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THE COUNTY ALLOCATION OF REVENUE BILL, 2014

A Bill for

AN ACT of Parliament to provide for the equitable allocation of revenue raised by the national government among the county governments for the 2014/15 financial year and the responsibilities of national and county governments pursuant to such allocation and for connected purposes

ENACTED by the Parliament of Kenya, as follows—

1. This Act may be cited as the County Allocation of Revenue Act, 2014. Short title

2. In this Act, unless the context otherwise requires— Interpretation

"Cabinet Secretary" means the Cabinet Secretary for the time being responsible for matters relating to finance;

"conditional additional allocations" means additional resources allocated to county governments from revenue raised by the national government or in the form of loans and grants from development partners;

"revenue" has the meaning assigned to it under section 2 of the Commission on Revenue Allocation Act, 2011;

"State Organ" has the meaning assigned to it under Article 260 of the Constitution.

3. The object and purpose of this Act is— Object and purpose of the Act.

(a) to provide, pursuant to Article 218(1)(b) of the Constitution for the allocation of equitable share of revenue raised by the national government among the county governments in accordance with the resolution approved by Parliament under Article 217 of the Constitution for the financial year 2014/15;

(b) to provide, pursuant to Article 202(2) and 187(2) of the Constitution, for conditional additional allocations for the financial year 2014/15; and

(c) to facilitate the transfer of allocations made to the county governments under this Act from the Consolidated Fund to the respective County Revenue Funds.

4. (1) Each county governments' equitable share of revenue raised by the national government 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 2014/2015 shall be as set out in Column C 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 approved by Senate and gazetted by the Cabinet Secretary in terms of section 17 of the Public Finance Management Act, 2012.

5. (1) The conditional additional allocations to each county government for the financial year 2014/15 shall be as set out in Column E of the Second Schedule, comprising of–

Conditional additional allocations to county governments.

(a) allocations to ensure continuation of services financed by loans and grants from development partners as set out in Column C of the Second Schedule; and

(b) allocation financed by a grant from a development partner to supplement financing for county health facilities as set out in Column D.

(2) The county Governments allocations under subsection (1)(a) shall be included in the budget estimates of the national government and shall be submitted to Parliament for approval.

(3) Each county government allocation under sub-section (1)(b) above shall be transferred to the respective County Revenue Fund, 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.

(4) The functions gazetted for transfer after Parliament has approved the national government budget for 2014/15, shall take effect in the next financial year, 2015/16.

6. (1) Notwithstanding the provisions of any other law, where it is determined that, the transfer of funds to a county

Transfers made in error or fraudulently.

government was done in error or fraudulently, such a transfer shall be regarded as not legally due to that county government.

(2) An erroneous transfer contemplated in subsection (1), may be recovered immediately or set-off against future transfers to that county government, which would otherwise become due in accordance with the payment schedule approved by Senate and gazetted by the Cabinet Secretary in accordance with section 17 of the Public Finance Management Act, 2012.

No. 18 of 2012.

Report on actual transfers.

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

Books of accounts to reflect national government transfers.

8. (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 reflect the total allocations from the national government separately.

(3) A county treasury shall as part of its consolidated quarterly and annual reports required under the Public Finance Management Act, 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 the Board, in the format prescribed by the National Treasury.

Financial Misconduct.

9. Despite the provisions of any other law, any serious or persistent non-compliance with provisions of this Act constitutes a financial misconduct under the Public Finance Management Act, 2012.

Regulations.

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

(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.

FIRST SCHEDULE (s.4)

Allocation of Each County Governments' Equitable Share of Revenue Raised by the National Government

			Equitable Share	
No.	**County**	**Allocation Ratio**	**FY 2013/14**	**FY 2014/15**
		Column A	**Column B**	**Column C**
1	Baringo	1.71%	3,247,853,215	3,863,235,929
2	Bomet	1.81%	3,442,638,623	4,094,928,045
3	Bungoma	3.25%	6,180,666,881	7,351,740,390
4	Busia	1.80%	3,412,404,160	4,058,965,160
5	Elgeyo/Marakwet	1.26%	2,392,011,591	2,845,235,405
6	Embu	1.48%	2,807,082,691	3,338,951,297
7	Garissa	2.22%	4,221,433,715	5,021,285,023
8	Homa Bay	2.17%	4,121,429,825	4,902,332,476
9	Isiolo	1.18%	2,235,583,337	2,659,167,127
10	Kajiado	1.70%	3,227,409,859	3,838,919,643
11	Kakamega	3.43%	6,515,510,758	7,750,028,857
12	Kericho	1.73%	3,295,019,652	3,919,339,552
13	Kiambu	2.87%	5,458,860,860	6,493,171,749
14	Kilifi	2.86%	5,442,533,482	6,473,749,201
15	Kirinyanga	1.36%	2,587,865,089	3,078,197,373
16	Kisii	2.73%	5,188,303,957	6,171,351,762
17	Kisumu	2.19%	4,155,298,066	4,942,617,611
18	Kitui	2.80%	5,315,309,833	6,322,420,839
19	Kwale	1.97%	3,748,952,670	4,459,281,604
20	Laikipia	1.33%	2,523,013,037	3,001,056,878
21	Lamu	0.79%	1,500,755,102	1,785,108,726
22	Machakos	2.61%	4,950,617,061	5,888,629,113
23	Makueni	2.30%	4,366,239,078	5,193,526,432
24	Mandera	3.45%	6,550,232,929	7,791,330,792
25	Marsabit	2.00%	3,795,591,042	4,514,755,670
26	Meru	2.50%	4,749,444,426	5,649,339,059
27	Migori	2.25%	4,269,095,296	5,077,975,631
28	Mombasa	2.00%	3,801,758,313	4,522,091,425
29	Muranga	2.06%	3,917,395,471	4,659,639,002

