



JANUARY 28, 2019

The Commission Secretary/CEO,
Commission on Revenue Allocation (CRA),
14 Riverside Drive Grosvenor Block,
P.O. BOX 1310 - 00200 NAIROBI.

Dear Commission Secretary/CEO

RE: Memo | Analysis and Recommendations

Center for Innovation in Open Governance, based in Eldoret would like to make submission to the Commission on Revenue Allocation (CRA) following your recent call for public input regarding the proposed 3rd generation revenue sharing formula.

The submission presents analysis, comments and proposals for strengthening the proposed formula. At the beginning of the document is a summary of key recommendations and a deep-dive into more in-depth analysis of the proposed formula. It then presents a detailed proposals and recommendations at the end, including annex of our complete proposal of the new formula.

We are available to discuss the submission and to clarify any of its parts as may be necessary. We also welcome feedback and questions, please feel free to reach out to Timothy Kiprono at tim@ciogkenya.or.ke.

Sincerely,

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1 INTRODUCTION

The proposed third generation formula is comparatively measurable and a demonstration of greater efforts towards transparent and equitable criteria for sharing resources among county governments. The effort by the revenue sharing commission is a step forward towards making the formula more legitimate. CRA deserves slap on the back for its radical approach to adopt a more direct approach to better align the 3rd generation formula to county functions and service delivery needs.

As noted over the last five years, a section of county governments and stakeholders were not fully satisfied with the outgoing formula because some counties believed they were getting raw deal. Even weaknesses in the formula, the discontent was largely caused by inadequate stakeholder consultations which by extension influenced how people embraced and understood functionality of the formula. Whereas it is almost impossible for the commission to satisfy everyone at a given time for the decisions it takes, making the formula simpler and easy to interact with and by attempting to get all stakeholders on board through the invitations of public input is a step closer to delivering a legitimate revenue sharing criterion.

By focusing on functions and service delivery responsibilities of county governments, the commission lays a strong foundation for more objective, rational and acceptable revenue sharing methodology. In addition, the commission's resolve to invite views and input from stakeholders and its recent attempt to create spaces and platforms for stakeholder engagements through platforms such as the Equity Week 2018 conversations in collaboration with the International Budget Partnership and other partners across the country are plausible efforts.

In order to appreciate the shift made by the commission, the current formula in some way encourages sustainability of certain core weaknesses that ideally should be addressed by the formula. Examples of these are population and poverty index factors which are discussed in more detail in the following sections of the memo. Over and above, some of the parameters which were designed as grants e.g. poverty index lacked accompanying conditionalities to guide county governments on how to invest monies received through such parameters.

Broadly, lack of guidance and conditions on how to invest the resources received from various proxy measures left counties at liberty to choose whether, for example, to address poverty or divert resources which supposedly was to be invested in addressing it elsewhere. Even as the new formula retains some parameters while introducing new factors, attention should be given to providing some level of guidance to the devolved units on how to manage its investment pans and to budget for the resources received under the new formula. By doing so, the commission will be setting a strong foundation for assessment of the functionality, efficiency and effectiveness of the formula.

2 KEY RECOMMENDATIONS

The issues, comments and proposals in this document are based on analysis of the proposed formula.

