



REPUBLIC OF KENYA

TWELFTH PARLIAMENT – (FOURTH SESSION)
THE SENATE

ORDER PAPER
SPECIAL SITTING

MONDAY, AUGUST 17, 2020 AT 2:30 PM

PRAYERS

1. Communication from the Chair
2. **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, subject to the deletion of recommendation appearing as 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 -

a) Equitable share not exceeding Kshs. 270 billion

The following formula shall apply

$$CA_i^1 = 0.45PN_i + 0.26ES_i + 0.18PI_i + 0.08LA_i + 0.02FE_i^1 + 0.01DF_i^2$$

Where,

CA_i^1 is revenue allocation of the i^{th} County; PN_i is Population Factor (Population of i^{th} County/total population); ES_i is Basic Equal Share Factor (Total Equal share/47); PI_i is Poverty Gap (Poverty Resources of i^{th} County/total poverty Resources); LA_i Land Area Factor (Land Area (Sq. Kms.) of i^{th} County/Total Land area); FE_i is Fiscal Effort Factor (County's

¹ Fiscal Effort Index used in the FY 2019/20

² The formula will use the 2009 population & poverty statistics

own revenue increment/2009 population of the i^{th} County); and DF_i is Development Factor=

$$\frac{1}{3} \left(\frac{E_i * N_i}{\text{Sumi}(E_i * N_i)} + \frac{W_i * N_i}{\text{Sumi}(W_i * N_i)} + \left(\frac{URN_i}{\text{Sumi}URN_i} \right) \right)$$

Where E_i is proportion of household with access to electricity of the i^{th} County

W_i is proportion of household without access to improved water of the i^{th} County

URN_i is Un-paved road network of class D, E, F, G, H, J, K, M, N & P of the i^{th} County.

b) Equitable share over and above Kshs. 270 billion

The following formula shall apply

$$CA_i2 = 0.16 * \text{Population Index}_i + 0.19 * \text{Health Index}_i + 0.11 * \text{Agriculture Index}_i + 0.05 * \text{Urban Index}_i + 0.14 * \text{Poverty Index}_i + 0.08 * \text{Land Area Index}_i + 0.01 * \text{Fiscal Effort}_i + 0.06 * \text{Roads Index}_i + 0.20 * \text{Basic Share Index}_i^3$$

Where,

Parameter	Indicator of Expenditure Need
Health services	Health index- health facility-gaps (20%), three years average number of primary health care visits to levels 2 and 3 health facilities (60%) and three years average in-patient days in levels 4 and 5 hospitals (20%) Facility gap factor $_i = \frac{\text{Facility gap funding in county } i}{\sum_{i=1}^{47} \text{facility gap funding in county } i}$ Primary health care factor $_i = \frac{\text{No. of primary health care visits in county } i}{\sum_{i=1}^{47} \text{No. of primary health care visits in county } i}$ In – patient days factor $_i = \frac{\text{No. of in – patient days in county } i}{\sum_{i=1}^{47} \text{No. of in – patient days in county } i}$
Agriculture services	Agriculture Index $_i = 0.005 * \text{Minimum Share index} + 0.095 * \frac{\text{Rural households in county } i}{\sum_{i=1}^{47} \text{Rural households in county } i}$
Other county services	Population index $_i = \frac{\text{Population in county } i}{\sum_{i=1}^{47} \text{Population in county } i}$
Minimum share	Basic share index $= 0.19 * \text{Equal Share index} + 0.01 * \frac{\text{inverse of population in county } i}{\sum_{i=1}^{47} \text{inverse of population in county } i}$

³ The formula will use the 2019 population and 2015/16 KIHBS poverty statistics

Land	Land area index _i = $\frac{\text{Land area in county } i}{\sum_{i=1}^{47} \text{Land area in county } i}$
Roads	Roads index _i = $\frac{\text{Rural access index in county } i}{\sum_{i=1}^{47} \text{Rural access index in county } i}$
Poverty level	Poverty index _i = $\frac{\text{No. of poor people in county } i}{\sum_{i=1}^{47} \text{No. of poor people in county } i}$
Urban service	Urban Index <i>i</i> = $\frac{\text{urban household in county } i}{\sum_{i=1}^{47} \text{Urban Household in County } i}$
Fiscal effort	Fiscal effort index _i = $\frac{\text{OSR collections of county } i}{\text{GCP of county } i}$

