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By the champion
of the BAC / Hon
Muhua Musingi
on Tuesday, 30/6/15
[Signature]

REPUBLIC OF KENYA

THE NATIONAL ASSEMBLY

ELEVENTH PARLIAMENT – THIRD SESSION

REPORT OF THE BUDGET AND APPROPRIATIONS COMMITTEE ON MESSAGE TO THE NATIONAL ASSEMBLY ON THE APPROVAL OF THE COUNTY ALLOCATION OF REVENUE BILL, 2015

PARLIAMENT BUILDINGS
NAIROBI

JUNE, 2015

THE BUDGET AND APPROPRIATIONS COMMITTEE ON MESSAGE TO THE NATIONAL ASSEMBLY ON THE APPROVAL OF THE COUNTY ALLOCATION OF REVENUE BILL, 2015

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Preface

Mr. Speaker Sir, on behalf of the Members of the Budget & Appropriations Committee and in accordance to Article 110 (4) of the Constitution and Section 191 of the Public Finance Management Act, it is my pleasure to present to this House the Committee's report on the Message to the Senate on the County Allocation of Revenue Bill, 2015.

Mr. Speaker Sir, the National Assembly has the responsibility in the approval of the resources allocated to Counties by approving this Bill. The Constitution, the Public Finance Management Act and the Standing Orders vest this authority in the National Assembly.

Mandate of the Committee

Mr. Speaker Sir, the Standing Order 207 establishes the Budget and Appropriations Committee with specific mandates among which is to:

- i. Investigate, inquire into and report on all matters related to coordination, control and monitoring of the national budget,
- ii. Discuss and review the estimates and make recommendations to the House;
- iii. Examine Bills related to the national budget, including Appropriations Bills;

Mr. Speaker Sir, the Budget & Appropriations Committee as currently constituted comprises of the following Honorable Members:

1. Hon. Mutava Musyimi, M.P.- **Chairperson**
2. Hon. Mary Emaase, M.P. -**Vice Chair**
3. Hon. Alfred Sambu, M.P.
4. Hon. Benjamin Langat, M.P.
5. Hon. Charles Nyamai, M.P.
6. Hon. Clement Wambugu, M.P.
7. Hon. Ferdinard Waititu, M.P.
8. Hon. Jackson Kiptanui, M.P.
9. Hon. Jamleck Kamau, M.P.
10. Hon. John Mbadi, M.P.
11. Hon. Mohamed Shidiye, M.P.
12. Hon. Moses Lessonet, M.P.
13. Hon. Moses Ole Sakuda, M.P.
14. Hon. Nelson Gaichuhie, M.P.
15. Hon. Abbas Mohammed, M.P.
16. Hon. Abdulaziz Farah, M.P.
17. Hon. Alfred Agoi, M.P.
18. Hon. Alice Ng'ang'a, M.P.

19. Hon. Banticha Jaldesa, M.P.
20. Hon. Benjamin Andola Andayi, M.P.
21. Hon. Bitok S. Kirwa, M.P.
22. Hon. Daniel Nanok, M.P.
23. Hon. Dennis Kariuki, M.P.
24. Hon. Dr. J. W. Nyikal, M.P.
25. Hon. Dr. Reginalda Wanyonyi, M.P.
26. Hon. Eng. Stephen Ngare, M.P.
27. Hon. Fatuma, Ali Ibrahim, M.P.
28. Hon. Francis Njenga, M.P.
29. Hon. Irshad Sumra, M.P.
30. Hon. Isaack Mwaura, M.P.
31. Hon. James Gakuya, M.P.
32. Hon. James Lusweti, M.P.
33. Hon. Jared O. Opiyo, M.P.
34. Hon. Jonathan Lati Lelelit, M.P.
35. Hon. Joseph Limo, M.P.
36. Hon. KK Stephen Kinyanjui, M.P.
37. Hon. Makali Mulu Benson, M.P.
38. Hon. Moses Kuria, M.P.
39. Hon. Muriuki Njagagua, M.P.
40. Hon. Mwashetani Khatib Abdallah, M.P.
41. Hon. Omar Mwinyi, M.P.
42. Hon. Omondi George W. Mallan, M.P.
43. Hon. Patrick Ole Ntutu, M.P.
44. Hon. Peter Weru Kinyua, M.P.
45. Hon. Priscilla Nyokabi, M.P.
46. Hon. Richard Tongi, M.P.
47. Hon. Samuel Gichigi, M.P.
48. Hon. Shukra Hussein Gure, M.P.
49. Hon. Silverse Lisamula Anami, M.P.
50. Hon. Suleiman Murunga Kasuti, M.P.
51. Hon. Tiyah Galgalo, M.P.

