

## Creating a Delighted Taxpayer



**KENYA REVENUE  
AUTHORITY**

*Tulipe Ushuru, Tujitegemee!*



# INTERNATIONAL CASE STUDY

## Preface



I am pleased to share with you the International Case Studies Series (ICSS) for the Financial year 2020-2021. We at KRA have been working towards transformation, reforms and modernization of our revenue administration to enhance compliance and better serve our nation through domestic resource mobilization.

In doing this, KRA has been hailed world-over for many firsts in revenue administration innovation and reform initiatives – including International Tax practices, Tax Intelligence Management, Service-Driven Approach to Voluntary Compliance, Data Driven Compliance, Integrated Border Management, Tax Dispute Resolution, Facilities Management, and many other areas that we excel in. We have, in the last 2 years, hosted over 10 sister tax agency missions from all over the world to learn from us on these subjects through our International Visitor Programme (IVP). We also exported technical expertise to support other agencies, especially tax administrations in Africa.

The ICSS aims to present these success stories to broaden your worldview of KRA's contribution to revenue administration best practice, and establish a platform of knowledge exchange on how to take revenue administration to the next level. By doing this, this series also enhances our global reputation as an agency committed to best practices. We also see it as a timely opportunity and tool for reinforcing our commitment to international cooperation in tax and customs matters.

The case studies are a result of rigorous building of stories of the various transformative initiatives we undertake in KRA. The stories may not detail everything we do, but they certainly give a useful and comprehensive summative picture of the initiatives and their achievements with regards to our core business. I encourage you to reach out to us for deeper insights on your areas of interest.

What a time to present these successes as the world continues to deal with and the recover from the impact of the COVID-19 pandemic, which has significantly redefined revenue administration.

I hope the case studies will encourage you to reflect and gain insights on how to transform our work to better support our countries in building resilient economies through innovative practices.

I wish you a happy and reflective reading.

**Githii Mburu**

Commissioner General  
Kenya Revenue Authority.



# A Citizen Engagement Journey in Kenya Revenue Authority

## Introduction

Competence is one of the core values of Kenya Revenue Authority (KRA) and in the fulfilment of the same, customer service is key. Over the years, KRA has prioritized tax service delivery to citizens, to enhance tax compliance, and realign with the Kenya government commitment to streamline delivery of government services to Kenyans. KRA's service approach has seen increased revenue collection and enhanced the KRA brand acceptance. Key to the Authority's success in adopting a customer-centred approach to services has been substantial investment in both human and technological resources.

## Objective

This case study aims to crystalize KRA's journey in citizen engagement as a strategic approach to enhancing tax compliance. It highlights the milestones achieved by KRA in its journey to customer satisfaction. It focuses on the systemic and structural measures established in the last few years to improve customer engagement. By customer or citizen, the study refers to the taxpayers and the key stakeholders that KRA interacts with in executing its tax administration mandate. This includes government stakeholders, private sector, and international partners.

## The History of Citizen Engagement

At its inception in 1995, KRA's general approach to customer service did not have a single view of customers over multiple interactions, with business units developing and implementing independent service delivery strategies. This meant a single customer with various business service needs such as port/border clearance, returns filing, or registration and general queries relied on multiple service points (some geographically distant from each other) to resolve interconnected issues.

The Authority did not also have a corporate framework for engaging key institutional stakeholders in tax policy issues, and had no framework for cooperation with international partners or guidelines for conducting international relations in tax and customs matters.

To resolve this, KRA embarked on a revenue administration reforms journey to ensure that it created a delighted taxpayer through deployment of an efficient tax service infrastructure and architecture that enhanced customer experience. The Constitution of Kenya also brought with it the requirement of citizen participation or stakeholder engagement in key public policy affairs, including revenue administration.

Globalization and its effects on international commerce and trade has also pushed revenue administration to international limelight, necessitating a framework and tools and mechanics to facilitate KRA's engagement in international relations.



# The Revenue Administration Reforms Journey

## I. SERVICE DELIVERY

KRA took advantage of technological revolution in its initial steps in transforming and improving service operations. In 2008, it commenced operationalisation of a centralised approach to taxpayer Call Management which aimed at using telephones to bring services closer to taxpayers. This cultivated the need for the KRA Call Centre, an initiative augmented by KRA's corporate commitment in its Third (3rd) Corporate Plan. The Call Centre's key objective was to enable customers access accurate tax information from a verified source.

In the 2013/2014 Financial Year, KRA commissioned a customer satisfaction survey to track its progress. The survey established the customer satisfaction baseline rank at 65%. However, more was demanded of the Authority. There was need to establish a comprehensive service support framework that would expansively monitor progress on citizen support engagement. This involved:

- » Expansion of the Call Centre mandate to facilitate First-Contact Resolution (FCR) of revenue administration-related requests and queries.
- » Redesign of service delivery across front-facing channels.
- » Expansion of engagement channels to include digital media platforms.
- » Implementation of a structured engagement Monitoring and Evaluation framework.

This needed creation of an all-inclusive and collaborative customer service environment thus necessitating the following changes:

- » Redefining service delivery objectives to expand their purview to cut across both the Contact Centre and Physical touchpoints
- » Physical Infrastructure: An upgrade of the Contact Centre facility to a state-of-the-art office environment with 100 seat capacity, with desired future of 300 seat capacity,
- » Technology Infrastructure: Implementation of the Contact Centre Management System (CCMS) and the Customer Relationship Management (CRM) solution as well as advancement of business process systems to a front-facing customer approach
- » Frontline Human capacity: Review of staff capacity both from a numbers and competence perspective

### Objectives of Service Delivery

To enhance tax compliance, service delivery objectives were revised as follows:

- » To improve the KRA customer satisfaction to 80% by 2021
- » To improve efficiency and ensure consistency in service delivery by introduction of productivity monitoring;  
*First Contact Resolution, Net promoter Scores and Customer Effort Scores*
- » To expand the customer engagement channels and engagement approaches



## Upgrade of the Contact Centre Infrastructure

The Call Centre transitioned its operation to a Contact Centre (CC) in 2016.

