



**REPUBLIC OF KENYA
THE NATIONAL ASSEMBLY**

THIRTEENTH PARLIAMENT – SECOND SESSION -2023

SELECT COMMITTEE ON BUDGET AND APPROPRIATIONS

**REPORT ON AMENDMENTS BY THE SENATE ON THE COUNTY
GOVERNMENT ADDITIONAL ALLOCATIONS BILL, 2023(NATIONAL
ASSEMBLY BILL NO.23 OF 2023)**

The Clerk's Chambers

Parliament Buildings

NAIROBI

November, 2023

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 15 NOV 2023	DAY: WED
TABLED BY:	HON. NGBINBI NYORO, CBS, MP
CLERK AT THE TABLE:	CHAIRPERSON, BAC
	MIRIAM MOBO

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1.0 CHAIRPERSON'S FOREWORD

The National Assembly received a message from the Senate on Thursday, 26th October 2023, regarding the Senate's passage of the County Governments Additional Allocations (CGAA) Bill (National Assembly Bill No. 23 of 2023) with amendments. This is in response to the message from the National Assembly to the Senate, requesting the concurrence of the Senate on the CGAA Bill which was passed by the National Assembly on 27th June 2023.

The primary object of the Bill is to provide for the transfer of conditional or unconditional allocations from the national government's share of revenue pursuant to Article 202(2) of the Constitution; as well as provide for additional allocations from the proceeds of external loans and grants from development partners to the county governments in line with Article 190 of the Constitution. Other additional allocations contained in the bill include unconditional allocations to county governments from court fines, mineral royalties, and national government expenditures on devolved functions to be converted to additional conditional grants to county governments for financial year 2023/2024.

The committee notes with concern that the inordinate delay in approval of the Bill and its passage into an act will affect the outcome of the various programmes and projects contained therein. Indeed, the financial year is almost halfway and with the bill not yet enacted into law, counties are unable to implement these programmes/projects and may have to revise their targets for the CGAA programmes downwards for the current financial year which will delay the benefits of these programmes to the citizens. It is imperative therefore that this Bill is passed into law as soon as possible so that counties can undertake implementation of the projects contained in the Bill in good time.

Consideration of the Senate Amendments to the Bill

To consider the message from the Senate, the Committee held three (3) sittings including one sitting with the National Treasury to get their views on the proposed amendments to the Bill. Thereafter, the committee deliberated on the Senate amendments and made the following observations:

- i. **Conditional allocations for the transfer of library services to the County Governments:** Some of the counties earmarked to benefit from this transfer did not receive the full amounts due

to them for the purpose since the Ksh. 425 million allocation for transfer to library services was divided equitably amongst all the 47 counties in line with the revenue sharing formula. The committee notes with concern that due to the constrained fiscal space, it will be a challenge to allocate an additional amount to counties for this purpose.

- ii. **Amendment to disburse all conditional additional allocations by the National Treasury directly to County Governments as opposed to implementing MDAs:** this amendment will negate the purpose of the conditions attached to the allocations especially those allocations channeled through the Ministries, Departments and Agencies (MDAs). It may also adversely affect national government oversight over these conditional projects.
- iii. **Changes in the Supplementary Estimates 1 of FY 2023/24:** The supplementary Estimates No. 1 for FY 2023/2024 has made several adjustments to the additional allocations for counties which necessitates an overhaul of the Bill in its entirety in order to accommodate these changes. This will adversely affect county budget implementation as counties will have to revise their FY 2023/2024 budgets including the targets in order to reflect this outcome.

Recommendations

Having considered the above matters, the committee recommends that this House **REJECTS** the Senate amendments to the County Governments Additional Allocations (CGAA) Bill.

Acknowledgments

The Committee would like to thank the Office of the Speaker of the National Assembly, the Office of the Clerk of the National Assembly, and the Parliamentary Budget office for the support extended in fulfilling this mandate of reviewing the County Government Additional Allocations Bill, 2023.

On behalf of the Budget and Appropriations Committee and pursuant to standing order 199(6) of the National Assembly, it is therefore my pleasant duty and privilege, to table this report on review of the proposed Senate amendments to the County Governments Additional Allocations Bill 2023 for consideration and approval by the House.

SIGNED



.....
HON. NDINDI NYORO, CBS, M.P.
CHAIRPERSON, THE BUDGET AND APPROPRIATIONS COMMITTEE

.....
DATE

2.0 PREFACE

2.1 Establishment and Mandate of the Committee

1. Article 221 (4 and 5) of the Constitution and Section 7 of the Public Finance Management Act, 2012 provide for the establishment of a Committee of the National Assembly whose main role is to take the lead in budgetary oversight by the National Assembly. Pursuant to this constitutional provision, Standing Order 207 establishes the Budget and Appropriations Committee with specific mandates as follows:
 - i. Investigate, inquire into and report on all matters relating to coordination, control and monitoring of the national budget;
 - ii. Discuss and review the budget estimates and make recommendations to the House;
 - iii. Examine the Budget Policy Statement presented to the House;
 - iv. Examine bills related to the national budget including appropriation bills;
 - v. Evaluate tax estimates, economic and budgetary policies and programmes with direct budget outlays; and
 - vi. Examine the Division of Revenue Bill.

2.2 Membership of the Committee

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

CHAIRPERSON

Hon. Ndindi, Nyoro, CBS, M.P.
Kiharu Constituency
UDA PARTY

VICE CHAIRPERSON

Hon. Otucho, Mary Emaase, M.P.
Teso South Constituency
UDA PARTY

MEMBERS

Hon. Chumel, Samwel Moroto, M.P.
Kapenguria Constituency
UDA PARTY

Hon. Odhiambo, Millie Grace Akoth, M.P.
Suba North Constituency
ODM PARTY

Hon. (Dr.) Mulu, Makali, M.P.
Kitui Central Constituency
WDM – Kenya

Hon. Lekuton, Joseph, M.P.
Laisamis Constituency
UDM PARTY

Hon. Lesuuda, Josephine Naisula, OGW, M.P.
Samburu West Constituency
KANU PARTY

Hon. Robi, Mathias Nyamabe, M.P.
Kuria West Constituency
UDA PARTY

Hon. Ochieng, David Ouma, M.P.
Ugenya Constituency
MDG PARTY

Hon. Muchira, Michael Mwangi, M.P.
Ol Jorok Constituency
UDA PARTY

Hon. Shinali, Bernard Masaka, M.P.
Ikolomani Constituency
ODM PARTY

Hon. Mwakuwona, Danson Mwashako, M.P.
Wundanyi Constituency
WDM – Kenya

Hon. Atandi, Samuel Onunga, M.P.
Alego Usonga Constituency
ODM PARTY

Hon. Mwirigi, John Paul, M.P.
Igembe South Constituency
UDA PARTY

Hon. Mejjadonk, Benjamin Gathiru, M.P.
Embakasi Central Constituency
UDA PARTY

Hon. Wangaya, Christopher Aseka, M.P.
Khwisero Constituency
ODM PARTY

Hon. Wachira, Rahab Mukami, M.P.
Nyeri County
UDA PARTY

Hon. Masara, Peter Francis, M.P.
Suna West Constituency
ODM PARTY

Hon. Ongili, Babu Owino Paul, M.P.
Embakasi East Constituency
ODM PARTY

Hon. Wanjiku, John Njuguna, M.P.
Kiambaa Constituency
UDA PARTY

Hon. Guyo, Ali Wario, M.P.
Garsen Constituency
ODM PARTY

Hon. (Dr.) Murumba, John Chikati, M.P.
Tongaren Constituency
FORD-Kenya

Hon. Busia, Ruth Adhiambo Odinga, M.P.
Kisumu County
ODM PARTY

Hon. Kitilai, Ole Ntutu, M.P.
Narok South
Independent

Sergon, Flowrence Jematiah, M.P.
Baringo County
UDA PARTY

Hon. Mokaya, Nyakundi Japheth, M.P.
Kitutu Chache North Constituency
UDA PARTY

Hon. Abdirahman Mohamed Abdi, M.P.
Lafey Constituency
Jubilee Party

2.3 Committee Secretariat

3. The Committee Secretariat is comprised of the following:

Mr. Danson Kachumbo
Fiscal Analyst/ Clerk of the Budget and Appropriations Committee

Mr. Jibril Mohamud
Fiscal Analyst / Assistant Clerk of the Budget and Appropriations Committee

