

# *Results Based Financing*

22.05.2023

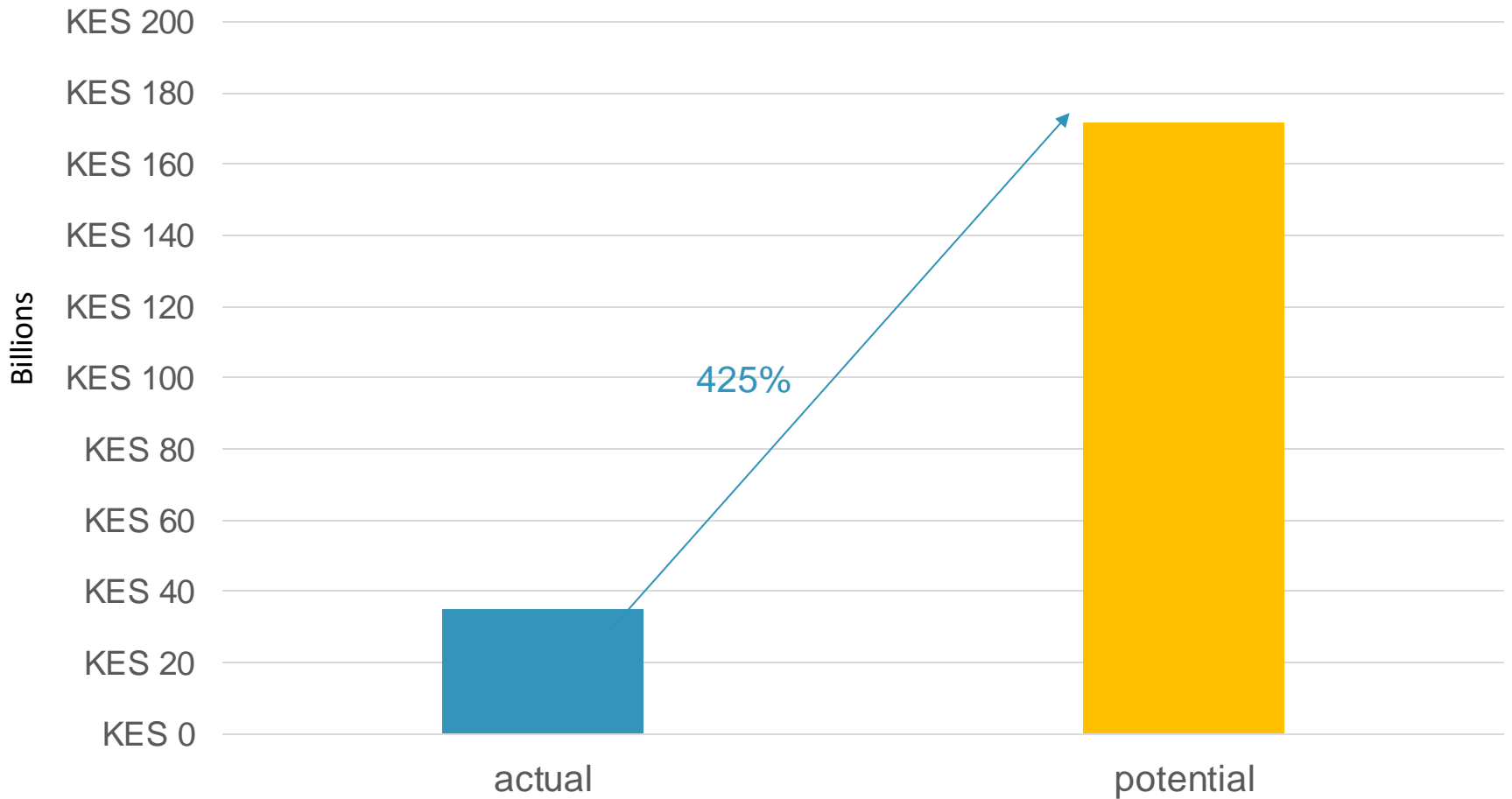
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UNITED NATIONS HUMAN SETTLEMENTS PROGRAMME



# A lot of local governments are not effectively raising local revenues

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## Kenyan County Actual vs Potential OSR (in Billions)



