

RELATIONSHIP BETWEEN NATIONAL GOVERNMENT AND COUNTY GOVERNMENTS ON BUDGET AND ECONOMIC MATTERS

1. The process of Sharing Revenue Between National and County Governments

Revenue is shared between the two levels of government in two categories:

A. Vertical Revenue Sharing (Between National and County Governments)

The process follows these key steps:

1. Determination of National Revenue

- The National Treasury assesses total revenue collected from taxes and other sources.
- This includes revenue from income tax, VAT, excise duty, customs, and other levies.

2. Recommendation by the Commission on Revenue Allocation (CRA)

- CRA recommends how revenue should be shared between the **national government** and **county governments**.
- The recommendations consider factors like economic performance, national priorities, and county needs.

3. Division of Revenue Bill (DoRB)

- The National Treasury drafts the **Division of Revenue Bill (DoRB)**, which specifies:
 - The **equitable share** for counties (minimum 15% of the most recent audited national revenue).
 - Funds for national government functions.
- The Bill is submitted to Parliament (National Assembly and Senate) for approval.

4. Parliamentary Approval and Presidential Assent

- Both Houses of Parliament debate and approve the DoRB.
- The President signs it into law, making the allocations official.

5. Disbursement by the National Treasury

- The National Treasury disburses county funds into the **County Revenue Fund (CRF)** in monthly or quarterly installments.
- The Controller of Budget authorizes withdrawals to ensure compliance.

2. Sharing Revenue Among County Governments

After receiving their total share, revenue is further distributed among the **47 county governments** using a formula set by CRA and approved by the Senate.

B. Horizontal Revenue Sharing (Among Counties)

The **Commission on Revenue Allocation (CRA)** determines how county funds are allocated based on the following criteria:

1. **Revenue-Sharing Formula** (Set for a 5-year period)

The current formula considers:

- **Population (45%)** – Counties with higher populations get more funding.
- **Equal Share (25%)** – All counties receive a base amount to ensure minimum service delivery.
- **Poverty Level (18%)** – Poorer counties get more funding to promote equity.
- **Land Area (8%)** – Larger counties receive additional funds to cater to infrastructure costs.
- **Fiscal Effort (2%)** – Counties with better revenue collection get incentives.
- **Development Factor (2%)** – Counties are allocated funds based on their ability to implement projects.

2. **Approval of the County Allocation of Revenue Bill (CARB)**

- The Senate approves the **County Allocation of Revenue Bill (CARB)**, which specifies how the equitable share is distributed among the 47 counties.
- The bill is forwarded to the President for assent.

3. **Disbursement of Funds to Counties**

- The National Treasury disburses funds to counties as per the approved formula.
- The **Controller of Budget** monitors disbursements and county expenditures.

3. Additional Funding to Counties

Apart from the equitable share, counties can receive extra funds through:

1. **Conditional Grants**

- Funds provided by the **national government** for specific projects (e.g., health, infrastructure, agriculture).
- Examples include **road maintenance funds** and **free maternity funds**.

2. **Equalization Fund**

- A fund set aside under **Article 204** to support marginalized counties.
- Used to provide basic services such as water, roads, and electricity.

3. **Donor and Development Partner Grants**

- Counties receive financial aid from development partners like the World Bank, IMF, and NGOs.

4. **Own-Source Revenue (OSR)**

- Counties collect revenue from business permits, property rates, parking fees, and other local levies.

Division of Revenue Bill in Kenya

The **Division of Revenue Bill (DoRB)** is a piece of legislation that governs how **national revenue** is shared between the **national government** and the **county governments**. It is prepared annually as required by the **Constitution of Kenya, 2010 (Article 218)** and the **Public Finance Management (PFM) Act, 2012**.

