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Financing County Government Functions in Kenya: Challenges and Opportunities

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Abstract:
County government functions in Kenya like like those of most local authorities or sub national governments are essentially decentralized in nature. Their financing take the fiscal decentralized format and meaning and this forms the theme of this paper. Decentralization of some powers, functions, responsibilities and resources to sub national governments has been identified the World over as a model to address the increasing demand for better and efficient public services. Many countries have adopted this model with some variations including the use of de-concentration, delegation and devolution aspects. Kenya has a devolved system comprising two distinct and interdependent levels of government (national and county) with powers, resources, and provisions for consultation and cooperation in the implementation of assigned service delivery functions. One of the objects of the devolution model in Kenya is the provision of equitable sharing of national raised revenue between the national and county governments and among the county governments. This paper discusses financing of county government functions with a focus on the challenges and opportunities facing the process. The terms county governmennt and local authority will be used to also mean sub national government or auntority. The paper is based on a theoritical and descriptive desk review analysis of available literature on data, information and documents from national and county governments.

Keywords: *Decentralization; fiscal decentralization, devolution, public service delivery*

1. Introduction

Globally governments are faced with an increasing demand to provide better and efficient services (Binder et al, 2007). The current trend is to devolve some powers, functions, responsibilities and resources to sub national governments (Binder et al, 2007). Literature consulted shows that decentralized responsibilities to sub-national level of government and efficient use of scarce resources improves the quality of public services (Obwona et al, 2000). One of the assertion is that decentralization promotes the transfer of financial resources to sub national governments and provides citizen with a role in deciding how those resources are used (Devas, 2005). It is argued that equitable allocation of financial resources is a factor or a variable in the promotion of public service delivery. Other factors identified include: appropriate governance structures and policies at both national and subnational government levels. The paper discusses the concepts of decentralization, the opportunities and challenges of decentralized financial resources in the provision of county public services with a focus on the Kenyan devolution system.

2. The Theory and Concepts of Decentralization

The theory of decentralization is based on the fact that executions of decisions in a decentralized system are more efficient if they take place at the closest possible level to citizens (IRI, 2012). The concept is defined as the process whereby the State devolves administrative, political, and financial responsibilities to sub-national governments (Durán, and Soto, 2006). It is also considered as the restructuring of institutions to respects the principle of subsidiarity between the central, regional and local levels (Welch, 2004).According to Agrawal and Ribot (1999); and Crook and Manor (1998) decentralization is the transfer of powers from central government to lower levels in a political, administrative and territorial levels. The benefits of decentralization include: enabling citizen's involvement in the making of decisions affecting them (Mboga, 2009); deepening of democracy at the sub national level (Otieno, 2013) and transfer of more financial resources to sub national governments (World Bank, 2001).

The process of decentralization brings the government closer to the people and more power to the sub-national levels of government. Decentralization/devolution is said to improve political and financial accountability and promotes good governance. The other benefit is that it enables participation, consultation and engagement with the community demands (IEA, 2009). Studies show a clear linkage between financial decentralization and access to and provision of basic services (UN-HABITAT, 2009). Decentralization has a number of types and dimensions and these are discussed below. The types of decentralization include: de-concentration, delegation and devolution Mboga, (2009); Uraia and IRI, (2012). De-concentration is the assigning of responsibilities from national government to its own sub national branches while delegation refers to the transfer of some of the national government's powers to semi-

independent sub national authorities (Uraia and IRI, 2012). Devolution is the transfer of a range of powers, responsibilities, resources and authority for decision making on financing and management from higher levels in political systems to authorities at lower level (Binder, et al., 2007) and UNDP, 2012).
Devolution is the strongest type of decentralization and involves the transfer of functions, resources and power to the sub-national levels of government (IRI and Uraia 2012). The dimensions of decentralization are administrative, fiscal and political. Administrative decentralization concerns the decision making institution and procedures that support their operations. Political decentralization refers to the transfer of the political decision making authority and accountability mechanism while fiscal decentralization refers to the services to be delivered and the revenues assigned to the lower level of government (IRI and Uraia 2012).

