# REPUBLIC OF KENYA

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# COUNTY GOVERNMENT OF NYERI

## DEPARTMENT OF FINANCE, ECONOMIC PLANNING AND ICT

## REVENUE MOBILIZATION STRATEGY

## 2025-2030

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**LIST OF ABBREVIATIONS**

| | |
|---|---|
| CIDP | County Integrated Development Plan |
| CRA | Commission on Revenue Allocation |
| CBEF | County Budget Economic Forum |
| CIFMIS | County Integrated Financial Management Information System |
| CDC | Center for Disease Control |
| DANIDA | Danish International Development Agency |
| FIF | Facility Improvement Financing |
| IFAD | International Fund for Agricultural Development |
| ICT | Information Communication Technology |
| HR | Human Resource |
| KFS | Kenya Forest Service |
| KRA | Kenya Revenue Authority |
| KPI | Key Performance Indicators |
| KPLC | Kenya Power & Lighting Company |
| KWS | Kenya Wildlife Services |
| NHIF | National Health Insurance Fund |
| NTSA | National Transport and Safety Authority |
| NGOs | Non-Governmental Organizations |
| OSR | Own Source Revenue |
| POS | Point of Sale |
| PFMA | Public Financial Management Act |
| RMS | Revenue Management Strategy |
| SHA | Social Health Authority |
| UNDP | United Nations Development Programme |
| USAID | United States Agency for International Development |

## FOREWORD

This Resource Mobilization Strategy is an important blueprint for achieving the medium- and long-term aspirations of the County Government, as envisioned in the County Integrated Development Plan (CIDP) 2023-2027. The CIDP has clearly defined the strategic priority areas of intervention, as well as the resource needs to achieve its overall objectives, which are aligned with relevant national legislation and policies.

The consolidated resource requirements point out what the county government needs to do to meet the budgetary needs in an endeavor to successfully realize the development priorities. Based on an in-depth analysis, the resource mobilization strategy aims to establish a database of potential sources to target for mobilization in relation to the planned projects and programs.

With this strategy, there will be assured sustainability and predictability of core funding to support the County's programs. The strategy further proposes to improve funding through diversification of sources within and outside the County Government. The Resource Mobilization Strategy similarly outlines the critical importance of strong institutional coordination of initiatives at the county level, which will be spearheaded, coordinated, and closely monitored by the County Treasury.

The strategy is clearly aligned with the objectives of the CIDP 2023-2027 as it is aimed at providing resources to bridge the county's budgetary gaps. While the strategy represents a final step to enhance county development initiatives, it also signals an opportunity for engaging with a new approach in undertaking planned activities. The proposals contained in this strategy, in terms of investments required, seem overwhelming but are achievable.

Hitherto, the county government has been working closely with development partners such as the World Bank, UNDP, DANIDA, IFAD, and USAID/CDC, among many others, in an attempt to bridge the financing and capacity gaps in its operations. However, resources remain scarce to finance the ever-increasing competing needs, and therefore, there is a need to explore all possible resource mobilization initiatives to enhance sustainable development. I am confident that the proposals in this blueprint will address the envisioned specific objectives, which will justify the participation of development partners. This will provide more resources for the development of projects/programs outside the normal budgetary allocation.

Robert Thuo Mwangi.
County Executive Committee Member
**FINANCE, ECONOMIC PLANNING AND ICT**

## ACKNOWLEDGMENT

The development of this strategy was achieved through an inclusive and consultative process involving key departmental individuals. The process was effectively coordinated by the Ag. Chief Officer for Finance and Accounting, together with the Ag. Chief Officer for Economic Planning, Budgeting, Monitoring and Evaluation. Their dedicated leadership, commitment, and collaborative efforts are hereby gratefully acknowledged.

I extend special gratitude to H.E the Governor Mwalimu Mutahi Kahiga, EGH and H.E the Deputy Governor David Waroe Kinaniri, the Ag. County Secretary, County Executive Committee Members, Chief Officers, County Directors, and other county authorities for their unwavering support throughout this process. Special thanks go to the County Executive Committee Member (CECM) in charge of Finance, Economic Planning and ICT Mr. Robert Thuo for his leadership and guidance in the development of this strategy. We in the department acknowledge his visionary direction in mapping out the strategic direction that he wanted the department to take in order to effectively execute its mission of providing leadership and direction in planning, resource mobilization and management for quality service delivery. It is my strong conviction that the successful implementation of this revenue mobilization strategy will improve the performance of the county in terms of own source revenue and mobilization of other sources of funding.

Special thanks go to the core technical team comprising of; Ag. Chief Officer Economic Planning F.A/CPA Stephen Mwai, Director Revenue Rehema M. Salim, Deputy Director Revenue Mr. Boniface Karogo, Principal Economist Mr. Chris Gathogo, Economist Ruth Kimiti, Principal ICT Officer Dickson Ndegwa, Revenue Officers Ms. Esther Kariuki and Ms. Miriam Mwangi for their commitment and dedication throughout the preparation process of compiling, editing and formatting of this strategy.

While I may not mention everyone who participated, I do acknowledge all those individuals who directly or indirectly contributed to the success of the development and production of this strategy.

CPA Adan Ibrahim
**<u>Ag. CHIEF OFFICER- FINANCE AND ACCOUNTING</u>**

## EXECUTIVE SUMMARY

This strategy outlines our county's road map to enhance our own source revenue and mobilization of other sources of funding to bridge the existing revenue gaps with the primary objective of financing our programs as itemized in our County Integrated Development Plan (CIDP) 2023-2027.

The strategy will achieve this by implementing reforms in revenue administration policy, enhancing revenue through automation, strengthening compliance mechanisms and expanding the revenue base. It seeks economization, efficiency, effectiveness, and equity in the process of applying the resources. It also highlights partnerships, where we seek to engage all development partners' objectives, priorities, and interests.

We will prioritize stable, predictable revenue policies that foster economic growth in the county and ensure fairness in revenue collection while simultaneously investing in stakeholders' education and participation to significantly improve compliance with the laid down regulations.

This all-inclusive approach will boost the county's fiscal sustainability, allowing for reduced reliance on exchequer releases and enhancing county financial strength for service delivery to citizenry.

