

ICPAK

DEBT MANAGEMENT SEMINAR

DATE: 17th – 19th August 2016

VENUE: ACACIA CREST – KISUMU, KENYA

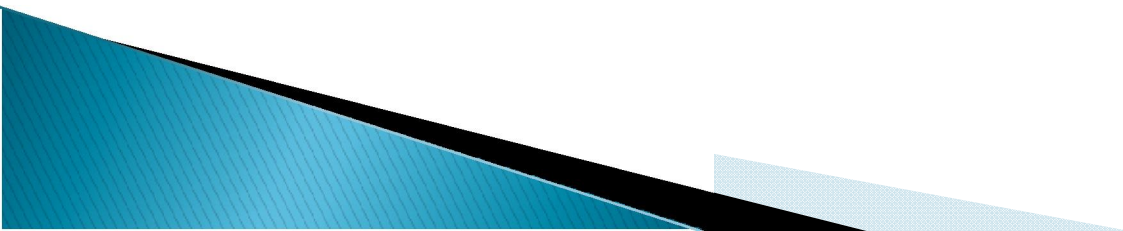
Topic: **Debt Management for County Governments**

Presenter:


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Introduction


The County System of government was established by the Constitution of Kenya 2010, article 176. Many counties cover vast geographical areas and revenue management therefore becomes a major challenge




Revenue Management Challenges

- ▶ Level of staff competence
 - ▶ Reliable reporting and
 - ▶ Revenue Leakages
 - ▶ Inadequate information or so called data capture
 - ▶ Lack of speedy transaction handling or Real-time systems
 - ▶ Lack of proper monitoring
 - ▶ Payment platforms required to facilitate the process
 - ▶ Mapping of revenue sources
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Symptoms of poor revenue collection systems

- ▶ Stalled Projects
 - ▶ Poor Service provision
 - ▶ Reliance on few and known revenue streams
 - ▶ Late payment of suppliers
 - ▶ Reliance on Central Government
 - ▶ Slow Growth of the counties
 - ▶ Persistent worker strikes
 - ▶ Stakeholders dissatisfaction
 - ▶ Poor county infrastructure
 - ▶ Inaccurate budgets
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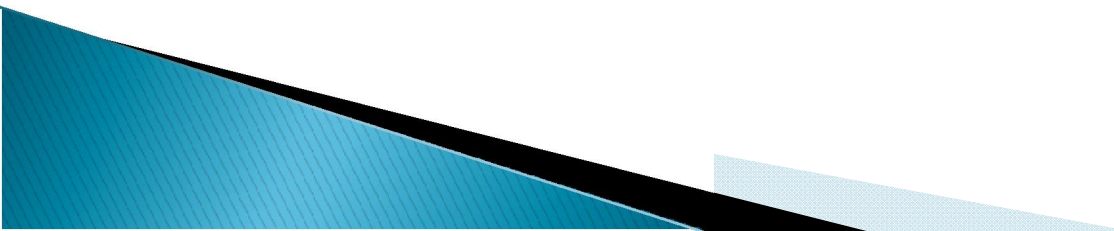
Example County Government of Samburu

- ▶ **INTRODUCTION** The County Government of Samburu was established by the Constitution of Kenya 2010, article 176. The county covers an area of 21,022.27 sq km with a population of about 224,000 people. It constitutes three sub-counties namely: Samburu North, Samburu Central and Samburu East. Samburu shares its borders with four counties; Marsabit to the north and northeast, Isiolo to the east, Turkana to the west and northwest and Laikipia and Baringo to the southwest. **PROBLEM**
 - ▶ **STATEMENT** The County Government of Samburu wishes to implement a revenue collection system that stops revenue leakages, ensures adequate information to the County customers, maximizes on revenue collection to support the Government's development agenda and services delivery to her citizens. The proposed solution should ensure transparency of the revenue collection processes, embedded control mechanisms, data security and reliability.
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Meeting Revenue Averages

According to the Daily Nation of Wednesday 13th January 2016 only nine counties met the revenue averages as per figures provide by The Institute of Economic Affairs (IEA)

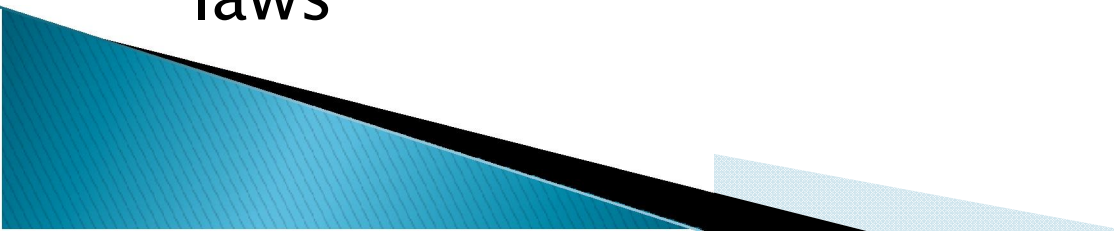
“Only nine of the 47 counties surpassed the Sh718M national average revenue for use in meeting their budgetary needs for 2015”