The paper focusses on fiscal decentralization is defined by DeMello, (2000) and World Bank (2013) as the shifting and devolving of some expenditures and revenues responsibilities to lower levels of government. The World Bank opine that one important factor in determining the type of fiscal decentralization is the extent to which sub national entities are given autonomy to determine the allocation of their expenditures. The other factor is the sub national entities' ability to raise revenue. Fiscal decentralization can be achieved through the use of intergovernmental revenue transfers (payments or grants) from national governments to local or sub national governments. The transfers of resources may be given conditionally or unconditionally with instructions.

3. Local Authority Functions and Decentralization

According to the World Bank (2012) decentralisation provides a guarantee against discretionary use of power by central governments and enhances the efficiency of social service provision by matching policies and public needs. This is seen by the World Bank Paper on decentralisation and service delivery as an alternative service delivery provision system for governments to enable improved livelihood for citizen. Public service theory asserts that public services contribute to human dignity, quality of life and sustainable livelihoods (UN-HABITAT, 2009). Service delivery is considered as a process that concerns the government administrative structures and functions that are designed to provide collective goods and services (UNDP, 1999). Decentralized service delivery is a process of providing services by the sub national level authorities and institutions. According to the World Bank, (2015) the process strengthens the capacity of sub national governments to implement their functions through improved financial resources use. There is therefore a close relationship between decentralised services and available financial resources and this requires consideration. An analysis of local authority services and decentralized functions in East Africa in the year 2008 is illustrated in table 1.The Table shows local authorities in the East African provided various public services in the year 2012. The services provided by all local authorities in the region include markets; traffic and parking; sports facilities and basic education. However there were services like solid waste management, sanitation and water that Kenyan and Tanzanian local authorities provided in the year 2012. This means that the financing of these services were also as varied as the functions indicated.

Country	Burundi	Kenya	Rwanda	Tanzania	Uganda
Services 1.		Solid waste management			Solid waste management
2.		Sanitation			Sanitation
3.		Water			Water
4.	Markets	Markets	Markets	Markets	Markets
5.		Public transport		Public transport	Public transport
6.	Traffic and parking	Traffic and parking	Traffic and parking	Traffic and parking	Traffic and parking
7.	Health services	Health services	Health services	Health services	Health services
8.		Trade	Trade	Trade	Trade
9.	Sports facilities	Sports facilities	Sports facilities	Sports facilities	Sports facilities
10.	Basic education	Basic education	Basic education	Basic education	Basic education

Table 1: Decentralized Functions and Local Authority in East African Countries in 2012
Adapted from UCLG (2012), Local Government Mandates in the East African Countries

The services described for Kenya in table 1 were provided by cities, municipalities, towns and county councils guided by the local Government Act (LGA) Cap 265 of the laws of Kenya before the year 2010. During the perioda number of initiatives were introduced improve local authority financial position and service delivery. The initiatives (reforms) included: service charge fund (1989) that charged business premises and employees in local authorities. The other reform was the Local Authorities Transfer Fund (LATF) (1999)) whose objectives included: the improvement of service delivery to the public; improvement of financial management and accountability; and elimination of all outstanding debts by 2010 (Mboga, 2009 and Murimi, 2010). A citizen participation process was introduced through the use of local Authority Service Delivery action plan (LASDAP) to improve service delivery performance accountability (Mboga, 2009). Despite the advantages of LASDAP process in encouraging participation, accountability and ownership of the local authority projects and programmes were limited by inadequate resources, capacity and knowledge needed in the participation process