# CHAPTER 1: INTRODUCTION AND BACKGROUND OF REVENUE MOBILIZATION

### Background

The 2010 Constitution created a two-tier system of Government, i.e. the National and 47 County Governments. The Government of Nyeri is demarcated into eight sub-counties with thirty wards.

Nyeri County is located in Central Kenya, with an area of 3,337.2 km², lying between longitudes 36038" east and 37020" east and between the equator and latitude 00°38" south. It borders Laikipia County to the north, Kirinyaga County to the east, Murang'a County to the south, Nyandarua County to the west, and Meru County to the northeast.

The county has Ten (10) departments, namely;

- Gender, Youth, Sports & Social Services;
- Water, Environment and Climate Change;
- Trade, Tourism and Cooperative Development;
- Roads, Transport, Public Works, Infrastructure and Energy;
- Agriculture, Livestock & Aquaculture;
- Lands, Housing, Physical Planning & Urban development;
- Health Services and Public Health
- Finance, Economic Planning and ICT;
- County Public Service & Solid Waste Management and
- Education, Training & Devolution.

There are also 5 spending units. These include: Executive Office of the Governor & Deputy Governor, Office of County Attorney, Office of the County Secretary, County Public Service Board, and Municipality. Additionally, there are 5 water county corporations, which are Nyewasco, Omwasco, Tewasco, Mawasco and Naruwasco.

The county has 54 revenue streams as shown in **Annex II.** The payment methods available to customers include cash office payments, Point of Sale (POS) systems, and others. However, the risks associated with manual payment methods are significant; hence, considerable effort has been made to transition the County towards e-payment systems. Previous engagements with third parties to develop revenue management systems placed the County in a disadvantaged position, as it could not obtain accurate and verifiable data on revenue arrears. This has created an accountability gap in the County's revenue mobilization strategy and in auditing revenue collected through such platforms.

### Revenue Administration

Revenue administration plays a critical role in the success of any revenue mobilization strategy. It provides the institutional framework through which revenue bases are assessed, rates and charges are determined, billing is done, payments are receipted, enforcement is carried out, and processes such as accountability, auditing, reporting, and oversight are implemented.

In the County Government structure, revenue administration is embedded within various departments and spending units, each overseen by the respective County Executive Committee Member (CECM). These departments and spending units are responsible for implementing revenue targets as stipulated in the relevant revenue laws, which in turn finance the priorities outlined in the County Integrated Development Plan.

While efforts have been made to decentralize the collection of various revenue streams to the relevant departments and spending units, the majority of collections still remain under the Department of Finance, Economic Planning, and ICT. Although the County Treasury has established a Directorate of Revenue Collection, its integration with other departments remain weak. The lack of a well-defined reporting structure, especially since most department-specific revenue streams are managed by Directors who operate at the same level as the Director of Revenue, has led to coordination challenges and limited the directorate's influence in shaping the broader revenue mobilization agenda.

This fragmented structure highlights the need for a more robust revenue mobilization framework with clearly defined roles, responsibilities, and lines of accountability. Some counties have addressed this challenge by establishing semi-autonomous revenue agencies, which have proven effective in enhancing operational efficiency and reducing corruption in revenue collection.

**Overview of the county fiscal performance in Own Source Revenue**

As provided under Article 209(3) of the Constitution of Kenya, 2010, County Governments are empowered to generate Own Source Revenue (OSR) through the imposition of property taxes, entertainment taxes, and any other taxes authorized by Parliament and other fees and charges through the county legislation . This authority is intended to supplement other revenue streams and support effective budget implementation.

Over the past three financial years, Nyeri County's fiscal performance in Own Source Revenue (OSR) has demonstrated key trends in revenue collection relative to the approved targets. The OSR comprised of various local revenue streams and collections from the Health Services Fund (FIF), which is ring-fenced for use within health facilities.

***Revenue Performance vs Targets***

In the financial year 2022/2023, the cumulative approved Own Source Revenue target was Ksh. 1.1 billion, comprising Ksh. 800 million from local revenue sources and Ksh. 300 million from the Nyeri Health Services Fund. Actual collections amounted to Ksh. 1.08 billion, with Ksh. 610 million generated from local revenues and Ksh. 469.5 million from the Health Services Fund, as shown in **Table 1** below.

**Table 1: Summary of Revenue Performance for FY 2022/2023**

| Description | Approved Target | Actual Revenue Collection | Variance | Percentage Performance |
|---|---|---|---|---|
| Own Source Revenue | 800,000,000 | 610,737,309 | (189,262,691) | 76.34 |
| Health Services Fund (FIF) | 300,000,000 | 469,529,432 | 169,529,432 | 156.51 |
| Total | 1,100,000,000 | 1,080,266,741 | (19,733,259) | 98.21 |

***Source: County Treasury***

An analysis of financial year 2023/2024, Nyeri County recorded a 30.29 percent increase in Own Source Revenue performance compared to the previous year. The approved revenue targets were Ksh. 800 million for local revenue and Ksh. 573.02 million for the Health Services Fund. Actual collections amounted to Ksh. 1.41 billion, comprising Ksh. 667 million from local revenue sources and Ksh. 740 million from the Health Services Fund, as illustrated in **Table 2** below.

**Table 2: Summary of Revenue Performance for FY 2023/2024**

| Description | Approved Target | Actual Revenue Collection | Variance | Percentage Performance |
|---|---|---|---|---|
| Own Source Revenue | 800,000,000 | 667,120,608 | (132,879,392) | 83.39 |
| Health Services Fund (FIF) | 573,026,212 | 740,425,501 | 167,399,289 | 129.21 |
| Total | 1,373,026,212 | 1,407,546,108 | 34,519,897 | 102.51 |

***Source: County Treasury***

For financial year 2024/2025, the approved Own Source Revenue targets comprised Ksh. 800 million from local revenue sources and Ksh. 836.3 million from the Health Services Fund. The actual revenue collected amounted to approximately Ksh. 1.45 billion, with Ksh. 682 million generated from local revenue and Ksh. 769 million from the Health Services Fund, as detailed in **Table 3** below.

