COUNTY CAPACITY TO RAISE OWN REVENUE IN KENYA

East Africa Tax and Governance Network- 2014

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Acronyms

CDI	Composite Development Index
CIC	Commission for the Implementation of the Constitution
COB	Controller of Budget
CoK	Constitution of Kenya
CRA	Commission on Revenue Allocation
EATGN	East African Tax and Governance Network
FRI	Fiscal Responsibility Index
FY	Financial Year
ILA	International Institute for Legislative Affairs
KHRC	Kenya Human Rights Commission
OCOB	Office of the Controller of Budget
PFM	Public Finance Management Act
TA	Transitional Authority

Introduction

The promulgation of the Constitution of Kenya in August 2010 brought with it a new system of governance in which 47 counties, each distinct but interdependent with the national government came into existence. The objects of this new system of governance include among others; to recognize the right of communities to manage their own affairs and to further their development, to protect rights and interest of minorities and marginalized communities, to ensure equitable sharing of national and local resources throughout Kenya and to facilitate the decentralization of state organs, their functions and services from a centralized capital.[1] For good governance and effective delivery of service, county governments require sufficient and reliable sources of revenue and the constitution provides a framework for county funding for its functions. In summary, devolution in Kenya was a way of bringing governance and accountability closer to the people especially at the grassroots' level.

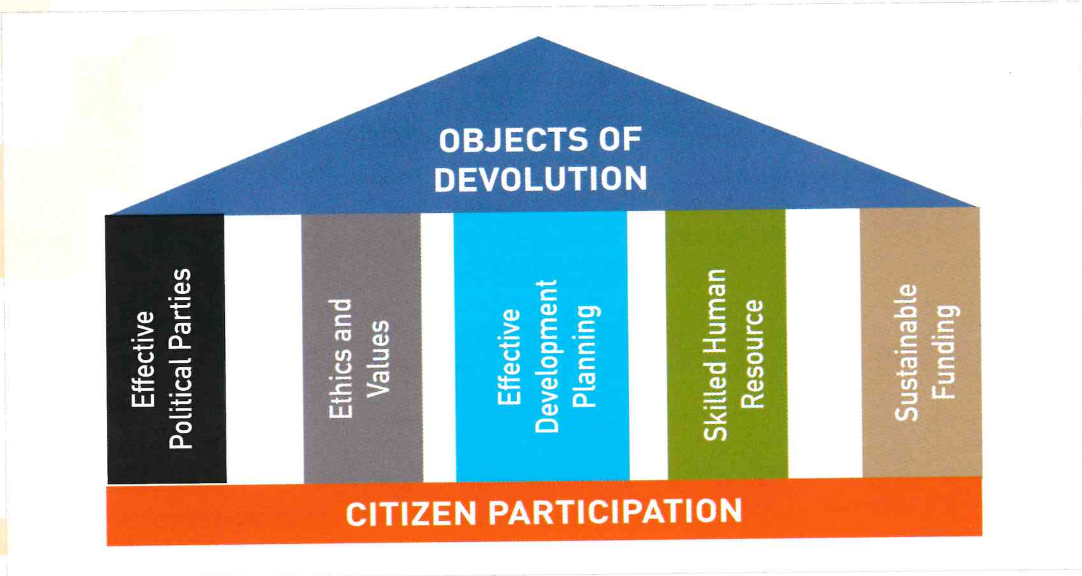

Figure 1 Taxation & revenue sharing under the devolved system in Kenya.

Kimosop, V., International institute for legislative affairs-ILA (25/09/2014). In PowerPoint presentation at the EATGN and KHRC forum on tax and human rights in Nairobi-Kenya 2014.

[1] Kenya Const. art. 174. (2010) Revised Edition 2010, published by the National Council for Law Reporting with the Authority of the Attorney General. The Constitution entered into force on 27 August 2010

Functions of County Governments

The Fourth Schedule of the Constitution assigns functions and powers to both the National and County Governments. The county governments have 14 devolved functions which come with a financial implication, they include;