4. County Governments and Decentralized Functions in Kenya

The Kenyan situation has now changed since the adoption of the Constitution of Kenya 2010. The Constitution of Kenya 2010 introduced a decentralized/devolved system governance with a devolved process meant among other things to address service delivery

matters. The Constitution provides for a devolved system comprising two levels government (national and county) with powers and resources to enable them provide services assigned. According to Article 185, the county governments have legislative powers enable them implement their functions and oversight role. The Fourth Schedule Article 186(1) Part 2 assigns 14 functions/services to be provided by the county governments. These include: agriculture, county health services, county transport, trade development and regulation, county planning and development, county public works and services. The Sixth Schedule Section 15(2) provide a phased out process as a conditional provision for the transfer of these functions to county governments. The Transition Authority (TA) established by the Transition to Devolved Government Act (2010) was empowered to facilitate and co-ordinate the transition to devolved government. The TA functions include: analyse and authorise the phased transfer of the functions; determine the resource requirements for each of the functions; develop a framework for the comprehensive and effective transfer of functions; facilitate the development of the budget for county governments.

The first authorised transfer of functions from the Fourth Schedule by TA was in February 2013 and included: two functions) livestock sale yards, county abattoirs/slaughter house) to the county governments. Eleven (11) other functions ware transferred in August 2013. (Wamwangi, 2013). The transfers of functions to county government by TA to county governments has an effect service on the financial resources required to implement service delivery functions. The Constitution has introduced new structures for implementing national and county functions. The county government's legislative authority enables it implements it's functions and play the oversight roles (Article, 185). County governments re required by Article 184(1) to decentralize and establish urban areas; their classification and management. The decentralized units include: cities, municipalities and towns whose establishment, governance, management and criteria for classifying are guided by the County Government Act, (2012) and provided for under the Urban Areas and Cities Act, (UACA) (2011)Close20. These decentralized units implement functions on behalf of the counties through cities and municipal Boards. The Boards' functions include among other things: overseeing the affairs of city or municipality, and implementation of functions delegated to them by the county government, to collect rates, tax levies, duties, fees and surcharges on fees (UACA ,2011 Closes14 (m)(n) .

5. Financing Local Authority Functions

Studies by UCLG, (2008) and Sierra, (2008) show that, despite the benefits of fiscal decentralization described above some sub national governments are not allocated adequate resources for the services they provide and responsibilities they perform. Other sub national governments have limited local taxing powers. According to Devas, (2005) and Delanoe, (2010), the situation of inadequate resources limits the financing of the sub national level of governments' public services functions. Financing of sub national government functions also varies from one country to another. In 2010 Morocco set aside 30% VAT and transferred it to local authorities while in Ghana local authorities received 7.5% of all national revenues (Delanoe, 2010). In the East African Region, local authorities (Las) in 2012 received different financial resources from their governments. Kenyan Las received 5% of the national income tax; those from Burundi received 15% of the government budget while Uganda's share to Las ranged between 20% and 26% of the national budget (UCLG, 2012).

6. Financing Local Authority Functions in Kenya: Historical Perspective

The challenges of financing the sub national authorities (local authorities) in Kenya werebased on the historical development of the country's reforms. At independence in 1963 Kenya had a devolved system of government with two houses of Parliament (National Assembly and Senate), a regional system of government, independent judiciary and a parliamentary system of government (Uraia and IRI 2012). According to Uraia the post-independence constitutional amendments (1963 and 1990) recentralized power in the executive and stifled democratic advancement by abolished the eight (8) regional governments and the Senate in 1964. In the years 1969, 1973 1978 and 1989 local authorities saw a gradual removal of their functions to central government ministries and departments (Mboga, 2009). The centralization of power was evidenced by a chronology of measures that weakened local authorities between 1969 -2007 (Memon, et al, 2008). Primary education, health services and road maintenance were transferred in 1969 from local authorities to central government; and the graduated personal tax (GPT) was removed from municipalities and in 1973.

Financial reforms were introduced in 1989 the introduction of service charge levied to business premises and employees in formal and informal sector (Mboga, 2009). The service charge was abolished and replaced by Local Authorities Transfer Fund Act (LATF) of 1998). LATF became a very important source of local authority revenue in Kenya. It provided the transfer of 5% of the national income tax contributed 36% of the total local authority revenues. The objectives of LATF were to: improve service delivery to the public; improve financial management and accountability and eliminate all outstanding debts by 2010. The overall amount outstanding has risen again from KShs 12.9 to Ksh.13.6 billion (Murimi, (2010). This situation means that local authorities did not meet the LATF objectives by the time of the adoption of the Constitution of Kenya in August 2010. The local authority debt has become an intergovernmental issue of which level of government (national or county) will take responsibility and address it.