- I. **Physical Infrastructure:** In 2018, the Authority embarked on refurbishing the CC floor. This included creating a Coaching room, a training room, a Crèche and two break out rooms both for quiet reflection to decompress and rest. The CC's current seating capacity is 100 per shift.
- II. **Technology Infrastructure:** In May 2017, KRA deployed the Contact Centre Management System (CCMS) and Customer Relationship Management (CRM) solutions to provide a single view of the customer with the aim of enhancing service delivery. Both solutions have enhanced service efficiency through handling and tracking of incidents. The implementation of CCMs and CRM has led to the building of capacity for self-service where taxpayers/customers are able to resolve certain queries without necessarily having to speak to KRA Customer Service Agents (CSAs).

KRA commenced service support and engagement on Facebook, Twitter and Live Chats to expand citizen engagement channels. For efficiency in management of these channels, the Authority deployed a Social Media Relationship Management (SRM) tool. This facilitates interfacing of all social media channels on to a single platform, providing CSAs with a single login to all social media platforms during customer interactions. The tool enables KRA gain insights into emerging issue trends through tracking of customer sentiments and conversations.

A Workforce Management (WFM) tool has also been deployed to ensure efficiency of staff. This tool enables CSAs to visualize their daily and weekly work schedules, hence enhancing productivity and job morale. The tool has improved the CC efficiency level and aided fair distribution of workload.

The Quality Management Tool which monitors the quality of CSAs' responses to customers' queries has also been deployed to ensure consistency in citizen engagement. The tool aids in identifying the knowledge gaps and generating opportunities for provision of continuous training for the purposes of building capacity of CSAs. The tool also ensures standardization of responses across all channels.

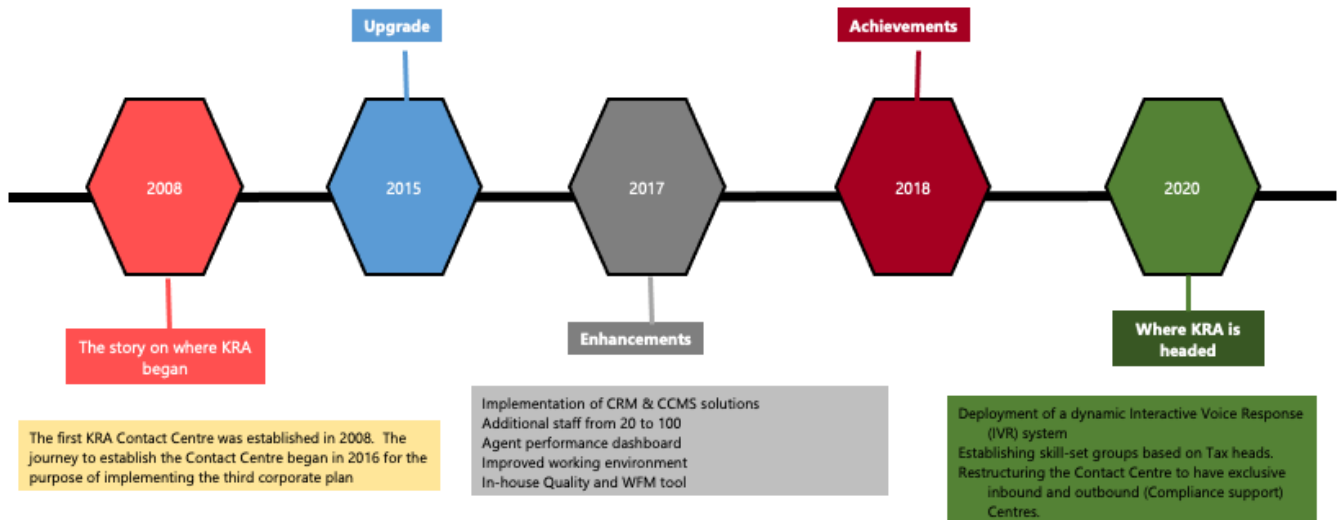
**Table 1: Contact Centre Performance 2015 to 2020**

| PERFORMANCE METRICS |                                      | July 2015/<br>June 2016 | July 2016/<br>June 2017 | July 2017/<br>June 2018 | July 2018/<br>June 2019 | July 2019/<br>June 2020 |
|---------------------|--------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Inbound Calls       |                                      |                         |                         |                         |                         |                         |
| Calls Received      |                                      | 269,759                 | 534,745                 | 340,518                 | 331,817                 | 328,542                 |
| Emails Received     |                                      | 114,231                 | 196,147                 | 222,333                 | 312,075                 | 296,192                 |
| Outbound            |                                      |                         |                         |                         |                         |                         |
| Calls               |                                      | 3,000                   | 18,000                  | 56,997                  | 105,776                 | 193,696                 |
| Emails              |                                      | 114,231                 | 196,147                 | 222,333                 | 312,075                 | 296,192                 |
| Social Media        | Facebook                             |                         | 213,183 Likes           | 403,778 Engagements     | 555,701 Engagements     | 738,603 Engagements     |
|                     | Twitter                              |                         | 52,559 Followers        |                         |                         |                         |
|                     | Debt Support (calls)                 | USD\$ 16,700            | USD\$ 912,000           | USD\$ 1,080M            | USD\$ 4,190M            | USD\$4,290M             |
| Compliance Support  | Payment Registration without Payment |                         |                         |                         |                         | USD\$140,7M             |



The Contact Centre initially concentrated on an informational 'voice call service', a model driven by and focused on operational cost management rather than service delivery. Since then, the Centre's Operations have evolved and advanced towards a multi-channel service offering including email, social media interactions and chat.

