Counties Own Sources Revenue:

Minimizing reliance on the Equitable Share

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Presentation Outline

1. The Legal Basis
2. Fiscal Balance
3. The Key Revenue Streams
4. OSR Performance
5. Performance bottlenecks
6. Ongoing initiatives

Legal Basis
Constitution of Kenya (2010)

National Government

- Income Tax
- Value-added Tax
- Customs and Other duties
- Excise tax
- Tax authorized by an Act of Parliament
- Charges for services provided

County Governments

- Property Taxes
- Entertainment taxes
- Tax authorized by an Act of Parliament
- Charges for services provided

Legal Basis
National and County Legislation

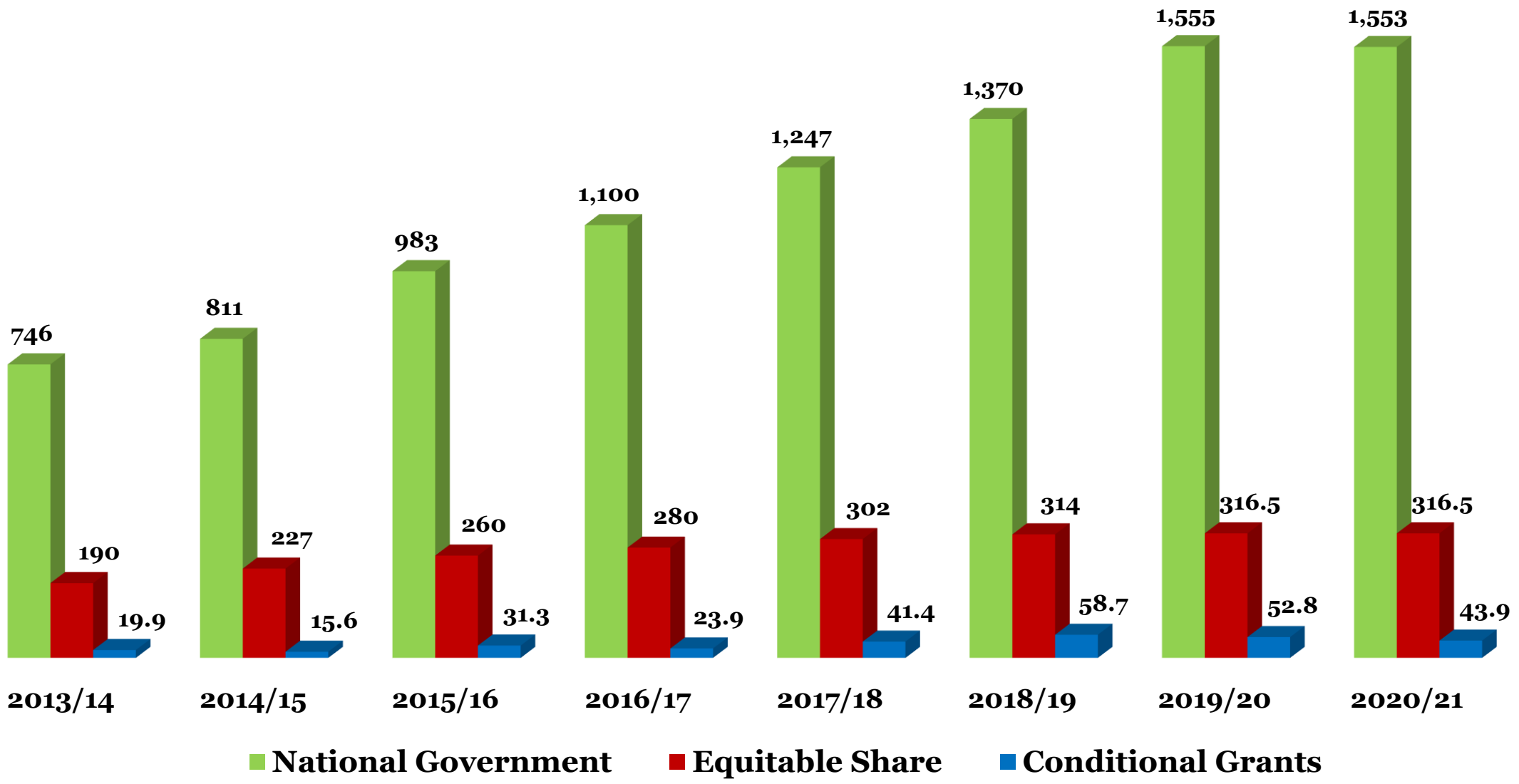
PFM Act (2012)