. Purpose of the Division of Revenue Bill

The DoRB:

- **Divides revenue between the national and county governments** based on the most recent audited revenue.
 - Ensures county governments receive their **equitable share** of revenue to perform devolved functions.
 - Helps in **budget planning** at both national and county levels.
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Process of Enacting the Division of Revenue Bill

The DoRB goes through several steps before it becomes law:

Step 1: Preparation of Revenue Allocation Proposal

- The **National Treasury** determines the total revenue collected from all sources (taxes, levies, grants, etc.).
- The **Commission on Revenue Allocation (CRA)** provides recommendations on revenue-sharing.
- The **National Treasury** prepares a **Draft Division of Revenue Bill**.

Step 2: Submission to Parliament

- The Bill is tabled before the **National Assembly and the Senate** for debate.
- The Senate, which represents counties, ensures county interests are safeguarded.
- Both Houses **approve or propose amendments** to the Bill.

Step 3: Approval and Presidential Assent

- Once both Houses agree on the final version of the Bill, it is forwarded to the **President for assent**.
- If there are disagreements between the National Assembly and the Senate, a **Mediation Committee** is formed to resolve them.

Step 4: Implementation by the National Treasury

- Once signed into law, the **National Treasury** releases funds to counties based on the agreed allocation.
 - The **Controller of Budget** oversees disbursement to ensure compliance.
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. Components of the Division of Revenue Bill

The DoRB typically contains:

1. **Total Revenue Available** – The total amount of revenue to be shared.
 2. **National Government Allocation** – The amount retained for national programs.
 3. **County Governments’ Equitable Share** – The minimum 15% allocated to counties (based on the latest audited revenue).
 4. **Conditional Grants to Counties** – Additional funds for specific projects (e.g., healthcare, infrastructure).
 5. **Equalization Fund** – Funds allocated to marginalized counties as per **Article 204 of the Constitution**.
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. Key Challenges in the Division of Revenue Bill

- Disputes between the National Assembly and Senate on county allocations.
- Delays in disbursing funds to counties, affecting service delivery.
- Disagreements over audited revenue figures used for allocations.
- Insufficient funding for counties due to increasing financial needs.

County Allocation of Revenue Bill (CARB) in Kenya

The County Allocation of Revenue Bill (CARB) is a law that determines how the equitable share of revenue allocated to counties (from the Division of Revenue Bill) is distributed among Kenya’s 47 counties. It is guided by the Constitution of Kenya, 2010 (Article 218) and the Public Finance Management (PFM) Act, 2012.

1. Purpose of the County Allocation of Revenue Bill

The CARB:

- Allocates the **total county share** of revenue among the 47 counties.

- Ensures that revenue sharing is **equitable and fair**, based on a formula set by the **Commission on Revenue Allocation (CRA)**.
 - Provides details on **conditional grants and loans** given to counties for specific purposes.
 - Helps county governments in their **budget planning and service delivery**.
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2. Process of Enacting the County Allocation of Revenue Bill

The CARB follows these key steps before becoming law:

Step 1: Preparation by the National Treasury

- After Parliament passes the **Division of Revenue Bill (DoRB)**, the National Treasury drafts the CARB.
- The Bill specifies how much **each county will receive** from the equitable share and any additional conditional grants.

Step 2: Recommendations by the Commission on Revenue Allocation (CRA)

- The CRA **develops a revenue-sharing formula** based on key factors like population, poverty levels, land area, and fiscal responsibility.
- The Senate reviews the CRA's recommendations before approving the final formula.

Step 3: Debate and Approval in the Senate

- The **Senate** is responsible for approving the CARB since it represents county interests.
- The Bill is debated, and any amendments are made before **final approval**.

Step 4: Presidential Assent

- Once approved by the Senate, the Bill is forwarded to the **President for assent**.
- Upon signing, the Bill becomes **law**, and the allocations are binding.

