



REPUBLIC OF KENYA
TWELFTH PARLIAMENT – (FOURTH SESSION)
THE SENATE
SUPPLEMENTARY ORDER PAPER
SPECIAL SITTING
MONDAY, JULY 13, 2020 AT 2:30 PM

PRAYERS

1. Communication from the Chair
2. Papers (as listed in the Appendix)
3. Notices of Motion (as listed in the Appendix)
4. MOTION – APPROVAL OF THE THIRD BASIS FOR REVENUE ALLOCATION AMONG THE COUNTY GOVERNMENTS
(Chairperson, Standing Committee on Finance and Budget)

THAT, the Senate adopts the Report of the Standing Committee on Finance and Budget on the Third Basis for Revenue Allocation Among the County Governments, laid on the Table of the Senate on Monday, 13th July, 2020, and that pursuant to Article 217 of the Constitution, approves the proposed Third Basis for Revenue Allocation Among the County Governments as contained in the Report.

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NOTICE OF AMENDMENTS

1. NOTICE is given that Sen. Paul Mwangi Githiomi, MP intends to move the following amendment to the Motion on the Report of the Standing Committee on Finance and Budget on the third basis for allocation among the counties, the share of national revenue, for Financial Years 2020/2021 to 2024/2025-

THAT the Motion be amended by deleting the full stop at the end and inserting the following words-

“subject to the deletion of the recommendation appearing at paragraph 26 of the Report and substituting therefor the following new recommendation-

26) The Senate resolves that pursuant to Article 217 (1) of the Constitution, the Third Basis for sharing revenue among counties, for the Financial Year 2020/2021 to 2024/2025 be as follows –

- i) 70% of the allocation to be shared equally; and
- ii) 30% to be shared as per the following formula

$CA = 0.05 * \text{Population Index}_i + 0.05 * \text{Health Index}_i + 0.03 * \text{Agriculture Index}_i + 0.02 * \text{Urban Index}_i + 0.04 * \text{Poverty Index}_i + 0.02 * \text{Land Area Index}_i + 0.01 * \text{Fiscal Effort}_i + 0.01 * \text{Roads Index}_i + 0.01 * \text{Prudence Index}_i + 0.06 * \text{Basic Share Index}_i$

SIMULATION FOR ILLUSTRATION ONLY

No	County	Population 2019	Actual Allocations	Total Allocation	Net Change
			2019/20		
1	Baringo	666,763	5,097	6,403	1,307
2	Bomet	875,689	5,499	6,505	1,005
3	Bungoma	1,670,570	8,900	7,516	(1,385)
4	Busia	893,681	6,015	6,617	601
5	Elgeyo-Marakwet	454,480	3,851	5,881	2,031
6	Embu	608,599	4,297	6,108	1,811
7	Garissa	841,353	7,023	6,679	(344)

8	Homa-Bay	1,131,950	6,745	6,651	(93)
9	Isiolo	268,002	4,250	5,940	1,689
10	Kajiado	1,117,840	6,419	6,877	458
11	Kakamega	1,867,579	10,418	7,972	(2,445)
12	Kericho	901,777	5,382	6,420	1,038
13	Kiambu	2,417,735	9,444	7,954	(1,491)
14	Kilifi	1,453,787	10,440	7,524	(2,916)
15	Kirinyaga	610,411	4,254	6,149	1,894
16	Kisii	1,266,860	7,772	6,991	(781)
17	Kisumu	1,155,574	6,836	6,819	(17)
18	Kitui	1,136,187	8,826	7,383	(1,443)
19	Kwale	866,820	7,787	6,690	(1,098)
20	Laikipia	518,560	4,166	6,155	1,989
21	Lamu	143,920	2,585	5,481	2,896
22	Machakos	1,421,932	7,753	7,160	(593)
23	Makueni	987,653	7,398	6,767	(631)
24	Mandera	867,457	10,228	7,159	(3,069)
25	Marsabit	459,785	6,767	6,439	(329)
26	Meru	1,545,714	8,054	7,147	(907)
27	Migori	1,116,436	6,765	6,843	77
28	Mombasa	1,208,333	7,058	6,635	(422)
29	Murang'a	1,056,640	6,295	6,592	297