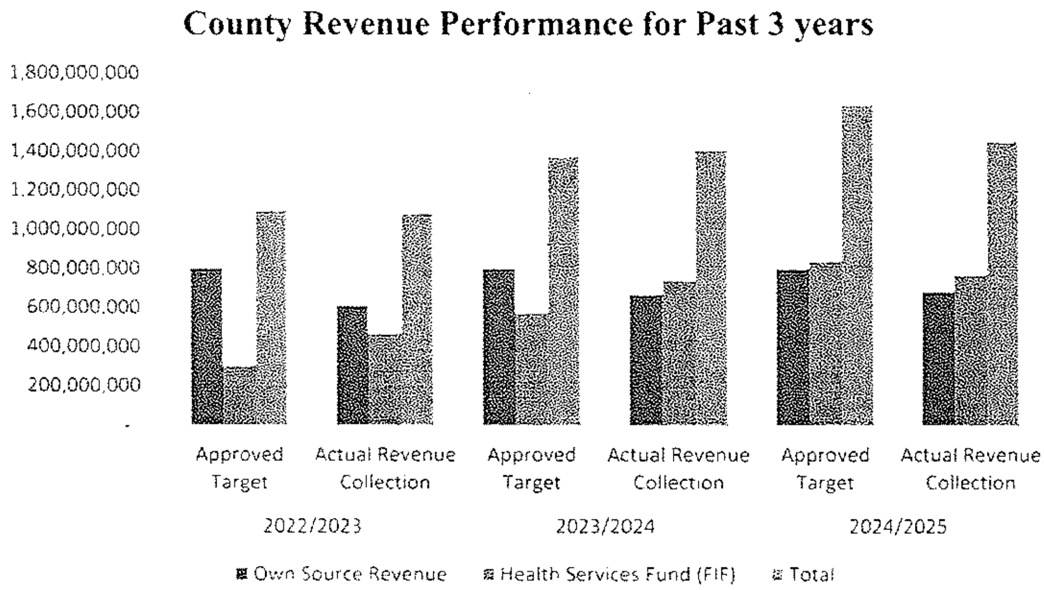
**Table 3: Summary of Revenue Performance for FY 2024/2025**

| Description | Approved Target | Actual Revenue Collection | Variance | Percentage Performance |
|---|---|---|---|---|
| Own Source Revenue | 800,000,000 | 682,737,300 | (117,262,700) | 85.34 |
| Health Services Fund (FIF) | 836,295,127 | 769,201,876 | (67,093,251) | 91.98 |
| Total | 1,636,295,127 | 1,451,939,176 | (184,355,951) | 88.73 |

***Source: County Treasury***

An analysis of the past three financial years indicates a gradual improvement in Nyeri County's Own Source Revenue performance, with the highest collection recorded in the 2024/2025 financial year, as illustrated in **Figure 1** below. Despite this upward trend, it is imperative to note that the County has consistently underperformed against its approved revenue targets over the period.

**Figure 1: County Revenue Performance for The Past Three (3) Years**




*Source: County Treasury*

**Revenue Potential as per the Commission on Revenue Allocation (CRA)**

The Commission on Revenue Allocation (CRA) conducted a Comprehensive Own Source Revenue potential and Tax Gap Study in 2022, which aimed to determine the maximum possible own source revenue that each county government can collect from the most important revenue streams when applied to the best practices in revenue administration.

According to the study, Nyeri County has the potential to significantly increase its Own Source Revenue (OSR) to approximately Ksh. 4.302 billion, compared to the indicated actual collections of around Ksh. 659.2 million. The study focused on key revenue streams that account for at least 80% of the County's total OSR, revealing substantial untapped potential across several areas, shown in **Table 4** below.

**Table 4: Actual revenues and Potential Revenue Estimates (CRA)**

| Revenue Stream | Actual collections of revenues (Millions) | Revenue Potential (Millions) |
|---|---|---|
| Property Rates | 62.9 | 187.9 |
| Building Plan Approvals fees | 0.00 | 11.4 |
| Trading Licensing | 92.5 | 400.4 |
| Liquor Licensing fees | 42.7 | 48.9 |
| Advertising and Sign Board fees | 23.4 | 585.5 |
| Parking fees | 97.8 | 97.8 |

| Revenue Stream | Actual collections of revenues (Millions) | Revenue Potential (Millions) |
|---|---|---|
| Agricultural transportation fees | 41.2 | 242.3 |
| Hospital and Public Health Services fees | 258.3 | 1,780.0 |
| Market Trade Centre fees | 35.9 | 51.0 |
| Natural Resource Transportation fees | 0.00 | 554.6 |
| Environment and Conservancy administration fees | 0.00 | 115.1 |
| Game Reserve fees | 0.00 | 0.00 |
| Administrative fees and charges | 0.00 | 113.3 |
| Fines, Penalties and Forfeitures | 4.5 | 16.6 |
| Technical Services fees | 0.00 | 97.2 |
| Total | 659.20 | 4,302 |

***Source: Comprehensive Own Source Revenue Potential and Tax Gap Study of County Governments (CRA)***

Further, the report indicated that existing streams such as hospital and public health service fees, advertising and signage fees, and trade licensing were identified as having considerable capacity for growth. Additionally, the study highlighted several underutilized sources including natural resource transportation fees, environmental and conservancy administration fees and technical services fees, which present further opportunities for expanding the County's revenue base.

The comprehensive analysis of the revenue potential and tax gap identified several recommendations that could improve the existing county revenue management framework and the required infrastructure to collect and analyze data on revenue collection towards enhancing performance in generating revenues from own sources. This includes:

- Investments in revenue collection and reporting infrastructure that involves training the county workforce.
- Creation of an automated system for collecting data, not only on revenues, but on the economic indicators that are relevant to the economic base for each stream.
- Strengthen collaboration and data-sharing mechanisms between different departments/entities within and outside the county government to allow monitoring of revenue base, evaluate the revenue raising measures and adopt an evidence-based approach to OSR policy decision making.

**Existing Revenue Mobilization Measures, Laws and Policies in the County**

***Revenue Mobilization Measures***

These are the strategies and actions employed to enhance revenue collection and minimize leakages:

**a) Broadening the Revenue Base**

Attempts have been made to identify and register all potential taxpayers, businesses, and properties. Expansion into revenue sources, such as parking and outdoor advertising, has seen an upward trajectory over time.