1. Agriculture, (a) Crop and animal husbandry; (b) livestock sale yards; (c) county abattoirs; (d) plant and animal disease control (e) fisheries.	**5. County transport,** (a) county roads; (b) street lighting; (c) traffic and parking; (d) public road transport; and (e) ferries and harbours, excluding the regulation of international and national shipping and matters related thereto.	**9. Pre-primary education,** village polytechnics, home craft centres and child care facilities.
2. County health services, (a) county health facilities and pharmacies; (b) ambulance services; (c) promotion of primary health care; (d) licensing and control of undertakings that sell food to the public; (e) veterinary services (excluding regulation of the profession); (f) cemeteries, funeral parlours and crematoria; (g) refuse removal, refuse dumps and solid waste disposal.	**6. Animal control and welfare,** (a) Licensing of dogs; and (b) facilities for the accommodation, care and burial of animals.	**10. Implementation of specific national government policies on natural resources and environmental conservation,** (a) soil and water conservation; (b) Forestry.
3. Control of air pollution, noise pollution, other public nuisances and outdoor advertising.	**7. Trade development and regulation,** (a) markets; (b) trade licences (excluding regulation of professions); (c) fair trading practices; (d) local tourism; and (e) Cooperative societies.	**11. County public works and services,** (a) Storm water management systems in built-up areas; and (b) water and sanitation services.

4. Cultural activities, public entertainment and public amenities, (a) betting, casinos and other forms of gambling; (b) racing; (c) liquor licensing; (d) cinemas; (e) video shows and hiring; (f) libraries; (g) museums; (h) Sports and cultural activities and facilities; and (i) county parks, beaches and recreation facilities.	**8. County planning and development,** (a) Statistics; (b) land survey and mapping; (c) boundaries and fencing; (d) housing; and (e) electricity and gas reticulation and energy regulation.	**12. Firefighting services and disaster management.**
13. Control of drugs and pornography	**14. Ensuring and coordinating the participation of communities and locations in governance at the local level and assisting communities and locations to develop the administrative capacity for the effective exercise of the functions and powers and participation in governance at the local level.**	

Table 1 Schedule Four of the Constitution of Kenya 2014 indicating the functions of the county governments.

Many Counties indicate a number of challenges that they face in the implementation of the fourteen devolved functions including; delay in disbursement and inadequate funds to finance all functions as monthly timing of the release of funds is hampering implementation.[2] The Transitional Authority (TA) is yet to make public proper costing of the functions and this has partly contributed towards the inadequacy of funds used at county level that follow devolved functions.

[2] CIC Assessment report on the system of devolved government (From steps to Strides) June 2014.

Sources of Revenue for County Governments

The revenue sources for County governments include own revenue and disbursement from the national government in the form of, equitable share and conditional and unconditional allocations, borrowing, grants and donations.

Revenue raised nationally is shared ***equitably*** among the national and county governments and additional allocations from the national government's share of revenue may be given either ***conditionally*** or ***unconditionally.***[3] Division of revenue raised by the national government among the national and county levels of government as well as revenue division among counties is done through a proposed ***Division of Revenue Bill*** that sets out the vertical division of revenue between the national and county governments and a ***County Allocation of Revenue Bill*** which sets out the horizontal allocation of revenue among county governments. Both bills are introduced in parliament at least two months before the end of every financial year.[4]

Equitable share

The constitution under Article 203(2) sets the equitable share at not less than 15% of all revenue collected nationally for every financial year. The 15% is calculated on the basis of the most recently audited accounts of revenue received and approved by the National Assembly.[5] The equitable share of revenue is an unconditional allocation to the county governments and therefore county governments are expected to plan, budget, spend and account on the funds allocated independently. The Constitution does not explicitly prescribe the upper limit of the equitable share of revenue to be allocated to either levels of government and therefore leaves it at the discretion of the national government to either increase the allocations beyond 15% or retain it at that. Equitable share for the financial year 2013- 2014 stood at 31% of the total equitable share of revenue.[6]

[3] Kenya Const. art. 202.(2010)

[4] Kenya Const. art. 218 (1)(a)(b)

[5] Kenya Const. art. 203(2)(3)

[6] County Allocation of Revenue Act, 2013.

Horizontal Revenue Allocation Formula

The constitution guides the disbursement of resources among all the forty seven counties and outlines factors for consideration in the process of disbursement. These factors include among others, the need to ensure that county governments are able to perform the functions allocated to them, the need for fiscal capacity and efficiency of county governments, economic optimization of each county and to provide incentives for each county to optimize its capacity to raise revenue.

Article 215 of the constitution provides for the creation of the Commission on Revenue Allocation (CRA) whose core mandate is to ensure equitable sharing of nationally raised revenues between the national and county governments and additionally, among the county governments.

