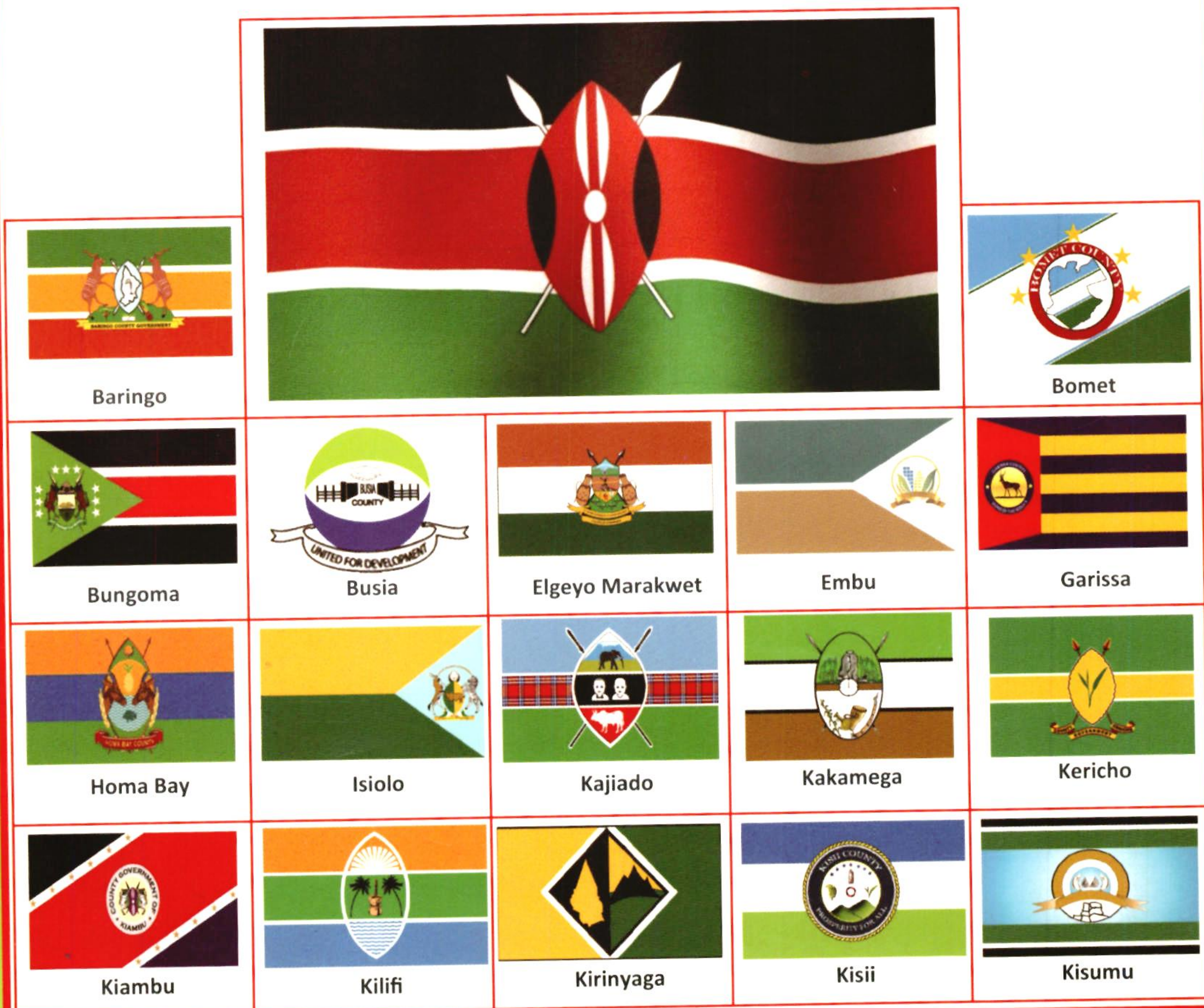
COMMISSION ON REVENUE ALLOCATION

Promoting an Equitable Society

RECOMMENDATION FOR THE EQUITABLE SHARING OF REVENUE RAISED NATIONALLY BETWEEN THE NATIONAL AND COUNTY GOVERNMENTS FOR FINANCIAL YEAR 2017/2018



30TH SEPTEMBER 2016

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COMMISSION ON REVENUE ALLOCATION

Our Ref: CRA/P&S/VOL **DATE:** 30th September 2016

Clerk of the Senate
Clerk of the National Assembly
Cabinet Secretary, National Treasury
Clerks of County Assemblies
Governors, County Governments

Dear Sir/Madam,

RE: RECOMMENDATION ON SHARING OF REVENUE FOR FINANCIAL YEAR 2017/18

Pursuant to Article 216 (1)(a), the Commission on Revenue Allocation is mandated to make recommendations concerning the basis for the equitable sharing of revenue raised by the national government between national and county governments.

Article 216 (5) requires the Commission to submit its recommendations to the Senate, National Assembly, the National Executive, County Assemblies and County Executives. Accordingly, the Commission hereby recommends that Ksh.331,599 million be allocated to county governments as equitable share and Ksh.35,963 million as conditional grants for 2017/18.

Yours Sincerely,

Micah Cheserem
CHAIRMAN

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ACRONYMS AND ABBREVIATIONS

AG	Auditor-General
AMISOM	Africa Union Mission on Somalia
CARA	County Allocations Revenue Act
CBK	Central Bank of Kenya
CBR	Central Bank Rate
CoB	Controller of Budget
CTTI	County Technical Training Institutes
CRA	Commission on Revenue Allocation
BROP	Budget Review and Outlook Paper
BPS	Budget Policy Paper
DANIDA	Danish International Development Agency
DPP	Director of Public Prosecutions
EACC	Ethics and Anti-Corruption Commission
GDP	Gross Domestic Product
ICT	Information Communication Technology
IEBC	Independent Electoral and Boundaries Commission
IPOA	Independent Policing Oversight Authority
JSC	Judicial Service Commission
KeRRA	Kenya Rural Roads Authority
KNCHR	Kenya National Commission on Human Rights
KURRA	Kenya Urban Roads Authority
KRB	Kenya Roads Board
KWS	Kenya Wildlife Services
OSR	Own Source Revenue
NG&EC	National Gender and Equality Commission
NLC	National Land Commission
PAYE	Pay As You Earn
PSC	Public Service Commission
RDA	Regional Development Authorities
SRC	Salaries and Remuneration Commission
TSC	Teachers Service Commission
TIVET	Technical Industrial and Vocational Education Training
VAT	Value Added Tax
RMLF	Road Maintenance Levy Fund
KeNHA	Kenya National Highways Authority

EXECUTIVE SUMMARY

In accordance with the provisions of Article 216(1)(a) and Article 203(1), the Commission recommends that out of the shareable revenue of Ksh. 1,038,035 million for the financial year 2014/2015, Ksh. 331,599 million be allocated to county governments as equitable share and Ksh. 35,963 million as conditional grants for financial year 2017/18. The equitable share allocation to county governments is equivalent to 32 percent of the shareable revenue for 2014/15 amounting to Ksh. 1,038,035 million.

In making this recommendation, the Commission has used allocation to county governments for FY 2016/17 of Ksh. 280,300 million as the base. The base has been increased by Ksh. 42,550 million using a three year average revenue growth rate of 15.18 percent. The years considered are 2013/14; 2014/15 and 2015/16.

The Commission also considered the provisions of Article 187 (2), in recommending that Ksh 13,296 million from the Road Maintenance Levy Fund be allocated to counties for maintenance of county roads, and Ksh. 319 million from the Kenya Library Services for salaries and operations of devolved Libraries.

The recommendation on conditional allocation has two components:

1. An adjustment to the current conditional allocation on Level 5 Hospitals, Maternal Health Care, and Compensation for User Fees Forgone by the target inflation rate of 5 percent. The allocation on the Road Fuel Levy Fund is based on 25 percent of the projected fuel levy revenues for financial year amounting to Ksh.53,184 million. This allocation is net of the Roads Annuity Fund, projected at Ksh. 10,290 million for financial year 2017/18.
2. Provision for new conditional grants from the national government equitable share amounting to Ksh. 8,900 million. The grants are for:
    a. Establishment of two Regional Cancer Referral Treatment Centers at a cost of Ksh. 2.5 billion each annually,
    b. Establishment of a National Cancer Drug Access Programme at a cost of Ksh.1 billion annually,
    c. Construction of headquarters for five counties, namely: Lamu, Tharaka Nithi, Nyandarua, Tana River and Isiolo at a cost of Ksh. 1 billion annually,
    d. Construction and equipping of 20 Libraries in twenty counties at a cost of Ksh. 20 million each, and
    e. Construction and/or rehabilitation of village polytechnics in all the counties at a cost of Ksh.1.5 billion.

Table 1 provides a summary of the Commission's recommendation on the equitable share to counties for financial year 2017/18.

Table 1: Equitable Share to County Governments

	ITEM	FY 2016/17 Actuals	FY 2017/18 Recommendations
A	**EQUITABLE SHARE**	**Millions**	**Millions**
1	**Shareable Revenue**	**935,653[1]**	**1,038,035[2]**
2	Equitable Share (Baseline)	259,775	280,300
3	Three Year Average Revenue growth Rate 15.18 % *of* KSh.280,300 Million	20,525	42,550
4	**Sub Total**		322,850
5	Additional County Roads	-	8,430
6	County Libraries	-	319
7	**Sub Total**	-	8,749
8	**Total Equitable Share**	**280,300**	**331,599**
9	**Total Equitable Share as % of Shareable Revenue**	**30%**	**32%**
B	**CURRENT CONDITIONAL ALLOCATIONS[3]**		
10	Level 5 Hospitals	4,000	4,020
11	Free maternal Health Care	4,121	4,142
12	Compensation for user fees forgone	900	905
13	Leasing of Medical Equipment	4,500	4,500
14	Road Fuel Levy Fund (25% of Fuel Levy (Less Annuity Fund) Ksh. 53,183,600,000)	4,307	13,296
15	Special Purpose Grant for Emergency Medical Services	200	200
16	**Sub Total**	**18,028**	**27,063**

Source: CRA, 2016

[1] Shareable revenue for Financial year 2013/14
[2] Shareable revenue for financial year 2014/15
[3] Recommendations on current allocation on conditional grants to County Governments for financial year 2017/18 have been adjusted by target inflation factor of 5 percent

C	NEW CONDITIONAL GRANTS		
17	Establishment of two Regional Cancer Referral Centres at a cost of Ksh. 2.5 billion each	-	5,000
18	Establishment of a National Cancer Drugs Access Programme	-	1,000
19	Construction and Equipping of Libraries in 20 Counties at a cost of Ksh. 20 million each	-	400
20	Construction of Headquarters in Five Counties at a cost of Ksh. 800 million each	-	1,000
21	Rehabilitation of Village Polytechnics	-	1,500
22	**Sub Total**	-	**8,900**
23	**Total Conditional Grants**	**18,028**	**35,963**
24	**Total Recommendation on Transfer to counties for FY 2017/18**	**298,328**	**367,562**
25	**Total Recommended as percentage of equitable share for FY 2014/15 (Ksh. 1,038,035 million)**	**32%**	**35%**

CRA, 2016

1.0. INTRODUCTION

1.1 Background Information

Article 216(1)(a) of the Constitution of Kenya mandates the Commission on Revenue Allocation (CRA) to make a recommendation concerning the basis for the equitable sharing of revenue raised nationally between the national and county governments. The constitution further stipulates in article 203(1) the criteria to take into account when determining the equitable share between the two levels of government. These are:

(a) the national interest;
(b) any provision that must be made in respect of the public debt and other national obligations;
(c) the needs of the national government, determined by objective criteria;
(d) the need to ensure that county governments are able to perform the functions allocated to them;
(e) the fiscal capacity and efficiency of county governments;
(f) developmental and other needs of counties;
(g) economic disparities within and among counties and the need to remedy them;
(h) the need for affirmative action in respect of disadvantaged areas and groups;
(i) the need for the economic optimization of each county and to provide incentives for each county to optimize its capacity to raise revenue;
(j) the desirability of stable and predictable allocations of revenue; and
(k) the need for flexibility in responding to emergencies and other temporary needs, based on similar objective criteria.