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7. Financing County Government Functions in Kenya: Current Perspective

The Constitution of Kenya 2010 provides for a devolved system comprising two levels government (national and county) with powers and resources to enable them provide services assigned. The Constitutional basis for financing county government is the principleof devolved government provided for under Art.175 (b) which requires that'county governments shall have reliable sources of revenue to enable them to govern and deliver services effectively'. The criteria to be used in determining the equitable shares is descibed Article 203(1)(d)(j) and include: ensuring county governments are able to perform their assigned functions and to ensure that counties provide incentives to optmise their capacities to raise revenue. Article 202(1) provides that revenue raised nationally shall be shared equitably

among national and county governments. Additional conditional or unconditional allocations from the national government's share of the revenue to county government is provided for in Article 202(2). In line with Article 175(b) described above the Constitution that county governments are allocated an annual equitable share of at least 15% of all revenue collected by the national government (Article 203(2)).

Counties can access a share of the equalisation fund as a gran from the National government share (Article204(3)(b)) to address services like water, roads, health facilities ofmarginalised communities. The functions of county governments to be financed by the described mechanism are covered in section 3. Other sources of county finances include: Grants from both external agencies and local institutions; Loans from money and capital markets and from borrowing. Counties can borrow funds under Article 212 provides that the county government's assembly approves the loan and that the national government guarantees it. The institutions that are directly concerned with the processes of financing county governments include: The commission of revenue allocation (CRA); Parliament (National Assembly and Senate, the Controller of Budget and the counties themselves. The commission of revenue allocation (CRA) was established under Article 215.

Its functions as described in Article 216 include: making recommendations concerning the basis for the equitable sharing of revenue between the national and county governments; and among the county governments. CRA is required to develop a criteria for sharing of revenue and make recommendations to Parliament on a Bill dealing for consideration and voting (Article 205 (2)).Table 2 illustrates the criteria used by CRA in proposing the financial allocation to county governments for the financial year (FY), 2013/2014. Table 3 illustrates the CRA's proposed allocation to the counties of Kilifi, Kwale and Mombasabased on the criteria used in table 4.The financial role of the National Assembly include: making legislation and determining the allocation of national revenue between the levels of government (Article 95(4(a)). The Senate represents the counties, makes legislation; determines the allocation of national revenue among counties, and exercises oversight over national revenue allocated to the county governments (Article 96). Office of Controller of Budget (OCOB) was established under Article 228 to oversee the implementation of budgets of both National and County Governments, authorize withdrawals from public funds and report on budget implementation every four months. The Controller of Budget authorized exchequer in the first quarter of FY 2013/14 to issues of Kshs. 18.7 billion from the County Revenue Funds to County Operational Accounts (OCOB, 2013).

	Parameter weight	%	Ksh.
1	Population	45	103,999,950,000
2	Equal share	25	57,777,750,000
3	Level of poverty	20	46,222,200,000
4	Land area	8	18,488,880,000
5	Fiscal responsibility	2	4,622,220,000
		100	231,111,000,000

Table 2: CRA's financial parameters for sharing revenue among CGs- FY 2013/2014
Source: Adopted CRA's recommendations on sharing of revenue for FY 2013/2014.