- Structure and responsibilities of County Treasury
- Banking arrangements by Counties
- Designation of Receiver and Collectors of CG revenue
- Powers to waive or vary tax
- Appointment of KRA as a collector
- Sets obligations of CG Officers
- Reporting of County Revenue

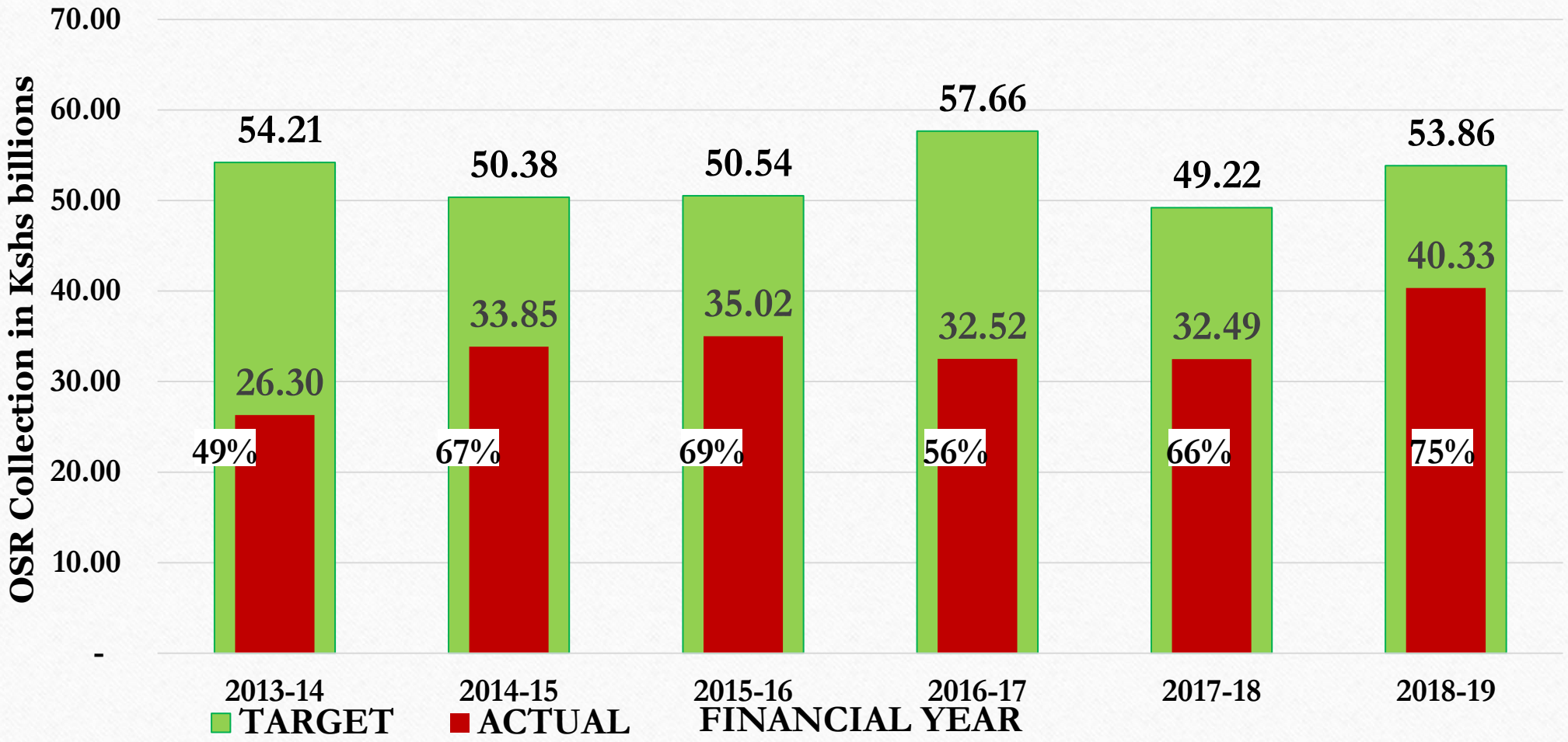
