



ASSESSMENT OF TURKANA COUNTY PROPERTY TAX





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EXECUTIVE SUMMARY

Turkana County government relies heavily on the equitable share of revenue allocated by the National government. Own Source Revenue (OSR) from Turkana County finances is between 1 and 2 per cent which is an indication that the county depends heavily on National government revenue. Analysis for FY2013/14 to FY2018/19 shows that Turkana County OSR is below the national average of 7.7 per cent. For instance, the revenue potential from property tax in Turkana County is yet to be fully exploited for the benefit of Turkana County residents.

In order that Turkana County government benefits from the land related revenue streams, it must put in place suitable property tax legislative framework, develop technical and administrative capacity and ensure a well-established revenue collection and enforcement mechanism that sets clear guidelines and has support from the County top leadership.

In addition, the County leadership needs to ensure political commitment by providing enough resources for land related tax administration. A well-established framework for engagement with key stakeholders by creating awareness, ensuring equity, fairness and efficiency in provision of services is a step in creating voluntary compliance among the property tax paying residents of Turkana County.

The assessment identified the following gaps and has provided recommendations for each gap identified. These gaps are:

- » Lack of a land related revenue primary legislation
- » Lack of operational guidelines guiding land related revenue administration.
- » Lack of a land related revenue performance framework
- » Weak revenue administration structure
- » Inadequate revenue collection skills
- » Lack of a stakeholder engagement framework specific to land related revenue
- » Inadequate interdepartmental collaboration and coordination
- » Intergovernmental disputes on land related revenue streams collections.
- » Poor storage of land registry
- » Poor road infrastructure
- » Outdated valuation rolls

Recommendations are provided for each gap identified in the document.

1.1 INTRODUCTION

The Constitution of Kenya 2010 established devolved units of governance and envisages the ability of County governments to effectively manage their own resources. Own Source Revenue is governed by National legislations such as the County government Act 2012 and the Public Finance Management Act 2012. Further, there is a National policy on own source revenue which guides the revenue administration at the county level. According to the National policy (2018), County Government own source revenue accounts for 14 percent of total receipts. The policy describes this contribution as small and attributes the county governments' over-reliance on equitable share to this fact.

The county government has the power to collect property taxes and can determine their own tax bases, property rates and fees to be charged for various other services that are related to property. Turkana County government is yet to enact a rating and valuation Act which would specify the details of administering property taxes. The County still relies on legislation as prescribed by the defunct local authorities.

Turkana County is the second largest county covering an average 77,000 square kilometers in area which comprise of 64,782.3 square kilometers of land and 6,805.5 kilometers of water. The population of the county is estimated at slightly over 1 million people. The largest towns in the County are Lodwar which hosts the County headquarters, Kakuma, Lokichogio and Lokichar. The County has a total of six constituencies which are Loima, Turkana Central, Turkana East, Turkana North, Turkana South and Turkana West constituencies. In Turkana County the relevant ministry concerned with land matters is the Ministry of Lands, Survey, Housing Physical planning and Urban Area Management and has the mandate to among others.

The Commission on Revenue allocation has a mandate to assist counties increase their capacity to effectively manage their resources. To this end, the Commission on Revenue Allocation (CRA) engaged the Kenya School of Revenue Administration (KESRA) to review the existing Turkana county Own Source Revenue Collection and Administration framework for land related revenues.

The consultancy assignment which is funded by the United Nations Development Program (Client) aims at strengthening the capacity of Turkana County Government to manage its Own Source Revenue from land related revenues.

The Specific objectives are:

1. Reviewing the existing Turkana county Own Source Revenue Collection and Administration framework for land related revenues,
2. Identifying the existing gaps that hinder effective collection and administration of the land related own source revenues,
3. Recommend suitable measures that can help improve efficiency in collection of Turkana county land related own source revenue.
4. Build capacity for the Turkana County executive and assembly members on land related own source revenue collection mechanisms.

Figure 2 shows the proportion of OSR to National allocation for last six years. In FY 2013-14 and FY 2014-15 the OSR of Isiolo funded 5 per cent of the county budget. The proportion of financing dropped in 2015/16 to 3 per cent and remained constant. Isiolo County financing of its budget is still below the national average of 7.7 per cent and below the middle-income countries threshold of 21 per cent

1.2 Land Legislative Framework in Kenya

The Constitution of Kenya 2010 provides the legal framework governing land into three Laws namely;

- The land Act 2012, which consolidates various land laws that existed before the promulgation of the constitution of Kenya 2010, providing for the sustainable administration and management of land and land based resources'
- The land registration Act 2012, which revises, consolidates and rationalizes the registration of titles to land, regulates dealing in registered land and gives effect to the principles and objects of devolved government in land registration.
- The National land commission Act 2012, which makes provisions for the functioning of the National Land Commission (NLC) and introduces necessary qualifications and procedures for appointment to the commission. It gives effect to the objects and principles of devolved governance in land management and administration. It also establishes county land management boards to manage public lands.

