COMMISSION ON REVENUE ALLOCATION

RECOMMENDATIONS ON SHARING OF REVENUE RAISED NATIONALLY BETWEEN THE NATIONAL AND COUNTY GOVERNMENTS FOR THE FISCAL YEAR 2012/2013

AND AMONG COUNTY GOVERMENTS FOR THE FISCAL YEARS 2012/13 - 2014/15

TABLE OF CONTENTS

LIST OF TABLES AND FIGURES

List of tables

List of figures

ABBREVIATIONS

BPS	Budget Policy Statement
CBK	Central Bank of Kenya
CDF	Constituency Development Fund
CRA	Commission on Revenue Allocation
FFC	Financial and Fiscal Commission of South Africa
GDP	Gross Domestic Product
HDI	Human Development Index
HRM	Human Resource Management
ICT	Information and Communication Technology
KIHBS	Kenya Integrated Household Budget Survey
KNBS	Kenya National Bureau of Statistics
LATF	Local Authorities Transfer Fund
NIMES	National Integrated Monitoring and Evaluation System
PAYE	Pay As You Earn
T-BILLS	Treasury Bills
T-BONDS	Treasury Bonds
UNDP	United Nations Development Program
VAT	Value Added Tax

EXECUTIVE SUMMARY

The Commission on Revenue Allocation (CRA) was established in accordance with Article 215 of the Constitution of Kenya. Upon request by Parliament and as required by Article 216 of the Constitution, the Commission has to make recommendations on the basis of equitable sharing of revenue between the two levels of government, and among the 47 county governments. Further, the Commission on Revenue Allocation Act of 2011 stipulates that *"the Commission on Revenue Allocation is the only institution that has the legal mandate to provide these recommendations to Parliament."*

This is the first Report by the Commission in execution of this constitutional mandate.

This report contains four categories of recommendations:

i. vertical sharing between national and county governments;

ii. horizontal allocation among the county governments;

iii. grants; and

iv. borrowing.

In determining the shareable revenue amount, the Commission relied on the latest audited accounts pertaining to the financial year 2010/2011, as approved by Parliament.

The first analysis was to determine and apportion the total receipts of Kshs. 831.0 billion into shareable (Kshs. 610.7 billion) and non-shareable (Kshs. 220.3) revenues. The Commission's recommendations in respect of vertical sharing and horizontal allocations above, are based on the amount determined as shareable of Kshs. 610.7 billion.

The vertical share between the national and the county governments is based on the cost of functions of the two levels of government, as stipulated in the Fourth Schedule of the Constitution. The cost of devolved functions as prepared by Treasury and contained in the Budget Policy Statement of 2012 is Kshs. 148 billion. In determining the total cost of county governments, the Commission considered additional costs such as estimated remuneration of County Governors, County

Executives, and County Assembly members. Other, additional costs considered include running expenses for County Executives and County Assemblies, as well as contingencies. The vertical share between the two levels of government was determined at Kshs. 405 billion and Kshs. 203 billion for national and county governments, respectively.

The horizontal allocation among the county governments is based on five parameters, namely: Population, Poverty index, Land area, Basic Equal Share, and Fiscal responsibility. Selection of these parameters was broadly informed by constitutional stipulations, stakeholder consultations, causal connections, measurability and international experiences.

At every stage of developing the formula, the Commission sought public participation. For instance, on 28th February 2012 the Commission launched the proposed parameters and sought input from the public regarding which parameters to select. Subsequently, on 26th April, 2012, the Commission launched the horizontal revenue allocation formula based on the afore-mentioned parameters. The proposed weight of each parameter was based on "Monte Carlo simulations," as well as considerations of the Commission's own internal analyses and judgments.

In the final analysis, the Commission's recommendations are informed by public opinion on the various weights of each parameter. In particular, the Commission's visits to the 47 counties in June 2012, and analysis of the responses from participants during these visits largely determined the recommended weights. A summary of the recommended horizontal allocation formula is as shown below:

Recommended Parameters and Weights

	Parameter	Weight (%)
1.	Population	45
2.	Basic Equal Share	25
3.	Poverty index	20
4.	Land area	8
5.	Fiscal responsibility	2
		100

The Commission also performed a limited review and situational analysis of grants and made the following recommendations:

i. urgent harmonization of both the institutional and regulatory frameworks of all grants;

ii. a three-year transitional moratorium period be instituted for all grants under Acts of parliament and, a one-year period for grants under presidential orders and ministry circulars;

iii. national government to create a Capacity Building Grant in line with function No.32 of the national government, as per the Fourth Schedule and Section 15 (2) (ii) of the Sixth Schedule; and

iv. the Commission, in collaboration with Treasury and county governments, designs an inter-governmental grant system.

Finally, this Report is firmly anchored on Constitutional provisions relating to the mandates of the Commission, criteria for equitable sharing and principles of public finance as stipulated in Articles 201, 203 and 216.

1. INTRODUCTION

1.1 The Constitution of Kenya provides for a two-tiered system of government in which the sovereign power of the people is exercised at the national and county levels. The Constitution specifies that both tiers of government are entitled to equitable share of revenue raised nationally.

1.2 The principal function of the Commission on Revenue Allocation (CRA), under Article 216 of the Constitution, is to make recommendations concerning the basis for the equitable sharing of revenue raised by the national government.

1.3 This is the first Report submitted by the Commission to Parliament on vertical sharing that should be reflected in the 2012/13 annual budget, and horizontal allocation by making recommendations on resolutions to be adopted under Article 217. It also reviews the current operations of conditional grants.

The 2012/13 budget is the first in which provision will be made for county governments. The context of this budget is transitional because county governments will come into existence in March 2013.

1.4 The recommendations of the Commission fall into three categories. The first relates to the recommendations on the division of revenue between the national and county governments under Article 216(1) (a) given through the annual budget process. Thus, allocations between the two levels of government have been determined on the basis of functions specified in the Constitution. This recommendation addresses the "*vertical equity*" question and the details are presented in sections 3 and 7 of the Report.

1.5 The second set of recommendations relates to the allocation of nationally raised revenue among the county governments under Article 217 of the Constitution. These recommendations address the "*horizontal equity*" question.

In developing these recommendations the Commission has developed the *"Equitable Revenue Sharing Formula."*

1.6 The final set of recommendations relate to conditional grants under Article 202(2) of the Constitution. The details of these recommendations are presented in section 5 of the Report.

1.7 Each year, and as part of the annual budget process under Article 218, the County Allocation of Revenue Bill is required to allocate the county share of national revenue among the county governments in accordance with a resolution of the Senate under Article 217.

Article 217 envisages a resolution of the Senate on the basis for horizontal sharing every five years, except during the transition period. Instead of five years, the first and second resolutions will be made at intervals of three years (Sixth Schedule, Section 16).

1.8 The determination of both dimensions of revenue sharing will be formalized in a Division of Revenue Act and a County Allocation of Revenue Act to be enacted by Parliament. The Public Finance Management Act outlines the steps involved in preparing the Bills, consulting stakeholders and submitting them to Parliament.

1.9 Parliament, acting as the Senate, requested for these recommendations from the Commission on 17th July, 2012.

2. METHODOLOGY

In developing the Commission's recommendations in this Report, a combination of approaches were adopted to enhance validity and credibility.

The approaches used included, among others, appraisal of experiences and lessons from other countries with decentralised systems of government; views and recommendations gathered through broad-based consultations with Kenyans; expert opinion that was sought; and the Commission's own objective analyses that were carried out, including assessment of contemporary national realities that were taken into account.

2.1 Philosophy and Principles

The guiding philosophy behind the Commission's recommendations has been the need for *re-distributive justice*, *equity* and *fairness* in the sharing of revenue raised nationally.

2.1.1 The basic principles guiding the Commission's recommendations on revenue allocation and conditional grants are those stipulated in Article 201: openness and accountability, including public participation; promotion of an equitable society; burdens and benefits resulting from the use of resources and public borrowing to be shared equitably among citizens, and between present and future generations; prudent use of public money; and responsible and clear financial management.

2.1.2 In addition to the principles of public finance enshrined in the Constitution, the Commission took account of international fiscal decentralisation principles, including:

(a) Aiming to keep the formula and the parameters for allocations as simple as possible;

(b) Basing the formula on the availability official data from the Kenya National Bureau of Statistics (KNBS);

(c) Ensuring public participation and transparency;

(d) Ensuring horizontal equity between counties;

(e) Building incentives to improve fiscal performance and service delivery by rewarding county efficiency and penalising inefficiency;

(f) Following the principle of *"funds must follow functions*;" and

(g) Taking cognizance of the need to preserve county budget autonomy within the constraints provided by national priorities.

2.1.3 The Commission also observed the provisions of Article 203(1) regarding the criteria to be taken into account in determining the equitable sharing of revenue.

2.2 International Perspectives

The Commission acknowlegded the importance of studying the experiences of other countries with devolved systems of government so as to draw lessons that could help define its recommendations.

2.2.1 ***Desk research:*** The Commission conducted desk research on a selected number of countries with a view to examining the approaches they used, identifying strategies that had worked, and noting the challenges they had faced.

The countries included, among others, Nigeria, India, Brazil, Philippines, Ethiopia, South Africa, Australia and Canada.

2.2.2 ***Peer-to-peer learning:*** The research carried out was complemented by a visit to the Financial and Fiscal Commission (FFC) of South Africa in February 2011.

2.2.3 ***Conferences:*** In April 2011, the Uganda Local Government Finance Commission was invited for a knowledge-sharing forum that focused on fiscal decentralisation.

In June 2012, a number of Commissioners and staff attended an international conference organised by the United Nations Development Programme (UNDP) to deliberate on different aspects of revenue allocation. During this conference, experiences drawn from Brazil, India and Ethiopia were discussed.

2.2.4 ***Training:*** In July 2011, two commissioners and a staff member attended a Fiscal Decentralisation and Local Governance course at the Andrew Young School of Public Policy at Georgia State University in the United States.

2.2.5 ***Varied international perspectives:*** The lessons taken from international interactions indicated different approaches to inter-governmental fiscal transfers in different countries, including: the formula-based, discretionary, and negotiated approaches. The Commission decided to use the formula, which is transparent and subject to less influence compared to discretionary and negotiated approaches.