The CRA revenue sharing formula among counties is **Cai = Pi+PVi+Ai+BSi + FRi**[7]

Where:

COMMISSION ON REVENUE ALLOCATION

PARAMETER WEIGHTS (%)

PARAMETER	CRA INITIAL RECOMMENDATION	COUNTIES PROPOSAL	CRA FINAL RECOMMENDATION
POPULATION	60	47.6	45
EQUAL SHARE	20	21.6	25
POVERTY	12	18	20
LAND AREA	6	8.2	8
FISCAL RESPONSIBILITY	2	3.0	2
OTHERS	-	1.6	-
TOTAL	100	100	100

Figure 2 Source from the CRA website http://www.crakenya.org/information/revenue-allocation-formula/

Ca=Revenue allocated to county

i=County 1, 2.........47. It stands for county 1 to 47

P_i=Revenue allocated to a county on the basis of population parameter.

PV_i= Revenue allocated to a county on the basis of poverty gap parameter.

A_i= Revenue allocated to a county on the basis of land area.

BS_i= Revenue allocated to a county on the basis of basic equal share parameter. This is share equally among the 47 counties.

FR_i= Revenue allocated to a given county on the basis of fiscal responsibility. This is shared equally among all the 47 counties

[7] Commission on Revenue Allocation Promoting an equitable society Revenue Allocation Formula, Available at: http://www.crakenya.org/information/revenue-allocation-formula/-

Equitable share for the financial year 2013- 2014 amounted to Kshs190, 000,000,000 which translates to 31% of the total equitable share of revenue.[8] Disbursement of the total equitable share was based on the last audited accounts. In this case, the last audited accounts were those of 2010/11 and therefore the audited revenue used to compute the minimum constitutional requirement for county revenue allocation were accounts for the same financial year.[9]

Disbursement of the equitable share was based on the five parameters listed in the table below.

PARAMETER	%	Amount in Ksh
Population	45%	85,500,000,000
Basic Equal Share	25%	47,500,000,000
Poverty	20%	38,000,000,000
Land Area	8%	15,200,000,000
Fiscal Responsibility	2%	3,800,000,000
TOTAL		190,000,000,000

Table 2 Allocation of Revenue Act No 34 of 2013

During the 2013/2014 financial year, the CRA disbursed total shareable revenue of Ksh190, 000,000,000 based on five parameters. These parameters include Population which accounts for 45%, Basic Equal share which accounts for 25%, Poverty which accounts for 20%, Land Area which accounts for 8% and Fiscal Responsibility which accounts for only 2%.[10]

The fiscal responsibility parameter is not only dismal at 2%, for three financial years, county governments have been allocated equal amounts based on the Fiscal Responsibility parameter, meaning that there is yet to be established a reliable measure of local revenue base. The implication in this is that it effectively shifts the accountability agenda on to the national government to collect adequate revenue to meet the needs of both National and county governments.

The CRA however intends to develop a Fiscal Responsibility Index (FRI) based on measures employed by county governments to ensure resources are collected and used optimally. Consequently, allocations to county governments will vary depending on the FRI score in addition to other parameters.[11]

The actual funds released to the counties were not as provided for in the County Allocations of Revenue Act 2013, while the conditional allocations (grants) were not released to counties.[12]

Conditional and unconditional allocations

Conditional and unconditional allocations are envisaged under Article 202(2) of the constitution. For the financial year 2013/2014 a total amount of Kshs20,000,000,000 was allocated for disbursement as conditional grant, however by March 2014 only Ksh 3.5 billion had been released

8 County Allocation of Revenue Act, 2013.

9 County Allocation of Revenue Act, 2013

10 CRA Revenue Division Among County Governments 2013-2014

11 http://www.crakenya.org/wp-content/uploads/2013/01/CRA-Notice-on-2nd-GF-and-FRI-April2014.pdf

12 Assessment of the implementation of the system of devolved government

to counties.[13] The conditional grant together with the equitable share for the financial year 2013/14 totaled to 210, 000,000,000.[14]

Equalization Fund

The equalization fund is established under Article 204 of the Constitution, it amounts to 0.5% of the total revenue collected by the national government. Its main objective is to bring services in the marginal areas to national standards. It is intended for provision of basic services such as water, roads, health facilities and electricity to marginal areas in order. The fund can be disbursed either directly or indirectly through conditional grants to counties in which marginalized communities exist.

The fund is to be shared on the basis of a composite development Index (CDI) which emphasizes local expenditure needs. The composite development index parameters include, Poverty Gap at 16%, Infrastructure at 28%, and Health at 28% and Education at 28%.

Borrowing

The Constitution of Kenya 2010 and the Public Finance Management Act 2012 provide conditions under which national and county governments may borrow. Article 212 of the Constitution permits county governments to borrow funds for development provided they obtain a guarantee from their respective county assemblies.

