

THE ZANZIBAR REVENUE BOARD

THE ZRB THIRD CORPORATE PLAN (2014/2015-2018/2019)

MARCH 2014

LIST OF ACRONYMS AND ABBREVIATIONS

| | |
|------------------|---------------------------------------------------------------------|
| CBOs | - Community Based Organizations |
| CCTV | - Closed Circuit Television |
| EFDs | - Electronics Fiscal Devices |
| ERP | - Enterprise Resources Planning |
| GDP | - Gross Domestic Products |
| HIV/AIDS | - Human Immunodeficiency Virus/Acquired Immuno Deficiency Syndrome. |
| HRM | - Human Resources Management |
| ICT | - Information, Communications and Technology |
| ISO | - International Organizations for Standardizations |
| IT | - Information Technology |
| KRA | - Kenya Revenue Authority |
| LAN | - Local Area Network |
| M & E | - Monitoring and Evaluation |
| MDGs | - Millennium Development Goals |
| MOU | - Memorandum of Understanding |
| MKUZA II | - Mkakati wa Kukuza Uchumi na Kupunguza Umasikini Zanzibar" |
| NGOs | - Non-Governmental Organizations |
| PEST | - Political, Economical, Social and Technology |
| RFID | - Radio Frequency Identification |
| SMART | - Specific, Measurable, Achievable, Realistic and Time |
| SWOT | - Strength, Weakness, Opportunities And Threats |
| TAPA | - The Tax Administration and Procedures Act |
| TCC | - Tanzania Cigarette Company |
| TR | - Terminal Review |
| TRA | - Tanzania Revenue Authority |

| | |
|--------------|-----------------------------------------------------|
| TZS | - Tanzania Shillings |
| WAN | - Wide Area Network |
| ZIMES | - ZRB Integrated, Monitoring and Evaluations System |
| ZITAS | - Zanzibar Integrated Tax Administration System |
| ZRB | - Zanzibar Revenue Board |

FOREWARD

This Corporate Plan has been prepared for the period 2014/15 to 2018/19 and it lays a foundation on how the Zanzibar Revenue Board (ZRB) intends to achieve its objectives and aspirations during the period. The Plan has outlined vision and mission that will provide impetus for achieving tangible results. Critical and valuable lessons were observed from the first and second Corporate Plans and these have been incorporated in this Plan.

The ZRB enters its Third Corporate Plan to improve collection of Government revenue and meet the ZRB vision and mission. The implementation of the Plan will involve carefully translating the corporate objectives into actions with very specific strategic initiatives. Other action will involve creating awareness among staff, key stakeholders and development partners

The Corporate Plan focuses on some of the thematic areas which include: optimization of revenue collection; reduction of compliance cost to ZRB and the taxpayers; automation and integration of ZRB business operations; provision of quality and efficient services to taxpayers; enhancement of ZRB audit capacity; improvement of working environment; staff skills, competence and motivation to enhancing the effectiveness and efficiency of ZRB.

Continuous reforms of Human Resource and the Information Technology (IT) infrastructure will underlie the success of this corporate plan. Resource mobilization for key activities will be targeted while care will be taken to only scheduled activities that can be matched with available resources.

The success of this Corporate Plan will largely motivate the ZRB staff and meet the Government Vision 2020. Corporate Plan requires commitment

from the ZRB staff and Management. The Board will support the management fully to ensure that this Plan is implemented.

May I take this opportunity to thank all ZRB Staff and Management team who contributed towards the successful production of this Plan.

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Mr. Abdulrahman Rashid
Chairman, ZRB Board
Zanzibar

ACKNOWLEDGEMENTS

The development of this Plan is a result of collaborative effort by many parties. It has been a product of continuous feedback between both internal and external stakeholders and the ZRB. This report benefited greatly from inputs made by the ZRB Board of Directors, Members of Management Committees and staff in all the Departments. Special thanks to the Manager in-charge of Research, Policy and Modernization Department who spearheaded the process with a core team of technical experts drawn from other Departments in the ZRB.

Further gratitude is accorded to the Committes who prepared the initial draft of the Plan, from which this final one was derived. The team worked tirelessly collecting and assembling views from key stakeholders and other activities for facilitating this Plan. Without contribution from the ZRB staff members, the Plan would not be deemed complete. My deep gratitude is extended to all ZRB staff both at Headquarters and Pemba Office for their contribution towards preparation of this Plan.

Finally, I take this opportunity to acknowledge the support from the Board of Directors and all our stakeholders for their candid feedback on their needs and the role they expect ZRB to play within the Corporate Plan period.

It is my sincere hope that all aspirations of stakeholders and those of ZRB will be achieved in this Plan period and ZRB will be able to increase revenue from a monthly average of **TShs 19.1 billion** 2014/15 to average of **TShs 31.4 billion** in 2018/19 and increase revenue to GDP ratio from 12.6% to 20.1%

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Mr. Abdi Kh. Faki
Commissioner
Zanzibar Revenue Board
Zanzibar.

EXECUTIVE SUMMARY

1.0 INTRODUCTION

Since 2005, the Zanzibar Revenue Board has been implementing significant tax administration reforms, aimed at strengthening the collection of enough revenue for the Government in order to enable the Government to provide better services to its citizens. The Zanzibar Revenue Board (ZRB) has achieved major successes in mobilizing domestic revenue collections at minimal cost. A number of reform programs has been taken in an effort to transform the organization from a tax administration that focuses on taxpayers and revenue collection to an efficient and customer responsive organization that provides and delivers its services to all stakeholders on effective and efficient manner. The processes and systems managed by ZRB are guided by Corporate Plans which have evolved from the first and second Corporate Plan.