**b) Automation of Revenue Collection**

The County is in the process of fully adopting e-payment platforms such as, mobile money, online portals, POS systems, bank transfers and real-time tracking of collections to reduce leakages.

c) **Property Rate Management**

The County has partly updated valuation rolls to ensure fair and accurate billing, while envisaging to digitize the land records by using the GIS laboratory.

d) **Enhanced Enforcement and Compliance**

The county is enhancing issuance of compliance certificates, deployment of inspectors and relevant enforcement officers and imposition of penalties and interest on late payments which has enhanced compliance.

e) **Capacity Building**

Training of revenue staff on collection, customer service, and ICT has been ongoing. These training sessions aim to enhance staff competency in revenue mobilization, improve customer engagement, and ensure effective use of digital tools.

***Laws Governing Revenue Mobilization***

Revenue collection in the county is guided by the following laws:

a) **Constitution of Kenya, 2010**

b) **Public Finance Management (PFM) Act, 2012**

Guides management, collection, and accountability of county revenues.

c) **County Government Act, 2012**

Provides the framework for devolution and public participation in fiscal matters.

d) **The National Rating Act, 2024 (Cap 267)**

Provides mechanisms for imposing property rates.

e) **County Finance Acts (Enacted annually)**

For the provision of specific revenue-raising measures (rates, fees, charges, permits, licenses) applicable to each financial year.

f) **Nyeri County Revenue Administration Act, 2014**

g) **Nyeri County Tax Waivers Act, 2015**

h) **Nyeri County Alcoholic Drinks Control and Management Act, 2024**

i) **Nyeri County Tea Cess Act, 2017**

j) **Nyeri County Coffee Act, 2022**

**k) Nyeri County Abattoirs Management and Meat Control Act, 2022, among others.**

Currently, in line with the advisory from the Commission on Revenue Allocation, the County has commenced the enactment of individual legislation for each revenue stream. These laws should ideally serve as the primary reference point for the amount of fees payable, thereby guiding assessment by revenue collectors. To this end, various draft laws have been proposed, including the Trade Licensing Bill, the Rating Bill, the Cess Bill, the Physical Planning and Land Use Bill, among others.

***Policies on Revenue Mobilization***

The County is required to develop and adopt policies to guide effective and sustainable revenue collection. Currently the county does not have its own specific policy on revenue mobilization but has been executing existing national policies. However, the county has started the process of developing various policies such as the Tariff and Pricing policy, ICT policy among others.

# CHAPTER 2: APPROACH TO THE REVENUE MOBILIZATION STRATEGY

## Overview

This Strategy seeks to realize effective reforms for improving the county revenue over the medium term through a wide approach to mobilize additional revenues. It is a five-year blueprint that provides a clear roadmap that enables stakeholders to have foresight of the planned measures towards raising of revenues.

The Strategy treats the policy, administrative and legal components of the revenue mobilization in a holistic, interactive way to ensure coordination within the system. This approach is critical in building an adaptive revenue framework that responds to changing economic situations, evolving business models, eliminates evasion and enhances compliance in the settlement of fees, levies and charges. The method creates an environment that has clear policies and administrative practices to facilitate revenue mobilization.

The County Government will develop strategies to cover the period from 2025 to 2030 with an overall target of raising and enhancing its own source revenues as well as identifying other potential sources of revenue to bridge the existing resource gaps.

## Objectives of the Strategy

The overall objective of this Strategy is to provide a comprehensive framework for guiding reforms in the revenue administration and mobilize additional revenues over the medium term to support implementation of the government priorities as identified in Kenya's Vision 2030, Bottom-up Economic Transformation Agenda and the County Integrated development plan 2023-2027. The Strategy is therefore geared;

(a) To increase revenue and reduce reliance on national revenue sources over the next five years;
(b) To support county development agenda;
(c) To reduce tax compliance costs and improve investment climate; and
(d) To enhance fairness and transparency in the revenue administration framework.

The specific objectives are to:

- Improve efficiency in revenue administration and coordination;
- Ensure equity and fairness in the revenue regime;
- Enhance taxpayer compliance with revenue obligations;
- Expand the revenue base;
- Create certainty in the tax regime to attract investment; and
- Promote investment across various sectors by eliminating market distortions

In setting the objectives of this revenue mobilization strategy, the County Government is cognizant of the need to achieve a better balance between competing challenges.

### Rationale for the strategy

The County needs a Revenue Mobilization Strategy to provide a comprehensive framework that will guide its efforts to increase revenue to support its development goals as set out in the county's medium-term development agenda. There is significant demand for expenditures on infrastructure, education, healthcare, energy, agriculture, tourism and other priorities. This therefore creates the need to raise an optimal revenue amount to sustain a level of economic growth to uplift people out of poverty and improve the well-being of all Nyeri Residents.

Subsequently, the County Government has initiated revenue policy and legislative reforms aimed at broadening the revenue base and implemented measures to improve the efficiency and effectiveness of its revenue mobilization and administration systems. Notwithstanding the measures taken, there is a need for more fundamental reforms for the county government to meet its revenue potential.

This revenue mobilization strategy is motivated by the following factors;

a) To establish a medium-term framework for generating resources that the county requires to support the delivery of services and the implementation of the development blueprint.
b) To encourage greater self-reliance as well as increase financing for economic development while maintaining a stronger sense of ownership of the policy controls.
c) To generate and maintain constructive and inclusive dialogue among stakeholders about the shape and balance of the revenue administration framework.
d) To build consensus around an approach to revenue mobilization that is consistent with the aspirations of Nyeri residents, society, and ways of doing business.
e) To provide greater certainty and confidence for local investors and business community on the planned direction of revenue policy.

### Scope of the Strategy

The Strategy aims to balance the need for revenue to finance socio-economic development in the county while supporting businesses and individuals to thrive and surmount economic challenges. It covers all revenue streams, proposes possible sources and the administrations aspect. Special focus is on improving efficiency in revenue administration by enhancing compliance, sealing loopholes and facilitating taxpayers to meet their tax obligations.

### Policy, Legal and Regulatory framework

This resource mobilization strategy is anchored in a solid legal and regulatory framework. These laws empower the county to generate revenue, provide guidelines for fiscal management, ensure accountability, and protect public interest.

