KENYA

UNITARY COUNTRY

AFRICA

BASIC SOCIO-ECONOMIC INDICATORS

Income group - **LOWER MIDDLE INCOME** Local currency - **Kenyan shilling (KES)**

POPULATION AND GEOGRAPHY

AREA: **580 367** km²

POPULATION: **44.9** million inhabitants (2014), an increase of 2.7% per year (2010-14)

DENSITY: **77** inhabitants/km²

URBAN POPULATION: **25.6%** of national population

CAPITAL CITY: **Nairobi** (8.4% of national population)

Sources: World Bank database; UNDP-HDR, ILO

ECONOMIC DATA

GDP: **132.5** billion (current PPP international dollars) i.e. 2 954 dollars per inhabitant (2014)

REAL GDP GROWTH: **5.3%** (2014 vs 2013)

UNEMPLOYMENT RATE: **9.2%** (2014)

FOREIGN DIRECT INVESTMENT, NET INFLOWS (FDI): **944** (BoP, current USD millions, 2014)

GROSS FIXED CAPITAL FORMATION (GFCF): **21.4%** of GDP (2014)

HUMAN DEVELOPMENT INDEX: **0.548** (low), **rank 147**

TERRITORIAL ORGANISATION AND SUBNATIONAL GOVERNMENT RESPONSIBILITIES

MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGs
47 COUNTRIES	-	-	47

MAIN FEATURES OF TERRITORIAL ORGANISATION. Kenya is a unitary country, with a one-tier structure of decentralization comprising 47 counties. Each county has its own directly elected executive called governor, and its assembly whose members are elected from wards of the county. In addition to the counties, urban and non-urban sub-counties deconcentrated entities are placed under the authority of the county government, they are currently distributed into 1 city (Kisumu), 2 municipalities and 103 towns. This form of decentralized organization is relatively new, as it was promulgated with the new constitution of 2010. Constitution provided for a major reform of local government organization, with the former 8 provinces and 280 districts being merged into the 47 actual counties. The 2010 Constitution provides for the decentralized organization of the country into its 6th and 184th articles, and thus both guarantees the autonomy of the 47 counties and their sub-units. A corpus of legislative texts then backed the principle of decentralization, the most important of them being the County Governments Act of 2012, the Urban Areas and Cities Act of 2011, and the County Allocation of Revenue Act of 2013.

MAIN SUBNATIONAL GOVERNMENTS RESPONSIBILITIES. The Constitution clearly states for the division of functions between national and county governments and introduces a principle of general jurisdiction, as any of the responsibilities not specifically assigned to the local governments by the constitution shall remain the competences of the national government. The local governments gained a number of new responsibilities with the decentralization reform, and the constitution also provided for a transitional period to allow country governments to progressively adapt to these additional functions. Counties are responsible for implementation of national environmental policies; statistics and planning at their level; commerce (markets, trade development and regulation, business licenses); water provision and distribution; public transport; education (pre-school and technical); health (primary health prevention, county medical services); agricultural and veterinary services; local tourism; housing provision and cultural and sport development.