Mr. Nimrod Ochieng
Audio Officer

Ms. Faith Makena
Serjeant-at-arms

Ms. Mercy Mayende
Media Relations

Mr. Jared Amara
Office Assistant

2.4 Technical Staff from Parliamentary Budget Office

4. The Committee received technical support from the following officers from the Parliamentary Budget Office.

Dr. Martin Masinde
Director, Parliamentary Budget Office

Mr. Robert Nyagah
Deputy Director, PBO

Dr. Abel Nyagwachi
Fiscal Analyst I

Ms. Julie Mwithiga
Fiscal Analyst I

Ms. Loice Olesia
Fiscal Analyst III

Mr. Ringine Mutwiri
Fiscal Analyst III

Mr. Solomon Alubala
Fiscal Analyst III

3.0 OVERVIEW OF THE BILL

1. The County Governments Additional Allocations Bill, (National Assembly Bills No. 23) was passed by the National Assembly on 27th June, 2023. Consequently, and in accordance with Article 110(4) of the Constitution and Standing Order 142 of the National Assembly Standing Orders, the Bill was referred to the Senate for concurrence.
2. The County Government Additional Allocations Bill is primarily meant to provide for additional allocations to counties pursuant to Article 190 and Article 202(2) of the Constitution. The enactment of the Bill will facilitate the transfer of conditional and unconditional allocations from the Consolidated Fund to the respective County Revenue Funds and Special Purpose Accounts.
3. The County Government Additional Allocations Bill for the Financial Year 2023/2024 contains four different types of conditional and unconditional allocations, with varying sources of funding. The four are as follows:
 - i. Conditional allocation to County Governments from National Government Revenue in FY 2023/24;
 - ii. Unconditional allocations to County Governments from Court Fines and Minerals Royalties in FY 2023/24;
 - iii. Conditional allocations to County Government from Loans and Grants from Development Partners in FY 2023/24; and
 - iv. The National Government's Expenditure on Devolved Functions Converted to Additional Conditional Grants to County Governments for FY 2023/24.
4. The National Assembly considered and approved the Bill with a total additional allocation of Kshs. **56,180,983,514** to counties for the FY 2023/24.
5. The allocation was divided in four schedules as follows:
 - A. **The First Schedule** provides for additional allocations from the national government's share of revenue totaling **Kshs. 15,816,000,000**. The following are the projects to be implemented:
 - i. Supplement for construction of County Headquarters -**454,000,000**

- ii. Leasing of Medical Equipment-**5,862,000,000**
- iii. Aggregated Industrial Parks Programme for 18 counties; each allocated Ksh.250 million (Ksh. 4,500,000,000); and **Kshs. 200,000,000** allocated to the state department for industry for operationalization activities of the programme.
- iv. Fertilizer Subsidy Program-Ksh. **5,000,000,000**

B. The Second Schedule provides for unconditional allocations to county governments from Court fines and Mineral Royalties amounting to **Kshs. 3,043,584,126**. Specific allocations are as follows:

- i. Kshs. 108,660,979 for the allocation of Court fines and;
- ii. Kshs. 2,934,923,147 allocations for Mineral Royalties.

C. The Third Schedule provides for conditional allocations from proceeds of loans and grants from development partners totaling **Kshs. 33,192,137,406**. The following are the projects to be implemented:

- i. IDA-(World Bank) credit (National Agricultural and Rural Inclusive Growth Project - **NARIGP**) of **Kshs. 3,150,000,000**
- ii. IDA-(World Bank) credit National Agricultural Value Chain Development Project (**NAVCDP**) - **Kshs. 8,250,000,000**
- iii. IDA-(World Bank) - Kenya Climate Smart Agriculture Project (**KCSAP**) of **Kshs. 2,160,000,000**
- iv. IDA (World Bank) credit: Water & Sanitation Development Project of **Kshs. 5,350,000,000**
- v. DANIDA Grant - Primary Health Care in Devolved Context of **Kshs. 577,500,000**
- vi. IDA (World Bank) Credit (Financing Locally- Led Climate Action (FLLoCA) Program, County Climate Institutional Support (**CCIS**) Grant of **Kshs. 517,000,000**
- vii. Sweden- Agricultural Sector Development Support Programme (ASDSP) II of **Kshs. 72,797,253**
- viii. German Development Bank (KfW)- Drought Resilience Programme in Northern Kenya (**DRPNK**) of **Kshs. 465,000,000**

- ix. World Bank - Emergency Locust Response Project (ELRP) of Kshs. **2,302,630,288**
 - x. World bank - Kenya Informal Settlement Improvement Project (KISIP II) of Kshs. **3,269,530,746**
 - xi. Kenya Livestock Commercialization Project (KELCLOP) of Kshs. **344,300,000**
 - xii. Aquaculture Business Development Project (ABDP) of Kshs. **245,879,120**
 - xiii. IDA (World Bank) Credit (Financing Locally- Led Climate Action (FLLoCA) Program, County Climate Resilience Investment (CCRI) Grant of Kshs. **6,187,500,000**
- D. The Fourth Schedule contains the national government expenditures on devolved functions converted to additional conditional grants, totaling Kshs. **4,129,261,981**. The resources are allocated to the following three projects:
- i. The Livestock Value Chain Support Project of Kshs. **1,642,868,400**
 - ii. De-Risking and Value Enhancement (DRIVE) Project of Kshs. **2,165,507,080**
 - iii. Kenya Marine Fisheries and Socio-Economic Development (KEMFSED) project of Kshs. **320,886,501**

4.0 AMENDMENTS BY THE SENATE

6. The Senate considered the County Governments Additional Allocations Bill, (National Assembly Bills No. 23 of 2023) as approved by the National Assembly, and passed it with the following amendments:
- i. Insertion of a new paragraph (e) under Clause 5(5) to provide for conditional allocations for the transfer of library services. Consequently, the first schedule was amended to include column F- which set out the allocation of Kshs.424.6 million towards the transfer of the library services.

The basis for this amendment is the inclusion of the Ksh. 425 million allocations for the transfer of library services in the equitable share during the division of revenue process; which was subsequently shared among all counties as opposed to the 33 benefiting counties, using the revenue sharing formula. It is notable that, the library staff working in the 33 counties have

since been transferred to the respective county governments at the beginning of financial year 2023/24. As such, the payroll cost is expected to be met by those particular county governments.

- ii. Insertion of a new paragraph(n) in subclause (6) immediately after paragraph (m)- to include conditional allocations financed by a grant from the German Development Bank (KfW) to finance Locally-Led Climate Action Program (FLLoCA) – (County Climate Resilience Grant). Subsequently, the Third Schedule was amended to include column P setting out an allocation of Kshs. 1,200 million to sixteen counties.

This amendment is informed by submissions made by the National Treasury to the Senate to include this allocation in the Bill to be implemented in the following sixteen counties: Trans-Nzoia, Uasin-Gishu, Elgeyo-Marakwet, Nandi, Kericho, Bomet, Kakamega, Vihiga, Bungoma, Busia, Siaya, Kisumu, Homa Bay, Migori, Kisii and Nyamira. The criteria for allocation of the Kshs.1.2 billion shall be as set out in section 5(6)(n) of the County Government Additional Allocations Act, 2023.

- iii. Clause 5 in subclause (9) is amended by inserting the expression “(4), (5), (6) and (7)” immediately after the words “subsection (2)”. The rationale for this is to ensure that all conditional additional allocations are disbursed to County Governments directly by the National Treasury as opposed to the implementing agencies at the national level.
- iv. Other amendments entail minimal changes to the texts of the Bill meant to perfect the wording and flow of the Bill. These amendments do not have any significant changes to the contents and objective of the Bill as approved by the National Assembly.

5.0 COMMITTEE OBSERVATIONS.

7. The committee considered the amendments by the Senate and made the following observations:

- i. **Conditional allocations for the transfer of library services to the County Governments:** The library staff of the thirty-three (33) counties have already been transferred to the respective county governments hence their payroll costs is expected to be met by these particular counties. However, some of the counties did not receive the full amounts due to them since the allocation for libraries that was undertaken during the Division of Revenue Process was divided amongst all the 47 counties. The committee notes with concern that due to the constrained fiscal space, it will be a challenge to allocate an additional Ksh.425 million to counties for this purpose.
- ii. **Amendment to disburse all conditional additional allocations by the National Treasury directly to County Governments as opposed to implementing MDAs:** this amendment will negate the purpose of the conditions attached to the allocations especially those allocations channeled through the Ministries, Departments and Agencies (MDAs). It may also adversely affect national government oversight over these conditional projects.
- iii. **Changes in the Supplementary Estimates 1 of FY 2023/24:** The supplementary Estimates No. 1 for FY 2023/2024 has made several adjustments to the additional allocations for counties which necessitates a complete overhaul of the Bill in its entirety in order to accommodate these changes. This will adversely affect county budget implementation as counties will have to revise their FY 2023/2024 budgets including the targets in order to reflect this outcome. Specific changes are with regard to the following:
 - a) The allocation towards the Leasing of Medical Equipment was revised to zero from an initial allocation of Kshs.5.862 billion.
 - b) The County Integrated Agro-Industrial Parks was reduced by Kshs.100 million from the original allocation of Kshs. 4.7 billion to Kshs.4.6 billion.

The number of industrial parks was also revised down by two counties, from the initial 18 to 16 counties.

- c) The fertilizer subsidy program was enhanced by Kshs.8.25 billion from the initial Kshs. 5 billion.
- d) Most of the donor funded projects had inconsistent allocations in the Supplementary 1 budget of FY 2023/24 in comparison to the amounts provided in the Bill.

