

REPUBLIC OF KENYA



Hon Speaker

Recommended for your
approval for tabling.

25/09/19

PARLIAMENT

THE SENATE

TWELFTH PARLIAMENT

Approved
25/9/2019

REPORT OF THE STANDING COMMITTEE ON FINANCE AND BUDGET

ON

ON THE COUNTY GOVERNMENTS CASH DISBURSEMENT SCHEDULE

FOR FINANCIAL YEAR 2019/2020

Paper Laid.

PAPERS LAID	
DATE	25/9/19.
TABLED BY	Sen. Mutula
COMMITTEE	Finance.
CLERK AT THE TABLE	Dooee

CLERK CHAMBERS

THE SENATE

PARLIAMENT OF KENYA

NAIROBI

SEPTEMBER 2019

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PREFACE

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 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 Senate Standing Committee on Finance and Budget is established under section 8(1) of the Public Finance Management Act, 2012 and standing order 212(3) of the Standing Orders of the Senate and is mandated to -

- 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.*

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

- c) *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.*

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

Executive Summary

- 1) County Governments Cash Disbursement Schedule is submitted to the Senate by the National Treasury pursuant to Section 17 of the Public Financial Management Act, 2012. The purpose of schedule is for ensuring timely monthly transfers of funds from Consolidated Fund to respective County Revenue Fund.
- 2) The Schedule therefore serves as a guide and facilitates a predictable flow of county funds and thus enables counties to undertake critical functions in delivery of services to the residents.
- 3) The schedule facilitates implementation of Article 219 of the Constitution which expressly provides that county's share of revenue raised by the National Government shall be transferred to the county governments without undue delay and without deduction, except when the transfer has been stopped under Article 225 (stoppage of transfer for material breaches).
- 4) Following the enactment of the County Allocation of Revenue Act, 2019 containing all the approved allocations for each County, the Cash Disbursement Schedule for the Financial Year 2019/20 was submitted to the Senate by the National Treasury on 20th September, 2019.
- 5) The Schedule was tabled in the House on 24th September, 2019 and was committed to Standing Committee on Finance and Budget pursuant to standing orders 183(2) of the Senate Standing Orders.
- 6) The Committee deliberated on the matter and proposed necessary recommendations in sitting held on 25th September, 2019.
- 7) The CARA, 2019 was assented to on 19th September, 2019 and the National Treasury submitted the Schedule of Disbursement to County Governments for the Financial Year 2019/2020 to the Senate, within the timelines stipulated in the standing order 183(1) of the Senate Standing Orders.

8) The Committee observed that-

- a) Section 11(2) of the County Allocation of Revenue Act, 2019 provides that the National Treasury shall transfer to the counties the total disbursement due for the first quarter of financial year 2019/2020 within seven days of the approval of the Disbursement Schedule.
- b) There was need to develop a policy framework on conditional grant detailing the nature of agreements, criteria for allocation to counties and mechanism for monitoring and evaluation.
- c) The rate at which counties earmarked to benefit from supplement for construction of county headquarters were utilizing the fund was different.
- d) Pursuant to Article 224 of the Constitution, county governments should embark on preparation and adoption of annual budget and appropriation bill.

10. The Committee recommends that-

- a) the Schedule be approved as tabled on 24th September, 2019.
- b) The National Treasury should transfer KSh. 55,071,000,000, the total funds meant for the first quarter of financial year 2019/2020 within seven days after approval of the Disbursement Schedule.
- c) The National Treasury should submit to the Senate the policy framework on conditional grants with details on nature of agreements, criteria for allocation to counties and mechanism for monitoring and evaluation within the next 90 days.
- d) The County Governments should expeditiously prepare and adopt annual budget and appropriation bill to ensure service delivery is smoothly continued.
- e) The Ministry of Transport, Infrastructure, Housing, Urban Development and public works should submit to the Senate the status report on the implementation of the Conditional grant on supplement for construction of county headquarters within 30 days of the resolution.

Acknowledgements

The Committee acknowledges the National Treasury for their timely submissions on the County Governments' Cash Disbursement Schedule which is a critical stage in the budget making process. Cash disbursement schedule is an enabler of the execution of respective county budgets which facilitate service delivery to Kenyans.