Section 50 of the PFM Act provides obligation and restrictions on how national government guarantees and borrows while Section 58 confers upon the Cabinet Secretary responsible for Finance the power to guarantee loans (including those of county governments), which must receive parliamentary approval. Sections 140, 141, 142 of PFM Act specifically provide conditions under which county governments can borrow.

Grants and donations

County governments can obtain grants from development partners except that the approval must be given by the County Executive member for finance, rather than the national Cabinet Secretary for Finance.[15] This is in accordance with section 138 and 139 of the Public Finance Management Act, 2012. This provides conditions for receiving grants and donations by county governments, its entities or third parties According to the budget implementation review report by the controller of budget, thirteen county governments reported to have entered into agreements with development partners to fund development programmes. They include; Mombasa, Isiolo, Meru, Kitui, Makueni, Siaya, Kisumu, Homa Bay,West Pokot, Nyamira, Baringo, Nakuru and Bomet. On existing agreements, sixteen counties indicated they are aware of such agreements entered by the central government with development partners before the establishment of the County Governments. Grants and donations are increasingly becoming a viable way for counties to implement their development agenda, it is important however that the principles of public finance as provided for in Article 201 are observed and strictly adhered to even in the administration of grants.

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[13] CIC Assessment report on the system of devolved government Annex 6c: List of Cash Releases to Counties as at March 4th 2014

[14] County Allocation of Revenue Act, 2013.

[15] The Public Finance Management Act (2013), Section 138.

Own revenue

County governments have constitutional powers to impose taxes and charges. They can impose property taxes, entertainment taxes as well as any other tax they are authorized to impose by an act of parliament. The revenue raised by county government constitute ***own revenue*** and is not part of the pool of revenues subject to sharing between the national and the county government. In exercising the county's revenue raising powers, Article 209 (5) of the Constitution prohibits counties from doing so in a way that prejudices national economic policies, economic activities across county boundaries or the national mobility of goods, services, capital or labour.

Passage of the County Finance Bill gives a legal backing /authority to County government to collect revenue. It also outlines the various taxes, fees, and charges for service and other revenue raising measures the county governments can engage in, some of which include;

Site Value/ Land rates	Approval of Plan	Game parks/Nature reserve fees	Impounding / Clamping fees
Market fees	Office Rent	Private rental	Mortuary fees
Vehicle Parking fees	Cess receipts	Registration of groups	Slaughter fees
Single Business Permit	Stall Rent	Advertisement/ Signboard	Hire of hall
Kiosk rent	Nursery fees	Hides & Skin	Administrative fee
Plot rent	Stock Auction/Auction fees	Application of plots	Sale of Tenders
Hire of tractor	Conservancy fees & charges	Stadium hire	Burial fee
Miscellaneous Income	Transfers		

In the financial year 2013/2014, counties cumulatively budgeted for Kshs. 277.4 billion to finance their expenditure. This comprised of Kshs. 210 billion grant from the National Government, and Kshs. 67.4 billion to be generated from local revenue sources.[16] This means that own revenue for the financial year 2013/2014 accounted for 25%. This goes to show that counties rely heavily on resources from the national government and that they cannot sustain their operation if the only source of revenue was from their own revenue.

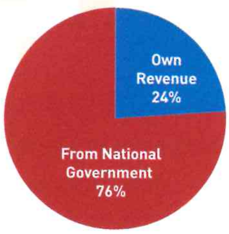

Figure 3 Revenue distribution between National and county Governments[17]

[16] Budget Implementation Review Report. First Quarter 2013/2014. Office of the Controller of Budget.
[17] Budget Implementation Review Report. First Quarter 2013/2014. Office of the Controller of Budget.

The figure above shows the cumulative budget estimates for the 47 Counties for the Financial Year 2013/2014, the total revenue shared amounted to Kshs277.4 billion. This amount consists of Kshs67.4 billion as the projected local revenue which represents 24% of the total revenue and Kshs210 billion as national revenue grant to the Counties which represents 76%.

