REPUBLIC OF KENYA

THE NATIONAL TREASURY

County Allocation of Revenue Bill, 2017

Legislative Proposal for submission to Parliament

THE COUNTY ALLOCATION OF REVENUE BILL, 2017

ARRANGEMENT OF CLAUSES

Section

THE COUNTY ALLOCATION OF REVENUE BILL, 2017

ARRANGEMENT OF CLAUSES

Section

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 2016/17;

(b) provide, pursuant to Article 187(2) and 202 (2) of the Constitution, for conditional allocations for the financial year 2016/17

(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.

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 2017/2018 shall be as set out in Column D of the First Schedule.

(2) Each county government's allocation under subsection (1) shall be transferred to the respective County Revenue Fund, in 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.

Conditional allocations to county governments.

5. (1) Conditional allocations from national government revenue to each county government for the financial year 2017/18 shall be as set out in Column H of the Second Schedule, comprising —

(a) conditional grants for level 5 hospitals as set out in Column B of the Second Schedule;

(b) supplemental grants to support construction of headquarters for five counties as set out in Column C of the Second Schedule

(c) conditional allocations for free maternal Health Care as set out in Column D of the Second Schedule;

(d) conditional allocations to compensate county health facilities for forgone user fees revenue as set out in Column E of the Second Schedule;

(e) conditional allocations for leasing of medical equipment as set out in Column F of the Second Schedule; and

(f) conditional allocations from the Road Maintenance Fuel Levy Fund for the repair and maintenance of county roads as set out in Column G, of the Second Schedule.

(2) Conditional allocations financed by proceeds of loans or grants from development partners to each county government for the financial year 2016/17 shall be as set out in Column E of the Third Schedule, comprising of—

(a) conditional allocations financed by a loan from the World Bank to supplement financing for county health facilities as set out in Column B of the Third Schedule;

(b) conditional allocations financed by a grant from the World Bank for Kenya Devolution Support Programme (KDSP)-level 1 known as KDSP Capacity Building ("level 1") Grant set out in Column C of the Third Schedule; and

(c) Conditional allocations to ensure continuation of services financed by loans and grants from other development partners as set out in Column D of the Third Schedule.

(3) Conditional allocations amounting to Kenya Shillings four billion (Ksh. 4 billion) financed by a grant from the World Bank for Kenya Devolution Support Programme (KDSP) known as KDSP Performance ("level 2") Grant shall be allocated among county government on the basis of a criteria which shall be determined as follows:

(a) the Accounting Officer responsible for the grant, shall for each eligible county government, carry out or cause to be carried out, in accordance with the intergovernmental agreement between the

National Government and each eligible county government, an assessment to determine the eligible county government's performance score for purposes of determining the Performance ("level 2") grant allocation for the financial year 2017/18.

(b) the allocation to the eligible county governments shall be on the basis of the criteria comprising of the performance score determined in paragraph (a) above and the Revenue sharing formula approved by Parliament in accordance with Article 217 of the Constitution.

(c) the Cabinet Secretary shall publish in the Kenya Gazette the allocations determined in terms of paragraph (b) above.

(4) Each county government's allocation under subsection (1) (a), (b), (c) (d) and (f) shall be transferred to the respective County Revenue Fund, in accordance with a payment schedule published in the Gazette by the Cabinet Secretary in accordance with section 17 of the Public Finance Management Act, 2012, but shall only be accessed by each county government after meeting conditions set by the Cabinet Secretary responsible for that function at the beginning of the financial year and such transfers shall be included in the budget estimates of the county government and submitted to the county assembly for approval.

(5) The county governments' allocations under subsection (1) (e) shall be included in the budget estimates of the national government and shall be submitted to Parliament for approval provided that the national government and county governments will have an intergovernmental agreement in line with Article 187 of the Constitution.

(6) A county governments' allocation under sub-section (2) (a) and (b) as well as subsection (3) above shall be transferred to the respective County Revenue Fund, in accordance with a payment schedule published in the Gazette by the Cabinet Secretary in accordance with section 17 of the Public Finance Management Act, 2012, provided the Cabinet Secretary and the responsible development partner have agreed in writing that the funds shall be transferred to the county governments and such transfers shall be included in the budget estimates of the county

government and submitted to the county assembly for approval.

(7) The county governments' allocations under subsection (2) (c) shall be included in the budget estimates of the national government and shall be submitted to Parliament for approval.

(8) Functions published in the gazette for transfer after Parliament has approved the national government budget for 2016/17, shall take effect in the next financial year, 2017/18.

Report on actual transfers.

6. The National Treasury shall publish a monthly report on actual transfers of all allocations to county governments.

Books of accounts to reflect national government transfers.

7. (1) Each county treasury shall reflect all transfers by the national government to the county governments in its books of accounts.

(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.

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(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.

Financial Misconduct.

8. 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.

Cabinet Secretary to

9. The Cabinet Secretary may, with the approval of Parliament make Regulations on—

make Regulations.

(a) any matter in respect of which Regulations require to be made under this Act; and

(b) any subsidiary or incidental administrative or procedural matter necessary for the proper implementation or administration of this Act.

Clarification of revenue sharing formula to apply

10. For the avoidance of doubt the allocation of the equitable share of revenue to the county governments under Section 4 of this Act shall be in accordance with the second determination of the basis of the division of revenue among counties approved by Parliament pursuant to Article 217 (7) of the Constitution.

FIRST SCHEDULE (s. 4(1))

Allocation of Each County Governments' Equitable Share of Revenue Raised Nationally, Financial Year 2017/18

		FY 2016/17		FY 2017/18	
No.	County	Allocation Ratio	Ksh.	Allocation Ratio	Ksh.
		Column A	Column B	Column C	Column D
1	Baringo	1.71%	4,791,438,190	1.66%	4,965,660,256
2	Bomet	1.81%	5,078,797,925	1.76%	5,264,796,416
3	Bungoma	2.95%	8,282,207,063	2.94%	8,794,603,104
4	Busia	2.09%	5,870,097,209	1.95%	5,833,155,120
5	Elgeyo/Marakwet	1.26%	3,528,847,275	1.21%	3,619,547,536
6	Embu	1.48%	4,141,186,056	1.37%	4,098,165,392
7	Garissa	2.22%	6,227,726,513	1.94%	5,803,241,504
8	Homa Bay	2.17%	6,080,193,774	2.18%	6,521,168,288
9	Isiolo	1.18%	3,298,073,210	1.26%	3,769,115,616
10	Kajiado	1.70%	4,761,279,539	1.93%	5,773,327,888
11	Kakamega	3.43%	9,612,093,313	3.38%	10,110,802,208
12	Kericho	1.73%	4,861,021,577	1.75%	5,234,882,800
13	Kiambu	2.87%	8,053,256,819	3.24%	9,692,011,584
14	Kilifi	2.86%	8,029,167,703	3.33%	9,961,234,128
15	Kirinyanga	1.36%	3,817,781,963	1.48%	4,427,215,168
16	Kisii	2.73%	7,654,114,597	2.49%	7,448,490,384
17	Kisumu	2.19%	6,130,158,037	2.19%	6,551,081,904
18	Kitui	2.80%	7,841,480,359	2.90%	8,674,948,640
19	Kwale	1.97%	5,530,693,069	2.42%	7,239,095,072
20	Laikipia	1.33%	3,722,107,269	1.50%	4,487,042,400
21	Lamu	0.79%	2,214,008,743	0.82%	2,452,916,512
22	Machakos	2.61%	7,303,463,454	2.48%	7,418,576,768
23	Makueni	2.30%	6,441,351,588	2.28%	6,820,304,448
24	Mandera	3.45%	9,663,318,677	2.77%	8,286,071,632
25	Marsabit	2.00%	5,599,495,638	2.19%	6,551,081,904
26	Meru	2.50%	7,006,680,257	2.59%	7,747,626,544
27	Migori	2.25%	6,298,037,918	2.16%	6,461,341,056
28	Mombasa	2.00%	5,608,593,922	2.73%	8,166,417,168
29	Muranga	2.06%	5,779,189,434	2.07%	6,192,118,512
30	Nairobi	5.00%	14,023,506,892	5.18%	15,495,253,088
31	Nakuru	3.12%	8,757,624,645	3.11%	9,303,134,576
32	Nandi	1.83%	5,130,819,903	1.71%	5,115,228,336

