



## SIXTH CORPORATE PLAN

2015/16 - 2017/18

*Trust and Facilitation*



**ISO 9001:2008 CERTIFIED**



## CONTENTS

---

LIST OF TABLES.....	ii
LIST OF FIGURES.....	ii
ACRONYMS AND ABBREVIATIONS.....	iii
FOREWORD BY THE COMMISSIONER GENERAL .....	v
EXECUTIVE SUMMARY.....	viii
I. Introduction.....	viii
II. Evaluation of the 5th Corporate Plan .....	viii
III. Strategic Priorities of the Sixth Corporate Plan .....	ix
IV. Monitoring and Evaluation .....	xi
V. Financing of the Sixth Corporate Plan .....	xi
 <b>CHAPTER 1: INTRODUCTION .....</b>	 <b>1</b>
1.1 FUNCTIONS OF THE KENYA REVENUE AUTHORITY (KRA) .....	1
1.2 ACT S OF PARLIAMENT ADMINISTERED BY KRA .....	1
1.3 ORGANIZATIONAL GOVERNANCE .....	1
1.4 ROLE OF KRA IN THE COUNTRY'S DEVELOPMENT AGENDA .....	2
1.5 THE 6TH CORPORATE PLAN AND KRA VISION 2018.....	3
1.6 THEMATIC FOCUS OF THE 6TH CORPORATE PLAN.....	4
1.7 PREPARATION OF THE PLAN.....	5
1.8 ORGANIZATION OF THE 6TH CORPORATE PLAN.....	5
 <b>CHAPTER 2: REVIEW OF THE 5TH CORPORATE PLAN 2012/13-2014/15....</b>	 <b>7</b>
2.1 INTRODUCTION.....	7
2.2 OBJECTIVES OF THE 5TH CORPORATE PLAN.....	8
2.2.1 Emerging Economies' Key Performance Indicators.....	8
2.2.2 Key Strategic Goals.....	8
2.3 PERFORMANCE OF THE 5TH CORPORATE PLAN.....	9
2.3.1 Revenue performance.....	9
2.3.2 Performance against the Emerging Economies' KPI's.....	10
2.3.3 Performance against the 6 Strategic Goals.....	11



<b>CHAPTER 3: OPERATING ENVIRONMENT.....</b>	<b>17</b>
3.1 INTRODUCTION.....	17
3.2 PESTEL ANALYSIS.....	17
3.2.1 Political Analysis.....	17
3.2.2 Economic Analysis .....	19
3.2.3 Social Analysis.....	20
3.2.4 Technological Analysis.....	21
3.2.5 Environmental Analysis.....	22
3.2.6 Legal Environment.....	23
3.3 STRATEGIC RISKS .....	23
3.4 SWOT ANALYSIS.....	24
 <b>CHAPTER 4: STRATEGIC GOALS .....</b>	 <b>26</b>
4.1 INTRODUCTION .....	26
4.2 STRATEGIC OBJECTIVES .....	26
4.2.1 REVENUE PERSPECTIVE .....	27
4.2.2 CUSTOMER PERSPECTIVE.....	35
4.2.3 PEOPLE PERSPECTIVE.....	39
4.2.4 INTERNAL PROCESSES PERSPECTIVE .....	48
4.3 CAPACITY FOR CHANGE .....	54
4.4 CORPORATE ORGANIZATIONAL STRUCTURE .....	56
 <b>CHAPTER 5: MONITORING AND EVALUATION .....</b>	 <b>58</b>
5.1 INTRODUCTION .....	58
5.2 MONITORING AND EVALUATION FRAMEWORK OF THE 6TH CORPORATE PLAN .....	58
 <b>CHAPTER 6: FINANCING THE SIXTH CORPORATE PLAN .....</b>	 <b>60</b>
6.1 INTRODUCTION .....	60
6.2 REVENUE TARGETS AND RESOURCE REQUIREMENTS .....	60
6.3 EXPENDITURE PRIORITIES .....	60
6.4 REVENUE ENHANCEMENT INITIATIVES .....	62
6.5 WAY FORWARD .....	62



## LIST OF TABLES

---

TABLE 1: 5TH CORPORATE PLAN REVENUE PERFORMANCE.....	9
TABLE 2: KPI'S PERFORMANCE.....	10
TABLE 3: ACHIEVING 5TH CORPORATE PLAN GOALS.....	12
TABLE 4: KEY CONSTRAINTS TO PERFORMANCE.....	15
TABLE 5: SWOT ANALYSIS SUMMARY FOR KRA.....	24
TABLE 6: CONFRONTATION MATRIX.....	25
TABLE 7: REVENUE EXPECTATIONS FROM BUDGET POLICY ..... STATEMENT 2015 AND ADDITIONAL REQUIREMENTS TO ELIMINATE DEFICITS BY 2017/18.....	27
TABLE 8: CURRENT STAFF ESTABLISHMENT.....	54
TABLE 9: KEY PERFORMANCE INDICATORS.....	59
TABLE 10: BUDGET OUTTURN 2015/16 - 2017/18 (KSHS MILLION).....	61
TABLE 11: BALANCED SCORE CARD OF THE 6TH CORPORATE PLAN.....	63

## LIST OF FIGURES

FIGURE 1: CUSTOMER SATISFACTION WITH KRA SERVICE LEVELS.....	5
FIGURE 2: KRA CORPORATE ORGANIZATIONAL STRUCTURE (JULY 2012 – 26TH FEBRUARY 2015).....	56
FIGURE 3: APPROVED KRA CORPORATE ORGANIZATIONAL STRUCTURE EFFECTIVE 27TH FEBRUARY 2015.....	57



## ACRONYMS AND ABBREVIATIONS

---

ADR	Alternative Dispute Resolution
API	Advance Passenger Information
BCOCC	Border Control and Operations Coordination Committee
BCM	Business Continuity Management
BCPs	Business Continuity Plans
BoD	Board of Directors
BPS	Budget Policy Statement
BROP	Budget Review and Outlook Paper
BSC	Balanced Score Card
C&BC	Customs and Border Control
CCTV	Closed Circuit Television
CGT	Capital Gains Tax
CIC	Complaints and Information Centre
CSR	Corporate Social Responsibility
DTD	Domestic Taxes Department
DWBI	Data Warehouse and Business Intelligence
EAC	East African Community
EACC	Ethics and Anti-Corruption Commission
EACCMA	East Africa Community Customs Management Act
EARA	East African Revenue Authorities
ECTS	Electronic Cargo Tracking System
EMCA	Environment Management and Coordination Act
EPZ	Export Processing Zone
ERM	Enterprise Risk Management
ERP	Enterprise Resource Planning
ETR	Electronic Tax Register
FBI	Federal Bureau of Investigations
FGDs	Focused Group Discussions
GDP	Gross Domestic Product
GIS	Geographical Information System
GoK	Government of Kenya
GPRS	General Packet Radio Service
HIPO's	High Potential Employees
HoD	Head of Department
HR	Human Resource(s)
iCMS	Integrated Customs Management System



I&E	Investigation and Enforcement
IBM	International Business Machines
ICD	Internal Container Depot
ICT	Information and Communication Technology
IDI	ICT Development Index
IEDs	Improvised Explosive Devices
IFC	International Finance Corporation
IFMIS	Integrated Financial Management Information System
IGS	Intelligence Gathering System
IMF	International Monetary Fund
IPRS	Integrated Population Registration System
ISO	International Organisation for Standardization
IT	Information Technology
JBC	Joint Border Committees
KESRA	Kenya School of Revenue Administration
KNBS	Kenya National Bureau of Statistics
KPIs	Key Performance Indicators
KRA	Kenya Revenue Authority
KRI	Key Risk Indicator
LPI	Logistics Performance Index
LTO	Large Taxpayer Office
LS&BC	Legal Services and Board Coordination
MAA	Mutual Administrative Arrangement
MCAs	Mission Critical Activities
M&C	Marketing and Communication
M&E	Monitoring & Evaluation
MoU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
MST	Medium and Small Taxpayer
MTO	Medium Taxpayers Office
MTP	Medium Term Plan
NHIF	National Hospital Insurance Fund
NIMES	National Integrated Monitoring and Evaluation System
NSSF	National Social Security Fund
NTSA	National Transport and Safety Authority
OECD	Organization for Economic Cooperation and Development
OSHA	Occupational Safety and Health Act
OSBP	One Stop Border Post



PAYE	Pay As You Earn
PESTEL	Political, Economic, Social, Technological, Environmental, and Legal
PFM	Public Financial Management
PIN	Personal Identification Number
Q&A	Questions and Answers
RCSAs	Risk and control self assessments
RDL	Railway Development Levy
RPOs	Recovery Point Objectives
RTOs	Recovery Time Objectives
SADC	South Africa Development Community
SARA	Semi Autonomous Revenue Authority
SCT	Single Customs Territory
SEZs	Special Economic Zones
SIRM	Strategy, Innovation and Risk Management
SME	Small Medium Enterprises
SMS	Short Messaging Service
SOPs	Standard Operating Procedures
SPR	Strategy, Policy and Research
SWOT	Strengths, Weakness, Opportunities & Threats
TAT	Tax Appeals Tribunal
TIMS	Tax Invoice Management System
TIMS	Trader Information Management System
TOT	Turnover Tax
TRA	Tanzania Revenue Authority
UNODC	United Nations Office on Drugs and Crime
US	United States
VAT	Value Added Tax
VC	Video-Conference
WCO	World Customs Organization
WEO	World Economic Outlook
WTO	World Trade Organization





## FOREWORD BY THE COMMISSIONER GENERAL

---



Our Sixth Corporate Plan highlights Kenya Revenue Authority's strategic focus for the three-year period ending 30th June 2018. The current year marks the halfway point between the start of the Millennium and 2030, the end point for Kenya's development blueprint, ***Kenya Vision 2030***. It is therefore an appropriate time to reflect on the strategies needed for KRA to deliver on Vision 2030 objectives.

Enhancing revenue growth remains the core objective of the Sixth Plan with focus on the utilisation of innovative practices and technology products to deliver better efficiency.

As we continue with our traditional focus on revenue mobilisation, we are cognisant of other national imperatives including the Government's commitment to improving Kenya's Doing Business ranking to a position among the top 50 within 3 years. Besides, the enhancement of Border Control as part of overall national security improvement, requires a re-focus of Customs operations through staff skills enhancement and infrastructure investment.

To address the imminent challenges, KRA has developed a three year blueprint dubbed ***Vision 2018*** which consists of 12 specific and measurable Performance Indicators. To further underpin the initiative, we have commenced the process of changing our tax compliance approach to focus more on customer facilitation rather than the traditional enforcement. This re-orientation will focus on building trustful relationships internally (amongst staff) and externally (with citizens) as the key driving forces to sustain tax compliance enhancement in the long term. The new approach forms the basis for the Sixth Plan's theme namely, ***'Building Trust through Facilitation so as to enhance Tax Compliance'***.

Another element is the revision of the Corporate Vision and Mission statements and Core Values. The new Vision Statement seeks to capture KRA's pivotal role in Kenya's transformation in line with Vision 2030. On the other hand, our Mission seeks to reflect our new approach to taxpayer engagement and compliance enhancement. In respect of our Core Values, these have been reduced to four from the previous six, with the primary objective being to ensure that staff more conveniently recall and hence internalize the values. Moreover, Core Values need alignment with the new direction, where emphasis is placed on trustful and facilitative relationships.



The details of our new Vision, Mission and Core Values are given below.

### **Vision**

‘To facilitate Kenya’s transformation through Innovative, Professional and Customer-Focused Tax Administration’

### **Mission**

‘Building Trust through Facilitation so as to Foster Compliance with Tax and Customs Legislation’

### **Core Values**

- Competent,
- Trustworthy,
- Helpful,
- Ethical.

The Sixth Corporate Plan is guided by four Key Thrusts, namely:

1. Shifting the customer service paradigm by improving service accessibility through service centres and technology platforms,
2. Leveraging technology to enhance service delivery and promote compliance,
3. Reforming staff attitude to shift from a focus on enforcement towards building taxpayer trust through effective facilitation,
4. Enhancing Customs’ focus on border security and trade facilitation.

Based on the Key Thrusts, we have identified the following key strategic objectives:

- Enhancing revenue mobilisation by broadening the taxpayer base, combating tax evasion and using smart intelligence and risk-based compliance strategies,
- Strengthening administrative capacity and enhancing transparency and fairness through organisational change and business process optimisation,
- Creating a staff establishment that is professional, courteous, accessible and pro-active in responding to customer problems,
- Enabling business by leveraging technology to achieve full electronic service leading to enhanced operational efficiency and high customer satisfaction.

As we embark on the next phase of our organisational transformation, I am confident that KRA will yet again confirm its position as a trail blazer in public service delivery and as an institution firmly focused on delivering its mandate.



**J. K. Njiraini, MBS**  
**Commissioner General**



## THEME

*'Building Trust through Facilitation so as to enhance Tax Compliance'*

### VISION

To facilitate Kenya's transformation through innovative, professional and customer focused tax administration

### MISSION

Building Trust through Facilitation so as to Foster Compliance with Tax and Customs Legislation

### CORE VALUES

Competent  
Trustworthy  
Helpful  
Ethical

### QUALITY POLICY STATEMENT

Kenya Revenue Authority is committed to developing a dedicated professional team, embracing modern processes and technologies, and delivering customer focused services that enhance compliance and revenue collection. The Authority shall endeavour to continually improve revenue collection and service delivery by meeting the requirements of ISO 9001:2008 Standard on Quality Management Systems.

### QUALITY OBJECTIVES

- Develop a dedicated and professional team.
- Re-engineer business processes and modernize technology.
- Improve and expand taxpayer services.
- Enhance revenue collection and strengthen enforcement.



## EXECUTIVE SUMMARY

---

### I. Introduction

The Kenya Revenue Authority was established in 1995 by an Act of Parliament, Chapter 469 of the Laws of Kenya. The Authority is the principal government revenue collection agency and accounts for over **95%** of Government Ordinary Revenues. The Authority administers the revenue aspects of **18** Acts of Parliament as well as collecting agency revenue for several Government Agencies.

In the Plan period 2015/16 – 2017/18, the Authority's focus will be on key priorities of the country's development agenda as spelt out in the Kenya Vision 2030, the Second Medium Term Plan 2013-17 and the Budget Policy Statement 2015. The priority areas include:

- i) Enhancing revenue collection,
- ii) Improving border security,
- iii) Improving business climate,
- iv) Enhancing trade facilitation,
- v) Supporting regional integration,
- vi) Supporting modernisation and automation of Government, and
- vii) Enhancing integrity.

The preparation of the Sixth Corporate Plan was done in a consultative process as provided for in the guidelines issued by the Ministry of Devolution and Planning. The process included the incorporation of stakeholders' views, review of policy documents and policy advice papers, environmental scanning, review of the Authority's organisational structure, functions, core values, and vision and mission statements. The Plan also benefited from the advice and strategic direction from the KRA Board of Directors and input from the top management and technical departments. The Plan was further reviewed comprehensively by the Board of Directors spearheaded by the Board Strategy, Policy and Research Committee.

### II. Evaluation of the 5<sup>th</sup> Corporate Plan

The overriding objective of the 5<sup>th</sup> Corporate Plan was to achieve service levels similar to benchmark middle income countries as the Authority focused on achieving Vision 2030 revenue administration objectives. To this end, **18** Key Performance Indicators (KPI's) were identified. In addition, and in line with the KRA approach of using the Balanced Score Card (BSC) approach, targets were set within with 4 BSC perspectives (people, internal processes, customer and revenue). There were a total of **240** targets to be achieved by implementing **186** initiatives. Of these **58** (i.e. **31%**) of the proposed interventions had direct impact on the **18** KPI's relating to the emerging economies. The rest of the interventions were tied to other



objectives that the Authority targeted to achieve in the four perspectives of the balanced score card, that is: **35 (19%)** relating to the People perspective, **49 (26%)** to Internal Processes perspective, **53 (29%)** to Customer perspective, and **49 (26%)** to the Revenue perspective.

Overall, **140** of the **240** targets were met, representing a performance rate of **58%** against set targets. The highest level of underperformance was recorded in Strategic goal number **2** (on upgrading the work environment) where only **2** out of **7** targets were met. Best performance was recorded in strategic goal number **6** (Achieving revenue targets) where **46** out of **56** targets (**82%**) were met. With respect to interventions, the overall completion rate of proposed interventions was **71%**. The best performance in this area was recorded under strategic goal **5** (on implementation of new organizational structure) with **92%** of proposed interventions completed. Poorest performance was recorded in strategic goal **1** (ensuring the workforce adheres to KRA core values) with implementation rate of **63%**.

The key lessons drawn from the performance of the 5<sup>th</sup> Plan were:

- Limiting targets and interventions: the **240** targets and **186** interventions meant resources would be spread too thinly and it would be difficult to relate specific interventions to specific targets.
- Whereas the **18** KPI's were central to the plan, the interventions relating to them were a minority: hence the need to focus interventions on key KPI's.
- Need to ensure targets are outcome or at least output-based and not just measuring implementation of proposed activities.
- Importance of recognizing limitations placed by environmental constraints, especially the country's stage of development.
- Funding: the failure to 'cut our coat to our cloth' meant that funding became the largest single constraint to achieving Plan objectives.

These lessons have been incorporated in the 6<sup>th</sup> Plan, especially limiting initiatives and targets and restricting expenditure projection to MTEF forward budgets.

### **III. Strategic Priorities of the Sixth Corporate Plan**

The overarching goal of the Authority is to enable the Government achieve revenue independence by 2018 and thereby eliminate reliance on deficit financing. This is the core of the KRA Vision 2018 which will be achieved through improved customer service, automation and modernisation of the Authority.

The Sixth Corporate Plan identifies the following four strategic priorities:

- a) Enhancing revenue mobilisation by broadening the revenue base, enhancing compliance and combating tax evasion and fraud using intelligence and risk based forward looking enforcement,
- b) Strengthening revenue administrative capacity and enhancing transparency and fairness through organisational change and business process optimisation,



- c) Creating a staff establishment that is professional, courteous, accessible and pro-active in solving customer problems,
- d) Enabling business by leveraging on technology to achieve full electronic customer service and enhance operational efficiency and service delivery in line with best practice, to achieve high customer satisfaction levels.

The Authority will implement various initiatives in order to achieve the above strategic priorities. Some of these initiatives include:

**a) Enhancing revenue mobilisation by broadening the revenue base, enhancing compliance and combating tax evasion and fraud using intelligence and risk based forward looking enforcement**

KRA Vision 2018 envisions a Kenya where revenue resources are adequate to meet government needs without resorting to budget deficit. In order to achieve this, a more ambitious revenue framework for the Authority will be implemented over the Plan period to ensure revenue growth averages **24.3%**.

The revenue framework will be built around the following initiatives:

- 1) Broadening the tax base through an enhanced taxpayer recruitment effort
- 2) Implementation of compliance risk management strategy
- 3) Revamped Debt programme
- 4) Enhanced efficiency of the Audit programme
- 5) Enhanced role of capital gains tax in income tax
- 6) Implementation of Alternative Dispute Resolution
- 7) Reducing tax expenditure
- 8) Revamped real estate sector revenue enhancement strategy
- 9) VAT enhancement strategy
- 10) Improved taxation of properties
- 11) Enhanced mobilization of revenue from the Counties
- 12) Enhanced internally generated revenues
- 13) Innovatively applying technology to enhance voluntary compliance and to combat tax evasion and fraud

**b) Strengthening revenue administrative capacity and enhancing transparency and fairness through organisational change and business process optimisation,**

Substantial automation was done during the 5<sup>th</sup> Plan period and has positioned KRA where a fully automated future is within reach. The Authority will address the remaining and emerging challenges that internal reorganisation will face in order to achieve the following targets:

- 1) Becoming the lead border agency with complete electronic control of goods entering and leaving Kenya,
- 2) KRA becoming a fully automated single collector,



- 3) Fully implementing the enterprise risk management framework, and
  - 4) Reforming the organisational structure to meet the challenges of implementation.
- c) Creating a staff establishment that is professional, courteous, accessible and pro-active in solving customer problems,**

The 'people issues' will be central to the achievement of the Plan targets as KRA staff will need to grow revenues by over **20%** annually with a declining resource base per shilling raised and in an environment where stakeholders will exercise their rights and statutory changes and Government will place greater emphasis on service delivery. The achievement of the Plan targets will be contingent on highly motivated staff, exhibiting high levels of staff satisfaction.

Interventions will therefore be put in place to ensure that the staff 'live' the KRA core values; KRA training programme will be revamped to meet the requirements of a high performance organisation; raise employee satisfaction rate to **80%**; improving the framework for management of high performance individuals; put in place an innovation promotion framework; enhance knowledge management; enhance integrity; and establish KESRA as the pre-eminent National and regional institution for fiscal management training.

- d) Enabling business by leveraging on technology to achieve full electronic customer service and enhance operational efficiency and service delivery in line with best practice, to achieve high customer satisfaction levels.**

The Plan envisions information technology as a strategic business enabler and game changer in support of the Authority's business departments in their relentless pursuit of operational excellence. The following initiatives will therefore be implemented in order to achieve the Authority's goals: implementation of enhanced business systems to ensure accountability and integrity; implementation of a full electronic customer service to enhance service delivery; exploit technological advances such as cloud computing and mobile platforms to improve service delivery, grow and develop information technology driven by emerging technologies.

## **IV. Monitoring and Evaluation**

A monitoring and evaluation system that conforms to the guidelines provided by the National Integrated Monitoring and Evaluation System (NIMES) has been designed. This will provide a consistent framework for measuring the efficiency and effectiveness of policies, programmes and projects implemented during the Plan period, and provide critical feedback that will inform decision making.

The monitoring and evaluation identifies four and eleven indicators that will be monitored at *National and ministerial levels respectively*. In addition, the balanced score card will be used to monitor implementation of all the initiatives put in place to achieve the priority areas in each of the four perspectives. Both the monitoring framework and the balanced score card provide the results expected at the end of the Plan period.



## V. Financing of the Sixth Corporate Plan

Funding of the Authority is provided for under Section 16 of the Kenya Revenue Authority Act (Cap. 469). KRA's resources are based on the revenue targets, agency fees from Government Agencies and directly availed development resources. However, full implementation of KRA's corporate strategy in the past Corporate Plans has been hampered by underfunding.

The successful implementation of the Sixth Corporate Plan is anchored on the resources provided in the Medium Term Expenditure Framework process as well as reliance on internally generated funds as proposed under the KRA Vision 2018 sustainable funding objective. The KRA budgeting framework will also be investment driven, focusing on returns on additional resources as opposed to the incremental and share of revenues approach adopted in the past.





## CHAPTER 1: INTRODUCTION

---

### 1.1 FUNCTIONS OF THE KENYA REVENUE AUTHORITY (KRA)

The Kenya Revenue Authority was established by an Act of Parliament, Chapter 469 of the laws of Kenya, which became effective on July 1, 1995. The Authority is charged with the responsibility of collecting revenue on behalf of the Government of Kenya.