### Constitution of Kenya, 2010

Article 209 empowers counties to impose, Property rates, Entertainment taxes and Charges for services they provide. In addition, Article 210 ensures fairness in taxation; where no tax or licensing fee shall be imposed, waived, or varied except as provided by legislation. Article 225 also provides for financial control and ensures responsible management of public funds. Finally, the Fourth Schedule of the Constitution assigns functions to county which form the basis for charging fees and levies.

**Public Finance Management Act, 2012**

This provides a framework for effective and transparent management of public finances. It also outlines how the county government can mobilize, manage, and account for resources. Further, the Act defines the roles of County Treasury, County Executive Committee (CEC), and the County Assembly in revenue collection and oversight in addition to requiring regular reporting and budget performance reviews.

According to section 132 of the Public Finance Management Act (PFMA) 2012, County Governments have the legal duty to define and announce the revenue-raising measures that are in place in each financial year. The measures are then published as part of the County Finance Bills.

**National policy in 2019 to support the enhancement of own-source revenue:**

This was developed by the National Government to standardize policy, legal and institutional framework for local revenue-raising measures and enforcement across counties. This strategy will be aligned to the policy to ensure uniformity and comparability.

**County Governments Act, 2012**

This act establishes the structure and functions of county governments with emphasis on public participation in decision-making, especially on budget and revenue matters. It also supports the development of county plans and policies that guide resource mobilization.

**The Rating Act (Cap 267)**

This governs the procedures for imposing property rates on land and buildings. It enables the county to develop valuation rolls and issue rate demands.

**Valuation for Rating Act (Cap 266)**

It provides for the valuation of properties to determine the amount of property rates payable. It also forms the basis for setting property-related tax obligations.

**County Finance Acts (Passed Annually)**

These are legal instruments passed by County Assembly each financial year to authorize: Fees, Levies, Licenses, Charges.

**Facilities Improvement Financing Act, 2023 (Health Sector Specific)**

It allows public health facilities to retain and use own-source revenue (OSR) as Appropriation in Aid (A in A) to enhance service delivery. It provides a legal framework for accountability and financial management at facility level.

**Intergovernmental Relations Act, 2012**

It facilitates cooperation between national and county government on matters including fiscal transfers and revenue sharing and provides for resolution of disputes related to resource mobilization.

**Access to Information Act, 2016**

**It** supports transparency and accountability in how the county raise and spend revenue. It ensures public access to information on budgets, tax policies, and collection performance.

**Other key county legislation:**

The county may enact or develop specific laws to improve revenue performance

In conclusion, the legal framework for resource mobilization in counties is multi-layered, combining national legislation with county-specific laws and policies. Full implementation and regular updating of these laws are essential to ensure counties can sustainably finance their functions, enhance service delivery, and achieve fiscal independence.

# CHAPTER 3: CHALLENGES AND GAPS IN REVENUE MOBILIZATION, ADMINISTRATION AND MANAGEMENT

## Challenges in Revenue Mobilization

Revenue mobilization in the County particularly from own sources faces several challenges that continue to undermine optimal performance and fiscal sustainability. The key challenges include;

**Political Interference and Weak Governance:** This significantly affects revenue mobilization. Tax waivers and resistance to enforcement in politically charged environments encourage tax evasion. Further, the enactment and implementation of County Finance Bills often reflect political interests rather than aligning with County development plans. Despite the county government having strong structures and laws in place, there is a challenge in implementation and enforcement.

**Selective and Inconsistent Levy Collection:** Revenue collection practices remain inconsistent across departments and county entities, with selective enforcement of levies. This undermines equity, accountability, and trust in the taxation system.

**Weak Debt Recovery and Enforcement:** There is a general lack of commitment to recovering outstanding revenue arrears. Enforcement mechanisms are ineffective due to structural issues. Notably, relevant enforcement officers are based in different areas and departments which leads to poor coordination, low accountability, and reported cases of corruption.

**Liquidity Constraints and Delayed Service Delivery:** Revenue mobilization strategies often strain cash flow, delaying service delivery and undermining the County's fiscal sustainability thus contributing to pending bills and unpaid commitments.

**Inefficient Revenue Management Systems:** Many revenue streams still rely on manual systems, which are prone to fraud, underreporting, and delayed reconciliation. Although the County has not fully automated its revenue collection through the *Nyeri Pay* platform, full coverage is yet to be achieved. This limits efficiency, accountability, and real-time oversight.

**Outdated Taxpayer Registers and Valuation Rolls:** The County operates with outdated and incomplete taxpayer databases and valuation rolls. This undermines accurate billing, hinders expansion of the revenue base, and weakens revenue forecasting. The result is systemic under-collection, especially in high-potential areas like property rates.

**Weak Enforcement and Compliance Monitoring:** Revenue laws are poorly enforced due uncoordinated enforcement teams within the county. Capacity gaps among staff, absence of standard procedures, and lack of modern enforcement tools further compromise collection efficiency.

**Weak Internal Controls and Accountability:** Collection of revenue through cash in some revenue streams create loopholes for fraud and corruption, poor reconciliation, delays in banking. Fragmented payments limit transparency and diminish trust in the County's revenue system.

**Reliance on traditional streams:** Despite an estimated OSR potential of KES 4.302 billion per year (CRA), actual collections fall significantly short. The County depends heavily on traditional streams such as property rates, business permits, market fees, and parking charges while largely ignoring high-potential areas.

**Underfunding of revenue activities:** Financial resources allocated to revenue activities for mobilization and administration is not sufficient for operational needs.

**Incomplete Operationalisation of Regulations:** Despite the county having a Health Services Act, it is yet to be aligned with the Facility Improvement Fund by the National Government. This results in inconsistent practices and legal ambiguities at the facility level.

**Weak Reporting and Accountability:** Health facilities often fail to submit timely and accurate financial and performance reports, limiting oversight by the County Treasury and other oversight bodies.

**Lack of an Integrated Health Management Information System**: This has hindered efficient hospital revenue collection.

**Lack of a coordinated frame work for PPP engagement**: The county lacks clear guidelines on engagement of private sector in supporting projects and programs. In case of PPP the county is reliant on legislation on the same by National Treasury.

