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The Politics of revenue Allocation and Resource Control in Kenya: Implications for County Governments stability

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Abstract

Revenue is the main stay of the finances of government at all levels. In the previous financial years there has been a debate regarding whether the resources allocated for the county level of governments is sufficient to perform the assigned functions. No doubt, this has been one of the perennial problems which has not only defied all past attempts at permanent solution, but has also evoked high political emotions whenever sharing formulae is proposed and on the part of all concerned is the issue of equitable revenue allocation in Kenya. Thus, the thrust of this paper is an in-depth analysis of the politics of revenue allocation cum resource control. The paper takes a survey approach at virtually all previous attempts at arriving at equitable formula. The paper intends to look at factors considered in revenue allocation and the underlying politics in the sharing and control of resource at the county level. In order to achieve the objectives of the study, the paper adopts documentary sources of data and content analysis for its methodology.

Introduction

Kenya's 2010 Constitution created a two-tiered devolved system of government with 47 counties established to bring service delivery closer to the people. Only around 15% of national revenue is directed to county government based on a formula determined by the Commission on Revenue Allocation (CRA). A satisfactory solution to the problems of matching responsibilities with resources and resolution of imbalances among county governments is crucial to the future development and enhancement of democracy.

The politics of revenue allocation forms part of current debate in Kenya today where "one man, one shilling revenue sharing formula" is viewed as a complete reversal of the principle of devolution as entrenched in 2010 Kenya constitution and at the same time it is seen as one way of making county government more sustainable and stable. The argument advanced is that, "Development money should be invested where it will yield the largest increase in net output. This approach will clearly favour the development of areas having abundant natural resources, good land and rainfall, transport and power facilities, and people receptive to, and active in development" (Ndii 2020). But going forward Canberra (1980) stated that, theoretically there

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are two general approaches to revenue allocation to the devolve government units, namely, on the basis of economic efficiency and secondly on political variables (political structure). However, on a broader perspective, the overarching principle of public finance, is founded on an equitable society, enunciated in Article 201 and also enshrined in Social and Economic Rights (Article 43) represents the consummation of this covenant. More fundamentally, it is the political bargain underpinning Kenya as a unitary state.

Brief History on Growth Rate in Kenya

Kenya has had an annual growth rate of about 5.46 percent from 2004 until 2016, around 6 percent in 2017; 5.8 percent in 2018 and 6.1 percent in 2019.Therefore over the past 6 years, government spending has grown at an average of 14.7 percent, yet revenue growth has only increased by 12.7 percent. Under the current Jubilee administration, spending has gone up by two-thirds, from Sh1.6 trillion in 2013/14 to Sh2.64 trillion in 2017/18. There are several factors behind this aggressive growth in expenditure, the first and the most important for this study is devolution. In 2010 Kenyans enacted a new constitution, which established a bicameral Parliament and 47 county governments. At the beginning of the implementation of devolution, a parliamentary report indicated that it would cost at least Sh36 billion to set up. Prior to devolution, it cost Sh6.6 billion per year to run Parliament, but that figure is expected to rise to Sh14.3 billion. The Parliamentary Budget Office has also stated that it will cost Sh21.75 billion annually to run the 47 county assemblies. Thus, while welcomed, the reality is that devolution is expensive. Kenya Revenue Authority (KRA) has been falling short of its revenue targets for some time. In 2016/17 total collection stood at Sh1.365 trillion representing a performance rate of 95.4 percent, and a shortfall of Sh66.64 billion- a significant number. Revenue generation targets tend to be revised upwards over the course of the years. According to the UN, Africa loses more than US$50 billion through illicit financial outflows per year. Companies evade and avoid tax by shifting profits to low tax locations, claiming large allowable deductions, carrying losses forward indefinitely, and using transfer pricing. The main reason why consistent subpar revenue collection is worrying is because the national treasury continues to construct budgets based on the unrealistic targets. For example, revenue generated was meant to play a bigger role in the current budget, financing 60.7 percent of the overall deficit and 58.7 percent of the development expenditure. Since it appears as though targets will again not be met, government will have to borrow more than anticipated.

