

2024



Vihiga County Revenue Enhancement Action Plan

Vihiga County Government

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Abbreviations and Acronyms

ARCS- Automated Revenue Collection System
CBEF- County Budget Economic Forum
CRA-Commission on Revenue Allocation
CECM- County Executive Committee Member
CFSP- County Fiscal Strategy Paper
DRS, Director Revenue Services
PICT-Principal Information Technology Officer
PRO-Principal Revenue Officer
OSR- Own Sources Revenue
PFMA- Public Finance Management Act
SBP- Single Business Permit

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Executive Summary

The Vihiga County Revenue Enhancement Action Plan outlines a strategic approach to improve the county's own-source revenue (OSR) mobilization through enhanced automation, staff optimization, policy reforms, internal control & Compliance and stakeholder engagement. The plan aims to lay strategies for human resource optimization, enhanced revenue system utilization and optimize revenue streams while involving stakeholders to achieve the full county revenue potential. Of system inefficiencies, low compliance, and incomplete integration of key revenue streams, which have limited the county's ability to realize its full revenue potential.

The Commission on Revenue Allocation (CRA) indicates that counties currently collect only 40% of their potential revenue, making it essential for Vihiga County to strengthen its collection systems. The plan focuses on automating all revenue streams through the Vihiga Automated Revenue Collection System (ARCS), with a priority on integrating missing streams such as hospital fees and water administration charges. It also proposes resolving operational challenges, including network delays, system timeouts, and non-functional analytics modules.

Key objectives include:

1. Optimize the Human Resource through proper training, deployment, supervision and motivation
2. Enhance Revenue system utilization through projection, analysis, reporting and integration with other existing government systems.
3. Maximize on the existing revenue streams and incorporate new revenue streams within the medium term.
4. Enhance internal controls and compliance to comply with all applicable laws
5. Ensure Effective Stakeholder Coordination and collaboration

The implementation framework emphasizes interdepartmental collaboration, monitoring, and evaluation (M&E) to track progress and make timely adjustments. Through partnerships with financial institutions and mobile payment providers, the county aims to facilitate seamless transactions and minimize revenue leakages.

With this action plan, Vihiga County targets a 15 % annual increase in compliance and aims to strengthen transparency, service delivery, and financial sustainability, reducing reliance on national transfers for development initiatives.

CHAPTER ONE: INTRODUCTION

1.1 Overview /Background –Legal and institutional

Post-independence, Local revenue was charged by Local Authorities (LA) based on Local Government Act (Cap 265). The local Authorities derived their revenue raising measures from the following Acts; Local Government Act (Cap 265, Section 216 & 217), The Valuation for Rating Act (Cap 266) and The Rating Act (Cap 267), Trade Licensing Act (Cap 497) and the Local Government Act (Section 222)

The Constitution of Kenya 2010 introduced a devolved system of governance creating one national government and 47 County Governments. The 47 County Governments budget for devolved functions and generate revenue from local sources. The Constitution defines County Government's funding sources to include:

- I. Equitable share of at least 15 percent of most-recently audited revenue raised nationally (Article 202(1) and 203(2));
- II. Additional conditional and unconditional grants from the National Government's share of revenue (Article 202(2));
- III. Equalization Fund based on half of one percent of revenue raised nationally (Article 204);
- IV. Local revenues in form of taxes, charges and fees.
- V. Loans and grants.

The Constitution of Kenya 2010 gives 47 County governments the power to use the instruments for generating revenues from their own sources. Article 209 (3) of the Constitution of Kenya 2010 states that County Governments have the power to raise revenue through imposing taxes and charges for services, including property rates, entertainment charges and any other tax and charge authorized under an act of parliament. The basis of County Governments to collect revenue is also derived from; County Government Act 2012 section 120 (1). The Public Finance Management Act (PFM) 2012 section 104 (1) (d), Urban Areas and Cities Act (UACA) section 21 (1) .

Counties started collecting OSR at the onset of Devolution in 2013. According to the reports from the Office of the Controller of Budget (OCOB), the counties raised KShs 30.533B in the financial year 2013/14. The Local Revenue has grown to Kshs 58.95B which was 72.8% of the annual target of Kshs 80.94B. An initial expansion of revenues that continued after devolution, now appears to be slowing down or even reversing. This has raised concerns that own-source revenues are not commensurate with the scale, growth and nature of the expanding economic activity at the County level and with the expanding value of the tax/fee base.

At a local level, Vihiga County Government raised KShs during the first year of devolution 2013/14. This has grown to Kshs 335M for the Financial Year 2023/24. A report titled 'Comprehensive Own Source Revenue potential and Tax Gap, Study of County Governments released in June 2022 by the Commission on Revenue Allocation (CRA) in conjunction with the World Bank Group showed that the potential for The County Government of Vihiga projected from the collection of the Financial year 2019/20 is as follows;

Table 1 Actual revenues & potential revenue estimates, Kshs. million - Vihiga

Streams	Actual collections of revenues FY 2019/20	Analysis Potential	Revenue
Property Rates	5.4	59.3	
Building Plan Approvals fees	4.1	33.0	
Trading Licensing	15.3	67.4	
Liquor Licensing fees	2.6	4.3	
Advertising and Sign Board fees	3.4	3.5	
Parking fees	36.2	36.2	
Agricultural transportation fees	6.3	103.7	
Hospital and Public Health Services fees	41.7	637.9	
Market Trade Centre fees	14.0	153.1	
Natural Resource Transportation fees	-	412.4	
Environment and Conservancy administration fees	3.4	59.4	
Game Reserve fees	-	-	
Administrative fees and charges	-	46.0	
Fines, Penalties and Forfeitures	0.4	6.7	
Technical Services fees	-	39.4	
Total	132.8		1,662.3

Source, Comprehensive Own Source Revenue potential and Tax Gap, Study of County Governments released in June 2022 by the Commission on Revenue Allocation (CRA) in conjunction with the World Bank Group page 101.

Recently Sense pay network carried out a revenue survey and the findings indicate that Vihiga County has a potential of 924M. The breakdown of the potential is as follows;

From the above, it is clear that the current collection is below the County's potential. The Action Plan seeks to put in place SMART (Specific, Measurable, Realistic, Timebound) action plans to maximize the revenue collection with the overall objective of raising 15% of the Vihiga County budget by the Own Source Revenue.

1.2 Objectives

The Vihiga County Revenue Enhancement Action Plan aims to provide a coordinated, systematic framework for improving the mobilization, management, and sustainability of own-source revenue (OSR). The plan seeks to address current challenges, unlock new revenue streams, and ensure financial sustainability aligned with the county's development agenda.

Specifically, this revenue enhancement action plan seeks to :

6. Optimize the Human Resource through proper training, deployment, supervision and motivation
7. Enhance Revenue system utilization through projection, analysis, reporting and integration with other existing government systems.
8. Maximize on the existing revenue streams and incorporate new revenue streams within the medium term.
9. Enhance internal controls and compliance to comply with all applicable laws
10. Ensure Effective Stakeholder Coordination and collaboration

1.3 Justification /Rationale

County OSR mobilization is critical in achieving fiscal responsibility, especially considering the constrained national fiscal framework. According to the Commission on Revenue Allocation (CRA) report, counties are currently collecting only 40% of their potential revenue. With the right policies and enhanced systems, counties can bridge this gap and unlock their full potential in OSR mobilization.

Therefore, the Vihiga County Revenue Enhancement Action Plan proposes strategies and interventions to improve revenue collection, building on past efforts while adopting new, data-driven approaches. This action plan differs from previous interventions by integrating:

1. Human resources
2. Revenue Automation
3. Data analysis
4. Internal controls and compliance
5. Stakeholder engagement.

1.4 Methodology

In developing the Action Plan for OSR in Vihiga County ,a systematic approach that aligns county policies, stakeholder engagement, and operational efficiency was adopted. Below is the step-by-step process/methodology used to ensure the plan is comprehensive, actionable, and tailored to address key challenges.