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.

Appreciation also goes to all Members of the Committee for their patience, sacrifice and commitment to 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 County Governments Cash Disbursement Schedule for the FY 2019/2020.

SIGNED:


SEN. MUTULA KILONZO JUNIOR, M.P.

(FOR: CHAIRPERSON, STANDING COMMITTEE ON FINANCE AND
BUDGET)

Date:

25 / 9 / 2019

Adoption of the Report

Pursuant to standing order 213 (2) of the Senate Standing Orders, the Senate Standing Committee on Finance and Budget Committee adopted the report on County Governments' Cash Disbursement Schedule for the Financial Year 2019/20. 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. Mutula Kilonzo 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 _____

The image shows handwritten signatures in red and blue ink over the signature lines. The red signature is for Sen. Wetang'ula Moses Masika, with the name 'Wetang'ula' written above it. The blue signature is for Sen. Aaron Cheruiyot, with the name 'Cheruiyot' written above it. Other signatures are present but less legible, including one for Sen. Mutula Kilonzo Junior and one for Sen. Boniface Mutinda Kabaka.

1.0 Overview

- 1) Article 218 of the Constitution provides for the annual enactment of the Division of Revenue Act (DORA) and the County Allocation of Revenue Act (CARA). Subsequently, Section 17 (6) and (7) of the PFM Act provides that the National Treasury shall, at the beginning of every month, and in any event not later than the 15th day from the commencement of the month, disburse monies to county governments on the basis of a disbursement Schedule prepared by the National Treasury in consultation with the Intergovernmental Budget and Economic Council (IBEC), with the approval of the Senate, and published in the Gazette, as approved, not later than the 30th May in every year.
- 2) County Cash Disbursement Schedule is a key Senate Resolution as it operationalizes the release and transfer of approved allocation as per the Annual County Allocation of Revenue Act. The preparation of the Schedule is informed on the basis of National Treasury estimates on revenue collection and overall cash flow needs for implementing programmed activities, projects and policies, its overarching imperative is to facilitate releases to counties without undue delays.
- 3) The National Treasury submitted the county governments' cash disbursement Schedules for FY 2019/20, for approval by the Senate. The allocations in the Schedules are in line with the allocations provided for in the County Allocation of Revenue Act, 2019 as follows-
 - i. Schedule 1 on disbursement of the Equitable Share allocation- **Ksh. 316,500,000,000.**
 - ii. Schedule 2 on disbursement of the Conditional Allocations from the nationally raised revenue- **Ksh. 16,695,214,684** (Excluding the Ksh. 6.2 Billion allocations for Leasing of Medical Equipment)

- iii. Schedule 3 on disbursement of the Conditional Allocations financed by proceeds of loans and grants from the Development Partners -**Ksh. 34,199,377,210** (Excluding Ksh. 4.8 Billion for Kenya Devolution Support Programme (KDSP) Level 2 Grant)

I. First Schedule on Equitable Share disbursement to County Governments for FY 2019/20

- 4) This Schedule outlines the monthly disbursements to all the county governments. The disbursements will be made from the Consolidated Fund to the County Revenue Funds by the 15th of every month. The National Treasury will be responsible for the transfer of these funds. The allocation to each county is divided into monthly allocations using different rates as outlined in the first Schedule.

II. Second Schedule on Conditional Allocations from the National Government share of revenue to County Governments for FY 2019/20

- 5) The Schedule outlines the disbursements of conditional allocations from the nationally raised revenue. The conditional allocation for Leasing of Medical Equipment amounting to Ksh. 6.2 Billion has been excluded in the disbursement Schedule.
 - a) Level 5 hospitals allocation (Ksh. 4.326 Billion) will be disbursed on a monthly basis as outlined in this Schedule.
 - b) Compensation for user fees foregone (Ksh. 900 Million) will be disbursed on a monthly basis as outlined in this Schedule.
 - c) Supplement for construction of county headquarters (Ksh. 485,152,184) will be disbursed on a quarterly basis i.e. July 2019, October 2019, January 2020 and April 2020, as outlined in this Schedule.
 - d) Conditional allocation from the Road Maintenance Fuel Levy Fund (Ksh. 8,984,062,500) will be disbursed on a quarterly basis i.e. July 2019, October 2019, January 2020 and April 2020, as outlined in this Schedule.