Step 5: Disbursement of Funds to Counties

- The **National Treasury** disburses funds to counties through the **County Revenue Fund (CRF)** in tranches.
 - The **Controller of Budget** monitors the disbursement to prevent misuse.
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3. Components of the County Allocation of Revenue Bill

The CARB includes:

1. **Total Equitable Share for Counties** – The total amount allocated to all counties.
 2. **County-by-County Allocations** – The specific amount each county receives.
 3. **Revenue-Sharing Formula** – The basis for distributing funds among counties.
 4. **Conditional Grants and Loans** – Additional funding for specific county projects (e.g., roads, health, education).
 5. **Reporting and Accountability Requirements** – Guidelines on how counties must manage and report their funds.
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4. Formula for Sharing County Revenue

The **Senate-approved revenue-sharing formula** considers:

- **Population (45%)** – More populated counties get a higher share.
 - **Equal Share (25%)** – Each county gets a base amount to ensure basic service delivery.
 - **Poverty Level (18%)** – Counties with high poverty levels get more funds.
 - **Land Area (8%)** – Larger counties receive additional allocations due to higher administrative costs.
 - **Fiscal Responsibility (2%)** – Counties with better financial management receive incentives.
 - **Development Factor (2%)** – Consideration for counties with ongoing development projects.
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5. Challenges in County Allocation of Revenue

- **Disputes over allocation formula** – Some counties argue that the formula does not reflect their actual needs.
- **Delays in disbursing funds** – Late disbursements disrupt county operations.
- **Misuse and mismanagement of funds** – Poor financial management leads to wastage.
- **Over-reliance on national transfers** – Many counties struggle to raise their own revenue.

Roles of the Commission on Revenue Allocation (CRA) in Kenya

The **Commission on Revenue Allocation (CRA)** is an independent constitutional body established under **Article 215 of the Constitution of Kenya, 2010**. Its main role is to **recommend the equitable sharing of revenue** between the **national government** and **county governments**, and among **county governments**.

1. Key Roles of the CRA

A. Revenue Sharing Recommendations

1. **Equitable Sharing Between National and County Governments**
 - Advises on how revenue raised nationally should be divided between the **national government** and **county governments**.
 - Ensures counties receive at least **15% of the most recent audited revenue** as required by the Constitution.
 2. **Equitable Sharing Among Counties**
 - Develops a **formula** to distribute revenue among the **47 counties** based on factors like population, poverty levels, land area, and fiscal responsibility.
 - Reviews the revenue-sharing formula every **five years**.
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B. Policy and Financial Advisory

3. **Advising on County Fiscal Performance**
 - Provides recommendations to improve **financial management** in counties.
 - Monitors how counties use allocated funds to ensure **efficient service delivery**.
 4. **Promoting Own-Source Revenue Generation**
 - Advises counties on ways to improve **own-source revenue (OSR)** collection (e.g., business permits, land rates).
 - Recommends strategies for counties to become less dependent on **national transfers**.
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C. Management of Special Funds

5. **Managing the Equalization Fund**
 - Ensures marginalized counties receive extra funding through the **Equalization Fund** as provided under **Article 204 of the Constitution**.
 - Advises on how the fund should be used for **basic services like water, roads, health, and electricity**.
 6. **Guiding Conditional Grants and Loans**
 - Advises on the best ways to **allocate and manage** conditional grants and loans given to counties.
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D. Oversight and Accountability

7. **Monitoring Revenue Usage**
 - Tracks how both the **national and county governments** use public funds.
 - Works with oversight bodies like the **Office of the Auditor-General (OAG)** and the **Controller of Budget**.
 8. **Resolving Revenue Allocation Disputes**
 - Advises Parliament and counties on revenue-sharing disputes.
 - Works with the Senate to ensure fair allocation of resources.
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E. Reporting and Public Participation

9. **Preparing Annual Reports to Parliament**

- Submits reports on revenue allocation, expenditure tracking, and financial performance of counties.