The functions of the Authority are:

- a) To assess, collect and account for all revenues in accordance with specific laws set out in the first part of the First Schedule and the revenue provisions of the second part of the First Schedule (which contains written laws relating to revenue),
- b) To advise on matters relating to the administration of, and collection of revenue under the written laws or the specified provisions of the written laws,
- c) To perform such other functions in relation to revenue as the Cabinet Secretary to the National Treasury may direct.

### 1.2 ACTS OF PARLIAMENT ADMINISTERED BY KRA

In order to realize its mandate, the Authority administers the revenue aspects of the following written laws: the Income Tax Act (Cap. 470); the Customs and Excise Act (Cap. 472) (used for management of Excise Tax); the East African Community Customs Management Act (EACCMA); the Value Added Tax Act (Cap. 476); the Road Maintenance Levy Fund Act 1993 (No. 9 of 1993); the Air Passenger Service Charge Act (Cap. 475); the Entertainment Tax Act (Cap. 479); the Traffic Act (Cap. 403); the Transport Licensing Act (Cap. 404); the Second Hand Motor Vehicle Purchase Tax Act (Cap. 484); the Widows and Children's Pensions Act (Cap. 195); the Parliamentary Pensions Act (Cap. 196); the Stamp Duty Act (Cap. 480); the Betting, Lotteries and Gaming Act (Cap. 131); the Directorate of Civil Aviation Act (Cap. 394); the Standard Acts (Cap. 496); and Government Lands Act (Cap 280).

KRA also collects levies for various Government Agencies under the provision of various Acts. These are: Sugar Development Levy collected under the Sugar Act, Petroleum Development Fund Act, and Merchant Shipping Act, 2009. The Railway Development Levy (RDL) introduced in 2013 is now an Exchequer Revenue.

The Excise Bill and the Tax Procedure Code have been published. They will be additional Acts of Parliament the Authority currently administers. There is also the possibility, not yet exploited, that counties may pass legislation requiring KRA to collect taxes and rates on their behalf.



### 1.3 ORGANIZATIONAL GOVERNANCE

KRA's governance and management structure is organized as per recommended international best practice for Semi-Autonomous Revenue Authorities (SARA's). The Board of Directors (BoD) is the governing Body of KRA as set out in the KRA Act. It has two ex-officio members from the Government (representative of the Cabinet Secretary to the National Treasury and the Attorney General), the Commissioner General and six other members from private sector. The BoD is responsible for the review and approval of policies and monitoring the functions of KRA.

The day to day management of the Authority is the responsibility of the Commissioner General, assisted by Commissioners in charge of Customs and Border Control, Domestic Taxes, Investigations and Enforcement, Corporate Support Services, and Strategy, Innovation and Risk Management departments. Internal Audit Department reports to the Commissioner General though it is answerable to BoD on its core mandate. All non-revenue functions relating to road transport have since become the responsibility of the National Transport and Safety Authority (NTSA). The Commissioner for Corporate Support Services is also in charge of the regional offices. In addition, there are three Headquarter Departments (Ethics and Integrity, Legal Services and Board Coordination and Commissioner General's Operations Office) while the Kenya School of Revenue Administration (KESRA) has been elevated to report directly to the Commissioner General.

### 1.4 ROLE OF KRA IN THE COUNTRY'S DEVELOPMENT AGENDA

Over the Sixth Plan period, KRA will be central to achieving various national policy objectives. The key roles that KRA will play in achieving the country's policy objectives are outlined in various policy documents, key among them being the Second Medium Term Plan, the Budget Policy Statement 2015, and Vision 2030. Key priorities include:

- **Revenue:** Over 2015/16-2017/18, KRA is expected to collect an estimated **Kshs. 4,484,486 million**, of which **Kshs. 4,315,314 million** is Exchequer revenue. The Exchequer revenue represents over 97% of the Ordinary revenues forecast over this period in the **2015 Budget Policy Statement**,
- **Border Security:** KRA's role in border security will be enhanced through the border control and enhanced security framework,
- **Business Climate (paying taxes)** - Tax administration: Kenya is committed to continue improving its ranking in the Doing Business reports to top **50** and in this regard, KRA's role in improving the 'Paying Taxes' rank will be critical. The 2015 ranking showed that Kenya has been able to improve its 'Paying Taxes' ranking from **146** to **102** in a single year, indicating that comprehensive reform can substantially improve the business climate,
- **Trade facilitation:** KRA is a signatory to and key implementer of the Port Community Charter which will enhance the smooth flow of goods through the Port. KRA is also an implementer in various initiatives to enhance regional trade by removing bureaucratic bottlenecks to trade. In this regard, Kenya is a signatory to the World Trade Organisation



(WTO) *on Trade Facilitation Agreement* and is thus bound to implement the articles whose thrust is the facilitation of international trade,

- **Regional Integration (Single Customs Territory):** KRA is instrumental in the promotion of regional integration through implementation of the Single Customs territory,
- **Modernisation and Automation of Government:** the centrality of the tax collection system means that KRA will be critical to the achievement of the government's digital government agenda, directly by automating its services and indirectly by supporting the integration of KRA systems with other government agencies and assisting others in automation. ICT developments in the tax administration arena will be a game changer in five areas: *enhancing accountability and integrity* by reducing opportunities for corruption and expanding taxpayers access to relevant information and enabling taxpayers to track service delivery; *enhancing service delivery* by increasing speed of service (through electronic service), flexibility (by increasing interaction options) and expansion of self service options; *re-engineering processes* through replacement of manual systems by automated ones and simultaneously allowing for business process review and optimization; *exploiting technological advances* to change the way services are delivered (including use of cloud computing and mobile platforms), and *reducing the scope of tax avoidance and evasion* through up-scaling use of electronic data matching and third party information.
- **Integrity:** By their nature, revenue authorities are high risk organisations when it comes to integrity. Thus, tackling integrity concerns in the tax administration will significantly improve the country's overall integrity profile. Secondly, vigorous enforcement of revenue statutes reduces the incentive to engage in corrupt activities due to the need to account for unaccountable income. Thirdly, the revenue authority through its tax auditing function will play a key role in detection of corruption, disallowing expenses related to corrupt payments and reporting to appropriate authorities cases suspected to involve these payments. Thus, KRA will continue to be a key player in the integrity control efforts of the country.

## 1.5 THE 6<sup>TH</sup> CORPORATE PLAN AND KRA VISION 2018

During 2014, the KRA Board of Directors carried out a policy retreat where among other issues, the medium term objectives for the revenue authority were considered. The Board came to the decision that the overriding objective for the Authority is to enhance revenue collection with a view to enabling the Government to achieve a fiscal surplus by 2018. This broad's objective will be realised through initiatives to achieve the following objectives:

- To attain a VAT/GDP ratio of **9%**.
- To achieve weighted taxpayer compliance of **65%**.
- To attain a minimum active taxpayer base of 4 million.
- To attain **80%** customer satisfaction rate.
- To achieve full electronic customer service.



- To become a fully automated Single Revenue Collector.
- Complete implementation of the Enterprise Risk Management framework.
- To achieve enactment of new innovative and enabling income tax framework.
- To achieve six hour average cargo clearance time.
- Become Lead Border Agency with complete electronic control of all goods entering and exiting Kenya.
- Develop sustainable long term funding by among others, unlocking internal resource capacity through innovative approaches.
- Achieve **1%** cost of collection.

Underlying the Vision are very ambitious performance (*'stretch'*) targets that are only feasible in the context of thorough institutional reform. The key stretch targets are:

- **Recruitment:** attain **4 million** active taxpayers by 2017/18 compared to the current **1.6 million** and annual recruitment of **153,000**,
- **Revenue target:** to meet the 'no deficits' target by 2018 requires a minimum revenue collection of **Kshs. 2,050 billion** by 2017/18, over **Kshs. 344 billion** above the *Budget Policy Statement 2015* (BPS) target of **Kshs. 1,706 billion**, requiring growth to average **20.8%** over 2013/14 - 2017/18 compared to **14.7%** over 2002/03 - 2013/14,
- **Full electronic customer service:** whereas KRA is approaching the technical requirements for full electronic service, the country's ICT development index (IDI) will constrain the private sector's ability to take up the services requiring a considerable effort to promote uptake,
- VAT target which requires the VAT/GDP ratio to rise from **4.6%** of GDP in 2013/14 to **7.2%** of GDP in 2017/18 – the BPS forecasts **4.9%**,
- **Raising customer satisfaction to 80%** (from **65%** currently): requires a significant improvement in employee satisfaction (given an internationally proved correlation between customer satisfaction and employee satisfaction) as well as interventions to improve services across eleven areas identified in the 2013/14 customer satisfaction survey,
- **Fully automated single collector:** this requires an expansive and expensive ICT programme to be implemented. There will be need to seek innovative ways of meeting the ICT development requirements,
- **Attain 1% cost of collection:** the current cost is **1.2%**. Reducing the cost of collection will require success in the above mentioned initiatives as well as innovative interventions to reduce service delivery costs.



## 1.6 THEMATIC FOCUS OF THE 6TH CORPORATE PLAN

The broad thrust of this Plan is to enable the Government to meet its revenue targets through a facilitation approach which relies on creating an environment for the taxpayers to voluntarily comply with the law. KRA's institutional mandate will be fully operationalised when the Authority achieves single collector status and becomes the lead border agency. However, in light of the National Policy Objectives, the Vision 2018 targets and the challenges inherent in achieving decisive change in revenue administration, a broader thematic thrust is required. In this regard, 4 main thematic drivers will guide the strategic framework for the 6<sup>th</sup> Corporate Plan. These are:

- i.) **Public Service Delivery:** with a focus on achieving full electronic convergence (coverage), driving electronic uptake and engaging the National Treasury on modernising tax statutes,
- ii.) **Border Control:** KRA seeks to achieve lead border agency status (where Customs as the “lead agency” has mandate and authority over other border agencies, implemented through a Memorandum of Understanding (MoU)) and full electronic coverage of imports, with automated customs systems and the ability to electronically track goods from point of entry to destination or exit,
- iii.) **Revenue Enhancement:** the ambitious revenue goals will be achieved by KRA becoming the single revenue collector – collecting substantially all revenue and levies for the various government levels, through driving a marketing approach to tax collection – focusing on facilitation of taxpayers as the primary driver, not enforcement – and building positive public image, selective and focused tax amnesty and providing state-of-the-art ICT systems; and
- iv.) **Funding:** to tackle KRA perennial funding problem, a two pronged approach will be adopted. Firstly, the Authority seeks to re-engineer the National Treasury-KRA engagement on this matter with a cost/benefit investment driven approach to funding the Authority replacing the incremental funding approach used to-date. Secondly, the Authority will develop alternative funding models, focusing on a higher rate of return on assets owned by KRA and conversion of the KRA training school - KESRA – into a self-sustaining university which provides a return for resources invested by KRA.

## 1.7 PREPARATION OF THE PLAN

In line with the guidelines issued by the Ministry of Devolution and Planning, the Authority implemented a consultative process of coming up with the Plan. This involved:

- Collection and collation of views from stakeholders,
- Taking cognisance of the views of the staff gathered through the Change Management programme and various employee satisfaction surveys,
- Reviewing policy papers and policy advice to get policy direction and ensure KRA has incorporated National Policy Objectives and Priorities in its planning framework. These policy documents included *the 2014 Budget Review and Outlook Paper (BROP)*, *the 2015*



*Budget Policy Statement (BPS), the second Medium Plan 2013/14-2017/18*, various Acts of Parliament related to Constitutional implementation, business investment policy reviews emerging from the *Presidential Roundtable* and the various *Doing Business Surveys* carried out by the International Financial Corporation (IFC), and strategic plans of partner agencies to ensure that in implementing its plans KRA does not become a hindrance to the achievement of their objectives. As it has been in the past, KRA also benefitted from reviewing technical policy advice from international organizations especially the International Monetary Fund (IMF) through the East AFRITAC office,

- Carrying out an environmental scanning exercise through a Political, Economic, Social, Technological, Environmental and Legal (PESTEL) analysis as well as a Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis,
- KRA has also reviewed its organizational structure, its functions, its core values, and vision and mission statements. These have been changed to align with the new policy direction,
- The financing framework for the Plan is based on the KRA *Medium Term Expenditure Framework (MTEF)*, expected internally generated resources, available external funding and the development funds provided by the National Treasury,
- The process of formulating the Plan has involved considerable input from Management with several top management and technical retreats being held to get managerial input and buy-in. The Plan has also benefitted from a comprehensive review by the Board of Directors spearheaded by the Board Strategy, Policy and Research (SPR) Committee.

## 1.8 ORGANIZATION OF THE 6<sup>TH</sup> CORPORATE PLAN

The remainder of the Plan document is organized as follows:

- *Chapter 2*: Covers a review of the Fifth Corporate Plan identifying its shortcomings and the lessons learnt during its implementation,
- *Chapter 3*: Is an environmental scan in the form of a PESTEL and SWOT analysis,
- *Chapter 4*: Provides the strategic overview of the Sixth Plan,
- *Chapter 5*: Provides the Key Performance Indicators (KPI's) that will be used for the Monitoring and Evaluation framework,
- *Chapter 6*: Gives the financing framework in line with the Authority's MTEF budget over the three-year period.

A detailed Balanced Score Card with objectives, measures, targets and interventions is included for performance management purposes.



## CHAPTER 2: REVIEW OF THE 5TH CORPORATE PLAN 2012/13-2014/15

### 2.1 INTRODUCTION

The review of the 5<sup>th</sup> Corporate Plan does not follow the conventional approach that begins with a look at the proposed interventions and the extent to which they were implemented, and then follows up on key output indicators (e.g. revenue performance) with less emphasis on outcome indicators and big picture metrics. The 5<sup>th</sup> Corporate Plan had an explicit big picture: KRA benchmarked its performance against the levels achieved in 2010 by specific emerging economies. This approach was informed by the recognition that these emerging economies had similar levels of income and economic development as those envisioned in the *Kenya Vision 2030* policy framework. If KRA was to achieve the performance levels of these countries by 2014/15, then revenue administration and performance would become a key driver towards the country's overall achievement of Vision 2030.

Besides the Key Performance Indicators (KPI's) of identified emerging economies, the planning process for the 5<sup>th</sup> Corporate Plan incorporated a broader range of additional targets and interventions. This was occasioned by a number of factors: the need to include other national policy objectives identified in the national policy and planning documents, the need to carry over essential interventions that were not completed in the 4<sup>th</sup> Corporate Plan, dealing with internal and external stakeholders' concerns; to take account of priorities established by partner agencies that required KRA interventions, and the need to continue focusing on international best practices in line with KRA's Vision.

The approach to evaluation of the 5<sup>th</sup> Corporate Plan is therefore, hinged on this thought process. There is a two-phase evaluation process that first focuses on the KPI's, then looks at the overall performance of the Corporate Balanced Score Card (BSC). The following are the key steps:

- i.) Identification of the targets and outcomes (not inputs) set out in the Corporate Plan based on the bench-marking exercise. The target was to achieve between the 20<sup>th</sup> percentile and average performance of the reference economies in 2010. The latest available data (2013/14 for full year) is compared to the benchmarks.
- ii.) Identify the other targets and proposed interventions in the 6<sup>th</sup> Corporate Plan, and the extent to which these were achieved (for targets), implemented (for interventions) and the actual impact of interventions on achievement of targets.
- iii.) Identify the interventions which were not implemented, and the reasons for non-implementation.
- iv.) Identify the components of the unimplemented interventions that are still needed to achieve:
  - a. The 5th Corporate Plan benchmark targets, and
  - b. The 12 KRA Vision 2018 objectives.
- v.) Identification of the lessons learnt.





## 2.2 OBJECTIVES OF THE 5<sup>TH</sup> CORPORATE PLAN

### 2.2.1 Emerging Economies' Key Performance Indicators

From a review of emerging economies' data, 18 KPI's were identified. These KPI's were grouped under the following 4 headings to facilitate comparison:

- i.) **Operational performance:** there were 7 KPI's identified under this heading, namely: Revenue/GDP ratio, VAT and income tax refunds management, Debt/revenue ratios, audit performance (both domestic audit and Post Clearance Audit), and performance of non-audit verification activities.
- ii.) **Resource utilisation:** 2 KPI's were identified, cost of collection and ratio of labour force to employed staff.
- iii.) **Customer service:** with 4 KPI's, the global ranking of taxation in the Ease of doing Business, Logistics performance, clearance time for customs processes, and the tax payment options.
- iv.) **Electronic services:** with 5 KPI's, relating to filing rates, electronic payment, and electronic payment options.

For each of the KPI's, the targeted performance was, ideally, to achieve the average of the benchmark countries, but at worst to be above the level of the poorest 20%.

### 2.2.2 Key Strategic Goals

The 5<sup>th</sup> Corporate Plan incorporated both the KPI's benchmarked against emerging economies as well as targets aligned to the broader national policy objectives. In addition, the Plan carried over activities from the 4<sup>th</sup> Corporate Plan and partner agency requirements. The 5<sup>th</sup> Corporate Plan had the following 6 strategic goals aligned to the 4 perspectives of the Balanced Score Card (BSC):

- i.) **People Perspective:** addressed 2 strategic goals. **Strategic goal 1:** Creating a workforce that adheres to KRA Core Values and Vision; and **Strategic Goal 2:** Upgrading the work environment to enhance staff morale, efficiency and effectiveness.
- ii.) **Internal Processes Perspective:** dealt with 2 strategic goals. **Strategic Goal 3:** Upgrading KRA's ICT to facilitate achievement of international best practice in revenue administration, raise performance standards and reduce operational costs; and **Strategic Goal 4:** Implementation of a new organization structure for increased efficiency and operational effectiveness.
- iii.) **Customer Perspective:** addressed **Strategic Goal 5:** improving customer service by benchmarking service delivery standards against reference countries, expanding the scope of services where KRA meets international best practice, and increasing service options to taxpayers.
- iv.) **Revenue Perspective:** dealt with **Strategic Goal 6:** Achieving the revenue targets through a revamped enforcement strategy, innovative approaches to enhance collection in sectors with low tax compliance, and scaling up taxation of SME sector.





In total, there were **240** specific targets to be met. **186** interventions were proposed to achieve the objectives of the 5<sup>th</sup> Corporate Plan. Of these **58** (i.e. **31%**) were interventions that had direct impact on the **18** KPI's relating to the emerging economies. The rest of the interventions were tied to the rest of the things that the Authority targeted to achieve during the Plan period as follow: **35** (i.e. **19%**) were related to the People perspective, **49** (i.e. **26%**) to the Internal Processes perspective, **53** (i.e. **29%**) to the Customer perspective and **49** (i.e. **26%**) to the Revenue perspective.

## **2.3 PERFORMANCE OF THE 5<sup>TH</sup> CORPORATE PLAN**

The performance of the 5<sup>th</sup> Corporate Plan can be reviewed in terms of the extent to which the core revenue targets set for the Plan period were met (these were in the 2012/13-2014/15 MTEF budget forecasts); achievement of benchmark KPI's; achievement of other Plan targets; and implementation status of the proposed interventions.

### **2.3.1 Revenue performance**

Given KRA's role as the Government's pre-eminent revenue collection agency, revenue performance dominates any assessment of the Authority's performance in any Plan period. In this regard, Table 1 below shows performance against the revenue forecasts in the 5<sup>th</sup> Corporate Plan period. The table also shows the extent to which the actual macroeconomic environment differed from the forecast, and the estimated impact of this variance on revenue performance.



**Table 1: 5th Corporate Plan Revenue performance**

	2012/13	2013/14	2014/15	PLAN PERIOD (2012/13-2014/15)
<b>Revenue Target (Kshs Bn)</b>	<b>863.3</b>	<b>972.8</b>	<b>1,108.8</b>	<b>2,944.9</b>
Out of which (o/w) Exchequer	825.3	932.8	1,065.8	2,823.9
o/w Agency	38.0	40.0	43.0	121.0
<b>Actual Performance (Kshs Bn)</b>	<b>800.5</b>	<b>963.8</b>	<b>1,069.6</b>	<b>2,833.9</b>
o/w Exchequer	759.5	899.2	1,022	2,680.7
o/w Agency	41.0	64.6	47.6	153.2
<b>Variance ( Shortfall)</b>	<b>(62.8)</b>	<b>(9.0)</b>	<b>(39.2)</b>	<b>(111.0)</b>
O/W explained by macroeconomic factors	(5.4)	(8.5)	(11)	(24.9)
<b>Revenue Growth</b>	<b>13.1%</b>	<b>20.4%</b>	<b>12.3%</b>	<b>15.0%</b>
<b>Macroeconomic Forecasts</b>				
i. Real GDP growth (%)	5.5	5.9	6.3	5.9
ii. Inflation Rate (%)	9.8	6.3	5.0	7.0
iii. Treasury Bill Rate				
iv. Kshs. US/ Dollar	86.9	86.42	88.3	87.2
v. US \$ value of imports (\$ mn)	16,909	17,821	18,809	53,539
<b>Actual Performance of Macroeconomic Variables</b>				
i.) Real GDP growth	4.6	5.0	5.5	5.0
ii.) Inflation Rate (%)	5.9	6.0	6.9	6.2
iii.) Kshs. US/ Dollar	85.3	88.5	89.1	87.6
iv.) US \$ value of imports (\$mn)	17,565	18,296	19,327	55,188
<b>Estimated impact of macroeconomic variance (Kshs)</b>	<b>(5.4)</b>	<b>(8.5)</b>	<b>(9.4)</b>	<b>(23.3)</b>

The highly ambitious revenue forecast for 2012/13, with an implied **22%** growth rate compared to the **Kshs. 707.4 billion** achieved in 2011/12, proved difficult to achieve in the Plan period. In addition, the revenue targets were based on overly optimistic macro-economic forecasts. The cumulative effect of the over-estimation of the macroeconomic environment was a negative revenue impact of **Kshs. 23.3 billion** over the Plan period. KRA thus achieved **92.7%** in 2012/13, **99.1%** in 2013/14 and **96.5%** in 2014/15. This implies an overall achievement trend of **96.2%** over the Plan period.

### **2.3.2 Performance against the Emerging Economies' KPI's**

Meeting the targeted KPI's was central to achieving the overall objective of raising KRA's performance to that of the emerging economies. In this regard, out of the **18** KPI's, KRA was able to meet 7 (i.e., performance was better than at least **20%** of the performance achieved by the benchmark countries in 2010/11), partially achieved 5, (performance was better than the worst performer among benchmark countries), and failed (completely out of the range of the



benchmark countries) in **6** KPI's. With respect to interventions, **58** interventions were targeted at the **18** KPI's. Of these, **37** were completed, representing a completion rate of **64%**. Table 2 below provides an overview of the performance on the KPI's.

