REPUBLIC OF KENYA

THE NATIONAL TREASURY AND PLANNING

County Allocation of Revenue Bill, 2022

A legislative proposal for submission to Parliament

THE COUNTY ALLOCATION OF REVENUE BILL, 2022

ARRANGEMENT OF CLAUSES

Section

A Bill for

AN ACT of Parliament to provide for the equitable allocation of revenue raised nationally among the county governments for the 2022/2023 financial year; the responsibilities of national and county governments pursuant to such allocation; and for connected purposes.

ENACTED by Parliament of Kenya, as follows—

Short title.	**1.** This Act may be cited as the County Allocation of Revenue Act, 2022.
Interpretation.	**2.** In this Act, unless the context otherwise requires—
	"Cabinet Secretary" means the Cabinet Secretary for the time being responsible for matters relating to finance;
No. 16 of 2011.	"revenue" has the meaning assigned to it under section 2 of the Commission on Revenue Allocation Act.
Object and purpose of the Act.	**3.** The object and purpose of this Act is to— (a) provide, pursuant to Article 218(1)(b) of the Constitution, for the allocation of an equitable share of revenue raised nationally among the county governments, in accordance with the resolution approved by Parliament under Article 217 of the Constitution for the financial year 2022/23; and (b) facilitate the transfer of allocations made to counties under this Act from the Consolidated Fund to the respective County Revenue Funds.
Equitable allocation of county governments' share of revenue.	**4.** (1) Each county governments' equitable share of revenue raised nationally, on the basis of the revenue sharing formula approved by Parliament in accordance with Article 217 of the Constitution in respect of the financial year 2022/23 shall be as set out in Column J of the Schedule.
No. 18 of 2012.	(2) Each county government's allocation under subsection (1) shall be transferred to the respective County Revenue Fund, in accordance with a disbursement schedule approved by the Senate and published in the gazette by the Cabinet

	Secretary in accordance with section 17 of the Public Finance Management Act, 2012.
Funding of transferred functions.	**5.** (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.
	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.
	(4) The Cabinet Secretary shall prepare a report for each quarter of the financial year in respect to the expenditure of funds transferred the National Government pursuant to subsection (3).
	(5) In preparing a report under subsection (4), the Cabinet Secretary shall ensure the report— (a) contains information on financial and non-financial performance of the entity assigned to carry out the transferred functions on behalf of the National Government; (b) is in a form prescribed by the Accounting Standards Board; and (c) contains such further information as the Senate or the National Assembly may, pursuant to Section 34 of the Public Finance Management Act, require.
	(6) The Cabinet Secretary shall submit the report prepared under subsection (5) to the Senate, National Assembly, the Controller of Budget, the Auditor-General and the respective County Assembly.
Report on actual transfers.	**6.** The National Treasury and Planning shall publish a monthly report on actual transfers of all allocations to county governments.

Books of accounts to reflect national government transfers.	**7.** (1) Each county treasury shall reflect all transfers by the national government to the county governments in its books of accounts.
	(2) The estimates of revenue of each county shall separately reflect the total equitable revenue share under section 4 of this Act and any other conditional allocations from the national government transferred to the County Revenue Fund.
No. 18 of 2012	(3) A county treasury shall as part of its consolidated quarterly and annual reports required under the Public Finance Management Act, 2012 report on actual transfers received by the county government from the national government, up to the end of that quarter or year in the format prescribed by the Public Sector Accounting Standards Board or in the absence of a format prescribed by the Board, in the format prescribed by the National Treasury.
Financial Misconduct.	**8.** Despite the provisions of any other law, any serious or persistent non-compliance with provisions of this Act constitutes an offence under the Public Finance Management Act, 2012.
Cabinet Secretary to make Regulations.	**9.** The Cabinet Secretary may, with the approval of Parliament 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.
Clarification of revenue sharing formula to apply	**10.** For the avoidance of doubt the allocation of the equitable share of revenue to the county governments under Section 4 of this Act shall be in accordance with the third determination of the basis of the division of revenue among counties approved by Parliament pursuant to Article 217 (7) of the Constitution.

