



KENYA REVENUE
AUTHORITY



SEVENTH CORPORATE PLAN

2018/19 - 2020/21

Revenue mobilization
through transformation





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AUTHORITY**

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2018/19 - 2020/21



VISION 2030

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ABBREVIATIONS AND ACRONYMS

AI	Artificial Intelligence
BCMS	Business Continuity Management Systems
BEA	Business Enterprise Architecture
BEPS	Base Erosion and Profit Shifting
BPM	Business Process Management
CEN	Customs Enforcement Network
DRM	Domestic Resource Mobilization
DWBI	Data Warehouse and Business Intelligence
EABI	East Africa Bribery Index
EAC	East African Community
EACC	Ethics and Anti-Corruption Commission
EACCMA	East Africa Community Customs Management Act
EGMS	Electronic Goods Management System
ERM	Enterprise Risk Management
GDP	Gross Domestic Product
HNWI	High Net Worth Individuals
ICD	Inland Container Depot
iCMS	Integrated Customs Management System
ICT	Information and Communication Technology
IFMIS	Integrated Financial Management Information System
IGS	Intelligence Gathering System
IMF	International Monetary Fund
ISO	International Organization for Standardization
IT	Information Technology
KESRA	Kenya School of Revenue Administration
KIFWA	Kenya International Freight and Warehousing Association
KPIs	Key Performance Indicators
KRA	Kenya Revenue Authority
MMS	Manifest Management System
MoU	Memorandum of Understanding
MTP	Medium Term Plan
M&E	Monitoring and Evaluation
NEMA	National Environment Management Authority
NHIF	National Hospital Insurance Fund

NIMES	National Integrated Monitoring and Evaluation System
NSSF	National Social Security Fund
OSBP	One Stop Border Post
PESTEL	Political, Economic, Social, Technological, Environmental and Legal
PVoC	Pre-export Verification of Conformity
RCoE	Requirements Centre of Excellence
RDF	Risk Differentiation Framework
RDL	Railway Development Levy
RECTS	Regional Electronic Cargo Tracking System
REI	Revenue Enhancement Initiatives
RMLF	Road Maintenance Levy Fund
RTMS	Real Time Monitoring System
SARA	Semi-Autonomous Revenue Authority
SBP	Single Business Permit
SCT	Single Customs Territory
SDG	Sustainable Development Goals
SIRM	Strategy, Innovation and Risk Management
SLA	Service Level Agreements
SRC	Salaries and Remuneration Commission
SSA	Sub-Saharan Africa
SWOT	Strengths, Weaknesses, Opportunities and Threats
TADAT	Tax Administration Diagnostic Assessment Tool
TECH	Trustworthy Ethical Competent Helpful
TI	Transparency International
TIMS	Tax Invoice Management System
UHC	Universal Health Care
VAT	Value Added Tax
VoIP	Voice over Internet Protocol

FOREWORD BY THE COMMISSIONER GENERAL



Our 7th Corporate Plan whose theme is **Revenue Mobilization through Transformation, Data-Driven decision-making and Tax Base expansion** coincides with the implementation of the Government's Big Four Agenda and the Third Medium Term Plan of Vision 2030. KRA's main contribution to both initiatives rests primarily on the mobilisation of resources to fund the activities envisaged.

The plan is in addition guided by our Transformation Agenda that seeks to enable our staff transition to new ways of working by leveraging on the greater opportunities presented by investment in technology. This in turn should lead to enhanced revenue mobilisation and more efficient customer service informed by better data utilisation anchored on intelligence and objective risk profiling. The Plan further builds on the foundations laid during the 6th Plan that saw a shift from emphasis on Enforcement towards greater Taxpayer Facilitation.

In the 7th Plan, we have also refined our Vision **to be A Globally Trusted Revenue Agency facilitating Tax and Customs compliance**. This rhymes with our Mandate, Core Values and Mission as captured in this publication and which have been carried through from the 6th Plan.

Our strategic outcomes over the Seventh Plan are to:

- i.) Enhance revenue through improved compliance,
- ii.) Improve business climate by facilitating compliance with Tax and Customs laws and trading nationally and across borders,
- iii.) Become a data and intelligence driven organization,
- iv.) Build public confidence by entrenching integrity, professional competence and customer focus amongst our staff.

To achieve the outcomes above will require implementation of fresh strategies focused towards customer service improvement, tax base expansion, combating illicit trade, recourse to data analytics and staff integrity enhancement. The reforms implemented during the course of the 6th Plan, will substantially contribute towards the delivery of the envisaged outcomes in the current plan.

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

A handwritten signature in blue ink, appearing to be 'J. K. Njiraini', written over a light blue circular scribble.

J. K. Njiraini, CBS
Commissioner General

THEME

Revenue Mobilization through Transformation, Data-driven Decision-Making and Tax Base Expansion



VISION

A Globally Trusted
Revenue Agency
Facilitating Tax and
Customs Compliance



CORE VALUES

Trustworthy

We interact with others in a way that gives them confidence in our intentions and those of the organization

Ethical

We act with integrity, transparency and honesty in everything we do

Competent

We possess functional, technical knowledge and skills that ensure efficiency in the delivery of our services to our customers.

Helpful

We respond to and anticipate client needs in a timely, professional and courteous manner.



MISSION

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

QUALITY POLICY STATEMENT

Kenya Revenue Authority is committed to building trust through facilitation so as to foster Compliance with Tax and Customs Legislation. The Authority shall endeavour to continually improve service delivery and revenue collection by meeting the requirements of ISO 9001:2015 International Standard on Quality Management Systems and complying with relevant statutory and regulatory requirements.



QUALITY OBJECTIVES

- Enhancing revenue mobilization by broadening the tax base, combating tax evasion and using smart intelligence and risk based compliance strategies,
- Strengthening administrative capacity and enhancing transparency and fairness through organizational change and business process optimization,
- Creating a staff establishment that is trustworthy, ethical, competent and helpful, and
- Enabling business by leveraging on technology to achieve full electronic service leading to enhanced operational efficiency and high customer satisfaction.

EXECUTIVE SUMMARY

I. Introduction

During the Seventh Plan period (2018/19 – 2020/21), our focus will be on key priorities of the country's development agenda as spelt out in the **Kenya Vision 2030**, the Third Medium Term Plan (MTP 2018-2022), the **Budget Policy Statement 2018** and the **Big Four Agenda**. We also take account of the country's commitments under the **Sustainable Development Goals (SDGs)** especially SDG 8, SDG 9, SDG 10, SDG 16 and SDG 17.

Our contributions will be in the following areas:

- **Mobilization of revenue:** we will play a central role in raising the revenue/GDP ratio from 18.3 per cent in 2017/18 to 19.2 per cent in 2020/21
- **Achieving the SDGs:** we are central to 5 of the 17 SDGs – (i) SDG no. 17 on strengthening means of implementation, (ii) SDG no 16 on promotion of peaceful and inclusive societies, (iii) SDG no 10 on reducing inequality, (iv) SDG no. 9 on promoting inclusive and sustainable industrialization, and (v) SDG no. 8 on decent work and economic growth
- **Implementation of the Big Four Agenda:** we will raise the bulk of revenues to implement the agenda as well as contribute to improving the business climate including tackling counterfeits and smuggling, and ensuring effective and transparent implementation of the incentives and taxation measures outlined in the Agenda
- **Fostering job creation:** our interventions to formalize the informal sector and ensure right taxes for all will be fundamental in enhancing job opportunities.

We are focused on becoming an **intelligent tax administration** that efficiently uses data and digital capabilities to transform our interactions with taxpayers – that is, “**Simple at the front, smart at the back**”.

II. Evaluation of the Sixth Corporate Plan

The Sixth Corporate Plan was anchored on our **Vision 2018**, whose overarching objective was to achieve revenue independence by 2018, thereby eliminating the

need for deficit financing. An ambitious revenue growth target underpinned this objective, with revenue expected to grow at 24.3 per cent annually, nearly 10 per cent more than what was achieved in the previous decade. The Vision 2018 had 12 Key Performance Indicators (KPIs), 22 core targets and 82 key interventions.

With respect to results, we find that achievement of targets lagged the implementation of initiatives – only 6 targets (27%) were met compared to 78 per cent implementation rate for core interventions. Key achievements included the following: achievement of weighted compliance, implementation of Enterprise Risk Management (ERM) tools, achievement of full electronic payment, automation of individual functions, recruitment of active taxpayers, and achievement of automation levels.

We draw six points from the key lessons from the Sixth Plan. **Firstly**, we need to align targets more closely with achievable interventions. **Secondly**, we need to observe stricter adherence to project cycles. **Third**, we have recognized the importance of proper data management to enable data to be used as a resource. **Fourth**, we need to enhance interdepartmental collaboration where responsibilities are shared across departments. **Fifth**, we need to strictly ensure that resource allocation follows the strategy. **Sixth**, we need to adopt realism in financing to ensure that only activities we can realistically fund under the resource envelopes are included in the Plan. We have incorporated the lessons into the Seventh Plan.

III. Strategic Priorities of the Seventh Corporate Plan

Our overarching goal is “**Revenue mobilization through innovative use of the opportunities created by the reforms, change programme and transformation the Authority has undergone over the past Plans**”. We have identified four strategic outcomes:

(1) **Enhanced revenue through improved compliance:** we will endeavour to meet the Government's revenue targets through risk based compliance. Key interventions fall in 5 areas:

- (i). Expanding the tax base,

We will play a central role in raising the revenue/GDP ratio from 18.3 per cent in 2017/18 to 19.2 per cent in 2020/21

- (ii). Data driven compliance,
- (iii). Robust intelligence collection, utilization and investigation,
- (iv). Ensuring greater effectiveness of the Alternative Dispute Resolution programme, and
- (v). Strengthening debt and accounts management.

(2) Improved business climate with respect to taxation and trading across borders: we intend to achieve a quantum leap in customer service characterized by high levels of customer satisfaction (over 80%), reduced illicit trade, a top 50 position in Paying Taxes and Trading Across borders rankings, and improving refunds management. Our key interventions include:

- (i). A customer service improvement programme,
- (ii). Enhanced border management,
- (iii). Paying taxes and trading across borders interventions,
- (iv). Restructuring VAT refunds management, and
- (v). Reducing uncertainty on application of tax law.

(3) Public confidence in the integrity, professional competence and customer focus of our staff: we aim to achieve a competent, performance driven, customer focused and motivated staff. Our interventions are built around four initiatives:

- (i). Staff expansion programme,
- (ii). Enhanced staff management and development,
- (iii). Corporate culture change management.
- (iv). Implement a work environment improvement programme

(v) Revamped integrity programme: Integrity has been given prominence with a specific chapter given the negative implications integrity challenges have on revenue mobilization. Our aim is to reduce the perception from current 32 per cent to 10 per cent by:

- Creation of awareness,
- Inter-agency collaboration,
- Corruption related audits,
- Staff investigation, and
- System reviews and automation.

(4) Data and intelligence driven organization: we aim to achieve efficiency in our operations through streamlined business processes leveraging on technology. Our interventions fall under four core areas

- (i). Implementation of the Third KRA wide ICT Strategy,
- (ii). Implementation of data governance framework,
- (iii). Business continuity and ISO maintenance, and
- (iv). Organizational restructuring in line with our Transformation Agenda.

IV. Monitoring and Evaluation

Our monitoring and evaluation framework conforms to the guidelines provided by the National Integrated Monitoring and Evaluation System (NIMES). Eighteen (18) Key Performance Indicators (KPIs) were selected, four for national monitoring and 14 for monitoring at ministerial level.

V. Financing of the Seventh Corporate Plan

We forecast that implementation of the Seventh Plan will require **Kshs 103,690 million** over the 3 years.

Our aim is to reduce the corruption perception from current 32% to 10% by: putting equal emphasis on compliance and promotion of ethical conduct, increasing use of technology, stepping up communication with stakeholders and working with partner agencies.





IMPLEMENTATION OF THE SEVENTH PLAN WILL REQUIRE

KSHS. 103,690 MILLION OVER 3 YEARS

BUSIA ONE STOP BORDER POST



INTRODUCTION

1.1 Functions of KRA

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

The functions of the Authority are to:

- Assess, collect and account for all revenues in accordance with all provisions of the written laws set out in Part I and Part II of the First Schedule relating to revenue.
- Advise on matters relating to the administration of, and collection of revenue under the written laws or the specified provisions of the written laws.
- Perform such other functions in relation to revenue as the Cabinet Secretary to the National Treasury may direct.

1.2 ACTS of Parliament Administered

In order to realize our mandate, we administer the revenue aspects of the Acts listed in the First and Second Schedules of KRA Act (Cap. 469).

1.3 Organizational Governance

Our governance and management structure is organized as per the recommended international best practice for Semi-Autonomous Revenue Authorities (SARAs). An independent Board of Directors is the governing body as set out in the Act. The Board is responsible for the review and approval of policies and monitoring of the functions of KRA. The day to day management of the Authority is the responsibility of the Commissioner General, assisted by Revenue and Support Commissioners and other departmental heads.

1.4 Role of KRA in the Country's Development Agenda

Over the Seventh Plan period, we shall be central in achieving various national policy objectives. The key roles that we shall play are outlined in various policy documents, including the Budget Policy Statement 2018, **Vision 2030**, the Third Medium Term Plan and the **'Big Four' Agenda**. The plan also takes into account the Sustainable Development Goals (SDGs).

Key national priorities include:

- Achieving economic prosperity, broad and inclusive, covering all regions and achieving a high

growth rate from 2012 onwards

- Fostering job creation and reducing poverty and inequality
- Affecting structural change to increase manufacturing share to 15 per cent, increasing industrial exports and exploiting the country's oil and mineral resources
- Implementing the **'Big Four' Agenda**; that is, enhancing manufacturing, food security and nutrition, universal health coverage and affordable housing
- Achieving the **Sustainable Development Goals (SDGs)**, and
- Achieving fiscal objectives with the core target of raising revenue to GDP from 18.3 per cent in 2017/18 to 19.2 per cent by 2020/21.