There are two main types of land tenure recognized in Kenya as Freehold which gives absolute ownership to the holder and Leasehold tenure which does not give absolute ownership, usually subject to payment of rent to the lessor. In Kenya, the common property tax related to land is land rent which is charged by the National government on leasehold land and Land rates which comprise local taxes levied on the value of land by the relevant County governments.

1.3 Turkana County Property Tax Administrative Structure

Turkana County property tax administration comprise the Governor, deputy governor, the county executive committee, the county assembly together with the County public service board.

Turkana County Government department of Lands, Survey, Housing Physical planning and Urban Area Management has the mandate to handle land related matters in Turkana County. The department is headed by the CEC lands and has a mandate to;

- Develop spatial plans that will provide a framework to guide, coordinate development activities and management of all urban/ towns within the county.
- Plan for, provide and manage urban infrastructure & services.
- Provide Planning and Survey services.
- Facilitate land ownership rights.
- Establish a modern Land registry.
- Formulate the County's Land Policies and Regulations for effective land governance.
- Promote public participation and inclusiveness on Land management & Governance.

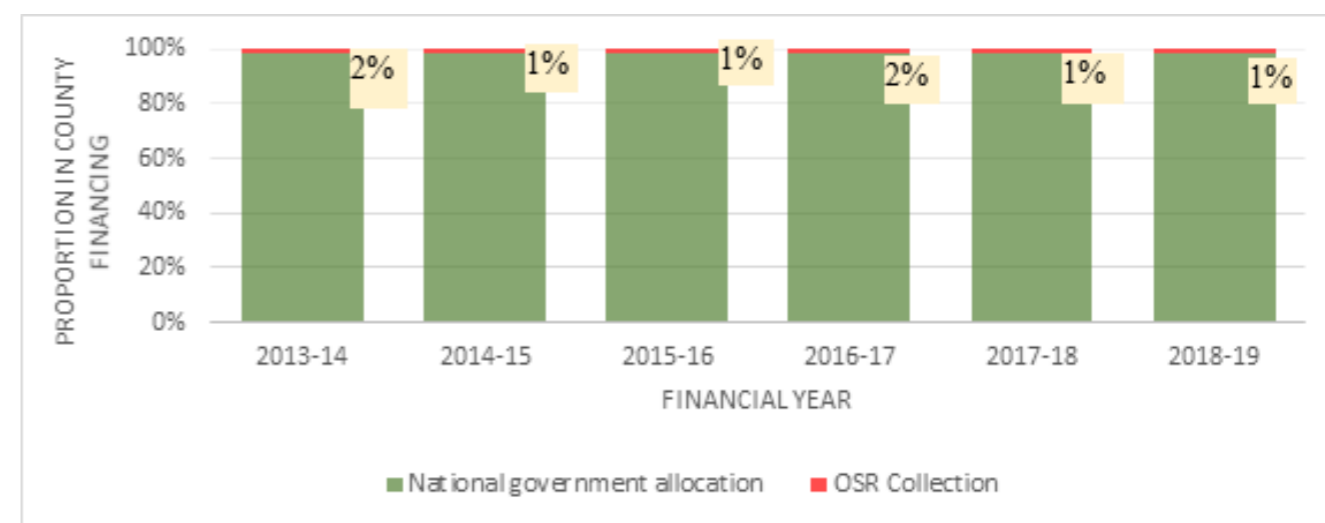
2.0 METHODOLOGY

The KESRA team visited Turkana County between 18th and 22nd of November 2019 and conducted a situational analysis of the Turkana county own source revenue collection and enforcement framework for land related revenues. A series of meetings were held between the consultant and the County administration officers that included the CEC Finance, Lands registry officers at the Turkana County headquarters in Lodwar town. Field visits were done for Kalokol, Kakuma and Lokichogio towns.

3.0 REVENUE PERFORMANCE FROM OWN SOURCE REVENUE STREAMS

Figure 1 shows the Turkana own source revenue (OSR) for FY2013/14 to FY2018/19. OSR financed is between 1 and 2 per cent an indication that the county depends heavily on National government revenue. For all the six years, Turkana County had been financing below the national average of 7.7 per cent, and still below the middle-income countries threshold of 21 per cent.