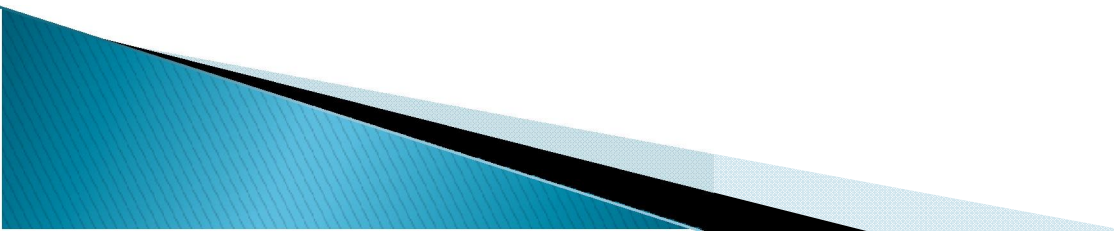
Meeting Revenue Averages

County	Amount Ksh
Nairobi	11.6 Billion
Mombasa	2.5 Billion
Nakuru	2.2 Billion
Kiambu	2.1 Billion
Narok	1.6 Billion
Machakos	1.5 Billion
Kisumu	957 Million
Uasin Gishu	801 Million
Kajiado	786 Million

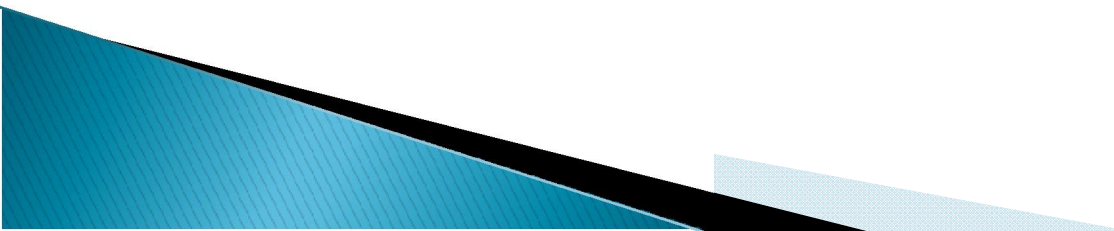
Benefits of an efficiently run Revenue Collection

- ▶ An improved revenue inflow
 - ▶ Improved cash management and more cash forecasting ability
 - ▶ Consistent and equal treatment of Tax/rate payers
 - ▶ Increased Innovation – New revenue streams
 - ▶ Greater Budgetary control and ability to complete projects on time
 - ▶ Improved creditworthiness and reduction in borrowing costs
 - ▶ Increased compliance with local tax and revenue laws
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The complexity of Revenue collection process

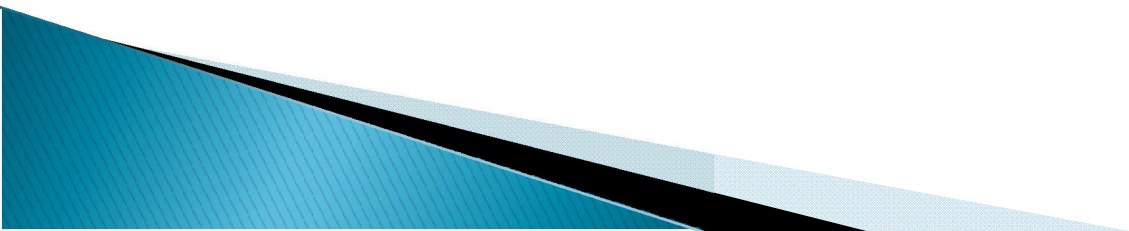
- ▶ Assessment of taxes, charges and fees
 - ▶ Billing of taxes fees and charges
 - ▶ Collection of revenues
 - ▶ Deposit of Revenues
 - ▶ Auditing of taxpayers
 - ▶ Evaluation of collection procedures
 - ▶ Litigation involving delinquent accounts due
 - ▶ Accounting for revenue collection and
 - ▶ Information Management
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Common Problems of Internal Revenue Administration