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FIRST SCHEDULE (s. 4(1))

Allocation of Each County Governments' Equitable Share of Revenue Raised Nationally in the Financial year 2022/23

Allocation of Each County Governments' Equitable Share of Revenue Raised Nationally in the Financial year 2022/23

S/No.	County	2021/2022					2022/2023				
		0.5 (Allocation Ratio*)		(Equitable Share**-0.5 Allocation Ratio) *(Formula***)		Total Equitable Share****	0.5 (Allocation Ratio*)		(Equitable Share**-0.5 Allocation Ratio) *(Formula***)		Total Equitable Share****
		Allocation ratio	Equitable Share	Allocation ratio	Equitable Share		Allocation ratio	Equitable Share	Allocation ratio	Equitable Share	
		column A	column B	column C	column D	column E = B+D	column F	column G	column H	column I	column J = G+I
1	Baringo	1.61	2,547,825,000	1.8	3,821,569,592	6,369,394,592	1.61	2,547,825,000	1.8	3,821,569,592	6,369,394,592
2	Bomet	1.74	2,753,550,000	1.86	3,937,549,118	6,691,099,118	1.74	2,753,550,000	1.86	3,937,549,118	6,691,099,118
3	Bungoma	2.81	4,446,825,000	2.93	6,212,610,192	10,659,435,192	2.81	4,446,825,000	2.93	6,212,610,192	10,659,435,192
4	Busia	1.9	3,006,750,000	1.97	4,165,412,009	7,172,162,009	1.9	3,006,750,000	1.97	4,165,412,009	7,172,162,009
5	Elgeyo Marakwet	1.22	1,930,650,000	1.26	2,675,882,480	4,606,532,480	1.22	1,930,650,000	1.26	2,675,882,480	4,606,532,480
6	Embu	1.36	2,152,200,000	1.4	2,973,043,762	5,125,243,762	1.36	2,152,200,000	1.4	2,973,043,762	5,125,243,762
7	Garissa	2.22	3,513,150,000	2.08	4,414,062,254	7,927,212,254	2.22	3,513,150,000	2.08	4,414,062,254	7,927,212,254
8	Homa bay	2.13	3,370,725,000	2.09	4,434,628,300	7,805,353,300	2.13	3,370,725,000	2.09	4,434,628,300	7,805,353,300
9	Isiolo	1.34	2,120,550,000	1.22	2,589,838,265	4,710,388,265	1.34	2,120,550,000	1.22	2,589,838,265	4,710,388,265
10	Kajiado	2.03	3,212,475,000	2.24	4,742,293,229	7,954,768,229	2.03	3,212,475,000	2.24	4,742,293,229	7,954,768,229
11	Kakamega	3.29	5,206,425,000	3.39	7,182,987,168	12,389,412,168	3.29	5,206,425,000	3.39	7,182,987,168	12,389,412,168
12	Kericho	1.7	2,690,250,000	1.77	3,740,414,924	6,430,664,924	1.7	2,690,250,000	1.77	3,740,414,924	6,430,664,924
13	Kiambu	2.98	4,715,850,000	3.31	7,001,675,720	11,717,525,720	2.98	4,715,850,000	3.31	7,001,675,720	11,717,525,720