30	Nairobi City	4,397,073	15,921	9,876	(6,045)
31	Nakuru	2,162,202	10,473	8,093	(2,381)
32	Nandi	885,711	5,360	6,563	1,203
33	Narok	1,157,873	8,027	6,874	(1,153)
34	Nyamira	605,576	4,826	5,991	1,165
35	Nyandarua	638,289	4,880	6,215	1,335
36	Nyeri	759,164	5,409	6,341	932
37	Samburu	310,327	4,625	6,089	1,464
38	Siaya	993,183	5,807	6,518	711
39	Taita-Taveta	340,671	4,244	5,944	1,700
40	Tana-River	315,943	5,851	6,295	444
41	Tharaka-Nithi	393,177	3,938	5,730	1,792
42	Trans-Nzoia	990,341	5,751	6,633	882
43	Turkana	926,976	10,549	7,784	(2,766)
44	Uasin-Gishu	1,163,186	6,335	6,899	565
45	Vihiga	590,013	4,660	6,011	1,351
46	Wajir	781,263	8,531	6,848	(1,683)
47	West Pokot	621,241	4,988	6,341	1,353
	Total	47,564,296	316,500	316,500	(0)

2. NOTICE is given that Sen. Ledama Olekina, MP intends to move the following amendment to the Motion on the Report of the Standing Committee on Finance and Budget on the third basis for allocation among the counties, the share of national revenue, for Financial Years 2020/2021 to 2024/2025-

THAT the Motion be amended by deleting the full stop at the end and inserting the following words-

“subject to the deletion of the recommendation appearing at paragraph 26 of the Report and substituting therefor the following new recommendations-

- 26) The Senate resolves that pursuant to Article 217 (1) of the Constitution, the Third Basis for sharing revenue among counties, for the Financial Year 2020/2021 to 2024/2025 be as follows –

- 90% of the Equitable share is shared as per the following formula until the equitable share reaches Kshs. 395 billion -

$$CA = 0.18 * \text{Population Index}_i + 0.17 * \text{Health Index}_i + 0.10 * \text{Agriculture Index}_i + 0.05 * \text{Urban Index}_i + 0.14 * \text{Poverty Index}_i + 0.08 * \text{Land Area Index}_i + 0.02 * \text{Fiscal Effort}_i + 0.04 * \text{Roads Index}_i + 0.02 * \text{Prudence Index}_i + 0.20 * \text{Basic Share Index}_i$$

With the following parameters -

Parameter	Assigned Weight	Measure of Expenditure Need
To Enhance Service Delivery		
Health services	17%	a) health facility gap at 20%, b) three years average outpatient visits to levels 2 and 3 health facilities at 60%, and c) three years average in-patient in levels 4 and 5 hospitals at 20%. Data as published by Ministry of Health
Agriculture services	10 %	0.5% of the allocation shared equally among all the counties, Rest shared depending on Rural Households based on 2019 Kenya Population and Housing Census (KPHC).
Population	18 %	Population/ head count, 2019 KPHC
Basic share	20%	19% Equally and 1% based on inverse of Population; 2019 KPHC
To promote balanced development		
Land	8 %	County proportional land area but allocation capped at 7%
Roads	4 %	Rural Access index as published in 2018 by Kenya Roads Board
Poverty level	14 %	Poverty head count; Data as provided by Kenya

		Integrated Household Budget Survey (KIHBS) 2015/16
Urban service	5%	Urban Households based on 2019 KPHC
To Incentivize Revenue Raising and Prudence		
Fiscal effort	2 %	Ratio of a county's three years average actual OSR to the GCP based on data from the Controller of Budget and KNBS
Fiscal prudence	2 %	i) Auditor General's opinion (unqualified only - <ul style="list-style-type: none"> • Weight- assembly 10% • Weight- executive 90% ii) County Budget and Economic Forum (CBEF) iii) At least 30% of actual county expenditure on development iv) Establishment of Internal Audit Committee <ul style="list-style-type: none"> • Weight -assembly 10% • weight- executive 90% The four sub-parameters are equally weighted