1.1.1 Revenue Allocation

Olowononi (2000) broadly defines revenue allocation to include allocation of tax powers and the revenue sharing arrangements not only among the various levels of government but among the state governments as well. Under government's distribution function, it redistributes incomes and resources to promote national unity and equity (Jimoh, 2003). Revenue allocation can be described as a method of sharing the centrally generated revenue among different tiers of

government and how the amount allocated to a particular tier is shared among its components for economic development.

1.1.2 Control of Revenue in Counties

Many Kenyans feel that resources have not been shared fairly in Kenya over the last 50 years. That is one reason why they voted for a new constitution and supported devolution. They believe that this new political system will help the country to share resources in a fairer way. But while the 2010 constitution says in many places that resources should be shared fairly, it does not say what that means. How do we know if something is fair or not? What do we mean by a fair share? (Lakin and Kinuthia (2014). The fair deal can be explained legally, thus, Law reform to establish or sharpen arrangements ("legal tools") that strengthen the protection of local resource rights, which can provide greater say in decision making processes affecting these rights. Legal empowerment to increase local resource control requires action at different levels (Cotula 2007).

1.2 RESEARCH PROBLEM

Devolution has brought to the forefront issues of equitable distribution of resources, wider public participation, and reduction of socio-economic disparities, national unity and integration, among others. The forty-seven county governments, largely mandated to fulfill these tasks, set out to attain these goals either with grit and innovation, or with a 'politics as usual' attitude. Admittedly, devolved counties face complex challenges ranging from resource mismanagement and limited revenue allocation to weak governance structure and pervasive corruption that hinder them from carrying out their constitutionally mandated duties. Hitherto it cannot be denied that eight years into implementation, gains have been made and changes have been felt by the common Mwananchi in the most remote corners in the country.

There is the problem of how to allocate revenue to different tiers of government in relation to the constitutionally assigned functions. Only around 15% of national revenue is directed to county government based on a formula determined by the Commission on Revenue Allocation (CRA). In addition, since 85% of funds remain at the national level, the Kenyan people are not getting adequate services that should be provided by both levels of government. Some communities recognize marked improvement; but evidence shows that the majority are still marginalized. Almost 70% of Kenyans remain around or below the poverty line. While national poverty levels are slowly decreasing, the absolute number of those making less than $3.20 a day has increased, due to persistently high population growth (World Bank).The discordance between fiscal capacity of various levels of government and their expenditure responsibilities, the non-correspondence problem, is a striking feature of the federal finance (Mbanefoh & Egwaikhide, 2000). There is also the problem of how revenue should be shared among the states and local councils. The variations and fixing of recommended parameter and weights have not been done scientifically but through a political process (public participation and internal analyses by the CRA).

This paper explores the diverse viewpoints of stakeholders on the politics of revenue allocation and resource controls and its implications to the gains so far made among the 47 counties in Kenya. Given that, the 15% minimum threshold of national revenue allocation to counties ensured that financial resources are provided to all county governments regardless of ethnic affiliation or party alignment, while the Public Finance Management Act requires them to devote 30% of the 15% allocation to socio-economic development initiatives. The same Act mandates that county governments involve their citizenry in the planning and budgeting processes that will determine how these resources will be spent. The gap between where Kenya is and its aspirations are widening, rather than narrowing. For instance, the highest 10% (4,723,626) of the population controls 31.6% of Kenya's income and the lowest 10% (4,723,626) controls only 2.4% of Kenya's income (World Bank report 2020).

However, this study intends to examine empirically how different revenue allocations over the years impacted on economic development of Nigeria and the causal relationship between the variables.

