COUNTY GOVERNMENT OF KISUMU

REVENUE ENHANCEMENT ACTION PLAN

2024-2028

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Desterious Shilabukha, Revenue Administration Advisor

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List Of Abbreviations

Abbreviation	Full Form
BIRR	Budget Implementation Review Report
CECM	County Executive Committee Member
CEO	Chief Executive Officer
CGK	County Government of Kisumu
CIDP	County Integrated Development Plan
COG	Council Of Governors
CoK 2010	Constitution Of Kenya 2010
CPI	Consumer Price Index
CRA	Commission Of Revenue Allocation
CRF	County Revenue Funds
ENP	Estimated Number of Taxable Properties
FY	Financial Year
GCP	Gross County Product
GDP	Gross Domestic Product
GVA	Gross Value Added
IRMS	Integrated Revenue Management System
ICT	Information, Communication and Technology
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
KCRB	Kisumu County Revenue Board
KCRB	Kisumu City County
KESRA	Kenya School Of Revenue Administration
KRA	Kenya Revenue Authority
MTP	Medium-Term Plan
NT	National Treasury
OCOB	Office Of Controller of Budget
OECD	Organisation For Economic Cooperation and Development
OSR	Own Source Revenue
PFM	Public Finance Management
PFMA	Public Finance Management Act
PNR	Potential Net Revenue
POA	Performance Outcome Area
REAPS	Revenue Enhancement Action Plans
REP	Revenue Enhancement Plan
SBP	Single Business Permit
TADAT	Tax Administration Diagnostic Assessment Tool
UNCDF	United Nations Capital Fund

Forward

The County Government of Kisumu (CGK) is unwavering in its commitment to implementing the Revenue Enhancement Action Plan within our jurisdiction. Our focus is on bolstering revenue collection to improve operational efficiencies across the seven sub-counties, which collectively house a population of 1,155,524 million people, according to the 2019 Census. The advent of County governments in Kenya, as enshrined in the Constitution of Kenya 2010 (CoK 2010), underscores the imperative of sustainable service delivery to our citizens. With key powers and functions transitioning from the national government to the counties, financing the Kisumu County government budget has become a cornerstone of the devolution agenda. We are committed to this cause and to serving our citizens to the best of our abilities.

Input from all stakeholders engaged in county governance, including development partners, underscores the urgent need to move beyond overreliance on equitable share funding from the National government and bolster Own-Source Revenue mobilisation. The County has undertaken a comprehensive evaluation of its fiscal performance through the TADAT Assessment conducted by the International Monetary Fund's (IMF) TADAT Secretariat in 2021.

The REAP, a pivotal strategy in our fiscal performance, is designed to systematically address the gaps identified during the County's TADAT assessment. It strongly advocates for the adoption of international best practices to enhance OSR. A Tax Advisor, selected through a rigorous competitive process, will lead a consultative and participatory approach in formulating the REAP. Its practical implementation is poised to create an enabling environment conducive to expanded fiscal space, dependable OSR mobilisation, fiscal discipline, and enhanced service delivery.

The estimated cost of achieving the outlined deliverables within the strategy for the period 2023/24 to 2027/28 stands at **Kes 357,455,600**. Collaborating closely with other stakeholders, including development partners, CGK is fully committed to mobilising resources to execute the REAP. This plan delineates critical steps towards enhancing OSR. Your support is crucial in rallying behind its implementation for the advancement of revenue mobilisation and improved service delivery throughout our esteemed County. Your role is integral to our success.

County Secretary Kisumu County

Executive Summary

The Constitution of Kenya 2010 established county governments as semi-autonomous entities tasked with collecting and managing their own-source revenues (OSR). In alignment with this mandate, the CGK recognises the imperative of mobilising OSR to achieve fiscal autonomy and support its recurrent development plans. However, since the inception of devolution, the reliance on transfers from the national government has averaged over 90% of total revenue receipts, underscoring the need for robust revenue enhancement strategies.

The Kisumu County Revenue Board (KCRB), established in August 2023 through an Act of the County Assembly (Kisumu County Administration Amended Act 2022), has embarked on a pivotal Revenue Enhancement Action Plan (REAP). This plan, initiated through a competitive bidding process for tax advisor consultancy, is a crucial step towards bolstering OSR's contribution to financing the county's budget, thereby enhancing Kisumu County's fiscal autonomy and sustainability.

The REAP methodology is a comprehensive approach that encompasses revenue forecasting, action planning, mobilisation, and monitoring. It is designed to address the challenges highlighted in the Kisumu County Government Revenue Directorate TADAT PAR of 2021, including the absence of or inadequate legal framework backing the administration of several OSRs, the absence of complete, accurate, and reliable taxpayer registers, the use of outdated valuation to assess properties for taxes, the Lack of documented and structured governance processes and procedures, the Weak capacity for revenue forecasting and analysis, and inadequate equipment and other infrastructural needs to support revenue administration.

Through rigorous revenue action planning implementation, Kisumu County aims to unlock its OSR collection potential, fostering fiscal autonomy and sustainability. This approach, backed by findings from the Office of the Controller of Budget (OCOB) and the Commission of Revenue Allocation (CRA), underscores our commitment to reducing reliance on National government financing through equitable revenue sharing, thereby ensuring a more stable and sustainable financial future for the county.

The methodology outlined in this plan provides a framework for KCRB to undertake OSR enhancement action planning, focusing on continuous assessment and progress monitoring. By enhancing revenue generation and management, Kisumu County seeks to create an enabling fiscal space for service delivery and inclusive local development, ultimately contributing to economic growth and sustainability.

For detailed implementation guidelines, please refer to Annexure II of this report.

1.0. Introduction

1.1 Background

The KCRB REAP, a collaborative strategic initiative, is aimed at addressing challenges identified within the county's own-source revenue (OSR) framework. These challenges, which have been brought to light in various reports, including the Kisumu County Government Revenue Directorate TADAT PAR of 2021 and assessments from the Office of the Controller of Budget (OCOB) and the Commission of Revenue Allocation (CRA), are being tackled together. Among these challenges are capacity gaps identified during the situation analysis and the need to automate business processes in revenue administration.

A meticulous consultative process was undertaken to establish realistic revenue targets and address these impediments, thoroughly questioning previous approaches and

methodologies. This process involved a comprehensive revenue forecasting procedure, as informed by the Commission of Revenue Allocation's (CRA) OSR Potential and Gap study findings. By analysing factors such as economic indicators, demographic trends, and administrative capacities, this methodology aimed to assess Kisumu County's revenue-generating potential and inform strategic decision-making for enhancing revenue-collection efforts.

The REAP, a testament to unrealised revenue potential and a five-year plan beyond June 2024, takes into account the accomplishments, limitations, and lessons learned from previous initiatives, such as the County Development Implementation Plans (CDIPs) initiated in 2013, as well as the county government's constitutional powers. Crafted to address challenges in design, assessment, compliance, and accounting within revenue administration, the REAP places a strong emphasis on capacity development at the heart of its implementation.

Organised into several sections, the KCRB's REAP includes interventions targeting weaknesses identified across nine performance outcome areas in revenue administration, as outlined in the TADAT framework. Drawing insights from the CRA's OSR Potential and Gap study, the REAP aims to provide a comprehensive strategy for enhancing revenue generation and management within Kisumu County.

The structure of the KCRB's REAP encompasses various elements, including problem statements, objectives, public service delivery imperatives, impediments to OSR enhancement, situation analysis, intervention strategies, OSR forecasting, target-setting, underlying assumptions, REAP design, implementation modalities, historical OSR performance, determination of OSR potential, and annexes providing additional details and support documentation.

1.2 The Kisumu County Background

Kisumu County, situated in western Kenya along the shores of Lake Victoria, stands as a pivotal administrative centre and home to the third-largest city in Kenya. Established under the Kenyan Constitution of 2010, Kisumu County evolved from the defunct Kisumu Municipal Council, Kisumu County Council, Ahero and Muhoroni Town Councils. Kisumu County, which includes Kisumu City, operates under the legal framework provided by the Cities and Urban Areas Act, the Devolved Governments Act, and other pertinent legislation. The county is governed by the County Government of Kisumu (CGK), which is entrusted with delivering diverse services to its residents. Kisumu County inherits responsibilities from both former municipal and local governments and those devolved from the national government.

With a population of approximately 1,248,474 people, Kisumu County proudly showcases a predominantly Luo ethnic demographic, a unique cultural heritage that adds to its charm. The county is renowned for its vibrant agricultural and fishing industries, alongside a burgeoning tourism sector. Kisumu City, a regional hub, is adorned with numerous educational institutions, healthcare facilities, and higher learning establishments. Serving as a vital transportation nexus, Kisumu is intersected by major roads and boasts a prominent airport, all against the scenic backdrop of Lake Victoria, the second-largest freshwater lake globally. Encompassing approximately 567 km2 of water and 2086 km2 of land, Kisumu County represents 0.36% of Kenya's total land area.

Agriculture, a cornerstone of Kisumu County's economy, offers vast potential for growth, with crops such as rice and sugarcane dominating the agricultural landscape. The county's fishing industry, a significant contributor to its economic vitality, is ripe for further development. Kisumu's burgeoning tourism sector, characterised by attractions such as Kiboko Bay Beach Resort, Hippo Point, and Kit Mikayi rock formations, draws visitors from far and wide, presenting a promising investment opportunity. Additionally, Kisumu County hosts several prominent manufacturing industries, including Kenya Breweries Limited and Kibos Sugar Factory, further diversifying its economic portfolio.

The county boasts a thriving informal sector comprising numerous small businesses, which face challenges such as poor sanitation and a lack of market sheds but offer opportunities such as the presence of a wider market reach and a big population. It is also home to the strategic Kisumu Port, poised to become a pivotal hub for regional trade. Moreover, Kisumu County is a linchpin in western Kenya's economic landscape, showcasing a dynamic and multifaceted economy. Established in 2015, it is a Lake Region Economic Bloc member, collaborating with neighbouring counties to leverage economies of scale and foster cross-border economic development.

Aligned with the provisions of the Kenya Constitution of 2010, the Public Finance Management Act of 2012, and the County Governments Act of 2012, Kisumu County recognises the pivotal role of Own Source Revenue (OSR) in fortifying county governments' fiscal resilience and economic sustainability.

Figure 1: Kisumu County boundaries and the seven sub-counties

1.3 Problem Statement

The Kisumu County Revenue Board faces significant challenges in maximising Own Source Revenue (OSR) collection, as highlighted by the findings of the OSR Potential and Gap Study conducted by the Commission of Revenue Allocation (CRA)[1]Currently, county governments generate only around 40% of their maximum revenue potential, indicating substantial room for improvement through the adoption of best revenue collection practices. The study's key recommendations include revising existing policies and collection systems to streamline taxation and fee structures and implementing automatic and cashless payment systems to enhance efficiency.

[1] Comprehensive Own Source Revenue Potential and Tax Gap Study of County Governments by CRA and World Bank June 2022

Utilising Deterministic Frontier Analysis[2], the study reveals that the County Government of Kisumu, despite collecting Kes 1.1 billion in the Financial Year 2022/2023, has the potential to significantly increase its revenue collection to between Kes 5 to 8 billion from various revenue streams. These streams include Property Rates, Building Plan Approvals, Trading Licenses, Liquor Licensing Fees, Advertising and Signboard Fees, Parking Fees, Agricultural Transportation Fees, Hospital and Public Health Services Fees (HPHSF), Market Fees, Trade License Fees, Natural Resources Transportation Fees, Environment And Conservancy Administration Fees, Game Reserve Fees, Administrative Fees, Fines, Penalties, Forfeitures, And Technical Services Fees.

Furthermore, CGK's financial sustainability is heavily reliant on equitable shares from the national government, with the Office of the Controller of Budget (OCOB)[3] OSR collection for the Financial Year 2022/2023 amounted to only Kes 1.1 billion against total recurrent and development expenditures of Kes 9.08 billion. This represents a mere 12% of total spending, with 88% sourced from national government transfers. As such, a structured approach to OSR enhancement is urgently needed to reverse the county's financial dependence and improve its fiscal position.

1.4 Objectives of the REAP

The KCRB is committed to developing a structured approach to revenue enhancement through the implementation of the Revenue Enhancement Action Plan (REAP). The REAP aims to guide the process of Own Source Revenue (OSR) enhancement in both the short and long term, facilitating resource mobilisation efforts by enabling county staff to achieve the following objectives:

[2] How much revenue would each County Government generate from each OSR stream if it operated in line with the best-performing counties in Kenya? This analysis identifies the best-performing counties in raising revenues for each OSR stream (considering the county-specific economic base for each stream). It estimates the maximum revenues County Governments could generate from each stream if they align with best practices.
[3] County Governments BIRR for the FY 2022/23, OCOB, May 2023

i. **Structured Approach:** Implement a structured approach to revenue enhancement activities to effectively narrow down revenue forecasts and realise revenues within specified timelines.

ii. **Identification and Understanding:** Identify and understand the significance of major OSR sources within the KCRB jurisdiction, facilitating targeted efforts for revenue optimisation.

iii. **Procedural Clarity:** To ensure consistency and transparency in revenue administration processes, describe clear procedures for developing OSR policy, sensitising, assessing, collecting, reporting, monitoring, and accounting.

iv. **Stakeholder Engagement:** Explain the roles and responsibilities of stakeholders involved in OSR enhancement and ensure their active participation in implementing the REAP.

v. **Incorporation of Best Practices:** Identify and incorporate best practices to enhance revenue administration staff practices and promote efficiency and effectiveness in revenue collection efforts.

vi. **Alignment with Service Delivery Mandates:** Demonstrate the linkages between the county's public service delivery mandates and revenue administration reforms, ensuring coherence and synergy in achieving overarching county objectives.

Through the implementation of the REAP, the KCRB endeavours to optimise revenue generation, foster stakeholder collaboration, and enhance Kisumu County's overall fiscal resilience and sustainability.

1.5 Approach Followed in Developing the KCRB REAP

The development of the REAP for the KCRB commenced with a strategic two-day retreat held at the Pride Hotel in Bondo, which served as an inaugural meeting attended by the tax advisor and key management personnel from KCRB. During this session, discussions centred on delineating the REAP development methodology, delineating expected outputs, and delving into the technical framework of the program, which the advisor

presented. Subsequently, teams responsible for REAPs and Risk Management were constituted. At the same time, the Tax Advisor conducted comprehensive training sessions with KCRB staff, providing insights into the high-level Tax Administration Diagnostic Assessment Tool (TADAT) methodology.

Following the inception retreat, the Tax Advisory Team conducted intensive working sessions with county staff at the KCRB Head Office, Kisumu Central, Kisumu West and Nyando Sub-county offices, unveiling a wealth of innovative ideas to enhance the county's Own Source Revenue (OSR). These sessions facilitated data collection, analysis, and subsequent collaboration with revenue department officials to establish a structured approach to formulating the KCRB's REAP. Consequently, the finalised REAP embodies systemic, integrated, and coordinated interventions tailored to address the gaps identified in the TADAT Performance Assessment Report 2021.

Moreover, the REAP underscores the importance of stakeholder cooperation throughout the reform implementation process to bolster revenue administration practice areas effectively. The draft REAP underwent rigorous validation processes involving comprehensive circulation among all staff and relevant stakeholders for feedback and input. The content analysis of diverse documents utilised in crafting the REAP is encapsulated in **Annexure I**, providing comprehensive insights into the methodology's formulation and foundation.

1.6 Enhancement of Own Source Revenue and KCRB Service Delivery

The Kisumu County Revenue Board (KCRB) recognises the pivotal role of enhanced Own Source Revenue (OSR) in bolstering its service delivery efforts, as articulated within the County Integrated Development Plan (CIDP) 2023-2027. Mobilising revenues from residents is imperative to facilitate essential services such as education, healthcare, water, security, and infrastructure development. Therefore, the justification for augmenting county OSR is rooted in several key considerations:

(i) **Expanded Service Delivery**: Increased revenue availability empowers Kisumu County to enhance the quality and scope of service provision in existing services and extend services to broader areas within the county.

(ii) **Preservation of County Autonomy**: Augmenting OSR safeguards Kisumu County's autonomy by reducing its reliance on equitable shares from the national government and enabling the allocation of funds to urban-linked priorities across sub-counties.

(iii) **Constraints in External Funding**: With national budgetary constraints and insufficient transfers and grants, Kisumu County seeks innovative strategies to enhance OSR, ensuring adequate resources to meet burgeoning service demands while accessing debt capital markets efficiently. Figure 2 compares the average GCP growth rate for 2018 to 2022 relative to the average growth of the total economy's Gross Value Added (GVA)[4]. During the review period, seventeen (17) county economies, including Kisumu, grew faster than the national average of 4.6 per cent, as shown in Figure 2[5].

(iv) **Civic Duty and Constitutional Obligations**: Every patriotic resident of Kisumu County bears a civic and constitutional duty to contribute towards the county's cost-of-service delivery and overall well-being, aligning with the beneficiary pays principle inherent in OSR enhancement initiatives.

(v) **Accountability and Efficient Revenue Management**: Effective revenue management is pivotal in fostering OSR compliance and accountability. Ratepayers and service consumers expect improved service delivery commensurate with the OSR collected, emphasising the importance of prudent revenue management practices.