			Equitable Share	
No.	**County**	**Allocation Ratio**	**FY 2013/14**	**FY 2014/15**
		Column A	**Column B**	**Column C**
30	Nairobi	5.00%	9,505,766,405	11,306,858,928
31	Nakuru	3.12%	5,936,313,837	7,061,088,726
32	Nandi	1.83%	3,477,901,827	4,136,872,273
33	Narok	2.04%	3,867,590,331	4,600,396,333
34	Nyamira	1.60%	3,038,643,767	3,614,387,064
35	Nyandarua	1.66%	3,150,207,289	3,747,088,370
36	Nyeri	1.71%	3,254,175,229	3,870,755,753
37	Samburu	1.37%	2,598,153,222	3,090,433,118
38	Siaya	1.92%	3,653,579,335	4,345,836,528
39	Taita	1.27%	2,420,630,003	2,879,275,722
40	Tana River	1.53%	2,914,328,551	3,466,517,358
41	Tharaka Nithi	1.21%	2,294,827,947	2,729,636,922
42	Tranzoia	1.96%	3,729,874,627	4,436,588,158
43	Turkana	4.03%	7,664,402,594	9,116,605,188
44	Uasin Gishu	2.00%	3,796,628,687	4,515,989,340
45	Vihiga	1.49%	2,831,564,442	3,368,071,550
46	Wajir	2.78%	5,290,052,180	6,292,377,858
47	West Pokot	1.66%	3,155,049,726	3,752,849,041
	Grand Total	100.00%	190,000,000,000	226,000,000,000

SECOND SCHEDULE (s.5)