We shall contribute to the following core areas:

- Mobilization of revenue*: in 2017/18, we collected over 95 per cent of the Government's Exchequer revenue. Going forward, increasing the revenue/GDP ratio will be partially achieved through a Medium Term Revenue Enhancement Strategy (MTRS) to be jointly developed with the National Treasury.
- Achieving the SDGs: we are central to 5 of the 17 SDG's as follows:

(i) *SDG no. 17 on strengthening means of implementation* – (17.1) requires strengthening of domestic resource mobilization), (17.10) the promotion of universal, open rule-based multilateral trading system (where Customs is involved), and (17.11) the increasing of the share of developing country exports (where trade facilitation is critical).

(ii) *SDG no. 16 on promotion of peaceful and inclusive societies* – (16.4) requires the reduction in illicit financial and arms flows and strengthening recovery of stolen assets, (16.5) the reduction in corruption and bribery (a KRA priority), and (16.6) accountable, effective and transparent institutions.

(iii) *SDG no. 10 on reducing inequality*. We are responsible for the implementation of the proposed new Income Tax Act which implies a progressive taxation system, the core tax structure for reducing inequality. However, a large proportion of Kenya's taxpayers are non-compliant reducing the effectiveness of the progressive tax regime. Expanding the tax-base through recruitment

WE ARE CENTRAL TO 5 OF THE 17 SDGs



1

SDG no. 17
Strengthening domestic resource mobilisation, the promotion of universal, open rule-based multilateral trading system (where customs is involved) and increasing the share of developing country exports (where trade facilitation is critical)

2

SDG no. 10
We are responsible for implementation of the Income tax which has inbuilt a progressive taxation system – the core tax structure for reducing inequality. However, a large proportion of Kenya’s taxpayers are non-compliant reducing the effectiveness of the progressive tax regime. Expanding the tax-base through recruitment to bring these on board will play a key role in meeting this SDG,



3

SDG no. 16
Reducing illicit financial and arms flows and strengthening recovery of stolen assets, reducing corruption and bribery – a KRA priority, and accountable, effective and transparent institutions,

4

SDG no. 9
Building resilient infrastructure and promoting inclusive and sustainable industrialization. (9.2) requires the promotion of inclusive and sustainable industrialization and thereby raising industry’s share of employment and GDP. This SDG is aligned to the Big Four Agenda on manufacturing.



5

SDG no. 8
Decent work and economic growth requires support to sustain per capita economic growth (through revenue collection), (8.3) promote development-oriented policies and (8.8) protect labour rights and promote safe and secure working environment of all staff.



will therefore play a key role in meeting this SDG.

(iv) *SDG no. 9 on building resilient infrastructure and promoting inclusive and sustainable industrialization.* (9.2) requires the promotion of inclusive and sustainable industrialization and thereby raising industry's share of employment and GDP. This SDG is aligned to the Big Four Agenda on manufacturing.

(v) *SDG no. 8 on decent work and economic growth.* (8.1) requires support to sustain per capita economic growth (through revenue collection), (8.3) promote development-oriented policies and (8.8) protect labour rights and promote safe and secure working environment of all staff.

- Implementing the Big Four Agenda: we will be central in the implementation of the Agenda in two ways. First, it will contribute to the improvement of the business climate, signified by Paying Taxes and Trading Across Borders rankings, which are fundamentally affected by tax administration. Secondly, it will ensure the effective and transparent implementation of the incentives and new taxation measures outlined in the Agenda.
- Fostering job creation: we aspire to contribute to the creation of productive jobs by bringing in the informal sector into the tax net. The tax burden will thus be shared and revenue enhanced while creating more formal jobs.

1.5 Focus of the Plan

The broad thrust of this Plan is to enable the Government to meet its revenue targets through a facilitative approach, which relies on creating an environment for the taxpayers to voluntarily comply with the law. Consequently, the following three main thematic drivers will guide this Corporate Plan:

(1) Transformation: we seek to be a tax administration offering efficient customer-focused tax services based on data, risk and intelligence. The focus of our strategy is to enable our staff to transition to new ways of working by leveraging on greater opportunities presented by technology to provide improved services to our taxpayers.

(2) Customer: we endeavour to ensure that our taxpayers are served in a coordinated and efficient manner through our redesigned Service Delivery Model.

The model will ensure consistency and seamless service delivery across all customer touch points.

(3) Revenue: Over the Seventh Plan period, we expect to collect **Kshs 6,106 billion** of core revenues – Exchequer revenues, Road Maintenance Levy Fund (RMLF) and Railway Development Levy (RDL) – requiring an annual revenue growth of **17.2 per cent**.

1.6 Assumptions

Successful implementation of the Corporate Plan is contingent on the following key assumptions:

(a) Economy: That the targets set in the macro-economic framework outlined in the Budget Policy Statement 2018 are achieved.

(b) Resources: The National Treasury ensures that we are adequately funded to deliver on our policy objectives.

(c) Political environment: that there shall be a conducive political environment to support both our operations and the business community.

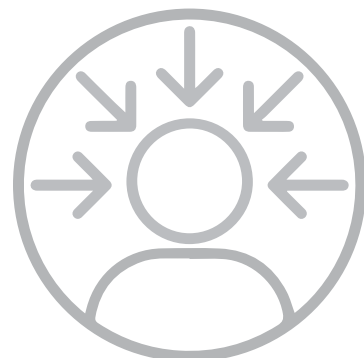
(d) Technology: that there will be a conducive IT policy environment to enable us fully exploit the potential of technology.

1.7 Organization of the Seventh Corporate Plan

For the rest of the Plan document, we:

- Review the performance of the Sixth Corporate Plan
- Analyze the operating environment – national policy objectives, PESTEL, SWOT and strategic risks
- Provide the strategic overview of the Seventh Plan
- Outline the Integrity Strategy
- Provide the financing framework for the Plan
- Describe the monitoring and evaluation framework, and lastly
- Concretize our interventions in the implementation matrix.

We seek to be a Tax Administration offering efficient customer-focused tax services based on data, risk and intelligence.



CHAPTER 2

REVIEW OF THE SIXTH CORPORATE PLAN 2015/16-2017/18

2.1 Introduction

The Sixth Corporate Plan was anchored on our Vision 2018, whose **overarching objective was to achieve revenue independence by 2018** with revenue expected to grow

at 24.3 per cent annually, thereby eliminating the need for deficit financing. The implementation of Vision 2018 was based on 12 KPIs, which provided a basis for monitoring the Plan. The performance of the KPIs over the Plan period is illustrated in Table 2.1 below.

Table 2.1: Performance of the Vision 2018 KPIs

Target (to be achieved in 2017/18)	Unit of measure	2015/2016		2016/17		2017/18	
		Target	Actual	Target	Actual	Target	Actual
1. Attain 9% VAT/GDP Ratio	%	5.0	4.5	6	4.5	9	4.21
2. Achieve 65% weighted compliance	%	65	59	65	59	65	65
3. Attain 4 million minimum active taxpayer base	No. (mn)	2.4	2.3	3.6	3.47	4	3.94
4. Attain 80% customer satisfaction rate	%	70	N/A	75	71.9	80	71.9
5. Achieve full electronic customer service	%	56.25	58	67	61	100	83
6. Become single revenue collector (No. of collectors of revenue we are collecting for)	No.	3	3	18	4	65	4
7. Complete implementation of ERM Framework	%	57	58	80	81	100	86
8. Achieve enactment of new income tax framework	Status	Draft proposals	Treasury Committee nominees	Draft Bill	Draft Bill approved by Team 1	Publication of draft IT Bill	Draft review by NT
9. Achieve 48-hour average cargo Clearance time	Hours	72	72	60	62	48	59
10. Become lead border agency at all borders	No	7	7	20	29	29	29
11. Develop sustainable long-term funding	%	9	10.10	17	14	14	13.01
12. Achieve 1% cost of collection	%	1.0	1.22	1.0	1.22	1.0	1.44

2.1.1 Strategic thrusts

The Sixth Corporate Plan was guided by four key thrusts, namely:

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

2.1.2 Strategic objectives

Based on the above key thrusts, four (4) strategic objectives aligned to the four balanced score card perspectives were identified. These were:

- (1) Revenue:** Enhancing revenue mobilization by broadening the taxpayer base using smart intelligence and risk-based compliance strategies,
- (2) Customer:** Enabling business by leveraging on technology to achieve full electronic customer service leading to enhanced operational efficiency and high

customer satisfaction,

(3) Business Process: Strengthening administrative capacity and enhancing transparency and fairness through organizational change and business process optimization, and

(4) People: Creating a staff establishment that is professional, courteous, accessible and proactive in responding to customer problems.

To achieve the above strategic objectives, we had 22 key targets and 82 key interventions. Of our targets, 4 were selected for monitoring at the national level and 11 at ministerial level. We achieved 6 targets and completed 64 interventions, a performance rate of 27 and 78 per cent, respectively.

2.2 Performance of the Sixth Corporate Plan Objectives

2.2.1 Revenue targets

Being the Government's pre-eminent revenue agency, revenue performance is our overarching goal. Table 2.2 shows the revenue performance against forecasts over the Sixth Corporate Plan period. It also shows the extent to which the actual macroeconomic environment differed from the forecasts, and the estimated impact of this variance on revenue performance.



Create a staff establishment that is professional, courteous, accessible and proactive in responding to customer problems.

Table 2.2: Revenue performance during the Sixth Corporate Plan period

	2015/16	2016/17	2017/18	Plan period (2015/16 - 2017/18)
Revenue target (Kshs bn)	1,212.6	1,431.8	1,541.2	4,185.6
Customs taxes	373.5	462.0	484.97	1,320.5
Domestic taxes	834.3	963.8	1,051.8	2,849.9
Other taxes	4.8	6.0	4.4	15.2
out of which (o/w) Exchequer	1,165.4	1,337.6	1,453.3	3,956.3
o/w Agency	47.2	94.3	87.96	229.5
Annual Performance	1,200.2	1,365.3	1,435.3	4,000.8
Customs taxes	386.0	443.5	469.97	1,299.5
Domestic taxes	810.2	917.6	961.9	2,689.7
Other taxes	3.9	4.1	3.4	11.40
(o/w) Exchequer	1,136.8	1,273.1	1,340.1	3,750.0
o/w Agency	63.3	92.2	95.1	250.6
Variance (Shortfall)	(12.5)	(66.6)	(106.0)	(184.8)
o/w explained by macroeconomic factors	(26.4)	(33.4)	(36.2)	(96.0)
Revenue Growth (%)	12.2	13.8	5.1	10.4
Macroeconomic Forecasts				
Real GDP growth (%)	6.1	6.1	5.3	5.8
Inflation rate (%)	5.7	5.0	6.3	5.7
Kshs US Dollar	88.4	91.4	103.6	94.5
US \$ value of imports (\$ mn)	21,528	23,513	25,604	23,548
Actual performance of macroeconomic variables				
Real GDP growth (%)	5.9	5.5	5.0	5.47
Inflation rate (%)	6.5	8.1	4.9	6.5
Kshs US Dollar	102.1	102.5	102.4	102.33
US \$ value of imports (\$ mn)	14,895	15,595	17,359	15,950
Estimated impact of macroeconomic variance (Kshs. bn)	(9.4)	(33.4)	(27.0)	(69.8)

Our overall performance during the Plan period was Kshs 4,000.8 billion against the target of Kshs 4,185.6 billion. This implies a deficit of Kshs 184.8 billion and a performance of 95.6 per cent, with an average growth of 10.4 per cent. The actual cumulative estimated impact

of macroeconomic variance was Kshs 69.8 billion, accounting for 37.8 per cent of the shortfall. Variances in the inflation rates and Real GDP growth rates led to foregone revenue of Kshs 49,329 million and Kshs 13,860 million, respectively.

2.2.2 Performance of other targets

The performance of the other targets is illustrated in Table 2.3.

Table 2.3: Summary of the performance of other targets

Key target	Unit of measure	Target 2015/16 - 2017/18	Achievement 2015/16 - 2017/18	2015/16		2016/17		2017/18	
				Target	Actual	Target	Actual	Target	Actual
Revenue perspective									
Recruitment of landlords	No	60,000	58,934	20,000	29,570	20,000	16,978	20,000	12,386
Revenue collected from county suppliers	Kshs. (mn)	2,300	2,301	N/A	N/A	N/A	17.9	2,300	2,283.5
Revenue from Alternative Dispute Resolution (ADR) process	Kshs. (mn)	13,500	8,008	N/A	512.1	2,000	4,484	3,600	3,012
Audit/Total revenue	%	5	0.75	N/A	0.79	3.48	1.20	5	0.28
Business process perspective									
Automation level	%	100	95.7	93.5	93.6	95.6	95.7	100	95.7
Proportion of individual taxpayer functions automated	%	100	94	100	90	100	94	100	94
Disputes being handled through the ADR process	%	66	62	50	50	55	55	66	62
Customer perspective									
Customers accessing services through virtual service centres	%	80	80	N/A	N/A	80	80	80	80
Filing rate for key taxes	%	80-90	60	80	70	80	56.5	90	60
Payment rate for key taxes	%	80-90	94.3	80	83	80	97.9	90	94.3
Pre-arrival declaration of cargo	%	70	36	25	16	35	12.9	70	36
People perspective									
Adherence to core values	%	80	74	N/A	N/A	80	74	80	74*
Employee satisfaction	%	80	67	70	65	80	67	80	67*
Corruption Perception Index	%	30	32	N/A	N/A	40	32	30	32*
Employee satisfaction with training	%	80	60	N/A	N/A	80	60	80	60*

2.2.3 Performance in Vision 2018 KPIs

- **Achieve 4 million active taxpayers:** We achieved 3.94 million active taxpayers rising from 1.6 million in 2014/15, only 60,000 short of the 4 million targeted during the Plan period.