Mr. Speaker, Sir,

The Message to the National Assembly on the County Allocation of Revenue Bill, was received on 25th June, 2013 and subsequently committed to the Budget and Appropriations Committee for consideration. In this regard, the Committee held 1 sitting where it held lengthy discussions with the Commission on Revenue Allocation and the Office of Controller of Budget. The principle object of the Bill is to make provision for the allocation of revenue raised by the national government among the 47 county governments for the financial year 2015/16.

Mr. Speaker, Sir,

The Bill provides for the equitable allocation of revenue raised by the National Government among the County Governments for the 2014/15 financial year on the basis determined in accordance with the resolution in force under Article 217 of the Constitution for the financial year 2015/16. The enactment of the law will be in fulfillment of the National Assembly's role as stipulated in Article 218 (1) (b) of the Constitution which provides for the introduction and approval of County Allocation of Revenue Bill.

Mr. Speaker, Sir,

The schedules to the Bill proposed to allocate total revenue of Kshs 287.04 billion and represents 33% of the 2012/13 most recent audited revenues as approved by Parliament. The Bill proposes to allocate revenue as follows:

1. **Ksh. 259.77 billion** of sharable revenue or 33% percent of the most recent audited revenues, being that of fiscal year 2012/13 will be shared using the formula approved by Parliament in accordance with Article 217 of the constitution.
2. **Kshs. 10.671 billion** of conditional allocations has been allocated to County Governments from loans and grants received from development partners. The amount of **Ksh. 10.671 billion** to supplement financing of county health facilities includes a loan of **Ksh. 508 million** from the World Bank, a grant of kshs 844.71 million and other conditional loans and grants amounting to kshs 9.32 billion.

3. **Kshs. 16.598 billion** as total conditional allocation to counties from the share of national government revenue. These amounts are made up of **kshs 3.6 billion** to level 5 hospitals, **kshs 4.298 billion** as allocation towards free maternal health care, **kshs 900 million** as compensation for forgone user fees at the county level, **kshs 4.5 billion** for leasing of medical equipment and **kshs 3.3 billion** as allocation from the Road Maintenance Levy Fund

Mr. Speaker, Sir,

It is important to note that the Division of Revenue Act, 2015, which resulted a net increment of resources due to the Counties by **Kshs. 3.3025 billion** over the resolution on the Budget Policy Statement, being that for level 5 hospitals (**Kshs 1.536 billion**) and additional equitable share (**Kshs 1.767 billion**) towards salary awards by Salary and Remuneration Commission (SRC) informs the practical need and resolve to allocate more funds to the Counties to cushion against unfunded mandate so as to ensure effective delivery of services to Kenyans.

Acknowledgements

Mr. Speaker, Sir,

The Committee thanks the Offices of the Speaker and Clerk of the National Assembly for the support extended to the Committee in the execution of its mandate. The Chairperson of the Committee also takes this opportunity to thank 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. The Committee also appreciates the media for the coverage of its proceedings on the day of the public hearing. Further, the Committee acknowledges the technical input of the staff which was invaluable in the consideration of the message from the Senate.

Mr. Speaker Sir, It is now my pleasant duty and privilege, on behalf of the budget and Appropriations Committee, to present to the National Assembly, this Report of the Committee on the Message to the Senate on the County Allocation of Revenue Bill, 2015.