The basis used is as shown

No.	Parameter	Weight
1	Population	16%
2	Health	19%
3	Agriculture	11%
4	Urban	5%
5	Roads	6%
6	Poverty	14%
7	Land	8% capped
8	Basic Share	20%
9	Fiscal Effort	1%
10	Fiscal Prudence	0%

c) Total Equitable share of a County

The following formula shall apply

$$\mathbf{TES}_i = \mathbf{CA}_i1 + \mathbf{CA}_i2$$

Whereas;

TES_i = Total Equitable share of County_i

CA_i1 = Equitable share not exceeding Kshs. 270 billion

CA_i2 = Equitable share over and above Kshs. 270 billion

(Resumption of debate interrupted on Monday, 17th August, 2020 – Morning Sitting)

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...../Notice of Amendments

NOTICE OF AMENDMENTS

MOTION – APPROVAL OF THE THIRD BASIS FOR REVENUE ALLOCATION AMONG THE COUNTY GOVERNMENTS

(Chairperson, Standing Committee on Finance and Budget)

1) **NOTICE** is given that Sen. Petronila Were Lokorio, 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 allocating 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 recommendation appearing at paragraph 26 of the Report and substituting therefor the following new recommendations-

26. The proposed third basis/criteria for allocating among the counties the share of national revenue for financial years 2020/2021 to 2024/2025 be as follows —

a. Allocation for FY 2020/21

Maintain the FY 2019/20 allocation per County

b. Equitable share not exceeding Kshs. 348 billion

The following formula shall apply

$$CA_i1 = 0.45PN_i + 0.26ES_i + 0.18PI_i + 0.08LA_i + 0.02FE_i + 0.01DF_i^4$$

Where,

CA_i1 is revenue allocation of the ith County; PN_i is Population Factor (Population of ith County/total population); ES_i is Basic Equal Share Factor (Total Equal share/47); PI_i is Poverty Gap (Poverty Resources of ith County/total poverty Resources); LA_i Land Area Factor (Land Area (Sq. Kms.) of ith County/Total Land area); FE_i is Fiscal Effort Factor (County’s own revenue increment/2009 population of the ith County); and DF_i is Development Factor=

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

Where E_i is proportion of household with access to electricity of the ithCounty

...../Amendments

⁴ The formula will use the 2009 population & poverty statistics

W_i is proportion of household without access to improved water of the i^{th} County

URN_i is Un-paved road network of class D, E, F, G, H, J, K, M, N & P of the i^{th} County.

c. Equitable share over and above Kshs. 348 billion

The following formula shall apply

$$CA_i2 = 0.18 * \text{Population Index}_i + 0.17 * \text{Health Index}_i + 0.10 * \text{Agriculture Index}_i + 0.05 * \text{Urban Index}_i + 0.14 * \text{Poverty Index}_i + 0.08 * \text{Land Area Index}_i + 0.02 * \text{Fiscal Effort}_i + 0.04 * \text{Roads Index}_i + 0.02 * \text{Prudence Index}_i + 0.20 * \text{Basic Share Index}_i^5$$

Where,

Parameter	Indicator of Expenditure Need
Health services	<p>Health index- health facility-gaps (20%), three years average number of primary health care visits to levels 2 and 3 health facilities (60%) and three years average in-patient days in levels 4 and 5 hospitals (20%)</p> $\text{Facility gap factor}_i = \frac{\text{Facility gap funding in county } i}{\sum_{i=1}^{47} \text{facility gap funding in county } i}$ $\text{Primary health care factor}_i = \frac{\text{No. of primary health care visits in county } i}{\sum_{i=1}^{47} \text{No. of primary health care visits in county } i}$ $\text{In - patient days factor}_i = \frac{\text{No. of in - patient days in county } i}{\sum_{i=1}^{47} \text{No. of in - patient days in county } i}$
Agriculture services	$\text{Agriculture Index}_i = 0.005 * \text{Minimum Share index} + 0.095 * \frac{\text{Rural households in county } i}{\sum_{i=1}^{47} \text{Rural households in county } i}$
Other county services	$\text{Population index}_i = \frac{\text{Population in county } i}{\sum_{i=1}^{47} \text{Population in county } i}$
Minimum share	<p>Basic share index</p> $= 0.19 * \text{Equal Share index} + 0.01 * \frac{\text{inverse of population in county } i}{\sum_{i=1}^{47} \text{inverse of population in county } i}$
Land	$\text{Land area index}_i = \frac{\text{Land area in county } i}{\sum_{i=1}^{47} \text{Land area in county } i}$
Roads	$\text{Roads index}_i = \frac{\text{Rural access index in county } i}{\sum_{i=1}^{47} \text{Rural access index in county } i}$