27)That to actualize the objective of Article 203 (1) (j) of the Constitution, the Senate resolves that for the Financial Year 2020/2021, 10% of the equitable share allocation be used to cushion counties that will have reductions in their allocations compared to Financial Year 2019/20 allocation until such a time when the equitable share reaches Kshs. 395 billion as per the following formula -

Cushion to the county = Loss of county_i / total loss x 10% (equitable share)

...../Appendix

SIMULATION FOR ILLUSTRATION ONLY

No	County	2019/20 Allocation	CRA Recommendation 316.5b	CRA Recommendation (Ksh.284,850Mn) 10% Cushioning	31,650	Cushion Allocation Ksh 31,650Mn	New Allocation Ksh 316,500)	DIFF1	DIFF2
		A	B	C		D	E=C+D	F=B-A	G=E-A
1	Mandera	10,222.95	8,137	7,323.16	(2,899.79)	2,818.78	10,141.94	(2,086.10)	(81.01)
2	Wajir	8,545.50	7,106	6,395.65	(2,149.85)	2,089.79	8,485.44	(1,439.22)	(60.06)
3	Kilifi	10,444.50	9,332	8,398.68	(2,045.82)	1,988.66	10,387.34	(1,112.63)	(57.16)
4	Kwale	7,785.90	6,573	5,915.69	(1,870.21)	1,817.96	7,733.65	(1,212.91)	(52.25)
5	Narok	8,039.10	7,174	6,456.92	(1,582.18)	1,537.98	7,994.90	(864.75)	(44.20)
6	Marsabit	6,773.10	5,783	5,204.86	(1,568.24)	1,524.42	6,729.29	(989.92)	(43.81)
7	Turkana	10,539.45	10,215	9,193.89	(1,345.56)	1,307.97	10,501.86	(324.02)	(37.59)
8	Mombasa	7,057.95	6,376	5,738.10	(1,319.85)	1,282.98	7,021.08	(682.29)	(36.87)
9	Makueni	7,406.10	6,824	6,141.65	(1,264.45)	1,229.13	7,370.77	(582.05)	(35.33)
10	Garissa	7,026.30	6,539	5,884.84	(1,141.46)	1,109.57	6,994.41	(487.58)	(31.89)
11	Tana-River	5,855.25	5,352	4,816.79	(1,038.46)	1,009.45	5,826.24	(503.26)	(29.01)
12	Kisii	7,785.90	7,560	6,803.88	(982.02)	954.58	7,758.46	(226.03)	(27.44)

13	Nyamira	4,810.80	4,266	3,839.18	(971.62)	944.47	4,783.66	(545.04)	(27.14)
14	Homa-Bay	6,741.45	6,433	5,789.43	(952.02)	925.42	6,714.85	(308.75)	(26.60)
15	Kitui	8,830.35	8,871	7,984.22	(846.13)	822.49	8,806.71	41.00	(23.64)
16	Tharaka-Nithi	3,924.60	3,439	3,095.35	(829.25)	806.08	3,901.43	(485.32)	(23.17)
17	Meru	8,039.10	8,073	7,265.53	(773.57)	751.96	8,017.49	33.71	(21.61)
18	Vihiga	4,652.55	4,336	3,902.59	(749.96)	729.01	4,631.60	(316.34)	(20.95)
19	Murang'a	6,298.35	6,236	5,612.44	(685.91)	666.75	6,279.19	(62.31)	(19.16)
20	Kakamega	10,412.85	10,819	9,737.42	(675.43)	656.56	10,393.98	406.50	(18.87)
21	Kisumu	6,836.40	6,991	6,292.16	(544.24)	529.03	6,821.20	154.89	(15.20)
22	Nyeri	5,412.15	5,419	4,877.44	(534.71)	519.77	5,397.21	7.23	(14.94)
23	Bungoma	8,893.65	9,300	8,369.92	(523.73)	509.09	8,879.02	406.27	(14.63)
24	Taita-Taveta	4,241.10	4,171	3,754.30	(486.80)	473.20	4,227.50	(69.65)	(13.60)
25	Nairobi City	15,919.95	17,150	15,435.44	(484.51)	470.97	15,906.41	1,230.54	(13.54)
26	Isiolo	4,241.10	4,193	3,773.35	(467.75)	454.68	4,228.03	(48.49)	(13.07)
27	Machakos	7,754.25	8,120	7,308.42	(445.83)	433.37	7,741.79	366.22	(12.46)
28	Samburu	4,620.90	4,666	4,199.79	(421.11)	409.35	4,609.14	45.53	(11.76)
29	Migori	6,773.10	7,071	6,363.73	(409.37)	397.94	6,761.66	297.71	(11.44)
30	Siaya	5,791.95	5,994	5,394.27	(397.68)	386.57	5,780.84	201.69	(11.11)
31	Nakuru	10,476.15	11,217	10,095.45	(380.70)	370.06	10,465.51	741.02	(10.64)
32			5,008	4,507.34					

