

**EXPLANATORY MEMORANDUM FOR THE PUBLIC FINANCE MANAGEMENT (COVID-19 EMERGENCY RESPONSE FUND) REGULATIONS, 2020**

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**I. The Purpose of Public Finance Management (COVID-19 Emergency Response Fund) Regulations, 2020.**

1. These Regulations propose to establish the COVID-19 Emergency Response Fund under Section 24 of the Public Finance Management Act, to provide for a framework to mobilize resources for emergency response towards containing the spread, effect and impact of COVID-19 pandemic.
2. The World Health Organization (WHO) on 11<sup>th</sup> March, 2020 declared COVID-19 a pandemic, pointing to the over 300,000 cases of the coronavirus illness in over 110 countries and territories around the world and the sustained risk of further global spread.
3. Subsequently, His Excellency the President of the Republic of Kenya has issued several directives to contain the spread, effect and impact of COVID-19 pandemic in the country. These include:
  - a. Policy measures and behavioural protocols aimed at containing the spread of COVID-19, such as suspension of learning in all educational institutions, social distancing through minimizing congestion in public transport, shopping malls, entertainment joints and social gatherings;
  - b. Self-quarantine or compulsory-quarantine measures taken to ensure the safety of all Kenyans;
  - c. Implementation of strict evaluation and monitoring protocol, designed to proactively seek out and test persons who may be carriers of this virus;
  - d. Implementation of tax reliefs and other measures aimed at increasing disposable income to the people of Kenya, through:
    - i. 100 % Tax Relief for persons earning gross monthly income of up to Ksh. 24,000,
    - ii. Reduction of Income Tax Rate (Pay As - You - Earn) from 30% to 25%,

- iii. Reduction of Resident Income Tax (Corporation Tax) from 30% to 25%;
  - iv. Reduction of the turnover tax rate from the current 3% to 1% for all Micro, Small and Medium Enterprises (MSMEs); and
  - v. Appropriation of an additional Ksh. 10 Billion to the elderly, orphans and other vulnerable members of our society through cash-transfers by the Ministry of Labour and Social Protection, to cushion them from the adverse economic effects of the COVID-19 pandemic.
- e. In recognition of the extra-ordinary nature of this global tragedy and its enormous local effects, and conscious of the solemn duty of the Government to guarantee the enjoyment of social, civil and economic rights; this Fund will support the implementation of targeted state interventions to cushion every Kenyan from shocks arising from COVID-19.
4. To achieve this purpose, the Regulations in particular:
- a. establish and specify the sources, object and purpose of the Fund;
  - b. provide for management of the Fund, by a Board and an administrator of the Fund;
  - c. provide for a robust governance and accountability framework for the resources received in this Fund;
  - d. provide for the expenditures of the Fund; and
  - e. provide for Presidential Declaration that COVID -19 is no longer a threat to socio-economic and political stability of this great national and consequently trigger the lapsing of the Fund and its subsequent winding up.

## **II. The Legislative Context:**

- 5. The National Assembly delegated the duty to establish national public funds to the Cabinet Secretary responsible for finance with the approval of the National Assembly. This is provided for under Section 24 (4) of the Public Finance Management Act, 2012. Towards this end, this Fund is proposed to be established under the section.
- 6. Taking into account the extra-ordinary nature of this global tragedy and its enormous local effects, including the directives on social distancing,

the National Treasury has not subjected these Regulations to public consultations, as required under the Statutory Instruments Act, 2013.

### **III. Policy Background**

7. COVID-19 is an infectious disease caused by coronavirus, which is highly contagious and it's mainly spread from person-to-person.
8. On 11<sup>th</sup> March, 2020, WHO declared COVID-19 a pandemic, pointing to the over 300, 000 cases of the coronavirus illness in over 110 countries and territories around the world and the sustained risk of further global spread.
9. Consequently, the Government of Kenya has put in place a raft of policy measures, behavioural protocols and economic reliefs aimed at containing the spread of COVID-19.

### **IV. Public Consultations**

10. The National Treasury has not conducted public consultations while preparing these Regulations due to the extra-ordinary nature of this global tragedy and its enormous local effects, including the directives on social distancing. However, the Regulations shall be subjected to the requisite scrutiny by Parliament in accordance with the Statutory Instruments Act.

### **V. Guidance**

11. The National Treasury and the Ministries of Interior and Coordination of National Government; Health; Agriculture, Livestock, Fisheries and Co-operatives; Industry and Trade will sensitize stakeholders including Parliament, and the general public, on the provisions of the Public Finance Management (COVID-19 Emergency Response Fund) Regulations, 2020.

### **VI. Performance Monitoring and Evaluation of the Fund**

12. The National Treasury shall monitor the application of the COVID-19 Emergency Response Fund resources. This will be done through quarterly reports submitted by the Administrator of the Fund. In addition, COVID-19 Emergency Response Fund Board shall be responsible for implementing the Fund and will also carry out regular monitoring and

evaluation of the specific programmes, projects and develop policies relating to the general administration and management of the Fund.

**VII. National Treasury Contact Person.**

13. The contact person at the National Treasury is the Cabinet Secretary, Hon. (Amb) Ukur Yatani, EGH or the Principal Secretary, Julius Muia, PhD, CBS.

**UKUR YATANI, EGH  
CABINET SECRETARY TO THE NATIONAL TREASURY AND  
PLANNING**

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