

SECRET

PARLIAMENT
OF KENYA
LIBRARY



PAPERS LAID	
DATE	15/02/2023
TABLED BY	Senate Majority leader
COMMITTEE	—
SPK AT THE TABLE	A. Macharia

REPUBLIC OF KENYA

THE NATIONAL TREASURY AND ECONOMIC PLANNING

County Allocation of Revenue Bill, 2023

A legislative proposal for submission to Parliament

SECRET

SECRET

The County Allocation of Revenue Bill, 2023

THE COUNTY ALLOCATION OF REVENUE BILL, 2023
ARRANGEMENT OF CLAUSES

Clause

- 1— Short title.
- 2— Interpretation.
- 3— Object and purpose of the Bill.
- 4— Equitable allocation of county governments' share of revenue.
- 5— Report on actual transfers.
- 6— Books of accounts to reflect national government transfers.
- 7— Financial misconduct.
- 8— Clarification of revenue sharing formula to apply

SCHEDULE

Allocation of Each County Governments' Equitable Share of Revenue Raised Nationally,
Financial Year 2023/24.

APPENDIX

Explanatory Memorandum to The County Allocation of Revenue Bill, 2023

SECRET

A Bill for

AN ACT of Parliament to provide for the equitable allocation of revenue raised nationally among the county governments for the 2023/24 financial year; the responsibilities of national and county governments pursuant to such allocation; and for connected purposes.

ENACTED by Parliament of Kenya, as follows—

Short title.	1. This Act may be cited as the County Allocation of Revenue Act, 2023.
Interpretation. No. 16 of 2011.	2. In this Act—, unless the context otherwise requires— “Cabinet Secretary” means the Cabinet Secretary for the time being responsible for matters relating to finance; “revenue” has the meaning assigned to it under section 2 of the Commission on Revenue Allocation Act, 2011.
Object and purpose of the Act.	3. The object and purpose of this Act is to— (a) provide, pursuant to Article 218(1)(b) of the Constitution, for the allocation of an equitable share of revenue raised nationally among the county governments, in accordance with the resolution approved by Parliament under Article 217 of the Constitution for the financial year 2023/24; (b) provide for the allocation of equitable share related to attendant resources for the pay roll of transfer of library services from the Kenya National Library Services; and (c) facilitate the transfer of allocations made to counties under this Act from the Consolidated Fund to the respective County Revenue Funds.
Equitable allocation of county governments’ share of revenue. No. 18 of 2012.	4. (1) Each county governments’ equitable share of revenue raised nationally, on the basis of the revenue sharing formula approved by Parliament in accordance with Article 217 of the Constitution in respect of the financial year 2023/24 shall be as set out in Column J of the Schedule. (2) Each county government’s allocation under subsection (1) shall be transferred to the respective County Revenue Fund, in

	<p>accordance with a payment schedule approved by the Senate and published in the gazette by the Cabinet Secretary in accordance with section 17 of the Public Finance Management Act, 2012.</p>
Report on actual transfers.	<p>5. The National Treasury and Planning shall publish a monthly report on actual transfers of all allocations to county governments.</p>
Books of accounts to reflect national government transfers.	<p>6. (1) Each county treasury shall reflect all transfers by the national government to the county governments in its books of accounts.</p>
	<p>(2) The estimates of revenue of each county shall separately reflect the total equitable revenue share under section 4 of this Act and any other conditional allocations from the national government transferred to the County Revenue Fund.</p>
No. 18 of 2012	<p>(3) A county treasury shall as part of its consolidated quarterly and annual reports required under the Public Finance Management Act, 2012 report on actual transfers received by the county government from the national government, up to the end of that quarter or year in the format prescribed by the Public Sector Accounting Standards Board or in the absence of a format prescribed by the Board, in the format prescribed by the National Treasury.</p>
Financial Misconduct.	<p>7. Despite the provisions of any other law, any serious or persistent non-compliance with provisions of this Act constitutes an offence under the Public Finance Management Act, 2012.</p>
Clarification of revenue sharing formula to apply	<p>8. (1) The allocation of the equitable share of revenue to the county governments under Section 4 of this Act shall be in accordance with the third determination of the basis of the division of revenue among counties approved by Parliament pursuant to Article 217 (7) of the Constitution.</p> <p>(2) For the avoidance of doubt, the proportion of equitable share related to attendant resources for the pay roll of transfer of library services, shall be in accordance with the actual payroll for each county government the library services are transferred to.</p>