1.4.1 Steps in the Preparation of the OSR Action Plan

Table 2 Steps in the Preparation of the OSR Action Plan

Step	Objective	Activities	Output
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1. Situational Analysis	Assess the current revenue landscape.	<ul style="list-style-type: none"> - Review the Finance Bill 2024 for fee schedules. - Identify gaps in ARCS performance. - Analyze OSR streams. 	Baseline data to identify key challenges.
2. Stakeholder Consultations	Align interests and collect input.	<ul style="list-style-type: none"> - Engage departments (Health, ICT, Finance). - Organize public forums and consultations. - Partner with banks and mobile providers. 	Recommendations from stakeholders.
3. SWOT Analysis & Problem Identification	Identify strengths, weaknesses, opportunities, and threats.	<ul style="list-style-type: none"> - Perform SWOT analysis. - Identify issues (e.g., system downtimes, revenue leakages). 	List of prioritized challenges.
4. Goal Setting and Strategic Objectives	Define measurable goals aligned with the CIDP.	<ul style="list-style-type: none"> - Set annual revenue targets. - Align OSR goals with PBB priorities. - Develop KPIs for each department. 	SMART objectives and KPIs.
5. Intervention Design & Activity Planning	Develop actionable steps for OSR enhancement.	<ul style="list-style-type: none"> - Schedule ARCS integration upgrades. - Plan training for revenue officers. - Allocate resources for system upgrades. 	Detailed intervention and activity plan.
6. Resource Mobilization & Budgeting	Ensure the availability of necessary resources.	<ul style="list-style-type: none"> - Prepare a budget based on the PBB. - Explore partnerships for funding. - Align the budget with county financial policies. 	Approved budget for action plan activities.
7. Implementation Framework Development	Define roles, timelines, and coordination	<ul style="list-style-type: none"> - Assign responsibilities to departments. - Establish 	Comprehensive implementation framework.

	structure.	interdepartmental reporting frameworks. - Set timelines for implementation.	
8. M&E Framework Design	Track progress and integrate learning mechanisms.	- Develop KPIs for system uptime, compliance, and collections. - Schedule quarterly review meetings. - Establish feedback mechanisms.	M&E framework embedded in the plan.
9. Drafting & Validation of the Plan	Consolidate and finalize the action plan.	- Compile the draft action plan. - Organize a validation workshop with Cos and to the CECMs for approval. - Incorporate stakeholder feedback.	Approved OSR Action Plan.
10. Communication & Dissemination	Ensure awareness of the finalized plan.	- Publish the plan on the county website. - Distribute copies to departments. - Conduct public awareness campaigns.	Plan disseminated to all stakeholders.

1.5 Scope

The Vihiga County Revenue Enhancement Action Plan identifies the key issues and areas requiring intervention to improve Own-Source Revenue (OSR) mobilization. It focuses on the entire domain of OSR, with specific attention to the streams outlined in the Finance Act, ensuring compliance with fiscal policies and alignment with the county's broader financial objectives.

1.5.1 Key Areas Addressed by the Action Plan

Table 3: Key Areas Addressed by the Action Plan

Key Area	Description	Intervention/Activity	Expected Outcome
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Human Resources	Focuses on the deployment, training, supervision and motivation	<ul style="list-style-type: none"> -Deploy the staff aligning to the revenue abilities of each stream -Carry out training needs assessment for development of training courses -Come up with a motivation mechanism for the staff 	-A motivated and skilled team, deployed based on the revenue potential of each stream.
Optimize revenue system utilization	Enhance Revenue system utilization through projection, analysis, reporting and integration with other existing government systems.	<ul style="list-style-type: none"> -liaise with the system to carry out back end coding of system ability to analyze and carry to revenue projections. -Improve data management through confidential management of data and ability to retrieve whenever necessary for analysis. -Customize reports to fit the requirements of various stakeholders. -Integrate the system with other different systems available within the County Government including the health systems, HR, Website -timely gadgets maintenance -infrastructure management ,local server installation and management 	Reliable, compliant and efficient administration of the revenue collection with the ability to carry out advanced analysis
Revenue Streams	Focuses on the existing revenue streams and incorporates new revenue streams within the medium term.	<ul style="list-style-type: none"> -Integrate all streams into ARCS and ensure real-time tracking of collections. -Scan the county and neighboring counties to incorporate emerging revenue streams -enhance collection 	Improved collections and diversified revenue stream

		,supervision and inspection to achieve the near full potential of each stream.	
Internal control and Compliance Management	Addresses processes, reconciliation, risk management, enforcement and policy gaps Also focuses on compliance with best practices in revenue collection and national laws & regulations -covers adequacy of existing county laws and alignment with national laws	-Design the process flow of invoicing, collection, enforcement and disposal of impounded goods. -Review audit findings & recommendations from previous audits and other county audits. -incorporate recommendations from CRA	Increased compliance and alignment with fiscal policies.
Public Engagement and Stakeholder Coordination	Focuses on building trust and encouraging compliance through engagement with businesses and residents.	Conduct public awareness campaigns and organize stakeholder forums.	Stronger stakeholder collaboration and higher compliance rates.
Monitoring and Evaluation Framework	Ensures continuous tracking of revenue performance and progress toward targets.	Develop an M & E framework with clear KPIs and feedback mechanisms.	Enhanced accountability and timely adjustments to strategies.

CHAPTER TWO: SITUATIONAL ANALYSIS

2.1 Overview of Revenue Collection in Vihiga County

Own Source Revenue was initially collected under the defunct local authority. After devolution, the authority to collect was vested in the County Government of Vihiga through the Directorate of Revenue. Administratively, the Directorate of Revenue is domiciled in the County Treasury and the Receiver of Revenue reports to the Chief Officer- Accounting, Revenue and Supply Chain Management.

To enhance revenue Collection, the County has passed several legislations to complement the ones from the national government. The legislations are;

1. Finance Act issued annually
2. Vihiga Trade Licensing Act, 2017
3. Vihiga County Tea Cess Act, 2015
4. Vihiga County Revenue Adminstrative Act
5. Vihiga County Cess Act, 2015
6. Vihiga County Facility improvement Fund Act
7. Vihiga County Rating Act, 2016

The County Government of Vihiga has prioritized Own Source Revenue. To support the mobilization of own Source revenue the County has recently;

- a. Acquired an Automated Revenue Collection System to enhance efficiency
- b. Engaged the Bodaboda sector to pay revenue as a means of diversifying revenue collection.
- c. Recruited staff to support the revenue collections
- d. Set up a Revenue Enhancement Committee to oversight the Revenue function

2.2 Revenue Streams Trends and Statistics

Table 4: Revenue collection trends for key streams over the past four financial years

REVENUE STREAM/ FY	2020/2021	2021/2022	2022/2023	2023/2024
N.H.I.F RECEIPTS (A.i.A)		68,388,226	53,239,465	104,466,125
Facility Improvement Fund(A.i.A)	24,920,533	48,981,050	66,506,910	62,106,760
Public Health Service Fees(A.i.A)	1,613,357	3,508,545	2,746,726	4,101,966
Single Business Permits	48,464,700	22,479,586	17,180,567	41,633,187
Buspark & Parking Fees	33,745,080	35,692,718	31,041,300	32,651,670
Market and Trade Fees	14,562,280	14,586,916	13,340,932	16,246,555
Advertising & Branding	10,503,180	9,593,703	10,801,172	16,516,152

Tea Cess		2,082,844	3,157,151	7,313,986
House Rent		6,376,680	5,771,934	2,503,308
Liquor license	1,435,000	4,220,000	2,518,733	6,151,500
Conservancy fees		3,178,400	2,269,275	6,024,500
Stall Rent	1,085,373	2,190,974	1,713,600	5,513,188
Motorbike stickers		2,300	21,800	5,079,799
Plans Inspection/Approval	4,597,390	2,447,170	2,947,501	2,869,800
Livestock Cess	2,788,580	2,495,555	2,426,750	3,878,592
Veterinary Services & Fisheries	2,531,050	3,157,930	2,213,614	1,770,165
Vihiga FM Receipts	2,253,321	2,966,266	380,780	1,510,614
Physical Planning		761,000	1,221,500	2,829,000
Others	900,000	7,500	6,000	2,430,886
Land rates	8,621,624	2,553,813	1,392,435	2,269,170
Water supply administration Fees	2,057,680	1,874,150	842,567	169,140
Hire of Machines	1,983,745	405,960	368,350	262,400
Inspection and Impound Fees	1,694,795	1,525,800	1,677,000	-
Slaughter management		148,690		1,619,340
Miscellaneous Income	1,188,952	259,698	1,315,904	1,217,436
Scrutiny Electrical	-	783,000	638,700	711,200
Sand And Murram	42,050	24,950	500	628,170
Toilet fees		402,450	591,830	559,160
Land Boundary Disputes	493,000	250,000	246,000	296,000
Hire of Hall/Ground/site plot	3,000	395,520	357,668	479,406
Scrutiny Mechanical	-	346,000	358,700	471,000
Weights and Measures	409,650	314,300	261,600	388,000
Way leave Application		183,400	21,120	297,120
Renovation fees		162,000	78,500	259,000
SUBTOTAL YEARLY	165,894,340	242,747,094	227,656,583	335,224,295

