

REPUBLIC OF KENYA



GOVERNMENT OF MAKUENI COUNTY



FY 2024/25 OWN SOURCE REVENUE STRATEGY

Wauni wa Kwika Nesa na Ulungalu na Kwituma

APPROVAL

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CHAPTER ONE: INTRODUCTION

1.1 Background

This is a report which seeks to stipulate out and highlights the challenges and opportunities of enhancing own source revenue mobilization in our county. It notes the possible strategies and policies to be implemented towards the realization of our FY 2024/25 target of Kshs 1.4 Billion. The county own source revenues provide financial contribution to the functioning of county government and funding of service delivery. The OSR strengthens the social contract between residents of Makueni county and county government i.e. citizens pay taxes and in exchange expect from government a certain services and consideration in making decisions. Article 209 of the constitution allows counties to impose property tax and other fees and charges which is implement by the revenue officers in their area of jurisdiction.

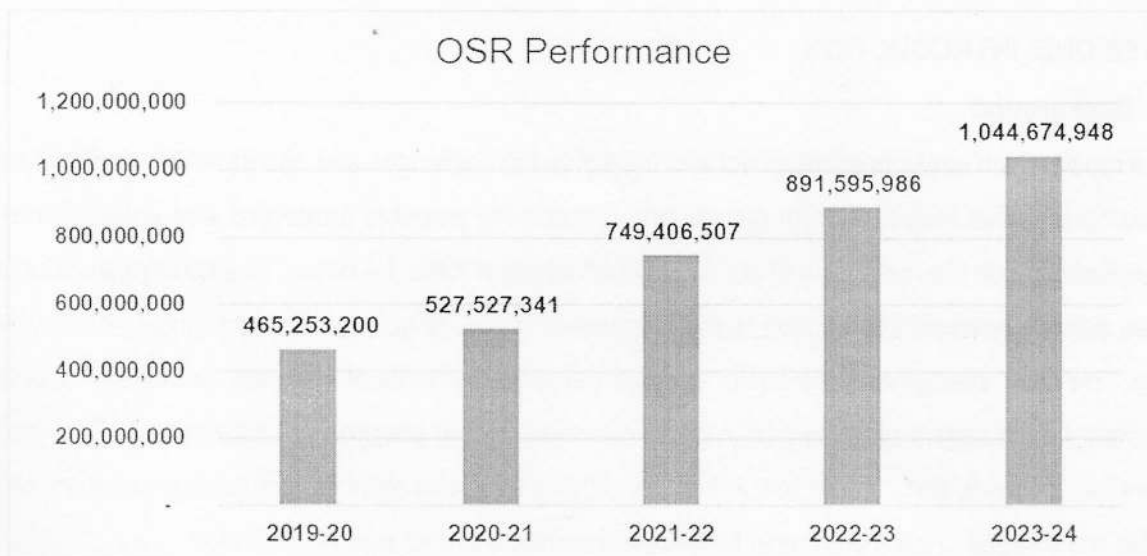
1.2 Objective

The objective of the FY 2024/25 Own Source Revenue mobilization strategy is to attain the set target of Kshs 1.4 Billion. The following specific objectives will be pursued;

- a. Broadening the tax base by ensuring minimal tax evasion and bringing more customers on board as opposed to increasing tax rate
- b. Adoption of technology and data/evidence driven revenue mobilization
- c. Continuous stakeholder engagement
- d. Continuous improvement

1.3 OSR Performance Trend

The county has progressively recorded steady growth in own source revenue since 2013 from a collection of less than Kshs 189,188,000 in 2013/2014 to 1,044,900,000 in the FY 2023/2024. Over the last three years, the county has managed to grow OSR by 39% from Kshs 749,500,000 in the FY 2021/22 to 1,044,900,000 in the FY 2023/2024. The OSR has grown by an average of 23% since FY 2019/20 to FY 2023/24 as shown in Figure 1. The proportion contribution of OSR funding of the county budget has also continued to grow standing at 11% in the FY 2023/2024 from a low of 4% in the FY2013/14. We envision to grow this proportion to 20% by the year 2027.