6.0 COMMITTEE RECOMMENDATIONS

- 8. Having considered the above matters, the committee recommends that this House **REJECTS** the Senate amendments to the County Governments Additional Allocations (CGAA) Bill.

SIGNED



HON. NDINDI NYORO, CBS, M.P.

CHAIRPERSON, THE BUDGET AND APPROPRIATIONS COMMITTEE

14.11.2023

DATE

MINUTES OF THE 84TH SITTING OF THE SELECT COMMITTEE ON BUDGET & APPROPRIATIONS HELD ON TUESDAY, 15TH NOVEMBER 2023 FROM 5.00 P.M. AT THE HILTON GARDEN INN HOTEL, MACHAKOS.

MEMBERS PRESENT

1. Hon. Ndindi, Nyoro, CBS, M.P.- Chairperson
2. Hon. Otucho, Mary Emaase, M.P.- Vice Chairperson
3. Hon. Chumel, Samwel Moroto, M.P.
4. Hon. Odhiambo, Millie Grace Akoth, M.P.
5. Hon. (Dr.) Mulu, Makali Benson, M.P.
6. Hon. Lekuton, Joseph, M.P.
7. Hon. Lesuuda, Josephine Naisula, OGW, M.P.
8. Hon. Robi, Mathias Nyamabe, M.P.
9. Hon. Ochieng, David Ouma, M.P.
10. Hon. Muchira, Michael Mwangi, M.P.
11. Hon. Shinali, Bernard Masaka, M.P.
12. Hon. Mwakuwona, Danson Mwashako, M.P.
13. Hon. Atandi, Samuel Onunga, M.P.
14. Hon. Mwirigi, John Paul, M.P.
15. Hon. Mejjadonk, Benjamin Gathiru, M.P.
16. Hon. Wangaya, Christopher Aseka, M.P.
17. Hon. Wachira, Rahab Mukami, M.P.
18. Hon. Masara, Peter Francis, M.P.
19. Hon. Ongili, Babu Owino Paul, M.P.
20. Hon. Wanjiku, John Njuguna, M.P.
21. Hon. Guyo, Ali Wario, M.P.
22. Hon. (Dr.) Murumba, John Chikati, M.P.
23. Hon. Busia, Ruth Adhiambo Odinga, M.P.
24. Hon. Kitilai, Ole Ntutu, M.P.
25. Hon. Sergon, Flowrence Jematiah, M.P.
26. Hon. Mokaya, Nyakundi Japheth, M.P.
27. Hon. Abdirahman Mohamed Abdi, M.P.

PARLIAMENTARY BUDGET OFFICE

- | | |
|---------------------------|----------------------|
| 1. FA. Dr. Martin Masinde | Director, PBO |
| 2. Mr. Robert Nyagah | Deputy Director, PBO |
| 3. Millicent Makina | Fiscal Analyst I |
| 4. Dr. Abel Nyagwachi | Fiscal Analyst I |
| 5. Ms. Julie Mwithiga | Fiscal Analyst I |
| 6. Mr. Kioko Kiminza | Fiscal Analyst III |
| 7. Ms. Loice Olesia | Fiscal Analyst III |
| 8. Ringine Mutwiri | Fiscal Analyst III |
| 9. Solomon Alubala | Fiscal Analyst III |

COMMITTEE SECRETARIAT

1. Mr. Danson Kachumbo	Fiscal Analyst I/Lead Clerk
2. Mr. Jibril Mohamud	Fiscal Analyst I/ Assistant Clerk
3. Ms. Mercy Mayende	Media Relations Officer
4. Mr. Nimrod Ochieng	Audio Officer
5. MS. Faith Makena	Sergeant-at-arms
6. Mr. Jared Amara	Officer Assistant

AGENDA

1. *Prayers.*
2. *Preliminaries:*
3. *Adoption of the BAC reports:*
4. *Supplementary Estimates No. 1 for FY 2023/24*
5. *The Amendments by the Senate on the County Governments Additional Allocations Bill (National Assembly Bill No. 23 of 2023).*
6. *Any Other Business (A.O.B); and*
7. *Adjournment.*

MIN.NO.NA/BAC/2023/406: PRELIMINARIES

The Chairperson welcomed the committee members to the meeting and called the meeting to order at 5.00 p.m. A prayer was said by Hon. Mokaya, Nyakundi Japheth, M.P. Thereafter, the committee confirmed and adopted minutes in the following manner:

1. Minutes to the 73rd sitting were proposed by Hon. Lesuuda, Josephine Naisula, OGW, M.P. and seconded by Hon. Wangaya, Christopher Aseka, M.P.
2. Minutes to the 74th sitting were proposed by Hon. (Dr.) Makali, Mulu, M.P. and seconded by Hon. Shinali, Bernard Masaka, M.P.
3. Minutes to the 75th sitting were proposed by Hon. Mejjadonk, Benjamin Gathiru, M.P. and seconded by Hon. Wanjiku, John Njuguna, M.P.
4. Minutes to the 76th sitting were proposed by Hon. Flowrence, Jematiah Sergon, M.P. and seconded by Hon. Kitilai, Ole Ntutu, M.P.
5. Minutes to the 77th sitting were proposed by Hon. Mwakuwona, Danson Mwashako M.P. and seconded by Hon. Robi, Mathias Nyamabe, M.P.
6. Minutes to the 78th sitting were proposed by Hon. Mokaya, Nyakundi Japheth, M.P. and seconded by Hon. Shinali, Bernard Masaka, M.P.
7. Minutes to the 79th sitting were proposed by Hon. (Dr.) Murumba, John Chikati, M.P. and seconded by Hon. Guyo, Ali Wario, M.P.

8. Minutes to the 80th sitting were proposed by Hon. Ochieng, David Ouma, M.P. and seconded by Hon. Mwirigi, John Paul, M.P.
9. Minutes to the 81st sitting were proposed by Hon. Shinali, Bernard Masaka, M.P. and seconded by Hon. Wachira, Rahab Mukami, M.P.
10. Minutes to the 82nd sitting were proposed by Hon. Shinali, Bernard Masaka, M.P. and seconded by Hon. Mwakuwona, Danson Mwashako M.P.
11. Minutes to the 83rd sitting were proposed by Hon. Flowrence, Jematiah Serгон, M.P. and seconded by Hon. Mwirigi, John Paul, M.P.
12. Minutes to the 84th sitting were proposed by Hon. Wanjiku, John Njuguna, M.P. and seconded by Hon. Mwirigi, John Paul, M.P.

MIN.NO.NA/BAC/2023/407: ADOPTION OF THE AGENDA

The agenda of the meeting was adopted as having been proposed and seconded by The Hon. Guyo, Ali Wario, M.P. and The Hon. Wachira, Rahab Mukami, M.P. respectively.

MIN.NO.NA/BAC/2023/408: ADOPTION OF THE DRAFT REPORT ON THE ANALYSIS OF THE SUPPLEMENTARY ESTIMATES NO. 1 FOR FY 2023/24

The Parliamentary Budget office took members through the draft report. The report was proposed by Hon. Mwirigi, John Paul, M.P. and seconded by Hon. Mokaya, Nyakundi Japheth, M.P. After deliberations the report was **ADOPTED** with the following observations and recommendations as follows:

OBSERVATIONS AND RECOMMENDATIONS

1. Based on these extensive consultations and deliberations the Committee took note of the following overarching observations:

A. Overarching Observations

- i. **Appropriations-in-aid:** there is an observed tendency of MDAs adjusting their appropriations-in-aid upwards during the supplementary budget process and subsequently collecting higher AIA than initially budgeted for. Accurate estimation of AIA collection is critical as it will reduce reliance on the exchequer thereby freeing up resources to be utilized for other critical spending needs.
- ii. **Budget Rationalization of Critical Programmes:** in some spending agencies, the budget cuts have affected critical programmes such as salaries, central operational expenses; as well as vital development programmes that are already under implementation. Some of these expenditure cuts require a review in order to maintain operations in these ministries, departments and agencies.

iii. Pending regulations for the operationalization of Funds: regulations are yet to be implemented for the operationalization of critical Funds such as the National Housing Development Fund and the Social Health Insurance Fund.

iv. Budgeting for Results: despite expenditure changes either reducing or increasing funding for various programmes/projects, some of the KPIs remain the same. This raises concern over whether the expenditure estimates are actually tied to the outputs/outcomes.

v. Unfunded Requests: The Committee received additional requests for funding amounting to Kshs. 85,063,841,756. However, given the constrained fiscal space, the same could not be accommodated in the current supplementary estimates. These requests are attached to this report as the fourth schedule.

B. Non- Financial Recommendations

Appropriations-in-Aid

- i) That, upon adoption of this report, accounting officers of all Ministries, Departments and Agencies should declare their accurate projection of Appropriations in Aid collections at the beginning of the financial year. Any significant revision in AIA within the financial year will result to an equivalent reduction in exchequer funding for the entity.