Percentage contribution of major revenue streams

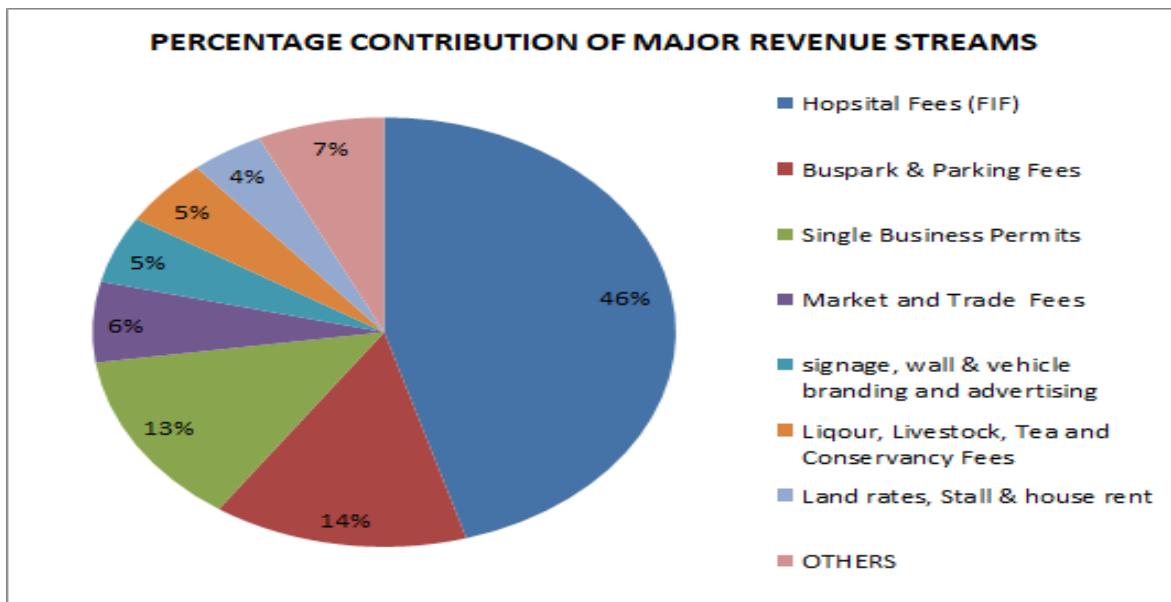


Figure 1: Trend in Local Revenue collection by Quarter from FY 2014/15 TO FY 2023/24

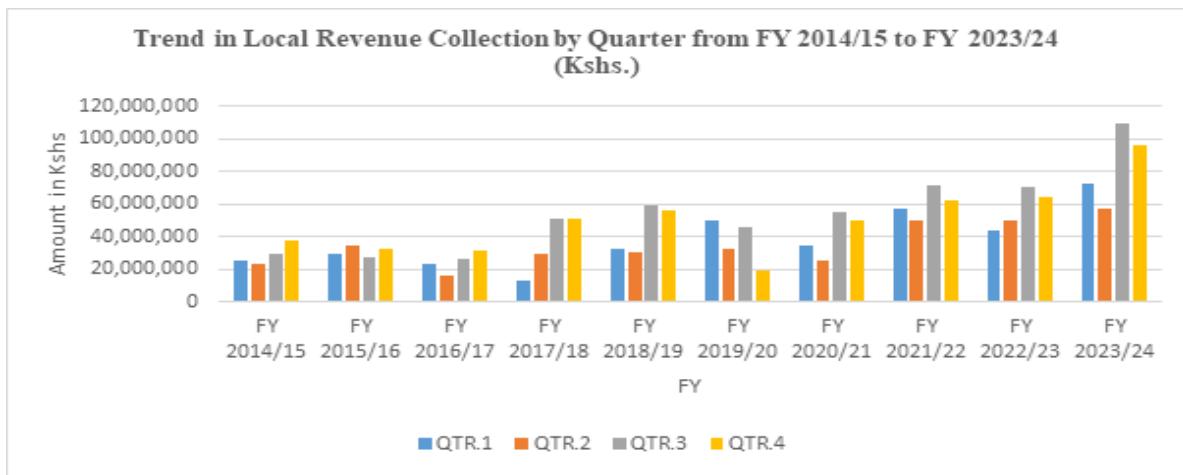
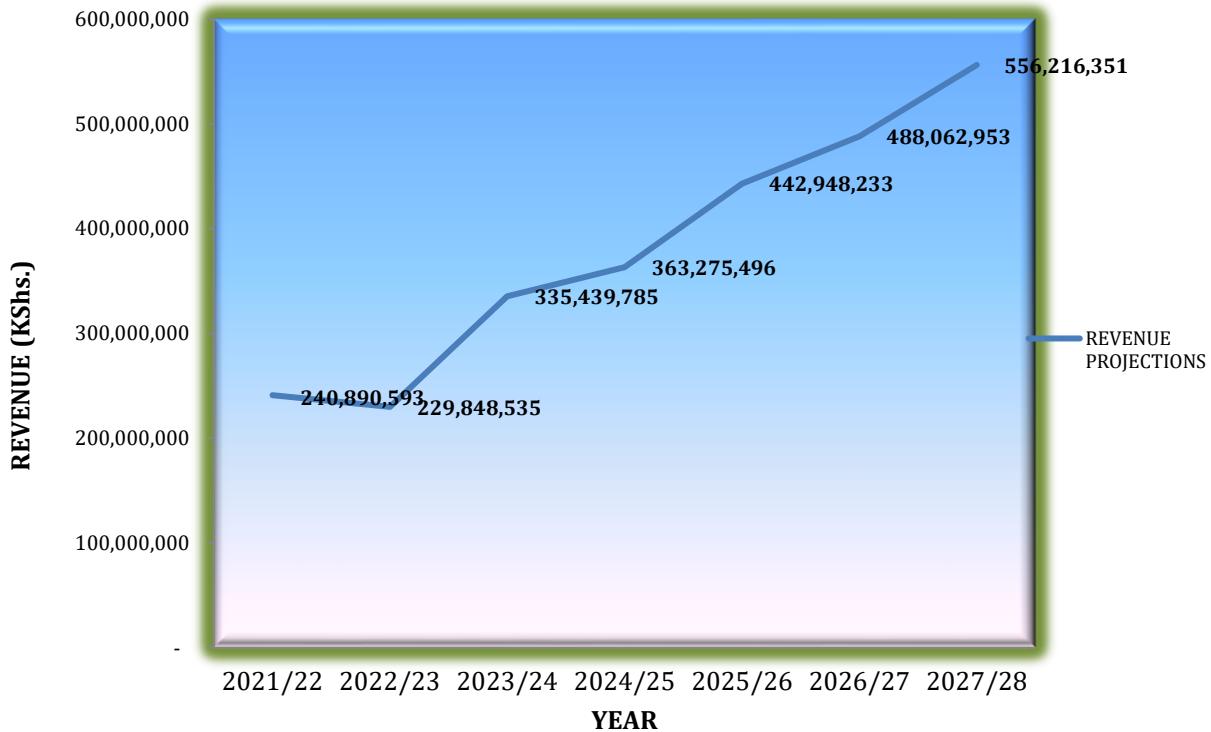


Figure 2 Revenue growth projections

Revenue Projections



2.3 Challenges Facing the Vihiga Automated Revenue Collection System (ARCS)

The challenges are analyzed based on the five main categories of Human Resource, Revenue Streams, Automation, Internal Control and Compliance and stakeholders

Table 5 revenue collection trends for key streams over the past four financial years (FYs).