SCHEDULE (s. 4(1))

Allocation of Each County Governments' Equitable Share of Revenue Raised Nationally in the Financial year 2023/24

S/No.	County	2022/2023					2023/2024						
		0.5 (Allocation Ratio)		(Equitable Share-0.5 Allocation Ratio) *(Formula)		Total Equitable Share	0.5 (Allocation Ratio*)		(Equitable Share** -0.5 Allocation Ratio) *(Formula***)		Total Equitable Share****	Equitable share on Transfers of Library Services****	Equitable share Grand Total
		Allocation ratio	Equitable Share	Allocation ratio	Equitable Share		Allocation ratio	Equitable Share	Allocation ratio	Equitable Share			
		column A	column B	column C	column D	column E = B+D	column F	column G	column H	column I	column J = G+I	column K	column L = J+K
1	Baringo	1.61	2,547,825,000	1.8	3,821,569,592	6,369,394,592	1.61	2,547,825,000	1.80	4,092,281,963	6,640,106,963	24,613,310	6,664,720,273
2	Bomet	1.74	2,753,550,000	1.86	3,937,549,118	6,691,099,118	1.74	2,753,550,000	1.86	4,216,477,473	6,970,027,473	8,846,856	6,978,874,329
3	Bungoma	2.81	4,446,825,000	2.93	6,212,610,192	10,659,435,192	2.81	4,446,825,000	2.93	6,652,699,880	11,099,524,880	6,865,428	11,106,390,308
4	Busia	1.90	3,006,750,000	1.97	4,165,412,009	7,172,162,009	1.90	3,006,750,000	1.97	4,460,483,148	7,467,233,148	-	7,467,233,148
5	Elgeyo Marakwet	1.22	1,930,650,000	1.26	2,675,882,480	4,606,532,480	1.22	1,930,650,000	1.26	2,865,437,483	4,796,087,483	5,795,078	4,801,882,561
6	Embu	1.36	2,152,200,000	1.40	2,973,043,762	5,125,243,762	1.36	2,152,200,000	1.40	3,183,649,363	5,335,849,363	8,163,074	5,344,012,437
7	Garissa	2.22	3,513,150,000	2.08	4,414,062,254	7,927,212,254	2.22	3,513,150,000	2.08	4,726,746,603	8,239,896,603	19,694,322	8,259,590,924
8	Homa bay	2.13	3,370,725,000	2.09	4,434,628,300	7,805,353,300	2.13	3,370,725,000	2.09	4,748,768,563	8,119,493,563		8,119,493,563
9	Isiolo	1.34	2,120,550,000	1.22	2,589,838,265	4,710,388,265	1.34	2,120,550,000	1.22	2,773,297,620	4,893,847,620	7,025,011	4,900,872,631
10	Kajiado	2.03	3,212,475,000	2.24	4,742,293,229	7,954,768,229	2.03	3,212,475,000	2.24	5,078,229,510	8,290,704,510		8,290,704,510
11	Kakamega	3.29	5,206,425,000	3.39	7,182,987,168	12,389,412,168	3.29	5,206,425,000	3.39	7,691,818,035	12,898,243,035	19,061,018	12,917,304,053
12	Kericho	1.70	2,690,250,000	1.77	3,740,414,924	6,430,664,924	1.70	2,690,250,000	1.77	4,005,380,025	6,695,630,025	16,797,733	6,712,427,758
13	Kiambu	2.98	4,715,850,000	3.31	7,001,675,720	11,717,525,720	2.98	4,715,850,000	3.31	7,497,661,080	12,213,511,080	13,607,579	12,227,118,659
14	Kilifi	3.30	5,222,250,000	3.03	6,419,342,941	11,641,592,941	3.30	5,222,250,000	3.03	6,874,078,173	12,096,328,173	17,405,946	12,113,734,119
15	Kirinyaga	1.34	2,120,550,000	1.45	3,075,627,952	5,196,177,952	1.34	2,120,550,000	1.45	3,293,500,668	5,414,050,668	-	5,414,050,668
16	Kisii	2.46	3,892,950,000	2.36	5,001,324,509	8,894,274,509	2.46	3,892,950,000	2.36	5,355,610,518	9,248,560,518	8,557,807	9,257,118,325