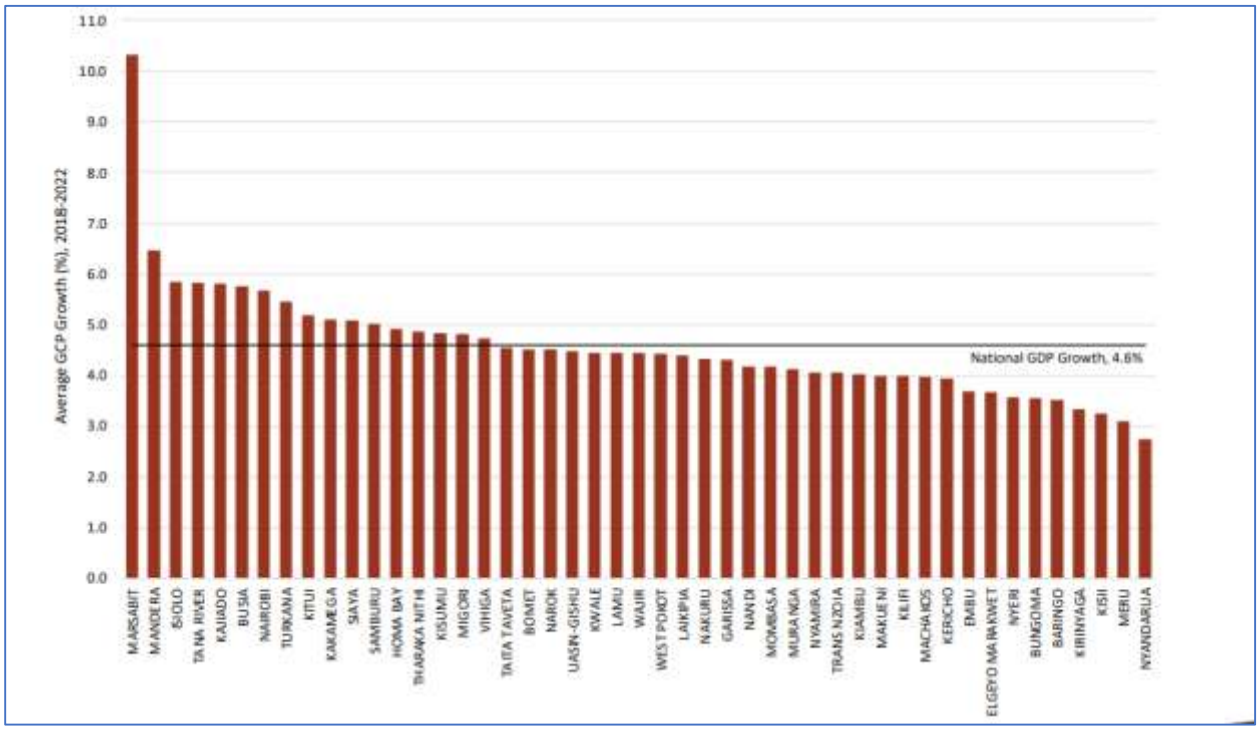
[4] In the realm of economic analysis, the Gross Value Added (GVA) is a crucial concept. It represents the total value of goods and services produced within a county's economy, excluding the cost of intermediate goods and services used in production. This value signifies the contribution of each economic sector to the county's overall economic output, making it a key indicator for understanding the county's economic performance.
Essentially, Gross Value Added reflects the net value generated by the county's economic activities and is an important indicator for assessing economic performance and measuring the level of economic development within the county.

[5] 2023 GROSS COUNTY PRODUCT, Kenya National Bureau of Statistics. The Gross County Product (GCP) is a disaggregation of the Gross Domestic Product (GDP) by county that shows how much each county contributes to the national economy.

(vi) **Workforce Incentivization**: Enhanced OSR may translate to better remuneration for KCRB workers and County Assembly members, fostering a multiplier effect by retaining skilled personnel and enhancing overall staff performance and productivity.

In essence, the enhancement of Own Source Revenue not only fortifies Kisumu County's fiscal autonomy and service delivery capabilities but also underscores its commitment to accountable governance and sustainable development.

Figure 2: Average Growth in Real GCP Relative to Total Economy's Growth in Gross Value



Source: County GCP Report 2023

2.0 Situation Analysis

2.1 Overview of OSR functions and performance

The CGK grapples with a notable dependency on grants transferred under the division of revenues law, which allocates nationally generated revenues. This reliance poses a significant challenge, particularly as the county's own source revenue (OSR) often

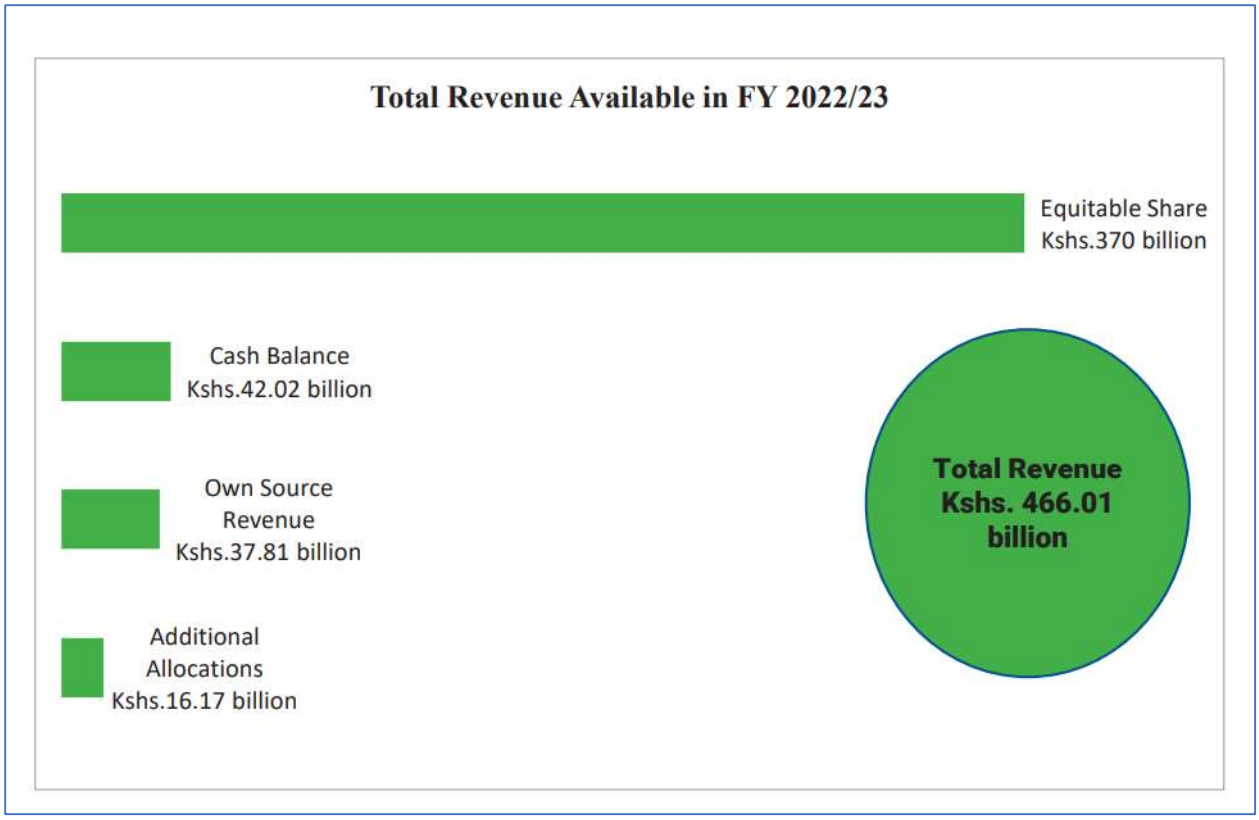
constitutes a small proportion of its non-debt funding sources due to underperformance in revenue collections.

The financial landscape of Kenyan county governments underscores this dependency, as revealed by the fiscal year 2022/23 allocations. Out of the total available funds for Kshs,466.01 billion, a substantial portion of which is sourced from the national government's equitable share of revenue, authorised for withdrawal from the Consolidated Fund to respective County Revenue Funds (CRF) accounts as mandated by the Constitution. Specifically, Kshs.370 billion is allocated as the equitable share, highlighting the substantial contribution of national government funding to county budgets**. (Figure 3)**

Supplementary allocations totalling Kshs.16.17 billion, disbursed from various development partners, further emphasise county governments' reliance on external funding sources. Despite these additional disbursements, the county's own source revenue streams contribute only Kshs.37.81 billion, representing a mere 8% of the total financing for county government budgets. This glaring disparity underscores the significant imbalance between national government financing and internally generated revenue. It underscores the urgent need for Kisumu County to enhance its source revenue mobilisation efforts to achieve greater fiscal autonomy and sustainability.[6]

Figure 3: The total available funds to County governments in the FY 2022/23

[6] County Governments Budget Implementation Review Report for The FY 2022/23



Source: County Governments Budget Implementation Review Report for The FY 2022/23

As Annexure VIII outlines, the Kisumu County Revenue Board (KCRB) must manage a wide array of revenue instruments for revenue mobilisation. These instruments are carefully designed to balance economic considerations, distribution effects, and compliance with the "user pays principle.[7]." However, several factors hinder their effective administration.

One major challenge is the sheer number of revenue streams the CGK (CGK) administers. The revenue administration systems have become increasingly complicated, with 428[8] different charges and levies outlined in the Kisumu County Finance Act 2023. This

[7] The "user pays principle" in the context of local government revenue administration is a guiding principle that suggests that those who benefit from or use specific services provided by the government should bear the costs associated with those services. The principle dictates that those who use these services should pay fees or charges to cover the costs of providing and maintaining them

[8] Kisumu County Finance Act 2023

complexity makes manual practices less transparent and more costly to administer, further exacerbating the KCRB's challenges.

Despite efforts to streamline revenue administration, the CGK continues to grapple with the manual handling of revenue streams, contributing to system inefficiencies. As revealed in the Consolidated Financial Statements of County Governments for FY 2022/2023[9]County government revenue streams can be grouped into 41 categories. However, without the passage of the Own Source Revenue Bill, which aims to harmonise county government revenue streams in Kenya, their administration remains fragmented and challenging.

The Kisumu County Revenue Board (KCRB) administers a diverse array of revenue streams, including 14 major ones, such as Land Rates, Trade Licenses, Advertisements, and Fines. This multitude of revenue sources underscores the complexity of revenue administration within the county. In January 2024, the County Government of Kisumu (CGK) took a significant step towards enhancing revenue collection efficiency by partnering with mobile telecommunications company Safaricom to introduce the Integrated Revenue Management System (IRMS). This system provides residents with a streamlined platform for accessing and paying for various county services in a cashless manner. With the option to make payments via mobile phones using Mpesa services, the IRMS offers multiple channels to facilitate seamless revenue collection.

Implementing the IRMS marks a transition towards consolidating revenue management processes into a single, integrated platform. KCRB has, to a great extent, centralised revenue collection efforts and improved service delivery by onboarding sixteen revenue streams into the system. Real-time transaction verification using secure unique identifiers,

[9] Government of Kenya, County Governments Consolidated Financial Statements for the year ended 30th June 2023

such as QR Codes, ensures transparency and accountability in revenue management. Despite the progress made with implementing IRMS, KCRB still operates five other revenue collection systems alongside the new platform. This diversity of systems poses challenges to effective revenue mobilisation, hindering the county's ability to adhere to international best practices in revenue administration. However, KCRB is actively working towards migrating all revenue streams to the IRMS, recognising its potential to streamline operations and increase revenue collection.

While the IRMS has demonstrated success in revenue collection, there remains room for improvement. System downtimes and the absence of critical features, such as high-integrity taxpayer registers and compliance modules, highlight areas for enhancement. Moving forward, KCRB aims to augment the IRMS to align with international standards for integrated tax management systems, as outlined in the Tax Administration Diagnostic Assessment Tool (TADAT).

In conjunction with implementing the IRMS, KCRB operates within a legal framework comprising various acts and regulations, including The County Government Act 2022, the Kisumu County Revenue Administration Act, The Public Finance Management Act (PFMA), the Kisumu Trade Licence Act, the Kisumu County Finance Act and a host of other pieces of legislation that support revenue mobilisation function. This framework provides the necessary legal basis for revenue administration activities within the county.

Addressing the complexity of revenue streams is imperative for the KCRB to enhance revenue mobilisation efforts effectively. Streamlining administrative processes and harmonising revenue instruments will improve transparency and reduce the administrative burden, ultimately facilitating more efficient revenue collection practices.

2.2 Past performance of KCRB Revenue figure since the inception of devolved governance

The County Government of Kisumu has witnessed fluctuations in revenue collection over the past nine financial years, from 2014/2015 to 2022/2023. The line graph below depicts these trends, which reveal important insights into the county's fiscal performance and highlight areas for improvement in revenue mobilisation strategies.

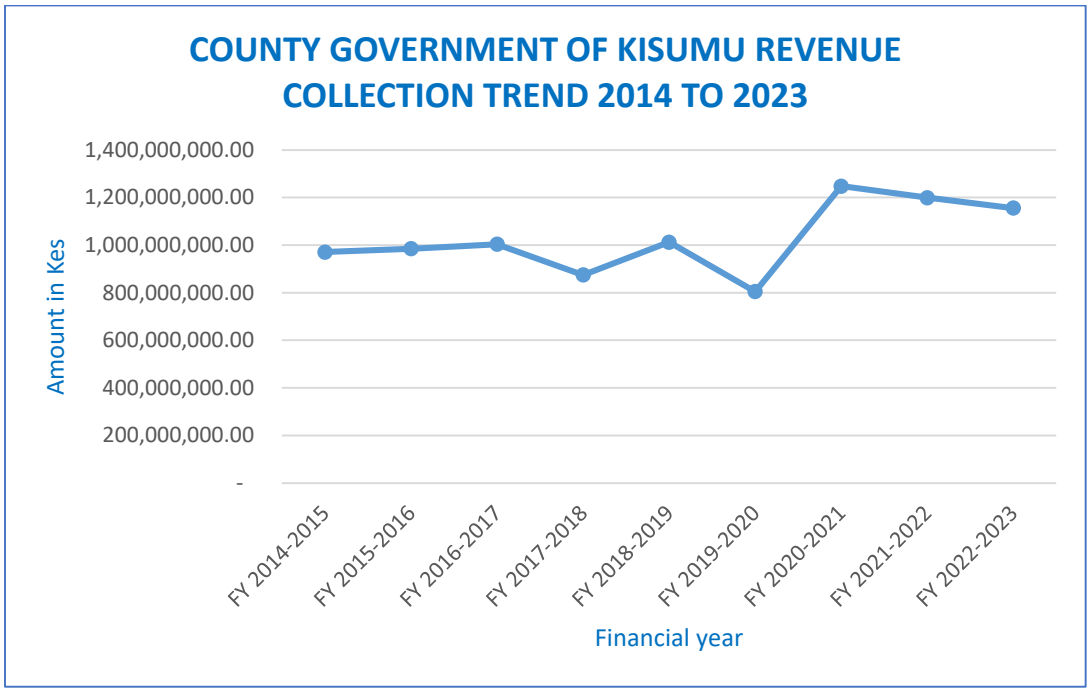
The revenue collection trend reflects a mix of factors impacting the county's income generation. According to the information gathered during the working sessions, several challenges, including reliance on manual revenue collection systems, administrative laxity, lack of an integrated database, poor management policies, corruption, and the COVID-19 pandemic, have contributed to the observed fluctuations.

In FY 2014/2015, revenue collection stood at approximately Ksh 970.9 million, gradually increasing in the subsequent years until reaching a peak of Ksh 1.25 billion in FY 2020/2021. However, the following years saw a slight decline in revenue collection, with FY 2022/2023 recording a collection of approximately Ksh 1.16 billion. The decline in revenue collection in the latter years can be attributed to various factors, including the effects of the COVID-19 pandemic and elections, as well as the restructuring of the city, which involved the eviction of traders. Additionally, the repossession of land by the Kenya Railways and the subsequent eviction of some traders further impacted revenue collection efforts.

The data highlight one notable concern: the poor performance in revenue collection relative to national inflation rates, which have consistently been over 5% per year. This discrepancy underscores the urgent need for the County Government of Kisumu to

reassess its revenue mobilisation strategies and adopt measures to enhance efficiency and effectiveness.

Figure 4: CGK Collection Trend from FY 2014/2015 to 2022/2023



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The County Government of Kisumu must prioritise implementing an Integrated Revenue Management System to address the identified revenue collection challenges. Such a system would streamline revenue collection processes, enhance transparency and accountability, and facilitate real-time monitoring of revenue streams. Additionally, structured procedures and processes should be implemented to ensure compliance with international good practices in revenue mobilisation.

Furthermore, the county should focus on capacity-building initiatives to equip revenue administration staff with the necessary skills and knowledge to manage revenue collection processes effectively. By adopting a comprehensive revenue mobilisation and

management approach, the County Government of Kisumu can ensure sustainable revenue generation to support its development agenda and service delivery initiative

2.3 KCRB Management Structure

The functional structure of the KCRB centralised revenue administration and reporting, as shown in Annexure IX, boasts a hierarchical management structure meticulously crafted to ensure streamlined governance and oversight. At the pinnacle of this organisational framework rests the esteemed KCRB Board Members, entrusted with the crucial responsibility of delineating policy direction. Directly beneath them stands the Chief Executive Officer (CEO), who assumes the dual role of providing strategic leadership and serving as the Secretary to the Board. As the linchpin of administrative operations, the CEO orchestrates day-to-day functionalities, stewarding finances, assets, and personnel with meticulous care.

Augmenting the CEO's endeavours is the Deputy CEO, tasked with supervising revenue generation, compliance enforcement, service delivery, and ICT operations. While the prevailing structure acknowledges these pivotal functions, there exists a discernible void in dedicated risk management. It is imperative to integrate a specialised risk management function, with a keen focus on data governance and management, to fortify operational resilience. This strategic augmentation resonates with the comprehensive Risk Management Framework delineated within the Revenue Enhancement Action Plan (REAP). Concurrently, key departmental heads, including those overseeing legal affairs, human resources, and finance and administration, directly report to the CEO. However, ensuring parity in rank and authority across the organisational echelons is paramount. Introducing dual Deputy CEOs—one spearheading revenue-centric functions and the other stewarding legal, administrative, and supply chain domains—would engender clarity in authority chains and operational cohesion

Further within the organisational hierarchy, the Compliance Unit, Reporting, and Debt Collection Unit, alongside pivotal support functions such as System and Network Support and Technical Support, operate under the purview of the Deputy CEO. Elevating their strategic positioning within the framework facilitates agile decision-making and resource allocation, particularly concerning data governance and management imperatives. Meanwhile, the Finance and Administration portfolio, overseen by the Deputy CEO, mandates fortification of internal controls and financial oversight. This imperative encompasses the integration of robust risk management protocols to enhance transparency and accountability within revenue management frameworks. Addressing operational nuances, the current structure reveals a disjunction wherein Subcounty Enforcement officers report directly to the Head of Compliance. In contrast, Revenue Coordinators and Subcounty Revenue officers report to the Deputy CEO at a subordinate rank.