**Uncoordinated donor engagement for revenue mobilization and investment partnership**: There lacks a structure for donor mapping and mobilization

# CHAPTER 4: REVENUE MOBILIZATION MEASURES AND STRATEGIES

## Revenue mobilization measures and strategies

To improve revenue performance and overcome the identified challenges, the following measures are recommended:

**a) Enhancing Revenue compliance**

- Strengthen enforcement by developing a transparent enforcement policy with clearly defined penalties for non-compliance.
- Regular sensitization and awareness of revenue legislation to citizens. This will include simplifying the laws and conditions so that citizens can understand them.
- Conduct regular internal audits to strengthen internal controls.
- Introduce citizen self-service portal.
- Harmonize the automated mode of payments and eliminate cash payments.
- Integrate revenue management with other government agencies to recover arrears and enhance compliance.
- Provide incentives that will encourage compliance.

**b) Broaden Revenue sources.**

- Identify the non-payer's through mapping. This will provide clear records to facilitate enforcement.
- Improve and provide the necessary infrastructure that supports revenue enhancement. This may include construction and marking of new parking spaces among others.
- Leasing idle county lands for private development.

**c) Modernization of Revenue Administration.**

- Capacity building of staff on emerging technologies and revenue raising measures.
- Adopting digital systems to improve efficiency and transparency. This may involve installation of biometric and other systems.
- Apply modern technologies to detect frauds and inconsistencies.
- Adopt methods of tracking collections at source. This involves detection of potential revenue through surveillance.

**d) Promote accountability in revenue mobilization**

- Eliminate manual collection methods to reduce pilferage and strengthen internal controls.
- Adoption of cashless systems.
- Promote timely and accurate revenue reporting.
- Offer incentives e.g. allowances to officers.
- Regular rotation of revenue and enforcement officers.
- Reconciliation of daily collections against bank deposits.

e) **Revenue Reforms.**

- Regular review of legislation to ensure transparency and accountability in administration of waivers and exemptions, e.g. Waivers Act etc.
- Develop necessary policies, legislation and guidelines for revenue mobilization.
- Align Health Services Fund Act, 2021 with National Facility Improvement Financing (FIF) Act, 2024.
- Develop County specific coordination framework and structure on external resource mobilization.
- Regularly update valuation rolls and taxpayer registers.
- Establish specialized units for debt recovery and compliance enforcement.
- Fast-track enactment of pending revenue laws.
- Gazette revenue collection points and formalize fee structures.

f) **Promote collaboration with donors, private sector and charitable organizations on revenue mobilization.**

- Donor mapping.
- Developing a clear framework for donor engagement and collaboration.
- Create opportunities to collaborate with national government and NGOs on development projects.
- Use of PPPs to engage in joint ventures with private investors to develop infrastructure for projects that generate shared revenue and are capital-intensive.

g) **Engage diaspora investors to invest and partner in county projects and programmes**

- Showcase local opportunities by organizing events that highlight potential in key economic sectors such as agribusiness, real estate, manufacturing, and tourism.
- Attract new capital through conferences that provide platforms for networking between investors, government officials, and entrepreneurs, which leads to partnerships, investments, and long-term collaborations.
- Boost development by attracting new investment that is critical for job creation, infrastructure growth, and improving the livelihoods of county residents.
- Increase visibility by showcasing the county on the map for investors, both locally and internationally, creating a more favorable and known business environment.
- Support local businesses through forums that help small and medium-sized enterprises (SMEs) and local entrepreneurs expand their businesses by connecting them with new opportunities, partners, and financing.

## Risks and mitigation measures associated with implementation.

| S/No. | Risk | Mitigation Measures |
|---|---|---|
| 1. | Misalignment with national laws, frequent legal disputes and constitutional challenges | Ensure all county laws are harmonized with the Constitution and national statutes. |
| | | Involve legal and policy experts when drafting revenue bills. |
| | | Conduct stakeholder consultations before passing new fees/charges. |
| | | Use of model legislation as provided by national government agencies |
| 2. | Political interference, resistance from leaders, selective enforcement | Build political goodwill by involving leaders in revenue planning |
| | | Sensitize elected leaders on the importance of sustainable revenue |
| | | Institutionalize revenue mobilization to reduce political manipulation |
| 3. | Weak administrative systems, corruption, poor capacity, leakages | Establish an independent County Revenue Authority |
| | | Digitize revenue collection to minimize cash handling |
| | | Strengthen internal audit and monitoring mechanisms |
| | | Train relevant officers continuously on ethics and professionalism |
| | | Establish and operationalize clear revenue mobilization structures |
| 4. | Tax evasion, low willingness to pay, informal sector dominance | Implement civic education and taxpayer sensitization campaigns |
| | | Provide incentives for compliance e.g. early payment discounts |
| | | Strengthen enforcement measures, including penalties for non-compliance |
| | | Formalize the informal sector through simplified licensing systems |
| 5. | Fraud, theft, inefficient systems, inadequate staff, IT failures | Adopt integrated e-revenue collection platforms |
| | | Conduct regular system audits and security checks |
| | | Build redundancy/backups for IT systems |
| | | Recruit and train adequate revenue staff |
| 6. | Economic downturns, over-reliance on narrow revenue streams, inflation effects | Diversify revenue sources |
| | | Periodically review fees to align with inflation and economic conditions |
| | | Develop counter-cyclical measures like flexible payment plans during crises |
| | | Invest in economic development initiatives to expand the tax base |
| 7. | Public resistance, protests, negative perceptions, non-compliance campaigns | Link taxation to service delivery |
| | | Conduct continuous stakeholder engagement and dialogue |
| | | Ensure fairness and equity in revenue measures |
| | | Introduce grievance redress mechanisms to handle disputes |
| 8. | Disasters, pandemics, national policy shifts, competition from other counties | Establish disaster recovery and emergency response funds |
| | | Adopt flexible revenue policies that can adjust during crisis |

| S/No. | Risk | Mitigation Measures |
|---|---|---|
| | | Maintain close coordination with the National Treasury and CRA on national policy |
| | | Benchmark county fees with neighboring regions to remain competitive |

# CHAPTER 5: IMPLEMENTATION, GOVERNANCE AND INSTITUTIONAL FRAMEWORK

## Overview

Effective revenue mobilization requires a well-defined institutional framework that promotes transparency, accountability, efficiency, and equity. The framework ensures that all actors involved in revenue generation, collection, management, and oversight operate within established structures, guided by law and policy.