County	Population	Population %(45)	Poverty (20%)	Land Area (8%)	Basic Equal share (25%)	Fiscal Responsibility (2%)	Total Revenue Share (100%)
Kilifi	1,109,735	2,989	1,942	362	1,229	98	6,620
Kwale	649,931	1,751	1,245	237	1,229	98	4,560
Mombasa	939,370	2,530	600	166	1229	98	4,623

Table 3: Revenue recommended by CRA to Kilifi, Kwale and Mombasa Counties for FY 2013/2014 -Kshs. Millions
Source: Adopted CRA's recommendations on sharing of revenue for FY 2013/2014

County governments are required by Article 207 of the Constitution to establish a Revenue Fund which will receive all money raised or received by or on behalf of the county governments. Such monies can only be withdrawn from the fund as a charge authorised by county legislation and approval from the Controller of Budget. The Constitution provides counties with powers to impose taxes and charges under Article 209(3) and (4). The powers include: property rates; entertainment taxes and charges for the services they provide. Counties total budgets to finance their expenditure for the FY 2013/2014, was Kshs. 277.4 billion comprising Kshs. 210 billion (Kshs. 190 billion and conditional grant of Kshs. 20 Billion) grant through County Allocation of Revenue Act, 2013, and Kshs. 67.4 billion to be generated from local revenue sources (OBOB, 2013). The total revenue available for the same period was Kshs. 40.4 billion. This comprised of Kshs. 32.9 billion (shareable revenue); Kshs.4.3 billion (locally collected revenue) and Kshs. 3.2 billion as balance brought forward from the previous year ((OCOB, 2013). According to OCOB report the total locally collected revenues were a mere Ks.4.4 billion compared to the projected Ksh.67.4 billion. Reasons given included unrealistic revenue projections, delay in passing County Finance Bill and introduction of new revenue measures. Analysis of the opportunities and challenges of financing county government functions, requires consideration of other factors including the decentralized functions/services provided by the sub national governments

8. Conceptual Framework on Financing County Government Functions in Kenya

The conceptual framework on financing County government functions in Kenya is guided and based on the Constitution of Kenya 2010 and relevant legislations. The institutions established to guide financing the National and county governments include the national Parliament (National Assembly and Senate). The National Assembly under Article 95(4)(a) provides for determination of the allocation of national revenue between the levels of government while the Senate (Article 96(3)) determines the allocation of national revenue among counties. The commission for revenue allocation (CRA) under Article 216 makes recommendations the equitable sharing of revenue among county governments. The office of the controller of budget (OCOB) has a responsibility under Article 228 to oversee the implementation of budgets of the County Governments and to authorize withdrawals from public funds to them. The County Assembly under Article 185 makes laws, exercise oversight over the county executive committee; receives and approves plans and policies including those that exploit the county's resources. County has finance controls to safeguard the resource misuse. These include internal audit and the express approval by the Controller of Budget before counties can withdraw funds from the Revenue Fund.

The roles of these institutions may affect the financing of county functions either negatively or positively depending on the crafting and implementation of the different roles. The other factor that need to be considered in putting mechanisms for effectively financing county governments include: human resources available; appropriate assignment of functions and political goodwill. The relationship and interaction among all these factors some of which are shown in the figure 1 determine the extent of the successful financing of county government functions at the county government level in Kenya. The figure shows that the roles by Parliament (legislation and revenue allocation); CRA (proposed revenue share); OCOB (budget control) and CGs (budgeting and raising local revenue) individually and collectively influence the amounts allocated and received to finance county government functions .These roles and the challenges described by Wanjiru (2015) as institutional, governance and political need to be taken into consideration for successful financing of county government functions.