Increased handling rate from 40% to 80% resulting in a decrease in the number of abandoned calls  
Improved Service Quality through Quality assurance management  
Improved scheduling of Customer Service Assistants (CSAs) through WFM hence resource optimization  
Improved adherence to work shifts and break times



## Physical Engagement (Face to Face Engagements)

The physical engagement aims to solve the uncoordinated management of walk-in customers. The walk-in taxpayer service support was a lengthy, frustrating and painful journey. KRA initially established Support Centres that supported the iTax system roll out (iTax is a system that enables taxpayers to submit various tax returns and make payments online).

After successful uptake of iTax, KRA established the Support Centres' capability to extend support to customers. KRA therefore redesigned service delivery at physical touchpoints renaming iTax Support Centres to Service Centres. These facilitate provision of simple, accessible and well-coordinated services under one roof through One-stop Shops i.e. support for both Customs and Domestic Taxes related queries as well as queries on other related services such as procurement, payments among others.

### Structure of the physical engagement Centres

The centres are structured in three tier service delivery that is;

**Tier I** – CSAs, who deal with routine issues

**Tier II** – Dedicated Business/Revenue Experts who support issues escalated from Tier 1

**Tier III** –Business and Support Department who support the business staff

The service centres necessitated the restructuring of roles across the tiers to clearly define the responsibilities and escalation process as well as skilling and reskilling of staff to empower the front-line to enhance issue resolution within one roof.

**Table 2: Physical Engagement Performance 2015 to 2020**

| PERFORMANCE METRICS |  | July 2015/<br>June 2016 | July 2016/<br>June 2017 | July 2017/<br>June 2018 | July 2018/<br>June 2019 | July 2019<br>/June 2020 |
|---------------------|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Customer Visits     |  |                         |                         | 225                     | 274                     | 221                     |
| Face to Face        | Service Centre   |                         |                         | 789,978                 | 847,494                 | 896,861                 |
|                     | Huduma Centre  | 217,979                 | 293,447                 | 682,807                 | 678,289                 | 427,122                 |
| Returns Filed       |  | 1,425,278               | 2,055,522               | 3,260,452               | 3,619,452               | 4,444,200               |
|                     |  |                         |                         |                         |                         |                         |
| Compliance Support  | Payment Registration Numbers without Payments (PRNsWP) | -                       | -                       | -                       | -                       | USD\$ 9,190M            |
|                     | Customs unpaid entries-High Yield                      | -                       | -                       | -                       | -                       | USD\$ 493M              |

**Achievements of Service Delivery**

- » 214% increase in tax returns filed from FY2015/16 to 2019/20
- » Contact Centre is now a Revenue Centre & has contributed to overall revenue from US\$ 16,700 (2015) to US\$ 4,290,000 (2020)
- » Increase in the country's long-term economic benefits by making it easier and more convenient for tax compliance
- » Improvement of KRA's public perception by listening to social sentiment and increasing social channel response rates to 94%.

**Monitoring & Evaluation**

KRA tracks the following metrics for monitoring and evaluation purposes;

- a) The First Contact Resolution (FCR); measures the ability to resolve customer issues at first contact without referring to the second contact. The score is normally at 70%. It measures the number of queries that are resolved within the first point of contact i.e. queries resolved by TIER 1.
- b) The Net Promoter Score (NPS); is a form of measurement used to gauge customer experience. This has one question normally asked to gauge how likely one is able to refer friends or family to a certain organisation. The measurement ranges from 0 to 10.
- c) The Customer Effort Score (CES); measures of how easy it is for customers to access services of an organisation. It has two Likert scales, 1 – 5, and 1 - 7. The measure determines the taxpayer's effort in dealing with their tax issues.

**Table 3: Service Monitoring Dashboard**

| Description                               | FY 201/16 | FY 2016/17 | FY 2017/18 | FY 2018/19 | FY2019/20 |
|---|-----------|------------|------------|------------|-----------|
| First Contact Resolution (FCR)*           |           |            | 82%        | 69%        | 71%       |
| Net Promoter Score (NPS)*                 |           |            | 26%        | -21%       | 10%       |
| Customer Effort Score (CES)*              |           |            |            |            | 48%       |
| Average monthly complains resolution rate |           |            | 55%        | 45%        | 47%       |
| Annual complaints resolution rate         |           |            |            |            | 91%       |
| Customer Satisfaction Survey              | 65%       | -          | 71.90%     | 73.4%      | 68.4%     |



## Lessons Learnt

- » Changes in service delivery need to permeate other departments in KRA for customer satisfaction and perception improvement.
- » Involvement and participation of internal and external stakeholders in all stages of redesigning of service delivery model is critical
- » Change-management across the organization is as important as the implementation of redesigned model and alignment between process changes, policy and the law.

## The Future of Service Delivery

### Short to Medium-term

- » Enhancing self-service by activating the Online Support framework
- » Restructuring the CC to have exclusive inbound and outbound (Compliance support) Centres.
- » Implement a dynamic Interactive Voice Response (IVR) system
- » Expansion of the use of CRM across the organization

### Long term

- » Use of Artificial Intelligence to redesign KRA service delivery model to enhance tax compliance
- » Omni-channel customer experience by full execution of the Channel Strategy

## II. CORPORATE STAKEHOLDER ENGAGEMENT

The Constitution of Kenya promulgated in 2010 is hailed world-over for placing citizens at the centre of governance. Accordingly, all public processes ranging from policy-making, legislative process and ultimate decision-making, require the participation of the people of Kenya.

- » **Article 10 (2) (a)** of the Constitution acknowledges patriotism, national unity, sharing and devolution of power, the rule of law, democracy and participation of the people as national values and principles of governance.
- » **Article 201 (a)** provides that there shall be openness and accountability, including public participation in financial matters.
- » **Article 232(1) (d) and (f)** provides that the Values and Principles of Public Service including “involvement of the people in the process of policy making and transparency and provision to the public of timely, accurate information”.

The constitution therefore has empowered citizens to increasingly demand for greater transparency and accountability from public institutions. In this regard, new forms of public participation are emerging as citizens seek opportunities to participate actively in shaping public policies that affect their lives including right to access information on tax matters.