1. Expand the health service parameter measures beyond overreliance on health facility workload/data. In widening the scope of the parameter, the commission may consider: distance to health facility as measure of health infrastructural needs and to cater for land size cost variables; doctor to patient ratio to better measure workload and; adopt a reward for cost-effectiveness and efficiency in the delivery of accessible and quality healthcare to achieve item (b) under 2.1.2 because healthcare is currently scooping large shares of county budgets, in some instance over 25% of county's scarce resources while health function is still claimed to be underfunded.
2. In order to achieve item (a) under 2.1.2 and in consideration that the proposed formula is leaning more towards service delivery, there is need to cost county functions to facilitate this alignment. For example, except information on budgetary allocations by county governments since 2013, there is no publicly available actual cost data to explain the proposed 15% weight allocated to health service function. Whereas historical costs and current allocation to the function by county governments could provide an alternative proxy for its cost, it could be argued that county governments are claiming yet to fully fund health service delivery while accessibility of the service in the desired quantities and qualities is yet to be achieved.
3. The commission has made a strong argument on lack of better measure for agricultural services under objective one, however, other factors such as ratio of rural population (in place of farmers) to extension service officers could be a better alternative for more objective measure. Even then, the argument on absence of farmer record data or a better measure than general rural population is not entirely true because such data can be obtained from papers such as the household survey done by the Ministry of Agriculture across the 47 counties in 2014 while number of agricultural extension officers are on government payroll meaning the number is known. In summary, more accurate alternatives are available to construct suitable index for agricultural service needs.
4. The proposed formula should strongly rely on simplicity and clarity of the need indicators used in order to gain stakeholder support and acceptance of the proposals made. We recommend revisions to expenditure need indicators for water, agriculture and others such as balanced development. For example, the definition relied upon by the commission on 2.3.3 of the proposal is too general and ambiguous standard. Contextually, "clean water" is affected by various factors and should not be used as a general measure. In some parts of rural Kenya for example where water catchment areas (bushes) double up as 'sanitary facilities', using "clean water" as a general measure sets a very low standard for addressing water inequalities. Moreover, a county that has se majority of its population accessing water from boreholes, protected wells, protected springs is treated by the proposed formula the same way with a county that has a larger coverage of piped water since the two counties' population are considered to have access "clean water" as per the definition. In the case of agriculture function, viewed as an economic development factor imply that agriculture is the main economic driver for all counties, an assumption which may not be true. In that case therefore, counties whose rural population are not farmers are forced to invest in agriculture in the expense of potential of its rural population in business or competitive advantage in other economic areas.
5. Education and Training related county functions should be taken out of "other county services" for reasons that it is a core county function as per schedule four. In additional, its expenditure

need indicator is identifiable and more importantly, represent a unique service from the rest of the population segments in the category of the cluster services. Considering the devolved part of education function, particular Early Childhood Education (ECDE) is targeted at under five population, the formula tends to assume that the proportion of under-five population to general population is the same for all counties. Therefore, using general population as an index to measure and address unique educational service needs such as distance to education facilities, classrooms and related infrastructure, school equipment and supplies is misleading. Secondly, the function is expensive to deliver which means that as the components within this cluster function compete for resources allocated to it, education services may either be denied sufficient resources or other service are compromised in efforts to fund it.

6. Beyond revenue sharing methodology, the formula should be an opportunity to strengthen Kenya's governance practices at the county level. While the commission has proposed community engagement as part of Public Administration function which is considered as governance strengthening proxy, having the function under expenditure need indicator that is universal, weakens the formula's intentions to do so. Therefore, public administration is not the right place for this function and in our view the commission should move it to fourth objective, which also means lowering the weight given to the public administration function.
7. Equal Share, not only weakens the formula's efforts to strengthen governance as argued in the previous point, but a better a cost-measure than "equal share" could be adopted or, some level of justification be provided for the current proposal. For example, it is not clear how running a county government require 20% of total allocation to counties form the proposal. In our view, data on core and administrative personnel for county governments (assembly and executive) are known which means data on other cost drivers of running a county can be established as well. Nonetheless, in the absence of this kind of data, justification for the weight given to equal share proxy should be given as a minimum. [International Budget Partnership \(IBP\) Kenya's paper](#) on cost of running county government may provide some guidance on this.
8. Restructure expenditure need indicator for the third objective to reward effort over capacity. In consideration that since inception and particularly during the first five years of devolution, all counties have collected certain amount of revenue annually, which have either grown or stagnated or in fact declined overtime. Regardless of the level of revenue collected, each county has had a chance to increase its revenue collection annually. Therefore, the efforts made by those county governments that have grown their own revenues on annual basis represent an investment and provides unambiguously fair measure. Consider county X's revenue, for example, that had a baseline of KES 490 million in 2016/17 which grew to KES 550 million in 2017/18 and again to KES 590 million in 2018/19 while county Y's revenue was at KES 1,100 million in the 2016/17 and reduced by 30 million in 2017/18 to KES 1,070 million and maintained at that figure the following year. This example represents different effort levels by county governments to enhance their local revenue collection.

3 GENERAL ISSUES AND COMMENTS

The newly proposed formula is laudable in its attempt to largely shift away from current approach in many notable aspects. However, it retains some of parameters that may transfer weaknesses to the new formula if adjustments are not made. Here below, we discuss some of the areas that the commission should look into and make necessary adjustments.

