THE NAIROBI CITY COUNTY ASSEMBLY
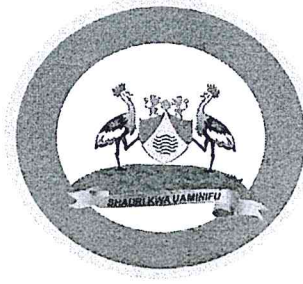
OFFICE OF THE CLERK

SECOND ASSEMBLY-FOURTH SESSION

NCCA/T&J/2020 / (39)

8th July, 2020

PAPER LAID

Pursuant to Article 185(4) of the Constitution of Kenya, I beg to lay the following Paper on the Table of the Assembly, today Wednesday, 8th July, 2020.

THE NAIROBI CITY COUNTY ASSEMBLY SESSIONAL PAPER NO. 1 OF 2020 ON POLICY FRAMEWORK FOR NAIROBI REVENUE SYSTEM BY NAIROBI METROPOLITAN SERVICES.

(*The Leader of Majority Party*)

Copies to:
The Speaker
The Clerk
Hansard Editor
Hansard Reporters
The Press

EXECUTIVE OFFICE OF THE PRESIDENT
NAIROBI METROPOLITAN SERVICES

Approved for tabling.
8/7/2020

SESSIONAL PAPER NO. 1 OF 2020

ON

A POLICY FRAMEWORK FOR NAIROBI REVENUE SYSTEM

| Meeting the Challenges of Revenue Collection in Nairobi City County |

SESSIONAL PAPER NO. 1 OF 2020

ON

A POLICY FRAMEWORK FOR REVENUE COLLECTION IN NAIROBI CITY COUNTY

KENYA REVENUE AUTHORITY

ISO 9001:2015 CERTIFIED

BACKGROUND

The Deed of Transfer of Functions from the Nairobi City County Government (NCCG) to the National Government (NG) on the 25th of February 2020, published in the Special Gazette Notice No. 38 refers.

Article 5.5 of The Deed states:

For the purposes of general co-ordination of revenue collection, the Nairobi City County Government appoints Kenya Revenue Authority (KRA) as the principal agent for overall revenue collection.

Pursuant to Article 5.5 of the Deed of Transfer and in accordance with section 160 of the Public Finance Act 20102, the County Executive Committee Member – Finance & Economic Planning at Nairobi County, appointed KRA as the Principal Agent for overall Revenue collection for all County Revenue for a period of 24 Months with effect from 16th March 2020. This has been published in Kenya Gazette Notice No.1967.

In line with articles 5.6 and 5.7 of the deed of Transfer, relevant human resources were seconded from the National Government and deployed to KRA to undertake revenue collection services.

KRA and Nairobi County Management executed a Service Legal Agreement (SLA) setting out the terms and conditions governing their relationship. The purpose of the SLA is to guide and achieve better performance of the Deed of Transfer and for the management and accountability for revenue collection.

Section C (Page 3 of 13) of the SLA provides that;

KRA is able to provide NCCG with Revenue Collection and management Solutions and has agreed to offer Revenue Collection Services to the NCCG by way of integrated planning, operations and management platform to enable the NCCG actively management service delivery, monitor activities, seal revenue leakages and enforce payment for the services.

Section 5.8 further provides that;

KRA may develop and implement such systems, integrations, process improvement and take such administrative measures necessary for the implementation of the SLA

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With the above background and provisions in mind, KRA commenced revenue collection for Nairobi County from 16th March 2020 with the revenue performance outline below.

16TH MARCH 2020 TO JUNE 2020	
MARCH 2020	495,355,278.19
APRIL 2020	368,818,142.25
MAY 2020	412,149,755.80
JUNE 2020	588,843,445.94
TOTAL	1,865,166,622.18

Note: The global pandemic of COVID 19, greatly hampered revenue collection and enhancement initiatives due to business closures and lock downs across the country. Despite this, consistently KRA recorded improved revenue collection from month to month and was able to grow revenue by 33% in June 2020 compared to June 2019.

Based on our experience within the three Months of collection we have been able to get an in-depth understanding of the current County collection legal framework, processes, systems and the people. We will therefore be working with the County Government to improve revenue through legislative reviews and proposals to the County legislature, review of County Collection Processes, Implementation of new collection platforms and systems and capacity building for staff.

THE REVENUE COLLECTION ENVIRONMENT

Over the last couple of years, the County has on average collected around Kshs10B annually. This can be attributed to numerous challenges that we have encountered so far as outlined below:

1. Data

Data and information are the backbone for revenue collection. This helps to determine with clarify the sources of revenue. Data analysis further provides deeper understanding of revenue and development of r3evenue enhancement strategies. Inaccurate or incomplete or invalidate data therefore has one of the greatest negative impacts to revenue collection.