33	Narok	2.04%	5,705,712,796	2.18%	6,521,168,288
34	Nyamira	1.60%	4,482,799,531	1.54%	4,606,696,864
35	Nyandarua	1.66%	4,647,384,382	1.60%	4,786,178,560
36	Nyeri	1.71%	4,800,764,767	1.66%	4,965,660,256
37	Samburu	1.37%	3,832,957,535	1.26%	3,769,115,616
38	Siaya	1.92%	5,389,991,057	1.86%	5,563,932,576
39	Taita	1.27%	3,571,066,305	1.30%	3,888,770,080
40	Tana River	1.53%	4,299,401,839	1.77%	5,294,710,032
41	Tharaka Nithi	1.21%	3,385,474,466	1.23%	3,679,374,768
42	Trans Nzoia	1.96%	5,502,547,171	1.89%	5,653,673,424
43	Turkana	4.03%	11,307,010,771	3.36%	10,050,974,976
44	Uasin Gishu	2.00%	5,601,025,717	1.91%	5,713,500,656
45	Vihiga	1.49%	4,177,302,901	1.49%	4,457,128,784
46	Wajir	2.78%	7,804,219,087	2.40%	7,179,267,840
47	West Pokot	1.66%	4,654,529,143	1.58%	4,726,351,328
	GRAND TOTAL	**100.00%**	**280,300,000,000**	**100.00%**	**299,136,160,000**

SECOND SCHEDULE (s. 5(1))

Conditional allocations to County Governments from National Government Revenue in Financial Year 2017/18 (Figures are in Kenya Shillings)

		FY 2016/17	FY 2017/18						
	County	Total Conditional Grants from the National Government Revenue	Conditional Grants to Level-5 Hospitals	Supplement for construction of county headquarters	Conditional Grant-Free Maternal Healthcare	Conditional Grant-Compensation for User Fee Foregone	Conditional Grant-Leasing of Medical Equipment	Conditional Grant-Road Maintainance Fuel Levy	Total Conditional Grants from the National Government Revenue
		Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column H
1	Baringo	246,281,719	-	-	51,953,507	13,191,000	95,744,681	130,725,000	291,614,187
2	Bomet	260,184,092	-	-	59,038,456	16,713,356	95,744,681	138,600,000	310,096,493
3	Bungoma	328,490,382	-	-	59,038,456	32,837,307	95,744,681	231,525,000	419,145,443
4	Busia	405,533,013	-	-	165,387,835	16,934,085	95,744,681	153,562,500	431,629,101
5	Elgeyo/Marakwet	207,975,139	-	-	40,104,901	8,788,919	95,744,681	95,287,500	239,926,000
6	Embu	505,490,722	301,040,462	-	39,762,552	10,724,225	95,744,681	107,887,500	555,159,421
7	Garissa	584,516,765	344,739,884	-	42,213,268	12,964,636	95,744,681	152,775,000	648,437,469
8	Homa Bay	348,961,302	-	-	112,152,608	22,185,346	95,744,681	171,675,000	401,757,635
9	Isiolo	174,787,688	-	121,000,000	20,319,649	3,472,461	95,744,681	99,225,000	339,761,791
10	Kajiado	238,852,238	-	-	43,854,037	16,955,365	95,744,681	151,987,500	308,541,583
11	Kakamega	887,388,294	427,283,237	-	162,206,497	37,789,290	95,744,681	266,175,000	989,198,705
12	Kericho	276,723,718	-	-	71,926,633	18,048,789	95,744,681	137,812,500	323,532,602
13	Kiambu	890,013,350	412,716,763	-	197,602,015	34,671,542	95,744,681	255,150,000	995,885,001
14	Kilifi	397,737,223	-	-	124,460,462	25,969,864	95,744,681	262,237,500	508,412,508
15	Kirinyanga	212,846,950	-	-	38,276,258	11,282,570	95,744,681	116,550,000	261,853,509
16	Kisii	810,464,503	417,572,254	-	141,014,276	26,138,997	95,744,681	196,087,500	876,557,708
17	Kisumu	697,730,631	369,017,341	-	109,960,741	21,299,489	95,744,681	172,462,500	768,484,753
18	Kitui	318,244,881	-	-	64,482,635	22,499,906	95,744,681	228,375,000	411,102,222
19	Kwale	341,862,747	-	-	119,154,057	15,209,593	95,744,681	190,575,000	420,683,331
20	Laikipia	226,476,038	-	-	52,053,706	9,968,208	95,744,681	118,125,000	275,891,595
21	Lamu	243,029,785	-	121,000,000	8,817,567	2,451,034	95,744,681	64,575,000	292,588,282

22	Machakos	685,561,471	383,583,815	-	71,550,884	24,129,039	95,744,681	195,300,000	770,308,418
23	Makueni	297,704,119	-	-	68,298,571	19,435,760	95,744,681	179,550,000	363,029,012
24	Mandera	323,013,591	-	-	51,728,058	25,474,920	95,744,681	218,137,500	391,085,159
25	Marsabit	212,062,028	-	-	19,138,129	6,643,714	95,744,681	172,462,500	293,989,024
26	Meru	699,244,917	373,872,832	-	88,033,723	31,648,428	95,744,681	203,962,500	793,262,164
27	Migori	358,360,671	-	-	117,701,162	21,655,884	95,744,681	170,100,000	405,201,727
28	Mombasa	673,132,190	388,439,306	-	79,921,728	23,385,934	95,744,681	214,987,500	802,479,150
29	Muranga	284,539,831	-	-	64,791,584	20,138,691	95,744,681	163,012,500	343,687,456
30	Nairobi	639,136,080	-	-	202,791,521	79,423,251	95,744,681	407,925,000	785,884,453
31	Nakuru	804,162,574	373,872,832	-	145,995,032	38,723,265	95,744,681	244,912,500	899,248,311
32	Nandi	256,013,103	-	-	51,815,732	18,086,363	95,744,681	134,662,500	300,309,277
33	Narok	274,894,126	-	-	58,353,758	20,595,297	95,744,681	171,675,000	346,368,736
34	Nyamira	260,347,317	-	-	68,795,394	13,175,221	95,744,681	121,275,000	298,990,296
35	Nyandarua	224,639,795	-	121,000,000	36,272,265	12,735,922	95,744,681	126,000,000	391,752,868
36	Nyeri	621,057,969	407,861,272	-	39,866,927	13,701,379	95,744,681	130,725,000	687,899,258
37	Samburu	178,159,817	-	-	14,875,470	5,235,578	95,744,681	99,225,000	215,080,729
38	Siaya	317,439,627	-	-	97,961,836	18,194,808	95,744,681	146,475,000	358,376,325
39	Taita Taveta	193,425,210	-	-	29,579,765	5,296,305	95,744,681	102,375,000	232,995,751
40	Tana River	290,892,884	-	121,000,000	19,121,429	5,682,537	95,744,681	139,387,500	380,936,147
41	Tharaka Nithi	185,871,244	-	121,000,000	24,273,360	8,218,119	95,744,681	96,862,500	346,098,659
42	Tranzoia	271,057,855	-	-	57,685,761	21,304,915	95,744,681	148,837,500	323,572,856
43	Turkana	356,337,041	-	-	49,657,265	25,634,941	95,744,681	264,600,000	435,636,888
44	Uasin Gishu	247,804,914	-	-	35,825,542	20,813,065	95,744,681	150,412,500	302,795,788
45	Vihiga	240,935,812	-	-	55,598,268	12,657,201	95,744,681	117,337,500	281,337,650
46	Wajir	295,734,776	-	-	52,379,355	15,784,997	95,744,681	189,000,000	352,909,033

47	West Pokot	232,716,844	-	-	43,444,888	12,128,484	95,744,681	124,425,000	275,743,053
	GRAND TOTAL	**18,027,836,984**	**4,200,000,000**	**605,000,000**	**3,369,237,525**	**900,000,000**	**4,500,000,000**	**7,875,000,000**	**21,449,237,525**