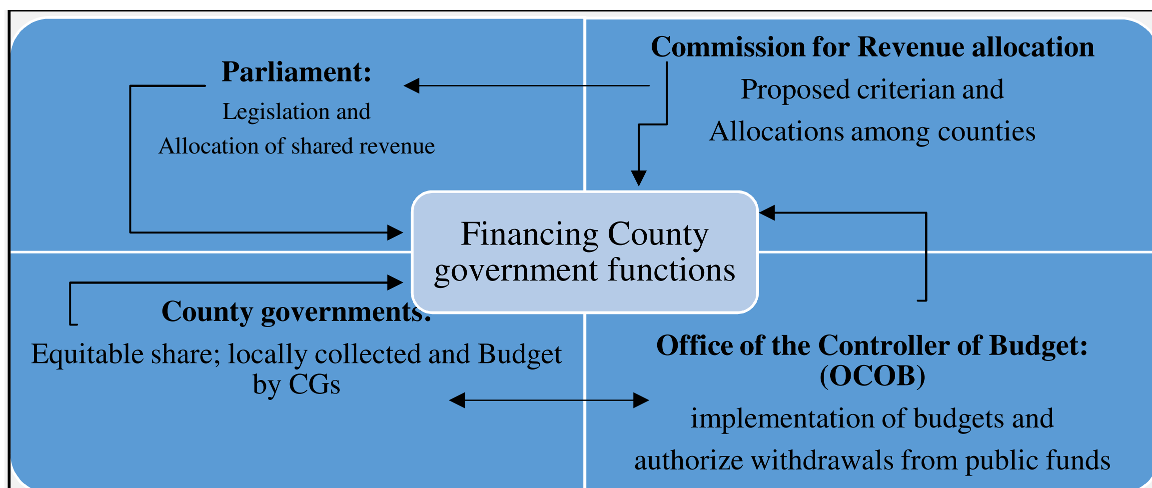

Figure 1: Conceptual framework on financing County government functions in Kenya
Source: Adapted from Exhibit C1.1 conceptual model (Blumberg, 2011) and figure 16.2, Bryman and Bell (2011).

9. The Challenges of financing County Government functions in Kenya

Challenges of financing the county functions include among other factors the accumulating mistrust between the national and county government based on what counties call piecemeal transfer of functions from the national government (Laibuta, 2013). The advocate of the piecemeal transfer of functions argue of lack the capacity by counties to absorb all such powers within such a short term and make reference to Sixth Schedule section 15(1) which provide for a or phased out transfer of functions It is argued that there is the lack of trained and experienced legislative drafters, fiscal and economic planning experts to adequately cater for the 47 counties (Laibuta, 2013). The Counties and other stakeholders argue for immediate transfer of functions on the basis that the period for the phased out transfer was three years from the date of elections and this has expired. They also argue that CoK, 2010 Article 190(1) and County Governments Act 2012 Close 121(1) required that county governments have adequate support to enable them to perform their functions. They refer to the fact that Transition Authority had the responsibility of ensuring counties have adequate capacity during the transition period enable them undertake their assigned functions (TDGA Close 7(2) (k)(j)). They see as a failure by the national government and hence cannot be a problem of the counties. The issue of revenue allocation has created some dispute with counties demanding an increased national share allocations with figures ranging from 35-45% of the revenue raised nationally.

There is also the challenge of implementing these legislation, procedures and mechanisms for financing the counties including allocation and approval of the funds in relation to the roles played by CRA, Parliament and the Controller of Budget and county assemblies. There are issues concerning the ability of the County Governments to meet their local revenue targets which may lead to budget deficits and hence affect the implementation of planned activities and programmes. Wanjiru (2014) identifies governance challenges of local revenue mobilization to include: lack of political goodwill caused by the delay of passing finance bills and poor revenue targeting by county governments; poor preparations and engagement with stakeholders and general lack of information on

revenue streams. One challenge observed is the establishment of the cities, Municipalities and towns including assigning them with the delegation functions of Collection of rates, tax levies, duties, fees and surcharges on fees as described in (UACA ,2011 Closes14 (m)(n). Currently only a few counties have established these cities, municipalities and towns as required. The Act is also under review on the area criteria for the classification of the urban areas and cities.

10. Opportunities and of Financing County Government Functions in Kenya

The opportunities available to counties are based on a number of factors including the presence of Constitutional and legislative provisions providing opportunities for counties to receive financial resources from the nationally raised revenue for their assigned functions (Articles 202 and 203). There are also institutions (CRA, Parliament, OCOB, Transition Authority) established to ensure adequate assignment of financial resources; control of budgets; assignment of functions and development of county capacities to implement assigned functions. Other opportunities include counties having legislative powers to raise local revenues by imposing taxes and charges (Article 209(3); borrowing (Article 212) and County Appropriation Bills (Article 224). The taxes and charges referred to in Article 209(3) include: property tax entertainment taxes and any other taxes authorised by national legislation. These provisions enable counties to mobilise local revenues to that may be used on what Wanjiru (2014) calls leveraging against the development financing.

