

**PERSPECTIVES, EXPERIENCES AND
RECOMMENDATIONS ON COUNTY TAXATION
AND OWN SOURCE REVENUE**

MARY KIMANZI

CECM FINANCE AND SOCIO ECONOMIC PLANNING
IN MAKUENI COUNTY

Outline

1. Introduction
2. Perspectives
3. County OSR Experiences and Trends
4. Challenges
5. Recommendations

Introduction

1. Economic productivity is enhanced by efficiency in utilization of capital and labor invested in production
2. We have investments by County Governments that are meant to spur economic growth as well as investments by the private sector (PFM applies)
3. However there studies to show that the private sector is the main driver of growth compared to the Government
4. The private sector with thrive and enhance development when the tax environment is conducive
5. Public service delivery/investments on the other hand rely heavily on governments raising revenue to fund their budgets.

Introduction

5. County Governments have two main sources of revenue,
 - National Government allocation (equitable share, grants, loans and funds)
 - Locally collected revenue also referred to as Own Source Revenue(OSR)
6. Article 209 (3) and (4) of the Constitution of Kenya 2010 provides for property rates, entertainment taxes, user fees and any other tax authorized by an Act of Parliament.

Perspectives – County lenses

1. Revenue planning capacity (projections/forecasting capacities and sensitivity analysis by counties)
2. Democratic approach to taxation – public participation(Article 10), MCAs role(Article 185) and influence, politics, peer learning
3. Compliance to regulations – Prosecution and Enforcement

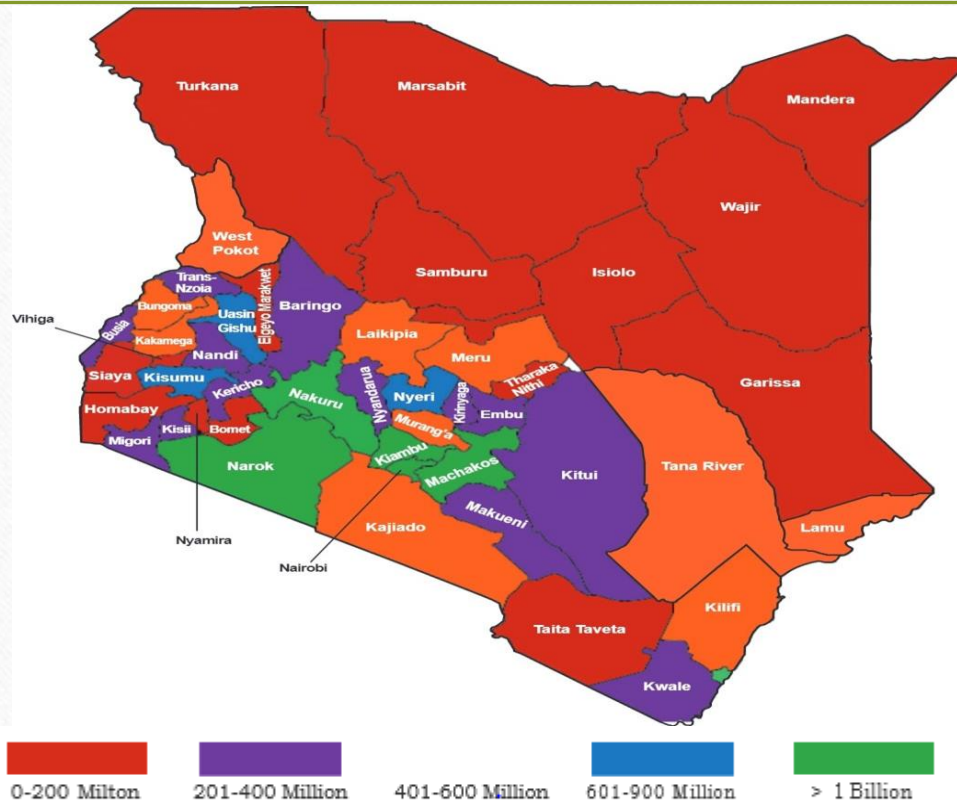
Perspectives - the County lenses

4. Risk management in tax collection – COVID 19 pandemic, dealing with shortfalls there off
5. Tax harmonization - Double taxation across counties on distributing firms and manufacturing firms, NG agencies such as the Horticultural Crops Development Authority (HCDA) collecting taxes from local farms
6. Accountability mechanisms – does the business community and the citizens view government as accountable

County OSR Experiences

1. Before devolution, the Local Authorities operated mainly through (Local Authority Transfer Fund)LATF and Local Revenue (OSR)
2. With the coming of County Governments, CoK(2010) provided for establishment of County Revenue Fund
3. Facilitating devolved function requires a strong revenue base hence a robust OSR is critical to improve county performance
4. However, OSR collection in the Counties has remained low although increasing every financial year since the inception of devolution in 2013.

