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**THE COUNTY ALLOCATION OF REVENUE BILL,
2021**

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THE COUNTY ALLOCATION OF REVENUE BILL, 2021

A Bill for

AN ACT of Parliament to provide for the equitable allocation of revenue raised nationally among the county governments for the 2021/2022 financial year; the responsibilities of national and county governments pursuant to such allocation; and for connected purposes

ENACTED by Parliament of Kenya, as follows—

1. This Act may be cited as the County Allocation of Revenue Act, 2021. Short title.
2. In this Act — Interpretation.

“Cabinet Secretary” means the Cabinet Secretary for the time being responsible for matters relating to finance; and

“revenue” has the meaning assigned to it under section 2 of the Commission on Revenue Allocation Act. No.16 of 2011
3. The object of this Act is to— Object.
 - (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 2021/22; and
 - (b) facilitate the transfer of allocations made to counties under this Act from the Consolidated Fund to the respective County Revenue Funds.
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 2021/22 shall be as set out in Column H of the First Schedule. Equitable allocation of county governments’ share of revenue.

(2) Each county government’s allocation under subsection (1) shall be transferred to the respective County Revenue Fund, in accordance with a payment schedule No. 18 of 2012.

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.

5. The budget ceilings for recurrent expenditure for county governments for the financial year 2020/2021 shall be as set out in the Second Schedule.

Budget ceilings
for recurrent
expenditure.

6. (1) Where a county government has transferred functions to the national government pursuant to Article 187 of the Constitution, the county executive in consultation with the national government shall determine the cost of the transferred functions.

Funding of
transferred
functions.

(2) The respective county assembly shall appropriate such monies as may be required for the transferred functions in accordance with the determination made under subsection (1) and the allocation shall not be less than the amount appropriated by the County Assembly in the preceding financial year.

(3) The monies appropriated under subsection (1), shall be transferred to the national government.

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

Report on actual
transfers.

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

Books of accounts
to reflect national
government
transfers.

(2) The estimates of revenue of each county shall separately reflect the total equitable revenue share under section 4 of this Act transferred to the County Revenue Fund.

(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.

No. 18 of 2012

9. 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.

Financial
Misconduct.

10. For the avoidance of doubt the allocation of the equitable share of revenue to 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.

Applicable
revenue-sharing
formula.

FIRST SCHEDULE (s. 4(1))
Allocation of Each County Governments' Equitable Share of Revenue Raised Nationally in the
Financial year 2021/22

No.	County	2020/2021		0.5 (Allocation Ratio)		Equitable Share**-(0.5 allocation ratio)*(Formula***)		Total Equitable Share *** FY 2021/22	
		Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column H= D+F
		Allocation Ratio	Actual Allocations 2019/20- Allocation Factor	Allocation Ratio	0.5% County Allocation	Allocation Ratio	Equitable Share Using Formula	Allocation Ratio	Total Equitable Share
1	Baringo	1.61	5,095,650,000	1.61	2,547,825,000	1.80	3,821,569,592	1.72	6,369,394,592
2	Bomet	1.74	5,507,100,000	1.74	2,753,550,000	1.86	3,937,549,118	1.81	6,691,099,118
3	Bungoma	2.81	8,893,650,000	2.81	4,446,825,000	2.93	6,212,610,192	2.88	10,659,435,192
4	Busia	1.90	6,013,500,000	1.90	3,006,750,000	1.97	4,165,412,009	1.94	7,172,162,009
5	Elgeyo/Marakwet	1.22	3,861,300,000	1.22	1,930,650,000	1.26	2,675,882,480	1.25	4,606,532,480
6	Embu	1.36	4,304,400,000	1.36	2,152,200,000	1.40	2,973,043,762	1.39	5,125,243,762
7	Garissa	2.22	7,026,300,000	2.22	3,513,150,000	2.08	4,414,062,254	2.14	7,927,212,254
8	Homa Bay	2.13	6,741,450,000	2.13	3,370,725,000	2.09	4,434,628,300	2.11	7,805,353,300
9	Isiolo	1.34	4,241,100,000	1.34	2,120,550,000	1.22	2,589,838,265	1.27	4,710,388,265
10	Kajiado	2.03	6,424,950,000	2.03	3,212,475,000	2.24	4,742,293,229	2.15	7,954,768,229
11	Kakamega	3.29	10,412,850,000	3.29	5,206,425,000	3.39	7,182,987,168	3.35	12,389,412,168