The Commission has over the past four years made its recommendation on the division of revenue through a consultative process. This process has given valuable input into the preparation of the recommendations which informs the Division of Revenue Bill prepared by the National Treasury for debate and approval by Parliament.

1.2 Legal Framework for Revenue Sharing

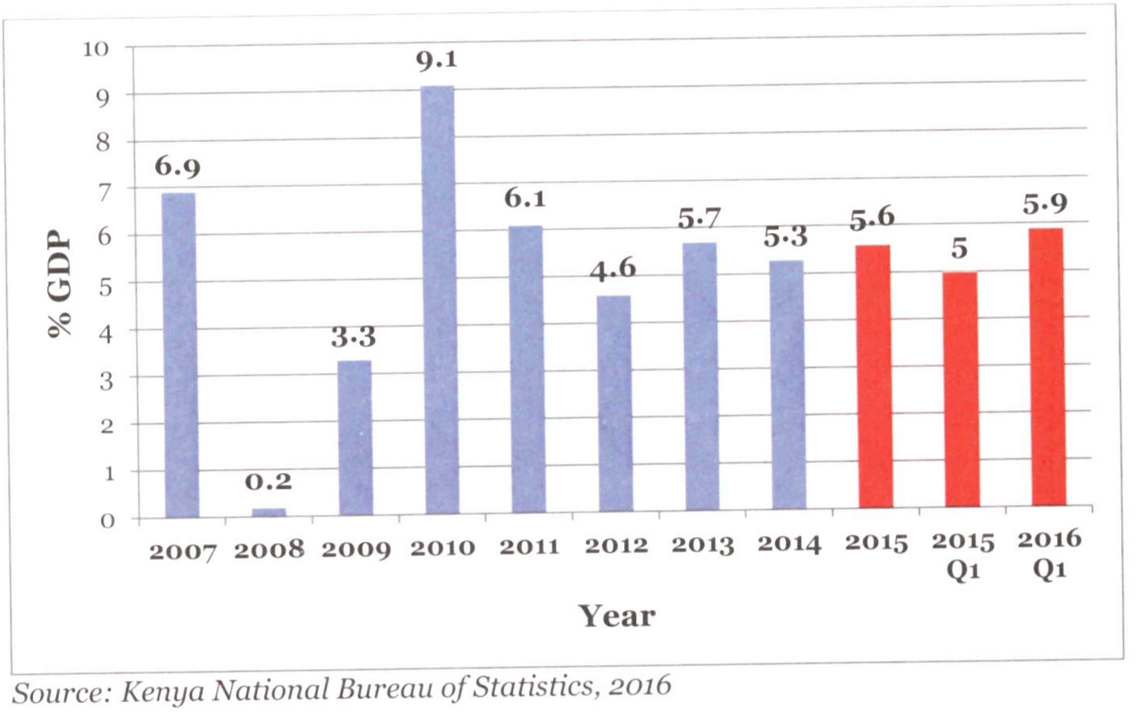
1. The Constitution of Kenya 2010 provides for a devolved system of government in which the sovereign power of the people is exercised at the national and county levels, (Article 6).
2. Article 202 (1) stipulates that revenues raised nationally shall be shared equitably among the national and county governments.
3. Article 202 (2) stipulates that county governments may be given additional allocations from the national government's share of revenue, either conditionally or unconditionally.
4. Article 203(1) stipulates the criteria to be taken into account in determining the equitable shares between the national government and the county governments.
5. Article 203(2) stipulates that for every financial year, the equitable share of revenue raised nationally that is allocated to county governments shall be no less than fifteen percent of all revenue collected by the national government.
6. Article 205 (1) stipulates that when a bill that includes provisions dealing with the sharing of revenue, or any financial matter concerning county governments is published, the Commission on Revenue Allocation shall consider those provisions and may make recommendations to the National Assembly and the Senate.
7. Article 205 (2) stipulates that any recommendations made by the Commission on Revenue Allocation shall be Tabled in Parliament, and each House shall consider the recommendations before voting on the Bill.
8. The Commission, under Article 216 (1) (a) of the Constitution is mandated to make recommendations concerning the basis for equitable sharing of revenue raised by the National Government between the national and county governments.
9. Article 218 stipulates that at least two months before the end of each financial year, there shall be introduced in parliament a Division of Revenue Bill, which shall divide revenue raised by the national government among the national and county levels of government in accordance with the Constitution. The Bill shall be accompanied by a memorandum setting out a summary of any significant deviation from the Commission on Revenue Allocation's recommendations, with an explanation for each deviation.
10. Article 219 provides that a county share of revenue be transferred to the county without undue delay and without deduction.

1.3 Performance of the Economy

The Gross Domestic Product (GDP) is estimated to have expanded by 5.6 per cent in the year 2015 compared to a 5.3 per cent growth in 2014. The growth was largely supported by agricultural sector (30%), manufacturing sector (10.3%), transport and storage (8.4%), real estate (7.6%), wholesale and retail (7.5%), and financial and insurance activities (6.9%). Despite the resilient performance of the economy, sectors such as information and communication, mining and quarrying and wholesale and trade had contracted growth rates[4].

The economy is forecasted to grow at an average rate of 6 per cent in 2016. This target is achievable given the prevailing low interest rates, stable exchange rate, low and stable inflation, and a vibrant construction sector. During the first quarter of 2016, the country witnessed a growth rate of 5.9 percent up from 5 per cent during the same period in the previous year. It is projected that the economy will be largely supported by private consumption, expected to grow by 7.1% and government consumption by 4.1%. The export growth is expected to be modest at 4.1% while imports are projected to grow by 7.1%. The annual GDP trend is shown in Figure 1.

Figure 1: Annual GDP Growth Rates, 2007-2016



Source: Kenya National Bureau of Statistics, 2016

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[4] Kenya National Bureau of Statistics, 2016

In contrast, the East African community witnessed a slower growth of 3.4 per cent in 2015 from a high of 5.8 per cent realized in 2014. This was occasioned mainly by the political instability in Burundi and uncertainties associated with general elections in Tanzania and Uganda. Likewise, the Sub Saharan region also witnessed decelerated economic growth of 3.8 per cent in 2015 from 5.1 per cent achieved in 2014. The trend was replicated at the international level where the world's real economic growth plummeted slightly from 3.4 per cent in 2014 to 3.1 per cent in 2015 on account of low commodity prices, weaker capital flows, subdued global trade and increasing financial market volatility.

Despite the stronger projections on the performance of the Kenyan economy, risks to the outlook still remain evident. The country is still facing numerous macroeconomic challenges. The fiscal consolidation is still a big challenge coupled with probable pressure on the domestic interest rates due to increase in expected domestic borrowing beyond the ceiling projected in the Budget Review Outlook Paper (BROP) 2016. This is more so, taking into account that 2017 is an election year.

1.3.1 Inflation

The overall inflation eased slightly from 6.9 per cent in 2014 to 6.6 per cent in 2015 due to lower energy and transport prices. Monthly inflation rates fluctuated between 5.5 per cent and 8.0 per cent but were largely contained within the Central Bank's target throughout the year. The easing occurred in the July –December 2014 period, as upward pressure on prices was recorded in the January – June 2015 period. The inflationary pressures reflected rising food prices following the onset of the dry season in the months of January-March 2015, and weakening of the exchange rate due to strengthening of the US Dollar against major international currencies, and concerns of insecurity in the domestic economy. To contain inflationary pressures, the Central Bank of Kenya tightened monetary policy in June 2015. Overall inflation eased by 33 basis points to 7.02 percent in the first quarter of 2016 from 7.35 percent in the fourth quarter of 2015 on account of declining food and fuel inflation.

1.3.2 Interest Rate

There was mixed performance on nominal interest rates during 2015. Most notable are the upward revisions of the Central Bank Rate (CBR). The CBR was revised upwards twice during the review period. The rate increased from 8.50 per cent in December 2014 to 10.00 per cent and 11.50 per cent in June and December 2015, respectively. The 91-day Treasury bill rate dropped from 8.58 per cent in December 2014 to 8.26 per cent in June 2015 and rising to 9.81 per cent by December 2015. The interbank lending rate increased in June 2015 to 11.78 per cent from 6.91 per cent in December 2014 before dropping to 7.27 per cent in December 2015. Similar oscillations were reported for all commercial banks interest rates in 2015. Commercial banks loans and advances lending interest rates rose to 17.45 per cent in December 2015 from 15.99 per cent in December 2014.

The fluctuations in interest rates by commercial banks was similarly reflected in the Loans-Deposits interest rate spread which dropped from 9.18 percentage points in December 2014 to 8.84 percentage points in June 2015 and rose to 9.53 percentage points in December 2015. There was a general decline in real interest rates during the review period. Real interest rates for commercial bank savings deposit rate and the inter-bank rate were negative at 4.46 per cent and 0.74 per cent, respectively. The real interest rate for 91 day treasury bills dropped from 2.56 per cent in 2014 to 1.80 per cent in 2015 , while real interest rate for loans and advances from commercial banks dipped slightly to 9.44 per cent in 2015 from 9.97 per cent recorded in 2014.

1.3.3 Exchange Rate

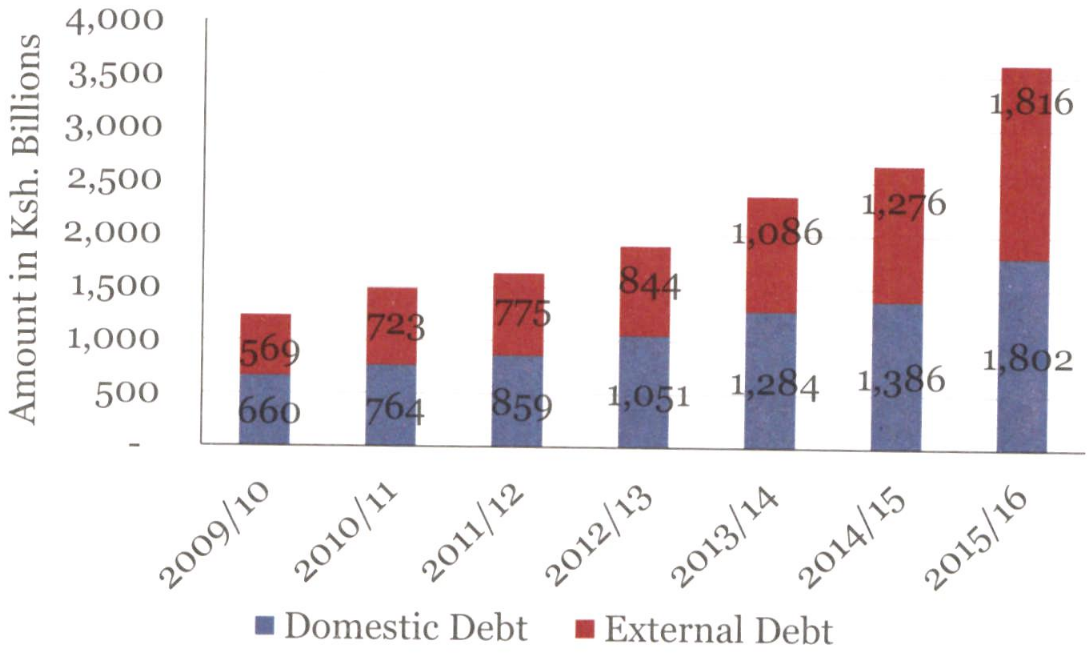
The Kenya shilling displayed mixed performance against the international and regional currencies during the twelve months to June 2015. It depreciated against its major trading currencies during the review period but appreciated against the Euro, South Africa Rand and the Japanese Yen. The Shilling was mainly supported by a significant fall in the international oil prices as the country cut-back expenditure on importation of petroleum fuels and increased diaspora remittances. However, lower earnings from the tourism sector impacted negatively on the exchange rate of the Shilling in 2015. The exchange rate strengthened against the Euro by 6.7 percent and the Japanese Yen by 6.9 percent but weakened against the US Dollar by 5.4 percent and the Sterling Pound by 2.1 percent. The depreciation against the US Dollar is attributed to strengthening of the US Dollar against major world currencies (anchored on positive sentiment for economic recovery in the US), and high dollar demand on the domestic market against subdued inflows.

