

**COUNTY GOVERNMENT OF KIRINYAGA**

**REVIEW OF REVENUE SHARING FORMULA**

**PRESENTATION BY**

**MURIMI MURAGE**

**CEC FINANCE & ECONOMIC PLANNING**

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# CURRENT FORMULA

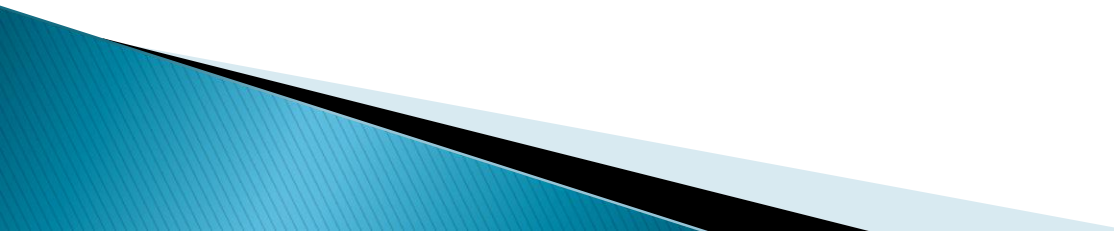
- Current Formula by CRA to divide revenue among the counties is based on:

Parameter	Population	Equal Share	Poverty	Land Area	Fiscal Responsibility	Total
<b>Weight</b>	<b>45%</b>	<b>25%</b>	<b>20%</b>	<b>8%</b>	<b>2%</b>	<b>100%</b>

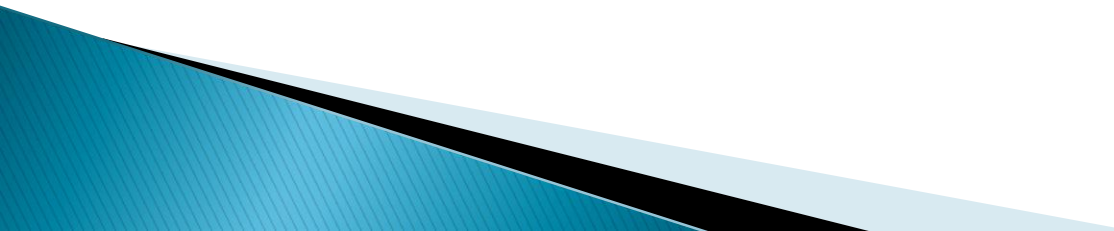
# IS THE ALLOCATION EQUITABLE?

- ▶ It is our view that the allocation formulae is NOT equitable
  - ▶ Previous disbursements to the former Districts indicate that the cumulative allocations received were higher than the those received at present under the CRA formulae
  - ▶ See Separate Excel Spread Sheet
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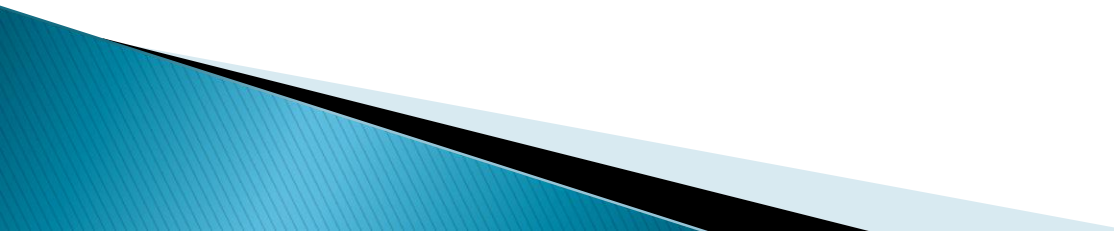
# IS THERE A NEED TO CHANGE THE FORMULAE ?

- ▶ Yes
  - ▶ The following are our proposed changes, where applicable, to the criteria and weights
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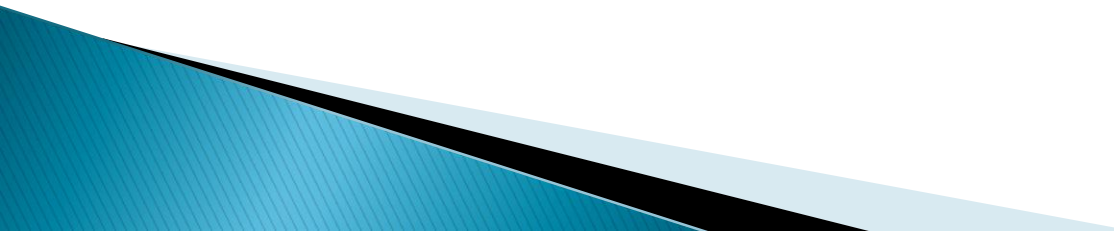
# 1.0 POPULATION