THIRD SCHEDULE (s. 5(2))

Conditional allocations to County Governments from Loans and Grants from Development Partners in Financial Year 2017/18 (Figures are in Kenya Shillings)

		FY 2016/17	2017/18			
	County	Conditional Allocation-Loans and Grants	World Bank Loan to Supplement financing of County Health facilities	KDSP (Level 1 Grant)	Conditional Allocation-Other Loans & Grants	Total Conditional Allocations from Loans & Grants from the National Government Revenue
		Collumn A	Collumn B	Collumn C	Collumn D	Collumn E (B+C)
1	Baringo	90,746,278	94,210,000	28,407,447	-	122,617,447
2	Bomet	8,810,000	-	29,157,447	-	29,157,447
3	Bungoma	7,375,000	-	38,007,447	-	38,007,447
4	Busia	6,495,000	-	30,582,447	-	30,582,447
5	Elgeyo/Marakwet	67,332,570	47,990,000	25,032,447	-	73,022,447
6	Embu	6,875,000	-	26,232,447	-	26,232,447
7	Garissa	50,131,467	38,645,000	30,507,447	-	69,152,447
8	Homa Bay	12,385,000	-	32,307,447	40,500,000	72,807,447
9	Isiolo	26,232,373	12,607,500	25,407,447	-	38,014,947
10	Kajiado	149,526,341	37,645,000	30,432,447	-	68,077,447
11	Kakamega	11,750,000	-	41,307,447	-	41,307,447
12	Kericho	9,965,000	-	29,082,447	-	29,082,447
13	Kiambu	9,600,000	-	40,257,447	-	40,257,447
14	Kilifi	122,422,642	96,840,000	40,932,447	20,000,000	157,772,447
15	Kirinyanga	6,385,000	-	27,057,447	-	27,057,447
16	Kisii	11,475,000	-	34,632,447	-	34,632,447
17	Kisumu	38,290,000	-	32,382,447	-	32,382,447
18	Kitui	150,020,244	58,210,000	37,707,447	-	95,917,447
19	Kwale	88,976,289	37,075,000	34,107,447	-	71,182,447
20	Laikipia	65,814,676	25,255,000	27,207,447	-	52,462,447
21	Lamu	18,348,378	11,785,000	22,107,447	-	33,892,447
22	Machakos	13,350,000	-	34,557,447	-	34,557,447
23	Makueni	12,065,000	-	33,057,447	-	33,057,447
24	Mandera	49,787,798	28,305,000	36,732,447	-	65,037,447
25	Marsabit	42,302,134	36,800,000	32,382,447	-	69,182,447
26	Meru	1,710,295,000	-	35,382,447	3,920,000,000	3,955,382,447
27	Migori	148,440,725	40,625,000	32,157,447	-	72,782,447
28	Mombasa	19,150,000	-	36,432,447	-	36,432,447
29	Muranga	12,405,000	-	31,482,447	24,000,000	55,482,447

30	Nairobi	373,900,000	-	54,807,447	2,100,000,000	2,154,807,447
31	Nakuru	12,630,000	-	39,282,447	-	39,282,447
32	Nandi	9,155,000	-	28,782,447	-	28,782,447
33	Narok	90,146,403	41,780,000	32,307,447	-	74,087,447
34	Nyamira	11,960,000	-	27,507,447	-	27,507,447
35	Nyandarua	9,430,000	-	27,957,447	9,000,000	36,957,447
36	Nyeri	11,465,000	-	28,407,447	-	28,407,447
37	Samburu	35,343,554	53,125,000	25,407,447	-	78,532,447
38	Siaya	13,765,000	-	29,907,447	38,000,000	67,907,447
39	Taita Taveta	43,439,216	31,797,500	25,707,447	-	57,504,947
40	Tana River	28,819,105	24,725,000	29,232,447	-	53,957,447
41	Tharaka Nithi	50,819,343	18,767,500	25,182,447	-	43,949,947
42	Tranzoia	5,665,000	-	30,132,447	-	30,132,447
43	Turkana	73,293,982	24,195,000	41,157,447	-	65,352,447
44	Uasin Gishu	8,660,000	-	30,282,447	-	30,282,447
45	Vihiga	7,085,000	-	27,132,447	16,500,000	43,632,447
46	Wajir	56,211,458	45,040,000	33,957,447	-	78,997,447
47	West Pokot	62,139,761	67,985,000	27,807,447	-	95,792,447
	GRAND TOTAL	3,870,679,737	873,407,500	1,500,000,000	6,168,000,000	8,541,407,500

MEMORANDUM OF OBJECTS AND REASONS

The principal object of this Bill is to make provision for the division of revenue raised nationally among the county governments for the financial year 2017/2018.

Section 1 of the Bill provides for the short title while **Section 2** defines the various terms used in the Bill.

Section 3 of the Bill contains the objects and the purpose of the Bill which is to provide for the allocation of revenue raised nationally and conditional allocations among county governments for the financial year 2017/18 as well as the transfer of the county allocations from the Consolidated Fund to the respective County Revenue Fund.

Section 4 of the Bill deals with the allocation of equitable share of revenue raised nationally to each county government.

Section 5 of the Bill provides for conditional allocations to be made to county governments.

Section 6 of the Bill provides for the publishing of monthly report by the national government, on actual transfers of all allocations to county governments.

Section 7 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.

Section 8 of the Bill deals with what constitutes a financial misconduct.

Section 9 of the Bill mandates the Cabinet Secretary to make regulations for proper implementation of the Act.

Section 10 of the Bill extends the validity of the first formula for sharing revenue among county governments approved in accordance with Article 217 of the Constitution in the event that Parliament has not approved another formula to replace the first one.

Dated on the 21st November, 2016.

Henry Rotich, EGH
Cabinet Secretary for the National Treasury

APPENDIX

EXPLANATORY MEMORANDUM TO THE COUNTY ALLOCATON OF REVENUE BILL, 2016

Background

1. This memorandum is prepared 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, 2016.

Explanation of Revenue Allocation as Proposed by the Bill

2. The County Allocation of Revenue Bill, 2016 proposes to allocate a total of Ksh. 333.1 billion of resources raised nationally to county governments. This is equivalent to 35.6 percent of most recent audited revenues which have been approved by the National Assembly for the financial year 2013/14 (i.e. Ksh. 935.7 billion). This comprises of an equitable share of Ksh. 299.1 billion or 32 percent of the most recent audited revenue and conditional allocations of Ksh. 34 billion or 3.6 percent of the most recent audited revenue.

3. The county governments' equitable share of revenue was allocated among the county governments on the second basis of the revenue allocation criteria approved by Parliament in accordance with Article 217 of the Constitution.

4. The Bill proposes to allocate county governments conditional allocations amounting to Ksh. 21.4 billion from the national government share of revenue raised nationally in line with Article 202(2) of the Constitution. This reflects an increase of Ksh. 3.4 billion compared to 2016/17

financial year allocations. These allocations are intended to finance national strategic interventions to be implemented by the county governments. Out of the total conditional allocations from the revenue raised nationally, Ksh. 16.9 billion, will be transferred to the county governments and will be included in the budgets of county governments to be approved by the respective county assemblies. The balance of Ksh. 4.5 billion for the leasing of medical equipment will be included in the National Government budget and shall be managed by the National Government. The conditional allocations proposed in the Bill include:

- **Conditional Grant in support of Free Maternal Health Care of Ksh 3.369 billion.** This grant is to be transferred to County Governments by the National Treasury on a reimbursement basis, upon confirmation in writing by the accounting officer for matters relating to health that the County Government provided maternal health care services in their health facilities in accordance with agreed specifications. This grant is intended to facilitate access to free maternal health care in order to reduce the high maternal and child mortality rates in Kenya. This conditional allocation will be distributed among County Governments on the basis of percentage contribution to total number of maternity deliveries during the financial year 2015/16. It should, however, be noted that the Ministry of Health launched the expanded free maternal care programme launched on October 18, 2016. The programme will be implemented through NHIF starting this FY in a phased manner and is bringing on board mission and private health facilities willing to sign contracts with NHIF. With effect from 2017/18 FY, the benefits under the programme will be expanded to include ANC, deliveries, PNC and care for new-born.