Figure 1: Turkana County own source financing as a proportion to National government allocation



4.0 SITUATIONAL ANALYSIS OF LAND RELATED REVENUE STREAM

Turkana County Government has the following land related own source revenue streams;

- Fees on Land surveys
- Plan approvals
- Barrow picks
- Land leases
- Extension of user
- Land/Plot disputes resolution
- Plot transfers
- Certificate of compliance
- Subdivision of land
- Fees on allotment letters
- Plot rent
- Registration of schools
- Exhauster services
- Land registration

An analysis done on the existing framework of collection and administration of revenue from the above sources revealed the following;

1. Lack of a land related revenue primary legislation
2. Lack of operational guidelines guiding land related revenue administration.
3. Lack of a land related revenue performance framework
4. Weak revenue administration structure
5. Inadequate revenue collection skills
6. Lack of a stakeholder engagement framework specific to land related revenue

7. Inadequate interdepartmental collaboration and coordination
8. Intergovernmental disputes on land related revenue streams collections.
9. Poor storage of land registry
10. Poor road infrastructure
11. Outdated valuation rolls

4.1 Lack of land related revenue primary legislation

There was non-existence of primary legislation guiding revenue administration of all the specific land related revenue streams assessed.

4.2 Lack of operational guidelines guiding land related revenue administration

Collection and enforcement of land related revenues for Turkana County government is done by the county lands officers who do not report to revenue department within the CEC finance docket.

4.3 Lack of a land related revenue performance framework

There is non-existence of a revenue target setting framework in the land related revenue stream.

4.4 Weak revenue administration structure

Multiple accounting units exist in the collection of land related revenue. Land department officials are not reporting directly to the head of the department who is the CEC land and instead report to the CEC finance. This creates disintegration in command and direction in terms of control, coordination and reporting. There are conflicts arising from overlapping roles and responsibilities.

4.5 Inadequate revenue collection skills

Department of lands officials include: physical planners, surveyors, and valuation officers. The land department officials although collecting land related revenue lack the capacity to effectively enforce revenue collection.

4.6 Lack of a stakeholder engagement framework specific to land related revenue

There was positive response from the few local payers interviewed across the towns of Kalokol, Kakuma, Lokichogio and Lodwar who were happy with the development projects initiated by the County Government.

Turkana County government however lacks a framework for engagement with the key stakeholders and potential revenue payers.

4.7 Inadequate interdepartmental collaboration and coordination

Land related revenue collection is not designated to a specific department instead it is a joint effort between land and finance department. Although joint the revenue collection is not coordinated and each department has specific revenue officers collecting land related revenues.

4.8 Intergovernmental disputes on land related revenue streams collections

The county government could not enforce collection of sand cess from corporates who cited exemption provisions granted by the national government contracts.

4.9 Poor storage of land registry

The Turkana County government lands records were damaged by the heavy rains that submerged the County lands office that houses the registry where records are kept. Additionally during the transition land records were not properly transferred to the county government. It is noted that land records at the county land department were manual.

4.10 Poor road infrastructure

Poor road network hampers access to other town from the county headquarters hindering land related revenue collection. The problem of limited revenue collection is further exacerbated by perennial floods during heavy rains. The other town include: Kakuma, Lokichogio, and Kalokol.

4.11 Lack of Updated Valuation Rolls

The team observed that Turkana County Government had an out dated valuation roll. The cost of updating the land register is high both technical and financially.

5.0 CONCLUSION

Analysis of the land related revenue streams reveals among others that the County government of Turkana lacks a suitable legislative framework; has poor technical and administrative capacity; has a weak collection and enforcement system and lacks infrastructure that can support efficient and effective collection of land related revenues. There also exists potential conflict between the County government and the National government on issues regarding enforcement of some land related revenues, making it difficult for the county government to realize the full potential of revenue from property tax.

In order that Turkana County government benefits from the land related revenue streams, it must put in place suitable property tax legislative framework, develop technical and administrative capacity and ensure a well-established revenue collection and enforcement mechanism that sets clear guidelines and has support from the County top leadership.

The County Government of Turkana needs to leverage on the prevailing goodwill among the local lands revenue payers who have expressed satisfaction with the projects already undertaken to forge a common front towards increasing voluntary compliance.

6.0 RECOMMENDATIONS

6.1 Primary legislation

Enactment of suitable land related legislation e.g. the valuation and rating Act, to enable successful collection and enforcement effort on land related County revenues.

6.2 Operational guidelines guiding land related revenue administration

Develop a well-defined collection and enforcement mechanism for land related revenues with clear regulations and documented procedures that are easily understood by both the Turkana County staff and the revenue payers.

6.3 Land related revenue performance framework

The county needs to develop a framework for setting revenue targets which is the revenue monitoring and evaluation framework to be informed by previous years' revenue performance, socio-economic and political environment. The targets should also be matched with adequate facilitation to achieve them. The framework will measure performance and enable effective resources allocation.