The other advantage for counties to mobilise revenue is the preparation of budgets and County Fiscal Strategy Paper (CFSP) used to set budget expenditure and revenue targets (Wanjiru, 2014). One other opportunity for counties to mobilise financing for assigned functions is to improve collection of the revenue streams. These according to Wanjiru (2014) include: Single business permits; land rates; service fees; royalties, national park fees where applicable. Investments can be used in sub national governments to raise long term financing of assigned functions. The issue of sub national authorities not exploiting revenue opportunities is wide spread. Establishment of the cities, municipalities and their Boards with delegated functions of overseeing the affairs of city or municipality, and implementation of functions delegated to them by the county government, to collect rates, tax levies, duties, fees and surcharges on fees will assist in improving county revenue collection.

11. Recommendations

The forgoing account illustrates the opportunities and challenges posed by the process of financing county governments' functions in line with the Constitution of Kenya 2010. In addressing issues related to both financial opportunities and concerns; counties will require rethinking of their sources of funds, resources mobilisation strategies and the process of budgeting. They will need to carryout institutional, administrative and capacity assessment and establish mechanisms to address identified gaps. Resources mobilisations strategies for counties may include the areas identified below.

11.1. Outsourcing through Taxation Administration Services Approach.

Studies show that outsourcing revenue collection improves revenue of sub national authorities. A study in Peru showed that some local authorities used semi-autonomous tax agencies referred to as Taxation Administration Services (TAS) to collect and administer local taxes and fees. Those local authorities improved their revenue by 13.4% more effectively than those using conventional tax administrations (Haldenwang, 2008). TAS addresses the issues of local government's lack of potential internal revenue generation, fiscal accountability and legitimacy through strengthening the effectiveness, efficiency and legitimacy of decentralized tax systems.

11.2. Outsourcing through Existing Institutions in Kenya

Counties can upscale revenue collection by appointing collectors and decentralizing the revenue collection to sub county authorities. The proposed institutions include: The Kenya Revenue Authority (KRA) and Cities, Municipalities and towns. Counties can sub contracted KRA (a national government authority in the spirit of intergovernmental relations) to collect land rates for them. KRA has a capacity and nationwide coverage to collect the rates. The cities, municipalities, towns can be assigned revenue collection responsibilities. The Cities and Municipal Boards' delegated functions include collecting rates, tax levies, duties, fees (UACA, 2011 Closes 14(m) (n)). Counties can take this opportunity to assign the Urban Sub counties specific financial duties since most county revenue is raised from the urban centres.

11.3. Mapping out Revenue Sources Using Geographical Information Systems (GIS)

Mapping out revenue sources can be done using Geographical information systems to ascertain the potential of revenue base for each county and establish strategies to mobilize the revenue.

11.4. Tourism and Wildlife Reserves Fees and Charges

A study by Cheung, (2012) asserts that Kenya's national park tourism has economic benefits including a share of 25% park fees allocated to local authorities as land use rights. According to the study this percentage in the year 2010 amounted to Ksh. 676,563,750. The Constitution of Kenya 2010 has specifically assigned to County government the function of trade development and regulation which includes fair trading practices and local tourism (Article 186(1), Fourth Schedule Part 2(section 7)). Counties can now establish framework for raising revenue from local tourism

11.5. Use of KRA to Facilitate County Revenue Collection

KRA can be used to collect revenue for county governments. It has been reported in the media The Standard newspaper (25th November 2015) reported the consultations between Kenya Revenue Authority (KRA) and counties on the possibility that KRA is appointed on the agency services basis to collect revenue for county governments. The initiative to boost county revenue collection has been reported to the Senate by the KRA Commissioner Domestic Taxes. The strategy will involve the development of an implementation framework and MoUs with willing county governments.

