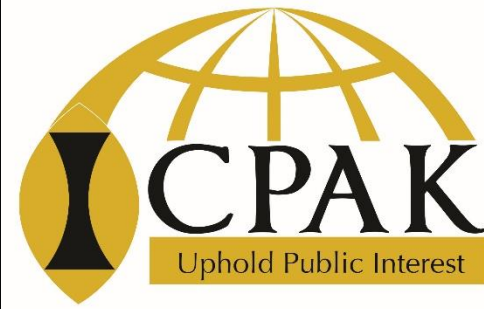


REVENUE AND TREASURY MANAGEMENT CONFERENCE

Theme: Leveraging Safely

Sarova Whitesands Beach Resort & Spa, Mombasa

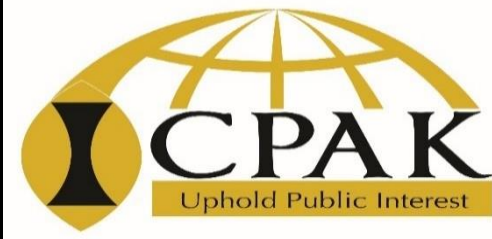
26th – 28th February 2020



Re-looking Revenue Maximizing Strategies against Citizen Activism

Andrew Rori

Outline

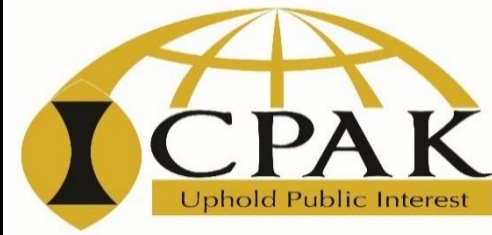


- **Introduction**
- **Revenue Maximizing Strategies**
- **Citizen Activism**

Lack of Strategy



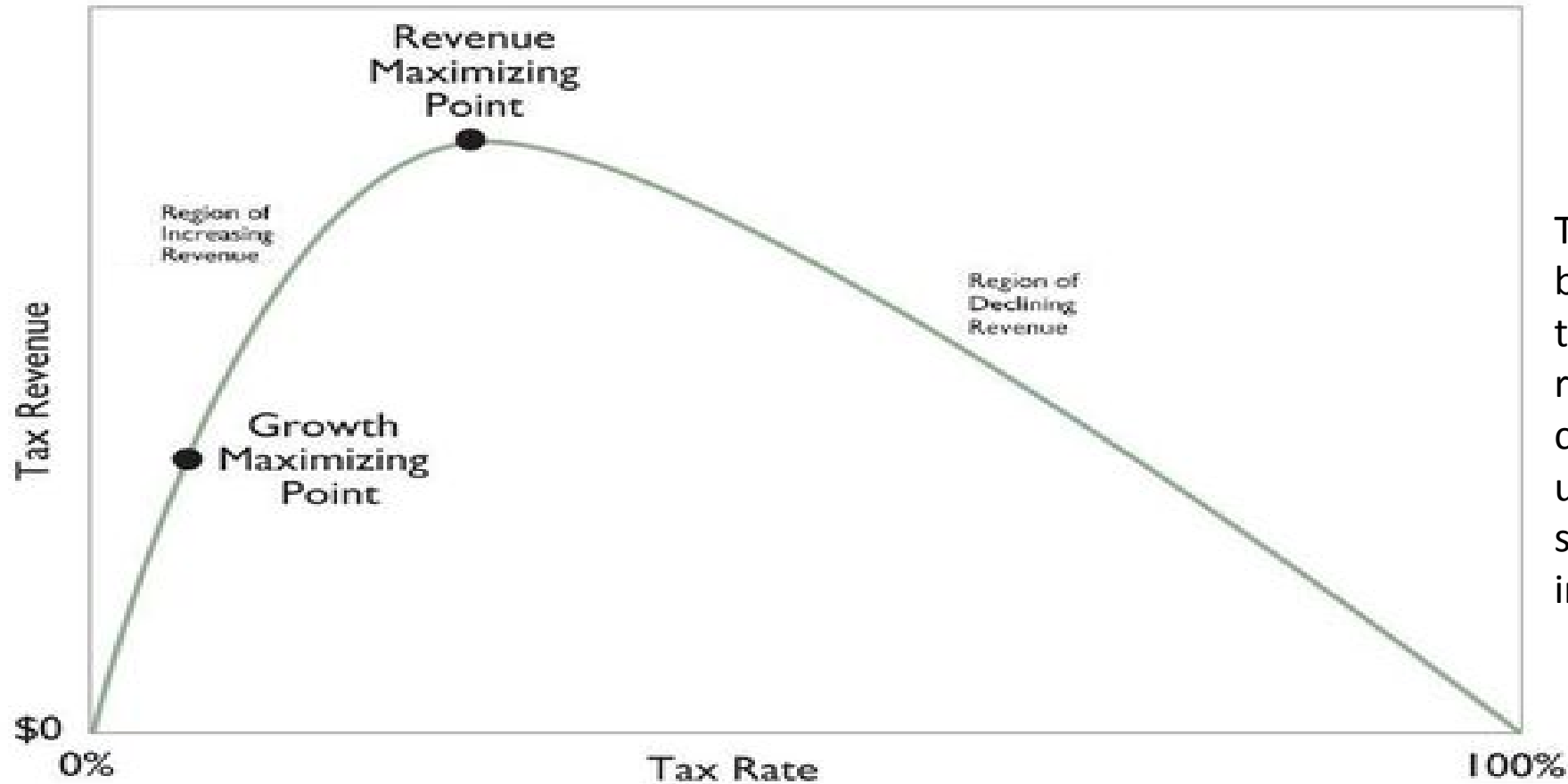
