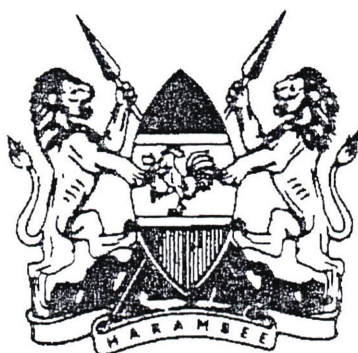


REPUBLIC OF KENYA



KENYA NATIONAL ASSEMBLY

TENTH PARLIAMENT-FIFTH SESSION

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REPORT OF

THE DEPARTMENTAL COMMITTEE ON LOCAL AUTHORITIES ON THE BUDGET
POLICY STATEMENT FOR 2011/2012 FINANCIAL YEAR

Clerk's chambers,
National Assembly,
NAIROBI

April, 2011

1.0. Introduction

- 1) The Ministry of Local government is categorized by Treasury under infrastructure sector. Other partner ministries include the Ministries of Housing, Energy, Public Works, Roads and Nairobi Metropolitan. It focuses on improving the infrastructural, governance and managerial capacity of Local Authorities which is geared towards the achievement of Vision 2030. The Ministry's main focus is to ensure and facilitate the operationalization of policy and institutional and legal framework within local authorities to enhance service delivery. The activities of the sub sector are in line with other government policies e.g. poverty reduction, equitable distribution of resources, employment, wealth creation, good governance as well as promotion of local economic growth and development. Over the period 2010/11- 2012/13 the ministry seeks to undertake the following programs:-
 - (i) Local Authority management and development with specific reference on Urban and County Development by developing various strategic plans;
 - (ii) Market development through construction and rehabilitation of various markets;
 - (iii) Local Authority Management and Advisory Services that will ensure improvement in governance;
 - (iv) Reform in Local Government including financial management, human resource management and development, decentralization policy, developing monitoring and evaluation tools, among others.

- 2) It is important to underscore that the Medium Term Plan of the Vision 2030 highlights nineteen (19) "*priority areas*" namely:-

a) Economic Pillars:

- (i) Tourism
- (ii) Agriculture, livestock and fishing
- (iii) Wholesale, retail and international trade
- (iv) Manufacturing
- (v) Business process outsourcing
- (vi) Financial services

b) Political Pillars

- (i) Governance and the rule of law
- (ii) Decentralization

c) Social Pillars:

- (i) Education and training
- (ii) Health
- (iii) Environment, water and sanitation
- (iv) Population, urbanization and housing
- (v) Gender, vulnerable groups and youth

d) Cross-cutting factors (enablers)

- (i) Physical infrastructure
- (ii) Science, technology and innovation
- (iii) Land use and management
- (iv) Public sector reform
- (v) Employment
- (vi) Security, peace building and conflict resolution

In this regard, the Ministry has a key role to play in achieving vision 2030 objectives namely, physical infrastructure, land use and management, decentralization, wholesale, retail and international trade. To this end, the Ministry has an important role to play in achieving the vision 2030 objectives and therefore the medium budget allocation should mirror the aforementioned goals.

2.0. The Budget Policy Statement 2011 and Physical infrastructure sector

According to the sector report for 2011, the priority in the Ministry is to enhance good governance and service delivery in local authorities through proper development and management of systems. Specifically, in order of priority the sector ranks Local Authority Management and Development number four. This is given below:-

- (i) Road Development, Maintenance and Management Programme;
- (ii) National Electrification Programme;
- (iii) Government Buildings;
- (iv) Local Authority Management and Development;
- (v) Transport Infrastructure Development;
- (vi) Housing Development and Human Settlement Programme;
- (vii) Coastline Infrastructure and Pedestrian Access;
- (viii) Metropolitan Infrastructure and Services;
- (ix) Transport Management and Safety;
- (x) Renewable Energy Resources Programme;
- (xi) Petroleum Exploration and Distribution Programme;
- (xii) Procurement Ware Housing and Supply;
- (xiii) Construction Standards and Research;
- (xiv) Centralized Support Services.

The sector working report indicates that for 2011/12, the Ministry requested resources to a tune of Kshs.33,000 million. At sector level, the Ministry was allocated Kshs.18,729. This translates to financing gap of Kshs.14,271 million.

However, in the Budget Policy Statement, the Ministry has been allocated Kshs.19,000 million. This is slightly above the resources shared at sector level.

3.0. Specific issues that need clarification

- i. In order of importance, what is the key priority of the Ministry?
- ii. The Budget Policy Statement indicates only one programme and yet the sector report shows four programmes.
- iii. There is a large discrepancy between the resources required, resources requested and Budget Policy Statement. What is the additional Kshs.281 million going to fund?.
- iv. What is the criteria and spatial distribution of some of the targets such as construction of markets across the country?.
- v. Financing of LATF should be guided by the Local Authorities Service Delivery Plan. Does the ministry look at the plans and ensure there is harmony between the funds disbursed and the plans?.
- vi. To what extent does the Ministry participate in upgrading the various local authorities from one level to another?. Is this in line with service delivery?
- vii. There is a mismatch between the various actors within the local authorities' arena. There is need for proper integration of the various Ministries such as Ministries of Water, Environment and Roads among others. This will go a long way in enhancing service delivery.
- viii. Need for long term strategy of addressing the level of indebtedness of local authorities since LATF that was intended to reduce debts of local authorities has had limited impact.
- ix. The Ministry should table the status of the impact of the LATF programme.