# We have done a lottt of capacity building on local revenue

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Damascus



Erbil



Ramallah



Kampala



Mzuzi



Bangkok



Mashhad



Marakesh



Beni



Bamako



Lusaka



Kisumu

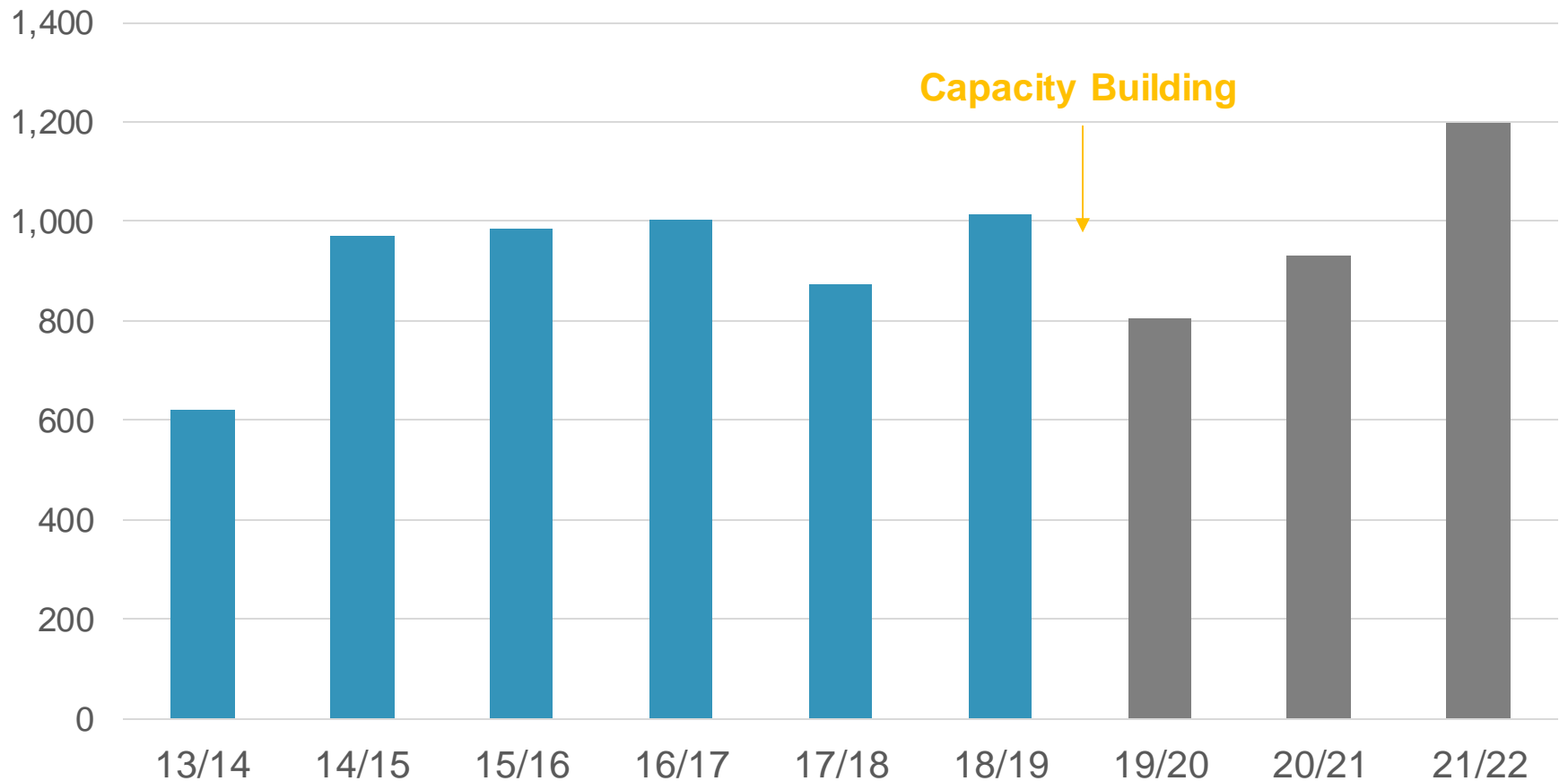


Dodoma

# Capacity Building was rarely followed by Improvements

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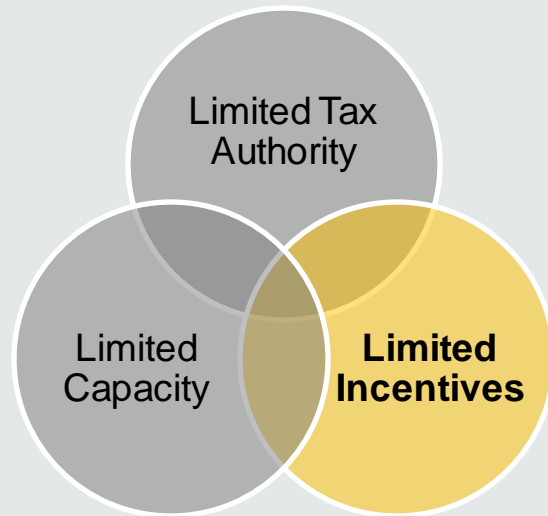
**Annual revenue in partnering local government**  
(in millions of local currency)