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	Nyandarua	4,874.10			(366.76)	356.51	4,863.85	134.06	(10.25)
33	Elgeyo-Marakwet	3,861.30	3,927	3,534.14	(327.16)	318.02	3,852.16	65.53	(9.14)
34	Busia	6,013.50	6,327	5,694.40	(319.10)	310.18	6,004.59	313.62	(8.91)
35	Kericho	5,380.50	5,672	5,104.59	(275.91)	268.20	5,372.79	291.27	(7.71)
36	Bomet	5,507.10	5,956	5,360.06	(147.04)	142.94	5,502.99	448.52	(4.11)
37	Embu	4,304.40	4,655	4,189.74	(114.66)	111.46	4,301.20	350.86	(3.20)
38	West Pokot	5,000.70	5,432	4,888.66	(112.04)	108.91	4,997.57	431.14	(3.13)
39	Lamu	2,595.30	2,814	2,532.39	(62.91)	61.15	2,593.54	218.47	(1.76)
40	Baringo	5,095.65	5,634	5,070.46	(25.19)	24.49	5,094.95	538.20	(0.70)
41	Trans-Nzoia	5,760.30	6,377	5,739.61	(20.69)	20.11	5,759.72	617.05	(0.58)
42	Kajiado	6,424.95	7,184	6,465.68	-	-	6,465.68	759.14	40.73
43	Kirinyaga	4,241.10	4,792	4,312.57	-	-	4,312.57	550.64	71.47
44	Laikipia	4,177.80	4,825	4,342.92	-	-	4,342.92	647.67	165.12
45	Nandi	5,348.85	6,149	5,534.00	-	-	5,534.00	800.04	185.15
46	Uasin-Gishu	6,330.00	7,258	6,532.17	-	-	6,532.17	927.97	202.17
47	Kiambu	9,431.70	10,752	9,676.69	-	-	9,676.69	1,320.18	244.99
	TOTAL	316,500.00	316,500.00	284,850.00	(32,559.64)	31,650.00	316,500.00	0.00	0.00

...../Appendix

3. NOTICE is given that Sen. (Dr.) Abdullahi Ali Ibrahim, MP intends to move the following amendment to the Motion on the Report of the Standing Committee on Finance and Budget on the third basis for allocation among the counties, the share of national revenue, for Financial Years 2020/2021 to 2024/2025-

THAT the Motion be amended by deleting the full stop at the end and inserting the following words-

“subject to the deletion of the recommendation appearing at paragraph 26 of the Report and substituting therefor the following new recommendations-

26) The Senate resolves that pursuant to Article 217 (1) of the Constitution, the Third Basis for sharing revenue among counties, for the Financial Year 2020/2021 to 2024/2025 be as follows –

- 95% of the Equitable share is shared as per the following formula until the equitable share reaches Kshs. 395 billion -

$$CA = 0.18 * \text{Population Index}_i + 0.17 * \text{Health Index}_i + 0.10 * \text{Agriculture Index}_i + 0.05 * \text{Urban Index}_i + 0.14 * \text{Poverty Index}_i + 0.08 * \text{Land Area Index}_i + 0.02 * \text{Fiscal Effort}_i + 0.04 * \text{Roads Index}_i + 0.02 * \text{Prudence Index}_i + 0.20 * \text{Basic Share Index}_i$$