		2020/2021		0.5 (Allocation Ratio)		Equitable Share**0.5 allocation ratio)*(Formula***)		Total Equitable Share *** FY 2021/22	
		Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column H= D+F
No.	County	Allocation Ratio	Actual Allocations 2019/20- Allocation Factor	Allocation Ratio	0.5% County Allocation	Allocation Ratio	Equitable Share Using Formula	Allocation Ratio	Total Equitable Share
12	Kericho	1.70	5,380,500,000	1.70	2,690,250,000	1.77	3,740,414,924	1.74	6,430,664,924
13	Kiambu	2.98	9,431,700,000	2.98	4,715,850,000	3.31	7,001,675,720	3.17	11,717,525,720
14	Kilifi	3.30	10,444,500,000	3.30	5,222,250,000	3.03	6,419,342,941	3.15	11,641,592,941
15	Kirinyaga	1.34	4,241,100,000	1.34	2,120,550,000	1.45	3,075,627,952	1.40	5,196,177,952
16	Kisii	2.46	7,785,900,000	2.46	3,892,950,000	2.36	5,001,324,509	2.40	8,894,274,509
17	Kisumu	2.16	6,836,400,000	2.16	3,418,200,000	2.18	4,607,939,240	2.17	8,026,139,240
18	Kitui	2.79	8,830,350,000	2.79	4,415,175,000	2.82	5,978,795,413	2.81	10,393,970,413
19	Kwale	2.46	7,785,900,000	2.46	3,892,950,000	2.06	4,372,635,516	2.23	8,265,585,516
20	Laikipia	1.32	4,177,800,000	1.32	2,088,900,000	1.44	3,047,365,679	1.39	5,136,265,679
21	Lamu	0.82	2,595,300,000	0.82	1,297,650,000	0.85	1,807,999,643	0.84	3,105,649,643
22	Machakos	2.45	7,754,250,000	2.45	3,877,125,000	2.50	5,285,179,232	2.48	9,162,304,232
23	Makueni	2.34	7,406,100,000	2.34	3,703,050,000	2.09	4,429,733,562	2.20	8,132,783,562
24	Mandera	3.23	10,222,950,000	3.23	5,111,475,000	2.87	6,078,907,598	3.02	11,190,382,598
25	Marsabit	2.14	6,773,100,000	2.14	3,386,550,000	1.84	3,890,454,032	1.97	7,277,004,032
26	Meru	2.54	8,039,100,000	2.54	4,019,550,000	2.59	5,474,307,338	2.57	9,493,857,338

		2020/2021		0.5 (Allocation Ratio)		Equitable Share** - 0.5 allocation ratio) * (Formula**)		Total Equitable Share *** FY 2021/22	
		Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column H = D+F
No.	County	Allocation Ratio	Actual Allocations 2019/20- Allocation Factor	Allocation Ratio	0.5% County Allocation	Allocation Ratio	Equitable Share Using Formula	Allocation Ratio	Total Equitable Share
27	Migori	2.14	6,773,100,000	2.14	3,386,550,000	2.18	4,618,470,448	2.16	8,005,020,448
28	Mombasa	2.23	7,057,950,000	2.23	3,528,975,000	1.91	4,038,379,061	2.05	7,567,354,061
29	Murang'a	1.99	6,298,350,000	1.99	3,149,175,000	1.90	4,030,980,855	1.94	7,180,155,855
30	Nairobi City	5.03	15,919,950,000	5.03	7,959,975,000	5.33	11,289,702,414	5.20	19,249,677,414
31	Nakuru	3.31	10,476,150,000	3.31	5,238,075,000	3.68	7,788,041,323	3.52	13,026,116,323
32	Nandi	1.69	5,348,850,000	1.69	2,674,425,000	2.04	4,316,444,041	1.89	6,990,869,041
33	Narok	2.54	8,039,100,000	2.54	4,019,550,000	2.28	4,825,239,456	2.39	8,844,789,456
34	Nyamira	1.52	4,810,800,000	1.52	2,405,400,000	1.29	2,729,940,036	1.39	5,135,340,036
35	Nyandarua	1.54	4,874,100,000	1.54	2,437,050,000	1.53	3,233,394,228	1.53	5,670,444,228
36	Nyeri	1.71	5,412,150,000	1.71	2,706,075,000	1.66	3,522,653,555	1.68	6,228,728,555
37	Samburu	1.46	4,620,900,000	1.46	2,310,450,000	1.45	3,060,896,037	1.45	5,371,346,037
38	Siaya	1.83	5,791,950,000	1.83	2,895,975,000	1.92	4,070,532,531	1.88	6,966,507,531
39	Taita/Taveta	1.34	4,241,100,000	1.34	2,120,550,000	1.29	2,721,624,698	1.31	4,842,174,698
40	Tana River	1.85	5,855,250,000	1.85	2,927,625,000	1.70	3,600,783,765	1.76	6,528,408,765
41	Tharaka-Nithi	1.24	3,924,600,000	1.24	1,962,300,000	1.06	2,251,898,593	1.14	4,214,198,593

