COMMISSION ON REVENUE ALLOCATION

CRA RECOMMENDATION ON THE CRITERIA FOR SHARING REVENUE AMONG COUNTIES FOR FINANCIAL YEARS

2016/2017 2017/2018 2018/19

Health

County Roads

Early Childhood Education

14TH MARCH 2016

REVISED SECOND SUBMISSION

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COMMISSION ON REVENUE ALLOCATION

Mr. J. M. Nyegenye
Clerk of the Senate
Clerk's Chambers
Parliament Buildings
NAIROBI

DATE: 14th March 2016

Dear Mr. Nyegenye

RE: RECOMMENDATION ON THE BASIS OF EQUITABLE SHARING OF REVENUE AMONG COUNTY GOVERNMENTS

The Commission on Revenue Allocation hereby submits to the Senate the recommended basis for sharing revenue among county governments for the three financial years commencing 2016/2017.

The submission is made in accordance with the following provisions of the Constitution:-

Article 216 (1)(b), which stipulates that one of the principal mandates of the Commission on Revenue Allocation is to make recommendations concerning the basis for the equitable sharing of revenue raised by the national government among the county governments;

Article 217 (2)(b) which stipulates that in determining the basis of revenue sharing, the Senate shall request and consider recommendations from the Commission on Revenue Allocation; and

Schedule 6 (16) which stipulates that despite the provisions of Article 217(1), the first and second determinations of the basis of division of revenue among the counties shall be made at three year intervals, rather than every five years as provided in that Article.

We stand ready to come before the relevant Senate Committee to clarify any issues on this recommendation.

Yours Faithfully

Micah Cheserem
CHAIRMAN

REVISED SECOND SUBMISSION

TABLE OF CONTENTS

TABLE OF CONTENTS i
EXECUTIVE SUMMARY iii
1.0 INTRODUCTION 7
1.1 Legal Framework for Preparation of the Revenue Formula 8
1.2. Objectives of Transfers 9
1.3. Features of a Good Transfer System 10
2.0. THE FIRST REVENUE SHARING FORMULA 12
2.0 THE SECOND REVENUE SHARING FORMULA 14
2.1 Methodology for Preparation of the Second Revenue Sharing Formula 14
2.2 Consultations with County Stakeholders 14
2.3 Review of literature on Intergovernmental Transfers 15
2.3.1 South Africa 15
2.3.2 Ethiopia 16
2.3.3 Philippines 17
2.3.4 India 17
3.4. Consultations with Experts 19
3.5. Consultations with Governors 19
3.6. CRA FIRST RECOMMENDATION ON THE SECOND BASIS FOR REVENUE SHARING AMONG COUNTIES 20
3.7. Revised Second Submission on the Second Basis for Revenue Sharing Among County Governments 22
3.8. The Rationale for Choice of the Parameters 22
3.8.1. Population 22
3.8.2. Basic Equal Share 23
3.8.3. Poverty 24
3.8.4. Land Area 26
3.8.5. Fiscal Effort 27
3.8.6. Development Factor 29
3.8.7. The Second Recommendation on Revenue Sharing 30
3.8.8. Other Parameters Considered but not Selected 32

4.0 THE APPLICATION OF CRITERIA OF ARTICLE 203 35
Appendix I: Aggregate Annual Allocations to County Governments Based on the First Revenue Sharing Formula (Ksh. Millions). 37
Appendix II: The Second Revenue Sharing Formula 39
Appendix III: Revenue Sharing Formula Allocation Factors (%) 41
Appendix V: Summary of Simulation at Ksh. 259,775 Million 45
Appendix VI (b): Data for the Second Revenue Sharing Formula 49
Appendix VII: County Data on Poverty for 2005/2006 and 2009 51

EXECUTIVE SUMMARY

In accordance with the provisions of Article 216 (1)(b), read together with Article 217 (2)(b) and Schedule 6 (16), the Commission on Revenue Allocation recommends a new basis for sharing revenue among county governments for the next three financial years commencing 2016/2017. The recommended basis has six parameters. A comparison of the first and second (1st and 2nd submissions) revenue sharing formulas is presented in Table 1.

Table 1: First and Second Revenue sharing formula: Summary on Parameters and Weights

No.	Parameter	First Revenue Sharing Formula	First CRA Submission on the Second Revenue Sharing Formula	Second CRA Submission on the Second Revenue Sharing Formula
1	Population	45	45	45
2	Equal Share	25	25	26
3	Poverty	20	18	18
4	Land Area	8	8	8
5	Fiscal Effort	2	1	2
6	Development Factor	-	1	1
7	Personnel Emolument	-	2	0
	Total	100	100	100

Source: Commission on Revenue Allocation 2016

The weights on the parameter on Population, Land Area and Fiscal Effort have been retained at 45 percent, 8 per cent, and 2 percent, respectively in revised second basis for revenue sharing among county governments. To correct for over-redistribution in the first generation revenue sharing formula, the weight on the parameter on poverty has been reduced from 20 percent to 18 percent. Further, the second recommendation utilizes the latest data on poverty for 2009 from the Kenya National Bureau of Statistics.

The first formula allocated two percent (Fiscal Responsibility) of the equitable share equally among all the 47 counties. The Commission recognized that all counties inherited manual revenue collection systems from the defunct local authorities which needed a complete overhaul. The two percent equal allocation in all counties was therefore meant to incentivize counties to automate their revenue collection system and address revenue leakages.

The revised second recommendation defines fiscal effort of counties using the increase in revenue per capita based on the Controller of Budget published reports for the financial years 2013/14 and 2014/15. In the absence of data on revenue potential of counties, revenue per capita is considered a good proxy. Counties will share a two percent of the equitable revenue allocation based on a county's proportion on increase in revenue per capita. Allocation to counties based on fiscal effort will incentivize counties to maximize the capacity to raise revenue in accordance with the provisions of Article 203(1)(i)) and to ensure that all money raised or received by or on behalf of the county governments is paid into the County Revenue Fund in accordance with the provisions of the Public Finance Management Act 2012 (109) (2).

A new parameter, development factor index has been introduced with a weight of one per cent. The development factor provides a measure of developmental needs of counties using data on counties' access to roads, water and electricity.

Following extensive consultations, the Personnel Emolument parameter introduced in the CRA's first submission on the second basis for revenue sharing among counties was dropped from the revised submission. The allocation to counties through this parameter was meant to cushion counties that inherited a huge wage bill. However, given that the wage bill challenge is national it will be addressed once the national and county governments implement the national task force recommendation on staff rationalization.

Table 2 below provides allocations to all counties based on the revised second basis for revenue sharing.

Table 2: Indicative Allocations based on the Second Revenue Formula

No	County	Population	Actual allocations 2015/2016 (Ksh. 259,775 Million)	Simulation of New Formula	
				Ksh 259,775 Million	Ksh. 331,765 Million
1	Mombasa	939,370	5,198	6,342	8,099
2	Kwale	649,931	5,126	6,292	8,035
3	Kilifi	1,109,735	7,441	8,620	11,009
4	Tana-River	240,075	3,985	4,597	5,871
5	Lamu	101,539	2,052	2,292	2,927
6	Taita-Taveta	284,657	3,310	3,562	4,549
7	Garissa	623,060	5,772	5,852	7,474
8	Wajir	661,941	7,233	7,049	9,003
9	Mandera	1,025,756	8,956	8,385	10,709
10	Marsabit	291,166	5,189	5,676	7,248
11	Isiolo	143,294	3,057	3,294	4,206
12	Meru	1,356,301	6,494	6,706	8,565
13	Tharaka-Nithi	365,330	3,138	3,061	3,910
14	Embu	516,212	3,838	3,826	4,886
15	Kitui	1,012,709	7,267	7,254	9,264
16	Machakos	1,098,584	6,769	6,473	8,267
17	Makueni	884,527	5,970	5,892	7,524
18	Nyandarua	596,268	4,307	4,056	5,180
19	Nyeri	693,558	4,449	4,387	5,603
20	Kirinyaga	528,054	3,538	3,556	4,541
21	Murang'a	942,581	5,356	5,267	6,726
22	Kiambu	1,623,282	7,464	8,105	10,351
23	Turkana	855,399	10,479	8,659	11,058
24	West Pokot	512,690	4,314	4,135	5,280

No	County	Population	Actual allocations 2015/2016 (Ksh. 259,775 Million)	Simulation of New Formula	
				Ksh 259,775 Million	Ksh. 331,765 Million
25	Samburu	223,947	3,552	3,261	4,165
26	Trans-Nzoia	818,757	5,100	4,742	6,056
27	Uasin-Gishu	894,179	5,191	5,077	6,483
28	Elegeyo Marakwet	369,998	3,270	3,244	4,144
29	Nandi	752,965	4,755	4,547	5,808
30	Baringo	555,561	4,441	4,201	5,365
31	Laikipia	399,227	3,450	3,508	4,480
32	Nakuru	1,603,325	8,116	7,972	10,181
33	Narok	850,920	5,288	5,344	6,825
34	Kajiado	687,312	4,413	5,277	6,739
35	Kericho	752,396	4,487	4,455	5,689
36	Bomet	730,129	4,725	4,519	5,771
37	Kakamega	1,660,651	8,908	8,627	11,018
38	Vihiga	554,622	3,871	3,677	4,697
39	Bungoma	1,375,063	7,676	7,461	9,528
40	Busia	743,946	5,440	4,937	6,305
41	Siaya	842,304	4,995	4,801	6,131
42	Kisumu	968,909	5,681	5,850	7,472
43	Homa-Bay	963,794	5,635	5,552	7,090
44	Migori	917,170	5,837	5,637	7,199
45	Kisii	1,152,282	7,094	6,406	8,181
46	Nyamira	598,252	4,155	3,965	5,063
47	Nairobi City	3,138,369	12,997	13,379	17,087
	Total	38,610,097	259,775	259,775	331,765

Source: Commission on Revenue Allocation 2016

1.0 INTRODUCTION

The Kenyan devolved system of government consists of one national government and 47 county governments. The governments at the national and county levels are distinct and inter-dependent, (Article 6). Though Article 209 empowers both county and national governments to impose taxes and charges, Article 202(1) provides for equitable sharing of revenues raised nationally among the national and county governments. The Commission prepared the first recommendation concerning the basis for equitable sharing of revenue among county governments in 2012. The basis for sharing was approved by the National Assembly in November 2012. This basis has been used for sharing revenue among county governments for financial year 2012/2013; 2013/2014; 2014/2015 and 2015/16. This recommendation specifies the revised second basis for sharing of revenues among county governments for financial years 2016/2017; 2017/2018 and 2018/19.

The choice of a specific basis for a transfer system is guided by the ultimate objective of the transfer program. Transfers serve various purposes: closing the vertical fiscal imbalance, equalizing fiscal conditions, or promoting a specific policy objective.

To the extent that the determination of the basis for revenue sharing aims to ensure that all county governments have the fiscal means to provide a comparable level of public services, it should include some indicators capturing the differences in the costs of county government services. The choice of and relative weight attached to each of the indicators depend on the specific range of functions assigned to county governments. However, it is yet to be determined what constitutes a comparable level of public services in the various counties based on acceptable levels of norms and standards. In the absence of this information, historical budget data on devolved services still provides a good guide on how the cost of delivering services varies across county governments and in particular how these costs are responsive to variations in socio-economic characteristics of counties that need to be remedied.