With the following parameters -

Parameter	Assigned Weight	Measure of Expenditure Need
To Enhance Service Delivery		
Health services	17%	d) health facility gap at 20%, e) three years average outpatient visits to levels 2 and 3 health facilities at 60%, and f) three years average in-patient in levels 4 and 5 hospitals at 20%. Data as published by Ministry of Health
Agriculture services	10 %	0.5% of the allocation shared equally among all the counties, Rest shared depending on Rural Households based on 2019 Kenya Population and Housing Census (KPHC).
Population	18 %	Population/ head count, 2019 KPHC
Basic share	20%	19% Equally and 1% based on inverse of Population; 2019 KPHC
To promote balanced development		
Land	8 %	County proportional land area but allocation capped at 7%
Roads	4 %	Rural Access index as published in 2018 by Kenya Roads Board

Poverty level	14 %	Poverty head count; Data as provided by Kenya Integrated Household Budget Survey (KIHBS) 2015/16
Urban service	5%	Urban Households based on 2019 KPHC
To Incentivize Revenue Raising and Prudence		
Fiscal effort	2 %	Ratio of a county's three years average actual OSR to the GCP based on data from the Controller of Budget and KNBS
Fiscal prudence	2 %	v) Auditor General's opinion (unqualified only – <ul style="list-style-type: none"> • Weight- assembly 10% • Weight- executive 90% vi) County Budget and Economic Forum (CBEF) /ii) At least 30% of actual county expenditure on development iii) Establishment of Internal Audit Committee <ul style="list-style-type: none"> • Weight -assembly 10% • weight- executive 90% The four sub-parameters are equally weighted

- 27) That to actualize the objective of Article 203 (1) (j) of the Constitution, the Senate resolves that for the Financial Year 2020/2021, 5% of the equitable share allocation be used to cushion counties that will have reductions in their allocations compared to Financial Year 2019/20 allocation until such a time when the equitable share reaches Kshs. 395 billion as per the following formula -

Cushion to the county = $\text{Loss of county}_i / \text{total loss} \times 5\%$ (equitable share)