Over the 2005-2010 and 2010- 2014 period, ZRB focused on key aspects of the country's development policy agenda; that are MKUZA II and Vision 2020. Under these Development Policy Agenda the Revolutionary Government of Zanzibar aimed:

- (a) To develop efficient, fair, equitable and buoyant sources of central and local Government revenue, including taxation, user charges, tariffs and betterment levies and devise new fiscal instruments that penalize environmental damage from both production and consumption activities
- (b) To carry out fiscal reforms and modernization of tax administration to facilitate revenue collection of the expanding and changing economic structure

The First Corporate plan was focused on improving revenue collections with the following four major reform initiatives:

- Institutional and capacity building
- Improvement of working environment
- Revision of Tax laws
- Quality service delivery to taxpayers

The Second Corporate Plan focused on initiatives that included the following:

- Maximization of revenue collection
- Reduction of compliance cost to ZRB and the taxpayers.
- Automation and integration of ZRB business operations
- Provision of quality and efficient services to taxpayers
- Enhancement of ZRB audit capacity
- Improvement of working environment, staff skills, competence and motivation.

2.0 EVALUATION OF THE SECOND CORPORATE PLAN 2010/11-2013/14

During the Second Corporate Plan, ZRB strategic objectives were:-

- (a) To effectively and efficiently collect government revenue
- (b) To promote voluntary compliance
- (c) To provide quality services to taxpayers.
- (d) To improve working environment, staff skills, competence and motivation.

The performance in achieving these strategic objectives was expected to be attained through the ZRB funds and Development Partner (DP) Assistance. However ZRB was unable to get any DP financing during the Plan, and it

managed to perform the following in attaining the Strategic Objectives provided above:-

- (a) **Restructuring the ZRB Organization Structure:** previously the ZRB had a tax type organization structure, but in 2012 the Structure has been reviewed to create a functional based structure. Different functions have been consolidated, such as registration process, taxpayer services, audit, investigation, return processing, and payment.
- (b) **Creation of an enabling work environment:** This goal was to be achieved through reviewing of Scheme of Service and Staff Regulations. It has been achieved through the construction of the new ZRB Head Office situated at Mazizini; installation of different equipment in all its offices and provide access ramps for staff and customers with disabilities. Additionally, staff have been provided with different short courses and professional courses during the Plan.
- (c) **Developing new salary structure:** ZRB was able to review staff salary structure and implemented salary increments. This step has encouraged staff to work efficiently.
- (d) **Improving ZRB Corporate Image:** ZRB has reviewed the Memorandum of Understanding with TRA, and has initiated the review of Memorandum and Exchange of Information with the Kenya Revenue Authority (KRA).
- (e) **Minimizing customer compliance costs and enhancing customer service:** The Second Corporate Plan focused on improving service options to taxpayers, simplifying the tax process

and increasing the scope and accessibility of services offered electronically. During the plan period, ZRB introduced the Integrated Tax Administration System to improve service delivery.

3.0 KEY ISSUES IN THE THIRD CORPORATE PLAN

The process for preparation of the Third Corporate Plan for ZRB has not been incidental to but emanated from the fact that ZRB is ambitious to carry out reforms aimed at modernizing and reducing compliance cost in order to enhance service delivery to meet customer expectations.

The current Plan is based on the outcomes of the review of the Second ZRB Corporate Plan. The Plan also draws attention to the lessons learnt from the achievements and challenges recorded and the difficulties encountered in the implementation of the Second ZRB Corporate Plan. The Third Corporate Plan is meant to accommodate improved appropriate strategies and devise appropriate measures for overcoming existing and future challenges.

The preparation of the Plan used a highly participatory approach involving sessions with head of departments, Heads of various units, ZRB staff and ZRB stakeholders at the initial stage. The process was followed by sessions with ZRB Board of Directors and officials from Ministry of Finance.

As part of its environmental scanning and SWOT Analysis, ZRB analyses and examines the impact of the environment in which ZRB will operate. Key elements include Political environment, Economic and social environment.

The Third Corporate Plan will focus at enhancing domestic revenue mobilization through effective utilization of ICT to offer convenient and efficient services to taxpayers, training on specialized skills, strengthening of

taxpayers auditing, investigation and research functions. This focus is attributed to the changes in ZRB operating environment which includes the levels of cooperation with stakeholders, the desire to offer quality services that meet or exceed customers' expectations and Government's needs to be more self-reliant by increasing revenue collections.

The Plan is based on the outcomes of the review of the Second ZRB Corporate Plan. The Plan also draws attention to the lessons learnt from the achievements and challenges recorded and the difficulties encountered in the implementation of the Second ZRB Corporate Plan. The Third Corporate Plan is meant to accommodate improved appropriate strategies and devise appropriate measures for overcoming existing and future challenges.

4.0 STRATEGIC PRIORITIES

The overarching goal for ZRB is to scale up its services to that of better performing emerging economies in line with the Country's Vision 2020 strategy. This will enable ZRB to play a leading role in accelerating the country's overall economic development.

The Third Corporate Plan has identified four strategic priorities:

- (a) To optimize revenue collection;
- (b) Re- engineer business processes and modernize technology;
- (c) To provide quality service to taxpayers and promote voluntary compliance;
- (d) To improve working environment, staff remuneration, skills and competence.