KRA established the Corporate Stakeholder Engagement Model (SEM) in 2015 to meet this constitutional obligation and deliver customer-led solutions to revenue administration issues. The engagement model provides a single point of contact for corporate stakeholders, accentuating KRA's commitment to facilitating efficient resolution of stakeholder concerns. Since its inception, the engagement model has been key in resolving over 80% of stakeholder concerns. This has been achieved through structured and consistent engagements implemented through an open escalation process that is accountable to KRA's leadership.



The figure below depicts the Model of stakeholder engagement in KRA.

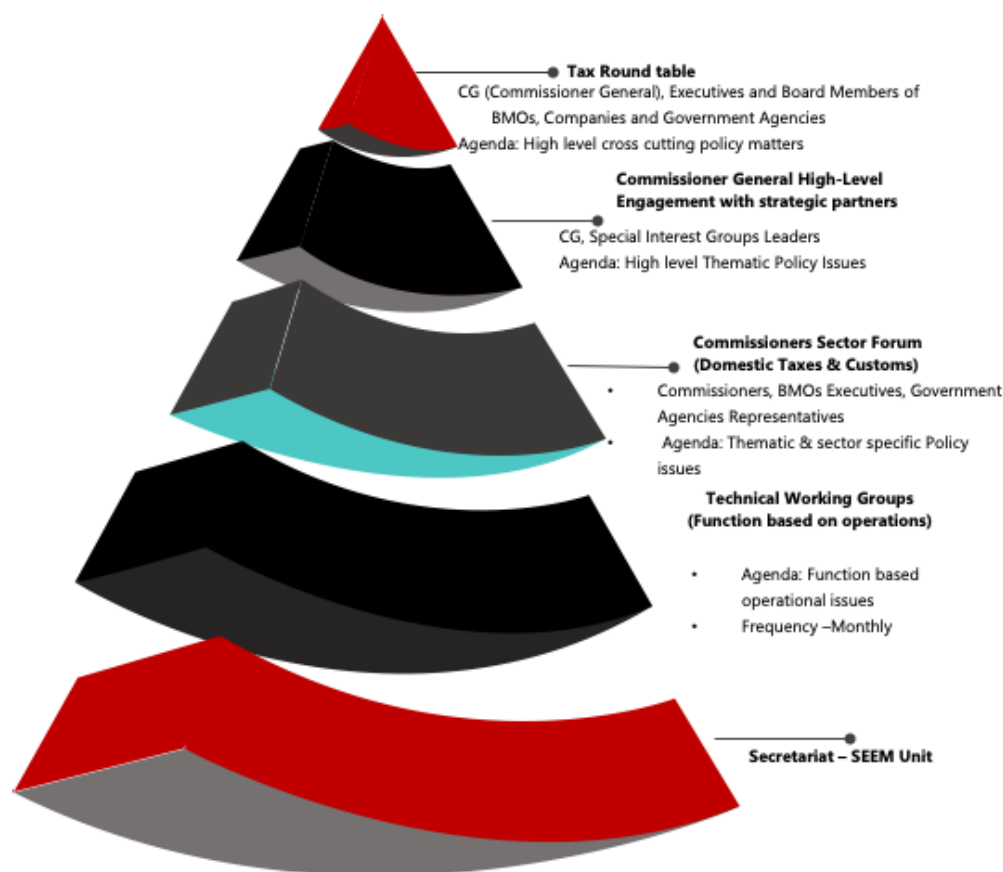


Figure 1: Stakeholder Engagement Approach

Table 4: Stakeholder Engagement Processes and Initiatives

| NO. | STAKEHOLDER ENGAGEMENT PROCESS/INITIATIVE  | TARGETS   |
|-----|--|---|
| 1.  | Establishment of an institutionalized and structured engagement platform to offer solutions and resolve issues with an annual corporate calendar of scheduled engagements.   | To facilitate alignment of external views and needs of stakeholders to internal business processes  |
| 2.  | Convening of the Annual Tax Summit, which targets academia, private sector and the public for joint solutions and feedback in effective tax administration.  | To facilitate a conducive tax dialogue environment and ensure there are linkages in all processes affecting KRA's stakeholders.               |
| 3.  | Establishment of the Annual Board roundtable and bi-annual Tax Round Table, a quarterly forum chaired at Commissioner General's Level, to gauge effectiveness of the Authority's issue resolution and engagement platform. | To ensure KRA is accountable and transparent in its approach to service delivery.   |
| 4.  | Creation of an outreach calendar based on KRA projects and programs to accommodate stakeholder needs in project implementation.  | To create a predictable and stable tax environment commencing with clear policies to minimize business disruptions and litigation challenges. |
| 5.  | Implementation of a robust public participation programme for all new tax policies, legislation, regulations and processes.  | To ensure inclusivity in tax processes and to facilitate stakeholder buy in.  |
| 6.  | Tax advocacy and partnership building  |   |
|     | To foster cooperation in tax matters; tax legislation, tax education and awareness creation, and maintain trustful relationships.  |   |



## Key SEM Initiatives/Programs

- a) **Institutionalization of Stakeholder Engagement** – implementation of an Annual Corporate Stakeholder Engagement Calendar to facilitate structured and consistent engagements that offer solutions to key tax issues
- b) **Annual Tax Summit** - convened yearly targeting academia, policy makers, tax experts, professionals and the public for joint solutions and feedback in effective Tax Administration.
- c) **Tax Round Table** - a biannual forum chaired by the Commissioner General to gauge effectiveness of the KRA issue resolution/ engagement platform, and for resolution of cross-cutting/corporate stakeholder concerns.
- d) **Board Roundtable** - an annual forum chaired by the Chairperson of the Board of Directors to assess the overall effectiveness of KRA in Stakeholder Engagement and for escalation of national policy matters.
- e) **Public Participation Fora** - these are fora held across the year to facilitate KRA's understanding of needs and concerns of the public with a view to ensure diversity and inclusivity in decision-making.