- **Conditional allocation to facilitate the leasing of health care equipment of Ksh 4.5 billion.** Started in the financial year 2015/16, this conditional allocation is intended to facilitate the purchase of modern specialised health care equipment in at least two health facilities in each County Government over the medium term. This will facilitate easy access to specialised health care services and significantly reduce the distance that Kenyans walk in search of such services today. This conditional allocation is to be allocated to County Governments equally and will be managed by the National Government on behalf of the County Governments in accordance with the intergovernmental agreements entered into by the two levels of government.

- **Conditional grant to supplement financing for level-5 hospitals of Ksh. 4.2 billion.** Level-5 hospitals continue to play a significant role in providing specialised health care services to Kenyans. These hospitals provide specialised health care services to citizens residing outside their host County Governments, usually for specialized treatment referred from lower level health facilities. In order to compensate them for the costs incurred in rendering services to neighbouring County Governments, the national government proposes to allocate Ksh. 4.2 billion, up from Ksh. 4.0 billion allocated in 2016/17 financial year. This conditional grant is to be shared among County Governments on the basis of percentage bed occupancy per hospital in 2015.

- **Conditional Grant of Ksh. 900 million to compensate county health facilities for forgone user fees.** It is the intention of government to sustain the Government policy of not charging user fees in public health facilities. In this regard, the National Government has allocated Ksh. 900 million to compensate county governments for revenue forgone by not charging user fees in the county health facilities. This grant is to be allocated among County Governments on the basis of the total population for each county in 2016.

- **Conditional Grant from the Road Maintenance Fuel Levy Fund of Ksh. 7.9 billion.** In order to enhance and ensure continued County Governments capacity to repair and maintain county roads the National Government proposes to transfer 15 percent of the Road Maintenance Fuel Levy Fund to the County Governments based on revenue projections for 2017/18 financial year. This grant, which has increased from Ksh. 4.3 billion in the financial year 2016/17, will be shared among County Governments on the basis of the revenue sharing formula approved by Parliament in accordance with Article 217 of the Constitution.

- **KDSP County Capacity Building ("level 1") Grant.** This is a conditional grant financed by a World Bank credit to support county capacity building under the Kenya Devolution Support Program (KDSP) amounting to Ksh. 1.5 billion. This grant is intended to support capacity building initiatives in the counties in the following areas:

    - Strengthening public financial management (PFM) systems;
    - Strengthening County Human resource management;
    - Improving county planning and Monitoring & Evaluation systems; and,
    - Civic Education and Public Participation.
    - Strengthening Intergovernmental relations.

The criteria for allocation the KDSP Capacity Building "level 1" Grant will be as follows: 50% as a basic equal share and 50% on basis of the Revenue sharing formula approved by Parliament in accordance with Article 217 of the Constitution.

- **KDSP Performance ("level 2") Grant amounting to Ksh. 4 billion.** This is a conditional grant financed by a World Bank credit which is intended to incentivise county governments that achieve good results in the following key areas:

    - Strengthening public financial management (PFM) systems;
    - Strengthening County Human resource management;
    - Improving county planning and Monitoring & Evaluation systems; and,
    - Civic Education and Public Participation.
    - Strengthening Intergovernmental relations.

Performance of counties in the above areas is to be assessed by an independent firm to be recruited through a competitive process. County governments will be at liberty to allocate KDSP performance grants to a wide list of priority programs.

County Governments access these funds upon meeting the following conditions:

- Meets Minimum Access Conditions (capacity grants)
- Meets Minimum Performance Conditions
- Attains certain performance scores on a set of capacity & performance measures f in the following areas: Strengthening public financial management (PFM) systems; Strengthening County Human resource management; Improving county planning and Monitoring & Evaluation systems; civic Education and Public Participation and Strengthening Intergovernmental relations.

The criteria of allocation of the Performance "level 2" Grant will comprise of: performance (as determined an annual county performance assessment conducted by an independent firm recruited through a competitive process) and Revenue Sharing Formula approved by Parliament in accordance with Article 217 of the Constitution.

- The Bill proposes to allocate **conditional allocations of Ksh. 873.4 million from the proceeds of a loan from the World Bank.** These conditional grants will be transferred directly to the County Revenue Fund of county governments upon confirmation that the county governments have met agreed conditions. These funds are intended to support the delivery of health services in county health facilities with a view to increase access to health care services by Kenyans and in particular the poor. The funds are to be allocated to County Governments on the basis of the criteria specified in the financing agreement between the Government of Kenya and the development partners.

- The Bill also proposes **conditional allocations amounting to Ksh. 6.2 billion from the proceeds of other loans and grants from development partners and the Government counterpart funding derived from the National Government's share.** These conditional allocations from proceeds of loans and grants, however, will not be transferred to County Governments in the financial year 2017/18 because existing financing agreements with development partners as well as on-going contracts with suppliers may not allow. The National Treasury has therefore proposed that these funds be budgeted for and managed by the national government while ensuring full involvement of the county governments in their management through the Project Steering Committees and Project Implementation Units. It's worth noting that these grants have increased significantly from an allocation of Ksh3.8 billion in financial year 2016/17..

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

1. **Developmental needs of county governments and their ability to perform the functions assigned to them:** The Bill proposes to allocate equitable share of revenue among county governments on the basis of the formula for sharing revenue approved by Parliament in accordance with Article 217 of the Constitution. The formula takes into account disparities among counties and aims at equitable distribution of resources by introducing a new parameter, Development factor (1%), expected to bridge the development disparities gaps amongst counties. The formula takes into account population (45%), land area (8%), poverty (18%), a basic equal share (26%), fiscal responsibility (2%) and Development factor (1 %). The equitable share of revenue for county governments in 2017/18 reflects an increase of 6.72 percent compared to the allocation in 2016/17. This means that there is more money in 2017/18 to help remedy economic disparities within and among counties.

5. **Economic disparities among counties as well as disadvantaged areas and groups within counties:** The allocation of the sharable revenue among counties was based on the formula for sharing revenue among counties approved by Parliament in accordance with Article 217 of the

Constitution, which takes into account disparities among counties and aims at equitable distribution of resources. It should also be noted that Ksh. 7.9 billion has also been set aside for the Equalization Fund in 2017/18 which translates to 0.8 per cent of last audited revenue accounts of governments and is way above the minimum constitutional requirement of 0.5 percent. This Fund will be used to finance development programmes that aim to reduce regional disparities among counties. County Governments are also expected to come up with programs to redress inequalities within counties. In addition, County Governments will be required with the requirement under the Public Procurement and Assets Disposal Act of 2015, to reserve 30% of the public procurements in the counties for disadvantaged groups within the counties, comprising of women, youth and persons living with disabilities.

6. **Stability and Predictability of County Revenue Allocations:** The Division of Revenue Bill, 2017 has proposed that county governments' equitable share of revenue raised nationally be ring-fenced. Variance in revenue raised nationally from the expected revenue is not expected to affect the county governments' allocations of the equitable share of revenue raised nationally. This is because under Section 5 of the DoRB for FY 2017/18, it has been proposed that if the actual revenue raised nationally in the financial year falls short of the expected revenue set out in the Schedule, the shortfall shall be borne by the national government

7. **Fiscal capacity and efficiency:** Fiscal capacity for county governments, that is, the potential revenues that can be generated from the tax bases assigned to the counties when a standard average level of effort is applied to those tax bases, has not been assessed fully. However during the FY 2017/18 there are plans to carry out studies to establish the fiscal efforts of each of the respective counties.

Evaluation of Deviations from the recommendations of the Commission on Revenue Allocations

8. There are differences between the National Treasury's proposal on the revenue allocation among county governments and CRA's recommendations. The differences arise from a number of factors. First are the different approaches used in the computation of the county governments' equitable share. **Table 1** below analyses the differences between the CRA recommendations and the National Treasury proposal on the equitable share of revenue to be allocated to County Governments in the financial year 2017/18.