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The data issues we have encountered can be summarized as follows:

a) *Accuracy*
- Existence of unverified bills on LAIFOMS
- Manual capturing of transaction data (bills and receipts) increase chances of human error
- Customer data has no standard format hence many variations

b) *Completeness*
- There is no single view of customers – each sector manages their customers independently
- Existence of payments cannot be linked to the services they relate to.

c) *Data Integrity & Consistency*
Standards that guide how data is captured and stored are either unavailable or not in use. There lacks uniformity in how data is captured on the different modules on LAIFOMS. The same data is captured differently in different systems. Further, the customer database has no unique identifier

d) *Timeliness*
Status of County payments and debts cannot be accessed on demand since it requires consolidation from the different systems that are currently in use and do not have real time interactions. For instance, transactions made through RevenueSure takes as long as 1 month before they reflect on the core system.

f) *Authenticity*
The existing data is not validated against authoritative data sources such as Registrar of persons, Registrar of Companies, MOL, etc. It is difficult to ascertain its authenticity.

g) *Financial reports*
Multiple standalone revenue systems report separately leading to unclear financial reporting.

h) *Inaccurate/ inconsistent master data for revenue bearing assets*
There are no source documents to validate revenue-bearing assets such as number of county houses and Market Stalls and authentic tenants, number of parking slots and leading zones, number of markets, number of billboards, etc

i) *Data Storage*
Some of the systems with critical government data is in the hands of private 3rd parties who have been providing the IT services to the Country.

2. Systems

The Authority has identified the following systems currently in use by the County for purpose of determining and/reporting revenue
- LAIFOMS – This is core system for revenue reporting. It is a legacy system hence scalability is impossible or very expensive.

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- RevenueSure & FleetFix – These systems are owned by third parties hence the County's rights over them are limited.
- eDevelopment Permit System – this is a cloud-based system used by the Urban Planning Sector

Challenges identified

a) *Fragmentation* of systems makes it difficult to have a single source of truth

b) *Scalability challenges* – LAIFOMS is an outdated system hence scalability is impossible or very expensive

c) *Ownership challenges* – use of third party systems limits the County on the use and modification of the systems to maximize their use. It also exposes crucial data to the third parties.

d) *Security* – LAIFOMS, due to its outdated nature, cannot withstand modern day system attacks and breaches.

e) *Stability* – City Hall is prone to many power outages that result in system downtimes. This has a direct impact on revenue collection and customer satisfaction.

3. County Collection Processes

KRA has gained a good understanding of the current revenue generating processes and identified opportunities for improvement. Below are the major challenges identified;

a) Processes are generally long and tedious.

b) Processes are not predictable,

c) Most processes are manual or semi-manual

d) Most processes are not documented

e) Processes are prone to interference by both staff and customers

f) Limited payment options

Based on the above we had numerous engagements with County staff who are currently undertaking these tasks as well as walking and documenting the customer experiences so as to map out these processes. We have been able to document the existing business processes "AS IS" for most of the revenue streams. In addition, we reviewed/re engineered the revenue collection processes to enhance efficiency and drive customer satisfaction.

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THE NAIROBI COUNTY REVENUE SYSTEM (NRS)

Faced with aforementioned challenges, KRA immediately embarked on a journey to find sustainable solutions to make it easy for County Customers to meet their obligation and thereby enhance revenue collection. While improving/ upgrading the existing systems was a viable option, it would be costly, inconveniencing and unrealistic to do so for revenue collection modules only.

With this background, the idea of a Nairobi County Revenue System (NRS) was birthed as a better solution that would address the revenue collection needs of the County while enabling the County to address decades-long challenges as highlighted earlier herein above.

The NRS is an integrated Revenue Management system built by KRA leveraging on modern technology and supported by:

- Re-engineered processes
- Integrated payment systems
- Integrated third party data sources such as IPRS, BRS, KNBS, MOL, NTSA

Salient Features of the NRS

1. Integrated customer touch points (USSD, mobile app, web portal)

2. Online Services and simplified customer interfaces to cater for different demographics

3. Back end ERP Solution for to manage back office revenue and administrative operations

4. Inbuilt payment System that enables a customer to make payments on the system through various payment methods – Mobile money, cards, bank transfer

5. Reduced data/information capture due to integration with third party data sources

6. Real time financial reports and dashboards

7. 360° Customer View – all customer information in one place.

8. Real time integration with Financial Systems such as banks, mobile money, etc

9. Integration with Geo spatial information systems and Addressing Systems

10. Implementation of a robust payment Gateway

Conclusion

The above system has been under development by an in house Development Team at KRAwith input from all stakeholders and the team has completed development for all Key revenue Streams. This is an update to the County Assembly about the Nairobi County System that will be rolled out from July 2020 in a phased manner.

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