Revenue consolidation

- ii) That, within sixty (60) days upon adoption of this report, the National Treasury to provide a detailed report to the National Assembly on the cash surplus funds held in the bank accounts of all State-owned agencies/Parastatal as at 30th November, 2023.
- iii) That, to consolidate national government revenue and enhance efficiency in liquidity management, the National Treasury should fast-track implementation of the national government single account framework and must ensure the treasury single account is operational by 31st March 2024.

Pending Laws and Regulations

- iv) That, the Cabinet Secretary Ministry of Land, Public Works, Housing & Urban Development should expedite the development of the National Housing Development Fund Regulations and submit to the National Assembly by 31st March 2024.
- v) That, the State Department for Lands and Physical Planning through the appointed Inter-Ministerial taskforce, fast tracks the legislative proposals on land rates charges and submits a report to Parliament within six months upon adoption of this report.
- vi) That, by 30th March 2023, the State Department for Medical Services should submit to the National Assembly a report on the roadmap of operationalization of the four Universal Health Coverage (UHC) Acts. This should also include the status of the regulations governing the Social Health Insurance Fund (SHIF).
- vii) That, by 31st December 2023, the Ministry of Investment, Trade and Industry should submit to the National Assembly the framework for implementation of the Exports

Promotion and Investment Levy with details of the specific objectives of the levy as well as a statement indicating amount collected by the time of submission of the framework.

Sports

viii) That, by 31st December 2023, the State Department for Sports should submit to the National Assembly a comprehensive report on the country's preparedness for the AFCON 2027 games including the earmarked stadia, amount of resources required for construction of the necessary infrastructure and adequate funding for the National Team.

Trade, Industry and Cooperatives

ix) That, within 90 days upon adoption of this report, the Ministry of Investment, Trade and Industry and the Ministry of Cooperatives and MSMEs Development should hold consultative engagements to review their roles in implementation of the BETA value chains with a view to identify areas with duplication and complementarity of functions and submit a report to the National Assembly on how this will be addressed.

Energy

x) That, upon adoption of this report, the Kenya Power and Lighting Company (KPLC) in conjunction with the Rural Electrification and Renewable Energy Corporation (REREC) under supervision of the Cabinet Secretary, Ministry of Energy and Petroleum, fast tracks procurement of meters and transformers particularly from local assemblers who meet the standards and specifications as per the Public Procurement and Asset Disposal Act, 2015.

xi) That, by 31st December 2023, The Cabinet Secretary Ministry of Energy and Petroleum furnishes the National Assembly with a comprehensive report on the fuel stabilization programme since inception in April 2021. The report should include details on the date and amount of payments made, the oil companies that received payments, amount in litres sold by each, pending payments to each, balance in the PDL account, who manages the programme, details on the results of the treasury bonds issued to offset related pending bills, relevant legal anchoring instruments including the relevant regulations for the Fuel Stabilization programme and the official government policy on fuel stabilization programme.

Social Protection

xii) That, in the next budget cycle for financial year 2024/2025, the National Treasury considers the re-classification of the development expenditure for the National Council for Persons with Disability, particularly the funding for assistive devices, education assistance, tools of trade, LPO financing and supporting self-help groups, from development expenditure to recurrent expenditure since these expenditure items are recurrent in nature.

Postal Corporation of Kenya

xiii) That, before submission of the 2024 Budget Policy Statement (BPS) the National Treasury should develop and put in place a mechanism to fast-track payment of the

outstanding debt owed by various government entities to the Postal Corporation of Kenya including ring-fencing part of the allocations to those entities for the debt settlement.

C. Financial Recommendations

The Committee further recommends that the House:

a. Expenditure under Article 223

- I. approves Kshs: **1,736,121,765** spent under Article 223 of the Constitution in respect of Votes contained in the THIRD SCHEDULE.

b. Overall Supplementary Appropriations

- II. approves an increment of the total recurrent expenditure for Financial Year 2023/2024 by Kshs. 90,717,383,737 in respect of the Votes contained in the FIRST SCHEDULE
- III. approves a reduction of the total capital expenditure for Financial Year 2023/2024 by Kshs. 24,515,810,722 in respect of the Votes contained in the FIRST SCHEDULE;
- IV. approves an overall increment in the total budget for Financial Year 2023/2024 by Kshs. 66,201,573,015 in respect of the Votes contained in the FIRST SCHEDULE;
- V. resolves that the FIRST and SECOND SCHEDULE forms the basis for the introduction of the First Supplementary Appropriation Bill, 2023.

MIN. NO.NA/BAC/2023/409: ADOPTION OF THE DRAFT REPORT ON THE AMENDMENTS BY THE SENATE ON THE COUNTY GOVERNMENTS ADDITIONAL ALLOCATIONS BILL (NATIONAL ASSEMBLY BILL NO. 23 OF 2023).

The Parliamentary Budget office took members through the draft report. The report was proposed by Hon. (Dr.) Murumba, John Chikati, M.P. and seconded by 23. Hon. Busia, Ruth Adhiambo Odinga, M.P. After deliberations the report was **ADOPTED** as follows:

OVERVIEW OF THE BILL

The County Governments Additional Allocations Bill, (National Assembly Bills No. 23) was passed by the National Assembly on 27th June 2023. Consequently, and in accordance with Article 110(4) of the Constitution and Standing Order 142 of the National Assembly Standing Orders, the Bill was referred to the Senate for concurrence.

The County Government Additional Allocations Bill is primarily meant to provide for additional allocations to counties pursuant to Article 190 and Article 202(2) of the Constitution. The enactment of the Bill will facilitate the transfer of conditional and unconditional allocations from the Consolidated Fund to the respective County Revenue Funds and Special Purpose Accounts.

The County Government Additional Allocations Bill for the Financial Year 2023/2024 contains four different types of conditional and unconditional allocations, with varying sources of funding. The four are as follows:

- i. Conditional allocation to County Governments from National Government Revenue in FY 2023/24;
- ii. Unconditional allocations to County Governments from Court Fines and Minerals Royalties in FY 2023/24;
- iii. Conditional allocations to County Government from Loans and Grants from Development Partners in FY 2023/24; and
- iv. The National Government's Expenditure on Devolved Functions Converted to Additional Conditional Grants to County Governments for FY 2023/24.

The National Assembly considered and approved the Bill with a total additional allocation of Kshs. **56,180,983,514** to counties for the FY 2023/24.

The allocation was divided in four schedules as follows:

The First Schedule provides for additional allocations from the national government's share of revenue totaling **Kshs. 15,816,000,000**. The following are the projects to be implemented:

- i. Supplement for construction of County Headquarters **-454,000,000**
- ii. Leasing of Medical Equipment **-5,862,000,000**
- iii. Aggregated Industrial Parks Programme for 18 counties; each allocated Ksh.250 million (Ksh. 4,500,000,000); and **Kshs. 200,000,000** allocated to the state department for industry for operationalization activities of the programme.
- iv. Fertilizer Subsidy Program-Ksh. **5,000,000,000**

The Second Schedule provides for unconditional allocations to county governments from Court fines and Mineral Royalties amounting to **Kshs. 3,043,584,126**. Specific allocations are as follows:

- i. Kshs. 108,660,979 for the allocation of Court fines and;
- ii. Kshs. 2,934,923,147 allocations for Mineral Royalties.

The Third Schedule provides for conditional allocations from proceeds of loans and grants from development partners totaling **Kshs. 33,192,137,406**. The following are the projects to be implemented:

- i. IDA-(World Bank) credit (National Agricultural and Rural Inclusive Growth Project - **NARIGP**) of **Kshs. 3,150,000,000**
- ii. IDA-(World Bank) credit National Agricultural Value Chain Development Project (NAVCDP) - **Kshs. 8,250,000,000**
- iii. IDA-(World Bank) - Kenya Climate Smart Agriculture Project (**KCSAP**) of **Kshs. 2,160,000,000**
- iv. IDA (World Bank) credit: Water & Sanitation Development Project of **Kshs. 5,350,000,000**

- v. DANIDA Grant - Primary Health Care in Devolved Context of **Kshs. 577,500,000**
- vi. IDA (World Bank) Credit (Financing Locally- Led Climate Action (FLLoCA) Program, County Climate Institutional Support (CCIS) **Grant of Kshs. 517,000,000**
- vii. Sweden- Agricultural Sector Development Support Programme (ASDSP) II of **Kshs. 72,797,253**
- viii. German Development Bank (KfW)- Drought Resilience Programme in Northern Kenya (DRPNK) of **Kshs. 465,000,000**
- ix. World Bank - Emergency Locust Response Project (ELRP) of **Kshs. 2,302,630,288**
- x. World bank - Kenya Informal Settlement Improvement Project (KISIP II) of **Kshs. 3,269,530,746**
- xi. Kenya Livestock Commercialization Project (KELCLOP) of **Kshs. 344,300,000**
- xii. Aquaculture Business Development Project (ABDP) of **Kshs. 245,879,120**
- xiii. IDA (World Bank) Credit (Financing Locally- Led Climate Action (FLLoCA) Program, County Climate Resilience Investment (CCRI) **Grant of Kshs. 6,187,500,000**

The Fourth Schedule contains the national government expenditures on devolved functions converted to additional conditional grants, totaling **Kshs. 4,129,261,981**. The resources are allocated to the following three projects:

- i. The Livestock Value Chain Support Project of **Kshs. 1,642,868,400**
- ii. De-Risking and Value Enhancement (DRIVE) Project of **Kshs. 2,165,507,080**
- iii. Kenya Marine Fisheries and Socio-Economic Development (KEMFSED) project of **Kshs. 320,886,501**

AMENDMENTS BY THE SENATE

The Senate considered the County Governments Additional Allocations Bill, (National Assembly Bills No. 23 of 2023) as approved by the National Assembly, and passed it with the following amendments:

- i. Insertion of a new paragraph (e) under Clause 5(5) to provide for conditional allocations for the transfer of library services. Consequently, the first schedule was amended to include column F- which set out the allocation of Kshs. 424.6 million towards the transfer of the library services.