10. **Enhancing Public Participation in Revenue Decisions**

- Engages the public in discussions on revenue allocation.
 - Ensures that resource-sharing decisions are **transparent and fair**.
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2. **Challenges Faced by CRA**

- **Political interference** in revenue allocation decisions.
- **Delayed approval of revenue-sharing formulas** by the Senate.
- **Poor financial management** in some counties, leading to inefficient use of funds.
- **Disputes between the national and county governments** over revenue all

Role of the Council of Governors (CoG) in County Financial Management

The **Council of Governors (CoG)** is a statutory body established under the **Intergovernmental Relations Act, 2012**. It consists of all **47 county governors** and plays a key role in **coordinating, protecting, and promoting the interests of county governments**. One of its critical responsibilities is **county financial management** to ensure effective use of public resources at the devolved level.

1. Key Roles of the Council of Governors in County Financial Management

1. Budgeting and Financial Planning

- i. **Coordinating County Budgets**
 - Works with counties to ensure that **budgets align with national policies and county priorities**.
 - Supports counties in preparing **Annual Development Plans (ADPs) and County Fiscal Strategy Papers (CFSPs)**.
 - ii. **Advocating for Adequate Funding**
 - Negotiates with the **National Treasury** and **Senate** to ensure that counties receive adequate funding.
 - Engages with the **Commission on Revenue Allocation (CRA)** to influence the **revenue-sharing formula**.
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2. Oversight and Accountability

- (I) **Ensuring Compliance with the Public Finance Management (PFM) Act, 2012**

- Guides counties in implementing **PFM regulations** to enhance financial accountability.
- Promotes adherence to laws governing **procurement, budgeting, and expenditure**.

(II) Monitoring and Evaluation of County Spending

- Oversees how county governments utilize allocated funds.
 - Collaborates with the **Controller of Budget (CoB) and Auditor-General** to track expenditure and audit county financial records.
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3. Strengthening Revenue Collection and Own-Source Revenue (OSR)

(I) Enhancing County Revenue Collection

- Supports counties in improving **own-source revenue (OSR) collection** (e.g., property rates, business permits, market fees).
- Advises on **automation of revenue collection** to reduce leakages and corruption.

(II) Promoting Fiscal Sustainability

- Encourages counties to adopt strategies for **long-term financial stability**.
 - Facilitates sharing of best practices among counties for effective **resource mobilization**.
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4. Addressing Financial Disputes and County Debt Management

(I) Handling Revenue Allocation Disputes

- Represents counties in negotiations with the **national government** on financial matters.
- Works with the **Senate and National Treasury** to resolve disputes over **delayed disbursements** and **county debts**.

(III) Advising on County Debt and Borrowing

- Ensures counties comply with legal requirements before borrowing funds.
 - Works with financial institutions to provide **guidelines on sustainable borrowing and debt management**.
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5. Capacity Building and Training

i. Training County Officials on Financial Management

- Organizes training for county finance officers on **budgeting, auditing, and procurement laws**.

- Provides technical support to counties on **financial planning and expenditure control**.
- ii. **Sharing Best Practices and Innovation in Financial Management**
 - Encourages counties to adopt **modern financial management systems**.
 - Promotes **inter-county knowledge sharing** on financial efficiency.

NATIONAL GOVERNMENT FUNDS

1. Consolidated Fund in Kenya

The **Consolidated Fund** is the **main government account** where all revenues, loans, and money received by the national government are deposited. It is the **primary source of government spending** and is established under **Article 206 of the Constitution of Kenya, 2010**.

. Key Features of the Consolidated Fund

- All **government revenues (taxes, loans, grants)** are first deposited into this fund.
- No money can be withdrawn unless approved by **Parliament** through the **budget process**.
- Managed by the **National Treasury** and overseen by the **Controller of Budget**.
- Used for **government operations, public services, and debt repayment**.

. Components of the Consolidated Fund

The Consolidated Fund consists of:

A. Revenue Account

1. **Tax Revenue** – Collected by the **Kenya Revenue Authority (KRA)** (e.g., income tax, VAT, excise duty).
2. **Non-Tax Revenue** – Includes fines, fees, and dividends from state corporations.
3. **Loans and Grants** – Borrowed funds from **local and international** sources.

B. Expenditure Account

4. **Recurrent Expenditure** – Salaries, operational costs, and government services.
5. **Development Expenditure** – Infrastructure projects (roads, schools, hospitals).
6. **Public Debt Servicing** – Repayment of domestic and foreign loans.