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14	Kilifi	3.3	5,222,250,000	3.03	6,419,342,941	11,641,592,941	3.3	5,222,250,000	3.03	6,419,342,941	11,641,592,941
15	Kirinyaga	1.34	2,120,550,000	1.45	3,075,627,952	5,196,177,952	1.34	2,120,550,000	1.45	3,075,627,952	5,196,177,952
16	Kisii	2.46	3,892,950,000	2.36	5,001,324,509	8,894,274,509	2.46	3,892,950,000	2.36	5,001,324,509	8,894,274,509
17	Kisumu	2.16	3,418,200,000	2.18	4,607,939,240	8,026,139,240	2.16	3,418,200,000	2.18	4,607,939,240	8,026,139,240
18	Kitui	2.79	4,415,175,000	2.82	5,978,795,413	10,393,970,413	2.79	4,415,175,000	2.82	5,978,795,413	10,393,970,413
19	Kwale	2.46	3,892,950,000	2.06	4,372,635,516	8,265,585,516	2.46	3,892,950,000	2.06	4,372,635,516	8,265,585,516
20	Laikipia	1.32	2,088,900,000	1.44	3,047,365,679	5,136,265,679	1.32	2,088,900,000	1.44	3,047,365,679	5,136,265,679
21	Lamu	0.82	1,297,650,000	0.85	1,807,999,643	3,105,649,643	0.82	1,297,650,000	0.85	1,807,999,643	3,105,649,643
22	Machakos	2.45	3,877,125,000	2.5	5,285,179,232	9,162,304,232	2.45	3,877,125,000	2.5	5,285,179,232	9,162,304,232
23	Makueni	2.34	3,703,050,000	2.09	4,429,733,562	8,132,783,562	2.34	3,703,050,000	2.09	4,429,733,562	8,132,783,562
24	Mandera	3.23	5,111,475,000	2.87	6,078,907,598	11,190,382,598	3.23	5,111,475,000	2.87	6,078,907,598	11,190,382,598
25	Marsabit	2.14	3,386,550,000	1.84	3,890,454,032	7,277,004,032	2.14	3,386,550,000	1.84	3,890,454,032	7,277,004,032
26	Meru	2.54	4,019,550,000	2.59	5,474,307,338	9,493,857,338	2.54	4,019,550,000	2.59	5,474,307,338	9,493,857,338
27	Migori	2.14	3,386,550,000	2.18	4,618,470,448	8,005,020,448	2.14	3,386,550,000	2.18	4,618,470,448	8,005,020,448
28	Mombasa	2.23	3,528,975,000	1.91	4,038,379,061	7,567,354,061	2.23	3,528,975,000	1.91	4,038,379,061	7,567,354,061
29	Murang'a	1.99	3,149,175,000	1.9	4,030,980,855	7,180,155,855	1.99	3,149,175,000	1.9	4,030,980,855	7,180,155,855
30	Nairobi	5.03	7,959,975,000	5.33	11,289,702,414	19,249,677,414	5.03	7,959,975,000	5.33	11,289,702,414	19,249,677,414
31	Nakuru	3.31	5,238,075,000	3.68	7,788,041,323	13,026,116,323	3.31	5,238,075,000	3.68	7,788,041,323	13,026,116,323
32	Nandi	1.69	2,674,425,000	2.04	4,316,444,041	6,990,869,041	1.69	2,674,425,000	2.04	4,316,444,041	6,990,869,041
33	Narok	2.54	4,019,550,000	2.28	4,825,239,456	8,844,789,456	2.54	4,019,550,000	2.28	4,825,239,456	8,844,789,456
34	Nyamira	1.52	2,405,400,000	1.29	2,729,940,036	5,135,340,036	1.52	2,405,400,000	1.29	2,729,940,036	5,135,340,036
35	Nyandarua	1.54	2,437,050,000	1.53	3,233,394,228	5,670,444,228	1.54	2,437,050,000	1.53	3,233,394,228	5,670,444,228
36	Nyeri	1.71	2,706,075,000	1.66	3,522,653,555	6,228,728,555	1.71	2,706,075,000	1.66	3,522,653,555	6,228,728,555
37	Samburu	1.46	2,310,450,000	1.45	3,060,896,037	5,371,346,037	1.46	2,310,450,000	1.45	3,060,896,037	5,371,346,037
38	Siaya	1.83	2,895,975,000	1.92	4,070,532,531	6,966,507,531	1.83	2,895,975,000	1.92	4,070,532,531	6,966,507,531
39	Taita taveta	1.34	2,120,550,000	1.29	2,721,624,698	4,842,174,698	1.34	2,120,550,000	1.29	2,721,624,698	4,842,174,698