- a. Poverty (Index) is a proxy measure for bridging inequality gaps, however, its design technically rewards counties for having poor people among its population more than its intention to facilitate efforts to address or reduce poverty. Poverty Index should address root causes of poverty than assume that poverty is inherent condition that should be contained.
- b. Land Area is used to compensate for land differentials in the cost of delivering public services i.e. to say, the larger the land area, the costlier it is to delivery services. Whereas the commission has tried to describe the make-up of the index, the measure remains land size rather than specific cost drivers caused by the size of the land area. First all, the proposal makes a lot of assumptions including on terrain which indeed is a factor affecting some counties such as West Pokot, Baringo, Elgeyo Marakwet County, Murang'a and Meru among others which have poor terrain. Such counties incur much more costs in services such as road construction or transportation related cost such as fuel for ambulances. In addition, the commission has not explained how its assertion that densely populated counties have capacity to collect revenue and enjoy economies of scale, address land size factors for revenue endowed counties. Secondly, whether small or large-size counties have poor terrain or not, blanketly compensating for land size does little to the effect that the commission's recognition of terrains. In summary, variables such as forest cover of which forest management is a national function; uninhabited land areas of which, even if a county's population is sparse and widespread across a larger land area, there is need to better and objectively measure the actual cost drivers.
- c. Urban Vs Rural Population needs: while these newly introduced factors are valuable additions in addressing urban marginalization, there exist complex dynamics that should be noted between urban and rural population and how they access and use services. The rural – urban movements of population – whether temporary or permanent – put pressure on urban areas' resources thus affecting capacity to deliver services in urban areas.
- d. Lastly, the commission may not have explained itself on a number of items below:
 - i. What does selection agriculture represent in this proposal? Our assumption from reading the proposal is that agriculture is picked as a representative function of economic development function and if so, should trade and other economic development drivers be consolidated together under one function purposely for economic development? Currently, Agriculture and trade (presumably the main economic development enablers) are provided for under two sperate objectives 1&2 i.e. Service Delivery (for Agriculture) and Balanced Development. This makes the formula complex and broadly, points to the need to better present all aspects of the proposed formula that address the same objective together as a single component.
 - ii. While we commend the commission for adopting better proxies for population needs, the parameter uses 2009 household census records, a decade later, as need indicator. In actual sense, county governments cater for the needs of its actual population, which is estimated at around 45 million, therefore, the formula still fails to align revenue to functions. How has the commission addressed the disparities caused allocation of resources to counties on the basis smaller population to spend on higher population?

- iii. In some way, structure and presentation of the proposed formula suggest to distinguish urban and rural services. If that is the case, the distinction is not clear. For example, it is not clear what is purely urban, what is rural and what is cross-cutting. There is otherwise an opportunity to do so. For example, county road network and county public works address both rural and urban road network needs.

4 ANALYSIS OF OBJECTIVES AND NEED INDICATORS

In this section, we look at functions and expenditure need indicators of the new formula. We discuss issues, concerns and weaknesses for each objective and its corresponding components. The content in this section is presented in accordance with the numbering of the proposed formula for ease of navigation.

Objective 1. Enhance Service Delivery

- 1.1. **Health: County health services:** The expenditure needs indicators for health service function “Uninsured population, In-patient days equivalent and total outpatient Visits” basically cater for two factors: demand for health services and accessibility of health care by citizens (uninsured population). The use of “uninsured population” as a measure for infrastructure needs and access to health facility by citizens may not give a true reflection of a county’s expenditure needs to deliver on the function because even then, the proposal is not asking counties to offer services to the uninsured population at no cost. The commission should consider indicators that directly measure and promote access, quality and address inabilities of government to deliver the service to its citizens in a sustainable manner.
- 1.2. **Agriculture: Agriculture; Animal control and welfare:** Kenya is largely considerable an agricultural country, however, as proposed, the application of “rural population” as need indicator maybe misleading if the formula is to truly measure and align itself to counties’ expenditure needs to delivery services. While the proposal identifies absence of farmer record data which as argued, could have been the most relevant proxy, we think household data is available¹ while extension officers are on government payroll. In addition, using agriculture function alone for rural development needs is technically denying non-agricultural counties resources to provide desired services to its non-agricultural population because it assumes that a whole of particular county’s rural population is agricultural dependent. In consideration of the fact the proposed formula has tried to strongly align to services/functions, which also means county performance will be pegged against the formula, non-agricultural counties will struggle to justify diversion of the resources allocated to them via this factor to other non-agricultural service to fit.
- 1.3. **Water: County public works and services -water services):** The water service subcomponent uses “Population in need of access to clean drinking water” as a need indicator. Even with World Health Organization (WHO)’s definition of “Clean Water”, in Kenya’s context, the measure sets a low standard. Studies have also shown that, boreholes (kisima) water sources in urban areas are established closer to pit latrines or sewerage facilities and waste dumpsites meaning the water in from these sources has high chance of mixing with contaminates. In other cases, boreholes are not treated while in rural areas where water catchment areas (bushes) double up as defecation