## Challenges of SEM

- » **Bureaucratic Interdependencies** - KRA is an agency working under the National Treasury (NT) as its principal. Some stakeholder issues have policy ramifications only dealt with by the NT.
- » **Complexity of Tax Law:** This leads to difference in interpretation of tax laws, hence lengthy litigation and taxpayer conflict.
- » **Resources** - Stakeholder engagement is a resource intensive undertaking. The costs of venues, coordination, retreats with key actors, and research and publication are all costly initiatives.

## Achievement of SEM

- » 80% resolution of stakeholder issues around taxation
- » Accolades and endorsement of KRA as a stakeholder-centric agency
- » Establishment of the Relationship Health Index (RHI) as a corporate metric for tracking KRA's Stakeholder Engagement effectiveness

## The Future of Stakeholder Engagement in KRA

- » Remodelling of Stakeholder Engagement to ensure KRA's perception as a service organization that is open and approachable
- » Ensuring and creating linkages in all processes affecting KRA's stakeholders
- » Creating partnerships in the amendment of tax laws and the policy-making processes

### Achievements of the Tax Summit

#### **Key Outcomes**

- Improved business climate and competitiveness
- Enhanced Revenue through Tax Compliance,
- Enhanced operational efficiency,

#### **Enhanced service delivery**

- Installed a Customer Relationship Management System
- Developing an M-Service platform to cater for the needs of all segments of taxpayers

#### **Tax Education & Research**

- KRA collaborated and launched a KRA and Kenya Institute of Curriculum Development in mainstreaming tax education in a competency –based curriculum

#### **Stakeholder Communication**

- KRA has put in place a robust stakeholder engagement structure that allows continuous dialogue on tax matters.
- KRA is in the process of conducting a Relationship Health Audit for a qualitative evaluation of KRA's key relationships using best practice analytical tools, relational metrics and measurements

Figure 1: Stakeholder Engagement Dashboard

**Table 5: Stakeholder Engagement Dashboard**

| Description  | FY 2015/2016 | FY 2016/2017 | FY 2017/2018 | FY 2018/2019 | FY 2019/2020 |
|--|--------------|--------------|--------------|--------------|--------------|
| Relationship Health Index  |              |              |              |              | 61.4%        |
| Issues Resolution Rate   | 62%          | 66%          | 71.5%        | 82%          | 77%          |
| Tax Round Table  |              | 1            | 2            | 1            | 1            |
| Regional Tax Roundtables   |              |              |              | 1            | 2            |
| Corporate Engagements<br>(Commissioner/<br>Technical level) & Stakeholder<br>sensitization | 40           | 64           | 86           | 122          | 108          |
| Board Roundtable   |              |              |              |              | 1            |
| Taxpayers Month (TPM)  | 1            | 1            | 1            | 1            | 1            |
| Tax Summit   | 1            | 1            | 1            | 1            | 1            |
| Public participation framework   |              |              |              |              | 1            |
| Stakeholder Partnerships / MoUs  | 1            | 3            | 1            | 1            | 1            |
| Stakeholder Communication / bulletin   |              |              |              | 2            | 4            |
| Parliamentary requests processed   | <10          | <10          | 12           | 19           | 28           |

## The Stakeholder Engagement Journey

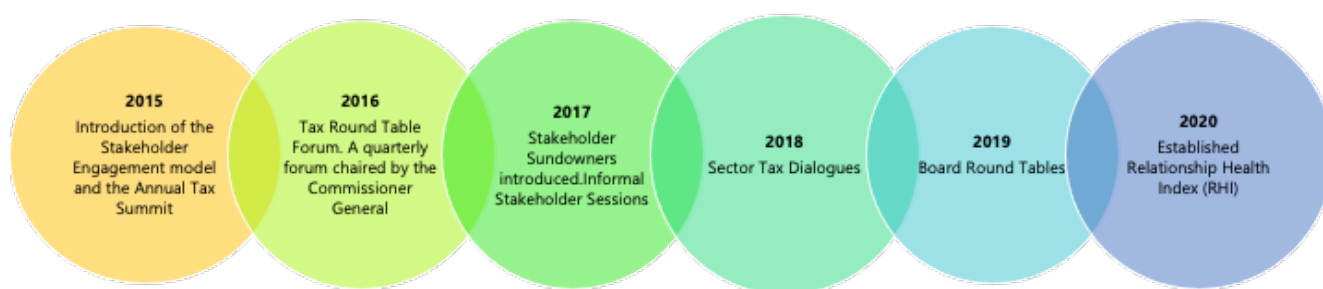


Figure 2: The Stakeholder Engagement Journey

### Excisable Goods Management System EGMS implementation

This was a directive from the FY 2013/2014, Legal Notice No. 110 of 18<sup>th</sup> June, 2013 (Excisable Goods Management System Regulations) of the Customs & Excise Act Cap. 472. It required KRA to roll out EGMS on all excisable goods. KRA renegotiated the contract with the Technology provider (SICPA SA) in 2015 to enable KRA implement EGMS on all excisable products. The Authority implemented EGMS only on beer in February 2016 due to court Cases and Parliamentary Committee Proceedings that curtailed the implementation on the rest of the Excisable Goods prior to 2020. The expansion of EGMS was to enable Bottled water, Juices, Soda and other non- alcoholic beverages and cosmetics that is now implemented except for the cosmetics due to the uniqueness of products in this sector.

#### **Challenges faced during implementation of EGMS**

**Stakeholder dissatisfaction.** This called for stakeholder consultation to ensure faster buy in and thorough sensitization of every stakeholder on the supply chain.

**Cost** of the EGMS stamps, challenges in configuration and infringement of property rights and trademarks

#### **Stakeholder Engagement Approach**

The Stakeholder Engagement team held continuous consultations with the National Treasury and ensured that industry bodies - e.g. Alcoholic Beverages Association of Kenya (ABAK), Kenya Private Sector Alliance (KEPSA), Kenya Association of manufacturers (KAM) and Water Bottlers Association of Kenya (WBAK) - issues were resolved. Through proactive advocacy - using **joint (KRA/Private Sector) working groups** - the Cabinet Secretary (CS) for National Treasury made adjustments on the pricing of the stamps by varying it based on the Excise Duty contribution of each class of goods.