SIMULATION FOR ILLUSTRATION ONLY

No	County	2019/20 Allocation	CRA Recommendation 316.5b	CRA Recommendation (Ksh.300,675Mn) 5% Cushioning	Cushion Allocation Ksh 15,825Mn	New Allocation Ksh 316,500)	DIFF1	DIFF2
		A	B	C	D	E=C+D	F=B-A	G=E-A
1	Mandera	10,222.95	8,137	7,730.00	1,933.45	9,663.46	(2,086.10)	(559.49)
2	Wajir	8,545.50	7,106	6,750.96	1,391.79	8,142.75	(1,439.22)	(402.75)
3	Kilifi	10,444.50	9,332	8,865.27	1,224.80	10,090.07	(1,112.63)	(354.43)
4	Kwale	7,785.90	6,573	6,244.34	1,195.58	7,439.93	(1,212.91)	(345.97)
5	Marsabit	6,773.10	5,783	5,494.02	992.01	6,486.04	(989.92)	(287.06)
6	Narok	8,039.10	7,174	6,815.64	948.88	7,764.52	(864.75)	(274.58)
7	Mombasa	7,057.95	6,376	6,056.88	776.40	6,833.28	(682.29)	(224.67)
8	Makueni	7,406.10	6,824	6,482.85	716.04	7,198.89	(582.05)	(207.21)
9	Turkana	10,539.45	10,215	9,704.66	647.44	10,352.10	(324.02)	(187.35)
10	Garissa	7,026.30	6,539	6,211.78	631.72	6,843.50	(487.58)	(182.80)
11	Tana-River	5,855.25	5,352	5,084.39	597.85	5,682.25	(503.26)	(173.00)
12	Nyamira	4,810.80	4,266	4,052.47	588.14	4,640.61	(545.04)	(170.19)
13	Tharaka-Nithi	3,924.60	3,439	3,267.31	509.77	3,777.09	(485.32)	(147.51)
14	Homa-Bay	6,741.45	6,433	6,111.06	488.91	6,599.97	(308.75)	(141.48)
15	Kisii	7,785.90	7,560	7,181.88	468.46	7,650.34	(226.03)	(135.56)
16	Vihiga	4,652.55	4,336	4,119.40	413.50	4,532.89	(316.34)	(119.66)
17	Kitui	8,830.35	8,871	8,427.79	312.22	8,740.00	41.00	(90.35)
18	Murang'a	6,298.35	6,236	5,924.24	290.15	6,214.39	(62.31)	(83.96)
19	Meru	8,039.10	8,073	7,669.17	286.90	7,956.08	33.71	(83.02)
20	Taita-Taveta	4,241.10	4,171	3,962.87	215.78	4,178.66	(69.65)	(62.44)
21	Nyeri	5,412.15	5,419	5,148.41	204.55	5,352.96	7.23	(59.19)
22	Isiolo	4,241.10	4,193	3,982.98	200.19	4,183.17	(48.49)	(57.93)
23	Kisumu	6,836.40	6,991	6,641.73	150.98	6,792.71	154.89	(43.69)
24	Samburu	4,620.90	4,666	4,433.11	145.65	4,578.75	45.53	(42.15)
25	Kakamega	10,412.85	10,819	10,278.38	104.29	10,382.67	406.50	(30.18)
26	Elgeyo-Marakwet	3,861.30	3,927	3,730.49	101.46	3,831.94	65.53	(29.36)
27	Nyandarua	4,874.10	5,008	4,757.75	90.24	4,847.99	134.06	(26.11)
28	Siaya	5,791.95	5,994	5,693.95	76.00	5,769.96	201.69	(21.99)
29	Bungoma	8,893.65	9,300	8,834.92	45.55	8,880.47	406.27	(13.18)
30	Migori	6,773.10	7,071	6,717.27	43.30	6,760.57	297.71	(12.53)
31	Machakos	7,754.25	8,120	7,714.44	30.87	7,745.32	366.22	(8.93)
32	Busia	6,013.50	6,327	6,010.76	2.12	6,012.89	313.62	(0.61)
33	Kericho	5,380.50	5,672	5,388.18	-	5,388.18	291.27	7.68
34	Lamu	2,595.30	2,814	2,673.08	-	2,673.08	218.47	77.78
35	Embu	4,304.40	4,655	4,422.50	-	4,422.50	350.86	118.10
36	Bomet	5,507.10	5,956	5,657.84	-	5,657.84	448.52	150.74
37	West Pokot	5,000.70	5,432	5,160.25	-	5,160.25	431.14	159.55
38	Nakuru	10,476.15	11,217	10,656.31	-	10,656.31	741.02	180.16
39	Baringo	5,095.65	5,634	5,352.15	-	5,352.15	538.20	256.50
40	Trans-Nzoia	5,760.30	6,377	6,058.48	-	6,058.48	617.05	298.18
41	Kirinyaga	4,241.10	4,792	4,552.16	-	4,552.16	550.64	311.06
42	Nairobi City	15,919.95	17,150	16,292.97	-	16,292.97	1,230.54	373.02
43	Kajiado	6,424.95	7,184	6,824.89	-	6,824.89	759.14	399.94
44	Laikipia	4,177.80	4,825	4,584.19	-	4,584.19	647.67	406.39
45	Nandi	5,348.85	6,149	5,841.45	-	5,841.45	800.04	492.60
46	Uasin-Gishu	6,330.00	7,258	6,895.07	-	6,895.07	927.97	565.07
47	Kiambu	9,431.70	10,752	10,214.28	-	10,214.28	1,320.18	782.58
	TOTAL	316,500.00	316,500.00	300,675.00	15,825.00	316,500.00	0.00	(0.00)

APPENDIX

1. PAPER

The Report of the Standing Committee on Finance and Budget on the Third Basis for Revenue Allocation Among the County Governments.

(Chairperson, Standing Committee on Finance and Budget)

2. NOTICE OF MOTION - APPROVAL OF THE THIRD BASIS FOR REVENUE ALLOCATION AMONG THE COUNTY GOVERNMENTS

(Chairperson, Standing Committee on Finance and Budget)

THAT, the Senate adopts the Report of the Standing Committee on Finance and Budget on the Third Basis for Revenue Allocation Among the County Governments, laid on the Table of the Senate on Monday, 13th July, 2020, and that pursuant to Article 217 of the Constitution, approves the proposed Third Basis for Revenue Allocation Among the County Governments as contained in the Report.
