Module 3 Session 2: A New Formula and County Division of Revenue

**TASK 3.2: IMPROVING HOW WE DISTRIBUTE REVENUES AT THE NATIONAL AND COUNTY LEVEL**

**TASK OBJECTIVES**

- Reflecting on the current CRA formula and how best to share resources through a formula
- Reflecting on how best to share revenue within counties

**RESOURCES NEEDED**

- Spreadsheet on County X, Y and Z
- Elgeyo Marakwet Equitable Development Act, 2015 (Excerpts on formula)
- Baringo, Meru, Kisumu and Nakuru Ward Development Fund Acts/Bills

**TASK EXPLANATORY NOTES**

This session has two parts:

**Part one: Towards a New Formula (1 hour)**

1. The facilitator will hand out a spreadsheet containing data on county X, Y and Z
2. In groups of three look at the data on the 3 hypothetical counties, County X, County Y and County Z
3. Answer the question below under part one.
4. In plenary report back your group’s findings and justify each decision.

**Part two: Ward/ sub county distribution (30 minutes)**

1. This part looks at whether the same issues from Part One should be taken into account within the county in distributing revenues to villages, ward and sub counties.
2. Look at the Elgeyo Marakwet County distribution formula together with the Ward Development Fund formulas for Baringo and Meru.
3. In groups of three answer the question below under part two.
4. In plenary, present your group’s recommendations and the rationale behind your recommendations.
Task

Part One: Towards A New Formula

Question: How would you split 10 billion between County X, County Y and County Z?

Note:
   a) These data relates to concepts from Module 3 Session 1.
   b) You do not need to come up with a formula per se, but give precisely how you would split the 10 billion (e.g., County X should receive 2 billion, County Y, 5 billion, etc.)
   c) Do not simply apply the CRA formula, but to come up with your own approach to a fair distribution.

Answer:

<table>
<thead>
<tr>
<th>County</th>
<th>Amount (in billions)</th>
<th>Justification</th>
</tr>
</thead>
<tbody>
<tr>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Y</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Z</td>
<td></td>
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</tr>
</tbody>
</table>

Part two: Ward/ sub county distribution

Question one: Recommend how best way to distribute revenues within your county.

Hint: How would you alter the Elgeyo Marakwet, Baringo and Meru formulas (see below) for use in your county?

Table 1Elgeyo Marakwet County Formula

<table>
<thead>
<tr>
<th>County</th>
<th>Policy Instrument</th>
<th>Relevant Proportion of County Revenue</th>
<th>Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>County</td>
<td>Policy Instrument</td>
<td>County Revenue Shared by Formula/Criteria</td>
<td>Mode of Distribution to wards</td>
</tr>
<tr>
<td>-----------------</td>
<td>--------------------------------------------------------</td>
<td>-------------------------------------------------</td>
<td>------------------------------------------------------------------------------------------------</td>
</tr>
</tbody>
</table>
| Elgeyo Marakwet | Equitable Development Act, 2015                       | Development expenditure (more than 40% of the county total annual expenditure) | 60% distributed equally to each ward  
40% distributed equitably to each ward using the following parameters  
- 38% in accordance with the population  
- 23% in accordance with county flagship projects  
- 22% according to poverty index in the wards  
- 8% in accordance in accordance with the land area  
- 5% be allocated for emergencies  
- 2% in accordance with the fiscal responsibility  
- 2% be allocated to arid and semi-arid Lands (ASAL) (See next section Error! Reference source not found.)  |                                                                                                                                 |

Table 2 Baringo and Meru Formula

<table>
<thead>
<tr>
<th>County</th>
<th>Policy Instrument</th>
<th>County Revenue Shared by Formula/Criteria</th>
<th>Mode of Distribution to wards</th>
<th>Distribution within wards (if specified)</th>
</tr>
</thead>
</table>
| Meru            | Ward Development Fund Act, 2015                       | 22.5% of the equitable share and any other monies donated/lent or received by the fund | 85% of ordinary revenue distributed equally to all wards  
15% of ordinary revenue to be distributed in accordance with population size, poverty index, and infrastructural differences.  | At the discretion of WDF Committees (minimum of 3 and max of 10 in every ward)  
15% for bursary fund  
3% ward expenses, for example: rent, salaries  |
| Baringo         | Ward Development Fund Act, 2014                       | more than 10% of the approved development budget and any other monies donated/lent or received by the fund | Two formulas  
1. As per the CRA formula  
2. 85% of ordinary revenue distributed equally to all wards and  
15% of ordinary revenue to be distributed in accordance with population in the county multiplied by the number of  | At the discretion of WDF Committee (minimum of 5 and max of 25 in every ward)  
5% for administration  
5% Emergency fund  
15% for education bursary and school fees etc.  
3% ward expenses, for example: rent, salaries  
2% sporting activities  
2% environmental activities  
max 3% in purchasing, running and maintenance of vehicles and equipment |
inhabitants in the ward (the ward share of the total county population).

Answer: Recommendations

KEY TAKEAWAYS

❖ **Equitable Distribution is important not only across counties but also within counties (at the ward/sub-county level)**

❖ **Distribution across the county should ensure that those villages, wards and sub-counties that have higher needs are allocated more funds**

❖ **Some counties have taken a step toward formalizing distribution of resources using legally binding formula that incorporate principles of equity to varying degrees**