# Capacity is often not the binding constraint

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## The 3 OSR Challenges



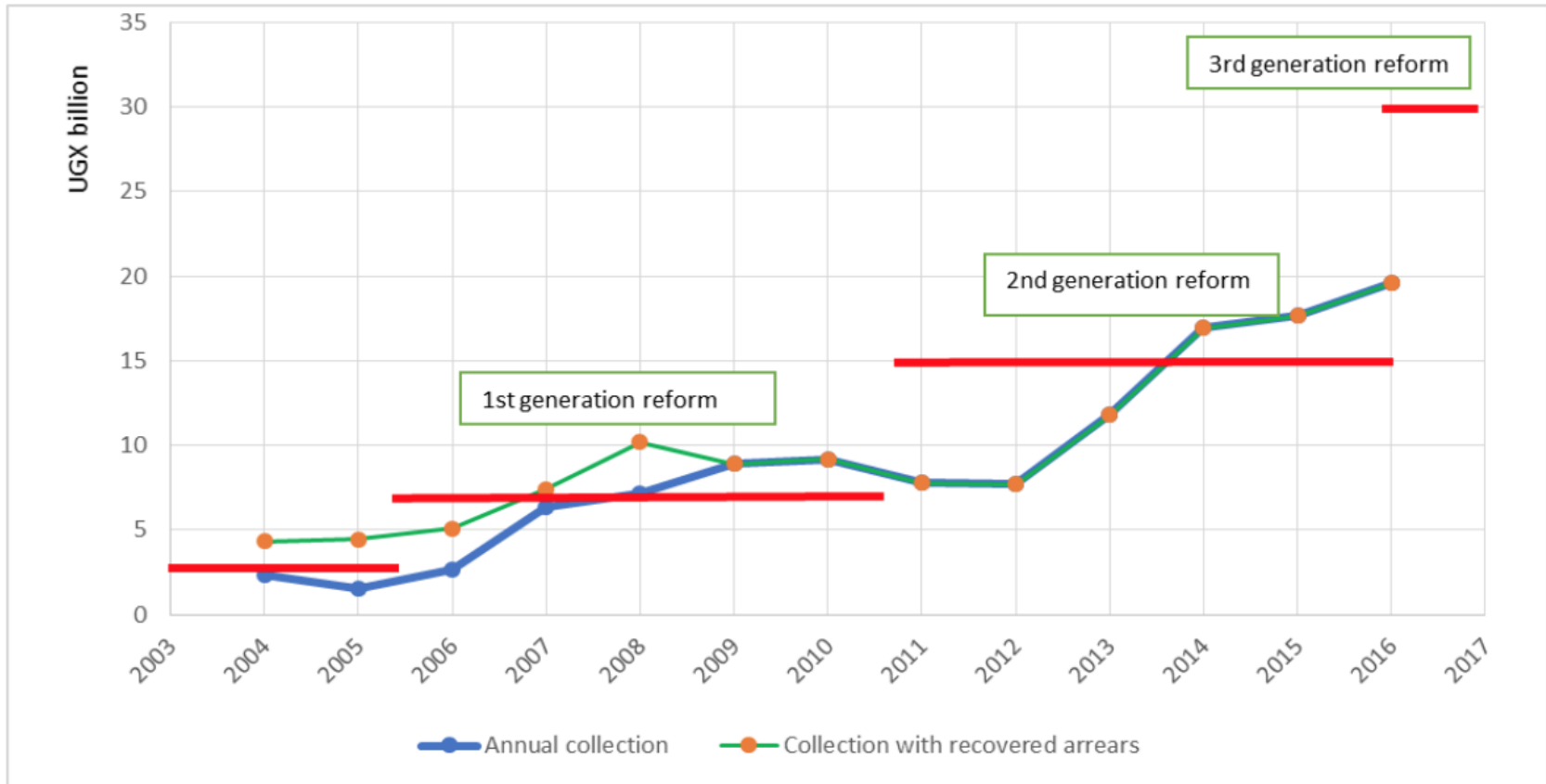
- **Limited tax authority:** insufficient/inappropriate revenue streams have been devolved to local government
- **Limited capacity:** there is insufficient capacity of local governments to effectively and equitably use the tax authority devolved to them to generate revenues in an equitable fashion
- **Limited incentives:** there are insufficient incentives in place for local governments to effectively use the OSR authority that has been devolved to them

