitted the Division of Revenue Bill, 2019 and the County Allocation of Revenue Bill, 2018 by 15th February 2019 pursuant to Section 191 (1) and 25 (2) of the Public Finance Management Act, 2012. These Bills contained additional conditional allocations to county governments to be financed from proceeds of loans and grants received by then from the respective implementing Ministries, State Departments and Agencies (MDAs).

However, we have since then received the below additional funding request of Kshs.385 million for Water Tower Protection and Climate Change Mitigation and Adaptation Programme (WaTER) additional conditional allocations to county governments which had been allocated Kshs.495 million in proposed Division of Revenue Bill, 2019 and County Allocation of Revenue Bill, 2019;

Conditional allocations	*Implementing MDAs*	*Funding source*	*Agreement signed*	*Requested additional Amount for FY 2019/20 (Kshs.)*	*Beneficiary counties*
Water Tower Protection and Climate Change Mitigation and Adaptation Programme (WaTER)	*Ministry of Environment and Forestry*	*European Union*	*2014*	*385,000,000**	*11*

*This amount of Kshs.385 million was omitted from draft DoRB, 2019 and CARB, 2019 but it's contained in the MDAs Vote for FY 2019/20 draft estimates making total allocation to the programme Kshs.880 million and not the Kshs.495 million contained in the bills.

In this regard, and in order to ensure that a total of Kshs.880 million for the above progarmme reach the beneficiary county governments in the financial year 2019/20, we wish to propose an amendment to the Division of Revenue Bill, 2019 and County Allocation of Revenue Bill, 2019, as follows:

1. That the Division of Revenue Bill, 2019 be amended by replacing the Schedule (i.e. s. 4) with the new Schedule attached herein.

   Rationale

   To align the Schedule with the proposed amendment above by increasing the allocation to WaTER programme, in the Schedule from Kshs.495 million to Kshs.880 million.

2. That the County Allocation of Revenue Bill, 2019 be amended by replacing the Third Schedule (i.e. s. 5 (2)) with the new Third Schedule attached herein.

   Rationale

   To align the Third Schedule with the proposed amendment above.

3. That the County Allocation of Revenue Bill, 2019 be amended in the Appendix (Explanatory Memorandum) by replacing it with the new Explanatory Memorandum to the County Allocation of Revenue Bill, 2019 attached as Appendix 1.

   Rationale

   To provide for the additional funding of the grant within the explanatory memorandum.

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

Yours Sincerely

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

Encls.

MINUTES OF THE 97TH MEETING OF THE SENATE STANDING COMMITTEE ON FINANCE AND BUDGET HELD ON THURSDAY, 1ST AUGUST, 2019 AT COUNTY HALL, GROUND FLOOR BOARDROOM, PARLIAMENT BUILDINGS AT 10:00 AM.

PRESENT

1. Sen. (Eng) Mohamed M. Mahamud, CBS, MP - Chairperson
2. Sen. (Dr) Isaac Mwaura, CBS, MP - Vice Chairperson
3. Sen. (Dr) Ali Abdullahi Ibrahim, CBS, MP - Member
4. Sen. Boniface Mutinda Kabaka, MP - Member
5. Sen. CPA Farhiya Haji, MP - Member

ABSENT WITH APOLOGY

1. Sen. Aaron Cheruiyot, MP - Member
2. Sen. Mutula Kilonzo Junior, MP - Member
3. Sen. Moses Wetangula, MP - Member
4. Sen. (Dr) Rose Nyamunga, MP - Member

IN-ATTENDANCE SENATE SECRETARIAT

1. Ms. Emmy Chepkwony - Principal Clerk
2. Mr. Christopher Gitonga - Clerk Assistant
3. Mr. Elly Atamba - Research Officer
4. Ms. Joyce Chelangat - Audio Officer

MIN. NO. 475/08/2019: PRELIMINARIES

The Chairperson called the meeting to order at 10.20 am and there followed a word of prayer.

MIN.NO. 476/08/2019: ADOPTION OF THE AGENDA

The agenda of the meeting was adopted after it was proposed by Sen. CPA Farhiya Haji, MP and seconded by Sen. (Dr) Isaac Mwaura, MP.

MIN.NO. 477/08/2019: CONSIDERATION OF THE DIVISION OF REVENUE (NO. 2) BILL, (NATIONAL ASSEMBLY BILLS NO. 59 OF 2019)

The Committee considered the Bill and observed as follows-

a) The bill proposed an increment of Kshs 2.5 billion from previous Financial Year (2018/2019) county equitable share allocation. This proposed allocation to county equitable share does not take into consideration the effects of the inflation on service delivery.

b) The Committee noted the communication from the National Treasury, Ref. No. ZZ 81/014/TY II(5), which indicated that additional funding of Kshs 385,000,000 meant for Conditional Allocations (proceeds from loans &grants) on Water Tower Protection and Climate Change Mitigation and Adaptation Programme (WaTER) had been received.

The Committee acceded to the request of the National Treasury that the Bill be amended by replacing Kshs 495 million with Kshs 880 million allocated to the Conditional Allocations (proceeds from loans &grants) on Water Tower Protection and Climate Change Mitigation and Adaptation Programme (WaTER).

The Committee resolved to propose the following amendments to the bill-

a. Amending the Equitable Share to the county governments from Kshs 316,500,000,000 to Kshs 327,000,000,000.

Adjustments of the FY 2018/2019 county equitable share allocation by prevailing core inflation rate of 4%

b. Amending the conditional allocations (Loans &grants) on EU- Water Tower Protection and Climate Change Mitigation and Adaption Programme (WaTER) from Kshs 495,000,000 to Kshs 880,000,000.

MIN.NO. 478/08/2019: CONSIDERATION AND ADOPTION OF THE REPORT ON THE DIVISION OF REVENUE (NO. 2) BILL, (NATIONAL ASSEMBLY BILLS NO. 59 OF 2019).

The Committee considered and unanimously adopted its report on the Division of Revenue (No. 2) Bill, (National Assembly Bills No. 59 of 2019).

MIN.NO. 479/08/2019: ANY OTHER BUSINESS AND ADJOURNMENT

There being no other business the Chairperson adjourned the meeting at 11:10 am.

SIGNATURE...

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

DATE..................................07/08/2019.....................................