**Table 2: KPI's performance**

KPI's AREA	KPI's PERFORMANCE			KPI's RELATED INTERVENTIONS		
	No. of KPI's	KPI's targets met	Performance rate (%)	No. of proposed interventions	Interventions completed	Performance rate (%)
Operational Performance	7	2	29%	38	18	47%
Resource Utilization	2	1	50%	7	7	100%
Customer Service	4	3	75%	5	4	80%
Electronic Service	5	1	20%	8	8	100%
<b>Total</b>	<b>18</b>	<b>7</b>	<b>39%</b>	<b>58</b>	<b>37</b>	<b>63%</b>

### Operational Performance

Out of 7 KPI's, KRA managed to meet **2** – the revenue to GDP target (representing **22.1%** achieved against a benchmark target of **20.5%**) and debt to revenue ratio (**14.4%** achieved against **21.9%** in the benchmark countries). In both of these cases however, the benchmark had already been achieved before the onset of the plan, and KRA was thus maintaining a position as opposed to showing any remarkable improvement. KRA's performance remained poor in handling of refunds and audit collection. KPI's relating to VAT and income tax refunds were not met, while performance on audits and other verifications were at best partially met.

With respect to interventions, the bulk of the interventions relating to the KPI's were in the operational area – **38** out of **58** (**65.5%**). Of interest, there were no interventions related to achieving the income tax refund KPI's, and only **1** intervention was targeting improved audit. Of the proposed interventions, **18** (**47.3%**) were completed, with the bulk (**13**) targeting enhanced revenue. Critical implementation failures included: failure to roll out the GPRS-enabled Electronic Tax Register (ETR) (i.e., Tax Invoice Management System (TIMS) programme); delay in rolling out the audit module in iTax which would have enabled automated risk profiling of audit cases; and failure to implement the debt reform programme.

#### i.) Resource Utilisation

**1** out of **2** KPI's was met (labour force to full time staff), while the other (cost of collection) was partially met. There were no specific interventions targeting efficiency gains and indeed, the Plan envisioned a cost of collection of **2%**.

#### ii.) Customer Service

This is the area of most improved performance with respect to the KPI's. **5** of the **6** KPI's were met (**83.3%** performance rate) with the other being partially achieved. KRA is within acceptable range with respect to the ease of doing business index (paying taxes), customs clearance days and payment methods available. **5** interventions were targeted at improving



customer service. Important interventions which were implemented include: expansion of payment options available through mobile payments, implementation of the Port Community Charter and Single Customs Territory (SCT). These initiatives reduced backlogs, and improved ranking on logistics performance. The legal challenge that delayed the implementation of the Electronic Cargo Tracking System (ECTS) was settled.

### iii.) **Provision and use of Electronic Service**

Despite considerable investment, this remains an area of underperformance with respect to the KPI's. Out of 3 KPI's, the only KPI met is the electronic filing of VAT returns (i.e., 33.3% performance rate). Under-performance is recorded in electronic filing for corporation tax (6% achieved against a benchmark of 73%), filing for income tax (9.2% against a benchmark of 45%), payments received electronically (highest achieved was PAYE at 6.38%) and additional electronic services for tax professionals (no initiative put in place). A total of 8 interventions were proposed, to be implemented mainly through various iTax modules. Notwithstanding the fact that 100% of expected modules were rolled out, performance in this area remains low. This is an indication that either there was inadequate focus on uptake of the initiatives, or Kenya's relatively poor ranking on the ICT development index (2.79) compared to an average of 5.2 among reference countries was the problem. With most iTax modules being implemented in 2013/14 and uptake being pushed to 2014/15, it is arguable that there was no adequate time to register significant uptake requirements or targets.

### **2.3.3 Performance against the 6 Strategic Goals**

As has already been mentioned, the 5<sup>th</sup> Corporate Plan had a total of 240 targets and 186 interventions. However, a total of 195 targets and 128 interventions were not directly related to the achievement of the 18 KPI's relating to emerging economies. Performance against these targets and implementation of interventions is shown in Table 3 below.

Overall, 140 of the 240 targets were met, representing a performance rate of 58% against set targets. The highest level of underperformance was recorded in Strategic goal number 2 (on upgrading the work environment) where only 2 out of 7 targets were met. Best performance was recorded in strategic goal number 6 (Achieving revenue targets) where 46 out of 56 targets (82%) were met. With respect to interventions, the overall completion rate of proposed interventions was 71%. The best performance in this area was recorded under strategic goal 5 (on implementation of new organizational structure) with 92% of proposed interventions completed. The poorest performance was recorded in strategic goal 1 (ensuring the workforce adheres to KRA core values) with implementation rate of 63%.



**Table 3: Achieving 5th Corporate Plan Goals**

PERSPECTIVE	STRATEGIC GOALS	PERFORMANCE AGAINST TARGETS			IMPLEMENTATION OF INTERVENTIONS		
		No. of targets	No. of targets met	Performance rate (%)	No. of proposed interventions	Interventions completed	Performance Rate
PEOPLE	Creating a workforce that adheres to KRA core values	42	21	50%	30	19	63.3%
	Upgrading the work environment to enhance staff morale, efficiency and effectiveness	7	2	28.5%	5	3	60%
INTERNAL PROCESSES	Upgrading KRA's ICT to facilitate achievement of international best practice, raise performance standards and reduce operational costs	36	23	63.8%	25	18	72%
	Implementation of a new organisational structure for increased efficiency and operational effectiveness	31	23	74.2%	24	22	91.6%
CUSTOMER	Improving customer service by benchmarking service delivery standards against reference countries, expanding the scope of services where KRA meets international best practice and increasing service options to taxpayers	68	25	36.7%	53	37	69.8%
REVENUE	Achieving the revenue targets through a revamped enforcement strategy, innovative approaches to enhance collection in sectors with low tax compliance and scaling up taxation of the SME sector	56	46	82.1%	49	33	67.3%
<b>TOTAL</b>		<b>240</b>	<b>140</b>	<b>58.3%</b>	<b>186</b>	<b>132</b>	<b>70.9%</b>

Key achievements and underperforming areas were:

**i.) Creating a workforce that adheres to KRA Vision and Core Values**

The 5<sup>th</sup> Corporate Plan set **42** targets, out of which **21** were met. This represents a performance rate of **50%**. There were **30** interventions to address this goal, out of which **20** were implemented, representing a performance rate of **67%**. Seven targets and related interventions dominate



the strategic area. Whereas KRA was able to implement the bulk of interventions relating to its *integrity strategy*, the core objective of exiting the Transparency International corruption perception index was not achieved. Implementation of the *KESRA strategy* was undermined by funding constraints and delays in recruitment of staff. *Staff performance management* initiatives remained incomplete following a decision to delay implementation of Psychometric testing while automation of performance management has been delayed following a decision to ride on the National Treasury-driven Integrated Financial Management Information System (IFMIS) programme. The Authority has however, been able to successfully implement its *Change programme*, with a strategy completed, structures put in place, change champions identified and trained, and staff sensitised, among other initiatives.

**ii.) Upgrading the work environment to enhance staff morale, efficiency and effectiveness**

This goal had 7 targets, 2 of which were completed during the Plan period, representing a performance rate of **28.5%**. The interventions were 5 in total, of which 3 (60%) were met. Work environment-related interventions accounted for the bulk of the development budget (an estimated **Kshs. 6,500 million**) even though they were the most underfunded. The critical targets were: achieving **100%** of houses in good condition; **100%** of offices meeting required standards; and **100%** of border stations meeting required standards. Despite the completion of major rehabilitation of housing units in Nairobi, the Plan period ended with only **30%** of houses in good condition and **90%** of offices meeting required standards. Funding proved to be the biggest constraint. That notwithstanding, additional six stations, five iTax Support Centre offices and 1 One Stop Border Post (OSBP) were opened.

**iii.) Upgrading KRA's ICT to facilitate achievement of international best practice, raise performance standards and reduce operational costs**

A total of **36** targets were set, of which **23** were achieved, representing a performance rate of **64%**. A total of **25** interventions were set, out of which **18** were implemented, a performance of **72%**. The ICT strategic objective was anchored on **6** key initiatives as follows: Firstly, the development of the *2<sup>nd</sup> ICT strategy*. This was completed to the extent of **90%** in 2013/14, and is awaiting finalisation and launch. Secondly, *improving ICT security*, which had **6** specific interventions of which **2**, (information system security and data security) were not implemented due to funding constraints, **1** (disaster recovery) suffered from approval delays and **1** (second data authentication) delayed due to dependencies on other interventions. This translates to **33.3%** completion rate. Thirdly, *modernizing, maintaining and integrating ICT systems* had **3** interventions with the upgrading and system integration being fully implemented. On the other hand, **2** interventions, namely: implementing a seamless interface for sharing data, and implementation of redundancy in ICT service were not completed due to funding constraints and delays in the approval process, respectively. This translates to **33.3%** implementation. The fourth initiative was *Upgrading ICT infrastructure* with **3** interventions of which one - ICT Data centre refurbishment - was completed. The 5<sup>th</sup> initiative was *enhancing IT service management*, with 7 interventions out of which **3** interventions were completed. The sixth initiative was increasing the ICT budget to **8-10%** of KRA's operating budget. This was largely not achieved with **6.5-7%** being the norm.



**iv.) Implementation of a new organization structure for increased efficiency and operational effectiveness**

The goal had 31 targets, out of which 23 were completed, giving a performance rate of 74%. There were 24 interventions of which 22 were implemented, representing a performance rate of 92%. Key achievements included; reducing the number of direct reports to the Commissioner General and the roll-out of Enterprise Risk Management (ERM) framework. A major intervention not fully implemented was setting up of a Requirements Centre of Excellence which was affected by funding constraints.

**v.) Improving customer service by benchmarking service delivery standards against reference countries, expanding the scope of services where KRA meets international best practice and increasing service options to taxpayers**

This goal had 68 targets, out of which 25 were met, representing a performance of 36.7%. The interventions were 53, out of which 37 were implemented, a performance of 69.8%. The performance with respect to this strategic initiative shows that the implementation of initiatives and achievement of results were disconnected. While all the 7 initiatives relating to the *increase of uptake of electronic services* were implemented, the target of raising filing rates to 34% was not achieved. To facilitate e-filing, the Authority established Regional iTax support centres in five Regions. Implementation of mobile services was fully implemented in April 2014. The initiatives to revamp the contact centre were delayed by funding and human resource constraints. There was no comprehensive initiative to upgrade and update the website.

**vi.) Achieving the revenue targets through a revamped enforcement strategy, innovative approaches to enhance collection in sectors with low tax compliance and scaling up taxation of SME sector**

There were 56 targets, out of which 46 were fully met, representing a performance rate of 82%. The interventions were 49, of which 33 were implemented, a performance of 67%. Implementation of the *enforcement strategy* was incomplete with automated risk based audit being delayed by the late roll-out of the audit module in iTax, the GPRS enabled ETR's suffering procurement delays, implementation of the GIS solution being hampered by legal huddles. A key success was the rolling out of the automated excise stamps management solution. The *real estate strategy* was largely implemented.

**1. Explaining Performance and underperformance**

Table 4 below shows the key constraints to implementation. Out of 53 non-implemented interventions, 15 (28%) were occasioned by funding constraints. These included most of the big ticket items in work environment and ICT. Human resource (13%) and procurement (9%) were key internal factors responsible for undermining performance. External factors (e.g., macroeconomic performance, Kenya's ICT development capacity) were responsible for a further 11%, while 30% of reasons for underperformance were not related to any of the 5 areas.





**Table 4: Key constraints to performance**

Perspective	Strategic Objective (no.)	Interventions not fully implemented	Reasons					
			Funding constraint	Procurement and approval process	Human resource capacity	Dependence on other systems	External reasons	Other reasons
People	1	10	1	4		1		5
	2	2	2					
Internal processes	3	7	7					
	4	2	2					
Customer	5	16	3	1	6	1	2	3
Revenue	6	16			1	3	4	8
<b>Total</b>		<b>53</b>	<b>15</b>	<b>5</b>	<b>7</b>	<b>5</b>	<b>6</b>	<b>16</b>
<b>% of Total</b>			<b>28%</b>	<b>9%</b>	<b>13%</b>	<b>9%</b>	<b>11%</b>	<b>30%</b>

### Lessons learnt and their relevance to the 6<sup>th</sup> Corporate Plan

The following are the key lessons learnt from the review:

- i.) **Importance of limiting targets and interventions:** with **240** targets and **186** interventions, there was always the risk that resources would be spread too thin, and it would be difficult to align specific interventions to specific targets. Another real risk is the possibility of losing track of the initiatives and their interventions because of sheer enormity of numbers.
- ii.) **Focus on KPI's:** of the **186** interventions, only **58 (31%)** could be clearly traced to the KPI's. The rule of thumb is that the bulk, if not all of the interventions should be tied to achievement of the KPI's,
- iii.) **Target setting:** there is need to focus on (a) fewer targets, and (b) targets that are either numeric (e.g., electronic filing rate) or for which a numeric measure is available and (c) are output or outcome based. Too many 'targets' in the 5<sup>th</sup> Corporate Plan required the completion of initiatives as opposed to measuring the outputs or outcomes those initiatives were expected to achieve.
- iv.) **Environmental constraints:** several highly ambitious targets – especially relating to ICT sector and uptake of electronic services were not met even when the proposed interventions were completed. This appear to have been the result of environmental constraints – e.g., the ICT Development Index (IDI) which showed Kenya's ICT level to be well below those of the reference emerging economies; uptake in services where private sector capacity to utilise the technology was below expectation; and the failure to implement several initiatives due to capacity constraints or dependencies.
- v.) **Correlation between implementation of initiatives and achievement of targets:** with respect to the KPI related interventions, there was limited correlation between completion of interventions and achievement of targets – i.e., the selection and design





process had not adequately synchronised the interventions with the targets to be met. It is therefore, important to place greater emphasis on interrogating the relevant assumptions underlying the forecast outputs/outcomes and the analysis relating results to proposed interventions before taking these interventions on board for planning purposes.

- vi.) **Funding constraints:** this was recognised *ex ante* as a significant risk to the 5<sup>th</sup> Corporate Plan implementation. Implementation of the Plan was largely hinged on financial support from the National Treasury. Experience has shown that the funding is always inadequate, and not synchronised with implementation of the planned initiatives. This calls for a more pragmatic approach to determining resources to be provided by the Treasury. Tying resources to the MTEF ceilings and appropriations from the Authority is a more realistic approach.



## CHAPTER 3: OPERATING ENVIRONMENT

### 3.1 INTRODUCTION

Kenya went through the 2013 General Election peacefully and the next cycle of elections will occur at the tail end of the Corporate Plan period, minimising political risks. Unlike the environmental scan of the period preceding the 5<sup>th</sup> Corporate Plan (the year 2012) which was characterised by political uncertainty, risks to the global and regional economy and the prospects of the East African Community (EAC) being opened up to trade with the larger Southern African Development Community (SADC) bloc, the prospects over the 2015/16-2017/18 period are less uncertain. The global economy has witnessed a decline in oil prices, a fact that both strengthens Kenya's balance of payment forecasts as well as reduces the risk of cost push inflation. On the macro front there are prospects of stronger growth, driven by low prices of oil and electricity, low inflation and the Government's massive investments in infrastructure.

### 3.2 PESTEL ANALYSIS

PESTEL analysis (Political, Economic, Social, Technological, Environmental and Legal) is a standard environmental testing tool which KRA has used for several Corporate Plans. The 6<sup>th</sup> Corporate Plan continues with this approach.

#### 1.1.1 Political Analysis

Political analysis in the typical PESTEL covers tax policy – the government's legislative agenda, tax administration, labour laws, environmental laws, trade restrictions and political stability. In emerging economies, critical aspects will also include politicians and stakeholders with significant influence on public life, regional integration, etc which will affect the operations of the tax authority, international treaties (including double taxation treaties) among others. The key elements include:

- i.) **Tax policy** – over the recent past, the government has shown its commitment to modernising the tax statutes and in particular those aspects of the statutes that have undermined KRA operations. A case in point was enactment of a new VAT Act 2013, which among other impacts, substantially reduced zero rating and exemptions, thus reducing administrative burden. The government has already published the Excise Bill and the Tax Procedure Code Bill. These are likely to be enacted in 2015. In addition, there is the expected initiation of the process to modernise the Income Tax Act. The 3 bills will substantially eliminate the legislative backlog with respect to tax policy.
- ii.) **Tax administration** – The proposal to split Kenya Revenue Authority into two separate autonomous and interdependent entities; the Inland Revenue Agency and the Customs and Border Control Agency is expected to enhance taxpayer compliance whilst facilitating border trade. It is also envisaged that the Customs and Border Agency will safeguard Kenya's borders against illegal and illicit trade especially with the ever increasing incidences of terrorism attacks in the country.



- iii.) ***Labour Laws*** – the constitution of Kenya (2010) has tremendously expanded civil liberties and employee rights. To domesticate it, KRA has taken deliberate steps aimed at minimising labour-related conflicts, and enhance flexibility and efficiency of staff.
- iv.) ***Environmental Law*** – EMCA, 1999 provides for the establishment of an appropriate legal and institutional framework for the management of the environment and related matters. The primary challenge remains the restrictions the environmental law places on disposal of unwanted products and e-waste, a growing problem in light of the growing automation of KRA activities.
- v.) ***Trade Restrictions*** – The Government of Kenya has imposed a number of restrictions to trade including age limits on imported used vehicles, fire arms, explosives and ammunitions, illegal drug, knives and dangerous hunting weapons, hazardous and pornographic materials. As part of the regional harmonisation initiatives, harmonisation of standards and restrictions is also expected.
- vi.) ***Regional Integration - Single Customs Territory***: Implementation of Single Customs Territory (SCT) ensures that more duties and taxes for goods entering into the Territory will be paid at first point of entry. This will require enhanced co-operation between the Kenya Customs with their regional partners as well as measures to tackle new risk (s) that may emerge from this process.
- vii.) ***Expanded Bill of Rights***- The Authority will be required to uphold and enforce the Bill of Rights and grant appropriate relief including injunction, a Declaration of Rights, a Conservatory Order, an Order of Compensation; and an Order of Judicial Review (Article 23), Right to Privacy (Article 31), Access to Information (Article 35), Protection of Right to Property (Article 40), Right to fair administrative action (Article 47), and Right to Fair Hearing (Article 50). The challenge KRA is likely to encounter during the sixth Plan period is increased litigation as Kenyans use the Court System to enforce their rights.
- viii.) ***Judicial reforms*** – The reforms have led to a revamped and more robust Judiciary with clear evidence that tax related cases are now being determined much faster than before. There is thus an opportunity to unblock the considerable tax revenues tied up in litigations if KRA is able to move in a proactive manner. However, with another tier of appellate jurisdiction having been established in the name of The Supreme Court, there is the real possibility of elongated litigation in tax cases especially those brought by way of constitutional petitions, from subordinate courts all the way to The Supreme Court.
- ix.) ***Impact of new legislation***: This will lead to improved service delivery as well as identifying new opportunities for revenue generation. For instance;
  - Enactment of the SEZ Bill 2014 will address various shortcomings of the EPZ programme such as infrastructural and business facilitation challenges, limitations on domestic sales in the potential WTOs incompatibility of EPZ tax exemptions as export promotion measures. It will also provide regulatory and policy flexibility to allow for activities such as agro-processing, business process outsourcing and tourism services currently not permitted in existing EPZs.



- The passing of the Tax Procedure Bill, 2014 is expected to harmonise and consolidate the procedural rules for the administration of the tax laws in Kenya and for connected matters. This will provide uniform procedures for administering the tax laws for the promotion of consistency and efficiency.
- On the other hand, enactment of the Excise Bill 2014 will compensate the Government for the external costs caused by the production, supply, or consumption of goods or services, not reflected in the price of the goods. It will also raise revenue to support the Government's expenditure programmes in the least distortionary way by imposing excise duty on goods and services whose demand is largely inelastic.

### 1.1.2 Economic Analysis

Economic factors include economic growth, prices (both local and trade prices), and budgetary fiscal policy (including the ones of counties). Key elements:

- i.) **GDP growth:** the Budget Policy Statement 2015 forecasts GDP growth to rise from **5.1%** in 2012/13 to **6.1%** in 2014/15 and continue on this rising trend, achieving **7.0%** in 2017/18. GDP growth is the most important parameter influencing revenue performance, so the prospect of strong growth is welcome. However, GDP underperformance was the single most important cause of revenue under performance during the 5<sup>th</sup> Plan period.
- ii.) **Inflation:** Inflation is expected to decline from **6.0%** in 2013/14 to an average of **5.0%** over the Plan period. Whereas this decline will have positive impacts on the economy, the immediate impact on revenues will be subdued *ad valorem* taxes (especially VAT).
- iii.) **Budget deficits:** The overall budget deficit is expected to worsen from **5.9%** in 2013/14 to **8.0%** in 2014/15 and thereafter improve to **7.4%** in 2015/16. The budget deficit is projected to decline further to **5.4%** and **4.0%** in 2016/17 and 2017/18 respectively. Declining deficits and thus reduced domestic borrowing will have a positive impact on business expenditure and investment and thus on revenue collection.
- iv.) **Current account:** The current account deficit increased by **7.6%** from **US\$ 5,041 million** in the year to October 2013 to **US\$ 5,422 million** in the year to October 2014. The deterioration in the current account was largely attributed to the widening of the merchandise account by **US\$ 980 million** to **US\$ 12,272 million** in the year to October 2014 which more than offset the improvement in the value of service account by **9.6%**. Over the period 2015/16 -2017/18 the current external balance including official transfers is expected to improve marginally from **8.0%** of GDP in 2014/15 to **7.4%** in 2017/18. Easing pressure on external balances should allow for greater exchange rate stability.

**On the structural side, 2 changes will be critically important:**

- i.) **Combination of port expansion,** improved efficiency at the Port of Mombasa, and the standard gauge railway is expected to reduce congestion at the Port of Mombasa and increase the amount of cargo cleared through Internal Container Depots (ICD's). This may have implications for Customs' deployment of staff at the coast region.



- ii.) **Extractive resources:** Kenya's extractives sector is characterised by a wide range of minerals including soda ash, limestone, oil and gas deposits. Overall, the Kenyan extractive sector is currently valued at **US\$ 400 million** per year or about **1%** of the country's GDP and **3%** of total export earnings. Recent discoveries of oil, gas, and other mineral resources point to an increasing importance of the sector to contribute to increased export earnings, higher GDP growth, broader social development, and a major spur for infrastructure development and job creation.

### 1.1.3 Social Analysis

Social factors include the demographic and cultural aspects of the external macro environment. These factors affect customer needs and the size of potential market.

The following are some of the key social factors that affect KRA operations:

**Health and safety consciousness-** One of the priority projects by Government in the next five years (2013 – 2017) is fast-tracking implementation of the National Occupational Safety and Health Policy to enable mainstream Occupational Safety and Health (OSH) issues in management systems in all sectors of the country. Other social factors of priority include connecting **6,304** public facilities to electricity under the Rural Electrification Programme. This will lead to increased productivity.

**Demography of Kenya** – rapid population growth, a growing youth population estimated at **67%** coupled with structural rigidities within the labour market and the rural to urban movement - a shift of Kenyans from the hard to identify and tax rural economies to the more taxable urban environment. The Government, through the second Medium Term Plan 2013-2017 strategies focuses on creating sustainable jobs, building adequate human capacity, improving productivity and labour standards and the work environment in a bid to enhance the well-being of the Kenyan workforce. KRA is highly likely to deal with a more-willing workforce (thus decreasing the cost of labour). However, KRA will be required to revamp its recruitment strategy to ensure that all the new entrants are put into tax net and that they comply consequently. KRA may also change its staff recruitment policy and focus more on recruiting the young workers *vis-à-vis* the old workers.