1.3 Objectives of the study

i. Review various approaches to revenue allocation and document the variations in parameters used since 2013 to 2020.

ii. analyze the impact of allocation formula on the County governments growth process in Kenya
iii. Evaluating spending options in county governments in relation to revenue allocated and resource control.
iv. To analytically assess the impact of revenue allocation parameters on stability and development among county governments since 2013 to 2020.

Literature Review

This section discusses the theories underpinning the study and empirical studies that supports the research problem. The impetus of the current study is to ascertain the parameters to consider in revenue allocation and resource control in Kenya county governments and analytically assess the impact of revenue allocation parameters on stability of county governments since 2013 to 2020. The following theories have been used to underpin the study; devolution theories, economic and market based theory and resource based theory.

Theories underpinning the Study

According to the instrumental theory, (Parry, 1980), decision making participation is viewed based as the means to achieve greater ends. The instrumental theory treats political participation

as a means to some more restricted end such as the better defense of individual or group interest. The theory states that the individual is seen to be the best judge of his own interest. It is assumed that the political participation in decision making by those affected by decision would enable government and organization to secure co-operation from those who would be affected by the decisions.

The development theory suggest that political participation be viewed not as a means but as an end in itself. According to Rizvi (1993), argues that participation may be seen as “a moral principle for organizing social life” this has two main purpose on the creation of a “better” human society and also it’s aiming to mould a democratic citizen.

According to Rizvi (1995), he maintains that organizational relationship should be equal, reciprocal and whenever possible direct and many sided, unmediated by representatives, leaders, bureaucrats and institutions or by organizational codes or abstract rules.

2.2.2 Economic and market based theory

In an economic theory, allocation of revenue is concerned with the discovery of how nations, companies or individuals distribute the economic resource in the economic market place. According to Smith (1976), he asserts that the concept of economic on private resource is important study area in free market.

2.2.3 Resource based theory

According to Barley**,** Wright and Ketchen (2001), Resource based theory holds that if a firm has to achieve a sustained competitive advantage, it has to acquire and have control of valuable, rare, inimitable and no substitutable resources.

In the resource – based view, firms or companies can gain their partner’s complimentary resources to enhance internal processing to create synergies and competitive advantage within the market (Das and Teng, 2000).

2.2.4 Endogenous growth theory

Endogenous growth theory says that economic growth depends primarily on endogenous factors such as human capital, innovations, knowledge and positive externalities (Romer, 1994).

Endogenous growth theory holds that policy within an economy, such as revenue allocations positively influence the long- run growth rate of economy, such as increase in real GDP.

2.3 Determinants of Revenue Allocation

Internationally, there are at least three principles that dominate discussions of equity in revenue sharing. These principles are: fiscal need, fiscal capacity and fiscal effort. While not explicitly mentioned as such in the Kenyan constitution, they are implicitly present in Article 203 of the

constitution of Kenya 2010. The constitution speaks of "developmental needs", fiscal capacity and "incentives" to "optimize" own revenue collection. These are analogous to the three international principles, which forms the politics of revenue allocation. However, the protraction on the revenue allocation is between two concepts. One is based on population and christened '*one man, one vote, one shilling'*. This school of thought argues that allocation should be based on demographic distribution and that the whole concept of development is about empowering people based numbers. The other school of thought has a mantra of '*one man, one kilometer, one shilling'*. The proponents of this school of thought argue that one man one shilling glosses over other factors such as historical injustices and harsh geographical circumstances. The argument is countered by the fact that there's equalization fund to cater for such special circumstances which finally brings in Compensational politics which creates conflicts (Matsanga 2020).