This organisational incongruity begets potential misalignment and task duplication, necessitating an earnest pursuit of role harmonisation. Through meticulous alignment of roles and responsibilities, KCRB can optimise operational agility, amplifying its efficacy in revenue collection and compliance enforcement endeavours.

2.4 KCRB-Impediments to OSR Enhancement

2.4.1 Impediments as identified from working sessions.

Working sessions by the Tax Advisor with county officials pointed out the following findings and observations:

(i) Despite the existence of legislation such as the County Government Act 2022, the Kisumu County Revenue Administration Act, The Public Finance Management Act, the Kisumu Trade License Act, and the Kisumu County Finance Act, which partially address the inadequacy of a robust legal framework supporting the administration

of several OSR streams, significant gaps remain. These legislative measures represent a positive step forward but need to address the complexities and challenges inherent in revenue mobilisation fully.

(ii) A significant obstacle to enhancing Own Source Revenue (OSR) in accordance with international good practice by KCRB is the failure to maintain complete, accurate, and reliable taxpayer registers for all revenue streams, as mandated by the Kisumu County Revenue Administration Act. Despite this requirement, many revenue streams lack comprehensive registers, leading to low compliance rates, unrealised revenue potential, and inaccurate forecasting. This deficiency undermines the effectiveness of revenue collection efforts and hampers the county's ability to adhere to international standards for revenue administration.

(iii) KCRB cannot utilise an updated Property Valuation Roll despite the County Government of Kisumu (CGK) efforts to enact one in 2017. Legal challenges arose when Kisumu County residents obtained a court injunction against the updated roll, forcing the CGK to revert to an outdated valuation roll. This Roll assesses properties based on their valuation from many years ago, resulting in significant revenue losses as properties are grossly undervalued compared to their current market worth. With property taxes contributing 25% to annual revenue collection, this impediment severely impacts revenue generation efforts and hinders alignment with international best practices in revenue administration. KCRB lacks documented revenue management processes and activities.

(iv) Comprehensive training in the Tax Administration Diagnostic Assessment Tool (TADAT) methodology is needed. KCRB's top management acknowledges the need to train additional officials in the TADAT methodology, reflecting the current gaps in understanding best practices and implementing reforms effectively. Expanding

expertise in this area is crucial for fostering a culture of continuous improvement and ensuring alignment with international standards in revenue administration.

(v) The frequent system downtimes and issues such as electricity/power shortages and unreliable internet connectivity pose significant obstacles to efficient OSR collection processes. These disruptions hinder the smooth operation of revenue management systems and compromise the integrity of data collection and processing, ultimately impeding revenue generation efforts. Addressing this challenge requires strategic investments in infrastructure and technology upgrades, alongside robust training programs to enhance staff capacity and adaptability

(vi) The existence of departmental silos within the CGK. Departments within the CGK operate independently despite their activities directly influencing each other and KCRB's overall objectives. For instance, KCRB is responsible for managing car parking areas, and the Department of Lands and Physical Planning oversees road shows and needs to collaborate more closely. Occasionally, streets utilised for road shows are closed off, affecting the collection of car parking fees on those same streets. This lack of coordination results in inefficiencies and missed revenue opportunities. Establishing effective inter-departmental collaboration mechanisms is crucial to optimising revenue collection processes and aligning with international standards in revenue administration

(vii) The 2020/2021 Annual Monitoring & Evaluation Report of the 2018-2023 Public Financial Management Reform (PFMR) Strategy[10], highlights a myriad of challenges hindering the enhancement of own-source revenue (OSR) across counties in Kenya. Kisumu County, among others, grapples with these impediments, reflecting a

[10] The 2020/2021 Annual Monitoring & Evaluation Report for the 2018-2023 PFMR Strategy

broader systemic issue within the country's devolved governance framework cited various challenges affecting OSR in counties, and they include the following;

a) There is a lack of clear revenue projection methods among most counties. Whereas some counties attempt to incorporate scientific methods in setting revenue targets, some use budget-balancing figures as revenue targets. This lack of standard revenue projection approaches leads to unrealistic targets.
b) Lack of updated valuation rolls– property taxes have a huge potential to yield high revenues to county governments but are hindered by outdated valuation rolls and computation of rates based on unimproved site value, even for urban counties.
c) Weak revenue administration structures. This results in non-alignment of revenue streams and revenue leakages.
d) Pending bills due to the inability to meet revenue targets by most counties
e) Political interference in OSR administration inhibits collection.
f) Lack of tariff and pricing policy to guide counties' imposition of fees and charges.
g) Inadequate resources are available in most counties to effectively engage in public participation in legislative processes.
h) Delays in the disbursement of funds to county governments hinder the timely implementation of the budget.

(viii) KCRB has centralised revenue collection and enhanced service delivery by integrating sixteen revenue streams into its system. However, despite implementing the IRMS, CGK continues to operate five additional revenue collection systems. This diversity of systems poses challenges to effective revenue mobilisation and limits the county's adherence to international best practices in revenue administration.

(ix) The multitude of revenue streams administered by the Kisumu County Revenue Board (KCRB) stands as a significant impediment to Own Source Revenue (OSR) mobilisation efforts. With a staggering 428 distinct charges and levies delineated in the Kisumu County Finance Act 2023, the administration of revenue has become exceedingly intricate. This complexity not only burdens the revenue administration systems but also poses challenges in terms of enforcement, compliance, and monitoring. The sheer volume and diversity of revenue streams create administrative bottlenecks, hindering efficient collection processes and compromising the effectiveness of revenue mobilisation initiatives aimed at enhancing the county's fiscal capacity.

2.4.2 Sub-County-Specific Impediments to OSR Mobilisation

While the overarching impediments to OSR mobilisation by the KCRB are comprehensively outlined in 2.4.1, it is crucial to highlight issues specific to sub-counties to address them effectively within their respective contexts. The sub-county-specific impediments to OSR mobilisation include:

(i) Serious understaffing of revenue officers across sub-counties, leading to inadequate coverage of vast areas and hindering effective revenue collection from taxpayers engaged in taxable business activities within CGK.

(ii) There is a Lack of ward offices, notably in Kisumu West Sub County, where only one office serves as the headquarters. In contrast, Ward Revenue offices are housed in dilapidated makeshift structures. In Nyando Sub-County, four offices exist, all in poor condition, with old and broken furniture, posing challenges to OSR mobilisation efforts.

(iii) Absence of computers in Nyando and Kisumu West Sub counties, unlike Kisumu Central Subcounty, leading to manual processes that impede OSR activities such as compliance enforcement, reporting, and revenue analysis.

(iv) Perennial flooding in Nyando and parts of Muhuroni and Nyakach sub-counties, particularly affecting Ahero Markets and the sub-county headquarters, resulting in damage to office infrastructure, records, and equipment, disrupting revenue collection.

(v) Inadequate transportation resources, with only one vehicle serving all 8 sub-counties of CGK, severely limiting OSR mobilisation efforts.

(vi) Lack of technical training for revenue staff in OSR mobilisation, except for a few who received limited training on the Integrated Revenue Management System (IRMS) by Safaricom, leading to a deficiency in technical skills.

(vii) There is a Lack of clarity regarding the roles and responsibilities of county staff, which leads to non-revenue staff engaging in revenue administration tasks, which hinders effective OSR mobilisation.

(viii) Poor sanitation and inadequate infrastructure, including market sheds, toilets, and bus parks, across sub-counties.

(ix) Insecurity faced by staff, particularly in Kisumu Central, during late evening and early morning revenue collection activities, highlighted by a fatal incident where a staff member was attacked and killed by thugs while reporting to work early morning.

2.4.3 KCRB- Interventions to address the impediments

To address the above impediments to OSR enhancement, the KCRB revenue administration team held sessions with the Tax Advisor to develop the following impediment and interventions matrix outlined in Table 1 below.

Table 1: Working session Impediments to OSR enhancement in the KCRB

Issue/Findings	Suggested actions	Responsible person

(i) Absence of or inadequate legal framework that backs the administration of several OSR streams, such as the absence of the revenue administration acts	**Strengthening Legal Framework for Kisumu County Revenue Administration** The current legal framework governing revenue administration within Kisumu County, notably the Kisumu County Revenue Administration Act of 2015, provides a foundation for regulating revenue collection, management, and enforcement. However, it lacks the standardised and comprehensive framework necessary to ensure consistency, transparency, and efficiency in tax administration practices across the county. Enhancing the legal framework governing revenue administration is imperative to addressing this gap. The Kisumu County Revenue Administration Act and other specific revenue Acts used to administer various revenue streams should be bolstered to leverage the expertise and resources of the Kisumu County Revenue Board (KCRB). This enhancement would enable more effective enforcement of tax laws, improve taxpayer education and support, and ultimately contribute to a more conducive environment for investment within Kisumu County. The proposed legal intervention should incorporate modern tax administration practices and align with international standards to enhance Kisumu County's competitiveness and attractiveness to investors. Borrowing certain provisions from the Tax Procedures Act, such as procedural clarity, taxpayer rights and obligations, dispute resolution mechanisms, and enforcement measures, would further strengthen the legal framework. Furthermore, KCRB should integrate standardised procedures and best practices from the Tax Procedures Act into its operations to enhance revenue administration's efficiency, effectiveness, and fairness within Kisumu County. This alignment with national standards and practices would promote uniformity and streamline processes, benefiting taxpayers and revenue authorities. Collaboration between KCRB, the Kenya Revenue Authority (KRA), and other relevant national bodies is essential to facilitating capacity-building, knowledge-sharing, and technical assistance to strengthen revenue administration at the county level. By leveraging expertise and resources from both the county and national levels, Kisumu County can enhance its revenue administration capabilities and promote economic growth and development. While the existing Kisumu County Revenue Administration Act and other specific revenue Acts used to administer various revenue streams serve their intended purpose within the county context, enhancing their provisions and incorporating best practices from the Tax Procedures Act would contribute to a more robust and effective legal framework for revenue administration. This intervention aligns with the goal of promoting transparency, fairness, and efficiency in tax administration practices within Kisumu County.	Director Legal CEO KCRB County Assembly All Revenue-Heads
(ii) All revenue streams do not have complete, accurate and reliable taxpayer registers; the absence of a high-integrity taxpayer register contributes greatly to low compliance rates, unrealising of the revenue potential and	**Enhancing Taxpayer Registers and Revenue Management** The current state of taxpayer registers across all revenue streams within KCRB jurisdiction is inadequate, characterised by incompleteness, inaccuracy, and unreliability. This deficiency in maintaining a high-integrity taxpayer register significantly contributes to low compliance rates, unfulfilled revenue potential, and ineffective revenue forecasting. To address these challenges and improve revenue collection efficiency, there is a need for the implementation of comprehensive interventions as follows; 1. **Implementation of Integrated Revenue Management System:** adopting a robust integrated revenue management system to streamline revenue administration processes. This system will reduce taxpayer compliance costs and ensure high levels of compliance, thereby enhancing revenue collection. By centralising taxpayer data and automating key processes, such as tax assessment and payment tracking, the system will facilitate more accurate reporting and forecasting of revenues.	Head of ICT Head of Compliance CEO KCRB Subcounty Revenue Officers All Revenue-Heads

poor forecasting of revenues	2. **Conduct Census and Revenue Mapping:** A thorough census, or revenue mapping exercise, should be conducted for all revenue streams across all wards within our jurisdiction. This initiative aims to establish an optimal revenue base and gather reliable data on taxpayers and revenue sources. By systematically identifying and documenting revenue-generating activities, we can better assess the potential revenue capacity of each ward and tailor our revenue collection strategies accordingly. 3. **Development of Whistleblowing Policies:** developing whistleblowing policies to promote transparency and combat fraudulent activities in revenue administration. These policies will encourage an open culture of reporting misconduct or suspicious activities related to revenue collection. By empowering individuals to report wrongdoing anonymously and providing appropriate channels for investigation, we can deter fraudulent behaviour and safeguard the integrity of our revenue collection processes. Implementing these interventions is crucial for enhancing the integrity of taxpayer registers and improving revenue management practices. By investing in a robust integrated revenue management system, conducting comprehensive census and revenue mapping exercises, and implementing whistleblowing policies, we can overcome existing challenges, increase compliance rates, and maximise revenue collection potential. These efforts will ultimately contribute to Kisumu County's sustainable growth and development.	
(iii) The use of an outdated valuation roll that assesses properties based on their valuation in 1982 leads to heavy revenue losses encountered by the county	**Adoption of GIS-Based Valuation Roll for Property Assessment** The current reliance on an outdated valuation roll, dating back to 1982, poses a significant challenge to revenue collection efforts in the county. Properties are assessed based on their valuations from decades ago, leading to substantial revenue losses due to gross undervaluation compared to their current market worth. We propose adopting and implementing a new GIS-based valuation roll to address this issue and enhance revenue collection from rates. Despite the County Government of Kisumu (CGK) making efforts to enact a new valuation roll in 2017, legal challenges arose when Kisumu County residents obtained a court injunction against its implementation. As a result, the CGK was compelled to revert to the outdated valuation roll, exacerbating revenue losses. With property taxes contributing a significant portion to annual revenue collection, estimated at 25%, the continued use of the outdated roll significantly impedes revenue generation efforts and undermines alignment with international best practices in revenue administration. Adopting a GIS-based valuation roll promises to revolutionise property assessment practices and align them with current market realities. By leveraging geographic information systems (GIS) technology, properties can be accurately assessed based on their current valuations, leading to fairer and more equitable taxation. This intervention is projected to triple revenue collection from rates, substantially boosting the county's revenue base. To ensure the successful implementation of the new valuation roll, it is imperative to address the legal challenges that have hindered its adoption thus far. This may involve engaging stakeholders, including Kisumu County residents and legal experts, to resolve outstanding issues and garner support for implementing the GIS-based valuation roll. Additionally, robust documentation of revenue management processes and activities by the Kisumu County Revenue Board (KCRB) is essential to enhance revenue administration's transparency, accountability, and efficiency. Adopting a GIS-based valuation roll represents a critical intervention to overcome the challenges of using outdated property assessments. By embracing modern technology and addressing legal barriers, the county can realise significant revenue gains and improve its fiscal sustainability.	Director Lands Head of Legal County Assembly
(iv) KCRB lacks documented revenue	**Development of Documented Revenue Management Processes** Addressing the deficiency in documented revenue management processes and activities at the Kisumu County Revenue Board (KCRB) necessitates a comprehensive	

management processes and activities.	intervention strategy. To rectify this issue and promote transparency, accountability, and efficiency in revenue administration, the following initiatives are proposed: 1. **Capacity-Building Programme:** Implement a structured capacity-building program to enhance the operational efficiency of KCRB staff members. This program should equip employees with the necessary skills and knowledge to execute revenue enhancement action plans and optimise overall revenue collection processes. 2. **Standard Operating Procedure (SOP) Development:** Establish a standardised framework by developing SOPs for all revenue streams managed by KCRB. These SOPs should outline clear and detailed procedures for various revenue management activities, including registration and recruitment, compliance enforcement, and inspection processes. 3. **Registration and Recruitment Procedures Manual:** Develop a comprehensive manual delineating the procedures and criteria for registering taxpayers and recruiting revenue collection agents. This manual will guide KCRB staff members involved in these processes and ensure consistency and adherence to established protocols. 4. **Compliance Manual:** Create a compliance manual that outlines the guidelines and protocols for ensuring taxpayer compliance across all revenue streams. This manual should also detail the procedures for conducting audits, investigations, and enforcement actions to address non-compliance effectively. 5. **Inspection Manual:** Formulate an inspection manual that provides standardised procedures for inspecting properties, businesses, and other revenue-generating entities. This manual will define the inspection criteria, documentation requirements, and follow-up actions based on inspection findings. 6. **Documentation of Procedures:** Document all existing revenue management processes currently used at KCRB to create a comprehensive repository of operational guidelines. This documentation will facilitate knowledge sharing, operations continuity, and training for new staff members. Implementing these initiatives will allow KCRB to establish robust, well-documented revenue management processes and activities. This will enhance operational efficiency and effectiveness and foster greater public trust and confidence in the county's revenue administration practices.	All Unit Heads
(v) Top management has indicated the need to train more officials in the TADAT methodology to understand good practices and increase the number of reform champions.	**Capacity Building and Training in TADAT Methodology** Recognising the imperative to enhance institutional capacity and proficiency in revenue administration practices, KCRB's top management has underscored the necessity to expand training initiatives in the Tax Administration Diagnostic Assessment Tool (TADAT) methodology. This strategic move aims to address existing knowledge gaps among officials, cultivate a cadre of reform champions, and fortify the organisation's capabilities in implementing impactful reforms. Expanding the pool of officials proficient in the TADAT methodology is paramount for KCRB's journey towards adopting and implementing international best practices in revenue administration. To achieve this objective, the following intervention strategies are recommended: 1. **Comprehensive Training Program:** Develop and implement a comprehensive training program tailored to equip KCRB officials with a deep understanding of the TADAT methodology. This program should cover various aspects of revenue administration, including tax policy, legal frameworks, organisational structure, and operational processes, to foster a holistic understanding of good practices. 2. **Partnership Engagement:** Forge strategic partnerships with development partners, such as international organisations and donor agencies, to access	CEO KCRB Head of HR

