



28th Economic Symposium

Revenue Sharing-The Middle Ground for Counties and National Government

Date: 13 February 2020

Venue: Intercontinental Hotel, Nairobi

TIME: 1100-1300 Hours

Why Revenue sharing?

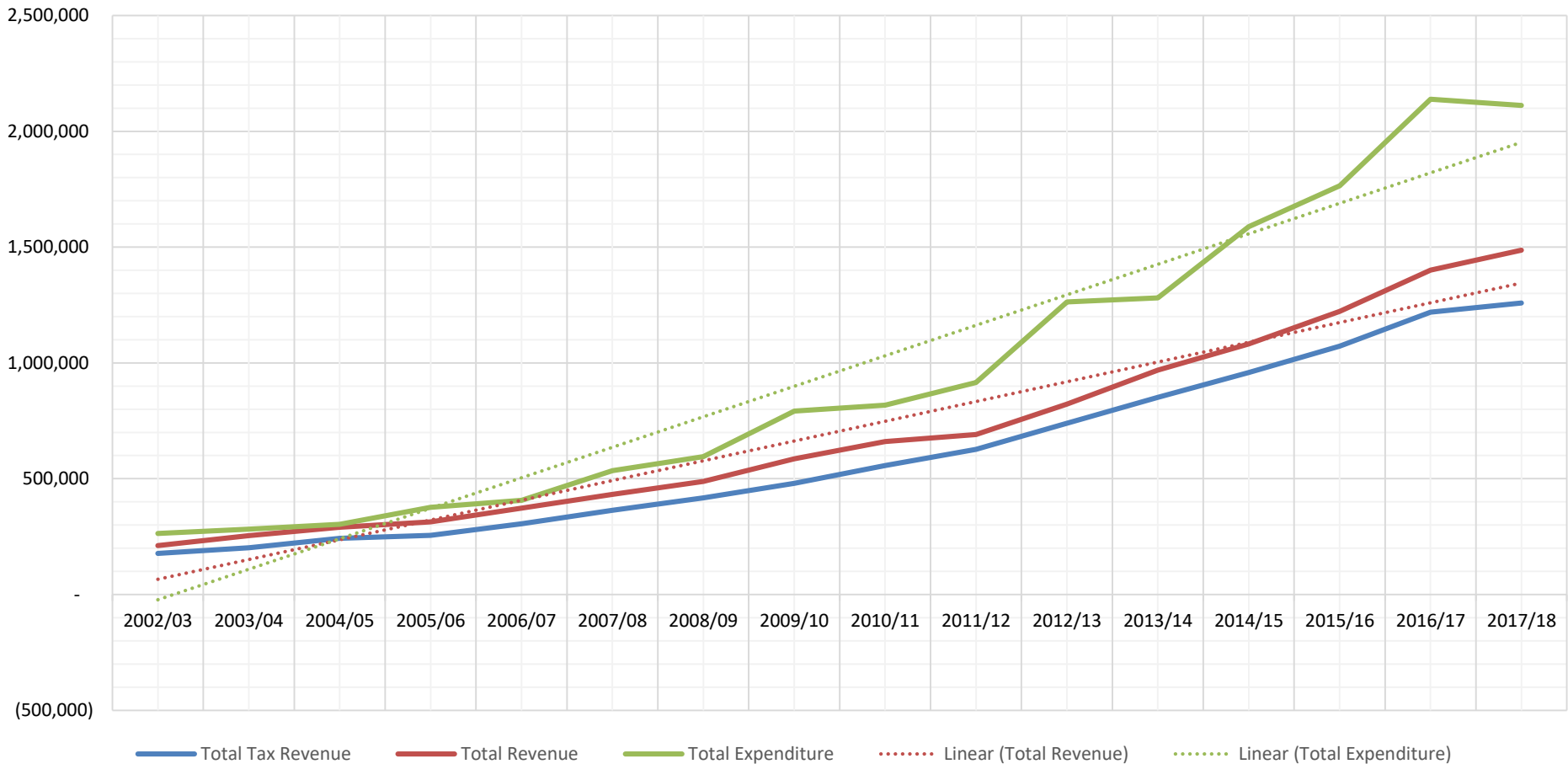


- Honoring the social contract
- Constitutional mandate...Functions/Expenditure, Revenue, InterGov Fiscal Transfers & Borrowing
- Cooperative government in which national resources are to be applied for the development of the whole country
- Finance should follow functions assigned to each
- Political and technical process....building consensus around what development approach to pursue

Experience so far...