SECRET

SECRET

The County Allocation of Revenue Bill, 2023

S/No.	County	2022/2023					2023/2024						
		0.5 (Allocation Ratio)		(Equitable Share-0.5 Allocation Ratio) *(Formula)		Total Equitable Share	0.5 (Allocation Ratio*)		(Equitable Share**~0.5 Allocation Ratio) *(Formula***)		Total Equitable Share***	Equitable share on Transfers of Library Services****	Equitable share Grand Total
		Allocation ratio	Equitable Share	Allocation ratio	Equitable Share		Allocation ratio	Equitable Share	Allocation ratio	Equitable Share			
		column A	column B	column C	column D	column E = B+D	column F	column G	column H	column I	column J = G+I	column K	column L = J+K
17	Kisumu	2.16	3,418,200,000	2.18	4,607,939,240	8,026,139,240	2.16	3,418,200,000	2.18	4,934,356,635	8,352,556,635	19,735,914	8,372,292,549
18	Kitui	2.79	4,415,175,000	2.82	5,978,795,413	10,393,970,413	2.79	4,415,175,000	2.82	6,402,322,530	10,817,497,530	4,701,081	10,822,198,611
19	Kwale	2.46	3,892,950,000	2.06	4,372,635,516	8,265,585,516	2.46	3,892,950,000	2.06	4,682,385,233	8,575,335,233	4,903,510	8,580,238,742
20	Laikipia	1.32	2,088,900,000	1.44	3,047,365,679	5,136,265,679	1.32	2,088,900,000	1.44	3,263,236,345	5,352,136,345	15,758,878	5,367,895,223
21	Lamu	0.82	1,297,650,000	0.85	1,807,999,643	3,105,649,643	0.82	1,297,650,000	0.85	1,936,075,398	3,233,725,398	20,155,949	3,253,881,346
22	Machakos	2.45	3,877,125,000	2.50	5,285,179,232	9,162,304,232	2.45	3,877,125,000	2.50	5,659,571,160	9,536,696,160	-	9,536,696,160
23	Makueni	2.34	3,703,050,000	2.09	4,429,733,562	8,132,783,562	2.34	3,703,050,000	2.09	4,743,528,370	8,446,578,370	-	8,446,578,370
24	Mandera	3.23	5,111,475,000	2.87	6,078,907,598	11,190,382,598	3.23	5,111,475,000	2.87	6,509,527,663	11,621,002,663	2,737,805	11,623,740,467
25	Marsabit	2.14	3,386,550,000	1.84	3,890,454,032	7,277,004,032	2.14	3,386,550,000	1.84	4,166,046,005	7,552,596,005	5,373,662	7,557,969,667
26	Meru	2.54	4,019,550,000	2.59	5,474,307,338	9,493,857,338	2.54	4,019,550,000	2.59	5,862,097,458	9,881,647,458	23,880,620	9,905,528,078
27	Migori	2.14	3,386,550,000	2.18	4,618,470,448	8,005,020,448	2.14	3,386,550,000	2.18	4,945,635,180	8,332,185,180	3,624,996	8,335,810,176
28	Mombasa	2.23	3,528,975,000	1.91	4,038,379,061	7,567,354,061	2.23	3,528,975,000	1.91	4,324,451,288	7,853,426,288	13,732,919	7,867,159,207
29	Murang'a	1.99	3,149,175,000	1.90	4,030,980,855	7,180,155,855	1.99	3,149,175,000	1.90	4,316,528,643	7,465,703,643	13,019,070	7,478,722,713
30	Nairobi	5.03	7,959,975,000	5.33	11,289,702,414	19,249,677,414	5.03	7,959,975,000	5.33	12,089,446,083	20,049,421,083	8,859,455	20,058,280,538
31	Nakuru	3.31	5,238,075,000	3.68	7,788,041,323	13,026,116,323	3.31	5,238,075,000	3.68	8,339,733,485	13,577,808,485	14,033,063	13,591,841,548
32	Nandi	1.69	2,674,425,000	2.04	4,316,444,041	6,990,869,041	1.69	2,674,425,000	2.04	4,622,212,585	7,296,637,585	5,047,663	7,301,685,248
33	Narok	2.54	4,019,550,000	2.28	4,825,239,456	8,844,789,456	2.54	4,019,550,000	2.28	5,167,052,020	9,186,602,020	13,956,754	9,200,558,774
34	Nyamira	1.52	2,405,400,000	1.29	2,729,940,036	5,135,340,036	1.52	2,405,400,000	1.29	2,923,324,490	5,328,724,490	-	5,328,724,490
35	Nyandarua	1.54	2,437,050,000	1.53	3,233,394,228	5,670,444,228	1.54	2,437,050,000	1.53	3,462,443,023	5,899,493,023	5,730,418	5,905,223,440