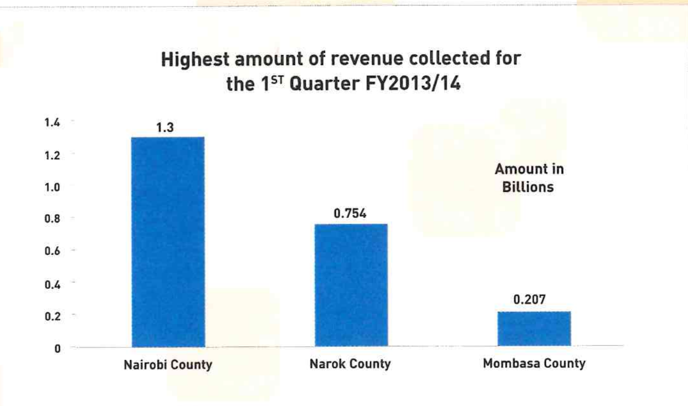

Figure 4 Figures from Budget Implementation Review Report First Quarter 2013 /2014

The figure above shows revenue performance among the top three highest revenue collecting counties. Nairobi City County raised the highest amount of local revenue at Kshs. 1.3 billion, followed by Narok County and Mombasa County which raised Kshs. 754.2 million and Kshs. 207.5 million respectively. This report is for the 1st quarter of the year 2013/14. The total amount of revenue collected by counties in the first quarter amounted to 4.4bilion.

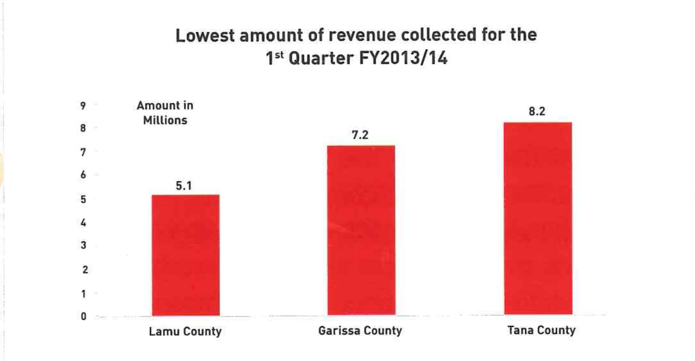

Figure 5 Revenue performance as per the County Governments Budget Implementation Review Report

The Figure above shows that Lamu, Garissa and Tana River collected the lowest revenues at Kshs. 5.1 million, Kshs. 7.2 million and Kshs. 8.2 million respectively. Lamu County is among the sparsely populated counties with a population of only 101, 593 out of a total population of 38, 610, 097 across the country.[18] Population no doubt is a contributing factor in as far as the size of revenue base and subsequent revenue performance is concerned.

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[18] The 2009 Kenya Population and Housing. Census (Kenya National Bureau of Statistics, 2010).

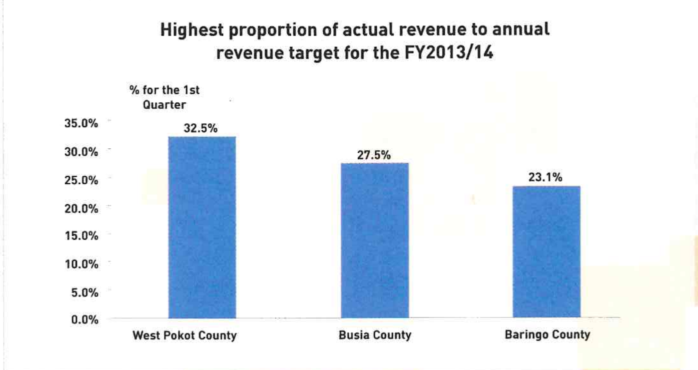

Figure 6 Revenue performance as per the County Governments Budget Implementation Review Report

The figure above shows that West Pokot County generated the highest proportion of revenue in the first quarter against its annual revenue target at 32.5 per cent followed by Busia and Baringo at 27.5 per cent and 23.1 per cent respectively. Some counties encourage lamp sum payment of revenue by giving competitive rates to those who make one time payments, this way; they reduce corruption and maximize collection in the first quarter.

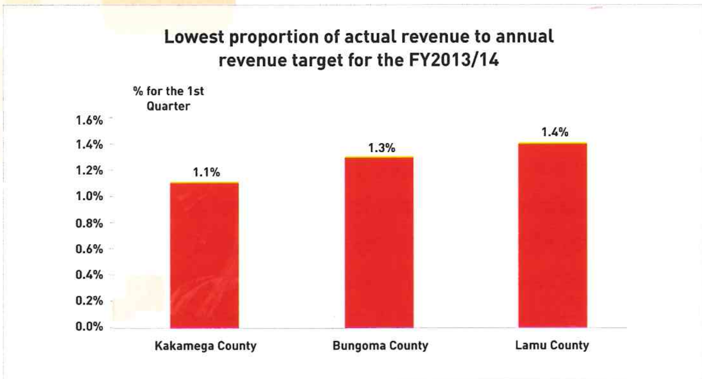

Figure 7 Revenue performance as per the County Governments Budget Implementation Review Report