Challenge	Impact	
Human Resource Challenges	Lack of training	Poor communication and unprofessional handling of stakeholders
	Embezzlement	Potential loss of revenue
	Branding and related attires	Lack of public confidence and negative presentation of county image

Revenue Streams	Limited streams	Limited revenue collection
	Dormant streams	Limited revenue Collection
	Lack of amenities like water and sanitation in key markets, fences	Revenue leakage
	Insufficient investment in key revenue streams	Unmet targets
Automation	Frequent timeouts	Slowdown transactions and frustrate users
	Delay in network communication	Delayed real time payment reducing public trust
	Delayed onboarding of health of Department	Gaps in consolidated reporting and complicates the oversight of revenue performance.
	Non-Functional modules like analytics, trends, and target modules	Limits the ability to scientifically revenue targets, forecast trends, and monitor performance.
Internal Control and Compliance	Alignment of County laws to the national laws	Potential legal suits
	Lack of Primary laws for key revenue stream	Potential legal suits
	unreliable reporting	Noncompliance with stakeholder requirements and governance standards
	Delayed reconciliation	Delayed detection of fraud and errors
Stakeholder related changes	Inadequate public participation	Exposure to legal suits due to violation of the constitution
	Limited participation by other Departments	Unmet annual targets
	Market management strikes	Unmet targets
	Political interference	Unmet targets

2.4 Impact of the Challenges

2.4.1 Inefficiency in Revenue Collection

The combination of timeouts, network delays, and incomplete automation disrupts the efficiency of revenue collection, making it difficult to meet daily targets. These inefficiencies delay reconciliation efforts and lead to inconsistent reporting, reducing the county's ability to plan and allocate resources effectively.

2.4.2 Increased Operational Burden

The manual reprinting of receipts increases the workload for revenue officers, raising operational costs and introducing the potential for record-keeping errors. This operational burden negatively affects customer service, leading to dissatisfaction among citizens who expect seamless transactions.

2.4.3 Potential Loss of Revenue

System downtime and transaction delays discourage businesses and individuals from making timely payments, resulting in revenue losses and reduced compliance. These inefficiencies lead to revenue leakages, affecting the county's ability to meet its financial obligations and provide essential services.

2.5 SWOT analysis

Table 6 SWOT analysis

Strengths	Weaknesses
<ul style="list-style-type: none">- Transition from manual to automated revenue collection has increased transparency and accountability.- Integration of key revenue streams (Bus Park, Parking, Land Rates) enables better tracking and management of funds.- Strong partnerships with banks and mobile money providers ensure smooth fund transfers.- ICT department and trained staff offer technical support for system upgrades and troubleshooting.- Political goodwill and county leadership committed to improving revenue collection processes.	<ul style="list-style-type: none">- System timeouts and network delays reduce operational efficiency and cause delays in transactions.- Incomplete automation: Key streams like hospital payments and water fees are not yet integrated.- Non-functional analytics, target, and trend modules limit data-driven decision-making.- Multiple receipt production creates confusion, increasing operational workload and financial discrepancies.- Inconsistent staff training on new modules creates knowledge gaps, affecting service delivery.
Opportunities	Threats
<ul style="list-style-type: none">- Expand automated collection to hospitals and other public services to improve revenue oversight.	<ul style="list-style-type: none">- Public resistance to strict enforcement of policies or introduction of new fees.

<ul style="list-style-type: none"> - Fix analytics and trend modules to provide insights for forecasting and planning. - Leverage mobile platforms to enhance convenience for taxpayers, increasing compliance. - Explore new revenue sources (tourism, sand/quarry permits) to diversify income. - Strengthen stakeholder engagement to build public trust and encourage compliance. 	<ul style="list-style-type: none"> - Political interference could affect the consistent enforcement of revenue policies. - Network infrastructure challenges might continue to affect system performance. - Economic downturns could reduce compliance and impact revenue growth. - Delays in system upgrades may hinder progress in meeting revenue targets.
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2.6 Stakeholder Analysis

Stakeholder analysis is crucial in understanding the roles, interests, and influence of various parties involved in the revenue collection efforts within Vihiga County. Effective stakeholder engagement ensures the successful implementation of the Vihiga Automated Revenue Collection System (ARCS) by aligning the interests of key groups, improving compliance, and fostering collaboration. Below is an overview of the key stakeholders, their roles, and their impact on the revenue system.

2.6.1 Key Stakeholders and Their Roles

Table 7: Key Stakeholders and Their Roles

Stakeholder	Role/Interest	Impact on ARCS Implementation
County Government	Provide leadership, policy direction, and resource allocation	High – Responsible for system approval and funding
Finance and Economic Planning Department	Oversee revenue collection, budgeting, and reconciliation	High – Directly manages the ARCS system
ICT Department and Vendor	Implement and maintain the ARCS system, fix technical issues	High – Ensures uptime and system reliability
Revenue Department	Collect payments and enforce compliance with revenue policies	Medium – Handle day-to-day operations and reporting
Businesses and Traders	Pay levies, licenses, and fees (e.g., market fees, parking fees)	Medium – Compliance affects revenue generation

Health Department	Manage hospital revenues and ensure integration into ARCS	Medium – Important for tracking A.I.A collections
Citizens/Residents	Pay levies and fees for services (e.g., water, permits)	High – Compliance impacts the success of ARCS
Banks and Payment Partners	Facilitate smooth fund transfers and reconciliations	High – Ensures secure and seamless transactions
Political Leaders (MCAs)	Advocate for policies, raise public concerns, and ensure accountability	Medium – Can influence policy enforcement

2.7 Key Issues – Result Areas

This section highlights the core challenges identified in the Vihiga Automated Revenue Collection System (ARCS) and their corresponding result areas. These key issues directly affect the system's performance, operational efficiency, and revenue outcomes for Vihiga County. Each issue is aligned with a desired result to ensure that appropriate interventions are implemented.

Table 8: key issues

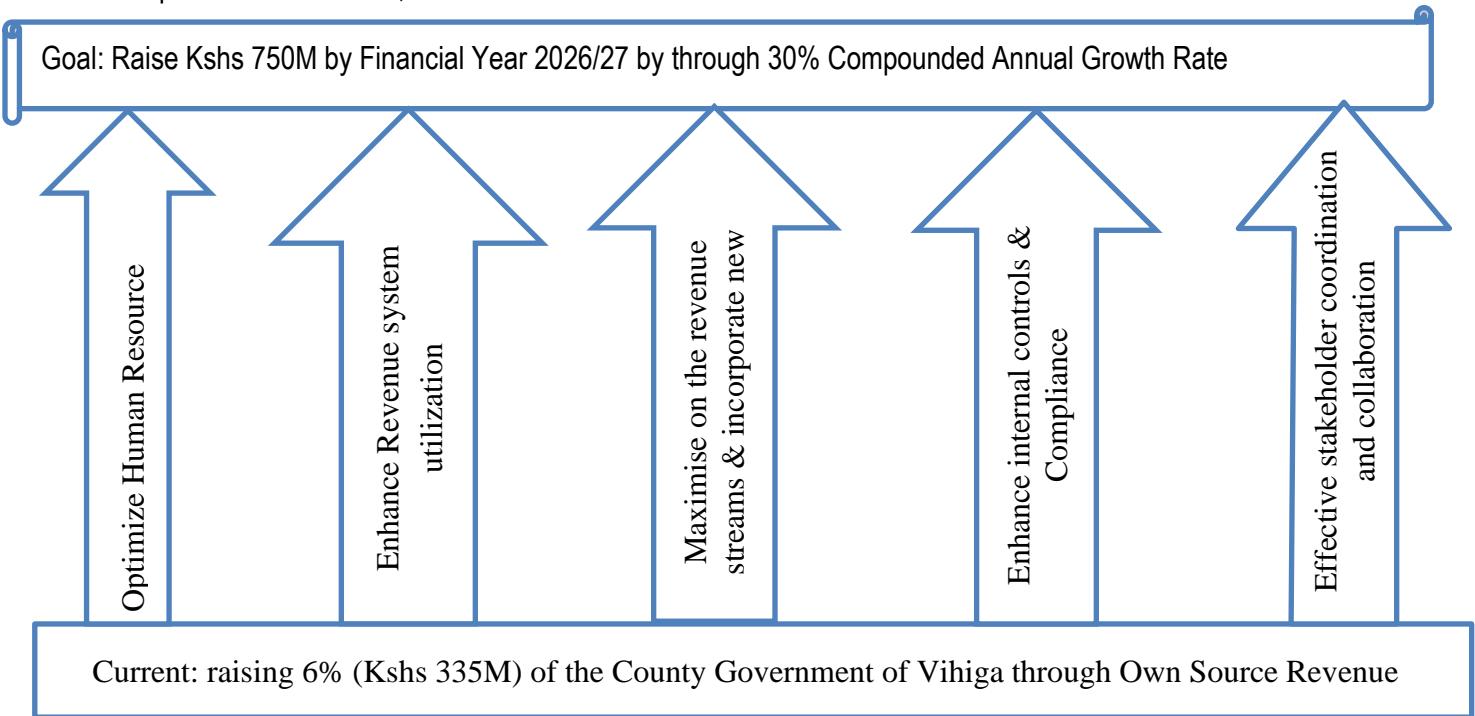
Key Issue	Description	Result Area	Intervention/Activity
Technical Issues	Frequent timeouts and network delays disrupt transactions, leading to service interruptions.	Improved system uptime and seamless transactions.	Install local servers, upgrade network infrastructure, and monitor performance regularly.
Incomplete Revenue Automation	Some revenue streams, such as hospital payments and water fees, are not integrated into ARCS.	Full automation of all revenue streams with consolidated reporting.	Integrate all revenue streams, focusing on hospitals and public service fees.
Non-Functional Modules	The analytics, trends, and target modules are not operational,	Enhanced insights for forecasting, planning, and tracking	Repair modules and generate monthly performance reports.

