

## **Report of Jack Ohito Radio Mikayi interview with Mike Eldon on the Senate stalemate over the county revenue allocation formula 8.30am, 18<sup>th</sup> August 2020**

Jack Ohito thanks me for coming on, and I thank him for giving me the therapeutic opportunity to vent about the present stalemate, that's delaying the release of funds to the counties.

The Senators have met for the ninth time with no amicable solution, he reminds the listeners, and asks me to comment. We started this journey of devolution with the new Constitution, I remind listeners, and we were very hopeful that as it brought government closer to the people they would be better served. It was indeed a good idea, for the county governments to identify and meet local needs, financed by nationally generated revenues, and increasingly complemented by local revenue generation. It made a lot of sense.

But there have been so many challenges, not least recently because of squabbling over who should get more and who should get less, and now as we are already building up to the 2022 elections, each Senator wants to show that they are standing up for their people. Unfortunately, we are hearing that they are more aligned to their political party interests rather than to the greater national good – which has certainly been compromised by the sheer delay, a year after the Commission for Revenue Allocation had submitted their proposal. What have they been doing? Why have they not been giving this the sense of urgency it required? The consequence is that the counties have been left without money.

I add that at the county level the operations have not been the most efficient – with very few exceptions, like Makueni. The wage bills are much too high; there's waste and extravagance; not to mention corruption. And so while we rightly call for more devolution of national funds to the county level, for in principle it's a good idea, are we really just devolving corruption, people ask? It varies by county, and there are many good people in the county governments. I have worked with some of them, including in Nyanza. But around them are others with different agendas that do not relate to the needs of their people – rather to their own aggrandisement.

So here we are, in a country with great inequality, with a few people at the top having lots of money, and fancy cars and fancy houses and many people around them – security guards and drivers and PAs and others – and far too many people at the bottom of the pyramid who were so vulnerable, even before Covid.

“What's the solution to all this,” Jack asks, “so we don't get back to this situation in five years' time?” I refer to what I talked about in my last interview when I asked who we voted for as our leaders. This should be a wake-up call to vote for ones who know how to get on with these things, who know how to generate, how to plan and allocate and how to utilise funds. We know who will be good at this. The people of Kiambu knew that Waititu would not be good at it. But they voted for him, and they got the results that they got.

People in Makueni, when they re-elected Kibutha Kibwana, they knew he would be good at it. He *has* been good at it. His is one of only two counties to have had unqualified audits, along with Nyandarua. 36 counties had qualified audits; 6 had disclaimers; and 3 had adverse judgements. That's why the CRA, ever since they were established, have wanted to reward counties that performed well in terms of the responsible use of money, and the responsible allocation of funds between development and day-to-day expenditure.

So far they've only managed to allocate a small amount as an incentive. In the first round it was 2% for 'fiscal prudence' – doing a good job managing your accounts, not having audit queries, allocating for development, and managing your budget well. In the second round, an extra 1% was added for development – for water, roads and things like that. And now, it's gone up to 2% for 'fiscal effort' and 2% for development – only 4% in all. Only 4% to reward high performance. I know that throughout this time the counties have resisted this performance related element – low performers always resist performance related remuneration, whether at the individual, county or national level. Just like they resent development partners such as the World Bank, who have introduced incentive components into their agreements. It's a good idea, and I support this way of incenting counties to do a good job.

We also expect counties to do a better job generating their own revenue. They've not been doing that very much, rather living this culture of dependency and entitlement, expecting hand-outs from the national level. But at the same time we have to say that the percentage being allocated to the counties is still much less than many people think would be right.

All these factors are tumbling around, and they really need sorting out. Sadly, we are making little progress towards that. The inequality in society is not declining; and tax revenue continues to be generated from the same already overburdened few. Counties have been poor at generating their own revenue to supplement what they get from the national level; and the value for money they deliver in developing their counties – reducing poverty, improving the level of health and education and so on – has also left much to be desired.

Another aspect that CRA is focused on is devolved sectors, like health and agriculture. And yet a huge proportion of the overall budget for these sectors is still held at the national level. So how are the national ministries collaborating with the counties and the emerging regional economic blocs in order to deliver value for money? We are not doing a good enough job, with duplication at the national level and an insufficiently devolved culture.

Jack asks me to comment on the fact that the national government is not satisfied with the job the county governments are doing. No one is satisfied with anyone, I respond. The national government isn't satisfied with how the counties are spending their money, while the counties are unhappy about the proportion of the national budget that's allocated to them, and everyone wants more for themselves – without delivering what is expected of them.

I am asked me for a final comment, and I start by hoping that next week the Senate will get its act together. We can't expect any ideal solution, but at least to allow for the release of funds to the counties, which are so overdue. Wages are going unpaid, suppliers are owed money, and life has become unbearable. Next week must be the week, and I am hoping it will be. But we must begin talking about how we start taking this highly competent and professional Commission for Revenue Allocation seriously, taking account of citizens' support for their rational, evidence-based proposals.