SECRET

SECRET

The County Allocation of Revenue Bill, 2023

S/No.	County	2022/2023					2023/2024						
		0.5 (Allocation Ratio)		(Equitable Share-0.5 Allocation Ratio) *(Formula)		Total Equitable Share	0.5 (Allocation Ratio*)		(Equitable Share***-0.5 Allocation Ratio) *(Formula***)		Total Equitable Share***	Equitable share on Transfers of Library Services****	Equitable share Grand Total
		Allocation ratio	Equitable Share	Allocation ratio	Equitable Share		Allocation ratio	Equitable Share	Allocation ratio	Equitable Share			
		column A	column B	column C	column D	column E = B+D	column F	column G	column H	column I	column J = G+I	column K	column L = J+K
36	Nyeri	1.71	2,706,075,000	1.66	3,522,653,555	6,228,728,555	1.71	2,706,075,000	1.66	3,772,192,593	6,478,267,593	24,582,673	6,502,850,265
37	Samburu	1.46	2,310,450,000	1.45	3,060,896,037	5,371,346,037	1.46	2,310,450,000	1.45	3,277,725,670	5,588,175,670	-	5,588,175,670
38	Siaya	1.83	2,895,975,000	1.92	4,070,532,531	6,966,507,531	1.83	2,895,975,000	1.92	4,358,881,008	7,254,856,008	15,637,939	7,270,493,947
39	Taita Taveta	1.34	2,120,550,000	1.29	2,721,624,698	4,842,174,698	1.34	2,120,550,000	1.29	2,914,420,018	5,034,970,018	12,335,620	5,047,305,638
40	Tana River	1.85	2,927,625,000	1.70	3,600,783,765	6,528,408,765	1.85	2,927,625,000	1.70	3,855,856,540	6,783,481,540	-	6,783,481,540
41	Tharaka Nithi	1.24	1,962,300,000	1.06	2,251,898,593	4,214,198,593	1.24	1,962,300,000	1.06	2,411,418,225	4,373,718,225	-	4,373,718,225
42	Trans Nzoia	1.82	2,880,150,000	2.03	4,306,007,670	7,186,157,670	1.82	2,880,150,000	2.03	4,611,038,345	7,491,188,345	-	7,491,188,345
43	Turkana	3.33	5,269,725,000	3.47	7,339,580,994	12,609,305,994	3.33	5,269,725,000	3.47	7,859,504,195	13,129,229,195	-	13,129,229,195
44	Uasin Gishu	2.00	3,165,000,000	2.32	4,903,858,318	8,068,858,318	2.00	3,165,000,000	2.32	5,251,239,760	8,416,239,760	20,521,280	8,436,761,040
45	Vihiga	1.47	2,326,275,000	1.29	2,741,081,827	5,067,356,827	1.47	2,326,275,000	1.29	2,935,256,075	5,261,531,075	-	5,261,531,075
46	Wajir	2.7	4,272,750,000	2.46	5,201,976,151	9,474,726,151	2.7	4,272,750,000	2.46	5,570,474,283	9,843,224,283	19,853,614	9,863,077,897
47	West Pokot	1.58	2,500,350,000	1.79	3,796,934,329	6,297,284,329	1.58	2,500,350,000	1.79	4,065,901,868	6,566,251,868	-	6,566,251,868
	Total	100	158,250,000,000	100	211,750,000,000	370,000,000,000	100	158,250,000,000	100	226,750,000,000	385,000,000,000	424,616,047	385,424,616,047