¹ <http://www.nafis.go.ke/wp-content/uploads/2017/11/Bungoma-HH.pdf>

facilities, “clean water” may not entirely be safe and clean for human consumption. In consideration of the fact that some counties may have access to water sources such as permanent rivers from which they can develop and supply its population with “clean water” others have to develop new water sources e.g. construction of dams and boreholes – addressing this cost variable using land size as argued in the proposal is an inadequate proxy.

- 1.4. **Urban services and environment:** The parameter is too narrow. Whereas some functions such as healthcare cannot be segregated as urban and rural due to its unified referral system, additional services to the identified list in the proposal can be catered for under the factor. Services such as development and maintenance of streets and streetlights, market infrastructure, sewerage and drainage systems are crucial urban services that should be catered for here. Moreover, this factor presents an opportunity to plan and budget for urban areas’ development needs on its own to strengthen efforts of addressing urban inequalities.
- 1.5. **Other county services:** The “other county services” subcomponent is trying to do many things together at the same time and it may be necessary to separate things a little bit for clarity and efficiency of the formula. Education and Training related function is essential county function as per schedule four of the constitution and should be clustered as a separate service area. County function on education is a unique service area in the cluster with own identifiable measure or need indicator in the form of under-five (5) population, ECDE and VTCs infrastructure and enrolment data. Therefore, it is ineffective for the formula to generalize and lump the function with other non-core services.
- 1.6. **Public administration:** As the commission aims to align the formula to the principle that, “money follow functions”, there are two concerns here: foremost, there is need to better justify the weight allocated to “equal share”. Even as county government share some similarities in administrative functions, there is need to either explain or adopt better measure of the cost for running county governments – IBP Kenya’s paper² on how much it costs to run county governments may provide some headway. Secondly, the inclusion of “participation of communities in local governance” in the function is indication of the formula’s intent to promote good governance and fiscal prudence practices, however, placing it under a universal factor (equal share) that guarantee county governments resource shares regardless of their efforts to engage communities jeopardize stakeholders’ efforts to give community engagement a practical meaning. Considering the ongoing debate on lack of clarity on how public participation should happen, efforts to execute and advance community engagement should be measure and rewarded.

Objective 2.: Promote Balanced Development

The objective identifies infrastructure deficit and inability of poor households to access services as the main drivers for inequalities and economic disparities. It can be argued that good roads are good for business and agriculture (economic development), however, that remains an assumption from the structure and presentation of the proposed formula. On the other hand, the discussion on poverty, just as its predecessor, tend to address symptoms rather than address its root causes. For example, the proposal for Poverty Index suggests that county governments will now be required to use the money received under this factor to subsidize or exempt poor households from incurring cost for various services, which even if it true, is not only unsustainable, but also does not cure the poverty causing factors. The role of economic development drivers such as agricultural productivity and

² <https://www.internationalbudget.org/wp-content/uploads/Budget-Brief-32-Kenya-How-Much-Does-it-Cost-to-Run-a-County.pdf>

business development and, their linkages to enablers such as road infrastructure should be clearly established.