. Withdrawals from the Consolidated Fund

Funds can only be withdrawn under three main conditions:

A. Appropriation by Parliament

- Every year, Parliament **approves a national budget** through the **Appropriation Act**.
- The approved budget allocates funds to ministries, departments, and county governments.

B. Statutory Withdrawals (Authorized by Law)

- Some payments do not require annual parliamentary approval. These include:
 - **Salaries of judges, MPs, and constitutional office holders.**
 - **Debt repayment (both domestic and foreign loans).**
 - **Pensions for retired public servants.**

C. Emergency Withdrawals

- If an **urgent national need arises**, the government can withdraw funds through:
 - **The Contingencies Fund** (for emergencies such as drought or floods).
 - **Presidential warrants**, but must seek Parliament's approval later.
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4. Oversight and Accountability

To prevent misuse, the Consolidated Fund is monitored by:

- **The Controller of Budget** – Approves all withdrawals.
- **The Auditor-General** – Audits government accounts to ensure proper use.
- **Parliament (National Assembly & Senate)** – Reviews and approves budgets.

2. The Contingencies Fund in Kenya

The **Contingencies Fund** is a special government fund established under **Article 208 of the Constitution of Kenya, 2010** and the **Public Finance Management (PFM) Act, 2012**. It is designed to provide **emergency funding for unforeseen and urgent situations** that were not included in the national budget.

. Purpose of the Contingencies Fund

- To respond to **urgent, unforeseen, and unavoidable emergencies** such as **natural disasters, disease outbreaks, and security threats**.

- To **prevent disruption of essential government services** due to unexpected financial demands.
 - To ensure the **government can act quickly** in emergencies without waiting for Parliament's budget approval.
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. **Key Features of the Contingencies Fund**

- The fund is **capped at up to 2% of the most recent audited national revenue**.
 - Managed by the **National Treasury** under guidelines set by the **PFM Act**.
 - Withdrawals must be **approved by the Cabinet Secretary for Finance** and later **reported to Parliament** for approval.
 - Funds withdrawn must be **replenished in the next financial year** through a **supplementary budget**.
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. **When Can the Contingencies Fund Be Used?**

The **PFM Act, 2012 (Section 21)** states that withdrawals from the fund can only be made if:

1. The **expenditure is urgent and unforeseen**.
 2. **No other budgeted funds** are available to cover the emergency.
 3. The situation **cannot wait for Parliament's approval** without causing serious harm.
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. **Examples of Situations Requiring Contingencies Fund Use**

- **Natural disasters** – Floods, droughts, landslides, earthquakes.
 - **Health emergencies** – Disease outbreaks like COVID-19, cholera, or Ebola.
 - **Security threats** – Terror attacks, political instability, or major internal conflicts.
 - **Economic shocks** – Sudden inflation spikes, food shortages, or financial crises.
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. **Accountability and Oversight**

To prevent misuse, withdrawals from the Contingencies Fund are monitored by:

- **The Controller of Budget** – Approves emergency withdrawals.
- **Parliament (National Assembly & Senate)** – Reviews fund usage and approves spending retroactively.

- **The Auditor-General** – Audits fund expenditure and reports on financial accountability.

Equalization Fund in Kenya

The **Equalization Fund** is a special government fund established under **Article 204 of the Constitution of Kenya, 2010**. It is designed to accelerate development in **marginalized areas** by providing **basic services** such as **water, roads, electricity, and healthcare**, bringing them to the same level as the rest of the country.

