COMMISSION ON REVENUE ALLOCATION

PRESS RELEASE

RE: FINANCING OF NON – CORE CAPITAL PROJECTS

The Commission on Revenue Allocation has noted a trend where large funds, meant for essential service delivery like health services are diverted to non-priority capital projects.

The Attached Circular has been issued by the Commission to provide guidelines on the funding of non-core capital projects.

George Ooko
COMMISSION SECRETARY
20th May 2015

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COMMISSION ON REVENUE ALLOCATION

OUR REF: CRA/CSO/CGM/10/ Vol. 8/4 **DATE:** 19th May 2015

CRA CIRCULAR NO. 5/2015

TO: - **C.E.C. FINANCE, COUNTY GOVERNMENTS**
- **CLERKS , COUNTY ASSEMBLIES**

RE: FINANCING OF NON - CORE CAPITAL PROJECTS

One of the key mandates of the Commission, as stipulated by the Constitution is to make recommendations on financing and financial management by county government, and to encourage fiscal responsibility by County Governments.

It is in the light of the above mandate that we now issue guidelines on financing of major capital projects by County Governments. We have noticed a trend where large funds, meant for essential service delivery like health services are diverted to non-priority capital projects.

The current outcry in some Counties that medical services have deteriorated is partly caused by this practice of diverting funds meant for essential services to non-core capital projects.

The projects that we have noted as being financed through the equitable allocations include:-

1. Purchase/construction of Governors and Speakers residences.
2. Construction of new County Assemblies
3. Construction of new Executive Offices

The Commission makes the following guidelines:-

1. Major capital projects, as enumerated above, are not a priority in the first five years of devolution. Where there is justification, such projects should be funded using long term finance of between 5 to 10 years.

2. Long term financing should be sought by the County Governments in consultation with CRA and the National Treasury.

However, essential capital projects can be financed from the equitable share. Examples include:-

1. Renovations of County Governments' offices and facilities.
2. Renovations and expansion of health facilities.
3. Purchase of medical equipment e.g. incubators, standby generators.
4. Purchase of road and water works construction equipment. These should also be financed through long term finance when the investment is substantial.

Should you require clarification and additional information, please contact the undersigned.

Yours Sincerely

George Ooko
COMMISSION SECRETARY

Copy to:	-	Governors of Counties
	-	Principal Secretary, National Treasury
	-	Speakers of County Assemblies
	-	Clerk of the Senate
	-	Controller of Budget