2.2.6 Second, under the formula-based system of fiscal transfers, there are three different approaches used in developing a formula. These are *revenue (fiscal) capacity* only, *expenditure needs only*, and *fiscal gap* (*revenue minus expenditure*).

2.2.7 The Commission assessed the merits and challenges of each of the approaches and decided to use the *'expenditure needs only'* approach in developing the "first generation formula and recommendations" due to lack of quality county-level data. Currently, Kenya lacks reliable fiscal, demographic and socio-economic data on the counties to adequately quantify county-level expenditure needs and fiscal capacity. Without this data, a fiscal gap (revenue minus expenditure) approach is unworkable.

2.2.8 Third, experiences from other countries show that the "first revenue allocation formula" is generally simple and improves with time as data becomes available.

2.2.9 Fourth, an equitable share allocation to counties cannot on its own address the disparities in development among counties.

The national government has to develop proactive policies to address these challenges using conditional and unconditional grants.

Indeed, if the unconditional transfer is to address these challenges, then county governments would need to be allocated over 80% of the national revenue. Such a vertical allocation would not only cripple the national government but would also create serious macro-economic instability within the economy.

2.2.10 Finally, each country is unique and the system of fiscal transfers it adopts must reflect its socio-economic and political dynamics, as well as its data quality.

2.3 Consultations with Stakeholders

2.3.1 In line with Article 201(a) of the Constitution, the Commission organised consultative meetings and workshops with stakeholders and sought their views on, among others, vertical and horizontal formulae.

The engagements covered professional groups, civil socity, organizations, gender-based organizations, the media, private sector representatives, religious groups, research institutions, the broad academia and many other interest groups.

2.3.2 Different approaches were used in engaging these groups. They included soliciting for written memoranda, focus group discussions, visits to all the 47 counties, specialised technical meetings, use of the social media (Facebook, Twitter, etc.), direct consultations, use of the print and electronic media, and soliciting views through an online questionnaire.

2.3.3 These consultations played a key role in shaping the recommendations included in this Report.

2.4 Visits to the 47 Counties

2.4.1 In line with Article 201(a) of the Constitution, the Commission visited all the 47 counties during the period 4^{th}-18^{th} of June 2012.

2.4.2 The objectives of the county visits were to:

(a) obtain views and opinions on the formula CRA had proposed on 26^{th} April 2012;

(b) obtain views and opinions regarding the criteria for identifying marginalised areas in line with Article 216(4) of the Constitution;

(c) provide civic education on the structure of devolved government in Kenya; and

(d) gather other relevant information to help in the development of the recommendations.

2.4.3 The Commission administered two questionnaires aimed at collecting views and opinions on the formula and on marginalisation policy, among others.

2.4.4 The results from the field visits were then analysed and played a critical role in the formulation of the recommendations in this Report.

2.5 Analysis and Costing of Functions

2.5.1 The Constitutional responsibilities in the Fourth Schedule and Article 186 of the Constitution on the two tiers of government were carefully examined.

2.5.2 The Commission noted that although there was lack of clarity in terms of function assignments, there was need to identify the costs of running county governments. This is critical for determining the vertical share as well as assessing the adequacy of revenue allocated to each county.

2.5.3 The Commission participated in an exercise coordinated by Ministry of Finance, which sought to estimate expenditure on functions to be devolved. The details of this exercise are presented in the vertical revenue sharing section of this report.

2.6 Quantitative and Qualitative Analysis

2.6.1 The Commission conducted its own quantitative and qualitative analyses while developing the recommendations in this Report.

2.6.2 The quantitative approach included the use of Monte Carlo Simulations to develop the weights for the horizontal allocation formula. The details for this are in the horizontal allocation section.

2.6.3 The qualitative approach entailed detailed analyses and synthesis of documents, existing policies and frameworks.

2.7 The Process of Developing Vertical and Horizontal Formulae

2.7.1 The Commission applied the different approaches set out above to develop the policies and recommendations in this Report in the following sequence:

Step 1: Training of secretariat staff and commissioners, and desk research.

Step 2: Preliminary engagement with stakeholders, including Tresury and Parliament.

Step 3: Peer-to-peer learning i.e. consultations and discussions with independent finance commissions and other relevant institutions in other countries.

Step 4: Critical assessment of the Constitutional stipulations, including assigned functions.

Step 5: Costing of the devolved functions.

Step 6: Development of vertical and horizontal formulae, details of which are in the respective sections.

Step 7: Launch of the horizontal formula on 28th February, 2012. The formula focused on the choice of parameters and weights only. Public views and opinions were solicited.

Step 8: Launch of the vertical formula and sample sharing of revenue based on the proposed horizontal allocation formula was done on the 26th April, 2012. Views and opinions were similarly solicited from the public.

Step 9: Intensified consultative forums on the formula.

Step 10: Consultative visits to all the 47 counties were carried out in the period 4th-18th June, 2012.

Step 11: Analysis of the results of county visits.

Step 12: Final submission of the recommendations in this Report.

2.8 Assumptions Underpinning the Recommendations

2.8.1 In developing these recommendations, the Commission made a number of assumptions.

2.8.2 First, the unconditional revenue allocated to the counties using the formula will be equitably distributed *within* the counties through the respective County Appropriation Acts.

It is the Commission's view that although results from the county visits referred to earlier show that there are major economic disparities among and within counties, County Executives and County Assemblies for each county will appropriate resources with a view to remedying the *within county inequalities.*

2.8.3 Second, the financial resources required by county governments to effectively govern and deliver services are more than the resources available from their own sources as assigned in Article 209 of the Constitution, hence the importance of conditional grants to bridge any fiscal gap.

3. VERTICAL SHARING FORMULA

3.1 Introduction

In making recommendations on sharing of revenue, the Commission sought to achieve vertical equity between national government and county-level of government. The vertical relationships between the national and county governments are such that imbalances exist between the counties' tax bases (revenue sources) and their expenditure needs. The financial resources required by the county governments so as to effectively govern and deliver services are greater than their own revenue sources. The objective of the equitable vertical sharing process is to fill this gap.

The amount of the vertical transfer depends on the distribution of functions between the two levels of government. The Fourth Schedule and Article 186 of the Constitution define the functions of the national and county governments. Article 202(1) of the Constitution states that the national and the county governments are entitled to an equitable share of the revenue raised nationally.

3.2 Shareable Revenue

The revenue to be shared between the national government and county governments is defined in the Constitution and Section 2 of the Commission on Revenue Allocation Act, 2011. In that Section, revenue is defined as follows:-

> *"all taxes imposed by the national government under Article 209 of the Constitution and any other revenue (including investment income) that may be authorised by an Act of Parliament, but excludes revenues referred to under Articles 209(4) and 206(1)(a)(b) of the Constitution."*

We identify these revenues in table 3.2.1 as *shareable*. Article 203(3) of the Constitution stipulates that revenue that is to be shared shall be calculated on the basis of the most recent audited accounts of revenue received, as approved by the National Assembly. The most recent audited accounts are for the fiscal year 2010/2011. The Auditor-General's Report and Certificate for revenue received as at June, 2011 is attached (Appendix i).

The line items in the Audited Exchequer Account were segregated into those that are "shareable" and those which are "non-shareable". Out of the total Exchequer receipts of Kshs.831,029,565,705 for 2010/2011, the shareable revenue is Kshs.610,736,965,280, which is 73.5 percent of the total Exchequer receipts. The "non-shareable revenue" of Kshs. 220,292,600,425 (26.5 percent of the total Exchequer receipts) remains with the national government. Most (94.5%) of non-shareable revenue comprises of government borrowing, inluding domestic (T-bills and T-bonds) and foreign loans.

Table 3.2.1: *Exchequer Account for the Year 2010/2011- Shareable and Non-shareable Revenue*

	PARTICULARS	**FY 2010/11**
		KShs.
1	Opening Balance	2,673,967,668
2	Income Tax from Individuals (P.A.Y.E)	137,054,522,750
3	Income Tax from Corporations	121,596,152,800
4	Withholding Tax	-
5	Immovable Property	-
6	Second Hand Motor Vehicle Purchase Tax	-
7	V.A.T. on Domestic Goods & Services	90,211,137,512
8	V.A.T. on Imported Goods & Services	81,669,609,261
9	Excise Taxes	80,566,544,296
10	Licences under Traffic Act	2,463,997,575
11	Royalties	-
12	Customs Duties	46,071,808,271
13	Other Taxes from International Trade & Transactions	20,598,638,091
14	Stamp Duty	6,800,041,724

15	Interest Received	758,779,736
16	Profit & Dividends from CBK	2,000,000,000
17	Other Profits and Dividends	9,085,817,264
18	Rent of Land	1,073,011,040
19	Fees under Traffic Act	-
20	Motor Driver's Licenses	-
21	Land Adjudication and Case Fee	-
22	Sale of Freehold Interest in Agricultural Land	-
23	Fines, Penalties & Forfeitures & Other Charges	289,628,594
24	Miscellaneous Revenue	7,823,308,696
	SUB TOTAL-SHAREARABLE REVENUE	**610,736,965,280**
1	Recurrent Recovery Over Issues 2008/09	2,457,276,617
2	Development Recovery Over Issues 2008/09	815,428,923
3	Grants from Foreign Govt. through Exchequer	7,468,392,836
4	Contribution from Govt. Emp. To S.&W.S within Govt.	-
5	Loans from Foreign Govt. through Exchequer	17,016,267,518
6	Loans to Non-financial Public Enterprises	1,126,004,530
7	Loans to Financial Institutions	33,750,000
8	Domestic lending-T/Bills	4,000,000,000
9	Domestic lending-T/Bonds	186,300,000,000
10	Civic Contingencies Fund Recoveries	1,075,480,000
11	Net Domestic Borrowing(CBK)	-
	SUB TOTAL -NON SHAREABLE	**220,292,600,425**
	GRAND TOTAL	**831,029,565,705**

3.3 Costing of Functions to be Devolved

The starting point for developing the vertical formula is to estimate how much it costs to run county functions in all the counties. Approaches applied in costing of devolved functions include historical expenditure, bottom-up costing of a standard basket of services, and top-down per client norms. In view of lack of reliable data to apply the costing of a standard basket of services as well as top-down per client norms, the Commission used the historical expenditure approach.