• Purpose of the Equalization Fund

- To **reduce regional inequalities** by improving infrastructure and service delivery in marginalized areas.
 - To **support counties with historically low development** levels.
 - To provide additional funding for essential **public services and infrastructure projects**.
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• Sources of the Equalization Fund

- The fund is allocated **0.5% of all revenue collected nationally**.
 - The amount is determined based on the **most recent audited national revenue accounts** approved by Parliament.
 - It is administered by the **National Treasury**, with guidance from the **Commission on Revenue Allocation (CRA)**.
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• How the Equalization Fund Is Used

Funds are directed towards:

1. **Improving Roads and Transport** – Building and maintaining roads in remote areas.
 2. **Expanding Access to Water** – Installing boreholes, piped water systems, and dams.
 3. **Enhancing Healthcare Services** – Constructing hospitals and equipping medical facilities.
 4. **Electrification Projects** – Expanding rural electrification and installing solar power in off-grid areas.
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• Criteria for Identifying Beneficiary Areas

The **Commission on Revenue Allocation (CRA)** identifies marginalized areas based on:

- **Poverty levels** and economic disparity.
- **Access to essential services** (e.g., healthcare, roads, and electricity).
- **Historical underdevelopment** and government neglect.

. **Management and Oversight**

- The fund is managed by the **National Treasury**, which disburses funds based on approved projects.
- **The Controller of Budget (CoB)** must approve withdrawals to ensure compliance.
- **The Auditor-General** audits the fund to ensure accountability.
- **Parliament (National Assembly and Senate)** provides oversight on how the money is used.

COUNTY GOVERNMENT PUBLIC FUNDS

1. County Revenue Fund in Kenya

The **County Revenue Fund (CRF)** is the primary financial account through which all revenues received by a county government are consolidated and managed. It is a cornerstone of county financial management in Kenya and is governed by the **Public Finance Management Act, 2012** and the **County Governments Act, 2012**.

. **Purpose of the County Revenue Fund**

- **Centralized Revenue Management:** The CRF serves as the main repository for all funds received by a county, including transfers from the national government, conditional grants, and own-source revenues.
 - **Budget Execution:** It provides the financial resources necessary for counties to execute their approved budgets, ensuring that public services and developmental projects are adequately funded.
 - **Transparency and Accountability:** By channeling all county funds into a single account, the CRF promotes streamlined oversight and accountability in the use of public resources.
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. **Sources of Funds**

- **Equitable Share Transfers:** Allocated from the national government under the Division of Revenue Bill.
 - **Conditional Grants:** Funds earmarked for specific projects or sectors, such as health, education, or infrastructure.
 - **Own-Source Revenue (OSR):** Local revenues generated by the county through taxes, fees, licenses, and other local levies.
 - **Other Statutory Receipts:** Any additional funds provided to the county by law.
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. Management and Oversight

- **County Treasury:** The county treasury is responsible for managing the CRF, ensuring that funds are disbursed according to the county budget and in compliance with legal and regulatory requirements.
 - **Controller of Budget:** Reviews and authorizes withdrawals from the CRF, ensuring adherence to budgetary allocations and financial discipline.
 - **Auditor-General:** Conducts regular audits of county finances, including the CRF, to verify that funds are used appropriately and to identify any discrepancies or mismanagement.
 - **County Assembly and Executive Oversight:** Both the county assembly and the county executive play key roles in monitoring financial management practices, ensuring transparency and accountability in the use of public funds.
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. Utilization of the Funds

- **Operational Expenditures:** Financing routine administrative and service delivery activities such as salaries, utilities, and maintenance costs.
- **Development Projects:** Funding capital investments in infrastructure, healthcare, education, and other public services.
- **Debt Servicing:** Allocating resources for the repayment of any county borrowing, ensuring fiscal sustainability.

County Government Emergency Funds in Kenya

County Government Emergency Funds are specialized financial reserves set aside at the county level to enable a rapid and effective response to unforeseen crises. These funds ensure that counties can address emergencies—such as natural disasters, public health crises, or security threats—without the delays that might arise from the standard budgetary process.

