

**Press Release by Hon (Amb.) Ukur Yatani,
Ag. Cabinet Secretary / National Treasury and Planning
Following the Assent by HE the President of the Division of Revenue Bill, 2019**

September 17th, 2019

1. The National Treasury commends Parliament -- the Senate and the National Assembly -- for approving the Division of Revenue Bill (DoRB), 2019. The Bill allocates Ksh 378.1 billion to County Governments for FY 2019/20, of which Ksh 316.5 (or 84 percent) is the equitable share of revenue raised nationally, while Ksh. 61.6 billion (or 16 percent) comprise of conditional allocations to counties. It should be noted that the total allocation to counties for FY 2019/20 is 36.4 percent of the last audited shareable revenue.
2. The extended delay in the DoRB's approval has adversely affected implementation of the Counties' FY 2019/20 budgets with negative consequences on socio-economic activities countrywide as well as the delivery of crucial public services.
3. Following enactment and assent of the Division of Revenue Bill, 2019, our focus at the National Treasury shifts to immediate disbursements to County Governments. In this regard, we confirm that the National Treasury has disbursed with immediate effect over Ksh. 50 billion for purposes of the now-overdue disbursements for July and August. At this juncture, I appeal to Parliament to expedite the enactment of the County Allocation of Revenue Bill, which allocates revenue across counties. I wish to reiterate our commitment to disburse funds for September onwards to counties without delay in line with Article 219 of the Constitution as well as section 17(7) of the Public Finance Management Act, 2012.
4. While the vertical division of revenue is by design a political process, there is clearly urgent need for concerted effort by all actors to avert a similar stalemate in the future. In this regard, the National Treasury is currently engaging with the Commission on Revenue Allocation (CRA) to identify ways of minimizing deviations in recommendations to Parliament by the two

institutions on equitable revenue share entitlements to both levels of Government. The discussions will also endeavour to unify positions on implementation of Article 203(1) of the Constitution with a view to eliminate ambiguity in the application of the criteria for determining equitable shares of revenue between the two levels of government.

5. In our considered view, there is need to develop interim measures that would facilitate funds flow to the Counties in the event of future delays in the approval of the DoRB. In this regard, the National Treasury supports Parliament's initiative to amend the Public Finance Management Act, 2012, to provide temporary legislative authorization for withdrawal of money from the Consolidated Fund to be transferred to Counties for the purpose of meeting expenditure necessary to carry on their services until such a time as the DoRB is approved. Such a measure would facilitate continuity of service delivery to citizens.

6. In the meantime, County Governments are urged to finalize and adopt their budgets, which should prioritize payment of pending bills accrued from previous financial years. Based on a report by the Auditor-General:
 - the stock of county pending bills were estimated to be in excess of Ksh. 100 billion as at end of February 2019, of which Ksh 40.5 billion was found to be eligible for immediate payment.
 - approximately 25 percent of the arrears comprises of unremitted taxes and other statutory deductions, which is an illegality.
 - other pending bills relate to outstanding payments to the Kenya Medical Supplies Agency (KEMSA) for delivery of drugs and related commodities which compromises delivery of Universal Health Coverage (UHC) program.
 - the rest of the arrears comprise of dues to contractors and suppliers of goods and services, including utilities, such as, electricity and water.

7. It should be emphasized that such high levels of pending bills generate detrimental economic impacts including:
- a) unrealized targets for collection of revenue by the Kenya Revenue Authority (KRA);
 - b) contraction in the operations of private firms, especially small and medium enterprises (SMEs); and,
 - c) stalling of initiatives such as Access to Government Procurement Opportunities (AGPO) which seek to expand economic prospects for target groups.
8. In conclusion, I wish to urge counties as a matter of priority to focus on efforts to improve on Own Source Revenue (OSR) collection in order to increase their capacity to finance their operations so as to reduce the extent to which they rely on the National Exchequer.

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