No.	County	Allocation Ratio	Conditional Additional Allocations	Additional allocations - Loans and Grants to supplement financing for county functions	Additional allocations- grant to supplement financing for county health facilities	Total Conditional Additional Allocation
			FY 2013/14	FY 2014/15	FY 2014/15	FY 2014/15
		Column A	Column B	Column C	Column D	Column E (C+D)
1	Baringo	1.71%	382,555,501	159,086,218	23,790,000	182,876,218
2	Bomet	1.81%	272,582,727	138,199,518	12,570,000	150,769,518
3	Bungoma	3.25%	334,595,329	699,047,035	12,370,000	711,417,035
4	Busia	1.80%	266,369,417	650,824,231	10,310,000	661,134,231
5	Elgeyo/Marakwet	1.26%	744,501,814	120,942,418	18,420,000	139,362,418
6	Embu	1.48%	557,198,402	415,124,990	11,370,000	426,494,990
7	Garissa	2.22%	475,032,960	76,242,418	15,560,000	91,802,418
8	Homa Bay	2.17%	1,604,785,613	193,072,418	22,390,000	215,462,418
9	Isiolo	1.18%	187,893,545	86,212,418	5,590,000	91,802,418
10	Kajiado	1.70%	284,382,199	198,644,418	15,510,000	214,154,418
11	Kakamega	3.43%	840,702,017	934,576,758	21,120,000	955,696,758
12	Kericho	1.73%	317,792,977	100,607,418	20,220,000	120,827,418
13	Kiambu	2.87%	805,574,808	131,384,518	16,820,000	148,204,518
14	Kilifi	2.86%	377,885,641	129,452,418	13,150,000	142,602,418
15	Kirinyanga	1.36%	242,055,751	267,186,292	10,390,000	277,576,292
16	Kisii	2.73%	635,954,331	135,329,518	20,570,000	155,899,518
17	Kisumu	2.19%	711,380,679	196,329,518	14,200,000	210,529,518
18	Kitui	2.80%	519,086,118	265,106,518	34,610,000	299,716,518
19	Kwale	1.97%	280,447,997	157,242,418	11,240,000	168,482,418
20	Laikipia	1.33%	234,821,897	145,874,518	9,350,000	155,224,518
21	Lamu	0.79%	99,237,004	86,542,418	5,260,000	91,802,418
22	Machakos	2.61%	523,080,848	278,667,289	24,320,000	302,987,289
23	Makueni	2.30%	354,912,725	287,383,344	21,750,000	309,133,344
24	Mandera	3.45%	230,310,408	79,362,418	12,440,000	91,802,418
25	Marsabit	2.00%	272,856,567	78,632,418	13,170,000	91,802,418
26	Meru	2.50%	758,421,849	1,565,594,384	18,410,000	1,584,004,384
27	Migori	2.25%	490,967,787	198,426,618	18,060,000	216,486,618
28	Mombasa	2.00%	545,817,618	127,809,518	3,920,000	131,729,518
29	Muranga	2.06%	404,431,503	311,582,785	22,430,000	334,012,785
30	Nairobi	5.00%	390,470,421	1,580,419,854	24,920,000	1,605,339,854
31	Nakuru	3.12%	1,024,998,693	115,334,518	22,880,000	138,214,518
32	Nandi	1.83%	408,946,759	104,869,518	15,930,000	120,799,518
33	Narok	2.04%	278,791,611	189,906,618	15,510,000	205,416,618
34	Nyamira	1.60%	278,440,754	132,362,418	21,540,000	153,902,418
35	Nyandarua	1.66%	284,911,755	129,294,518	16,480,000	145,774,518
36	Nyeri	1.71%	817,147,697	296,317,785	20,550,000	316,867,785
37	Samburu	1.37%	206,938,875	83,192,418	8,610,000	91,802,418
38	Siaya	1.92%	318,012,871	628,456,711	25,150,000	653,606,711
39	Taita	1.27%	205,852,212	79,372,418	12,430,000	91,802,418
40	Tana River	1.53%	204,478,573	116,687,418	7,110,000	123,797,418
41	Tharaka Nithi	1.21%	139,762,124	688,873,239	9,950,000	698,823,239
42	Tranzoia	1.96%	193,134,230	82,852,418	8,950,000	91,802,418
43	Turkana	4.03%	229,995,474	81,912,418	9,890,000	91,802,418
44	Uasin Gishu	2.00%	270,261,206	81,492,418	14,940,000	96,432,418
45	Vihiga	1.49%	196,974,298	398,666,808	11,790,000	410,456,808
46	Wajir	2.78%	357,469,372	74,092,418	17,710,000	91,802,418
47	West Pokot	1.66%	437,777,043	86,432,418	10,000,000	96,432,418
	GRAND TOTAL	100.00%	**20,000,000,000**	**13,165,023,499**	**733,650,000**	13,898,673,499

MEMORANDUM OF OBJECTS AND REASONS

The principal object of this Bill is to make provision for the allocation of revenue raised by the national government among the county governments for the financial year 2014/2015.

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

Clause 3 of the Bill contains the objects and the purpose of the Bill which is to provide for the allocation of revenue raised by the national government and conditional additional allocations among county governments for the financial year 2014/15 as well as the transfer of the county allocations from the Consolidated Fund to the respective County Revenue Fund.

Clause 4 of the Bill deals with the allocation of equitable share of revenue raised by the national government to each county government.

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

Clause 6 of the Bill sets out provisions affecting the transfers made in error or fraudulently.

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

Clause 8 of the Bill provide for a county treasury to reflect the total allocations from the national government separately in the County estimates and reflect all transfers in the books of accounts and reports.

Clause 9 of the Bill provides for the mechanisms for resolution of disputes arising from the provision of this Act or any issue on division or allocation of revenue to county governments.

Clause 10 of the Bill provides for what constitutes financial misconduct.

Clause 11 of the Bill provides that the Cabinet Secretary may make Regulations for this Bill.

Dated the 16th of April, 2014

KITHURE KINDIKI,
Senate Majority Leader.

APPENDIX

EXPLANATORY MEMORANDUM TO THE COUNTY ALLOCATON OF REVENUE BILL, 2014

This memorandum is prepared in fulfillment of the requirements of Article 218 (2) of the Constitution and Section 191 of the Public Finance Management, 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; and

(e) explains any assumptions and formulae used in arriving at the respective shares under the County Allocation of Revenue Bill, 2014.

I. Explanation of Revenue Allocation as Proposed by the Bill

The County Allocation of Revenue Bill, 2014 proposes to allocate a total of KSh. 239.9 billion of resources raised nationally to county governments. This is equivalent to 35.2 percent of most recent audited revenues which have been approved by the National Assembly for the financial year 2011/12. This comprises of an equitable share of KSh. 226 billion or 33.1 percent of the most recent audited revenue and conditional additional allocations of KSh. 13.9 bilion or 2 percent of the most recent audited revenue.