	specialised expertise, technical assistance, and resources in TADAT methodology training. Collaborative efforts will facilitate knowledge transfer, capacity-building, and information sharing, accelerating skill development and institutional strengthening. 3. **Capacity-Building Workshops:** Organise capacity-building workshops and seminars focused on TADAT methodology, inviting renowned experts and practitioners to impart knowledge and insights. These interactive sessions will provide KCRB officials with practical guidance, case studies, and hands-on training opportunities to enhance their proficiency and competency in applying TADAT principles. 4. **Internal Knowledge Sharing:** Establish platforms for internal collaboration and the exchange of best practices to foster a culture of knowledge sharing and peer learning within KCRB. Encouraging officials to share their experiences, challenges, and successes in implementing TADAT methodologies will promote continuous improvement and collective learning across the organisation. By prioritising training initiatives in the TADAT methodology and cultivating a cadre of proficient officials, KCRB can strengthen its capacity to drive meaningful reforms, enhance operational efficiency, and achieve sustainable improvements in revenue administration practices. This strategic intervention aligns with KCRB's commitment to embracing international standards and fostering excellence in governance.	
(vi) Absence of a sound integrated revenue management system that will reduce taxpayer compliance costs and ensure high compliance rates, greatly enhancing revenue collection. (vii)	**Implementation of an Integrated Revenue Management System** Addressing the absence of a robust integrated revenue management system is critical to reducing taxpayer compliance costs, improving compliance rates, and significantly enhancing revenue collection for KCRB. To achieve this objective, the following intervention strategies are proposed: 1. Comprehensive System Integration: Streamline revenue collection processes by fully integrating all revenue streams into the existing Integrated Revenue Management System (IRMS). This comprehensive integration will centralise data management, enhance operational efficiency, and minimise the burden on taxpayers by providing a unified platform for payment and reporting across all revenue streams. 2. Technology Upgrade and Standardisation: Invest in technology upgrades and standardisation efforts to modernise the IRMS infrastructure and ensure compatibility with emerging digital platforms and payment channels. By leveraging advanced technologies such as cloud computing, data analytics, and mobile applications, KCRB can optimise system performance, improve user experience, and facilitate real-time monitoring of revenue collection activities. 3. Enhanced User Training and Support: Provide extensive training and capacity-building programs to familiarise KCRB staff and taxpayers with the integrated revenue management system. Equipping stakeholders with the necessary knowledge and skills to navigate the system effectively will promote compliance, reduce errors, and foster a culture of transparency and accountability in revenue administration. 4. Stakeholder Engagement and Collaboration: Foster collaboration with relevant stakeholders, including government agencies, financial institutions, and technology vendors, to enhance the functionality and interoperability of the integrated revenue management system. By fostering strategic partnerships and knowledge-sharing initiatives, KCRB can harness collective expertise and resources to address implementation challenges and drive continuous improvement. 5. Alignment with International Standards: The IRMS should align with international best practices for integrated tax management systems, as outlined in the Tax Administration Diagnostic Assessment Tool (TADAT).	Head of ICT and Head OF Planning

	This includes incorporating high-integrity taxpayer registers and robust compliance modules to enhance data accuracy, transparency, and accountability in revenue administration. 6. Continuous Monitoring and Evaluation: Establish robust monitoring and evaluation mechanisms to assess the integrated revenue management system's effectiveness and impact. Regular performance reviews, feedback mechanisms, and data analytics will enable KCRB to identify areas for optimisation, address operational bottlenecks, and ensure alignment with international best practices in revenue administration. Implementing an integrated revenue management system aligned with international standards and best practices can streamline operations, enhance taxpayer compliance, and maximise revenue collection potential. This intervention will reduce taxpayer compliance costs and position KCRB as a model of efficiency and effectiveness in revenue administration within the county.	
(viii) The frequent system downtimes and issues such as electricity/power shortages and unreliable internet connectivity pose significant obstacles to efficient OSR collection processes	**Mitigating Disruptions in Revenue Collection Processes** The frequent system downtimes and infrastructure challenges, including electricity/power shortages and unreliable internet connectivity, significantly impede the efficiency of revenue collection processes in KCRB's Operational Self-Reliance (OSR) streams. To address these obstacles and ensure seamless operations, the following intervention strategies are proposed: 1. Infrastructure Enhancement: Prioritise strategic investments in infrastructure upgrades to mitigate system downtimes and address electricity/power shortages. This includes installing backup power sources such as generators or solar panels to ensure uninterrupted operation of revenue management systems during power outages. 2. Technology Resilience: Implement measures to enhance the resilience of technology infrastructure against internet connectivity issues. This may involve leveraging redundant network connections, implementing failover mechanisms, and deploying advanced networking technologies to maintain connectivity and data integrity even in challenging environments. 3. Training and Capacity Building: Develop comprehensive training programs to equip KCRB staff with the skills and knowledge to navigate system disruptions effectively. Training should encompass troubleshooting techniques, contingency planning, and best practices for maintaining data integrity during downtime. 4. System Optimisation: Evaluate the Integrated Revenue Management System (IRMS) performance and identify areas for optimisation to minimise system downtimes' impact on revenue collection processes. This may involve fine-tuning system configurations, implementing software updates, and enhancing system monitoring capabilities to identify and address potential issues proactively. By implementing these intervention strategies, KCRB can mitigate disruptions in revenue collection processes caused by system downtimes and infrastructure challenges. This proactive approach will improve operational efficiency and enhance the reliability and integrity of revenue management systems, ultimately contributing to increased revenue generation and improved service delivery within the county.	Head of ICT, Director of Administration
(ix) Lack of office space, furniture and equipment	**Addressing the Lack of Office Space, Furniture, and Equipment in Wards** The insufficient office space, furniture, and equipment availability in some wards poses significant challenges to effective county revenue mobilisation efforts. To mitigate this issue and improve operational efficiency, the following intervention strategies are proposed: 1. **Assessment of Wards' Infrastructure Needs:** Conduct a comprehensive assessment to identify wards with inadequate office space and	Director Administration

	lacking essential facilities such as furniture, computers, and printers. This assessment will provide valuable insights into the extent of the problem and guide targeted interventions. 2. **Infrastructure Improvement Projects:** Initiate infrastructure improvement projects to address the deficiencies in office space and facilities identified. These projects may include renovating existing office spaces, constructing new facilities where needed, and procuring furniture, computers, and printers to equip these spaces adequately. 3. **Resource Allocation and Budgetary Planning:** Prioritise resource allocation and budgetary planning to allocate sufficient funds for infrastructure development and procurement of ward furniture and equipment. Collaborate with relevant stakeholders to secure additional funding sources and ensure the timely implementation of infrastructure improvement projects. 4. **Capacity Building and Training:** Provide ward staff with training and capacity-building programs on properly using and maintaining furniture and equipment. This will ensure asset longevity and maximise utility, optimising operational effectiveness in revenue mobilisation activities. 5. **Monitoring and Evaluation Mechanisms:** Establish monitoring and evaluation mechanisms to track the progress of infrastructure improvement projects and assess the impact of interventions on revenue mobilisation outcomes. Regular reviews and feedback mechanisms will enable continuous improvement and course corrections as needed. 6. **Public-Private Partnerships (PPPs) and Donor Engagement:** Explore opportunities for public-private partnerships and donor engagement to supplement government funding for infrastructure projects. Leveraging external resources and expertise can accelerate infrastructure development and more comprehensively address gaps. Implementing these intervention strategies will allow the county to enhance its revenue mobilisation capacity by providing adequate office space, furniture, and equipment in wards. This will create a conducive working environment for staff, improve service delivery to taxpayers, and ultimately contribute to increased revenue collection and socioeconomic development.	
(x) The existence of departmental silos within the CGK.	**Enhancing Inter-Departmental Collaboration within the CGK** The presence of departmental silos within the County Government of Kisumu (CGK) hinders effective coordination and collaboration, leading to inefficiencies and missed revenue opportunities. To address this challenge and promote synergy among departments, the following intervention strategies are proposed: 1. Establishment of Inter-Departmental Coordination Mechanisms: Implement structured frameworks for inter-departmental collaboration, such as regular meetings, joint planning sessions, and cross-functional teams. These mechanisms will facilitate communication, information sharing, and alignment of objectives across departments, fostering a culture of collaboration and teamwork. 2. Identification of Cross-Departmental Dependencies: Conduct a thorough assessment to identify areas of interdependence among departments where one department's activities directly impact those of others. For example, the coordination between KCRB and the Department of Lands and Physical Planning regarding road shows and car parking management highlights a critical dependency that requires closer collaboration. 3. Development of Integrated Work Plans: Develop integrated work plans that outline shared goals, activities, and timelines across relevant departments. This approach will ensure that departmental activities are coordinated and synchronised to minimise conflicts and optimise resource utilisation, ultimately enhancing revenue collection efforts.	County Secretary

	4. Enhanced Communication Channels: Implement robust communication channels like digital platforms and shared databases to facilitate real-time information exchange and collaboration among departments. This will enable timely decision-making, rapid problem-solving, and proactive management of cross-departmental challenges. 5. Promotion of a Collaborative Culture: Foster a culture of collaboration and teamwork within the CGK through awareness campaigns, training programs, and recognition of collaborative achievements. Emphasise the importance of cross-departmental cooperation in achieving organisational objectives and highlight the benefits of synergy and shared success. By implementing these intervention strategies, the CGK can break down departmental silos, promote effective inter-departmental collaboration, and optimise revenue collection processes. This proactive approach will enhance operational efficiency and strengthen the CGK's ability to achieve its revenue generation objectives and deliver value to the community.	
(xi) The multitude of revenue streams administered by the Kisumu County Revenue Board (KCRB)	To address the impediment of a multitude of revenue streams hindering Own Source Revenue (OSR) mobilisation efforts in Kisumu County, several solutions can be considered: 1. Streamlining and Simplification: Review and rationalise the existing revenue streams to reduce redundancy and complexity. Consolidate similar charges and levies where possible to create a more manageable and coherent framework. 2. Harmonization of Processes: Standardize procedures and documentation across different revenue streams to improve efficiency and consistency in administration. Implement uniform guidelines for collection, enforcement, and monitoring. 3. Technology Integration: Invest in technology solutions such as digital platforms, online portals, and electronic payment systems to automate revenue collection processes. This can streamline transactions, enhance transparency, and reduce administrative burdens. 4. Capacity Building: Provide training and capacity-building programs for KCRB staff to equip them with the skills and knowledge necessary to administer the simplified revenue streams effectively. This includes training on compliance monitoring, enforcement techniques, and customer service. 5. Stakeholder Engagement: Foster collaboration and consultation with stakeholders, including taxpayers, businesses, and community representatives, to solicit feedback and input on the revenue administration system. This can help identify areas for improvement and ensure that reforms are responsive to the needs of the community. By implementing these solutions, Kisumu County can overcome the challenges posed by a multitude of revenue streams and create a more efficient and effective system for Mobilizing Own-Source Revenue**.**	County Secretary
(xii) Sub-County-Specific Impediments to OSR Mobilisation	**(i) Serious understaffing of revenue officers:** KCRB plans to recruit and deploy additional revenue officers to sub-counties facing understaffing issues. This intervention aims to ensure adequate coverage of areas and enhance effective revenue collection from taxpayers engaged in taxable business activities within CGK. **(ii) Lack of ward offices and poor infrastructure:** KCRB will collaborate with the county government to establish new ward offices in areas like Kisumu West Sub County and improve infrastructure in existing offices, especially in Nyando Sub-County. This initiative includes renovating existing offices, providing necessary equipment and furniture, and ensuring conducive working environments for revenue officers.	County Secretary and KCRB Board

	(iii) Absence of computers: KCRB intends to equip Nyando and Kisumu West Sub counties with computer systems similar to those in Kisumu Central Subcounty. This intervention aims to automate processes, enhance compliance enforcement, streamline reporting, and improve revenue analysis to overcome manual process challenges. **(iv) Perennial flooding:** KCRB will work with relevant authorities to implement flood mitigation measures in Nyando and Muhuroni sub-counties. This includes relocating offices to safer areas, implementing flood-resistant infrastructure, and developing contingency plans to minimise disruptions to revenue collection during flooding incidents. **(v) Inadequate transportation resources**: KCRB plans to acquire additional vehicles dedicated to revenue administration in sub-counties to address transportation challenges. This intervention aims to improve mobility, enhance operational efficiency, and facilitate effective revenue mobilisation efforts across all eight sub-counties. **(vi) Lack of technical training:** KCRB will organise comprehensive technical training programs for revenue staff in all sub-counties. These programs will cover OSR mobilisation strategies, revenue management systems, and compliance enforcement techniques to enhance staff competency and skills in revenue mobilisation. **(vii) Unclear roles and responsibilities:** KCRB will collaborate with the county government to establish clear guidelines and job descriptions for revenue staff, ensuring clarity in roles and responsibilities. This intervention aims to streamline operations, minimise role overlaps, and improve efficiency in revenue administration. **(viii) Poor sanitation and inadequate infrastructure:** KCRB will advocate for infrastructure development projects in sub-counties to address sanitation issues and improve market facilities, toilets, and bus parks. This intervention aims to create conducive environments for revenue collection and enhance the overall infrastructure supporting OSR mobilisation. **(ix) Insecurity:** KCRB will collaborate with relevant security agencies to enhance security measures for revenue staff, especially in high-risk areas like Kisumu Central. This includes providing security escorts, implementing safety protocols, and conducting risk assessments to mitigate security threats during revenue collection activities.	

2.4.4 Cross-cutting interventions

In addition to the impediments/intervention matrix highlighted in Table 1, KCRB should implement the following interventions at a high level to enhance own-source revenue (OSR) mobilisation:

(i) **Capacity-Building Programme:** KCRB must institute a comprehensive capacity-building programme to enhance OSR and revenue enhancement action plans. This programme should focus on strategic reflections to determine the most impactful measures for county government service delivery. The objective is to ensure the county receives the necessary assistance to implement reforms that improve OSR. The programme will establish mechanisms to ensure that revenue administration

staff implementing the Revenue Enhancement Action Plan (REAP) receive appropriate training at specified intervals and possess the requisite qualifications to drive OSR reforms. The programme covers finance, legal frameworks, international best practices, customer care, and revenue tools, among others.

(ii) **Partnerships with Development Partners and National PFM Institutions:** KCRB should forge partnerships with development partners and national Public Financial Management (PFM) institutions to embed good international practices and receive technical assistance, information sharing, and benchmarking opportunities to enhance county governance processes. These partnerships may involve diagnostic assessments to identify strengths and weaknesses in county revenue administrations, followed by strategic interventions in technical assistance to address identified gaps.

By implementing these high-level interventions, KCRB can enhance its capacity to mobilise OSR effectively, improve service delivery to the county government, and achieve sustainable revenue growth in alignment with international best practices.

The interventions form part of the activity plan in **Annexure III.** The activity plan builds on **Table 1** and shows how the various interventions have been assigned to responsible parties for implementation. The central point of command remains with the Chief Executive Officer KCRB. The relevant implementation directorates must provide budgetary data for each substantive intervention. In deciding on the interventions to be included in the activity plan (**Annexure-III and IV**), the drafting team considered the contribution of the planned interventions to achieving revenue forecasts in **Annexure VIII.**

3.0 KCRB OSR forecasts

The County Government of Kisumu has demonstrated commendable progress in OSR generation since the inception of devolution in Kenya in 2013. The REAP serves as a pivotal tool in forecasting and monitoring OSR performance against predefined targets.

Own Source Revenue Forecasting in Kenya for County Governments, which Kisumu County is part of, is based on the previous year's performance. The targets are set by the County Executive and approved by the County Assembly before being submitted to the Office of Controller of Budget Kenya (OCOB). OCOB's role is to advise and can only reduce the target; they cannot increase it due to their role. However, a critical examination of the OSR performance against targets reveals significant disparities and challenges. The forecasting method employed, predominantly based on the previous year's performance, needs a robust scientific and statistical foundation. Instead, it relies heavily on historical data without considering essential economic indicators such as revenue potential studies, population dynamics, inflation rates, poverty levels, and standards of living.

The reliance on historical trends alone renders the forecasting method susceptible to inaccuracies and unrealistic targets, as evidenced by substantial shortfalls experienced in various fiscal years. For instance, as depicted in **Table 2 and Figure 5** below, in FY 2014/2015, the OSR target was KES 729,194,738, but only KES 250,147,453 was actually generated, highlighting a considerable disparity. However, there has been a steady improvement in revenue performance in subsequent fiscal years. In FY 2021/2022, for example, the target for OSR was set at KES 1,984,000,003, with actual revenue reaching KES 982,789,204, representing a substantial achievement surpassing the set target. Utilising scientifically proven methods in revenue forecasting is imperative to mitigate such discrepancies and ensure more accurate projections.

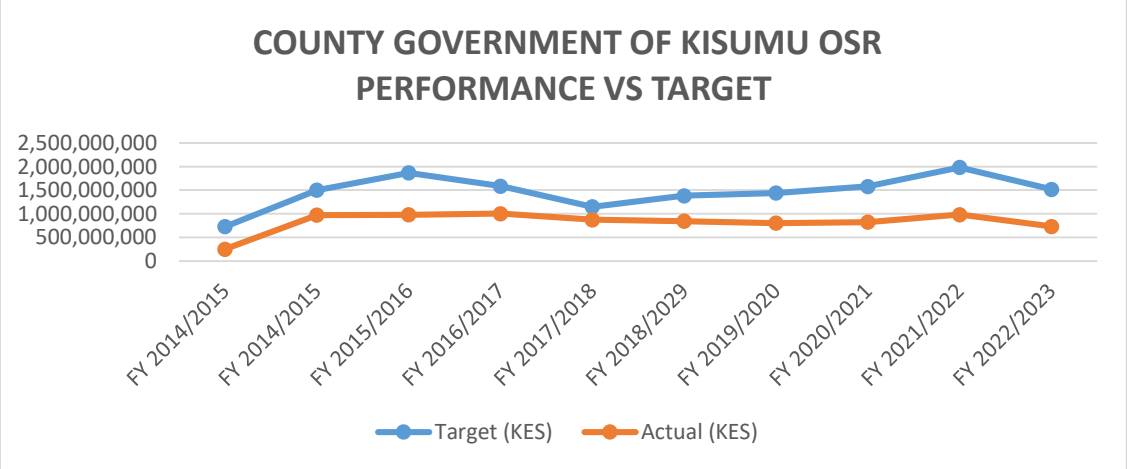
To address these challenges and enhance revenue forecasting accuracy, the County Government of Kisumu must adopt a more scientific approach. This entails integrating comprehensive studies on revenue potential, demographic shifts, economic trends, and

other relevant factors into the forecasting process. The OSR Potential and Gap Study [11]conducted by the World Bank in 2022 and an earlier study by Adam Smith International[12] 2019 offers valuable insights that can inform more accurate revenue projections.