Objective 3. Incentivize capacity to raise revenue

Revenue collection: Our view is that the proposal to reward a county's contribution to total revenue collected by all county governments imply to reward for revenue strength (capacity to contribute) and, therefore punishing counties for contributing little to the pool (lower revenue strengthen). Whereas the commissions' proposal to reward every shilling contributed by counties to the pool can be considered to incentivize "effort", the use of effort here relates to county's ability to contribute than effort to enhance collection of own revenue. As capacity to contribute and efforts to enhance as weight here, it is important to note that, some counties had inferior revenue collection at inception while others and, by extension all counties have had a chance to make an effort to grow and strengthen their collection. In that case therefore, **EFFORT** made by counties to grow their revenue regardless of their initial revenue strength bases provide a universal measure that is fair and represents a value factor that is in the control of all counties' abilities, unlike capacity to contribute to the pool.

Objective 4. Incentivize prudent use of public resources

Prudent use of public resources: Management of public resources: Whereas the indicators considered by the commission are crucial elements for prudent fiscal management, the value is put on the action taken rather than the effect of such actions. For example, it is one thing for a county government to set up an Internal Audit Unit while it is another whether the unit is functional and efficient in delivering its mandate, with the latter being the most desirable result. This applies to establishment of County Budget and Economic Forum (CBEF) as well – what if a county sets it up but is non-functional? As structured, the formula will **NOT** have the opportunity to reward its efficiency or otherwise because it says as long as a county has the structures established, it doesn't matter whether they functional or not. On 30%-70% PFM Act requirement on development and recurrent expenditure proportions, there are a lot of misconceptions on the definition of the budget votes and that in effect, many counties have overtime hidden recurrent items in development in order to meet the legal requirements and not an adherence to fiscal responsibility principles. In summary, the choices of most measurements here are in some way controversial and lack acceptable foundational fundamentals which should be a red flag for the formula's efficiency and legitimacy.

5 PROPOSALS AND RECOMMENDATIONS

This section presents our proposals and recommendations for improving and strengthening the proposed formula. Similar to the previous section, we present the recommendations in line with the numbering of the proposed formula to ease navigation.

Objective 1. Enhance Service Delivery

1.1. Health service. The health services subcomponent like all other functions may need to be costed in the medium to long-term while in the short-term, we recommend adjustments to its indicator measures to conclusively cover the health function by adopting the following four (4) need indicators:

- a. Doctor-patient ratio
- b. Distance to health facility
- c. Facility visit data

- d. Reduction in number of disease incidences that are preventable, but currently being cured (i.e. reward for efforts to manage cost of delivering healthcare through investments in prevention while maintaining high quality and access)

1.2. Replace Agriculture services with “Economic Empowerment and Development”: We propose restructuring and expansion of the current proposal – **Agriculture services: Agriculture; Animal control and welfare** to cover main economic empowerment and development services by adding trade and other business-related functions to the factor. For better expenditure need measures, we propose application of the following need indicators:

- a. Ratio of Agricultural Extension Service Officers to rural agriculture-dependent population/Households.
- b. Gross-agricultural productivity contribution to total national production
- c. Population engaged in agribusiness or number of agribusinesses undertakings in a county as a percentage contribution to total agribusiness nationally
- d. Population engaged in non-agribusiness undertakings or number of non-agribusinesses in the county as a percentage contribution to total non-agribusinesses nationally.

1.3. Water services: County public works and services -water services): We recommend that the formula should promote two things: adopt expenditure need indicators to better measure and address water inequalities and set the highest and contextually acceptable standards for water access. We propose the following water need indicators:

- a. Population without access to improved sources of water (i.e. piped, secure and treated water).
- b. Number of permanent water sources within reach of a county that “improved water” can be developed and distributed from to compensate for land size related costs, using scale of: county with less than 1 and below number of permanent sources; county with between 2-5 number of permanent sources; and over five number of permanent sources. The scale says, the lesser the permanent sources accessible to a county government, the higher the cost of developing and distributing piped, secure and treated water.

1.4. Early Childhood Development Education (ECDE) and Vocation Technical Training (VTC): We propose a new subcomponent 1.4 and the use of the following need indicators:

- a. Under five population to ECDE teacher ratio to cater for teacher needs
- b. Gross-enrolment of VTCS ratio to instructors to cater for VTCs instructor needs
- c. Average distance to VTCs, ECDE to cater for land differentials related costs.
- d. VTCs, ECDE enrolment data and classroom capacity to cater for infrastructure related needs.