Revenue allocation is expected to grow the economy as explained by growth theories. The neoclassical economists are instrumental in the development of the growth theory. Solow (1956) develops a growth model called the Solow model that explains that the long-run rate of growth is exogenously influenced by the rate of technical progress. Whereas Domar (1957) establishes the Harrod-Domar model in which the long-run growth rate is exogenously determined by the savings rate in an economy. Modification of the neoclassical growth theory became possible due to its shortcomings: the inability of the growth model to explain savings rate and rate of technological progress as exogenous factors. A new growth theory was introduced in the early 1980s as endogenous growth theory (Akanbi & Du Toit, 2011). Endogenous growth theory says that economic growth depends primarily on endogenous factors, such as human capital, innovations, knowledge, and positive externalities (Romer, 1994). The endogenous growth theory holds that policy measures within an economy, such as revenue allocations positively influence the long-run growth rate of an economy, such as increase in real GDP.

Different scholars have highlighted different determinants of revenue allocation either on county government, national government, federal government, County council etc. Dang (2000), identified the impact the impact of allocation on economic development in Nigeria. The findings of his study concluded that revenue allocation to federal government, states and local government have a causal relationship with economic development. Ojo (2010), established that a federal system with fiscal policy that cash imbue in the citizenry sense of justice, equity and fairness visa – vis revenue allocation.

Moindi (2014) found out various strategies used in resource allocation which were objective based allocation strategy, policy based allocation strategy and priority based allocation strategy. On the other hand, Orina, et al, (2019) found out that cash flows, budgetary controls and human capital as important to budgetary allocation. In essence the studies were more on broader perspective in terms of revenue allocation. Bigambo (2020), identified factors to consider in

determination of revenue allocation to be poverty index, numerical inferiority, climatic conditions, infrastructure development, economic status and historical injustice. The same sentiment were similar to, Onyango, et al, (2012) established that factors to be considered in revenue allocation in the devolved government to be: poverty index, population and level of infrastructure development on the counties of Kenya.

Several studies mainly exploratory (such as Aluko, 2000; Ekpo, 2004; Khemani, 2001; Mbanefoh & Egwaikhide, 2000; Suberu, 2006; Uche & Uche, 2004) were carried out on how revenue is shared within the federal government, state governments, and local governments and the basis of sharing the revenue to these federating components. But these studies could not empirically study the impact of the revenue allocation on economic development and stability. Other studies, such as Aigbokhan (1999), Jimoh (2003), Emengini and Anere (2010) Emengini, Anere, (2010) basically looked at the jurisdiction impact of revenue allocation on states and local government councils in Nigeria. Therefore, a large body of literature exists on fiscal federalism particularly with reference to revenue allocation. Despite the profound and lengthy discussions that have taken place on the subject for about four and half decades, consensus has not been reached concerning the optimal formula to adopt to achieve desired economic development (Aboyade, 1985; Buhari, 2001). Thus, the issue of revenue allocation has been a recurring theme in many developing nations.

Methodology

This study uses documentary review, situational analysis and econometric techniques to analyze historical time series data. These econometric techniques include: Augmented Dickey–Fuller (ADF) to test for a unit root in the individual data series (Dickey & Fuller, 1981); Johansen Cointegration to test for the integration of all the data series (Johansen, 1991 and Pairwise Granger Causality Test to determine the direction of causality between revenue allocation and economic development in the county government of Kenya. The model by CRA used in explaining how revenue is allocated:

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

Where:

CA=Revenue allocated to county

i= County: 1,,2………47.

PN_i=Revenue allocated to a county on the basis of Population Factor.

ES_i= Revenue allocated to a county on the basis of Equal Share factor. This is shared equally among the 47 counties.

PI_i= Revenue allocated to a county on the basis of Poverty Factor.

LA_i= Revenue allocated to a county on the basis of Land Area Factor.

FE_i= Revenue allocated to a given county on the basis of Fiscal Effort.