The figure above shows counties with the lowest proportion of actual revenue to annual revenue target for the 2013/2014 financial year with Kakamega County performing the worst at (1.1%), followed by Bungoma County at (1.3%) and Lamu County (1.4%) to complete the bottom three. Only seven counties achieved over 20 per cent of their revenue target in the first quarter while thirteen counties raised revenues that were below 5% of their annual targets.[19]

[19] Budget Implementation Review Report. First Quarter 2013/2014. Office of the Controller of Budget

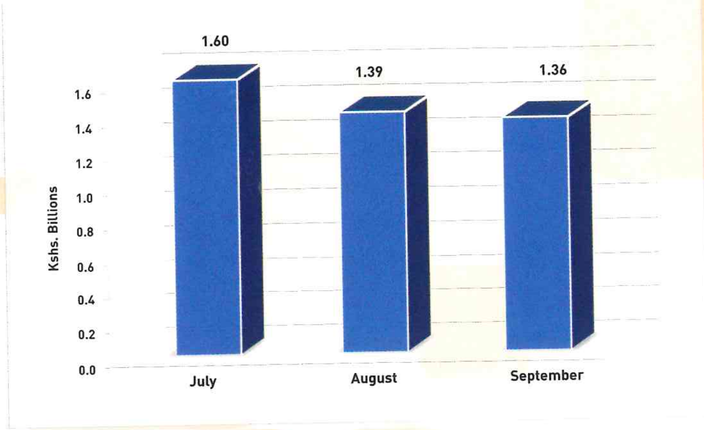

Figure 8 Monthly Locally Collected Revenue - July to September 2013 (Kshs. Billion)

The figure above shows revenue performance across counties from the month of July to September 2013 The chart indicates that in aggregate, counties registered a decline in revenue collection between the month of July and August recording a Kshs0.21bilion decline in revenue and a Kshs0.03 billion decline in between the month of August and September. In July, 2013 Counties raised Kshs. 1.60 billion which declined to Kshs. 1.39 billion in August and Kshs1.36 billion in September, 2013.[20] The total locally collected revenue during the first quarter of the financial year 2013/14 is reported to amount to Kshs4.4bilion which translates to 6.5% of the estimated annual local revenue by the counties.[21] The controller of budget attributes the low performance by the Counties to unrealistic revenue projections and delay in passing of the County Finance Bills.

Because of late disbursement of revenue and poor own revenue performance, most counties end up with huge fiscal gaps, despite of this reality, there is still a tendency for the county governments to spend county resources on functions that constitutionally belong to the national government. A case in point is the expenditure by the Machakos and Mombasa County Governments on purchase of police vehicles when security is a national government function. Many County governments continue to spending money on post-early childhood education which is a national government function.[22] The total amount of revenue of any county government will invariably depend upon the size of the county revenue base, the levels of tax rates adopted within the county governments, administrative efficiency, and the compliance rate. The taxes introduced should be appropriate and sufficient to finance to a greater percentage the expenditure needs of the county governments over time.

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[20] Ibid 19

[21] Ibid 19.

[22] CIC - Commission for the Implementation of the Constitution: "Assessment of the Implementation of the System of Devolved Government – From Steps to Strides" June 2014.

Conclusion

Having the necessary capacity to raise sufficient revenue to sustain county operations is integral if county governments are to live up to their intended objectives. The reality however is that most counties are struggling to make do with current allocations, most are recording a decline in own revenue generation due to a myriad of reasons including; delay in enactment of the county finance bill, corruption and inadequate capacity to effectively collect revenue. Timely disbursement of funding from national government also continues to remain a crippling challenge. Most if not all continue to remain overly dependent on the national government in as far as the amount of equitable share to be disbursed from the national government to the county government is concerned. The national government delicately wields its discretion to either disburse 15% of the equitable share which is the minimum constitutional requirement or more if it feels like. There is a need for proper costing of function intended for county governments. County governments also need to focus on county functions and avoid spending on functions intended for the national government.

Recommendations

In order to address the decline in revenue collection and improve on the existing revenue targets at the county level, a genuine drive by county governments to optimize revenue generation and utilization must be a key agenda, in order to attain this, the following are recommendations on what needs to be done;

LONG TERM RECOMMENDATIONS

These recommendations will require consensus as well as legislative review and amendments which must follow due process.