Some of initiatives addressed in the Third Corporate Plan and the implementation of ZRB vision and mission statement will be:-

(a) Creating a workforce that adheres to ZRB core values and Vision:

ZRB's core values are Integrity, Professionalism, Fairness, Equity, Commitment, Teamwork, and Corporate Social Responsibility. Initiatives will drive achievement of this objective.

Firstly, the integrity programme will be revamped by strengthening the Risk Management and Ethics Unit under the Internal Audit Department.

Secondly, ZRB will improve on the effectiveness of its Corporate Social Responsibility (CSR) programme by developing a measure of its effectiveness and once developed, re-orienting the programme to focus on aspects that maximize its effectiveness.

Thirdly, ZRB will tap talent of ZRB staff by encouraging creativity and innovation and increase a number of staff who will get specialized courses aimed at improving work processes.

Fourthly, ZRB will enhance staff performance monitoring by automation of staff performance management. Finally, implement a succession management policy for sustained provision of capable staff with the right skills, knowledge and attributes.

(b) Upgrading the work environment to enhance staff morale, efficiency and effectiveness

To a considerable extent, poor service delivery results from inadequate work environment for staff. ZRB now is faced with a situation where it has no office building in Pemba and in other Regions in Zanzibar apart from the Head Office construction made on 2010/2011. The key initiatives under this

objective are construction of office accommodation within a timeframe agreed in the Plan.

(c) Upgrading ZRB's ICT to facilitate achievement of international best practice, raise performance standards and reduce operational costs

Both the review of the Tax Laws and put all procedures in the One Code as well as the reviewing the areas of underperformance, importance of automation is key issue in ensuring improved service delivery. In addition, an increasing range of best practices require automated services. Almost certainly, the ICT objectives will be the most important to be carried out during the plan period. Some initiatives will be performed.

Firstly ICT systems will be modernized and integrated, secondly, attain full automated human resource management system to reduce the manual workload of these administrative activities and data warehouse which includes developing a business intelligence framework to enhance intelligence of gathered information among others.

Thirdly, ZRB will continue to upgrade ICT infrastructure including its Local Area Network (LAN) and Wide Area Network (WAN) in all major areas as well as refurbish the ICT data centre and Finally ICT service management will be enhanced through implementation of an Information Technology Service Management tools.

(d) Expanding scope of service

Improving customer service by benchmarking service delivery standards against reference countries, meets international best practice and increasing service options to taxpayers.

ZRB intends to face a challenge with respect to customer service and widen the scope of service where international benchmarks are met and improve service delivery in core revenue administration functions. In performing this function, stakeholder involvement will be enhanced by scaling up programmes, ZRB also Regional Cooperation will also be improved to meet the targets, taxpayer education by increasing resources allocated to the programme, implementing a comprehensive corporate wide taxpayer education plan

5.0 FINANCING THE THIRD CORPORATE PLAN

ZRB in performing its function and implementing the Plan depends on the provision of the funds from the Ministry of Finance. As provided under the Zanzibar Revenue Board Act, No. 7 of 1996 ZRB's resources are determined based on the revenue targets, and agency fees for Government.

Over the 2014/15-2018/19 period the Board estimated strategic costs are at **USD 16,048,000.00**. Inadequate financing for the Second Corporate Plan was the main reason of underperformance and it is therefore very important for ZRB to get additional funding from Development Partners to supplement the Government subvention and enable ZRB implement fully the Plan.

CHAPTER ONE

1.0 INTRODUCTION

1.1 ZRB AND ITS MANDATE

The Zanzibar Revenue Board was established by The ZRB Act, No 7 of 1996 and started its operation in September 1998 for the purpose of collecting Government revenue, providing effective tax administration and sustainability in revenue collection.

ZRB is a semi-autonomous agency of the Government with the main duties of enhancing efficiency, transparency and accountability in Government revenue collection under the umbrella of the Ministry of Finance.

In particular, the core functions of ZRB are:

- (a) To assess, collect and account for all revenues in accordance with specific laws set out in ZRB Act No.7 of 1996;
- (b) To advise on matters relating to fiscal policy; and
- (c) To perform such other functions in relation to revenue as the Minister responsible for Finance may direct.

1.2 VISION, MISSION AND CORE VALUES

The ZRB corporate statements under the third Corporate Plan are Vision, Mission, Core values and Principles to uphold as indicated below:

VISION

"To be a centre of tax administration excellence that meets the expectations of all stakeholders on a continuous and sustainable basis."

THE MISSION

The ZRB Mission statement is:

"To optimize revenue collection by promoting voluntary compliance and public confidence through effective, efficient, transparent and fair administration of tax laws, with the highest degree of integrity and providing quality customer service"

1.3 CORE VALUES AND PRINCIPLES TO UPHOLD

The ZRB core value is to build capacity for change by professionalism, integrity and fairness

ZRB employees commit themselves to uphold the following principles.

Corporate Social Responsibilities and Commitment

We value our stakeholders and collaborate with them to nurture participatory social well-being

Integrity

We uphold highest standards of trust and honesty

Professionalism

We ensure competency and efficiency and we focus on achieving excellence

Fairness

We are committed to applying the law consistently, responsibly and administering our requirements reasonably

Equity

We value differences in people and ideas and we treat others with dignity and esteem

Customer-driven approach.