Against the regional currencies, the Shilling strengthened against the South African Rand, the Uganda and Tanzania Shillings but weakened against the Rwanda and Burundi Francs. The Uganda and Tanzania Shilling exhibited more volatility compared to the Kenya Shilling. However in the last half of 2015, the foreign exchange market remained stable supported by a narrowing current account deficit largely due to a lower import bill, improved earnings from exports and resilient inflows from diaspora remittances. The risks to the stability of the exchange rate include: the strengthening of the USA dollar that would make it costly to borrow in the international markets; a deteriorating trade balance owing to high imports and non performing export sector.

1.3.4 Public Debt

Kenya's public debt has increased gradually over time (Figure 2) despite the government's policy objective to contain and reduce the level of public debt in the medium term.

Figure 2: Kenya's Stock of Public Debt in Ksh. Billions



Source: Quarterly Economic and Budgetary Reviews, Various issues

The national government objectives of containing overall fiscal deficit and putting emphasis on efficiency and effectiveness of public spending as well as enhanced revenue performance through broadening the tax base and improving revenue administration have not achieved the desired effects[5]. Kenya's public and publicly guaranteed debt increased by 27.2 per cent to Ksh. 3,618.4 billion as at the end of June 2016 from 2,843.7 billion held at the end of June 2015. External debt accounted for 47.9 per cent out of which 29.9 per cent, 45 per cent, 24.5 per cent and 0.5 per cent respectively was owed to bilateral, multilateral institutions, commercial banks and suppliers' credit respectively. As at the end of June 2016, the total cumulative debt service payments to external creditors amounted to Ksh. 77.3 billion comprising Ksh. 35 billion (45.3 per cent) principal and Kshs. 42.3 billion (54.7 per cent) interest. On the other hand, the stock of gross domestic debt increased by Ksh. 394.7 billion from Ksh. 1,420.4 billion in June 2015 to Ksh. 1,815.1 billion in June 2016.

It is projected that during the FY 2017/18, the fiscal deficit of Ksh. 596.1 billion will be financed by net external financing of Ksh. 231.4 billion (2.8 percent of GDP) and Ksh. 323.8 billion (4 percent of GDP) net domestic borrowing. The country's continued fiscal expansion remains the greatest challenge to debt sustainability as the country is likely to borrow beyond the current target to meet its increasing expenditure demands, especially on infrastructure.

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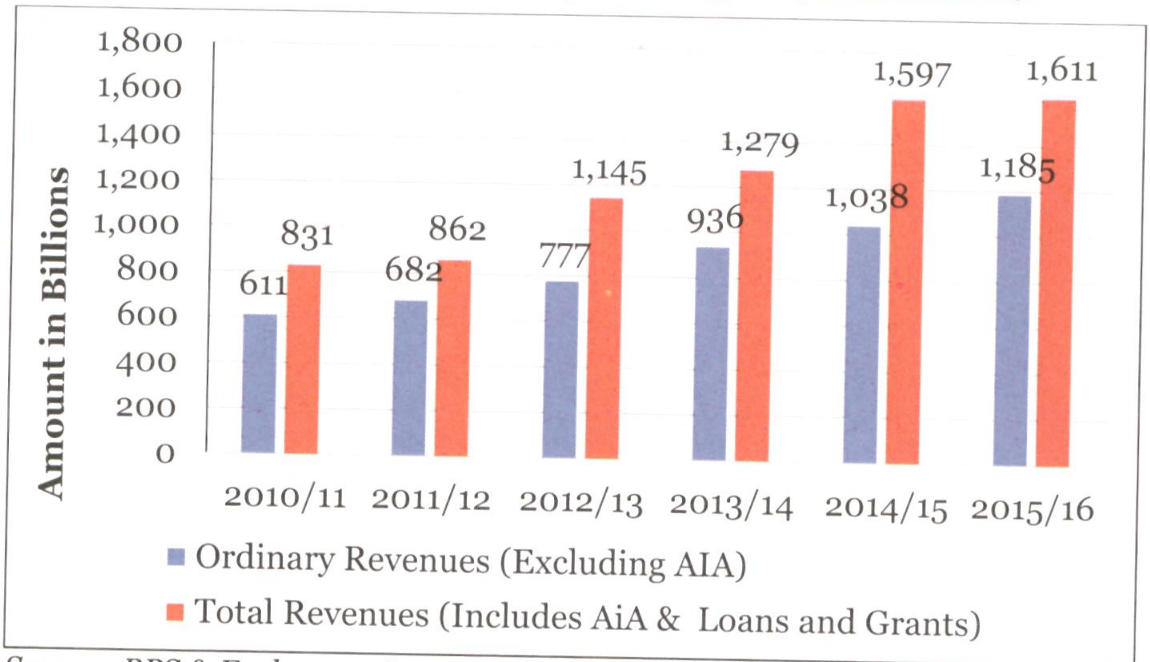
[5] Medium Term Debt Management Strategy, 2016/17

2.0 FISCAL PERFORMANCE OF GOVERNMENTS

2.1 Analysis of Revenue Raised Nationally

The ordinary revenue growth has been on an increasing trend over the years attributed to various tax reforms and a resilient economy. The total revenue raised in 2015/16 was estimated at Ksh. 1,611 billion including loans and grants. The total ordinary revenue collected in 2015/16 amounted to Ksh. 1,185 billion up from Ksh 1,038 billion collected in 2014/15 which represents a 14 percent growth. The trend of ordinary revenue growth is presented in Figure 3.

Figure 3: Revenue Trends 2010/11 -2015/16 (Ksh. Billions)



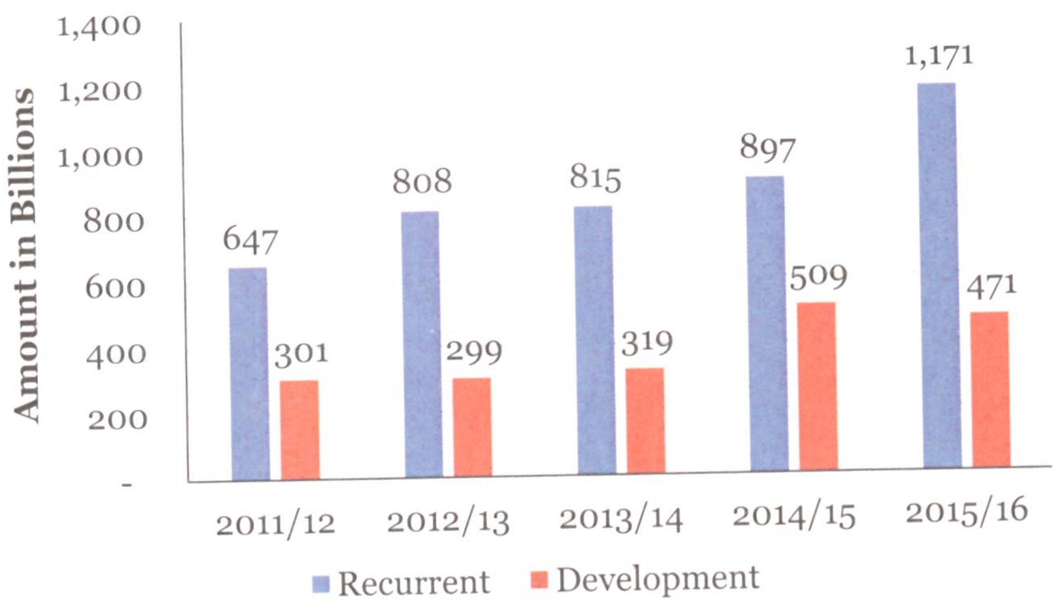
Source: BPS & Exchequer Statements, various Issues

Whilst the national government's ordinary revenue collections have occasionally fallen below targets, the revenues have gradually increased over the years as shown in Figure 4. This is not the same for county governments. As shown in Appendix I and II, collection of own source revenue by county governments has remained volatile, not only by missing targets by huge margins, but some counties are also collecting less revenue in current financial years compared to previous years. This under performance of own source revenues greatly constrains implementation of budgets, given that county governments have not been able to access external financing.

2.2 Analysis of National Government Expenditures

The overall fiscal plan of the national government in 2015/16 entailed a deliberate effort to exercise prudence in public expenditure management so as to contain fiscal risks by gradually lowering the fiscal deficit, and growth of recurrent expenditures. However, the trend of national government expenditures presented in Figure 4 reveals that national government expenditure on recurrent has expanded faster over the years than development expenditure.

Figure 4: National Government Expenditures, Ksh. Billion



Source: Budget Review and Outlook Papers, Various Issues

The total Government expenditure in the FY2015/16 stood at Ksh. 1,642 billion, representing an increase of 16 per cent from Ksh 1,406 billion spent in 2014/15. Total recurrent expenditure for FY 2015/16 is estimated at Ksh 1,171 billon, while development expenditure was Ksh.471 billion, a decline of 7 per cent from Ksh. 509 Billion spent in 2014/15. A steady increase in recurrent expenditures coupled with declining development expenditure greatly constrains the objectives of government to realize an industrializing country status by the year 2030. This objective is further constrained by the low absorption of development funds by the county government. The national government needs to articulate and implement deliberate measures to contain recurrent cost and increase the development expenditures.

2.3 Analysis of County Revenue

The county governments total transfers for FY 2016/17 amounts to Ksh. 302.2 billion. This comprises of Ksh. 280.3 billion for equitable share and Ksh.22 billion for conditional grants. This was an increase from Ksh. 287 billion for FY 2015/16 of which, Ksh. 259.8 billion was equitable share and Ksh. 28 billion was conditional grants.

The equitable share allocated to counties from revenues raised nationally is the major source of revenue for the county governments, defraying on average over 90 percent of their expenses. Timeliness in releasing of funds from the national government is a key challenge impacting negatively on county budget outturn. The national government has not adhered to the approved schedule of disbursement. Adherence to the monthly schedule on disbursements and the availing of over-drafts to county governments through the Central bank will enable counties implement budget according to approved plans

2.3.1 Analysis of County Own Revenue Sources

During Financial year 2015/16 county governments targeted to raise a total of Ksh. 55 billion from the sources assigned to them by the Constitution in Article 209 (3) and (4). However, by end of financial year 2015/16 only Ksh. 35 billion had been raised, a performance rate of 64 per cent. As shown in Table 2, total county revenue has increased progressively, largely on account of the equitable share allocated to counties.

Table 2: County Government Revenue Ksh. Millions

Year	Equitable Share	Conditional Grants	Own source of Revenue	Total county Revenue
2012/13	9,784	6,658	6,756	23,198
2013/14	190,000	20,000	26,296	236,296
2014/15	226,661	15,759	33,849	276,269
2015/16	259,775	16,598	35,022	311,395
2016/17	280,300	18,028	55,000[6]	353,328
Total	**966,520**	**77,043**	**156,923**	**1,200,486**

Source: CARA; County Budget Implementation Review Reports, Various issues

[6] County Own source revenue projections for FY 2016/17

Ability of county governments to realize projected revenues is fundamental in implementation of county governments' budgets. The counties risk falling into huge budget deficits with continued under performance of own source revenues. As shown in Appendix II, 22 counties (marked red) did not only fail to realize the revenues projected for 2015/16, they collected less than they had collected in 2014/15. The Commission has observed in the last three years that most counties are overestimating their revenues as a way to balance their budget on account of the PFMA, 2012 requirement on county balanced budgets.

Further, with the exception of a number of counties that have invested in automation of their revenue, most counties have not initiated any credible strategies to enhance their own source revenues. It is crucial that all counties embrace technology in all spheres of their operations. In this regard, going forward, county governments need to provide for adequate resources for automation of all county processes.

2.4. Analysis of County Governments Expenditures

The county governments' cumulative expenditure up to third quarter of financial year 2015/16 was Ksh. 183.8 billion which represents 50 per cent of the total expected expenditures. This comprised of Ksh. 128.4 billion for recurrent and Ksh. 55.3 billion for development expenditures. The county governments' use of funds on both recurrent and development is shown in Table 3.