	hindering data-driven decision-making.	performance.	
Operational Inefficiencies	Manual reprinting of receipts and multiple receipts leads to confusion and increased workload.	Streamlined operations with accurate receipt management.	Train revenue officers and introduce automated receipt validation systems.
Stakeholder Engagement and Compliance	Limited public awareness and engagement result in low compliance among businesses and residents.	Increased compliance and improved public trust.	Conduct awareness campaigns and organize stakeholder forums. Collaborate with political leaders to promote policies.
Financial Risks and Revenue Losses	Delays in processing and network failures result in revenue losses and lower compliance.	Reduced financial risks and improved revenue collection.	Implement stricter monitoring mechanisms and enhance system performance.

CHAPTER THREE: STRATEGIC MODEL

3.1 Introduction

This chapter outlines the strategic framework and action plan for improving Own-Source Revenue (OSR) collection in Vihiga County. The action plan identifies key revenue streams, strategies, and responsibilities to ensure sustainable, efficient, and transparent revenue collection. The Main pillars are optimize on the Human Resource, enhance the revenue system utilization, maximize the revenue streams and incorporate new streams, enhance internal control and compliance and ensure effective stakeholder coordination and collaboration aiming to raise 20% of the Vihiga County Budget through own source revenue. In summary it can be presented as follows;



3.2 Optimize the Human Resource

Table 9 HR development framework

Focus Area	Key Interventions/Activities	Period	Responsible Person(s)
Deployment	<ul style="list-style-type: none">- Assign staff to revenue-critical roles based on skills and experience.- Implement rotation policies to prevent stagnation and inefficiency.	Continuous	-Director Revenue, Principal Revenue Officer & Senior Revenue Officers
Performance Management	<ul style="list-style-type: none">- Develop performance contracts for revenue officers.- Monitor staff performance through monthly appraisals.	Quarterly	-Director Revenue, Principal Revenue Officer & Senior Revenue Officers
Reward Scheme	<ul style="list-style-type: none">- Introduce performance-based incentives for meeting revenue targets.	Annual	HR Department, Director

	<ul style="list-style-type: none"> - Recognize outstanding contributions through annual awards. 		Revenue Services
Training	<ul style="list-style-type: none"> - Conduct regular training on the revenue collection system (e.g., ARCS). - Provide workshops on customer service and compliance enforcement. 	Semi-Annual	HR Department, ICT Department
Supervision	<ul style="list-style-type: none"> - Assign team leaders to oversee collection points. - Conduct random checks and audits at revenue centers. 	Weekly	Director Revenue Revenue Supervisors, Internal Audit Team
Branding and Staff welfare	<ul style="list-style-type: none"> - Provide staff uniforms to improve visibility and promote professionalism. - Offer mental health and wellness programs for staff. 	Annual	Director Revenue and HR Directorate.

3.3 Enhance Revenue System utilization

Table 10 Revenue System utilization

Focus Area	Key Interventions/Activities	Period	Responsible Person(s)
System uptime	<ul style="list-style-type: none"> - Ensure stable connectivity through network upgrades. - Conduct regular system maintenance and updates. 	Monthly	ICT Department, System Vendors
Systems integration	<ul style="list-style-type: none"> - Fully integrate all revenue streams into the automated system (ARCS). - Test the functionality of integrated modules. - Integrate targets in the system per sub county, department and clerk respectively. 	Semi-Annual	ICT Department, Revenue Team
POS maintenance	<ul style="list-style-type: none"> - Inspect POS devices at collection points. - Replace or repair faulty devices promptly. 	Quarterly	ICT Support Team, Revenue Supervisors
Analytics and Trends	<ul style="list-style-type: none"> - Activate and utilize analytics modules for performance monitoring. - Generate monthly revenue trends reports. - Retain database on any user for retrieval in future. 	Monthly	ICT Department, Finance Team

3.4 Maximize on the existing revenue streams and incorporate new stream for diversified revenue collection

Table 11 Maximize on the existing revenue streams and incorporate new stream for diversified revenue collection

REVENUE STREAMS	STRATEGIES	RESPONSIBILITY
PARKING FEE	Digitize payments through ARCS; demarcate parking areas, Enhanced Supervision and enforcement enhance parking monitoring using digital tools, Mapping of Parking Revenue clerks to Enforcement officers	DRS, PRO, Revenue Officers, ICT, Department
BUS PARK	Collaborate with private operators through continued education for compliance. Initiate RRI at intervals. Introduce automated ticketing systems in the long run	Transport Department, PRO, SRO, Revenue officers, Enforcement officers
MARKETS	Automate collection of market fee, regular Cashless awareness campaign, increase supervision and conduct periodic audits, implement daily collections in all markets, Provision of adequate sanitation facilities and garbage collection, provision of other services like fencing and garbage collection, allocation of spaces for ease of target allocation and prediction of collection	DRS, PRO, Revenue Officers, Market Supervisors, Department of Commerce
SINGLE BUSINESS PERMITS	Streamline issuance and renewal through online portals, Utilise data from the preceding years to map SBPs, Annual compliance reviews, timely billing and invoicing, Regular update of SBP register	DRS, PRO, PICT and Enforcement Directorate
FINES AND PENALTIES	Automate enforcement and fine payments on the ARCS, increase awareness of the specific fines for different offenses, leverage collaboration with Enforcement, local law enforcement and judiciary.	DRS, PRO, PICT and Enforcement Directorate, ICT Team

LAND RATES	Have updated valuation roll in place, Collaborate with the Kenya Land Commission on Public land and Community land, Implement automated billing and reminders for property owners, allow property owners to pay rates in installments, introduce early payments discounts.	Director Lands, DRS, PRO, PICT and Enforcement Directorate
STALL RENT	Digitize stall rent collection and generate automated invoices, regular tenant review, Biannual renovations of stalls. Maintain and update the stall rent defaulters register,	DRS, PRO, PICT and Department of Commerce
HOUSE RENT	Introduce mobile payment for rent collection, regular tenants reviews, fast track payment of house rents deducted from payroll, priorities rent deductions after statutory deductions and before loans	Payroll Department, DRS, PRO
SAND\ MURRAM	Develop policies to regulate extraction and introduce permits, introduce sustainability fees aimed at environmental conservation. Deploy enough revenue collection staff, Identify sand and murram harvesting sites, maintain the roads used by the lorries, Regular enforcement.	Department of Roads, Department of environment, DRS, PRO, PICT and Enforcement Directorate
WATER ADM FEES	Automate fee payments and link with water services billing, involve the local community in water management to improve fee compliance, integrate leak detection sensors to reduce non-revenue water.	Department of Water, DRS, PRO, and Enforcement Directorate