We committed to provide quality services according to customers need.

Teamwork:

To maintain effective team spirit

1.4 ROLE OF ZRB WITHIN THE ZANZIBAR'S DEVELOPMENT AGENDA

The vision of the organisation is guided by the global and macroeconomic environment which includes the Millennium Development Goals (MDGs) and National Policy Documents such as Zanzibar Vision 2020, Zanzibar Growth Strategy and the Zanzibar Strategy for Growth and Reduction of Poverty Phase Two (MKUZA II), and other reforms in tax administration.

The MDGs have a goal of eradicating extreme poverty and hunger while MKUZA II focuses on strengthening domestic resource mobilization to finance the Government Budget. Under MKUZA II, ZRB will be expected to play a critical role of enabling the Government achieve its medium and long term development agenda through collection of revenues. The target for Macroeconomic Stability under MKUZA II, needs ZRB and TRA Zanzibar to increase domestic revenue collection as percentage of GDP from 17% in 2010/11 to 22% in 2013/14 whereby for ZRB alone, revenue to GDP ratio has increased from 11.07% to 12.36% during the same period.

CHAPTER TWO

2.0 REVIEW OF THE SECOND CORPORATE PLAN

2.1 Introduction

The 2010/2011 – 2013/2014 Corporate Plan had mapped out four key Corporate objectives following which relevant strategies and activities were developed with the ultimate objective of getting the desired results. The developed key Strategic objectives were then used in the preparation of detailed annual work-plans and budgets.

During the implementation of the previous Corporate Plan, the ZRB was not able to complete all the activities it had planned to do. This was mainly due to lack of technical capacity and inadequate budget allocation.

The Zanzibar Revenue Board theme during the Second Corporate Plan was to be the centre of tax excellence by improving voluntary compliance, and public confidence through effective, efficient, transparent and fair administration of tax laws with the highest degree of integrity and providing quality customer services.

The theme was translated into different strategic goals and objectives which formed the basis of the ZRB performance. During the Second Corporate Plan period, ZRB completed the following:-

2.1.1 Achieving revenue targets

During the Plan period, the amount of revenue collection in ZRB increased from **TZS 105.075 billion** in 2010/2011 to **TZS 141.708 billion** in 2012/2013. Revenue increase during the plan was assisted by;

- (a) Reviewing and implementing an attractive new salary structure.
- (b) Reviewing the payment procedures where by the taxes are paid direct to the Bank instead of handling cash, the Inter Bank Transfer has been established and implemented during the plan.
- (c) Identifying tax payers specifically in hotel sector and land lease,
- (d) Computerized some of the ZRB services and the adoption of Z-Number as a common taxpayer identifier,
- (e) Conducive working environment by moving in a new ZRB office building,
- (f) Reviewing of Memorandum of Understanding between ZRB and TRA; and ZRB and Tanzania Cigarette Company which enable ZRB to exchange information,
- (g) Developing a competitive and attractive remuneration package to ensure retention of quality staff,

The performance of ZRB under review period is given in Table no. 1 below

TABLE 1: Trend of ZRB Collection and Macro Economic Indicators

| Variables | Year | | | |
|------------------------------|-------------|--------------|--------------|--------------|
| | 2010 - 2011 | 2011 - 2012 | 2012 - 2013 | 2013 - 2014 |
| ZRB ACTUAL COLLECTION | 105,075.36 | 120,554.34 | 141,708.19 | *172,027.51 |
| ZRB ESTIMATE | 101,846.77 | 119,858.54 | 162,018.00 | 171,350.00 |
| Performance (%) | 103.17 | 100.58 | 87.46 | 100.40 |
| Growth of Collection | - | 14.73 | 17.55 | 21.40 |
| Growth of Estimate | - | 17.69 | 35.17 | 5.76 |
| YEARS | 2010 | 2011 | 2012 | 2013 |
| GDP at Current Price | 949,000.00 | 1,198,000.00 | 1,354,200.00 | 1,373,565.00 |
| Revenue to GDP Ratio | 11.07 | 10.06 | 10.26 | 12.36 |
| GDP Growth Rate(%) | 6.5 | 6.8 | 7.0 | 7.2 |
| Inflation Rate(%) | 6.1 | 14.7 | 9.4 | 5.0 |

| | | | | |
|---------------------------|----------|---------|---------|---------|
| Cost of Collection | 3.50 | 3.70 | 4.0 | 4.0 |
| Exchange Rate | 1,396.00 | 1,557.0 | 1,572.0 | 1,600.0 |

Source : ZRB and MoF

* Note: Expected Actual collections by June 2014.

2.1.2 Improved taxpayer education capacity

ZRB has devoted a lot of effort towards sensitization of taxpayers on their rights and obligations through seminars, meetings, radio and TV programmes and workshops. During the plan period, ZRB implemented Tax payer information database, availed several services through taxpayer education, tax registration and enquires. ZRB in collaboration with Ministry of Education and Vocational Training sensitize tax issues through the taxpayer educational programme in Schools and Collages. This has been facilitated by the establishment of the Department of Taxpayer Services and Registration.

2.1.3 Management controls

Over the years, the ZRB has developed a culture of awareness on the evils of corruption and tax evasion. Consequently, the staff have begun to develop a spirit of fighting against corruption which increases the efficiency of the organization. The ZRB Staff Regulations and Scheme of Service have been reviewed to be in line with public services principles, Financial Regulations have been approved and the Board of Director's Audit Committee has been established and functioned.