Table 3: Analysis of County Government Expenditures, Ksh. Millions

Year	Total County Revenue	Actual Expenditures		Total Expenditure	Absorption of Funds
		Recurrent	Development		
2012/13	23,198[7]	14,531	1,695	**16,226**	**70%**
2013/14	236,296	132,800	36,600	**169,400**	**72%**
2014/15	276,268	167,560	90,441	**258,001**	**93%**
2015/16	311,395	128,439	55,323	183,762[8]	**59%**

Source: County Budget Implementation Review Reports, Various issues

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[7] Total County Expenditures does not include conditional allocations.
[8] These are expenditures for three quarters to March 2016.

The delays in disbursement of county funds from the national government, low capacity in some counties to use technology to undertake procurement and slow implementation of projects have largely contributed to the low utilization of development funds. With continued training of both the users and suppliers on the use of e-procurement, and the approval of counties to access internal and external borrowing, county governments have huge potential to double their development expenditures and contribute immensely to the overall growth and development of the country.

3.0 FUNCTIONAL ASSIGNMENT

3.1 Functional Assignment to National & County Governments

The Constitution establishes two levels of government that are distinct and interdependent. The functions of national and county governments are listed under the Fourth Schedule of the Constitution.

Article 186(2) provides concurrent functions that are performed by more than one level of government, and residual functions or power not assigned by the Constitution or national legislation to a county as a function of the national government.

Article 187 (2) of the Constitution also provides that, if a function or power is transferred from a government at one level to a government at the other level, then arrangements shall be put in place to ensure that the resources necessary for the performance of the function or exercise of the power are transferred in line with the principle of *'funds must follow functions.'* This invariably requires clear linkages between assigned functions, planning, budgeting, and resource allocation at either level of government.

Gazette Notice No. 2238 of 1st April 2016 provides clarification on functions as exercised by the national and county governments in accordance with the Fourth Schedule of the Constitution. The following functions with no attendant resources have been transferred to county governments;

3.1.1. Water Sector

a) Implementation of specific national government policy related to water,
b) Monitoring and reporting on implementation of specific policies related to natural resources and environment conservation in accordance with national monitoring and evaluation framework,
c) Development of county policy on water services in accordance with National Water Policy and National Water Service Strategy,
d) Development of county legislation on waters services in accordance with the national policies, norms and standards,
e) Implementation of policy and legislation(both national and county) related to water and sanitation services,

f) Appointments and monitoring of Water Service Provides in line with national guidelines, enforcement of legislation, regulations and standards (both national and county level) related and water and sanitation services,
g) Enforcement of legislation, regulations and standards (both national and county level,
h) Planning for county public works related to water services and sanitation to meet demand,
i) Mobilization of resources for county public works related to water and sanitation services,
j) Implementation of county public works related to water and sanitation services,
k) Implementation of pro-poor interventions in accordance with national guidelines,
l) Asset management, maintenance, inventory and valuation of county public works related to water and sanitation, and
m) Rapid assessment of projects, initial feasibility and packaging of ready projects.

3.1.2. Regional Development Authorities

A number of functions performed by the Regional Development Authorities (RDAs) which are functions of county governments were financed through appropriations in aid and not exchequer releases. The following functions hitherto performed by RDAs have been transferred to all the county governments with no attendant resources:

a) Establishment of tree nurseries,
b) Animal husbandry extension services,
c) Agriculture extension services,
d) Construction of water pans,
e) Horticultural development,
f) Farmer extension component relating to technology transfer in fish farming,
g) Irrigation components,
h) Tree seedling-production and planting,
i) Brick making,
j) Beekeeping-(outside buffer zone and riparian zones) and refinery,
k) Livestock fattening/finishing and marketing, and
l) Artificial Insemination (AI) extension services

3.1.3. Library Services

Library services are assigned to counties by the Fourth Schedule of the Constitution. The Kenya National Library Services operated a total of 47 libraries in Kenya which are spread in 27 counties. Out of the 47 libraries, three Libraries strategic to the nation have been set and will remain under the operations of the Kenya Library services for the following reasons:

a) ***Ngong Road Library*** is repository for legal deposits in accordance with the Books and Newspapers Act Chapter (CAP) 111 of the Laws of Kenya facilitates preservation of the national imprint.

b) ***Nakuru Library*** is the offsite data security and backup storage Centre for all library materials in Kenya, and

c) ***Buruburu Library*** is the anchor to all ICT library systems including online material and which also provides the linkage with all the other libraries in Kenya and international libraries including universities.

The above three libraries have been retained by the national government under the operations of Kenya National Library Services. The 44 libraries devolved together with attendant resources amounting to Ksh 319 million to 27 County governments through the Kenya Gazette Supplement of 22nd April 2016 are indicated in Table 4.

Table 4: Distribution of Devolved Libraries

	County	Number of libraries	Location of libraries
1.	Baringo	2	Kabarnet, Meisori
2.	Bomet	1	Silibwet
3.	Bungoma	1	Kimilili
4.	Elgeyo Marakwet	1	Lagam
5.	Garissa	3	Garissa, Mbalambala, Masalani
6.	Isiolo	1	Isiolo
7.	Kakamega	2	Kakamega, Lusumu
8.	Kericho	2	Kericho, Sotik
9.	Kiambu	1	Thika
10.	Kilifi	3	Kilifi, Dzitsoni, Malindi

	County	Number of libraries	Location of libraries
11.	Kisii	1	Kisii
12.	Kisumu	2	Kisumu, Koru
13.	Kitui	1	Mwingi
14.	Kwale	1	Ukunda
15.	Laikipia	2	Nanyuki, Rumuruti
16.	Makueni	3	Mutyambua, Kinyambu, Kithasyu
17.	Mandera	1	Mandera
18.	Marsabit	1	Moyale
19.	Meru	4	Meru, Mikumbune, Timau, Gatimbi
20.	Mombasa	1	Mombasa
21.	Nairobi City	1	Kibera
22.	Nakuru	2	Naivasha, Gilgil
23.	Nandi	1	Kapsabet
24.	Narok	2	Narok, Lelechonik
25.	Nyandarua	1	Olkalou
26.	Taita Taveta	2	Wundanyi, Welugha
27.	Uasin Gishu	1	Eldoret
	Total	44	

Kenya Supplement No. 4 of 22nd January, 2016

The allocation of Ksh. 319 million is for salaries, allowance of staff and operations. In addition, in FY 2015/16 the national government transferred to county governments an equivalent of Ksh. 200 million for library services through the County Allocation of Revenue Act 2015.

3.1.4. Roads

Construction and operation of roads is a concurrent function. In total, the country has a road network of 161,440.4km, of which, 39,984.0Km constitute the national trunk roads under classes A,B,C and others as shown in Table 4 and 121,456.4Km defined as county roads under road classification classes D,E,F, G and others as Shown in Table 5.

Table 5: National Trunk Roads

Class	Length (Km)
A	7,566.0
B	10,535.9
C	19,501.7
CU	35.7
UCA	104.7
UCB	2,240.0
Total	**39,984.0**

Source: Kenya Gazette Supplement No.4 of 22nd April 2016

In accordance with the provision of the Fourth Schedule, the national trunk roads shown in Table 5 are a function of the national government. The Fourth Schedule further provides that county roads, as shown in Table 6 are a function of county governments.

Table 6: County Roads

No.	County	Length (Km)	No.	County	Length (Km)
1	Baringo	1,981.2	25	Marsabit	2,886.7
2	Bomet	1,517.1	26	Meru	3,886.2
3	Bungoma	2,027.2	27	Migori	1,654.7
4	Busia	1,154.3	28	Mombasa	739.3
5	Elgeyo Marakwet	1,222.5	29	Murang'a	3,134.7
6	Embu	2,654.9	30	Nairobi City	2,504.5
7	Garissa	1,660.6	31	Nakuru	8,526.2
8	Homa Bay	1,917.4	32	Nandi	1,957.6
9	Isiolo	1,565.7	33	Narok	3,250.9
10	Kajiado	4,538.3	34	Nyamira	857.7
11	Kakamega	3,104.7	35	Nyandarua	3,046.3
12	Kericho	1,311.9	36	Nyeri	3,292.0
13	Kiambu	4,545.3	37	Samburu	1,491.1
14	Kilifi	2,763.7	38	Siaya	1,636.1
15	Kirinyaga	1,943.5	39	Taita Taveta	3,086.4
16	Kisii	1,688.8	40	Tana river	1,786.4
17	Kisumu	2,223.7	41	Tharaka Nithi	1,325.7

No.	County	Length (Km)	No.	County	Length (Km)
18	Kitui	6,752.4	42	Trans nzoia	1,400.4
19	Kwale	2,479.5	43	Turkana	2,969.0
20	Laikipia	2,445.7	44	Uasin Gishu	3,405.5
21	Lamu	415.1	45	Vihiga	551.7
22	Machakos	4,727.1	46	Wajir	3,329.6
23	Makueni	6,939.3	47	West Pokot	1,318.4
24	Mandera	1,839.1		**Total**	**121,456.4**

Source: Kenya Gazette Supplement No.4 of 22nd April 2016

The Transitional Authority Gazetted 90,000 Kilometers of roads under road classification Classes E, F, G and non-classified roads, and transferred them to county governments together with their attendant resources amounting to Ksh. 27.6 billion in financial year 2013/14 through County Allocation of Revenue Act, 2013.

Roads classified under Class D were not transferred to either level of government until completion of the exercise for the reclassification of class D roads. After the reclassification of the roads under class D, they were subsequently transferred by the Transitional Authority to the two levels of government as follows:

a) National Government 24,000 km ; and
b) County governments 31,456.4 km

The criterion provided by the State Department of Infrastructure, indicates that construction of roads under KeRRA reclassified as C will cost three times more than roads classified as Class D and roads under KURA reclassified as C will cost ten times as those classified as D remaining with county governments. Based on this criteria, the Commission recommends that Ksh.8,430 million be transferred to county governments for construction of the additional 31,456.4 Km, transferred to county governments through Gazette Supplement No.4 of 22nd April 2016

3.1.5. Roads Maintenance Levy Fund

Kenya Roads Board Bill 2015 provides that the Road Maintenance Levy Fund (RMLF) be shared among various institutions as shown in Table 7.

Table 7: Sharing of Revenues from the RMLF

	Institution	Percentage allocation
1	Kenya National Highways Authority (KeNHA)	40%
2	Kenya Rural Roads Authority (KERRA)	21.8%
3	Kenya Urban Roads Authority (KURA)	10.2%
4	County Governments	15%
5	National Park Roads-Kenya Wildlife Services (KWS)	1%
6	Kenya Roads Board Operations (KRB)	2%
7	KRB/CS Allocation	10%
	Total	**100%**

Source: Kenya Roads Board, 2016

The Bill needs to be amended further by increasing the allocation to county governments from 15 percent to 25.27 percent and reducing the allocation to KeRRA from 21.8 percent to 11.53 percent. This will ensure equity in the sharing of resource meant for maintenance of roads assigned to each level of government.

It is important to note that when the 90,000 Km and the attendant resources were transferred to county governments in the fiscal year 2013/14, for construction of roads, the resources for maintenance of those roads were not transferred. On realization of this omission, county governments were allocated 15 per cent of the RMLF as a conditional allocation in financial year 2015/16. Of the 15% allocated to counties, 10.2 per cent was from KERRA and 4.8 per cent from KURA allocations, respectively.

The 15 % revenues allocated to county government for RMLF is not adequate to maintain the 121,456.4 KM assigned to county governments. Based on the additional 31,456.4 Km transferred to county governments through the Kenya Gazette Supplement No.4 of 22nd April 2016, the 15 per cent of revenues from the RMLF is not adequate to maintain the number of kilometers assigned to county governments.

According to the State Department of Infrastructure, it costs ten times to maintain a class C road compared to a class D road under KURA. Further, it costs three times to maintain a class C road compared to class D road under KeRRA. Based on these provisions, allocations from the RMLF to county governments should be increased from the current allocation of 15 per cent to 25.27 percent of the RMLF. The additional 10.27 per cent should be achieved by reducing the allocation to KeRRA by the same percentage.

The Kenya Roads Board projects the Fuel Levy revenue at Ksh. 63,000 million for financial year 2017/18, (Appendix III). The allocations to county governments and indeed other institutions assigned the roads functions should be net of the Roads Annuity Fund allocation of Ksh. 10,290 million. The Commission recommends that Ksh. 13,296 million be allocated to county governments for financial year 2017/18.