**Thriving Informal sector** - The faster growth of the informal sector (at **82%**) against the formal sector (only **18%**) implies that the proportion of the hard to tax sector will continue to grow. A revamped recruitment strategy will be required to ensure more taxpayers are put into tax net; KRA will also be required to look for other strategies for improving tax compliance as methods to improve compliance mainly based on examination and sanctions have been found to be counterproductive and hence not effective. The proposed strategies should have a preventive effect on taxpayers' behaviour and limit the ability and willingness of taxpayers not to comply.

### Changing Business Models

The growth in changing business models especially the sub contracting by large firms in service provision etc. will lead to compliance challenge to the Authority. However, this challenge will



be addressed by the uptake of the e-procurement. On the other hand, the increase in the agency banking implies that many businesses will be undertaken without necessarily employing more people and hence reducing the amount of PAYE expected. The use of mobile payments ensures that clients receive and perform bank operations anytime anywhere. This saves transport costs, transaction time and increases revenue due to increased money transactions. Further, in Kenya, the mobile payment e.g. M-Pesa is used by **90%** of the population, not only to make peer to peer payments but also as a broader “branchless banking” platform. This creates an opportunity for tax compliance mainly in terms of tax payment and that data on mobile money transactions informs on the recruitment of more taxpayers.

***Labour force*** – there is positive trend with respect to labour force generation due to significant growth in the education system which has also been heavily funded by the Government through free primary and subsidised secondary education. KRA will be expected to deal with well informed citizens who are able to consume the ever dynamic innovations in the taxation sector.

***Changing social and technological dynamics in ICT*** - The rapidly changing social and technological dynamics in ICT has led to growth in mobile phone ownership together with the availability of low cost smart devices, increased internet usage, and increase in reading of newspapers online than hardcopies. This will be an avenue that the Authority will seek to explore to boost both taxpayer education and compliance.

***Security Preparedness*** - The increase in terrorism threats to society by violent extremism, the role of protection to society through enhanced border security will become a key focus during the Plan period. This will entail institutional rearrangement to address emerging concerns and acquisition of modern non-intrusive tools to monitor goods entering or exiting through the Kenyan borders. Collaboration with other border agencies will be of great importance to ensure coordinated approach at all border points. Ultimately, it is envisaged that KRA customs will play a critical role as Lead Border Agency, a role currently played by the Immigration department.

#### **1.1.4 Technological Analysis**

The ICT environment sets the technological frontier in revenue administration. Technological factors can lower barriers to entry, reduce minimum efficient production level and influence outsourcing decisions. Whereas the Revenue Authority can expand access to ICT services, uptake and efficient use will be determined by the state of ICT development in the country. The Government of Kenya (GoK) has been undertaking various initiatives towards an effective and efficient public service delivery. For example, attempts have been made to create an enabling environment for e-Government service delivery that includes improving ICT infrastructure across the country, institutionalizing legal and regulatory acts and policies, and automation of some services.

The ICT Development Index (IDI) is a composite index combining **11** indicators into one benchmark measure that serves to monitor and compare developments in information and communication technology (ICT) across countries. Econometric analysis indicates that there exists a high degree of correlation between the IDI and e-filing and e-payment. For example,



for Kenya to achieve OECD average e-filing rate of **65 %**, the country's IDI Index needs to improve from the current **2.79%** to about **5.26%** or an average increase of **0.82%** per annum. Thus, whereas KRA has been fairly successful in putting the electronic platforms in place, achievement of the country's overall ICT uptake objective may prove a binding constraint to KRA's ambitions.

Other ICT developments that will impact on KRA's operations include:

***Big data and advanced analytics*** - Organisations in both private & public sectors are becoming more adept to using advanced analytics to create new opportunities, generate insights, and inform important decisions. KRA is at advanced stages of acquiring a Data Warehouse and Business Intelligence (DWBI) solution which will: systematically identify data sources (for example bank records or business licenses that can bring to light new indicators of compliance and risks), create a micro-segmentation of tax payers and differentiate treatment of each segment, and use a test-and-learn approach in rolling out big data analytics initiatives.

***Mobile phone services*** - the number of mobile connections and internet subscriptions stood at **31.2 million** and **13.3 million** in 2013 respectively. Mobile devices can serve as a low-cost channel to receive information and feedback from users, deliver automated services to taxpayers and provide payment and balance due notification.

***Online services*** - Internet usage increased by **57.1%** to stand at **21.3 million** users in 2013 in Kenya. More internet usage in the country is foreseen especially with the ongoing ICT for schools project and the increased investment in fibre networks across the country. Further, majority of persons have been found to prefer reading newspapers online than hardcopies. The internet helps the government connect with citizens previously excluded from formal tax system. Internet enabled mobile devices are particularly important for engaging young tax payers for almost all online transactions. This will also reduce queues at KRA offices as well as direct contact of tax payers with KRA staff thus reducing integrity related cases.

***"Cash lite" societies*** - Cash transactions are costly to process, risky for the end user and difficult to track (for illegal activities such as drug trafficking, money laundering and terrorism). KRA will require to have cashless systems to enable improve tax administration's ability to track the flow of taxable income and perform analytics on compliance. This also enhances accountability and integrity in the tax system.

***Digital enablement of business processes*** - In countries where tax administrations receive third party data or critical income and deduction categories, several tax administrations are pre-populating tax returns, thus reducing errors and streamlining the filing process. KRA will be required to rethink business processes based on digital enablement as opposed to simply replicating paper based processes, identify opportunities for digital integration with partners and stakeholders in the tax system (for example third party software providers), and explore real time automated review of taxpayer submissions.

***On-going Government automation*** – there is ongoing work on various digital platforms in





Government. The implementation of the Integrated Population Registration System (IPRS) will include the scope for data matching. The digital platform and Huduma initiatives both expand the scope for automated data matching as well as automation of various county governments' fee paying systems.

#### **1.1.5 Environmental Analysis**

The environmental factors affecting KRA over the 6th Plan are likely to be similar to those identified during the 5th Plan.

The country has two main environmental goals under Vision 2030. These are related to increasing forest cover and reducing environment related diseases.

KRA's principal interests with respect to environmental management include:

- i.) Meeting the National Environment Management Authority (NEMA) standards when called upon to destroy sub-standard goods. KRA has in the past incurred considerable costs in disposal of accumulated stocks of expired goods which pose a danger to the health of its staff and the general populace.
- ii.) KRA through C&BC has a responsibility relating to the protection of flora and fauna in particular under the various conventions on endangered species or export bans.
- iii.) Disposal of ICT equipment, ICT waste and e-waste which will continue to be a growing concern.

#### **1.1.6 Legal Environment**

Whereas the challenge in 2012/13 was on implementation of the new Constitution, the challenge going forward will be on effectively using its provision to reduce compliance costs to taxpayers and the Authority. Key elements of the environment will include:

- i.) Legal provisions for Alternate Dispute Resolution (ADR): these are proposed to be contained in the Tax Procedure Code and will increase the potential for cost effective dispute resolution;
- ii.) Enhanced interest by the Judiciary in rapid resolution of tax related cases. This is welcome but will require KRA to strengthen its legal defence department to ensure adequate representation of the Authority;
- iii.) The operationalisation of the Tax Appeals Tribunal (TAT) which will raise the bar in dispute resolution and will also require KRA to improve its legal preparedness; and
- iv.) Strengthening and revamping the function of prosecution as a means of enhancing tax compliance. This would require Legal Services and Board Coordination Department to liaise and work closely with the Investigations & Enforcement Department.

### **3.3 STRATEGIC RISKS**

KRA has developed various risk policies which outline the Authority's overall guidelines for risk management. Subsequently, the Authority has identified various uncertainties and untapped opportunities that are embedded in the organization's strategic intent. The Authority will continuously evaluate how these risks manifest in operational and tactical levels of its business during the Sixth Corporate Plan period. In addition, the Authority shall develop initiatives





necessary to ensure that the strategic risks do not affect the achievement of its Vision, Mission and strategic objectives.

The Authority, through its apex Enterprise Risk Management Committee has identified six key strategic risks that will be addressed during the Sixth Corporate Plan period. These risks are outlined below:

- a) **Tax compliance risks** – These relate to gaps in registration, filing, reporting and payment of taxes.
- b) **Government fiscal pressure to deliver on the commitments to the public in line with the Constitution of Kenya 2010 and the Vision 2030 development strategy** – These risks relate to pressure to meet revenue targets to meet government's financial obligations for service delivery and meeting development goals.
- c) **Reputation risk** – This risk relates to unfavourable public perception of the Authority by key stakeholders and thereby impacting negatively on the taxpayers' compliance with their obligations.
- d) **Customer and stakeholder's experience** – Inadequate support to external stakeholders could hinder the Authority's efforts to enhance tax compliance especially when stakeholder expectations are not met.
- e) **Succession and staff capacity** – This risk relates to the inability to attract, retain and develop competent staff; unfavourable work environment, poor ethics and values; and poor succession planning and optimal staffing.
- f) **Allocation of resources and strategic investment decisions** – This risk is associated with uncertainty in funding of the Authority's programmes, project choice and portfolio management, low financial absorption capacity and low flexibility in human resource mobility across functions.

Interventions have been initiated for implementation during the Plan period to ensure that the above strategic risks do not affect the achievement of the Authority's strategic objectives.

### 3.4 SWOT ANALYSIS

The SWOT analysis provides information that is helpful in matching KRA's resources and capabilities to the competitive environment in which it operates. As such, it is instrumental in strategy formulation and selection. The SWOT analysis in this section emanates from the review of the SWOT in the fifth Corporate Plan as well as an analysis of forecast operating environment during the Plan period. From the analysis, the weaknesses that were addressed in the 5<sup>th</sup> Corporate Plan period were dropped and others not addressed carried forward into this sixth Corporate Plan. New applicable opportunities have been brought on board while strengths and threats have been retained. Table 5 below shows the SWOT analysis summary for KRA.



**Table 5: SWOT analysis summary for KRA**

<b>Strengths</b> <ul style="list-style-type: none"> <li>• KRA is recognised as one of the best performing public institutions in the country.</li> <li>• Proven capacity to adjust and implement complex reforms and modernisation initiatives.</li> <li>• Monopoly in tax collection.</li> <li>• Excellent track record of revenue collection.</li> <li>• A pool of highly skilled and experienced staff.</li> </ul>	<b>Weaknesses</b> <ul style="list-style-type: none"> <li>• Inadequate staff development programs as a result of under-funding.</li> <li>• Inadequate facilities and poor work environment/ obsolete infrastructure in KRA.</li> <li>• Weak audit systems.</li> <li>• Partial integration of KRA systems.</li> <li>• Poor infrastructure.</li> <li>• Underfunding.</li> </ul>
<b>Opportunities</b> <ul style="list-style-type: none"> <li>• Government automation/digitisation initiatives.</li> <li>• Need for counties to mobilise additional funding.</li> <li>• Revised legal framework opening opportunities in real estate, excise, ADR, among others.</li> <li>• Increased emphasis on tax compliance in Government.</li> </ul>	<b>Threats</b> <ul style="list-style-type: none"> <li>• Competitions for high calibre staff especially the ones in ICT development businesses.</li> <li>• Emerging and contemporary crimes e.g. cyber-crimes pose a threat to KRA business.</li> <li>• Fast changing technology environment: many clients using various technology platforms to do their business.</li> <li>• Emerging industries e.g. mining sector requires new approaches to deal with.</li> </ul>

## IMPLICATIONS FOR THE 6<sup>TH</sup> CORPORATE PLAN

A confrontation matrix is a three-by-three matrix that is used to juxtapose internal capability of a firm (i.e. strengths and weaknesses) against the external environmental factors (opportunities and threats), in order to choose appropriate strategic responses, offensive (Aggressive), reactive, adjustment, and defensive strategies. The purpose of a confrontation matrix is to operationalise the various strategies identified in SWOT analysis, within the context of KRA. The matrix is shown in Table 6 below.



**Table 1: Confrontation Matrix**

Analysis	Opportunities	Threats
<b>Strengths</b>	<b>Offensive (Aggressive) strategy</b> <ul style="list-style-type: none"> <li>i.) Revenue collection at the County level Strategy.</li> <li>ii.) Collection of revenue for other Government Agencies e.g. NSSF, NHIF, etc.</li> <li>iii.) ICT to be a game changer which requires enhanced modernization, etc.</li> <li>iv.) Revamp the TOT</li> <li>v.) REI strategy including finalizing the existing reforms initiatives to boost revenue collection</li> <li>vi.) Compliance strategy on VAT, CGTs,</li> <li>vii.) KESRA strategy as a revenue generation to KRA.</li> </ul>	<b>Reactive Strategy</b> <ul style="list-style-type: none"> <li>i.) Improve staff welfare e.g. remuneration, work environment</li> <li>ii.) Implement business continuity strategy</li> <li>iii.) Implement disaster mitigation measures</li> </ul>
<b>Weaknesses</b>	<b>Adjustment Strategy</b> <ul style="list-style-type: none"> <li>I. Continuous staff training to cope with dynamic tax collection environment.</li> <li>II. Promotion of ethics and values at workplace</li> <li>III. Strengthen the audit systems</li> <li>IV. Develop and implement data integrity strategy</li> <li>V. Develop and implement ICT funding strategy</li> <li>VI. Implement Integrity enhancement programmes</li> </ul>	<b>Defensive Strategy</b> <ul style="list-style-type: none"> <li>I. KRA funding strategy – Review of KRA Act, alternative sources of funding e.g. KESRA strategy, KRA properties, etc</li> <li>II. Recruit more technical staff</li> <li>III. Develop and implement staff retention strategy</li> <li>IV. Improve ICT systems security to curb data manipulation by unauthorized users</li> </ul>



## CHAPTER 4: STRATEGIC GOALS

---

### 4.1 INTRODUCTION

As indicated in the introduction, the overriding objective of the Kenya Revenue Authority over the medium term is to enable the Government achieve revenue independence by 2018 – i.e. removing Government reliance on deficit financing. This is the core of the ***KRA Vision 2018***. Revenue mobilisation will be achieved in a manner that enhances customer service, an automated environment and a modernised revenue authority.

The 6<sup>th</sup> Strategic Plan must also achieve the policy objectives of the government and in particular those policy objectives relevant to revenue administration. The key guiding policy documents are the ***Second Medium Term Plan (2013-2017)***, the ***Budget Policy Statement 2015*** and the ***Kenya Vision 2030***. KRA also plays an integral role in the ***Presidential Roundtable***, whose key objective relates to improving the business climate. KRA has responsibilities relating to the paying taxes environment, trade and investment facilitation and border security.

During the 5<sup>th</sup> Plan period, the KRA adopted an ambitious change programme. This change programme will continue to be central to the achievement of the overall policy objectives given that KRA will need to comprehensively change the way it does business to achieve the targets outlined in Vision 2018 and National policy documents.

KRA has also reviewed its vision, mission and core values with a view to making them more relevant to the forward looking strategy adopted by the Government and internalised in its Vision 2018. These will guide the ‘end state’ that the Authority wants to achieve by 2018.

### 4.2 STRATEGIC OBJECTIVES

The Authority’s strategic direction supports the achievement of the Vision, Mission, and the following long term objectives:

- a) Citizens and businesses are compliant with tax and customs regulations (compliance),
- b) Citizens and businesses are satisfied with KRA services (facilitation),
- c) Citizens and businesses have trust in KRA (trust), and
- d) Secure borders.

Based on the development objectives outlined above and the pillars on which the framework is built, the following are the strategic objectives of the 6<sup>th</sup> Corporate Plan:

- i) **Enhancing revenue mobilisation by broadening the revenue base, enhancing compliance and combating tax evasion and fraud using intelligence and risk based forward looking enforcement;**
- ii) **Strengthening revenue administrative capacity and enhancing transparency and fairness through organisational change and business process optimisation;**
- iii) **Creating a staff establishment that is professional, courteous, accessible and**



- pro-active in solving customer problems; and
- iv) **Enabling business by leveraging on technology to achieve full electronic customer service and enhance operational efficiency and service delivery in line with best practice, to achieve high customer satisfaction levels.**

### 1.1.1 REVENUE PERSPECTIVE

- i) **Enhancing revenue mobilisation by broadening the revenue base, enhancing compliance and combating tax evasion and fraud using intelligence and risk based forward looking enforcement,**

*KRA Vision 2018* envisions a Kenya where revenue resources are adequate to meet Government needs without resorting to budget deficits. Whereas the Government's medium term policy objectives as stated in the Budget Policy Statement 2015 would require KRA to collect **Kshs. 4,412 billion** of Exchequer revenues over 2015/16-2017/18, these would still lead to budget deficits of **Kshs. 844 billion**. Therefore, achieving Vision 2018 requires a more ambitious revenue framework for the Authority to eliminate the national budget deficits over the next 3 years. Revenue growth would need to average **24.3%** to achieve these targets. These revenue expectations for KRA are shown in Table 7 below.

**Table 7: Revenue expectations from Budget Policy Statement 2015 and additional requirements to eliminate deficits by 2017/18**

(Figures in Kshs million)

Category	2014/15 Revised	2015/16	2016/17	2017/18	TOTAL MTEF
Import Duty	73,732	82,197	94,320	107,143	283,661
Income Tax	505,505	623,215	705,851	821,544	2,150,611
Value Added Tax	264,872	310,264	359,766	412,688	1,082,718
Excise Duty	114,953	142,143	142,194	161,673	446,010
Capital Gains Tax	636	10,000	7,735	8,899	26,634
Railway Development Levy	18,940	25,672	27,313	31,015	84,001
Other Taxes	43,337	52,184	57,040	64,890	174,115
<b>Sub Total Exchequer</b>	<b>1,021,974</b>	<b>1,245,676</b>	<b>1,394,220</b>	<b>1,607,852</b>	<b>4,247,749</b>
Required Growth (%)		21.9	11.9	15.3	16.4
<b>Agency Revenues</b>	<b>47,623</b>	<b>47,833</b>	<b>54,598</b>	<b>62,569</b>	<b>164,398</b>
<b>Total Revenues</b>	<b>1,069,597</b>	<b>1,293,509</b>	<b>1,448,818</b>	<b>1,670,421</b>	<b>4,412,147</b>
<b>Overall growth required</b>		<b>19.40%</b>	<b>12.10%</b>	<b>15.30%</b>	<b>14.80%</b>
<b>Additional requirements to eliminate forecast deficits</b>			<b>179,710</b>	<b>380,205</b>	<b>843,939</b>
<b>Total deficit eliminating targets</b>	<b>1,069,597</b>	<b>1,293,509</b>	<b>1,628,528</b>	<b>2,050,626</b>	<b>5,256,086</b>
<b>Implied Revenue Growth (%)</b>		<b>20.9</b>	<b>25.9</b>	<b>25.9</b>	<b>24.3</b>



KRA's framework for achieving this enhanced revenue target will be built around several initiatives:

- 1) *Broadening the tax base through an enhanced taxpayer recruitment effort*
- 2) *Implementation of compliance risk management strategy*
- 3) *Revamped debt programme*
- 4) *Enhanced efficiency of the Audit programme*
- 5) *Enhanced role of capital gains tax in income tax*
- 6) *Implementation of Alternative Dispute Resolution*
- 7) *Reducing tax expenditure*
- 8) *Revamped real estate sector revenue enhancement strategy*
- 9) *VAT enhancement strategy*
- 10) *Improved taxation of properties*
- 11) *Enhanced mobilization of revenue from the Counties*
- 12) *Enhanced internally generated revenues*
- 13) *Innovatively applying technology to enhance voluntary compliance and to combat tax evasion and fraud*

*Details for each of the initiatives are as follows;*

**1. Broadening the tax base through an enhanced taxpayer recruitment effort**

During the Plan period, KRA's objective is to raise the number of active taxpayers to **4 million** by 2018. Currently, there are **1.6 million** active taxpayers out of **8.1 million** in the Personal Identification Number (PIN) database. Further, the Authority expects that normal recruitment trends over the 2015/16-2017/18 period will add only **460,000** additional taxpayers for a total count of **2 million**. To recruit the additional **2 million** needed to achieve the **4 million** target, the following taxpayer sectors are being targeted;

- a.) Operators of motor cycles where the total number of registered motor cycles has ballooned to over **700,000**,
- b.) Commercial small scale farmers whose income puts them in the taxpaying bracket. These exceed **1 million** including **560,000** tea farmers, **150,000** coffee farmers, **250,000** sugarcane farmers and dairy farmers,
- c.) SME business who transact through mobile platforms, use agency banking, to register for electricity or water connections or pay for services whose payments are automated. There are over **2.7 million** SME businesses in the country, virtually all are not registered for tax purposes,
- d.) Individual landlords who are currently not filing tax returns despite earning rental income that is within the tax bracket. Currently, only **15,000** individual landlords file tax returns annually against the estimated **100,000** who are eligible.

The Authority will:

- (i) As a first step implement, a data matching/mining exercise to match non-filing and non-paying PINs with mobile money transfer platforms (M-PESA, ZAP, etc) cash movements, cash transactions through agency banks, fee payments through mobile



platforms and other registered Government databases to identify active businesses and taxpayers not meeting their tax obligations. There are currently **8.1 million** PINs in the KRA database. The Authority will leverage on the current mobile subscription base of **31.8 million** with annual mobile money transactions of **26.2 million** and **100,660** mobile money agents across the country. There is also an agency banking network of **23,477** with an annual transactions value of **Kshs 236.2 billion**. In addition, the Authority will also leverage on bank customer deposit and loan accounts which stood at **35.1 million** as at March 2015.

- (ii) Propose legislation, focusing on expansion of the advance tax regime, the withholding regime to target specific sectors where it may be difficult to locate fixed residence,
- (iii) Propose legislation to grant KRA full and regular access to data collected by other organisations for the purpose of tax administration,
- (iv) Develop and implement a partnership framework with counties on taxation of the SME sector. This will include revamping the turnover tax strategy to focus on recruitment – twinning of the PIN to business licensing at the Counties, expanding the scope of services and activities for which PIN is a requirement and adopting a business classification, structure and tax rates similar to those being applied by the Counties.
- (v) Design and implement strategy to leverage on Government automation and digitisation initiatives and identify relevant third party systems (IFMIS, e-Citizen, and other digital government platforms) for seamless linkage to KRA systems.
- (vi) Revamp taxpayer education programme targeting non-compliance.

## ***2. Implementation of compliance risk management strategy***

During the Plan period, KRA's objective is to raise the compliance (registration, filing, reporting and payment) rate to over **65%**. Currently, the weighted compliance rate is well below the targeted **65%**. Already a compliance risk management framework and risk registers have been prepared. The risk management division will be structured to have an analytical and logistics section to undertake analysis of taxpayers' economic activity based on market development and risk assessment, undertake studies on tax evasion and avoidance with the aim of projecting possible tax evasion schemes, outline priorities in tax administration and improve resource management.