In most countries, there is a mismatch between functions and finances of sub-national governments, giving rise to the need for inter-governmental transfers. In line with one of the key principles of fiscal decentralisation that "finance follows functions," the amount of these transfers should be related to the devolved functions. As in other jurisdictions, in the Kenyan context this requires estimating the cost of functions devolved to county governments. During this preliminary and transitional period, the Commission has relied heavily on Treasury for the costing of functions. Treasury worked closely with the line ministries in conducting an exercise to assess the budgetary costs of the devolved functions. This exercise involved detailed budget line-by-line analysis by ministries, to the district level. These were then aggregated into county budget allocations for the three-year period from 2010/11 to 2012/13.

As presented in the Draft Budget Policy Statement (BPS) of April, 2012, Treasury's estimate of costing of devolved functions is Kshs. 148 Billion[1]. The Commission, while taking into account the Treasury estimation, arrived at a figure of Kshs. 203 Billion.

The Commission's computation of the recommended vertical allocation of nationally raised revenue to the county level of government is as explained in Table 3.3.1 below.

[1] See details of county by county analysis of costs of devolved functions as drawn from Draft BPS 2012.

Table 3.3.1:*Estimated 2012/13 County Government Budget*

		KShs. Million
1.	Estimate by treasury	148,000
2.	Estimated remuneration of county executive and county assemblies	15,000
3.	Estimated administrative expenses for county executive and county assemblies	7,500
4.	Administrative expenses for county and sub-county public service (procurement, accounting, auditing, financial system, HRM and ICT)	13,800
	SUB TOTAL	**184,300**
5.	10% contigency	18,430
	TOTAL SHARE OF COUNTIES	**202,730**
6.	Shareable national revenue 2010/2011 as per Table 3.2.1	610,000
7.	Percentage share to counties	33.0%

The amounts added to the Treasury estimate by the Commission are explained as follows:

i. Although the Constitution specifies the functions for each level of government, there is lack of clarity regarding some county functions at departmental level.
ii. There is no clear roadmap to guide the phased transfer of functions as required in the Constitution. This function is the remit of the Transitional Authority, which had not been formed by the time the costing of functions was being done.
iii. There was no information regarding staff emoluments at the county level. These include the remuneration of the County Executives, County Assembly members and Governors, as well as harmonised salaries for county and sub-county public service[2].
iv. There is no information on administrative costs for County Executives and County Assemblies: these include procurement, accounting, auditing, ICT, planning, among others.
v. International experience suggests that as countries adopt devolution; in the early years line ministries hold back functions and resources at headquarters. It is therefore important to build in a mechanism to counteract this tendency.

3.4 Vertical Share to National and County Governments

Article 203 (2) of the Constitution provides that a minimum of fifteen percent of revenue raised nationally shall be transferred unconditionally to the forty seven counties.

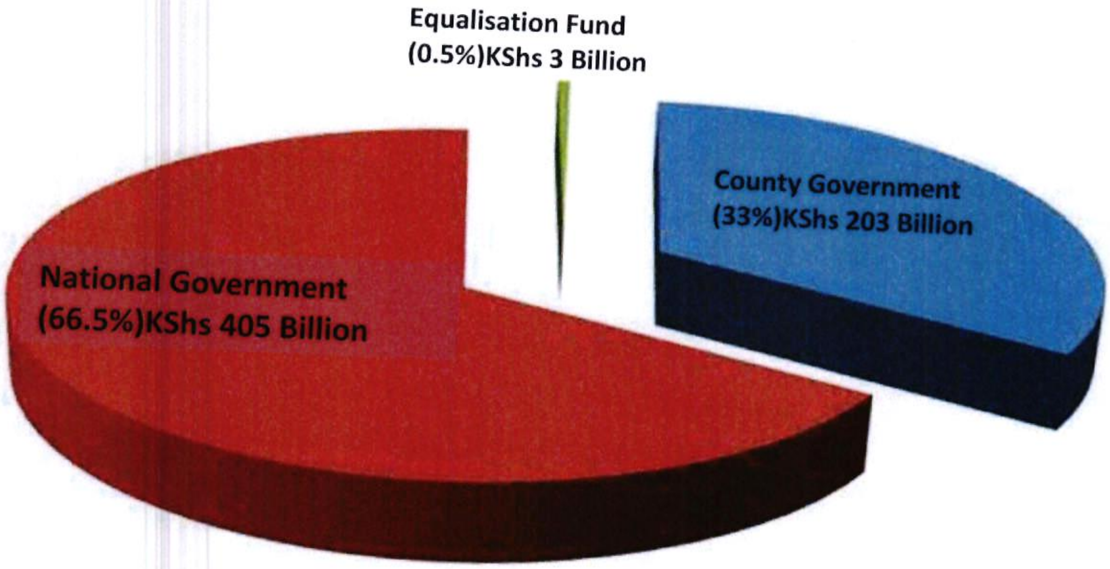
In light of the considerations set out above, and taking into account the possibility that initial cost estimates fall below the costs of running counties, the Commission made an intelligent estimate of the shortfall at Ksh. 54,730 Million. This consists of estimated remuneration, administrative expenses and contingencies.

[2] The Salaries and Remuneration Commission formed in December, 2011 is yet to determine salaries and remunerations of holders of these new offices.

Additionally, there are potential savings that the national government will make when ministries are reduced from the current number of 42 to a maximum of 22 after the next general elections.

On this basis, the total cost for running all the 47 counties is approximated at Ksh.203 billion or 33 percent of the total shareable revenue. (Figure 3.4.1).

Figure 3.4.1: *Vertical Revenue Allocation Formula*



The vertical revenue sharing formula is expressed as:

$$VA = NR - (NA + EF)$$

Where;

VA = Vertical allocation to counties

NR = National shareable revenue

NA = National allocation

EF = Equalization Fund

4. HORIZONTAL ALLOCATION FORMULA FOR FISCAL YEARS 2012/2013-2014/2015

4.1 Introduction

4.1.1 The Commission is required in Article 216(1) (b) of the Constitution to make recommendations regarding the equitable share of revenue among the county governments. This is the equitable share to county governments.

4.1.2 Article 203(1) of the Constitution provides the criteria to be taken into account in determining the equitable share of the revenue.

4.1.3 As described above in the methodology section of this Report, the Commission chose to use a formula based approach for sharing revenue among the counties for three reasons. First, a formula based approach is less vulnerable to influence.

Second, it is transparent since its development is subject to wide public participation. Finally, it ensures certainty, predictability of county budget resources, and autonomy of the county governments because once approved by the Senate in accordance with Article 217, the formula will apply for the next three (3) years.

4.2 The Choice of Parameters

4.2.1 As outlined in the methodology section of this Report, the Commission chose to use an *expenditure needs* approach to selecting parameters. An expenditure needs formula adjusts funding to reflect the fact that it costs more in some counties to deliver services than it does in others. It does not take into account differences in revenue-raising capacity.

4.2.2 There are different approaches to measuring the expenditure needs of counties.

These include the equal per person, historical spending of counties, top-down per client norms, bottom-up costing of a standard basket of goods and services, and the weighted index of expenditure needs.

4.2.3 In view of county-level data challenges, the Commission chose to use the *'weighted index of expenditure needs'* approach as applied in many of the countries studied when developing this first generation formula.

4.2.4 Three steps were followed in developing the formula.

Step 1: Identification of potential parameters from the international experiences

On the basis of desk research and peer-to-peer learning, there are a number of commonly used potential parameters that the Commission could adapt. These include population, land area, equal share, education, etc.

Step 2: Selection of parameters

The Commission therefore identified five parameters for sharing out revenue among the counties. These are:

i. Population;

ii. Poverty index;

iii. Land area;

iv. Basic Equal Share; and

v. Fiscal responsibility.

Step 3: Determination of parameter weights.

4.3 Rationale for the Choice of Each Parameter

Broad rationale for choosing the parameters includes:

i. *Constitutional and legislative stipulations:* They give effect to the criteria set out in Article 203(1) of the Constitution;

ii. *Causal connection*: These parameters are measures of the factors that have the greatest impact on cost differentials between counties;

iii. *Measurability*: Availability of official data from the KNBS, which measure cost differentials between counties;

iv. *Less susceptible to influencing*: These parameters are generally less susceptible to distortionary gaming behaviour of counties seeking to increase their revenue allocation; and

v. *International experiences*: That of countries, which have implemented fiscal decentralisation, including: South Africa, Pakistan, Nigeria, India and Indonesia. The rationale for the choice of individual parameters are discussed below.

4.3.1 *County Population*

The formula uses county population data from the Housing and Population Census 2009 report, published by the KNBS.

The Commission chose population as a parameter to allocate revenue due to two factors. First, population is a simple, objective and transparent indicator of expenditure responsibilities/needs of counties. Consequently, county expenditure responsibilities are directly proportional to the number of people living in a particular county. Thus, the higher the county's population, the higher the funds required to provide services. It also gives effect to the "*developmental and other needs of counties*" criterion in Article 203(1)(f) of the Constitution.

Second, population ensures equal per person allocation (of revenue allocated on the basis of population only) to all counties. The population part of the horizontal formula "*treats every Kenyan equally*" by distributing the population-based revenue equally among all Kenyans irrespective of their county of residence.

The total amount a county is allocated on the basis of the population parameter is equal to the per person allocation times the population of the county. In this way, it gives effect to Article 201(b) of the Constitution regarding promotion of an equitable society.

4.3.2 County Poverty Index

The formula uses official county poverty data from the Kenya National Bureau of Statistics, and is based on the Kenya Integrated Household Budget Survey (KIHBS) of 2005/2006.

KNBS produced different county-level poverty data on *food poverty*, *non-food poverty* and *overall poverty*. The Commission used the overall poverty measure in the formula. It chose poverty as a parameter to allocate revenue among counties due to three factors:

First, poverty is causally linked to expenditure needs differentials of counties. For instance, counties with a higher number of poor people are likely to experience greater demand for publicly provided services rather than private ones. From this perspective, the poverty parameter also gives effect to the allocation criteria in Articles 203(1)(f) regarding developmental and other needs of counties, 203(1)(g) on economic disparities within and among counties and the need to remedy them, and 203(1)(h) on the need for affirmative action in respect of disadvantaged areas and groups.