DF_i= Revenue allocated to a given county on the basis of Development Factor

Targeted population

Stakeholders of county governments: County assembly, civil society groups and county population

4. Findings and Discussions on Reviewed Documentary

The objective one of the study was to review various approaches to revenue allocation and document the variations in parameters used since 2013 to 2020. We conducted situational analysis and the review of relevant document on revenue allocation since 2013. The findings on revenue allocation and resource control indicate that revenue allocation in Kenya takes four forms: vertical sharing between National government and County governments, horizontal allocation among county governments, grants and borrowings. The horizontal allocation is based on five parameters; population, poverty index, land area, basic equal share and fiscal responsibility. There is no scientific method used to arrive at the indices. The parameters were arrived at broadly through constitutional stipulations, stakeholder consultations, causal connections, measurability and international experiences.

Over the last six years, a total of Kshs. 1,572,736 million has been shared among county governments using two transitional bases. The first basis approved in November 2012 shared Kshs. 956,736 million for financial years 2013/14 to 2016/17. The second basis was approved by Parliament in June 2016 and used to share revenue for financial years 2017/18 and 2018/19 amounting to Kshs 616,000 million. And the third basis was to take effect in 2019/2020 to 2023/2024. The CRA invited the public, county governments, academia, research institutions, and policy experts to review the second basis or parameters used to allocate revenue. The findings were summarized under eight concerns; disconnect between the basis and assigned functions, use of a single transfer to address multiple objectives, poor measure of fiscal effort, generic use of population as a proxy for all expenditure needs, high weight on equal share allocation, inappropriate measure of poverty, inappropriate measure of infrastructure, and insignificance of the development factor. The concerns were used in developing the third parameters.

Situational Analysis

In August 2019, a stalemate arose between the National Treasury and the Council of Governors over the share of revenue to be allocated to the devolved units (Vertical share). At the centre of this stalemate was the Division of Revenue Bill (DoRB) 2019. The National Assembly proposed that devolved units be allocated Ksh 310 billion (29.8%) as equitable share of total revenue (Ksh 1,038 billion for 2014/15, benchmark) whereas the Senate and the Commission on Revenue Allocation (CRA) proposed Ksh 335 billion (32.3%). This difference was due to use of different formulae in computing the equitable share of revenue. CRA used a base of equitable share of Ksh 314 billion contained in the Division of Revenue Act (DoRA) 2018, whereas the National Treasury used a base of Ksh 304.94 billion as contained in the Budget Review and Outlook Paper (BROP) 2018, which proposed a reduction in equitable share of revenue in 2018/19 by Ksh 9.04 billion due to shortfalls in revenue collected by the National Government since 2015/16.

The second reason for the disparity in revenue allocation was reported to be due to the use of different revenue adjustment factor by the CRA and the National Treasury. CRA adjusted the equitable share using the three-year average annual inflation of 6.9% of the base (Ksh 314 billion). The DRoB 2019, however, adjusted the equitable share by an absolute figure of Ksh 5.04 billion informed by the provisions of the Budget Policy Statement for 2019/20, which captures the increase in debt service costs, decline of revenue projections, considering shortfalls in revenue in 2018/19. Table 1 analyses the differences in the revenue allocation between CRA and the DoRB 2019 (KIPRRA 2020).

Table 1: Comparison of recommendations of CRA and the DORB, 2019 on equitable share of revenue (Ksh millions)

Expenditure Item	**CRA**	**DOBR, 2019**
1. Equitable revenue share, 2018/19	314,000	314,000
2. ***Less:*** Adjustment based on fiscal framework (*Shortfall in revenue performance in 2018/19)*	-	9,038
3. New base of equitable share **(1-2)**	314,000	304,962
4. Adjustment for revenue growth in 2019/20	(6.9%*314) = 21,700	5,038
Total equitable share of revenue (3+4)	***335,700***	***310,000***

Source: National Treasury and Planning

Article 203(2) of the Constitution gives the minimum threshold on the amount of equitable revenue to be allocated to counties as 15% of latest audited revenues. The proposed equitable share of Ksh 310 billion contained in DoRB, 2019 was based on the latest audited revenue of Ksh 1,038 billion for 2014/15. This amount, therefore, represented 29.8% of the total audited revenue way above the minimum threshold of 15% as set out in Article 203 (2) of the Constitution. The stalemate therefore arose as a result of different approaches used in computing the equitable share of revenue by the CRA, and the proposals by the National Treasury to the National Assembly as contained in the Budget Policy Statement for 2019/20. This stalemate persisted for 5 weeks and was finally resolved when the Senate and the National Assembly reached a consensus that saw counties being allocated Ksh 316.5 billion (30.49% of total revenue) as equitable share, Ksh 2.89 billion as National Government grant and Ksh 39.08 billion as donors grant.