Furthermore, collaboration with relevant stakeholders and leveraging advanced technologies for data analytics and forecasting can enhance the precision of revenue forecasts. By adopting a more data-driven and evidence-based approach, the county can align its revenue targets more closely with its actual revenue generation capacity, ensuring greater fiscal sustainability and effective allocation of resources.

The forecasting section of the Revenue Enhancement Action Plan is pivotal for the County Government of Kisumu's fiscal planning and performance monitoring. By transitioning to a more scientifically grounded forecasting methodology and incorporating pertinent economic indicators, the county can achieve more realistic revenue targets and bolster its capacity for sustainable development and service delivery to its constituents.

Figure 5: COUNTY GOVERNMENT OF KISUMU OSR PERFORMANCE VS TARGET



[11] [11] Comprehensive Own Source Revenue Potential and Tax Gap Study of County Governments by CRA and World Bank June 2022

[12] Adam Smith (2019) Own-Source Revenue Potential and Tax Gap Study of Kenya's County Governments,

3.1 County OSR performance analysis

The analysis of Kisumu County Government's revenue performance over the last five financial years, as shown in Table 3 below, focuses on the highest-performing revenue streams, including unstructured Hospital and Public Health Service fees.[13] These selected streams collectively contribute over 80% of the total revenue annually. The revenue streams under scrutiny include Trade License Fees, Land Rates, Sign Board Promotion, Bus Park Fees, Market Fees, and Parking Fees.

Trade license fees emerge as the top revenue generator outside HPHS, consistently contributing a substantial portion to the county's revenue pool. Over the past five years, trade license fees have demonstrated stability and growth, reflecting the vibrant business.

Table 2: County Government Of Kisumu OSR Performance Vs Target

FINANCIAL YEAR	Target (KES)	Actual (KES)
FY 2014/2015	729,194,738	250,147,453
FY 2014/2015	1,500,000,000.00	970,903,407.00
FY 2015/2016	1,868,587,023.00	978,889,261.00
FY 2016/2017	1,584,987,119.00	1,004,043,906.00
FY 2017/2018	1,148,685,296.00	874,901,775.00
FY 2018/2029	1,382,567,120.00	842,816,398.00
FY 2019/2020	1,438,480,000.00	804,000,000.00

[13] A structured revenue stream in the context of a county government or local government refers to a consistent and predictable source of income generated through specific activities or services provided by the government. This revenue stream typically has a defined periodicity, meaning that income is received regularly at set intervals, such as monthly, quarterly, or annually.
Additionally, a structured revenue stream often involves maintaining a tax register or a comprehensive database that records relevant information about taxpayers, their obligations, and their payment history. This tax register serves as a critical tool for revenue collection, allowing the government to track tax liabilities, assess compliance, and ensure that all due taxes are paid in a timely manner.

FINANCIAL YEAR	Target (KES)	Actual (KES)
FY 2020/2021	1,579,172,106.00	822,299,848.00
FY 2021/2022	1,984,000,003.00	982,789,204.00
FY 2022/2023	1,518,837,525.00	731,449,033.00

Environment within the county. Similarly, Land Rates have maintained a significant presence, indicating steady revenue generation from property holdings and transactions within Kisumu County. Notably, Sign Board Promotion has emerged as another key revenue stream, underscoring the importance of advertising and promotional activities in the local economy.

Bus Park Fees, Market Fees, and Parking Fees, while slightly lower in contribution compared to the streams above, still play vital roles in revenue generation for the county. These revenue streams are closely tied to public infrastructure and services, reflecting the dynamic interactions between the county's urban infrastructure and its economic activities. Overall, the analysis of these revenue streams provides valuable insights into Kisumu County's revenue landscape and forms the basis for informed forecasting and strategic planning within the Kisumu County Revenue Board's Revenue Enhancement Action Plan (REAP).

	Revenue Streams	FY 2018-2019	FY 2019-2020	FY 2020-2021	FY 2021-2022	FY 2022-2023
1	Trade license fees	171,065,441.00	122,243,700.00	180,419,311.00	174,027,421.00	164,156,629.00
2	Sign Board promotion	78,308,653.00	48,927,654.00	106,350,456.00	123,654,332.00	148,608,083.00
3	Parking Fees	42,134,790.00	41,650,982.00	47,815,040.00	38,190,316.00	21,416,191.00
4	Market Fees	60,342,067.00	53,722,630.00	67,223,506.00	59,712,910.00	48,956,664.00
5	Land Rates	128,930,245.00	142,399,103.00	131,977,762.00	97,322,161.00	149,897,898.00
6	Bus Park Fees	89,998,170.00	79,706,245.00	95,587,240.00	84,624,513.00	51,504,963.00
	TOTAL	**570,779,366.00**	**488,650,314.00**	**629,373,315.00**	**577,531,653.00**	**584,540,428.00**
	Grand total revenue streams	889,135,583.00	804,387,972.00	1,248,063,960.40	1,199,145,031.55	1,155,399,305.00
	Contribution inclusive of HPHF	64%	61%	50%	48%	51%

	HPHF	177,116,191.00	118,079,202.00	382,586,816.40	452,052,685.00	422,015,272.00
	Total revenue inclusive of HPHF	712,019,392.00	686,308,770.00	865,477,144.00	747,092,346.55	733,384,033.00
	contribution without HPHF	80%	71%	73%	77%	80%

3.2 Forecasting Revenue Performance

Effective revenue planning and strategy formulation are imperative for the Kisumu County Revenue Board (KCRB) to achieve its objectives of revenue enhancement and fiscal sustainability. Central to this effort is the thorough forecasting of revenue performance across the diverse array of revenue streams managed by the KCRB. This subsection delves into the intricate analysis of revenue performance by stream, shedding light on the actual revenue collection, the existing revenue gap, and the revenue potential across key revenue streams.

Conducting a comprehensive analysis allows the KCRB to gain valuable insights into the effectiveness of its revenue collection efforts and identify areas with untapped revenue generation potential. By examining the actual revenue collected relative to the revenue gap, the KCRB can assess the efficiency of its revenue collection mechanisms and gauge the extent to which revenue targets are being met. Furthermore, evaluating the revenue gap as a percentage of the revenue potential provides critical context for understanding the scope of revenue enhancement opportunities within each revenue stream.

In this subsection, each revenue stream has been meticulously examined, providing stakeholders with a detailed breakdown of revenue performance metrics and highlighting strategic areas for improvement. Through this analysis, the KCRB aims to develop targeted interventions and initiatives aimed at optimising revenue generation, strengthening fiscal resilience, and advancing the county's financial sustainability objectives.

Analysis of Actual Revenue Collection and Revenue Gap in **Table 4** below presents a breakdown of KCRB's major revenue streams, detailing the actual revenue collection as a percentage of the revenue gap and the revenue gap as a percentage of the revenue potential. These metrics provide valuable insights into the performance of each revenue stream and highlight areas for improvement in revenue mobilisation efforts.

Table 3: Revenue Analysis per revenue stream in the last 5 FYs

	Revenue Streams	FY 2018-2019	FY 2019-2020	FY 2020-2021	FY 2021-2022	FY 2022-2023	Total collection for last five years	Revenue stream %age contribution to total	Revenue stream %age contribution to Grand Total
1	Trade license fees	171,065,441.00	122,243,700.00	180,419,311.00	174,027,421.00	164,156,629.00	811,912,502.00	18%	15%
2	Sign Board promotion	78,308,653.00	48,927,654.00	106,350,456.00	123,654,332.00	148,608,083.00	505,849,178.00	11%	10%
3	Parking Fees	42,134,790.00	41,650,982.00	47,815,040.00	38,190,316.00	21,416,191.00	191,207,319.00	4%	4%
4	Market Fees	60,342,067.00	53,722,630.00	67,223,506.00	59,712,910.00	48,956,664.00	289,957,777.00	7%	5%
5	Land Rates	128,930,245.00	142,399,103.00	131,977,762.00	97,322,161.00	149,897,898.00	650,527,169.00	15%	12%
6	Bus Park Fees	89,998,170.00	79,706,245.00	95,587,240.00	84,624,513.00	51,504,963.00	401,421,131.00	9%	8%
7	HPHF	177,116,191.00	118,079,202.00	382,586,816.40	452,052,685.00	422,015,272.00	1,551,850,166.40	35%	29%
	TOTAL	**747,895,557.00**	**606,729,516.00**	**1,011,960,131.40**	**1,029,584,338.00**	**1,006,555,700.00**	**4,402,725,242.40**	100%	83%
	Grand Total for the year for all revenue streams	**889,135,583.00**	**804,387,972.00**	**1,248,063,960.40**	**1,199,145,031.55**	**1,155,399,305.00**	**5,296,131,851.95**		
	% contribution of the 7 revenue sterams to total revenue coleection	**84%**	**75%**	**81%**	**86%**	**87%**	**83%**		

Analysing KCRB's revenue performance over the last five financial years, as depicted in **Table 4** above, we examine the trends and changes in revenue streams, their contributions to total revenue, and their relative importance over time.

3.2.1 Overview of Revenue Streams

1. **Trade License Fees**: This revenue stream fluctuates over the five years, peaking in FY 2020-2021 and slightly declining in subsequent years.
2. **Sign Board Promotion**: This revenue stream also exhibits variability, with a significant increase in FY 2021-2022.
3. **Parking Fees**: Although this revenue stream shows minor fluctuations, it remains relatively stable over the five years.

4. **Market Fees**: There is a gradual decrease in market fee collection over the five years.
5. **Land Rates**: Land rates show fluctuations, peaking in FY 2022-2023.
6. **Bus Park Fees**: This revenue stream demonstrates a steady decline over the five years.
7. HPHSF stands out with a substantial increase in FY 2020-2021 and maintaining high levels in subsequent years.

3.2.2 Revenue Performance Analysis:

Total Collection and Contribution Percentages:

- The Seven core revenue streams Total revenue collection for the last five years amounts to Kes 4,402,725,242.40, with an average annual collection of approximately Kes 880 million.
- The contribution percentages of the seven revenue streams to the total collection show some variation but generally remain consistent, with an average contribution of 83%.

Trends in Contribution to Total Revenue:

- Putting aside HPHSF, Trade license fees consistently contribute the highest percentage to total revenue, followed by land rates.
- Despite fluctuations in individual revenue streams, the overall contribution percentages remain relatively stable, indicating a balanced revenue portfolio.

Year-on-Year Growth:

- There is a noticeable increase in total revenue collection over the five years, reflecting overall economic growth and improved revenue collection strategies.
- HPHSF stands out as the primary driver of revenue growth, contributing significantly to the increase in total collection, especially in FY 2020-2021.

3.2.3 Key Observations and Recommendations:

1. **HPHSF as the key driver of revenue is not in accordance with international good practice:** Relying on HPHSF as a primary driver of revenue growth for the Kisumu County Revenue Board (KCRB) presents significant risks and challenges that undermine the county's fiscal stability and contradicts broader governmental objectives.

   Firstly, HPHSF lacks periodicity, making it inherently unpredictable and unreliable as a consistent revenue source. Unlike taxes or fees with regular payment schedules, HPHSF depends on sporadic healthcare utilisation, making it difficult to forecast and plan budgetary allocations effectively. Without a reliable pattern, it's challenging to create a structured tax register for HPHSF, further complicating revenue management and tracking.

   Moreover, promoting HPHSF as a key revenue driver conflicts with the core principle of universal healthcare access promoted by the National government. Relying heavily on HPHSF puts pressure on citizens to bear the burden of healthcare costs, potentially deterring people from seeking essential medical services due to financial constraints. This undermines the government's efforts to ensure equitable access to healthcare for all citizens, regardless of their economic status.

   Additionally, HPHSF is predominantly composed of reimbursements from the National Health Insurance Fund (NHIF). Depending on NHIF reimbursements for revenue enhancement poses several challenges. Firstly, it introduces a level of dependency on external sources, leaving the county vulnerable to policy changes

or funding fluctuations at the national level. Secondly, relying on reimbursements from NHIF may not align with international best practices in revenue enhancement and mobilisation by county governments. Sustainable revenue strategies should prioritise diversified revenue streams and promote financial independence rather than reliance on external reimbursements.

While enhancing HPHSF may seem like a quick solution to revenue generation, it poses significant risks and challenges for the Kisumu County Revenue Board. Instead of focusing solely on HPHSF, the county should adopt a more balanced approach to revenue generation, emphasising diversification, sustainability, and alignment with broader governmental objectives, including universal healthcare access.

2. **Diversification of Revenue Streams**: While Putting aside HPHSF, Trade license fees contribute the most, and over-reliance on a single revenue source can be risky. Exploring new ways to enhance the other six revenue streams can mitigate this risk.
3. **Enhanced Collection Strategies**: Given the fluctuations in revenue streams like market fees and bus park fees, implementing targeted strategies to improve collection efficiency and compliance is essential.
4. **Monitoring and Evaluation**: Regular monitoring of revenue performance against targets and benchmarks can help identify areas for improvement and guide decision-making processes.
5. **Investment in Infrastructure and Services**: Stimulating economic activities and enhancing public services can indirectly boost revenue streams like parking fees and market fees.

6. **Sustainable Revenue Growth**: While short-term fluctuations are inevitable, sustainable revenue growth should be prioritised through long-term planning, prudent financial management, and strategic investments.

The analysis of Kisumu County Revenue Board's revenue performance highlights both strengths and areas for improvement. By leveraging data-driven insights and implementing targeted strategies, the county can achieve sustainable revenue growth and enhance fiscal stability.

3.2.4 Revenue Gap Analysis

Effective revenue performance forecasting is essential for KCRB's strategic planning and decision-making processes. By analysing actual revenue collection and the revenue gap across key revenue streams, as demonstrated in **Table 5** below, KCRB can identify areas of strength and weakness and implement targeted interventions to maximise revenue generation and achieve its revenue enhancement objectives.

Strategic Interventions

To improve revenue performance and close the existing revenue gaps, KCRB will implement a series of targeted interventions tailored to each revenue stream. These interventions may include:

- 100% revenue mapping, creating and maintaining a high-integrity taxpayer register.
- Strengthening enforcement mechanisms to curb revenue leakages and enhance compliance.
- Enhancing taxpayer education and outreach programs to promote voluntary compliance and increase awareness of tax obligations.

- Implementing technology-driven solutions for more efficient revenue collection and management.
- Conducting regular performance evaluations and reviews to monitor progress and identify areas for further improvement

Hospital and Public Health Service Fees: Despite exceeding the revenue potential by 7%, this revenue stream exhibits a performance rate of 107% in terms of actual revenue collection compared to the revenue gap. While this indicates a positive outcome, there is still an opportunity to optimise revenue collection processes further and minimise potential revenue leakages. There is room for improvement in optimising revenue collection from this stream. Efforts should be directed towards further enhancing collection efficiency and minimising revenue leakages.

Trade License Fees, Land Rates, Sign Board Promotion, etc.: These revenue streams are currently operating at 85% of their revenue potential, with actual revenue collection representing 15% of the revenue gap. Although there is a considerable gap to be addressed, the relatively high-performance rate suggests that these streams have significant revenue generation potential that can be further harnessed through targeted interventions. While this indicates a relatively high level of revenue collection, there remains a significant revenue gap that needs to be addressed. Strategic interventions should focus on closing this gap and maximising.

Bus Park Fees: With a performance rate of 59% in terms of actual revenue collection compared to the revenue gap, Bus Park Fees exhibit a notable revenue gap of 41%. Strategic initiatives should focus on improving collection efficiency and compliance measures to bridge this gap and enhance revenue generation from this stream. These revenue streams exhibit varying levels of performance. Bus Park Fees show a larger revenue gap compared to Parking Fees. This underscores the need for targeted initiatives to bolster collection rates and bridge the revenue gap.

Market Fees: This revenue stream demonstrates a performance rate of 51%, indicating that actual revenue collection accounts for 49% of the revenue gap. To maximise revenue generation from Market Fees, KCRB will implement measures to strengthen enforcement mechanisms and improve compliance levels among market traders.

Parking Fees: With a performance rate of 83%, Parking Fees show a relatively high level of revenue collection compared to the revenue gap. However, efforts will be directed towards further enhancing collection efficiency and minimising revenue leakages to ensure optimal revenue generation from this stream.

The analysis of revenue performance by stream provides valuable insights into the effectiveness of revenue collection efforts and highlights areas for improvement within each revenue stream. By addressing the identified revenue gaps and implementing targeted interventions, KCRB aims to maximise revenue generation and achieve its revenue enhancement objectives.