STREAMS RELATED TO LANDS DEPARTMENT (Search fees, plan approval. Hoarding, Change of users, renovation, building inspection fee, Change of user)	Implement online submission and review of development plans, streamline the approval process with other government agencies to have one stop shop, offer express options for faster plan reviews at a premium fee hence higher revenue, Regular patrols and inspection of buildings, Centralization of plan approvals, clear approval process	Physical Planning Department, DRS,PRO, PICT and Enforcement Directorate
GROUND/SITE RENT	Automate site rent collection and update leases	Lands Department, DRS,PRO, PICT and Enforcement Directorate
ADVERTISEMENT	Review the approval process for advertisement, regular supervision of adverts, review contract for adverts	Commerce Department, DRS,PRO, PICT and Enforcement Directorate
WALL & VEHICLE BRANDING	Review the approval process for advertisement, regular supervision of adverts, Continuous inspection, review contract for adverts to include removal of adverts after expiry	Commerce Department, DRS,PRO, PICT and Enforcement Directorate
LAND BOUNDARY\DISPUTES	Collaborate with the land registrar and digitize payments	Lands Department, Legal Office, DRS,PRO, PICT and Enforcement Directorate
SLAUGHTER MANAGEMENT	Introduce registers at the entry, deploy enforcement officers to slaughter houses	Department of Livestock, DRS,PRO, PICT and Enforcement Directorate
STOCK SALES	Provision of essential services like fencing and sanitation, supervision by use of enforcement officers, in the long run construct modern markets	Commerce Department, DRS,PRO, PICT and Enforcement Directorate
MOTORBIKE STICKERS	Automate issuance of stickers, maintain database of motor bikes and integrate with enforcement teams, partner with the bodaboda associations and leadership.	Commerce Department, DRS,PRO, PICT and Enforcement Directorate
WEIGHTS & MEASURES	Ensure compliance inspections and automate fees	Commerce Department, DRS,PRO, PICT and Enforcement Directorate

SIGNAGES, WAY LEAVE APPLICATION	Review the approval process for advertisement, regular supervision of adverts, Continuous inspection and surveillance, review contract for adverts to include removal of adverts after expiry	Commerce Department, DRS,PRO, PICT and Enforcement Directorate
VETERINARY FISHERIES &	Lobby for more funding for the fish farm, proper marketing for the fish farm, involvement of revenue directorate in veterinary related campaigns	Veterinary and Fisheries Department, DRS,PRO, PICT and Enforcement Directorate
HIRE OF MACHINES	Install trackers to monitor movement, streamline the approval process by introducing multiple approvals, Allocate budget for maintenance	Department of Transport and Infrastructure, DRS, PICT and Enforcement unit
FIRE INSPECTION FEE	Map the fire inspection points using GIS, Merge with approvals on T&I, Electrical approval and Plan approval	Department of Transport and Infrastructure, DRS and Revenue Officers
SCRUTINY MECHANICAL	Fund the Manyatta garage, Direct departments to service all County vehicles at Manyatta, Allocate budget to Manyatta Garage and Pending bills to the Department should be given priority	Department of Transport and infrastructure, Revenue and Department of Public service
SCRUTINY ELECTRICAL	Merge with approvals on T&I, Electrical approval and Plan approval	Department of Transport and Infrastructure, DRS and Revenue Officers
LIQUOR LICENSE FEE	Issue licences together with Single Business Permits, Digitize applications and monitoring of licenses, introduce automated reminders, introduce incentives for early payment, collaboration with law enforcement, introduce temporary event-specific licenses, carry out public awareness, brand staff handling the liquor to root out impersonators	Directorate of Liquor and revenue, County Commissioner's office

NOISE POLLUTION	Introduce real time noise pollution systems in high risk areas, Acquire noise measurement gadgets penalties for non-compliance, incentives for compliance, collaboration with law enforcement, surveillance of noise monitoring as a service	Department of Environment, Directorates of enforcement and revenue
TOILET FEES	Digitize payment systems, Have a standard policy of toilet management improve facility standards, leverage the high traffic areas, offer event specific toilet facilities,	Department of Commerce. Department of Environment and Directorate of Revenue
GROUP REGISTRATION	Carry out public awareness	Department of Social services
TEA CESS	Digitize collections, introduce premium pricing for export tea, flexible payment plans, collaboration with Kenya Tea Development Authority on periodic data exchange, collaborate with neighboring counties	Directorate of Revenue, Department of Agriculture and Enforcement Directorate
SHA/SHIF RECEIPTS (A.I.A) AND OTHER INSURANCE RECEIPTS	Train the revenue SHA/SHIF handling, Deploy well trained SHA/SHIF to handle claims, minimize rejects on claims by collaborating with the local SHIF/SHA offices	Director Health, Medical Superintendents, DRS, SRO-Health

HOSPITALS- (A.I.A)	CASH	<p>Fully automate hospital cash collections by integrating the Hospital Information Management system and SensePay,</p> <p>Ensure timely supply of serviceables for Xray. Citi-scans and related machines,</p> <p>Ensure enough stocks in the pharmacy, introduce controls on specialized services</p> <p>Develop standardized charge sheets for each level of hospital.</p> <p>All revenue to be strictly handled by revenue staff</p> <p>Distribute targets per revenue centres like pharmacy, MRI, Xray, morgue</p> <p>Improved management of unions and Locum staff</p>	Director Health, Medical Superintendents, DRS, SRO-Health
PUBLIC (A.I.A)	HEALTH	<p>Integrate public health fees with SensePay,</p> <p>introduce new streams of revenue e.g. health impact assessment for new developments and health certifications for events,</p> <p>introduce public health education fees for business entities ,</p> <p>conduct mobile inspections,</p> <p>public health campaign sponsorships.</p> <p>Awareness campaigns with the general public, awareness campaigns with the public health and call them to order</p>	Directorate of Public Health. DRS, PRO and Public Health Officers
VIHIGA FM RECEIPTS		<p>Fund licensing of licenses from all the regulatory bodies like Communication Authority of Kenya, Kenya Revenue Authority.</p> <p>Improve electricity supply and modernize the studios.</p> <p>Recruit more marketing officers working on commissions</p>	Department of Public service and Vihiga Fm management

3.5 Internal Control and Compliance

Table 12 internal control and compliance

Focus Area	Key Interventions/Activities	Period	Responsible Person(s)
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Revenue Stream	- Use automated systems to identify and resolve discrepancies promptly.	Daily/Monthly	Finance Team, Revenue Supervisors
Reconciliation	- Conduct timely and accurate financial reconciliations for all revenue streams. - Automate reconciliation processes for efficiency.	Monthly	Finance Department, Internal Audit Team
Reporting	Reporting per revenue centre for Health - Generate detailed reports for each revenue stream. - Ensure transparency and accuracy in reporting processes.	Quarterly	Finance Team, Revenue Supervisors
User rights	- Define and enforce user access rights based on roles and responsibilities. - Regularly review access controls.	Semi-Annual	ICT Department, HR Department
Revenue related laws	Timely review of Revenue related laws - Review and update county laws related to revenue collection to align with current needs. - Engage stakeholders in legislative reviews.	Annual	Legal Department, Finance Team
External Audits	Target unqualified for annual audits by the Office of the Auditor General - Engage independent auditors to review the financial performance of revenue systems. - Aim for unqualified audit opinions annually.	Annual	Office of the Auditor General, Finance Team
Audit and Compliance Reviews	- Conduct internal audits to identify discrepancies and recommend corrective measures. - Ensure compliance with revenue-related laws.	Annual	Internal Audit Team, Legal Department
Fraud Prevention	- Implement robust monitoring systems to detect and prevent fraudulent activities. - Conduct regular staff sensitization on ethics.	Continuous	Internal Audit, Compliance Officers