2.1.4 Automation of the existing business processes

ZRB has started to develop a long-term program to automate the existing business processes with a view to integrate its services so as to simplify the work and provide better information and services for both the ZRB and taxpayers. Some of the projects under this initiative include the introduction

of ZITAS. The ZITAS is an in-house locally funded application software which was developed as a part of a broader planned ICT roadmap that will allow ZRB to deliver better quality services to taxpayers and stakeholders in an efficient and transparent manner. During the Second Corporate Plan, ZRB introduced the Integrated Tax Administration Systems to integrate the registration process, payment, return processing, audit and motor vehicle registration.

2.1.5 Transition to functional Organisation

Reform programme that started during the Second Corporate Plan period provided holistic view of the organization to be more customer oriented meaning that all the reform programmes will be driven according to the customer needs. During the period ZRB reviewed its Organisation Structure and moved from a hybrid of tax type and functional type and moved to taxpayer type and functional type. ZRB restructures the audit function, risk management function, return processing function, compliance function, registration function and investigation function. The Small and Medium Taxpayer Department has been established and the Large taxpayer are administered under a single Department.

2.1.6 Strengthening tax audits and investigation:

Proper implementation of tax laws was adhered to by conducting strategic tax audits and recovery measures of tax arrears. A number of cases have been filed before the Tax Appeal Board.

2.1.7 Simplification of Tax Laws

ZRB has simplified its procedures under a single Code (the Tax Administration and Procedures Act) by incorporating in a single Act; the registration process, keeping of records, filing of returns, assessment,

payment and recovery measures. During the Plan period, ZRB has reviewed VAT Act, Hotel Levy Act, Stamp Duty Act, the Port Services Charges Act, and the Petroleum Levy Act to incorporate the changes made to the ZRB Tax Code .

2.1.8 Operationalization of Tax Appeal Board and Tax Tribunal

Implementation of this initiative started in 2010 after the passing of The Zanzibar Tax Appeals Act. Preparation of Tax Appeal Rules have been finalised and Board operations have already been started.

2.1.9 Improving Customer Service

In respect of the Second Corporate Plan, the scope was to improve service delivery in core revenue administration functions. This was focused on reducing the cost of business, scaling up call centre services, reducing compliance cost, widen the scope of services, technology leading to the e-services strategy, implementation of taxpayer education plan and exchange information with different revenue authorities within the region to minimize tax avoidance and tax evasion.

2.2 CHALLENGES FACED IN IMPLEMENTING THE SECOND CORPORATE PLAN

During the implementation of the Second Corporate Plan which commenced for the period 2010/2011 – 2013/2014, ZRB faced various challenges that constrained fully implementation of the planned activities. Some of the planned activities which were not implemented including;

- Improvement of customer services (hot line, help desk),
- Introduction of Block Management System,
- Implementation of property tax collection,
- Introduction of EFDs,
- Implementation of Performance Management System,

- Establishment of computer forensic lab,
- Establishment of a Disaster Recovery site,
- Construction of ZRB Pemba Office and Regional Offices,
- Fully automation of business operational and Modernizing of ICT infrastructure,
- Lack of training in specialized sectors such as Tourism, Petroleum Taxation and telecommunication,
- Strengthening of audit and investigation capacity and
- Strengthening of internal control functions.

These activities failed to be implemented due to the following major challenges:-

1. Inadequate budget and lack of donor funds

ZRB failed to implement these activities due to unavailability of enough funds from the Government of Zanzibar and support from the development partners. ZRB expected to get five percent of the revenue it collected from the Government of Zanzibar for its recurrent and development budget. Due to budgetary constraints that the Government is facing it failed to disburse enough funds to ZRB.

2. Lack of Specialized Skills

In recent years, though expansion of the telecommunication, Petroleum and tourism which have driven economic growth in Zanzibar. ZRB auditors are not fully equipped with the skills needed to identify and redress non-compliance within these rapidly growing sectors.

2.3 LESSONS LEARNED FROM THE SECOND CORPORATE PLAN

A number of useful lessons were learnt while implementing the ZRB Second Corporate Plan (2010/2011 – 2013/2014), and were found useful in the preparation of the third Corporate Plan. Key among them are:-

The need for effective prioritization of planned activities: The prioritization process should seriously consider the existing capacity in terms of organizational structure, human resources, physical infrastructure, IT skills, and required financial resources.

The need for adequate human resource capacity: There should be concrete plans to address ZRB human and non human resources (office space, staffing, and enhancement of the relevant staff skills)

The need for adequate financing of the Corporate Plan: The ZRB needs strong budgetary allocation negotiations with the Government and the Development Partners to ensure adequate financial resources in attainment of targets stipulated under this Plan.

The need to ensure that all the objectives are Specific, Measurable, Achievable, Realistic and Time bound (SMART). Smart objectives will give rise to monitoring indicators that will be equally measurable.

The need for an effective monitoring and evaluation framework: The need for an effective Monitoring and Evaluation framework should be emphasized in order to inform the progress in implementation of the Plan. Planned activities should be monitored and evaluated to ensure that their implementation remains on course.

CHAPTER THREE

3.0 SITUATION ANALYSIS

This Chapter presents the results of a SWOT and PEST analysis. The analysis undertaken explores the strengths and weaknesses of the ZRB and the internal and external environment. The strengths shows the available capacity within the organization that can be utilized to ZRB focus. The weaknesses affect the level of service delivery within the organization. The analysis further explores the opportunities available within the organization as well as the existing threats.