Partly, county government services are funded by locally raised revenues. Article 209 empowers both levels of government to impose taxes and charges. Given that counties are differently endowed with varying revenue potentials, locally-raised revenues provide key information on existing disparities among county government services levels. To incentivize counties to maximize their capacity to

raise revenues, the transfer formula has taken into account some indicators of revenue capacity in the revenue allocation formula.

1.1 Legal Framework for Preparation of the Revenue Formula

Article 216 (1) mandates the Commission on Revenue Allocation to make recommendations concerning the basis for the equitable sharing of revenue raised by the National Government between the national and county governments; and among the county governments. Further, Article 216 (2) mandates the Commission to make recommendations on other matters relating to financing of, and financial management by county governments; and to encourage fiscal responsibility.

Article 217(1) stipulates that every five years, the Senate shall determine the basis for allocating revenues among counties. The Sixth Schedule, Section 16 further specifies that the first and second determinations of the basis of the division of revenue among the counties shall be made at three year intervals. Article 217(2) provides that the criteria in article 203(1) should be taken into account in determining the basis of revenue sharing.

Article 203 (1) (d) to (k) provides for the criteria to be taken into account in determining the equitable shares among the national and county governments and in all national legislation concerning county government. These are:

d) Ability of the county governments to perform the functions allocated to them;
e) The fiscal capacity and efficiency of county governments;
f) The developmental and other needs of counties;
g) The economic disparities within and among counties and the need to remedy them;
h) The need for affirmative action in respect of disadvantaged areas and groups;
i) The need for economic optimization of each county and to provide incentives for each county to optimize its capacity to raise revenue;
j) The desirability of stable and predictable allocations of revenue; and
k) The need for flexibility in responding to emergencies and other temporary needs, based on similar objective criteria.

Article 201 provides for openness, accountability and public participation in financial matters. In accordance with this provision, the Commission issued public notices on review of the first basis for revenue sharing and requested for submission of memoranda on the second basis for revenue sharing by various stakeholders. The Commission held consultations with county governments;

county stakeholders; the public; Professional bodies; the academic community; the Council of Governors; and the Senate.

Article 201 requires the public finance system to promote an equitable society, ensure public money is used in a prudent and responsible way; the burdens and benefits of use of the resources and public borrowing are shared equitably between present and future generations; revenue raised nationally is shared equitably among the national and county governments; and expenditures promote equitable development in the country, including by making special provision for marginalized groups and areas; and the financial management be responsible and fiscal reporting be clear. The basis recommended promotes equity and makes special provisions to ensure marginalized areas get relatively higher allocations to bring services in their areas to level currently enjoyed by residents of other counties.

1.2. Objectives of Transfers

International literature reveals that intergovernmental transfers are meant to achieve the following objectives, among others:

a) Improve the fiscal balance of the system of intergovernmental relations based on assigned functions;
b) Improve the fiscal balance of the system of intergovernmental relations;
c) Compensate for the presence of economic disparities between jurisdictions in the provision of services;
d) Provide for adequate funding of national priorities; and
e) Improve tax administration efficiency at both level of government.

Often, there is an imbalance between expenditure responsibilities of county governments and their revenue raising powers. This fiscal gap needs to be filled either by giving county governments more revenue raising powers or by revenue transfers from the central government. As shown in Appendix VI, collections of own revenues by county governments in Kenya comprise a small component of county government budgets.

The Kenyan transfer system is driven by the vertical balance objective. The key challenge is how to measure the vertical fiscal balance objectively. To know how much transfer is necessary, one must estimate the difference between the revenues available to county governments as a whole, and the expenditure needs of each level of government. This is a subjective matter because expenditure needs are almost limitless. Most countries that use the vertical balance approach

determine a "minimum service level", and fill the gap with transfers. In some cases, the amount of transfers is determined by a central budget constraint rather than "minimum requirements" approach. Alternatively, historical spending levels are used to determine county government needs. The Kenyan transfer system uses the historical spending levels to determine the amount of transfers due to county governments.

1.3. Features of a Good Transfer System

Though the manner in which a transfer program is structured and the method used to divide its funds among eligible county governments is a political process, the design of the mechanism should be guided by sound principles. Transfer systems should therefore obey the following principles:

a) Provide adequate revenues to county governments to undertake their assigned functions;
b) Preserve budget autonomy at the county government level. While there are sound policy arguments for conditional (targeted) transfers, general purpose transfers and equalization, funding should be lump-sum in nature and unconditional. Benefits from decentralization arise due to increased flexibility and spending discretion at the county government;
c) Support a fair allocation system. More resources should be given to counties with low tax capacity and greater fiscal needs. While fairness is a subjective social concept, a transfer system that provides disproportionately more resources to wealthier county governments are often considered unfair.
d) Provide predictable resources and be dynamic. The formula should be stable over a period of years to promote multi-year planning and overall budget certainty;
e) Be simple and transparent. Simple in terms of clarity of objective it is addressing and transparent in terms of the formula being understandable to all stakeholders, and not being subject to political manipulation or negotiation in any of its aspects;
f) Avoid negative incentives for revenue mobilization by county governments, and inefficient expenditure choices. For example, negative incentive to revenue mobilization would be created if the amount of transfer is reduced every time a county government made a greater effort to increase their own revenues. Similar negative inducements to expenditure choices are present if the amount to be received from the intergovernmental transfer is increased when governments hire more employees or hoard excess physical capacity in the form of half empty hospitals or idle classrooms, or when the national

government provides ‘deficit grants’ to cover county governments deficits at the end of the year. This gives governments an incentive to incur budget deficits.

g) Avoid sudden large changes in funding for county governments. It takes time for government to build additional capacity to absorb an increase in funding and similarly to dispose of idle capacity in case of a funding cut. Therefore, changes in the funding formula should strive to hold county governments ‘harmless; during the transition to a new allocation formula

2.0. THE FIRST REVENUE SHARING FORMULA

In accordance with the provisions of Article 216 (1)(a) (b) the Commission prepared the first revenue sharing formula which was approved by the National Assembly in November 2012. The formula was based on five parameters, namely: population, poverty, land area, basic equal share and fiscal responsibility. This is summarized in Table 3 below.

Table 3: The First Revenue Sharing Formula

Parameter	Population	Equal Share	Poverty Gap	Land Area	Fiscal Responsibility	Total
Weights (%)	45	25	20	8	2	**100**

Source: Commission on Revenue Allocation 2016

The formula sought to achieve two objectives: service delivery and redistribution. To achieve the service delivery objective, the Commission used population, equal share, land area, and fiscal responsibility parameters. The poverty gap parameter was used to achieve the redistribution objective.

Population was used as a measure of the expenditure needs of counties. On the basis of a county's share of population, counties shared 45 per cent of revenues. To enable counties meet the fixed costs of setting up and running the government machinery, 25 per cent of the revenues were allocated equally among all the counties.

The Constitution requires county governments to exercise fiscal discipline (Article 201(d)). To incentivize counties to optimize their fiscal capacity and efficiency to raise revenues (Article 203 (1)(e) and (i)), the Commission incorporated in the formula, a fiscal responsibility parameter that allocated all counties equal amounts to enable them set up credible financial systems. The county governments were formed after the general elections of 3rd March 2013, long after the approval of the formula in November 2012.

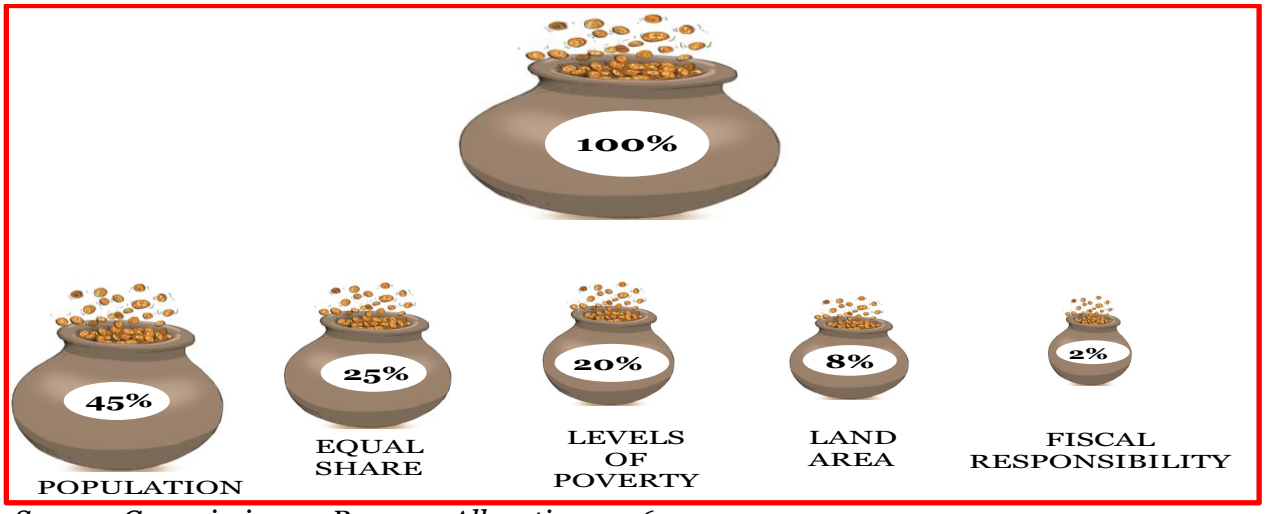
The Commission observed in its first revenue sharing formula that counties with large land area incur additional costs to provide a comparable level of service. This is because the cost of providing services increases with the geographic size of a county but at a decreasing rate. However, beyond a certain point,

incremental costs of larger distances become negligible. The formula used Land area as a proxy for costs of service delivery. The Commission also observed that some counties with small areas have to incur certain minimum costs in establishing the framework of government machinery. In specific instance, the costs of providing services in some small counties may be higher because of terrain. The formula shared 8 per cent of the revenues based on the size of a county as measured by the county's land area. The use of the land area parameter was capped between one percent and ten per cent of the total land area for small and big counties, respectively. This was important to ensure allocations take into account the costs associated with terrain.

To achieve the redistributive objective, the Commission used poverty gap as a measure of deprivation across counties. On the basis of a county's share of poverty gap, 20 per cent of revenues was shared among the counties. The revenues allocated to county governments for the financial years 2012/13; 2013/14; and 2014/15 and 2015/16 using the first revenue sharing formula are as shown in Appendix I.

In accordance with the legislative provisions in Article 216 (1); Article 217 (1) and the sixth schedule section 16, the second determination of the basis of the division of revenue among counties (the second revenue sharing formula) need to be in place for the sharing of revenues among counties for financial years 2016/17; 2017/18 and 2018/19.

THE FIRST REVENUE SHARING FORMULA



Source: Commission on Revenue Allocation 2016

2.0 THE SECOND REVENUE SHARING FORMULA

2.1 Methodology for Preparation of the Second Revenue Sharing Formula

In exercising the principle of openness and public participation in financial matters (Article 201(a)), the Commission has used a participatory approach in the preparation of the second revenue sharing formula. This involves triangulation of information collected from review of the first revenue sharing formula; review of international literature on intergovernmental transfers; submissions of memoranda by various independent institutions and county governments; focus group discussions with county governments and experts, and analysis of information collected from online questionnaires and questionnaires administered at county level.