Introduction



- Citizens are strongly affected by public policies and it is in their best interest to stay informed about public policies and to try to influence governmental decision making and public policy.
- Government should favor businesses and incentivize business performance and investment because businesses are the main source of jobs, innovation, and societal economic well-being, and therefore government should support businesses with grants, tax credits, and subsidies.
- Partnership approach in addressing societal matters reduces tensions

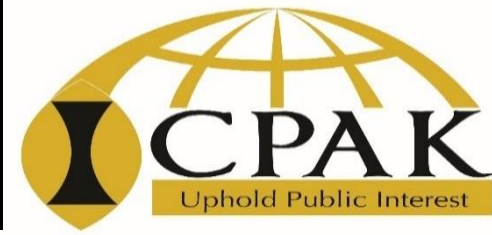
Introduction

The Laffer Curve



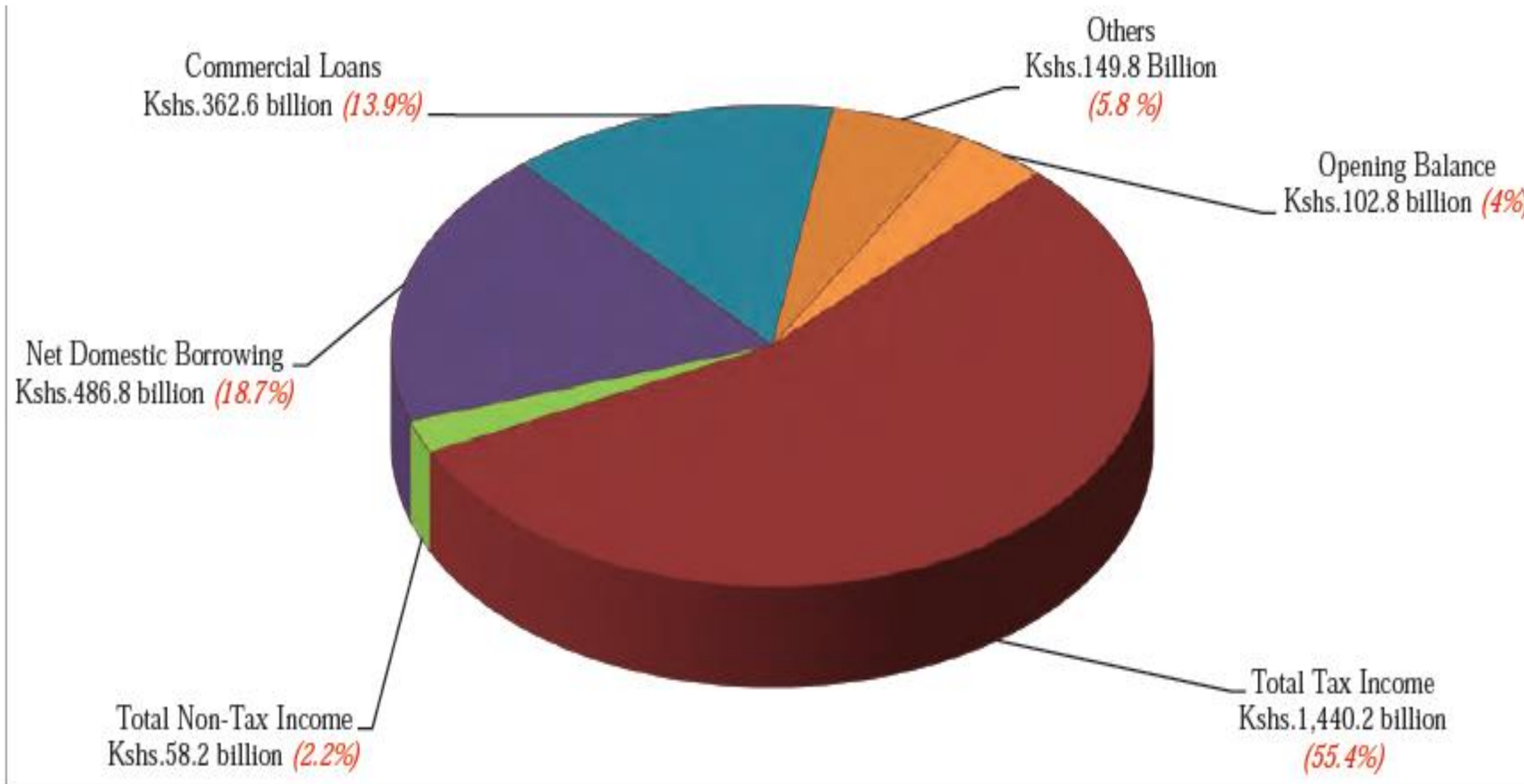
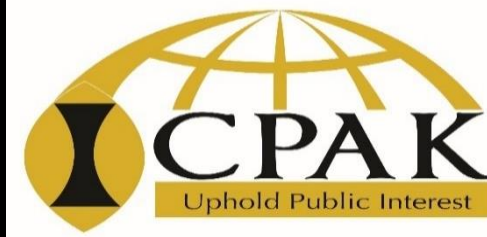
The *Laffer Curve* is a theory developed by supply-side economist Arthur *Laffer* to show the relationship between tax rates and the amount of tax revenue collected by governments. The *curve* is used to illustrate *Laffer's* argument that sometimes cutting tax rates can increase total tax revenue.