1. PROPER COSTING OF FUNCTIONS

Details	No. of counties	Percentage
Surplus budget	11	23%
Balanced budget	11	23%
Deficit of 1% - 5%	7	15%
Deficit of 6% - 10%	4	9%
Deficit of 11% - 15%	3	6%
Deficit of 16% - 20%	3	6%
Deficit of over 20%	8	17%
TOTAL	47	100%

Table 3 A summary of budget performance across counties for the FY 2013/2014 from the CRA County budgets 2013-2014 of 12th August 2013

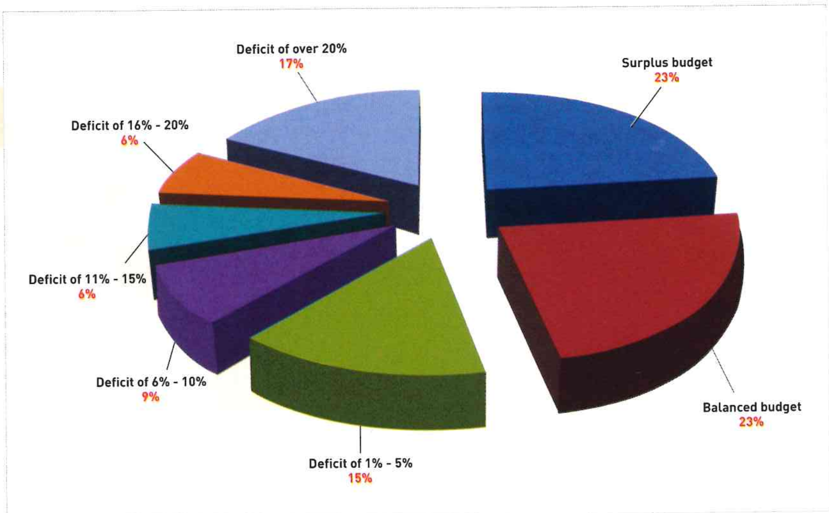

Figure 9 A pie chart showing the summary of budget performance across counties for the FY 2013/2014 from the CRA County budgets 2013-2014 of 12th August 2013

The table above shows that only 22 counties out of the 47 had either surplus or balanced budget, the remaining 25 had deficits ranging between 1-4 per cent and over 20 per cent. This means that instead of getting additional funding, the 25 county governments will be forced to cut on expenditure in order to achieve a balanced budget. Because reduction of expenditure has its implication on the delivery of services, The East African Tax and Governance Network proposes that the Transitional Authority does a detailed and proper costing of devolved functions outlined in schedule four. The costing should then inform the minimum percentage of the equitable share allocation to the counties. Based on this the EATGN welcomes the clamor for "Pesa mashinani", however the minimum percentage for allocation should be informed by a clear and elaborate costing of all the fourteen functions devolved to the counties. This will eliminate the discretionary privilege accorded to the national government that can at times be misused.

2. REVIEW OF THE REVENUE ALLOCATION FORMULA

From the own revenue performance of the counties, a number of things appear to be clear. Availability of resources as well as population contribute towards a broader revenue base, a case in point is Lamu County which performed poorly in the collection of own revenue. Lamu County is among the sparsely populated with a population of only 101, 593 compared to Nairobi County with a total population of 3,138, 369[22] Lamu county has suffered insecurity in the recent past. It is thus important that the CRA takes into account the impact of county population in as far as widening the tax base is concerned and reduce the population indicator from 45% to 40%. Because the 45% allocation to the population parameter is based on two factors, i.e. Cost of service which is dependent on population size as well as promotion of equitable society on per capita basis. This however does not take into account the role that population plays in widening the tax base. The nature in which county governments are allowed to levy taxes depend to a large extent on trade and commerce within and across the counties. On the other hand trade relies heavily on available markets for supply of its demands. Population crates demand and the demand attracts supply, the outcome is trade which translates in to more revenue for county governments. This therefore can be interpreted to mean, the higher the population the wider the tax base.