3.1 SWOT ANALYSIS

A SWOT analysis was carried out to find the best match between environmental trends (opportunities and threats) and internal capabilities (strengths and weaknesses).

Strengths

Strengths are the Board's capabilities and resources that allow it to engage in activities to generate economic values and competitive advantage. The strengths include:

- Ongoing human resources development strategy in place
- Improved Taxpayer education programs.
- Better management control.
- Ongoing Automation of business processes.
- Improved staff skills.
- Improved working environment and existence of New ZRB Building.
- Improved staff motivation.
- Changes of organisation structure.

Weaknesses

The ZRB principal weakness is lack of adequate financial resources to implement reform strategies. Other weaknesses that must be contained in order to realise the corporate objectives during the plan period include:-

- Lack of specialized skills in some sectors (Petroleum Taxation, Telecommunication and tourism)
- Lack of working Manuals, regulations and guidelines.
- Underperforming of Human Resource (HR) Services Delivery Function with a weak Performance Appraisal Management System.
- Lack of Office Building in Pemba.
- Lack of ICT roadmap.
- Lack of Regional Offices (Unguja and Pemba)
- Lack of computerized Taxpayer audit and investigation systems
- Lack of Taxpayer audit and investigation skills.

Opportunities

Opportunities provide the ZRB with a chance to improve its performance and its competitive advantage. Some opportunities may be anticipated while others arise unexpectedly. Opportunities are also the operational potentials that the ZRB can take advantage in order to enhance its ability to meet their objectives and goals. They include:-

- Cooperation with Regional Tax Authorities enables ZRB to exchange information and knowledge necessary for the enhancement of revenue collection.

- Technological advancement and installation of National ICT Broadband Backbone (e-government) create ways of enhancing revenue collections.
- Growing informal sector and the ZRB's intention to introduce the registration provides the opportunity to penetrate the informal sector which will increase our Tax base over the plan period.
- The rise of globalisation and interaction with stake holders creates a wider market and greater opportunity for profitable businesses and hence an opportunity for ZRB.
- Political stability.

Threats

Threats can be an individual, group, or organisation outside ZRB that aim to reduce the level of the ZRB's performance. These include:

- Multiplicity of taxes and levies under central and local government institution.
- Existence of smuggling of petroleum product, transfer pricing
- Absence of centralised business licensing authority.
- Global financial crisis from other countries structures and practices.
- Insufficient awareness of ZRB functions by some government institution.
- Low level of tax compliance.
- Existence of growing of informal sector.

3.2 Operating Environment (PEST ANALYSIS)

Political Environment

Describe a frame work of macro-environmental factors used in the environmental scanning component of strategic management.

Political Environment

The key political dimension of the Third Corporate Plan period is the outgoing regime on constitutional issues which is likely to impact on ZRB operation, tax structure, and Organization structure and tax administration.

Economic Environment

The economic environment over 2014/2015 and 2018/2019 cannot be determined both domestically and globally. The Zanzibar Development Plan (Vision 2020), the Zanzibar growth strategy for Growth and Reduction of Poverty Plan II (MKUZA II) both envisage strong growth and development, but these will need to be achieved within the context of declining world economy and changes that might occur during the implementation of millennium Goals.

Social

Challenge ahead ZRB on tax collection is to meet government expectations on revenue collections in order to provide basic social needs for the citizens especially in health sector, infrastructures and education.

Legal Environment

In legal aspects the outgoing constitution regime in Tanzania will be required to align with the various Acts, tax laws, policy, regulation and introduction of new legislations or review of the existing ones.

Technological Advances

Availability of modern technology in Zanzibar including fiber optic national backbone network and E-government project can connect ZRB with Government Ministries, Institutions and other stakeholders to exchange information that will increase revenue collection and improve compliance

The Modernization program envisioned a fully automated institution, organized along functional lines, responsive to the needs of our customers, efficient and effective and thus achieving revenue mobilization targets at least cost. The third corporate plan period will drill ZRB staff to dedicated professional team, embracing modern processes and technology to deliver customer focused services that enhance compliance and revenue collection.

3.3 STRATEGIC PRIORITIES DERIVED FROM SWOT ANALYSIS

This analysis compares strength and weakness with opportunities and threat to produce strategic initiatives that will take advantage of opportunities and capitalise on strengths, while taking action to reduce weaknesses and address passive threat. A number of key strategic initiatives suggest themselves from the swot analysis and these are listed in the table below.