2.2 Consultations with County Stakeholders

The Commission held discussions with the County Executive, County Assembly Budget and Appropriations Committee members and other county stakeholders composed of the public, religious organization, civil society organization, youth organization, academia, professional bodies, and trade unions, among others, in 45 counties. A total of 2,880 participants attended the various forums. A total of 1,993 questionnaires were administered and analysed. The analysed data revealed that 25 percent of the respondents recommended that the first revenue sharing formula be used as is for the next three financial years. A total of 66 per cent recommended review of the formula. The aggregate responses on individual parameter weights are summarized in Table 4.

Table 4: Summary of Aggregate Responses from Counties on Review of the First Revenue Sharing Formula

County Recommendation	Population	Poverty	Land Area	Fiscal Responsibility	Basic Equal Share
	Number of Counties making the Proposal				
Increase	8	41	27	35	22
Retain	1	2	7	10	6
Decrease	36	2	11	0	17
Total Counties	45	45	45	45	45

Source: Commission on Revenue Allocation Survey Data, 2014

The county governments and stakeholders recommended retention of the five parameters used in the first revenue sharing formula. They nonetheless, recommended for review of the weights assigned to all the five parameters. In addition, they recommended that additional parameters be considered for inclusion into the second revenue sharing formula. The proposed parameters include: infrastructure; terrain; population density; urbanisation; absorption capacity of counties; dependency ratio; county contribution to gross domestic product; land productivity, fiscal gap, level of marginalisation, and aridity, among others. Given that it is not possible to consider inclusion of all these parameters in one formula, a rationale for the choice of the parameters in the second revenue sharing formula is provided in section 3.6 below.

2.3 Review of literature on Intergovernmental Transfers

The approach used for intergovernmental transfers is largely guided by the general purpose of the transfer. Generally, most transfers are aimed at achieving two objectives, the service delivery and redistribution objectives. The devolved system of governance in Kenya is at the nascent stages and therefore the need to learn from the experiences of both the developed and developing countries which have implemented intergovernmental transfers over a period of time. Experiences of four different countries are summarized below.

2.3.1 South Africa

South Africa has three levels of government; national, provincial and local authorities. The three levels of government have different tax assignment responsibilities. The revenue sharing has been reviewed three times, with each review having different objectives. Overall the revenue sharing formula in South Africa uses a sector wide approach in determining the revenue allocated to the three levels of government.

The provinces in South Africa depend on the equitable revenue transfers from national revenue as their own revenue is not sufficient. The formula used is based on a sectoral model and the weights assigned to each parameter depend on the level of needs. The needs for each province is calculated and summed to arrive at the share of the transfer.

In general, the South African model has three components: (i) Basic grant to enable sub national governments to establish and maintain the institutions necessary for the fulfillment of their constitutional obligations according to their own priorities; (ii) The national standards grant to enable the sub national government specifically to provide primary and secondary education and primary

health-care to their residents; and (iii) tax capacity equalization grant to encourage provinces to take responsibility for raising their own revenue. This component of the formula is an essential element in developing provincial accountability for expenditures. In addition, the training hospitals get separate conditional grants to supplement the funds they receive from the equitable share.

Education is fully devolved in South Africa and assigned the highest weight in all the reviews of the formula. Over time the weight on the parameter has increased from 38% in financial year 1997/98 to 41% in 1999/2000 to 48% in 2011/12. The health parameter has also been used in all the reviews. A weight of 18% was assigned to the health parameter in 1997/98, 19% in 1999/2000 and 27% in 2011/12. The social development parameter was assigned a weight of 18% in 1999/2000 and the basic services parameter was used in 2011/12 formula. The social development parameter, which gives an allocation for every poor household, was assigned a weight of 16%.

2.3.2 Ethiopia

Ethiopia is a federal republic composed of 10 regional states and Addis Ababa, which is a city administration. The Federal and Regional governments share the expenditure and revenue tax base. In order to address the vertical and horizontal fiscal imbalances, Ethiopia introduced Federal subsidy grants based on the regional fiscal gaps. Fiscal gap is measured by Fiscal capacity (revenue capacity) and the Fiscal needs (expenditure needs) of the regional states. Addis Ababa being the capital city is not included in the federal grant allocation formula.

A block budget subsidy allocation formula is used to allocate revenues to states depending on the expenditure needs and revenue raising capacities. The allocation formula is adjusted for disability factors, price differences, dispersion factors, slope, poverty, unemployment and economies of scale.

The main parameters used in the revenue allocation formulae include Population, distance from highest per capita income, poverty, own revenue to budget ratio, land area, expenditure needs, revenue raising effort and sectoral output performance. The population parameter is a key parameter and has been used in all the revenue allocation formulas. The weight assigned to the parameter increased substantially from 33% in 1995/96 to 60% in 1997/98 before reducing slightly to 50% in 2001/02. The level of expenditure needs which measures the fiscal gap was assigned 33% in 1995/96, 25% in 1997/98 and 20% in 2001/02. To encourage the sub national governments collect their own revenue, the country used a parameter of own revenue to budget ratio and assigned it a weight of 20%

in 1995/96, 33% in 1997/98 and 15% in 2001/02. The third review of 2001/02 introduced a parameter on poverty with a weight of 10%.

2.3.3 Philippines

Philippines has four levels of government, namely; provinces, cities, municipalities and the village-level barangays. The revenue sharing criteria is incorporated in the legislation and therefore is not reviewed periodically although they have pre and post 1991 legislations. The sharing of revenue for Philippines is based on the Government Code Acts which was enacted in 1991. The formula uses three parameters namely population, land area and equal share to address both service delivery and redistributive objectives of equitable sharing of revenue.

The population parameter was assigned a weight of 70% pre 1991, land area 20% and equal share 10%. Post 1991 law reviewed the weights of the parameters and assigned population 50%, land area 25% and equal share 25%.

2.3.4 India

Devolution in India is in two levels, the national and states. The Finance Commission which is responsible for revenue sharing is appointed every five years to review the formula. The main parameters that were used in the 11th, 12th and 13th commissions are population, land area, fiscal capacity distance, fiscal discipline, revenue effort, per capita income, index of decentralization and index of deprivation (poverty).

Population is one of the key parameters that has been used consistently over the years and was assigned weights of 40%; 40%; and 25% in the 11th, 12th and 13th commissions, respectively. The parameter of geographical land area was used to cater for additional cost that the large areas incur to provide a comparable standard of service in the states and was assigned a weight 0f 10% in the three reviews. The fiscal responsibility is used to incentivize the states to collect their own revenue. India mainly uses revenue effort, fiscal discipline and fiscal distance to measure fiscal responsibility. The weight assigned to fiscal effort was 10% in the 11th and 20% in the 12th commissions. The fiscal capacity distance and fiscal discipline were assigned weights of 47.5% and 17.5%, respectively in the 13th review commission. Table 5 provides a summary on Parameters used by different countries.

Table 5: Summary of Parameters used by Various Countries in Sharing Revenues

No.	Parameter	Name of Country Using the Parameter
1	Population	Philippines; India; Ethiopia
2	Poverty	India; Ethiopia; South Africa
3	Land Area	Philippines; India; Ethiopia
4	Equal Share	Philippines; South Africa
5	Fiscal Responsibility / Revenue Raising Effort; Fiscal Capacity Distance	Philippines; India; Ethiopia
6	Level of Development/ Expenditure Needs	Ethiopia
8	Distance from the per Capita Income	Ethiopia
9	Index of Decentralization	Ethiopia
10	Sectoral Model (Education; Health; Social Development; Backlog; & Economic Activity; Institutional capacity	South Africa

Source: Various Country Policy Documents

From the experience of the various countries reviewed, intergovernmental transfers generally address two key objectives, namely; service delivery and redistribution. Intergovernmental transfers gradually move away from redistribution objective to service delivery objective in the subsequent reviews. This is based on the fact that as the county governments develop, more resources are needed for maintenance and service delivery. The key parameters used to proxy needs for most countries are population, land area and equal share. Because of differences in levels of development of county governments, poverty and other social-economic measures have been used as proxies for developmental needs and therefore measures of economic disparities to achieve the redistribution objective. Finally, on fiscal prudence, most countries have used capacity of county governments to raise own revenue and fiscal discipline as measures to incentivize county governments to optimize capacity to raise revenue.

3.4. Consultations with Experts

A report on the consultations with the county governments, submissions of memoranda and review of international literature on intergovernmental transfers was subjected to further discussion with experts from different institutions. This included representatives of county governments (Executive Committee Members of Finance and the Chairmen of the County Assembly Budget and Appropriations Committee); Kenya Institute of Public Policy Research Analysis (KIPPRA), Kenya National Bureau of Statistics (KNBS), public and private universities, National Treasury, Committee on Implementation of the Constitution, Law Society of Kenya, Kenya Tax Payers Association, Kenya Association of Manufacturers, and Development Partners, among others.

The experts agreed with the county government recommendation on the retention of the five parameters used in the first formula with different weighting to accommodate inclusion of two additional parameters, namely; infrastructure and social development. To open up counties and reduce the cost of service delivery, counties should be given additional funds for construction and maintenance of roads and for provision of electricity. Further, to address social economic disparities across counties, another parameter which captures the social economic disparities among counties apart from poverty should also be included in the second revenue sharing formula. A proposal was made that a social development index be constructed based on education, health, and urban settlement.

3.5. Consultations with Governors

A draft formula based on seven parameters, namely population, equal share, poverty, land area, fiscal responsibility, infrastructure and social development index was presented to the Governors for further consultations. Whereas the Governors were in agreement with the use of the five parameters used in the first revenue sharing formula, they recommended that infrastructure and the social development factors be combined into one parameter, the development factor index. In addition, a recommendation was made for inclusion of a new parameter to cushion counties with high personnel emolument costs for a limited period as both the national and county governments address the challenge of staff rationalization.