County Legislation

- Basic Revenue Legislation
  - Property / Rating Act
  - Liquor Licensing Act
  - Trade License Act
  - Revenue Administration Act
  - Acts covering the other revenue streams
- The Finance Act
- Rating Policies

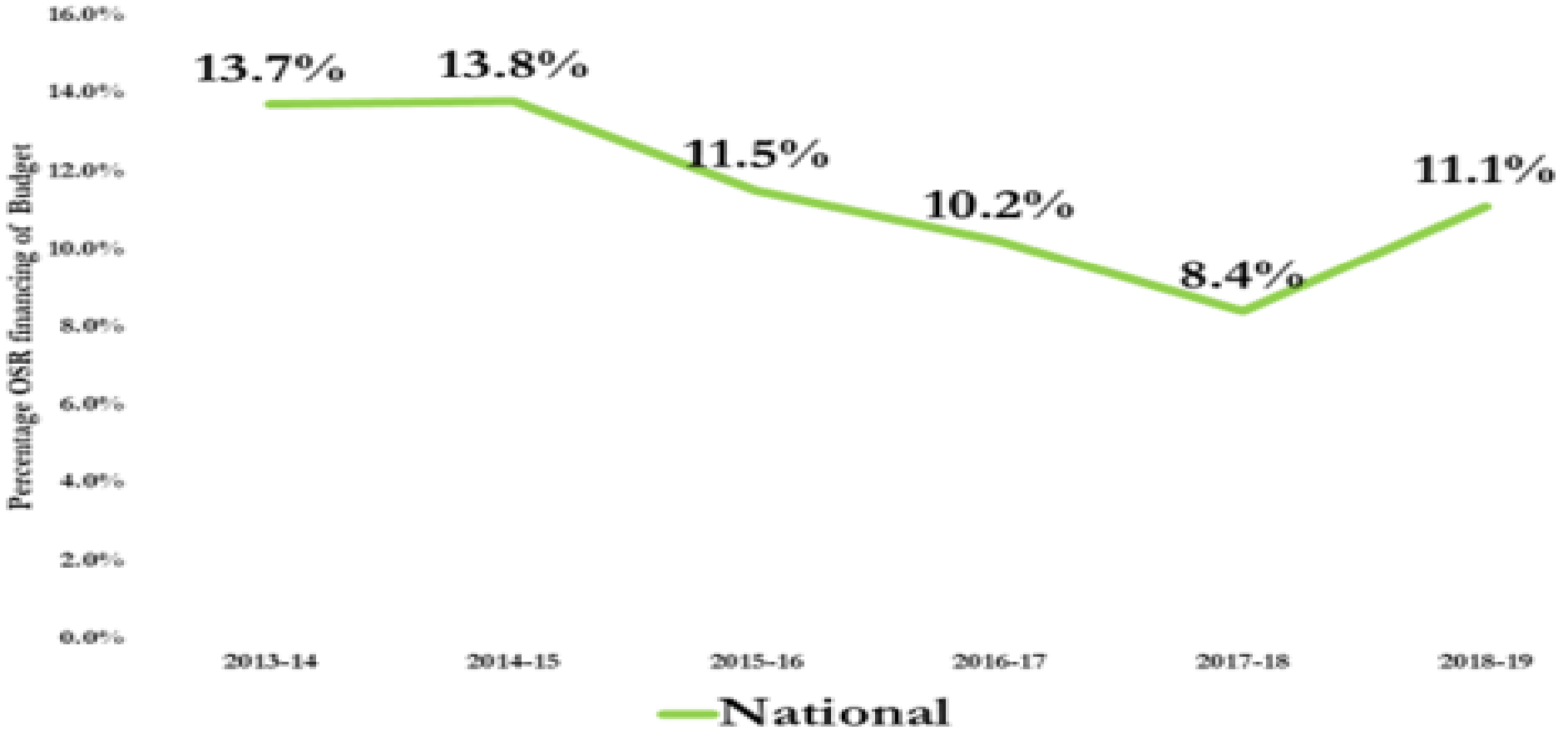
REVENUE SHARING (Kshs. Billions)