Second, poverty introduces a re-distributive element in the formula. The poverty-based part of the formula "treats every poor Kenyan equally" by distributing the revenue shared on the basis of this parameter. The poverty parameter directs additional resources to poor Kenyans over and above what each and every Kenyan is allocated through the formula. In effect, poor Kenyans are taken care of *twice*; first, through the population component of the formula and, second, through the poverty component.

The total amount a county is allocated on the basis of the poverty parameter is equal to the per poor allocation times the number of poor people in the county.

Third, poverty data is less likely to be influenced by individual county governments and become distorted. Poverty computation comes from a large and complex survey. The previous poverty data came from Welfare Monitoring Surveys of the 90s.

TheKIHBS 2005/2006 updated the poverty data in addition to serving other uses. There are three different poverty indices.

The first is the *poverty head-count index* (incidence of poverty). This measures the proportion of the population who live below the poverty line. The drawback of the poverty head-count index is that it conceals differences in the extent to which individuals are poor. Some individuals require little additional income to get to the poverty line while others require substantial amounts of money. These differences are likely to be reflected in increased demand for services by the very poor.

The second measure of poverty is the *poverty gap* (depth of poverty). This measure provides information on the average extent to which individuals fall below the poverty line.

The third measure is the *poverty severity* index. This index measures how poor the poor are (severity of poverty). Although poverty severity is the best measure of poverty, it is difficult to read and interpret intuitively. In order to utilise the poverty gap and the poverty severity, one requires adult equivalents data. The adult equivalent is an aggregate indicator of a household size. In computing the adult equivalents, children in a households are treated as being equivalent to a fraction of an adult in line with international practices.

The Commission chose to use the poverty gap index due to the fact that it is a good measure of poverty compared to the head count index, and is easy to interpret intuitively compared to the the poverty severity index.

4.3.3 County Land Area

The formula uses county land area data also from the KNBS, which is expressed in square kilometers.
The choice of land area as a parameter for allocating revenue is based on two factors:

First, a county with a larger area has to incur additional administrative costs to deliver a comparable standard of service to its residents. Increased distances add to costs in a number of ways, including greater length of roads to build and maintain, higher freight costs of inputs, and longer distances for public servants to travel in the course of providing services.

Second, land area as a measure is not susceptible to influence by county governments that might seek to increase the revenue allocated to them. The land size is fixed and unless there are changes in administrative boundaries, the size of a county remains constant.

The Commission noted two peculiarities which necessitate some adjustment to the above generalisations regarding inreased costs associated with a larger land area. First, the differences in cost of providing services increase with the geographic size of a county but at a decreasing rate. Beyond a certain point, incremental costs of larger distances become negligible. Second, some counties with small areas have to incur certain minimum costs in establishing the framework of government machinery. Additionally, the costs of providing services in some small counties may be higher because of terrain.

The Commission further noted that there is skewed distribution of land in Kenya. In particular, the five largest counties account for 48% of the total land area. This imbalance creates cost differences between small and large counties.

Taking into account these considerations, the Commission used an adjustment procedure which effectively imposed upper and lower limits on the contribution of each county to the total land area. Any county which contributes less than 1% of Kenya's total land area as shown in Appendix vi, (for instance Mombasa county that contributes 0.04%) is allocated a minimum of 1% contribution. Correspondingly, any county with more than 10% of Kenya's land area as similarly shown, (for instance, Marsabit which has 12.2%) has its contribution capped at 10% .

4.3.4 Basic Equal Share

Basic Equal Share as a parameter has an important equalising effect in that all counties are treated equally regardless of size or population. This component has been included because all counties have some basic expenses that need to be met irrespective of their size. These services include salaries and others expenses for County Executives and County Assemblies and are critical for effective governance and administration at county level. In addition, Article 176 of the Constitution requires county governments to further decentralise their functions and provision of services.

4.3.5. Fiscal Responsibility

The fiscal responsibility parameter is used in order to encourage counties to manage their fiscal resources prudently and optimise revenue-raising potential. This parameter also upholds one of the key principles of public finance set out in Article 201(d) that, "*public money shall be used in a prudent and responsible way*."
It also gives effect to the equitable revenue sharing criterion in Article 203(1)(i) on the need for economic optimisation of each county and provision of incentives for each county to optimise its capacity to raise revenue.

As operationalised in this first generation formula, an equal amount is allocated to each county. Given that there is no established history and track record of financial management of county governments (which have not yet been established), it is not possible to rank each county. An equal weighting in this formula puts all counties at the same level.

The Commission, in collaboration with other relevant institutions such as Auditor-General and Controller of Budget, will put in place a framework for counties' evaluation and rankings. In future, the outcome of such rankings will determine allocation of revenue based on a county's fiscal responsibility score against that framework.

4.3.6. Other Parameters Considered but not Used

The Commission identified other possible parameters with a strong causal connection to the expenditure needs of counties. Among these were Gender Development Index, Fiscal Capacity and County GDP. The Human Development Index (HDI) was also identified. Currently, there is inadequate official data required to compute the HDI. An example is the county per capita income, which requires county-level GDP data. In future, as data availabity improves, the Commission will consider incorporating such variables in the formulae.

4.4 Determination of Parameter Weights

Parameter weights play a very key role in the overall outcome of the formula. The revenue allocation for a particular county from a given parameter is dependent on two factors:

(a) *The weight given to the parameter*: The higher the weight, the more revenue the county is allocated to that parameter.

(b) *The characteristics of the county*: The higher the ranking of the county against each parameter, the higher the revenue allocated to the county.

Thus, a county gets maximum revenue when a high weight is assigned to a parameter in respect of which it has comparative advantage in terms of contribution. International experience suggests that different countries use different parameters in their horizontal revenue allocation formula. What this means is that revenue allocation parameters are specific to each country, and take into account existing local dynamics. The determination of each weight in this Report is based on experiences of other countries, Kenya's local dynamics, simulations, and broad-based consultations.

The following steps were followed in developing the weights:

Step 1: *Monte Carlo simulations*- These entailed a set of experiments for different weights for each parameter. In doing this, the simulations sought to realise two objectives, namely:

(a) minimum variability in total revenue allocation among counties; and

b) minimum variability in per person revenue allocation among counties.

This provided a "first guess" of the weights.

Step 2: *Incorporation of value judgement by the Commission* - In this step, the weights were subjected to scrutiny in relation to international experience and Kenya's own national dynamics. This led to the proposed formula launched by the Commission on 28th February 2012. The weights identified were:

Population:---------------- 60%
Basic Equal Share:------- 20%
Poverty index: ------------ 12%
Land area:----------------- 6%
Fiscal responsibility:----- 2%

Step 3: *Broad-based consultations, including county visits* -
These were conducted inorder to collect public views and opinions on parameters and weights.

Step 4: *The recommended parameter weights* - Results from the broad-based consultations, including county visits were analysed to develop the recommended weights for the parameters as shown in the table below.

Table 4.4.1 : *Recommended Parameter Weights*

	Parameter	Weight (%)
1.	Population	45
2.	Basic Equal Share	25
3.	Povert Index	20
4.	Land area	8
5.	Fiscal responsibility	2
		100

The final "first generation equitable revenue allocation formula" is;

$$\mathbf{Ca_i = P_i + PV_i + A_i + BS_i + FR_i}$$

Where:

$\mathbf{Ca_i}$ = Revenue allocated to county

$\mathbf{i}$ = 1,2.........47

$\mathbf{P_i}$ = Revenue allocated to a county on the basis of population parameter

$\mathbf{PV_i}$ = Revenue allocated to a county on the basis of poverty gap parameter

$\mathbf{A_i}$ = Revenue allocated on to a county on the basis of land area

$\mathbf{BS_i}$ = Revenue allocated on to a county on the basis of basic equal share parameter. This is share equally among the 47 counties.

$\mathbf{FR_i}$ =Revenue allocated on the basis on the basis of fiscal responsibility. This is shared equally among the 47 counties.

4.5 Equitable Revenue Allocation of Kshs. 203 Billion among County Governments

The horizontal allocation formula is used to share the Kshs. 203 billion among the 47 counties. The results are presented in Table 4.5.1.

Table 4.5.1: Equitable Revenue Allocation by County

COMMISSION ON REVENUE ALLOCATION									
DIVISION OF REVENUE AMONG COUNTY GOVERNMENTS 2012/2013									
RECOMMENDED TO COUNTY GOVERNMENTS 32.8% (KSHS.203 BILLION)									
		45%		25%	20%	8%	2%	100%	
NO.	COUNTY	POPULATION		BASIC EQUAL SHARE	POVERTY	LAND AREA	FISCAL RESPONSIBILITY	TOTAL	PER PERSON
		Individuals	Revenue	Revenue	Revenue	Revenue	Revenue	Revenue	
		(No.)	(KShs Mlns)	(KShs Mlns)	(KShs Mlns)	(KShs Mlns)	(KShs Mlns)	(KShs Mlns)	(KShs)
1	ISIOLO	143,294	339	1,080	247	637	86	2,389	16,669
2	LAMU	101,539	240	1,080	39	158	86	1,603	15,791
3	MARSABIT	291,166	689	1,080	739	1,461	86	4,055	13,928
4	TANA-RIVER	240,075	568	1,080	413	966	86	3,114	12,970
5	SAMBURU	223,947	530	1,080	551	528	86	2,776	12,395
6	TURKANA	855,399	2,024	1,080	3,538	1,461	86	8,189	9,573
7	TAITA-TAVETA	284,657	673	1,080	317	429	86	2,586	9,085
8	WAJIR	661,941	1,566	1,080	1,495	1,425	86	5,652	8,538
9	BUSIA	488,075	1,155	1,080	1,179	146	86	3,646	7,470
10	GARISSA	623,060	1,474	1,080	760	1,110	86	4,510	7,239
11	ELGEYO-MARAKWET	369,998	875	1,080	368	146	86	2,556	6,907
12	MANDERA	1,025,756	2,427	1,080	2,752	653	86	6,998	6,823
13	LAIKIPIA	399,227	945	1,080	347	238	86	2,696	6,752
14	THARAKA-NITHI	365,330	864	1,080	275	146	86	2,452	6,711
15	WEST POKOT	512,690	1,213	1,080	761	230	86	3,371	6,575
16	BARINGO	555,561	1,314	1,080	713	277	86	3,470	6,246
17	KWALE	649,931	1,538	1,080	1,094	208	86	4,005	6,163
18	EMBU	516,212	1,221	1,080	466	146	86	2,999	5,810