Situation Analysis



- A series of reforms and constitutional amendments resulting in removal and addition of National Government and County Government powers.
- While Kenya Revenue Authority is the Principal collector in the National Government, counties inherited revenue streams administered by defunct LAs and together with LAs structures (administration procedures, guidelines and personnel).
- Some County Governments have made good progress in revenue collection while others continue to struggle with issues such as technology, implementation of administrative guidelines on the payment of fees and charges.
- There is an upward trajectory in aggregate revenue growth achieved by both National and County Governments

Composition of Receipts into the Consolidated Fund in the FY 2018/19



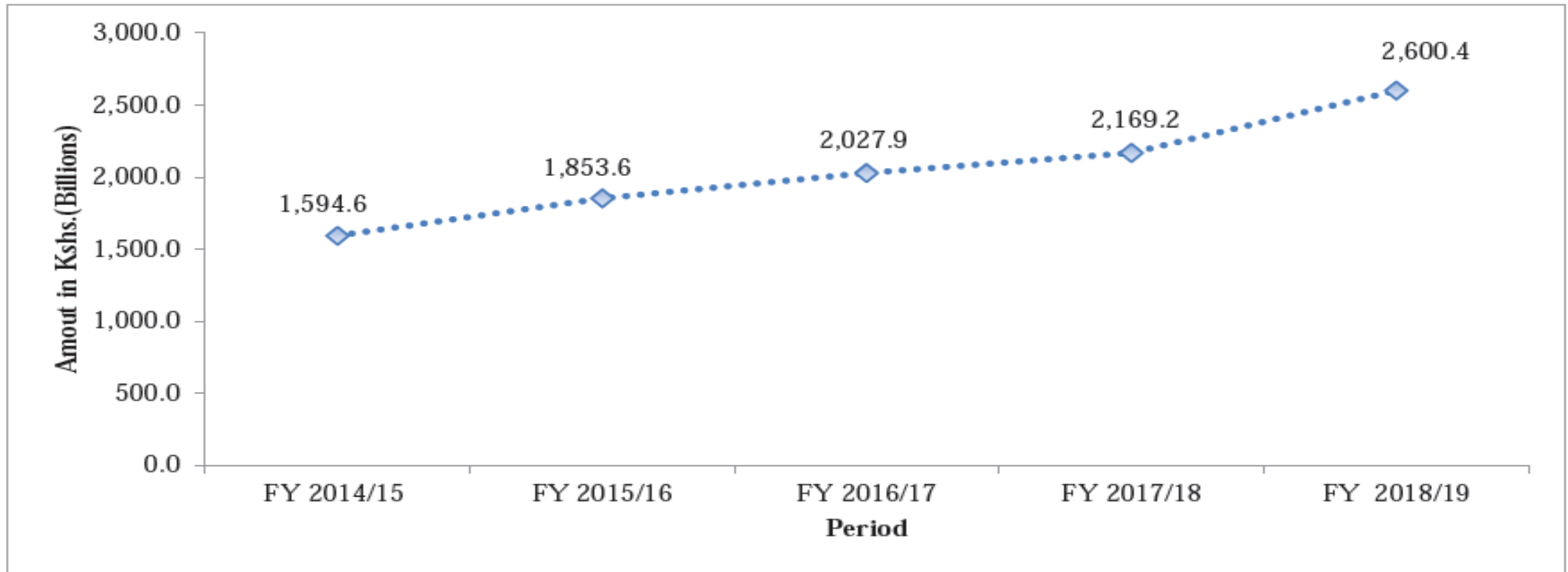
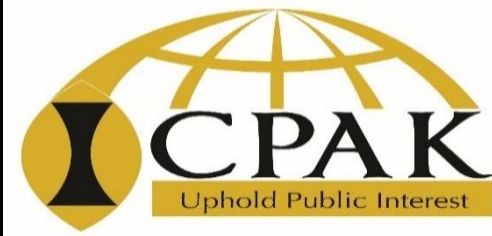
Source: National Treasury