Table 4: Revenue Collection against Revenue Potential-CRA OSR Potential and Gap Study

Revenue Stream	Total revenue (Kes)	Revenue Potential (kes)	Revenue collection Financial Year 2022/2023(Kes)	Revenue gap	Revenue Collection as a % of the Revenue Gap	Revenue Gap as a % of the Revenue Potential
Hospital and Public Health Service Fees	1,551,850,166.40	396,000,000.00	422,015,272.00	- 26,015,272.00	107%	-7%
Trade license fees	811,912,502.00	1,083,000,000.00	164,156,629.00	918,843,371.00	15%	85%
Land Rates	650,527,169.00	1,000,000,000.00	149,897,898.00	850,102,102.00	15%	85%
Sign Board promotion, etc	505,849,178.00	1,000,000,000.00	148,608,083.00	851,391,917.00	15%	85%
Bus Park Fees	401,421,131.00	125,000,000.00	51,504,963.00	73,495,037.00	41%	59%
Market Fees	289,957,777.00	99,000,000.00	48,956,664.00	50,043,336.00	49%	51%
Parking Fees	191,207,319.00	125,000,000.00	21,416,191.00	103,583,809.00	17%	83%
Total	2,850,875,076.00	3,432,000,000.00	584,540,428.00	2,847,459,572.00	17%	83%

Total	3,744,281,685.55					

3.2.5 KCRB Revenue forecasts for five years (2023/24-2027/2028)

As part of the Revenue Enhancement Action Plan (REAP), the Revenue Advisor and the Kisumu County Revenue Management Board (KCRB) conducted a comprehensive forecast of revenue streams for the next five financial years (2023/24-2027/28). This subsection outlines the revenue potential per year, actual revenue collection for FY 2022/2023, and the forecasted revenue for the upcoming years, as derived from the World Bank-sponsored OSR Potential and Gap Study by the Commission of Revenue Allocation, in conjunction with insights from working sessions with KCRB staff.

KCRB revenue forecasts have been worked in **Annexure VIII** and further insights are illustrated in **Table 6 below.** To project revenue collection per revenue stream for the next five financial years, a comprehensive analysis was conducted, drawing upon data from various sources, including revenue collection for FY 2022/2023, revenue in the last five years, and the revenue potential per year determined by the World Bank-sponsored OSR Potential and Gap Study, in collaboration with the Commission of Revenue Allocation. These projections were further refined through working sessions with the KCRB staff.

During these sessions, several key insights were gleaned:

Revenue forecasts for HPHSF, land rates, and billboard promotion did not incorporate the forecasted figures from the CRA study due to specific considerations:

- **Land Rate:** KCRB staff expressed concerns that the study's estimation of land rate revenue potential understated the actual potential, particularly when factoring in the forthcoming new Valuation roll and comprehensive property mapping.

- **Billboard Promotion:** The CRA study's projection of billboard promotion revenue at Kes 24 billion was deemed erroneous, as it accounted for more than 90% of Kisumu County's total revenue potential. This discrepancy is significant, considering billboard promotion fees are not among the top three revenue earners, and no single revenue stream should contribute more than 90% of the total revenue collection in a single year.
- **HPHSF:** Despite the lower revenue potential figures indicated in the study, actual revenue collected in FY 2022/2023 surpassed expectations. Hence, a conservative growth rate of 60% has been applied.
- **Trade License Fees, Land Rates, and Sign Board Fees**: These revenue streams have demonstrated consistent growth potential, warranting a forecast in alignment with the World Bank study.
- **Bus Park Fees, Market Fees, and Parking Fees:** These streams exhibit moderate growth potential, with forecasts adjusted accordingly.

Table 6 below provides a breakdown of the revenue streams, their respective potential per fiscal year, revenue collection for FY 2022/2023, and the forecasted revenue for FY 2027/2028. Additionally, it includes the forecasted revenue as a multiple of the revenue collection for FY 2022/2023 and the corresponding growth rate.

Table 5: KCRB Revenue Forecasting: A Five-Year Projection

Stream	Potential Per FY	FY2022/2023	FY2027/2028	Forecast	Growth
HPHSF	396,000,000.00	422,015,272.00	982,979,073.60	2.3	60%
Trade License Fees	1,083,000,000.00	164,156,629.00	1,876,722,592.49	11.4	660%
Land Rates	1,000,000,000.00	149,897,898.00	1,285,282,111.92	8.6	670%
Sign Board Fees	1,000,000,000.00	148,608,083.00	1,274,222,743.05	8.6	670%
Bus Park Fees	125,000,000.00	51,504,963.00	323,857,102.52	6.3	240%
Market Fees	99,000,000.00	48,956,664.00	307,833,700.46	6.3	200%
Parking Fees	125,000,000.00	21,416,191.00	146,904,513.35	6.9	580%

Stream	Potential Per FY	FY2022/2023	FY2027/2028	Forecast	Growth
Total	**3,432,000,000.00**	**584,540,428.00**	6,197,801,837.39	10.6	700%

The revenue forecasts were crafted with a gradual growth rate to align with the objective of reaching full revenue potential by the fifth year, as per the CRA Study. Overall, the forecasted revenue collection reflects a strategic approach to revenue enhancement, emphasising sustainable growth and optimal utilisation of revenue streams to achieve KCRB's full potential in revenue generation.

3.2.6 Revenue Forecast Justification:

The forecasted revenue collection per revenue stream for the next five financial years reflects a gradual growth rate aimed at realising the full revenue potential identified by the World Bank study within the specified timeframe. These growth rates have been meticulously determined through the working sessions to progressively increase over the forecast period, ensuring that revenue targets are met in accordance with anticipated economic development and enhanced revenue generation capacity.

Furthermore, these forecasts incorporate interventions outlined in the Revenue Enhancement Action Plan to address impediments to Own Source Revenue mobilisation, as articulated in **Table 1**.

The Kisumu County Revenue Management Board must execute effective revenue enhancement strategies and closely monitor performance to ensure the realisation of forecasted targets. By embracing proactive measures and strategic planning, KCRB can optimise revenue collection and achieve its full potential, as delineated in the Revenue Enhancement Action Plan.

4.0 KCRB 's Revenue Enhancement Action Plan

4.1 Guiding principles

The formulation and execution of KCRB's Revenue Enhancement Action Plan (REAP) are grounded in the following guiding principles:

i. **Sound Financial Management:** A robust Public Financial Management (PFM) system is indispensable for the effective management of state finances and property, providing essential support to the planned interventions.

ii. **Holistic Approach:** Embracing a comprehensive approach to Own Source Revenue (OSR) planning and execution, integrating the Tax Administration Diagnostic and Assessment Tool (TADAT) Methodology and program.

iii. **Interdepartmental Collaboration:** Acknowledging the interconnectedness of upstream and downstream PFM functions, planning and budgeting practices affect accounting, auditing, and revenue collection. Planned resource mobilisation efforts inform Revenue officers' tasks.

iv. **Specialized Training:** Implementation of specialised revenue administration staff training programs and induction courses to address identified competency gaps in planning, budgeting, and revenue administration.

v. **Stakeholder Engagement:** Fostering mutually beneficial relations with stakeholders, including development partners, professional bodies, county governments' associations, and higher education institutions.

vi. **Continual Professional Development:** Establishing a Continuing Professional Development (CPD) regime to adapt to revenue administration practice reforms.

vii. **Recognition of Learning:** Acknowledging prior learning and professional development as integral components of revenue administration staff learning and development.

viii. **Monitoring and Evaluation:** Maintaining a robust monitoring and evaluation framework within REAP implementation, defining realistic performance indicators and targets.

ix. **Sustainability:** Recognizing the significance of sustaining reforms and securing funds from additional collections to automate revenue administration processes.

x. **Inclusive Approach:** Adopting an inclusive and participatory approach in developing practice solutions and training platforms.

Annexure III outlines KCRB's OSR enhancement activities, detailing key activities, timelines, and resources utilising the TADAT methodology. Each activity is assigned a responsible budget for implementation.

4.2 KCRB Revenue Forecast Assumptions

The OSR forecast for the Kisumu County Revenue Board (KCRB) is presented in **Annexure VI,** with the following assumptions guiding its preparation:

(i) **Alignment with CRA OSR Potential and Gap Study:** The county's revenue projections have been aligned with the findings of the Commission of Revenue Allocation (CRA) OSR Potential and Gap Study. This alignment was achieved through working sessions between the revenue advisor and KCRB staff, ensuring coherence and accuracy in forecasting.

(ii) **Inflation Rate:** For revenue streams outside the top five, an inflation rate of 5 percent is applied over the planning horizon. This assumption accounts for potential economic fluctuations and ensures that the forecast remains realistic and adaptable to changing market conditions.

(iii) **Stability of Economic Structure**: The economic structure is assumed to undergo no significant changes over the planning period. This assumption provides a stable

foundation for forecasting revenue streams and enables the development of coherent long-term strategies.

(iv) **Availability of Resources:** Resources for initiating interventions will be made available from July 1, 2024. This ensures that the necessary funding is in place to support the implementation of planned activities outlined in the REAP, facilitating timely execution and progress.

(v) **Impact of Legislative Amendments and Policy Changes:** Planned legislative amendments and policy changes will affect the plan's implementation in the first two years. This consideration acknowledges the dynamic nature of regulatory frameworks and anticipates potential disruptions or adjustments required to align with new legislative developments.

These assumptions provide the framework for the OSR forecast, ensuring that it is based on realistic scenarios and informed projections. By adhering to these principles, KCRB can effectively plan and implement strategies to enhance revenue mobilisation and achieve its objectives outlined in the REAP.

4.3 Training Programmes

Practitioner learning and development are central to the Kisumu County Revenue Board's (KCRB) REAP implementation, featuring the following training programs:

(i) **Annual Re-enforcement Training:** All current revenue administration staff will undergo annual re-enforcement training, beginning with TADAT training. This initiative aims to enhance awareness of any changes in revenue administration practices and increase staff proficiency.

(ii) **Induction Course for New Staff:** New revenue officers in Kisumu County's sub-counties will undergo compulsory short-term orientation training covering various areas, including government structure, key stakeholders, performance standards,

and job-specific training. This induction ensures that new staff members are well-equipped to contribute effectively to revenue administration operations.

(iii) Specialist Skills Training: Specialized training sessions will be conducted for revenue administration staff, economists, budgeting officers, and Monitoring and Evaluation (M&E) officers. These courses will be credit-bearing towards full qualifications in their respective areas, enhancing staff expertise and effectiveness.

To ensure the effective onboarding and development of new revenue administration staff across all job categories, the Kisumu County Revenue Board (KCRB) will implement compulsory short-term orientation training courses. These courses are designed to provide comprehensive knowledge and skills essential for successful performance in revenue administration roles. The training will cover the following areas:

i. **Introduction to Government and Work Area:** This section provides an overview of the government structure and the specific work area within the revenue administration domain.
ii. **Current Government Major Programmes and Projects:** Understanding the ongoing initiatives and projects undertaken by the government at various levels.
iii. **Government Key Stakeholders and Interrelationships:** Identifying and understanding the key stakeholders involved in government operations and their interrelationships.
iv. **Introduction to Other Members of Staff:** Familiarizing new staff with their colleagues and fostering a sense of camaraderie within the team.
v. **Introduction to Other Teams within the Work Area:** If applicable, introduce new staff to other teams within the work area to facilitate collaboration and coordination.
vi. **Terms and Conditions of Public Service:** Educating staff on the terms and conditions governing their employment in the public service sector.

vii. **Performance Standards and Minimum Competency Requirements:** Setting clear expectations regarding performance standards and minimum competency requirements for their roles.

viii. **Culture of the Work Area and Government Values:** Instilling an understanding of the organisational culture and government values to align with the overall objectives.

ix. **Office Systems and Use of Computer Applications, IFMIS:** Providing training on office systems and the use of computer applications, including the Integrated Financial Management Information System (IFMIS).

x. **Job-Specific Training and Development:** Delivering job-specific training tailored to the roles and responsibilities of each staff member.

xi. **Health and Safety:** Ensuring staff are aware of health and safety protocols to maintain a safe working environment.

xii. **Monitoring and Evaluation:** Introducing staff to monitoring and evaluation processes to assess performance and identify areas for improvement.

By providing comprehensive orientation training covering these essential areas, KCRB aims to equip new staff with the knowledge and skills necessary for effective performance in revenue administration roles.

4.4 Change Management Actions

In order to facilitate the successful implementation of priority tasks within the Kisumu County Revenue Board's Revenue Enhancement Action Plan (REAP), the following change management actions will be undertaken:

(i) **Development and Training of Change Drivers:** Selected revenue officers and deputy directors will undergo development and training to become change drivers within the organisation. The objective of this initiative is to ensure that all revenue

administration staff fully embrace the changes outlined in the REAP, fostering a culture of commitment and alignment toward shared goals.

(ii) **Support for Implementation of Retention and Pay Policy:** The KCRB will provide support for the implementation of the county's Retention and Pay Policy. This includes conducting an organisational review and redesigning structures to facilitate career growth within the revenue administration department. The ultimate aim of these change management activities is to cultivate effective revenue administration characterised by structured functions and a workforce that is empowered, motivated, and committed to their roles, thus enhancing staff retention.

(iii) **Building and Maintaining Stakeholder Partnerships:** Efforts will be made to build and maintain partnerships and collaborations with key stakeholders, including development partners, higher education institutions, organised local government entities, and professional bodies. By fostering strong relationships with these stakeholders, the KCRB aims to leverage expertise, resources, and support networks to enhance the effectiveness of its revenue enhancement initiatives and ensure alignment with broader development goals and best practices in revenue administration.

5. KCRB monitoring and evaluation framework

5.1 Terms Used in the Monitoring and Evaluation (M & E) Framework

The KCRB's Revenue Enhancement Action Plan (REAP) (refer to **Annexure-III**) addresses previous challenges in monitoring and evaluation through the implementation of an automated revenue administration solution. This solution is specifically designed to capture, monitor, and share Own Source Revenue (OSR) interventions and their respective

investments (costs). It has built-in reporting capabilities to track investments, activities, outcomes, and results across the REAP.

1. **Monitoring and Evaluation Approach:** Monitoring will involve regular and systematic observations, recording, tracking, and sharing of interventions in the KCRB's REAP as they occur. It will utilise input, output, effectiveness, and efficiency measures to assess REAP implementation progress. Evaluation, on the other hand, will focus on assessing the resulting impact, effectiveness, timeliness, relevance, costs, and benefits of the interventions. Ultimately, the impact should be reflected in improved public service delivery, aligned with the realisation of revenue targets (refer to **Annexure VIII**).
2. **Reporting Mechanisms:** The KCRB CEO will implement reporting mechanisms to provide an early warning system and trigger remedial action. The Director of OSR Administration will utilise the M&E framework at both operational and strategic levels to ensure continuous assessment of progress on strategic activities and objectives.
3. **Desired Outcomes and Interventions:** The desired outcomes of planned interventions are outlined in the KCRB's REAP **(Annexure-III**). The M&E framework (Annexure-IV) builds upon these desired outcomes and the implementation plan of M&E activities provided in **Annexure-III**. Key terminologies include:
    - **Desired Outcome:** Defines the improvement resulting from the intervention undertaken, such as automating revenue administration processes to achieve an improved control environment.
    - **Interventions:** Coordinated actions aimed at enhancing OSR figures (refer to Annexure IX) that consume resources and drive costs.
    - **Outputs:** Immediate results of planned interventions, reflecting lead measures toward achieving the desired outcome, e.g., approval of a new

system blueprint toward full automation of KCRB revenue administration functions.

4. **M & E Tasks:** Monitoring and evaluation tasks will focus on the output level, as outputs evidence the immediate consumption of resources. The M&E framework in Annexure-IV also presents the results matrix, outlining likely tools for monitoring and evaluation, including:
    - **Indicators for Outputs**
    - **Baseline Information for All Relevant Areas**
    - **M&E Implementation Arrangements Based on Assigned Responsibilities**
5. **Evaluation and Performance Audit:** The Director of Revenue Administration will design evaluation questions to monitor outputs regularly. Additionally, the Office of the Auditor General (OAG) team will conduct an audit of performance information (AOPI) to ascertain the reliability of mechanisms for reporting on non-financial performance by the KCRB.

5.2 Monitoring Activities

i. **Key Monitoring Exercises:** Independent consultants with expertise in Public Financial Management (PFM) will oversee crucial monitoring tasks within the KCRB's Revenue Enhancement Action Plan (REAP), collaborating with the County Government (CoG) finance committee, development partners, and stakeholders. These activities include:

    a. **Annual Specialized REAP Review:** CoG and the Office of the Auditor General (OAG) will jointly conduct an annual specialised REAP review with the OAG team tasked with auditing the performance information report.

b. **Site Visits for Talent Development:** Visits to training sites will focus on nurturing practitioner talent in alignment with occupation-specific qualifications and curriculum.

c. **Mid-Term Review (MTR):** At the 30-month mark, a Mid-Term Review (MTR) will assess the progress of KCRB's REAP implementation, complementing the annual review of specialised PFM staff training. The MTR will recommend adjustments as needed.

d. **End-of-Term Evaluation:** As the fifth year approaches, an independent final evaluation of REAP performance will be conducted. This evaluation will highlight lessons learned, measure strategy capacity development achievements against set targets, and inform subsequent REAP phases.

e. **Management Review Reports:** Management will prepare, submit, and review regular management review reports for decision-making. Monthly management REAP implementation review reports, mandated by the PFMA's in-year report requirements, will be shared among stakeholders.

ii. **Implementation Tracking and Evaluation:** Monitoring and evaluating REAP implementation tasks and lead measures contributing to target outputs will be integral. The mid-term assessment will gauge the extent of planned REAP implementation, allowing responsible officers to take remedial actions to ensure focus on achieving revenue targets outlined in Annexure IX.

iii. **Holistic Reviews and Continuous Assessment:** KCRB will conduct holistic reviews and continuous assessments of REAP implementation to monitor progress and address emerging challenges. This includes analysing revenue performance for each stream and identifying trends over time and within different administrative units. Various performance analysis tools will facilitate this, catering to individual and corporate taxpayers across different segmentation categories.

iv. **Engagement of Internal Auditors and Oversight Stakeholders:** Internal auditors and oversight stakeholders, including the Office of the Auditor General (OAG), will regularly monitor revenue collection against set targets, employing quarterly, semi-annual, or annual assessments. Insights from the first-year action plan implementation will inform subsequent revisions to REAP implementation strategies.

v. **Utilization of Monitoring and Evaluation Framework:** Annexure IX's monitoring and evaluation framework will serve as an administrative tool for comparing performance between quarters and different revenue streams, facilitating benchmarking throughout the year. In-year reporting requirements under the PFMA will facilitate information flow from implementing managers to fiscal oversight structures, such as the Cabinet, Chief Officer, and County Assembly Committee.