Table 4.5.1: Equitable Revenue Allocation by County

19	NYANDARUA	596,268	1,411	1,080	643	146	86	3,366	5,645
20	KITUI	1,012,709	2,396	1,080	1,350	767	86	5,679	5,608
21	VIHIGA	554,622	1,312	1,080	401	146	86	3,025	5,455
22	NYAMIRA	598,252	1,415	1,080	519	146	86	3,247	5,427
23	MAKUENI	884,527	2,093	1,080	1,205	201	86	4,665	5,274
24	KILIFI	1,109,735	2,626	1,080	1,706	317	86	5,815	5,240
25	KIRINYAGA	528,054	1,249	1,080	203	146	86	2,765	5,236
26	BOMET	724,186	1,713	1,080	653	146	86	3,678	5,079
27	KAJIADO	687,312	1,626	1,080	105	550	86	3,448	5,017
28	NYERI	693,558	1,641	1,080	524	146	86	3,477	5,013
29	MIGORI	917,170	2,170	1,080	1,079	146	86	4,561	4,973
30	NANDI	752,965	1,781	1,080	622	146	86	3,716	4,935
31	TRANS-NZOIA	818,757	1,937	1,080	736	146	86	3,985	4,867
32	NAROK	850,920	2,013	1,080	502	451	86	4,132	4,856
33	MACHAKOS	1,098,584	2,599	1,080	1,368	156	86	5,289	4,815
34	KISII	1,152,282	2,726	1,080	1,505	146	86	5,543	4,811
35	KERICHO	758,339	1,794	1,080	414	146	86	3,520	4,642
36	SIAYA	842,304	1,993	1,080	598	146	86	3,904	4,634
37	KISUMU	968,909	2,292	1,080	835	146	86	4,440	4,582
38	HOMA-BAY	963,794	2,280	1,080	811	146	86	4,403	4,569
39	UASIN-GISHU	894,179	2,116	1,080	629	146	86	4,056	4,536
40	MURANG'A	942,581	2,230	1,080	643	146	86	4,185	4,440
41	MOMBASA	939,370	2,223	1,080	527	146	86	4,062	4,324
42	KAKAMEGA	1,660,651	3,929	1,080	1,720	146	86	6,961	4,192
43	BUNGOMA	1,630,934	3,859	1,080	1,433	146	86	6,604	4,049
44	NAKURU	1,603,325	3,793	1,080	1,195	188	86	6,342	3,956
45	MERU	1,356,301	3,209	1,080	525	174	86	5,074	3,741
46	KIAMBU	1,623,282	3,841	1,080	679	146	86	5,832	3,593
47	NAIROBI CITY	3,138,369	7,425	1,080	1,419	146	86	10,156	3,236
	TOTALS	**38,610,097**	**91,350**	**50,750**	**40,600**	**16,240**	**4,060**	**203,000**	**5,258**

5. CONDITIONAL GRANTS

5.1 Introduction

Conditional grants form a critical pillar of inter-governmental fiscal relations that drives devolution. They are a dominant source of revenue for sub-national governments, particularly in developing and least developed countries where rural areas continue to be highly dependent on transfers from higher-level government.

The design of conditional grants is of critical importance for efficiency and equity of local service provision and fiscal health of sub-national governments.

We can identify five broad economic arguments for conditional grants intended to meet the efficiency and equity goals. These may apply to varying degrees in different countries, but guide governments in their design of transfers. They are:

i. To ensure *common minimum standards* across sub-national governments and enable poorer areas to provide an acceptable level of service for the attainment of national equity objectives.
ii. To *compensate for inter-jurisdictional spillover*, where one jurisdiction provides a service that people from other jurisdictions can benefit from. If those who benefit from a public good do not contribute to the cost of providing it, there is a risk that sub-national levels of government will under-provide and focus benefits only on their constituents.
iii. To create *macro-economic stability* in depressed regions.
iv. To *influence local priorities* in areas of high national interest but low local priority, and provide flexibility of national government in carrying out targeted functions.
v. To *address special issues*, such as, gender, age and disability.

5.2 Conditional Grants in Kenya

A number of conditional grants, commonly known as *devolved funds* have been in operation in Kenya under various legislations - Acts of Parliament, presidential orders, legal notices and ministry circulars - prior to the enactment of the Constitution of Kenya 2010.

Article 202(2) of the Constitution of Kenya 2010 provides for additional allocation from the revenue share of the national government, and reads:

> *County governments may be given additional allocations from the national government's share of the revenue, either conditionally or unconditionally.*

Further, Section 10(1)(c) of the Commission on Revenue Allocation Act, 2011 requires the Commission to:

> *submit recommendations to the Senate, National Assembly, national executive, County Assembly and county executive on the proposals made for equitable distribution of revenue between the national government and county governments and amongst county governments, including recommendations on amounts earmarked for specific purposes such as the constituency development fund, among others.*

The current conditional grant designs in Kenya can be categorised as: earmarked grants, mandatory and discretionary grants, block grants, and matching and non-matching grants.

A study by the Parliamentary Budget Office entitled, *Fund Account in Kenya: Managing Complexities of Public Financial Management* of May, 2011 identified forty-six conditional grants currently operated by government. While the report notes that the list of fund accounts is not exhaustive, it acknowledges that these were created to among other objectives, *reverse the effects of past injustices, address the high rate of poverty*, and *reduce inequality*.
While the afore-mentioned devolved funds may benefit county governments, dependencies on transfers from the national government should not be encouraged in the long term. Instead, county governments ought to be incentivised to enhance own-revenue sources through such measures as local tax collection and fiscal discipline.

5.3 Challenges with Conditional Grants

The management of devolved funds is faced with diverse challenges. These include:

i. Lack of synchronization of activities being undertaken by various funds and hence, duplication of roles across funds and line ministries, leading to wastage.
ii. Weak monitoring of projects due to lack of proper integration with the National Integrated Monitoring and Evaluation System (NIMES).
iii. Balkanization of the budget, whereby funds compete for resources and project selection is inefficient.
iv. Reduced room for flexibility by the national government to shift resources, occasioned by many small earmarked funds.
v. Funds are created but rarely dissolved thereby denying resources to programmes that require immediate attention.
vi. Inadequate citizens' participation, transparency, accountability and management challenges.
vii. Need for reduced political influence in their management.
viii. Inadequate technical input and quality assurance from ministry staff, leading to low quality projects.

In spite of such challenges, the Constitution provides for the creation of conditional grants as noted under section 5.2, above. This creates the need to search for lasting solutions to these challenges.

5.4 Recommendations on Conditional Grants

While the Commission acknowledges that devolved funds have registered varying degrees of success in enhancing efficiency and equity, there is need for reforms that ensure that devolved funds are a driving force in Kenya's development and, in particular, with respect to the devolved government. Accordingly, the Commission makes the following recommendations:

1. That, there is need for urgent harmonization of both institutional and the regulatory framework. It would be preferable if devolved funds are administered from one financial basket by a singular national authority, while

   disbursement is done functionally through sectoral ordination agencies to enhance targeting of marginalized groups such as women, disabled, youth and the aged - in line with Articles 53, 54, 55, 56 and 57 of the Constitution. Alternatively, devolved funds can be managed under one umbrella organisation.

2. That, to facilitate the above specified institutional and regulatory reforms a *three-year transitional moratorium* be instituted for all grants under Acts of Parliament such as CDF and LATF,and one-year for grants under presidential orders and ministry circulars.

3. That, national government creates a *Capacity Building Grant* in line with function No.32 of the national government as per the Fourth Schedule and Section 15 (2) (ii) of the Sixth

   Schedule. This should help enhance skills and manpower development in county governments and absorption capacity of the recommended equitable county allocation.

4. That, the Commission in collaboration with the Treasury and county governments designs an *inter-governmental grants system*. This may entail determination of the proportion of national government revenue to be utilised as conditional grants, ensuring clarity in the purpose of each transfer, fair balance between conditional and unconditional grants, clear allocation criteria to reduce political influence, enhance citizens' participation and restructure devolved funds with the aim of re-aligning policy goals and objectives to achieve positive socio-economic impact.

6. BORROWING AND OTHER FUNDING SOURCES FOR COUNTY GOVERNMENTS

6.1 Legal Framework and Status

Other sources of financing for county governments are taxes, user charges, grants from development partners and borrowing.

The power to impose taxes and charges by county governments is assigned under Article 209 (3) and (4) of the Constitution. The own-source revenues collected are not shareable, but available for use at the county level. County governments may also receive external grants from development partners. County government borrowing is permitted under Article 212 of the Constitution. The Article states that:

A county government may borrow only-

(a) if the national government guarantees the loan, and

(b) with the approval of the county government's assembly.

Clause 144 of the Public Financial Management Act, 2012 also provides borrowing authority to county governments, while Clause 177 provides for borrowing by cities and urban areas. Coordination of total public borrowing is essential to ensure autonomous county borrowing decisions are in line with national government policies and also, maintain public debt within affordable limits to avoid the debt trap.

The Commission advocates for a cautious approach in authorising borrowing by county governments. Current debt of both local authorities and the national government are high. This has caused fiscal stress for government. Further, borrowing by county governments may aggravate the fiscal liabilities of national government, which would increase inflationary pressures.

National government debt must be clearly coordinated and distinguished from that of county governments. It is also desirable for county governments to match revenue means as closely as possible to expenditure needs in order to enhance fiscal discipline. This calls for a balanced budget.