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40	Tana River	1.85	2,927,625,000	1.7	3,600,783,765	6,528,408,765	1.85	2,927,625,000	1.7	3,600,783,765	6,528,408,765
41	Tharaka Nithi	1.24	1,962,300,000	1.06	2,251,898,593	4,214,198,593	1.24	1,962,300,000	1.06	2,251,898,593	4,214,198,593
42	Trans Nzoia	1.82	2,880,150,000	2.03	4,306,007,670	7,186,157,670	1.82	2,880,150,000	2.03	4,306,007,670	7,186,157,670
43	Turkana	3.33	5,269,725,000	3.47	7,339,580,994	12,609,305,994	3.33	5,269,725,000	3.47	7,339,580,994	12,609,305,994
44	Uasin Gishu	2	3,165,000,000	2.32	4,903,858,318	8,068,858,318	2	3,165,000,000	2.32	4,903,858,318	8,068,858,318
45	Vihiga	1.47	2,326,275,000	1.29	2,741,081,827	5,067,356,827	1.47	2,326,275,000	1.29	2,741,081,827	5,067,356,827
46	Wajir	2.7	4,272,750,000	2.46	5,201,976,151	9,474,726,151	2.7	4,272,750,000	2.46	5,201,976,151	9,474,726,151
47	West Pokot	1.58	2,500,350,000	1.79	3,796,934,329	6,297,284,329	1.58	2,500,350,000	1.79	3,796,934,329	6,297,284,329
	Total	**100**	**158,250,000,000**	**100**	**211,750,000,000**	**370,000,000,000**	**100**	**158,250,000,000**	**100**	**211,750,000,000**	**370,000,000,000**

*This refers to equitable share of revenue allocated to county governments in financial year 2019/20 of Ksh.316.5 billion. Thus, the allocation to county government under this component is one half of the sharable revenue allocated to county governments in the financial year 2019/20 amounting to Ksh. 158.25

** This is the equitable share of revenues raised nationally allocated to county governments in FY 2022/23 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 Indexi1+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).

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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 2022/23.

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 among county governments for the financial year 2022/23 as well as the transfer of the county allocations from the Consolidated Fund to the respective County Revenue Fund.

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

Section 5 of the Bill provides for Funding of transferred functions.

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

Section 7 of the Bill provides for a county treasury to reflect the total allocations from the national government separately in the County Finance Bill and reflect all transfers in the books of accounts.

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

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

Section 10 of the Bill 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 on the 26th November, 2021.

Hon (Amb) Ukur Yatani, EGH
Cabinet Secretary for the National Treasury and Planning

APPENDIX

EXPLANATORY MEMORANDUM TO THE COUNTY ALLOCATON OF REVENUE BILL, 2020

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, 2022.

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; whereby 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 in the FY 2021/22.

Explanation of Revenue Allocation as Proposed by the Bill

3. The County Allocation of Revenue Bill 2022 proposes to allocate to County Governments Ksh. 370 billion as equitable share of revenue raised nationally for the financial year 2022/23.

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

6. In approving CRA's recommendations however, Parliament did not include the fiscal effort parameter, effectively shifting the 2% weight to other parameters. This means that during the five-year basis application, it will not be easy to motivate counties to strengthen their local revenue collection efforts. There is therefore need for County Assemblies, in conducting their oversight role ensure that county governments enhance their own source revenue collection. It is hoped that future revenue sharing formulae may consider reinstating the fiscal effort parameter to incentivize counties to collect more own source revenues.

7. **Developmental needs of the county governments and their ability to perform the functions assigned to them:** The county governments are expected to supplement the proposed allocation of Ksh. 370 billion to county governments as equitable share of revenue for FY 2022/23 which is equal to an allocation in the FY 2021/22, with their own source revenue collection to perform their assigned functions. 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) to supplement the equitable share allocation to ensure improved service delivery.