3.6. CRA FIRST RECOMMENDATION ON THE SECOND BASIS FOR REVENUE SHARING AMONG COUNTIES

Following extensive consultations, the commission made a recommendation on the second basis for revenue sharing as summarized below:

Table 6: First CRA Submission on the Second Basis for Revenue Sharing among counties

No.	Parameter	First Revenue Sharing Formula	First CRA Submission on the Second Basis for Revenue Sharing among counties
1	Population	45	45
2	Equal Share	25	25
3	Poverty	20	18
4	Land Area	8	8
5	Fiscal Effort	2	1
6	Development Factor	-	1
7	Personnel Emolument	-	2
	Total	100	100

Source CRA 2015

The above recommendation on the second basis for revenue sharing among county governments was adopted by the Senate Committee on Finance, Commerce and Budget. However, it was rejected in the floor of the house in 2015 for the following reasons, among others:

1. The challenge of continuing to use the population census data of 2009 whose accuracy for a number of counties had been challenged,
2. A higher weight on the population parameter which ignores the fact that demographic changes have taken place since 2009 when the census was undertaken,
3. Preference for a sectoral needs based approach to revenue sharing as opposed to a macro model to address the unique county developmental needs,
4. Introduction of a parameter on Personnel Emolument to caution counties with higher wage bill was considered a negative incentive. Senators observed that the allocation could encourage county governments to hire additional new staff, hence bloating the payroll further. A proposal was

made for a conditional allocations from the national government share to the county governments that inherited a huge wage bill for a period of time as the national government implemented a new policy to rationalizes the wage bill in the country,

5. Fiscal Responsibility parameter should have been based on efficiency margins in revenue collections rather than actual own revenue collections per county.
6. A proposal was made for the introduction of a measure of county fiscal gap into the formula to ensure counties with low revenue potential get adequate revenue,
7. Marginalized counties need extra allocation to bring services in these areas to the level currently enjoyed in other areas. The allocations through the Equalization Fund are not sufficient,
8. Affirmative action parameters should be introduced into the formula to ensure that the less populated and marginalized counties are adequate resources for service delivery,
9. The formula should provide for an allocation to Senate from the equitable share for purposes of monitoring and evaluation; capacity building and entrenching of devolution,
10. The formula should adopt the Constituency Development Fund formula and share at least 50 percent of the equitable share equally among all counties,
11. The formula should consider the country's contribution to gross domestic product in the sharing of resources. Those counties that contribute the highest to GDP should be incentivized to maximize their potential, and
12. The high weight on poverty and land area over-compensates maginalised counties at the expense of service delivery in the other counties. The weight on these two parameters should be reduced and instead the weight on population increased.

3.7. Revised Second Submission on the Second Basis for Revenue Sharing Among County Governments

Following the rejection of the CRA submission on the second revenue sharing formula by the Senate, the Commission held further discussions with various stakeholders. The following observations were made:

1. To address over-redistribution, the weight on the parameter on poverty should be reduced.
2. To reduce the variance on per capita allocation across various counties, the weight of the equal share parameter should be increased slightly and the weight on population retained.
3. A new parameter to capture economic inequalities across counties should be considered in the revised formula. The parameter, to be based on access to roads, electricity and water. This will ensure that the development index is different from the poverty index used in the formula.
4. The Fiscal index should growth in revenues as opposed to absolute revenue collection of counties. This will indirectly address the variations in revenue potential of counties.

3.8. The Rationale for Choice of the Parameters

The Commission recommends the use of six parameters in the second revenue sharing formula. These are: **Population, Basic Equal Share, Land Area, Poverty index, Fiscal index, and Development index**. The rationale for the choice of parameters is as summarised below:

3.8.1. Population

Population is a good measure of the expenditure needs of a county. It is a simple, objective and transparent measure that ensures predictability. Article 203 (1)(j) provides for stable and predictable allocations of revenues to counties. The Population parameter guarantees this predictability and also ensures equal per capita transfers to all counties. The use of this parameter also ensures that people are treated equally, irrespective of which county they belong to. The allocation to counties based on this parameter is therefore intended to ensure that County governments are able to perform the functions allocated to them in accordance with Article 203(d).

The highly populated Counties, namely: Nairobi; Kakamega; Kiambu; Nakuru; Bungoma; Meru, Murang'a and Kilifi recommended that the weight assigned to the population parameter on population be increased above 45 per cent to enable

counties with high population be able to get adequate resources to be able to perform functions allocated to them. However, 36 other counties with average to low population densities recommended a reduction of the weight on this Parameter on account that those counties with high population also happened to be the former provincial headquarters. Highly populated counties enjoy pull factors such as good infrastructure and security, by virtue of having benefitted from centralised allocation of resources perpetuated by the former centralized system of government. These Counties also have good revenue potential from property taxes, entertainment taxes and fees from services offered to their vast populations. In addition, given that their populations are concentrated in small areas, the costs of providing services in these counties are also low compared to expensive counties which are sparsely populated due to economies of scale.

It is also important to appreciate the fact that there is merit in maintain the service delivery levels in the high potential areas through adequate provision of resources for maintenance of services such as health, road, water and electricity. This will ensure that overall, as devolution addresses improvement of services delivery in hitherto marginalised areas, services in the highly populated counties are not compromised.

The Commission recommends that the weight of the parameter on population be retained at 45 per cent in the revised second basis for revenue sharing among county governments.

3.8.2. Basic Equal Share

Provision of a basic equal share in a transfer system is meant to guarantee a minimum funding for certain key functions, such as administrative costs of setting up and a running a government. This is based on the assumption that a number of expenditures, to a small extent, are similar for all county governments. For instance, irrespective size and population, each county government has an assembly and a governor.

However, use of the basic equal share is not without challenges. An exaggerated use of equal shares (high criteria weight) may lead to bad incentives and inefficiency in allocation as various county governments do not have the same expenditure needs due to differences in size as defined by population size, land area and geographical location.

Secondly, and more importantly, the use of equal shares as a factor in the allocation formula raises a question of basic fairness. If the equal share system is

used as an allocation principle, regions with fewer residents would receive much larger transfers per person. This violates a basic principle of fairness in a democratic system of county government governance and may lead to pressure to establish new and non-viable county government units.

Although 22 county governments, mainly comprising counties with low population were of the opinion that the weight on equal share be increased, 17 counties with medium to high population recommended for a reduction of the weight on this parameter. The experts also observed that the weight in this parameter needs to be maintained at a lower level and should be based on actual expenditure needs that are similar across counties.

The Commission recommends that the weight of the parameter on basic equal share be increased slightly from 25 per cent to 26 percent in the revised second basis for revenue sharing among county governments.

3.8.3. Poverty

A poverty index provides a measure of welfare of the citizens. It is therefore a good proxy of developmental needs and economic disparities among counties. Use of this parameter in the formula guarantees allocations of revenue to disadvantaged areas which also happen to be the counties with the greatest need. This is in line with Article 203 (1)(f)(g)(i). Basic principles of intergovernmental fiscal transfers provide that more resources need to be given to counties with the greatest need.

There are several measures of poverty. The poverty head count measures the proportion of the population that is poor based on both the basic minimum food calorific intake and ability to afford essential non-food needs. The poverty head county does not measure the depth of poverty thereby treating all poor people as a homogeneous group, when in actual sense, the intensity of poverty varies from one county to another. The poor are confronted with the different challenges and opportunities with varying outcomes.

Poverty Gap measures the extent to which individuals or households fall below the poverty line. It measures depth of poverty. Therefore, the poverty gap provides a measure of resources required to lift the poor out of poverty.

Poverty Severity is the square of the poverty gap. This measures the inequality among the poor. The index is used to target resources to the poorest of the poor.

The poverty gap was the measure used in the first revenue sharing formula. This was based on the Kenya Integrated Household Budget Survey conducted in 2005/06 by the Kenya National Bureau of Statistics. The poverty measurement was estimated from very detailed data on individuals and households. The survey covered 13,158 households with 55,263 individuals sampled from 1,339 clusters. A cluster is either equivalent to a village/several villages or part of a village. The data on poverty for 2005/06 and 2009 is presented in Appendix VII.

The poverty gap measure used in the revised second revenue sharing formula was calculated using the Kenya Integrated Household Budget Survey 2005/06 and the 2009 Kenya Population and Housing Census through small area estimation model. The model uses survey data and census data to calculate per person consumption expenditure for 8.7 million census households. Accordingly, the gap represents the 2009 situation, but at 2006 prices. The estimated numbers of poor is obtained based on the rural or urban poverty line. The poverty estimate is derived using total population as opposed to sample population as in the case of 2005/06.

A large number of counties (41) recommended for the increase of the weight on the poverty parameter. International experience has shown that this parameter has been used at a maximum weight of 10 percent and below in India, Ethiopia and South Africa. The experts recommended that the use of this parameter should be reduced gradually with the intention of dropping it from the formula because of its negative incentive to address poverty comprehensively and susceptibility to data manipulation.

The Commission recommends that the weight of the parameter on poverty gap be reduced slightly from 20 per cent to 18 per cent in the revised second basis for revenue sharing among county governments.

3.8.4. Land Area

Article 260 defines land to include the surface of water on or under the surface; marine waters in the territorial sea and exclusive economic zone; natural resources completely contained on or under the surface; and the air space above the surface. In total, Kenya covers an area of 581,313 km^2. The area is shared among the 47 county governments as shown in Appendix VI.

The use of the size of a county (Land Area) as a parameter in the formula for sharing of revenues is informed by the fact that a county with a larger area has to incur additional administrative costs to deliver a comparable standard of service to its citizens. However, it is important to note that the differences in the costs of providing services may increase with the size of a county, but only at a decreasing rate and that beyond a certain point, incremental costs may became negligible.

Further, it is important to note that even counties with small land areas, also have to incur certain minimum costs in establishing government machinery and the costs of providing services in some of these small counties may be higher because of the terrain. In this regard, the Commission in the first revenue sharing capped the maximum share on land at 10 percent and the minimum at one percent. The recommendation on the second revenue sharing formula uncapped the parameter on land area. This is because a parameter on development which takes into account county developmental needs of a county in terms of; roads, electricity and waters is introduced into the formula.

The allocation of revenues to counties based on the land parameter in the first revenue sharing formula was meant to provide counties with adequate resources to cater for costs related to service delivery and infrastructure development. However, the Commission recognizes the fact that land area of a county is fixed is a fixed parameter, making it impossible to assess the impact of the funds allocated to Counties based on this parameter. In effect, this parameter makes the revenue sharing formula a static formula. A formula needs to be dynamic to enable periodic reviews to assess its impact in terms of achieving its specified objectives.

More than 50 per cent of the counties (27) recommended that the weight on the parameter on land area be increased above 8 per cent. Philippines, India and Ethiopia have used land area as measure of cost of service delivery. Experts recommended for the reduction of the weight on the parameter on land areas on grounds that the allocation of revenues to counties on land area should be for purposes of the differences across counties based on cost of service delivery.

Allocations to counties for infrastructure development should be based on an infrastructure index of a composite development index. Inclusion of a parameter on Infrastructure was recommended by both the county stakeholders and the experts.

The Commission recommends that the parameter on land area be uncapped and its weight be retained at 8 per cent in the second basis for revenue sharing among county governments.

3.8.5. Fiscal Effort

County governments receive transfers, collect and utilize public resources. Public officers are required to ensure public finances entrusted to them are not only used for the purposes they were meant for, but also used prudently. Fiscal responsibility entails implementation of sound economic and budgetary practices to ensure citizens get value for money. Achieving fiscal responsibility requires deliberate measures to: strengthen the legal framework for anti-corruption, ethics and integrity; promotion of results-based management within the public service; allowing the public access to information and data; introducing civilian oversight around the key legal, justice and security institutions; and strengthening Parliament's legislative oversight capacity. The first revenue sharing formula allocated equally to all counties an equivalent of two percent of the equitable share to all counties to undertake fiscal reforms needed to enhance revenue collection and utilization.

The revised second revenue sharing formula recommends the use of fiscal effort as measured by the increase in county own revenue per capita for the financial years 2013/14 and 2014/15. The Commission seeks to encourage fiscal prudence in accordance with the provisions of Article 216 (3) (c) which provides for provision of incentives for each county to optimize capacity to raise revenue. A recommendation on fiscal effort requires reliable information on the performance of Public Finance Management systems, processes and institutions over time. This information besides being used to share resources among county governments, will also inform the government reform process by determining the extent to which reforms are yielding improved performance and by increasing the ability to identify and learn from reform success.

