

**REPUBLIC OF KENYA
COUNTY GOVERNMENT MACHAKOS
COUNTY ASSEMBLY MACHAKOS**



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SECOND SESSION

BUDGET AND APPROPRIATIONS COMMITTEE

**THE BUDGET AND APPROPRIATIONS COMMITTEE'S FOURTH
REPORT ON THE INTERGOVERNMENTAL AGREEMENT ON THE
ESTABLISHMENT OF COUNTY AGGREGATION AND INDUSTRIAL
PARKS (CAIP)**

FEBRUARY, 2024

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1.0 OVERVIEW OF THE COUNTY AGGREGATION AND INDUSTRIAL PARKS

1. Hon Speaker, the Government in promoting the Bottom -Up Economic Transformation Agenda (BETA) has recognized the role played by agriculture and manufacturing sectors in income generation, wealth & job creation, increased foreign exchange earnings, and poverty reduction. The Manifesto targets to address the challenges in the agriculture sector through raising the productivity of the farmers by addressing the cost, the quality and availability of inputs and providing farmers with working capital. This multiplier effect will promote backward and forward linkages to other sectors of economy including manufacturing sector by provision of required raw materials. This cannot be realized without programmes and initiatives that will accelerate inclusive and sustainable development of industries that will drive the Country's economic growth.
2. Manufacturing sector plays a key role in economic development, employment creation; offers new products to market; provide stimulus for growth of the agriculture sector and offer significant opportunities for export expansion. The sector performance has stagnated at around 7% in the last couple of years. This has resulted to reduction of jobs, stagnation in exports while imports have been growing. According to Economic Survey 2023, the contribution to Gross Domestic Product (GDP) was 7.8% in 2022 which was a slight improvement from 7.2% in 2021.
3. In addressing some of these challenges, the Ministry of Investment, Trade and Industry through State Department for Industry targets to raise manufacturing contribution to GDP from the current 7% to 15% by 2027 and to 20% by 2030 through County Aggregation and Industrial Parks (CAIP) programme.
4. The main objective of County Aggregation and Industrial Parks (CAIP) is to grow manufacturing and investments through Agri-Industries and enhance productivity of agriculture sector in a sustainable manner. This will create decent jobs, increase farmers' income, foreign exchange and provide platform where farmers, processors, exporters, research institutions, industrial bodies and Government can engage for Agri-industrial development.
5. The National Government through the Ministry of Investment, Trade and Industry, State Department for Industry and County Governments in partnership with private sector, development partners and United Nation Industrial Development Organization (UNIDO) has established County Aggregation and Industrial Park (CAIP) in each County. The development

and implementation of the project will be jointly accomplished between the National Government, Council of Governors and County Governments.

6. The Project will be implemented in two phases for a period of two (2) years whereby Phase one will target eighteen (18) Counties and phase two twenty-nine (29) Counties. Each County will allocate Kshs. 250 Million and National Government through State Department for Industry Kshs. 250 Million totaling to Kshs. 500Million. The Phase one of the project comprises of Counties which includes: Busia, Bungoma, Embu, Garissa, Homa Bay, Meru, Mombasa, Nyamira, Siaya, Migori, Trans Nzoia, Kiambu, Kirinyaga, Machakos, Murang'a, Nakuru, Nandi and Uasin Gishu.

1.1 Mandate of the Committee

7. The Budget and Appropriations Committee derives its mandate from standing order No. 186 (3) (a) which states that: - "There shall be a select Committee to be known as the County Budget and Appropriations Committee which is mandated to, investigate, inquire into and report on all matters related to coordination, control and monitoring of the County budget".
8. Further, the standing order mandates the Committee to; investigate, inquire into and report on all matters related to coordination, control and monitoring of the county budget; discuss and review the estimates and make recommendations to the Assembly; Examine the County Budget Policy Statement presented to the Assembly; Examine Bills related to the county budget, including Appropriations Bills; and evaluate tax estimates, economic and budgetary policies and programmes with direct budget outlays. The main objective of the committee is to ensure that public funds are well utilized and that the public realizes value for money in all government expenditures.