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

In addition, a conditional additional allocation of KSh. 13.9 billion has been allocated to county governments from the loans and grants received from development partners. Of this amount, a grant of KSh. 733.6 million from the Government of Denmark will be disbursed directly to the county governments to supplement financing for county health facilities. The balance, of the conditional allocations from proceeds of

loans and grants, estimated at KSh. 13.2 billion, however, will not be transferred to county governments in the financial year 2014/15 because existing financing agreements with development partners as well as on-going contracts with supplier 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.

II. 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 revenue sharing formula approved by Parliament in accordance with Article 217 of the Constitution incorporated parameters that measure the expenditure needs of counties. Some of the parameters that measure expenditure needs of counties include: population (45%), land area (8%), and poverty (20%). It can therefore be argued that when county governments are allocated resources on the basis of this formula, the developmental needs of the county governments are adequately taken care of.

2. 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 approved by Parliament which takes into account disparities among counties and aims at equitable distribution of resources. It should also be noted that KSh. 3.4 Billion has been set aside for the Equalization Fund in 2014/15. This fund will be used to finance development programmes that aim to reduce regional disparities among counties.

3. Stability and Predictability of County Revenue Allocations

The Division of Revenue Bill, 2014 has proposed that county allocations of the equitable share of revenue raised by the national government be ring-fenced. Variance in revenue raised by the national government from the expected revenue not exceeding a threshold determined by the Cabinet Secretary to be significant is not expected to affect the county allocations of the equitable share of revenue raised by the national government. This is because such shortfalls in revenue raised by the national government shall be borne by the national government.

4. Fiscal capacity and efficiency

County governments have been assigned specific taxes, fees and charges under Article 209 of the Constitution. Official data for each

county government's fiscal capacity and efficiency of revenue collection is not available and therefore it was not possible to take into account this criterion in the sharing of revenue among county governments.

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

There are differences between the National Treasury's proposal on the revenue allocation among county governments and CRA's recommendations. The differences stem from the different approaches used in the computation of the county governments' equitable share.

The Commission on Revenue Allocation has proposed revenue allocation to counties of KSh. 279.1 billion in financial year 2014/15. This is approximately 40% of most recent audited revenue for financial year 2011/12 (KSh. 682.1 billion). The proposal in the Bill differs from that of the CRA's due to the following reasons:

1. The CRA starts from a higher baseline of KSh. 230.8 billion. The CRA costing of devolved functions does not make any reference to the county equitable share of KSh. 190 billion for FY 2013/14, which was arrived at following costing of devolved functions through a consultative process involving all key stakeholder institutions and coordinated by the Transition Authority. The 2013/14 county equitable share of KSh. 190 billion is the most appropriate baseline since it's what was approved by Parliament. The CRA instead estimates the cost of devolved functions afresh using, as a baseline, the forward year (2014/15) of the Printed Estimates of Recurrent and Development Expenditure for 2012/13. This baseline may not be appropriate since it is dated and does not reflect most recent changes in national policy and the economy.

2. CRA's basis of costing of the new structures is not clear and the costing of the new administrative structures is overstated. CRA estimates that the cost of new administrative structures at the county level at KSh. 48.3 billion, comprising of KSh. 38.1 billion for remuneration and KES. 10.1 billion for other administrative costs. CRA estimates for the personnel expenses (PE) for the new administrative structure is therefore more than 80% of the PE cost for the staff implementing other county functions transferred from national government, such as, doctors, nurses etc. Such overstated estimates of PE may push counties' recurrent expenditure to unsustainable levels. Ideally, deployment of staff for the new administrative structures should be commensurate to the functions assigned to the county governments.

3. CRA does not clearly demonstrate now their recommendations take into account the criteria set out in Article 203(1) of the Constitution

in arriving at the vertical division of revenue between the national and county governments. Article 216 of the Constitution requires that in formulating recommendations, the CRA shall seek "to promote and give effect to the criteria set out in Article 203(1)". This is to ensure an equitable distribution of resources between the two levels of government. The recommendations from the CRA do not seem to give effect to the criteria in Article 203(1) of the Constitution. By not taking into account the Criteria in Article 203(1) of the Constitution, some functions of the national government are likely to remain unfunded or underfunded. This therefore suggests that CRA's recommendations if implemented would result in a huge financing gap which if covered through borrowing would push interest rates up and thereby slow the growth of the economy.

Table 1: Comparison of Recommendations of the Commission on Revenue Allocation and the National Treasury on the Division of Revenue in 2014/15(Figures in KSh. Billions).