1.5. Urban services and environment: We propose expansion of this subcomponent to include development and maintenance of streets and streetlights, urban market infrastructure, drainage and sewerage. This means the weight of the index could be increased to cover for the expanded mandate. We also propose that the formula as part of its accompanying guidelines, should encourage county governments to plan and budget for urban areas development and service needs on its own, separately from rural population needs. The expenditure need indicators are therefore adjusted by splitting the same into two parts below:

- a. County urban population
- b. County urban road network

- 1.6. Public administration:** In order for the formula to promote good governance, we propose that public participation of communities be taken out of this subcomponent and placed under objective 4 below. We view that the elimination of public participation here should reduce the weight by some percentage of up to 2%. We also propose the need to justify the weight given to “equal share” or adoption of a better measure using identifiable cost drivers for running county governments such as salary for core administration and executive personnel etc for county governments.

Objective 2.: Promote Balanced Development

- 2.1. Balanced Development:** We propose the restructuring of the indicator needs of this factor as below

- 2.1.1. Land area:** as discussed in other parts of this memo earlier, we propose reduction of the weight given to this measure to 3% and use the balance to strengthen weight given to other parameters where land differentials affect service delivery. In particular, we propose increases in weights for the following:
- a. county rural road networks to **directly cater** for land size transportation related costs drivers;
 - b. access to or lack of permanent water sources as a measure under water services subcomponent. This new measure says, the farther the distance to permanent water sources, or the need to develop one, the higher the cost, which should be compensated;
 - c. health facility distance under health services subcomponent. This measure says, the scattered and the longer the distance to access a health facility by citizens, the higher the need to construct new facility closer to the community to ease access, which should be compensated;
 - d. average distance to ECDE and VTCs under newly introduced 1.4. Early Childhood Development Education and Vocational Training. Similar to (a), the scattered and the longer the distance to access education facility by school going under-five children and Vocational Training learners, the higher the need to construct new facility closer to the community to ease access, which should be compensated;
 - e. proposed number of and gross-enrolment of ECDEs and VTCS respectively under the newly introduced objective 1.4. Similar to the previous measure, this also says, the higher the enrolment beyond recommended levels, the higher the need to construct new facility to accommodate learners as recommended, which should be compensated.
- 2.1.2. Poverty (Index):** On the basis of our argument in the analysis section of the memo, we propose reduction of the weight given to poverty index to 10%. We then propose treatment of this factor the same way as the recent Equalization Fund Policy, of cause with adjustments as may necessary. Our proposed need indicators are split into two parts below:
- a. 7% for conditional grants targeting commonly known root causes of poverty across counties. The approach used to establish marginalized areas for the Equalization Fund Policy is considered here.
 - b. 3% reward for counties making greater efforts to implement the conditions attached to the conditional grant discussed in (a) whose measures could include preciseness and viability of the efforts made by counties to address

poverty or rather, to implement and exceed the conditions set by the commission.

Objective 3. Incentivize capacity to raise revenue

- 3.1. We propose revision of the objective to reward “effort” made by counties to grow their revenue collection annually over currently proposed incentivizing ability of county governments to contribute to the revenue pool collected by all county governments. Efforts to enhance own revenue can be established by calculating the increases (difference) in actual revenue collected between two or more recent financial years.

Objective 4. Incentivize prudent use of public resources

- 4.1. we propose moving community engagement here from public administration in efforts to make the formula achieve an additional goal – promote adoption and scaling of good governance practices. In order to better measure and align the newly proposed formula to efforts of strengthening governance systems, we propose breakdown of the need indicator into the following PFM practices:
- a. Representativeness and robustness of public participation forums, measured by assessing: timeliness of public notices given to public for public participation; advanced sharing of public participation agenda; proportion of participants attending public participation to county’s total population and; existence and functionality of feedback mechanism.
 - b. Timeliness in publishing and improvements in presentation of key budget information – Annual Development Plan (ADP); County Budget Review and Outlook Paper (CBROP); County Fiscal Strategy (CFSP) and; Budget Estimates and Approved Budgets as per set timeline in PFM Act 2012. Public Participation Report can also be included here.
 - c. Functionality and level of utilization of County Budget and Economic Forums (CBEF) as means of community engagement using: existence of work and activity plans; evidence of funding of its operations in the approved county budgets and; representativeness of the forum to community groups.