OSR PERFROMANCE (Kshs. Billions)



OSR FUNDING OF COUNTY BUDGET



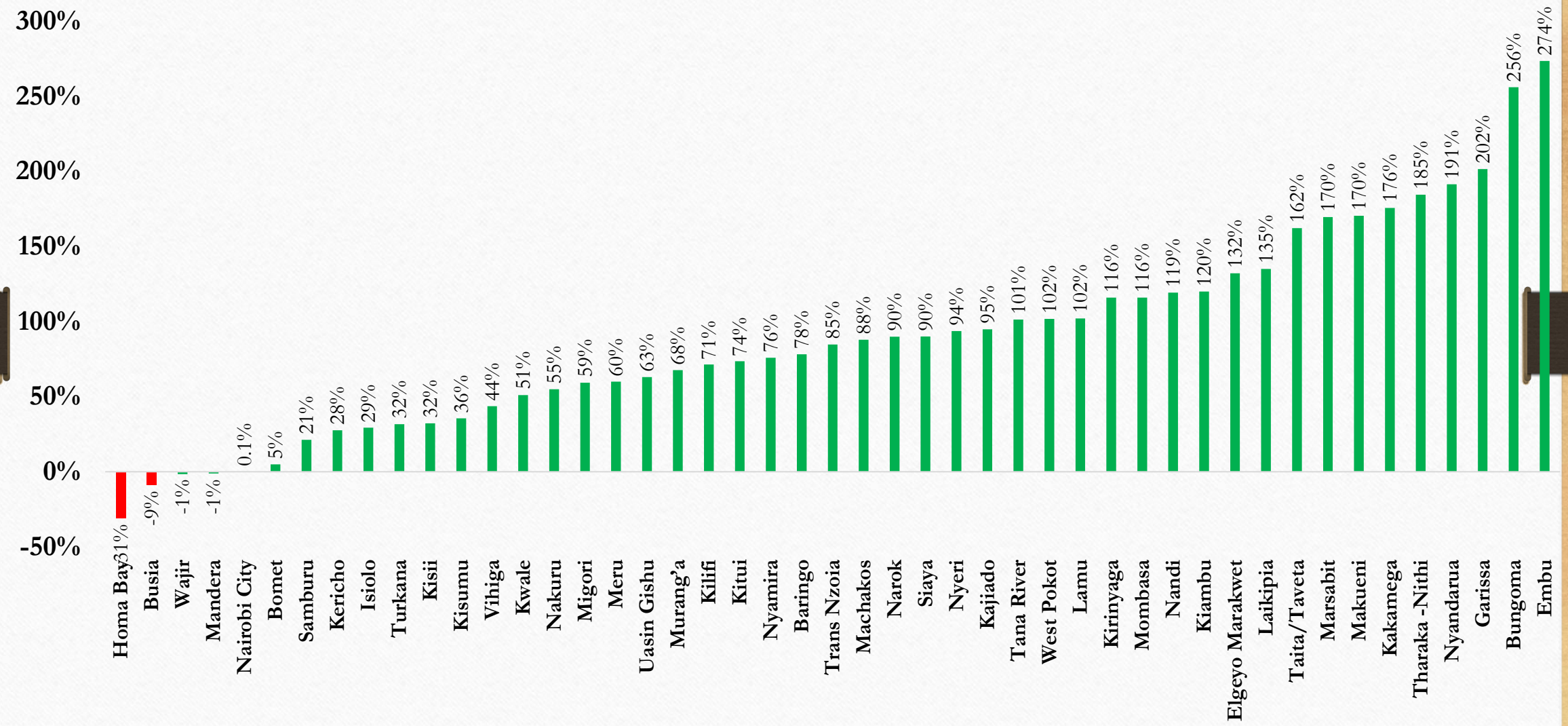
OSR POTENTIAL STUDY (2018)