The county projects to collect Kshs 1.444 Billion in the current financial year which is slightly above the Kshs 1,393,300,000 potential set out in the Own Source Revenue Potential and Tax Gap Study Report by CRA. In order to realize this target, the county intends to institute various measures and strategies. The objective of this memorandum is to seek cabinet approval to institute measures and strategies in the collection of OSR to ensure collection maximization. The overreliance on the equitable share posts a great risk since the county equitable share is exogenously determined and dependent on the national economic performance. The county has therefore re-engineered the own source revenue generation.

1.4 Challenges

Despite the achievements in FY 2023/24, there are challenges facing OSR mobilization including: management of change process from the old way of revenue mobilization to data/evidence driven OSR mobilization; poor performance of the economy leading to decline in businesses and the competitiveness of the businesses; lack of requisite data on land revenue streams; weak surveillance by enforcement officers; lack of mapping of key revenue streams.

- e. Operationalization of ArdhiMakueni portal, self-service portal for property owners
- f. Provision of land ownership documents including transfer documents

2.4 Unstructured Revenues

This stream consists mainly of 'perishable revenues'. This is revenue if not mobilized today will not be collected tomorrow. To enhance performance in the stream, the following strategies will be employed;

- a. Close market supervision in all major and minor markets
- b. Ensuring key streams are paid on monthly through auto billing to the respective clients (matatu; market slabs; boda boda payments)
- c. Undertake mapping of all market sheds and slabs and establish a database
- d. Mapping of all parking slots in the county
- e. Develop and implement guidelines on Market Entrance Fees
- f. Continuous maintenance and watering all stock yards during
- g. Establish new cess points
 - Mbuvo market - Kathonzweni wards to collect lost revenue from Kitise corridor
 - Muooni River - Emali/Mulala ward to tap revenue on produce from Nzaui Kilili Kalamba and Mbitini Wards
 - Makindu - Kisingo market /Soko Ya Chini.
 - Kiaoni - K/North Ward
- h. Revive stalled cess points
 - Nguu/Masimba cess points - Nguu/Masumba Ward.
 - Kwa Mutisya –Tulimani Ward.
 - Kibwezi town – Kikumbulyu South Ward

2.5 AiA and Hospital Revenues

The hospital fees and revenues account for over 50% of the total Own Source Revenue in the county and therefore it is imperative to have measures to enhance the mobilization of the stream. The following strategies will be employed;

CHAPTER TWO: FY 2024/25 OSR STRATEGY

2.1 Introduction

The County Treasury in collaboration with other departments intends to institute measures and strategies to enhance collection of OSR with a view to realizing the set target of Kshs 1.444 Billion. The measures will seek to (i) enhance compliance (ii) deepen automation, and (iii) enhance ease of doing business.

2.2 Business and Liquor Licensing Streams

The Single Business Permits and Liquor Licensing account for 30% of the county revenues. The proposed measures and strategies will include;

- e. **Introduction of instalment payment for licenses** to ease the burden on the one off payment which has impeded compliance by some of the customers
- f. **Incentivize customers who pay early through introduction of discounts** on the prescribed fee for licenses
- g. **Introduce half yearly and quarterly** licenses for new customers
- h. **Designate revenue champions** from amongst the leadership of business community especially the markets committees to enhance level of compliance
- i. **Institute a performance based facilitation** for own source revenue mobilization where good collectors are incentivized to collect more through a rewards system to be implemented on monthly basis.
- j. **Establish an online customer service portal** to enable customers register and pay for their business licenses obligations with ease
- k. **Conduct revenue customer satisfaction survey and implement the findings**

2.3 Land Based Revenue

The Land Based Revenue stream is the high potential stream in the county. To optimize collections in this stream, the following strategies will be employed;

- a. Adoption of markets by officers
- b. Mapping of all properties in a GIS system
- c. Continuous market outreach through the various plot owner's association in the various markets
- d. Decentralization of Land Approval Committees to the Ward level

- a. Supporting the entities and Municipalities to prepare Revenue Enhancement Strategies (Wote Municipality; Emali/Sultan Hamud Municipality; Sand Authority; Makueni Fruit Processing Plant and Water Companies)
- b. Coordination of NHIF/SHIF claims and collection from the County Treasury
- c. On boarding the NHIF/SHIF claims officers in the main revenue reporting and tracking system for coordination.
- d. Capacity building of the Medical Superintendents on revenue mobilization strategies and reporting

2.6 Automation, Reporting and Reconciliation

- a. The County Treasury will **ensure timely daily reconciliation** of the revenue between officer collection, Zizi reporting and bank balances. This will ensure clearance of backlog of bank customer deposits and improve the accountability in revenue reporting.
- b. **Roll out of OSR officer daily reporting and performance managements system** – an online reporting and officer performance management tool.
- c. **Complete integration between the County Health Information Management System and Zizi**. This will ensure timely reporting and tracking of hospital revenues.