3.2 Financing of National Government Functions

The Fourth Schedule details the functions assigned to the national government. The national government in performing its functions, projects in the Budget Review Outlook Paper 2016 to spend a total of Ksh. 2,27,300 million for FY2017/18. This is a reduction in government expenditure for 2016/17 by 2.35 per cent. Projections on financing of the various national government functions are summarized in Table 8.

Table 8: Financing of National Government Functions Ksh. Millions

	Sector/State Department	Printed Estimates 2016/17	BROP Projection 2017/18
1	**Agriculture, Rural & Urban Development** Land, Housing and Urban Development, Agriculture, Livestock, Fisheries, NLC	46,544.2	47,135.7
2	**Education**: Education; Science and Technology; TSC	339,924.4	355,008.5
3	**Energy, Infrastructure and ICT:** Infrastructure; Transport, ICT; Energy and Petroleum)	529,162.9	487,765.0
4	**Environmental Protection, Water and Natural Resources:** Environment & Natural Resources; Water & Regional Authorities; Mining	88,999.4	89,102.6
5	**General Economic and Commercial Affairs:** Industrialization & Enterprise, East African Affairs; Commerce & Tourism)	23,66.2	19,932.8
6	**Governance, Justice, Law and Order (GJLOS):** Interior; Coordination of National Government; Attorney General & Justice; The	195,518.0	195,741.1

	Sector/State Department	Printed Estimates 2016/17	BROP Projection 2017/18
	Judiciary; EACC; DPP; Registrar of Political Parties, KNCHR, IEBC, JSC, NPSC; NGEC; IPOA		
7	**Health**	60,269.9	61,112.6
8	**Public Administration and International Relations**: Presidency; Planning; Devolution; Foreign Affairs & International Trade; National Treasury, Parliamentary Service Commission, CRA,PSC, SRC, AG, CoB ; IGTRC; & CAJ)	224,909.7	244,272.6
9	**Social Protection, Culture and Recreation**: Sports, Culture and Arts; Labour Social Security and Services	44,647.5	47,181.8
10	**National Security**: Defence, National Intelligence Services)	124,045.2	127,765.2
11	**Sub Total**	**1,677,687.4**	**1,675,018.1**
12	**Other Government obligations** Loan repayments, pension and other expenses	**603,112.6**	**552,281.9**
13	**Total**	**2,280,800**	**2,227,300**

Budget Review Outlook Paper (BROP) 2016

The reduction in financing of national government functions is largely on account of projected reductions on the overall deficit financing, projected at Ksh.596.1 billion in FY 2017/18 against a deficit of Ksh. 760.8 billion for FY 2016/17.

3.3 Financing of County Governments Functions

The Fourth Schedule stipulates the functions and powers of county governments. In February 2013, the Transition Authority transferred the first batch of functions from the national government to county governments through Legal Notice No.16. The Transition Authority in August 2013 transferred additional functions to county governments under Special Gazette Supplement No. 116. The outstanding functions were transferred through the Kenya Gazette Supplement No.4 of 22nd April 2016. Table 9 summarizes the financing of the county government functions.

Table 9: Financing of County Functions in Ksh. Millions

A.	Devolved Functions	2016/17 Actual	2017/18 Recommendation
1	Health Services	76,677	95,846
2	Planning & Development	57,661	58,815
3	Agriculture, Livestock and Fisheries	21,881	28,445
4	Culture, Public Entertainment & Public Amenities	3,351	3,519
5	Youth Affairs and Sports	4,848	8,969
6	Trade, Cooperative Development & Regulation	4,855	6,555
7	Roads &Transport	44,256	61,733
8	Lands, Housing and Public Works	6,316	7,263
9	Water, Natural Resources & Environmental Conservation	7,937	8,731
10	Pre-Primary Education	2,605	4,560
B.	**Sub Total Devolved Functions**	**230,387**	**284,435**
11	New County Structures	49,913	47,164
C.	**Total Equitable Share**	**280,300**	**331,599**
D.	**Conditional Allocations**		
12	Level 5 Hospitals	4,000	4,020
13	Free maternal Health Care	4,121	4,142
14	Establishment of Two regional Cancer Referral Hospitals	-	5,000
15	Establishment of a national Cancer Drug programme	-	1,000
16	Compensation for user fees	900	905
17	Leasing of Medical Equipment	4,500	4,500
18	Road Fuel Levy Fund	4,307	13,296
19	Special Purpose Grant for Emergency Medical Services	200	200
20	Construction of Headquarters in five Counties	-	1,000
21	Construction and Equipping of 20 Libraries	-	400
22	Rehabilitation of Village Polytechnics	-	1,500
E.	**Total Conditional Allocations**	**18,028**	**35,963**
TOTAL		**298,328**	**367,562**

Source, CRA 2016

4.0. APPROACH TO REVENUE SHARING

In making the recommendations for sharing of revenue between the national and county governments, the Commission has taken into account the functions assigned to each level of government and the growth in revenue raised nationally. Further, the Commission considered conditional grants to address specific objectives. This is meant to ensure that there is no mismatch between the revenues and service delivery objectives on functions assigned to national and county governments.

4. 1. Criteria for Revenue Sharing

Article 203 stipulates criteria to be taken into account in determining the equitable shares among the national and county governments. These are:

4.1.1. The National Interest

National interest refers to agreed policies, goals, priorities, and resultant programs which have fiscal implications and benefit the whole country. Decisions on national interest priorities do have financial implications on the functions of either level of government.

The Commission submits the following priorities defined in the second Medium Term Expenditure Framework (2013-2017), and the Budget Review Outlook Paper 2016 as a basis to determine national interest. These priority areas should therefore guide resources allocation by both levels of government from their equitable share allocations:

(a) Quality and accessible Education and Healthcare services;
(b) Infrastructure Development, especially energy, roads and ICT;
(c) Security;
(d) Food Security;
(e) Social Welfare, Youth and Women Empowerment; and
(f) Development of Arid regions

The revenue allocation to both levels of government, and indeed the budgets of both levels of government should be aligned with the above priorities to spur overall development in the country.

4.1.2. The Public Debt and Other National Obligations

4.1.2.1. Public Debt

Public debt is defined in Article 214 as all financial obligations attendant to loans raised or guaranteed and securities issued or guaranteed by the national government. Article 203(1) provides for consideration of public debt during revenue sharing. The Commission in preparing this recommendation has considered that the national government will spend Ksh. 596.1 billion on debt repayment for financial year 2017/18.

4.1.2.2. Other National Obligations

National obligations refer to those obligations that the National government may have and which affect the entire country. Excluded from these criteria are those obligations that arise as part of the National government's functions. The obligations that are outside the national government functions considered in this revenue sharing is the cost of shared institutions including the Judiciary, Parliament, constitutional commissions, and independent offices.

4.1.3. Needs of the National Government, Ability of Counties to Perform the Functions Allocated to them and Developmental needs of Counties

These three criteria have to do with functions of the National and County governments as set out in Fourth Schedule of the Constitution and relates to both recurrent and development needs. The needs of both levels of government should be determined through objective criteria. Table 8 provides for the financing of national government functions, amounting to Ksh. 2,227,300 million while the county government, as shown in Table 9, will spend Ksh. 331,599 million in financial year 2017/18.

4.1.4. Flexibility in Response to Emergencies

The Constitution allocates to both national and county government the function of disaster management, which incorporates the management of emergencies at a national and/ or county level. Indeed the Constitution requires the setting up of a Contingency Fund to manage unforeseen and urgent expenditure, which would include disaster management. The Contingency Fund has already been set up under the PFM Act 2012 Section 20(2) with a ceiling of Ksh. 10 billion. Based on practice, the national government funding provided in Table 7 provides for the Contingency Funding at Ksh 5,000 million budgeted under other government obligations.

The County governments are also required to establish an emergency fund to manage urgent and unforeseen expenditures for which there is no specific legislative authority to deal with emergencies that may affect Counties. The PFMA Section 110 provides that county government may establish an emergency fund not exceeding two percent of their total revenues. The term flexibility recognizes that it is not possible to budget with certainty for emergencies and therefore anticipates an allocation that enables both levels of government to set up a buffer to cushion them when disaster strikes. County governments have discretion of planning and budgeting. From the revenues recommended for financial year 2017/18 for county governments and indeed from their own source revenues, counties have adequate revenues from which to set up emergency funds.

4.1.5. Economic Disparities Within and Among Counties and the Need for Affirmative Action

Article 202 (2) stipulates that county governments may be given additional allocations from the national government's share of revenue, either conditionally or unconditionally. The Commission has recommended that Ksh. 35,963 million be allocated to county governments as conditional allocations to cater for other needs of counties and address economic inequalities. This conditional allocations also considers specific counties for a special grants to build county headquarters and county Libraries. In addition, the Commission recommends that two counties be considered for establishment of two regional cancer treatment centers based on prevalence of cancer in the country.

4.1.6. The desirability of stable and predictable allocations of revenue.

The recommendation on equitable sharing of revenue to both national and county governments has remained stable and predictable. In making the recommendation, the Commission has ensured that both the national and county government functions are not subjected to volatile budgets. This has been achieved through the use of a three year average revenue growth factor to smooth revenue growth cross the years.

5.0. SHAREABLE REVENUE

The shareable revenue as stipulated under Article 202(1) of the Constitution requires that the revenues raised nationally shall be shared equitably among the national and county governments. The shareable revenue excludes internal and external loans borrowed by the national government. The allocation to counties is based on shareable revenues defined in the Constitution and Section 2 of the Commission on Revenue Allocation Act, 2011 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 authorized by an Act of Parliament, but excludes revenues referred to under Articles 209 (4) and 206(1)(a)(b) of the Constitution".

Table 10 below presents a summary of the revenues raised nationally, the shareable revenue and the non-shareable revenues for financial years 20012/13 to 2014/15.

Table 10: Shareable and Non-Shareable Revenues

	PARTICULARS	2012/13	2013/14	2014/15	2015/16
1	Opening Balance	1,159	496	162	
2	Income Tax from Individuals (P.A.Y.E)	199,790	249,873	279,796	309,189
3	Income Tax from Corporations	173,296	199,717	228,785	268,797
4	Withholding Tax				
5	Immovable Property				5,336
6	Second Hand Motor Vehicle Purchase Tax				
7	V.A.T. on Domestic Goods & Services	92,772	105,888	127,905	165,758
8	V.A.T. on Imported Goods & Services	92,144	126,911	131,781	134,267
9	Excise Taxes	85,660	102,029	115,872	137,175
10	Licenses under Traffic Act	2,431	3,323	2,825	3,751
11	Royalties				654
12	Customs Duties	57,650	67,555	74,048	83,628
13	Other Taxes from International Trade & Transactions	24,163	26,678	26,993	26,141
14	Stamp Duty	8,538	9,987	11,468	11,570
15	Interest Received	1,356	586	1,609	1,848

	PARTICULARS	2012/13	2013/14	2014/15	2015/16
16	Profit & Dividends from CBK	1,500			4,818
17	Other Profits and Dividends	13,764	10,181	12,873	16,762
18	Rent of Land	1,789	1,588	1,774	1,422
19	Fees under Traffic Act				
20	Motor Driver's Licenses				
21	Land Adjudication and Case Fee				124
22	Sale of Freehold Interest in Agricultural Land				0
23	Immigration Visas and Other Consular Fees	2,688	775	2,509	2,631
24	Work Permit Fees	4,277	1,121	1,489	1,787
25	Passport Fees	502	170	11	10
26	Fishing Rights	171		211	215
27	Betting Control	112		3	3
28	Registration Services	247	129	505	464
29	Fines, Penalties & Forfeitures & Other Charges	1,465	1,443	2,491	2,428
30	Others	2,136	1,023	678	3,313
31	Miscellaneous Revenue	9,245	26,180	14,249	2,797
	SUB TOTAL-SHAREARABLE REVENUE	**776,858**	**935,653**	**1,038,035**	**1,184,888**
32	Recurrent Recovery Over Issues 2008/09 & 2009/10		66		
33	Development Recovery Over Issues 2008/09 & 2009/10		17		
34	Grants from Foreign Govt. through Exchequer	5,188	6,431	6,631	5,703
35	Contribution from Govt. Emp. To S.&W.S within Govt.			120	
36	Loans from Foreign Govt. through Exchequer	23,569	28,432	30,310	6,705
37	Loans to Non-financial Public Enterprises	2,035	1,148	2,695	2,366
38	Loans to Financial Institutions	66	119	203	213

	PARTICULARS	2012/13	2013/14	2014/15	2015/16
39	Domestic lending-T/Bills	99,400		37,000	
40	Domestic lending-T/Bonds	232,430	160,660	255,680	191,149
41	Civic Contingencies Fund Recoveries				
42	Appropriation in AID				
43	Grants from International Organisations	5,826		3,843	13,662
44	Borrowing from International Organizations			3,454	37,087
45	Commercial loan		34,648	215,470	162,545
46	AMISOM Grants		4,695	3,843	6,440
47	Net Domestic Borrowing(CBK)		106,700	0	0
	SUB TOTAL -NON SHAREABLE	**368,515**	**342,917**	**559,248**	**425,870**
	GRAND TOTAL	**1,145,373**	**1,278,570**	**1,597,283**	**1,610,758**

Source: Audited Exchequer Accounts, Various Issues

The ordinary revenues raised nationally has increased overtime from Ksh. 611 billion in 2010/11 to Ksh. 1,185 billion in 2015/16. The growth of various revenues is presented in Table 11. Though the shareable revenues has exhibited a stable growth, increasing overtime, the growth in total revenues and indeed, non-sharable revenues has fluctuated widely during the last three financial years, revealing shifts in overall financing policy of public expenditures by the national government.