Statement of Receipts into the Consolidated Fund as at 30th June, 2019 (Kshs. Billions)

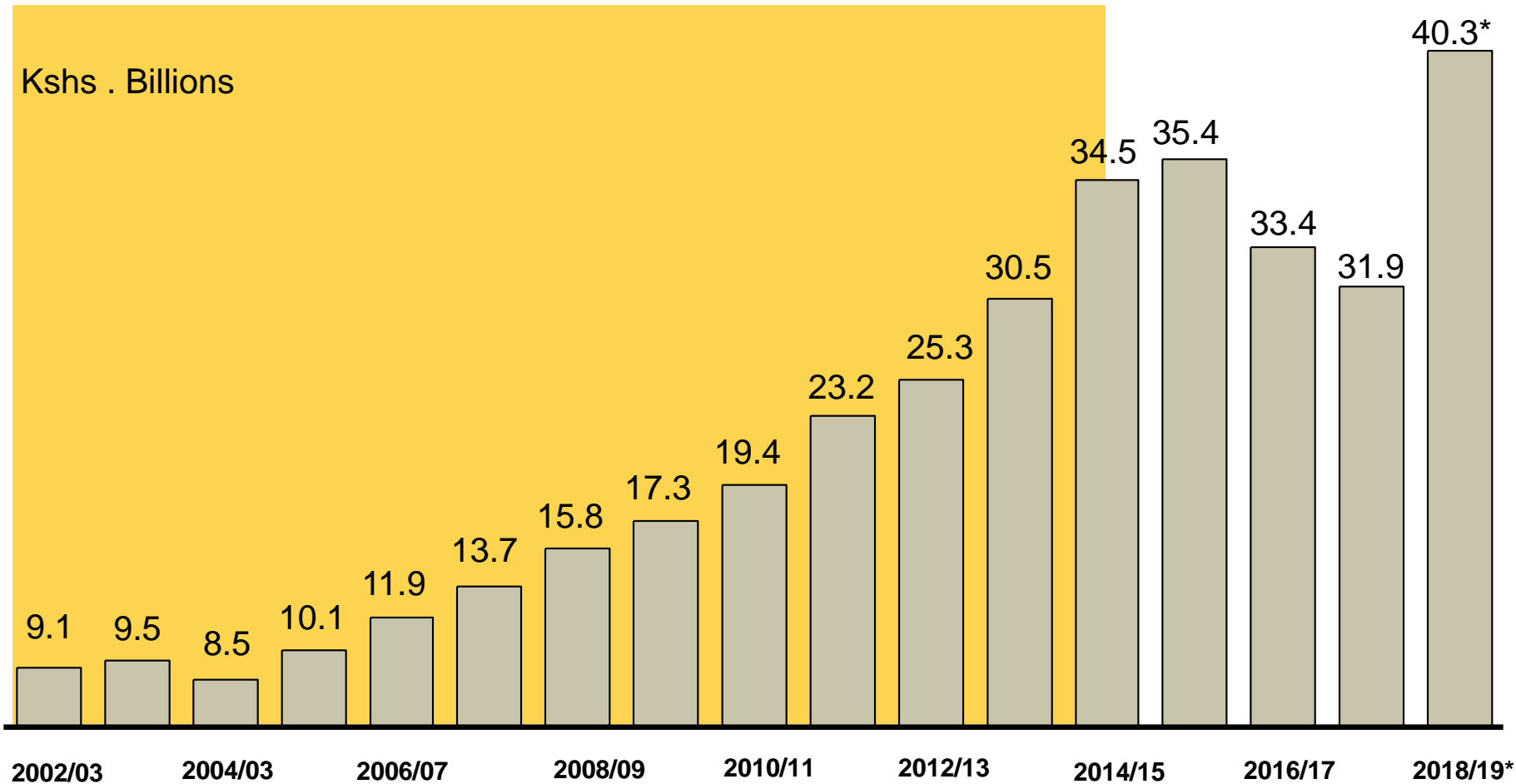
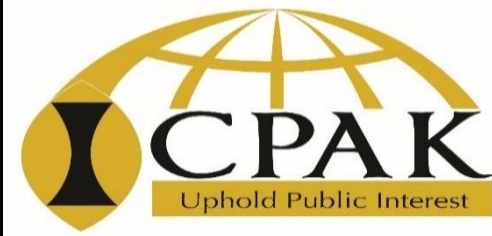
Receipts	Revised Estimates FY 2018/19 (Kshs.)	<i>Actual Receipts (Kshs.) As at June, 2019</i>	Performance Against An- nual Target (%)	Contribution by Category (%)	<i>Actual Receipts June, 2018 (Kshs.)</i>	Change Com- pared to June, 2018 (Kshs.)	Percentage Change (%)
Opening Balance 01.07.2018	-	102.8	-	4.0	30.9	71.9	>100
Total Tax Income	1,512.9	1,440.2	95.2	55.4	1,311.7	128.5	9.8
Total Non-Tax Income	75.3	58.2	77.4	2.2	53.4	4.8	9.0
Net Domestic Borrowing	506.2	486.8	96.2	18.7	421.0	65.8	15.6
Loans-Foreign Governments and International Organisa- tions	54.2	41.7	76.9	1.6	24.1	17.6	73.0
Programme Loan- Budget Support	82.1	84.8	103.3	3.3	8.5	76.3	>100
Domestic Lending and On-Lending	3.9	2.8	71.8	0.1	2.6	0.2	7.7
Grant-Foreign Governments and International Organisa- tions	13.4	8.4	62.8	0.3	12.0	(3.6)	(30)
Grants from AMISOM	6.5	4.3	66.2	0.2	4.7	(0.4)	(8.5)
Commercial Loans	362.6	362.6	100	13.9	298.1	64.5	21.6
Unspent Balances (Recov- eries)	-	7.8	-	0.3	2.2	5.5	>100
Total Receipts	2,617.1	2,600.4	99.4	100.0	2,169.2	431.2	19.9

Source: National Treasury

Receipts into the Consolidated Fund from FY 2014/15 to FY 2018/19



Unsteady performance of Counties' OSR A major trigger of the need for Policy interventions