General Recommendations

1. Whereas the approach taken by commission for the proposed formula is the right direction, the gain and lose for some counties is visible. We therefore recommend the commission to conduct a deliberate and robust public engagement and awareness campaigns and to widely consult stakeholders in efforts to strengthen understanding of the shift and obtain greater legitimacy from stakeholders.
2. We also recommend the commission to provide some guidance to county governments on how to plan and budget for the resources received through all or most of the parameters to avoid diversion of resources received through one factor to other service areas.

Annex 1: Recommendations in tabular format

Objective 1. Enhance Service Delivery

Public sector function	Constitutional Functions and Powers (Schedule 4)	Indicator of Expenditure Need	Proposed Weight
1.1 Health:	County health services	<ul style="list-style-type: none"> a. Doctor-patient ration b. Distance of health facility c. Facility visits d. Reward efforts to manage cost of delivering healthcare through investments in preventive programs 	15%
1.2 Economic empowerment and development:	Agriculture; Animal control and welfare and, Trade and business development, regulation services	<ul style="list-style-type: none"> a. Ratio of Agricultural Extension Service Officers to agricultural dependent population/Households b. Gross-agricultural productivity c. Population engaged in agribusiness or number of agribusinesses undertakings in the county as a percentage contribution to the total agribusiness nationally d. Population engaged in non-agribusiness undertakings or number of non-agribusinesses in the county as a percentage contribution to the total non-agribusiness nationally. 	13%
1.3 Water:	County public works and services -water services)	<ul style="list-style-type: none"> a. Population without access to improved sources of water (secured, treated and piped water) b. Number of permanent water sources within reach of the county that improved water sources can be developed from: county with less than 1 permanent sources; county with between 2-5 permanent sources; and over five permanent sources to cater for land size related costs. 	4%
1.4 Early Childhood Development and Technical training	Pre-primary education, village polytechnics, homecraft centres and childcare facilities	<ul style="list-style-type: none"> a. Under five population to ECDE teacher ratio b. Gross-enrolment of VTCS ratio to instructors c. Average distance to ECDE and VTCs d. VTCs, ECDE enrolment data against to recommended classroom capacity 	6%
1.5 Urban services and environment:	Control of air pollution, noise pollution, other public nuisances and outdoor advertising; Fire-fighting services and disaster management; Control of drugs and pornography; County urban public works and services (storm water management and Sanitation, street roads development and maintenances, street lighting, market infrastructure development).	<ul style="list-style-type: none"> a. County urban population b. County urban road network 	6%
1.6 Other county services:	Cultural activities, public entertainment and public amenities; Implementation of specific	County population	10%

	national government policies on natural resources and environmental conservation; County rural public works and services.		
1.7 Public administration:	County planning and development; <u>administrative functions and coordination of national institutions.</u>	<i>Basic Equal Share</i>	18%

Objective 2 Promote Balanced Development

Public sector function	Constitutional Functions and Powers (Schedule 4)	Indicator of Expenditure Need	Proposed Weight
2.1. Balanced Development	County transport and infrastructure deficit and, poverty eradication;	Land Area	3%
		County Road Network Index Package: <i>a. The lower tarmac road network the more a county gets</i> <i>b. The more the earth and unopened road network the more county gets</i> <i>c. The more general road network, the more a county gets</i>	8%
		Poverty Index Package: <i>a. Conditional grant for root causes of poverty 7%</i> <i>b. Reward for effort to eradicate poverty 3%</i>	10%

Objective 3. Incentivize effort to raise revenue

Public sector function	Constitutional Functions and Powers (Schedule 4)	Indicator of Expenditure Need	Proposed Weight
3.1 Revenue collection:	County revenue collection	<i>Effort to grow own revenue collection</i>	2%

Objective 4. Incentivize prudent use of public resources

Public sector function	Constitutional Functions and Powers (Schedule 4)	Indicator of Expenditure Need	Proposed Weight
4.1 Prudent use of public resources:	Management of public resources	<ul style="list-style-type: none"> a. <i>timeliness of public notices given to public for public participation; advanced sharing of public participation agenda; proportion of participants attending public participation to county's total population and; existence and functionality of feedback mechanism.</i> b. <i>Timeliness in publishing and presentation of key budget information as per PFM Act 2012.</i> c. <i>Functionality and utilization of CBEP as means of community engagement.</i> 	5%