The basis for this amendment is the inclusion of the Ksh. 425 million allocations for the transfer of library services in the equitable share during the division of revenue process; which was subsequently shared among all counties as opposed to the 33 benefiting counties, using the revenue sharing formula. It is notable that, the library staff working in 33 counties have since

been transferred to the respective county governments at the beginning financial year 2023/24. As such, the payroll cost is expected to be met by those particular county governments.

- ii. Insertion of a new paragraph(n) in subclause (6) immediately after paragraph (m)- to include conditional allocations financed by a grant from the German Development Bank (KfW) to finance Locally-Led Climate Action Program (FLLoCA) – (County Climate Resilience Grant). Subsequently, the Third Schedule was amended to include column P setting out an allocation of Kshs. 1,200 million to sixteen counties.

This amendment is informed by submissions made by the National Treasury to the Senate to include this allocation in the Bill to be implemented in the following sixteen counties: Trans-Nzoia, Uasin-Gishu, Elgeyo-Marakwet, Nandi, Kericho, Bomet, Kakamega, Vihiga, Bungoma, Busia, Siaya, Kisumu, Homa Bay, Migori, Kisii and Nyamira. The criteria for allocation of the Kshs.1.2 billion shall be as set out in section 5(6)(n) of the County Government Additional Allocations Act, 2023.

- iii. Clause 5 in subclause (9) is amended by inserting the expression “(4), (5), (6) and (7)” immediately after the words “subsection (2)”. The rationale for this is to ensure that all conditional additional allocations are disbursed to County Governments directly by the National Treasury as opposed to the implementing agencies at the national level.
- iv. Other amendments entail minimal changes to the texts of the Bill meant to perfect the wording and flow of the Bill. These amendments do not have any significant changes to the contents and objective of the Bill as approved by the National Assembly.

COMMITTEE OBSERVATIONS.

The committee considered the amendments by the Senate and made the following observations:

- v. **Conditional allocations for the transfer of library services to the County Governments:** The library staff of the thirty-three (33) counties have already been transferred to the respective county governments hence their payroll costs is expected to be met by these particular counties. However, some of the counties did not receive the full amounts due to them since the allocation for libraries that was undertaken during the Division of Revenue Process was divided amongst all the 47 counties. The committee notes with concern that due to the constrained fiscal space, it will be a challenge to allocate an additional Ksh.425 million to counties for this purpose.
- vi. **Amendment to disburse all conditional additional allocations by the National Treasury directly to County Governments as opposed to**

implementing MDAs: this amendment will negate the purpose of the conditions attached to the allocations especially those allocations channeled through the Ministries, Departments and Agencies (MDAs). It may also adversely affect national government oversight over these conditional projects.

vii. **Changes in the Supplementary Estimates 1 of FY 2023/24:** The supplementary Estimates No. 1 for FY 2023/2024 has made several adjustments to the additional allocations for counties which necessitates a complete overhaul of the Bill in its entirety in order to accommodate these changes. This will adversely affect county budget implementation as counties will have to revise their FY 2023/2024 budgets including the targets in order to reflect this outcome. Specific changes are with regard to the following:

- a) The allocation towards the Leasing of Medical Equipment was revised to zero from an initial allocation of Kshs.5.862 billion.
- b) The County Integrated Agro-Industrial Parks was reduced by Kshs.100 million from the original allocation of Kshs. 4.7 billion to Kshs.4.6 billion. The number of industrial parks was also revised down by two counties, from the initial 18 to 16 counties.
- c) The fertilizer subsidy program was enhanced by Kshs.8.25 billion from the initial Kshs. 5 billion.
- d) Most of the donor funded projects had inconsistent allocations in the Supplementary 1 budget of FY 2023/24 in comparison to the amounts provided in the Bill.

COMMITTEE RECOMMENDATIONS

Having considered the above matters, the committee recommends that this House **REJECTS** the Senate amendments to the County Governments Additional Allocations (CGAA) Bill.

MIN.NO.NA/BAC/2023/410: ANY OTHER BUSINESS & ADJOURNMENT

There being no other matters to consider, the meeting was adjourned at 9.00 p.m. The the next meeting will be communicated at a later date.

SIGNED



HON.NDINDI NYORO, CBS, M.P.

CHAIRPERSON, BUDGET AND APPROPRIATIONS COMMITTEE






DATE

BUDGET AND APPROPRIATIONS COMMITTEE

ADOPTION SCHEDULE ON BAC REPORT ON AMENDMENT BY THE SENATE ON THE COUNTY GOVERNMENT ADDITIONAL ALLOCATIONS BILL, 2023(NATIONAL ASSEMBLY BILL NO.23 OF 2023)

Date 14.11.2023 Time..... Sitting:

NAME		SIGNATURE
1.	Hon. Ndindi, Nyoro, CBS, M.P.- Chairperson	
2.	Hon. Otucho, Mary Emaase, M.P.- Vice Chairperson	
3.	Hon. Chumel, Samwel Moroto, M.P.	
4.	Hon. Odhiambo, Millie Grace Akoth, M.P.	
5.	Hon. (Dr.) Mulu, Makali, M.P.	
6.	Hon. Lekuton, Joseph, M.P.	
7.	Hon. Lesuuda, Josephine Naisula, OGW, M.P.	
8.	Hon. Robi, Mathias Nyamabe, M.P.	
9.	Hon. Ochieng, David Ouma, M.P.	
10.	Hon. Muchira, Michael Mwangi, M.P.	
11.	Hon. Shinali, Bernard Masaka, M.P.	
12.	Hon. Mwakuwona, Danson Mwashako, M.P.	
13.	Hon. Atandi, Samuel Onunga, M.P.	
14.	Hon. Mwirigi, John Paul, M.P.	
15.	Hon. Mejjadonk, Benjamin Gathiru, M.P.	

NAME	SIGNATURE
16. Hon. Wangaya, Christopher Aseka, M.P.	
17. Hon. Wachira, Rahab Mukami, M.P.	
18. Hon. (Dr.) Masara, Peter Francis, M.P.	
19. Hon. Ongili, Babu Owino Paul, M.P.	
20. Hon. Wanjiku, John Njuguna, M.P.	
21. Hon. Guyo, Ali Wario, M.P.	
22. Hon. (Dr.) Murumba, John Chikati, M.P.	
23. Hon. Busia, Ruth Adhiambo Odinga, M.P.	
24. Hon. Kitilai, Ole Ntutu, M.P.	
25. Hon. Sergon, Flowrence Jematiah, M.P.	
26. Hon. Mokaya, Nyakundi Japheth, M.P.	
27. Hon. Abdirahman Mohamed Abdi, M.P.	

Signed.....

Date.....

Committee Clerk

Signed.....

Date.....

Director of Parliamentary Budget Office

SUBMISSION OF THE NATIONAL TREASURY AND ECONOMIC PLANNING ON AMENDMENTS BY THE SENATE ON THE COUNTY GOVERNMENT ADDITIONAL ALLOCATIONS BILL, 2023(NATIONAL ASSEMBLY BILL NO.23 OF 2023).



REPUBLIC OF KENYA
THE NATIONAL TREASURY AND ECONOMIC PLANNING

Telegraphic Address: 22921
Finance – Nairobi
FAX NO. 310833
Telephone: 2252299

THE NATIONAL TREASURY
P O BOX 30007 – 00100
NAIROBI

When Replying Please Quote

Ref No. IGFR/CG/01/H/19

14th November, 2023

Mr. Samuel Njoroge
Clerk to the National Assembly
Clerk's Chamber
Parliament Building
NAIROBI.

Dear

Clerk of NA

RE: INVITATION TO ATTEND A BUDGET AND APPROPRIATIONS COMMITTEE MEETING TO DISCUSS THE SENATE AMENDMENTS TO THE COUNTY GOVERNMENTS ADDITIONAL ALLOCATIONS BILL (CGAAB), 2023 (NATIONAL ASSEMBLY BILLS NO. 23 OF 2023)

Reference is made to your letters Ref. No. NA/PBO//BAC/2023 (36) dated 2nd November, 2023 and Ref.No.NA/PBO/BAC/2023(38) dated 8th November, 2023 on the above subject matter.