No.	County	2020/2021		0.5 (Allocation Ratio)		Equitable Share**0.5 allocation ratio)*(Formula***)		Total Equitable Share *** FY 2021/22	
		Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column H= D+F
		Allocation Ratio	Actual Allocations 2019/20- Allocation Factor	Allocation Ratio	0.5% County Allocation	Allocation Ratio	Equitable Share Using Formula	Allocation Ratio	Total Equitable Share
42	Trans Nzoia	1.82	5,760,300,000	1.82	2,880,150,000	2.03	4,306,007,670	1.94	7,186,157,670
43	Turkana	3.33	10,539,450,000	3.33	5,269,725,000	3.47	7,339,580,994	3.41	12,609,305,994
44	Uasin Gishu	2.00	6,330,000,000	2.00	3,165,000,000	2.32	4,903,858,318	2.18	8,068,858,318
45	Vihiga	1.47	4,652,550,000	1.47	2,326,275,000	1.29	2,741,081,827	1.37	5,067,356,827
46	Wajir	2.70	8,545,500,000	2.70	4,272,750,000	2.46	5,201,976,151	2.56	9,474,726,151
47	West Pokot	1.58	5,000,700,000	1.58	2,500,350,000	1.79	3,796,934,329	1.70	6,297,284,329
	Total	100	316,500,000,000	100	158,250,000,000	100	211,750,000,000	100	370,000,000,000

*This refers to the Shareable Revenue allocated to counties in the financial year 2019/ 20 of KSh. 316.5 billion. Thus, the allocation to county governments under this component is one half of the equitable share allocated to county governments in FY 2019/20 amounting to KSh. 158. 25 billion.

** This is the equitable share of revenues raised nationally allocated to county governments in FY 2021/22 amounting to KSh. 370 billion. Once you net out one-half of the amounts of Allocation Ratio or KSh.158.25 billion from the Equitable share of KSh. 370 billion, the resulting balance of KSh. 211.75 billion shall be allocated among county governments using the Formula.

*** Formula= 0.18*Population Indexi+ 0.17*Health Indexi+0.10* Agriculture Indexi+0.05*Urban Indexi+0.14* Poverty Indexi+0.08*Land Area Indexi+0.08*Roads Indexi +0.20* Basic Share Index

***Total Equitable Share or County Allocation = 0.5 (Allocation Ratio) + ((Equitable Share-(0.5 Allocation Ratio)) *(Formula).

SECOND SCHEDULE (s.5)

County Government Ceilings on Recurrent Expenditure in Financial Year 2021/22 (Figures are in Kenya Shillings)					
No.	County	County Assembly		County Executive	
		FY 2020/21	FY 2021/22	FY 2020/21	FY 2021/22
1	Baringo	687,926,864	687,926,864	569,787,017	569,787,017
2	Bomet	606,321,526	606,321,526	552,531,315	552,531,315
3	Bungoma	852,697,315	852,697,315	621,554,119	621,554,119
4	Busia	738,972,659	738,972,659	587,042,718	587,042,718
5	Elgeyo/Marakwet	572,974,781	572,974,781	535,275,615	535,275,615
6	Embu	580,057,624	580,057,624	535,275,615	535,275,615
7	Garissa	758,771,695	758,771,695	569,787,017	569,787,017
8	Homa-Bay	852,232,576	852,232,576	604,298,418	604,298,418
9	Isiolo	421,383,160	421,383,160	463,713,275	463,713,275
10	Kajiado	666,147,523	666,147,523	527,830,690	527,830,690
11	Kakamega	1,066,936,774	1,066,936,774	673,321,221	673,321,221
12	Kericho	692,058,978	692,058,978	569,787,017	569,787,017
13	Kiambu	1,085,527,936	1,085,527,936	673,321,221	673,321,221
14	Kilifi	756,635,440	756,635,440	587,042,718	587,042,718
15	Kirinyaga	569,393,333	569,393,333	522,925,302	522,925,302
16	Kisii	919,508,597	919,508,597	621,554,119	621,554,119
17	Kisumu	701,921,494	701,921,494	587,042,718	587,042,718
18	Kitui	836,025,472	836,025,472	604,298,418	604,298,418
19	Kwale	591,895,413	591,895,413	535,275,615	535,275,615
20	Laikipia	452,388,054	452,388,054	493,319,288	493,319,288
21	Lamu	405,697,936	405,697,936	463,713,275	463,713,275