The increased compliance rate will be achieved by implementing a comprehensive compliance risk management framework whose design is already being undertaken. The thrust of the compliance strategy is in line with KRA's overall change programme whose key objectives are:

- (i) Ensuring citizens and businesses are compliant with tax and customs regulations (compliance),
- (ii) Citizens and businesses are satisfied with the KRA services (facilitation),
- (iii) Citizens and businesses have trust in KRA (trust), and
- (iv) Secure borders.





Further, KRA will prioritise revenue risks analysis in its effort to promote compliance. To date, individual risks have been identified and clustered into **17** risks for assessment. Risk assessment has then been used to identify the 5 key risks to be prioritised during the Plan period. These are:

- Under/mis-declaration of income/goods,
- Falsification of customs documents,
- Noncompliance with Electronic Tax Register (ETR) requirements,
- Non-filers, and
- Diversion of transit and export cargo into the domestic markets.

During the Plan period:

- i.) A risk committee comprising members from revenue departments will be set up,
- ii.) Risk analysis will be completed and interventions (treatments) developed for the **5** key risks,
- iii.) Compliance programmes for the **5** prioritised risks will be developed, and
- iv.) The programmes will be implemented over the Plan period.

### **3. *Revamped Debt programme***

During the Plan period, the Authority will aim at raising the debt collection ratio to be in line with International practice.

As at March 2015, the total debt outstanding stood at **Kshs. 161,170 million** or **15.9%** of the annual revenue collection. Of this debt, **Kshs. 39 billion** was tied up in disputes in court while a further **Kshs. 25 billion** was tied up in dispute resolution bodies. A further **Kshs. 4.8 billion** (pre 1992 debt with inadequate records) is considered non collectible. Collectible debt is thus estimated at **Kshs. 92.4 billion** shillings. KRA's record on collecting collectible debt is well below best practice. KRA's debt strategy is built around raising collection on collectible debt to at least **25%**, which will generate **Kshs. 23.1 billion** annually. A revamped debt strategy is being developed and may involve partnering with external agents. The following activities will form part of the debt strategy:

- i) Cleaning up the debt database to ensure only genuine debts are in the system.
- ii) Improved management of the taxpayer account through the iTax system that will facilitate achievement of single view of all taxpayer transactions. The single view will also significantly facilitate debt enforcement.
- iii) Consolidating debt management function in one department.
- iv) Develop and implement a debt strategy for court cases.
- v) Use distraint action - hiring of bailiffs.





#### ***4. Enhanced efficiency of the Audit programme***

During the Plan period, the Authority will enhance the effectiveness and efficiency of the audit programme by implementing a comprehensive audit improvement and governance framework.

Auditing of taxpayers is currently focused on corporations where the process is manual and takes long to complete. This has led to a long list of pending cases for audit thereby technically excluding small and medium taxpayers from possible audit. The process also lacks transparency leading to integrity concerns on the part of audit staff. The Authority therefore plans to invest in automated audit systems to hasten the audit process and ensure that no taxpayers with audit issues escape the scrutiny.

The Authority plans to review the governance of the audit and investigation programmes with the objectives of achieving an objective and transparent model for case selection for audit and investigation, documented framework outlining governance and control processes, a performance management system and integrity assessment programme for auditors and investigators, and a staff deployment programme that prevents the emergence of cartel-like schemes in audit and investigation programmes.

The Authority will:

- i) Develop regional audit centres and shift audit from a station-function to a regional office-function,
- ii) Use automated audit selection and risk profiling through iTax, and
- iii) Develop and implement an audit performance management and governance framework.

#### ***5. Enhanced role of Capital Gains Tax (CGT) in income tax revenue***

During the Plan period, the Authority will streamline and implement initiatives that will scale up the CGT contribution to 7% of total income taxes. In order to achieve this by 2017/18, the following will be carried out:

- i.) As part of the process of improving CGT administration, KRA will propose for the CGT rate to be harmonised with other CGT rates in the region and expand its scope.
- ii.) The iTax system will be modified to ensure CGT is paid as part of a single process together with the stamp duty.

#### ***6. Implementation of Alternative Dispute Resolution***

To address the current challenges related to the growing tax disputes, KRA will implement an Alternative Dispute Resolution (ADR) strategy.

The main objective of ADR is to reduce litigation and “free up” revenues held up in the various tax dispute resolution mechanisms including tax tribunals and courts to enhance revenue collection. Studies have shown that use of alternative dispute resolution (ADR) mechanism is a speedy, non-adversarial and more effective way of resolving taxpayer disputes than prosecution. KRA plans to implement the ADR policy framework that will ensure timely resolution of disputes and thereby free up revenue held up in the judicial process to enhance revenue collection.



In best practice countries, **80%** of the tax disputes are resolved through ADR. In Africa, South Africa handles 66% of tax disputes through ADR while **34%** is handled through the courts. In Kenya **61%** of tax disputes are handled through courts. On average, it takes **4** years to resolve disputes in Kenya while it takes only **2** months in South Africa through ADR. In terms of litigation costs, South Africa's experience shows that ADR costs less than a fifth of the cost of a court process.

Implementation of the ADR strategy will entail:

- i) Complete establishment of the corporate structures for ADR.
- ii) Pursue the enactment of the Tax Procedure Code to anchor ADR in law.
- iii) Evaluate and profile pending disputes and cases suitable for ADR.
- iv) Implementation of the Tax Appeals Tribunals

It is estimated that **Kshs. 13.5 billion** currently held up in courts will be released to the ADR process with a much higher resolution rate by 2018 if Kenya achieves South Africa's level.

### ***7. Reducing tax expenditure***

During the Plan period, KRA will aim to reduce tax expenditure to less than **1.4%** of GDP.

Studies have shown that Kenya foregoes about **Kshs. 100 billion** annually in tax expenditures, primarily as a result of tax exemptions and investment incentives. Currently, tax expenditures in Kenya stand at **3.5%** of GDP compared to an estimated **1.4%** in Mauritius. Reducing tax expenditure to Mauritian levels will realise additional revenues of at least **Kshs 75.2 billion** per annum. To achieve this, KRA will review and propose appropriate tax policy amendments as the Income Tax Act is reviewed.

### ***8. Revamped real estate sector revenue enhancement strategy***

The real estate sector in Kenya has witnessed an annual average growth rate of **7.2%** over the last **6** years. Despite this significant growth, tax revenue from this sector has not been commensurate with growth. To address this problem, KRA initiated a Real Estate Revenue Enhancement Initiative in July 2012.

Though significant progress has been achieved in enhancing tax compliance and revenue collections from the sector, a number of serious challenges have been encountered from the rental (residential) sub sector. Key challenges include; poor record keeping by taxpayers leading to challenges in authenticating allowable expenditures; huge back taxes due to low tax compliance levels; inability to locate physical properties and developments and inadequate resources to facilitate the achievement of the desired results.

During the Plan period, KRA proposes to implement the following initiatives to address the identified challenges;

- a) Propose amendments to the Income Tax Act to provide for a monthly simplified flat rate tax regime on gross rental income amongst individuals.
- b) Introduction of a forward looking tax enforcement regime.



- c) Use of appointed agents to collect and remit tax on rental income on withholding basis.
- d) Implementation of a Geographic (Geospatial) Information System (GIS) due to its capability to automatically link data on land parcels, property ownership and development with KRA tax information to establish tax compliance. This will be achieved through partnership with relevant government institutions.

Full implementation of the above measures will lead to increased number of landlords recruited into the tax bracket and enhanced voluntary compliance thereby increasing revenue collections. Specifically, it is estimated that **20,000** landlords will join the tax bracket annually translating to additional estimated revenue of **Kshs. 4 billion** during the Plan period.

### **9. VAT enhancement strategy**

Recommended practice is for VAT, as a broad based consumption tax, to account for at least **35%** of total revenue. Currently, the VAT accounts for less than **25%** of total government revenue. Tax gap analysis provides estimates which indicate that the gap ranges from **21.5%** to **44.3%**. Given 2012/13 performance, this implies a revenue gap of between **Kshs. 39.1 billion** to **Kshs. 81.2 billion**.

The range of additional potential VAT is thus considerable. In the next **3** years, the Authority will improve VAT administration to improve revenue performance and raise VAT from **25%** of total government revenue to **35%**.

The key measures to be undertaken during the Plan period are:

- a) Propose the harmonisation of the VAT rates within the region;
- b) Implement Trader Information Management System (TIMS) to improve VAT data management to ensure accuracy in input, output and credit VAT information and reconciliation between the filed returns and payments;
- c) Implementation of an aggressive stop filer and nil filer programme to reverse the trend towards non filing and non-payment;
- d) Enhance VAT taxpayer facilitation to minimise challenges associated with ignorance or difficult processes to minimise revenue loss and also promote voluntary compliance;
- e) Carry out a VAT outreach programme targeting non-compliant taxpayers; and
- f) Undertaking interventions to enhance efficiency of VAT operations including the use of TIMS, third party information, strict enforcement of electronic filing, reporting and payment, and cleaning up VAT ledgers.

### **10. Improved property taxation**

Revenue collection will be enhanced by increasing collection of taxes on property to the level above that one in Middle Income Countries. In the High Income Countries, National Government property taxes as percentage of GDP stand at **1.78%** while that of the middle income countries is **0.78%**. The average for developing countries is **0.6%**. Kenya's National Government property taxes revenue as a proportion of GDP is **0.22%** (or **Kshs 11.1 billion**). The target is to increase the collection to **0.9%** of GDP or **Kshs 76.0 billion** by 2017/18.



Nairobi County accounts for about **60%** of the country's property value with Mombasa, Nakuru, Kisumu and Uasin Gishu Counties accounting for the bulk of the rest. A preliminary analysis shows that Nairobi County has residential property valued at **Kshs 2,650 billion**, indicating considerable potential for enhanced revenue from property taxation. There is also **3.88 million** square metres of non-residential property in Nairobi as well as a substantial amount of undeveloped land.

KRA therefore plans to work with County Governments to design a framework for taxation of property across the country and hence enhance revenue collection for both the National Government and County Governments.

### ***11. Enhanced Mobilization of Revenue from the Counties***

Since the onset of devolution in the country, the Counties have become a significant source of Government revenue by contributing an average of **Kshs. 1.4 billion** per month compared to **Kshs. 200 million** contributed previously by the former Local Authorities. The improved performance can be attributed to the growing regional economies riding on increased business activities, as well as better administrative structures established by the county governments.

However, a lot remains to be done in utilizing the huge revenue potential and in particular on administration of income taxes. In addition, the Counties possess key information that is useful to KRA in enforcing tax compliance.

During the Plan period, the Authority will continue to build on the current gains and prioritize Counties in mobilization of revenue by implementing the following initiatives;

- a) Review and strengthen the current head office team that coordinates monitoring of Counties tax payments, gathering and analysing intelligence information on expenditures, payments of suppliers of goods and services from the counties to enforce tax compliance.
- b) Linkage of the Counties' databases with KRA systems to facilitate identification of potential tax defaulters from the payers of the various license fees/levies and suppliers of goods and services.

### ***12. Enhancing internally generated revenues***

During the Plan period, the Authority will seek to raise internally generated revenues to over 7% of total resources to address the perennial financial constraints and thus reduce dependence on the National Treasury funding.

The Authority has a huge asset base in the form of land and buildings in prime locations across the country whose returns are not at the market rate. Plans are underway to enhance management of such property to ensure they generate competitive returns and thereby enhance internally generated revenue. Towards this end, the following measures will be undertaken during the Plan period;

- a) Develop an appropriate property development and investment strategy through engagement of a professional consultant/transaction adviser.



- b) Consider creation of a fully owned subsidiary company or a specific in-house Property Development and Management Division in line with the best practice amongst similar public institutions to improve the management of properties in order to reap the full market potential.
- c) Acquisition or development of new properties.
- d) Explore appropriate funding arrangements including disposal of uneconomical properties and engaging potential financiers.
- e) Review and implement market rent rates for properties in good condition.

### ***13. Innovatively applying technology to enhance voluntary compliance and to combat tax evasion and fraud***

It is essential for the public to perceive that there is equity and fairness in taxation, and that the tax system is administered in keeping with the highest value of honesty, uprightness, integrity and impartial application of the law. On the one hand, it must be shown that the public machinery with regard to taxation and application of privileges is exempt from corruption. On the other hand, the same machinery must endeavour to punish the taxpayer's evasive behaviour in an upright and fair manner. Above all, measures should be put in place to reduce discretion, tax evasion and fraud. Further, tax awareness raises the level of compliance.

During the Plan period, the Authority will therefore seek to apply technology using innovative ways:

- a) To enhance voluntary compliance by enhancing transparency, accountability and integrity in its operations, and to enhance communication with the public.
- b) To detect fraudulent behaviour and potential tax evasion by using risk-based approaches and by providing analytic capability and intelligence information to users for better decision making and revenue growth.

#### **1.1.2 CUSTOMER PERSPECTIVE**

***Deliver high quality customer services to achieve customer satisfaction levels in line with best practice that includes a marketing orientation to tax collection, uptake of reform initiatives and brand acceptance.***

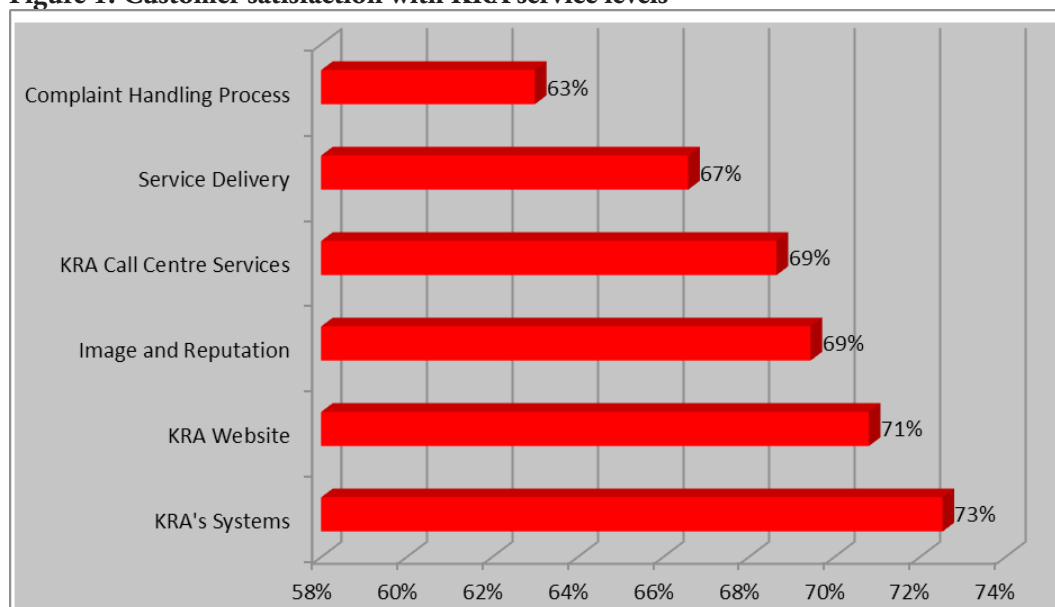
The customer's perception of the KRA brand has a direct bearing on the level of satisfaction of the customer which in turn may affect compliance. It is important to note that the brand perception held internally may not be equal or the same as that held externally. In order to improve customer satisfaction to the expected **80%**, specific measures shall be instituted to ensure improvement in brand acceptance and uptake of reform initiatives, leading to increased revenue collection. This will be achieved through a two-pronged approach of adopting a customer-centric focus in service delivery and enhancing communication to facilitate brand trust and acceptance.

Customer satisfaction with KRA services is below the Authority's requirements. Whereas the Vision 2018 calls for customer satisfaction to be raised to **80%**, the 2013/14 customer satisfaction survey found customer satisfaction rates of 65%. Figure 1 below shows the level of satisfaction with key services.



Whereas the highest level of satisfaction was with KRA systems, even this satisfaction level did not reach **80%**. This is despite the considerable modernisation of automated systems over the past three Corporate Plan periods. Poorest performance is reflected in the handling of complaints and service delivery.

**Figure 1: Customer satisfaction with KRA service levels**



Specific areas of dissatisfaction include the following:

#### Service delivery challenges

- Existence of bureaucratic processes that prolong service delivery turn-around times.
- Lack of integration of customer information from disparate business systems and processes hindering first contact resolution.
- Recurrent system downtimes leading to discontinuity of service.
- Existence of disjointed and disparate service touch points, leading to inconsistency of service delivery.

#### Communication and complaints handling challenges

- Limited awareness on existing legislative-driven processes and role of the Exchequer on disbursement of tax refunds
- Lack of a forward looking strategy for stakeholder engagement when rolling out tax administration and trade reforms
- Lack of a proactive go-to-market approach to enhance uptake of services across existing and new service touch points
- Existing focus on enforcement as a driver of service delivery

KRA is also integral to Government efforts to improve customer satisfaction and the business climate. Initiatives include expanding access to services using the Huduma Initiative, iTax support centres, Single Customs Territory, the Port Community Charter, where KRA is a



signatory and the Presidential Roundtable where KRA has key responsibility relating to paying taxes and trade facilitation.

Revenue authorities are expected to be responsive to taxpayers while simultaneously being consistent in the application of tax laws. Responsiveness requires accessibility, provision of accurate and timely information, accurate and timely treatment of requests and appeals. This requires the creation of customer oriented systems as opposed to systems targeted at the needs of tax administrations. It also requires emphasising single point of contact, self-service and electronic services especially focused on filing, payment and electronic access to account balances.

KRA's approach to raising customer satisfaction will involve a multi-pronged strategy as follows:

**i.) *Prioritize market research to identify gaps, develop and deliver market driven strategies that will enhance voluntary compliance.***

- Undertake research as a cross-over activity involving key stakeholders such as Research, Knowledge Management and Corporate Planning, Business, Change Management, Corporate and Risk Management to ensure a wholesome approach in strategy development and delivery.
- The focus is utilizing behavioural science to identify and understand emerging issues and customer behaviour that impacts voluntary compliance; creating strategies that will enhance the same.

**ii.) *Leveraging and marketing on-going reforms in other sectors that are tackling customer challenges.***

These include:

- VAT strategy seeking to address the delays in processing of VAT refunds: KRA expects to be current with respect to processing refunds by June 2015. The National Treasury is dealing with old claims,
- iTax system (and support centres), iCMS (customs), Mobile payment systems (already implemented) and SMS gateway solution – these are ongoing reforms, to address cumbersome tax payment processes. The marketing department will focus efforts on marketing them and promoting uptake,
- Change management programme – aims at aligning staff behaviour to the KRA core values. This will help tackle the poor service delivery culture identified in the survey,
- Data warehouse implementation - a single view of the taxpayer and allow staff handling complaints to cover all key aspects of a taxpayer

**iii.) *Implementation of a strategy tackling areas that are not affected by on-going reforms in other areas; and***

**iv.) *Strengthening the taxpayer service and marketing and communication functions.***

**4.2.2.1 Implementation of a strategy tackling critical shortcomings in service delivery**

Implementation of the strategy will include cultivating an all inclusive and collaborative customer service environment by building a talented and professional workforce at all customer service touch points.





In this regard, KRA will:

- i.) Comprehensively upgrade the contact centre including implementation of a Customer Relationship Management (CRM) solution, integration of customer interaction management, raising contact centre staff to appropriate numbers and ensuring they are adequately trained. This will include upgrading contact centre facilities to state-of-the-art equipment and hardware. Implementation of an integrated customer service solution that guarantees single touch point for the customer. Developing and fostering a collaborative and inclusive service environment by advancing business process systems to a more front facing customer approach and integrating back office with front office across business anchoring on the corporate theme of building Trust through Facilitation.
- ii.) Develop and implement an enterprise-wide customer service standards and best practise within the Authority,
- iii.) Incorporate knowledge management by promoting sharing of knowledge and experiences within the Authority through a robust internal communication strategy.
- iv.) Identify a workforce with adequate skills, knowledge and competencies based on a situational analysis of the customer service touch points. This includes empowering employees through the provision of requisite tools, training and learning forums to further their proficiency, aptitude and ability to excel in their performance.
- v.) Develop and deliver clear and focused outreach, communication and education programs to assist taxpayers understand their tax obligations and increase their awareness of existing and emerging tax laws. This will include compliance education and enforcement education.
- vi.) Institutionalising an effective engagement with stakeholders by building and fostering strong relations to improve service delivery and support effective tax reforms and administration. This will be done by carrying out a thorough stakeholder mapping and alignment including signing of MoUs, establishment of dedicated stakeholder secretariat and drawing up and implementing a comprehensive programme annually,
- vii.) Design customized service approaches with a focus on broad based (existing and new; physical and digital) service touch points to meet taxpayer needs, preferences and compliance behaviours in order to facilitate voluntary compliance and bring services closer to taxpayers,
- viii.) Handling customer complaints and implementing a harmonised complaints handling system covering all 7 steps (acknowledgement, assessment, planning, investigation of complaints, response, follow up and dealing with systemic issues). A critical component will be interventions to ensure systemic areas of underperformance are removed,





- ix.) Revamping the KRA website to enable interactive marketing and personalisation, use of blogs and Wikis, customer self-service, social media sites and analytics, enterprise social networking, crowd sourcing, enterprise content management and analytic technologies.
- x.) Adopt the Corporate Social Responsibility (CSR) effectiveness index to review and revise the Authority's CSR programme to enhance its focus on employee engagement, KRA's core mandate and values,

## **Marketing and Promotion of Business Uptake**

The focus of the KRA marketing programme will be to enhance the KRA brand, promote the uptake of reform initiatives and the new paradigm of trust and facilitation in revenue collection.

### **i) The KRA Brand**

Through the proposed brand development process, the KRA brand is set to bridge the gap between its internal image and its external perception.

Internally, KRA is a full service brand run on technology platform and therefore making taxpayer interaction swift and seamless. The KRA brand internally has also been positioned functionally as a facilitative brand ensuring that trade in the region is conducted swiftly as Kenya is the gateway to East and Central Africa. KRA therefore, is a key driver of trade in the region. This however, may not be the perception all stakeholders have of the brand.

The marketing activities will commence with brand audit to establish the position of the brand before embarking on the brand building and architecture.

### **ii) Interventions to build the brand**

The key interventions to build the brand will include

- a) Brand architecture development
- b) Development of a segmented approach to marketing in supporting business units to develop, package and promote the service offerings. This shall be underpinned by market research for key insights and referring to business analytics for trend analysis
- c) Evaluation of the customer service management role to ensure that the customer perspective is central to the business agenda.
- d) Maintaining the brand image through Public Relations (internal and external communication) and CSR initiatives
- e) Visibility campaigns to enhance customer experience including Branding and PR to develop and enhance the brand value of KRA

### **iii) Interventions for Corporate Social Responsibility**

- a) Institutionalized and documented framework for measuring effectiveness of CSR activities in the Authority,
- b) New revised CSR programme adopted in the Authority and
- c) Increased involvement of KRA staff in its CSR programmes.



#### iv) **Measurement of progress**

The KRA brand progress shall be measured as follows:

- a) Bi-annual brand audits
- b) Customer satisfaction surveys
- c) Web analytics on digital presence usage and penetration
- d) Contribution to the growth and uptake of taxpayer services
- e) The internal performance management framework

Measures for CSR will include the following:

- a) New CSR framework
- b) Percentage of KRA staff involved in CSR activities,
- c) Number of CSR reviews carried out and effectiveness measure.