- **Achieve weighted compliance rate of 65 per cent:** This is an average of registration, filing and payment rates at 60, 55.5 and 79.9 per cent, respectively. We employed aggressive media campaigns and social media interaction to promote adoption of the digital platform.

- **Reduce cost of collection to one per cent:** We intended to lower our cost of collection through application of austerity measures and automation. However, the level rose from 1.22 per cent in 2016/17 to 1.44 per cent in 2017/18 due to additional funding received for revenue enhancement initiatives.
 - **Complete implementation of Enterprise Risk Management (ERM):** Implementation of the 5 ERM tools by the business units averaged 86 per cent against a target of 80 per cent, an indication of high adoption rate by departments.
 - **Become Lead Border Agency at all Borders:** We were appointed the Lead Border Agency in all the 29 terrestrial land borders during the Plan period. KRA has since taken over the leading role in the 29 land borders including the 7 One Stop Border Posts.
 - **Attain 80 per cent Customer Satisfaction rate:** Our customer satisfaction index rose from 65 per cent in 2014/15 to 71.9 per cent in 2016/17 against a target of 80 per cent. The improved performance resulted from customers' satisfaction with staff adherence to core values, efficient resolution of taxpayers' complaints, increased presence of our staff in the Huduma Centres, and implementation of service centres.
 - **Achieve 48-hour Average Cargo Clearance Time:** We managed to reduce cargo clearance time from 105 hours to 59 hours, a reduction of 46 hours. The 48-hour target was not achieved since the Pre-Arrival Cargo Clearance only improved from 25 per cent to 36 per cent against the 70 per cent target. The clearance process is expected to improve with full roll-out of iCMS.
- 2.2.4 Performance of other KPIs in the Corporate Plan**
- **Landlords recruitment:** A total of 58,934 landlords were recruited against a target of 60,000, representing 98 per cent performance. Access to third-party data from banks and utility providers was instrumental in identification of the landlords.
 - **Collaboration with counties on revenue collection:** We pursued signing of MoUs with counties to collect revenue on their behalf, integration of IFMIS with iTax and enhancing compliance by the counties and from county suppliers. Through these efforts, we collected Kshs 2,301 million from County suppliers.
 - **Dispute Resolution through ADR:** The Alternative Dispute Resolution was aimed at speeding up resolution of tax disputes and free revenue held up in dispute. We were able to resolve 38 per cent of all our disputes through ADR. Sixty two per cent of the ADR disputes were resolved by end of June 2018, raising a total of Kshs 8,008 million.
 - **Restructuring of Audit and Compliance functions:** The function was restructured with the establishment of Regional Audit Centres. However, the benefits are yet to be realized. During the Plan period, Kshs 30.9 billion was realized resulting in Audit to Total Revenue ratio of 0.75 per cent against a target of 5 per cent over the 3-year plan period.
 - **Automation:** During the Plan period, we achieved an automation level of 95.7 per cent and automation of individual taxpayers' functions at 94 per cent. We leveraged on government's commitment to automation and ongoing integration of iTax with the Integrated Financial Management Integrated System (IFMIS), National Hospital Insurance Fund (NHIF) and National Social Security Fund (NSSF).
 - **Employee satisfaction:** The 2016/17 employee satisfaction index was 67 per cent, a 2 per cent improvement from the baseline index of 65 per cent in 2014, but below the 2018 target of 80 per cent. Our adherence to core values was rated at 74 per cent with competence scoring 77 per cent, Helpful ranked 76 per cent, while both Trustworthy and Ethical scored 71 per cent.
 - **Corruption perception:** A 2016/17 study indicated that corruption perception by taxpayers was 32 per cent based on Ethics and Anti-Corruption Commission (EACC) classification. This performance was close to the 30 per cent target for 2017/18. The study revealed there was low propensity to indulge in corrupt practices and customers experience little or no pressure from our officers to engage in corruption.

**Customer
satisfaction rate is
71.9%**

The performance resulted from customers' satisfaction with staff adherence to core values, efficient resolution of taxpayers' complaints, increased presence of our staff in the Huduma Centres, and implementation of service centres.

2.3 Lessons Learnt

Table 2.4: Lessons learnt from the implementation of the Sixth Corporate Plan

Lesson	Observation	Way forward for 7 th Corporate Plan
Disconnect between implementation of interventions and achievement of targets	Only six (6) targets out of the 22 key targets were fully met within the plan period, translating to an achievement rate of 27%. However, strong performance, 78%, on interventions was recorded.	<ul style="list-style-type: none"> Conduct more realistic and professional project appraisal and evaluation with evidence-driven targets Fully operationalize the change management components of projects and programmes to ensure people issues are aligned to expected project outcomes.
Projects closing before completion and new ones being implemented outside the Plan	Several projects outside the Plan were being implemented, while priority ones were underfunded. Where interventions were incomplete, the causes were mainly operational in nature rather than the expected underfunding.	Adopt programme and project management good practice to ensure successful implementation of projects
Lack of annual and quarterly targets for effective monitoring of 6 th Corporate Plan initiatives	Development of annual implementation plans hampered by lack of annual targets which in turn affected monitoring of the initiatives	<ul style="list-style-type: none"> Ensure departmental annual plans are developed Ensure stricter adherence to planning cycles, targets and tying budget allocation to annual plans Strengthen planning, monitoring and evaluation functions
Data management	Provision of accurate and timely information and data	Implementation of the already approved Data Management Strategy and Framework
Ineffective interdepartmental collaboration	Timely reporting, setting and agreeing on targets where specific roles and targets cut across	<ul style="list-style-type: none"> Enhanced interdepartmental collaboration ensuring plan initiatives are clearly allocated to a department Develop and implement frameworks for interdepartmental collaboration

Adopt programme and project management good practice to ensure successful implementation of projects

Project Management

CHAPTER 3

OPERATING ENVIRONMENT

3.1 Introduction

The implementation of this Corporate Plan is in tandem with the National Development Plan, Vision 2030, and its third five-year **Medium Term Plan 2018-2022** (MTP 3). MTP 3 has the overarching objective of moving the country to a high growth trajectory with broad based and inclusive growth, fostering faster job creation and reduced inequality and poverty. At the regional level, MTP 3 also focuses on meeting Kenya's obligations under the Sustainable Development Goals (SDGs) and the **Africa Union Agenda 2063**.

Within the overall framework of Vision 2030, the Government's **Big Four Agenda** identifies the immediate priorities. These are i) increasing manufacturing to 15 per cent of GDP, ii) achieving 100 per cent food and nutrition security, iii) achieving 100 per cent Universal Health Care (UHC), and iv) implementing new 500,000 affordable houses programme.

3.2 PESTEL Analysis

PESTEL (Political, Economic, Social, Technological, Environmental and Legal) analysis allows us to assess the wider operating environment during the Seventh Plan period.

3.2.1 Political environment

In the absence of elections and its attendant political instability during the Plan period, the key factors include the following:

- Trade restrictions and reform in light of the **Big Four Agenda**: This requires, (a) stricter policing of imports to tackle counterfeits while simultaneously requiring a relaxing of some controls to restrict mis-declaration and under-declaration (such as, domestic Pre-Verification of Conformity (PVoC) for motor vehicles to promote Mombasa as a regional trans-shipment hub), and (b) improved business climate to achieve the Agenda through improvements in the trading across borders regime, and hence pressure on compliance efforts.
- Expected change of tax policy environment over the Plan period: Most important of all, the **Income Tax Act** is being reviewed and is expected to be effective within the first year of the Plan. A more modernized Act will facilitate tax administration, while the revision process will also provide an opportunity to reduce the considerable revenue loss through tax exemptions, remissions and other tax expenditures.
- Bureaucracy: The most recent **Kenya Business Enterprise Survey** (2013) rated tax administration as among the less bureaucratic challenges faced by

business. However, Customs administration in Kenya faces a more serious challenge than the Sub-Saharan African (SSA) average.

- Geopolitical: Kenya has two of the most fragile states in the world as neighbours – South Sudan and Somalia. Furthermore, the region is dominated by other fragile states (e.g. Burundi) and other Least Developed Countries (LDCs). Operating in such a fragile environment will impact Kenya's trade with its partners, calling for vigilant security intervention at the border to control trade and illicit flow of arms.

3.2.2 Economic development

Over the medium term (2018/19-2020/21), Kenya's economic growth is expected to average 6.4 per cent. This growth will be driven by the 'Big Four' investment initiatives, continued sustained investment in infrastructure, and continued recovery in tourism, among other factors.

Globally, the average GDP is expected to increase during the Plan period. In SSA, GDP growth is expected to pick up from **2.7 per cent** in 2017 to **3.3 per cent** in 2018 and **3.5 per cent** in 2019, partly supported by a recovery in growth of larger commodity exporters, such as, Nigeria and South Africa. Stronger commodity prices were witnessed at the end of 2017 with oil prices rising by over **20 per cent**. However, oil prices are expected to taper off over the medium term.

Over the medium term (2018/19-2020/21), Kenya's economic growth is expected to average 6.4 per cent. This growth will be driven by the 'Big Four' investment initiatives, continued sustained investment in infrastructure, and continued recovery in tourism, among other factors.

The Kenyan economy faces a number of challenges, some existing and some emergent. Taxing the cash-based informal sector continues to pose a challenge. For its part, the digital economy, while opening up new opportunities such as, providing third-party data, comes with its own set of challenges, including new business models built on mobile and web-based transactions. The issue of the digital

economy is both an economic as well as a technological phenomenon.

With regard to the fiscal framework, fiscal policy will be dominated by the need for fiscal consolidation during the 2018/19-2020/21 period. Key fiscal developments include raising revenue from **18.3 per cent** to **19.2 per cent** of GDP in 2020/21, reducing expenditure and net lending to 25.5 per cent of GDP in 2021/22, and reducing the deficit from **7.2 per cent** to **3 per cent** of GDP in 2021/22. Meeting the fiscal consolidation targets will enable the country to reduce its debt levels with public debt expected to decline from **53.0 per cent** to **43.8 per cent** of GDP in 2021/22.

Another economic aspect involves developments in Regional and Global Tax and Customs. With regard to international Treaties and Conventions, Kenya has been a member of the **Global Forum on Transparency and Exchange of information on tax matters** since 2010. In 2016, the country became the 94th jurisdiction to join the **Multilateral Convention on Mutual Assistance on Tax Matters**. The convention's primary objective is to tackle Base Erosion and Profit Shifting (BEPS).

On Regional Trade Arrangements, specifically the **Single Customs Territory**, Kenya has been at the forefront of implementing the East African Community (EAC) Single Customs Territory (SCT) protocols which has been shown to have significantly reduced transit time to inland countries. In addition, payment of taxes at the first point of entry has reduced the incentive for diversion of transit into the local market.

3.2.3 Social analysis

Kenya leads the region in youth unemployment at **17.3 per cent** (World Bank, 2016). Kenya's unemployment challenge has been blamed on sluggish growth of formal sector jobs and this has led to the informal sector creating the bulk of employment opportunities. This calls for us to innovate ways of expanding the tax base to increase compliance levels in this sector. Whereas **54 per cent** of Kenyans have a tax compliant attitude (Afrobarometer, 2013), similarly, our internal survey found that **51 per cent** of the taxpayers would still pay taxes in the absence of enforcement, an indication of voluntary compliance. Our education programmes will therefore incorporate information on how taxes are utilized to ensure taxpayers are well informed.

3.2.4 Technological analysis

As we become a fully automated organization, the digital frontier will also set the technological frontier for us. In this regard, the key technological advances that will impact how we do business are:

- **Growing digitization of the economy: the Economic Survey 2018** shows that there were 42.8 million mobile phone subscribers by December 2017 and that mobile money transactions totalled Kshs 3,638 billion, well over twice the revenues we collected in 2017/18. Furthermore, up to 34 per cent of these transfers were person to person, a substantial amount of which relate to informal

sector transactions. As we build up our third-party data capacity, we will be increasingly able to track non-taxed incomes that were previously hidden in the cash economy,

- **Data analytics:** As we fully automate our revenue systems and link them with other Government systems, we will increasingly be able to exploit the expansion of data that has been witnessed as digitization of the economy expands. However, to be able to exploit this data, we will need to exploit the advances related to Business Intelligence (BI) tools and machine learning potential while ensuring the data is clean.
- **Cyber-threats:** The downside of increased digitization of the economy, automation of tax administration and online access to our services is increased risk of cybercrime. This is particularly important with respect to diversion of taxes to non-official accounts, theft of taxpayer information and hacking into systems to change taxpayer accounts, especially tax debt.

3.2.5 Environmental analysis

We will continue to comply with the relevant laws and regulations relating to disposal of prohibited, substandard or restricted goods as prescribed in the National Environment Management Authority (NEMA) Act. On **EAC Customs Management Act 2004**, we have the responsibility of ensuring that prohibited and restricted goods do not enter the country as outlined in the Second and Third Schedules of the Act.

Environmental Management and Co-ordination (Controlled Substances) Regulations, 2007 aimed at regulating the production, trade and use of controlled substances and products. We will therefore ensure that importers/exporters adhere to these guidelines. **Electronic Waste** (e-waste), which involves disposal of electronic waste as they become obsolete due to changing technology, will continue to be a challenge and we will adhere to the e-waste disposal guidelines.