Growth in National Revenue & Expenditure

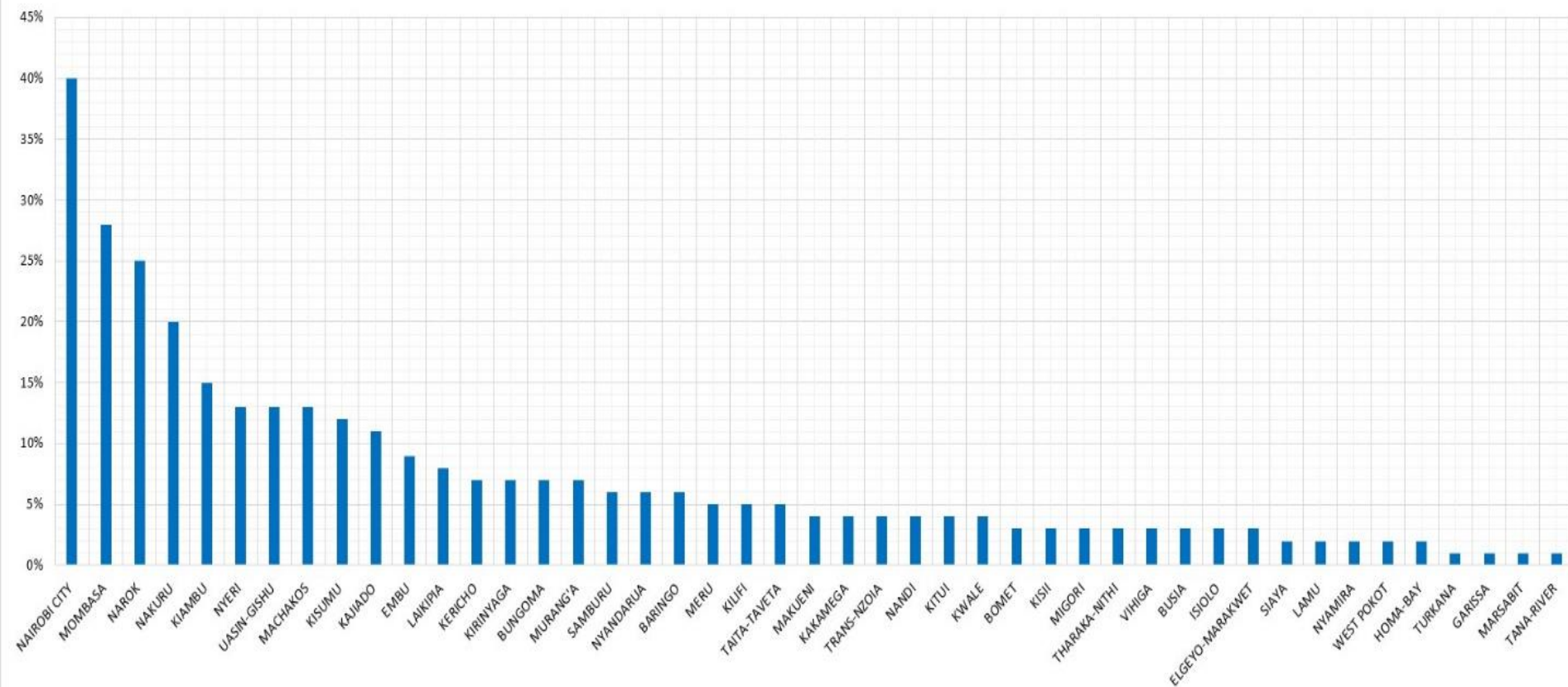


OSR vs. Total CR 17/18



Only 7 counties can support more than 10 per cent of their annual budget

Own source revenue as a share of total county revenue



Equitable share growth



	Year	CRA Growth Factor	National Treasury Growth factor	CRA Basis	National Treasury Basis	Ordinary Revenue	Growth in National Ordinary Revenue	Equitable Share Approved in the DoR	Growth in DOR approved Amounts
1	2015/16	10.4%	10.4%	3-Year average growth in ordinary revenue	3-Year average growth in ordinary revenue	1,152.97	13%	259.77	15%
2	2016/17	15.0%	7.8%	3-Year average growth in ordinary revenue	Not provided	1,306.57	13%	280.30	8%
3	2017/18	15.0%	6.7%	3-Year average growth in ordinary revenue	3-Year average month on month inflation	1,365.06	4%	302.00	8%
4	2018/19	8.5%	4.0%	3-Year average inflation	Not Clear	1,651.52	21%	314.00	4%
	2018/19 Proposed Revision					-		304.96	1%
	2019/20	6.9%	2.0%	3-Year average inflation	Not Clear	1,877.18	14%	316.50	1%

But Why?



Division of Revenue 2015-2020

ITEM DESCRIPTION (KSh. Millions)	FY 2015/16	FY 2016/17	FY 2017/18	FY2018/19	FY2019/20
ORDINARY REVENUE (EXCLUDING AIA)	1,152,972	1,306,568	1,365,063	1,651,517	1,877,176
National Interest [Article 203 (I)(a)]	79,189	79,685	82,696	84,186	94,168
Enhancement of security operations (police vehicles, helicopters, defence etc.)	17,700	18,900	20,556	27,800	27,974
National irrigation and fertilizer clearance	12,500	8,700	8,880	11,775	11,103
Youth empowerment	17,055	18,544	18,544	7,442	16,226
National social safety net - (for older persons, OVC, child welfare, presidential bursary, severe disability)	14,354	16,924	17,305	26,812	26,362
Primary school digital literacy program	17,580	13,408	13,408	6,333	8,400
School examination fees (KSCE and KCPE)	-	3,209	4,003	4,024	4,103
Public Debt	250,390	307,155	462,243	637,396	585,703
Other National Obligations (Art 203 [1][b])	324,583	371,743	398,589	427,239	491,269