⁵ The formula will use the 2019 population and 2015/16 KIHBS poverty statistics

Poverty level	$\text{Poverty index}_i = \frac{\text{No. of poor people in county } i}{\sum_{i=1}^{47} \text{No. of poor people in county } i}$				
Urban service	$\text{Urban Index } i = \frac{\text{urban household in county } i}{\sum_{i=1}^{47} \text{Urban Household in County } i}$				
Fiscal prudence	No. Variable	Indicator	Score	Responsible	Weighting
	1 Audit Reports	Non-Qualified	4	County Executive & Assembly	CE=90% CA=10%
		Qualified	2		
		Adverse	0		
		Disclaimer	0		
	2 Development Expenditure	At least 30%	1	County Government	100%
		Below 30%	0		
	4 Internal Audit Committee	In place	1	County Executive & Assembly	CE=90% CA=10%
	4 County Budget and Economic Forum	In place	1	County Government	100%
		Not In place	0		

...../Amendments

SIMULATION FOR ILLUSTRATION ONLY

Simulation using Equitable share over and above Kshs. 348 billion using the proposed amendment by Senator Petronilla Were Lokorio-

No	County	Allocation FY 2019/20	Allocations when Equitable share Hits Kshs. 348 billion	Net Change from the Baseline of 2019/20
1	Mandera	10,222.95	8,946.67	(1,276)
2	Wajir	8,545.50	7,813.54	(732)
3	Kwale	7,785.90	7,227.18	(559)
4	Marsabit	6,773.10	6,358.76	(414)
5	Kilifi	10,444.50	10,260.63	(184)
6	Narok	8,039.10	7,888.39	(151)
7	Tharaka-Nithi	3,924.60	3,781.58	(143)
8	Nyamira	4,810.80	4,690.32	(120)
9	Mombasa	7,057.95	7,010.21	(48)
10	Tana-River	5,855.25	5,884.65	29
11	Makueni	7,406.10	7,503.22	97
12	Vihiga	4,652.55	4,767.77	115
13	Garissa	7,026.30	7,189.49	163
14	Homa-Bay	6,741.45	7,072.92	331
15	Taita-Taveta	4,241.10	4,586.61	346
16	Isiolo	4,241.10	4,609.89	369
17	Elgeyo-Marakwet	3,861.30	4,317.65	456
18	Lamu	2,595.30	3,093.81	499
19	Samburu	4,620.90	5,130.86	510
20	Kisii	7,785.90	8,312.28	526
21	Nyeri	5,412.15	5,958.74	547
22	Murang'a	6,298.35	6,856.69	558
23	Nyandarua	4,874.10	5,506.60	632
24	Turkana	10,539.45	11,232.13	693
25	Siaya	5,791.95	6,590.16	798
26	Embu	4,304.40	5,118.58	814
27	Meru	8,039.10	8,876.27	837
28	Kisumu	6,836.40	7,687.11	851
29	Kericho	5,380.50	6,236.26	856
30	Kitui	8,830.35	9,754.29	924
31	Busia	6,013.50	6,956.83	943
32	West Pokot	5,000.70	5,972.45	972
33	Migori	6,773.10	7,774.54	1,001
34	Kirinyaga	4,241.10	5,268.65	1,028

No	County	Allocation FY 2019/20	Allocations when Equitable share Hits Kshs. 348 billion	Net Change from the Baseline of 2019/20
35	Bomet	5,507.10	6,548.36	1,041
36	Baringo	5,095.65	6,194.56	1,099
37	Laikipia	4,177.80	5,305.73	1,128
38	Machakos	7,754.25	8,928.67	1,174
39	Trans-Nzoia	5,760.30	7,012.06	1,252
40	Bungoma	8,893.65	10,225.50	1,332
41	Nandi	5,348.85	6,760.87	1,412
42	Kajiado	6,424.95	7,899.10	1,474
43	Kakamega	10,412.85	11,896.16	1,483
44	Uasin-Gishu	6,330.00	7,980.33	1,650
45	Nakuru	10,476.15	12,333.57	1,857
46	Kiambu	9,431.70	11,821.97	2,390
47	Nairobi City	15,919.95	18,857.41	2,937
	Total	316,500	348,000	31,500