Table 1: Comparison of Recommendations of the Commission on Revenue Allocation and the National Treasury on the County Equitable Share of Revenue in FY 2017/18 (Figures in Ksh. Millions)

Expenditure Item	2017/18 CRA (A)	National Treasury (B)	Variance C = (A-B)
Equitable Revenue Share in FY 2016/17	280,300	280,300	-
Add			
Adjustment for revenue growth in FY 2016/17	42,550	18,836	23,750
Adjustment for County Roads	8,430	-	8,430
Adjustment for salaries and operations of devolved libraries	319	-	319
TOTAL EQUITABLE SHARE OF REVENUE	**331,599**	**299,136**	**32,499**

Source: National Treasury

9. The Commission on Revenue Allocation (CRA) recommends that Ksh. 331.6 billion vertical allocation to county governments be shared among county governments on the basis of the revenue sharing formula approved by Parliament in accordance with Article 217 of the Constitution. On the other hand, the County Allocation of Revenue Bill, 2017 proposes an equitable share of Ksh. 299.1 billion to be shared on the basis of the revenue sharing formula. The proposal on county equitable revenue share in the Bill differs from that of the CRA's due to the following reasons:

a. **Use of different revenue growth factor:** CRA grows the county equitable share revenue by 15.09 percent, which is the average growth rate of audited shareable revenue raised nationally over the past three years. The National Treasury on the other hand uses an adjustment for cost escalation factorof 6.72 percent. This growth factor which is derived from month-on-month inflation rate for FYs 2013/14, 2014/15 & 2015/16 has taken into consideration performance of revenues by smoothing the growth trends.

b. **County equitable revenue share adjustment of Ksh. 8.43 billion for additional county roads**: Following the reclassification of roads by the State Department of Infrastructure and subsequent transfer of additional county roads by the defunct Transition Authority (TA) vide Gazette Supplement No.4 of 22nd April, 2016, the CRA proposed to gross up the county equitable share of revenue for 2017/18 by an allocation of Ksh. 8.43 billion for construction and rehabilitation of county roads.

It should be noted that the defunct Transitional Authority Gazetted 90,000 Kilometres of roads of class E, F, G and non-classified roads which were transferred to county governments in the financial year 2013/ 14. The attendant resources (Ksh. 27.4 billion) were subsequently transferred to county governments through the Division of Revenue Act, 2013.

The National Treasury also recognises that the taskforce established by the Cabinet Secretary/National Treasury to assess if there were duplication of function in the national and county governments, also recommended that Kshs. 8.43 billion held by Kenya Rural Roads Authority and the Kenya Urban Roads Authority be transferred to county governments to follow the transfer of class D roads amounting to 32,000 km.

First, it should be noted that recommendations of the report of the taskforce have not be considered and adopted by the SUMMIT and therefore it would be pre-mature to reflect such recommendations in DoRB 2017. In light of the foregoing, it is not possible to include in the DoRB 2017 the recommendation of the CRA and the taskforce.

c. **County equitable revenue share adjustment of Ksh. 319 million from Kenya Libraries Services to cater for salaries and operations of devolved libraries**: The CRA has proposed a further adjustment of the equitable revenue share to include an allocation of Ksh.319 million to salaries and operations of devolved libraries in FY 2017/18. The National Treasury view is that, this amounts can only be transferred to counties upon the formal adoption of the report of the taskforce by the SUMMIT.

10. Further the Commission on Revenue Allocation has in the financial 2016/17 proposed new conditional allocations amounting to Ksh. 8.9 billion that the National Treasury has not included in the Division of Revenue Bill. These have resulted in a variance between the National Treasury and the CRA proposals on division of revenue for FY 2017/18. These include;

a. **Allocation to cater for establishment of two Regional Cancer treatment centres at Ksh. 5.0 billion:** - CRA has proposed an additional conditional allocation of Ksh. 5.0 billion for establishment of two Regional Cancer Centres, at a cost of Ksh. 2.5 billion each. These centres are intended to complement the Governments program of leasing medical equipment for counties with cancer diagnostics equipment. In addition, these cancer diagnostic equipment are intended to ease pressure at Kenyatta National Hospital and Nyeri Level 5 hospital for surgical, chemotherapy and Radiotherapy services.

National Treasury appreciates this proposal which plan if implemented would boost chances of the country plan to achieve universal healthcare access. Such a program, however, requires careful planning to ensure that adequate human and financial resources can be availed to guarantee the sustainability and viability of such a program. There is no evidence of any consultation with the Ministry of Health which provides policy leadership on such matters.

b. **Additional conditional allocation for construction of County headquarters of Ksh. 1.0 billion** - CRA proposes an additional conditional allocation of Ksh. 1.0 billion in the financial year 2017/18 for construction of county headquarters in Tharaka Nithi, Lamu, Nyandarua, Tana River and Isiolo counties.

c. National Treasury has provided for Ksh. 605 to supplement county financing for the construction of county headquarters in five counties. The CRA has treated this allocation as a new grant and has proposed an allocation of Ksh. 1 billion in the financial year 2017/18. However, this is an existing grant which is phased out for three financial years beginning 2016/17.

This grant is intended to supplement financing for construction of headquarters by five County Governments that did not inherit adequate office space. The five counties are Isiolo; Lamu; Nyandarua; Tana River and Tharaka Nithi. Following consultations with these counties, it was agreed that construction of county headquarters be funded at the cost of Ksh. 518 million (Ksh. 315.5 million for the County Executive offices and Ksh. 202.5 million for the County Assembly offices). The National Government will contribute 70 percent of the budget while County Governments will contribute 30 percent. The National Government's contribution will be spread over three financial years. In FY 2016/17, the National Treasury allocated a total of Ksh. 605 million for the construction of county headquarters (i.e. Ksh. 121 million to each of the five counties). In FY 2017/18, the National Treasury is allocating Ksh. 605 million (i.e. Kshs 121 million per county).

- **Additional conditional allocations for Library services of Ksh. 400 million** - the proposed new conditional additional allocation by CRA of Ksh. 400 million is meant for building and equipping 20 counties with libraries at a cost of ksh. 20 million each.

This is to achieve equity given that it's only in these 20 counties that there are no Libraries whereas other counties have more than one.

Proposal for conditional grants such as this should be prepared in accordance with the framework for intergovernmental fiscal transfers as agreed. Ultimately these should be anchored in the national policy. Only then can such be considered for inclusion in the DoRB 2017.

- **Conditional additional allocation for the Rehabilitation of Village Polytechnics of Ksh. 6.3 billion:** - the CRA has further proposed an additional conditional allocation of Ksh. 1.5 billion from the national government share of revenue to county governments so as to build, equip and renovate village polytechnics. The CRA further argue that these village polytechnics will go a long way to serve as centres of excellence to empower youth with the requisite skills to generate employment. Whereas Village Polytechnics are essential in developing skills of Youth who don't transit to institutions of higher learning, the National Treasury is of the view that this is a devolved function and that counties should finance using their own resources. However, where additional resources become available to the National Government, support for village polytechnics may be considered in future.

11. It's also worth noting that the CRA proposes an increase in the existing conditional additional allocations by a growth factor of 5 per cent The existing conditional allocations include allocations for; Level-5 hospitals, Free Maternal Health Care, Compensation for User fee forgone, leasing of medical equipment and county roads with funding from Roads Maintenance Fuel Levy It should be noted that allocations for the various conditional additional allocations are determined through the national MTEF budget process based on the weight attached to the national government policy objectives that the allocations are intended to support.

12. The differences between the proposals set out in the County Allocation of Revenue Bill, 2016 and the CRA's recommendations notwithstanding, the proposed county governments' equitable share of revenue in the Bill, at 32 percent of the most recent audited revenue, as approved by the National Assembly, is way above the minimum threshold required under Article 203(2) of the Constitution. In addition, the National Treasury proposes to provide conditional allocations of Ksh. 34 billion which further increases the allocations to county governments to 35.6 percent of the most recent audited revenue.

13. In conclusion, it is important to point out that the resources raised nationally may not be sufficient to finance all the proposals made by the CRA. If, all the proposals made by the CRA

were taken into account, the national government would be left with a huge financing gap, which can only be financed by additional borrowing. Such additional borrowing would push up interest rates and thereby slow the growth of the economy.