- e) Development of youth polytechnics (Ksh. 2 Billion) will be disbursed on a monthly basis as outlined in this Schedule
- 6) The only conditional allocation excluded from the disbursement Second Schedule is for Leasing of Medical Equipment amounting to Ksh. 6.2 Billion this is because the funds are not transferred to the respective County Revenue Fund.

III. Third Schedule on Conditional Allocations financed by proceeds of loans and grants from donors to County Governments for FY 2019/20

- 7) The Schedule outlines the disbursements for conditional allocations of proceeds as loans and grants from the development partners and will be based on the financing agreements for each allocation. It includes-

- a) IDA (World Bank) credit (Transforming Health Systems for Universal Care Project) - Ksh. 2,994,247,736, benefiting 47 county governments. The disbursement will be made on a quarterly basis i.e. July 2019, October 2019, January 2020 and April 2020.
- b) National Agricultural and Rural Inclusive Growth Project(NARIGP) (IDA World Bank Credit) Kshs. 7,232,719,940, benefiting 21 county governments. The disbursement will be made on a quarterly basis i.e. July 2019, October 2019, January 2020 and April 2020.

(The County Governments are- Bungoma, Embu, Homa Bay, Kiambu, Kilifi, Kirinyaga, Kisii, Kitui, Kwale, Makueni, Meru, Migori, Murang'a, Nakuru, Nandi, Narok, Nyamira, Samburu, Trans Nzoia, Turkana, and Vihiga).

- c) Kenya Climate Smart Agriculture Project (KCSAP) (IDA World Bank) Kshs. 3,643,298,670, benefiting 24 county governments. The disbursement will be made on a quarterly basis i.e. July 2019, October 2019, January 2020 and April 2020.

(The County Governments are- Baringo, Bomet, Busia, Elgeyo/Marakwet, Garissa, Isiolo, Kajiado, Kakamega, Kericho, Kisumu, Laikipia, Lamu,

Machakos, Mandera, Marsabit, Nyandarua, Nyeri, Siaya, Taita Taveta, Tana River, Tharaka Nithi, Uasin Gishu, Wajir and West Pokot).

d) Kenya Devolution Support Project (KDSP) (IDA World Bank Credit) Level 1 Grant Kshs. 1.410 billion, benefiting 47 county governments. The disbursement will be made on a quarterly basis i.e. July 2019, October 2019, January 2020 and April 2020.

e) Kenya Urban Support Project (KUSP) (IDA World Bank Credit) Urban Development Grant Kshs. 11,464,702,500, benefiting 45 county governments. The disbursement will be made in full in November 2019.

(The County Governments excluded are Nairobi City and Mombasa).

f) Universal Healthcare in Devolved System Programme (DANIDA Grant) Kshs. 986,583,544, benefiting 47 county governments. The disbursement will be made on a quarterly basis i.e. July 2019, October 2019, January 2020 and April 2020.

g) Instruments for Devolution Advice and Support (IDEAS) EU Grant Kshs.492,698,583, benefiting 15 County governments. The disbursement will be made on a three phases i.e. December 2019, March 2020, January 2020 and May 2020.

(The County Governments are- Baringo, Kisii, Kisumu, Kwale, Laikipia, Makueni, Marsabit, Migori, Nyandarua, Samburu, Taita Taveta, Tana River, Uasin Gishu, Wajir and West Pokot).

h) Water & Sanitation Development Project (WSDP) (IDA World Bank Credit) Kshs.3.5 billion, benefiting 6 County governments. The disbursement will be made on a quarterly basis i.e. July 2019, October 2019, January 2020 and April 2020.

(The County Governments are- Garissa, Kilifi, Kwale, Mombasa, Taita Taveta and Wajir).