* This is the equitable share of revenues raised nationally allocated to county governments in FY 2023/24 amounting to Ksh. 385 billion. Once you net out one-half of the amounts of Allocation Ratio or Ksh.158.250 billion from the Equitable share of Ksh. 385 billion, the resulting balance of Ksh. 226.750 billion shall be allocated among county governments using the Formula.

** Formula= $0.18 * \text{Population Index}_i + 0.17 * \text{Health Index}_i + 0.10 * \text{Agriculture Index}_i + 0.05 * \text{Urban Index}_i + 0.14 * \text{Poverty Index}_i + 0.08 * \text{Land Area Index}_i + 0.08 * \text{Roads Index}_i + 0.20 * \text{Basic Share Index}$

*** Total Equitable Share or county Allocation = $0.5 (\text{Allocation Ratio}) + ((\text{Equitable Share} - (0.5 \text{ Allocation Ratio})) * (\text{Formula}))$.

**** Ksh. 424.6 million which was obtained from the Kenya National Libraries Services is a transfer to the 33 county governments that currently have libraries and is not based on the Third Basis Formula.

SECRET

SECRET

SECRET

The County Allocation of Revenue Bill, 2023

MEMORANDUM OF OBJECTS AND REASONS

The principal object of this Bill is to make provision for the allocation of revenue raised nationally among the county governments for the financial year 2023/24.

Clause 1 and 2 of the Bill provides for the short title and defines the various terms used in the Bill, respectively.

Clause 3 of the Bill contains the objects and the purpose of the Bill which is to provide for the allocation of revenue raised nationally among county governments for the financial year 2023/24 as well as the transfer of the county allocations from the Consolidated Fund to the respective County Revenue Fund.

Clause 4 of the Bill provides for the allocation of equitable share of revenue raised nationally to each county government.

Clause 5 of the Bill provides for the publishing of monthly report by the national government, on actual transfers of all allocations to county governments.

Clause 6 of the Bill provides for a county treasury to reflect the total allocations from the national government separately in the County Finance Bill and reflect all transfers in the books of accounts.

Clause 7 of the Bill deals with what constitutes a financial misconduct.

Clause 8 of the Bill provides for use of the third determination of the basis of the allocation of revenue among counties as approved by Parliament pursuant to Article 217 (7) of the Constitution; and use of the actual payroll for each county government the library services are transferred to, for the proportion of equitable revenue attributed to transferred library services function.