6.4 Revenue administration structure

Conduct staff rationalization to ensure the roles and job descriptions of lands officials as well as finance staff who deal with land related revenues are clear. Consolidate the various existing accounts for revenue collection. Provide County lands related revenue enforcement and collection officers with enough resources for effective property tax administration.

6.5 Revenue collection skills

Develop a sustainable capacity building program for lands related revenue enforcement and collection officers.

6.6 Stakeholder engagement framework

Develop a framework of engagement with key stakeholders to create more awareness about land related revenue streams and the available services offered by the County government to encourage voluntary compliance with administration and enforcement of revenue laws and regulations.

6.7 Interdepartmental collaboration and coordination

Build synergy between County Ministries of lands and finance to enable effective collection of the lands related revenues in Turkana County.

6.8 Intergovernmental disputes resolution mechanism

Develop a framework of engagement with the National government to address potential conflicts that arise out of competing interests between Turkana County and the National government.

6.9 Proper land registry storage

Consider fully automating land registry storage and revenue collection function.

6.10 Road infrastructure

Invest in poor infrastructure development for regions within the County that have land related revenue potential like the beaches in order to attract more investors and hence increase revenue from property in those areas.

6.11 Updated valuation rolls

Update the County valuation rolls. Develop a framework for regular surveys, identification and registration of property owners to ensure that the record for property payers is updated.

ANNEX

Figure I and II below show the position of Turkana County on the Kenyan map together with the neighboring Counties and Nations.

Figure I: Turkana County location on the Kenyan map.



Figure II: Turkana County map and the neighborhood.

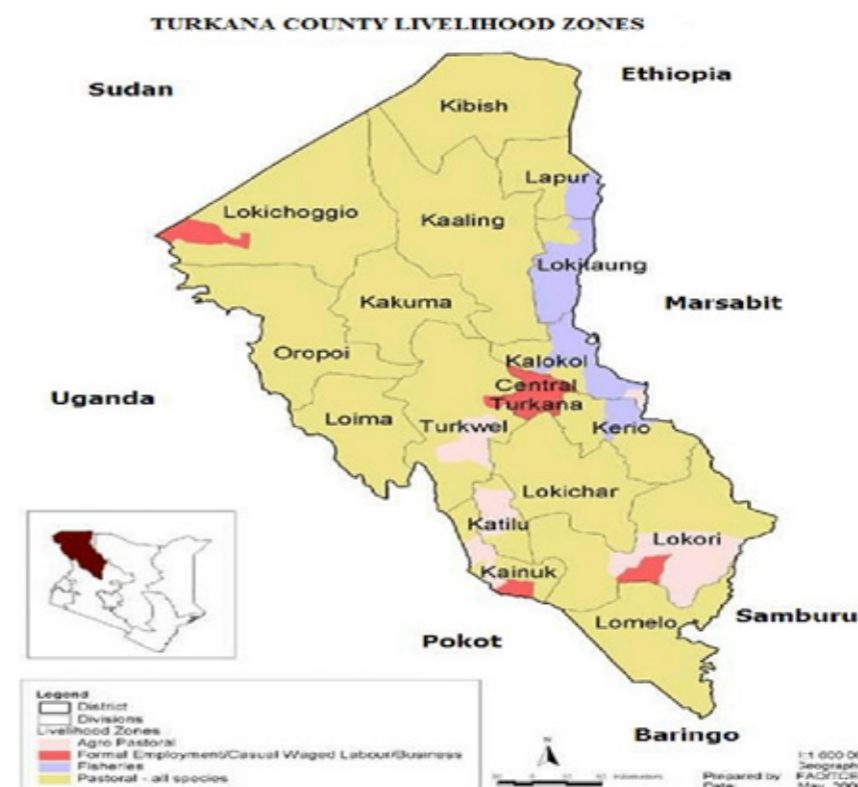




Figure III: Turkana County Treasury Offices



Figure v: Dried fish being packaged in preparation for sale and transportation.



Figure IV: Packed bales of dried fish for sale and transportation.



Kenya School of Revenue Administration,
Times Tower 8th Floor,
P.O. Box 48240 – 00100, Nairobi,
Tel : 0709 017179, 0709 013161/3163
Email: kesra@kra.go.ke

KESRA Centre,
Westlands, off Waiyaki Way,
P.O. Box 30332 – 00100, Nairobi
Tel: 0709 752 727 / 0715 877 539
Email: kesra@kra.go.ke

Kenya School of Revenue Administration,
Nyali Road Mombasa,
P.O. Box 95707 – 00100, Mombasa
Tel : 0736 424 200
Email: kesra@kra.go.ke



Kenya School of Revenue Administration (KESRA)



Kenya School of Revenue Administration



@KESRA_KRA