	2014/15		
Expenditure Item	**CRA**	**National Treasury**	**Variance**
Baseline for Cost of Devolved Functions before adjustment	230.8	190.0	40.8
Less: Estimates cost of remuneration and administration on new county structures in 2013/14	N/A	13.6	
Baseline excluding adjustment for annual growth of expenditure	N/A	176.4	
Add: 1. Adjustment to administration expenses to reflect added responsibility for administering the transferred functions 2. Annual Growth in expenditure	N/A N/A	7.1 8.09	
Adjusted Baseline	230.8	191.6	39.2
Add: 1. Remuneration and administration expenses (County Executive and Assemblies – including pension/gratuity) 2. Pension for staff transferred from National Government	48.3 -	30.2 4.2	18.1 4.2
Total	**279.1**	**226.0**	**53.1**

N/A means "not available"

The CRA recommends that KSh. 279.1 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. The CRA further recommends that each county government's share of the KSh. 279.1 billion be transferred to the respective County Revenue Fund. On the other hand, the National Treasury proposes an equitable share of KSh. 226 billion to be shared on the basis of the revenue sharing formula and each county government's share be transferred to their respective County Revenue Fund.

A further KSh. 13.9 billion from loans and grants received from development partners has been allocated among county governments on the basis of financing agreements entered into between the national government and the development partners.

IV. Response to the Recommendations of the Intergovernmental Budget and Economic Council

There are differences between the National Treasury's proposal and Intergovernmental Budget and Economic Council (IBEC) recommendations on the division of revenue between the national and county governments for the financial year 2014/15. The Budget Committee of the IBEC has recommended an allocation of revenue raised by the national government to county governments of KSh. 238 billion in 2014/15 while National Treasury has proposed an allocation of KSh. 226 billion.

The IBEC recommended that the entire KSh. 238 billion be shared among the county governments on the basis of the revenue sharing formula approved by Parliament in accordance with Article 217 of the Constitution. The National Treasury on the other hand proposes the entire KSh. 226 billion be allocated among counties on the basis of the revenue sharing formula.

The National Treasury's view is that if county governments were allocated KSh. 238 billion, the county governments' share of revenue raised by the national government would grow at a faster rate of 23 percent between 2013/14 and 2014/15 compared to the growth of the national government's share at 9 percent, a rate that is below the average national revenue growth rate of 12 per cent (see Table 4 below) . As explained above, by growing county governments' share of revenue faster, the trade-off is the lower allocation for national government functions, with the attendant risk of grounding services of the national government. Indeed, it is clear from table 2 above that after taking into account the criteria provided for under Article 203(1) of the Constitution, the national government is left with a deficit, implying that other national government needs are to be financed by loans and grants.

The National Treasury therefore proposes that the county governments be allocated KSh. 226 billion of the shareable revenue reflecting a growth of 17 percent compared to the 2013/14 allocation. This allocation, although reflecting a higher growth of the county governments share of revenue raised by the national government compared to the growth of the national government's share, will ensure that county governments are able to cover the cost of the new salaries approved by the Salary and Remuneration Commission as well as additional personnel costs arising from the shift to a defined contributions pensions scheme while at the same time ensuring adequate resources are left to cater for other national government needs.

Table 4. Comparison of Trends in National and County Governments Shares of Revenue Raised by the National Government between 2013/14 and 2014/15

	2013/14	2014/15			
		IBEC		National Treasury	
	Amount (Ksh. Million)	Amount (Ksh. Million)	Growth (%)	Amount (Ksh. Million)	Growth (%)
Ordinary Revenue (excluding AIA)	955,600	1,070,400	12%	1,070,400	12%
National Government Share	762,181	832,400	9%	844,400	11%
County Government Share	193,419	238,000	23%	226,000	17%

Source: National Treasury

It should, however, be noted that the above differences notwithstanding, the National Treasury's proposed equitable share allocated to county governments in the Division of Revenue Bill, 2014, at 33.1 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 additional conditional allocations of KSh. 13.9 billion which further increases the allocations to county governments to 35.2 percent of the most recent audited revenue.

ANNEXES TO THE SECOND SCHEDULE: FRAMEWORKS FOR CONDITIONAL ADDITIONAL ALLOCATIONS FROM RESOURCES RECEIVED FROM DEVELOPMENT PARTNERS

1. Health Sector Programme Support III (HSPS III) Allocation	
Ministry/State Department Responsible	Health
Development Partner	Government of Denmark
Accounting Officer of the National Government Responsible	Principal Secretary, Ministry of Health
Conditions	• This funding must be included in the budget estimates of the national government • Work plans must be prepared and shared with the relevant county governments • County governments will be involved in the Project Steering Committee and Project Implementation Units
Allocation to be transferred to county governments: 2014/15	KSh.733,650,000
Allocation to be managed by the national government on behalf of county governments: 2014/15	KSh. 1,195,150,000
Responsibilities of the National Government accounting officer	• Ensure funds to be managed by the national government (Ksh. 1,195,150,000) are included in the budget estimates of the ministry for the FY 2014/15 • Submit quarterly and annual financial and non-financial performance reports for the funds managed by the ministry to the National Treasury and separate copies to each county governments • Monitor and evaluate performance of the allocation managed by the ministry and report to the National Treasury