3.2.6 Legal environment

The main Revenue Acts that are likely to influence the operating environment during the Plan period are:

- (1) **Income Tax Act:** The new Income Tax Act is expected to become operational within the first year of the Plan, and will provide an opportunity to reduce revenue loss.
- (2) **EAC Customs Management Act 2004:** Since its inception, a number of changes have been effected and with new innovations and technological advancements in doing business today, the EAC Secretariat will be undertaking a comprehensive review of the EAC CMA 2004 and its Regulations.
- (3) **VAT Act:** The VAT Act 2013 reduced the number of zero-rated items for ease of administration. However, a number of the items were reintroduced to cushion the economy against external shocks, but the Tax Law (Amendments) Bill, 2018 removed some of the zero-rated items. During this period, we will work with the

National Treasury to further reduce the number of zero-rated items.

(4) **Excise Act:** The gazettement of the inflationary adjustment for excisable goods will enable us collect revenue commensurate with inflation.

3.3 SWOT Analysis

An analysis of our Strengths, Weaknesses, Opportunities and Threats (SWOT) enables us to determine our current situation. Over the Plan period, we will leverage on our

strengths to take advantage of opportunities, intervene in areas of weaknesses and use the risk management framework to respond to the threats. Table 3.1 summarizes the current SWOT analysis.

Table 3.1: SWOT analysis summary for KRA

<p>Strengths</p> <ul style="list-style-type: none"> • Proven capacity to mobilize revenue even in economic downturns • Partnerships with other Government bodies and private sector • High levels of automation in all aspects of service • Skilled, professional and motivated staff • Quality standards underpinned by ISO certification 	<p>Weaknesses</p> <ul style="list-style-type: none"> • System availability not up to customer requirements • Persistence of integrity challenges • Taxpayer information not always up to date • Lack of integration across our tax systems • Failure to institutionalize a risk-based compliance system • Inadequate work environment in border and remote stations • Skills gaps in emerging specialized sectors
<p>Opportunities</p> <ul style="list-style-type: none"> • Post-election environment allowing for legislative initiatives that expand the base and facilitate tax administration • Regional integration with respect to Single Customs Territory (SCT) and the revised EACCMA • Modernized legal framework (Tax statutes) • Increased digitization expanding the scope for data and electronic driven tax compliance • Increased interest of development partners – Domestic Resource Mobilization (DRM) • Multilateral Exchange of Information allowing targeting of Transfers Pricing and Illicit Financial Flows • Collaboration with the Counties 	<p>Threats</p> <ul style="list-style-type: none"> • Terrorism and regional instability increasing potential for smuggling and illicit trade • Large cash-based economy and expanding informal sector • Potential for cybercrime on our systems • Challenge in tapping revenue potential from the growing e-commerce including cross border commerce • Inadequate funding undermining staffing levels, compliance and modernization efforts • Low tax morale due to perception of misuse of taxes collected



3.4 Confrontation Framework

We will use the ‘Confrontation Matrix’ framework in the SWOT to identify the issues that we can leverage on to overcome our weaknesses and respond to the external environment. The confrontation framework

will assist us identify how to leverage on our existing strengths to take advantage of opportunities, overcome our weaknesses to prevent us missing opportunities and minimize impact of threats and act on our weaknesses to mitigate threats. Table 3.2 represents the matrix.

Table 3.2: Confrontation Matrix from SWOT analysis

	Strengths	Weaknesses
Opportunities	<p>(We will use existing strengths to take advantage of opportunities)</p> <ul style="list-style-type: none"> Partner with other MDAs, the National Treasury and stakeholders to push for legislation supporting revenue mobilization and reducing compliance costs Expand digital platform to exploit growing digitization of economy, Mobilize resources from development partners Leverage on our strength with the multilateral exchange of information to tackle illicit financial flows Collaborate with counties and pursue MoUs to collect revenues on behalf of counties Engage the informal sector associations to improve voluntary compliance 	<p>(We will tackle our weaknesses to prevent us missing opportunities)</p> <ul style="list-style-type: none"> Use ICT strategy to tackle system weaknesses and exploit increased digitization of economy Mainstream ethics and integrity into our operations. Use developed partner interest to mobilize funding to tackle system shortcomings Institutionalize compliance risk management
Threats	<p>(We will use existing strengths to reduce probability and impact of threats)</p> <ul style="list-style-type: none"> Develop new and innovative tools to tackle potential risks from expanded incentive regime Use cash-based economy strategy Leverage on automation and partnerships to develop an e-commerce strategy Use multi-agency taskforce to tackle security, cybercrime, smuggling and illicit trade challenges, Use automation to minimize operating costs 	<p>(We will act on our weaknesses to mitigate threats)</p> <ul style="list-style-type: none"> Implement a cyber-command centre to secure our systems and data Improve work environment and secure our border posts Tackle integrity challenges to minimize scope for cash based businesses Employ modern technology to ensure taxpayer information remains up to date Integrate systems to allow for ‘single’ view of taxpayer, improve customer service and limit scope for evasion Institutionalize corporate wide risk-based compliance system to optimize use of resources “in tackling” evasion risk Build capacity in new skills and specialized sectors to minimize tax exposure Lobby the National Treasury for adequate funding to deliver services efficiently

3.5 Strategic Risks and Treatments

The key strategic risks likely to impact on our core business during the Plan period have been identified and the initiatives to mitigate the same outlined. Risk mitigation

reduces the extent of exposure by ensuring that our strategic objectives are achieved.

Table 3.3 below identifies the key risks we face and the interventions being put in place to manage the risks

Table 3.3: Risk Matrix

	Strategic Risks	Risk Mitigation Initiatives/Interventions
1	Tax Fraud: Companies and individuals continue to manipulate their records. Significant use of 'missing traders' to generate fake invoices and illegal production and trade in excisable goods undermines our efforts to improve compliance and protection of society from harmful goods.	<ul style="list-style-type: none"> i. Integrate our systems to allow for 'single view' of taxpayer ii. Institutionalize corporate wide risk-based compliance management iii. Implement Tax Information Manager System iv. Review, upgrade and expand the capacity of the Excise Goods Management System (EGMS) v. Undertake robust intelligence collection, utilization and investigation vi. Institutionalize Data Driven Compliance
2	Digital Economy: Rapid global digitalization has transformed the way businesses transact and increases the scope for certain activities that are not visible to the tax administration leading to potential revenue loss.	<ul style="list-style-type: none"> i. Expansion of ICT infrastructure platform to exploit the growing digitalization of the economy ii. Leverage on automation and partnerships to develop an e-commerce strategy
3	Cross border Tax Avoidance Schemes: Multinational and large companies which predominantly operate and make profits in Kenya continue to use sophisticated schemes, such as, transfer pricing and aggressive tax planning to avoid or significantly minimize their tax obligations in Kenya.	<ul style="list-style-type: none"> i. Establish close collaboration globally, especially in taxation, of digital economy and multinationals ii. Operationalization of the Risk Differentiation Framework (RDF) iii. Utilization of multilateral exchange of information provisions to tackle tax evasion
4	Smuggling: Instability and underdevelopment of some of our neighbouring countries facilitates smuggling across our porous borders.	<ul style="list-style-type: none"> i. Use EAC Centralized Platform (CP) for information and data exchange interface ii. Work with multi-agency task force to tackle security, smuggling and illicit trade iii. Improve border management
5	Global Cybercrime and Cyber Security Risks: Increased automation has exposed us to global cyber security threats that could undermine integrity of our data systems and compromise confidentiality of information and the resultant business disruption due to unavailability of our systems.	<ul style="list-style-type: none"> i. Implement a cyber-command centre ii. Implement Cyber Security Management to detect, deter and prevent any intrusions iii. Enhance Business Continuity and Disaster recovery planning
6	Integrity Challenges: Integrity challenges in our organization continue to undermine levels of trust and confidence in our tax system affecting willingness of the public to comply.	<ul style="list-style-type: none"> i. Use technology to minimize staff contact ii. Mainstream ethics and integrity in all our operations

3.6 Stakeholder Analysis

Table 3.4 below shows a summary of stakeholder analysis.

Table 3.4: Summary of stakeholder analysis

Stakeholder	Customers' expectations	Our Expectations from customers
Primary Customer: Taxpayers	<ul style="list-style-type: none"> Efficient and effective complaints handling Convenient automation systems Customer support services (call centres) Expedient and efficient refund processes Timely service Low compliance costs 	<ul style="list-style-type: none"> Adherence to tax laws Compliance with filing, reporting and payment Information Input during Revenue Acts legal reforms Feedback
Secondary Customers Government of Kenya	<ul style="list-style-type: none"> Revenue collection Enforcement of tax laws Trade and investment facilitation Protection of consumers and the environment Border security 	<ul style="list-style-type: none"> Integration of systems e.g. IFMIS, NSSF, NHIF, Counties Third party data Timely legislation of tax laws
Stakeholders <ul style="list-style-type: none"> Professional organizations Business associations International agencies County Governments MDA's Employees Special groups Regional partners Service providers Media Development partners 	<ul style="list-style-type: none"> Access to timely & accurate information Seamless processes Seamless integration of systems Timely services Timely payments Clear policies and procedures Fair administrative procedures Facilitation Transparent processes 	<ul style="list-style-type: none"> Support integrity Strategic partnerships Timely provision of goods and services Adherence to statutory regulations Provision of quality goods and services Transparent processes

CHAPTER 4

STRATEGIC GOALS

4.1 Introduction

Based on our role in meeting the national policy objectives and our internal goals, the following four strategic thrusts were determined to guide this Plan:

- (i) Enhanced revenue through tax compliance,
- (ii) Improved business climate and competitiveness,
- (iii) Enhanced efficiency in our operations, and
- (iv) Improved public trust and service orientation of our staff.

Building on the strategic thrusts, the following are the expected strategic outcomes:

- i) Enhanced revenue through improved compliance,
- ii) Improved business climate with respect to taxation and trading across borders,

- iii) Data and intelligence driven organization, and
- iv) Public confidence in the integrity, professional competence and customer focus of our staff.

The above strategic outcomes will be achieved through implementation of a number of strategies, key among them:

- i) Tax base expansion
- ii) Reducing illicit trade
- iii) Customer service improvement
- iv) Implementing the third ICT strategy
- v) Robust research and data analytics
- vi) Staff expansion and
- vii) Enhancing integrity.



4.2 Strategic Objectives

4.2.1 Revenue perspective

STRATEGIC OUTCOME: *Enhanced revenue through improved compliance*

OVERARCHING GOAL: *Meeting the Government's revenue targets through a risk-based compliance framework in an equitable, efficient and effective manner*

Over the Plan period, we are expected to collect **Kshs 6,105,697** million. The core revenues are the Exchequer Revenues, Railway Development Levy (RDL) and the Road Maintenance Levy Fund (RMLF). The revenues are expected to grow by an average of **17.2 per cent** over the Plan period compared to **12.9 per cent** projected for nominal GDP. The revenue forecasts are shown in Table 4.1.

Over the Plan period, we are expected to collect Kshs 6,105,697 million.

Table 4.1: Revenue forecasts for 2018/19 - 2020/21 (in Kshs mn)

Tax Heads	2018 Estimates of revenue				
	2017/18 (Actual)	2018/19	2019/20	2020/21	2018/19-2020/21
Import Duty	93,713	119,352	132,098	150,035	401,485
Income Tax	659,021	841,938	941,635	1,098,035	2,881,608
Value Added Tax	356,777	464,215	508,825	585,980	1,559,020
Excise Duty	167,958	218,960	241,131	276,304	736,395
Other Taxes	15,705	17,947	18,816	21,167	57,930
Import Declaration Fees	26,189	29,967	33,662	37,752	101,381
Railway Development Levy	20,780	24,719	25,629	28,366	78,714
Road Maintenance Levy	73,668	68,446	71,872	75,468	215,786
Other Agency	21,427	24,455	23,730	25,192	73,378
Treasury Revenue	161				
TOTAL CORE REVENUES	1,435,399	1,809,999	1,997,399	2,298,299	6,105,697
REQUIRED GROWTH (%)		26.1	10.4	15.1	17.2
FORECAST NOMINAL GDP GROWTH (%)		12.7	12.8	13.1	12.9

When revenue growth is expected to exceed nominal GDP then either new tax policy measures are required or a reduction in various tax gaps – the estimated difference between the potential tax (given the tax

policy in place) and the actual collections. Over the years, we have benefited from various studies on the tax gap in Kenya. Table 4.2 shows the most recent results of tax gap analysis:

Table 4.2: Tax gap for key tax heads

Tax	Year	Compliance gap (in %)
VAT	2018	45
Corporate Income Tax	2015	17.6
Personal Income Tax	2016/17	34.3
Import Duty	2017/18	35.6
Excise Duty	2017/18	15.2

The tax heads shown in table 4.2 account for 90 per cent of our core revenues. These tax gaps imply that roughly 30 per cent of the taxes due in Kenya are not collected – equivalent to 6.6 per cent of GDP.

To reduce the tax gap and achieve revenue growth above the nominal GDP growth rate, we will implement the following strategies with potential for significant

revenue growth:

- i) Tax base expansion,
- ii) Data driven decision-making,
- iii) Robust intelligence collection and investigation,
- iv) Effective dispute resolution management, and

v) Strengthened debt and accounts management.

4.2.1.1 Tax base expansion

Our focus over the Seventh Plan period will be to raise the number of active taxpayers from 3.94 million to 7 million, an additional 3.06 million taxpayers. We will target:

- An additional 418,000 individual taxpayers driven by normal growth of the economy based on the 3.2 million taxpayers who filed their tax returns in 2017/18,
- An additional 10,500 corporate bodies based on normal economic growth based on the 78,000 corporates who were compliant in 2017/18,
- The 1.56 million taxpayers with Single Business Permits (SBPs) who were not in the previous Turnover Tax Regime,
- The 25,000 professionals who are not in the tax net,
- 40,000 individuals trading online,
- Recruitment of 66,000 landlords,
- The 430,000 registered companies that are not seen to be active in the system,
- 511,000 informal sector players.