22	Machakos	841,145,156	841,145,156	604,298,418	604,298,418
23	Makueni	703,984,829	703,984,829	569,787,017	569,787,017
24	Mandera	726,834,897	726,834,897	578,963,987	578,963,987
25	Marsabit	640,182,991	640,182,991	535,275,615	535,275,615
26	Meru	914,997,229	914,997,229	621,554,119	621,554,119
27	Migori	836,834,225	836,834,225	604,298,418	604,298,418
28	Mombasa	658,609,194	658,609,194	569,787,017	569,787,017
29	Murang'a	735,143,240	735,143,240	587,042,718	587,042,718
30	Nairobi City	1,409,977,879	1,409,977,879	759,599,725	759,599,725
31	Nakuru	983,219,236	983,219,236	656,065,520	656,065,520
32	Nandi	649,760,252	649,760,252	569,787,017	569,787,017
33	Narok	709,598,198	709,598,198	569,787,017	569,787,017
34	Nyamira	596,107,510	596,107,510	535,275,615	535,275,615
35	Nyandarua	633,970,935	633,970,935	552,531,315	552,531,315
36	Nyeri	676,085,232	676,085,232	569,787,017	569,787,017
37	Samburu	490,297,034	490,297,034	480,968,975	480,968,975
38	Siaya	666,308,584	666,308,584	569,787,017	569,787,017
39	Taita/Taveta	601,130,595	601,130,595	535,275,615	535,275,615
40	Tana River	486,497,243	486,497,243	505,669,601	505,669,601
41	Tharaka-Nithi	423,104,928	423,104,928	493,319,288	493,319,288
42	Trans Nzoia	628,139,110	628,139,110	552,531,315	552,531,315
43	Turkana	767,192,392	767,192,392	569,787,017	569,787,017
44	Uasin Gishu	686,014,946	686,014,946	569,787,017	569,787,017
45	Vihiga	621,955,167	621,955,167	552,531,315	552,531,315
46	Wajir	760,194,403	760,194,403	560,610,046	560,610,046
47	West Pokot	584,824,909	584,824,909	535,275,615	535,275,615
	Total Ceiling	33,247,585,463	33,247,585,463	26,708,080,067	26,708,080,067

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 2021/22.

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 for the financial year 2021/22 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 Budget ceilings for recurrent expenditure for county governments in accordance with section 107 (2) (a) of the Public Finance Management Act No. 18 of 2012.

Section 6 of the Bill provides for the modalities of funding of transferred functions.

Section 7 of the Bill provides for the publishing of monthly reports by the national government, on actual transfers of all allocations to county governments.

Section 8 of the Bill provides for the respective 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 9 of the Bill provides for the actions constituting financial misconduct.

Section 10 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.

Dated 23rd April, 2021.

CHARLES KIBIRU,
Chairperson, Committee on Finance and Budget.

APPENDIX

EXPLANATORY MEMORANDUM TO THE COUNTY ALLOCATION OF REVENUE BILL, 2021

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, 2021.

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 on condition that the formula's implementation would be preceded by a KSh. 53.5 billion increase in the counties' equitable revenue share.

Explanation of Revenue Allocation as Proposed by the Bill

3. The Division of Revenue Bill, 2021 proposes to allocate to County Governments Ksh.370 billion in the financial year 2021/22. This allocation is in form of equitable share.

4. The county governments' equitable share of revenue 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.

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

5. Developmental needs of the county governments and their ability to perform the functions assigned to them: The proposed County Governments' equitable share of revenue of KSh. 370 billion for FY 2021/22 compared to an allocation of KSh. 316.5 billion in FY 2020/21 translates to an increase of KSh. 53.5 billion.

Secondly, 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 (OSR). Thus, with the proposed increase in equitable share to county governments by KSh. 53.5 billion in FY 2021/22 and assuming that Counties maintain their growth trajectory in OSR collections in FY 2020/21 and FY 2021/22, there should be sufficient additional resources to finance all functions assigned and transferred to them as contemplated under Article 203(1) (f) of the Constitution as well as improve service delivery.