Dated the....., 2023

NJUGUNA NDUNG’U, CBS
Cabinet Secretary
National Treasury and Economic Planning

SECRET

SECRET

The County Allocation of Revenue Bill, 2023

APPENDIX

**EXPLANATORY MEMORANDUM TO THE COUNTY ALLOCATON OF REVENUE
BILL, 2023**

Background

1. This memorandum is prepared as an attachment to the County Allocation of Revenue Bill (CARB), 2023 in fulfilment of the requirements of Article 218(2) of the Constitution and section 191 of the Public Finance Management Act, 2012, which require that the County Allocation of Revenue Bill tabled in Parliament be accompanied by a memorandum that:

- (a) explains the revenue allocation as proposed by the Bill;
- (b) evaluates the Bill against the criteria set out in Article 203(1) of the Constitution;
- (c) provides a summary of significant deviations from the recommendations of the Commission on Revenue Allocation (CRA) together with the explanation for such deviations;
- (d) explains the extent, if any, of deviation from the recommendations of the Intergovernmental Budget and Economic Council (IBEC); and
- (e) explains any assumptions and formulae used in arriving at the respective shares under the County Allocation of Revenue Bill, 2023.

2. The memorandum is also prepared based on the approved third basis for revenue allocation among county governments pursuant to Article 217 of the Constitution. In September 2020, Parliament approved the third basis for allocation of the share of national revenue among the County Governments.

Explanation of Revenue Allocation as Proposed by the Bill

3. The bill proposes to allocate and transfer to County Governments Ksh. 385.425 billion for the financial year 2023/24 as equitable share of revenue raised nationally. The equitable share allocation is has been proposed to increase from a base of Kshs. 370 billion allocated in the financial year 2022/23, to an allocation of Ksh. 385 billion in FY 2023/24. The equitable share allocation in the financial year 2023/24 has also been proposed to include Ksh. 425 million as attendant resources for the pay roll relating to the library services transferred from the Kenya National Library Services. Library services is a devolved function as provided for under Second part of the Fourth Schedule of the Constitution.

SECRET

SECRET

The County Allocation of Revenue Bill, 2023

4. The county governments' equitable share of revenue amounting to Ksh. 385 billion was allocated among the county governments on the third basis of the revenue allocation criteria approved by Parliament in accordance with Article 217 of the Constitution. The Equitable share amounting to Ksh. 425 million for pay roll relating to the library services transferred from the Kenya National Library Services, was allocated based on the actual payroll amount for the respective county governments to which library services staff were transferred.

Evaluation of the Bill against Article 203(1) of the Constitution

5. **Fiscal Capacity and Efficiency of County Governments:** Fiscal capacity for county governments refers to the potential revenues that can be generated from the tax bases assigned to the counties when a standard average level of effort is applied. In its recommendations to Parliament on the Third Basis for Sharing Revenue Among County Governments, the Commission on Revenue Allocation (CRA) included a 'fiscal effort' parameter with a 2% weight intended to incentivize OSR collection by the Counties. This is consistent with the approach in other jurisdictions, where the formula for horizontal revenue distribution among subnational governments typically incorporates measures of fiscal capacity alongside those of expenditure need. CRA's fiscal effort parameter was defined in terms of each County Government's actual revenue collection relative to the County's Gross County Product (GCP) as computed by the Kenya National Bureau of Statistics (KNBS).

6. In approving CRA's recommendations however, Parliament did not include the fiscal effort parameter, effectively shifting the 2% weight to other parameters. The formulae, therefore, does not incentivize counties to strengthen their local revenue collection efforts. There is, therefore, need for County Assemblies, in conducting their oversight role to ensure that county governments enhance their own source revenue collection. It is expected that future revenue sharing formulae may consider reinstating the fiscal effort parameter to incentivize counties to collect more own source revenues.

7. **Developmental needs of the county governments and their ability to perform the functions assigned to them:** County governments are allocated equitable share of revenue which is an unconditional allocation to enable counties have autonomy to plan, budget and implement development projects based on county priorities and account for the same. In addition, Article 209 of the Constitution has assigned counties revenue raising powers and as such counties are expected to improve and maintain sustained collection of their own source revenues.