7.0 RECOMMENDATIONS AND CONCLUSION

7.1 Recommendations

As required under Article 217 and 218, the Commission hereby requests Parliament to:

7.1.1 Approve the basis of revenue allocation between the national and county governments contained in section 3 of this report for the year 2012/13.

Table 7.1.1: *Summary of Vertical Allocation*

Details	***Amount in Ksh in Billions***	***Applicable percentage***
Vertical allocation to the national government	405	66.5% of total shareable revenue
Vertical allocation to county governments	203	33.0% of total shareable revenue.
Equalization Fund	3	0.5% of total shareable revenue
Total	**610**	

7.1.2 Approve the basis of revenue allocation among county governments contained in section 4 for the periods 2012/13, 2013/14 and 2014/15.

Table 7.1.2: *Recommended Parameter Weights*

	Parameter	**Weight (%)**
1.	Population	45
2.	Basic Equal Share	25
3.	Povert Index	20
4.	Land area	8
5.	Fiscal responsibility	2
		100

7.1.3 Request Treasury to initiate both the Division of Revenue Bill and County Allocation Bill based on the final figures as approved by Parliament.

7.1.4 Approve the Commission's recommendations on conditional grants.

7.2 Conclusion

This Report, presented to Parliament in accordance with Article 217 of the Constitution, provides recommendations on sharing of revenue raised nationally between the national and county governments for the fiscal year 2012/13 and among county governments for the fiscal years 2012/13 - 2014/15.

In its deliberations, Parliament may be guided by the following considerations:

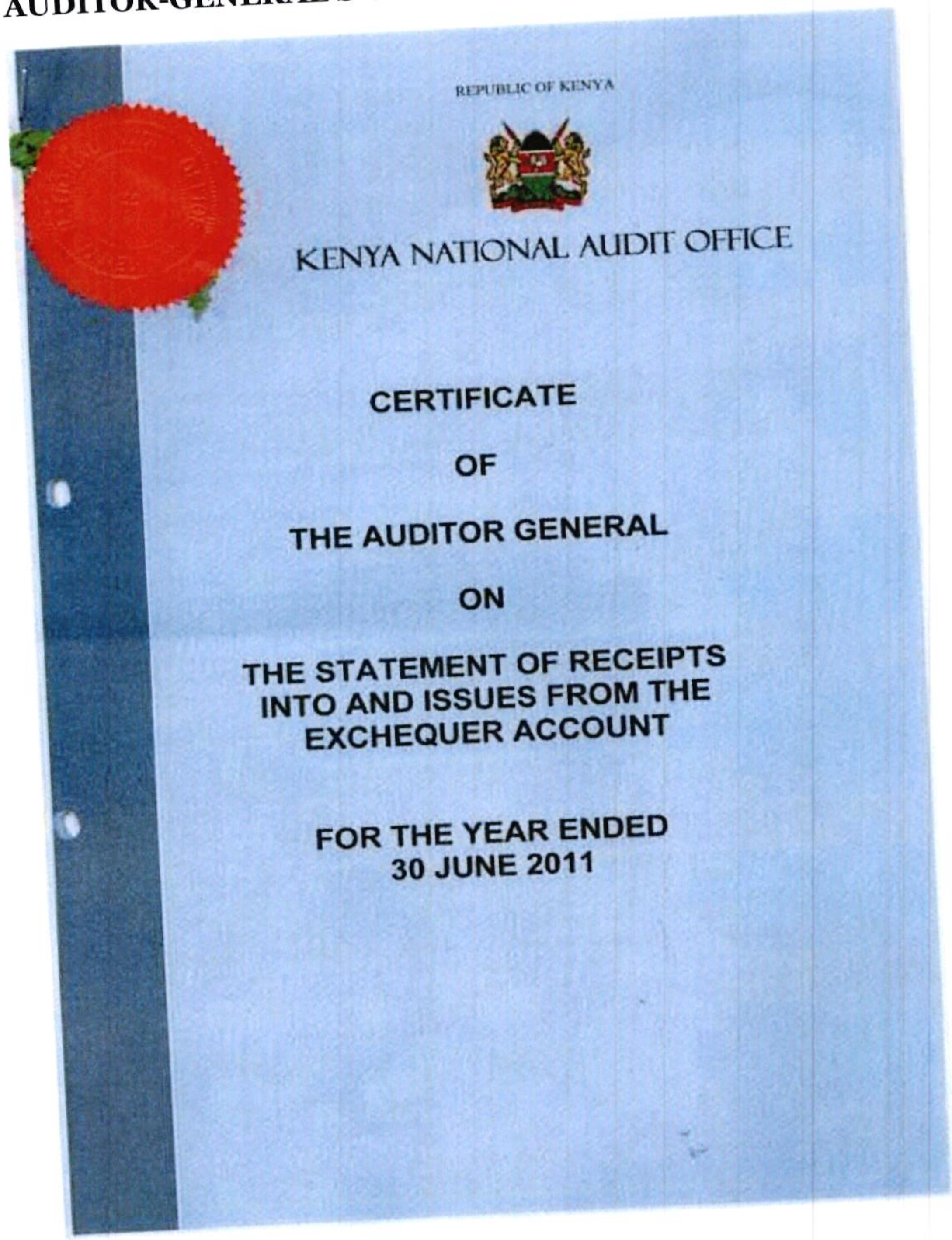
- The mandate of the Commission as outlined in Article 216 of the Constitution and the CRA Act, 2011;
- Views expressed by Kenyans during the Commission's visits to all 47 counties, presentations and memoranda from Kenyans expressing proposals on revenue sharing formula; and
- The limited availability of data owing to the non-existence of counties prior to 2010.

The Commission will consider new and relevant data as it becomes available in developing subsequent revenue allocation formulae.

APPENDIX

Appendix i:

THE AUDITOR-GENERAL'S CERTIFICATE



REPUBLIC OF KENYA

KENYA NATIONAL AUDIT OFFICE

CERTIFICATE

OF

THE AUDITOR GENERAL

ON

THE STATEMENT OF RECEIPTS INTO AND ISSUES FROM THE EXCHEQUER ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2011

Telephone: +254-20-342330
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E-mail: cag@kenao.go.ke
Website: www.kenao.go.ke

REPUBLIC OF KENYA

P.O. Box 30084-00100
NAIROBI

Date: ____________

KENYA NATIONAL AUDIT OFFICE

CERTIFICATE OF THE AUDITOR GENERAL ON THE STATEMENT OF RECEIPTS INTO AND ISSUES FROM THE EXCHEQUER ACCOUNT FOR THE YEAR ENDED 30 JUNE 2011

I have audited the Statement of Receipts into and Issues from the Exchequer Account for the year ended 30 June 2011 in accordance Article 229(4) of the Constitution of Kenya and Section 8 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Accounting Officer's Responsibility for the Financial Statement

The Permanent Secretary/Treasury is responsible for the preparation and fair presentation of the financial statement and for such internal controls as management determines is necessary to enable the preparation of financial statement that is free from material misstatement, whether due to fraud or error.

The Permanent Secretary/Treasury is also responsible for the submission of the financial statement to the Auditor General in accordance with the provisions of Section 3 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on the financial statement based on the audit and report in accordance with the provisions of section 8 of the Public Audit Act, 2003. The audit was conducted in accordance with the International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance that the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls.

I believe the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statement presents fairly, in all material respects, Receipts into and Issues from the Exchequer Account for the year ended 30 June 2011.