2.7 Policy and Legal Framework

In the FY 2024/25 the following policy and legal framework will be developed to enhance mobilization of Own Source Revenue;

- a. FY 2024/25 Own Source Revenue Mobilization Strategy
- b. County Waiver Bill
- c. Tariffs and Pricing Policy
- d. Revenue Enhancement Action Plan (REAP)
- e. 2025 Finance Bill

2.8 Media Publicity and Outreach

The County Treasury will utilize the mainstream media and social media to inform, educate and sensitize the tax payers on the important of voluntary payment and the payment modes/channels available. Specifically, the following strategies will be employed;

- a. Activating and re-engineering the Revenue Customer Service line (WhatsApp; WhatsApp page and call centre through 0712-17-17-17)
- b. Monthly topical radio shows on OSR
- c. Roadshows in collaboration with partners to reach out to customers
- d. Prepare and implement Own Source Revenue Communication strategy

2.9 Community Own Source Revenue Champions

To ensure compliance and sustained results in Own Source Revenue mobilization, the County Treasury will identify, train, equip and empower community OSR champions in each market. The champions will be exposed to various means of championing revenue payment in the market. Additionally, there will be continued engagement of the key market players and sector leaders on revenue mobilization including benchmarking visits; trainings and capacity building.

2.10 Rewards Mechanisms in OSR Mobilization

Develop rewarding mechanism based on performance based on the following criteria;

- Collector of the week, month etc.
- Intensify innovators (special/unique idea on collection strategy)
- Consistence collector
- Record breaker (highest ever collected amounts)
- Most improved collector

2.11 Market Clinics and Cleaning

Market outreach/clinics in each market day. This will involve setting up a tent and offer services (CHPs to do screening, Land Based Revenue Clinic, Business Licensing Clinic, Legal clinics and service delivery – with respect to projects/development initiatives and feedback). This will traders coming to the market and community members are served. Additionally, the clinics will involve market cleaning in the markets.

CHAPTER THREE: HUMAN RESOURCE AND INSTITUTIONAL ARRANGEMENTS

Staff are the only resource the County Treasury has in revenue mobilization. The objective is to empower the human resource to deliver the key mandate by focusing on the human aspect as opposed to the resource component. The overriding theme is to **ensure revenue mobilization is done in a humane manner** by shifting from revenue collection to revenue services and therefore require investment in the staff. The following strategies will be implemented;

3.1 Staff Training and Development

The County Treasury has prioritized training of 30 Ward Revenue Officers on Customer Service and Management by Kenya School of Government. This will significantly contribute to ensuring better services across the 30 Wards. This comes against a backdrop of policy shift from impounding and closing customer shops and ensuring humane revenue mobilization. Additionally, 10 officers will be facilitated for Continuous Professional Development (CPD) training through the respective professional bodies.

3.2 Recruitment of Additional Staff

The County Public Service Board has advertised for 10 positions to replace staff who have retired, the County Treasury will fast track the recruitment and placement of the officers as well as advertise positions to replace officers who are due for retirement within the FY.

3.3 Conversion of Staff to Permanent and Pensionable and Placement

Currently the Revenue Directorate has officers on one-year contract, in the FY, the County Treasury will work with the County Public Service Board towards long term engagement/conversion of the staff to permanent and pensionable/correct placement based on qualification.

3.4 Provision of Equipment and Tools

Provision of critical equipment and tools is a perquisite to effective delivery, the County Treasury will ensure all Ward Revenue Officers have laptops to facilitate their delivery and the revenue collectors have tablets for cashless revenue mobilization.

3.5 Provision of Data and Airtime

All the Ward Revenue Officers will have their monthly data package increased from Kshs 1,000 to Kshs 2,000 for effective coordination. The Revenue collectors will be on boarded on Kshs 1,000 monthly data package from January 2025 to ensure they are adequately facilitated for market adoption and revenue mobilization.

3.6 Open Door Policy

Provision of opportunities for staff to interact with the County Treasury management and voice their inputs and feedback on the management of the revenue affairs as well as delivery of the strategy.