- ▶ Population parameter gets the biggest weight of 45% and rightly so, because people are the centre of the devolved resources
  - ▶ The weight should remain as it is currently
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## 2.0 POVERTY

- ▶ The parameter should have its weight reduced from 20% to 15% . Why ?
  - ▶ But it is hardly possible to say that this county is rich and that county is poor, without sounding out of touch with the average county citizen
  - ▶ What we have is rich individuals who comprise of less than 10% of the County population but control over 90% of the County Economy
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## 2.0 POVERTY

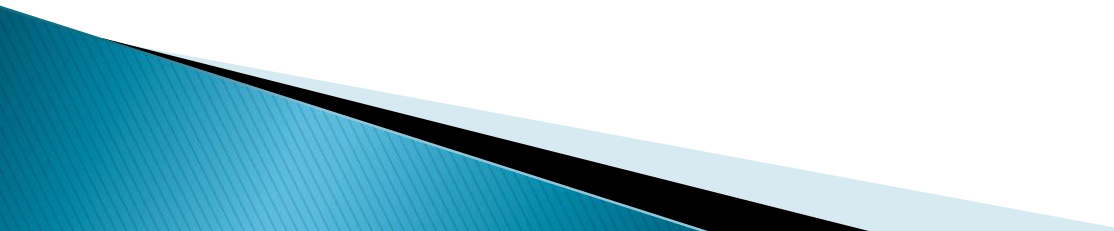
- ▶ Economists consider the “Gini” coefficient –which measures how the resources of the country are distributed among the country’s population-to be a better indicator when gauging poverty and inequality.
  - ▶ Allocating counties 20% based on aggregate wealth leaves the very poor poorer, while leaving the issue of inequality unattended to. The poor will carry the cross of their rich neighbour.
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## 2.0 POVERTY

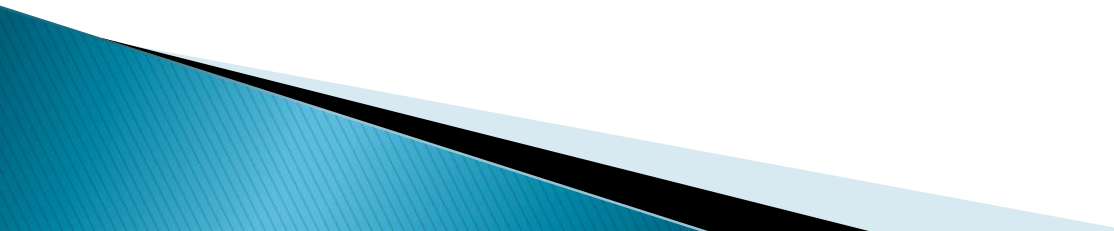
- ▶ Thus the second generation formula should consider the concentration of wealth among the population of a county through calculation of counties' Gini coefficient.
  - ▶ The Poverty Index requires to be reviewed.
  - ▶ Southern Kirinyaga has been neglected with little or no development projects (Water, Irrigation) initiated since independence
  - ▶ Otherwise, the poverty criteria should remain with a weight of 15%
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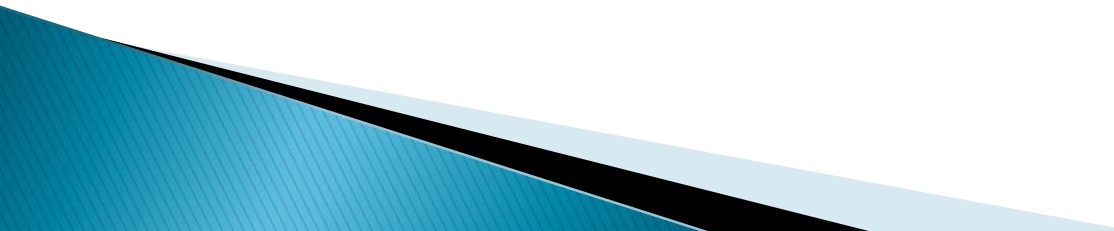
## 3.0 LAND PARAMETER