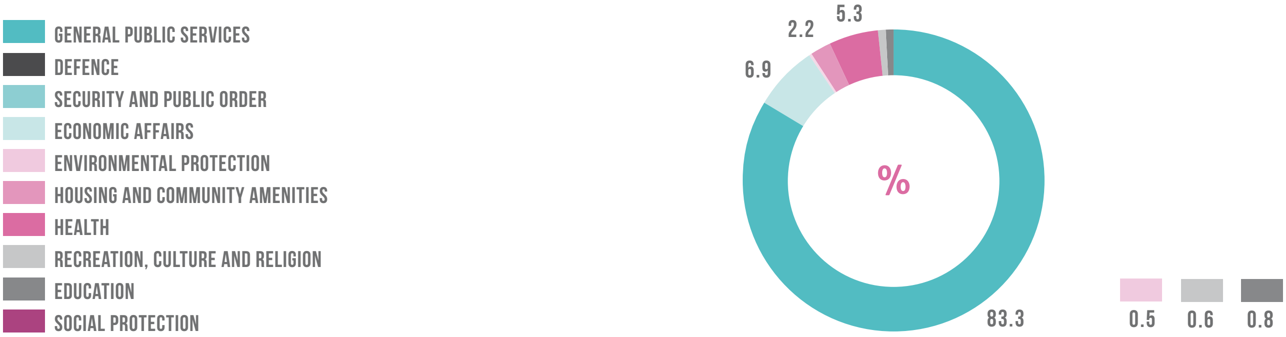
SUBNATIONAL GOVERNMENT FINANCE

EXPENDITURE	% GDP	% GENERAL GOVERNMENT (same expenditure category)	% SUBNATIONAL GOVERNMENT
TOTAL EXPENDITURE (2013)	**3.4%**	**13.8%**	**100%**
CURRENT EXPENDITURE	2.3%	-	68.4%
STAFF EXPENDITURE	1.4%	19.0%	39.8%
INVESTMENT	0.9%	25.0%	26.3%

Subnational expenditures concern essentially the county levels. They represent on average 13.8% of total public expenditures. A large part of these expenditures go to current expenditures (68.4%), while 26.3% of local expenditures are dedicated to public investments. These amounts are expected to increase strongly in the coming years, as the new county entities will gain in resources and autonomy.

EXPENDITURE BY FUNCTION

% SUBNATIONAL GOVERNMENT EXPENDITURE



Kenyan counties main sector of expenditures is by far general public services (83.8% of local expenditures, accounting to 2.8% of GDP). They are responsible for 27.4% of total public expenditure in this domain, in particular in agriculture and transportation where they play an important role. Health and education are the second sectors of involvment of subnational governments.

REVENUE BY TYPE

REVENUE BY TYPE	% GDP	% GENERAL GOVERNMENT (same revenue category)	% SUBNATIONAL GOVERNMENT
TOTAL REVENUE (2013)	**5.1%**	**24.3%**	**100%**
TAX REVENUE	0.6%	2.8%	10.9%
GRANTS AND SUBSIDIES	4.4%	-	87.3%
OTHER REVENUES	0.1%	-	1.8%

Counties have both exclusive and shared taxation. They can locally raise and exclusively collect property taxes and entertainment taxes. However, taxation still represents a limited resource for counties, and the majority of it is centrally collected, meaning that county governments still heavily rely on intergovernmental transfers.

TAX REVENUE. The equitable share, considered as a state transfer by the Kenyan accountability framework represents a large part of local goverments revenue. Constitution provides that an equitable share of no less than 15% of nationally raised revenue should be annually transferred to the counties. Horizontal distribution of equitable share is made upon a senate law every 5 years on the advice of the Commission of Revenue Allocation. An additional shared revenue can be received by marginalised areas from the Equalisation fund, consisting of 0,5% of national revenue, and with the purpose of funding basic services.

GRANTS AND SUBSIDIES. Intergovernment transfers include unconditional and conditional grants from the national government, the most importants being the Local Authorities Transfer Fund (LATF) and the Constituency Development Fund (CDF). The LATF is a formula-based block grant created by the 1998 legislation, and thus might be reformed over the coming years. It comprises a revenue transfer to support local governments service delivery capacities, improve financial management and reduce the local outstanding debt rates. The CDF was also established under the former decentralization framework in 2013. It aims to support basic public services provision.

OTHER REVENUES. Other revenues includes fees and charges, they are locally raised by the county governments.

OUTSTANDING DEBT

OUTSTANDING DEBT	% GDP	% GENERAL GOVERNMENT
OUTSTANDING DEBT (2013)	-	-

County governments are allowed to borrow by the Constitution, but only with a guarantee of the central government. This guarantee depends on the approval of the cabinet secretary for finance, according to conditions applied to the loans (transparent, equitable and prudent). This framework has been set after the subnational debt rates had raise unsustainable level in 2007/08, especially for the four largest local governments of Nairobi, Mombasa, Kisumu and Nakuru.

A joint- study of:

UCLG United Cities and Local Governments

OECD

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Sources: D.Ndii (2010), Decentralization in Kenya, background note • 2010 Constitution of Kenya • M.Alam (2014), Intergovernmental fiscal transfers in developing countries. Case studies from the Commonwealth, Commonwealth secretariat locl government reforme series 5 • Kenya National Bureau of Statistics, Statistical Abstract 2015 • Commonwealth Local Governments Forum (2016), Kenya Country profile • Kenya National Treasury- IFMIS