Key initiatives:

- i) Developing and implementing a cash economy strategy to tackle the informal and micro-enterprise sector,
- ii) Implementing a strategy to improve compliance in the professional sector focusing on entertainers, doctors, engineers, lawyers and consultants,
- iii) Enhancing compliance of registered companies that are active but non-compliant or file nil returns,
- iv) Developing an e-commerce and m-commerce strategy,
- v) Developing and implementing a Real Estate Strategy,
- vi) Collaborating with other Government agencies to enhance the “one-stop” shop concept,
- vii) Integrate with other systems including: Lands data and Business Registration Services System, mobile data (mobile telephony registration details and mobile money transfers, such as, Mpesa and Airtel Money), Business Registration Services (BRS), Ministry of Lands Information System (LMIS), Cadastral Database and National Securities Exchange Central Depository System (CDS), and
- viii) Engaging County Governments on Presumptive Tax compliance and collection of own revenues.

4.2.1.2 Data-driven decision-making

We will use data and technology to drive compliance initiatives.

Key initiatives:

- i) Strengthening research and data analytics functions to support compliance activities,
- ii) Developing and implementing a data driven VAT Compliance Strategy aimed at reducing the VAT

compliance gap,

iii) Implementing a compliance management model that segments clients by sector and accords interventions based on compliance level and history,

iv) Developing and implementing data and information sharing mechanisms under the various Exchange of Information Agreements.

4.2.1.3 Robust intelligence collection and investigation

We shall implement a robust prosecution and intelligence driven investigation framework.

Key initiatives:

- i) Implementing the Intelligence Gathering System (IGS) to provide an anonymous reporting system,
- ii) Setting up a digital forensic laboratory to facilitate the examination of digital data,
- iii) Setting up a cyber-command centre to enhance data security,
- iv) Enhancing intelligence-driven investigation with a focus on prosecution,
- v) Enhancing laboratory testing services for improved compliance,
- vi) Implementing a Case Management System, and
- vii) Improving our collaborative arrangements’ with other Government and private agencies.

4.2.1.4 More effective dispute resolution management

Since the operationalization of Alternative Dispute Resolution (ADR) in 2015, over 191 cases have been resolved. Over the Seventh Corporate Plan period, measures will be taken to enhance its operational efficiency and effectiveness.

Key initiatives:

- i) Strengthening and restructuring the ADR function through capacity building,
- ii) Reviewing the ADR framework to make it more effective, and
- iii) Carrying out regular stakeholder engagements to create awareness on benefits of ADR.

4.2.1.5 Strengthening Debt and Accounts Management

Our aim is to reduce the debt to revenue ratio in line with international best practice levels. This will be achieved by addressing the following debt collection challenges:

- i) Rapid growth rate of debt portfolio,
- ii) Unreliable debt data,
- iii) Significant debt not automated, and
- iv) Difficulties in tracing some of the debtors and their assets.

Key initiatives:

- i.) Implementing the Corporate Debt Management Strategy,

- ii.) Fully utilizing the debt module in iTax,
- iii.) Fast tracking the debt recovery process timelines, and
- iv) Using data analytics to facilitate debt collection.

4.2.2 People perspective

STRATEGIC OUTCOME: Public confidence in the integrity, professional competence and service orientation of our staff

OVERARCHING GOAL: A competent, performance driven, customer focused and motivated staff

Achieving this strategic outcome requires us to (i) Live the TECH core values; (ii) be appropriately skilled; and (iii) be service oriented, focused on serving the customer.

Below are the key interventions to achieve the strategic outcome.

Key initiatives:

- i) Staff expansion programme,
- ii) Staff management and development,
- iii) Corporate culture change management, and
- iv) Work environment improvement programme.

4.2.2.1 Staff expansion programme

Due to limited funding, the current staff establishment of 6,906 is far below the required 14,555 staff. Some of the areas of understaffing include taxpayer services, border management, debt function, refunds function, research, dispute resolution, and tax base expansion. Table 4.3 below shows the current and proposed staff proportions. Recruitment over the Plan period is expected to move us closer to the Organization for Economic Co-operation and Development (OECD) ratios.

Table 4.3: Tax administration staff distribution by function

	Function	OECD Ratios %		KRA Current Ratios (%)	KRA Proposed Ratios (%)
1	Registration/Services	14	63	59.3	67
2	Processing	17			
3	Audit	32			
4	Debt & Enforcement	10		8.4	9.7
5	Dispute	4		1.4	1.4
6	Support	23		30.9	21.9
	Total	100		100	100

Key areas of focus in this intervention will be staff recruitment, training, leadership development, performance management, succession management and knowledge management.

Over the Seventh Corporate Plan period, we will undertake various initiatives:

Key initiatives:

- i) Completion of the process of implementing the departmental structures aligned with Transformation,
- ii) Recruitment of an additional 3,900 staff to raise the staff establishment to 10,806 (Table 4.4), and
- iii) Lobbying the National Treasury for increased funding for staffing.

4.2.2.2 Enhance staff management and development

Key areas of focus in this intervention will be training, leadership development, performance management, succession management and knowledge management. The Kenya School of Revenue Administration (KESRA) will be our anchor trainer. Specific interventions in each of these areas will help raise the employees' satisfaction level to 80 per cent. Consequently, we will implement various initiatives over the Plan period.

Key initiatives:

- i) Revamping our training and skills enhancement programme through KESRA,
- ii) Enhancing our leadership development programme,
- iii) Implementing revamped succession management programme,
- iv) Enhancing staff performance management,
- v) Implementing a staff motivation programme, and
- vi) Institutionalizing knowledge management, ensuring we have a knowledge driven culture and raising the current score from 23 to 55 per cent.

4.2.2.3 Corporate culture change management

To ensure that our change programme is consistent with our strategic initiatives, we will undertake various initiatives.

Key initiatives:

- i) Implementation of Change Management (CM) Policy and Guidelines,
- ii) Undertaking internal surveys to identify and close Culture & CM gaps,
- iii) Implementation of key enabling projects to support enterprise CM, and
- iv) Establishment and tracking of relevant metrics, and measuring the impact of culture change programme.

4.2.2.4 Work environment improvement programme

Our focus during this Plan period is to implement a work environment improvement programme that targets key 'pain' areas identified in the work environment baseline survey of 2017. We expect that implementing the following interventions will raise our staff satisfaction with the work environment from 64 to 75 per cent, based on the various initiatives.

Key initiatives:

- i) Standardization of work environment, with a particular focus on upgrading our remote and border stations,
- ii) Deployment of a strategic property portfolio development programme,
- iii) Review, development and deployment of efficient and cost effective facilities and logistics services,
- iv) Implementation of an Integrated Security Solution,
- v) Implementation of an Asset and Facility Management System,
- vi) Development and implementation of Employee-Self Service, and
- vii) Implementation of Shared Services by consolidating and streamlining Corporate Support Services Functions.

4.2.3 Customer perspective

STRATEGIC OUTCOME: Improved business climate with respect to taxation and trading across borders

OVERARCHING GOAL: Achieve a quantum leap in

80%

Our aim is to raise customer satisfaction to 80 per cent.

customer service

From the 2013 Enterprise Survey, the areas we will need to act on to improve the business climate are:

- *Integrity:* Kenya's integrity-related challenges are at par with SSA countries, but medium firms face higher levels of integrity-related problems.
- *Tax inspection:* Number of visits required to tax officials are well below the SSA average, but there is more emphasis on large firms.
- *Customs:* Large firms are significantly more dependent on imported inputs and take longer than the average SSA firm to clear customs, while large and medium firms take longer than the SSA average to clear customs in Kenya when exporting.

Our interventions to achieve high levels of customer service, improve the business climate and the country's competitiveness will therefore be built around:

- i) Addressing issues arising from the enterprise survey through a Customer Service Improvement Framework,
- ii) Improving border management to reduce the level of illicit trade,
- iii) Implementing a Paying Taxes programme focusing on automation and the transformation,
- iv) Implementing a Trading Across Borders programme,
- v) Restructuring VAT refunds management along best practice lines, and
- vi) Reducing uncertainty by ensuring clarity and simplicity in rules and minimizing scope for arbitrary behaviour.

4.2.3.1 Customer Service Improvement Framework

The attainment of Customer Service Improvement framework initiatives is centred on four (4) themes, namely Service Access Expansion Strategy, Customer Intimacy, Business Value and Operational Excellence.

Key initiatives:

- i) Service Access Expansion Strategy:* Over the Plan period, we intend to avail services to all counties and sub-counties through service centres, customer care desks, alternate contact centres and Huduma Centres.
- ii) Customer Intimacy:* To gain unique value proposition edge in building ever-lasting relationships, we will have the following key initiatives:
 - Designing and implementing a Customer Engagement Framework and Tax Awareness Strategy for different taxpayer segments,
 - Establishing and implementing an Interactive Communication Strategy which is customer oriented and adapted to customer sentiments, and
 - Establishing and implementing a structured and measured Tax Knowledge Dissemination Framework.
- iii) Business Value:* Over the Plan period, we will take the following measures to boost our business value:

- Scaling up brand acceptance and reputation through quick to market communication methods, public relations and effective media management,
- Developing and implementing an enterprise-wide stakeholder engagement strategy and policy guidelines, and
- Enhancing international cooperation for supportive partnerships and drive strategic representation to influence and benefit from global tax practices that enhance revenue growth.

iv) Operational excellence: In pursuit of augmenting operational excellence, we will take the following measures:

- Developing and driving a Service Excellence Programme that would enhance customer appreciation of service delivery, and
- Adopting a multi-channel led, but cost optimal, approach to customer service delivery.

4.2.3.2 Improved Border Management

This intervention is aimed at improving security at the border stations and reducing the level of identified contrabands/illicit trade through a multi-agency approach. To achieve this, we shall implement the following:

Key initiatives:

- Undertaking baseline survey to estimate the current level of illicit flows,
- Robust operationalization of the National Inter-Agency framework,
- Strengthening the PVoC programme,
- Operationalizing three (3) One-Stop Border Posts (OSBPs),
- Introducing non-intrusive verification tools – scanners, K9s and Activation of Risk Profiling (APIs) tools,
- Integrating international and regional Customs system: implementation of Real Time Monitoring System (RTMS) and Manifest Management System (MMS) in all stations and interlink with other enforcement networks; i.e. Customs Enforcement Network (CEN), Interpol, and National Customs Enforcement Network (NCEN),
- Operationalizing three (3) Joint Operation Centres at JKIA, Kilindini and Namanga,
- Establishing strategic inland roadblocks and carrying out of patrols, and
- Acquiring and operationalizing mobile command units and body worn cameras.

4.2.3.3 Paying Taxes Programme

Our objective over the Plan period will be to achieve a top 50 position in the **Paying Taxes Ranking** by reducing the number of payments from 26 to 13 and the time taken from 185 to 132 hours. This will be achieved

through implementation of the following key initiatives:

Key initiatives:

- Reducing the number of payments by integrating KRA iTax system with other Government systems to allow for joint payments. Priority integrations are with NTSA, CBK, IFMIS, eCitizen, NSSF, NHIF and the Counties.
- Reaching an agreement with the County Government of Nairobi for KRA to collect Nairobi's Single Business Permit (SBP) fees alongside other taxes in iTax, and
- Fast-tracking the implementation of the electronic audit selection process to flag out possible audit cases.

4.2.3.4 Trading Across Borders

Our objective is to achieve a top 50 positing in the **Trading Across Borders Ranking** through a focus on reducing documentary compliance costs for exporters, and reducing border and documentary compliance time to importers.

Key initiatives:

- Implementing the Port Charter – full implementation of our commitments with emphasis on Pre-Arrival Clearance and joint verification,
- Implementing fully and rolling out iCMS, including integration with the Single Window System,
- Implementing integrated scanner strategy focusing on non-intrusive inspection,
- Implementing the Regional Electronic Cargo Tracking System (RECTS) to ensure electronic tracking of transit cargo,
- Verifying jointly the cargo at International Airports and One-Stop Border Posts (OSBPs) to reduce time taken at verification, and
- Scaling up Inland Container Depot (ICD) Embakasi operations to further decongest the Port of Mombasa and ensure that all goods are being cleared either at the ports or ICD – not at the Container Freight Stations (CFSs).

4.2.3.5 VAT Refunds

The IMF's Tax Administration Diagnostic Assessment Tool (TADAT) requires that VAT refunds are paid without undue delay such that payment or disposal of 90 per cent of claims is done within 30 days, both in terms of numbers and value of claims. If funds are available during the Plan period, we shall pay within 30 days for cases that do not require pre-audit, all green channel cases and claims which issues have been resolved.

To effectively and efficiently reduce delays in refunds claim processing, from an average of 133 to 60 days, we shall implement the following:

Key initiatives:

- Integrating iTax with the iCMS for seamless confirmation of exports,
- Implementing Tax Invoice Management System (TIMS),
- Reviewing and automating the current manual refunds risk rating framework in iTax to facilitate categorization of claimants into Green, Amber and Red Channels,
- Reviewing and considering the implementation of credit utilization across tax heads in iTax to reduce the number and value of refund claims,
- Restructuring of the process of export refunds so that low risk claims are automatically paid,
- Lobbying the National Treasury to change the VAT refund process such that VAT is paid to the exchequer net of refunds, and
- Enhancing capacity in the division to speed up processing of claims, mainly debt validation and audit processes.

