Sharing Revenue

The Good, The Bad and the Ugly

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Revenue Sharing is technically about...

- Revenue Sharing has two parts: vertical and horizontal
- Vertical share is about ensuring that both national and county governments have adequate funds for their functions
- Horizontal share is about equity and ensuring that counties have sufficient funds to meet the needs for public services
But also a democratic process

Revenue sharing is an opportunity to

• Understand what government does and how much it costs
• Decide what Kenyans want governments to do more and less of
• Generate information (finance, functions) that is needed to inform participation in the county budget process
• Debate and define what Kenyans think is fair
So how have we done?

- Have we achieved the technical purposes of revenue sharing?
- Have we achieved the democratic potential of debating revenue sharing?
- Let’s have a look…
The Good: A new and fairer process

• Compared to old system, we have annual discussions about resource sharing based in part on actual data

• All stakeholders base their arguments on functions and the idea that finance follows functions

• The CRA formula is substantially redistributive, ensuring that historically marginalized counties receive a larger share of the budget
Historical versus Formula: Blue bars are formula-based allocations versus red bars for 2012/13 costs.
The Bad

Finance can only follow functions if functions are clearly assigned, but this has never happened

• Continuing confusion over WHO’S IN CHARGE of roads, HIV services, slum upgrading, ECD teachers, etc.

• Transition Authority, line ministries and Treasury have failed to finalize this process
More Bad Things

Lack of transparency in provision of data on finances and functions

- Treasury has delayed in release of key information on expenditure at both national and county level
- CRA has failed to provide clear justifications for recommendations
- *Undermines democratic debate at national level and informed participation at county level*
Even more bad things

- Revenue sharing is about priorities: what do Kenyans expect from the two levels of government
- Almost no debate about this in Parliament, media, from CRA, from Treasury
- Focus is on technical accounting issues around finance/functions (how much do we spend), rather than how much do we WANT to spend as a society on health, education, etc.
Sector Allocations in the 2012/2013 Budget

- Infrastructure and Energy (21%)
- Education (21%)
- Security (15%)
- Health (9%)
- Planning and Regional Development (6%)
- State Administration (6%)
- Parliament, AG, Judiciary, and Commissions (5%)
- Water and Irrigation (4%)
- Agriculture (3%)
- Gender, Youth, and Culture (3%)
- Lands, Housing, and Environment (3%)
- International Relations and Commerce (2%)
- Government Investment and Public Enterprises (1%)
The Ugly

- Revenue sharing has been dominated by power struggles between Senate, NA, etc more than technical or democratic issues
- Bills were delayed last year (elections), but also this year; hard to plan at county level
- No serious debate about conditional grants
- Media coverage has been abysmal, with lack of attention to key issues (funding hospitals) and frequent misreporting of figures undermining democratic debate
Media Confusion: CRA cutting county funds? Think again

Table ES2: Vertical Share for County Governments based on Various Financial Year in Kshs. Millions

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>2011/12 Actual</th>
<th>2012/13 Actual</th>
<th>2013/14 Estimate</th>
<th>2014/15 Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Shareable Revenue</td>
<td>682,141</td>
<td>776,856</td>
<td>863,000</td>
<td>998,400</td>
</tr>
<tr>
<td>Allocation to Counties (2014/15)</td>
<td>279,162</td>
<td>279,162</td>
<td>279,162</td>
<td>279,162</td>
</tr>
<tr>
<td>Percentage Allocation to Counties</td>
<td>41%</td>
<td>36%</td>
<td>32%</td>
<td>28%</td>
</tr>
</tbody>
</table>
Conclusion

• Progress has been made, but we are not reaching the expectations of the Constitution
• Revenue sharing debate is meant to start in December and continue til March every year, with a focus on what Kenyans want from government, but very little debate
• Treasury, CRA, Transition Authority and line ministries have fallen short in providing data needed for informed discussion
• Proper functional assignment still pending

CONCLUSION: Revenue sharing has fallen short on both technical and democratic fronts
Thank you