1.2 Committee Membership

9. The Committee of Budget and Appropriations as constituted by this honorable Assembly comprises of the following members: -
 1. Hon. Dominic Ndambuki - Chairperson
 2. Hon. Justus Mutuku - Vice Chairperson
 3. Hon. Judas Ndawa - Member
 4. Hon. Phoebe Koki - "
 5. Hon. Peter Kilonzo - "
 6. Hon. Nicholas Nzioka - "

- | | |
|--------------------------|---|
| 7. Hon. Stephen Mwanthi | “ |
| 8. Hon. Margaret Ndalana | “ |
| 9. Hon. Winfred Mutua | “ |

SECRETARIAT

- | | |
|-------------------------|-------------------------|
| 1. Ms. Evelyn Kimote | -Senior Clerk Assistant |
| 2. Ms. Mary Nzambi | -Clerk Assistant |
| 3. Mr. Sylvester Nzangi | -Senior Fiscal Analyst |
| 4. Mr. Shadrach Mbithi | -Fiscal Analyst |
| 5. Ms. Margaret Wania | -Legal Officer |
| 6. Ms. Mwikali Mwaniki | -Hansard Reporter |
| 7. Ms. Abigail Mulei | -Commisionaire |

1.3 Adherence to Legal Provisions

10. Hon Speaker, Article 6(2) of the Constitution states that; the governments at the National and County levels are distinct and inter-dependent and shall conduct their mutual relations on the basis of consultation and cooperation. Article 186 of the Constitution recognizes the respective functions and the powers of the National and County Governments. Article 189(2) of the Constitution provides that Government at each level, and different government at the County level, shall co-operate in the performance of functions and exercise of powers and, for that purpose may set up joint committees and joint authorities.
11. Section 191(A) (3) of the Public Finance Management Act, (PFMA) 2012 provides that where a County Government intends to enter into an agreement for conditional allocations, the County Executive Committee Member in charge of finance shall submit the agreement to the County Assembly for approval. Further, pursuant to Section 191(A) (4) of the PFMA, 2012 the Assembly shall within fourteen (14) days of the submission of an agreement approve or reject the agreement.
12. Section 23 (a) of the Intergovernmental Relations Act provides that the National or a County Government may establish a joint Committee with a specific mandate where such a committee is necessary for the achievement of the objects and principles of devolution provided in article 174 and 175 of the Constitution.

2.0 MAIN OBJECTIVE OF THE COUNTY AGGREGATION AND INDUSTRIAL PARKS (CAIP)

13. Hon Speaker, the main objective of CAIP is to grow manufacturing and Agri-Industrial investments and enhance competitiveness of agriculture sector in a sustainable manner hence creating inclusive decent jobs, promote productivity at the farm level, increase farmers' income; increase export, increase foreign exchange, grow the economy and provide platform for stakeholders' engagement in promoting industrialization in the country.
14. The County Aggregation and Industrial Parks will house an Aggregation Centre that will have the section for collection, sorting, grading, cleaning, packaging and cold storage facilities. The Industrial Park section will have the value addition, processing equipment and common user facilities. The CAIP will be linked to online warehouses management system to promote market access.

2.1 Funding of the CAIPs

15. In 2023/2024 FY, the National Government through the State Department for Industry has allocated Kshs. 4.7 Billion towards the establishment of the CAIPs. The benefiting Counties will receive Kshs. 250 Million from the National Government and the respective County Governments will allocate a matching amount of Kshs. 250 Million. The County Government of Machakos has already factored the Kshs. 250 Million in the current financial year's budget.

2.2 Roles of the County Government

16. The role of the County Government as stipulated in the agreement will be to: -
 - a) Develop the governance and management structure for the CAIP in consultation with Council of Governors;
 - b) Facilitate timely disbursement of the grant funds to the contracted CAIP contractors upon satisfactory completion of the project;
 - c) Ensure the grant funds are included in the budget estimates of the relevant departments in charge of Industry for the particular fiscal year;
 - d) Ensure that the grant allocation for development of the CAIP are transferred from the County Revenue Fund Account to a Special Purpose Account (SPA) operated exclusively for management of the CAIPs funds;

- e) Ensure that all activities funded by the grant are captured in the County Annual Workplan and Procurement Plan that incorporates all incomes including conditional grants with clear deliverables;
- f) Prepare quarterly reports on-:
 - i. Actual transfers received by the County Government;
 - ii. Actual expenditure by the County Government of the allocations made;
 - iii. Extent of compliance with CAIPs framework
 - iv. An explanation of any material problems in the expenditure of any allocations received;
 - v. Submit technical reports in agreed formats to the Ministry of Investment, Trade and Industry;
- g) Monitor and evaluate performance of the conditional allocation and report to the County Treasury to ensure accountability in the utilization of the funds.