## Role of various Stakeholders/ Actors

### County Assembly

a) Enacts laws and policies governing revenue mobilization in line with the Constitution and the PFM Act.
b) Approves county finance bills, budgets, and revenue-raising measures.
c) Provides oversight on revenue collection, expenditure, and utilization.

### County Executive

a) Provides leadership in planning and coordinating revenue mobilization strategies.
b) Proposes finance bills and revenue policies for consideration by the County Assembly.
c) Ensures effective implementation of revenue laws and regulations.

### County Treasury

a) Oversees financial management, revenue forecasting, and reporting.
b) Develops revenue mobilization strategies and ensures compliance with the PFM Act.
c) Provides technical support to revenue-collecting entities.
d) Ensures accountability through regular financial reports and audits.

### Directorate of Revenue

a) Manages the day-to-day collection of revenue from various sources (property rates, licenses, fees, charges, cess, etc.).
b) Maintains accurate records of assessed, collected, and pending revenues.
c) Deploys modern technology (e-payment systems, automated registers, etc.) to enhance efficiency and reduce leakages.
d) Conducts public awareness campaigns on revenue obligations.

**Internal Audit and Compliance Unit**

a) Monitors and evaluates revenue collection systems and practices.
b) Ensures adherence to policies, laws, and financial regulations.
c) Identifies and mitigates risks of fraud, corruption, and revenue leakages.

**County Budget and Economic Forum (CBEF)**

a) Provides a platform for structured public participation in revenue mobilization.
b) Advises on the balance between revenue measures and socio-economic impact on residents.
c) Enhances inclusivity and ownership of revenue measures by stakeholders.

**Stakeholders (Citizens, Private Sector, Civil Society, Development Partners)**

a) Citizens play a critical role as taxpayers and beneficiaries of county services.
b) The private sector contributes through licenses, permits, and partnerships.
c) Civil society organizations enhance transparency and accountability.
d) Development partners provide technical assistance, capacity building, and infrastructure support.

**National Government Linkages**

a) The National Treasury, Kenya Revenue Authority (KRA), and the Commission on Revenue Allocation (CRA) provide policy guidance and support.
b) Facilitate intergovernmental coordination to avoid double taxation and enhance efficiency.
c) Build capacity of counties on revenue administration and fiscal management.

# CHAPTER 6: MONITORING AND EVALUATION OF THE STRATEGY

### Overview

Monitoring and evaluation framework will be critical in assisting the County Government to assess whether the aspirations of this strategy are implemented according to the planned timelines and targets. Through engagement of all relevant stakeholders, the county will ensure that the strategies will be effectively and timely executed in line with the implementation matrix (**Annex I**). Therefore, an M&E Plan will form the basis for a systematic measurement of progress of achievement of the strategic objectives. The M&E Plan will provide an overview of the envisaged activities and facilitate collection of data that can assist in decision making through the following;

- Track progress of implementation of various activities of the Revenue Mobilization Strategy;
- Assess strategies, systems, and processes to identify and correct deficiencies/weaknesses in implementation of the strategy
- Promote collaboration among implementing agencies and stakeholders by sharing implementation reports.

There will be regular review to analyze the progress, challenges encountered and corrective action required during implementation of the strategy. The implementation of this strategy will require Monitoring and Evaluation spearheaded by a steering committee comprised of all Chief Officers and Director Resource Mobilization/Revenue being the secretary to the committee.

### Data Collection

The M&E plans and tools will be used to generate information and data that will allow the measurement of changes that may occur during implementation of the Strategy. To guarantee efficiency and effectiveness, baselines will be drawn according to the data collected and evaluations conducted. Evaluation efforts will include commissioning and supervision of a number of evaluation efforts. There will be regular review of the data collected to ensure quality, accuracy, reliability, timeliness and objectivity.

### Progress Reports

Annual Progress Reports will be produced to provide a systematic and structured review of implementation of the actions. Periodic reports will also be produced to address specific issues that may arise. The reports so generated will form part of reports on the state of Revenue Mobilization Strategy. Results obtained from monitoring and evaluation will be important when giving feedback to the citizens as well as improve the revenue mobilization process. The dissemination of the Revenue Mobilization Strategy will adopt a systematic approach to ensure that stakeholders participate in the M&E process and ensure relevant feedback is obtained and shared among stakeholders.

# CHAPTER 7: CONCLUSION

The successful implementation of this Revenue Mobilization Strategy is central to enhancing the County's financial independence, improving service delivery, and fostering sustainable development. By strengthening the legal and policy framework, modernizing revenue administration systems, broadening the revenue base, and promoting accountability and compliance, the County will significantly reduce leakages, expand fiscal space, and optimize resource utilization.

Equally important is the active participation of stakeholders, including citizens, businesses and development partners, whose trust and compliance are vital for the success of the strategy. Continuous capacity building, effective monitoring and evaluation, and adherence to principles of transparency will ensure that the gains made are sustainable over the long term.

Ultimately, this strategy provides a clear roadmap for mobilizing adequate, predictable, and equitable revenues to finance the County's development priorities and deliver on its mandate to the people.

## Annex I: Implementation Framework

| Strategic Objective | Key Activities | Responsible Entities | Timeline | Resources Required | Performance Indicators |
|---|---|---|---|---|---|
| Strengthen Legal & Policy Framework | - Review existing revenue laws<br>- Draft and enact legislation for each revenue stream<br>- Align with CRA advisories | Revenue Directorate, Legal Dept., County Assembly | Short-term (Year 1) | Legal experts, Policy briefs | Number of revenue laws enacted and operational |
| Enhance Revenue Administration Systems | - Automate revenue collection systems<br>- Integrate with mobile money and banking platforms<br>- Establish e-invoicing and e-receipting | Finance Dept, Revenue Directorate, Devolution. | Year 1–2 | ICT infrastructure, Vendor support | % of revenues collected electronically; Reduced leakages |
| Improve Revenue Collection Efficiency | - Conduct staff training on revenue collection and customer service<br>- Deploy revenue collectors strategically<br>- Establish revenue performance contracts and appraisals | Revenue Directorate., HR Dept. Devolution | Continuous | Training materials, HR budget | Increase in monthly collection rates; % staff trained |
| Expand Revenue Base | - Map and register all revenue sources<br>- Create and update a comprehensive revenue database<br>- Introduce new revenue streams in line with legislation | Revenue Dir, Health dept, Planning Dir, Lands Dept. & Devolution Dept | Year 1–5 | GIS tools, Field survey teams | Updated revenue register; % increase in registered taxpayers & % increase in no of patients |
| Enhance Compliance & Enforcement | - Taxpayer sensitization and education campaigns<br>- Establish compliance monitoring unit<br>- Strengthen enforcement mechanisms | Revenue Dept., Enforcement Unit, Civic Education. & Devolution | Continuous | Awareness campaign funds, Enforcement officers | Reduction in arrears; Increase in compliance rate |

