

# REPUBLIC OF KENYA



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## PARLIAMENT OFFICE OF THE CLERK OF THE SENATE

**REF: SEN/L&P/MSG.2020/ (020)**

**17<sup>th</sup> September, 2020**

**Mr. Michael R. Sialai, EBS,**  
Clerk of the National Assembly,  
Parliament Buildings,  
**NAIROBI.**

Dear

**RE: APPROVAL OF THE THIRD BASIS FOR REVENUE ALLOCATION  
AMONG THE COUNTY GOVERNMENTS PURSUANT TO ARTICLE 217  
OF THE CONSTITUTION**

The above matter refers.

Enclosed herewith, please find a Message from the Speaker of the Senate in respect of the Resolution of the Senate on the **approval** of the Third Basis for revenue allocation among the county governments pursuant to Article 217 of the Constitution.

Attached also please find copies of the Votes and Proceedings, the Hansard and the Supplementary Order Paper of the sitting of the day, for your reference.

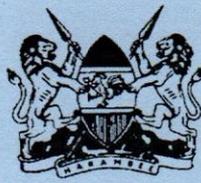
Yours

A handwritten signature in black ink, appearing to read 'J. M. Nyegenye'.

**J. M. NYEGENYE, CBS**  
**CLERK OF THE SENATE**

*Encls.*





REPUBLIC OF KENYA

TWELFTH PARLIAMENT – (FOURTH SESSION)

THE SENATE

MESSAGES

MESSAGE TO THE NATIONAL ASSEMBLY

No. 020 of 2020

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**SUBJECT: APPROVAL OF THE THIRD BASIS FOR REVENUE ALLOCATION AMONG THE COUNTY GOVERNMENTS PURSUANT TO ARTICLE 217 OF THE CONSTITUTION**

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**PURSUANT** to Standing Order 41 (1) of the Senate, I hereby convey the following Message from the Senate –

**THAT**, pursuant to the provisions of Article 217 (1) and (3) of the Constitution, by a Resolution passed on **Thursday, 17<sup>th</sup> September, 2020**, the Senate determined and approved the Third Basis for allocating among the counties the share of national revenue that is annually allocated to the county level of government, for the Financial Years 2020/2021 to 2024/2025 which shall consist of the Allocation Ratio and the Formula, where-

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

**Where,**

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<sup>1</sup> Land Area capped at 7%

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

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

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

**a) Equitable Share for 2020/21**

County Allocation = Allocation Ratio + 0(Formula).

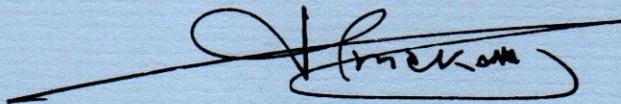
**b) Equitable share for 2021/2022 to 2024/2025 of Kshs.370 billion and above**

County Allocation = 0.5 (Allocation Ratio) + (((Equitable Share - 0.5 (Allocation Ratio))\*(Formula)).

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

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

**NOW THEREFORE**, in accordance with Article 217 (1) and (3) of the Constitution and Standing Order 41 (1) of the Senate, I hereby refer this Resolution to the National Assembly for consideration.



**SEN. KENNETH M. LUSAKA, E.G.H., M.P.**  
**SPEAKER OF THE SENATE**

17<sup>th</sup> September, 2020