...../Amendments

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 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%. <i>Data as published by Ministry of Health</i>
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% <i>The four sub-parameters are equally weighted</i>

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 -

$$\text{Cushion to the county} = \text{Loss of county}_i / \text{total loss} \times 10\% \text{ (equitable share)}$$

...../Amendments

SIMULATION FOR ILLUSTRATION ONLY

No	County	2019/20 Allocation	CRA Recommendation 316.5b	CRA Recommendation (Ksh.284,850M n) 10% Cushioning	31,650	Cushion Allocation Ksh 31,650M n	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)

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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	Nyandarua	4,874.10	5,008	4,507.34	(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)

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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

...../Amendments

3) **NOTICE** is given that Sen. Kimani Wamatangi, MP intends to move a further amendment to the motion on the Report of the Standing Committee on Finance and Budget on the third basis/ criteria for allocating among the counties, the share of national revenue for financial years 2020/2021 to 2024/2025 as amended by Sen. Johnson Sakaja, MP and Sen. Mithika Linturi, MP, subject to the deletion of the recommendation appearing as paragraph 26 of the amended report and substituting therefor the following new recommendation as follows—

(26) The Senate resolves that pursuant to Article 217 of the Constitution, the Third basis for sharing revenue among counties, for the FY 2020/2021- 2024/25 be as follows-

a) Equitable Share for 2020/21

The following formula shall apply

$$CA_i1 = 0.45PN_i + 0.26ES_i + 0.18PI_i + 0.08LA_i + 0.02FE_i^1 + 0.01DF_i^2$$

Where,

CA_{i1} is revenue allocation of the ith County; PN_i is Population Factor (Population of ith County/total population); ES_i is Basic Equal Share Factor (Total Equal share/47); PI_i is Poverty Gap (Poverty Resources of ith County/total poverty Resources); LA_i Land Area Factor (Land Area (Sq. Kms.) of ith County/Total Land area); FE_i is Fiscal Effort Factor (County’s own revenue increment/2009 population of the ith County); and DF_i is Development Factor=

$$\frac{1}{3} \left(\frac{E_i * N_i}{\sum (E_i * N_i)} + \frac{W_i * N_i}{\sum (W_i * N_i)} + \left(\frac{URN_i}{\sum URN_i} \right) \right)$$

Where E_i is proportion of household with access to electricity of the ith County

W_i is proportion of household without access to improved water of the ith County

URN_i is Un-paved road network of class D, E, F, G, H, J, K, M, N & P of the ith County.

...../Amendments

¹ Fiscal Effort Index for FY 2019/20

² The formula will use the 2009 population & poverty statistics

b) Equitable share for 2021/22

a. Equitable share not exceeding Kshs.316.5 billion

The following formula shall apply

$$CA_i1 = 0.45PN_i + 0.26ES_i + 0.18PI_i + 0.08LA_i + 0.02FE_i + 0.01DF_i^3$$

Where,

CA_{i1} is revenue allocation of the ith County; PN_i is Population Factor (Population of ith County/total population); ES_i is Basic Equal Share Factor (Total Equal share/47); PI_i is Poverty Gap (Poverty Resources of ith County/total poverty Resources); LA_i Land Area Factor (Land Area (Sq. Kms.) of ith County/Total Land area); FE_i is Fiscal Effort Factor (County’s own revenue increment/2009 population of the ith County); and DF_i is Development Factor=

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

Where E_i is proportion of household with access to electricity of the ith County

W_i is proportion of household without access to improved water of the ith County

URN_i is Un-paved road network of class D, E, F, G, H, J, K, M, N & P of the ith County.

b. Any additional amount of Equitable share above Kshs.316.5 billion for 2021/22 (Details of the parameters are given in Appendix 1)

The following formula shall apply

$$CA = 0.16 * Population Index_i + 0.20 * Health Index_i + 0.12 * Agriculture Index_i + 0.04 * Urban Index_i + 0.14 * Poverty Index_i + 0.05 * Land Area Index_i + 0.01 * Fiscal Effort_i + 0.07 * Roads Index_i + 0.01 * Prudence Index_i + 0.10 * Basic Share Index_i^4$$