Edward R. O. Ouko
AUDITOR GENERAL

Nairobi

14 December 2011

REPUBLIC OF KENYA - THE EXCHEQUER ACCOUNT

RECEIPTS INTO AND ISSUES FROM EXCHEQUER ACCOUNT

FOR THE YEAR 2010/2011

RECURRENT:-	ORIGINAL ESTIMATES	ACTUAL RECEIPTS	UNDER/(OVER ESTIMATES)
TAXATION RECEIPTS:-	KSHs	KSHs	KSHs
Opening Balance		2,673,967,668.20	
Icome Tax from Individuals (P.A.Y.E)	138,682,075,728.70	137,054,522,750.10	1,627,552,978.60
Income Tax from Corporations	86,266,189,000.15	121,596,152,800.30	(35,329,963,800.15)
Witholding Tax	29,928,705,000.00	0	29,928,705,000.00
Immovable Property	115,485,216.00	0	115,485,216.00
Second Hand Motor Vehicle Pur. Tax	187,376,452.00	0	187,376,452.00
V.A.T on Domestic Goods & Services	97,023,870,244.00	90,211,137,512.15	6,812,732,731.85
V.A.T on Imported Goods & Services	75,336,440,790.00	81,669,609,261.40	(6,333,168,471.40)
Excise Taxes	86,204,780,371.00	80,566,544,296.15	5,638,236,074.85
Licences under Traffic Act	63,146,937.00	2,463,997,575.20	(2,400,850,638.20)
Royalties	50,416,667.00	0	50,416,667.00
Customs Duties	48,903,440,339.00	46,071,808,271.45	2,831,632,067.55
Other Taxes on Int. Trade & Transactions	18,616,375,800.00	20,598,638,090.60	(1,982,262,290.60)
Stamp Duty	5,875,520,000.00	6,800,041,724.45	(924,521,724.45)
Contribution from Government Employees	381,662,239.00	0	381,662,239.00
Grants from Foreign Govt. through Exchequer	17,433,936,698.00	7,468,392,836.20	9,965,543,861.80
Loan from Foreign Govt. through Exchequer	34,969,451,159.00	17,016,267,517.85	17,953,183,641.15
Interest Received	627,603,154.00	758,779,736.20	(131,176,582.20)
Profits & Dividends From CBK	1,000,000,000.00	2,000,000,000.00	(1,000,000,000.00)
Other Profits & Dividends	10,899,000,000.00	9,085,817,264.25	1,813,182,735.75
Rent of Land	1,282,537,244.00	1,073,011,039.85	209,526,204.15
Fees under Traffic Act	1,247,708,561.00	0	1,247,708,561.00
Motor Driver's Licences	678,768,050.00	0	678,768,050.00
Land Adjudication and Case Fee	45,540.00	0	45,540.00
Sale of Freehold Interest in Agricultural Land	1,932,000.00	0	1,932,000.00
Fines, Penalties & Forfeitures & Other Charges	162,773,333.00	289,628,593.55	(126,855,260.55)
Miscellaneous Revenue	4,760,485,272.00	7,823,308,696.05	(3,062,823,424.05)
Loans to Non- Financial Public Enterprises	1,275,500,000.00	1,126,004,530.25	149,495,469.75
Loans to Financial Institutions	67,500,000.00	33,750,000.00	33,750,000.00
Net Domestic Borrowing (CBK)	105,288,904,052.00	0	105,288,904,052.00
	767,331,629,846.85	636,381,380,164.20	130,950,249,682.65
Recoveries Over-issues 2008/2009		3,272,705,540.35	(3,272,705,540.35)
Treasury Bills		4,000,000,000.00	(4,000,000,000.00)
Treasury Bonds		186,300,000,000.00	(186,300,000,000.00)
Civil Contigencies Fund		1,075,480,000.00	(1,075,480,000.00)
TOTAL RECEIPTS	767,331,629,846.85	831,029,565,704.55	(63,697,935,857.70)
RECURRENT			
MINISTRY/DEPARTMENT	ESTIMATED ISSUES	ACTUAL ISSUES	
	KSHs	KSHs	
Ministry of State - P. A & I. Security	48,508,887,450.00	48,453,700,000.00	55,187,450.00
State House	1,075,195,000.00	1,066,000,000.00	9,195,000.00
Ministry of State- Public Service	1,306,367,100.00	1,182,500,000.00	123,867,100.00
Ministry of Foreign Affairs	7,658,470,000.00	7,422,000,000.00	236,470,000.00
Office of V.P. & Ministry of Home Affairs	12,033,935,510.00	12,030,000,000.00	3,935,510.00
Planning & National Dev.	2,375,201,920.00	2,284,000,000.00	91,201,920.00
Ministry of Finance	24,526,960,000.00	23,840,300,000.00	686,660,000.00
Ministry of State for Defence	49,972,661,500.00	49,714,000,000.00	258,661,500.00
Ministry of Regional Development & Auth.	817,231,600.00	816,500,000.00	731,600.00
Ministry of Agriculture	8,395,393,400.00	8,395,000,000.00	393,400.00
Medical Services	23,266,018,000.00	23,266,000,000.00	18,000.00
D.P.M.s Office & Ministry of Local Govt.	1,195,270,000.00	1,166,000,000.00	29,270,000.00
Ministry of Roads	2,123,492,100.00	2,113,000,000.00	10,492,100.00
Ministry of Transport	1,245,368,190.00	1,071,032,000.00	174,336,190.00
Ministry of Labour & HRD	1,230,475,120.00	1,189,000,000.00	41,475,120.00
D.P.M.s Office, Ministry of Trade	1,535,298,000.00	1,534,300,000.00	998,000.00
Justice Nat. Cohesion & Const. Affairs	3,219,229,870.00	3,206,000,000.00	13,229,870.00
Ministry of Gender and Children Dev.	2,844,003,600.00	2,844,000,000.00	3,600.00
Ministry of Livestock Development	3,679,384,250.00	3,679,000,000.00	384,250.00
Ministry of Water & Irrigation	3,906,644,400.00	3,518,000,000.00	388,644,400.00
Ministry of Environment & Mineral Res.	2,258,796,000.00	2,258,000,000.00	796,000.00
Ministry of Coop. Dev. & Marketing	1,047,926,620.00	1,047,000,000.00	926,620.00
Cabinet Office	901,081,100.00	844,000,000.00	57,081,100.00
Ministry of East African Community	943,985,400.00	943,000,000.00	985,400.00
State Law Office	1,285,093,120.00	1,285,000,000.00	93,120.00
Judicial Department	2,754,827,490.00	2,752,000,000.00	2,827,490.00
Public Service Commission	407,703,900.00	403,000,000.00	4,703,900.00
Kenya National Audit Office	1,342,345,100.00	1,144,000,000.00	198,345,100.00
National Assembly	7,552,776,040.00	7,430,000,000.00	122,776,040.00
Ministry of Energy	2,076,550,690.00	2,026,000,000.00	50,550,690.00
Ministry of Education	130,369,901,300.00	129,591,000,000.00	778,901,300.00
Ministry of Information & Comm.	1,497,040,200.00	1,497,000,000.00	40,200.00
Interim Independent Electoral Commission	7,096,407,800.00	7,096,000,000.00	407,800.00
Kenya anti-Corruption Commission	1,490,050,000.00	1,370,000,000.00	120,050,000.00
Ministry of State for Special Programmes	5,619,388,766.00	5,459,640,921.00	159,747,845.00
Ministry of Lands	1,749,424,210.00	1,518,000,000.00	231,424,210.00
Ministry of State for Immigration & Reg. Pers.	335,362,310.00	0	335,362,310.00
Ministry of State for National Heritage & Cult.	1,709,387,600.00	1,709,000,000.00	387,600.00
Ministry of State for Youth Affairs & Sports	5,604,285,600.00	5,598,000,000.00	6,285,600.00

Higher Education, Science & Technology	26,105,070,800.00	25,934,000,000.00	171,070,800.00
Ministry of Housing	778,911,220.00	778,000,000.00	911,220.00
National Security Intelligence Service	10,616,000,000.00	10,616,000,000.00	-
Ministry of Tourism	1,502,592,300.00	1,492,500,000.00	10,092,300.00
Office of the Prime Minister	2,123,532,700.00	2,107,000,000.00	16,532,700.00
Ministry of Public Health and Sanitation	10,059,441,500.00	10,056,000,000.00	3,441,500.00
Ministry of Forestry and Wildlife	4,068,580,400.00	4,068,580,400.00	-
Ministry of Fisheries Development	982,228,170.00	982,228,170.00	-
Ministry of Nairobi Metropolitan Development	320,140,400.00	307,000,000.00	13,140,400.00
Ministry of DVP of N. Kenya & other A. Areas	246,512,550.00	245,600,000.00	912,550.00
Ministry of Public Works	2,066,938,400.00	1,978,000,000.00	88,938,400.00
Ministry of Industrialisation	1,445,412,500.00	1,439,000,000.00	6,412,500.00
Interim Ind. Boundaries Rev. Commission.	124,000,000.00	124,000,000.00	-
Total	437,397,181,196.00	432,888,881,491.00	4,508,299,705.00
DEVELOPMENT:-	ESTIMATED ISSUES	ACTUAL ISSUES	
	KSHs	KSHs	
Ministry of State - P. A & I. Security	3,039,474,000.00	2,029,000,000.00	1,010,474,000.00
State House	266,400,000.00	264,200,000.00	2,200,000.00
Ministry of State- Public Service	335,225,770.00	300,765,660.00	34,460,110.00
Ministry of Foreign Affairs	466,400,000.00	367,000,000.00	99,400,000.00
Office of V.P. & Ministry of Home Affairs	1,648,000,000.00	1,554,512,936.00	93,487,064.00
Ministry of Planning & National Dev.	16,588,470,200.00	15,723,546,462.00	864,923,738.00
Ministry of Finance	12,756,822,815.00	10,760,899,200.00	1,995,923,615.00
Ministry of Regional Development & Auth.	5,352,180,763.00	5,261,366,126.00	90,814,637.00
Ministry of Agriculture	11,060,165,840.00	9,024,430,212.00	2,035,735,628.00
Medical Services	2,440,523,750.00	2,440,523,748.00	2.00
D.P.M.s Office & Ministry of Local Govt.	4,771,935,000.00	4,283,275,994.00	488,659,006.00
Ministry of Roads	36,964,420,000.00	34,121,453,032.00	2,842,966,968.00
Ministry of Transport	4,155,180,000.00	3,020,492,448.00	1,134,687,552.00
Ministry of Labour & HRD	372,511,000.00	313,542,000.00	58,969,000.00
D.P.M.s Office, Ministry of Trade	332,337,600.00	278,000,000.00	54,337,600.00
Justice Nat. Cohesion & Const. Affairs	248,680,000.00	135,500,000.00	113,180,000.00
Ministry of Gender & Children Dev.	2,657,589,930.00	2,167,624,754.00	489,965,176.00
Ministry of Livestock Dev.	3,323,314,282.00	3,134,250,981.00	189,063,301.00
Ministry of Water & Irrigation	19,570,688,800.00	17,290,419,099.00	2,280,269,701.00
Ministry of Environment & Mineral Resources	2,360,832,466.00	2,008,532,852.00	352,299,614.00
Ministry of Coop. Dev. & Marketing	146,340,000.00	144,865,000.00	1,475,000.00
Cabinet Office	187,400,000.00	147,800,000.00	39,600,000.00
Ministry of East African Community	45,500,000.00	45,500,000.00	-
State Law Office	37,800,000.00	28,000,000.00	9,800,000.00
Judicial Department	588,549,000.00	572,800,000.00	15,749,000.00
Ministry of Energy	17,965,519,610.00	16,423,131,557.00	1,542,388,053.00
Ministry of Education	6,921,189,300.00	5,557,737,082.00	1,363,452,218.00
Ministry of Information & Comm.	4,284,785,217.00	3,787,614,850.00	497,170,367.00
Kenya anti-Corruption Commission	100,000,000.00	65,000,000.00	35,000,000.00
Ministry of State for Special Programmes	4,329,719,150.00	4,088,665,654.80	241,053,495.20
Ministry of Lands	3,216,037,400.00	3,059,200,000.00	156,837,400.00
Ministry of State for Immigration & Reg. Pers.	1,943,596,800.00	1,857,711,250.00	85,885,550.00
Ministry of State for National Heritage & Cult.	401,019,000.00	397,500,000.00	3,519,000.00
Ministry of State for Youth Affairs & Sports	3,646,403,600.00	3,426,013,565.00	220,390,035.00
Higher Education, Science & Technology	6,779,000,000.00	5,973,055,000.00	805,945,000.00
Ministry of Housing	2,062,000,000.00	1,921,262,500.00	140,737,500.00
Ministry of Tourism	846,000,000.00	720,000,000.00	126,000,000.00
Office of the Prime Minister	435,655,000.00	435,000,000.00	655,000.00
Ministry of Public Health and Sanitation	9,955,040,400.00	7,248,894,215.00	2,706,146,185.00
Ministry of Forestry and Wildlife	1,897,977,120.00	1,878,536,258.00	19,440,862.00
Ministry of Fisheries Development	3,201,067,049.00	2,595,462,000.00	605,605,049.00
Ministry of Nairobi Metropolitan Development	857,600,000.00	857,177,215.00	422,785.00
Ministry of DVP of N. Kenya & other A. Areas	2,403,672,332.00	1,778,313,734.00	625,358,598.00
Ministry of Public Works	4,559,850,000.00	3,810,392,000.00	749,458,000.00
Ministry of Industrialisation	3,100,604,000.00	2,359,246,190.00	741,357,810.00
Total	208,623,477,194.00	183,658,213,574.80	24,965,263,619.20
OTHER ISSUES:-			
IN RESPECT OF:			
CIVIL CONTIGENCIES FUND		1,075,480,000.00	
Public Debt	158,555,505,314.00	186,668,263,300.00	(28,112,757,986.00)
Pensions and Gratuities	26,732,124,719.00	24,410,000,000.00	2,322,124,719.00
Salaries Allowances & Miscellaneous Services	2,124,203,801.00	2,260,000,000.00	(135,796,199.00)
Subscription to International Organisations	500,000.00	-	500,000.00
		214,413,743,300.00	
TOTAL ISSUES		830,960,838,365.80	
SURPLUS FOR THE YEAR 2010/2011			68,727,338.75