- i) Agricultural Sector Development Support Programme (ASDSP)II Sweden Kshs. 849, 626,237, benefiting 47 County governments. The disbursement will be made on a quarterly basis i.e. July 2019, October 2019, January 2020 and April 2020.
- j) EU Water Tower Protection and Climate Change Mitigation and Adaptation Programme (WaTER) Kshs. 880 million, benefiting 11 County governments. The disbursement will be made on a quarterly basis i.e. July 2019, October 2019, January 2020 and April 2020.

(The County Governments are- Bungoma, Busia, Elgeyo/ Marakwet, Kakamega, Kisumu, Nandi, Siaya, Trans Nzoia, Uasin Gishu, Vihiga and West Pokot).

- k) Kenya Urban Support Project(KUSP) (IDA World Bank Credit) Urban Institutional Grant (UIG) (IDA World Bank Credit) Kshs. 396 million benefiting 45 County governments. The disbursement will be made in one phase. i.e. November, 2019.

(The County Governments excluded are Nairobi City and Mombasa).

- l) Drought Resilience Programme in Northern Kenya(DRPNK) German Development Bank (KfW) Kshs. 350 million, benefiting 2 County governments. The disbursement will be made on a quarterly basis i.e. July 2019, October 2019, January 2020 and April 2020.

(The County Governments are-Turkana and Marsabit).

- 8) The only conditional allocation excluded from the disbursement third Schedule is for IDA (World Bank) credit on Kenya Devolution Support Project (KDSP) - Level 2 amounting Kshs.4.89 billion. This is because certain conditions as outlined in the financing agreement with the development partner have to be fulfilled first by the county governments for them to access this conditional allocation.

2.0 Committee Observations

The Committee observed that-

- a) Section 11(2) of the County Allocation of Revenue Act, 2019 provides that the National Treasury shall transfer to the counties the total disbursement due for the first quarter of financial year 2019/2020 within seven days of the approval of the Disbursement Schedule.
- b) There was need to develop a policy framework on conditional grant detailing the nature of agreements, criteria for allocation to counties and mechanism for monitoring and evaluation.
- c) The rate at which counties earmarked to benefit from supplement for construction of county headquarters were utilizing the fund was different.
- d) Pursuant to Article 224 of the Constitution, county governments should embark on preparation and adoption of annual budget and appropriation bill.

3.0 Committee Recommendations

The Committee recommends that-

- a) the Schedule be approved as tabled on 24th September, 2019.
- b) The National Treasury should transfer KSh. 55,071,000,000, the total funds meant for the first quarter of financial year 2019/2020 within seven days after approval of the Disbursement Schedule.
- c) The National Treasury should submit to the Senate the policy framework on conditional grants with details on nature of agreements, criteria for allocation to counties and mechanism for monitoring and evaluation within the next 90 days.
- d) The County Governments should expeditiously prepare and adopt annual budget and appropriation bill to ensure service delivery is smoothly continued.
- e) The Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works should submit to the Senate the status report on the implementation of the Conditional grant on supplement for construction of county headquarters within 30 days of the resolution.

Appendices

Minutes

MINUTES OF THE 104TH MEETING OF THE SENATE STANDING COMMITTEE ON FINANCE AND BUDGET HELD ON WEDNESDAY, 25TH SEPTEMBER, 2019 AT COUNTY HALL, GROUND FLOOR BOARDROOM, PARLIAMENT BUILDINGS AT 10:00 AM.

PRESENT

- | | |
|---|---------------------|
| 1. Sen. Mutula Kilonzo Junior, MP | - Member (Chairing) |
| 2. Sen. Moses Wetangula, EGH, MP | - Member |
| 3. Sen. Aaron Cheruiyot, MP | - Member |
| 4. Sen. CPA Farhiya Haji, MP | - Member |
| 5. Sen. Boniface Mutinda Kabaka, MP | - Member |
| 6. Sen. (Dr) Ali Abdullahi Ibrahim, CBS, MP | - Member |

ABSENT WITH APOLOGY

- | | |
|---|--------------------|
| 1. Sen. (Eng) Mohamed M. Mahamud, CBS, MP | - Chairperson |
| 2. Sen. (Dr) Isaac Mwaura, CBS, MP | - Vice Chairperson |
| 3. Sen. (Dr) Rose Nyamunga, MP | - Member |