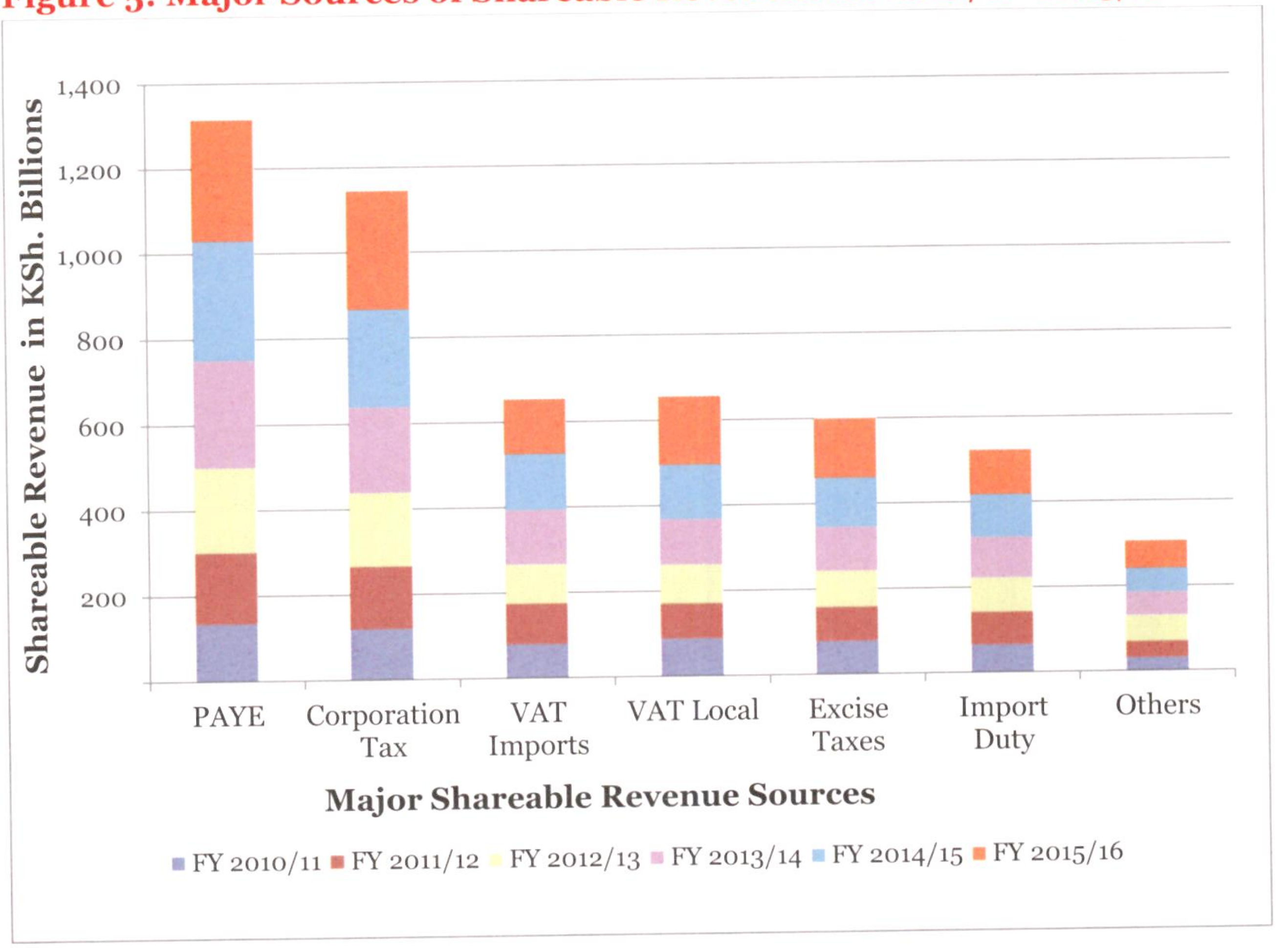
Table 11: Growth in Revenue Raised Nationally

PARTICULARS	2013/14	2014/15	2015/16	Three Year Average
Total Revenue	11.63%	24.93%	0.84%	**12.47%**
Sharable Revenue	20.44%	10.94%	14.15%	**15.18%**
Non-Sharable Revenue	-6.95%	63.09%	-23.85%	**10.76%**

Source: Audited Exchequer Accounts, Auditor General's Reports

The stable growth in shareable revenue is as a result of stability of the growth of various revenue streams as revealed in Figure 5 below.

Figure 5: Major Sources of Shareable Revenues for 2010/11 - 2015/16



Source: Audited Exchequer Accounts, Auditor General Reports

Tax revenues from PAYE, corporation tax and Value added tax have remained over the years the key source of government revenue.

6.0 RECOMMENDATIONS ON SHARE OF REVENUE TO NATIONAL AND COUNTY GOVERNMENTS

6.1. Determination of Equitable Share of Revenue 2017/18

In accordance with the provisions of Article 216(1)(a) and Article 203(1), the Commission recommends that out of the shareable revenue of Ksh. 1,038,035 million for the financial year 2014/15, Ksh. 331,599 million be allocated to county governments as equitable share for financial year FY 2017/18. The equitable share allocation to county governments is equivalent to 32 percent of the shareable revenue for FY 2014/15 amounting to Ksh. 1,038,035 million.

In making this recommendation, the Commission has used allocation to county governments for FY 2016/17 of Ksh. 280,300 million as the base. The base has been increased by Ksh. 42,550 million using a three year revenue growth rate of 15.18 percent. The financial years considered are 2013/14; 2014/15 and 2015/16.

The Commission also considered the provisions of Article 187 (2), in recommending additional allocation for construction of county roads. Construction and operation of roads is a concurrent function. In total, the country has a road network of 161,440.4km, of which, 39,984.0Km constitute the national trunk roads and 121,456.4Km county roads. The Transition Authority Gazetted 90,000 Kilometers of roads under road classification Classes E, F, G and non-classified roads, and transferred them to county governments together with the attendant resources amounting to Ksh. 27.6 billion in financial year 2013/ 14 through County Allocation of Revenue Act, 2013.

Roads classified under Class D were not transferred to either level of government until completion of the exercise on reclassification of class D roads in 2016. After the reclassification, additional kilometers of roads were subsequently transferred by the Transition Authority through the Kenya Gazette Supplement No.4 of 22nd April 2016. The national government was allocated additional 23,437 km and county governments 31,456.4 km.

Based on the criteria provided by State Department of Infrastructure, the Commission recommends that Ksh.8,430 million be transferred to county governments for construction of the additional 31,456.4 km, transferred to county governments though Gazette Supplement No.4 of 22nd April 2016.

Further, the Commission under the provisions of Article 187(2) recommends that Ksh. 319 million from the Kenya Library Services be allocated to county governments for salaries and operations of devolved Libraries.

Table 12 provides a summary of the Commission recommendation on the equitable share to counties for financial year 2017/18.

Table 12: Recommendation on Shareable Revenue to Counties

	ITEM	FY 2016/17 Actuals	FY 2017/18 Recommendations
A	**EQUITABLE SHARE**	**Millions**	**Millions**
1	**Shareable Revenue**	**935,653**	**1,038,035**
2	Equitable Share (Baseline)	259,775	280,300
3	Three Year Average Revenue growth Rate 15.18 % *of* KSh.280,300 Million	20,525	42,550
4	**Sub Total**		322,850
5	Additional County Roads	-	8,430
6	County Libraries	-	319
7	**Sub Total**	-	8,749
8	**Total Equitable Share**	**280,300**	**331,599**
9	**Equitable Share as % of Shareable Revenue**	**30%**	**32%**

Source CRA, 2016

6.2. Conditional Allocation to County Governments

Article 187 (2) of the Constitution provides that, if a function or power is transferred from a government at one level to a government at the other level, then arrangements shall be put in place to ensure that the resources necessary for the performance of the function or exercise of the power are transferred in line with the principle of *'funds must follow functions.'*

The Constitution in Article 202(2) further provides that county governments may be given additional allocations from the national government share of the revenue, either conditionally or unconditionally. Based on these two provisions, the Commission recommends for additional conditional allocations from the national government share to county governments. These are summarized in Table 13.

Table 13: Conditional Allocations to County Governments

A	CURRENT CONDITIONAL ALLOCATIONS[9]		
	BUDGET ITEM	**FY 2016/17 Actual**	**FY 2017/18 Recommendation**
1	Level 5 Hospitals	4,000	4,020
2	Free maternal Health Care	4,121	4,142
3	Compensation for user fees forgone	900	905
4	Leasing of Medical Equipment	4,500	4,500
5	Road Fuel Levy Fund (25% of Fuel Levy (Less Annuity Fund) Ksh. 53,183,600,000)	4,307	13,296
6	Special Purpose Grant for Emergency Medical Services	200	200
7	**Sub Total**	**18,028**	**27,063**
B	**NEW CONDITIONAL GRANTS**		
8	Establishment of two Regional Cancer Referral Centres at a cost of Ksh. 2.5 billion each	-	5,000
9	Establishment a National Cancer Drugs Access Programme	-	1,000
10	Construction and Equipping of Libraries in 20 Counties at a cost of Ksh. 20 million each	-	400
11	Construction of Headquarters in Five Counties at a cost of Ksh. 800 million each	-	1,000
12	Rehabilitation of Village Polytechnics	-	1,500
13	**Sub Total**	-	**8,900**
14	**Total Conditional Grants**	**18,028**	**35,963**

Source, CRA 2016

The recommendation on conditional allocation has two components:

1. An adjustment to the current conditional allocation on Level 5 Hospitals, Maternal Health Care, and Compensation for User Fees Forgone by the target inflation rate of 5 percent. The allocation on the Road Maintenance Levy Fund is based on 25 percent of the projected fuel levy revenues for financial year 2017/18 amounting to Ksh. 53, 184 million. The allocation to counties from the RMLF is net of the Roads Annuity Fund, projected at Ksh. 10,290 million.
2. Provision for new conditional grants to counties from national government equitable share amounting to Ksh. 8,900 million. The grants are for:

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[9] Allocation of conditional grants to County Governments for financial year 2017/18 have been adjusted by target inflation factor of 5 percent

a. Establishment of two Regional Cancer Referral Treatment Centers at a cost of Ksh. 2.5 billion each annually,
b. Establishment of a National Cancer Drug Access Programme at a cost of Ksh.1 billion annually,
c. Construction of headquarters for five counties, namely: Lamu, Tharaka Nithi, Nyandarua, Tana River and Isiolo at a cost of Ksh. 1 billion annually for the next three financial years,
d. Construction and equipping of 20 Libraries in twenty counties at a cost of Ksh. 20 million each, and
e. Construction and/or rehabilitation of village polytechnics in all the counties at a cost of Ksh.1.5 billion.