4.2.3.6 Reduction of uncertainty in administration of tax statutes

To reduce uncertainty in the application of tax law and minimize scope for arbitrary behaviour, we will undertake the following key initiatives:

Key initiatives:

- Applying legislation in line with the letter and spirit

We seek to effectively and efficiently reduce delays in refunds claim processing, from an average of 133 to 60 days

- of the law,
- Providing guidelines and safeguards for early identification and sanction of non-compliant taxpayers,
- Providing clarity on tax positions as early as possible to compliant taxpayers,
- Using proportionality in enforcement, and
- Ensuring the presence of a well-functioning mediation process.

4.2.4 Business Process Perspective

STRATEGIC OUTCOME: Data and intelligence driven organization

OVERARCHING GOAL: Data intelligence driven business processes

To achieve this strategic outcome, our interventions will be built around the following:

- Implementation of the post-2018 ICT strategy,
- Implementation of the Data Governance Framework,
- Business Continuity and ISO 9001:2015 Maintenance, and
- Organizational restructuring through transformation.

4.2.4.1 Implementation of the post-2018 ICT Strategy

In the Sixth Corporate Plan period, we achieved a high degree of automation for the core revenue systems, customer service platforms and internal support systems. The automation level achieved by the end of the period was 95 per cent. The Third KRA Wide ICT Strategy (2018/2019 – 2020/2021) has identified several strategic objectives and initiatives to support corporate objectives in the Seventh Corporate Plan as follows:

Key initiatives:

- Enhancing existing systems to offer integrated, simple, cost-effective and reliable services to be achieved through:
 - Finalizing ongoing business automation initiatives,
 - Implementing the Requirements Centre of Excellence (RCoE) and build business analysis

capability to manage requirements and system enhancements,

(c) Implementing Enterprise Service Bus and Application Programming Interfaces,

(d) Finalizing enterprise systems and applications architecture,

(e) Enhancing mobile, online and social-media based customer-facing and payments platforms with a provision of audio assistance for persons with disabilities and online/personal assistance functionalities, and

(f) Implementing emerging technologies for business enablement including XWiki, VOIP/IP phones, big data analytics, micro-services and block chain technologies.

- Improving IT governance through the following initiatives:

(a) Development and implementation of an IT governance framework to determine business value created from IT investments,

(b) Development and implementation of a Project Portfolio Management strategy,

(c) Attainment and maintaining of ISO 27001 certification,

(d) Implementation of external security assurance for IT infrastructure and services,

(e) Building of capacity and scaling up technology/ICT research and development, and

(f) Leveraging on Original Equipment Manufacturer's Research Laboratories and University collaboration/networking to innovate IT and increase business value of IT.

4.2.4.2 Implementation of Data Governance Framework

Data is the lifeblood of digital transformation as it enables provision of valuable insights for fact-based decision-making. This necessitated the creation of the Corporate Data office to coordinate and manage corporate data with the requisite level of privacy and security, and to build confidence in the quality of data for improved business decision-making. During the Plan period, the following interventions will be implemented:

Key initiatives:

- Operationalizing the Corporate Data Office,
- Implementing the Data Warehouse and Business Intelligence (DWBI) solution,
- Developing and implementing third party data framework, including:

(a) Gazetting rules and requirements to allow

Implementation of the post-2018 ICT Strategy

us to access third party data from key relevant sources,

(b) Implementing big data capabilities to acquire, store, secure, validate and utilize third party data, and

(c) Building up analytical capacity to utilize the third party data

- Tackling the challenge of inadequate data literacy among staff, and
- Developing and implementing a strategy for cleaning up and maintaining credible Master and Transactional Data.

4.2.4.3 Business Continuity and ISO Maintenance

To enhance organizational resilience to deal with potential disruptions and maintain ISO certification, we will implement the following:

Key initiatives:

- Identifying prioritized services and establishment of business continuity requirements,
- Enhancing ICT Disaster Recovery preparedness through upgrade of Times Tower Data Centre,
- Pursuing certification to ISO 22301:2012 Standard on Business Continuity Management Systems (BCMS),
- Implementing an Integrated Management System (IMS) to streamline the several Sector Specific ISO Standards being implemented,
- Achieving ISO 9001:2015 Recertification in March 2020, and
- Maintenance of the standards through internal audits, management reviews, and surveillance audits.

4.2.4.4 Organizational Restructuring

Our organizational restructuring is premised on our transformation whose implementation coincides with the Strategy period. We are redesigning our operations to take advantage of the digital capabilities to drastically reduce the cost of tax collection while increasing revenue. Our Transformation Agenda focuses on the following thematic areas:

- i) Well equipped, skilled and motivated staff delivering high quality services in a modern working environment,
- ii) Redesigning the KRA Service Delivery Model thus transforming KRA to a truly customer-centric organization through provision of tax services that are simple, accessible and well-coordinated to foster taxpayer compliance,
- iii) Data and Research-based Tax Compliance processes,
- iv) Intelligence and risk-based Customs Processes enabling faster, cheaper and more convenient cargo clearance,
- v) Data Governance and Information Management

through provision of high quality data,

vi) Facilitative Legal and Internal Policy Framework to enable KRA's transformation to a data and intelligence-driven tax administration, and

vii) Streamlined Intelligence, Investigation and Assurance Functions for efficient tax administration.

The key interventions under each of the seven (7) thematic areas listed above have been incorporated within the four balanced scored perspectives in this Strategic Plan. Within the organization restructuring strategy, the following key initiatives will be implemented:

Key initiatives:

- Alignment of the Organizational Structure with KRA's Transformation for improved efficiency in service delivery,
- Transformation of the Legal Services and Board Coordination Department into a Modern Law Firm to ensure operational efficiency, effectiveness and stakeholder satisfaction,
- Streamlining of the corporate policy function into a Modern Tax Consultancy Firm for operational efficiency and enhanced revenue collection.
- Implementation of Business Process Management (BPM) Framework, and
- Implementation of Business Enterprise Architecture (BEA) Framework.

The Organisational Structure

During this Seventh Plan period, we will implement an organizational structure that is in conformity with the requirements of a fully automated organization. The first step in this direction has already occurred with new departmental structures being approved. Over the Plan period, the Authority will complete the process of realigning its departmental structure to the new paradigm.

Notes on the new Seventh Corporate Plan Structure (Figure 4.2):

- i) Departmental structures aligned to functions in the transformed working environment. There is a drastic reduction in staff performing manual transaction processing roles and an increase in staff at the frontline offering requisite customer service.
- ii) Corporate Account Management Function created for efficient Taxpayer Accounts Management, Debt Enforcement and Refunds Management.
- iii) Corporate Data Office created within SIRM Department to define and implement the corporate Data Governance Framework to ensure provision of high quality data for effective decision-making and business operations.
- iv) The Transformation Leadership Office created and merged with the Commissioner General's Operations Office for efficiency of service delivery by the Commissioner General's office.

Figure 4.1: Our Organization Structure during the Sixth Corporate Plan Period

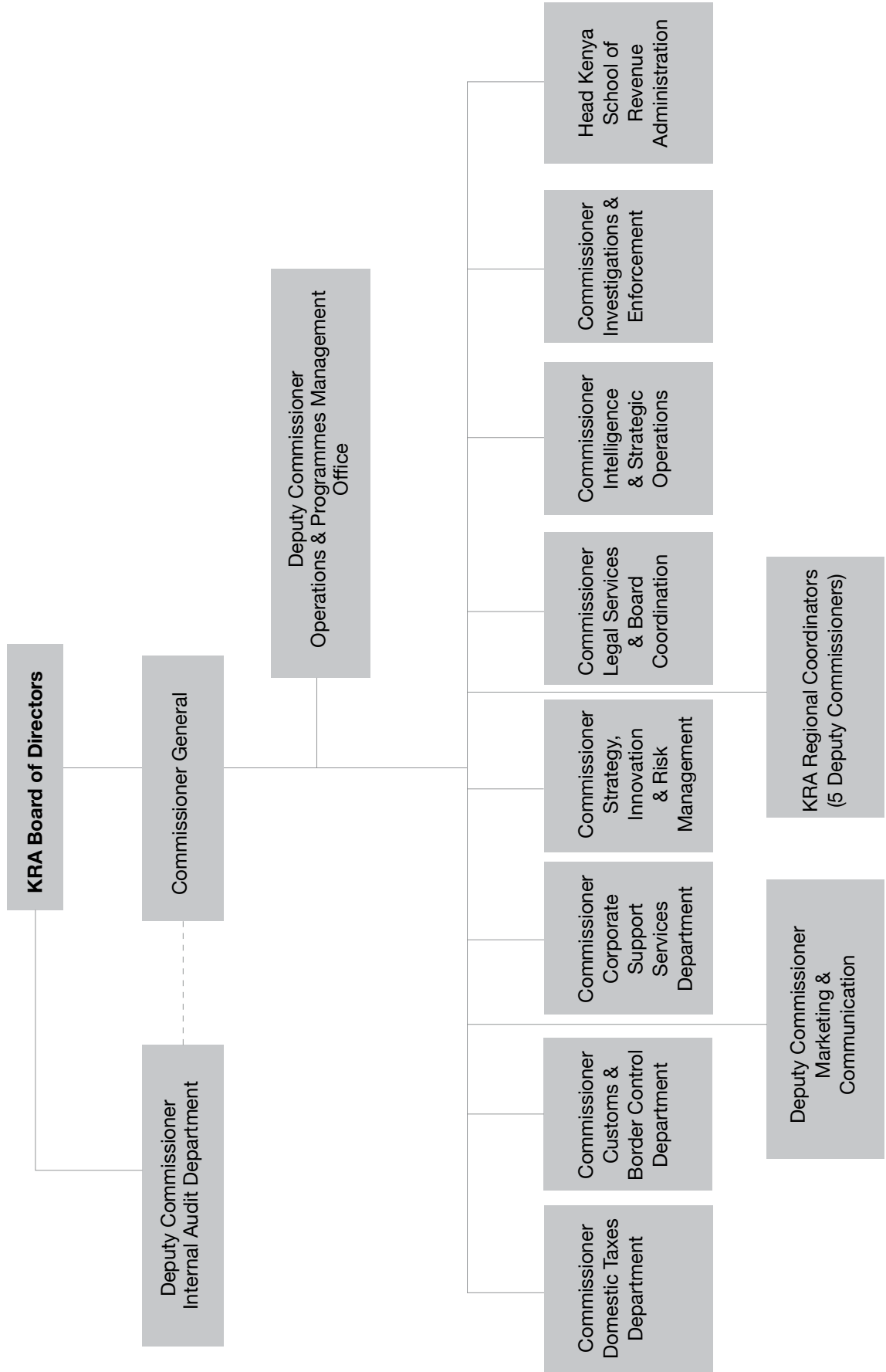


Figure 4.2: Organization Structure for the Seventh Corporate Plan Period

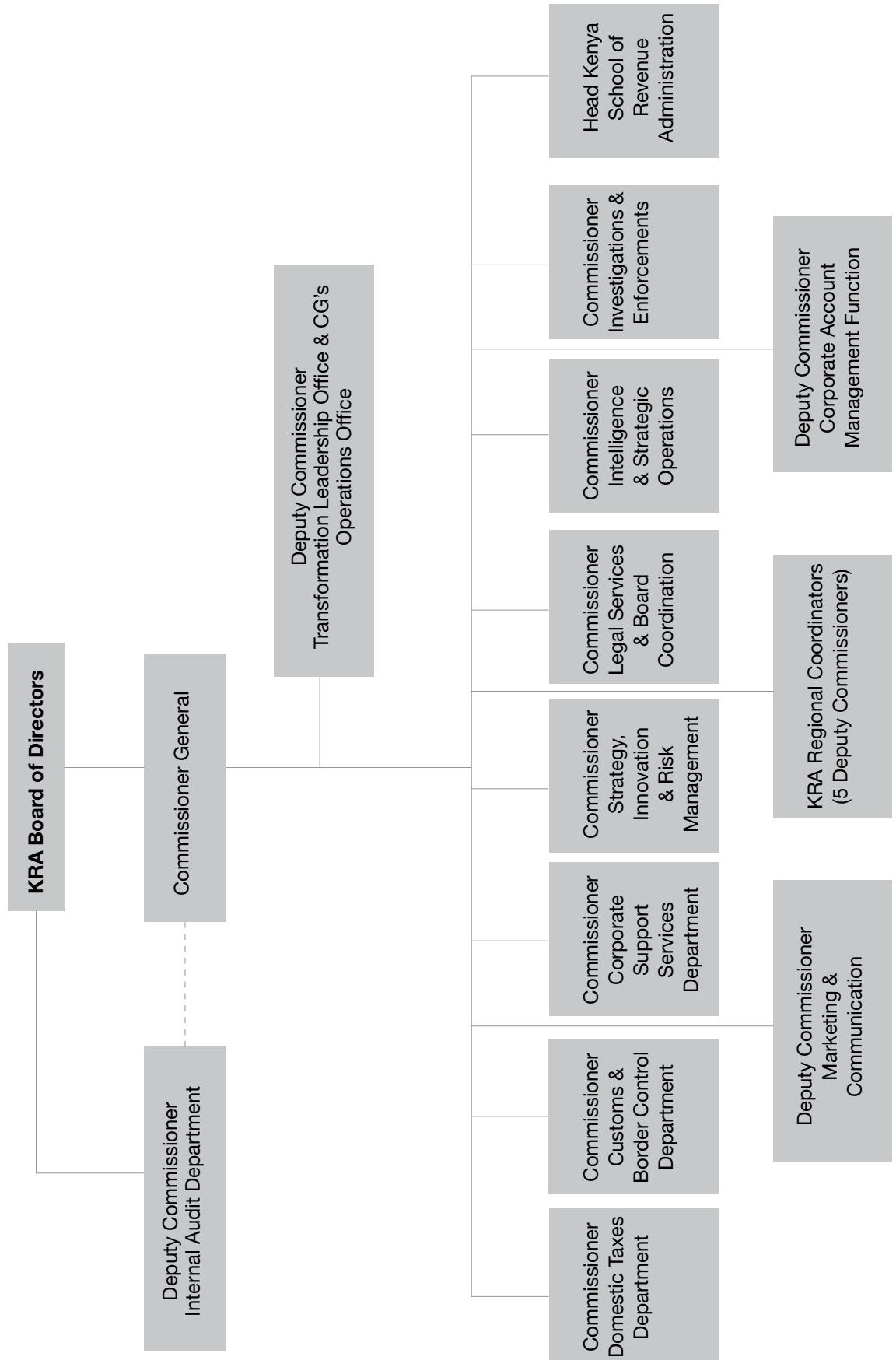


Table 4.4 KRA current and proposed staff establishment

	Department	2017/18 Numbers	Proposed Numbers	Recruitment Based on Productivity		
				2018/19	2019/20	2020/21
1	Domestic Taxes Department	2,369	4,515	382	381	354
2	Corporate Account Management	313	411	17	16	16
3	Customs and Border Control	1,739	5,708	658	657	633
4	Corporate Support Services Department	1,357	1,792	80	75	71
5	Strategy, Innovation & Risk Management	194	389	40	33	35
6	Internal Audit Department	32	72	10	10	5
7	Intelligence and Strategic Operations	80	321	42	40	40
8	Marketing and Communication	384	557	33	30	30
9	Legal Services and Board Coordination	95	210	30	30	20
10	CG & Transformation Leadership Office	25	101	18	14	10
11	Regions (RC's Offices)	18	35	5	5	3
12	Investigations and Enforcement	185	200	5	4	4
13	Kenya School of Revenue Administration (KESRA)	115	244	22	22	20
	Total	6,906	14,555	1,342	1,317	1,241
			Total Staff	8,248	9,565	10,806



INTEGRITY

INTEGRITY PROGRAMME

STRATEGIC OUTCOME: Public confidence in our integrity, professional competence and service orientation.