Horizontal Revenue Sharing

This refers to revenue sharing by the devolved units. CRA has a mandate to determine how the 15% of the national cake is shared among the devolved units and ensure fairness and equity, given the varied nature of the devolved units economically and socially. To ensure fairness in horizontal share, CRA developed a revenue sharing formula that incorporated the following parameters: Population, Poverty Index, Land area, Basic equal share, and Fiscal Responsibility. The second revenue formula introduced a new parameter, Development index, which considered access to water, electricity and roads, to capture infrastructure needs of counties. The first formula was developed in 2012 before the advent of the devolved units and the second formula was developed in June 2016. Table 2 gives the first and the second formula developed by CRA and gives the specific parameter weights.

The study sought to determine the various revenue allocation formula for the 47 county governments in Kenya. The documentary review results indicate that the first and second revenue were as shown in table 2:

Table 2: First and second revenue sharing formula

	First Revenue Sharing Formula	**Second Revenue Sharing Formula**
Parameter	**Weight (%)**	**Weight (%)**
Population	45	45
Basic Equal Share	25	26
Poverty	20	18
Land Area	8	8
Fiscal Responsibility	2	2

Development Index	-	1
Total	***100***	***100***

Source: Commission on Revenue Allocation (CRA

From the results shown in table 2 based on the population parameter, a more populous county will receive more revenue allocation than their counterparts with lower population. However, the basic equal share component is the same for all counties to cater for the fixed costs incurred for running the counties. This means that the 47 Counties therefore, share 26% of total revenue equally. Fiscal responsibility component is an incentive for counties that manage their resources better and mobilize their OSR more effectively. This component therefore acts as a reward to counties that have high fiscal discipline. Currently, this proportion is shared equally among the counties. However, given resource disparities across the counties, the Kenyan Constitution 2010 provides for the equalization fund to smoothen out the income flows and enhance equality in development in less marginalized areas.

Further review and analysis revealed other sources of revenue, performance, and allocations in various financial years in order to gain an understanding on county fiscal space and dynamics. This is reported in table 3: the results show clearly that funding for County Governments come from various sources, which include transfers from the national government as equitable share of total revenue raised, loans and grants, equalization fund for selected counties, conditional grants from the National Government and development partners, and from own source revenue (OSR) which is made up of property rates, licenses and fees, entertainment taxes, among others. Since the establishment of counties, a total of Ksh 1.58 trillion has been disbursed to counties as equitable share of revenue raised nationally as shown in the Table 3.

Table 3: Revenue allocation to Counties (Ksh billions)

Financial Year	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	Total
Total Funds Available to Counties	224.2	304.78	343.18	369.45	387.09	445.36	2,074.06

Total Disbursements by OCOB	174.4	262.3	303.47	369.45	324.12	405.17	1,838.91
Equitable Share of Revenue	193.4	226.66	259.77	280.3	302	314	1,576.13
Conditional Grants	20	2.6	21.9	21.9	26.85	35.98	129.23
Total Expenditure	169.4	258	295.3	319.06	303.83	376.43	1,722.02
Recurrent	132.8	167.56	191.85	215.71	236.94	269	1,213.86
Development	36.6	90.44	103.45	103.34	66.89	107.44	508.16