You invited the Cabinet Secretary, National Treasury and Economic Planning (CS/NT&EP) for the Committee meeting to be held on **Tuesday, 14th November 2023 at 10.00 a.m. at the Hilton Garden Inn Hotel, Mombasa Road.** The CS/NT&EP is expected to:

- i. submit views (if any) on the County Governments Additional Allocations Bill (CGAAB), 2023 (National Assembly Bills No. 23 of 2023), as approved by the Senate; and
- ii. provide information on the specific amounts apportioned to each conditional allocation to county governments for FY 2023/2024, in view of the Supplementary Estimates for FY 2023/2024 and the expenditure changes contained therein.

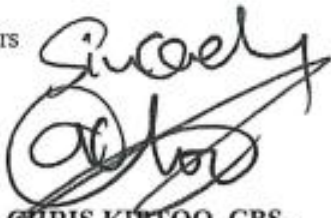
The National Treasury has reviewed the Senate amendments to the CGAAB, 2023 against Supplementary Estimates for FY 2023/2024, and the expenditure changes in the allocations for respective Ministries State Departments and Agencies (MDAs) implementing additional allocations made to county governments.

In view of this, a comprehensive brief is hereby attached detailing the project description,

amounts in amended CGAAB 2023, original 2023/2024 MDA budget, supplementary estimates for financial year 2023/2024 and remaining amounts to be disbursed in 2023/2024FY upon assent of CGAAB 2023.

Submitted for your further necessary action.

Yours

A handwritten signature in black ink, appearing to read "Sincerely" followed by a stylized signature.

DR. CHRIS KIPTOO, CBS.
PRINCIPAL SECRETARY/THE NATIONAL TREASURY



REPUBLIC OF KENYA
THE NATIONAL TREASURY AND ECONOMIC PLANNING

PROPOSALS BY THE NATIONAL TREASURY TO THE BUDGET AND APPROPRIATIONS COMMITTEE OF THE NATIONAL ASSEMBLY ON THE SENATE AMENDMENTS TO THE COUNTY GOVERNMENTS ADDITIONAL ALLOCATIONS BILL, 2023 (NATIONAL ASSEMBLY BILLS NO. 23 OF 2023).

A. AMOUNTS FOR ADDITIONAL ALLOCATIONS IN FY 2023/2024

Parliament is considering the Supplementary Estimates for FY 2023/2024. Table 1 below summarises the amounts apportioned to each additional allocation as contained in: The County Governments Additional Allocations Bill (CGAAB) 2023 (National Assembly Bills No. 23 Of 2023) for FY 2023/2024, the Original Budget Estimates, and the Supplementary Estimates for FY 2023/2024. The table also shows the proposal by the National Treasury on the allocations to county governments for each of the projects contained in CGAAB, 2023.

Table 1: Comparison of amounts for each additional allocation in FY 2023/2024

SNO	Project Description	Allocation in Senate Amendments (Net Amounts for Counties)	Allocation in Original Budget (Gross Amounts for MDA and Counties)	Allocation in Sep.1 FY 2023/24 (Gross Amounts for MDA and Counties)	Allocation Proposed by National Treasury (Net Amounts for Counties)
		Kshs	Kshs	Kshs	Kshs
	Conditional allocations to County Governments from National Government Revenue				
1	Supplement for County Headquarters Construction	454,000,000	454,000,000	454,000,000	454,000,000
2	Medical equipment leasing	5,862,000,000	5,862,000,000	0	0
3	Aggregated Industrial Parks Programme	4,500,000,000	4,700,000,000	4,600,000,000	4,500,000,000
4	Fertilizer Subsidy Program	5,000,000,000	4,500,000,000	12,750,000,000	5,000,000,000
	Sub-total 1	15,816,000,000	15,516,000,000	17,804,000,000	9,954,000,000
	Unconditional allocations to County Governments from Court Fines and Minerals Royalties				
5	Court Fines	108,660,979	0	108,660,979	108,660,979
6	Mineral Royalties	2,934,923,147	0	0	0
	Sub-total 2	3,043,584,126	-	108,660,979	108,660,979
	Conditional allocations to County Governments from proceeds of Loans and Grants in Financial Year 2023/2024 from Development Partners				
7	IDA (World Bank) credit (National Agricultural and Rural Inclusive Growth Project (NARIGP)	3,150,000,000	2,735,938,425	2,735,938,425	410,000,000
8	IDA (World Bank) credit National Agricultural Value Chain Development Project (NAVCDP)	8,250,000,000	8,647,752,850	8,647,752,850	8,250,000,000
9	IDA (World Bank) - Kenya Climate Smart Agriculture Project (KCSAP)	2,160,000,000	1,500,000,000	1,500,000,000	0
10	IDA (World Bank) credit: Water & Sanitation Development Project (WSDP)	5,350,000,000	8,070,000,000	8,070,000,000	5,350,000,000
11	DANIDA Grant - Primary Health Care in Devolved Context	577,500,000	577,500,000	577,500,000	577,500,000
12	IDA (World Bank) Credit (Financing Locally- Led Climate Action (FLLoCA) Program, County CI	517,000,000	-	-	517,000,000
13	Sweden- Agricultural Sector Development Support Programme (ASDSP) II	72,797,253	500,000,000	500,000,000	72,797,253
14	German Development Bank (KfW)- Drought Resilience Programme in Northern Kenya (DRPNK)	465,000,000	810,000,000	920,000,000	765,000,000
15	World Bank - Emergency Locust Response Project (ELRP)	2,302,630,288	2,835,500,000	3,065,500,000	2,302,630,288
16	World bank - Kenya Informal Settlement Improvement Project (KISIP II)	3,269,530,746	5,470,000,000	5,470,000,000	4,500,000,000
17	Kenya Livestock Commercialization Project (KELCLOP)	344,300,000	1,541,000,000	1,541,000,000	344,300,000
18	Aquaculture Business Development Project (ABDP)	245,879,120	2,645,100,000	2,645,100,000	245,879,120
19	IDA (World Bank) Credit (Financing Locally- Led Climate Action (FLLoCA) Program, County Climate Resilience Investment (CCRI) Grant	6,187,500,000	-	-	6,187,500,000
20	German Development Bank (KfW) credit for the County Climate Resilience Grant (CCRG)-Level 2 to finance Locally Led Climate Action (FLLoCA) program	1,200,000,000	-	-	1,200,000,000
	Sub-total 3	34,092,137,497	35,332,791,275	35,672,791,275	30,722,606,661
	National Government's Expenditures on Devolved Functions Converted to Additional Conditional Grants to County Governments				
21	Livestock Value Chain Support Project	1,642,868,400	2,130,000,000	2,630,000,000	1,642,868,400
22	De-Risking and Value Enhancement	2,165,507,080	3,669,000,000	3,669,000,000	2,165,507,080
23	Kenya Marine Fisheries and Socio-Economic Development (KEMFSED) project	320,886,501	3,535,340,000	3,535,340,000	320,886,501
	Sub-total 4	4,129,261,981	9,334,340,000	9,834,340,000	4,129,261,981
	Sum of Sub-totals 1,2,3 & 4 = Grand total	57,080,983,514	60,183,131,275	63,419,792,254	44,914,529,621

Source: CGAAB 2023, Supplementary Estimates

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Table 2 below solely provides information on the specific amounts apportioned to each additional allocation to county governments for FY 2023/2024, in view of the Supplementary Estimates for FY 2023/2024 and the expenditure changes contained therein. This is in line with the request by the Committee vide letter Ref. No. NA/PBO//BAC/2023 (36) dated 2nd November, 2023 to the Principal Secretary, National Treasury.