8. **Economic Disparities within and among counties and the need to remedy them:** Allocation of the sharable revenue (i.e., equitable share of Ksh.385 billion) among counties is

SECRET

SECRET

The County Allocation of Revenue Bill, 2023

based on the Third-generation formula approved by Parliament in September, 2020 pursuant to provisions of Article 217 and Section 16 of the Sixth Schedule of the Constitution. The Third Basis formula which should be applicable from FY 2020/21 to FY 2024/25 has taken into account the following parameters; (i) Population (18%); (ii) Health Index (17%); (iii) Agriculture Index (10%); (iii) Urban Index (5%); (iv) Poverty Index (14%); (v) Land Area Index (8%); (vi) Roads Index (8%), and; (vii) Basic Share index (20%). The horizontal distribution of County Governments' equitable revenue share allocation of Ksh.385 billion for FY 2023/24 shall be based on the Third Basis Formula. It should be noted that the Third basis formula applied in FY 2023/24, takes into account disparities among counties and aims at equitable distribution of resources across counties.

9. Library being a devolved function as provided for under the Fourth Schedule of the Constitution, has been unbundled and attendant resources amounting to Ksh. 425 million identified and proposed to be fully transferred to county governments as part of the equitable share in FY 2023/24. For the first three FYs, the resources should not be shared using the formulae and, therefore, counties should be held harmless. This amount will be included in the Equitable share allocation for the 33 county governments in a phased approach starting from FY 2023/24 at 100%, 75% for FY 2024/25 (balance of 25% to be shared as equitable) and 25% for FY 2025/26 (balance of 75% to be shared as equitable)). From the fourth FY, that is FY 2026/27, the 33 county government's will be required to integrate the salaries of these staff into their pay roll, after which the entire Ksh 434 million will be available for sharing as equitable share among the 47 county governments, in line with the principle of transferring resources to devolved functions.

10. Additionally, the equitable share to county governments is proposed to increase from Ksh. 370 billion in FY 2022/23 to Ksh. 385.425 billion in FY 2023/24, an increase of Ksh. 15.425 billion, which is meant to facilitate county governments enhance service delivery in performance of their assigned functions under the second part of the Fourth Schedule of the Constitution.

11. **Stability and Predictability of County Revenue Allocations:** The county governments' equitable share of revenue raised nationally has been protected from cuts that may be occasioned by shortfall in revenue raised nationally more so in the advent of the effects of projected global economic downturn in 2023. According to clause 5 of the Division of Revenue Bill (DoRB) 2023, any shortfall in revenue raised nationally is to be borne by the National Government, to the extent of the threshold prescribed in Regulations by the Cabinet Secretary.

SECRET

SECRET

The County Allocation of Revenue Bill, 2023

Conclusion

12. The proposals contained in the Bill take into account the fiscal framework set out in the 2023 BPS and are intended to ensure fiscal sustainability specifically against the backdrop of escalating expenditure pressure on the fiscal framework occasioned by increase in Consolidated Fund Services (CFS) and the persistent under performance of the ordinary revenue.

13. The proposed equitable share allocated to county governments in the County Allocation of Revenue Bill, 2023 has also taken into account the approved Third Basis for Revenue Allocation. The proposed Kshs 385.425 billion allocation among county governments pursuant to Article 217 of the Constitution is equivalent to 24.5 per cent of the FY 2019/20 revenue which is the most recent audited and approved revenue by the National Assembly. This is above the minimum threshold required under Article 203(2) of the Constitution.

14. The National Treasury has also taken into account the approved Third Basis for Revenue Allocation among county governments pursuant to Article 217 of the Constitution, whose application in the FY 2023/24 was preceded by a Ksh.15 billion increase in the Counties' equitable revenue share. It is expected with successful implementation of the Third Basis formula in FY 2023/24, county governments will be able to plan, budget and spend in accordance with areas of need as envisaged in the formula as well as achieve their developmental needs.

SECRET

SECRET