Source: County Governments Budget Implementation Review Report, OCOB

Analysis of County Government Revenues

The analysis done on county government revenue and resource control as per the Article 202 of the Constitution provides for unconditional and conditional allocation of revenues to county governments from nationally raised revenues. Conditional allocations are tied to implementation of specific policies. Article 209 (3) empowers county governments to raise their own revenue through imposition of rates, taxes, fees and charges on services. Besides, counties may borrow as stipulated in Article 212 of the Constitution. Equitable share is the major source of unconditional revenue to the counties. As shown in Table 4, over the past seven years, counties have been allocated a total of Ksh. 1,889.30 billion and Ksh. 247 billion as equitable shares and conditional grants respectively. In addition, counties collected a total of Ksh. 200.54 billion in OSR over the last six years.

Table 4: County Governments'

Source of revenue/FY	**2013/14**	**2014/15**	**2015/16**	**2016/20217**	**2017/2018**	**2018/2019**	**2019/20**	**Total**
Equitable share	**190**	**227**	**260**	**280**	**302**	**314**	**316.5**	**1889**
Own share revenue	**26**	**34**	**35**	**33**	**32**	**40**	**53**	**253**
Conditional grants	**20**	**16**	**27**	**22**	**41**	**59**	**62**	**247**
Total	**236**	**276**	**332**	**335**	**376**	**413**	**431.5**	**2,379**

Expenditure on personnel by counties in the past six years averaged 31.4 per cent of the total county revenues. Only 6 counties kept personnel emoluments below the 35 per cent threshold required by PFMA, while 17 counties adhered to the 30 per cent development threshold (Figure 17).

The review of development index were (CDI) categories/dimensions in to the following indicators, namely:

1. Health category/dimension which comprised; Percent of births assisted by qualified medical personnel,based on the 2009 census; • Percent of immunised children age 12-23 months, based on 2009 census;percent of the population with improved sanitation, based on census, 2009

2. Education category/dimension; comprising; percent of population who can read and write, based on 2009 census;percent of population with secondary education, based on 2009 census.

3. Infrastructure category/dimension; percent of tarmacked roads, based on 2009 census;percent of population with electricity, based on 2009 census and percent of population with access to clean water, based on 2009 census.

4. Poverty category/dimension; percent of people below the poverty line, based on KIHBS, 2005/06.

Table 5: County CDI and the component indices

KEY P - POVERTY I - INFRASTRUCTURE H - HEALTH E - EDUCATION

COUNTY	P	I	H	E	CDI
1.TURKANA	**0.3250**	0.4540	**0.1853**	0.1380	0.2697
2.MANDERA	**0.5430**	**0.2767**	**0.3317**	0.1910	0.3107
3. WAJIR	**0.6190**	**0.3693**	**0.2917**	0.1760	0.3334
4.MARSABIT	**0.5780**	**0.4017**	**0.3970**	0.1755	0.3652