Table 2: Specific amounts apportioned to each additional allocation in FY 2023/2024

Additional allocations from the National Government's Share of Revenue		
S/NO	Project Description	Amount (Kshs.)
1.	Supplement for Construction of County Headquarters	454,000,000
2.	Leasing of Medical Equipment	0
3.	Aggregated Industrial Parks Programme for 18 counties - each Ksh.250 million.	4,500,000,000
4.	Fertilizer Subsidy Programme	5,000,000,000
Total		9,954,000,000
Unconditional allocations to county governments from court fees and fines mineral royalties		
1.	Court Fees and Fines	108,660,979
2.	Mineral Royalties	0
Total		108,660,979
Conditional Allocations from proceeds of loans and grants from development partners		
1.	IDA (World Bank) credit (National Agricultural and Rural Inclusive Growth Project (NARIGP)	410,000,000
2.	IDA (World Bank) credit National Agricultural Value Chain Development Project (NAVCDP)	8,250,000,000
3.	IDA (World Bank) - Kenya Climate Smart Agriculture Project (KCSAP)	0
4.	IDA (World Bank) credit: Water & Sanitation Development Project (WSDP)	5,350,000,000
5.	DANIDA Grant - Primary Health Care in Devolved Context	577,500,000
6.	IDA (World Bank) Credit (Financing Locally- Led Climate Action (FLLoCA) Program, County Climate Institutional Support (CCIS) Grant	517,000,000
7.	Sweden- Agricultural Sector Development Support Programme (ASDSP) II	72,797,253
8.	German Development Bank (KfW)- Drought Resilience Programme in Northern Kenya (DRPNK)	765,000,000
9.	IDA (World Bank) - Emergency Locust Response Project (ELRP)	2,302,630,288
10.	IDA (World Bank) - Kenya Informal Settlement Improvement Project (KISIP II)	4,500,000,000
11.	Kenya Livestock Commercialization Project (KELCLOP)	344,300,000
12.	Aquaculture Business Development Project (ABDP)	245,879,120
13.	IDA (World Bank) Credit - Financing Locally- Led Climate Action (FLLoCA) Program, County Climate Resilience Grant (CCRI) Grant	6,187,000,000
14.	KfW (German Development Bank) credit for the County Climate Resilience Grant (CCRG) Level 2- Financing Locally- Led Climate Action (FLLoCA) Program – 16 Counties	1,200,000,000
Total		27,710,316,661
National Government's expenditures on devolved functions converted to additional conditional allocations		
1.	Livestock Value Chain Support Project (LCVSP)	1,642,868,400
2.	De-Risking, Inclusion and Value Enhancement (DRIVE) Project	2,165,507,080
3.	Kenya Marine Fisheries & Socio-Economic Development (KEMFSED) Project	320,886,501
Total		4,129,261,981

Source: CGAAB 2023, Supplementary Estimates

From Table 2 above, note the following:

- i. The allocation for Managed Equipment Service (MES) Project has been revised from Kshs. 5,862,000,002 to zero in the Supplementary Estimates for FY 2023/2024 following review of the project challenges that abound such as the lack of specialized personnel and requisite infrastructure to absorb the equipment in some counties. To this end, the Ministry of Health (MoH) and the Council of Governors (CoG) through a consultative approach have agreed that the MoH take up the mandate to execute MES through Intergovernmental Participation Agreements (IPAs). In FY 2023/2024, counties have not signed IPAs with MoH to operationalise the project in the new IPA framework.
- ii. The Kshs. 2,934,923,147 unconditional allocations for mineral royalties are not captured in the FY 2023/2024 Supplementary Estimates for the National Treasury and the State Department for Mining, Ministry of Petroleum and Mining, and cannot, therefore, be transferred to counties in the FY 2023/2024;
- iii. The allocation to counties under KISIP II has been revised upwards from Kshs. 3,269,530,746 to Kshs. 4,500,000,000 in the Supplementary Estimates for FY 2023/2024 as per the submission from the State Department for Housing and Urban Development, Ministry of Lands, Public Works, Housing and Urban Development vide letter Ref. No. MLPWHUD/DH/FM/3/3/Vol. VI/632 dated 9th November, 2023 (*copy attached*);
- iv. The allocations contained in CGAAB, 2023 (National Assembly Bills No. 23 of 2023) for the three conditional allocations below have been revised downwards as follows in the Supplementary Estimates for FY 2023/2024 and the expenditure changes contained therein:
 - a) NARIGP allocation has been revised from Kshs. 3,150,000,000 to a gross of Kshs. 2,735,938,425 (for both the State Department for Crop Development and participating counties). Out of this, and noting that the project is coming to an end in March 2024, Kshs. 410,000,000 is the remaining balance for counties and has been proposed for transfer to the participating counties as per the *attached revised framework for the management of NARIGP* in the FY 2023/2024.
 - b) KCSAP allocation has been revised from Kshs. 2,160,000,000 to a gross of Kshs. 1,500,000,000 for only the State Department for Crop Development with the participating counties receiving no allocation, having received full transfers for the project. Moreover, KCSAP is coming to an end on 30th November, 2023; and
 - c) In the CGAAB approved by the Senate, the combined total allocation for the three components of FLLoCA namely IDA – FLLoCA CCSI Grant Level I (Kshs. 517,000,000), IDA – FLLoCA CCRI Level II Grant (Kshs. 6,187,000,000), and KfW – FLLoCA CCRI Level II Grant (Kshs. 1,200,000,000), have been revised to a combined gross of Kshs. 4,892,210,000. Out of this, Kshs. 1,386,399,329 has been allocated to the National Treasury as the implementing MDA. This, therefore, leaves a balance of Kshs. 3,505,810,671 for transfer to counties under the three FLLoCA components in CGAAB 2023, which is inadequate.

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In view of the above, the National Treasury notes and recommends the following:

1. The Program funding is USD. 297.0 Million over five years jointly committed by International Development Association (IDA), Government of Denmark, Government of Sweden, Government of Germany under KfW and the Dutch Government. The Kshs. 4,892,210,000 allocation captures the current Ministerial Donor Commitments to Absorption Schedule in the Supplementary Estimates for the FY 2023/2024 **but does not consider the modalities of performance appraisal of beneficiary counties which happens before actual allocation and hence transfer to individual counties are made, for the them to absorb the funds;**
2. During the Africa Climate Summit, the Program launched the CCRI Grant Cheque for Kshs. 7.387Billion and committed to transfer the amount to Counties through the County Government Additional Allocations Bill. 2023 in a hybrid funding by IDA and KfW;
3. Section 37 (1) (a) and (b) of the PFMA, 2012 requires the Cabinet Secretary to submit the budget estimates and other documents supporting the budget; alongside the draft Bills required to implement the national budget. As such, given that the Supplementary Estimates provides for a lower allocation to FLLoCA, there is an urgent need to include the **correct estimates (Kshs. 9,290,399,329)** for FLLoCA Project; and
4. Therefore, the National Treasury submits a request to the National Assembly for Special Consideration of: (i) **Kshs. 1, 386,399,329** for National Treasury as the implementing MDA; and (ii) **Kshs. 7,904,000,000** (being the sum of Kshs. 517,000,000 for IDA – FLLoCA CCSI Grant Level 1; Kshs. 6,187,000,000 for IDA – FLLoCA CCRI Level II Grant; and Kshs. 1,200,000,000 for KfW – FLLoCA CCRI Level II Grant **be reinstated in the budget** for transfer to county governments through the County Governments Additional Allocations Bill, (CGAAB), 2023. The sum of Kshs. 1, 386,399,329 and Kshs. 7,904,000,000 being equal to **Kshs. 9,290,399,329** will fully support commitments under FLLoCA both in the CGAAB 2023 and National Level (IPF) Work Plan up to June 30, 2024 given that the Kshs. 4,892,210,000 in Supplementary Estimates is insufficient.

B. COMMENTS ON SENATE AMENDMENTS TO CGAAB 2023

Given the above, there is a need to ensure the Senate amendments to the CGAAB, 2023 are consistent with the amounts allocated for each of the additional allocations to county governments in line with the FY 2023/2024 Supplementary Estimates for the respective project implementing Ministries State Departments and Agencies (MDAs).

The National Treasury, therefore, proposes the following in regard to the Senate amendments to the CGAAB, 2023 (National Assembly Bills No. 23 Of 2023):

CLAUSE 4

THAT clause 4 of the Bill be amended-

- a) in subclause (1) by inserting the words "additional allocations in the form of" immediately before the words "loans and grants" in paragraph (c)

Rationale: The phrase "in the form of" has been omitted in the Senate amendments.

CLAUSE 5

THAT the following amendment in clause 5 of the Bill be struck out-

- (a) in subclause (5) by inserting the following new paragraph immediately after paragraph (d)-
- (e) conditional allocations for the transfer of library services as set out in Column F of the First Schedule.

Rationale: The National Treasury vide letter Ref No. IGFR/CG/01/G/24 dated 7th August, 2024 proposed that the Division of Revenue Act (DORA), 2023, and the County Allocation of Revenue Act (CARA), 2023 be amended to share the Ksh. 424,616,045 among the thirty-three (33) county governments that have libraries. This is in line with the Division of Revenue Bill (DORB, 2023) and County Allocation of Revenue Bill (CARB), 2023, submitted by the National Treasury to Parliament on 14th February, 2023.

Both DORB, 2023 and CARB, 2023 expressly indicated that the Library function has been unbundled and attendant resources (i.e. Ksh. 424,616,045) identified and proposed to be fully transferred to the 33 county governments as part of the equitable share in FY 2023/24; being the sum of Ksh. 421,379,947.20 (payroll budget, and operations and maintenance) and Ksh. 3,236,100 (total leave allowance).

FIRST SCHEDULE

THAT the First Schedule inserted by the Senate be amended by deleting:

- i. column C on Conditional Grant for Leasing of Medical Equipment. The allocation for this project has been revised from Kshs, 5,862,000,002 to zero in the Supplementary Estimates for FY 2023/2024 following review of the project. This will allow MoH to execute MES through Intergovernmental Participation Agreements (IPAs). In the FY 2023/2024, counties have not signed IPAs with MoH to operationalise the project. and
- ii. the newly inserted column F on Transfer of Library Services. As noted above, the Ksh. 424,616,045 was captured in Both DORB, 2023 and CARB, 2023 submitted by the National Treasury to Parliament. Moreover, this allocation is not contained in the Supplementary Estimates for FY 2023/2024, for transfer to county governments as a conditional additional allocation.