We build capacity but often times it is the incentives which are lacking

1. **Tax payers:** not one likes taxes
2. **Elected Officials / Incumbent elites:** they want to remain in power and prefer attaining external finance
3. **Tax collectors:** often benefit from existing loopholes in the system

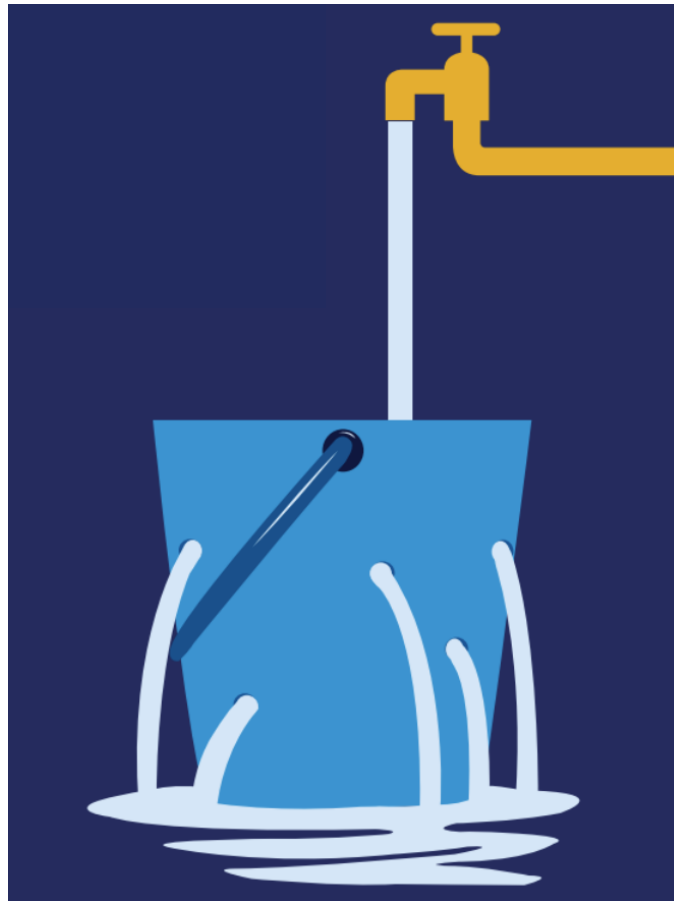
# The Kampala OSR Success Story

- Analysis suggests that part of the success of 1<sup>st</sup> generation reform was a 20% bonus provided to City Council members, who became eager to implement OSR reform



# Vested interest is a key challenge – not just for local revenue work

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# We are building a Revenue Incentive Fund

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## How it works...



- Admission conditional on prior results
- Graduation to Phase 2 (additional funding) conditional on results



# Thank You



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