6. Economic Disparities within and among counties and the need to remedy them: Allocation of the sharable revenue (i.e. equitable share of KSh. 370 billion) among counties is 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 Third Basis Formula takes into account disparities among counties and aims at equitable distribution of resources across counties.

Further, it should be noted that KSh. 6.8 billion has also been set aside for the Equalization Fund in 2021/22 which translates to 0.5 per cent of the last audited revenue accounts of governments, as approved by the National Assembly. This Fund is used to finance development programmes that aim at reducing regional disparities among beneficiary counties.

7. 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 Covid-19 Pandemic. Accordingly, clause 5 of the DoRB 2021, makes provisions that any shortfall in revenue raised nationally shall be borne by the National Government.

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

8. The Division of Revenue Bill, 2021 proposes to allocate county governments an equitable share of Ksh.370 billion from the shareable revenue raised nationally. The CRA also recommends County Governments' equitable share of revenue of Ksh.370 billion as an unconditional allocation to be shared among county governments on the Third basis of the formula for sharing revenue approved by Parliament under Article 217 of the Constitution in September, 2020. In this case there is no differences in the amounts of proposed allocation of equitable share to county governments by both CRA and the Division of Revenue Bill. The Division of Revenue Bill (DORB 2021) and CRA are also in agreement to converting four additional conditional allocations previously financed from the national government share of revenue into equitable share.

9. In order to arrive at the recommendation of Ksh.370 billion allocations as equitable share to county governments in FY 2021/22, the Division of Revenue Bill and CRA applied the following:-

- Firstly, the Division of Revenue Bill 2021 proposed to adjust the base allocation of equitable share to County Governments' of Ksh.316.5 billion in FY 2020/21 by growing the equitable share by Ksh.36.1 billion or 3.2 %. This growth is derived from anticipated improvement in revenues raised nationally in FY 2021/22 when the effects of Covid-19 pandemic are expected to ease. Secondly, it recommended conversion of four conditional grants amounting to Ksh.17.4 billion into equitable share; and
- Firstly, CRA proposed conversion of four conditional grants amounting to Ksh.17.02 billion into equitable share. Secondly, CRA recommended that an additional Ksh.36.48 billion, raised from harmonization of functions in line with the Fourth Schedule and Article 187(2) of the Constitution of National Government MDAs which may be carrying out concurrent functions or performing devolved functions, be added to county governments' equitable. These are in the functional areas of: Health; Agriculture (crop, livestock and fisheries development); Water, Irrigation, Sanitation and regional development.

10. Table 3 analyses the approaches by CRA the DORB 2021 in computing the proposal on the division of revenue between the national and county governments in FY 2021/22.

Table 3: Comparison of approaches towards recommendations of the Commission on Revenue Allocation and the National Treasury on the equitable share of revenue proposed for FY 2021/22 (Figures in KSh. Millions)

<i>Expenditure Item</i>	<i>CRA</i>	<i>DORB, 2021</i>	<i>Variance</i>
	A	B	C=(A-B)
1. Equitable Revenue Share in FY 2020/21 (Base)	316,500	316,500	-
2. Adjustment for revenue growth FY 2021 as determined in the Fiscal Framework	-	36,100	(36,100)
3. Conversion of conditional grants to Equitable Share, i.e. Level -5, RMLF, User fees foregone and village Polytechnics	17,020	17,400	(380)
4. Harmonisation of functions in line with the fourth Schedule of the Constitution and Article 187(2)	36,480	-	36,480
TOTAL EQUITABLE SHARE OF REVENUE = (1+2+3+4)	370,000	370,000	-

Source: National Treasury and Planning

11. Although, there are no differences on the proposed amount of equitable share raised nationally between the national and county governments, there are differences occasioned by consideration for additional conditional allocations financed from National government share of revenue amounting to KSh.7.5 billion; – Whereas CRA has not made any additional proposals to fund Counties, the Division of Revenue Bill 2021 has proposed KSh.7.5 billion to be financed from the National Government share of revenue.

Conclusion

12. The proposals contained in the Bill take into account the fiscal framework set out in the BPS for financial year 2021/22 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 CARB 2021, has also taken into account the approved Third Basis for Revenue Allocation among county governments pursuant to Article 217 of the Constitution. It is expected with successful implementation of the Third Basis formula from FY 2021/22 to 2024/25, county governments will now 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.

14. The proposed equitable share allocated to county governments in the Division of Revenue Bill, 2021, at 27.3 per cent 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.