County governments are required to exercise fiscal prudence. The Public Finance Management Act, 2012 sets out fiscal responsibility principles to both levels of

government. Section 107 (2) sets out the following fiscal responsibility principles to be enforced by the County Treasury:

a) The County government's recurrent expenditure shall not exceed the county government's total revenue;
b) Over the medium term a minimum of thirty per cent of the county government's budget shall be allocated to the development expenditure;
c) The county government's expenditure on wages and benefits for its public officers shall not exceed a percentage of the county government's total revenue as prescribed by the County Executive member for finance in regulations and approved by the County Assembly;
d) Over the medium term, the government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure;
e) The County debt shall be maintained at a sustainable level as approved by County Assembly;
f) The fiscal risks be managed prudently; and
g) A reasonable degree of predictability with respect to the level of tax rates and tax bases be maintained, taking into account any tax reforms that may be made in the future.

It is on the basis of the foregoing constitutional and legislative provisions that the Commission recommends that county governments need to be held responsible on the use of public finances. An objective formula should in addition to determining a basis for equitable sharing of resources contain a check mechanism on fiscal responsibility by county governments. Although some national and county stakeholders were of the view that this parameter be dropped from the formula, there is adequate support for the retention of the parameter in the formula. This parameter ensures that county governments take responsibility to ensure that pubic resources are used prudently. The parameter will institute timely preparation of budgets, withdrawals and absorption of funds. It also promotes transparency, accountability and financial probity, and is an incentive for counties to grow own revenue. The fiscal effort parameter should provide an incentive to counties to optimize their capacity to raise revenue, Article 203(1)(e) and (i).

Unlike in the first revenue sharing formula which used the parameter to allocate equal revenues to all counties to set up financial management systems, the Commission recommends that allocation to counties based on the fiscal effort

parameters be varied depending on a county's fiscal effort as measured by the increase in revenue per capita. Data on revenues raised by counties for two financial years is presented in Appendix II.

The Commission recommends that the weight on the fiscal effort parameter in the second basis for revenue sharing among county governments be retained at two per cent.

3.8.6. Development Factor

This is one of the parameters suggested for inclusion by a large number of stakeholders during CRA's extensive country-wide consultations. Ordinarily, social economic development indicators as used in comparator countries such as South Africa, Nigeria, Ethiopia, Philippines and India, include five key components of: poverty, demographic dynamics, education, health and human settlement.

However, since poverty (in money metric terms) is a stand- alone parameter in this formula and demographic dynamics such as population growth rates and density, total fertility and migration, are captured under population and land area parameters, the development factor in the revised second revenue sharing formula considered access to water, electricity and roads, to capture infrastructure needs of counties.

Good infrastructure is a prerequisite for any county to realise meaningful development. The parameter gives effect to the revenue sharing criteria as articulated in Article 203 (1)(h) and (g), which requires county developmental needs and economic disparities among counties be considered in revenue allocation. Infrastructural disparities among counties include infrastructure for roads, water, health and electricity.

Use of an index on infrastructure as part of the basis for sharing of revenues among county governments will realize the twin objectives of service delivery and redistribution. The measures selected to develop a development factor is based on key devolved functions of county governments, namely water, roads and electricity. The Commission developed a factor based on a county's share of unpaved roads under category D, E, F, G, H, J, K, M, N, P; and proportion of households without access to electricity and water. The construction of the a development factor is detailed in Appendix II.

The Commission recommends for inclusion of the parameter on development in the second basis for revenue sharing among county

governments as a redistributive parameter with a weight of one percent.

3.8.7. The Second Recommendation on Revenue Sharing

In accordance with the provisions of Article 216 (1)(b), read together with 217 (2)(b) and Sixth Schedule (16), the Commission on Revenue Allocation recommends a new basis for sharing revenue among county governments. The recommended basis has six parameters weighted as shown below.

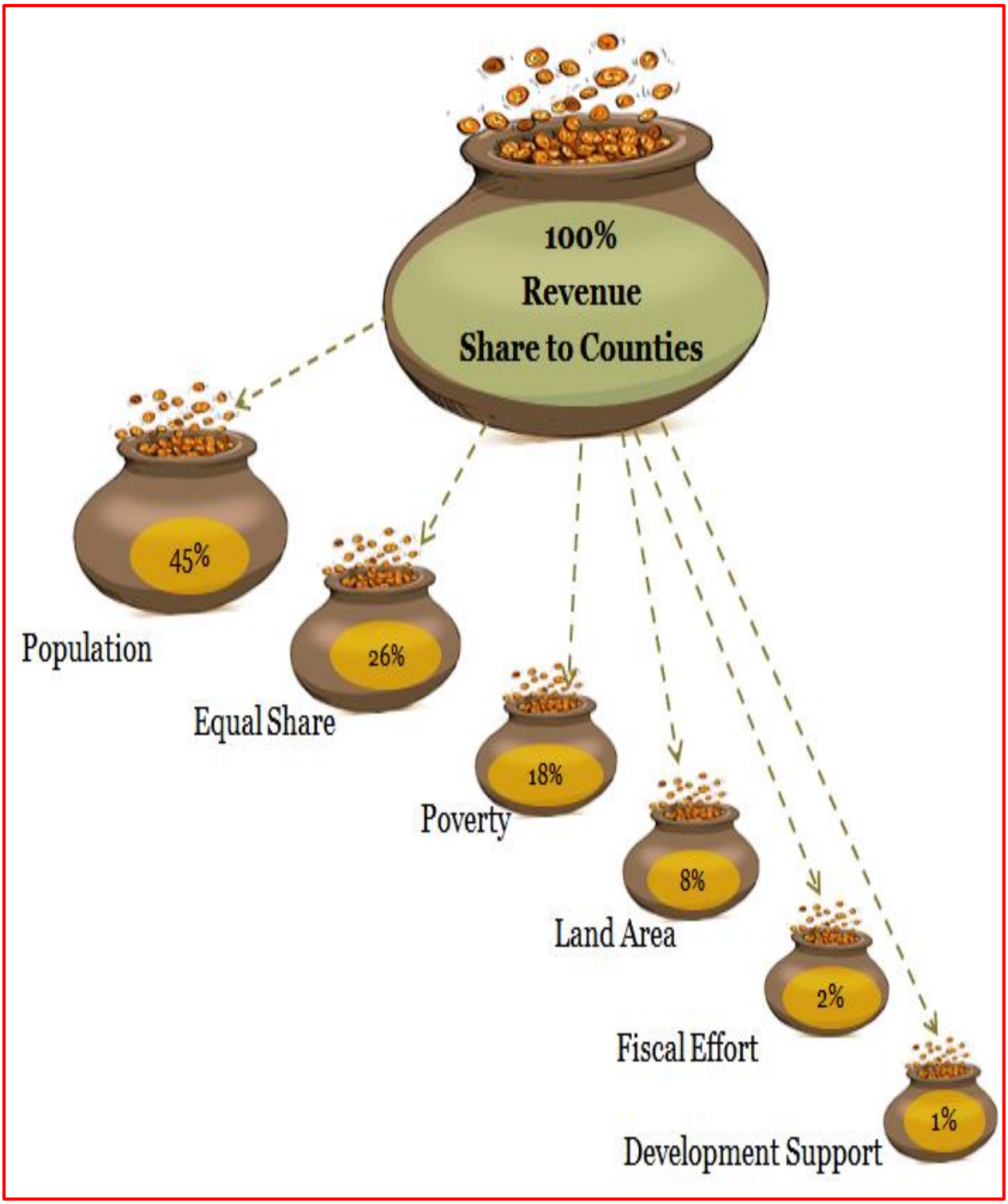
$$\boldsymbol{CA_i = 0.45PN_i + 0.26ES_i + 0.18PI_i + 0.08LA_i + 0.02FE_i + 0.01DF_i}$$

Where:

CA_i is revenue allocation of the $\boldsymbol{i}$ th County; $\boldsymbol{PN_i}$ is Population Factor; $\boldsymbol{ES_i}$ is Equal Share Factor; $\boldsymbol{PI_i}$ is Poverty Gap; $\boldsymbol{LA_i}$ is Land Area Factor; $\boldsymbol{FE_i}$ is Fiscal Effort Factor; and $\boldsymbol{DF_i}$is Development Factor. The details of the formula are presented in Appendix II.

No substantial change, in terms of economic disparities among counties, has occurred in the last two and a half years to warrant a radical overhaul of the formula. There are minimal changes in the formula: The weights on the parameter on Population, Equal Share and Land Area are at 45 percent, 26 per cent and 8 per cent, respectively in second revenue sharing formula. However, to address the challenge of over-redistribution in the first generation revenue sharing formula the weight on the parameter on poverty has been reduced from 20 per cent to 18 per cent. The weight on the parameter on fiscal effort weight at two percent utilizes increase in revenue per capita across counties. A new parameter, namely: development factor has been introduced with a weight of one percent. The development factor is a measure of a county's developmental needs as measured by a county's need for roads, electricity and water. Though the changes in the formula seem to be minimal, the change of the underlying data on the poverty gap for the 47 counties from the KIHBS 2005/06 to 2009 introduces substantial variations in revenue allocated to counties.

THE SUMMARY OF SECOND REVENUE SHARING FORMULA



3.8.8. Other Parameters Considered but not Selected

During the stakeholder consultations several new parameters were proposed for inclusion in the second revenue sharing formula. However, the inclusion of all the proposed parameters was not possible. The reasons behind these are as follows:

Population density: This is a measure of population per Kilometers square of land area. Population density combines two measures currently used in the First Revenue Sharing Formula, namely: population and land area. Use of population density in any formula will negate the use of population and land area in the same formula. The use of population and land area parameters in the first revenue sharing formula was meant to achieve two objectives: One, population as a proxy for County needs to ensure Counties are able to perform functions allocated to them and two, land area was used as a proxy for County infrastructure.

Use of population density will only benefit counties with high populations that are concentrated in small areas thereby relegating the need to redistribute resources to less developed counties which also happen to be the sparsely populated areas.

Dependency ratio measures the proportion of the population under fifteen and over sixty five as a proportion of the active population (between 15 and 65 years). The active population is not necessarily equivalent to the working population, given the high unemployment rate among the youth. For this reason, dependency ratio is not a good measure of a population's purchasing power. An analysis of the 2009 population census reveals that the age structure across counties is almost uniform. Therefore, there is no much variability between the Counties.

Sector Based Approach: Both the county stakeholders and the experts recommended for a sectoral approach to the sharing of revenues among counties. The sectoral approach to sharing revenues among counties should be based on devolved functions as defined in the Constitution under fourth schedule and as unbundled by the Transition Authority in Gazette notice 16 and 116 of 2013.

The devolved functions can be broadly grouped into the following key sectors: health, infrastructure, agriculture, education and tourism. The use of a sector based approach to revenue sharing requires the establishment of unit cost of different services in different counties based on acceptable norms and standards. The Commission on Revenue Allocation together with the Transition Authority has commenced the process of commissioning a comprehensive study to

establish unit costs of key devolved functions in different counties based on acceptable standards and norms in each sector. The Kenya National Bureau of Statistics is also in the process of commencing collection of data and information using county integrated household and budget surveys to measures various outcome indictors. These processes of generating new information will take some time to complete.

