1. **The forum noted that, while the process of revenue sharing has improved over time, there are still significant gaps with respect to meeting timelines and engaging the public.** This year, the Commission on Revenue Allocation (CRA) recommendations were delayed, as was the publication of the Division of Revenue Bill (DORB) and the County Allocation of Revenue Bill. While the Budget Policy Statement was made available early, this does not contain all of the key information related to the DORB. The forum noted that Parliament must insist that deadlines, including the 1 January deadline for CRA recommendations, and the 15 February deadline for the DORB, are met.

2. **It was also noted that Parliament’s decision to recess during all of January should be reconsidered to ensure that the time provided for debate over the CRA recommendations is not lost due to inactivity in January.**

3. **The forum also noted that there is continuing concern about the origins of the “baseline” of Ksh 226 billion agreed to by CRA and Treasury.** While it is noteworthy that both institutions agreed on the baseline this year for the first time, it is of concern that this baseline is grounded on a “costing” of functions that is either unjustified, unreasonable, or just not fully understood. Treasury must still provide and communicate properly this costing in order to legitimate the baseline, which many participants considered illegitimate. It is also important to recall that, while a proper baseline is important, the division of revenue is not just an administrative accounting exercise, but is also a key moment in the annual determination of Kenya’s priorities which may involve fundamental policy review and needs broader national consultation. This process which is also political can substantially alter the results of any accounting undertaken by Treasury and CRA.

4. **There is a need for further national debate about how to define the “national interest” as described in Article 203 of the constitution.** While Treasury took the view that the national interest refers to high priority national programs contained in national policy documents, others were of the view that there must be a more consensual process of defining the national interest, and that the national interest need not refer only to programs or priorities at national government level. Parliament should take leadership in debating the meaning of the “national interest” in consultation with Kenyans across the country.

5. **The multiplication of conditional grants without a clear framework is complicating the revenue sharing process and potentially undermining**
equity. The growing number of grants is not matched by guidance about how to decide when particular policy objectives require a conditional grant, nor by a framework for how to ensure that a conditional grant is actually administered properly and distributed fairly. The conditional grants in the DOR have different distribution criteria, and it is noted that the criteria for Level 5 facilities has been changed every year for the last three years, undermining predictability of revenue, a constitutional requirement. The use of the CRA formula to distribute funds related to roads and health when that formula lacks direct measures related to roads or health must also be debated. There is widespread agreement that the time has come to reform the management and funding of state corporations in the budget performing devolved functions and ensure that these are aligned to the constitution. This is one of the main remaining areas where funding for devolved functions has not been devolved, as in the case of Kenya Rural Roads Authority, Water Service Boards, and Regional Development Authorities. It was recommended that Parliament exercise more robust oversight over the executive’s restructuring of these corporations.

6. Continuing concerns were expressed about the role and financing of Level 5 Hospitals, and whether these are referring patients back to the Level 6 facilities due to inability to manage them at county level. There is still too little known about how these facilities have been affected by their transfer to counties and whether they are under-financed. While some civil society actors have been engaging with these facilities, there is a need to consider mechanisms beyond the existing conditional grant to ensure that these facilities are functioning at full capacity. This will involve some coordination across counties and with national government. Beyond Level 5s, there are number of other regional challenges that require enhanced coordination, such as management of water, energy, and so on. These in turn require further policy guidance than what is provided in the constitution, which does not specifically recognize any regional bodies for dealing with shared resources.

7. Concerns about the public debt and its impact on the funds available for revenue sharing were raised. It is not clear how we should trade off the needs of the present versus the future, when new debts will need to be repaid. But it is clear that if the national government incurs substantial new debts today, this has implications for the funding available to counties in the future that must be considered. Therefore, as in the case of the national interest, the appropriate level of borrowing should be discussed and agreed to by the country as a whole, and not set only by the national government.

8. A growing concern is how to manage the cost of government at both levels and who should bear those costs. The negotiations over how to manage the cost of increasing salaries resulting from SRC and TA circulars suggests that we still lack agreement about what it should cost to run government, and who decides. This reflects disagreements over the past couple of years between Treasury and CRA about the true cost of running county governments, and also about the relative weight that wages should have in either level of government. Over time, the estimated cost of running counties appears to keep increasing, and the national wage bill also remains high. While counties should not be punished for decisions taken by the SRC on wages, there is a need as a country to look at how we manage costs and whether or not taken together, the various policies and guidelines from national agencies are consistent with a policy of controlling the cost of government.