...../Amendments

³ The formula will use the 2009 population & poverty statistics

⁴ The formula will use the 2019 population and 2015/16 KIHBS poverty statistics

c) Equitable share for 2022/23- 2024/25 (Details of the parameters are given in Appendix 1)

The following formula shall apply

$$CA = 0.16 * \text{Population Index}_i + 0.20 * \text{Health Index}_i + 0.12 * \text{Agriculture Index}_i + 0.04 * \text{Urban Index}_i + 0.14 * \text{Poverty Index}_i + 0.05 * \text{Land Area Index}_i + 0.01 * \text{Fiscal Effort}_i + 0.07 * \text{Roads Index}_i + 0.01 * \text{Prudence Index}_i + 0.10 * \text{Basic Share Index}_i^5$$

d) The Senate, pursuant to Article 217 (2) (b) of the Constitution, recommends that the Commission on Revenue Allocation take into consideration the Report of the Standing Committee on Finance and Budget on the Third Basis for Revenue Allocation and the debate thereon by the Senate and review its original recommendation on the third basis/criteria for allocating among the counties the share of national revenue for financial years 2020/2021-2024/2025, and submit the revised recommendations to the Senate within 3 months, taking into account additional factors including pastoralism; the livestock sector; the blue economy; the extractive industries; and wildlife and conservation in determining principles and parameters of equitable sharing of national revenue among the counties.

Appendix 1: Explanation of the Parameters

Where,

Parameter	Indicator of Expenditure Need
Health services	<p>Health index- health facility-gaps (20%), three years average number of primary health care visits to levels 2 and 3 health facilities (60%) and three years average in-patient days in levels 4 and 5 hospitals (20%)</p> $\text{Facility gap factor}_i = \frac{\text{Facility gap funding in county } i}{\sum_{i=1}^{47} \text{facility gap funding in county } i}$ $\text{Primary health care factor}_i = \frac{\text{No. of primary health care visits in county } i}{\sum_{i=1}^{47} \text{No. of primary health care visits in county } i}$ $\text{In - patient days factor}_i = \frac{\text{No. of in - patient days in county } i}{\sum_{i=1}^{47} \text{No. of in - patient days in county } i}$
Agriculture services	$\text{Agriculture Index}_i = 0.005 * \text{Minimum Share index} + 0.095 * \frac{\text{Rural households in county } i}{\sum_{i=1}^{47} \text{Rural households in county } i}$
Other county services	$\text{Population index}_i = \frac{\text{Population in county } i}{\sum_{i=1}^{47} \text{Population in county } i}$
Minimum share	<p>Basic share index</p> $= 0.19 * \text{Equal Share index} + 0.01 * \frac{\text{inverse of population in county } i}{\sum_{i=1}^{47} \text{inverse of population in county } i}$

⁵ The formula will use the 2019 population and 2015/16 KIHBS poverty statistics

Land	$\text{Land area index}_i = \frac{\text{Land area in county } i}{\sum_i^{47} \text{Land area in county } i}$					
Roads	$\text{Roads index}_i = \frac{\text{Rural access index in county } i}{\sum_{i=1}^{47} \text{Rural access index in county } i}$					
Poverty level	$\text{Poverty index}_i = \frac{\text{No. of poor people in county } i}{\sum_{i=1}^{47} \text{No. of poor people in county } i}$					
Urban service	$\text{Urban index}_i = \frac{\text{Urban population in county } i}{\sum_{i=1}^{47} \text{Urban population in county } i}$					
Fiscal effort	$\text{Fiscal effort index}_i = \frac{\text{OSR collections of county } i}{\text{GCP of county } i}$					
Fiscal prudence	No.	Variable	Indicator	Score	Responsible	Weighting
	1	Audit Reports	Non-Qualified	4	County Executive & Assembly	CE=90% CA=10%
			Qualified	2		
			Adverse	0		
			Disclaimer	0		
	2	Development Expenditure	At least 30%	1	County Government	100%
			Below 30%	0		
	4	Internal Audit Committee	In place	1	County Executive & Assembly	CE=90% CA=10%
4	County Budget and Economic Forum	In place	1	County Government	100%	
		Not In place	0			

...../Amendments

SIMULATION FOR ILLUSTRATION ONLY

Simulation using Equitable Share of Kshs. 316.5 billion for FY 2020/2021 applying the proposed amendment