17. The County Government should adhere to the provisions of other articles in the legal notice such as: -

- i. Obligation of the Ministry
- ii. Financial arrangements
- iii. Existing and future arrangements
- iv. Commencement and termination
- v. Dispute resolution
- vi. Notices
- vii. Amendment
- viii. Partnerships, collaborations and management of the CAIPs
- ix. Entire agreement
- x. Confidentiality
- xi. Regular review on reporting,
- xii. Governing law and jurisdiction and;
- xiii. Framework for management of conditional allocation for establishment of County Aggregation and Industrial Parks.

3.0 FRAMEWORK FOR MANAGEMENT OF CONDITIONAL ALLOCATION FOR ESTABLISHMENT OF COUNTY AGGREGATION AND INDUSTRIAL PARKS

18. Hon Speaker, below is a summary of the framework for management of conditional allocation for establishment of CAIPs;

Establishment of County Aggregation and Industrial Parks (CAIP)	
Vote/Ministry/State Department Responsible	<ul style="list-style-type: none"> Ministry of Investment, Trade and Industry/State Department of Industry
Accounting Officer of National Government Responsible	<ul style="list-style-type: none"> Principal Secretary, State Department of Industry
Responsibilities of the National Government Accounting Officer	<ul style="list-style-type: none"> (i) Develop and issue guidelines on the requirements for the establishment of CAIP in consultation with the Council of Governors; (ii) Develop and disseminate implementation guidelines of the grant to the Counties in consultation with the Council of Governors; (iii) Ensure that the grant is included in the budget estimates for the State Department for Industry and included in the County Governments Additional Allocation Bill; (iv) Ensure disbursement of funds to the respective County Governments through the County Revenue Fund (CRF) (v) Initiate requests to the National Treasury for disbursement of grants to respective County Revenue Fund accounts; (vi) Facilitate timely disbursement of Funds by the National Treasury to County Revenue Fund Accounts; (vii) Set conditions for transfer of grants and ensure compliance by Counties in consultation with council of Governors; (viii) Coordinate and report on Monitoring and evaluation of the impact of grants in consultation with the Council of Governors.
Conditions	<ul style="list-style-type: none"> (i) The Industrial Park shall have minimum area of 10 hectares, in an appropriate location accessible to major transport facilities and with clear status of ownership; (ii) Industrial Park should have basic infrastructure facilities like road, electricity, water and sewage and effluent treatment facilities; (iii) Detailed Feasibility Study (Pre-feasibility study, Master Planning, Detailed designs and Engineering; and Environmental and Social Impact Assessment) (iv) The County should set up a Governance Structure for management of CAIP (v) Adhere to timeline for completion of construction of basic infrastructure facilities and operationalization of the CAIPs;

	<ul style="list-style-type: none"> (vi) Grant funds shall be reflected in the respective County Budget Estimates for the relevant fiscal year(s) and be included in the Division of Revenue Bill and County Allocation of Revenue Bill; (vii) The grant funds for development of the CAIP shall be transferred to a Special Purpose Account operated exclusively for management of the grant immediately but not later than 15 days after the receipt of the funds at the respective County Revenue Fund Account (viii) The county department of Trade and Industry shall submit quarterly/annual financial and technical reports in agreed formats to the State Department for Industry and (ix) The grant shall not be utilized for any other purpose other than in the development of the CAIP as per the Regulations and guidelines provided from time to time by the National Government in consultation with the Council of Governors
Accounting Officers of The County Governments Responsible	<ul style="list-style-type: none"> • County Chief Officer responsible for matters relating to Trade and Industry; and • County Chief Officer responsible for matters relating to Finance
Responsibilities of the County Government Accounting Officer	<ul style="list-style-type: none"> (i) Develop the Governance and Management Structure for the CAIP in consultation with Council of Governors. (ii) Facilitate timely disbursement of the grant funds to the eligible CAIP contractors and other service providers; (iii) Ensure the grant funds are included in the budget estimates of the relevant departments in charge of Industry for the particular fiscal year; (iv) Ensure that the grant allocation for development of CAIP are transferred from the County Revenue Fund account to a Special Purpose Account operated exclusively for management of the grant; (v) Ensure that all the activities funded by the grant are captured in the Integrated County Annual Work Plan that incorporates all incomes including conditional grants with clear deliverables; and the county procurement plan (vi) Prepare report on: <ul style="list-style-type: none"> a) Actual Transfers received by the County Government b) Actual expenditure by the County Government of the allocations made c) Extent of compliance with CAIP; d) An explanation of any material problems in the expenditure of any allocations received; e) Quarterly and annual financial and technical reports to the County Treasury with copies to the state department for Industry; (vii) Monitor and Evaluate performance of the conditional allocation and report to the County Treasury to ensure accountability in the utilization of the funds; and