Responsibilities of the receiving accounting officer of the county government	• Ensure funds transferred to the county government (KSh. 733,650,000) are included in the budget estimates of the county government for the FY 2014/15 • Submit quarterly and annual financial and non-financial performance reports for the funds managed by the county government to the County Treasury with a copy to the National Treasury. • Monitor and evaluate performance of the allocation managed by the ministry and report to the County Treasury.
Objectives	1. To improve delivery of essential health services for Kenyans, especially the poor; and 2. Improve the effectiveness of planning, financing and procurement of pharmaceuticals and medical supplies.
Allocation Criteria	Based on financing agreement between the Government of Denmark and the Government of Kenya and agreed work plans.

2. Allocation for Rehabilitation & Strengthening of 23 hospitals	
Ministry/State Department Responsible	Health
Development Partner	Government of Netherlands
Accounting Officer of the National Government Responsible	Principal Secretary, Ministry of Health
Conditions	• This funding must be included in the budget estimates of the national government • Work plans must be prepared and shared with the relevant county governments • County governments will be involved in the Project Steering Committee and Project Implementation Units
Responsibilities of the National Government accounting officer	• Ensure funds are included in the budget estimates of the ministry for the FY 2014/15

	• Submit quarterly and annual financial and non-financial performance reports to the National Treasury and separate copies to each county governments • Monitor and evaluate performance of the allocation and report to the National Treasury
Allocation: 2014/15	KSh. 666,600,000
Objectives	To rehabilitate hospitals
Allocation Criteria	Based on financing agreement between the Government of Netherlands and the Government of Kenya and agreed work plans.

3. Allocation for Rehabilitation of Sub-district hospitals- KIDDP	
Ministry/State Department Responsible	Health
Development Partner	Government of Italy
Accounting Officer of the National Government Responsible	Principal Secretary, Ministry of Health
Conditions	• This funding must be included in the budget estimates of the national government • Work plans must be prepared and shared with the relevant county governments • County governments will be involved in the Project Steering Committee and Project Implementation Units
Responsibilities of the National Government accounting officer	• Ensure funds are included in the budget estimates of the ministry for the FY 2014/15 • Submit quarterly and annual financial and non-financial performance reports to the National Treasury and separate copies to each county governments • Monitor and evaluate performance of the allocation and report to the National Treasury
Allocation: 2014/15	KSh. 33,503,000
Expected Outcomes	To rehabilitate three sub-district hospitals i.e. Ngong sub-district hospitals in Kajiado

	County; Likoni sub-district hospital in Mombasa county and Muhoroni sub-district hospital in Kisumu County.
Allocation Criteria	Based on financing agreement between the Government of Italy and the Government of Kenya and agreed work plans.

4. Allocation for Roads 2000 Project in Western Kenya	
Ministry/State Department Responsible	Transport and Infrastructure/Infrastructure
Development Partner	Government of Germany
Accounting Officer of the National Government Responsible	Principal Secretary, Infrastructure
Conditions	• This funding must be included in the budget estimates of the national government • Work plans must be prepared and shared with the relevant county governments • County governments will be involved in the Project Steering Committee and Project Implementation Units
Responsibilities of the National Government accounting officer	• Ensure funds are included in the budget estimates of the ministry for the FY 2014/15 • Submit quarterly and annual financial and non-financial performance reports to the National Treasury and separate copies to each county governments • Monitor and evaluate performance of the allocation and report to the National Treasury
Allocation: 2014/15	KSh. 339,440,000
Objectives	To upgrade well-trafficked roads in three counties (Kakamega, Vihiga and Bungoma).
Allocation Criteria	Based on financing agreement between the Government of Germany and the Government of Kenya and agreed work plans.

5. Allocation for Construction of Nairobi Western Ring Roads	
Ministry/State Department Responsible	Transport and Infrastructure/Infrastructure
Development Partner	Government of Japan
Accounting Officer of the National Government Responsible	Principal Secretary, Infrastructure
Conditions	• This funding must be included in the budget estimates of the national government • Work plans must be prepared and shared with the relevant county governments • County governments will be involved in the Project Steering Committee and Project Implementation Units
Responsibilities of the National Government accounting officer	• Ensure funds are included in the budget estimates of the ministry for the FY 2014/15 • Submit quarterly and annual financial and non-financial performance reports to the National Treasury and separate copies to each county governments • Monitor and evaluate performance of the allocation and report to the National Treasury
Allocation: 2014/15	KSh. 500,000,000
Objective	To construct Nairobi Missing links
Allocation Criteria	Not applicable since the project covers Nairobi county only.