- ▶ Slow processing of Revenue receipts
 - ▶ Slow deposit of receipts
 - ▶ Slow billing
 - ▶ Lack of incentives to pursue collections
 - ▶ Weak enforcement of revenue laws
 - ▶ Determining **Who** is owed **What**
 - ▶ Poorly trained staff
 - ▶ Lack of internal controls
 - ▶ Poor Records Management
 - ▶ Political interference
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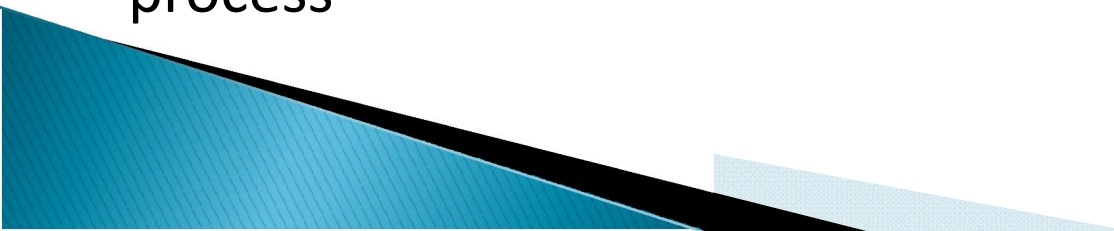
Revenue Collections policy

No doubt the above challenges and actions used to recover debts brings to the fore the need for revenue collection policy that will set standards and practices to be followed by revenue staff hence enabling counties to enjoy their much needed revenue for development and running county affairs

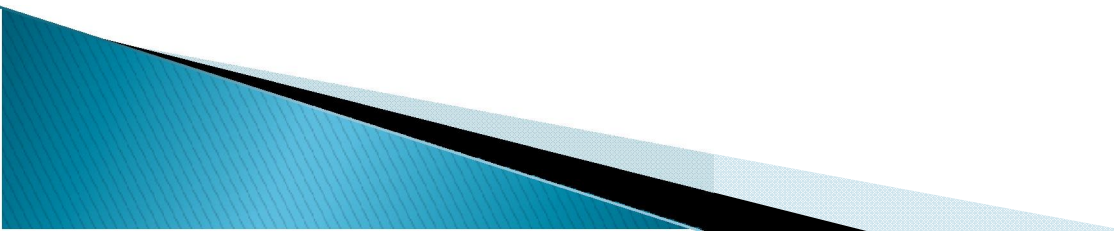


Objectives of a revenue policy

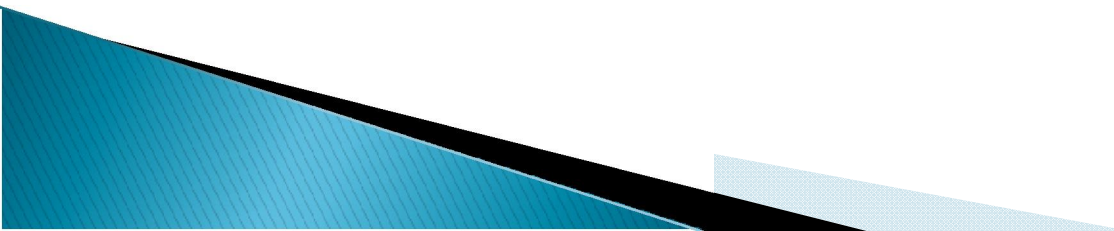
To ensure that:

- ▶ Proper revenue laws are enacted to ease the process of revenue collection
 - ▶ Identifying defaulters and minimizing default
 - ▶ Obtaining and maintaining accurate and responsible database of revenue sources and customers
 - ▶ All collectible charges, fees and rates are according to terms and acts
 - ▶ Setting Revenue Collection targets
 - ▶ A high quality of revenue receivable projection is maintained
 - ▶ Above all the policy may seek to provide equitable, supportable, and legal guidelines to staff and the public which will ensure that all revenue payers are well served in the process
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Characteristics of a good revenue policy

- ▶ The policy must be written
 - ▶ It should summarize what will be, of most benefits to the county in the long run
 - ▶ Should not seek total avoidance of revenue payer plight to the detriment of increasing revenue sources
 - ▶ Basically directs the revenue collection department to do an efficient job, freeing them from constant interference in the daily performance of their work
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Other Areas to be covered by the revenue policy

- ▶ Principles to guide revenue collection practice
 - ▶ Categories of revenue
 - ▶ Setting Collection Practice
 - ▶ Departmental level Authority
 - ▶ Revenue collection
 - ▶ Payment Arrangement or modes
 - ▶ Revenue targets and performance
 - ▶ Query/complaint control
 - ▶ Provision of billing ledger
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Conclusion

As counties strive to improve on revenue collection, a policy is a must, yet policy alone will not achieve the desired results unless accompanied by employing competent staff, setting up functional revenue departments and acquiring revenue systems that wholly cater for their needs. Only these will ensure efficiency and lead to steady revenue in-flows.

Warren Buffet once said “Someone’s sitting in a shade today because someone planted a tree long time ago”