6.2.1. Level Five Hospitals

These grants are meant to benefit the health referral hospitals whose catchment areas go beyond the boundaries of a specific county. For this reason, a total of Ksh. 4,000 million was set aside in FY2016/17 to compensate the host counties. The funds were shared among the 11 hospitals based on *percentage bed occupancy per hospital in 2014*. The Commission recommends that this grant is retained and be adjusted by the target inflation rate of five percent to Ksh. 4,020 million. This allocation should not be shared based on percentage of bed occupancy. The Commission recommends that the allocation be shared among the 11 level five hospital based *on each hospital's proportion of in-patients days.*

6.2.2. Free Maternal Health Care

Health care is largely a devolved function. As one of the strategic intervention under health care the counties had a total of Ksh. 4,121 million for the FY2016/17. The grant was shared using a direct re-imbursement to health providers based on percentage contribution to total number of maternity deliveries during the FY2014/15. The Commission recommends that the grant be retained and adjusted by target inflation rate of five percent to Ksh. 4,142 million. In line with the proposal by the Ministry of Health, this allocation should be transferred to county government through a health insurance scheme under the National Hospital Insurance Fund (NHIF). The money should be shared *based on a county's actual maternity deliveries during the FY2017/18.*

6.2.3. Leasing of Health Care Equipment.

The national government contracted purchase of modern specialised health care equipment in at least two health facilities in each county government at a total budgetary allocation of Ksh. 4,500 million annually. The Commission recommends that the allocation be retained for FY2017/18.

6.2.4. Compensation of user Fees Forgone

The national government introduced this conditional grant to compensate the counties for the revenue from the user fees charged by health centers and dispensaries. During the financial year 2016/17, the national government set aside Ksh. 900 million for this purpose. The National Treasury used the annual consolidated facility outpatient attendance workload to share the money among health centers and dispensaries within the county. The Commission recommends that the conditional allocation be retained and adjusted by target inflation rate of five percent to Ksh. 905 million. The allocation will compensate counties for user fees forgone and will be shared among the counties *using annual consolidated facility outpatient attendance workload.*

6.2.5. Road Maintenance Fuel Levy Fund

Kenya Road Boards Act provides that the Road Maintenance Levy Fund (RMLF) be shared among various institutions. Based on the additional roads (31,456.4 Km) transferred to county governments, the 15 per cent of revenues transferred to the county government from the RMLF is not adequate to maintain the number of kilometers assigned to county governments.

Based on the State Department of Infrastructure criteria on cost of maintenance of roads, the Commission recommends that allocations from the RMLF to county governments be increased from the current allocation of 15 per cent to 25.27 percent of the RMLF. The additional 10.27 percent should be achieved by reducing the allocation to KeRRA by the same margin.

The Kenya Roads Board projects the Fuel Levy revenue at Ksh. 63,000 million for financial year 2017/18, (Appendix I). The allocations to county governments and indeed other institutions assigned the roads functions should be net off the Roads Annuity Fund allocation of Ksh. 10,290 million. The Commission recommends that Ksh. 13,296 million be allocated to county governments for financial year 2017/18.

6.2.6. Regional Programme on Cancer Treatment

The governments within Article 187 (2) have actualized the equipping of two hospitals in each county through the leasing of medical equipment programme. County hospitals received cancer diagnostic equipment, among other equipment leased to county governments. Treatment of cancer is either through surgery, chemotherapy or radiotherapy or a combination of both. Although a number of county referral hospitals can now diagnose cancer and undertake surgical operation, chemotherapy can only be done at either Kenyatta Referral hospital or at Nyeri level 5 hospitals. Radiotherapy can only be done at Kenyatta Referral hospital.

After the equipping of hospital throughout the country with diagnostic machines, the national government should establish regional cancer referral treatment centers in addition to Kenyatta and Moi Teaching and referral hospitals. The Commission recommends that every year, the national government identifies, based on cancer prevalence rates, at least two regions to establish and equip two regional cancer referral centers at a cost of Ksh. 2.5 billion each and establishes a national cancer drug access programme at a cost of Ksh. 1 billion annually. This will ensure that citizens diagnosed with cancer are treated and have access to necessary drugs either for free or at subsidized costs.

6.2.7. County Headquarters for Five Counties

Five counties namely; Tharaka Nithi, Nyandarua, Isiolo, Lamu and Tana River need financial assistance to build their headquarters. The Commission recommends that the national government establishes a conditional grant/a matching grant of Ksh. 1 billion annually for a period of three years to be shared equally among the five counties to enable them build their headquarters. It is estimated that each of the five counties needs Ksh 800 million to construct and furnish a headquarters.

6.2.8. Rehabilitation of Village Polytechnics

The Village polytechnics are devolved functions assigned to county governments under the Fourth Schedule. Youth empowerment is a national interest and more resources need to be allocated to counties for construction and /or equipping of village polytechnic (*County Technical Training Institutes*). These institutions are essential in developing skills to empower the youth to generate employment opportunities.

The curriculum to be followed by the CTTI needs to be developed jointly by the county governments and TIVET. This will ensure that the curriculum is well synchronized and progressive to enable students to transit from CTTI to technical universities.

The Commission recommends that counties be allocated a conditional grant of Ksh. 1.5 billion from the national government share to build and/or renovate the village polytechnics and purchase equipment and machinery. This grant should be shared among all the counties based on a county's proportion of population.

6.2.9. Library Services

Library services are a devolved function under the Fourth Schedule of the Constitution. The Kenya National Library Services operated a total of 47 libraries in Kenya which are spread in 27 counties. A total of 20 counties do not have libraries. To achieve equity, the Commission recommends that a conditional allocation of Ksh. 20 million be given to the 20 counties for establishment and equipping of libraries in these counties. The allocation of Ksh. 319 million to all counties through the *approved revenue sharing formula* will cater for salaries and allowance.

6.3. Recommendation on Equitable Shares between the National and County Governments for FY 2017/18

Pursuant to Article 216 (5), the Commission hereby submits its recommendation to the Senate, the National Assembly, the National Executive, County Assemblies, and County Executives that county governments be allocated Ksh. 331,599 million as shareable revenue. This is equivalent to 22 percent of the projected shareable revenues for financial year 2017/18 amounting to Ksh. 1,495 billion. The projected allocations to either level of government are shown in Table 14.

Table 14: Revenue Shares for National and Counties for FY 2017/18

Budget Items		Ksh Billions	Percentage
Projected Ordinary Revenues for 2017/18		1,495	100%
Of Which			
1	National Government	1,163	78%
2	County Governments	332	22%

Budget Review Outlook Paper September, 2016 & CRA 2016

The Commission, having taken into consideration the shareable revenue for 2014/15 and the level of revenue to be raised nationally for financial year 2017/18, further recommends that from the national government share of revenue for 2017/18 amounting to Ksh. 1,163 billion, Ksh. 36 billion be allocated to county governments as conditional allocations.

7.0. BASIS FOR SHARING OF REVENUE AMONG COUNTIES FOR FY 2017/18

In accordance with the provision of Article 217, and the Sixth Schedule Section 16, Parliament determined in June 2016, the second basis for allocating among the counties, the share of revenue raised nationally that is annually allocated to the county governments. The basis approved is based on six parameters, weighted differently as shown in Table 15

Table 15: Second Basis for Revenue Sharing among Counties

No	Parameter	First Basis	Second Basis
1	Population	45%	45%
2	Basic Equal Share	25%	26%
3	Poverty	20%	18%
4	Land Area	8%	8%
5	Fiscal Responsibility	2%	2%
6	Development Factor	-	1%
	TOTAL	100%	100%

Source CRA 2016

Based on the approved basis for the equitable sharing of revenues among county governments, Table 16 presents the basis for allocating to each county the approved equitable share.

Table 16: Sharing of Revenue among County Governments

No	County	1st Basis Allocation factor	2nd Basis Allocation factor
1	Baringo	1.71	1.65
2	Bomet	1.81	1.74
3	Bungoma	2.95	2.90
4	Busia	2.09	1.93
5	Elgeyo-Marakwet	1.26	1.20
6	Embu	1.48	1.36
7	Garissa	2.22	2.21
8	Homa-bay	2.17	2.16
9	Isiolo	1.18	1.25
10	Kajiado	1.70	1.91
11	Kakamega	3.43	3.29
12	Kericho	1.73	1.73

No	County	1st Basis Allocation factor	2nd Basis Allocation factor
13	Kiambu	2.87	3.20
14	Kilifi	2.86	3.30
15	Kirinyaga	1.36	1.46
16	Kisii	2.73	2.46
17	Kisumu	2.19	2.17
18	Kitui	2.80	2.87
19	Kwale	1.97	2.40
20	Laikipia	1.33	1.49
21	Lamu	0.79	0.82
22	Machakos	2.61	2.45
23	Makueni	2.30	2.26
24	Mandera	3.45	3.23
25	Marsabit	2.00	2.18
26	Meru	2.50	2.55
27	Migori	2.25	2.14
28	Mombasa	2.00	2.70
29	Murang'a	2.06	2.05
30	Nairobi city	5.00	5.10
31	Nakuru	3.12	3.07
32	Nandi	1.83	1.69
33	Narok	2.04	2.16
34	Nyamira	1.60	1.53
35	Nyandarua	1.66	1.58
36	Nyeri	1.71	1.64
37	Samburu	1.37	1.26
38	Siaya	1.92	1.83
39	Taita-taveta	1.27	1.29
40	Tana-river	1.53	1.77
41	Tharaka-nithi	1.21	1.22
42	Trans-nzoia	1.96	1.87
43	Turkana	4.03	3.34
44	Uasin-gishu	2.00	1.89
45	Vihiga	1.49	1.46
46	Wajir	2.78	2.70
47	West pokot	1.66	1.57
	Total	**100.00**	**100.00**

Source, CRA 2016

The approved basis for the sharing of revenues among county governments provides that the parameter on Fiscal Effort weighted at two per cent will be revised annually. The county fiscal effort is measured based on the county's actual own source revenue increment per capita for the previous two financial years. Table 17 provides the revised Fiscal Effort index.

Table 17: County Own Source Revenue for Various Years

No	County	County Own Source Revenue (Ksh. Millions)			Per Capita Revenue Increment	Fiscal Effort index[10]
		2013/14	2014/15	2015/16		
1	Baringo	202	250	279	53	2.62
2	Bomet	201	206	167	(54)	0.00
3	Bungoma	183	505	631	92	4.52
4	Busia	329	315	334	26	1.26
5	Elgeyo-Marakwet	61	129	128	(2)	0.00
6	Embu	168	401	397	(9)	0.00
7	Garissa	36	131	106	(40)	0.00
8	Homa-bay	135	158	184	27	1.32
9	Isiolo	125	134	110	(165)	0.00
10	Kajiado	453	786	651	(196)	0.00
11	Kakamega	325	517	504	(8)	0.00
12	Kericho	371	414	434	28	1.36
13	Kiambu	1,247	2,111	2,461	216	10.63
14	Kilifi	460	545	519	(24)	0.00
15	Kirinyaga	200	312	390	149	7.34
16	Kisii	250	297	306	8	0.40
17	Kisumu	622	971	979	8	0.41
18	Kitui	255	321	416	94	4.65
19	Kwale	208	254	249	(8)	0.00
20	Laikipia	347	400	471	177	8.71
21	Lamu	36	62	57	(43)	0.00
22	Machakos	1,175	1,357	1,122	(214)	0.00
23	Makueni	189	215	213	(2)	0.00
24	Mandera	90	88	88	0	0.02
25	Marsabit	46	99	112	44	2.17
26	Meru	344	539	548	7	0.33
27	Migori	239	355	339	(17)	0.00
28	Mombasa	1,716	2,493	2,944	480	23.63
29	Murang'a	420	562	618	59	2.89
30	Nairobi city	10,026	11,500	11,710	67	3.29

[10] Fiscal effort measure is based on county's increment in own source revenue per capita for the financial years 2014/15 ad 2015/16.