ANNEXES: FRAMEWORKS FOR MANAGING CONDITIONAL GRANTS

Conditional grants for the health sector 2017/18

1. **Allocations for Free Maternal Health Care**

Allocation for Free Maternity Health Care	
Ministry/State Department Responsible	Health (Vote 108)
Accounting officer of National Government Responsible	Principal Secretary, Ministry of Health.
Responsibilities of the National Government accounting officer	(a) Ensure that funds are provided for under the MOH budget (b) Ensure payment arrangements that guarantee **timely** direct payment to health facilities for claims submitted. (c) Conduct periodical supplementary verification visits in form of sample based surveys and risk based audits. (d) Submit quarterly financial and technical reports in agreed formats to the National Treasury, Controller of Budget and Commission on Revenue Allocation
Conditions	(a)Funds are earmarked for health facilities providing maternity services and meet the minimum standards set by MOH (b) Health facilities should be licensed to operate under the Laws of Kenya (c) Public health facilities should have functional management boards (hospitals) and facility management committees (health centers and dispensaries) (d) Health facilities benefitting should have complied with free maternity services policy as announced, and modified from time to time (e) Public health facilities should have approved workplans that incorporates all sources of funding, including conditional grants (f) Public facility reporting should be through the Health Information System (DHIS) and IFMIS.
Accounting officer of the County Government responsible	Accounting officer responsible for health in the County government
Responsibilities of the County Government accounting officer	(a) Ensure benefitting public health facilities have **integrated** annual workplans that incorporates incomes from all sources including Free maternity care programme with clear deliverables. (b) Ensure health facilities routinely report through Health Information System (DHIS) and IFMIS.
Allocation: 2017/18	**KES 3,369,237,525**
Purpose of the grant	To re-imburse health facilities for costs incurred in providing services under the free maternal care programme
Allocation criteria	The county projected revenue for 2017/18 FY is based on a 3% increase on actual amounts paid to county health facilities in the 2016/17 FY.

Projected receipts by county health facilities

County	Number of deliveries	Projected revenue
Baringo	12,444	51,951,613
Bomet	14,141	59,038,258
Bungoma	14,141	59,038,258
Busia	39,614	165,389,285
Elgeyo-Marakwet	9,606	40,106,303
Embu	9,524	39,763,953
Garissa	10,111	42,211,755
Homa Bay	26,863	112,153,860
Isiolo	4,867	20,318,473
Kajiado	10,504	43,855,035
Kakamega	38,852	162,205,430
Kericho	17,228	71,927,735
Kiambu	47,330	197,604,420
Kilifi	29,811	124,461,343
Kirinyaga	9,168	38,274,730
Kisii	33,776	141,013,965
Kisumu	26,338	109,962,820
Kitui	15,445	64,481,623
Kwale	28,540	119,154,918
Laikipia	12,468	52,054,318
Lamu	2,112	8,815,513
Machakos	17,138	71,551,150
Makueni	16,359	68,298,825
Mandera	12,390	51,729,085
Marsabit	4,584	19,137,365
Meru	21,086	88,035,303
Migori	28,192	117,699,930
Mombasa	19,143	79,921,608
Muranga	15,519	64,789,738
Nairobi	48,573	202,791,023
Nakuru	34,969	145,995,158
Nandi	12,411	51,814,673
Narok	13,977	58,353,558
Nyamira	16,478	68,795,233
Nyandarua	8,688	36,271,983
Nyeri	9,549	39,866,658
Samburu	3,563	14,875,108
Siaya	23,464	97,963,453
Taita Taveta	7,085	29,579,040
Tana River	4,580	19,120,248
Tharaka Nithi	5,814	24,272,615
Trans Nzoia	13,817	57,685,975
Turkana	11,894	49,657,868

Uasin Gishu	8,581	35,826,928
Vihiga	13,317	55,597,640
Wajir	12,546	52,379,550
West Pokot	10,406	43,444,215
Total County Allocation	**807,003**	**3,369,237,525.00**

Source: Ministry of Health

2. **Managed Equipment Service (MES) for public hospitals at County level and National Referral Hospitals**

Note: - MES contracts have been signed centrally

-Servicing of contracts to be done centrally over contract period of seven years

-In-kind support to the County is equivalent of the MES services to be received (estimated Total KShs 6.0 B per year over seven years.

2.Managed Equipment Service for public hospitals at County level and National Referral Hospitals	
Ministry/State Department Responsible	Health (Vote 108)
Accounting officer of National Government Responsible	Principal Secretary, Ministry of Health
Responsibilities of the National Government accounting officer	(a) Ensure budget is available under MOH (b) Ensure compliance with contractual obligations binding all parties (c) Ensure payments to equipment suppliers as per contract
Conditions	As per contract agreement
Accounting officer of the County Government responsible	Accounting officer responsible for health in the County government
Responsibilities of the County Government accounting officer	As per contract agreement
Allocation: 2017/18	**KES 4,500,000,000**
Purpose of the grant	To support provision of specialized medical services in public hospitals in an effort to improve access to specialized medical services for all Kenyans, especially those living in rural areas.
Allocation criteria	Allocation to MOH is based on annual MES Contract commitments
Allocation by County government – This is a centralized service contract.	

Source: Ministry of Health

3. Allocation to supplement financing for Level 5 hospitals

3.Allocation to Supplement Financing for Level 5 Hospitals	
Ministry/State Department Responsible	Health (Vote 108)
Accounting officer of National Government Responsible	Principal Secretary, Ministry of Health
Responsibilities of the National Government accounting officer	(a)Set conditions for transfers and monitor compliance. (b) Initiate requests for disbursements to County Revenue Funds. (c) Submit quarterly financial and technical reports in agreed formats to the National Treasury, Controller of Budget and Commission on Revenue Allocation.
Conditions	(a)Funds are earmarked for the Level 5 hospital in the receiving County. (b) Hospitals should meet and maintain the norms and standards for Level 5 hospital as set by the Ministry of Health. (c) The level 5 hospital should meet the minimum standards set by Medical Practitioners' and Dentist Board (MPDB) as an internship center for medical doctors. (d) Hospital should routinely report on Hospital Administrative Statistics in the Health Information System (DHIS) (e) Hospitals should provide additional information **on referrals from other counties**, and **specialized medical services provided** in standard format.
Accounting officer of the County Government responsible	Accounting officer responsible for health in the County government
Responsibilities of the County Government accounting officer	(a)Ensure funds are included in the budget estimates of the department responsible for health for the FY 2017/18. (b) Ensure hospital prepares an **integrated** annual workplan that incorporates all income including conditional grants with clear deliverables (c) Supervise operations of the hospital. (d) Ensure quality hospital administrative statistics data in DHIS (e) Prepare financial expenditure reports to County Treasury with copies to The National Treasury and Ministry of Health
Allocation: 2017/18	**KES 4,200,000,000.00**
Purpose of the grant	To sustain service delivery in designated Level 5 hospitals, targeting medical and surgical subspecialties, inter-county referral services and medical training.
Allocation criteria	Bed occupancy rate 2015

4. Allocation to support abolishment of user fees in health centers and dispensaries

Allocation to support abolishment of user fees in health centers and dispensaries	
Ministry/State Department Responsible	Health (Vote 108)
Accounting officer of National Government Responsible	Principal Secretary, Ministry of Health
Responsibilities of the National Government accounting officer	(a)Set conditions for transfers and monitor compliance. (b) Initiate requests for disbursement of funds to County Revenue Funds. (c) Submit quarterly financial and technical reports in agreed formats to the National Treasury, Controller of Budget and Commission on Revenue Allocation.
Conditions	(a)Funds are earmarked for health centers and dispensaries. (b) Health facilities must have a functional Health Management Committee (c) Health facilities must be gazetted under Cap 253 and have MFL codes (d) Health facilities have approved integrated workplans that incorporate all sources of funds, including conditional grants (f) Health facilities report timely in DHIS and financial transactions are captured in IFMIS
Accounting officer of the County Government responsible	Accounting officer responsible for health in the County government
Responsibilities of the County Government accounting officer	(a) Ensure health centers and dispensaries prepare **integrated** annual workplans that incorporates all sources of income (b) Prepare quarterly financial statement of disbursements to recipient health centers and dispensaries and submit to The National Treasury and MOH
Allocation: 2017/18	**KES 900,000,000.00**
Purpose of the grant	To compensate public dispensaries and health centers for lost revenue on abolishment of user fees.
Allocation criteria	(a)Sharing among Counties is based on population data from KNBS (2016 projections), and (b) Distribution to recipient health centers and dispensaries in a county is based on outpatient attendance (OPD) workload for 2016/17 as reported routinely in DHIS.
Allocation by County	