| Strategic Objective | Key Activities | Responsible Entities | Timeline | Resources Required | Performance Indicators |
|---|---|---|---|---|---|
| | (penalties, compliance audits) | | | | |
| Strengthen Transparency & Accountability | - Publish quarterly revenue reports<br>- Establish internal audit and monitoring framework<br>- Use digital dashboards for real-time monitoring | County Treasury & Devolution | Continuous | Reporting tools, Audit staff | Reports published on time; Reduced revenue leakages |
| Promote Public Participation & Trust | - Engage stakeholders in setting rates and fees<br>- Create feedback and grievance handling mechanisms<br>- Conduct regular taxpayer forums | County Treasury, Civic Education Dept., Devolution & Stakeholders | Year 1–3 | Public engagement funds | Number of forums held; Increased taxpayer satisfaction |
| Ensure Institutional Capacity & Sustainability | - Continuous staff training and capacity building<br>- Provide adequate budget for revenue administration<br>- Establish partnerships with private sector and development partners | HR Dept., Treasury, Governor's Office, Devolution | Continuous | Training budget, Partnerships | Retention of skilled staff; Annual budget allocation to resource mobilisation |
| Monitoring & Evaluation | - Set up KPIs for all revenue streams<br>- Conduct annual revenue performance reviews<br>- Update strategy based on findings | County Treasury, Devolution | Annual | M&E tools, Data analysts | Annual M&E report; Adjusted strategy implemented |

## Annex II: Revenue Streams

| S/No. | REVENUE STREAM |
|---|---|
| | **Office Of the Governor** |
| 1 | Liquor License |
| | **Department Of Agriculture, Livestock and Aquaculture Development** |
| 2 | Agricultural Mechanisation Station |
| 3 | Wambugu Agricultural Training Centre |
| 4 | Veterinary Charges |
| 5 | Slaughtering Fees & Slaughter House Inspection Fees |
| 6 | Nyeri Slaughter House |
| 7 | Kiganjo Slaughter House |
| 8 | Sale Of Fertilizer/Lime |
| 9 | Gura Fishing Camp/Fisheries Revenue |
| 10 | Coffee Permit |
| | **Department Of Trade, Culture, Tourism and Cooperatives Development** |
| 11 | Market Entrance/Stalls/Shop Rents |
| 12 | Weights And Measures |
| 13 | Co-Operative Audit |
| 14 | Cultural Centre |
| | **Department Of Health Services** |
| 15 | Hospital Services |
| 16 | Public Health |
| 17 | Burial Fees |
| | **Department Of Finance, Economic Planning and Ict** |
| 18 | Business Permits |
| 19 | Commission 3%/Agency Fee (Fees from Khc, Insurance Firms, etc.) |
| 20 | Ambulant Hawkers Licences (Other Than SBP) |
| 21 | Miscellaneous |
| 22 | Document Search Fee/Duplicate Receipts |
| 23 | Impounding Charges/Court Fines, Penalties, And Forfeitures |
| 24 | Application Fee |
| 25 | Parking Clamping/Penalties/Offences Fees |
| 26 | Central Kenya Show Annual Permit |
| 27 | Sale Of Old Office Equipment and Furniture |
| | **Transport, Public Works, Infrastructure & Energy** |
| 28 | Right-Of-Way / Way-Leave Fee (Kpln, Telkom, etc.) |
| 29 | Cess (Quarry, Produce, Kaolin, etc.) |
| 30 | Street Parking Fees |
| 31 | Enclosed Bus Park |
| 32 | Fire-Fighting Services |
| | **Department Of Lands, Housing, Physical Planning & Urban Development** |

| S/No. | REVENUE STREAM |
|---|---|
| 33 | Land Rates/ Other Property Charges |
| 34 | Ground Rent - Current Year / Temporary Occupation License (Tol), New Occupation, Space Rent, Retainers Fees |
| 35 | Ground Rent - Other Years |
| 36 | Plot Transfer Fee/Business Subletting / Transfer Fee |
| 37 | Housing Estates Monthly Rent |
| 38 | Approvals (Extension of Users, Pegging for Kiosk, Subdivision, Transfer, Amalgamation, Survey, Occupation Cert, Boundary Dispute E.T.C.) |
| 39 | Sign Boards & Advertisement Fee |
| 40 | Buildings Plan Approval Fee/Buildings Inspection Fee |
| 41 | Consent To Charge Fee/Property Certification Fee (Use as Collateral) |
| 42 | Sales Of Council's Minutes / Bylaws |
| 43 | Debts Clearance Certificate Fee |
| | **Department Of Gender, Youth, Social Services and Sports** |
| 44 | Hire Of Grounds (Kamukunji, Whispers Park) / Social Hall Hire |
| 45 | Library Services |
| 46 | Stadium Hire (Ruringu, Karatina Etc) |
| | **Department Of Education, Training and Devolution** |
| 47 | Food Ration (Krt) Nursery School |
| 48 | Food Ration (Kingongo) Nursery School |
| 49 | Food Ration (Nyakinyua) Nursery School |
| 50 | Registration Of School, Training/Learning Center Fee |
| | **Department Of County Public Service Management, And Solid Waste Management** |
| 51 | Public Toilets/Use of Public Toilets |
| 52 | Refuse Collection Fee/Tipping Charges/Garbage Dumping Fee/Waste Disposal Charges |
| | **Department Of Water Irrigation, Environment and Climate Change** |
| 53 | Polluters Of Environment Penalties |
| 54 | Noise Regulation/Pollution |