#### 4.2.2.2 **Leveraging and marketing ongoing reforms that are tackling customer challenges**

This will include:

- Restructuring and revamping the Marketing and Communication function to enhance efficiency and productivity,
- Fully engaging media consultancy to offer strategic guidance on creative advertising, public relations and stakeholder engagement,
- Implementing an effective communication strategy to drive brand loyalty, promote customer centricism, enhance knowledge sharing and brand acceptance internally and externally aligned to the Trust and Facilitation direction to enhance the corporate performance and revenue collection,
- Implementing an integrated media plan on key business initiatives being undertaken by the Authority to ensure all stakeholders are aware of the reforms, their benefits and how to maximise buy-in and acceptance of these initiatives,
- Promoting uptake of electronic services to increase efficiency and minimise cost of doing business both to the taxpayer and the Authority, and
- Adopting a strategic approach towards International Affairs for continuous learning of industry/market best practices; promote experience and knowledge sharing; enhance capacity building to augment our expertise and foster mutual relationships between partners and facilitators in harnessing knowledge and identifying opportunities to enhance voluntary compliance and revenue collection.

#### 1.1.3 **PEOPLE PERSPECTIVE**

***Creating a staff establishment that is professional, ethical, courteous, accessible and willing to proactively solve customers' problems***

'People' issues will be central to the achievement of the Plan targets. KRA staff will need to grow revenues by over **20%** annually with a declining resource base per shilling raised, in an environment where stakeholders will be exercising their rights and where statutory changes (e.g., Tax Procedure Code) and government/private engagements will place greater emphasis



on service delivery. Implementation of Vision 2018 will be contingent on highly motivated staff, exhibiting high levels of staff satisfaction. In this regard KRA will face several critical challenges in the 'people' area including:

- ***Ensuring the staff 'live' the core values:*** KRA has the challenge of ensuring that its staff embrace its core values and ensure that they are felt throughout the Authority's activities,
- ***The perennial training challenge:*** The considerable gaps between the required levels of trained staff in all cadres compared to the actual position on the ground which is largely constrained by inadequate funding. However, even given the funding constraint it will be necessary for KRA to refocus its training budget to meet the capacity constraints that may limit achievement of the Vision,
- ***Employee satisfaction:*** International experience shows that staff and customer satisfaction levels are highly correlated and indeed the critical determinant in customer satisfaction is their perception of treatment by employees. High levels of employee satisfaction are also recognised as a pre-condition for increasing productivity and staff responsiveness. In this regard the 2013/14 employee satisfaction survey findings of overall satisfaction of **65%** with the poorest results in recruitment and promotion (**53%** satisfaction), training and development (**58%**) and remuneration (**60%**) makes it unlikely that KRA's current employees can be expected to rise to the challenge of meeting stretch targets,
- ***Management of high performing individuals:*** It is globally recognised that high performance individuals make contributions disproportionate to their numbers to the performance of their organisations. A properly developed High Performance Individuals Programme will also provide a pool of potential holders of key positions, individual who have shorter learning curves and also reduce the risk of career misalignment. In this regard, organizations need a pool of high performance individuals to ensure their long term competitiveness. KRA currently lacks a high Performance Individual programme meaning that it is likely to forgo the benefits that arise from a well structured programme,
- ***Innovation promotion framework:*** Business innovation is an organisation's process for introducing new ideas, workflows, methodologies, services or products. Innovation can be seen as novel ways of meeting customer needs and is usually categorised under the **3** headings of *process innovation* which involves continuous improvement, *product service innovation* which is either incremental (improves the features and functionality of existing products and services) or radical (creates wholly new products and services) and *Strategy or business concept innovation* where organizations radically reconceived products and services, redefine market space and redraw industry boundaries. Because KRA is moving into an era of stretch targets, it is imperative that an appropriate framework to promote innovation is put in place,
- ***Integrity:*** KRA has witnessed a serious reversal in its integrity rankings. The 2013/14 corruption perception survey found an overall corruption perception of **52.73%** with the highest levels in the Customs service area at **66%**,



- **KESRA institutional reorganization:** KRA will face the challenge of transforming KESRA from a cost centre to a dynamic trainer of tax professionals on a cost recovery (market driven) basis, leading to a net return on KRA investments in the training institution.

Over the 6<sup>th</sup> Plan period KRA's objective is to make decisive interventions in the above mentioned areas to permanently change perception, performance and integrity and make KRA staff the central driver of high performance in the institution.

The following will be the core initiatives to be implemented over the Plan period:

**i.) Ensuring KRA staff live the core values**

KRA has reviewed its core values. The organisation's core values are **competent, trustworthy, helpful and ethical**. The authority recognises that living these core values will require considerable culture change. Culture is broadly defined as the *climate and practices that organisations develop around their handling of people and the way they do their business*. Whereas it is easy to amend core values, these will remain aspirations or expressions of intent if the underlying organisational culture does not change. Changing the culture to 'walk the talk' is the core leadership challenge for senior management. Managing culture is critical: it affects organisational performance and is particularly important during periods of organisational change as will be witnessed while KRA is implementing **Vision 2018**.

KRA is well into the implementation of the change programme launched during the 5<sup>th</sup> Plan. The thrust of the change programme is to move from a culture of suspicion and enforcement to one of 'trust and facilitation'. This change framework underpins the new core values. Thus, one of the key deliverables of the change programme is delivering the culture change implied in the core values. To deliver culture change KRA will require:

- **Climate for change:** this requires that change initiatives are targeted at the areas requiring change and that organisational restructuring and development is used as a driver for change. In this regard, all departments will review their policies, structures, processes and operations to ensure they adequately embed trust and facilitation in the way they are designed, developed and implemented,
- **KRA leadership will be the change champions:** KRA leadership is spearheading the change through attendance of dissemination sessions, leading processes in the departments and recording messages in support of the process. Over the Plan period each departmental head will be required to review their sub-cultures and ensure these conform to the overall cultural change thrust. The leadership will also be required to provide clear direction to ensure consistency in organisational culture, including changing management style to reflect the change and including change components in leadership development programmes,
- **Employee engagement and empowerment will be emphasised:** Employee engagement and empowerment benefits an organisation in terms of improvement in productivity, staff retention, customer focus and innovation. This is achieved through empowering staff to participate in decision making processes based on trust while ensuring there



is a robust governance structure to guarantee responsibility. The Authority will demonstrate appreciation of employees' contribution to its overall goals, put in place a mentorship programme, provide employees with the necessary working tools and equipment and enhance employee feedback channels for effective communication.

- ***There will be a team focus:*** this will include team projects rooted in core values of the authority, teams structured to work with individuals inside and outside the Authority to shift focus to the development of the required culture,
- ***KRA will track culture change:*** in order to ensure alignment of sub group cultures to the thrust of the culture change, it will be important to track the change process. This will also assist in identifying the issues and challenges that undermine the change process. In this regard, KRA will develop organisational assessment tools to be used for this purpose as well as develop cultural awareness programmes, and
- ***A framework for training, reward and recognition:*** KRA already has a reward and recognition framework. To emphasise the culture change orientation, the framework will be modified to incorporate change champions. In addition, in order to promote a 'winning' culture, the organisation will adopt a practice of entering into and publicising national level competitions that it has won. KRA's communication framework will also include writing up and communicating successful change initiatives to maintain momentum and recognition of the successes.

## ii.) **Revamping KRA training to meet the requirements of a high performance organisation**

KRA will continue to implement recommendations arising from the ***Price Waterhouse Coopers*** staff study with a view to ensuring that the competency gaps identified are closed and implement the talent matrix, identify key talent, contributors and leadership bench strengths. To ensure the training programme is focused on key areas tied to achieving vision 2018 the following will be emphasised:

- *Management and Leadership training* focused on enhancing transformative leadership capacities and a focus on High Performance Individuals. This will ensure those in management and leadership positions have the required skills to drive the required change;
- *Development and delivery of KRA-wide programmes aligned to corporate culture:* KRA will introduce a *broad-based* training focusing on ensuring the Authority's values and methods are understood and practiced at all levels of the organisation;
- *Upgrading professional and sector specific training:* KRA already carries out professional and sector specific training at KESRA. The focus of the 6<sup>th</sup> Plan is on upgrading this training to achieve excellence. This will include partnership arrangements to raise certification level skills in basic skills, job instruction, procedures as well as supervisory training;
- *Job specific training:* on the job training, short courses and seminars will be emphasised to build skill levels and reduce the transition time from broad-based professional or sector specific to task specific competencies;



- *Experiential learning*: on the job training, rotation and assignments will form a key element of training, emphasizing learning by doing; and
- *KRA training budget* to be adjusted to ensure it is adequate to meet those needs.

### iii.) **Raising employee satisfaction to 80%**

In terms of importance, the bulk of KRA employee satisfaction ranking is tied to **6** parameters: recruitment and promotion, training and career development, remuneration and benefits, performance and recognition and communications with satisfaction levels of **53%, 56%, 58%, 60%, 61%** and **62%** respectively. The only area where staff satisfaction exceeds **80%** was in ‘mandate, vision, mission and values’ at **89%**, while job satisfaction, team work and work culture have scores above **70%**. Thus the thrust of initiatives to raise staff satisfaction will need to focus on the **6** areas where performance is below **80%**. In these areas, the training ranking is expected to rise once the training initiatives outlined above are implemented. To bring satisfaction levels to **80%** in the other areas KRA will implement the following:

- *Improve recruitment and promotion*. Whereas almost half the staff are dissatisfied with the existing framework, KRA recognises the need to have a recruitment system that meets KRA’s modernisation needs, provides a fair, transparent, equitable and accountable process for job seekers, attracts top end recruits in line with the focus on excellence but also reflects Kenya’s diversity and enhances KRA’s image as a top employer. KRA’s recruitment and promotion process must ensure that all staff engaged in the recruitment process adhere to KRA’s core values, that all recruitment information is up to date and accessible to applicants, selection decisions will be based on objective, measurable criteria related to the specified job descriptions; and the process is concluded within a reasonable time period in line with the requirements of public sector efficiency. To achieve these objectives KRA will review its recruitment and promotion framework to ensure it has the following elements:
  - All staff who participate in the recruitment process will have undergone appropriate recruitment and selection training,
  - Use of Human Resource consultants to ensure transparency and professionalism in executive recruitment,
  - All vacancy announcements and candidate shortlists to be publicly available through electronic means (such as KRA website) and/or print media,
  - KRA will develop and keep up to date a job seeker database,
  - All recruitment will be subject to integrity related vetting, tax compliance and conflict of interest review,
  - To the largest extent possible KRA will use a standardised process including standardised job applications, time for response, clear guidelines and standardised assessment framework to ensure candidates do not believe they are being unfairly judged; and
  - Complete and implement the psychometric assessment tool that was proposed in the 5<sup>th</sup> Plan.





- Improve *career development*. KRA will review and revamp its career management system to align with best practice including the following:
  - Ensuring *top management commitment and support* and that the commitment is cascaded to all levels of the organisation, with the top management being the key champions of career development,
  - *Investment in career development* especially tools needed for career management including self-assessment tools, career counselling, workshops, libraries, competency profiles and psychometric assessment tools,
  - Alignment of career development with *personal goals* of the staff,
  - KRA *culture change framework* to support and reward learning,
  - *Shared responsibility* for career development between individuals, managers and the organisation: in particular management accountability to be included in managers performance evaluation,
  - *Management training* to include training on how to help staff with career development,
  - *Communication and information framework* to ensure employees have the processes, tools and information needed to develop their careers,
  - *A variety of development options* including formal courses, seminars, workshops, action learning, conferences and mentoring; and
  - Ensuring that career development is *fully integrated* into other human resource management processes.
- Align *remuneration and benefits to performance and enhance performance recognition*  
KRA will focus on implementing a performance management framework. This will include:
  - Automation of performance management using the IFMIS system already operational at the National Treasury,
  - Institutionalising Labour Productivity Survey as a means of monitoring and enhancing KRA's labour productivity,
  - Enhance training in performance management for all managers;
  - Strengthening motivation and reward programmes based on the metrics that will be generated from the first 3 initiatives to eliminate abuse of these systems and assure the staff that the process is objective and transparent;
  - Align performance management with career development by ensuring that identified skills gaps feed into the career development framework.
- Improve *internal communications* KRA will institutionalise a communications framework including the following:
  - A whole of Authority presentation to be done semi-annually by the chief executive using a Video-Conference (VC) platform to ensure staff are kept appraised of the Authority's priorities and achievements,
  - Regular team meeting
  - Address by commissioners every quarter to their staff using the VC platform followed by Focused Group Discussions (FGD's) to ensure core messages are



understood and assimilated,

- Put in place department-specific and sector-specific structures to facilitate employee feedback and Question and Answer (Q&A),
- Implement a comprehensive KRA communications plan to pass messages to KRA staff including the KRA 'ReveNews' bulletins, internet and social media, re-launch of Human Resources' 'Sema Nasi' platform,
- Institutionalise a quarterly meeting of a KRA top management subcommittee that will discuss key employee and business related issues;
- Given the specific challenge related to career development, there will be a specific focus on communicating new information on career development tools and dissemination of the same; and
- Institute hot lines for swift resolution of staff related issues that may need immediate resolution such as gender based violence, sexual harassment and poor working conditions.

#### **iv.) Improved Framework for Management of High Performance Individuals**

To ensure that the Authority is well placed to benefit from its High Performance Individuals and properly nurtures and mentors them, KRA will develop and implement a high performance programme including the following:

- a) Understanding the organisational needs of the future through identification of key leadership roles (the top 3% positions in the Authority), hard to fill positions (ICT, audit, legal), and the organization's strategic needs outlined in this plan,
- b) Each of the identified roles, priorities, needs and requirements will be clearly documented as well as timelines for filling them from existing talent pools, whether internal or external,
- c) Definition of high potential criteria, especially what constitutes 'potential', 'performance', 'readiness', specifying high performance criteria for the organization as a whole and for specific roles and positions. The criteria will be measurable to minimize potential for abuse of the programme,
- d) Identification of High Performance Individuals at an early stage through structural talent reviews to select the high potential individuals; and
- e) Change the recruitment and promotion structure to accommodate these individuals to ensure that HIPO's career progression and deployment are not hindered by conventional bureaucratic rules and practices and that they are deployed where maximum impact with respect to **Vision 2018** can be expected.

#### **v.) An innovation promotion framework**

In order to enhance the role of innovation in meeting KRA's strategic objectives, KRA will need to build an innovative culture where new ideas and collaborative thinking is encouraged. In order to increase the share of revenue generated from innovative approaches (by increasing potential for detection and reducing scope for tax evasion or avoidance) and innovations to reduce customer compliance or service delivery costs KRA will:

- a) Institutionalise within the Strategy, Innovation and Risk Management (SIRM)





department an innovation management framework, which includes policy and a framework for identifying, reviewing and prioritising available technologies and work processes that can help meet the above mentioned objectives,

- b) Enter into collaborative arrangements with universities and partner agencies in evaluating, exploiting, accessing new and available innovative technologies with a view to improving our services and reducing operational costs,
- c) Set specific targets for revenue to be raised from new/adopted innovations and measurable service delivery improvements to be gained from the same,
- d) Effectively analyse evolving customer behaviour in the context of expanding e- commerce, in-sourcing and outsourcing, how these changes will impact on revenue collection, and understanding which innovations will help KRA maintain revenue performance.

#### vi.) **Knowledge Management**

Knowledge management is essentially about getting the right knowledge to the right person at the right time. It is essential in the 6<sup>th</sup> Corporate Plan because it involves an understanding of where and in what forms knowledge exists, creating processes that span KRA's functions, and ensuring that initiatives are accepted and supported by the employees and customers leading to the overall performance improvement of the organization.

In strong organizations, knowledge management has yielded benefits beyond the expected areas of improved quality, efficiency and effectiveness. Knowledge management enables an organization to build on its greatest strength by incorporating the depth of its past efforts into current relationships and future engagements.

KRA recognizes the importance of knowledge management in improving and refining competencies and knowledge assets so as to meet the goals and targets outlined in the Plan. Through knowledge management, the Authority will seek to acquire or create potentially useful knowledge and to make it available in order to achieve maximum effective usage and to positively influence its performance. It will firmly root it in its core competencies, embed in its work processes and link it to its main products.

Following the employee and customer satisfaction surveys carried out in FY 2013/14, KRA proposes to prioritize and invest in the following four knowledge management focus areas to strengthen its role as knowledge builder of capacities and facilitator of exchanges in knowledge management for revenue collection:

- a) **Knowledge Networking:** The Authority will embrace online social platforms to create further opportunity for virtual engagement with both the employees and taxpayers.
- b) **Employee Engagement:** The Authority will continuously share information on on-going activities relating to its operations. The Authority will strive to achieve this through regular updates of its website as well as through internal mail system.
- c) **Strengthening the Library section:** The Authority aims at increasing the stock of relevant journals (both externally and internally published) in the library as well as deploying additional staff at the Unit.



- d) **Talent Management:** The Authority will strive to identify talent and expertise from staff and utilize them in projects geared towards achieving its goals and targets.

**vii.) Enhancing integrity**

The Ethics and Anti-Corruption Commission (EACC) has put in place a categorisation of the corruption status among state bodies. The highest level is level 5, 'zero tolerance to corruption'. KRA's objective is to achieve level 5 by 2017/18. Level 5 requires existence of internal controls to mitigate corruption and their effectiveness constantly reviewed; promotion and maintenance of high standards of ethical culture; enhanced transparency and accountability; unqualified reports from the Auditor General and anti-corruption assessment; and reduced corruption perception - where the perception index is determined by the involvement of stakeholders.

The strategy aims at improving the citizen's perception towards KRA by undertaking initiatives geared towards enhancing integrity among staff and taxpayers. The expected outcome is reduced perception index from 3.92 in 2013. The acceptable index for integrity certification is 1.0 out of 10. The initiatives to be undertaken include:

- i) Vetting all staff to enhance integrity and public trust and entrench periodic staff vetting in the *KRA Code of Conduct*. In the same vein, the Code of Conduct will be amended to ensure that annual tax compliance becomes a pre-requisite for job retention while the *Conflict of Interest* framework will be made more robust by placing specific restrictions with respect to economic sectors that KRA staff may not engage in as these will constitute ongoing conflict with their responsibilities.
- ii) Ensuring standardised practice in tax and customs administration through vigorous enforcement of the *Tax Procedure Code* once enacted and automated tracking of delays in refunds, dispute resolution and release of goods.
- iii) Integrating integrity components in all ongoing automation initiatives: the focus will be to carry out integrity related audits to ensure that as automation proceeds, transparency and accountability are integrated in all systems to minimise discretion, human contact and delays and enable customers to track KRA progress in providing services, especially provision of refunds and rulings.
- iv) Introduction and integration of corruption related audits into KRA's audit framework. The auditing profession, as it has evolved, has its roots in the private sector where audit against corruption is not a serious concern of the stakeholders since their customers will not bribe for service – they will vote with their cheque books- and private companies are usually able to put in place internal controls to counter procurement related corruption. Corruption auditing is a specialized field since it is primarily concerned with the public sector and it often has no documentary trail. Corruption based audits will focus on documenting opportunities for corruption in the KRA system with a focus on ensuring all key KRA systems and processes have undergone at least one corruption related audit during the Plan period.
- v) As part of its contribution to the National efforts to tackle corruption, KRA will enhance the role of its tax auditors in detecting corruption in private entities, disallowing and reporting the same. This will include introducing a framework for



reporting suspicions of corruption and corruption related payments to appropriate authorities,

- vi) Implementing Intelligence Gathering System (IGS) for web-based anonymous corruption reporting,
- vii) Mainstreaming ethics and integrity through education and stakeholder engagement
- viii) Building capacity through national, regional and international co-operation e.g. with EACC, EARA, FBI; and
- ix) Restructure Corporate Corruption Prevention Plans to incorporate these elements and internalise in the monitoring framework Key Performance Indicators (KPI's) related to these interventions.

**viii.) To establish KESRA as the pre eminent National and regional institution for fiscal management training**

Over the past several Corporate Plans KESRA has developed from a division in the Human Resources department to a fully-fledged direct reporting college with programmes being run in collaboration with the University of Nairobi. Over the 6<sup>th</sup> Plan period KESRA will implement activities to achieve the Vision 2018 objective of being an autonomous university and the pre-eminent tax training institution in the region.

KESRA's two principal objectives are:

- i.) To become a true capacity builder in the fiscal area for Kenya,
- ii.) To become a self sustaining institution and a net generator of surplus for KRA.

Given the requirements of the Commission for University Education (CUE) and the target of **5,000** fee paying students by 2017/18, KESRA will require among others **214** additional staff and other facilities such as land, offices, classrooms, computers and motor vehicles.

To achieve the said objectives the following initiatives will be implemented:

- i.) Development of a KESRA business plan to form the basis of sourcing funding from non-KRA resources. The plan will provide a full roadmap to university status,
- ii.) Establish formal collaboration with external and internal universities,
- iii.) Development of KESRA faculty,
- iv.) Reorganisation of KESRA into a semi autonomous institution with its own board, accounts, etc; and
- v.) Introduction of fee paying programmes for internal (KRA) and external candidates.

#### **1.1.4 INTERNAL PROCESSES PERSPECTIVE**

***Strengthening revenue administrative capacity and enhancing transparency and fairness through organisational change and business process optimisation***

Substantial automation during the 5<sup>th</sup> Plan has led KRA to the position where a fully automated future is within reach. At the same time, the Authority is facing new challenges arising from new roles touching on border security. The key challenges that internal reorganisation will face include achieving the following objectives:



- 1) Becoming the lead border agency with complete electronic control of goods entering and leaving Kenya,
- 2) Becoming a fully automated single collector,
- 3) Fully implementing the enterprise risk management framework, and
- 4) Reforming the organisational structure to meet the challenges of implementation.

#### 4.2.4.1 *Becoming the lead border agency with complete electronic control of goods entering and leaving Kenya*

Customs and Border Control Department will take on board a fully-fledged border control function and electronically control all the goods and services entering and exiting the country's borders. It will collaborate with other relevant government agencies to enhance border security.