Allocation by County			
Hospital	**County**	**Occupancy 2015**	**Allocation**
Machakos	Machakos	79	383,583,815.03
Embu	Embu	62	301,040,462.43
Garissa	Garissa	71	344,739,884.39
Kakamega	Kakamega	88	427,283,236.99
Meru	Meru	77	373,872,832.37
Mombasa	Mombasa	80	388,439,306.36
Nakuru	Nakuru	77	373,872,832.37
Nyeri	Nyeri	84	407,861,271.68
Kisumu	Kisumu	76	369,017,341.04
Thika	Kiambu	85	412,716,763.01
Kisii	Kisii	86	417,572,254.34
Grand Total		**865**	**4,200,000,000.00**

Source: Ministry of Health

County	Population 2016	Allocation
Baringo	690540	13,190,999.77
Bomet	874933	16,713,356.22
Bungoma	1719011	32,837,306.61
Busia	886488	16,934,084.93
Elgeyo-Marakwet	460094	8,788,918.60
Embu	561406	10,724,225.12
Garissa	678690	12,964,635.84
Homa Bay	1161388	22,185,346.02
Isiolo	181781	3,472,460.87
Kajiado	887602	16,955,365.04
Kakamega	1978244	37,789,289.76
Kericho	944842	18,048,788.78
Kiambu	1815032	34,671,542.12
Kilifi	1359505	25,969,864.37
Kirinyaga	590635	11,282,570.38
Kisii	1368359	26,138,997.39
Kisumu	1115014	21,299,489.41
Kitui	1177855	22,499,905.92
Kwale	796212	15,209,592.94
Laikipia	521829	9,968,207.81
Lamu	128310	2,451,034.23
Machakos	1263139	24,129,038.52
Makueni	1017449	19,435,759.73
Mandera	1333595	25,474,920.12

Marsabit	347794	6,643,714.45
Meru	1656774	31,648,427.97
Migori	1133671	21,655,883.66
Mombasa	1224238	23,385,934.45
Muranga	1054247	20,138,691.36
Nairobi	4157754	79,423,251.45
Nakuru	2027137	38,723,265.42
Nandi	946809	18,086,363.28
Narok	1078150	20,595,297.02
Nyamira	689714	13,175,221.15
Nyandarua	666717	12,735,922.31
Nyeri	717258	13,701,378.80
Samburu	274079	5,235,577.99
Siaya	952486	18,194,807.84
Taita Taveta	277258	5,296,304.65
Tana River	297477	5,682,536.91
Tharaka Nithi	430213	8,218,118.55
Trans Nzoia	1115298	21,304,914.50
Turkana	1341972	25,634,941.27
Uasin Gishu	1089550	20,813,064.85
Vihiga	662596	12,657,201.15
Wajir	826334	15,784,996.68
West Pokot	634918	12,128,483.78
Total	47,114,397	900,000,000.00

Source: Ministry of Health

5. **Grants and loans from partners**

IDA (World Bank) credit and grant (Results Based Financing – RBF)	
Ministry/State Department Responsible	Health (Vote 108)
Accounting officer of National Government Responsible	Principal Secretary, Ministry of Health
Responsibilities of the National Government accounting officer	(a)Ensure that funds are provided for under the MOH budget (b)Provide technical oversight and capacity building for programme implementation (b) Ensure timely disbursements for payments to RBF health facilities (c) Conduct periodical supplementary verification visits in form of sample based surveys and risk based audits. (d) Submit quarterly financial and technical reports in agreed formats to the National Treasury, Controller of Budget and World Bank.
Conditions	(a) Counties have signed agreement with MOH (b)Funds are earmarked for health centers, dispensaries and CHMTs in twenty ASAL Counties and Migori County. This includes FBO health facilities. (c) Public health centers and dispensaries in the programme should be gazetted, have a functional facility management committees and report routinely in DHIS. (d) Financial transactions and reporting should be done through IFMIS
Accounting officer of the County Government responsible	Accounting officer responsible for health in the County government
Responsibilities of the County Government accounting officer	(a) Ensure health facilities participating in the programme report timely in the DHIS. (b) Health facilities and CHMT must have integrated annual work plans and budgets that incorporate incomes from Results Based Financing. (c) Ensure verification of payment claims from health facilities participating in the programme. (d) Ensure County Health Management Teams (CHMTs) conduct continous supportive supervision visits to health facilities participating in the programme. (e) Submit IFMIS based consolidated financial reports and requests for re-imbursements to Controller of Budget and MOH.
Allocation: 2017/18	**KES 873,407,500.00**
Purpose of the grant	To incentivize health workers to perform and deliver results for realization of SDG 3 on Good Health and well being

Allocation criteria	Output based grants estimated on the basis of actual values of incentivised services based on 2015/16 RBF performance estimates.
Projected receipts by County	
County	**Total**
Baringo	94,210,000.00
Elgeyo Marakwet	47,990,000.00
Garissa	38,645,000.00
Isiolo	12,607,500.00
Kajiado	37,645,000.00
Kitui	58,210,000.00
Kilifi	96,840,000.00
Kwale	37,075,000.00
Laikipia	25,255,000.00
Lamu	11,785,000.00
Mandera	28,305,000.00
Marsabit	36,800,000.00
Narok	41,780,000.00
Samburu	53,125,000.00
Taita Taveta	31,797,500.00
Tana River	24,725,000.00
Tharaka Nithi	18,767,500.00
Turkana	24,195,000.00
West Pokot	67,985,000.00
Wajir	45,040,000.00

Migori	40,625,000.00
Total	**873,407,500.00**

Source: Ministry of Health

6. **Conditional Grant from the Road Maintenance Fuel Levy Fund**

Conditional Grant from the Road Maintenance Fuel Levy Fund	
Ministry/State Department Responsible	Transport and Infrastructure/Infrastructure
Accounting Officer of the National Government Responsible	Principal Secretary, State Department of Infrastructure
Responsibilities of the National Government accounting officer	• Initiate request for disbursement of funds • Submit quarterly and annual financial and non-financial performance reports to the National Treasury. • Monitor and evaluate performance of the allocation and report to the National Treasury
Conditions	• This funding must be included in the budget estimates of the county government • Work plans must be prepared and shared with the State Department of Infrastructure with copies to the National Treasury • The allocation must be used for the maintenance of county roads • County government must provide a report/proof that funds were used to maintain county roads.
Accounting Officer of the County Government Responsible	• Accounting Officer responsible for the Infrastructure/roads in the county government.
Responsibilities of the County Government accounting officer	• Ensure funds are included in the budget estimates of the relevant department for the FY 2015/16 for maintenance of county roads. • Submit quarterly and annual financial and non-financial performance reports to the County Treasury with copies to the State Department of Infrastructure • Monitor and evaluate performance of the allocation and report to the County Treasury.
Allocation: 2015/16	Ksh. 7,875,000,000
Objectives	To maintain county roads
Allocation Criteria	Revenue sharing formula approved by Parliament under Article 217 of the Constitution.