6. Budget Estimates and Funding

Annexure IV provides a summary of budget estimates in column 7 for the KCRB's Revenue Enhancement Action Plan (REAP). Over five years, the budget activities are detailed in Annexure III, categorised per REAP intervention. These estimates serve as the foundation for determining funding requirements. The anticipated increase in revenue will justify the addition of extra staff, funded from the KCRB's recurrent budget. However, areas necessitating technical assistance and study tours will rely on significant contributions from development cooperation partners and systems restructuring grants as outlined in the Division of Revenue law. The estimated cost of implementing the strategy is approximately **Kes 357,455,600** [14]Over the next five years. A portion of these estimates covers existing staff employed in revenue administration roles, with an

[14]The comprehensive detailed calculations for the REAP costing, as displayed in **column 7 of Annexure IV**, were meticulously compiled from the working papers prepared by the KCRB staff. These documents provide an in-depth breakdown and justification of each cost element to ensure transparency and accuracy in the budgeting process.

estimated amount attributed to non-recurring revenue enhancement activities necessitating substantial support from Development Partners.

Annexure I: Documents analysed to source quantitative and qualitative data

- Comprehensive Own Source Revenue Potential and Tax Gap Study of County Governments by CRA and World Bank June 2022
- Enhancement of County Governments' Own-Source Revenue February 2019
- 2023 GROSS COUNTY PRODUCT, Kenya National Bureau of Statistics.
- The 2020/2021 Annual Monitoring & Evaluation Report for the 2018-2023 PFMR Strategy
- County Governments Budget Implementation Review Report (CBIRR) for the Financial Year (FY) 2022/23,
- Government of Kenya, County Governments Consolidated Financial Statements for the year ended 30th June 2023
- National Treasury, Public Finance Management Reform Strategy (PFMR) 2018-2023
- Kenya Gazette Supplement, Kisumu City County Acts 2022. Kisumu 8th March 2022
- 2019 Kenya Population and Housing Census Volume I: Population by County and Sub-County
- Kisumu County Finance Act 2023
- The Kisumu County Revenue Administration (Amendment) Act, 2022
- Kisumu County Trade Licensing Act, 2015
- Adam Smith (2019) Own-Source Revenue Potential and Tax Gap Study of Kenya's County Governments,

Annexure-II: Persons met during the development of the KCRB's REAP

DR. Hezron Otieno Mc'obewa OGW	Board Chair, KCRB
Mrs. Mary Celestine Odhiambo	Board Member, KCRB
Mr. Chandrakant Devji Chhabhadia	Board Member, KCRB
Hon. Stephen Ouma Owiti	Board Member, KCRB
Ms. Amondi Mary Apiyo	Board Member, KCRB
Prof. Ondiek Benedict Alala	Board Member, KCRB
James Kungu	CEO, KCRB
Eunice Leki	KCRB
Frank Okumu	KCRB
Lawrence Okungu	KCRB
Kevin Omondi Ochieng	SCRO Nyando, Ahero
Rodgers Ogola	SCRO Nyando, Ahero
Brenda Omondi	SCRO Kisumu Central
Elizabeth Kaikai	SCRO Assistant Kisumu Central
Josephine Aluoch	WRO North West Ward, Kisumu West
Christopher Ayieko	WRO Ass. North West Ward Kisumu West

Annexure-III: KCRB REAP MATRIX Based on the Kisumu County TADAT PAR 2021

Weak Area/Gap Identified		Root Cause	Proposed Strategies	Specific Actions	Indicators	Expected Revenue Impact			Expected Revenue Outcome	Responsible Office	Resources Required	Timelines			
						ST	MT	LT				Priority/ quick wins	Collaboration	ST	MT
P1-1. Accurate and reliable taxpayer information.	The information held in the registration database is inadequate and inaccurate to support effective interactions with taxpayers and tax intermediaries.	Lack of Policy & Procedure Manual	Operationalise an accurate and reliable taxpayer information base	1Sensitization training for Executive Members on TADAT and TADAT assessment report(1). 2. Sensitise OSR staff on TADAT & TADAT assessment (2). 3. Develop Policies & PMs governing OSR management	1. Number of executives trained 2. Number of OSR staff trained 3. Policy and Procedure Manual in place	3B	3.5B	4B	1. Policy prescribing development of revenue database across OSR streams	CEC Finance; CFO; Revenue Board;	Training and consultancy resources		CRA ; OCOB ; UNCDF; UN-HABITAT; UN WOMEN; UNICEF	Q1 2023/24	
P1-2. Knowledge of the potential taxpayer base.	There are no documented initiatives undertaken to detect unregistered businesses and individuals.														
P2-3. Identification, assessment, ranking, and quantification of compliance risks.	The DOR does not gather intelligence and research to identify compliance risks concerning the main tax obligations. It also lacks a structured process for assessing and prioritising **compliance risks**.	1. Lack of open risk culture & risk awareness 2. Organisational priorities are not fully aligned with risk management	Instituting a culture of risk management by building a network of risk champions and risk owners	1. Implement risk management training per National Treasury guidelines (3) 2. Develop a risk management policy and framework 3. Align organisational priorities with risk management using the developed framework	1. No pieces of training conducted 2. Risk management policy in place				Trained workforce in risk management with identified risk champions	CFO	Staff & Training Resources		KRA, CRA.OCOB; UN HABITAT ; UNCDF ; UN WOMEN ; UN HABITAT	Q2 2023/2024	
P2-4. Mitigation of risks through a compliance improvement plan.	The DOR has no compliance improvement plan to guide the administration in addressing the **identified risks.**	Lack of a risk management policy framework		Execute the risk management policy and framework	Number of reports developed				Reduced compliance risks	Revenue Board	Staff & Training Resources		KRA, CRA.OCOB; UN HABITAT ; UNCDF ; UN WOMEN; UN HABITAT	Q2 2023/2024	

Weak Area/Gap Identified		Root Cause	Proposed Strategies	Specific Actions	Indicators	Expected Revenue Impact			Expected Revenue Outcome	Responsible Office	Resources Required	Timelines			
P2-5. Monitoring and evaluation of compliance risk mitigation activities.	There is no monitoring and evaluation of the impact of the risk mitigation activities **on compliance**.	Lack of Planning & Monitoring and Evaluation Unit		Establish a Planning & Monitoring and Evaluation Unit	Unit formed				Improved compliance	Revenue Board	Staff & Training Resources		KRA, CRA.OCOB; UN HABITAT ; UNCDF ; UN WOMEN; UN HABITAT	Q3 2023/2024	
P2-6. Management of operational risks.	Revenue administration does not have a structured process in place to identify, assess, prioritise, and mitigate operational risks, nor does it have a **business continuity plan**.	Lack of a risk management policy framework		Execute the risk management policy and framework	Number of reports developed				Approved Business Continuity Plan	Revenue Board	Staff & Training Resources		KRA, CRA.OCOB; UN HABITAT ; UNCDF ; UN WOMEN ; UN HABITAT	Q4 2023/2024	
P2-7. Management of human capital risks.	The DOR has no formal strategy or process for identifying, assessing, prioritising, or mitigating **human capital risks**. Evaluations of the status of human capital risks and mitigation interventions are low.	Lack of OSR human capital policy guidelines		1. Develop OSR human capital policy framework (1) 2. Implement the OSR human capital framework 3. Monitor implementation of the OSR human capital policy framework execution	1. The OSR human capital policy framework is in place. 2. Number of reports developed				Motivated OSR workforce	Revenue Board; CPSB	Staff & Training Resources		KRA, CRA.OCOB; UN HABITAT; UNCDF; UN WOMEN; UN HABITAT	Q4 2023/2024	
P3-8. Scope, currency, and accessibility of information.	There is no information available to taxpayers to explain, in clear terms, what their obligations and entitlements are regarding the core taxes. No dedicated technical staff to update taxpayer education materials and information and guidance to tax payers is limited.	Incomplete database	To enable ease of access to information by taxpayers	1. Execute the developed Policies & PMs governing OSR management 2. Bi-annual reflection meetings with key core taxpayers 3. Create a planning/ M&E unit to deal with taxpayer info & educational material	1. Number of reflection meetings held 2. M&E unit in place				1. Fully operational Planning & Monitoring and Evaluation Unit 2. Informed taxpayers	revenue board	Staff & Training Resources		KRA,CRA.OCOB; UN HABITAT; UNCDF; UN WOMEN; UN HABITAT	Q4 2023/2024	

Weak Area/Gap Identified		Root Cause	Proposed Strategies	Specific Actions	Indicators	Expected Revenue Impact			Expected Revenue Outcome	Responsible Office	Resources Required	Timelines			
P3-9. Time taken to respond to information requests.	DOR does not monitor the time taken to respond to taxpayer requests.	Lack of Communication and ICT Unit	To enable a quick turnaround communication period (correspondence) with taxpayers	1. Establish a communication and ICT Unit (1) 2. Sensitize Unit staff on TADAT and TADAT assessment reports. 3. Sensitise unit staff on operations procedures (3)	1. Communication Unit in place 2. Number of staff sensitised				Widen the tax base	Revenue Board; CPSB	Training and consultancy resources		KRA,CRA.OCOB; UN HABITAT; UNCDF; UN WOMEN; UN HABITAT	Q4 2023/2024	
P3-10. Scope of initiatives to reduce taxpayer compliance costs.	The scope of initiatives to reduce taxpayer compliance costs is limited.														
P3-11. Obtaining taxpayer feedback on products and services.	The DOR obtains feedback from taxpayers through limited ways, while taxpayer input in the design of design of taxpayer programs is nonexistence.														
P4-12. On-time filing rate.	The DOR does not monitor the filing of tax declarations.		Enable access to on-time filling rate.	1. Establish a Communication and ICT Unit 2. Operationalise the Unit 3. Monitor the activities of the Unit	1. Communication & ICT Unit in place				Widen the tax base	Revenue Board	Training and consultancy resources		KRA,CRA.OCOB; UN HABITAT; UNCDF; UN WOMEN; UN HABITAT		Q1 2024/2025
P4-13. Management of non-filers.	The DOR does not follow up on non-filers.		Enable structured follow-up of non-filers	1. Have an updated database 2. Continuous monitoring of the database (to check compliance)	1. Updated database in place				Widen the tax base	Revenue Board	Training and consultancy resources		KRA,CRA.OCOB; UN HABITAT; UNCDF; UN WOMEN; UN HABITAT		Q1 2024/2025
P4-14. Use of electronic filing facilities.	Tax declarations are not filed in the DOR.		Enable the use of electronic filing facilities	1. Create a portal for taxpayers to fill	1. Tax portal in place				Widen the tax base	Revenue Board	Training and consultancy resources		KRA,CRA.OCOB; UN HABITAT; UNCDF; UN WOMEN; UN HABITAT		Q1 2024/2025

Weak Area/Gap Identified		Root Cause	Proposed Strategies	Specific Actions	Indicators	Expected Revenue Impact			Expected Revenue Outcome	Responsible Office	Resources Required	Timelines			
P5-15. Use of electronic payment methods.	Information on the extent of use of electronic payments is not available.	Lack of a Revenue Management System that exclusively supports electronic payment method	Enable the use of electronic payment method	1. Acquire a Revenue Management System that supports electronic payment methods	Deployed revenue management system				Widen the tax base	Revenue Board; CECM Finance; CFO	Training and consultancy resources		KRA,CRA.OCOB; UN HABITAT; UNCDF; UN WOMEN; UN HABITAT	Q1 2023/2024	
P5-16. Use of efficient collection systems.	Withholding at source and advance payment arrangements are not available for the core taxes.														
P5-17. Timeliness of payments.	Information to measure the timeliness of payments is unavailable.	Lack of Comminicatuion and ICT Unit	Enable efficient tracking of payments	1. Operationalise the Unit 2. Monitor the activities of the Unit	1. Communication & ICT Unit in place				Widen the tax base	Revenue Board	Training and consultancy resources		KRA,CRA.OCOB; UN HABITAT; UNCDF; UN WOMEN; UN HABITAT		Q1 2024/2025
P5-18. Stock and flow of tax arrears.	The management of tax arrears cannot be assessed due to the unavailability of data.	1. In adequate database 2. Lack of a debt collection unit	Operationalise an accurate and reliable taxpayer information base	1. Updated database 2. Establish a debt collection unit	1. Debt collection unit in place				Widen the tax base	Revenue Board	Training and consultancy resources		KRA,CRA.OCOB; UN HABITAT; UNCDF; UN WOMEN; UN HABITAT		Q1 2024/2025
P6-19. Scope of verification actions taken to detect and deter inaccurate reporting.	The DOR does not have a tax audit function.	Lack of a tax audit function	Institutionalise a tax audit function	1. establish a tax audit unit 2. Operationalise the Unit	Tax audit unit in place				Widen the tax base	Revenue Board	Training and consultancy resources		KRA,CRA.OCOB; UN HABITAT; UNCDF; UN WOMEN; UN HABITAT		Q1 2024/2025
P6-20. Use of large-scale data matching systems to detect inaccurate reporting.	There is no large-scale automated crosschecking of information to detect and deter inaccurate reporting.	No large-scale data-matching systems	Enable large-scale automated crosschecking system	1. Procure a large-scale data matching system 2. Deploy the system	Large-scale data system in place				Widen the tax base	Revenue Board	Training and consultancy resources		KRA,CRA.OCOB; UN HABITAT; UNCDF; UN WOMEN; UN HABITAT		Q1 2024/2025
P6-21. Initiatives undertaken to encourage accurate reporting.	There are no proactive initiatives to encourage accurate reporting.	Lack of a Revenue Management System that encourages accurate reporting	Institutionalised proactive initiatives to encourage accurate reporting	1. Procure an RMS that encourages accurate reporting 2. Deploy the RMS 3. Monitor the performance of the RMS	RMS in place				Widen the tax base	Revenue Board	Training and consultancy resources		KRA,CRA.OCOB; UN HABITAT; UNCDF; UN WOMEN; UN HABITAT		Q1 2024/2025

Weak Area/Gap Identified		Root Cause	Proposed Strategies	Specific Actions	Indicators	Expected Revenue Impact			Expected Revenue Outcome	Responsible Office	Resources Required	Timelines			
P6-22. Monitoring the tax gap to assess the inaccuracy of reporting levels.	The DOR does not monitor the extent of inaccurate reporting in any of the core tax regimes.														
P7-23. Existence of an independent, workable, and graduated dispute resolution process.	A tiered dispute resolution mechanism is not in place. Information on whether the administrative review is completely independent of the audit process is not available. Information on the dispute resolution process is not published.	Lack of Dispute Resolutions Committee	Institutionalised dispute resolution mechanisms	1. Establish a permanent Disputes Resolution Committee 2. Training of Dispute Resolution Committee members by KESRA on dispute resolutions	1. Dispute resolution committee formed 2.Number of trainings held				Widen the tax base	Revenue Board	Training and consultancy resources		KRA, CRA.OCOB; UN HABITAT ; UNCDF ; UN WOMEN ; UN HABITAT		Q1 2024/2025
P7-24. Time taken to resolve disputes.	The DOR does not monitor the time taken to complete administrative reviews.														
P7-25. The degree to which dispute outcomes are acted upon.	The DOR does not monitor or analyse dispute outcomes to inform policy, legal and administrative procedures.														
P8-26. Contribution to government tax revenue forecasting process.	The DOR's input to government tax revenue forecasting and estimation is low.	Incomplete database	Embedded revenue forecasting as an integral planning tool	Implement forecasting tools	Annual forecasted revenue reports				Widen the tax base	Revenue Board	Training and consultancy resources		KRA, CRA.OCOB; UN HABITAT ; UNCDF ; UN WOMEN ; UN HABITAT		Q2 2024/2025
P8-27. Adequacy of the tax revenue accounting system.	The DOR's accounting system is not adequate.	Lack of a tax revenue accounting system	Operationalise an adequate tax revenue accounting and tax refund processing system.	Deploy a tax revenue accounting system	Tax revenue accounting and refund processing system in place				Widen the tax base	Revenue Board	Training and consultancy resources		KRA, CRA.OCOB; UN HABITAT ; UNCDF ; UN WOMEN ; UN HABITAT		

Weak Area/Gap Identified		Root Cause	Proposed Strategies	Specific Actions	Indicators	Expected Revenue Impact			Expected Revenue Outcome	Responsible Office	Resources Required	Timelines			
. Adequacy of fund processing.	The DOR does not have an adequate tax refund system. There is no monitoring of the time taken to pay/offset tax refund.														
P9-29. Internal assurance mechanisms.	The level of assurance provided by the internal audit is inadequate. The DOR does not have a staff integrity assurance mechanism.	Lack of Planning & Monitoring and Evaluation Unit	Institutionalise internal assurance mechanisms	Establish a Planning & Monitoring and Evaluation Unit	1. Planning and Monitoring & Evaluation Unit established				Improved compliance	Revenue Board	Staff & Training Resources		KRA,CRA.OCOB; UN HABITAT; UNCDF; UN WOMEN; UN HABITAT		
P9-30. External oversight of the tax administration.	There is no independent external oversight of the DOR's operational performance. A tax ombudsman does not investigate taxpayer complaints of maladministration.	Lack of office of Ombudsman in the County	Institutionalise an external oversight of the tax administration	1. Establish the Ombudsman's office 2. Operaionalise the office	1. Established Ombudsman office				Improved compliance	Revenue Board	Training and consultancy resources		KRA,CRA.OCOB; UN HABITAT; UNCDF; UN WOMEN; UN HABITAT		
P9-31. Public perception of integrity.	There is no mechanism to monitor public confidence in the tax administration.	Lack of Comminicatuion and ICT Unit	To enable a feedback mechanism with taxpayers	1. Operationalise the Unit 2. Monitor the activities of the Unit	Number of reports developed				Widen the tax base	Revenue Board	Training and consultancy resources		KRA,CRA.OCOB; UN HABITAT; UNCDF; UN WOMEN; UN HABITAT		
P9-32. Publication of activities, results and plans.	Elements of the DOR's financial performance and its future plans are not made public.	Lack of Planning & Monitoring and Evaluation Unit		Establish a Planning & Monitoring and Evaluation Unit	Unit in place				Increased accountability & efficiency	Revenue Board	Training and consultancy resources		KRA,CRA.OCOB; UN HABITAT; UNCDF; UN WOMEN; UN HABITAT		