5.1 Introduction

In the Seventh Plan period, we have broken with recent tradition by outlining a specific chapter to deal with integrity. There are several reasons why we feel the need to articulate and draw attention to our integrity interventions during this Plan period. These include:

(1) Recognition of the special prominence of integrity in our business; one of our core values is to be ethical: This requires us to act with integrity, transparency and honesty. Our commitment to this value is underpinned by identifying the strategic outcome: Public Trust through Integrity, Professionalism and Service Orientation of our staff that requires us to focus on integrity as a matter of course.

(2) The critical role played by integrity in achieving national policy objectives (tied to the Leadership and Integrity provisions of the Constitution (Chapter 6) which is given effect in the Leadership and Integrity Act, as well as the international obligations articulated in SDG no. 16 (covered in chapter 1). SDG 16 requires us to become an accountable, effective and transparent institution, and to eliminate corruption and

bribery. Furthermore, as a government agency, we are expected to play a role in efforts to reduce illicit financial and arms flow and strengthen recovery of stolen assets. These roles require officers with high degree of integrity.

(3) Recognition that integrity challenges have negative implications on revenue mobilization and thus our mission and vision. The integrity challenge also undermines our ability to serve our customers efficiently. Indeed, Table 4.2 shows where integrity challenges compromise service delivery. Hence our ability to achieve one of our strategic priorities – Improved business climate with respect to taxation and trading across borders – is also compromised by integrity challenges.

An external survey conducted in 2016/17 revealed that the overall corruption perception index reduced significantly from 52.7 per cent in 2014 to 32 per cent in 2017, an improvement of 20.7 per cent. In addition, East Africa Bribery Index (EABI), computed by Transparency International (TI), indicated that the aggregate composite index on tax sector reduced to 12.9 per cent in 2017 from 23.1 per cent in 2014, a negative variance of 10.2 per cent. However, as shown in Table 5.1 below from the external survey, we still have some distance to go in all aspects of controlling corruption.

Table 5.1: Corruption perception survey report, 2016/17

	Average Score (%)	Average Score (%)
	2013/14	2016/2017
Corruption Magnitude/Spread Index	60.5	37
Corruption Pressure Index	50.56	33
Corruption Practice Index	55.00	33
Corruption Expectation Index	44.86	26
Overall Corruption Index	52.73	32

Our focus on the integrity front over the Plan period is to move from an environment where integrity is assured through programmes (enforcement) to one where ethical values are lived and seen to be lived values. We appreciate that for us to achieve this objective we will need to:

- i) Put equal emphasis on compliance and ethics,
- ii) Increase the use of technology to tackle integrity challenges,
- iii) Step up our communication with our stakeholders, and
- iv) Work with partners: KRA has signed MoUs with the Ethics and Anti-Corruption Commission (EACC) as well as stakeholder organizations such as KIFWA. There is scope for additional collaboration with both public and private agencies.

5.2 Strategic Initiatives

Our specific targets are to reduce the various corruption indices in Table 5.1 to single digit levels over this Plan period. This will require an improvement rate above that achieved over the past 3 years. We will utilize all the options identified above to achieve this goal and implement the following initiatives:

- i) Creation of awareness for the stakeholders,
- ii) Efficient inter-agency collaboration in the fight against corruption,
- iii) Corruption-related audits,
- iv) Staff investigation, and
- v) System reviews and automation

5.2.1 Creation of awareness for the stakeholders

Key initiatives:

- Enhancing staff engagement through customized training and focused group discussions,
- Developing and implementing a structured anti-corruption training curriculum,
- Developing a communication strategy on the integrity programme,
- Developing and implementing anti-corruption public information campaign,
- Involving the media in the fight against corruption,
- Integrating mandatory integrity reviews as part of ongoing automation processes,
- Anchoring ‘Ethical Disclaimer’ in our policies, frameworks and systems through reviews to

ensure they are integrity-driven, and

- Carrying out public education on the use of the Intelligence Gathering System (IGS) and the importance of reporting corruption and tax evasion practices.

5.2.2 Efficient inter-agency collaboration in the fight against corruption

Key initiatives:

- Strengthening cooperation and exchange of information with other agencies,
- Signing of integrity pacts and MoUs with key stakeholders at national, regional and international levels, and
- Carrying out joint interventions with relevant Government Agencies in the fight against corruption.

5.2.3 Corruption related audits

Key initiatives:

- Undertaking lifestyle audits on staff based on defined criteria of selection,
- Integrating corruption related audits in our audit framework through information sharing across departments on schemes related to tax evasion and malpractices, and
- Conducting background checks at the point of staff recruitment and promotions.

5.2.4 Staff investigation

Key initiatives:

- Expediting investigation on allegations of staff involvement in corruption,
- Conducting integrity testing operations and investigations touching on KRA staff, and
- Deploy intelligence unit/team dedicated to collection of intelligence on integrity related issues.

5.2.5 System reviews and automation

Key initiatives:

- Review processes, procedures, work practices and policies to identify weaknesses and loopholes, and
- Automate processes to enhance efficiency in service delivery and seal corruption loopholes.

FINANCING THE SEVENTH CORPORATE PLAN

6.1 Introduction

Underfunding of our activities during the Sixth Corporate Plan contributed, to a significant extent, to our inability to meet revenue targets and implement development projects. To determine our resource requirements, we adopted the following approach:

i) We first take cognisance of the revenue targets, shown in Table 4.1. These are derived from the estimates of **Revenues and Grants 2018** tabled by the Cabinet Secretary for the National Treasury in April 2018 that cover the period 2018/19-2020/21.

ii) Based on our macro forecasting, we divide these targets into 2 components (1) a component to be determined based on growth in the core macro parameters, and (2) a component that will require additional Revenue Enhancement Initiatives (REI).

iii) The cost of achieving the parameter driven revenues is then estimated in 3 steps:

(1) Adjusting all costs in the base year (2017/18) for growth in the relevant price index.

(2) Adjusting this figure further by the volume growth implied by the revenue target; this is derived as the difference between the nominal growth of the relevant tax-head (e.g. import duties) and the growth in the relevant price index (e.g. import prices). This allows us to measure both the cost of business as usual as well as the additional effort required to meet

the growth implied by the revenue forecasts.

(3) Adjusting this number downwards to accommodate labour productivity increases. Using this approach, we find that over the 2014/15-2016/17 period, our labour productivity grew by an annual average of 1.5 per cent. This productivity growth is expected to continue over the 2018/19-2020/21 period.

iv) The gap between the revenue targets and the revenue forecasts will need to be filled up by REIs whose resource requirement is computed at the rate of Kshs 17 revenue raised from a Kshs 1 expenditure on the REI based on the 2018 REI.

v) Capital expenditures funded from agency revenues are calculated the same way as recurrent expenditure. However, development projects funded directly by the National Treasury or from donor funds are included as cost.

vi) The development budget is estimated at a total of **Kshs 9,467 million** of which new transformation projects are estimated at **Kshs 4 billion**.

6.2 Estimating Resource Requirements to Implement the Plan

The resource requirements are shown in Table 6.1. The total amount of resources required for the Plan period is **Kshs 103,690 million**, with recurrent expenditures accounting for 87 per cent of the total amount.

Underfunding of our activities during the Sixth Corporate Plan contributed, to a significant extent, to our inability to meet revenue targets and implement development projects.

Table 6.1: Budget framework 2018/19 - 2020/21 (in Kshs Million)

	2017/18 (Estimate)	2018/19	2019/20	2020/21
1. Staff salaries and allowances (incl. gratuities, bonuses)	15,401	18,528	18,603	19,950
o/w for additional employment	N/A	853		
2. Operational expenses	7,776	10,792	11,197	11,621
TOTAL RECURRENT EXPENSES	23,177	29,320	29,800	31,571
3. Capital expenses (excl. Development Projects)	2,217	1,384	1,072	1,076
4. Development projects (dev. vote)	3,049	4,181	2,867	2,419
o/w new Transformation projects	N/A	713	1,867	1,419
5. Recurrent, capital and development capital expenses	28,444	34,885	33,738	35,066
6. New recurrent initiatives				
Salary Review (SRC implementation)				
7. Revenue enhancement initiatives				
8. TOTAL RECURRENT, CAPITAL AND DEVELOPMENT EXPENDITURE (1+2+3+4+5+6+7)	28,444	34,885	33,738	35,066
Expected resources				
5. Agency Commission	15,457	27,385	27,250	28,694
6. AiA revenues / Internal revenues	2,584	3,320	3,621	3,953
7. Rollovers from previous year	3,264	0	0	0
8. Revenue Enhancement Initiatives	4,318	0	0	0
TOTAL RECURRENT RESOURCES	25,623	30,705	30,872	32,647
9. Government grants development	836	3,233	1,867	1,419
10. Donor funds	1,050	948	1,000	1,000
TOTAL RESOURCES	27,509	34,886	33,738	35,066
OVERALL RESOURCE SHORTFALL	(935)	0	0	0
SURPLUS/SHORTFALL EXCLUDING REI EXPENDITURES	n/a			

6.3 Resource Mobilization

During the Plan period, we envisage that our development partners will play a significant role in providing support of its successful implementation taking into account that this period will see the implementation of complex and costly projects designed to drive KRA's Transformation Agenda. To this end, we have developed a Donor Coordination & Resource Mobilization Governance Framework that will guide our interactions with the development partners.

The resource mobilization agenda will be implemented as follows:

- i) Project Conceptualization, Ownership & Implementation will be the responsibility of Business Units/Departments
- ii) Donor Coordination & Advocacy will be done by the International Relations & Diplomacy Office,
- iii) The Finance Division will be tasked with Budget Analysis & Financial Reporting, and
- iv) Project Management will be the responsibility of the Transformation & Leadership Office

We fully expect that with this revamped framework we should be able to mobilize an increasing share of required funds from external resources.

MONITORING AND EVALUATION

7.1 Introduction

7.1.1 Background

This section provides the Key Performance Indicators (KPIs) that will be monitored during the Seventh Corporate Plan period.

Monitoring and Evaluation is central to our planning process in order to track implementation of various initiatives and provide feedback necessary in decision-making. Our Monitoring and Evaluation process has adopted the Government's National Integrated Monitoring and Evaluation System (NIMES) guidelines that require each agency to select 3-4 KPIs to be monitored at national level and 12-15 KPIs to be monitored at ministerial levels.

Our framework comprises a total of 18 KPIs, 4 to be monitored at National Level and 14 at Ministerial level. The selection of the KPIs was informed by the following criteria:

- Relevance to tax administration/industry benchmarks,
- Ability to accurately measure our progress towards our strategic goals,
- Ability to link implementation activities to outcomes,
- Data availability, and
- Inclusion of both leading (judging progression

towards future goals) and lagging (what happened in the past) indicators.

7.1.2 Plan implementation

The 18 indicators are aligned to the four Balanced Score Card perspectives. Like in previous corporate plans, implementation of the Plan will be done through the annual plans and targets cascaded in the departmental and individual Performance Contracts. This ensures that the planned initiatives are also factored in the KRA budget ensuring that resource allocation follows strategy. Below is the process that links the KPIs to the targets and aligns with interventions:

Level I: Corporate Score Card – comprises the 18 KPIs in the Corporate Plan.

Level II: Departmental Score Card – specific departmental targets that contribute to the achievement of the Corporate Score Card. These are explained in the Annual Implementation Plan and comprise commitments in the departmental performance contracts.

Level III: Division/Section and Individual Score Cards – Division and individual performance Contract targets with specific relevant interventions aimed at achievement of Level II departmental score card (projects and programmes).

Monitoring and Evaluation is central to our planning process in order to track implementation of various initiatives and provide feedback necessary in decision-making.