- Over 100 streams of revenue in the counties
- Only 6 streams are likely to yield majority revenue
  - Property rates
  - Business permits
  - Building permits
  - Parking fees
  - Outdoor advertising
  - Liquor licensing
- Property rates alone could raise up to 66B per year
- Counties OSR potential is about Kshs. 172B

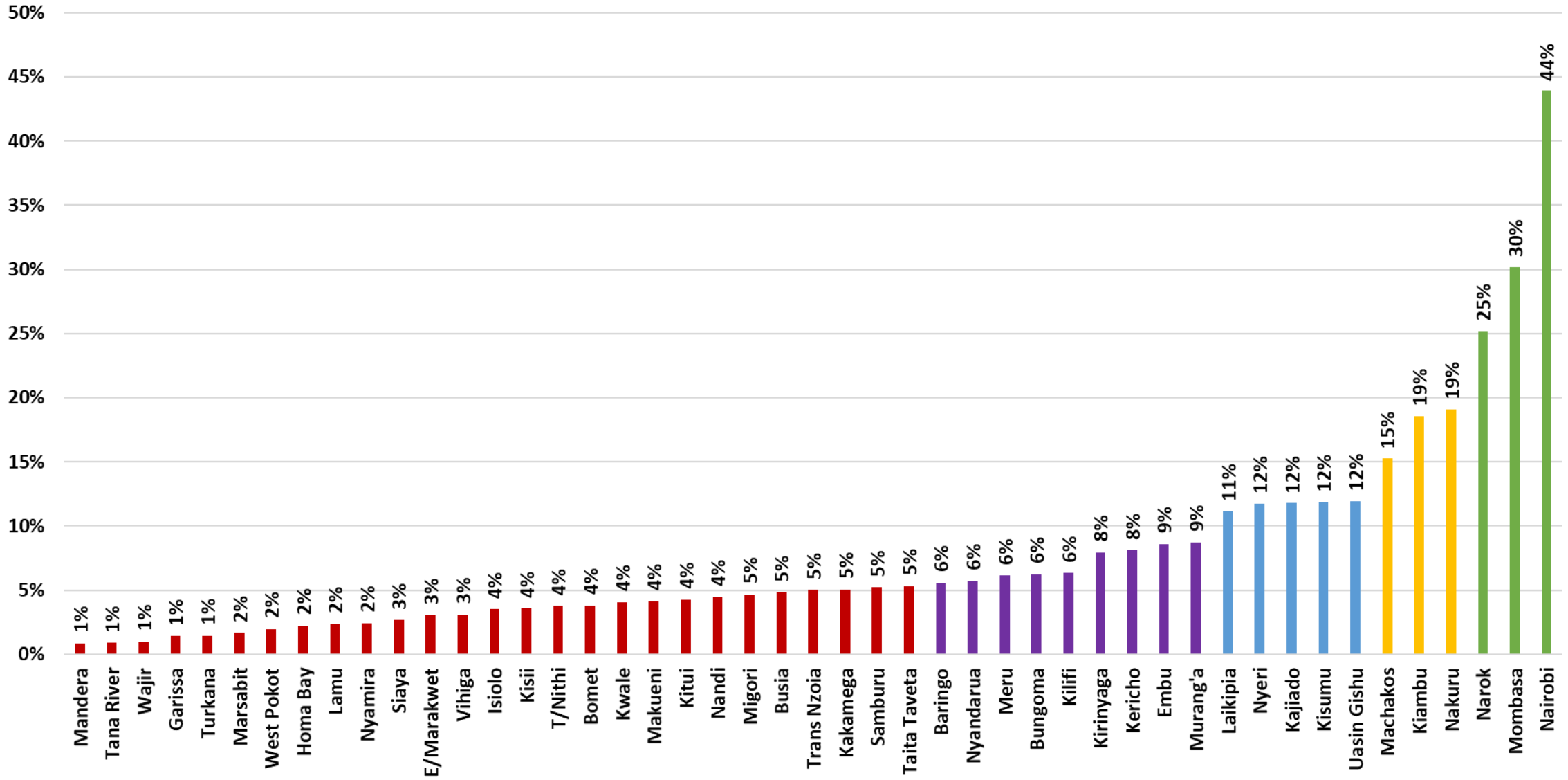
TOP OSR STREAMS 2017/18 AND 2018/19

Revenue Stream	2018/19	% collection per stream FY 2018-19	2017/18	% collection per stream FY 2017-18
1. Hospital Fees and Public Health Services	6,734,528,041	16.5	4,160,573,725	12.9
2. Single Business Permits	6,358,803,382	15.6	5,045,479,343	15.7
3. Property Rates	5,896,463,764	14.5	4,892,405,294	15.2
4. Receipts From Administrative Fees and Charges	4,986,092,908	12.2	4,629,609,898	14.4
5. Parking Fees	4,093,917,396	10.0	3,953,437,806	12.3
6. Game Park Fees	2,983,695,318	7.3	1,955,843,838	6.1
7. Others	2,488,842,378	6.1	1,791,540,145	5.6
8. Cess Revenue	1,533,715,892	3.8	1,169,473,015	3.6
9. Technical Services	1,305,786,262	3.2	723,245,036	2.2
10. Market Trade Centre Fees	1,076,755,122	2.6	941,959,356	2.9
11. Environment and Conservancy Administration	1,066,079,729	2.6	538,550,946	1.7
12. Housing Rent	821,942,713	2.0	1,023,606,968	3.2
13. External Services	438,207,933	1.1	482,184,820	1.5
14. Advertising and Sign Boards	260,042,037	0.6	183,477,768	0.6
15. Natural Resources Exploitation	251,871,063	0.6	461,969,019	1.4
16. Liquor Licences	196,265,106	0.5	151,886,387	0.5
17. Building Plan Approvals	135,781,280	0.3	54,163,779	0.2
18. Fines ,Penalties and Forfeitures	120,168,323	0.3	72,313,215	0.2
Grand Total	**40,748,958,647**	**100**	**32,231,720,358**	**100**