Figure 3: The Stakeholder Engagement Journey

## 2. Win-Win Approach to Policy Making

The VAT (Amendment) Regulations, 2019 sought to address implementation challenges of the VAT Regulations, 2017 and adjust the VAT refund formula in order to ensure that taxpayers can fully recover the portion of input tax on zero-rated supplies. The Stakeholder Engagement Section held successful consultations that led to a win – win situation.

### **A Key Achievement: Consensus Building**

Reduction of taxpayers in constant refunds position and businesses unlocking liquidity challenges and enhancing the business environment for exports.

The Finance Act 2019 reduced VAT withholding from 6% to 2%.

The Act reviewed the VAT Refunds formula as provided for under VAT Regulations 2017 to create equity in allocating input tax between local sales and exports. This means claimants get a fair portion of the input tax relating to exports.

The Miscellaneous amendments 2019 provides for Credit utilization and taxpayers utilize credits relating to VAT Withholding to settle tax liability in other tax heads.

### **Stakeholder Engagement Approach**

KRA utilized **technical**, **Commissioner-level**, and **Commissioner General's Tax Roundtable** platforms to identify critical issues for resolution. The proposed formula was simulated on these platforms, and through dialogue, a consensus approach was unveiled that birthed the new formula.

Figure 4: Stakeholder Engagement Model Success Stories – Amendments VAT regulations reintroduction

## III. INTERNATIONAL RELATIONS

KRA has over time prioritized its engagement with the international community to enhance its reputation, reap maximum benefits from the international community, and maintain stable foreign relations.

### **Establishment of the EAC Affairs & International Relations Function**

In March 2015, KRA established the East African Community Affairs & International Relations (EAC Affairs & IR) function to manage KRA's International Relations (IR) matters. The unit's contribution to international engagement was largely operational, focusing on facilitating international logistics through air travel and travel clearance for staff representing KRA in international affairs. KRA had no corporate approach to international relations in KRA, with each independent actor or department determining their international priorities, and domesticating their approaches and domicile benefits – including knowledge, learning, representation, assistance, and expert advice.

The result was a fragmented and inefficient international relations agenda mostly occasioned by ineffective international representation, limited institutional memory as regards international matters, poor coordination of international matters, sub-optimal utilization of IR resources, and lack of tools for management of international relationships.

### **Transforming International Relations in KRA: International Relations & Diplomacy**

The IR fragmentation challenges drove KRA to rethink its international engagement model and refocus it from an operational and events-based model (transactional) to a strategic and role-driven approach (transformational). This led to the transfiguring of the EAC Affairs & IR into the International Relations & Diplomacy (IRD) function in August 2017. The function has since reconfigured and redesigned corporate international relations and ensured a strategic approach to IR.



The reconfigured framework entails the following corporate IR priorities:

1. Strengthen Kenya's position through strategic representation in key international platforms to influence tax practice and trade facilitation
2. Forge and sustain effective relationships and partnerships with key international actors to help achieve KRA objectives through learning & information exchange
3. Pursue transformative, needs-based, and value driven international development cooperation to facilitate KRA access to support for strategic revenue initiatives.
4. Promote Kenya's Foreign Policy through implementation of various international trade instruments
5. Work with East African Community (EAC) Partner States agencies to promote regional integration around revenue administration
6. Position KRA as a thought leader on revenue administration matters by proactively seeking opportunities for sharing information and best practice

### **Achievements of the International Relations Framework**

- a) **Corporate International Relations Policy framework** - The aim of the policy framework is to provide a clear, concise and high-level framework within which KRA develops and sustains its relationships with international actors, as well as parameters within which it engages in international affairs. It stipulates the philosophy, principles, structures and processes for engaging in international relations.
- b) **Corporate Approach to East African Community (EAC) Regional Integration** - KRA has a special and important relationship with the EAC, around trade facilitation and customs management. The Authority's target is to enhance gains from its role in the Single Customs Territory (SCT), promote bilateral trade, enhance coordinated border management, and support implementation of Kenya's export promotion strategy in the EAC. KRA has therefore strengthened regional integration by asserting itself in key platforms of international engagement, and ensuring its participation is strategic, high level, and of quality diplomatic advantage. This has enabled KRA to: Exert greater influence on EAC policies; Become more embedded in the EAC network; Participate in and gain support from EAC initiatives and programmes; assert its position within the EAC; and Exude relevance and confidence in trade facilitation among Kenya's business community and government.
- c) **Bilateral Relations** - KRA's bilateral relations has been restructured and formalized. The Authority's relations are now governed by Memoranda of Understanding (MoUs), Memoranda of Cooperation (MoCs), Terms of References (ToRs), and Agreements, including Double Taxation Agreements. This focuses on building and management of strategic relations with bilateral state agencies/revenue administrations at an international level. KRA's strategic bilateralism also include reaching out to and cooperating with many countries on taxation issues.
- d) **Assertive Multilateral Diplomacy Portfolio through International Representation** - KRA currently deploys a proactive international representation framework that ensures that KRA is represented by appropriate staff and that engagement in international affairs demonstrates Value for Money (VfM). Appointed staff possess the requisite technical skills in the relevant area of engagement, exude diplomatic demeanor, possess advanced communication skills, and demonstrate ability to consultatively make critical decisions committing KRA and the country to relevant and tangible international outcomes.
- e) **Transformative Development Cooperation** - KRA prioritizes donor relations as a strategy for coordinating resource mobilization from alternative sources to support revenue administration programmes. KRA acknowledges the tangible and latent role international development partners play in supporting the revenue administration programmes to strengthen tax reforms. The IRD has put in place an up to date donor map and governance framework to engage potential donors in supporting strategic revenue projects.