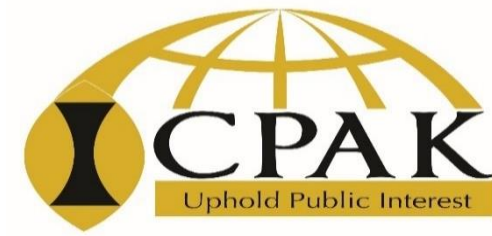


Data sources: KNBS, LATF Reports, National Treasury, Controller of Budget

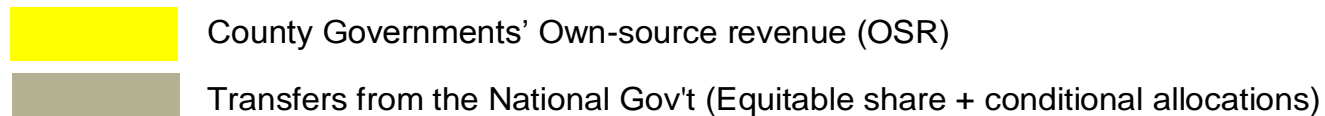
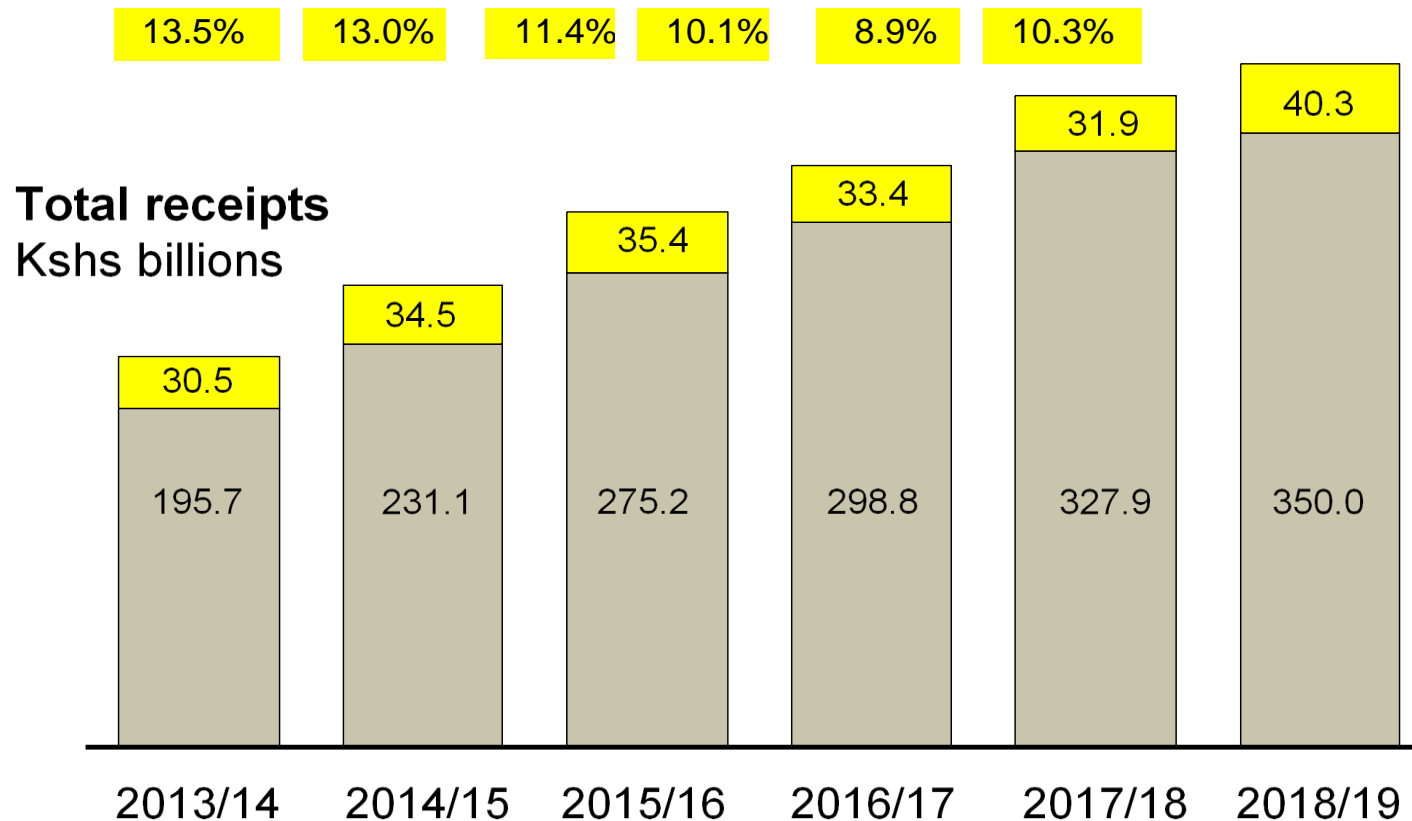
FY 2018/19 data is unaudited