5.SAMBURU	**0.5760**	0.4483	**0.3953**	0.1770	0.3779
6.WESTPOKOT	**0.7420**	0.3263	**0.3457**	0.2655	0.3812
7.TANARIVER	**0.7010**	0.3337	**0.3747**	0.2765	0.3879
8.NAROK	0.8980	0.2690	**0.5380**	0.2430	0.4377
9.BARINGO	**0.7840**	0.3310	**0.4110**	0.3950	0.
10.KWALE	**0.7160**	0.3830	**0.4623**	0.3640	0.
11.KITUI	**0.7780**	0.3138	**0.5110**	0.3690	0.4600
12.GARISSA	**0.7970**	0.4717	**0.4373**	0.3100	0.4688
13.HOMABAY	0.8480	0.2827	**0.4970**	0.4255	0.4731
14.THARAKA NITHI	0.8880	0.2277	**0.5760**	0.4090	0.4803
15.TRANS NZOIA	0.8490	0.4520	**0.5080**	0.3125	0.4921
16.KILIFI	**0.7420**	0.4447	**0.5230**	0.3765	0.4951
17.BUSIA	**0.7320**	0.4917	**0.5840**	0.3330	0.5115
18.TAITA TAVETA	0.8240	0.4487	0.6290	0.2870	0.5139
19.BOMET	0.8780	0.2823	0.6220	0.4305	0.5142
20.MIGORI	0.8100	0.3603	0.5997	0.4275	0.5181
21.ISIOLO	**0.7160**	0.5687	0.5380	0.3475	0.5217
22.KAJIADO	0.9750	0.5017	0.4830	0.3395	0.5268
23.KISUMU	0.8580	0.3880	0.6350	0.3940	0.5340
24.ELGEYO MARAKWET	0.8340	0.3740	0.6247	0.4410	0.5365
25.MACHAKOS	**0.8020**	0.3400	0.6110	0.5130	0.5382
26.MAKUENI	**0.7780**	0.3797	0.5710	0.5305	0.5392
27.SIAYA	0.8820	0.3383	0.7210	0.3850	0.5455
28.NANDI	0.8630	0.3803	0.6513	0.4260	0.5462
29.MERU	0.9380	0.3500	0.7130	0.3615	0.5489
30.BUNGOMA	0.8230	0.4670	0.6790	0.3575	0.5527
31.LAMU	0.9370	0.4937	0.5710	0.4145	0.5641
32.LAIKIPIA	0.8590	0.4187	0.6457	0.4640	0.5654
33.VIHIGA	0.8810	0.4793	0.6330	0.4145	0.5685
34.KAKAMEGA	0.8260	0.4527	0.6907	0.4185	0.5695
35.KERICHO	0.8850	0.4213	0.6553	0.4520	0.5696
36.EMBU	0.8580	0.3690	0.6470	0.5410	0.5732
37.MURANGA	0.8930	0.3667	0.6700	0.5030	0.5740
38.NYANDARUA	0.8250	0.3790	0.7880	0.4480	0.5842
39.KIRINYAGA	0.9410	0.3940	0.7920	0.4325	0.6037

40.NAKURU	0.8790	0.4383	0.7333	0.4830	0.6039
41.KISII	**0.7830**	0.4143	0.7970	0.5190	0.6098
42.NYAMIRA	0.8570	0.4653	0.6793	0.5825	0.6207
43.UASIN GISHU	0.8860	0.5580	0.6823	0.4730	0.6215
44.NYERI	0.8840	0.4543	0.7663	0.5635	0.6410
45.MOMBASA	0.91930	0.5533	0.8077	0.5055	0.6687
46.KIAMBU	0.9350	0.5863	0.7760	0.5235	0.6776
47.NAIROBI CITY	0.9310	0.7863	0.8573	0.5790	0.7663
AVERAGE	**0.8098**	**0.414326**	**0.5881**	**0.3935**	**0.5204**

From the CDI ranking above, counties with a CDI below the national average of 0.520 were classified as the most marginalised, counties with a CDI between 0.521 and 0.51 are moderately marginalised and counties with a CDI ≥0.6 are those enjoying better services. These indicators will help in matching the revenue allocation and resource control. Most Marginalised (0.27-

0.518); Moderately Marginalised (0.519-0.584) and Well off Above 0.6.

Conclusion and Recommendations

Failure to agree on the method and parameters to be used in computing the equitable share of revenue by the CRA, National Treasury, and the National Assembly led to the stalemate experienced in August 2019. In light of this:

- There is need for harmonization and consensus by the relevant parties (CRA, The National Assembly, The National Treasury, and the Council of Governors) on the method and parameters to use when making proposals on the division of revenue.

- Counties should endeavour to strengthen the legal and institutional frameworks for own source revenue collection to meet their budget estimates and ensure that the estimates they make are more realistic. This will reduce over-reliance on national government disbursements.

- Counties should liaise/comply with the National Treasury to ensure that the equitable share of revenue allocated to them are disbursed timely to ensure smooth service delivery in the counties.

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