- ▶ We believe the weight should be reduced to 6%. Why ?
  - ▶ Counties that get huge share because of land size, end up concentrating their development expenditure on densely inhabited areas alone meaning that the development is not equitably spread across the population
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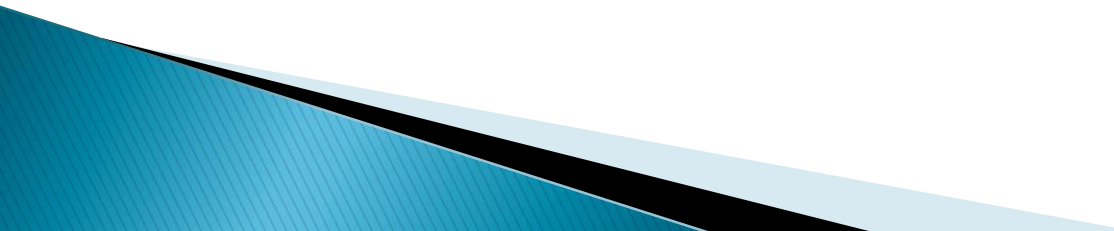
## 3.0 LAND PARAMETER

- ▶ Settlement patterns in these vast ASAL counties show that the populations tend to cluster around certain area.
  - ▶ Counties can therefore gain extra advantage from their vast geographical space, and focus their development expenditure on a small geographical area i.e. Turkana County
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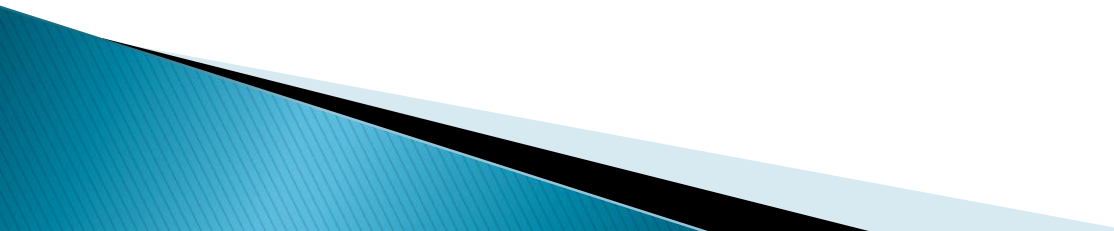
## 3.0 LAND PARAMETER

- ▶ Risk of Double Allocation. Some large Counties also benefit from the Equalisation Fund
  - ▶ Given this double advantages, redistributive justice would call for reduction in the weight of the land size parameter
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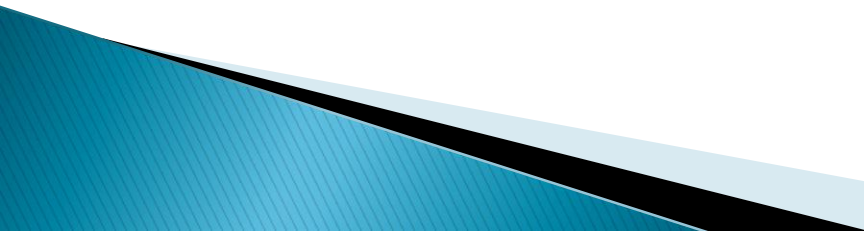
## 4.0 FISCAL RESPONSIBILITY

- ▶ Parameter weight should be increased from the current 2% equal share to 9% share among counties that meet certain statutory compliance standards as provided for in the PFMA 2012.
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## 4.0 FISCAL RESPONSIBILITY

- ▶ Budget Review and Outlook paper
  - ▶ County Fiscal Strategy Paper
  - ▶ Budget Estimates
  - ▶ Appropriation Bill
  - ▶ Finance Bill
  - ▶ County Integrated Development Plan
  - ▶ Fiscal responsibility principles enshrined PFM Act 2012
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## 4.0 FISCAL RESPONSIBILITY

- ▶ The County Assembly should also approve, with or without amendments, the above documents within the stipulated legal timeframe as contained in the PFMA Act 2012.
  - ▶ Thus the objective is to ensure that Counties that are not working within the timeline, are penalized while those meeting the deadlines are rewarded
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## 5.0 EQUAL SHARE


- ▶ The 25% equal share should remain as it is.
- ▶ The logic for having a fixed criteria parameter is to ensure counties do not start engaging in a population race

# PROPOSED REVENUE ALLOCATION FORMULAE

Population	Equal Share	Poverty	Land	Fiscal Responsibility	Total
45 %	25 %	20 %	8 %	2%	100 %
45 %	25 %	15 %	6 %	9 %	100 %



# LEGAL REFORMS

- ▶ PFMA 2012 should be amended to give the CRA REAL power necessary to ensure that the National Treasury adheres to their Revenue proposals.
  - ▶ CRA or CRA / CIC should be the originator of the Division of Revenue Bill and table it to the National Assembly
  - ▶ The National Treasury should be compelled to use the latest audited accounts approved and adopted by the National Assembly
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# END



## THANK YOU