OSR contributes < 10% of County receipts

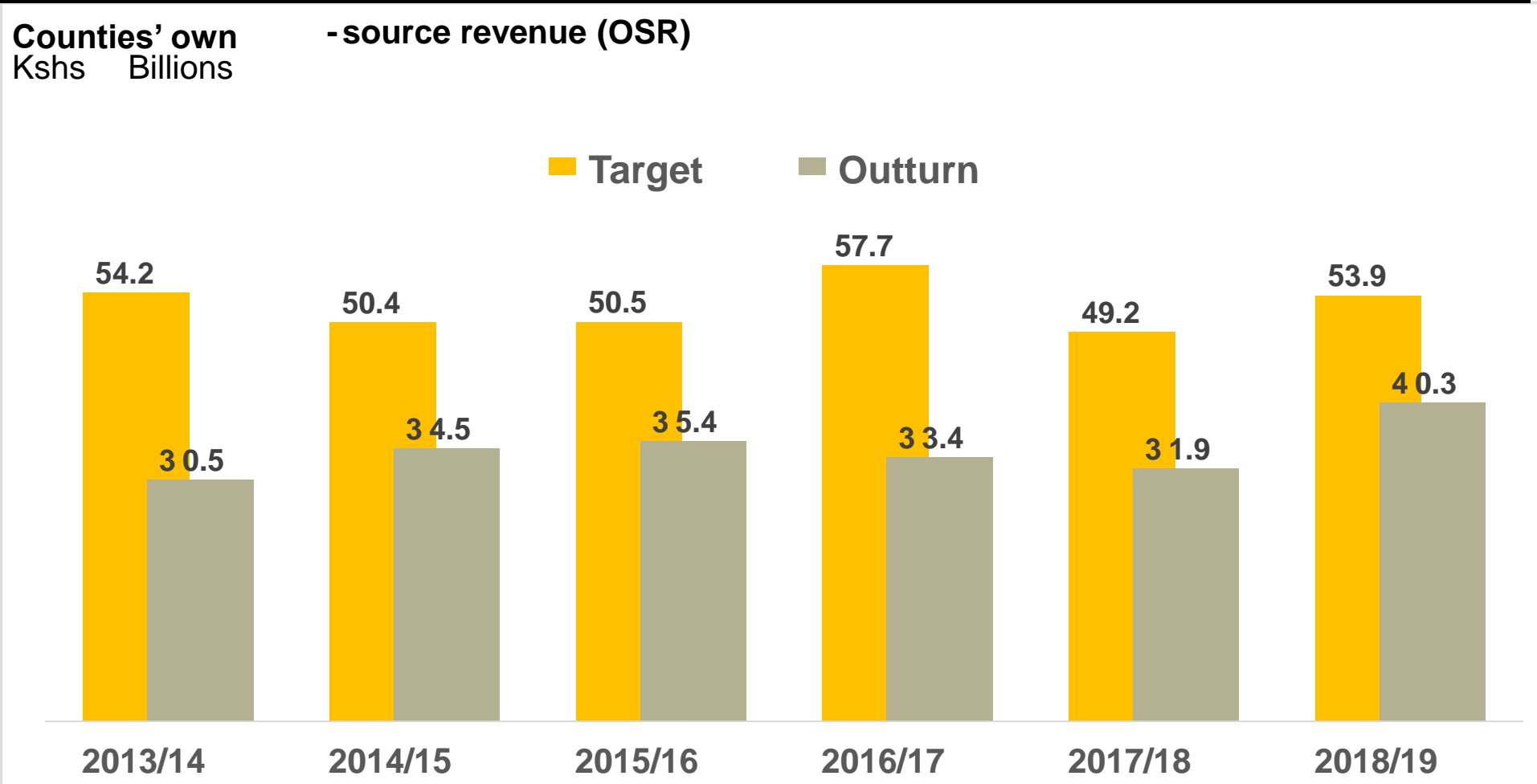
But evidence shows that the potential is much greater



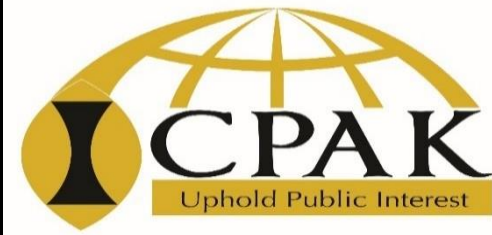
OSR as a % of total receipts



Revenue targets are not being achieved Even though most targets are not credible

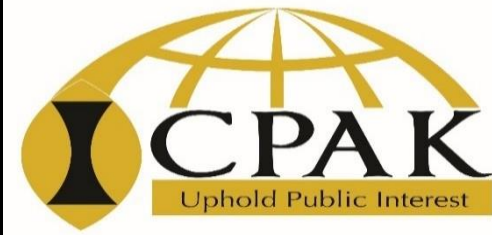


Citizen activism



- Activism consists of efforts to promote, impede, direct, or intervene in social, political, economic, or environmental reform with the desire to make changes in society.
- Transparency and accountability are not attainable unless citizens participate in governance process.
- This type of activity has grown exponentially over the years and is driven by several factors: rapid increases in literacy and access to education, a greater openness to political activity, and the spread of new norms regarding rights and justice.
- The key question has been how do we enhance citizen participation in governance? What legislative, executive and judicial mechanisms should we adopt?