THE BUDGET AND APPROPRIATIONS COMMITTEE ON MESSAGE TO THE NATIONAL ASSEMBLY ON THE APPROVAL OF THE COUNTY ALLOCATION OF REVENUE BILL, 2015



Signed:

Hon. Mutava Musyimi, MP
Chairman, Budget & Appropriations Committee

Date: 30.6.15

THE BUDGET AND APPROPRIATIONS COMMITTEE ON MESSAGE TO THE NATIONAL ASSEMBLY ON THE APPROVAL OF THE COUNTY ALLOCATION OF REVENUE BILL, 2015

Introduction

1. The County Allocation of Revenue Bill, 2015, provides for the allocation of revenue raised nationally and conditional allocations among county governments for the financial year 2015/16 as well as the transfer of the county allocations from the Consolidated Fund to the respective County Revenue Fund.
- 2.
3. This Bill is crucial in supporting county funding as well as setting conditions for fiscal prudence, pragmatic use of public resources and enabling predictable and reliable budgeting at county level of government.

Vertical Division of Revenue for Fiscal Year 2015/16

4. The Division of Revenue Act, 2015, as mediated and approved by both Houses, provides for the division of revenue raised nationally among the national and county levels of governments in line with Article 218 of the Constitution.
5. In that regard, overall estimated shareable revenue, also provided in the approved 2015 Budget Policy Statement (BPS) is **Ksh.1.2427 trillion**. Out of that total amount, **Ksh.259.77 billion**, based on the mediated version of the Division of Revenue Act, 2015, is for county equitable share while the remaining amount of **Kshs. 976.93 billion**, including allocation of **Ksh.6 billion** to the Equalisation Fund, is national government share of allocation. The county equitable share thus far represents 33 percent of the 2012/13 audited revenue of **Ksh.776.9 billion**.

In addition, total conditional allocation for the financial year 2015/16 amounts to kshs 27.269 billion, of which kshs 16.598 billion is allocation from the national government revenue share to respective county governments, and kshs 10.671 billion is total loans and grants. This brings the total county allocation to kshs 287.04 billion, translating to an overall share of 37 percent of the 2012/13 audited revenue of Ksh.776.9 billion.

Horizontal Allocation of Revenue for Fiscal Year 2015/16

The County Allocation of Revenue Bill, 2015, provides for horizontal allocation of total county allocations, as provided in the Division of Revenue Bill, 2015, among all the 47 county governments. The Bill

proposes to allocate on the basis of the formula for sharing revenue approved by Parliament in accordance with Article 217 of the Constitution.

Conditional Allocations for the level-5 hospitals are to be shared among County Governments on the basis of percentage bed occupancy per hospital in 2014. Allocations for free maternal health care will be distributed among County Governments on the basis of percentage contribution to total number of maternity deliveries during the financial year 2013/14 while that of the leasing of medical equipment to have modern specialised health care equipment in at least two health facilities in each County Government over the medium term will be shared equally.

Committee Observations

The Committee while considering the as well as the looking into the submissions from different stakeholders made the following observations:

- ❖ That the total county allocation in the financial year 2015/16 is kshs.287.04, made up of kshs.259.77 billion as equitable share and of kshs.27. 269 as total conditional allocations
- ❖ That out of the total kshs.27.269, Kshs.16.598 billion is the total conditional allocation to counties from the share of national government revenue while Ksh.10.671 billion are of loans and grants from development partners to supplement financing of county health facilities.
- ❖ That kshs 3.6 billion is towards level 5 hospitals, kshs 4.298 billion is for free maternal health care, kshs 900 million as compensation for forgone user fees at the county level, kshs 4.5 billion for leasing of medical equipment and kshs 3.3 billion as allocation from the Road Maintenance Levy Fund.
- ❖ That the timelines given under the PFM Act of 2012 is not adequate and is quite constraining in view of the content and the requirement of key crucial budget documents and Bills.
- ❖ That the decision of the Senate to increasing expenditure ceilings for 34 County Assemblies of by Kshs. 2.5 billion which result to an increment of upto 68% for Turkana,42% for Vihiga and 22% for Meru to name a few isn't supported by an explanatory memorandum and may lead to a bad precedence of high appetite for expenditure amongst County Assemblies.

- ❖ That the County Assemblies expenditures as originally have increased from Kshs. 16.87 Billion to Kshs. 27 billion represents an increment of over 50% over the last financial year which is a very high expenditure growth. There is no sufficient information on this high increment.

Recommendations of the Committee

Following the consideration of the Message to the Senate, the Committee recommends as follows:

That; this House adopts the County Allocation of Revenue Bill (Senate Bill No. 5 of 2015).