6. Allocation for Western Kenya Community driven development & flood mitigation	
Ministry/State Department Responsible	Devolution and Planning
Development Partner	IDA
Accounting Officer of the National Government Responsible	Principal Secretary, Planning
Conditions	• This funding must be included in the

	budget estimates of the national government • Work plans must be prepared and shared with the relevant county governments • County governments will be involved in the Project Steering Committee and Project Implementation Units
Responsibilities of the National Government accounting officer	• Ensure funds are included in the budget estimates of the ministry for the FY 2014/15 • Submit quarterly and annual financial and non-financial performance reports to the National Treasury and separate copies to each county governments • Monitor and evaluate performance of the allocation and report to the National Treasury
Allocation: 2014/15	KSh. 2,174,074,113
Objective	1. To empower local communities of men and women to engage in sustainable and wealth creating livelihood activities; and 2. Reduce local communities' vulnerability to flooding.
Allocation Criteria	Based on financing agreement between the IDA and the Government of Kenya and agreed work plans.

7. Kenya Health Sector Support Project Allocation	
Ministry/State Department Responsible	Health
Development Partner	IDA
Accounting Officer of the National Government Responsible	Principal Secretary, Health
Conditions	• This funding must be included in the budget estimates of the national government • Work plans must be prepared and shared with the relevant county governments • County governments will be involved in

	the Project Steering Committee and Project Implementation Units
Responsibilities of the National Government accounting officer	• Ensure funds are included in the budget estimates of the ministry for the FY 2014/15 • Submit quarterly and annual financial and non-financial performance reports to the National Treasury and separate copies to each county governments • Monitor and evaluate performance of the allocation and report to the National Treasury
Allocation: 2014/15	KSh. 2,474,287,642
Objective	1. To improve delivery of essential health services for Kenyans, especially the poor; and 2. Improve the effectiveness of planning, financing and procurement of pharmaceuticals and medical supplies.
Allocation Criteria	Based on financing agreement between the IDA and the Government of Kenya and agreed work plans.

8. National Urban Transport Improvement Project (NUTRIP) Allocation	
Ministry/State Department Responsible	Transport and Infrastructure/Infrastructure
Development Partner	IDA
Accounting Officer of the National Government Responsible	Principal Secretary, Infrastructure
Conditions	• This funding must be included in the budget estimates of the national government • Work plans must be prepared and shared with the relevant county governments • County governments will be involved in the Project Steering Committee and Project Implementation Units
Responsibilities of the National Government accounting officer	• Ensure funds are included in the budget estimates of the ministry for the FY 2014/15

	• Submit quarterly and annual financial and non-financial performance reports to the National Treasury and separate copies to each county governments • Monitor and evaluate performance of the allocation and report to the National Treasury
Allocation: 2014/15	KSh. 914,464,000
Objective	1. To improve the efficiency of road transport along the northern corridor; 2. To improve the institutional capacity and arrangements in the urban transport sub-sector; and 3. Promote the private sector participation in the operation, financing and management of transport systems.
Allocation Criteria	Not applicable since the project covers Meru county only.

9. Allocation for Rural Roads Rehabilitation - Roads 2000	
Ministry/State Department Responsible	Transport and Infrastructure/Infrastructure
Development Partner	European Development Fund
Accounting Officer of the National Government Responsible	Principal Secretary, Infrastructure
Conditions	• This funding must be included in the budget estimates of the national government • Work plans must be prepared and shared with the relevant county governments • County governments will be involved in the Project Steering Committee and Project Implementation Units
Responsibilities of the National Government accounting officer	• Ensure funds are included in the budget estimates of the ministry for the FY 2014/15 • Submit quarterly and annual financial and non-financial performance reports to the National Treasury and separate copies to each county governments

	• Monitor and evaluate performance of the allocation and report to the National Treasury
Allocation: 2014/15	KSh. 1,172,845,740
Objective	1. To contribute to developing a well-managed rural network that is safe, sustainable, and accessible by improving the condition of rural roads in five counties (Meru, Tharaka-Nithi, Embu, Machakos and Makueni); and 2. Increase employment by using labour intensive technology.
Expected outputs	1. Increased proportion f roads in good conditions by 11% (i.e. of the priority rural road network in the five counties; and 2. Increased employment of approximately 500,000 person days of which at least 20% are women and thus contribute to poverty reduction.
Allocation Criteria	Based on financing agreement between the European Union and the Government of Kenya and agreed work plans.