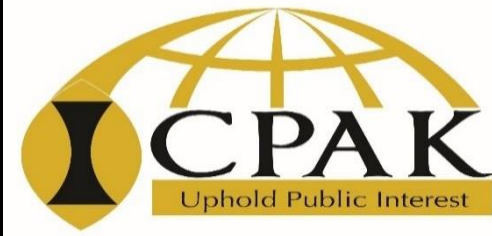
Citizen activism



In meeting challenges from citizens may respond in a variety of ways, including the following:

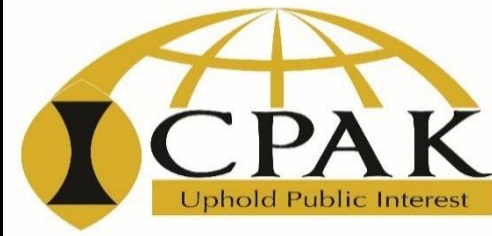
- **Confrontation**
 - It may be aggressive including suing
- **Participation.**
 - May develop coalitions or partnerships with
- **Anticipation.**
 - may adopt issues management programs to forecast emerging issues and to adjust or change business practices in advance of the passage of stringent laws or regulations

Citizen activism Challenges



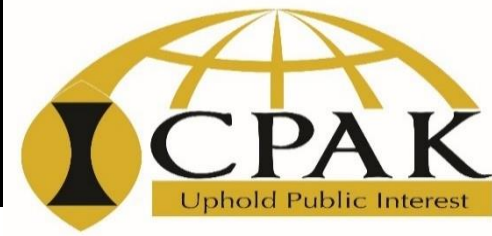
- Fiscal governance issues are technical and not immediately accessible for average citizens
- Maintaining mobilization after bursts of activism
- Transparency and accountability activists rely heavily on support from external actors

Citizen activism - Overcoming Challenges



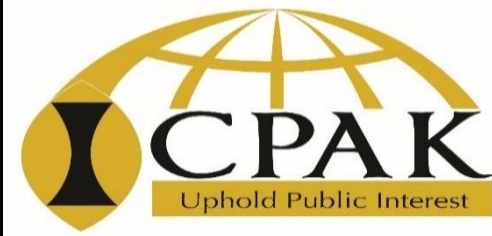
- Get citizens involved in fiscal transparency
- Invest in education
- Develop incremental goals with tangible outcomes
- **Public participation**
 - ✓ Have citizens involved
 - ✓ Create a variety of channels for innovative thinking
 - ✓ Map resources and revenue generation streams

Strategic issues on revenue maximization



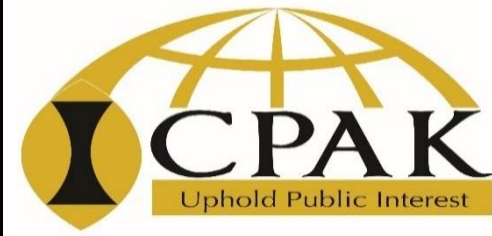
- Enhancing revenue mobilization by broadening the tax base, combating tax evasion and using smart intelligence and risk based compliance strategies, cross referencing of the correspondence.
- Strengthening administrative capacity and enhancing transparency and fairness through organizational change and business process optimization.
- Creating a staff establishment that is trustworthy, ethical, competent and helpful.
- Enabling business by leveraging on technology to achieve full electronic service leading to enhanced operational efficiency and high customer satisfaction.

Strategies for Maximizing Revenues



- Shifting the customer service paradigm by improving service accessibility through service centres and technology,
- Leveraging technology to enhance service delivery and promote compliance
- And mores specifically
 - Increase Rates. ...
 - Increase capacity and productivity. ...
 - Manage service authorizations. ...
 - Develop additional services/revenue streams. ...
 - Ensure proper coding when billing services. ...
 - Enhance efficiency in collections.

Conclusion



- Policy and programs seeking to advance transparency and accountability in public budgets have tended to focus on the state apparatus.
- Whether it be new laws that require greater openness or punish malfeasance or entirely new commissions and regulatory agencies to strengthen checks and balances, many initiatives must focus internally on the state – the civil service, the courts, the legislature, or the executive.

THANK YOU VERY MUCH