DATE 14.9.2011

JOSEPH K. KINYUA, CBS
PERMANENT SECRETARY/TREASURY

Appendix ii

Schedule of counties per the first schedule of the Constitution

1	Mombasa	25	Samburu
2	Kwale	26	Trans Nzoia
3	Kilifi	27	Uasin Gishu
4	Tana River	28	Elgeyo/Marakwet
5	Lamu	29	Nandi
6	Taita/Taveta	30	Baringo
7	Garissa	31	Laikipia
8	Wajir	32	Nakuru
9	Mandera	33	Narok
10	Marsabit	34	Kajiado
11	Isiolo	35	Kericho
12	Meru	36	Bomet
13	Tharaka-Nithi	37	Kakamega
14	Embu	38	Vihiga
15	Kitui	39	Bungoma
16	Machakos	40	Busia
17	Makueni	41	Siaya
18	Nyandarua	42	Kisumu
19	Nyeri	43	Homa Bay
20	Kirinyaga	44	Migori
21	Murang'a	45	Kisii
22	Kiambu	46	Nyamira
23	Turkana	47	Nairobi City
24	West Pokot		

Appendix iii

Kenyan population by county based on 2009 census

RANKING	COUNTY	POPULATION NUMBER	POPULATION % CONTRIBUTION
1	NAIROBI CITY	3,138,369	8.1
2	KAKAMEGA	1,660,651	4.3
3	BUNGOMA	1,630,934	4.2
4	KIAMBU	1,623,282	4.2
5	NAKURU	1,603,325	4.2
6	MERU	1,356,301	3.5
7	KISII	1,152,282	3.0
8	KILIFI	1,109,735	2.9
9	MACHAKOS	1,098,584	2.8
10	MANDERA	1,025,756	2.7
11	KITUI	1,012,709	2.6
12	KISUMU	968,909	2.5
13	HOMA-BAY	963,794	2.5
14	MURANG'A	942,581	2.4
15	MOMBASA	939,370	2.4
16	MIGORI	917,170	2.4
17	UASIN-GISHU	894,179	2.3
18	MAKUENI	884,527	2.3
19	TURKANA	855,399	2.2
20	NAROK	850,920	2.2
21	SIAYA	842,304	2.2
22	TRANS-NZOIA	818,757	2.1
23	KERICHO	758,339	2.0
24	NANDI	752,965	2.0
25	BOMET	724,186	1.9
26	NYERI	693,558	1.8
27	KAJIADO	687,312	1.8
28	WAJIR	661,941	1.7
29	KWALE	649,931	1.7
30	GARISSA	623,060	1.6
31	NYAMIRA	598,252	1.5
32	NYANDARUA	596,268	1.5
33	BARINGO	555,561	1.4
34	VIHIGA	554,622	1.4
35	KIRINYAGA	528,054	1.4
36	EMBU	516,212	1.3
37	WEST POKOT	512,690	1.3
38	BUSIA	488,075	1.3
39	LAIKIPIA	399,227	1.0
40	ELGEYO-MARAK	369,998	1.0
41	THARAKA-NITHI	365,330	0.9
42	MARSABIT	291,166	0.8
43	TAITA-TAVETA	284,657	0.7
44	TANA-RIVER	240,075	0.6
45	SAMBURU	223,947	0.6
46	ISIOLO	143,294	0.4
47	LAMU	101,539	0.3
	TOTALS	**38,610,097**	**100**

Source: 2009 Kenya Population and Housing Census, The Kenya National Bureau of Statistics

Appendix iv

KENYA NATIONAL BUREAU OF STATISTICS

KNBS
KENYA NATIONAL BUREAU OF STATISTICS

P.O. BOX 30266
00100 Nairobi GPO, Kenya
Telephone: Nairobi 317586/8, 317612/22, 317623, 317651
Fax: 254-020-315977
Email: directorgeneral@knbs.or.ke
info@knbs.or.ke
Website: www.knbs.or.ke

Reference No. KNBS 187/014/03(A)

26th July, 2012

George O. Ooko,
Commission Secretary,
14 Riverside Drive,
P.O. Box 1310-00200,
Nairobi,
GROSVENOR BLOCK

COMMISSION ON REVENUE ALLOCATION
RECEIVED
27 JUL 2012

RE: ADULT EQUIVALENT FOR 2009 CENSUS

Refer to your letter Ref. CRA/MPND/11/Vol.1 dated 24th July, 2012, on request to be furnished with data on adult equivalent by county for the 2009 Kenya Population Census.

Find attached population in adult equivalent by county, as per your requested.

Z. Mwangi
Ag. DIRECTOR GENERAL

Appendix v

Land area by county

RANKING	COUNTY	AREA KM SQUARE	AREA % CONTRIBUTION
1	MARSABIT	70,961	12.21
2	TURKANA	68,680	11.81
3	WAJIR	56,686	9.75
4	GARISSA	44,175	7.60
5	TANA-RIVER	38,437	6.61
6	KITUI	30,497	5.25
7	MANDERA	25,992	4.47
8	ISIOLO	25,336	4.36
9	KAJIADO	21,901	3.77
10	SAMBURU	21,022	3.62
11	NAROK	17,933	3.08
12	TAITA-TAVETA	17,084	2.94
13	KILIFI	12,610	2.17
14	BARINGO	11,015	1.89
15	LAIKIPIA	9,462	1.63
16	WEST POKOT	9,169	1.58
17	KWALE	8,270	1.42
18	MAKUENI	8,009	1.38
19	NAKURU	7,495	1.29
20	MERU	6,936	1.19
21	LAMU	6,273	1.08
22	MACHAKOS	6,208	1.07
23	BUNGOMA	3,593	0.62
24	UASIN-GISHU	3,345	0.58
25	NYERI	3,337	0.57
26	NYANDARUA	3,245	0.56
27	HOMA-BAY	3,183	0.55
28	KAKAMEGA	3,051	0.52
29	ELGEYO-MARAKWET	3,030	0.52
30	NANDI	2,884	0.50
31	EMBU	2,818	0.48
32	THARAKA-NITHI	2,639	0.45
33	MIGORI	2,596	0.45
34	MURANG'A	2,559	0.44
35	KIAMBU	2,543	0.44
36	SIAYA	2,530	0.44
37	TRANS-NZOIA	2,496	0.43
38	KERICHO	2,479	0.43
39	BOMET	2,471	0.43
40	KISUMU	2,086	0.36
41	KIRINYAGA	1,479	0.25
42	KISII	1,318	0.23
43	BUSIA	1,134	0.20
44	NYAMIRA	899	0.15
45	NAIROBI CITY	695	0.12
46	VIHIGA	531	0.09
47	MOMBASA	219	0.04
	TOTALS	**581,313**	**100.00**

Source: Data from Table 1a of the 2009 Kenya Population and Housing Census: Population Distribution by Political Units, Volume I B, Kenya National Bureau of Statistics.

Appendix vi

Costing of devolved functions

	County	KShs. Millions
1	Mombasa	4,632
2	Kwale	2,161
3	Kilifi	3,163
4	Tana River	1,908
5	Lamu	1,270
6	Taita Taveta	2,002
7	Garissa	3,107
8	Wajir	2,887
9	Mandera	2,525
10	Marsabit	2,191
11	Isiolo	1,854
12	Meru	3,346
13	Tharaka – Nithi	1,460
14	Embu	3,349
15	Kitui	3,465
16	Machakos	3,559
17	Makueni	3,066
18	Nyandarua	2,397
19	Nyeri	4,222
20	Kirinyaga	3,142
21	Murang'a	2,650
22	Kiambu	4,921
23	Turkana	2,447
24	West Pokot	2,857
25	Samburu	1,690
26	Trans Nzoia	2,017
27	Uasin Gishu	2,986
28	Elgeyo/ Marakwet	1,909
29	Nandi	4,010
30	Baringo	2,990
31	Laikipia	2,132
32	Nakuru	5,010
33	Narok	2,846
34	Kajiado	2,124
35	Kericho	2,799
36	Bomet	1,896
37	Kakamega	5,668
38	Vihiga	2,120
39	Bungoma	3,247
40	Busia	2,829
41	Siaya	3,098
42	Kisumu	5,093
43	Homa Bay	3,608
44	Migori	2,815
45	Kisii	3,863
46	Nyamira	2,638
47	Nairobi City	12,032
Total		148,001

Note: For 2012/2013 costing does not include administrative cost and full projected amount of CDF. Source Draft Budget Policy Statement 2012/2013.

Appendix vii

Analysis of county focus group questionnaire - parameter weights

Parameter	**Results**
Population	47.6
Basic equal	21.6
Poverty	18.0
Land	8.3
Fiscal Responsibility	3.0
Others	1.6
Total	**100**