Table 2: Strategic Priorities

| Area | Strategic priorities |
|-----------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Lack of specialized skills | <ul style="list-style-type: none"> • To provide capable staff with the right skills, knowledge and attributes • To create a workforce that adhere to ZRB core values and vision |
| Weak Taxpayer audit, investigation and enforcement system | <ul style="list-style-type: none"> • develop and implement enforcement and audit policy and guidelines • focus on debt collection • To strengthening transfer pricing programme |
| Taxpayer services | <ul style="list-style-type: none"> • Improving services option to taxpayers • Facilitating participation in the tax system by all stakeholders • availed several services through posters, booklets, notices, and website as means of two way communication, introducing e-registration and e - filling. • Establish customer service desks as well as the call centre programme |
| Upgrade working environment | <ul style="list-style-type: none"> • Construction of ZRB Pemba office and Regional Offices • Maintenance of ZRB head office • Enhance efficiency and effectiveness of ZRB staff |
| Information Technology | <ul style="list-style-type: none"> • Develop ICT comprehensive disaster recovery Plan • Train staff comprehensively to ensure ICT systems are properly utilized • ICT system will be modernised and integrated • Implement phase II of ZITAS • ZRB will continue to upgrade ICT infrastructure including LAN and WAN |
| Lack of working Manuals, regulation and guideline | <ul style="list-style-type: none"> • Preparation of manuals and guidelines in line with TAPA |
| Underperforming HR Services | <ul style="list-style-type: none"> • develop comprehensive succession planning policy • develop recruitment policy • develop and outline staff rotation policy • conduct staff satisfaction survey • develop and implement Training and Capacity Building Programme • establish motivation activities |
| weak performance management appraisal system | <ul style="list-style-type: none"> • Develop and implement Performance Appraisal System |

2.4 PREPARATION OF THE THIRD CORPORATE PLAN

In 2014 Zanzibar Revenue Board (ZRB) will celebrate 16 years since its inception in September, 1998. Since that period ZRB has successfully performed its core functions of collecting Government revenue. ZRB is required by the Act to assess, collect, and account for all revenues in accordance with specific laws and advise government on matters relating to fiscal policy.

The Third Corporate Plan of Zanzibar Revenue Board, which aims at improving efficiency and effectiveness, is based on the outcomes of the review of the second corporate plan. The Third Corporate Plan outlines priorities, strategies and expected results over the next five years and describes the future direction of ZRB from July 2014.

The process for preparation of this third corporate plan for ZRB has not been incidental to but emanated from the fact that ZRB is ambitious to carry out reforms aimed at modernizing its operations in order to meet customers' expectations and Government expenditure needs.

The Third Corporate Plan is based on the outcomes of the review of the Second ZRB Corporate Plan. The plan also draws attention to the lessons learnt from the achievements and challenges recorded and the difficulties encountered in the implementation of the Second ZRB Corporate Plan. The Third Corporate plan is meant to accommodate improved appropriate strategies and devise appropriate measures for overcoming existing and future challenges.

The preparation of the third corporate plan used a highly participatory approach involving sessions with head of departments, heads of various

units, ZRB staff and ZRB stakeholders at the initial stage. The process was followed by sessions with ZRB Board of Directors and officials from Ministry of Finance. The overall goal for ZRB is to scale up its services to perform emerging economy in line with the Vision 2020, keeping with ZRB Vision and mission statement and to enable the ZRB to play a leading role in accelerating Zanzibar overall economic development. ZRB continues to improve its internal services in its effort to realise quick sustainable gain.

CHAPTER FOUR

4.0 THE THIRD CORPORATE PLAN AND ITS OBJECTIVES

The Third Corporate Plan, ZRB identifies its Corporate Objectives in consideration of the achievements and challenges experienced in the Second Corporate Plan. The Plan places significant emphasis on maximization of revenue collection, customer related issues, training of ZRB staff, specialized skills, technical assistance and the automation initiatives as well as administrative reforms in order to improve service delivery. It focuses on the modernization of ZRB Information and Communication Technology infrastructure and software necessary to increase its efficiency.

The Plan shall also focus on facing up to the environmental realities by:-

- (a) Optimization of revenue collection
- (b) Policy Reforms and enhancement of enforcement
- (c) Provision of quality and efficient service to taxpayers
- (d) Automation of ZRB business operation
- (e) Improve working environment, staff skills, competence and motivation
- (f) Reduction of compliance cost to ZRB and taxpayers
- (g) Performance management system

4.1 THE THIRD CORPORATE PLAN

This Plan describes the corporate objectives and strategic directions of the Zanzibar Revenue Board for the next five years (2014/2015 – 2018/2019). Four objectives described in the Plan have been formulated to achieve the Vision and Mission of ZRB. The following are the Corporate objectives of ZRB:

- (a) To optimize revenue collection
- (b) Re- engineer business processes and modernize technology

- (c) To provide quality service to taxpayers and promote voluntary compliance
- (d) To improve working environment, staff remuneration, skills and competence.

4.2 CORPORATE OBJECTIVES AND STRATEGIC DIRECTIONS

4.2.1 Corporate Objective A: To optimize revenue collection

The main objective of ZRB is to increase revenue collections in the cost effective way through, widening tax base, strengthening of audit, investigation and enforcement function. Other strategies will include enhancement of risk management techniques and operationalisation of research and transfer pricing strategy.

Increasing revenue collection is critical in building sustainable revenue collection given the economic climate, and the funding requirements for Government to fast-track its delivery priorities to its citizens and reducing donor dependency. ZRB will identify opportunities to enhance existing revenue streams and to find new avenues to increase revenue.

During the Third Corporate Plan, ZRB expects to significantly increase revenue collection from a monthly average of **TShs 19.1 billion** 2014/15 to an estimated monthly average of **TShs 31.4 billion** in 2018/19.