8. **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 horizontal distribution of County Governments' equitable revenue share

allocation of Ksh.370 billion for FY 2022/23 shall be based on the Third Basis Formula. Accordingly, in FY 2022/23, the Counties will share an estimated Ksh.370 billion. It should be noted that the Third Basis formula, which will be applied in FY 2022/23, takes into account disparities among counties and aims at equitable distribution of resources across counties.

9. **Need for Economic Optimization of Each County:** Allocation of resources to County Governments was guided by the historical costing of expenditures for functions assigned to the County Governments. The equitable share of revenue allocated to County Governments in the financial year 2022/23 is Ksh.370 billion, an allocation which remains unchanged from the FY 2021/22. This is an unconditional allocation which means that the County Governments can plan, budget and spend the funds independently. With the resources, therefore, County Governments are in a position to prioritize projects and consequently allocate resources thus optimizing their potential for economic development.

10. **Stable and Predictable Allocations of County Governments' Vertical Share of Revenue:** 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. According to clause 5 of the Division of Revenue Bill 2022, any shortfall in revenue raised nationally is to be borne by the National Government, to the extent of the threshold prescribed in Regulations by the Cabinet Secretary.

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

11. The Division of Revenue Bill, 2022 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 National Treasury. CRA's recommendation is premised on the following seven criteria provided for in Article 203(1) of the Constitution; (i) National interest, (ii) provisions in respect of the public debt and other national obligations; (iii) the needs of the national government, determined by objective criteria; (iv) the need to ensure that county governments are able to perform the functions allocated to them; (v) the fiscal capacity and efficiency of county governments; (vi) the desirability of stable and predictable allocations of revenue; and (vii) the need for flexibility in responding to emergencies and other temporary needs, based on similar objective criteria.

12. CRA recommendation is based on the following:

i. **Economic growth**: The Commission is cognizant of the need to stimulate the economy following the slump occasioned by the COVID-19 global pandemic. However, given the limited fiscal space the Commission recommends that each level of government restructures its expenditures to stimulate the economy.

ii. **Revenue performance**: The expected slow recovery of the economy and the 2022 general election are likely to affect revenue performance negatively in the financial year 2022/23. To contain the fiscal deficits within the recommended target there is need for equitable shares to be retained at the financial year 2021/22 levels.

iii. **Debt Sustainability**: Persistent underperformance of revenues has led to increased fiscal deficits occasioning the accumulation of more debt to finance government functions. This call for fiscal consolidation to contain the public debt.

iv. **The 2022 General Election**: The general election will be held in August 2022. It is important that the national government restructures its expenditures to finance the election as a matter of national interest.

13. Table 3 analyses the approaches by CRA the National Treasury in computing the proposal on the division of revenue between the national and county governments in FY 2022/23.

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 2022/23(Figures in Ksh. Millions)

Expenditure Item	CRA A	National Treasury B	Variance C=(A-B)
1. Equitable Revenue Share in FY 2021/22	370,000	370,000	-
2. Adjustment for revenue growth in FY 2022/23 as determined in the framework	-	-	-
TOTAL EQUITABLE OF REVENUE=(1+2)	**370,000**	**370,000**	-

Source: National Treasury and Planning

14. Although there are no differences on the proposed amount of equitable share to county governments, there are differences occasioned by consideration for additional conditional allocations financed from National government share of revenue amounting to Ksh.5.6 billion; - Whereas CRA has not made any additional proposals to fund Counties, the National Treasury has proposed Ksh.5.6 billion to be financed from the National Government share of revenue.

Conclusion

15. The proposals contained in the Bill take into account the fiscal framework set out in the BPS for 2022/23 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.

16. The National Treasury has also taken into account the approved Third Basis for Revenue Allocation among county governments pursuant to Article 217 of the Constitution, whose implementation in the FY 2021/22 was preceded by a Ksh.53.5 billion increase in the Counties' equitable revenue share. It is expected with successful implementation of the Third Basis formula from FY 2020/21 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.