**Table 6: International Relations Dashboard**

| Description                                | FY 2015/2016 | FY 2016/2017 | FY 2017/2018 | FY 2018/2019 | FY 2019/2020 |
|--|--------------|--------------|--------------|--------------|--------------|
| International Reputation Index             |              |              |              | 54%          | 77%          |
| International Assistance Programmes (IAPs) | 3            | 4            | 7            | 9            | 12           |
| Bilateral Partnerships                     |              |              | 11           | 31           | 48           |
| International MoUs/Agreements Reviews      |              |              |              | 10           | 9            |
| International Representation               |              |              | 187          | 272          | 247          |
| International Relations Effectiveness      |              |              |              | 55%          | 69%          |
| International Visitor Programmes           |              |              | 2            | 6            | 3            |
| IAP Implementation Rate                    |              |              |              | 66%          | 79%          |
| Regional (EAC) Reputation                  |              |              |              | 61%          | 71%          |

## International Relations Success Stories

### 1. Streamlining International Instruments Execution Process

The process of developing and executing international instruments in KRA was initially laborious and administratively cumbersome. There was no corporate sight of the actual and number of MoUs and Agreements KRA had, neither did relevant agencies have sight of the same.

KRA therefore set out to reorganize this process by putting in place the following measures:

- International Relations & Diplomacy (IRD) Office** - The IRD function was set up as the central coordinating agency for international instruments on behalf of KRA management.
- Permanent Representatives to International Instruments Process (PRIIP) Framework** – Each KRA department nominated two key officers to the International Instruments Process. The nominees are responsible for articulating the departments' needs and ensure their interests are accurately captured in proposed instruments of cooperation. They also facilitate development, drafting, departmental sign-off and tracking of implementation of signed agreements. This includes participation in annual review meetings.
- Annual MoUs/Agreements Retreats** – The most critical coordination platform for international instruments. This is an annual forum in which permanent representatives convene to discuss contents of various agreements (both proposed and those in force). It is from these retreats that the corporate position on various MoUs and Agreements are presented for management approval and concurrence before presentation to KRA's parent ministry for approval, and subsequent execution. This platform has so far reviewed 19 instruments, five of which have been successfully approved by the National Treasury for execution.
- Process Workflow for Initiation & Execution of International Instruments** – This is a corporate step-by-step guide on initiation, development, and execution of international instruments that KRA is a party to. It details all the 22 stages/processes an instrument must go through – from development of a business case to custody of signed instrument and its subsequent review.

Figure 6: Streamlining International Instruments Execution Process

## 2. Transforming Development Partnerships in KRA

For many years, KRA's approach to international development partnerships was siloed, ad hoc, and haphazard. There was no corporate sight of the state of development partnerships and coordination was poor and suboptimal.

KRA management put in place the following measures to reform development cooperation:

- a) **Development Cooperation Framework** – This guides KRA's relations with international development partners to ensure transformative development partnerships. The guide streamlines development partnerships to ensure consistency, innovation and credibility in sourcing and implementation of support for strategic revenue administration programmes and initiatives. It also ensures management cycles, reporting, contract management, phasing and quality assurance of donor-aided projects are smooth and sustainable.
- b) **International Technical Assistance Policy** - KRA prioritizes International Technical Assistance Programmes (TAPs) as corporate instruments of reinforcing technical competence in revenue administration. TAPs are attracted based on their strategic value, fit, and alignment to KRA corporate plan. This means KRA no longer admits TAPs based on their partners' proposal, but on KRA's request and/or business need.
- c) **Corporate Donor Map** – This is a donor database containing critical information that helps strengthen KRA's positioning for support. The database also provides a 360-degree view of all projects, donor sectoral focus, funding period, donor details and contacts, funding pledged and funding received, KPIs, funding risks and implementing departments and process owners.