The alternative to the unit cost approach is the use of outcomes indicators in the various sectors based on the 2009 census data. A service delivery index based on outcome indicators in key sectors will see more resources going to the least developed counties. This will make the approach to revenue allocation highly redistributive which will compromise service delivery in most of the counties. This is because the 47 counties are at different levels of development. Whereas some counties enjoy good climatic conditions, roads, schools, hospitals, and security, a number of counties are very remote with bad roads, ill equipped schools and hospitals. Attracting qualified workers to this kind of latter counties will cost the county governments more revenues due to harsh climatic conditions and insecurity challenges. Therefore, even where a service delivery index is used as a basis for sharing revenues, this should be used in addition to a parameter on population to ensure the basis for the sharing of revenue is equitable.

It is important to note that the redistribution of revenues is a progressive process which, the Constitution envisages will be achieved over a period of years. The resources being redistributed are being collected from a few counties which enjoy pull factors such as good security, infrastructure and markets. Majority of the industries are also located in these counties and they also need provision of services to be maintained. The Constitution provides that all counties should be able to perform the functions allocated to them. Equity does not mean making some counties better off by making others worse of. Therefore, the basis for revenue sharing should strike a balance between service delivery and redistribution. Due to lack of data on what should constitute acceptable levels of service delivery, it is not possible to use the sector approach to revenue sharing

A multidimensional poverty Index: This measure encompasses a range of deprivations that a household may suffer. The poor suffer from lack of good health, education, housing, empowerment, and employment, among others. Therefore, no one indicator such as income or consumption can uniquely capture the multiple aspects that contribute to poverty.

The Kenya National Bureau of Statistics is in the process of domesticating a new methodology to measure the multidimensional aspect of poverty referred to as Multidimensional Poverty Index. The index identifies the poor based on the intensity of deprivations they suffer. The current global Multidimensional Poverty Index uses three dimensions with corresponding indicators as shown in the Table 6 below.

Table 6: Measures of the Multidimensional Poverty Index

Dimensions of poverty	Indicator	Deprived if...
Education	Years of Schooling	No household member has completed five years of schooling
	Child School Attendance	Any school-aged child is not attending school up to class 8+
Health	Child Mortality	Any child has died in the family
	Nutrition	Any adult or child for whom there is nutritional information is
Living Standard	Electricity	The household has no electricity
	Improved Sanitation	The household's sanitation facility is not improved (according to MDG guidelines), or it is improved but shared with other
	Improved Drinking Water	The household does not have access to improved drinking water (according to MDG guidelines) or safe drinking water is more than a 30-minute walk from home,
	Flooring	The household has a dirt, sand or dung floor
	Cooking Fuel	The household cooks with dung, wood or charcoal
	Assets ownership	The household does not own more than one radio, TV, telephone, bike, motorbike or refrigerator and does not own a car or

Source: Kenya National Bureau of Statistic, 2014

The index needs to be domesticated by adding more dimensions of poverty to suit the need the parameter is intended to address in Kenya. The main objective of poverty index parameter in the revenue sharing formula is to redistribute resources with the aim of addressing the issue of inequality and welfare improvement of the citizens. Article 203 (1)(g) and (h) specifies the need to address economic disparities within and among Counties and the need to remedy

them; through affirmative action in respect of disadvantaged areas and groups. The Commission together with Kenya National Bureau of Statistics and other development partners are working together to have the index ready for consideration in the third revenue sharing formula.

4.0 THE APPLICATION OF CRITERIA OF ARTICLE 203

Article 217 (2) provides that in determining the basis of revenue sharing among counties, the criteria specified in Article 203 should be taken into account. The Commission wishes to submit that the criteria in Article 203(1) can be divided into two. The criteria specified in Article 203 (1) (a) to (c) are applicable in determining the equitable shares between the national government and the county governments and the criteria specified in Article 203 (1) (d) to (k) are applicable in determining the equitable shares among the county governments. The section below explains how the parameters selected for the second revenue sharing formula meets the requirements of Article 203 (1) (d) to (k).

4.1. How CRA's Revenue Sharing Formula Applies to Article 203.

Article 203 (1) (d) Ability of county governments to perform functions allocated to them: This is well catered for by the constitutional principle of 'resources follow functions' under Article 187(2)(a) *"If a function or power is transferred from a government at one level to a government at the other level – arrangements shall be put in place to ensure that the resources necessary for the performance if the function or exercise of the power are transferred"*. The allocations recommended by the Commission uses population, the basic equal share and personnel emolument factor to ensure that each county receives adequate revenues to be able to offer service delivery to its citizenry.

Article 203 (1) (e) and (i) Fiscal capacity and efficiency of county governments and the need to incentivize counties to optimize capacity to raise revenue

The formula uses poverty gap, and the development factor to allocate more revenues to counties with low tax capacity and greater fiscal needs. The formula also takes into account the potential of counties in raising their own revenue. The fiscal responsibility parameter uses a measure of fiscal effort to allocate more revenues to those counties that have put in more effort to collect revenues due to them.

Article 203 (1) (f) (g) and (h): Developmental needs and Economic disparities within and among counties and the need to remedy them through affirmative action

Three parameters in the second revenue sharing formula, namely; land area, poverty gap and development factor are used to redistribute revenue to counties so as to address development needs and economic disparities among counties. The Land area parameter ensures that large counties which incur high administrative costs in providing a comparable service are given more resources. The poverty gap allocates more revenues to the disadvantaged counties which exhibit higher levels of deprivation. The development factor provides more resources to counties with low water and electricity connectivity, and those with unpaved road.

Article 203 (1) (j): Desirability of stable and predictable allocations of revenue

The recommended formula once approved will be used for a period of three financial years before the next review. Therefore, revenues will remain stable and predictable over this period of years to promote multi-year planning and overall budget certainty.

Article 203 (1) (k): The need for flexibility in responding to emergencies and other temporary needs, based on similar objective criteria

The formula allocates a lump sum amount to various counties thereby preserving budget autonomy at the county level. While there are sound policy arguments for conditional or targeted transfers, the formula allocates a general purpose transfers to be used in line with counties specific priorities. Therefore, county governments have increased flexibility and spending discretion including flexibility in responding to emergencies and other temporary needs.

Appendix I: Aggregate Annual Allocations to County Governments Based on the First Revenue Sharing Formula (Ksh. Millions).

NO.	County	FINANCIAL YEARS			
		2012/2013[1]	2013/2014	2014/2015	2015/16
1	Mombasa	196	3,802	4,535	5,198
2	Kwale	193	3,749	4,472	5,126
3	Kilifi	280	5,443	6,493	7,441
4	Tana-River	150	2,914	3,477	3,985
5	Lamu	77	1,501	1,790	2,052
6	Taita-Taveta	125	2,421	2,888	3,310
7	Garissa	217	4,221	5,036	5,772
8	Wajir	272	5,290	6,311	7,233
9	Mandera	337	6,550	7,814	8,956
10	Marsabit	195	3,796	4,528	5,189
11	Isiolo	115	2,236	2,667	3,057
12	Meru	245	4,750	5,666	6,494
13	Tharaka-Nithi	118	2,295	2,738	3,138
14	Embu	145	2,807	3,349	3,838
15	Kitui	274	5,315	6,341	7,267
16	Machakos	255	4,951	5,906	6,769
17	Makueni	225	4,366	5,209	5,970
18	Nyandarua	162	3,150	3,758	4,307
19	Nyeri	168	3,254	3,882	4,449
20	Kirinyaga	133	2,588	3,087	3,538
21	Murang'a	202	3,917	4,673	5,356
22	Kiambu	281	5,459	6,512	7,464
23	Turkana	395	7,664	9,143	10,479
24	West Pokot	162	3,155	3,764	4,314

[1] The Allocation for financial year 2012/2013 only covered three months (March to June 2013)

NO.	County	FINANCIAL YEARS			
		2012/2013[1]	2013/2014	2014/2015	2015/16
25	Samburu	134	2,598	3,099	3,552
26	Trans-Nzoia	192	3,730	4,450	5,100
27	Uasin-Gishu	195	3,797	4,529	5,191
28	Elgeyo-Marakwet	123	2,392	2,854	3,270
29	Nandi	179	3,478	4,149	4,755
30	Baringo	167	3,248	3,875	4,441
31	Laikipia	130	2,523	3,010	3,450
32	Nakuru	306	5,936	7,082	8,116
33	Narok	199	3,868	4,614	5,288
34	Kajiado	166	3,227	3,850	4,413
35	Kericho	170	3,295	3,931	4,487
36	Bomet	177	3,443	4,107	4,725
37	Kakamega	335	6,516	7,773	8,908
38	Vihiga	146	2,832	3,378	3,871
39	Bungoma	289	5,614	6,697	7,676
40	Busia	205	3,979	4,747	5,440
41	Siaya	188	3,654	4,359	4,995
42	Kisumu	214	4,155	4,957	5,681
43	Homa-Bay	212	4,121	4,917	5,635
44	Migori	220	4,269	5,093	5,837
45	Kisii	267	5,188	6,189	7,094
46	Nyamira	156	3,039	3,625	4,155
47	Nairobi City	489	9,506	11,340	12,997
	Totals	9,784	190,000	226,660	259,775

Source: Commission on Revenue Allocation/County Allocation of Revenue Acts, 2013; 2014; & 2015

Appendix II: The Second Revenue Sharing Formula

$$\boldsymbol{CA_i = 0.45PN_i + 0.26ES_i + 0.18PI_i + 0.08LA_i + 0.02FE_i + 0.01DF_i}$$

Where:

CA_i is revenue allocation of the $\boldsymbol{i}$ th County; $\boldsymbol{PN_i}$ is Population Factor; $\boldsymbol{ES_i}$ is Basic Equal Share Factor; $\boldsymbol{PI_i}$ is Poverty Gap; $\boldsymbol{LA_i}$ is Land Area Factor; $\boldsymbol{FE_i}$ is Fiscal Effort Factor; $\boldsymbol{PE_i}$ is and $\boldsymbol{DF_i}$ is Development Factor.