SECRETARIAT

- | | |
|----------------------------|--------------------|
| 1. Mr. Christopher Gitonga | - Clerk Assistant |
| 2. Ms. Lucy Radoli | - Legal Counsel |
| 3. Ms. Julie Mwithiga | - Fiscal Analyst |
| 4. Mr. Charles Atamba | - Research Officer |

MIN. NO. 507/09/2019:

PRELIMINARIES

The Chairperson called the meeting to order at 10.15 am and followed a word of prayer.

MIN.NO. 508/09/2019:

ADOPTION OF THE AGENDA

The agenda of the meeting was adopted after it was proposed by Sen. Aaron Cheruiyot, MP and seconded by Sen. Moses Wetangula, EGH, MP

MIN.NO. 509/09/2019: CONSIDERATION OF THE REPORT ON THE COUNTY

GOVERNMENTS' CASH DISBURSEMENT SCHEDULE

FOR FINANCIAL YEAR 2019/20

The Committee considered its report on the County Governments' Cash Disbursement Schedule for Financial Year 2019/2020 and unanimously resolved to recommend as follows-

- a) the Schedule be approved as tabled on 24th September, 2019.

- b) The National Treasury should transfer KSh. 55,071,000,000, the total funds meant for the first quarter of financial year 2019/2020 within seven days after approval of the Disbursement Schedule.
- c) The National Treasury should submit to the Senate the policy framework on conditional grants with details on nature of agreements, criteria for allocation to counties and mechanism for monitoring and evaluation within the next 90 days.
- d) The County Governments should expeditiously prepare and adopt annual budget and appropriation bill to ensure service delivery is smoothly continued.
- e) The Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works should submit to the Senate the status report on the implementation of the Conditional grant on supplement for construction of county headquarters within 30 days of the resolution.

MIN.NO. 510/09/2019: ADOPTION OF THE REPORT ON THE COUNTY GOVERNMENTS' CASH DISBURSEMENT SCHEDULE FOR FINANCIAL YEAR 2019/20

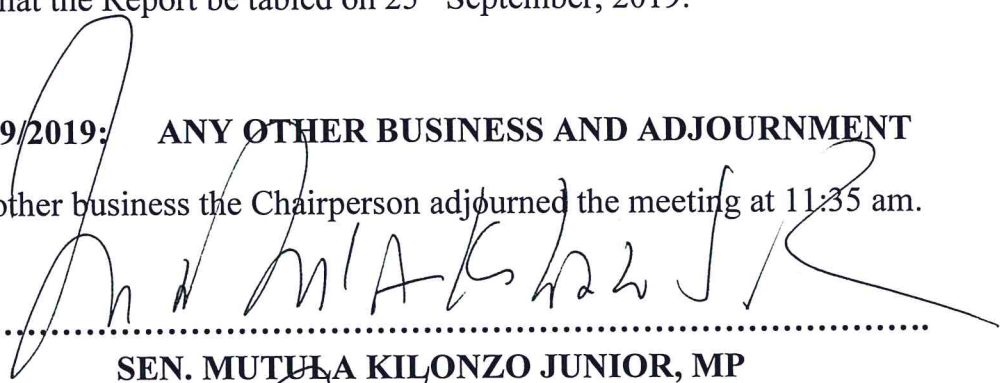
The Report of the Committee on the County Governments' Cash Disbursement Schedule for Financial Year 2019/20 was unanimously adopted after it was proposed by Sen. CPA Farhiya Haji, MP, MP and Seconded by Sen. Aaron Cheruiyot, MP, MP

It was resolved that the Report be tabled on 25th September, 2019.

MIN.NO. 511/09/2019: ANY OTHER BUSINESS AND ADJOURNMENT

There being no other business the Chairperson adjourned the meeting at 11:35 am.

SIGNATURE.....



**SEN. MUTULA KILONZO JUNIOR, MP
FOR: CHAIRPERSON**

DATE.....

25/9/19.