No	County	County Own Source Revenue (Ksh. Millions)			Per Capita Revenue Increment	Fiscal Effort index[10]
		2013/14	2014/15	2015/16		
31	Nakuru	1,817	2,200	2,295	59	2.92
32	Nandi	131	298	237	(81)	0.00
33	Narok	1,539	1,639	1,753	134	6.58
34	Nyamira	94	104	107	5	0.22
35	Nyandarua	138	241	279	65	3.19
36	Nyeri	432	681	710	42	2.05
37	Samburu	201	196	167	(129)	0.00
38	Siaya	100	143	128	(18)	0.00
39	Taita-Taveta	127	217	173	(154)	0.00
40	Tana-River	32	33	28	(19)	0.00
41	Tharaka-Nithi	85	116	139	64	3.15
42	Trans-Nzoia	202	301	365	78	3.83
43	Turkana	133	127	134	9	0.43
44	Uasin-Gishu	564	801	719	(91)	0.00
45	Vihiga	123	116	139	41	2.04
46	Wajir	61	108	82	(39)	0.00
47	West Pokot	59	104	98	(11)	0.00
	Total	**26,297**	**33,849**	**35,022**		**100**

Source: CRA 2016

APPENDICES

Appendix I: Revenue from Road Maintenance Levy Fund

KENYA ROADS BOARD

3rd Floor, Kenya Re-Towers, Off Ragati Road, Upper Hill
P. O. Box 73718 - 00200, Nairobi, Kenya.
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Financing Road Maintenance

KRB/F/29/01/A/Vol. II (7) 25th August 2016

Ms. Fatuma Abdulkadir, MBS
Vice Chairperson
Commission on Revenue Allocation
P. O. Box 1310 - 00200
NAIROBI

Dear Madam,

RE: FUEL LEVY FUND FORWARD BUDGET ESTIMATES FOR FY 2017/18 AND 2018/19

Reference is made to letter Ref. No. CRA/R&P/11/VOL. IV (43) of 22nd August 2016.

Please find attached the forward budget estimates for Road Maintenance Levy Fund for financial years 2017/18 and 2018/19, which are based on current trends.

The estimates have been prepared based on discussions with the National Treasury. These estimates may change in future, in light of emerging economic conditions.

Yours Sincerely,

Eng. Jacob Z. Ruwa
EXECUTIVE DIRECTOR

ISO 9001:2008 Certified

ANNEX II: FORMAT FOR PRESENTING INFORMATION FOR SAGAS

VOTE TITLE: ROAD MAINTENANCE LEVY FUND

NAME OF SAGA: KENYA ROADS BOARD

ESTIMATES FOR FY 2016/17 TO FY 2018/19

			ESTIMATES	
	RECEIPTS		FY 2017/18	FY 2018/19
			Kshs	Kshs
1	Grants Received by Other General Government Units from Fund Accounts: (i) Fuel Levy		63,000,000,000	66,150,000,000
2	Receipts of Taxes on Goods and Services: (ii) Transit Tolls		473,600,000	478,600,000
3	TOTAL FUNDS AVAILABLE		63,473,600,000	66,628,600,000
	DISBURSEMENTS			
4	KRB Operations	2.0%	1,260,000,000	1,323,000,000
5	KRB: 2% Transit Tolls		9,472,000	9,572,000
6	KRB OPERATIONS TOTAL		1,269,472,000	1,332,572,000
7	National Roads (KeNHA) - Maintenance	40.0%	21,000,000,000	22,050,000,000
8	National Roads (KeNHA) - Development			-
9	KeNHA: Transit Tolls		464,128,000	469,028,000
10	KeNHA TOTAL		21,464,128,000	22,519,028,000
11	KRB Board/CS Allocation	10.0%	5,250,000,000	5,512,500,000
12	National Park Roads (KWS)	1.0%	525,000,000	551,250,000
13	Rural Roads (KeRRA)	21.8%	11,438,297,872	12,010,212,766
14	Urban Roads (KURA)	10.2%	5,361,702,128	5,629,787,234
15	SUB-TOTAL	85.0%	45,308,600,000	47,555,350,000
16	CARA Act (County Governments)	15.0%	7,875,000,000	8,268,750,000
17	Road Annuity Fund		10,290,000,000	10,804,500,000
18	TOTAL RMLF	100.0%	63,473,600,000	66,628,600,000

Appendix II: Analysis of County Government Revenues

County	Target OSR (Ksh. Millions)			OSR Actual Collection (Ksh. Millions)			Performance OSR (Percentage)		
	2013/14	2014/15	2015/16	2013/14	2014/15	2015/16	2013/14	2014/15	2015/16
Nairobi City	15,448	17,763	17,528	10,026	11,500	11,710	65	65	67
Mombasa	5,075	6,936	4,072	1,716	2,493	2,944	34	36	72
Kiambu	3,059	3,374	3,683	1,247	2,111	2,461	41	63	67
Nakuru	3,077	2,708	2,911	1,817	2,200	2,295	59	81	79
Narok	3,699	3,909	3,507	1,539	1,639	1,753	42	42	50
Machakos	2,542	2,533	2,372	1,175	1,357	1,122	46	54	47
Kisumu	1,740	2,843	1,864	622	971	979	36	34	53
Uasin Gishu	821	1,193	1,037	564	801	719	69	67	69
Nyeri	479	1,344	1,082	432	681	710	90	51	66
Kajiado	517	1,847	1,135	453	786	651	88	43	57
Bungoma	2,754	1,075	820	183	505	631	7	47	77
Murang'a	800	1,140	850	420	562	618	52	49	73
Meru	658	902	998	344	539	548	52	60	55
Kilifi	736	1,000	1,407	460	545	519	62	55	37
Kakamega	2,813	874	1,000	325	517	504	12	59	50
Laikipia	557	400	500	347	400	471	62	100	94
Kericho	339	671	553	371	414	434	110	62	78
Kitui	714	650	608	255	321	416	36	49	68
Embu	659	748	631	168	401	397	26	54	63
Kirinyaga	438	729	500	200	312	390	46	43	78
Trans Nzoia	502	670	389	202	301	365	40	45	94
Migori	795	300	400	239	355	339	30	118	85
Busia	366	766	543	329	315	334	90	41	62
Kisii	729	974	700	250	297	306	34	30	44

County	Target OSR (Ksh. Millions)			OSR Actual Collection (Ksh. Millions)			Performance OSR (Percentage)		
	2013/14	2014/15	2015/16	2013/14	2014/15	2015/16	2013/14	2014/15	2015/16
Baringo	260	452	300	202	250	279	78	55	93
Nyandarua	174	211	392	138	241	279	80	114	71
Kwale	642	500	300	208	254	249	32	51	83
Nandi	422	456	256	131	298	237	31	65	93
Makueni	350	501	400	189	215	213	54	43	53
Homa Bay	141	402	182	135	158	184	96	39	101
Taita/Taveta	244	522	310	127	217	173	52	42	56
Bomet	236	380	335	201	206	167	85	54	50
Samburu	224	407	357	201	196	167	90	48	47
Tharaka -Nithi	84	250	248	85	116	139	102	46	56
Vihiga	204	378	252	123	116	139	60	31	55
Turkana	250	500	200	133	127	134	53	25	67
Elgeyo/Marakwet	85	85	150	61	129	128	72	152	85
Siaya	153	302	343	100	143	128	65	48	37
Marsabit	44	48	130	46	99	112	105	205	86
Isiolo	360	361	360	125	134	110	35	37	31
Nyamira	100	219	241	94	104	107	94	48	44
Garissa	151	500	500	36	131	106	24	26	21
West Pokot	38	96	177	59	104	98	155	108	55
Mandera	437	251	199	90	88	88	21	35	44
Wajir	119	102	200	61	108	82	51	105	41
Lamu	86	65	107	36	62	57	41	94	54
Tana River	87	120	120	32	33	28	36	28	24
Total	**54,208**	**62,460**	**55,150**	**26,296**	**33,849**	**35,022**	**49**	**54**	**64**

Source: Budget Implementation Review Report, Various Issues

Appendix III: Analysis of Performance of County Government Revenues

County	Population	Target OSR (Ksh. Millions)			OSR Actual Collection (Ksh. Millions)			Per Capita performance OSR (Ksh.)		
		2013/14	2014/15	2015/16	2013/14	2014/15	2015/16	2013/14	2014/15	2015/16
Nairobi City	3,138,369	15,448	17,763	17,528	10,026	11,500	11,710	3,195	3,664	3,731
Mombasa	939,370	5,075	6,936	4,072	1,716	2,493	2,944	1,827	2,654	3,134
Narok	850,920	3,699	3,909	3,507	1,539	1,639	1,753	1,809	1,926	2,060
Kiambu	1,623,282	3,059	3,374	3,683	1,247	2,111	2,461	768	1,300	1,516
Nakuru	1,603,325	3,077	2,708	2,911	1,817	2,200	2,295	1,133	1,372	1,431
Laikipia	399,227	557	400	500	347	400	471	869	1,002	1,180
Nyeri	693,558	479	1,344	1,082	432	681	710	623	982	1,024
Machakos	1,098,584	2,542	2,533	2,372	1,175	1,357	1,122	1,070	1,235	1,021
Kisumu	968,909	1,740	2,843	1,864	622	971	979	642	1,002	1,010
Kajiado	687,312	517	1,847	1,135	453	786	651	659	1,144	947
Uasin Gishu	894,179	821	1,193	1,037	564	801	719	631	896	804
Embu	516,212	659	748	631	168	401	397	325	777	769
Isiolo	143,294	360	361	360	125	134	110	872	935	768
Samburu	223,947	224	407	357	201	196	167	898	875	746
Kirinyaga	528,054	438	729	500	200	312	390	379	591	739
Murang'a	942,581	800	1,140	850	420	562	618	446	596	656
Taita/Taveta	284,657	244	522	310	127	217	173	446	762	608
Kericho	752,396	339	671	553	371	414	434	493	550	577
Lamu	101,539	86	65	107	36	62	57	355	611	561
Baringo	555,561	260	452	300	202	250	279	364	450	502
Nyandarua	596,268	174	211	392	138	241	279	231	404	468
Kilifi	1,109,735	736	1,000	1,407	460	545	519	415	491	468
Bungoma	1,375,063	2,754	1,075	820	183	505	631	133	367	459
Busia	743,946	366	766	543	329	315	334	442	423	449

County	Population	Target OSR (Ksh. Millions)			OSR Actual Collection (Ksh. Millions)			Per Capita performance OSR (Ksh.)		
		2013/14	2014/15	2015/16	2013/14	2014/15	2015/16	2013/14	2014/15	2015/16
Trans Nzoia	818,757	502	670	389	202	301	365	247	368	446
Kitui	1,012,709	714	650	608	255	321	416	252	317	411
Meru	1,356,301	658	902	998	344	539	548	254	397	404
Marsabit	291,166	44	48	130	46	99	112	158	340	385
Kwale	649,931	642	500	300	208	254	249	320	391	383
Tharaka -Nithi	365,330	84	250	248	85	116	139	233	318	380
Migori	917,170	795	300	400	239	355	339	261	387	370
Elgeyo/Marakwet	369,998	85	85	150	61	129	128	165	349	346
Nandi	752,965	422	456	256	131	298	237	174	396	315
Kakamega	1,660,651	2,813	874	1,000	325	517	504	196	311	303
Kisii	1,152,282	729	974	700	250	297	306	217	258	266
Vihiga	554,622	204	378	252	123	116	139	222	209	251
Makueni	884,527	350	501	400	189	215	213	214	243	241
Bomet	730,129	236	380	335	201	206	167	275	282	229
West Pokot	512,690	38	96	177	59	104	98	115	203	191
Homa Bay	963,794	141	402	182	135	158	184	140	164	191
Nyamira	598,252	100	219	241	94	104	107	157	174	179
Garissa	623,060	151	500	500	36	131	106	58	210	170
Turkana	855,399	250	500	200	133	127	134	155	148	157
Siaya	842,304	153	302	343	100	143	128	119	170	152
Wajir	661,941	119	102	200	61	108	82	92	163	124
Tana River	240,075	87	120	120	32	33	28	133	137	117
Mandera	1,025,756	437	251	199	90	88	88	88	86	86
Total	**38,610,097**	**54,208**	**62,460**	**55,150**	**26,296**	**33,849**	**35,022**	**681**	**877**	**907**

KNBS, 2010; Budget Implementation Review Report, Various Issues

COMMISSION ON REVENUE ALLOCATION

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