Pensions, Constitutional Salaries and Other	54,617	60,169	68,702	90,573	109,526
Constitutional Commissions (Art. 248(2)) i.e. CRA, SRC, NI-C, NM, IEBC, TSC	189,066	208,763	224,623	233,619	261,387
Independent Offices(Art. 248(3)) - i.e. AG and CoB	4,720	4,723	5,177	6,412	6,336
Parliament	27,277	31,480	30,915	34,490	39,501
Other Constitutional Institutions-State Law Office and DPP	6,863	6,359	6,498	7,602	8,765
Other statutory bodies (e.g. EACC, RPP, WPA, CAJ, IPOA, NGEC)	4,697	4,855	5,484	5,724	5,937
Judiciary	-	17,759	17,678	13,458	18,937
Other Statutory Allocations(Earmarked) Funds	37,343	37,635	39,512	35,361	40,880
Emergencies [Art. 203 (1)(k)]	7,245	7,245	9,294	6,419	6,418
Contingencies	5,000	5,000	5,000	5,000	5,000
Strategic Grain Reserve	2,245	2,245	4,294	1,419	1,418
Equalization Fund [Art. 203 (1) (g) and (h)]	6,000	6,000	7,727	4,700	5,765
BALANCE TO BE SHARED BY THE 2 LEVELS OF GOVERNMENT	485,565	534,740	404,414	491,576	693,854
COUNTY GOVERNMENT ALLOCATION FROM REVENUE RAISED NATIONALLY, of which;-	273,073	295,020	314,205	322,193	323,911
a)Equitable Share of Revenue	259,775	280,300	302,000	304,962	316,500
b)Additional conditional allocations financed from revenues raised nationally	13,298	14,720	12,205	17,231	13,911

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BALANCE LEFT FOR THE NATIONAL GOVERNMENT	212,493	239,720	90,309	169,383	369,943

What then?



- Growing the national revenue remains a challenge in a contracting economy
- Non-discretionary obligations are growing faster than revenues
- No agreed growth factor
- Clarity on who is doing what and thus what resources they should be getting

What then?



- Revisit the functions assignment and costing discussion
- Find consensus on the revenue sharing growth factor
- Role and value of conditional grants vs. equitable share in advancing service delivery
- Addressing service delivery as cooperate goal of different actors
- Salient aspects of participatory governance in revenue raising and sharing