	(viii) Submit quarterly and annual financial and technical reports in agreed formats to the National Treasury and the Controller of Budget with copies to state Department of Industry.
Allocation criteria	(i) Land provision and development master plan to access half of the conditional grant (ii) County to deposit Kshs. 250 Million to the SPA to the access the full conditional grant

4.0 COMMITTEES' RECOMMENDATIONS

19. Hon Speaker, the Committee recommends that; -

1. The County complies with the financing conditions and deposits Kshs. 250 Million to the Special Purpose Account (SPA) for the construction of the County Aggregation and Industrial Park (CAIP).
2. The County Government ensures that the Industrial Park has a minimum area of ten (10) hectares in an appropriate location with basic infrastructure facilities and develop a master plan for the land.
3. The County Government develops governance and management structure for the County Aggregation and Industrial Park (CAIP).
4. The National and the County Government ensure timely release of the funds and facilitate timely disbursement of the grant funds to the contractors and other service providers.
5. The County Government monitors and evaluates performance of the conditional grants' allocation.
6. The County Government puts in place measures to ensure sustainability of the CAIP after withdrawal of the donor grants.
7. The County Government ensures that the grant funds are included in the Budget Estimates for the particular FY(s).
8. The County Government ensures that all the activities funded by the grant are captured in the County Annual Work Plan and the Procurement Plan.
9. The National Government in the current FY 2023/2024 has allocated Kshs. 100 Million for the grant to Machakos County and needs to enhance the amount to Kshs. 250 Million as per the Intergovernmental Agreement. After receipt of the Kshs. 150 Million deficit the CECM Finance should submit a revised budget to the Assembly for approval.

10. The County Executive adheres to all the conditions set for the establishment of the County Aggregation and Industrial Parks (CAIP) to ensure that the County gets full access to the grant.
11. The Accounting Officers responsible, Chief Officers Trade and Finance, safeguard the grant funds and ensure that value for money is realized.
12. The County Government should fast-track the construction of the Industrial Park, since this will attract investment and in return create business and employment.
13. The County Government to conduct public participation for all intergovernmental agreements pursuant to Section 191B of the PFM Act, 2012 which states that the County Executive Committee Member shall facilitate public participation on any agreement made pursuant to Section 191A.
14. The CECM Finance to submit to the County Assembly all the other conditional grants agreements for approval in accordance to Section 191A (3) of the PFM Act, 2012 which states that where a County Government intends to enter into an agreement under Subsection (1), the County Executive Committee Member shall submit the agreement to the respective County Assembly for approval.

5.0 ACKNOWLEDGEMENT

20. Hon Speaker, the Committee wishes to thank the office of the Speaker and the office of the Clerk of the County Assembly, for the support extended to the Committee in fulfilling its mandate. I wish to acknowledge the Hon Members of the committee for their sacrifice and commitment in preparation of this report.

21. It is therefore, my pleasure on behalf of the Committee on Budget and Appropriations to recommend that the House approves the Intergovernmental Agreement on the establishment of County Aggregations and Industrial Parks (CAIP) between the National Government through the Ministry of Investment, Trade and Industry and the County Government of Machakos.

Thank you, Hon Speaker.

Sign.......... Date 21-02-2024.....

HON. DOMINIC NDAMBUKI (MCA KATHIANI CENTRAL WARD)
CHAIRMAN, BUDGET AND APPROPRIATIONS COMMITTEE



REPUBLIC OF KENYA
COUNTY GOVERNMENT OF MACHAKOS
COUNTY ASSEMBLY OF MACHAKOS






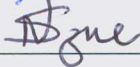
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Third Assembly

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**Adoption schedule for Report of the Budget and Appropriations Committee
on Intergovernmental Agreement on the establishment of County Aggregation
and Industrial parks (CAIPs)**

The report was adopted by the following Members:

Date: 21st February, 2024

	COMMITTEE MEMBERSHIP	SIGNATURE
1.	Hon. Dominic Ndambuki –Chair	
2.	Hon. Justus Mutuku – Vice Chair	
3.	Hon. Judas Ndawa - Member	
4.	Hon. Phoebe Koki - “	
5.	Hon. Peter Kilonzo – “	
6.	Hon. Nicholas Nzioka – “	
7.	Hon. Stephen Mwanthi – “	
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9.	Hon. Winfred Mutua – “	