As the lead agency at the border, expected to materialize during the Plan period, KRA will reposition itself and reassert its mandate in the management of policy deliberations and implementation of government decisions affecting the borders by pursuing an integrated and collaborative approach with all border agencies and stakeholders. This will be achieved through the following:

- (i) Pursuing a policy decision by the relevant Government arm to grant legal mandate to KRA to oversee border agencies' activities. This will entail:
  - a. Signing MoU or Mutual Administrative Arrangement (MAA) with relevant border agencies;
  - b. Taking leadership in activities of Border Control and Operations Coordination Committee (BCOCC) (currently this is defined in the Kenya Citizens and Immigration Act Cap 172 laws of Kenya, amended in 2014);
  - c. Seconding KRA-Customs officers in the BOCC Secretariat and housing the BOCC Secretariat in the KRA premises;
  - d. Developing BOCC guidelines and Standard Operating Procedures (SOPs);
  - e. Integrating ICT platforms of all stakeholders;
  - f. Developing Advance Passenger Information (API) and Advance Cargo information systems;
  - g. Attaining increased visibility at borders and other national/regional arena (Lead Border Agency, National Security Advisory Committee);
  - h. KRA-Customs to:
    - Take over leadership in the management of the borders and the running of OSBPs facilities.
    - Customs to take chairmanship of Joint Border Committees (JBC).
- (ii) Reorganising the Border Security function by implementing the following initiatives and programmes:
  - Develop and implement an organizational structure that distinctly focuses on border control and security, with clear career paths;
  - Build capacity of Customs by opening new border stations and recruit additional customs staff with relevant security background from internal and external sources;



- Rebranding of Customs;
  - Conduct risk management analysis for profiling, targeting and Intelligence sharing with relevant stations and agencies; and
  - Delineate, update and align as appropriate the Customs security and enforcement strategy with the existing national security strategies.
- (iii) Collaborating with other government agencies to:
- Improve working conditions at remote borders by providing adequate office facilities and decent residential houses and other working tools especially at the Northern frontier; and
  - Control of radiation materials and other hazardous substances.
- (iv) Improving communication system in remote border stations by providing satellite communication phones, GPS equipment for remote areas and acquire CCTV surveillance system for selected borders.
- (v) Deploying additional resources, patrol vehicles and motor cycles, Non -Intrusive Instruments such as scanners, additional detector dogs (k9) and hand-held substance detectors to enhance control and monitoring of goods entering and leaving through our borders.
- (vi) Developing capacity through training on:
- Detection methods of firearms and Improvised Explosive Devices (IEDs),
  - Use of non-intrusive detector equipment and K9s, and
  - Drug detection and interdiction techniques in collaboration with the United Nations Office on Drugs and Crime (UNODC).
- (vii) Upgrading and equipping the Inspection and Testing Centre: This is necessary in order to meet the requirements for high quality and timely scientific services needed to support maximum compliance with policies and regulations for the purpose of revenue collection, trade facilitation and protection of the society against illegal movement of goods, through acquisition of:
- Versatile testing and inspection equipment,
  - Advanced laboratory testing instruments, and
  - Laboratory Information Management System (LIMS).

#### 4.2.4.2 ***KRA becoming a fully automated single collector***

Greater transparency and fairness in Government-to-Business interactions can dramatically improve investor confidence, spur economic growth, provide better public services to the population, and increase public confidence in democratic institutions. This is best achieved through automation. During the Plan period KRA will seek to apply technology using innovative ways:

- i.) To enhance transparency, accountability and integrity in its operations, and to enhance communication with the public, and
- ii.) To enhance transparency and fairness to influence taxpayer behaviour and present incentives for compliance and deterrents for non-compliance.
- iii.) To manage corporate operational performance management to improve KRA's performance and to improve employee productivity (key driver of corporate performance).



KRA will therefore scale up its systems to ensure most taxpayers carry out their transactions with KRA on IT platforms. The expansion will also enable the Authority to enhance collection of agency revenue on behalf of other government institutions not yet covered. To achieve this, KRA will devise a comprehensive framework to engage priority government institutions including County governments, NSSF and NHIF to collect their revenues on an agency basis. In so doing, KRA will restructure and enhance its capacity in terms of resources to effectively carry out the mandate. Further, KRA will enhance its automation capability by undertaking the following initiatives:

- a) Offer on-line systems with self-service capability that provides taxpayers with automated environment to transact online including the workflow concept.
- b) Implement requisite automation tools/solutions to turn around administrative support effectiveness and efficiency to corporate performance and employee productivity management in the Authority.
- c) Enhance availability, continuity and response times of business systems to enable meet target on transaction processing e.g. file returns (within minutes), RPOs and RTOs (Alternate data centre).
- d) Improve business capability by embracing emerging technologies (mobile devices/apps, cloud services, social technologies, and Big Data) by unlocking the full potential of Data Warehouse and Business Intelligence (DWBI) to provide a platform to facilitate data exchange, both internally and externally with third parties.
- e) Implement a holistic approach to cyber security, projects management and best practices in IT governance to address both business challenges and technical issues.
- f) Provide full integration of IT systems for seamless sharing/exchange and re-usability of information leveraging on a managed enterprise information infrastructure that effectively support cross-agency and government shared services.

### **Initiatives to Make ICT a ‘Game Changer’**

This Corporate Plan envisions IT as a ‘strategic business enabler’ and the ‘game changer’ in support of KRA’s business departments in their relentless pursuit of operational excellence, in the following ways:

#### **1. Accountability and Integrity (allowing us to plug the leak instead of continuously bailing out water):**

KRA is under intense pressure to catch-up and deliver on a very different set of customer expectations. During the Plan period, KRA will enhance business systems with improved capabilities to:

- a) Increase efficiency by simplifying, standardising, automating work procedures, and embracing the workflow concept to enhance transparency in taxpayer transaction.
- b) Provide taxpayers with automated environment that enable citizens and businesses to transparently transact online with KRA without the need for physical or human contact through the use of self-help and technology assisted features.
- c) Enable no-filing, no-return and no-touch capability with compliant citizens and business only receiving the amount of tax payable once in a year with capability for payment to be deducted automatically from banks.





- d) Implementation of enterprise resource planning systems for corporate performance management, i.e. administrative support functions, including employee productivity, and corporate performance management.
- e) Build a proactive security intelligence capability; developing a unified view of all endpoints, including mobile devices; protecting information assets at the database level; and creating safer social habits to ensure no unauthorized data access and manipulation which results to revenue leakage.

## 2. **Enhancing Service Delivery (Full Electronic Customer Service)**

To enhance service delivery, KRA will undertake the following initiatives:

- a) Implement Customer Analytics through the Customer Relationship Management (CRM) by automating the marketing function in order to build capability to manage vast amounts of unstructured data, make sense of it with analytics, and generate insights that enable them to connect with individual customers at every touch point effectively, and maximizing value with each interaction.
- b) Transform the corporate website with a state-of-the-art, dynamic, vibrant, collaborative, interactive, responsive and professional website which fully embraces professional social media technologies, to or support customers interactively in personalized and/or self-service.
- c) Enhance availability of business systems, continuity of business and system response times to enable meet target on transaction processing (e.g. file returns within 2 minutes), RPOs and RTOs providing automated capability for everyone to everyone (E2E) on 24/7 availability.

## 3. **Exploiting technological advances to improve service delivery (e.g. cloud computing to reduce capital costs, attend to security concerns and reduce impact of limited ICT staff), mobile platforms, etc)**

- a) Domestic Taxes Department (DTD) back office revenue processes are being automated through iTax. The following modules have been delivered and are currently at the roll out phase:- Taxpayer Registration, Tax Return Processing, Bank Collections, Taxpayer Services, Tax Credits & Refunds, Taxpayer Audit, Compliance & Monitoring, Debt & Enforcement, Payment Plan Processing, Technical Support Services, and Management & Statistical Reports.
- b) iTax/iCMS integration. User Requirements from iTax have been developed, reviewed and shared with the iCMS team.
- c) To pursue to completion the integration of iTax with IFMIS
- d) iTax integration with ERP is yet to commence, awaiting delivery of the ERP system.

## 4. **KRA shall grow and innovate IT, driven by emerging technologies i.e.**

- a) Cloud has already changed both business and everyday life when utilized effectively; cloud capabilities offer numerous opportunities to drive business innovation. KRA shall implement Cloud Enabled services to provide the business with flexible, scalable, profile enabled and responsive IT platform that will ensure predictable availability of business systems for transaction processing and decision making.



- b) Innovation is becoming ever more disruptive and big data and analytics have become intrinsic to the way innovation is happening. KRA will make data and analytics central to its innovation processes, as well as to the innovation itself. Innovation will be driven through implementation of Data Warehouse and Business Intelligence (DWBI), supporting IT infrastructure and related services to enable the Authority with big data analytics capability to detect fraudulent behaviour and potential tax evasion and to provide analytic capability to users for better decision making and revenue growth; data enrichment/clean-up, a pre-requisite that is vital to unlock the full potential of DWBI; and to provide a platform to facilitate data exchange, both internally and externally with third parties.
- c) Indeed, KRA will increasingly be in the midst of a new wave of mobile capabilities that can drastically reshape business models; drive increasing levels of employee productivity; and reinvent how customers learn about, interact with, and use our services. Given these significant opportunities, KRA will increase uptake of mobile technology and integrate mobile capabilities into application systems to ensure flexibility, convenience and transparency in our services.
- d) To enhance collaboration through socio-business, KRA will embrace socio-media to communicate better with customers, share knowledge with suppliers, business partners and employees.
- e) Despite globalization, our customers remain nationally diverse and multi-dimensional. Therefore, KRA will implement client tailored products (Mobile apps) to provide customer-centric environment.
- f) KRA will outsource Non-Core ICT Services through “outsourcing by necessity”. Specifically, the Authority will grow and innovate IT and implement services through a hybrid mix of choice for running services on private cloud (on own premises) or on public cloud provided by cloud service providers. The outsourcing offerings to be considered are Infrastructure as a Service (IaaS), Platform as a Service (PaaS) and Software as a Service (SaaS). The key benefits include: cost savings, ability to scale in response to demand (agility), speed of access and better quality of service provision.

#### ***4.2.4.3 Fully implement the enterprise risk management framework***

Whereas the core functions of the Kenya Revenue Authority (KRA) is to assess, collect and account for all revenues in accordance with specific laws and advise the Cabinet Secretary for National Treasury on matters related to revenue administration and performing such other functions in relation to revenue as the CS may direct, the Authority recognises that risk is inherent to its operations and that managing risk effectively is critical to the Authority in meeting short, medium and long term goals successfully.

KRA recognises that risks are caused by people, systems and external events. These causes of risks trigger risk events which may include fraud (internal or external), work place health and safety, environment, business disruption and system failure, or damage to assets. The effects of such events have the potential to affect positively or negatively the achievement of objectives.

It is against this backdrop that the Authority embarked on a journey to adoption of a formal





Enterprise Risk Management (ERM) process in 2010 with the objective of ensuring that we take advantage of available opportunities to enhance our performance and managing risks that may negatively affect the optimal achievement of the corporate goals and objectives.

As at March 2015, the Authority had made significant progress on the following key ERM milestones:

- i. Establishment of organisational structures to deal with ERM. This involved defining Risk Governance Structure at corporate level and formation of ERM committees.
- ii. Alignment of the ERM strategy to other risk based strategies in the organisation. These include Integrity program, IT risks, Security and safety and tax compliance risk management strategies.
- iii. Establishment of the organizational risk management policies and frame work for operational risk and tax compliance risk management.
- iv. Development of the initial risk registers at the operational level across departments. In total, fifty five (55) functions have been covered.
- v. Capacity building through training of over **800** members of staff including the board, top management, senior managers, managers, supervisors and officers on the ERM methodology adopted by the Authority.
- vi. Incorporating ERM initiatives in the HoD's performance contracts.
- vii. Development of the Business Continuity Management (BCM) framework to guide on the business impact analysis for the purpose of developing the initial Business Continuity Plans (BCPs). In total, twenty BCPs across departments were developed.
- viii. In order to build resilience for response, recovery and resumption in case of disaster, nine business continuity strategies were developed and approved by management for implementation under the BCM programme. Implementation is ongoing for **3** out of the **9** strategies.

The objective of the Authority is to ensure that by the end of the 6<sup>th</sup> Corporate Plan period in June 2018, the Authority will graduate to maturity in risk management when weighed against the risk maturity model. Although this will be partly achieved by ensuring that the Enterprise Risk Management Division has adequate staff, inculcating culture change to the process for ownership by the departments whilst ensuring maximum support from top management and line managers, the following initiatives will be undertaken during the Plan period to achieve full implementation of the Enterprise Risk Management Framework:

*i. Ensuring that **80%** of the business units implement the **5** ERM framework tools by carrying out the following:*

- a) Undertaking Risk and Control Self Assessments (RCSAs).
- b) Collecting Key Risk Indicator (KRI) data.
- c) Providing attestations to internal and external compliance requirements.
- d) Undertaking incidence recording and management.
- e) Tracking and implementing control improvement actions.

*ii. Training an additional **1,000** staff members in ERM and on the following key areas:*

- a) Capacity building for staff on ERM through in-house and outsourced training.
- b) Capacity building for certification in BCM and its process audit.



- iii. *Development, approval and implementation of the 9 BCM strategies.*
- iv. *Carrying out **100%** development and maintenance of Business Continuity Plans (BCPs) for all Mission Critical Activities (MCAs) by:*
  - a) Identifying the Mission Critical Activities (MCAs).
  - b) Developing Business Continuity Plans (BCPs) for all Mission Critical Activities (MCAs).
  - c) Exercising and testing of Business Continuity Plans (BCPs).
- v. *Carrying out ISO 22301:2012 certification for **50%** of the MCAs*

#### 4.2.4.4 *Upgrading to ISO 9001:2015*

The Authority shall endeavour to continually improve revenue collection and service delivery by maintaining its ISO certification status and meeting the requirements of the new Standard ISO 9001:2015 on Quality Management Systems.

### 4.3 CAPACITY FOR CHANGE

#### **Current Staff Establishment**

As at 24<sup>th</sup> June 2015, KRA had a total staff complement of **4,629** officers. The distribution of the officers by departments is as shown in Table 8 below. The approved staff establishment by the same time was **6,818**, hence a staff short fall of **1,989**.

**Table 8: Current Staff Establishment**

DEPARTMENT	APPROVED ESTABLISHMENT	CURRENT STAFF IN POST
Commissioner General's Office	20	21
Customs & Border Control Department	1,905	1,457
Domestic Taxes Department	2,203	1,509
Investigations and Enforcement	207	179
Corporate Support Services Department	1,532	1,046
Strategy, Innovation & Risk Management	536	293
Ethics and Integrity	26	7
Legal Services & Board Coordination	77	36
Kenya School of Revenue Administration	76	47
Internal Audit Department	36	34
<b>TOTAL</b>	<b>6,618</b>	<b>4,629</b>

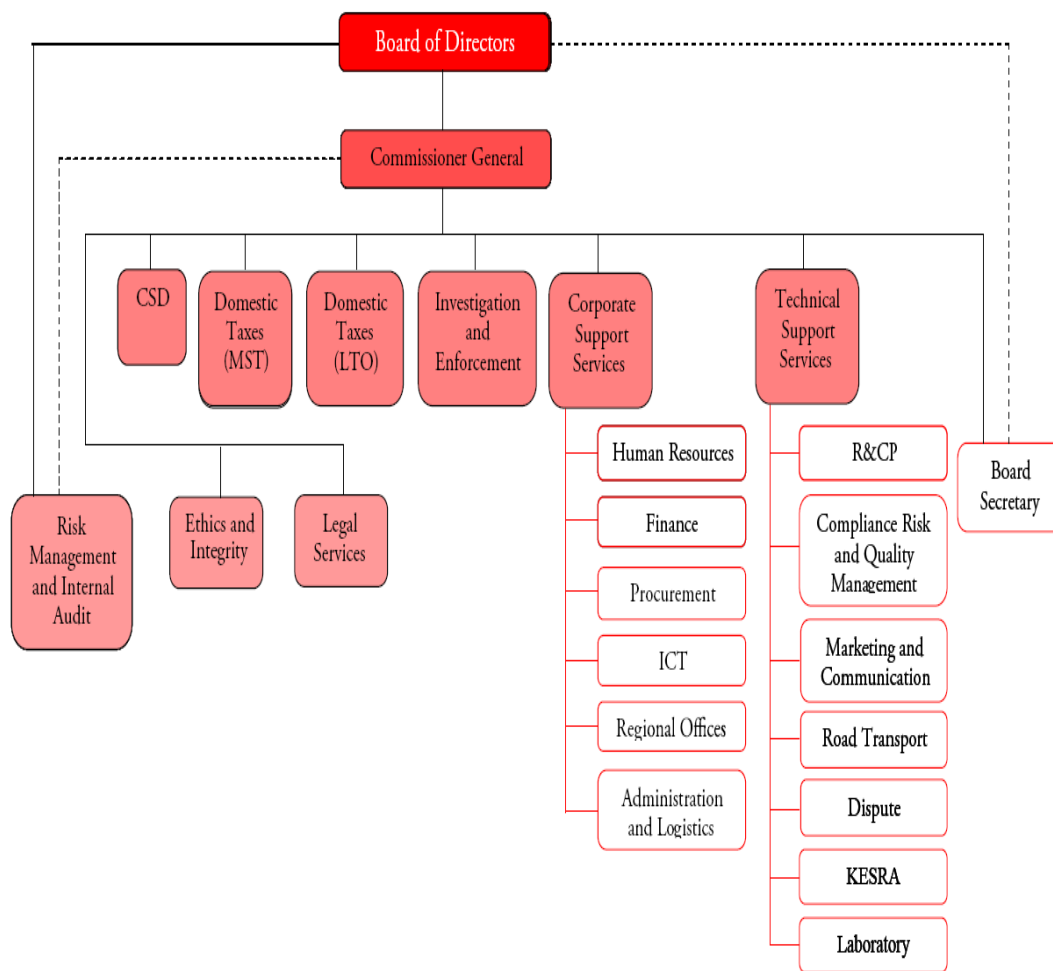
#### **Staff complement and strategic plan implementation**

To bridge the current staff gap, the management appreciates that it will require time and resources. KRA will adopt a phased approach to attain the required staff numbers and in particular recruitment and training of mainly revenue/technical staff over a period of three years. The Authority plans to fill the vacant positions over the three year period as follows: **40%** in 2015 – 2016, **30%** in 2016 – 2017 and **30%** in 2017 – 2018.

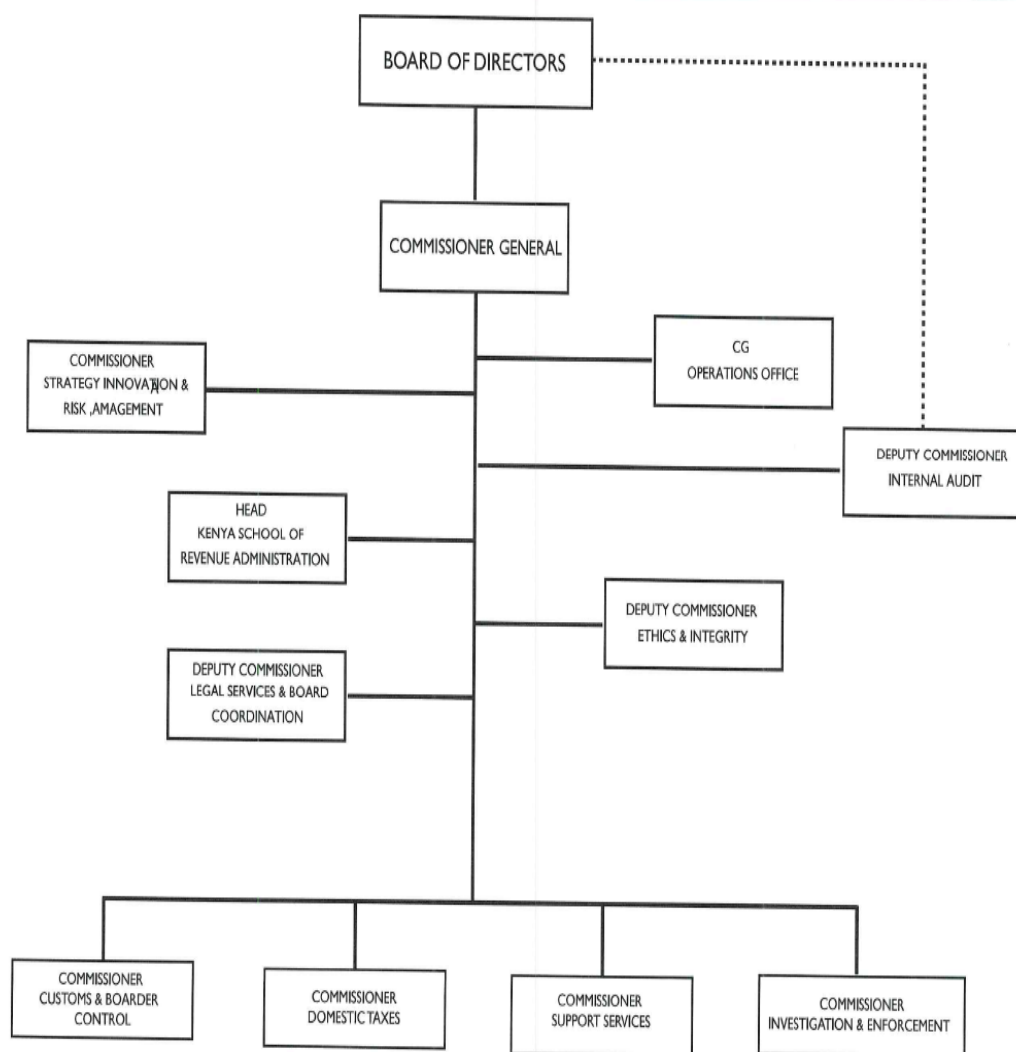


#### 4.4 CORPORATE ORGANIZATIONAL STRUCTURE

**Figure 2: KRA CORPORATE ORGANIZATIONAL STRUCTURE (JULY 2012 – 26<sup>TH</sup> FEBRUARY 2015)**



**Figure 3: APPROVED KRA CORPORATE ORGANIZATIONAL STRUCTURE  
EFFECTIVE 27TH FEBRUARY 2015**



The structure is to be reviewed concurrently with the corporate planning cycle in three years.



## CHAPTER 5: MONITORING AND EVALUATION

---

### 5.1 INTRODUCTION

Monitoring and Evaluation (M&E) is a key tool that will be used in tracking implementation of the Plan. This will provide the necessary feedback on the status of implementation of policies, projects and programmes to enable informed decision making.

An effective M&E system is thus critical to the successful implementation of the Corporate Plan 2012/13-2014/15.

### 5.2 MONITORING AND EVALUATION FRAMEWORK OF THE 6<sup>TH</sup> CORPORATE PLAN

An effective Monitoring and Evaluation (M&E) system is critical to the successful implementation of the Plan. The overall goal of M&E in the implementation of this Plan is to provide accurate data and information on projects' progress compared to the targets set using quantitative and qualitative data. In this regard, an M&E unit will be established. The M&E is based on a framework consisting of a number of components derived from various strategic objectives of this Plan.

The Plan identifies a set of **4** and **11** Key Performance Indicators (KPI's) to be monitored at the National and Ministerial levels respectively.

In determining the indicators and targets, KRA took cognisance of the following:

- National objectives to be achieved by the Authority as outlined in the BPS, the Second Medium Term Plan and other policy papers.
- Core functions of the Authority which are the mobilisation of revenue, trade and business facilitation.
- The strategic objectives of the Corporate Plan, and
- Requirements of performance contracting.

To ensure effective coordination of the M&E framework within the Authority, an M&E unit will be set up within the Strategy, Innovation and Risk Management. The unit will be responsible for:

- i. Ensuring preparation of KRA wide annual work plans for the Plan implementation and their cascading to individual departments.
- ii. Providing a framework, including standardized templates, for reporting on a quarterly, semi annual and annual basis.
- iii. Generating, maintaining and reviewing a set of key performance indicators drawn from the M&E framework of the Plan as well as the RARMP programme.
- iv. Carrying out periodic visits to project and programme offices to ensure reported implementation conforms to facts on the ground.
- v. Co-ordinate meetings to review progress and resolve issues that may arise in the implementation.



