Paying for Automation, Not for Revenue: The Need to Fix County Revenue System Contracts

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Summary

Many Kenyan counties pay private vendors 4 to 15 per cent of every shilling they collect, whether or not own-source revenue rises or the collection mechanisms change. On 27 July 2026, the Commission on Revenue Allocation (CRA) gazetted binding standards for county revenue systems through Gazette Notice No. 11488. The standards require every county, at a bare minimum, to assess its collection system and contracts, own the data, and report on compliance each quarter. They leave out one salient feature: what counties pay.

This brief argues that counties should use the new standards to do three critical things:

1. Review every revenue-system contract for value for money.
2. Move from commission on gross collections to fees tied to documented and verified gains in revenue.
3. Invest in revenue staff alongside technology. My 2024 study of six counties found that collector competence alone explains about 27 per cent of the variation in whether counties hit their revenue targets.

The problem: paying for the channel, not the gain

According to the Auditor-General's findings, as reported by the Nation (8 July 2026), counties have paid revenue-system vendors up to 15 per cent of total collections while key revenue streams were still collected manually. About 70 per cent of counties signed commission-based contracts. Rates reported for 33 counties range from 4 to 15 per cent per transaction, plus setup fees (Nation, 9 October 2026).

County	Reported vendor commission
Turkana	5%, then 10%, then 15% over the first three years
Nairobi	6.2%
Trans Nzoia	5.2%
Nakuru	4.3%

Source: Nation, 9 October 2026.

A commission on gross collections pays the vendor for every shilling that passes through the system, including revenue the county would have collected anyway. For illustration only: a county collecting Sh1 billion a year from land and property taxes at 5 per cent pays Sh50 million, whether or not collections rose after the system went live.

The cost is not matched by results. Counties achieved only 65.9 per cent of their own-source revenue targets in 2022/23, a shortfall of Sh19.56 billion, the most recent year cited in the

Nation's report of 9 October 2026. In July 2026, Nandi Senator Samson Cherargei asked the Senate Finance and Budget Committee to report, for all 47 counties, on:

- what the systems cost;
- whether they are integrated with IFMIS;
- whether they increased revenue collected; and
- whether they were procured lawfully.

Source: People Daily, 17 July 2026.

What the evidence shows: systems do not collect revenue, people do

My 2024 study covered six county governments: 280 sampled staff, 240 usable responses. It found that the competence of revenue collectors alone explains 27.2 per cent of the variation in whether a county meets its own-source revenue targets. Together, the four dimensions studied (competence of revenue collectors, stakeholder engagement, regulatory compliance and revenue management) explain 53.9 per cent of the variance in OSR target achievement ($R = 0.734$, $R^2 = 0.539$, $F = 68.1$, $p < 0.001$) (Kirer et al., 2024). Automation significantly changed only the effect of stakeholder engagement; it did not significantly change the effect of competence, compliance or revenue management.

This matters for automation contracts. A system that records and reconciles payments is necessary, but it does not register new payers, enforce compliance or update a valuation roll. Trained and empowered staff do that. A contract that pays the vendor a share of gross collections rewards the payment channel while disregarding these other factors. The county pays more as collections grow, even when the growth came from its own officers' enforcement work and institutional administrative arrangements.

The study did not examine vendor fees. It shows that a large share of revenue performance depends on people, so automation spending should not crowd out investment in revenue staff.

What Gazette Notice No. 11488 changes, and what it leaves open

The CRA Standards and Guidelines on the Automation of County Own Source Revenue, 2026, took effect on publication on 27 July 2026 (CRA). They give counties, for the first time, a binding yardstick for their systems and contracts.

The standards require	What it means for vendor contracts
County ownership of the platform, infrastructure and revenue data	A vendor cannot hold the county's data hostage at renewal
Source-code escrow, knowledge transfer, data portability, exit and handover clauses	Existing contracts without these must be amended
Interoperability with IFMIS and national registries	Closed, proprietary systems fall short
Assessment of existing systems, contracts and data governance	Every county must review what it signed

The standards require	What it means for vendor contracts
Quarterly compliance reports to CRA and the National Treasury	Assemblies and the Senate get a regular evidence base on systems in use
Annual Auditor-General audit of system controls and compliance	Weak contracts will surface in audit reports
A 90-day remediation period after a compliance notice	Non-compliance has a clock and can be escalated to the Intergovernmental Budget and Economic Council

What the standards leave open:

- They say nothing about fees or commissions paid to vendors, so the most expensive term in most contracts is untouched.
- They set no deadline for counties to bring existing systems into compliance, so sanctions for non-compliance cannot easily be enforced.
- The status of the National Treasury's proposed Integrated County Revenue Management System regulations is unresolved. Senators opposed a single centralised system in 2025 (Daily Nation, 27 August 2025).

Recommendations

The standards give every stakeholder a reason to act now, before the 2027/28 budget is finalised.

County Treasuries

1. Run a compliance and value-for-money review of the revenue system against the requirements of Gazette Notice No. 11488. Cover every contract clause on fees, data, escrow and exit.
2. Calculate the cost per shilling collected, and compare collections before and after the system went live.
3. Renegotiate toward a fixed service fee, plus an incentive paid only on collections above an audited baseline, with a cap. Stop paying commission on revenue the county already collected and would collect even without the system.
4. Budget for training revenue collectors and enforcement staff alongside system costs, and require vendors, through the contract, to meet the cost of training county staff to run the system.

County Assemblies

5. Require the quarterly CRA compliance reports to be tabled before the Budget and Appropriations Committee. Ask for the total cost of collection in each report.

The Commission on Revenue Allocation

6. Issue a supplementary guideline on fee structures: mandatory disclosure of the total cost of collection, and a benchmark range for service fees.
7. Set a transition deadline for existing contracts to comply.

The Senate Finance and Budget Committee

8. Use the quarterly compliance reports and the Auditor-General's annual system audits as the evidence base for its inquiry and for debate on the floor of the House.

About the author

Dr George K. Kirer, PhD, MBA, CPA(K), is a public financial management specialist and Founder of Karagam Consulting Limited. He was an Audit Supervisor at the Office of the Auditor-General (2005 to 2013). He then served the County Government of Kericho as Chief Finance Officer, Chief Officer for Finance and Economic Planning, Director of Accounting Services, and Chief Officer for Finance (2013 to May 2026). His doctoral research examined own-source revenue mobilisation and automation in Kenyan counties. The views here are his own.

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