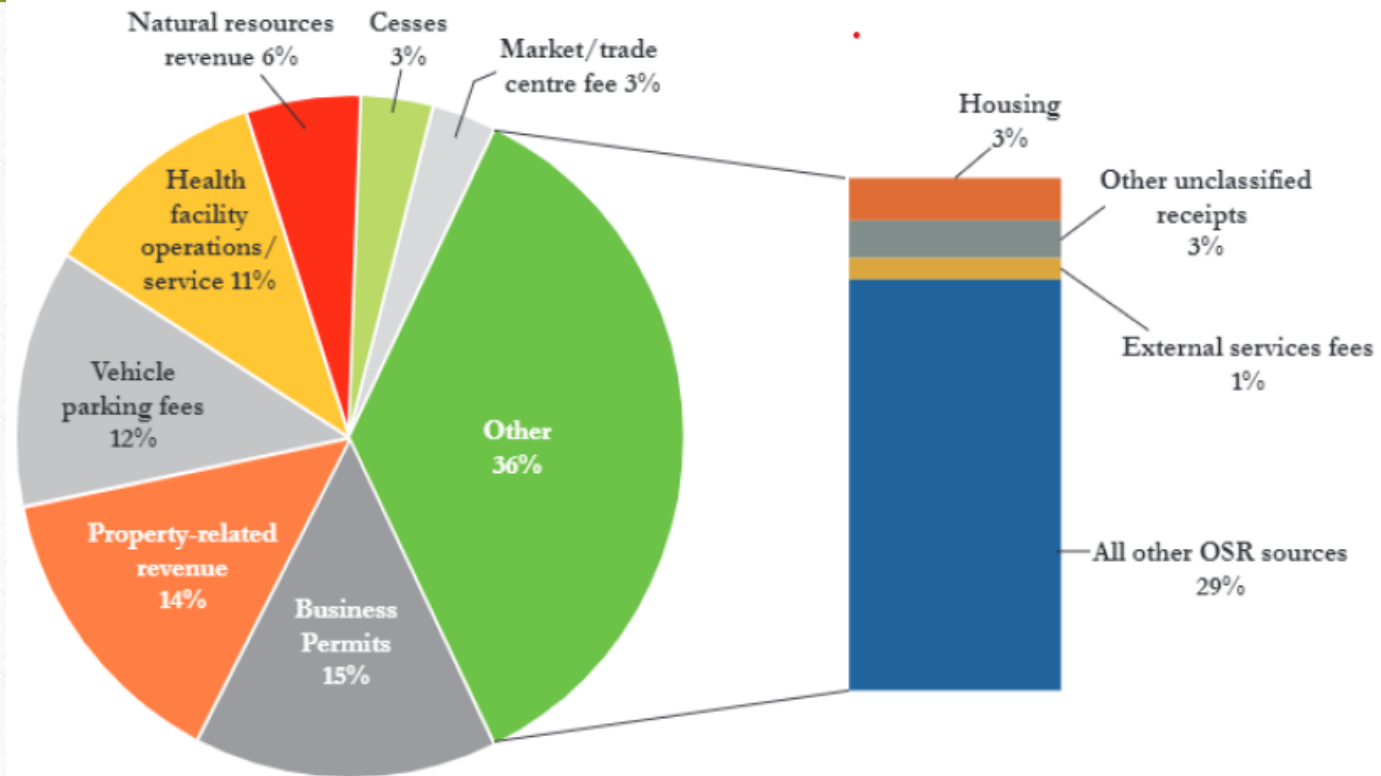
OSR Trends (FY 2013/14 – 2018/19) - CRA



- A study commissioned by the World bank on behalf of the National Treasury (2017) revealed gaps of between 35% to 94% of the potential revenue compared to actual collected revenue on various revenue streams for different Counties, suggesting that counties can gradually increase their share of own source revenue

Main OSR Streams for Counties

Figure 5: County Governments' own-source revenue categories 2016-17



Factors Influencing OSR in Counties

1. County resource endowment (GCP, industries)
2. County policies, legislation and enforcement
3. Technological innovation
4. Tax administration and management– human resource, planning, projection, unrealistic targets and pending bills
5. Corruption – leakages, malpractices and community apathy

Challenges

1. Outdated valuation rolls
2. Land also is communally owned or unregistered
3. Lack business registers, businesses are not mapped
4. Weak policies and legislation e.g law on Cess
5. Automation and Network connectivity issues
6. Political interference
7. Weak accountability mechanisms

Recommendations

1. Economic zoning - centrally collect and share revenue at that level
2. Sensitization of citizens on voluntary payment and incentives
3. Working with third parties e.g Kenya Power, Water Companies
4. Business Mapping – urban development control e.g. numbering of buildings
5. Strengthening Cooperatives or communities of practice in revenue mobilization e.g traders
6. Enhancing the revenue base

END

THANK YOU