- vi. Provide relevant reports to the top management to ensure the management is fully updated on the Plan implementation status.

Table 9 below shows the key performers indicators that will be monitored at the national and ministerial levels.

**Table 9: Key Performance Indicators**

Key Performance Indicator	Measure	Baseline 2013/14- 2014/15	Target 2015/16	Target 2016/17	Target 2017/18	Department
<b>National Indicators</b>						
1. Revenue collection	Kshs. Million	1,067,749	1,447,214	1,758,246	2,050,626	C&BC, DTD
2. Paying taxes rank	No.	102	90	70	50	C&BC, DTD
3. Pre -Arrival declaration	% of imports	N/A	30%	50%	70%	C&BC
4. EACC integrity level	No.	4	4	5	5	E&I
<b>Monitoring by the National Treasury</b>						
1. ERM tools implementation	% of business units	54	64	74	80%	SIRM-ERM
2. ADR revenues	Kshs. Million	N/A	5,000	10,500	13,500	CTDR
3. VAT/total revenues	%	25%	27%	31%	35%	DTD
4. Active taxpayers	No.	1.6 Million	2.4Million	3.2 Million	4.0 Million	DTD
5. KRA property income/total income	%	N/A	1	3.5%	7.73%	CSS-Admin
6. Customer satisfaction	%	65%	70	75	80%	SIRM-M&C
7. Employee satisfaction	%	65%	70	75	80%	CSS-HR
8. Cost of collection	%	1.23%	1.51%	1.40%	1.25%	CSS-Finance
9. KESRA fee paying students	No.	N/A	2,000	3,500	5,000	KESRA
10. Electronic filing / payment	%	20%	50%	70%	80%	DTD
11. Goods under electronic control	% of total goods under ECTS	23%	50%	75%	100%	C&BC



## CHAPTER 6: FINANCING THE SIXTH CORPORATE PLAN

### 6.1 INTRODUCTION

For several corporate plans now KRA's corporate strategy has failed to be implemented due to underfunding. Indeed, with respect to the 5<sup>th</sup> Plan, underfunding was the single most important reason for non-performance accounting for **28%** of non-implemented activities and critically undermining the work environment. Thus, there is a critical need for KRA to ensure that funding not committed as part of the Medium Term Expenditure Framework (MTEF) process is not assumed and increasing reliance on internally generated funds as proposed under the *Vision 2018* sustainable funding objective.

The budgeting framework will also be investment driven, focusing on returns to additional resources as opposed to the incremental and share of revenues approach adopted in the past.

### 6.2 REVENUE TARGETS AND RESOURCE REQUIREMENTS

Revenue mobilisation requirements will drive the expenditure priorities of the 6<sup>th</sup> Plan. Table 7 in chapter 4 provides an overview of the revenue forecasts for 2015/16-2017/18. It is forecast that KRA will be required to collect **Kshs. 5,256 billion** over this period.

### 6.3 EXPENDITURE PRIORITIES

The process is built around the estimated expenditures being determined by price adjustments and requirements for additional real revenue. *Price indices* were generated for both revenue and expenditure heads to enable the generation of 'real' (inflation adjusted) resource requirements. This has required import price and oil forecasts (from the most recent World Economic Outlook publication of the International Monetary Fund), price adjustments based on the latest Consumer Price Index (CPI), Producer Price Index (PPI) and Construction Cost Index data provided by the Kenya National Bureau of Statistics (KNBS) and wage growth to take account of annual increments and any forecast adjustments. The analysis of price indices from the BPS, WEO and KNBS data shows that price levels during the Plan period will be more subdued than in the recent period.

Forward forecasts use the Budget Policy Statement 2015 price forecasts. Resource requirements are then estimated in the following manner:

- i.) The 2014/15 actual budget is the base;
- ii.) The base is adjusted by the respective price index grown by the respective estimated price changes;
- iii.) The macro forecasts from the BPS 2015 are then used to generate the real growth required and then further adjusted for growth in macro parameters: the cost estimated in stage 2 is scaled up for this 'real' growth;
- iv.) The gap between the revenues resulting from the macro forecast and the target are areas that will need revenue enhancement initiatives. These are costed as additional expenditure items;



- v.) Departments then identify efficiency gains and cost savings to reduce the overall expenditures to a sustainable figure- in line with the MTEF ceilings expected over the next 3 years; and
- vi.) The development budget is costed separately based on the priorities emerging from chapter 4, available external funding, projected resources from reform initiatives related to sustainable funding objective and funds committed by the National Treasury.

The budget is finalised in the context of the MTEF ceilings. Table 10 below provides the KRA budget outturn emerging from this framework.

**Table 10: Budget outturn 2015/16 - 2017/18**

(Values in Kshs million)

EXPENDITURE AREA	2014/15	2015/16	2016/17	2017/18	TOTAL 2015/16 - 2017/18	AVERAGE ANNUAL GROWTH 2015/16- 2017/18
Staff salaries and allowances	12,122	13,152	14,731	16,250	44,133	10.3%
Operational expenditures	5,352	6,268	6,291	6,931	19,490	9.2%
<b>Total Recurrent</b>	<b>17,474</b>	<b>19,420</b>	<b>21,022</b>	<b>23,181</b>	<b>63,623</b>	<b>9.9%</b>
Capital expenditures	1,193	1,292	1,611	1,656	4,559	11.9%
Special projects	3,070	1,997	816	200	3,013	-56.5%
Vision 2018 priorities not captured elsewhere	0	1,301	238	218	1,757	n/a
<b>Capital, Special Projects and Vision 2018</b>	<b>4,263</b>	<b>4,590</b>	<b>2,665</b>	<b>2,074</b>	<b>9,329</b>	<b>n/a*</b>
<b>Total Expenditures</b>	<b>21,737</b>	<b>24,010</b>	<b>23,687</b>	<b>25,255</b>	<b>72,952</b>	<b>5.2%</b>
<b>MTEF Ceilings Recurrent</b>	<b>15,058</b>	<b>15,358</b>	<b>14,991</b>	<b>15,194</b>	<b>45,543</b>	<b>0.3%</b>
Development grants	412	1,091	2,316	1,744	5,151	84.1%
AIA forecasts	1,129	1,443	1,515	1,591	4,549	12.6%
Others (incl. rollovers)	3,463	4,817			4,817	
Donor Funding	1,675	210			210	
<b>TOTAL RESOURCES</b>	<b>21,737</b>	<b>22,919</b>	<b>18,822</b>	<b>18,529</b>	<b>60,270</b>	<b>-4.7%</b>
Financing gap		-1,091	-4,865	-6,726	-12,682	192.1%
Expected efficiencies		161	550	584	1,295	
<b>Net Financing Gap</b>		<b>-930</b>	<b>-4,315</b>	<b>-6,142</b>	<b>-11,387</b>	<b>203.1%</b>

The following are key parameters to note from the framework:

- i.) Over the three year period 2015/16-2017/18 KRA expects to spend **Kshs. 72,952 million** of which **Kshs. 63,623 million** or **87.2%** will be recurrent expenditure.
- ii.) Overall expenditure growth averaging **5.2%** despite a recurrent growth of **9.9%** largely driven by reduced expenditure on capital projects.





- iii.) The estimated resources to be provided by the National Treasury for recurrent expenditure will decline from **1.4%** of the revenue target in 2014/15 to **0.9%** in 2017/18.
- iv.) The financing gap is expected to reach **Kshs. 12,682 million** over the Plan period.
- v.) The efficiency gains and savings are estimated at **Kshs. 1,295 million** over the three year period, barely **1.8%** of the total expenditures. These are mainly from implementation of projects (ERP and DWH), conversion of KESRA to a self-financing institution thus removing the need to finance it from the Exchequer, reduction in the capital budgets and recruitment savings from productivity increases and adoption of short term contracts to close employment gaps.
- vi.) There is a growing financing gap which will require increased efficiency gains over and above what is identified or additional internally generated funding.

#### 6.4 REVENUE ENHANCEMENT INITIATIVES

Revenue enhancement initiatives (REIs) will provide additional revenues to close the gap between the revenue targets and the revenue forecasts based on a macroeconomic framework. They are primarily additional administrative and efficiency improving initiatives and innovations that enhance efficiency of resource use to mobilise additional revenues for no extra outlay. Over the 2015/16 to 2017/18 period **Kshs. 105,170 million** is expected from revenue enhancement initiatives.

A framework for implementation of the REIs will be provided covering the period 2015/16-2017/18.

#### 6.5 WAY FORWARD

Underfunding was the single largest reason for not achieving full implementation of the 5<sup>th</sup> Corporate Plan activities. KRA has restructured its budget framework to provide additional resources through its sustainability initiatives and identified efficiency gains. Over the 6<sup>th</sup> Corporate Plan period KRA will:

- i.) Continue with efforts to identify additional areas of savings and efficiency,
- ii.) Continuously review the statutory administrative provisions in the tax laws to see where administrative burdens can be eased, and
- iii.) Continuously expand the scope of income generating initiatives to further reduce dependency on the Exchequer.



**Table 11: BALANCED SCORE CARD OF THE 6TH CORPORATE PLAN**

PERSPEC-TIVE	VISION 2018 OBJECTIVE	MEASURE	KEY PER-FORMANCE INDICATOR FOR 2017/18	INITIATIVES
REVENUE	Broaden tax base	No. of active taxpayers	4,000,000	Propose legislation on expansion of advance tax regime, withholding regime to target specific sectors.
				Develop and implement a partnership framework on taxation of the SME sector through:
				i. Revamping the turnover tax strategy to focus on recruitment.
				ii. Twinning of PIN to business licensing at the Counties.
				iii. Expanding the scope of services and activities for which PIN is a requirement
				iv. Adopting a business classification, structure and tax rates similar to those being applied by the Counties.
	Implementation of compliance risk management strategy	Compliance rate on registration, reporting, filing and payment	65%	Design and implement strategy to leverage on Government automation and digitisation initiatives.
				Identify relevant third party systems for seamless linkages to KRA systems.
				Revamp taxpayer education programme targeting non-compliance.
				Set up a risk committee with members drawn from all revenue departments.
				Develop compliance programmes for the 5 prioritised risks.
				Implement compliance programmes during the Plan period.
	Revamped debt programme	Collected debt/ collectable ratio	25%	Cleaning up of the debt database
				Improved management of the taxpayer account through iTax system Debt and Enforcement module that will facilitate single view of all taxpayer transactions thereby facilitating debt enforcement
				Consolidating debt management function in one department.
				Developing and implementing a debt strategy for court cases
				Use of distraint actions by hiring of bailiffs.



PERSPECTIVE	VISION 2018 OBJECTIVE	MEASURE	KEY PERFORMANCE INDICATOR FOR 2017/18	INITIATIVES
	Enhanced efficiency of the Audit Programme	Audit revenues/total revenues	5 %	Developing regional audit centres and shifting from a station function to a regional office function.
		Reduced time taken to complete audit	5 days	Use automated audit selection and risk profiling through iTax Taxpayer Audit and Compliance & Monitoring module.
				Develop and implement an audit performance management and governance framework.
	Enhanced role of Capital Gains Tax (CGT) in income tax	Capital gains tax collections/ Total income tax collections	7%	Propose CGT rates to be harmonised with other CGT rates in the region.
				Modify iTax system to ensure CGT is paid as part of a single process together with the stamp duty.
	Implementation of Alternative Dispute Resolution	% of tax disputes handled through ADR	66%	Complete establishment of the corporate structures for ADR.
				Pursue the enactment of the Tax Procedure Code to anchor ADR in law.
				Evaluate and profile pending disputes and cases suitable for ADR.
	Reducing tax expenditure	Tax expenditure/ GDP ratio	1.4%	Review and propose tax policy amendments and engage stakeholders in the proposed review of the Income Tax Act
	Revamped real estate sector revenue enhancement strategy	Number of additional landlords recruited into the tax net	60,000	Propose amendment to Income Tax Act to provide monthly simplified flat rate tax regime on gross rental income among individuals.
		Amount of additional revenue from real estate sector	Kshs. 4 billion	Introduction of forward looking enforcement regime.
				Use of appointed agents to collect and remit tax on rental income on withholding basis.
				Implementation of a Geographic(Geospatial) Information System (GIS) to automatically link data on land parcels, property ownership and development with KRA tax information system



PERSPEC-TIVE	VISION 2018 OBJECTIVE	MEASURE	KEY PER-FORMANCE INDICATOR FOR 2017/18	INITIATIVES
	VAT enhancement strategy	VAT/total revenue ratio	35%	<p>Propose harmonisation of the VAT rate within the region</p> <p>Improve VAT data management to ensure accuracy in input, output and credit VAT information and reconciliation between filed returns and payments</p> <p>Implementation of an aggressive stop and nil filer programme to reverse the trend towards non-filing and non-payment.</p> <p>Enhance VAT taxpayer facilitation to minimise challenges associated with ignorance or difficult processes</p> <p>Carry out VAT outreach programmes targeting non-compliant taxpayers.</p> <p>Undertake interventions to enhance efficiency of VAT operations including use of TIMS, third party information, strict enforcement of electronic filing, reporting and payment and cleaning up VAT ledgers</p>
	Improved taxation of properties	Property taxes revenue/GDP ratio	0.9%	Work with the County Governments to design a framework for taxation of property across the country and hence enhance revenue collection for both the national and County governments.
	Enhanced mobilisation of revenues from the suppliers to County governments and other government entities	Kshs	Kshs. 2.3 billion	<p>Review and strengthen the current head office team that coordinates monitoring of Counties tax payments.</p> <p>Gathering and analysis of intelligence information on expenditure, payment of goods and services from the counties to enforce tax compliance</p> <p>Create linkage of the counties' databases with KRA systems to facilitate identification of potential tax defaulters from the payers of various license fees/levies and suppliers of goods and services</p>



PERSPEC-TIVE	VISION 2018 OBJECTIVE	MEASURE	KEY PER-FORMANCE INDICATOR FOR 2017/18	INITIATIVES
CUSTOMER	Enhanced internally generated revenues	Internally generated revenues/total resources ratio	7.73%	Develop an appropriate property development and investment strategy through engagement of a professional consultant/transaction adviser.
				Consider creation of a fully owned subsidiary company or a specific in-house Property Development and Management Division in line with the best practices to improve the management of properties.
CUSTOMER	Substantially all customers satisfied with KRA services	Customer Satisfaction rate	80%	Acquisition or development of new properties.
				Explore appropriate funding arrangements including disposal of uneconomical properties and engaging potential financiers.
				Review and implement market rent rates for properties in good condition.
				VAT refunds task force to eliminate backlogs.
				iTax roll-out and other service centres.
				Itax : retirement of legacy systems
				Roll out KRA services at all Huduma centres
				Promote uptake of mobile services
				Pillar 2 of change
				Management programme (interventions to ensure staff are courteous, accessible and willing to solve customer problems)
				Harmonised complaints management framework centrally coordinated and implemented around 7 key processes.
				Restructuring KRA media publicity to raise awareness of reform initiatives.
				Implement comprehensive upgrade of contact centre including CRM, staff recruitment and training, and institutionalised system for linking call centre with back office.
				Upgrade KRA website to the level found in benchmark countries or best practice with at least 36 key elements captured in the KRA website.



PERSPEC-TIVE	VISION 2018 OBJECTIVE	MEASURE	KEY PER-FORMANCE INDICATOR FOR 2017/18	INITIATIVES
	Increased compliance due to improved customer knowledge of their obligations	% of taxable public fully aware of their tax obligations	70%	Development and Implementation of taxpayer education strategy focused on enhancing compliance of those who do not comply through ignorance of requirements or penalties.
	Full electronic customer service	Electronic filing rate	VAT - 80%	Implementation of strategy to promote uptake of services offered on iTax , mobile (m-service) and Digital gateway platforms.
			PAYE - 80%	
			Corp. - 90%	
		Electronic payment rate	VAT - 80%	
			PAYE - 80%	
			Corp. - 90%	
		% of KRA customers able to access services in any KRA station	80%	Implementation of virtual service centres
	Improved Customs service	Cargo clearance time through KRA systems	Port Charter timelines - Clear at least 70% of all consignments within 48 hours before docking of any vessel - 100% paper-less processing of documents	Pre arrival declaration Implement iCMS Joint verification Single Window integration with iCMS Application of dynamic risk management for selectivity criteria. SCT implementation



PERSPEC-TIVE	VISION 2018 OBJECTIVE	MEASURE	KEY PER-FORMANCE INDICATOR FOR 2017/18	INITIATIVES
	Stakeholders fully engaged in determination of service priorities, development of programmes and feedback used to improve services	Number of full time engagements institutionalised	200	Operationalise on-going engagement with private sector stakeholder groups with scheduled engagements.
		% of new initiatives with stakeholder engagement	100%	Develop framework for engagement and implementation.
		% of systemic issues arising from CIC leading to changes in systems, procedures, etc	100%	Framework developed and implemented for reporting, analysis, allocation of responsibility, intervention and monitoring systemic areas.



PERSPECTIVE	VISION 2018 OBJECTIVE	MEASURE	KEY PERFORMANCE INDICATOR FOR 2017/18	INITIATIVES
INTERNAL PROCESSES	Become a lead Border Agency with complete electronic control of all goods entering and leaving Kenya	Status of progress on reversing the policy to grant KRA mandate to oversee the border agencies' activities	Policy in place granting KRA mandate to oversee the border agencies activities	Pursue a policy decision by the relevant government arm to grant legal mandate to KRA to oversee border agencies' activities.
		% of imports and exports under full electronic control from entry to destination, entry to exit, origin to exit	100%	
		% implementation of the Border Security function	100%	Re-organise the Border Security function by implementing the planned initiatives and programs.
		% improved working conditions at remote border through collaboration	100%	Collaborate with other government agencies to improve working conditions at remote borders.
		Number of communication instruments provided (satellite phones)	120	Improving communication system in remote border stations





PERSPECTIVE	VISION 2018 OBJECTIVE	MEASURE	KEY PERFORMANCE INDICATOR FOR 2017/18	INITIATIVES
		Percent of reduced inbound flows of narcotic drugs, arms and Improvised Explosive Devices (IEDs)	30%	Develop capacity on detection methods through: Procurement of ten (10) detector dogs and thirteen (13) scanners; Training of fifteen (15) officers on usage of Interpol database; and Training of one hundred and eighty (180) officers on detection methods and use of non-intrusive detector equipments
		Number of officers trained on detection methods (arms and IEDs), use of non-intrusive detector equipments	180	
	Fully automated single collector	% of revenue collected by KRA on behalf of government institutions e.g. County governments, NSSF and NHIF	100% of revenue collected as per target	Develop and implement comprehensive framework to engage priority government institutions to collect revenue on their behalf.
		% of individual undertaking online transactions	100%	Offer on-line systems with self-service capability



PERSPECTIVE	VISION 2018 OBJECTIVE	MEASURE	KEY PERFORMANCE INDICATOR FOR 2017/18	INITIATIVES
		% of individual functions	100%	Enhance availability, continuity and response times of business systems.
		(tax type registration, taxpayer and revenue accounting, payments and returns processing, compliance and delinquency control, taxpayer classification, audit, assessment and case management) are automated and carried out within an integrated system.	100%	Improve business capability by embracing emerging technologies.
			100% of planned activities	Implement a holistic approach to cyber security and projects management
	Make ICT a 'Game Changer'	% reduction of IT related integrity issues	90%	Enhance accountability and integrity
				Use of IT system based tax risk profiling
				Enhance IT systems security
		% of customer services offered electronically	100%	Enhancing Service Delivery (Full Electronic Customer Service).
				Exploit technological advances to improve service delivery.
		% implementation of the 5 ERM Framework tools	100%	Ensure that 80% of the business units implement the 5 ERM framework tools
		Number of KRA staff trained in ERM and BCM	1,000	Training of additional staff members in ERM and BCM
		Number of BCM strategies implemented after approval	9	Develop, approve and implement BCM strategies



PERSPEC-TIVE	VISION 2018 OBJECTIVE	MEASURE	KEY PER-FORMANCE INDICATOR FOR 2017/18	INITIATIVES
		% Implementation of BCPs for all mission critical activities	100%	Carry out development and maintenance of Business Continuity Plans (BCPs) for all Mission Critical Activities (MCAs)
		Status of certification process	Certificate of ISO 22301:2012 certification for 50% of the MCAs	Carrying out ISO 22301:2012 certification for 50% of the MCAs
PEOPLE	KRA staff living the core values	Customers who agree KRA staff live the core values	80%	Review 100% of sub cultures
				Form teams to work with external partners to focus on development, implementation and monitoring of culture change programmes
				Implement a culture change tracking tool.
				Implement KRA wide programmes to promote KRA culture.
				Review rewards, recognition to incorporate change champions
	Revamping KRA training to meet the requirements of a high performance organisation	Employee satisfaction with training	80	Management and leadership training focused on transformative leadership and change.
				Sector and profession-specific training accredited through partnership arrangement
				Strengthen the role of experiential training.
	Raising employee satisfaction	Employee satisfaction rate	80	Revamped recruitment and promotion framework based on 7 point programme.
				Revamp career development programme through implementation of the 9 point programme.
				Implement 5 point programme to enhance performance management including automation of (IFMIS), labour productivity surveys, training on performance management, motivation and rewards and aligning performance management with career development.
				Improve internal communications by implementing an 8 point programme.



PERSPEC-TIVE	VISION 2018 OBJECTIVE	MEASURE	KEY PER-FORMANCE INDICATOR FOR 2017/18	INITIATIVES
	Management of High Performance Individuals	% of KRA staff in HIPO's programme	3%	Identification of key leadership roles, hard to fill positions, and priorities and requirements for filling them plus timelines
				Development of high potential criteria and use of the same to identify HIPO's
				Restructured recruitment, promotion structure to accommodate needs of HIPOS
	Promoting innovation	% of functions applying emerging technologies	80%	Grow and innovate IT to support, enable and optimise business operations.
				Facilitate effective citizen participation using social media and mobile devices
				Promote customer service through mobile devices, cloud services, social technologies and big data analytics.
		Revenues raised from identified innovations	Kshs. 3.5 billion	Institutionalised innovation management framework.
				Collaborative arrangements for evaluating new/available technologies.
				Framework for setting innovation driven revenue targets.
				Intelligence framework developed to understand KRA customers' technological change and impact on revenue
	Zero tolerance to corruption	Certification level by EACC	5	Institutionalised staff vetting
				Strengthened code of conduct including conflict of interest and mandatory tax compliance
				Integrity reviews mandatory as part of ongoing automation processes
				Institutionalised corruption audits.
				Enhanced and mandatory role for tax auditors in detecting, disallowing and reporting on potential corruption related payments.
				Intelligence Gathering System (IGS)
				Implementation of integrity policy documents.
	KESRA university with Self financing Graduate trainee programme	KESRA university	University Charter	Autonomous KESRA board
		No. of students paying and attending full time courses	5,000	KESRA faculty programme
				KESRA facilities programme