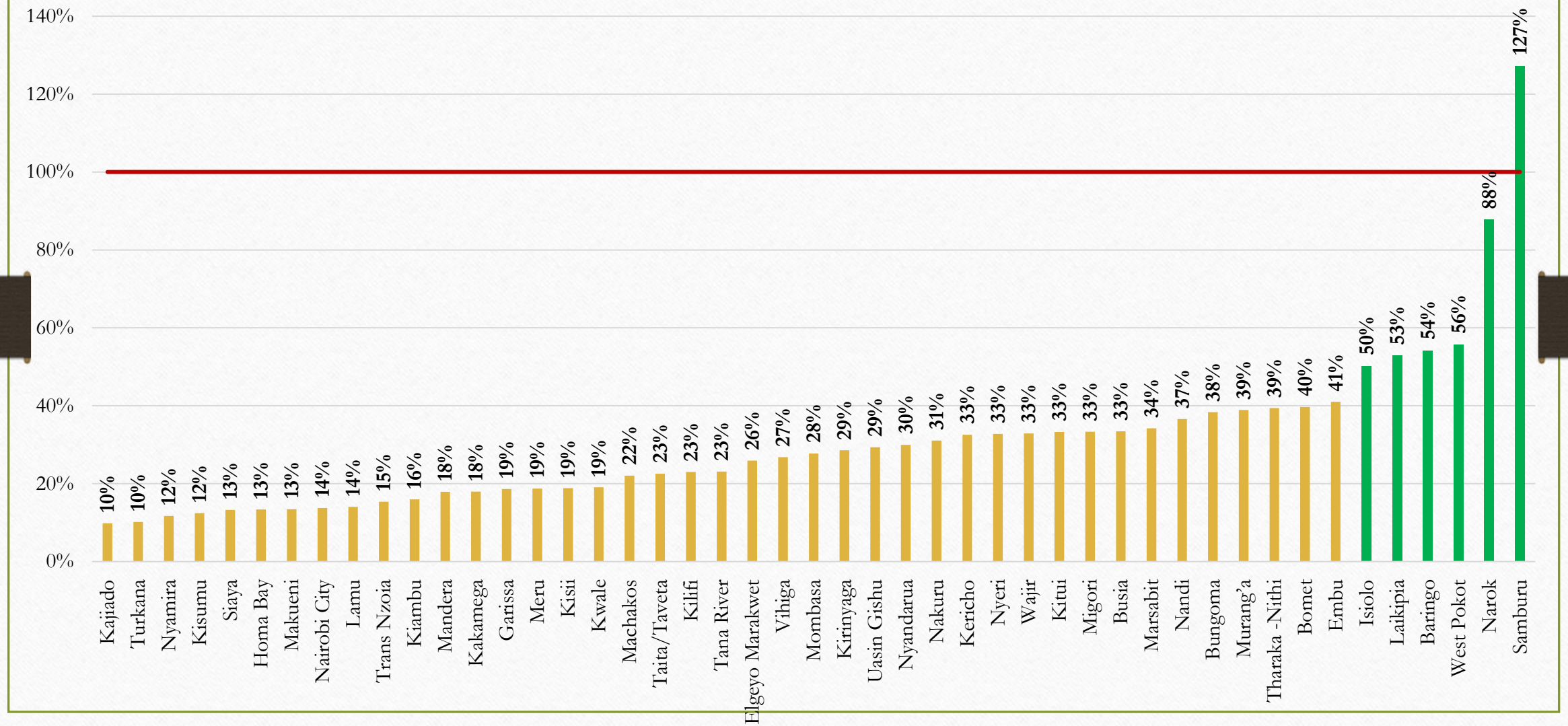
OSR COMPOUND GROWTH FROM FY 2013/14 – 2018/19