Where,

Population ($\boldsymbol{PN_i}$)

$$\boldsymbol{PN_i} = \frac{Population\ of\ i^{th} County}{Total\ Population}$$

Basic Equal Share ($\boldsymbol{ES_i}$)

$$\boldsymbol{ES_i} = \frac{Total\ Equal\ share}{47}$$

Poverty Index ($\boldsymbol{PI_i}$)

$$\boldsymbol{PI_i} = \frac{Poverty\ Resources\ of\ i^{th} County}{Total\ Poverty\ Resources}$$

Land Area ($\boldsymbol{LA_i}$)

$$\boldsymbol{LA_i} = \frac{Land\ Area\ (Sq.Kms.) of\ i^{th} County}{Total\ Land\ Area}$$

Fiscal Effort ($\boldsymbol{FE_i}$)

$$\boldsymbol{FE_i} = \frac{f_i}{N_i}$$

Where, $\boldsymbol{f_i} = County's\ own\ revenue\ increment$

$\boldsymbol{N_i} = 2009\ population\ of\ the\ i^{th} County$

Development Factor ($\boldsymbol{DF_i}$)

$$\boldsymbol{DF}_i = \frac{1}{3}\left(\frac{E_i * N_i}{\sum_i (E_i * N_i)} + \frac{W_i * N_i}{\sum_i (W_i * N_i)} + \left(\frac{URN_i}{\sum_i URN_i}\right)\right)$$

Where,

$\boldsymbol{E_i}$- Proportion of household with access to electricity of the ith County

$\boldsymbol{W_i}$- Proportion of household without access to improved water of the ith County

$\boldsymbol{URN_i}$- Un-paved road network of class D, E, F, G, H, J, K, M, N & P of the ith County

Appendix III: Revenue Sharing Formula Allocation Factors (%)

No	County	Population	Basic Equal share	Poverty Gap	Land Area	Fiscal Responsibility	Development Factor	Combined Factor
1	Mombasa	2.43	2.13	3.15	0.04	10.57	1.20	**2.44**
2	Kwale	1.68	2.13	5.34	1.42	0.90	1.81	**2.42**
3	Kilifi	2.87	2.13	6.98	2.17	0.99	2.21	**3.32**
4	Tana-River	0.62	2.13	2.19	6.61	0.08	1.11	**1.77**
5	Lamu	0.26	2.13	0.31	1.08	3.29	0.35	**0.88**
6	Taita-Taveta	0.74	2.13	0.87	2.94	4.03	1.33	**1.37**
7	Garissa	1.61	2.13	1.74	7.60	1.95	1.40	**2.25**
8	Wajir	1.71	2.13	3.18	9.75	0.90	1.90	**2.71**
9	Mandera	2.66	2.13	6.12	4.47	0.00	1.91	**3.23**
10	Marsabit	0.75	2.13	1.41	12.21	2.33	1.48	**2.18**
11	Isiolo	0.37	2.13	0.97	4.36	0.77	0.83	**1.27**
12	Meru	3.51	2.13	1.56	1.19	1.84	3.46	**2.58**
13	Tharaka-Nithi	0.95	2.13	0.72	0.45	1.06	1.22	**1.18**
14	Embu	1.34	2.13	0.81	0.48	5.76	1.81	**1.47**
15	Kitui	2.62	2.13	3.23	5.25	0.82	4.08	**2.79**
16	Machakos	2.85	2.13	2.74	1.07	2.11	3.72	**2.49**
17	Makueni	2.29	2.13	2.95	1.38	0.38	3.59	**2.27**
18	Nyandarua	1.54	2.13	1.14	0.56	2.19	1.91	**1.56**
19	Nyeri	1.80	2.13	0.94	0.57	4.58	2.16	**1.69**
20	Kirinyaga	1.37	2.13	0.60	0.25	2.69	1.74	**1.37**
21	Murang'a	2.44	2.13	1.50	0.44	1.93	3.16	**2.03**
22	Kiambu	4.20	2.13	2.63	0.44	6.80	3.06	**3.12**
23	Turkana	2.22	2.13	4.53	11.81	0.00	2.20	**3.33**
24	West Pokot	1.33	2.13	1.54	1.58	1.12	1.47	**1.59**
25	Samburu	0.58	2.13	0.79	3.62	0.00	0.96	**1.26**
26	Trans-Nzoia	2.12	2.13	1.31	0.43	1.56	1.65	**1.83**

No	County	Population	Basic Equal share	Poverty Gap	Land Area	Fiscal Responsibility	Development Factor	Combined Factor
27	Uasin-Gishu	2.32	2.13	1.28	0.58	3.39	1.52	**1.95**
28	Elgeyo-Marakwet	0.96	2.13	0.90	0.52	2.35	1.31	**1.25**
29	Nandi	1.95	2.13	1.12	0.50	2.84	2.13	**1.75**
30	Baringo	1.44	2.13	1.23	1.89	1.11	2.08	**1.62**
31	Laikipia	1.03	2.13	0.85	1.63	1.71	1.50	**1.35**
32	Nakuru	4.15	2.13	2.41	1.29	3.06	4.85	**3.07**
33	Narok	2.20	2.13	1.15	3.08	1.51	2.86	**2.06**
34	Kajiado	1.78	2.13	1.28	3.77	6.18	2.22	**2.03**
35	Kericho	1.95	2.13	1.25	0.37	0.72	1.57	**1.71**
36	Bomet	1.89	2.13	1.51	0.48	0.10	2.40	**1.74**
37	Kakamega	4.30	2.13	4.03	0.52	1.48	3.63	**3.32**
38	Vihiga	1.44	2.13	1.10	0.10	0.00	1.10	**1.42**
39	Bungoma	3.56	2.13	3.27	0.52	2.99	2.53	**2.87**
40	Busia	1.93	2.13	2.45	0.29	0.00	1.54	**1.90**
41	Siaya	2.18	2.13	1.34	0.44	0.66	2.44	**1.85**
42	Kisumu	2.51	2.13	2.36	0.36	4.60	2.36	**2.25**
43	Homa-Bay	2.50	2.13	2.14	0.55	0.30	2.64	**2.14**
44	Migori	2.38	2.13	2.52	0.45	1.62	2.57	**2.17**
45	Kisii	2.98	2.13	2.86	0.23	0.52	2.63	**2.47**
46	Nyamira	1.55	2.13	1.36	0.15	0.22	1.40	**1.53**
47	Nairobi City	8.13	2.13	4.33	0.12	6.00	3.01	**5.15**
	Totals	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Commission on Revenue Allocation, 2015

Appendix IV: Simulation Formula at Kshs. 259,775 Million

No.	COUNTY	Population (45%)	Basic Equal share (26%)	Poverty Gap (18%)	Land Area (8%)	Fiscal Effort (2%)	Development Factor (1%)	Total (100%)
1	Mombasa	2,844	1,437	1,472	8	549	31	6,342
2	Kwale	1,968	1,437	2,498	296	47	47	6,292
3	Kilifi	3,360	1,437	3,264	451	51	57	8,620
4	Tana-River	727	1,437	1,026	1,374	4	29	4,597
5	Lamu	307	1,437	144	224	171	9	2,292
6	Taita-Taveta	862	1,437	409	611	209	34	3,562
7	Garissa	1,886	1,437	812	1,579	101	36	5,852
8	Wajir	2,004	1,437	1,485	2,027	47	49	7,049
9	Mandera	3,106	1,437	2,863	929	-	50	8,385
10	Marsabit	882	1,437	661	2,537	121	38	5,676
11	Isiolo	434	1,437	455	906	40	21	3,294
12	Meru	4,106	1,437	729	248	96	90	6,706
13	Tharaka-Nithi	1,106	1,437	337	94	55	32	3,061
14	Embu	1,563	1,437	379	101	299	47	3,826
15	Kitui	3,066	1,437	1,511	1,090	43	106	7,254
16	Machakos	3,326	1,437	1,282	222	110	97	6,473
17	Makueni	2,678	1,437	1,377	286	20	93	5,892
18	Nyandarua	1,805	1,437	534	116	114	50	4,056
19	Nyeri	2,100	1,437	437	119	238	56	4,387
20	Kirinyaga	1,599	1,437	282	53	140	45	3,556
21	Murang'a	2,854	1,437	702	91	100	82	5,267
22	Kiambu	4,915	1,437	1,230	91	354	79	8,105
23	Turkana	2,590	1,437	2,119	2,455	-	57	8,659
24	West Pokot	1,552	1,437	721	328	58	38	4,135

No.	COUNTY	Population (45%)	Basic Equal share (26%)	Poverty Gap (18%)	Land Area (8%)	Fiscal Effort (2%)	Development Factor (1%)	Total (100%)
25	Samburu	678	1,437	369	752	-	25	3,261
26	Trans-Nzoia	2,479	1,437	613	89	81	43	4,742
27	Uasin-Gishu	2,707	1,437	597	120	176	39	5,077
28	Elgeyo-Marakwet	1,120	1,437	423	108	122	34	3,244
29	Nandi	2,280	1,437	524	103	148	55	4,547
30	Baringo	1,682	1,437	576	394	58	54	4,201
31	Laikipia	1,209	1,437	396	338	89	39	3,508
32	Nakuru	4,854	1,437	1,128	268	159	126	7,972
33	Narok	2,576	1,437	537	641	79	74	5,344
34	Kajiado	2,081	1,437	597	783	321	58	5,277
35	Kericho	2,278	1,437	584	77	37	41	4,455
36	Bomet	2,211	1,437	704	100	5	62	4,519
37	Kakamega	5,028	1,437	1,883	108	77	94	8,627
38	Vihiga	1,679	1,437	512	20	-	29	3,677
39	Bungoma	4,163	1,437	1,531	108	155	66	7,461
40	Busia	2,252	1,437	1,147	61	-	40	4,937
41	Siaya	2,550	1,437	625	90	34	63	4,801
42	Kisumu	2,934	1,437	1,105	75	239	61	5,850
43	Homa-Bay	2,918	1,437	999	114	16	68	5,552
44	Migori	2,777	1,437	1,179	93	84	67	5,637
45	Kisii	3,489	1,437	1,337	47	27	68	6,406
46	Nyamira	1,811	1,437	636	32	11	36	3,965
47	Nairobi	9,502	1,437	2,025	25	312	78	13,379
	Totals	**116,899**	**67,542**	**46,760**	**20,782**	**5,196**	**2,598**	**259,775**

Source Commission on Revenue Allocation, 2015

Appendix V: Summary of Simulation at Ksh. 259,775 Million

No.	County	Population	Total Allocation (Ksh. Millions)	Revenue Allocation Factor
1	Mombasa	939,370	6,342	2.44
2	Kwale	649,931	6,292	2.42
3	Kilifi	1,109,735	8,620	3.32
4	Tana-River	240,075	4,597	1.77
5	Lamu	101,539	2,292	0.88
6	Taita-Taveta	284,657	3,562	1.37
7	Garissa	623,060	5,852	2.25
8	Wajir	661,941	7,049	2.71
9	Mandera	1,025,756	8,385	3.23
10	Marsabit	291,166	5,676	2.18
11	Isiolo	143,294	3,294	1.27
12	Meru	1,356,301	6,706	2.58
13	Tharaka-Nithi	365,330	3,061	1.18
14	Embu	516,212	3,826	1.47
15	Kitui	1,012,709	7,254	2.79
16	Machakos	1,098,584	6,473	2.49
17	Makueni	884,527	5,892	2.27
18	Nyandarua	596,268	4,056	1.56
19	Nyeri	693,558	4,387	1.69
20	Kirinyaga	528,054	3,556	1.37
21	Murang'a	942,581	5,267	2.03
22	Kiambu	1,623,282	8,105	3.12
23	Turkana	855,399	8,659	3.33
24	West Pokot	512,690	4,135	1.59
25	Samburu	223,947	3,261	1.26
26	Trans-Nzoia	818,757	4,742	1.83