7.2 Monitoring and Evaluation Plan

The 18 KPIs to be monitored during the Plan period and the annual targets are shown in Table 7.1 below:

Table 7.1: M&E Plan – KPIs

Key Performance Indicators (KPIs)	Measure	Baseline 2017/18	Target 2018/19	Target 2019/20	Target 2020/21
National Indicators					
Revenue Perspective 1. Exchequer revenue performance	Kshs bn	1,516	1,782	1,970	2,271
Customer Perspective 2. Rank in Paying Taxes indicators	No.	92	78	64	50
Business Process/Efficiency 3. Cost of collection	%	1.44	1.4	1.4	1.4
People Perspective 4. EACC integrity levels	Corruption Perception Index (%)	32	25	20	10
Monitoring by the National Treasury					
Revenue Perspective					
1. Debt collection Collectable debt/Total revenue	%	25	20	15	10
2. VAT Gap	%	45	43	40	35
3. Active taxpayers	Nos. (mn)	3.94	5	6	7
4. Reduction in identified illicit trade initiatives	%	Baseline	100	100	100
Customer Perspective					
5. VAT refunds clearance	Days	133	120	90	60
6. Taxpayer satisfaction rate	%	71.9	74	76	80
7. Trading across borders	Rank	106	90	70	50
8. Pre-Arrival Clearance	%	42	56	60	70
9. Implementation of SLAs	% points improvement on 2017/18 baseline	Baseline	10	15	20
Business Process					
10. On-time filing	%	64	70	75	80
11. Automation levels	%	95	96	98	99
People Perspective					
12. Customer perception of KRA staff adherence to core values	%	74	80	85	90
13. Employee Engagement (Sikika survey)	%	67.4	72	76	80
14. Employee satisfaction	%	67	72	76	80

Monitoring and Evaluation activities will be conducted on quarterly basis and management reports prepared. The reports will rely mainly on data provided by the departments. In addition, field and impact evaluations will be conducted as explained below.

i) Field evaluation: This will be conducted for selected initiatives to assess the level of implementation, identify challenges facing implementation and verify actual performance on the ground. It will also provide qualitative information to supplement the quantitative data provided by departments.

ii) Impact evaluation: We shall use impact evaluation to help us estimate causal effect of a programme on outcomes of interest. Impact evaluation follows through from evidence to policy, helping establish whether the real worth of investment in the project has been realized and assessing the extent to which changes can be attributed to interventions being evaluated.

The following criteria, adapted from World Bank, will guide selection of projects/programmes for impact evaluation:

- Relevance to vision, mission and national policy objectives,
- Innovative approach,
- Expected impact,
- Duration within which outcomes are expected,
- Size of the project budget,
- Availability and quality of existing information, and
- Project stage (at the project prioritization stage, the following will be considered: quality, cost efficiency, impact, feasibility and novelty).

We expect that the impact evaluation will help us to make decisions on:

- (a) Closure of projects that are not achieving their objectives,
- (b) Review/modification or expansion of projects that are likely or have the potential to achieve their objectives,
- (c) Full rollout of successful pilot projects/innovations etc., and
- (d) Determine whether the resources used were worth.

We shall use impact evaluation to help us estimate causal effect of a programme on outcomes of interest.

7.3 Impact Evaluation Framework

The framework for impact evaluation is shown in Table 7.2 consisting of the components and their respective requirements.

Table 7.2: Impact Evaluation Framework

	Requirements
Inputs	<ul style="list-style-type: none"> • Total direct cost of the project or programme (budget) • Status of project initiatives and KPIs (Baseline)
Process	<ul style="list-style-type: none"> • Recruitment of taxpayers • Recruitment/training of staff • Resolution of tax cases • Automation of processes
Outputs	Deliverables upon implementation of the project interventions: <ul style="list-style-type: none"> • Revenue raised • Taxpayers recruited • Cases resolved • Processes automated • Staff recruited/trained etc.
Outcome/Impact	Different methodologies will be applied in measuring the impact. Some measures of the expected outcome as a result of implementation of the projects are as follows: <ul style="list-style-type: none"> • Return on investment • Cost effectiveness • Efficiency in service delivery • Staff productivity
Reporting approach	<ul style="list-style-type: none"> • Report to Team One • Report to the Board
Use of outputs by Departments	<ul style="list-style-type: none"> • Recommendations incorporated in the Departmental Annual Plans • Monitoring to be undertaken

IMPLEMENTATION MATRIX

Strategy	Initiatives	Key Performance Indicator	Measure	Baseline 2017/18	Target FY 2018/19	Target FY 2019/20	Target FY 2020/21	
Revenue Perspective								
STRATEGIC OBJECTIVE: Meeting the government's revenue targets through a risk based compliance framework in an equitable, efficient, effective manner								
STRATEGIC OUTCOME: Enhanced revenue through improved compliance		Total Revenue Collected	Ksh. Mn	1,345,399	1,809,999	1,997,399	2,298,299	
		Active taxpayers	No. Mn	3.94	5	6	7	
4.2.1.1: Tax base expansion	i)	Cash economy strategy	Informal taxpayers	No.	11,129	170,000	171,000	170,000
			Professionals recruited	No.	747	8,300	8,356	8,300
	ii)	Professional sector strategy	Registered companies	No.	78,000	143,000	143,000	144,000
			Individuals trading online	No.	0	10,000	15,000	15,000
	iii)	Compliance of active but non-compliant registered companies	Landlords recruited	No.	58,934	22,000	22,000	22,000
			Single Business Permits (SBPs)	No.	0	520,000	520,000	520,000
	iv)	E-commerce and m-commerce strategy	No. of systems integrated	No.	N/A	1	3	1
	v)	Real Estate Strategy						
4.2.1.2: Data driven decision-making	vi)	Collaborate with OGA						
	vii)	Integrate with other systems						
	viii)	County engagement						
4.2.1.3: Robust intelligence collection and investigation	i)	Strengthen research and data analytics functions	VAT Gap	%	45	43	40	35
			HNWI recruited	No.	0	15	15	20
	ii)	Data driven VAT Compliance Strategy						
	iii)	Implement compliance management model						
4.2.1.4: More effective dispute resolution	iv)	Develop & implement data and information sharing mechanism under EIAs						
4.2.1.4: More effective dispute resolution	i.)	Strengthen and restructure ADR function	% disputes resolved in ADR out of total	%	38	45	55	66
	ii.)	Review of the ADR framework						
	iii.)	Regular stakeholder engagements						


Strategy	Initiatives	Key Performance Indicator	Measure	Baseline 2017/18	Target FY 2018/19	Target FY 2019/20	Target FY 2020/21
4.2.1.5: Strengthening debt and accounts management	<ul style="list-style-type: none"> i) Corporate debt management structure ii) Fully utilize debt module in iTax iii) Fast-track debt recovery process timelines iv) Use data analytics 	Collectable debt/total revenue	%	25	20	15	10
People Perspective							
STRATEGIC OBJECTIVE: A competent, performance driven, customer focused and motivated staff							
STRATEGIC OUTCOME: Public confidence in the integrity, professional competence and service orientation of our staff		Employee satisfaction	%	67	72	76	80
Integrity Programme	<ul style="list-style-type: none"> i) Creation of awareness for the stakeholders ii) Efficient inter-agency collaboration iii) Corruption related audits iv) Staff investigation v) System reviews and automation 	Corruption Perception Index	%	32	25	20	10
4.2.2.1: Staff Expansion Programme	<ul style="list-style-type: none"> i) Complete the process of implementing the departmental structures ii) Recruit an additional 3,900 staff iii) Lobby National Treasury for increased funding for staffing 	Recruitment	Nos.	N/A	1,342	1,317	1,241
4.2.2.2: Enhance staff management and development	<ul style="list-style-type: none"> i) Revamp our training and skills enhancement programme through KESRA ii) Enhance our leadership development programme iii) Implement revamped succession management programme iv) Enhance staff performance management v) Implement a staff motivation programme vi) Institutionalise Knowledge management 	Training satisfaction	%	60	64	72	80
		Staff trained	%	49	30	30	30
		Leadership score	%	61	72	76	80
		Knowledge sharing culture score	%	23	35	45	55
4.2.2.3: Corporate culture change management	<ul style="list-style-type: none"> i) Implement CM Policy & Guidelines ii) Undertake internal surveys iii) Implement key enabling projects to support enterprise CM iv) Establish and track relevant metrics and measure the impact of culture 	Employee engagement (Sikika survey)	%	67.4	72	76	80

Strategy	Initiatives	Key Performance Indicator	Measure	Baseline 2017/18	Target FY 2018/19	Target FY 2019/20	Target FY 2020/21
4.2.2.4: Implement a work environment improvement programme	<ul style="list-style-type: none"> i) Standardization of work environment ii) Deployment of a strategic property portfolio development programme iii) Review, develop and deploy efficient and cost effective facilities and logistics services iv) Implement an Integrated Security Solution v) Implement an Asset and facility Management System vi) Develop & implement Employee-Self Service vii) Implementation of shared services 	WE satisfaction index	%	66	68	71	75
Customer Perspective							
STRATEGIC OBJECTIVE: Achieve a quantum leap in customer service							
STRATEGIC OUTCOME: Improved business climate with respect to taxation and trading across borders		Taxpayer satisfaction rate	%	72	74	76	80
4.2.3.1: Customer Service Improvement Framework	i) Service Access Expansion Strategy	Service points established	No.		24	59	56
	ii) Customer Intimacy	Customer perception of KRA staff adherence to core values	%	67	80	85	90
	iii) Business Value						
	iv) Operational excellence	SLA implementation	%	Baseline	10	15	20
4.2.3.2: Improve Border Management	i) Undertake baseline survey	% Reduction in identified illicit trade initiatives	%	N/A	100	100	100
	ii) Operationalize National Inter-Agency framework	Pre-Arrival Cargo Clearance	%	42	56	60	70
	iii) Strengthen PVoC programme						
	iv) Operationalize three OSBPs						
	v) Introduce non-intrusive verification tools						
	vi) Integrate international and regional Customs systems						
	vii) Operationalize three (3) Joint Operation						
	viii) Establish strategic inland roadblocks and patrols						
	ix) Acquire and operationalize mobile command units and body worn cameras						

Strategy	Initiatives	Key Performance Indicator	Measure	Baseline 2017/18	Target FY 2018/19	Target FY 2019/20	Target FY 2020/21
4.2.3.3: Paying Taxes	<ul style="list-style-type: none"> i) Integrate iTax with other systems ii) Reach an agreement with the County Government of Nairobi for KRA to collect Nairobi's Single Business Permit (SBP) iii) Fast-track implementation of the electronic audit selection process 	Paying Taxes	Rank	92	78	64	50
4.2.3.4: Trading Across Borders	<ul style="list-style-type: none"> i) Port Charter implementation ii) iCMS full implementation, rollout and integration with Single Window System iii) Implement integrated scanner strategy iv) Implement RECTS v) Joint verification of cargo at International Airports and OSBPs vi) Scaling up of ICD Embakasi operations 	Trading Across Borders	Rank	106	90	70	50
4.2.3.5: VAT Refunds Strategy	<ul style="list-style-type: none"> i) Integrate iTax with iCMS ii) Implement TIMS iii) Review and automate the current manual refunds risk rating framework in iTax iv) Review and consider implementation of credit utilization across tax heads in iTax v) Restructure export refunds process so that low risk claims are automatically paid vi) Lobby National Treasury to change the VAT refund process vii) Enhance capacity in the division 	Refunds clearance	Days	133	120	90	60
4.2.3.6: Initiatives to reduce uncertainty in the administration of tax statutes	<ul style="list-style-type: none"> i) Apply legislation in line with the letter and spirit of the law ii) Provide guidelines and safeguards for early identification and sanction of non-compliant taxpayers iii) Provide clarity on tax positions as early as possible to compliant taxpayers iv) Use proportionality in enforcement v) Ensure the presence of a well-functioning mediation process 	Implement identified initiatives	%	100	100	100	100

Strategy	Initiatives	Key Performance Indicator	Measure	Baseline 2017/18	Target FY 2018/19	Target FY 2019/20	Target FY 2020/21
Business Process Perspective							
STRATEGIC OBJECTIVE: Simplification of customer facing services and data intelligence driven business processes							
STRATEGIC OUTCOME: Data and intelligence driven organization		Cost of collection	%	1.44	1.4	1.4	1.4
		On-time filing	%	53	63	73	80
		On-time payment	%	44	54	66	80
4.2.4.1: Implementation of the 3rd KRA Wide ICT Strategy (2018/2019 – 2020/2021)	i) Enhancing existing systems to offer integrated, simple, cost-effective and reliable services ii) Improve IT governance	Automation levels	%	95	96	98	99
4.2.4.2: Implementation of Data Governance Framework	i) Operationalize the Corporate Data Office ii) Implement DWBI solution, iii) Develop and implement 3 rd party data framework iv) Tackle the challenge of inadequate data literacy among staff v) Develop and implement a strategy for cleaning up and maintaining credible data	Data Utilization Index	%	X	X+5	X+10	X+15
4.2.4.3: Business Continuity and ISO Maintenance	i) Identify prioritized services and establish business continuity requirements ii) Enhance ICT Disaster Recovery preparedness through upgrade of Times Towers Data Centre iii) Pursue certification to ISO 22301:2012 iv) Achieve ISO 9001:2015 Recertification v) Implement an Integrated Management System (IMS) vi) Conduct internal audits management reviews and surveillance audits to maintain ISO standards	% implementation	%	N/A	100	100	100
4.2.4.4: Organizational Restructuring	i) Organization Structure alignment ii) Transforming the Legal Services and Board Coordination Department iii) Streamlining of the corporate policy function iv) Implement BPM Framework v) Implement BEA Framework	% implementation	%	N/A	100	100	100

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