SECOND SCHEDULE

THAT, in line with the expenditure changes in the Supplementary Estimates for FY 2023/2024, the First Schedule inserted by the Senate be amended as follows:

- i. **Column C on NARIGP** be amended in line with the *downward* revision of the allocation to the project from Kshs. 3,150,000,000 to Kshs. 410,000,000 (*revised framework attached*)
- ii. **Column D on KCSAP** be deleted in line with the *downward* revision of the allocation to the project from Kshs. 3,150,000,000 to zero, as the project is coming to an end on 30th November, 2023.
- iii. **Column I on DRPNK** be amended to **correctly capture the total amount for the project as Kshs. 765,000,000** (being the sum of Kshs. 300,000,000 and Kshs. 465,000,000 allocations for Marsabit and Turkana counties respectively);
- iv. **Column K on KISIP II** be amended in line with the *upward* revision of the allocation to the project from Kshs. 3,269,530,746 to **Kshs. 4,500,000,000** vide letter Ref. No. MLPWHUD/DH/FM/3/3/Vol. VI/632 dated 9th November, 2023 from the State Department for Housing and Urban Development (*copy attached*);
- v. Given (i) - (vii) above, **Column Q on total loans and grants for FY 2023/2024, and the row on total allocations for each project** both be amended accordingly, to capture the total allocations per project in line with the specific amounts apportioned to each additional allocation in FY 2023/2024 as indicated in Table 2 above, and the revised frameworks enclosed herewith.

C. ADDITIONAL AMENDMENTS TO CGAAB, 2023 (NATIONAL ASSEMBLY BILLS NO. 23 OF 2023) BY THE NATIONAL TREASURY

Further to the aforementioned comments on the Senate amendments to the CGAAB, 2023 (National Assembly Bills No. 23 of 2023), the National Treasury, in view on the fiscal framework and Supplementary Estimates for FY 2023/2024 wishes to propose the following additional amendments to the Bill:

CLAUSE 5 & CLAUSE 8: Mineral Royalties

THAT clause 5 of the Bill be amended-

- (a) in subclause (4) by deleting clause (4)
- (b) in subclause (9) by inserting the expression "(5), (6) and (7)" immediately after the words "subsection (2)".

THAT clause 8 of the Bill be amended in paragraph (b) by deleting the words "section 4(1) and (2)" appearing immediately after the words "allocations made under" and substituting therefor the words "section 5(5), (6) and (7)".

Rationale: The Kshs. 2,934,923,147 unconditional allocations to the beneficiary county governments from the National Governments' Share of revenue emanating from 20% share of

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Mineral Royalties for the FY 2023/2024 are not captured in the Supplementary Estimates for the National Treasury and the State Department for Mining, Ministry of Petroleum and Mining, in the FY 2023/202.

Subclause 5(4) of the Bill is on Mineral Royalties and, hence once deleted should not be referred to in subclause 5 (9) and Clause 8 of the Bill



NJUGUNA NDUNG'U, CBS
CABINET SECRETARY
14th November, 2023

FRAMEWORK FOR MANAGEMENT KISIP II

1. World Bank – KISIP II

Allocation to Kenya Informal Settlement Improvement Project 2 (KISIP2) *to improve access to basic services and land tenure security of residents in participating urban informal settlements and strengthen institutional capacity for slum upgrading in Kenya.*

Ministry/State Department Responsible	Ministry of Lands, Public Works, Housing and Urban Development (vote:1094)
Accounting officer of National Government Responsible	Principal Secretary, State Department for Housing and Urban Development
Responsibilities of the National Government accounting officer	<ul style="list-style-type: none"> • Ensure programme allocations as per Annual Work Plan & Budget (AWP&B) are included in the budget estimates of the Ministry for the FY 2023/2024 • Receive quarterly and annual financial and non-financial reports from the counties and consolidate • Submit quarterly and annual financial and performance reports to the National Treasury and separate copies to each county governments • Monitor and evaluate performance of the allocation and report to the National Treasury
Accounting officer of County Government Responsible	<ul style="list-style-type: none"> • Chief Officer responsible for Housing
Responsibilities of the County Government accounting officer	<ul style="list-style-type: none"> • Prepare Programme AWP&B based on the previous year's activity and budget performance and share with the National Project Coordination Team; • Ensure that the programme AWP&B, upon approval by County Implementation Team is submitted to the County Treasury and captured accordingly; • The County accounting officer, upon approval of the budget by respective county department shall submit twice a year, disbursement request to the National Treasury through county Treasury; and • Submit quarterly and annual financial and performance reports to the National Treasury through County Treasury.

Conditions	<ul style="list-style-type: none"> Duly signed Participation Agreement between the Cabinet Secretary, Ministry of Lands, Public Works, Housing and Urban Development and Governors of each county on prudent management of the programme funds; GoK will ensure that the funds disbursed by IDA are subsequently disbursed to spending units (both national and counties) in reasonable time not to delay implementation of programme activities; Both levels will adhere to the requirements of Participation Agreement; County Governments have carried out environmental and social safeguards and implemented relocation action plans if any; and Submission of financial and non-financial reports with respect to prior funding is a prerequisite for the next period funding to all spending units. Accounting officer, State Department for Housing and Urban Development will additionally submit consolidated report for all the 48 spending units. 			
Allocation: 2023/2024	KES 4,500,000,000			
Purpose of the grant	To develop sustainable infrastructure in selected informal settlements in selected urban areas as part of slum upgrading			
Allocation criteria	Based on the county readiness criteria and the settlement eligibility criteria as detailed in Project Appraisal Document and Project Operation Manual			
		Donor	GoK	Total Allocation
1	NAIROBI	400,000,000		400,000,000
2	MOMBASA	320,000,000		320,000,000
3	NAKURU	250,000,000		250,000,000
4	KISUMU	300,000,000		300,000,000
5	KILIFI	250,000,000		250,000,000
6	KAKAMEGA	140,000,000		140,000,000
7	KIAMBU	200,000,000		200,000,000
8	UASIN GISHU	530,000,000		530,000,000

9	TRANS-NZOIA	300,000,000		300,000,000
10	WAJIR	180,000,000		180,000,000
11	MERU	67,546,296		67,546,296
12	HOMABAY	430,000,000		430,000,000
13	TAITA TAVETA	60,000,000		60,000,000
14	LAMU	150,000,000		150,000,000
15	KAJIADO	100,000,000		100,000,000
16	BUNGOMA	82,599,830		82,599,830
17	NYERI	135,648,946		135,648,946
18	THARAKA NITHI	92,630,231		92,630,231
19	KWALE	112,211,667		112,211,667
20	NYANDARUA	117,308,355		117,308,355
21	NYAMIRA	112,082,214		112,082,214
22	ELGEYO MARAKWET	94,224,456		94,224,456
23	NANDI	75,748,004		75,748,004
	Total	4,500,000,000		4,500,000,000



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

State Department for Housing and Urban Development

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NAIROBI

REF: MLPWHUD/DH/FM/3/3/Vol. VI/632

DATE: 9th November, 2023

Dr. Chris Kiptoo, CBS
Principal Secretary
The National Treasury
P.O. Box 30007 – 00100
NAIROBI

Dear *PS*,

**RE: REQUEST FOR AMENDMENT OF FIGURES UNDER THE
CONDITIONAL ADDITIONAL ALLOCATION BILL FOR 2023/2024**

The above subject matter refers.

The State Department is implementing Second Kenya Informal Settlement Improvement Project. The project is jointly financed by the Government of Kenya, the World Bank (IDA) and French Development Agency.

Part of the proceeds will be disbursed to the counties for the purpose of implementation of civil works. The project has come up with accelerated measures to improve disbursement and implementation. The funds available in the County Government Additional Allocation Bill 2023 is not sufficient to carry out these accelerated activities.

This is, therefore, to request for revision of the funds to be sent to counties from Kshs. 3,269,530,746 to Kshs. 4,500,000,00 within our total donor budget of Kshs. 5,270,000,000. We further request an amendment to the County Government Additional Allocation Bill 2023 be revised prior to the approval by the Senate as shown in the framework schedule attached.

Yours *Sincerely*,

Charles M. Hinga, CBS CA(SA)
PRINCIPAL SECRETARY

Copy to: **Hon. Alice Wahome**
Cabinet Secretary
Ministry of Lands, Public Works, Housing and
Urban Development
NAIROBI

Prof. Njuguna S. Ndungu, CBS
Cabinet Secretary
The National Treasury
and Economic Planning
NAIROBI

QS Said Athman, EBS
Housing Secretary
State Department for Housing and Urban Development
NAIROBI