No.	County	Population	Total Allocation (Ksh. Millions)	Revenue Allocation Factor
27	Uasin-Gishu	894,179	5,077	1.95
28	Elgeyo-Marakwet	369,998	3,244	1.25
29	Nandi	752,965	4,547	1.75
30	Baringo	555,561	4,201	1.62
31	Laikipia	399,227	3,508	1.35
32	Nakuru	1,603,325	7,972	3.07
33	Narok	850,920	5,344	2.06
34	Kajiado	687,312	5,277	2.03
35	Kericho	758,339	4,455	1.71
36	Bomet	724,186	4,519	1.74
37	Kakamega	1,660,651	8,627	3.32
38	Vihiga	554,622	3,677	1.42
39	Bungoma	1,375,063	7,461	2.87
40	Busia	743,946	4,937	1.90
41	Siaya	842,304	4,801	1.85
42	Kisumu	968,909	5,850	2.25
43	Homa-Bay	963,794	5,552	2.14
44	Migori	917,170	5,637	2.17
45	Kisii	1,152,282	6,406	2.47
46	Nyamira	598,252	3,965	1.53
47	Nairobi City	3,138,369	13,379	5.15
	Totals	**38,610,097**	**259,775**	**100**

Source Commission on Revenue Allocation, 2015

Appendix VI (a): Data for the Second Revenue Sharing Formula

No.	County	Population	Poverty Gap	Land Area (Square Kms.)	Actual own Revenue 2013/2014-Millions	Actual own Revenue 2014/2015-Millions
1	Mombasa	939,370	10.0	219	1,716	2,493
2	Kwale	649,931	41.8	8,270	208	254
3	Kilifi	1,109,735	31.4	12,610	460	545
4	Tana-River	240,075	46.1	38,437	32	33
5	Lamu	101,539	15.6	6,273	36	62
6	Taita-Taveta	284,657	15.6	17,084	127	217
7	Garissa	623,060	18.7	44,175	36	131
8	Wajir	661,941	31.9	56,686	61	108
9	Mandera	1,025,756	32.4	25,992	90	88
10	Marsabit	291,166	22.9	70,961	46	99
11	Isiolo	143,294	19.0	25,336	125	134
12	Meru	1,356,301	6.0	6,936	344	539
13	Tharaka-Nithi	365,330	9.5	2,639	85	116
14	Embu	516,212	7.7	2,818	168	401
15	Kitui	1,012,709	16.8	30,497	255	321
16	Machakos	1,098,584	9.7	6,208	1,175	1,357
17	Makueni	884,527	16.8	8,009	189	215
18	Nyandarua	596,268	9.4	3,245	138	241
19	Nyeri	693,558	6.2	3,337	432	681
20	Kirinyaga	528,054	5.7	1,479	200	312
21	Murang'a	942,581	7.7	2,559	420	562
22	Kiambu	1,623,282	5.9	2,543	1,247	2,111
23	Turkana	855,399	29.0	68,680	133	127
24	West Pokot	512,690	16.2	9,169	59	104
25	Samburu	223,947	17.4	21,022	201	196

No.	County	Population	Poverty Gap	Land Area (Square Kms.)	Actual own Revenue 2013/2014-Millions	Actual own Revenue 2014/2015-Millions
26	Trans-Nzoia	818,757	7.7	2,496	202	301
27	Uasin-Gishu	894,179	6.0	3,345	564	801
28	Elgeyo-Marakwet	369,998	12.2	3,030	61	129
29	Nandi	752,965	7.5	2,884	131	298
30	Baringo	555,561	11.4	11,015	202	250
31	Laikipia	399,227	10.5	9,462	347	400
32	Nakuru	1,603,325	6.1	7,495	1,817	2,200
33	Narok	850,920	7.1	17,933	1,539	1,639
34	Kajiado	687,312	7.8	21,901	453	786
35	Kericho	758,339	7.6	2,479	371	414
36	Bomet	724,186	10.4	2,471	201	206
37	Kakamega	1,660,651	12.0	3,051	325	517
38	Vihiga	554,622	8.8	531	123	116
39	Bungoma	1,375,063	11.7	3,593	183	505
40	Busia	743,946	16.8	1,134	329	315
41	Siaya	842,304	7.6	2,530	100	143
42	Kisumu	968,909	9.0	2,086	622	971
43	Homa-Bay	963,794	10.5	3,183	135	158
44	Migori	917,170	12.1	2,596	239	355
45	Kisii	1,152,282	11.7	1,318	250	297
46	Nyamira	598,252	11.3	899	94	104
47	Nairobi City	3,138,369	4.1	695	10,026	11,500

Source: Kenya National Bureau of Statistics/ Office of Controller of Budget

Appendix VI (b): Data for the Second Revenue Sharing Formula

No	County	Total Unpaved Roads (D, E, F, G, H,J,K,M,N,P)	Percentage of Households with access to Electricity	Percentage of Households with access to improved water
1	Mombasa	481	59.0	75.0
2	Kwale	3,153	10.6	65.8
3	Kilifi	3,335	16.7	75.9
4	Tana-River	2,789	2.5	55.5
5	Lamu	754	17.0	89.3
6	Taita-Taveta	3,489	15.0	70.0
7	Garissa	2,504	11.6	75.8
8	Wajir	4,608	3.4	73.5
9	Mandera	2,831	2.5	51.9
10	Marsabit	3,968	7.5	77.6
11	Isiolo	2,555	18.5	84.6
12	Meru	4,317	13.1	65.0
13	Tharaka-Nithi	1,788	3.0	40.4
14	Embu	2,961	14.9	62.1
15	Kitui	7,942	4.8	50.8
16	Machakos	5,272	17.0	58.1
17	Makueni	7,375	5.9	56.9
18	Nyandarua	3,333	10.5	68.0
19	Nyeri	3,513	26.3	69.3
20	Kirinyaga	2,154	16.4	56.8
21	Murang'a	3,471	14.0	51.0
22	Kiambu	4,358	53.0	78.1
23	Turkana	4,189	2.4	74.3
24	West Pokot	1,842	2.6	37.2

No	County	Total Unpaved Roads (D, E, F, G, H,J,K,M,N,P)	Percentage of Households with access to Electricity	Percentage of Households with access to improved water
25	Samburu	2,039	6.2	67.8
26	Trans-Nzoia	1,668	8.9	76.7
27	Uasin-Gishu	3,742	27.9	88.9
28	Elgeyo-Marakwet	1,566	7.2	44.2
29	Nandi	2,323	6.4	56.2
30	Baringo	2,559	9.6	35.1
31	Laikipia	2,821	17.7	62.7
32	Nakuru	9,137	34.0	66.4
33	Narok	4,034	5.9	33.6
34	Kajiado	5,235	39.8	72.3
35	Kericho	1,568	11.8	56.1
36	Bomet	1,934	4.3	40.8
37	Kakamega	3,508	5.6	76.1
38	Vihiga	664	7.0	76.4
39	Bungoma	2,661	4.5	88.9
40	Busia	1,401	6.0	82.9
41	Siaya	1,858	4.3	46.7
42	Kisumu	2,433	18.3	60.1
43	Homa-Bay	2,415	3.3	38.6
44	Migori	2,095	5.3	47.8
45	Kisii	2,188	7.8	67.9
46	Nyamira	961	6.4	68.6
47	Nairobi City	1,356	72.4	83.1
	Totals	**143,149**		

Source: Source: National Treasury, 2014; Ministry of Roads, 2014; Kenya National Bureau of Statistic, 2009

Appendix VII: County Data on Poverty for 2005/2006 and 2009

No.	County	Poverty Head Count		Difference	Poverty Gap		Difference
		2005/06	2009		2005/06	2009	
		A	B	A-B	C	D	C-D
1	Mombasa	37.6	34.8	2.8	8.7	10.0	(1.3)
2	Kwale	74.9	70.7	4.2	28.4	41.8	(13.4)
3	Kilifi	71.4	58.4	13.0	25.8	31.4	(5.6)
4	Tana River	76.9	75.6	1.3	29.9	46.1	(16.2)
5	Lamu	32.7	32.3	0.4	6.3	15.6	(9.3)
6	Taita-Taveta	54.8	50.4	4.4	17.6	15.6	2.0
7	Garissa	49.2	58.9	(9.7)	20.3	18.7	1.6
8	Wajir	84.0	84.2	(0.2)	38.1	31.9	6.2
9	Mandera	87.8	85.8	2.0	45.7	32.4	13.3
10	Marsabit	83.2	75.8	7.4	42.2	22.9	19.3
11	Isiolo	72.6	65.3	7.3	28.4	19.0	9.4
12	Meru	28.3	31.0	(2.7)	6.2	6.0	0.2
13	Tharaka Nithi	48.7	41.0	7.7	12.0	9.5	2.5
14	Embu	42.0	35.3	6.7	14.2	7.7	6.5
15	Kitui	63.5	60.4	3.1	22.2	16.8	5.4
16	Machakos	59.6	42.6	17.0	19.8	9.7	10.1
17	Makueni	64.1	60.6	3.5	22.2	16.8	5.4
18	Nyandarua	46.3	38.8	7.5	17.5	9.4	8.1
19	Nyeri	32.7	27.6	5.1	11.6	6.2	5.4
20	Kirinyaga	25.2	25.9	(0.7)	5.9	5.7	0.2
21	Muranga	29.9	33.2	(3.3)	10.7	7.7	3.0
22	Kiambu	27.2	24.2	3.0	6.5	5.9	0.6
23	Turkana	94.3	87.5	6.8	67.5	29.0	38.5
24	West Pokot	69.8	66.3	3.5	25.8	16.2	9.6

No.	County	Poverty Head Count		Difference	Poverty Gap		Difference
		2005/06	2009		2005/06	2009	
		A	B	A-B	C	D	C-D
25	Samburu	73.0	71.4	1.6	42.4	17.4	25.0
26	Trans-Nzoia	50.2	41.2	9.0	15.1	7.7	7.4
27	Uasin-Gishu	51.3	33.8	17.5	11.4	6.0	5.4
28	Elgeyo-Marakwet	55.5	52.7	2.8	16.6	12.2	4.4
29	Nandi	47.4	40.0	7.4	13.7	7.5	6.2
30	Baringo	57.4	52.2	5.2	21.6	11.4	10.2
31	Laikipia	50.5	47.9	2.6	14.1	10.5	3.6
32	Nakuru	40.1	33.5	6.6	12.1	6.1	6.0
33	Narok	33.8	41.0	(7.2)	10.2	7.1	3.1
34	Kajiado	11.6	38.0	(26.4)	2.5	7.8	(5.3)
35	Kericho	44.2	39.3	4.9	11.5	7.6	3.9
36	Bomet	46.5	51.3	(4.8)	12.2	10.4	1.8
37	Kakamega	53.0	49.2	3.8	17.4	12.0	5.4
38	Vihiga	41.8	38.9	2.9	11.9	8.8	3.1
39	Bungoma	52.9	47.3	5.6	17.7	11.7	6.0
40	Busia	66.7	60.4	6.3	26.8	16.8	10.0
41	Siaya	35.3	38.2	(2.9)	11.8	7.6	4.2
42	Kisumu	47.8	39.9	7.9	14.2	9.0	5.2
43	Homa Bay	44.1	48.4	(4.3)	15.2	10.5	4.7
44	Migori	46.7	49.6	(2.9)	19.0	12.1	6.9
45	Kisii	60.7	51.4	9.3	21.7	11.7	10.0
46	Nyamira	48.1	50.7	(2.6)	14.3	11.3	3.0
47	Nairobi	22.5	21.8	0.7	6.9	4.1	2.8

Source: Kenya National Bureau of Statistics, 2014

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