Annexure IV: Summary KCRB's revenue Enhancement action plan [2024-2028] based on the TADAT 9 POAS and Cross Cutting issues

S/No	Activity area	Responsibility centre	Interventions	Output	Time frame	Estimated cost
1	Revenue Policy and legal Framework Formulation	KCRB Head of Legal, County Attorney	• Review of tariff structures and rates • Budget allocation, such as earmarking revenues and accountability • Review policy framework on methods of collection • Formulate revenue bye-laws • Formulate and review the legal framework • Revise existing enforcement and prosecution guidelines • Formulate taxpayer's registration and recruitment manual. •	• Revenue acts • Revenue bills • Approved guidelines • Approved procedures • Approved regulations • Recruitment and registration manual • framework for engagement with ratepayers to enhance their tax morale	3 to 12 months	Cost of Logistics, Subsistence and Conferencing for 12 retreats for the County Assembly, KCRB Secretariat, CGK Executive and Consultants for a total of 12 retreats. **Total Kes 30,695,000**
2	Taxpayers' registration	Revenue dept	• Registration of taxpayers and maintenance of a complete and accurate taxpayer database is fundamental to effective tax administration. • Taxpayers' recruitment and registration	• High integrity Taxpayer register or database. • Use of Third-party data to register taxpayers	6 to 12 months	Cost of Transport, Lunch and wages for 90 collectors for 35 wards and the cost of 50 tablets and 150 reflector Jackets. **Total Kes 15,825,000**
3	Effective Risk Management	Revenue Dept Internal Audit	• Formulation of a risk framework that identifies ranks and mitigates both compliance and institutional risks • Formulation of compliance improvement plans for each revenue stream	• Compliance risk management framework • Compliance improvement plans for each OSR stream • Whistles-blowing policies	6 to 12 months	Cost of Logistics, Subsistence, Conferencing for KCRB Board Members, KCRB Secretariat, KCRB field Staff and Consultants for 11 workshops. **Kes 9,005,200**
4	Supporting of Voluntary compliance	Revenue Dept	• Coming up with activities that support taxpayers to comply with payment of taxes at the least cost	• Tailor-made brochures, flyers, booklets, banners	3 to 12 months	Cost of Documentaries, Advertisements, Brochures, Surveys Using

S/No	Activity area	Responsibility centre	Interventions	Output	Time frame	Estimated cost
			• Use of promotional materials such as brochures, posters, and flier's handbooks with tailormade information on registration, filing, collection, and enforcement of taxes • Use of radio, TV, and social media activities to support taxpayers • Establishment of dedicated call centres and information. • Develop a taxpayer reward system	• Social media channels to support taxpayers and publicize KCRB • Seminars, conferences, and other training avenues for taxpayers • Customer satisfaction surveys • Radio shows, roadshows, TV shows, newsprints to support compliance • Customer care desks, call centres		television, Radio, Social media, Print media and other communication channels and cost of Logistics, Subsistence, Conferencing for KCRB Board Members, KCRB Secretariat, Targeted Taxpayers Staff and Consultants for 8 workshops **Total Kes 34,330,000**
5	Filing and payment of taxes	Revenue Dept	• Use of an automated system to support filing and payment taxes, including mobile payments in real-time	• Online filing of returns through the automated system • Ontime payment of taxes • Follow up with non and nil filers and defaulters	6 to 12 months	Cost of the Internet for 8 sub-counties and cost of airtime for 102 KCRB field staff **Total Kes 5,844,000**
6	Management of debt	Revenue Dept	• Efficient management of tax arrears, including timely collection of tax arrears and payment of refunds where applicable, tax setoffs, waivers, and write-offs	• Debt manual • Agency notices • Efficient collection of debt • Management of debt portfolio • Taxpayer account management	3 to 12 months	Cost of toners, Printing paper, other stationery and Consultancy for the development of debt procedures and manual and staff training for the 8 sub-counties **Total Kes 5,341,600**

S/No	Activity area	Responsibility centre	Interventions	Output	Time frame	Estimated cost
7	Reporting and Enforcement Of revenue	Revenue Dept	• Establishment of activities that enhance the accurate filling of revenue returns or forms • Inspection, audit, and enforcement of all revenues. • Identification and follow-ups of nil, non, and late filers. • Mitigation activities to address, design, assessment, collection, and accounting gaps	• Audit and enforcement manual • Tailor-made Training of inspectors. • Management of third-party data • Formulation of cooperative compliance approaches • Risk-based approaches to address compliance gaps. • Three-year rolling internal audit plan	6 to 12 months	The cost of Field Motor Vehicles and motorcycles, as well as the cost of consultancy for developing Audit and enforcement procedures and manuals and training KCRB staff. **Total Kes 190,250,000**
8	Management of revenue disputes	Revenue Dept Director Legal	• Resolution of revenue disputes in an independent, fair, and timely manner • Documentation of all revenue disputes and follow-up • Prosecution of defaulters whose disputes are not resolved within the internal dispute processes	• The graduated dispute resolution mechanism • Settlement of dispute on time • Independent dispute resolution unit • Case study to inform future disputes • Statistics of dispute outcomes	6 to 12 months	Cost of Workstations, seats, Computers, printers and training and consultancy. Total Kes 1,550,000
9	Efficient revenue management	Revenue Dept Director Budget Director Planning	• Tax revenue collections must be fully accounted for, monitored against budget expectations, and analyzed to inform government revenue forecasting. Legitimate tax refunds to individuals and businesses must be paid promptly. • Develop MoU on data exchange with various agencies	• Setting up realistic revenue projections • Sound formulation of the budgetary process • Accurate and timely reporting of revenue • Prompt payment of legitimate refunds. • MOUs with tax agents - e.g. Matatu SACCOs and Neighborhood Associations	3 to 12 months	Cost of Logistics, Subsistence, Conferencing for KCRB Board Members, KCRB Secretariat, KCRB field Staff and Consultants for 7 workshops **Total Kes 7,666,600**

S/No	Activity area	Responsibility centre	Interventions	Output	Time frame	Estimated cost
10	Accountability and transparency	County Secretary	• Setting up mechanisms for open accountability and transparency for administrative actions within a framework of responsibility to the national treasury, legislature, and general community	• Publications of annual and strategic plans • Sound staff integrity mechanism • Prompt solutions to public and taxpayer complaints • Sound internal audit operations and a three-year rolling internal audit plan. •	6 to 12 months	Cost of Logistics, Subsistence, Conferencing for KCRB Board Members, KCRB Secretariat, KCRB field Staff and Consultants for 9 retreats **Total Kes 13,815,200**
11	Automation of Revenue Administration functions and processes	Revenue Dept Director ICT	• Design and prepare the revenue administration system requirements • Formulation of system use cases and operational manuals • Development of system • Quality Assurance of system • Deployment of system- training of staff on how to use the system • Continuous system enhancement	• Revenue administration system blueprint. • Automated revenue administration business processes to support taxpayer registration, filing, and payment of taxes. • address the infrastructural issues - IT hardware, connectivity, and power challenges	1 to 3 years	Cost of Logistics, Subsistence, Conferencing for KCRB Board Members, KCRB Secretariat, KCRB field Staff and Consultants and integrated revenue management system enhancements. **Kes 10,000,000**
12	Capacity building	Director HR	• Identification of training needs • Formulation of Annual Training Programme • Development of training curriculum • Benchmarking and study tours • Development of partnerships with stakeholders for technical assistance	• Tailor-made outcome-based staff training programs • Highly trained and knowledgeable staff • Signed MOUs with stakeholders • Minimum competency requirement stipulations	3 months to 5 years	Cost of Logistics, Subsistence, Conferencing for KCRB Board Members, KCRB Secretariat, KCRB field Staff and Consultants for 3 retreats and allocation of capacity building activities for 5 years **Total Kes 33,133,200**
	GRAND TOTAL					**Kes 357,455,600**

Annexure-V: KCRB Monitoring and evaluation framework linked to REAP implementation activities

	ACTIVITY	Initiative	KPI	BASELINE	Y1	Y2	Y3	RESPONSIBLE[15] Who will measure it?	REPORTING sources[16]
1	Revenue Policy and legal Framework Formulation	Develop documented procedures and manuals to support Registration, filling, payment, and reporting. Formulate relevant laws to support the four pillars of compliance	Percentage of OSR streams with documented procedures, manuals, and laws	30%	65	90	100	Legal and revenue sectors	Survey of the stakeholders
2	Taxpayers' registration	Development of a high-integrity taxpayer database that is reliable, accurate, and with the adequacy of taxpayer data.	Percentage of taxpayers registered in the high integrity taxpayers register with reliable, accurate, and adequate bio and transactional data	0	50	75	100	Revenue and ICT sectors	Internal audit reports and technical assistance reports
3	Effective Risk Management	A structured risk assessment process—of the kind described in contemporary management literature and/or depicted, for example, in IMF and OECD publications as suitable for use by tax administrations—is in place as part of a multi-year strategic planning process to assess and prioritize compliance risks for all core OSR streams the four main compliance obligations, key taxpayer segments and at least three major sectors/industries of economic importance to KCRB. Documentation of compliance improvement plan comprising mitigation activities in respect of all identified high risks, and covers all of the following: All core taxes, The four main compliance obligations, and	No of the processes that make use of the compliance risk management framework No risk registers for each process and primary OSR streams.	0	10	20	30	Risk Management Unit	Senior management reports and technical assistance reports
4	Encourage and support Voluntary compliance.	Provision of a broad range of proactive taxpayer education programs (ii)Information is available through a variety of user-friendly service delivery channels (e.g., telephone, website, brochures, fact sheets, and rulings).	The number of taxpayers engaged using the available communication channels. No taxpayers trained or sensitised	****	***	******	******	Revenue Sector	Customer satisfaction surveys

[15] Who will measure and track the indicators?

[16] What will be the sources of reported performance information?

		(iii)Information is available at minimal or no cost to taxpayers and intermediaries. (iv)Information and self-service facilities are available to taxpayers and intermediaries at a time convenient to them—including, for example, outside normal business hours.							
5	Filing and payment of taxes	Automation that will ensure electronic timely filing and payment of OSR and follow-up of non-filers	No of taxpayers who file and pay electronically on time Number of non-filers who are converted to compliant taxpayers	20%	50%	100%		Revenue department	ICT reports
6	Management of debt	Formulation of documented policy and guidelines to determine collectible accounts in line with international best practices on a determination of a collectible debt Reconciliation and review of old debts, either collected or uncollectible, written off in line with the write-off procedure.	Percentage and value of debtors whose arrears is less than 12 months	0	50%	85%	100%	Revenue Department	Top management reports
7	Reporting and Enforcement of revenue	Development of KCRB inspection program: (i)Covers all core taxes. High-risk segments and economic sectors (e.g., high-wealth individuals, construction sector). (iii) Select inspection cases centrally based on assessed risks. (iv)Uses a range of inspection methods and methodologies (i.e., direct and indirect). (v)Routinely evaluates the impact of inspections on levels of taxpayer compliance.	Value of OSR collected through the inspection program because of non-compliance	0	1B	1.5B	3B	Revenue Department	Internal audit reports, tax compliance reports
8	Establish dispute-resolution mechanisms	Formulate a tiered review mechanism of dispute resolution mechanism. (Taxpayers use the formal dispute process that is independent, fair, accessible and effective in resolving disputed matters in a timely manner	Time taken to resolve tax disputes (DAYS)	0	90	60	30	Legal Department	Top management reports
9	Perform revenue management functions efficiently.	Develop a mechanism that ensures that total OSR collections are fully accounted for, monitored against expectations, and analysed to inform the KCRB revenue forecasting.	Actual OSR Performance over target	80%	90%	100%	120%	Revenue and planning department	Financial performance reports

10	Adhere to transparent accountability practices.	Develop measures to ensure that KCRB is transparent in the conduct of its activities and accountable to the government and community.	Time taken to publicise operational and strategic future Integrity statistics	Within 9 months	Within 6 months	Within 3 months		County Secretary	External oversight reports
11	Undertake the automation of Revenue Administration functions and processes.	Development of an IT system that will be used in the administration of OSR from end to end	Percentage of modules automated. Filing and payment statistics	20%	75%	100%		ICT and revenue department	Operational performance reports
12	New staff induction training	Provided new staff with a structured induction program	Number of new staff subjected to induction training					HR department	Training reports
13	Develop materials and offer specialist revenue administration training	Design and offer specialist revenue administration training to existing revenue administration staff.	Number of KCRB staff completing the training					HR department	Staff appraisal and performance contracting reports
14	Partnerships and stakeholder relations	Develop mutually beneficial relations with partners to support REAP implementation	Number of MoUs and SLAs concluded	20%	50%	85%	100%	Director: Revenue Administration	Audit of performance information

Annexure VI: KCRB's revenue budget variance analysis and monitoring

Revenue Steam	No. of registered taxpayers	No of fully paid	Annual target	Quarterly target	Actual Received per Quarter				Cumulative received as at	Variance	Causes for under/over performance
					Q1	Q 2	Q3	Q4			
Trade License Fees											
Land Rates											
Sign Board Fees											
Bus Park Fees											
Market Fees											
Parking Fees											

Annexure VII: KCRB Revenue forecasts for five years (2023/24-2027/2028)

Revenue Stream	Revenue collection in the Last 5 FY	Revenue Potential Per FY	Revenue Collection FY2022/2023	FY2023/2024 Forecast	FY2024/2025 Forecast	FY2025/2026 Forecast	FY2026/2027 Forecast	FY2027/2028 Forecast
HPHF	1,551,850,166.40	396,000,000.00	422,015,272.00	464,216,799.81	738,526,726.97	812,379,399.67	893,617,339.63	982,979,073.60
Trade License Fees	811,912,502.00	1,083,000,000.00	164,156,629.00	487,460,413.63	775,505,203.51	1,551,010,407.01	1,706,111,447.72	1,876,722,592.49
Land Rates	650,527,169.00	1,000,000,000.00	149,897,898.00	445,119,346.12	708,144,414.28	1,062,216,621.42	1,168,438,283.57	1,285,282,111.92
Sign Board Fees	505,849,178.00	1,000,000,000.00	148,608,083.00	441,289,261.66	702,051,098.10	1,053,076,647.15	1,158,384,311.86	1,274,222,743.05
Bus Park Fees	401,421,131.00	125,000,000.00	51,504,963.00	152,943,141.69	243,318,634.50	267,650,497.95	294,415,547.75	323,857,102.52
Market Fees	289,957,777.00	99,000,000.00	48,956,664.00	145,376,009.66	231,280,015.37	254,408,016.91	279,848,818.60	307,833,700.46
Parking Fees	191,207,319.00	125,000,000.00	21,416,191.00	63,595,027.43	101,173,907.27	121,408,688.72	133,549,557.59	146,904,513.35
Total	**2,850,875,076.00**	**3,432,000,000.00**	**1,006,555,700.00**	**2,200,000,000.00**	**3,500,000,000.00**	**5,122,150,278.84**	**5,634,365,306.72**	**6,197,801,837.39**

Annexure VIII: List of revenue streams reported per the CGK chart of accounts[17]

A. OWN-SOURCE REVENUE STREAMS

1. Administrative services fees & charges
2. Advertisement fees
3. Agriculture
4. Application fees
5. Betting Control
6. Business permits
7. Cesses
8. Natural resources, exploitation, environment & conservancy
9. Cultural & social services
10. AIA from devolved ministries
11. Donations
12. Extension of users
13. External services fees
14. Feeding program
15. Fines, penalties & forfeitures
16. Fundraising events
17. Housing
18. Impounding fees
19. Income from County entities
20. Infrastructure assets
21. Interest received
22. Lease/rental of County properties
23. Liquor license fee
24. Livestock
25. Market & Trade Centre fee
26. Other education-related revenues
27. Other health & sanitation fees
28. Other local levies
29. Other miscellaneous revenues
30. Other property income
31. Other receipts not classified elsewhere
32. Other revenues from financial assets
33. Plan approval fees
34. Plot rents, rents & poll rates
35. Profits & dividends
36. Public health facility operations & services
37. Public works and roads
38. Receipts from incidental sales by non-market establishments
39. Receipts from the mortgage account
40. Receipts from the sale of incidental goods
41. Receipts from sales by non-market establishments
42. Receipts from voluntary transfers other than grants
43. Sale of tender documents
44. Sales of agricultural goods
45. Sales of County assets
46. Sales of market establishments
47. School fees
48. Sewerage administration
49. Slaughterhouse's administration
50. Social premises use charges
51. Sub County veterinary services
52. System-required revenue accounts
53. Technical services fees
54. Trade & industry
55. Transfers from County entities
56. Transfers from reserve funds
57. Vehicle parking fees
58. Water supply administration
59. Weight & Measures

B. PROCEEDS FROM SALE OF ASSETS

60. Disposal and sales of non-produced assets
61. Receipts from sale of i) certified seeds and breeding stock; ii) buildings and inventories; iii) stocks and commodities; iv) strategic reserves stocks; v) vehicles and transport equipment; vi) plant machinery and equipment
62. Reimbursements (e.g., from insurance companies

[17] Consolidated Financial Statements of County Governments

Annexure IX: KCRB Organogram