4.0. General issues that need clarification amid the new constitution

- (i) The structure of the local authorities consists of two levels; political and administrative. The political and decision making structure is likely to be taken over by the county governments. There is need to restructure the administrative structure to be in tandem with the new arrangement.
 - a. What is the fate of local authorities in the new constitutional dispensation?.
 - b. Preparedness of local authorities, municipal/town councils on the new dispensation.
 - c. There seems to be a general lack of preparedness with the confusion surrounding the fate of local authorities.
- (ii) Will county governments collect revenues previously collected by local authorities?. Local authorities (city councils, municipal councils, town councils, county councils) collect revenue from single business permits, property rates, Contributions In Lieu of Rates (CILOR), market fees, motor vehicle parking, plot rents, water and sewerage fees, cess receipts, game park fees and house rents. They also receive revenue from LATF, RMLF, CILOR, grants, administration charges, fines and interests,

advertising fees and planning approvals, income from commercial activities among others.

The new constitution stipulates under article 209 (3) that a county may impose property rates, entertainment taxes and any other tax that it is authorized to impose by an Act of Parliament. Article 209 (4) states that the national and county governments may impose charges for services.

It seems that local governments will be collecting the same revenues as county governments. However, LATF may no longer be a source of revenue for county governments even though it is currently the main sources of Local Authorities revenue (The LATF allocation percentage for the year 2007/2008 is 36.3 percent of total Local Authorities revenue). This implies a significant reduction in total county revenue but this will probably be offset by the county's share of revenue raised by the national government.

Collection of revenue is a big challenge to local authorities and there are many defaulters. Thus county governments will need to put in place adequate infrastructure that will enable them to optimize their capacity to generate revenue.

- (iii) Overall, is the Ministry prepared for the new transition?

B) MINISTRY OF NAIROBI METROPOLITAN DEVELOPMENT

1. Mandate of the Ministry

Through the Presidential Circular No. 1/2008 of May 2008, the Ministry of Nairobi Metropolitan development is tasked with developing an Integrated Nairobi Metropolitan Areas Growth and Development Strategy covering among other things:-

- (i) Integrated roads, bus and rail infrastructure for Metropolitan Area.
- (ii) Efficient Mass Transport System for Nairobi Metropolitan Area.
- (iii) Replacement of Slums with Affordable Low cost/rental Housing Provision of adequate Housing.
- (iv) Development and Enforcement of Planning and Zoning Regulations.
- (v) Preparation of Spatial Planning for Metropolitan Area.
- (vi) Efficient Water Supply and Waste Management Infrastructure.
- (vii) Promotion, Development and Investment in Sufficient Public Utilities, Public Services and World Class Infrastructure for Transforming Nairobi into a Global Competitive City for Investment and Tourism.

2. Key Policy Issues for the Medium Term (Medium Term Plan of the Vision 2030)

The following are the key policy issues that ought to guide the Ministry in the 2010/11 budget and the medium term.

- (i) Combating crime and insecurity and as well as overcoming urban planning challenges;
- (ii) Improving infrastructure and utilities;
- (iii) Enhancing transport mobility and connectivity;
- (iv) Provision of basic necessities such as shelter;
- (v) Making Nairobi a hub of investment in Eastern Africa.

3. Ministry's sector priorities

The Ministry of Nairobi Metropolitan Development is ranked eighth in the sector's programme ranking:


- (i) Road Development, Maintenance and Management Programme
- (ii) National Electrification Programme
- (iii) Government Buildings;
- (iv) Local Authority Management and Development
- (v) Transport Infrastructure Development;
- (vi) Housing Development and Human Settlement Programme;
- (vii) Coastline Infrastructure and Pedestrian Access;
- (viii) Metropolitan Infrastructure and Services;
- (ix) Transport Management and Safety;
- (x) Renewable Energy Resources Programme;
- (xi) Petroleum Exploration and Distribution Programme;
- (xii) Procurement Ware Housing and Supply;
- (xiii) Construction Standards and Research;
- (xiv) Centralized Support Services.

4. Issues to follow up with the Ministry

- i. The sector report indicates that for 2011/12, the Ministry requested resources amounting to 9,712 million (580 million in recurrent and 9,132 million in development) but was allocated a total of 1,892 million (334 million in recurrent and 1,558 million in development). Hence the resource gap of 7,820 million. What is the place of the Ministry of Nairobi Metropolitan Development under the current constitutional dispensation? If retained, the Ministry may end up having overlapping mandates with the various county governments.
- ii. For budget accountability purpose, there is need for a clear delineation of the role of Nairobi Metropolitan and other ministries such as

Ministry of Local Government, especially in the new constitutional dispensation.

- iii. There is need for proper alignment of the strategic plan objectives and the year in budgetary provision. The Ministry seems to be contented with the meager resources and yet strategic plan require huge resources.
- iv. What is the purpose of National Urban and Metropolitan Areas Development Board?


Signed.....
(Chair)

Date..... 11. 04. 2011