Most Populated Counties	Population as per Census 2009	Total Own Revenue Fy2013/14 in Billions	% Of Total Revenue 2013/13	% Budget Surplus/ (Deficit) 2013/14
Nairobi	3,138, 369	15,101,108	60%	0%
Kakamega	1,660,051	3,523,030	27%	0%
Bungoma	1,630934	2,753,780	32%	0%
Kiambu	1,623,282	6,366,922	50%	0%
LEAST POPULATED COUNTIES				
Lamu	101,539	353,280	17%	-5%
Isiolo	143, 294	600,000	20%	-8%
Samburu	223, 947	210,050	7 %	5%
Tana River	240, 075	87,290	3%	7 %

Figure 10 A comparison between population and own revenue performance for the top 4 most populated counties and the bottom 4 least populated counties. Data on revenue from CRAs County budgets: 2013-2014

[22] Ibid 18

From the table above, county governments with high population seem to record high own revenue performance compared to counties with low population. Because of the high own revenue performance, the top four most populated counties end up having a sizable own revenue contribution to their total budget and because of this, none of them has a budget deficit

Counties like Nairobi with a population of 3,138,369 made a 60% own revenue contribution to the total county budget. Bungoma and kiambu also made a sizable contribution, this is not the same for the bottom four least populated counties where most of them record below 20% own revenue contribution to the total county budget. The argument is that population is one among the many factors that contribute toward a broader tax base; it should thus not only be considered on its demerits but also on its merits. On the other hand fiscal responsibility contributes immensely towards boosting own revenue performance by ensuring timely implementation of necessary legislation as well as proper and timely reporting. Fiscal responsibility should therefore be increased from 2% to 7% in order to encourage strict adherence to the provisions of Article 201 of the constitution of Kenya 2010 and section 107 of the PFM Act. The increase will act as a fiscal performance incentive that will ensure proper fiscal management and increased exploitation of revenue potential within counties.

3. ESTABLISHMENT OF A COUNTY REVENUE AUTHORITY

In order to encourage professionalism in revenue administration, improve revenue performance, encourage compliance and arrest tax evasion within the counties, county governments should consider establishing respective county revenue authorities separate from the county treasury but with similar functions to those of the Kenya revenue authority but limited to the county revenue raising power as prescribed under Article 209(3) Some of this functions may include;

- To administer and to enforce written laws or specified provisions of written laws pertaining to assessment, collection and accounting for all county revenues in accordance with these laws.
- Advise respective counties on matters pertaining to the administration or and the collection of revenue.
- Enhance efficiency and effectiveness of tax administration by eliminating Bureaucracy, Procurement, Promotion, Training and Discipline.
- Eliminate tax evasion by simplifying and streamlining procedures and improving tax payer service and education thereby increasing the rate of compliance.
- Promote professionalism and eradicate corruption amongst county revenue employee by paying adequate salaries that enables the institution to attract and retain competent professionals of integrity and sound ethical morals.
- Improve county revenue performance by eventually eliminating the perennial budget deficits by creating organizational structures that maximize revenue collection.
- Ensure protection of local Industries and facilitate economic growth through effective administration of tax laws relating to trade.
- Facilitate economic stability and moderate cyclic fluctuations in the county economy by providing effective tax administration as an implementation instrument of the fiscal and stabilization policies.
- This can be achieved through amendments to the PFM Act

SHORT TERM RECOMMENDATIONS

These are recommendations that can take effect a simple administrative changes or even an executive decree at the county levels. These recommendations do not require heavy investment in terms of time or even resources.

TIMELY ENACTMENT OF THE COUNTY FINANCE BILL

The County Finance Bill must be enacted in time, because through it, county governments are able to not only map out new and potential revenue streams but also exercise their power to levy various taxes, fees and charges. A delay in its enactment has its ramifications in revenue collection.

CAPACITY BUILDING & ENHANCED REVENUE ADMINISTRATION

A major challenge facing most counties in revenue administration is poor or lack of capacity coupled with a revenue administration framework that does not support accountability. In order to address this challenge, it is necessary that county governments invest in technology through automation of the revenue collection and administration process. Automation will eliminate leakages and contribute toward achievement of the set revenue targets. It is pleasing to note that most counties are already in the process of automating the revenue collection process, this should however be expedited. Besides automation, revenue administrators and collectors need to be facilitated through regular capacity building on new and emerging trends in order to keep abreast with the new ways and systems as well as international standards. It is also important to invest in their mobility through motorbikes and or automobile in order for them move swiftly through a greater area of deployment. This way, fewer revenue collectors will be required translating in to less administration cost.

Ultimately, there must be a consistent effort to explore new revenue sources as well as ensure a proper and integrated revenue management that guarantees the collection of all potential revenue in a manner that is efficient, effective and accountable.

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East African Tax and Governance Network (EATGN)
No 1. Waridi Court, Rose Avenue, off Lenana Road,
opp. Nairobi Spinal Injury Hospital

P.O.Box 25112-00100 Nairobi-Kenya
Tel: +254 20 2473373. Mob: +254 728 279 368
Website: http://www.eatgn.org/