3.6 Effective Stakeholder coordination and Collaboration

Table 13 3Effective Stakeholder coordination and Collaboration

Focus Area	Key Interventions/Activities	Period	Responsible Person(s)
Revenue payers engagement	<ul style="list-style-type: none"> -Conduct public awareness campaigns on the importance of OSR and how revenues are used for development. -Engage business associations and informal traders to reduce resistance to new tax measures. -Hold forums with key stakeholders (e.g., local chambers of commerce) to discuss policy changes and improve compliance 	Half yearly	Revenue Directorate, Department of Commerce and Environment
Working with Financial Institutions	<ul style="list-style-type: none"> - Establish agreements with banks for seamless revenue collection and transfer. - Collaborate with mobile payment platforms to enhance accessibility. 	Quarterly	Finance Department, ICT Department
Following CRA Guidelines	<ul style="list-style-type: none"> - Implement recommendations and advisories from the Commission on Revenue Allocation (CRA). - Conduct annual reviews to align revenue strategies with CRA standards. 	Annual	Finance Department, Legal Team
Public-Private Partnerships (PPPs)	<ul style="list-style-type: none"> - Partner with private organizations to expand revenue streams (e.g., sand and quarry permits, tourism fees). - Ensure compliance with PPP frameworks. 	Semi-Annual	Trade Department, Environment Department
Stakeholder Engagement Forums	<ul style="list-style-type: none"> - Conduct forums to educate businesses and citizens on compliance requirements. - Address stakeholder concerns collaboratively. 	Semi-Annual	Public Relations Office, Trade Officers
Interdepartmental Collaboration	<ul style="list-style-type: none"> - Hold quarterly meetings to align goals between Finance, Trade, and Environment departments. - Share data to enhance decision-making. 	Quarterly	Finance Department, Revenue Supervisors

CHAPTER FOUR : INSTITUTIONAL AND IMPLEMENTATION FRAMEWORK

4.1 Institutional Arrangements

The institutional arrangements for managing own-source revenue (OSR) in Vihiga County involve multiple departments, offices, and partnerships that work collaboratively to ensure effective revenue collection, compliance, and service delivery. These arrangements define roles, responsibilities, and coordination mechanisms among internal and external stakeholders, promoting transparency and accountability in the county's financial operations. Below are the key institutional components:

4.1.1 Key Institutions Involved in OSR Management

Table 14: Key Institutions Involved in OSR Management

Institution	Role/Responsibilities
Directorates of Budget and Economic Planning	Oversees budgeting, planning, revenue forecasting, and OSR reconciliation. Responsible for setting annual revenue targets and ensuring collection aligns with fiscal plans.
County Treasury	Manages cash flow, banking arrangements, and expenditure control. Ensures funds from OSR are accounted for and allocated according to budgetary provisions.
Directorate of Revenue	Handles day-to-day collection of revenue, licenses, and permits, including parking fees, markets, and land rates. Collects and reports OSR to the County Treasury.
Directorate of ICT	Manages and maintains the Vihiga Automated Revenue Collection System (ARCS). Ensures system uptime, module functionality, and data security for real-time reporting.
Internal Audit and Compliance Unit	Conducts regular audits to detect fraud and ensure compliance with financial regulations. Monitors revenue leakages and provides recommendations for improvements.
Sectoral Departments (e.g., Health, Lands, Environment, Agriculture)	Collect sector-specific revenue (e.g., hospital fees, land rates). Collaborate with the Revenue Department to ensure all revenue streams are fully integrated into ARCS.
Enforcement unit	Ensures compliance by enforcing revenue policies and penalties for defaulters, including inspections and issuing fines for non-compliance.
County Assembly	Provides oversight through the Finance and Budget Committee. Reviews revenue performance reports and ensures OSR collection aligns with county laws and policies.
Banks and Financial institutions	Partner with the county to facilitate payment collections and reconciliation through digital platforms and mobile money services.

Governance and Public Participation Office	Facilitates stakeholder engagement and public awareness campaigns to encourage compliance and build trust. Organizes community forums to discuss revenue policies.
Banks and Financial Institutions	Partner with the county to facilitate payment collections and reconciliation through digital platforms and mobile money services.

4.2 Coordination Mechanisms

- ✓ The Revenue Directorate runs the day to day revenue collection and will have weekly and monthly meetings to review progress. The monthly reports will be shared with the County Treasury and the sectoral departments to inform performance for the previous month.
- ✓ Interdepartmental Committees: Vihiga County relies on committees comprising representatives from the Finance, ICT, and Revenue departments to ensure seamless coordination and problem resolution in revenue collection.
- ✓ Monthly and Quarterly Reporting: Departments submit performance reports to the County Treasury and Finance Department for analysis and adjustments in collection strategies.
- ✓ Audit and Compliance Reviews: The Internal Audit Unit conducts audits regularly to identify revenue leakages and ensure compliance with county financial policies.
- ✓ Public Participation Forums: The Public Participation Office organizes community engagement sessions to build support for OSR initiatives and communicate changes in fees or policies.

4.3 Implementation framework/matrix

The implementation framework for OSR provides a structured approach to the rollout, monitoring, and management of revenue collection activities. This framework ensures that various departments, stakeholders, and systems are aligned for efficient revenue generation, accountability, and long-term sustainability. Below are the key elements of the framework, organized with strategic/key objectives, strategies, interventions, outputs, KPIs, targets, timelines, costs, and responsibilities.

Table 15 Implementation framework

Strategic /Key Objectives	Strategies	Interventions/Activities	Output	KPIs	Targets	Timelines	Cost	Responsibility
Increase Revenue through Automation	Fully integrate all revenue streams into ARCS.	<ul style="list-style-type: none"> - Integrate hospital and water revenues. - Automate fee and tax payments via mobile and online platforms. 	All revenue streams are automated and functional.	% of revenue streams automated.	100% integration by Q1 2024/25.	Q2 2023/24	5,000,000	Revenue, ICT Team, Health Department
Improve System Uptime and Performance	Reduce downtime through technical upgrades.	<ul style="list-style-type: none"> - Install local servers. - Conduct network infrastructure upgrades. 	Improved system uptime.	% uptime of ARCS system.	99% uptime.	Ongoing	3,000,000	ICT Department, Vendor
Enhance Operational Efficiency	Streamline receipt generation and reconciliation processes.	<ul style="list-style-type: none"> - Automate receipt validation systems. - Train staff on system usage. 	Accurate receipts and timely reconciliation.	Number of manual reprints reduced.	<1% reprints by Q2 2023/24.	Q3 2023/24	2,000,000	Finance Dept., Revenue Officers
Strengthen Data-Driven Decision Making	Activate non-functional modules in ARCS.	<ul style="list-style-type: none"> - Develop analytics, trends, and target modules. - Generate 	Functional modules and actionable insights.	Number of reports generated.	12 reports annually.	Q4 2023/24	1,500,000	ICT Dept., Finance Team

		monthly performance reports.						
Increase Public Awareness and Compliance	Improve stakeholder engagement and policy enforcement.	<ul style="list-style-type: none"> - Conduct public awareness campaigns. - Organize business forums and policy dialogues. 	Greater compliance with OSR policies.	70% compliance improvement.	10% increase in compliance.	Ongoing	1,200,000	Public Relations, Trade Dept.
Expand Revenue Streams and Opportunities	Explore new sources of revenue.	<ul style="list-style-type: none"> - Introduce tourism, granite, and sand extraction permits. - Partner with developers and tourism bodies. 	New revenue streams operationalized.	Number of new streams added.	3 new streams by Q2 2024/25.	Q1 2024/25	1,800,000	Trade Dept., Environment Dept.
Ensure Effective Stakeholder Coordination	Foster interdepartmental collaboration.	<ul style="list-style-type: none"> - Establish interdepartmental reporting frameworks. - Hold quarterly coordination meetings. 	Seamless operations and collaboration.	Number of coordination meetings held.	4 meetings per year.	Ongoing	800,000	Finance Dept., ICT Dept.
Implement Monitoring and Evaluation (M&E)	Track and evaluate performance.	<ul style="list-style-type: none"> - Develop KPIs and feedback mechanisms. - Schedule 	Continuous monitoring and improvement	100% progress toward revenue	90% target achievement.	Ongoing	1,500,000	Finance Dept., Internal Audit

Framework		quarterly M&E reviews.	t.	targets.				
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4.4 Cross-Sector Linkages

Effective management of own-source revenue (OSR) in Vihiga County relies on strong linkages across various sectors and departments. These cross-sector linkages ensure the coordination of resources, policies, and operations to maximize revenue collection. Such integration allows departments to collaborate on shared goals, reduce redundancies, and streamline the collection process, resulting in greater efficiency and accountability.