Figure 7: Transforming Development Partnerships in KRA

### Development Cooperation Framework

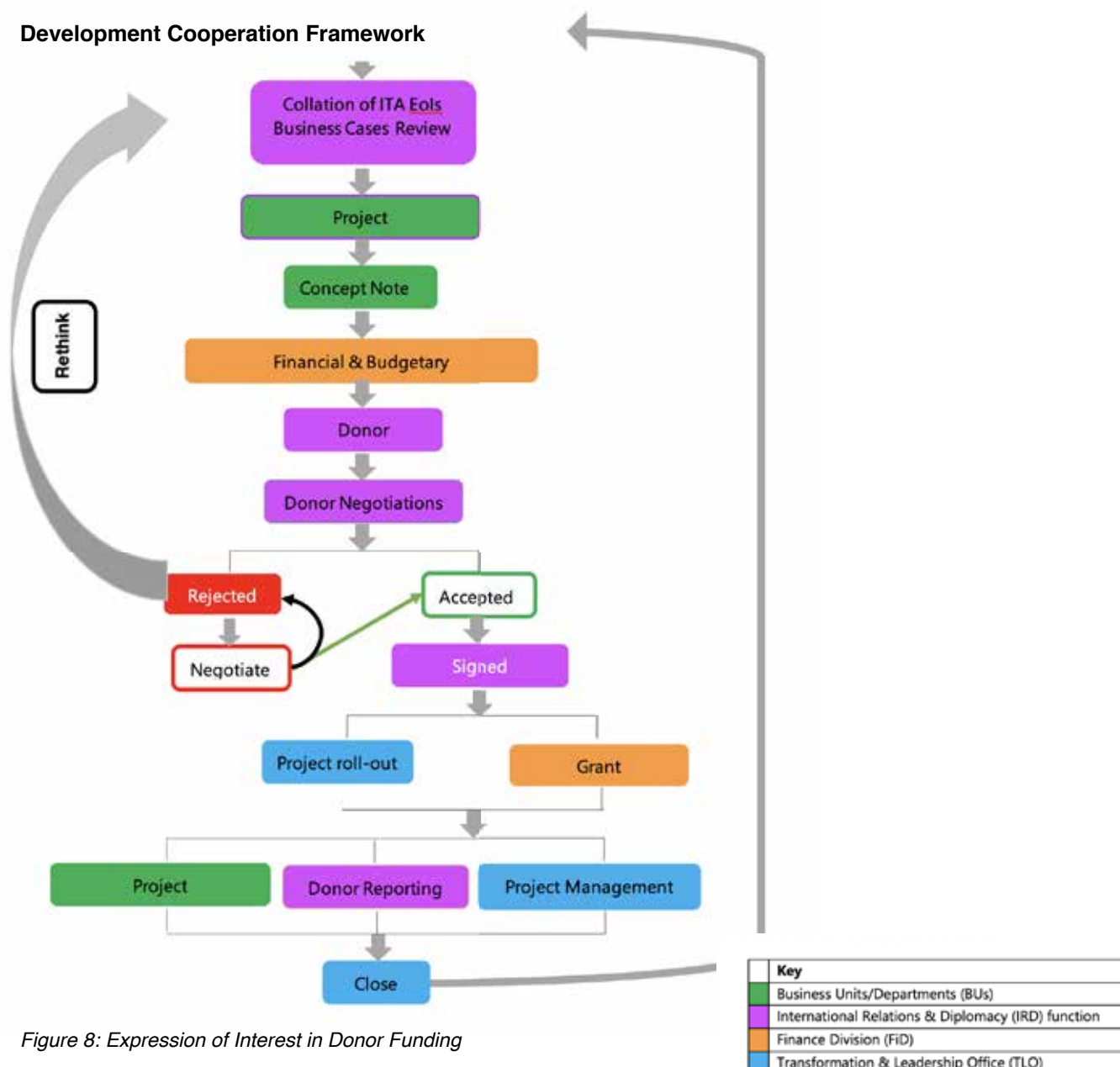


Figure 8: Expression of Interest in Donor Funding

## The Future of International Relations in KRA

- » ICDP – Utilizing KRA’s International Capacity Development Framework as an international cooperation tool, for optimal knowledge exchange on tax administration best practice. This includes establishing KRA as a centre of excellence in tax and customs knowledge and training.
- » Reforming Development Cooperation – International development support will be more demand-driven than supply-driven. All forms of assistance will be attuned to KRA’s business needs
- » International Representation – KRA will prioritize presence and membership in international platforms that add maximum business value and with demonstrable benefits to KRA’s corporate agenda.

## Summary

### The Citizen Engagement Journey...

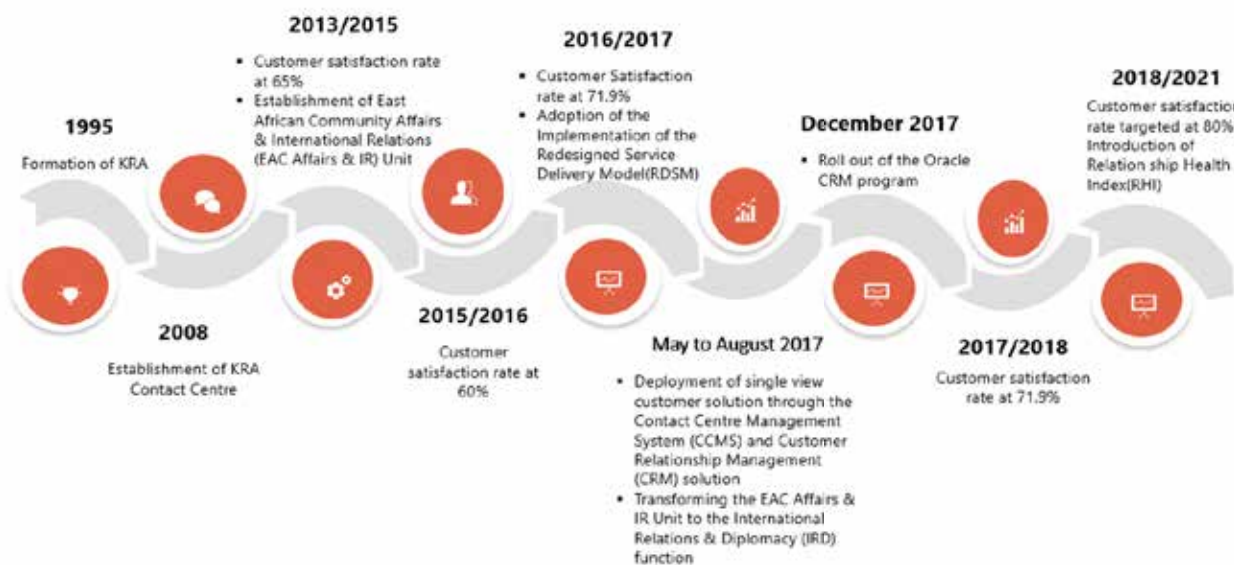


Figure 9: The Citizen Engagement Journey

## Conclusion & Key Lessons

1. There is no magic wand in creating a delighted taxpayer. Customer engagement is a process. KRA must re-design its approach to fit its business priority. The Authority must take advantage of technology and constantly innovate available systems/tools for engagement to be meaningful and add business value.
2. For revenue administration to be robust and meaningful, engagements must involve citizens affected by the issues, especially the most strategic. For KRA, this includes strengthening the industry players’ voices in tax policy processes as well as adding authenticity and momentum to stakeholder engagements to the highest levels possible.
3. Campaigns should actively involve governments and/or potential or actual opposition, and manage their cooperation. KRA achieves this by sharing information with relevant government actors and officials to help prepare its proposals, and by bringing possible resisters (key industry players e.g. KAM, KEPSA) into the debate. This helps to build a consensus towards righting problems, and encourages resisters to become champions for reform.
4. Strategize international partnerships carefully. KRA demonstrates this in different ways, especially with the development partners, but also with multilateral and bilateral international actors. All international partnerships should help reap maxim benefits to the agency, and influence best practice.





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