10. Allocation for Nairobi Missing Link Roads and Non-Motorised Transport Facilities	
Ministry/State Department Responsible	Transport and Infrastructure/Infrastructure
Development Partner	European Development Fund
Accounting Officer of the National Government Responsible	Principal Secretary, Infrastructure
Conditions	• This funding must be included in the budget estimates of the national government • Work plans must be prepared and shared with the relevant county governments • County governments will be involved in the Project Steering Committee and Project Implementation Units
Responsibilities of the National Government accounting officer	• Ensure funds are included in the budget estimates of the ministry for the FY 2014/15

	• Submit quarterly and annual financial and non-financial performance reports to the National Treasury and separate copies to each county governments • Monitor and evaluate performance of the allocation and report to the National Treasury
Allocation: 2014/15	KSh. 1,000,000,000
Objective	To construct Nairobi Missing links and non-motorised transport facilities.
Allocation Criteria	Based on financing agreement between the European Union and the Government of Kenya and agreed work plans.

11. Allocation for WASH Access and Utilisation	
Ministry/State Department Responsible	Environment & Natural Resources
Development Partner	UNICEF
Accounting Officer of the National Government Responsible	Principal Secretary, Environment & Natural Resources
Conditions	• This funding must be included in the budget estimates of the national government • Work plans must be prepared and shared with the relevant county governments • County governments will be involved in the Project Steering Committee and Project Implementation Units
Responsibilities of the National Government accounting officer	• Ensure funds are included in the budget estimates of the ministry for the FY 2014/15 • Submit quarterly and annual financial and non-financial performance reports to the National Treasury and separate copies to each county governments • Monitor and evaluate performance of the allocation and report to the National Treasury
Allocation: 2014/15	KSh. 420,000,000
Objective	To improve health and sanitation among

	communities by promoting good hygiene.
Allocation Criteria	Based on financing agreement between the UNICEF and the Government of Kenya and agreed work plans.

12. Rural Electrification Project Allocation	
Ministry/State Department Responsible	Energy
Development Partner	BADEA
Accounting Officer of the National Government Responsible	Principal Secretary, Energy
Conditions	• This funding must be included in the budget estimates of the national government • Work plans must be prepared and shared with the relevant county governments • County governments will be involved in the Project Steering Committee and Project Implementation Units
Responsibilities of the National Government accounting officer	• Ensure funds are included in the budget estimates of the ministry for the FY 2014/15 • Submit quarterly and annual financial and non-financial performance reports to the National Treasury and separate copies to each county governments • Monitor and evaluate performance of the allocation and report to the National Treasury
Allocation: 2014/15	KSh. 1,350,000,000
Objective	Electrification of local centres for marketing of tea and coffee; health centres; educational institutions and Government centres as well as households.
Allocation Criteria	Based on financing agreement between the BADEA and the Government of Kenya and agreed work plans.

13. Allocation for Food and Nutrition Support for vulnerable populations affected by HIV/AIDS	
Ministry/State Department Responsible	Health
Development Partner	World Food Programme (WFP)
Accounting Officer of the National Government Responsible	Principal Secretary, Health
Conditions	• This funding must be included in the budget estimates of the national government • Work plans must be prepared and shared with the relevant county governments • County governments will be involved in the Project Steering Committee and Project Implementation Units
Responsibilities of the National Government accounting officer	• Ensure funds are included in the budget estimates of the ministry for the FY 2014/15 • Submit quarterly and annual financial and non-financial performance reports to the National Treasury and separate copies to each county governments • Monitor and evaluate performance of the allocation and report to the National Treasury
Allocation: 2014/15	KSh. 46,300,000
Objective	To provide food and nutrition support for vulnerable populations.
Allocation Criteria	Based on financing agreement between the WFP and the Government of Kenya and agreed work plans.

14. Allocation for Upper Tana Natural Resources Management Project	
Ministry/State Department Responsible	Environment and Natural Resources
Development Partner	IFAD
Accounting Officer of the National Government Responsible	Principal Secretary, Environment and Natural Resources
Conditions	• This funding must be included in the budget estimates of the national government • Work plans must be prepared and shared with the relevant county governments • County governments will be involved in the Project Steering Committee and Project Implementation Units
Responsibilities of the National Government accounting officer	• Ensure funds are included in the budget estimates of the ministry for the FY 2014/15 • Submit quarterly and annual financial and non-financial performance reports to the National Treasury and separate copies to each county governments • Monitor and evaluate performance of the allocation and report to the National Treasury
Allocation: 2014/15	Ksh. 878,359,004
Objective	To increase sustainable food production and incomes for the poor rural households in the project area (Murang'a, Nyeri, Kirinyaga, Embu, Tharaka-Nithi and Meru counties). To enhance use and management of natural resources
Allocation Criteria	Based on financing agreement between the IFAD and the Government of Kenya and agreed work plans.