Allocation by County Government			
No.	County	Allocation Ratio (Approved Equitable Share Formula)	Conditional grant for maintenance of roads
		Column A	Column B
1	Baringo	1.66%	130,725,000
2	Bomet	1.76%	138,600,000
3	Bungoma	2.94%	231,525,000
4	Busia	1.95%	153,562,500
5	Elgeyo/Marakwet	1.21%	95,287,500
6	Embu	1.37%	107,887,500
7	Garissa	1.94%	152,775,000
8	Homa Bay	2.18%	171,675,000
9	Isiolo	1.26%	99,225,000
10	Kajiado	1.93%	151,987,500
11	Kakamega	3.38%	266,175,000
12	Kericho	1.75%	137,812,500
13	Kiambu	3.24%	255,150,000
14	Kilifi	3.33%	262,237,500
15	Kirinyanga	1.48%	116,550,000
16	Kisii	2.49%	196,087,500
17	Kisumu	2.19%	172,462,500
18	Kitui	2.90%	228,375,000
19	Kwale	2.42%	190,575,000
20	Laikipia	1.50%	118,125,000
21	Lamu	0.82%	64,575,000
22	Machakos	2.48%	195,300,000
23	Makueni	2.28%	179,550,000
24	Mandera	2.77%	218,137,500
25	Marsabit	2.19%	172,462,500
26	Meru	2.59%	203,962,500
27	Migori	2.16%	170,100,000
28	Mombasa	2.73%	214,987,500
29	Muranga	2.07%	163,012,500
30	Nairobi	5.18%	407,925,000
31	Nakuru	3.11%	244,912,500
32	Nandi	1.71%	134,662,500
33	Narok	2.18%	171,675,000
34	Nyamira	1.54%	121,275,000
35	Nyandarua	1.60%	126,000,000
36	Nyeri	1.66%	130,725,000

37	Samburu	1.26%	99,225,000
38	Siaya	1.86%	146,475,000
39	Taita	1.30%	102,375,000
40	Tana River	1.77%	139,387,500
41	Tharaka Nithi	1.23%	96,862,500
42	Tranzoia	1.89%	148,837,500
43	Turkana	3.36%	264,600,000
44	Uasin Gishu	1.91%	150,412,500
45	Vihiga	1.49%	117,337,500
46	Wajir	2.40%	189,000,000
47	West Pokot	1.58%	124,425,000
	GRAND TOTAL	**100.00%**	**7,875,000,000**

7. **KDSP Capacity Building "level 1" Grant**

Conditional Grant to support County Capacity Building	
Ministry/State Department Responsible	Ministry of Devolution and Planning
Accounting Officer of the National Government Responsible	Principal Secretary, State Department of Devolution
Responsibilities of the National Government accounting officer	• Initiate request for disbursement of funds • Submit quarterly and annual financial and non-financial performance reports to the National Treasury. • Monitor and evaluate performance of the allocation and report to the National Treasury
Conditions	• This funding must be included in the budget estimates of the county government • Counties have met the minimum access conditions as set out in the Program Operation Manual: i.e. County Governments have 'opted in' by signing a participation agreement and County Governments have developed and submitted to the KDSP Technical Committee a capacity building plan for FY 2017/18.
Accounting Officer of the County Government Responsible	• Accounting Officer(s) responsible for capacity building in the five key areas of focus in the county government i.e.: o Public financial management (PFM) systems; o County Human resource management; o County planning and Monitoring & Evaluation systems; and, o Civic Education and Public Participation. o Intergovernmental relations.
Responsibilities of the County Government accounting officer	• Ensure funds are included in the budget estimates of the relevant department for the FY 2017/18. • Submit quarterly and annual financial and non-financial performance reports to the County Treasury with copies to the State Department of Devolution • Monitor and evaluate performance of the allocation and report to the County Treasury.
Allocation: 2015/16	Ksh. 7,875,000,000
Objectives	To building the capacity of county governments in the following five key areas:

	o public financial management (PFM) systems; o County Human resource management; o County planning and Monitoring & Evaluation systems; and, o Civic Education and Public Participation. o Intergovernmental relations.
Allocation Criteria	The criteria for allocation the KDSP Capacity Building "level 1" Grant will be as follows: 50% as a basic equal share and 50% on basis of the Revenue sharing formula approved by Parliament in accordance with Article 217 of the Constitution.

Allocation by County Government			
No.	**County**	**Allocation Ratio**	**KDSP Capacity Building "level 1" Grant allocation**
		Column A	**Column B**
1	Baringo	1.89%	28,407,447
2	Bomet	1.94%	29,157,447
3	Bungoma	2.53%	38,007,447
4	Busia	2.04%	30,582,447
5	Elgeyo/Marakwet	1.67%	25,032,447
6	Embu	1.75%	26,232,447
7	Garissa	2.03%	30,507,447
8	Homa Bay	2.15%	32,307,447
9	Isiolo	1.69%	25,407,447
10	Kajiado	2.03%	30,432,447
11	Kakamega	2.75%	41,307,447
12	Kericho	1.94%	29,082,447
13	Kiambu	2.68%	40,257,447
14	Kilifi	2.73%	40,932,447
15	Kirinyanga	1.80%	27,057,447
16	Kisii	2.31%	34,632,447
17	Kisumu	2.16%	32,382,447
18	Kitui	2.51%	37,707,447
19	Kwale	2.27%	34,107,447
20	Laikipia	1.81%	27,207,447
21	Lamu	1.47%	22,107,447
22	Machakos	2.30%	34,557,447
23	Makueni	2.20%	33,057,447

24	Mandera	2.45%	36,732,447
25	Marsabit	2.16%	32,382,447
26	Meru	2.36%	35,382,447
27	Migori	2.14%	32,157,447
28	Mombasa	2.43%	36,432,447
29	Muranga	2.10%	31,482,447
30	Nairobi	3.65%	54,807,447
31	Nakuru	2.62%	39,282,447
32	Nandi	1.92%	28,782,447
33	Narok	2.15%	32,307,447
34	Nyamira	1.83%	27,507,447
35	Nyandarua	1.86%	27,957,447
36	Nyeri	1.89%	28,407,447
37	Samburu	1.69%	25,407,447
38	Siaya	1.99%	29,907,447
39	Taita	1.71%	25,707,447
40	Tana River	1.95%	29,232,447
41	Tharaka Nithi	1.68%	25,182,447
42	Tranzoia	2.01%	30,132,447
43	Turkana	2.74%	41,157,447
44	Uasin Gishu	2.02%	30,282,447
45	Vihiga	1.81%	27,132,447
46	Wajir	2.26%	33,957,447
47	West Pokot	1.85%	27,807,447
	GRAND TOTAL	**100.00%**	**1,500,000,000**

8. KDSP Performance "level 2" Grant

Conditional Grant to incentivize county investment in capacity building	
Ministry/State Department Responsible	Ministry of Devolution and Planning
Accounting Officer of the National Government Responsible	Principal Secretary, State Department of Devolution
Responsibilities of the National Government accounting officer	• Initiate request for disbursement of funds • Submit quarterly and annual financial and non-financial performance reports to the National Treasury. • Monitor and evaluate performance of the allocation and report to the National Treasury
Conditions	• This funding must be included in the budget estimates of the county government • Counties have undergone the annual capacity and performance assessment and met the minimum access conditions and minimum performance conditions for grant funding. • Counties have implemented projects according to approved workplans and program requirements
Accounting Officer of the County Government Responsible	• Accounting Officer(s) responsible for capacity building in the five key areas of focus in the county government i.e.: o Public financial management (PFM) systems; o County Human resource management; o County planning and Monitoring & Evaluation systems; and, o Civic Education and Public Participation. o Intergovernmental relations.
Responsibilities of the County Government accounting officer	• Ensure funds are included in the budget estimates of the relevant department for the FY 2017/18. • Submit quarterly and annual financial and non-financial performance reports to the County Treasury with copies to the State Department of Devolution • Monitor and evaluate performance of the allocation and report to the County Treasury.
Allocation: 2015/16	Ksh. 7,875,000,000
Objectives	To incentivize county governments to build their capacity in the following five key areas:

	○ public financial management (PFM) systems; ○ County Human resource management; ○ County planning and Monitoring & Evaluation systems; and, ○ Civic Education and Public Participation. ○ Intergovernmental relations.
Allocation Criteria	The criteria for allocation the KDSP Performance "level2" Grant shall be determined in terms of the process set out in Subsection 5(3) of the County Allocation of Revenue Act, 2017.