COUNTIES FINANCING OWN BUDGETS FY 2018-19



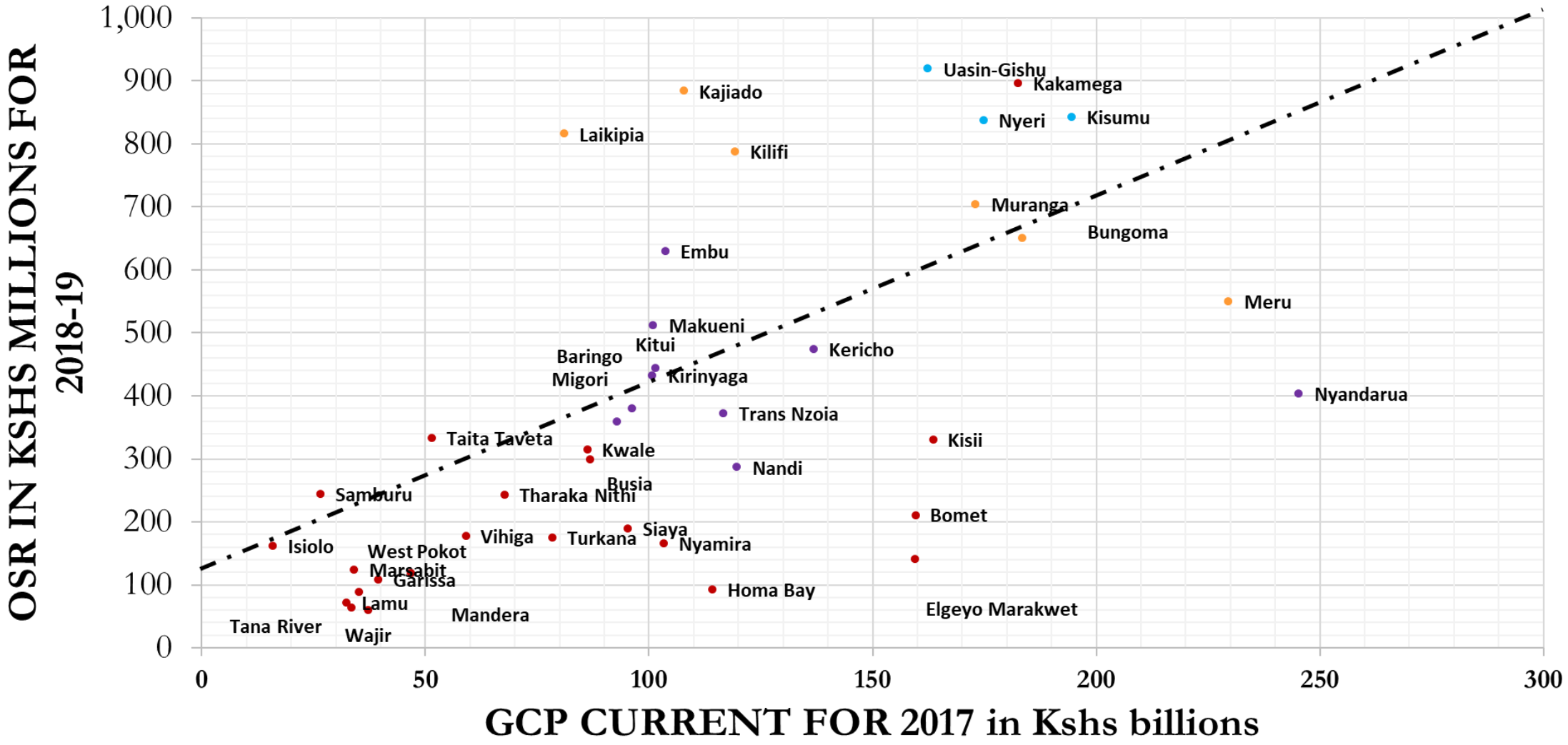
AVERAGE OSR COLLECTION Vs POTENTIAL



Average OSR Collection — Potential

Six Years Average: FY 2013-14 to FY 2018-19

REVENUE MOBILISATION EFFORTS



KEY WEAKNESS AREAS - OSR

- Legislative framework in counties
- Rate payers' databases
- Human capacity
- Ineffective enforcement
- High cost of revenue collection
- Revenue systems
- Loopholes and leakages
- Rate payer education
- Matching fees & Charges to service provision
- Political interference

Ongoing Initiatives

1. Development of an Integrated County Revenue Management System
2. Legislation – County Governments (Revenue Raising Regulation Process) Bill (2018)
3. Counties OSR Potential Study 2020 incorporating Counties GCP data and wider selection of revenue streams
4. Development of National Guidelines on property taxation
5. Development of OSR Training Guidelines for Counties

Thank You