11.6. Use of Improved IFMIS and LAIFOMS Systems

The integrated financial management information system (IFMIS) introduced by the ministry of finance has its strength inbudgeting process; payment process; human resources management; payroll and procurement systems. The programme is an importnat tool to be used for financial transactions at county government level and more so at the national government level. The local authority integrated financial and operations management system (LAIFOMS) is another important tool. It aims at improving the efficiency and accountability in local authorities. It focuses on budget preparation and monitoring; financial; revenue and expenditure management. The strength of LAIFOMS is that it captures aspects of fees and charges that IFMIS does not. It is recommended that the two systems (IFMIS and (LAIFOMS) are synchronized and adapted for county revenue collection. It is also recommended that the automation of revenue collection be institutionalized for all those counties which have not done so.

11.7. Other Recommendations for Revenue Mobilization

The literature sites a number of proposals and initiatives that can be established to mobilize finance for local/ sub national government authorities exemplified by (Memon et al, (2008); Mboga, (2009); UCLG, (2010); Smoke, 2013); World Bank, (2013); Wanjiru,(2014) and other studies. The recommendations are applicable to the Kenyan county governments situation and include:

a) A clear assignment of income and expenditure responsibilities for the local government sector, adequate funding of all mandates and reduction or elimination of national control of local government budgets;
b) A clear assignment of exclusive and concurrent functions of local governments to increase the clarity required for planning implementation and accountability;
c) Ensure that appointment and deployment of human resources and capacity building programmes reflect the staffing needs required to execute the assigned functions;
d) Establishing mechanisms for local revenue generation and increase reliance on own revenues by strengthening the link between benefits and costs of local services;
e) Introduce reforms to modernize property tax and local tax collection administration responsibilities including diversifying local tax base to increase freedom to raise fees and user charges;
f) Establish appropriate and review intergovernmental transfers systems and revenue sharing and allocation mechanisms that include: vertical sharing of revenues between national and sub national authorities that reflect ; transfer design; grants and access to credit;
g) Establish consultation and collaboration programmes among levels of government and other actors to strengthen local finance systems advance;

12. Conclusion

In conclusion it is the view of this paper that equitable and adequate financing of county government should be based on the principle of ‘funds must follow and match functions’ in line with the Constitution of Kenya 2010 Article 187(2)(a). The Article provides that if a function is assigned to a level of government resources necessary for the performance of that function should also be assigned. The main purposes of financing county functions include: participatory development; empowering communities; effective service delivery; vibrant local economies; wealth creation and employment generation and improved livelihoods. The sources of financial finances for county governments include: equitable share of national revenues, own revenues; conditional and unconditional allocation, loans and grants. Successful financing mechanism of county governments anysub national authority requires that skilledhuman resources should follow functions. It is further recommended that a review of the roles of institutions that play a critical roles in the process of financing county government functions like the Commission of revenue allocation (CRA); the Office of the Controller of budget (OCOB); the Transition Authority (TA).

The review will clarify the roles to identify the lessons learned in the implementation of the financing mechanisms propose remedies for gaps and address the concerns frequently raised by stakeholders. Some of concerns raised are: inadequate county allocations from the revenue raised nationally; not appropriate criteria rations of sharing the allocated resources among county governments and the delay in providing approval for budget withdrawals. The review deliberations should be forwarded to National Assembly, the Senate and the County Assemblies to revise relevant legislation. It is recommended that relevant institutions make financial policies in line with the legislation and focusing on costing decentralized functions and realist budgets based on citizen’s needs; human skills and capacities needed to implement the functions and economic aspects of the counties and nation.Determine appropriate role ininfrastructure financing; promote local and international county borrowing mechanisms through the developing and strengthening legal and regulatory frameworks for county government borrowing. Establishment a focussed intergovernmental relations framework to create a regular and systematic dialogue between county governments and the central government on financial policy matters. Such forum will deliberate on the challenges and opportunities of financing sub national government in order to address livelihood issues of citizen.

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