



REPUBLIC OF KENYA
TWELFTH PARLIAMENT – (FOURTH SESSION)
THE NATIONAL ASSEMBLY

IN THE MATTER OF DETERMINATION OF THE BASIS FOR ALLOCATION OF THE SHARE OF NATIONAL REVENUE AMONG THE COUNTIES PURSUANT TO ARTICLES 95(4)(a) AND 217(3) & (4) OF THE CONSTITUTION

PUBLIC VIEWS/SUBMISSION OF MEMORANDA

WHEREAS, Article 95(4)(a) of the Constitution provides that the National Assembly *determines* the allocation of national revenue between the levels of government, as provided in Part 4 of Chapter Twelve (*Revenue Allocation*) of the Constitution and further that Article 217(4) of the Constitution provides that the National Assembly may consider the resolution of the Senate in its determination on the Basis for allocating the Share of National Revenue among the Counties.

AND WHEREAS, following the *Resolution of the Senate* on the Basis for Allocating the Share of National Revenue Among the Counties of Thursday, September 17, 2020 (the Third Basis), it is notified to the general public that, in fulfillment of the requirements of the provisions of Articles 35(3), 95(4)(a) and 217(4) of the Constitution, the said *Resolution of the Senate* as passed on Thursday, 17th September 2020 was received in the National Assembly on Friday, 18th September 2020 by way of a Message conveying in part, as hereunder-

SENATE'S RESOLUTION

THAT, pursuant to Article 217 (1) of the Constitution, the Third Basis for allocating among the counties the Share of National Revenue that is annually allocated to the county level of government, for the Financial Years 2020/2021 to 2024/2025 shall consist of the Allocation Ratio and the Formula, where-

- (i) **Allocation Ratio** = the shareable revenue allocated to the counties in the financial year 2019/2020.
- (ii) **Formula** = $0.18 * \text{Population Index}_i + 0.17 * \text{Health Index}_i + 0.10 * \text{Agriculture Index}_i + 0.05 * \text{Urban Index}_i + 0.14 * \text{Poverty Index}_i + 0.08 * \text{Land Area Index}_i^1 + 0.08 * \text{Roads Index}_i + 0.20 * \text{Basic Share Index}_i^2$

¹ Land Area capped at 7%

² The formula will use the 2019 population and 2015/16 KIHBS poverty statistics

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 = $0.19 * \text{Equal Share index} + 0.01 * \frac{\text{inverse of population in county } i}{\sum_{i=1}^{47} \text{inverse of population in county } i}$
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 = $\frac{\text{urban household in county } i}{\sum_{i=1}^{47} \text{Urban Household in County } i}$

FURTHER THAT, the Third Basis for allocating among the counties the share of national revenue that is annually allocated to the county level of government for the financial years 2020/2021 to 2024/2025 shall be applied as follows-

- (a) **Equitable Share for 2020/21**
County Allocation = Allocation Ratio + 0(Formula).
- (b) **Equitable share for 2021/2022 to 2024/2025 of Kshs.370 billion and above**
County Allocation = $0.5 (\text{Allocation Ratio}) + (((\text{Equitable Share} - 0.5 (\text{Allocation Ratio})) * (\text{Formula}))$.

PROVIDED THAT, for the duration of the operation of the Third Basis for allocating revenue among the counties, no county shall receive in any financial year an amount of shareable revenue that is less than the amount of shareable revenue received by the county in the financial year 2019/2020.

FURTHER THAT, pursuant to Article 217 (2) (b) of the Constitution, the Commission on Revenue Allocation takes into account the Resolution of the Senate on the Third Basis for Revenue Allocation and the debate thereon and further takes into account additional factors including pastoralism; the livestock sector; the blue economy; the extractive industries and wildlife and conservation in determining principals and parameters of equitable sharing of national revenue among the counties."

NOW THEREFORE, in accordance with Article 217 (4) of the Constitution, the National Assembly is required, within sixty (60) days, to consider the resolution adopted by the Senate. However, due to the **URGENCY** of the business and the need to expedite the consideration of the resolution and subsequently enacting the County Allocation of Revenue Act, 2020 to facilitate the immediate release of funds to the County Governments, the Hon. Speaker of the National Assembly, notwithstanding the provisions of Standing Order 41 relating to conveying of Messages from the Senate, has referred the Message to the Budget and Appropriations Committee for consideration, public participation and subsequent reporting to the House for further determination.

FURTHER THEREFORE, following the referral of the said Message, it is notified to the general public that-

- I. **In fulfillment of the requirements of the provisions of Articles 118 and 217(4) of the Constitution, the Budget and Appropriations Committee now invites interested members of the public to submit any representations that they may have on the Third Basis for revenue allocation among County Governments as adopted by the Senate.**
- II. In view of the current protocols of Covid-19 pandemic, the Committee is seeking views of the **public** and other stakeholders through written submissions/memoranda. Written memoranda may be forwarded to the **Clerk of the National Assembly, P.O. Box 41842-00100, Nairobi**, hand delivered to the **Office of the Clerk, Main Parliament Building, Nairobi** or emailed to **clerk@parliament.go.ke**, to be received **on or before Tuesday, 22nd day of September, 2020 at 5p.m.**
- III. The Message is available in the **Office of the Clerk of the National Assembly, First Floor, Parliament Buildings** and has also been published on the Parliamentary website (<http://www.parliament.go.ke/the-national-assembly/house-business/messages>).

MICHAEL R. SIALAI, EBS
CLERK OF THE NATIONAL ASSEMBLY

September 18, 2020