No	County	Actual Allocations 2019/20	Proposed FY 2020/21 Allocation (Kshs.316.5 billion)	Net Change between FY19/20 Allocation & Proposed FY 2020/21 Allocation
1	Mandera	10,222.95	10,222.95	0.00
2	Kwale	7,785.90	7,785.90	0.00
3	Wajir	8,545.50	8,545.50	0.00
4	Marsabit	6,773.10	6,773.10	0.00
5	Kilifi	10,444.50	10,444.50	0.00
6	Mombasa	7,057.95	7,057.95	0.00
7	Narok	8,039.10	8,039.10	0.00
8	Makueni	7,406.10	7,406.10	0.00
9	Nyamira	4,810.80	4,810.80	0.00
10	Tana-River	5,855.25	5,855.25	0.00
11	Tharaka-Nithi	3,924.60	3,924.60	0.00
12	Garissa	7,026.30	7,026.30	0.00
13	Vihiga	4,652.55	4,652.55	0.00
14	Isiolo	4,241.10	4,241.10	0.00
15	Homa-Bay	6,741.45	6,741.45	0.00
16	Kisii	7,785.90	7,785.90	0.00
17	Taita-Taveta	4,241.10	4,241.10	0.00
18	Murang'a	6,298.35	6,298.35	0.00
19	Samburu	4,620.90	4,620.90	0.00
	Total Loss	126,473.40	126,473.40	0.00
1	Kitui	8,830.35	8,830.35	0.00
2	Nyandarua	4,874.10	4,874.10	0.00

No	County	Actual Allocations 2019/20	Proposed FY 2020/21 Allocation (Kshs.316.5 billion)	Net Change between FY19/20 Allocation & Proposed FY 2020/21 Allocation
3	Nyeri	5,412.15	5,412.15	0.00
4	Turkana	10,539.45	10,539.45	0.00
5	Lamu	2,595.30	2,595.30	0.00
6	Elgeyo-Marakwet	3,861.30	3,861.30	0.00
7	Kisumu	6,836.40	6,836.40	0.00
8	Meru	8,039.10	8,039.10	0.00
9	Migori	6,773.10	6,773.10	0.00
10	Embu	4,304.40	4,304.40	0.00
11	Siaya	5,791.95	5,791.95	0.00
12	Busia	6,013.50	6,013.50	0.00
13	Kericho	5,380.50	5,380.50	0.00
14	Machakos	7,754.25	7,754.25	0.00
15	Kakamega	10,412.85	10,412.85	0.00
16	Bomet	5,507.10	5,507.10	0.00
17	Bungoma	8,893.65	8,893.65	0.00
18	Laikipia	4,177.80	4,177.80	0.00
19	Kirinyaga	4,241.10	4,241.10	0.00
20	Baringo	5,095.65	5,095.65	0.00
21	West Pokot	5,000.70	5,000.70	0.00
22	Kajiado	6,424.95	6,424.95	0.00
23	Trans-Nzoia	5,760.30	5,760.30	0.00
24	Nairobi City	15,919.95	15,919.95	0.00
25	Uasin-Gishu	6,330.00	6,330.00	0.00
26	Nakuru	10,476.15	10,476.15	0.00
27	Nandi	5,348.85	5,348.85	0.00

No	County	Actual Allocations 2019/20	Proposed FY 2020/21 Allocation (Kshs.316.5 billion)	Net Change between FY19/20 Allocation & Proposed FY 2020/21 Allocation
28	Kiambu	9,431.70	9,431.70	0.00
	Total	316,500.00	316,500.00	0.00

...../Amendments

4) **NOTICE** is given that Sen. James Orengo, 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/ criteria for allocating 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 insertion of a new recommendation after paragraph 26 of the Report as follows-

27) The Senate, pursuant to Article 217 (2) (b) of the Constitution, recommends that the Commission on Revenue Allocation take into consideration the Report of the Standing Committee on Finance and Budget on the Third Basis for Revenue Allocation and the debate thereon by the Senate and review its original recommendation on the third basis/ criteria for allocating among the counties the share of national revenue for financial years 2020/2021 to 2024/2025, and submit the revised recommendations to the Senate within three months, taking into account additional factors including pastoralism; the livestock sector; the blue economy; the extractive industries; and wildlife and conservation in determining principles and parameters of equitable sharing of national revenue among the counties”.