4.4.1 Key Cross-Sector Linkages in OSR Management

Table 16 Key Cross-Sector Linkages in OSR Management

Linked Sector	Role in Revenue Generation	Nature of Collaboration with the Revenue Department
Health Department	Collects hospital fees, NHIF payments, and other health-related levies.	Collaborates to integrate hospital payments into the ARCS system for tracking and reconciliation.
Lands and Physical Planning Department	Manages land rates, site rents, and development permit fees.	Shares data on landowners to facilitate automated billing and land rate collection.
Trade, Commerce, and Markets Department	Collects market fees, stall rents, and business permit fees.	Works with the Revenue Department to digitize market fee payments and introduce POS systems.
Public Works and Transport Department	Collects parking fees and bus park levies.	Provides real-time data on parking zones and bus parks for efficient collection through ARCS.
Environment, Water, and Natural Resources Department	Issues sand extraction permits, murram fees, and water administration fees.	Coordinates with the Revenue Department to implement automated permit issuance and billing.
Finance and Economic Planning Department	Oversees budgeting, reporting, and allocation of collected revenue.	Works with other sectors to align revenue targets with county financial objectives.
ICT Department	Manages the ARCS system and ensures uptime for digital collections.	Supports all sectors by integrating payment portals and providing system support.
Public Participation and	Engages with citizens and	Facilitates community

Governance Office	businesses to encourage compliance.	awareness campaigns on new taxes and policies, improving compliance.
Enforcement Unit	Enforces compliance with revenue laws through fines and penalties.	Works closely with other departments to ensure adherence to policies and reduce revenue leakages.
Banks and Financial Institutions	Facilitates payment collections and reconciliations.	Collaborates with the ICT and Finance departments for seamless mobile and digital payments.

4.4.2 Challenges in Cross-Sector Linkages

- ✓ Data Silos: Some departments operate independently, making it difficult to share data seamlessly across sectors.
- ✓ Inconsistent Coordination: Lack of regular interdepartmental communication may hinder timely resolution of operational challenges.
- ✓ Capacity Constraints: Some sectors lack the technical skills needed to fully utilize the automated system, affecting integration efforts.

4.5 Risk analysis

A risk analysis framework is essential for identifying potential threats and challenges that may affect revenue collection, financial stability, and operational efficiency in Vihiga County. Proper identification, mitigation, and monitoring of risks ensure that the county achieves its revenue targets and sustains service delivery. Below is a detailed breakdown of key risks and their mitigation strategies.

Table 17 Risk analysis

Risk Category	Description	Impact	Mitigation Strategies
Operational Risks	System failures, such as timeouts and network delays in ARCS, disrupt the collection process.	Reduced efficiency and missed revenue targets.	Install local servers and upgrade network infrastructure. Monitor system uptime continuously.
Financial Risks	Delays in reconciliation or fund transfers from financial institutions affect cash flow.	Cash flow constraints impacting service delivery.	Implement real-time reconciliation and strict timelines with payment partners.

Compliance Risks	Non-compliance by businesses and citizens with tax and permit requirements.	Reduced revenue collection.	Conduct awareness campaigns and enforce penalties for non-compliance Continuous inspection and enforcement Provide incentives for timely payments.
Political Risks	Political interference may hinder the enforcement of revenue policies or alter fee structures.	Inconsistent enforcement and reduced public trust.	Strengthen oversight by the County Assembly and ensure transparency in policy decisions.
Technological Risks	System vulnerabilities may lead to data breaches or system downtime.	Loss of data, reduced trust, and operational delays.	Regular system audits and security upgrades. Implement data backup protocols.
Economic Risks	Economic downturns or inflation reduce the ability of businesses and individuals to pay fees.	Decreased revenue from permits and taxes.	Diversify revenue streams and explore new sources, such as tourism and sand extraction permits.
Stakeholder Risks	Lack of stakeholder engagement can lead to public resistance to new fees or tax policies.	Increased resistance and reduced compliance.	Hold regular stakeholder forums to build support and address concerns. Improve communication and transparency.
Fraud and Revenue Leakage Risks	Weak internal controls may result in revenue leakages or fraud by staff.	Financial losses and reputational damage.	Strengthen internal audit mechanisms and conduct surprise inspections. Implement automated audit trails in ARCS.
Capacity Risks	Inadequate staff training on new systems and policies.	Reduced system utilization and inefficiencies.	Provide continuous capacity building for revenue officers and ICT staff.

CHAPTER FIVE: MONITORING, EVALUATION, AND LEARNING (M&E) FRAMEWORK

5.1 Introduction

The M&E and Learning Framework ensures the effective implementation, tracking, and continuous improvement of the Vihiga Automated Revenue Collection System (ARCS). This framework provides a structured approach to monitoring progress, evaluating outcomes, and incorporating lessons learned to enhance performance.

5.2 Objectives of the M&E Framework

- ✓ Monitor Progress: Track the implementation of interventions and ensure activities align with strategic objectives.
- ✓ Evaluate Impact: Assess the effectiveness of interventions in achieving desired outcomes, such as improved compliance and revenue growth.
- ✓ Promote Learning: Identify lessons learned and best practices to inform future strategies and decision-making.
- ✓ Accountability and Transparency: Ensure stakeholders remain accountable through regular reporting and oversight.

5.3 Key Components of the M&E Framework

Table 18 Key Components of the M&E Framework

Monitoring Area	Indicators	Targets	Data Collection Method	Frequency	Responsibility
System Uptime and Performance	99 % Uptime of ARCS 10% of transaction failures	99% uptime	System logs and performance reports	Monthly	ICT Department, Vendor
Revenue Growth	100 % Increase in revenue collected 99% of revenue streams automated	20% annual growth 100% stream integration by Q2 2024	Revenue reports and financial statements	Quarterly	Finance Dept., Revenue Officers
Compliance	99 % of	85%	Surveys,	Annually	Finance

Rate	businesses and residents compliant with tax policies	compliance rate	audits, and system data		Dept., Trade Dept.
Training and Capacity Building	- 99% of staff trained -99 % of staff proficient with ARCS modules	100% trained staff	Training attendance and post-assessment	Biannually	ICT Dept., HR Dept.
System Module Functionality	- 100% of functional modules (Analytics, Target, Trends)	All modules operational by Q4 2023	Module performance reports	Quarterly	ICT Dept., Finance Team
Public Awareness and Engagement	- 80% of public forums held -100 % Increase in public participation	4 forums per year 10% increase in participation	Event reports, attendance logs	Biannually	Public Relations, Finance Dept.
Revenue Leakage and Loss Prevention	-100 % Reduction in revenue losses - 100% of fraud cases detected and resolved	95% reduction in losses	Internal audits and reconciliations	Annually	Internal Audit, Finance Dept.

5.4 Learning Mechanism

- ✓ Feedback Loops: Establish channels for continuous feedback from stakeholders (e.g., citizens, businesses, officers) to identify challenges and areas for improvement.
- ✓ Review and Reflection Sessions: Hold quarterly review meetings to assess performance and adjust strategies based on collected data.
- ✓ Documentation of Lessons Learned: Maintain a knowledge repository to document successes, challenges, and solutions that can inform future policy and system upgrades.
- ✓ Capacity Building Programs: Incorporate lessons learned into future training sessions to

continuously enhance the capacity of staff and ensure smooth system operations.

5.5 Reporting and Accountability

- ✓ Progress Reports: Monthly and quarterly reports tracking the implementation of activities and outcomes.
- ✓ Annual Evaluation Reports: Comprehensive review of the system's performance and impact, including lessons learned and recommendations.
- ✓ Stakeholder Reports: Public updates to ensure transparency and build trust in the system.

Annexes