1. Purpose and Importance

- **Rapid Response:**
Designed to provide immediate financial support during emergencies, ensuring critical services and infrastructure are maintained or quickly restored.
 - **Operational Continuity:**
Helps counties manage unexpected financial needs that could disrupt essential public services, such as healthcare, water supply, and public safety.
 - **Risk Mitigation:**
Acts as a financial buffer to reduce the impact of disasters or unforeseen events on the county's economy and service delivery.
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2. Legal and Regulatory Framework

- **Legislative Basis:**
These funds are typically established and governed by the **County Governments Act, 2012** and the **Public Finance Management (PFM) Act, 2012**. Local government by-laws and regulations further detail the management and use of these funds.
 - **Approval and Allocation:**
County assemblies, in collaboration with the county treasury, allocate a specific portion of the county budget to emergency funds. This allocation is reviewed periodically to ensure it meets emerging needs.
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3. Management and Disbursement

- **County Treasury Oversight:**
The county treasury is responsible for managing the Emergency Funds. This includes:
 - Maintaining a dedicated account separate from the general revenue fund.
 - Ensuring funds are readily available for immediate disbursement.
- **Controller of Budget and Audit:**
Withdrawals from the Emergency Funds are subject to approval by the Controller of Budget to ensure compliance with legal frameworks and to maintain transparency.
- **Usage Conditions:**
Funds can only be used when:
 - An unforeseen event creates an urgent need.
 - There are no budgeted funds available to cover the emergency without causing significant disruption to planned services.
 - The situation is assessed and verified by relevant county authorities.
- **Replenishment:**
After use, counties are expected to replenish the Emergency Funds, often through adjustments in subsequent budget cycles or supplementary appropriations.

County Government Revenue Sources in Kenya

County governments in Kenya are responsible for financing a wide range of local services and development projects. Their revenue base is diversified, combining transfers from the national government with funds they generate locally. Below are the main revenue sources for county governments:

1. Intergovernmental Transfers

A. Equitable Share

- **Definition:** A mandatory allocation from the national government, constituting at least 15% of the most recent audited national revenue.
- **Purpose:** Ensures counties receive a baseline funding to meet their constitutional obligations and deliver essential services.

B. Conditional Grants

- **Definition:** Funds provided by the national government earmarked for specific projects or sectors, such as health, education, or infrastructure.
- **Purpose:** Targeted support to address particular needs or to implement priority programs.

C. Equalization Fund

- **Definition:** Additional funding provided to marginalized counties as stipulated under Article 204 of the Constitution.
 - **Purpose:** To bridge developmental gaps and enhance service delivery in underdeveloped regions.
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2. Own Source Revenue (OSR)

A. Local Taxes and Levies

- **Property and Land Rates:** Taxes collected based on the value of real estate and land within the county.
- **Business Permits and Licensing Fees:** Charges imposed on businesses operating within the county.
- **Parking and Market Fees:** Revenue from municipal services like parking and market space rentals.

B. Service Charges and User Fees

- **Examples:** Fees for waste collection, water usage, public recreational facilities, and other county-provided services.
- **Purpose:** These fees help recover costs and enhance accountability in service provision.

C. Other Local Levies

- **Examples:** Local tourism levies, advertising fees on public property, and charges for local events.
 - **Purpose:** To diversify income and reduce over-dependence on central government transfers.
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3. Borrowings and Debt Instruments

- **Bank Loans and Bonds:** Counties may access capital through borrowing, subject to statutory limits and approval by the Controller of Budget.
 - **Purpose:** Primarily used for capital-intensive projects such as infrastructure development, with the understanding that borrowing is sustainable and backed by future revenue projections.
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4. Public-Private Partnerships (PPP) and Asset Monetization

- **PPP Arrangements:** Collaboration with private sector entities to develop and operate public infrastructure, where counties may share revenue from projects like toll roads or public facilities.
 - **Asset Leasing/Sales:** Counties can generate funds by leasing out or selling underutilized public assets, thereby optimizing asset usage.
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5. Miscellaneous Revenue Sources

- **Fines and Penalties:** Income from enforcing local laws (e.g., traffic violations, environmental offenses).
- **Donor Grants and Development Aid:** Although not a regular revenue stream, counties may receive grants from international donors or development partners for specific projects.