Tables 3: Revenue projections for the Corporate Plan period for 2014/15 – 2018/19.

| SOURCES | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 |
|----------------------------|-------------------|-------------------|-------------------|-------------------|----------------|
| VAT local | 98,621.00 | 116,372.78 | 137,319.88 | 162,037.46 | 191,204.20 |
| Excise duty local | 18,566.92 | 21,908.97 | 25,852.58 | 30,506.04 | 35,997.13 |
| Hotel levy | 6,016.22 | 7,099.14 | 8,376.98 | 9,884.84 | 11,664.11 |
| Restaurant levy | 2,570.98 | 3,033.76 | 3,579.83 | 4,224.20 | 4,984.56 |
| Tour operation levy | 1,320.41 | 1,558.08 | 1,838.54 | 2,169.48 | 2,559.98 |
| Revenue stamps | 2,825.60 | 3,334.21 | 3,934.37 | 4,642.55 | 5,478.21 |
| Airport service charge | 14,812.98 | 17,479.32 | 20,625.59 | 24,338.20 | 28,719.08 |
| Seaport service charge | 2,271.29 | 2,680.12 | 3,162.54 | 3,731.80 | 4,403.53 |
| Road development fund. | 11,581.79 | 13,666.51 | 16,126.48 | 19,029.25 | 22,454.52 |
| Petroleum levies | 40,333.49 | 47,593.52 | 56,160.35 | 66,269.21 | 78,197.67 |
| Ministries Collections | 22,783.69 | 26,884.75 | 31,724.01 | 37,434.33 | 44,172.51 |
| Motor Vehicle Registration | 1,464.62 | 1,728.25 | 2,039.34 | 2,406.42 | 2,839.57 |
| Road License Fee | 1,484.90 | 1,752.18 | 2,067.57 | 2,439.74 | 2,878.89 |
| Driving License fee | 855.79 | 1,009.83 | 1,191.60 | 1,406.09 | 1,659.19 |
| Airport safety Fee | 3,981.52 | 4,698.19 | 5,543.87 | 6,541.76 | 7,719.28 |
| TOTAL REVENUE | 229,491.22 | 236,910.30 | 270,799.64 | 319,543.57 | 377,061.42 |
| REVENUE/GDP ratio | 12.6 | 13.5 | 14.5 | 17.1 | 20.1 |

Source : ZRB and MoF Zanzibar

Strategic Directions

- To collect revenue as forecasted by the Government
- Widening tax base
- Enhancement of block management system
- Strengthening Tax Audit and Investigation functions
- Strengthening enforcement and Debt Management Function
- Develop and Implement the Risk Management Framework

- Operationalisation of Research
- Transfer Pricing Strategy

Expected Results

- Meet annual targets
- Tax revenue to GDP ratio will be increased
- Systematized annual tax gap analysis and proper revenue forecasting
- Positive perception towards the tax administration

4.2.2 Corporate Objective B: Re-engineer business processes and modernize technology

This objective will be achieved through Modernization of the ZRB ICT infrastructure and Reengineering of the business Processes that will transform ZRB into an effective and efficient revenue collection agency. The ZRB Customers will benefit from different online services and modern business process which include e-service tax administration system.

Strategic Directions

- Modernise, maintain and intergrate ICT systems
- Improve Information System Security
- Improve business process re-engineering and ICT infrastructures

Expected Results

- Provision of service that meet international standards.
- Fully intergrated automation tax system
- Development of ICT system to effectively follow up non compliance
- Implementation of ICT strategy to improve service delivery
- Implementaion of e-service system to minimize compliance cost
- Maximization of revenue collection

4.2.3 Corporate Objective C: To provide quality service to taxpayers and promote voluntary compliance

Delivery of quality services that are timely and satisfactory to all stakeholders, application of the tax laws with integrity and fairness is vital for ZRB in order to promote voluntary compliance.

To promote voluntary compliance great efforts will be directed to the provision of simplified information to the taxpayers as well as a review and simplification of tax laws and regulations to make sure that the taxpayers understand their rights and are treated fairly according to the laws and regulations. Taxpayer's complaints and problems will be listened to, and addressed accordingly.

Strategic Directions

- Enhance taxpayer education programmes by implementing outreach programmes and dialogue
- Simplify tax laws
- Re-visit and study the legal system to amend laws or propose new laws
- Improve voluntary compliance and reduction of compliance cost
- Transform ZRB into customer-responsive organisation
- Develop Quality Management System (QMS)

Expected Results

- Streamline tax policies, tax manuals and standard procedures
- Regular exchange of information with stakeholders
- Need based taxpayer awareness programs
- Operationalization of taxpayer education manual
- Improve compliance to Taxpayers.

4.2.4 Corporate Objective D: To improve working environment, staff remuneration, skills and competence.

The priority of the Third Corporate Plan is to improve specialized skills, competence and motivation to the staff, construction of ZRB office in Pemba, construction of Regional offices, acquisition of computer hardware and software. A summary of all major strategic initiatives to be implemented under this corporate objective are as follows:

- Improve working environment
- Recruit and retain a well trained, productive and motivated workforce
- Provide healthy and safe working environment
- Strengthening Management Control Capacity
- Establish Staff Performance Management System
- Enhance Regional Co-operation

Expected Results

- Establishment of functional organization
- Full application of Human Resource Policy
- Review of Performance Management System
- Assessment on physical presence, accessibility of services and work load of ZRB Staff
- Re allocation of offices and services unit for accessibility to taxpayers
- Construction of office buildings and essential equipments
- Well trained and competent staff
- Motivated staff
- Good working environment

4.3 ASSUMPTIONS

The following are the key assumptions made while developing this corporate plan.

- There will be political goodwill in support of ZRB proposed activities and reforms programmes.
- Development partners will continue to support ZRB programmes.
- Taxpayer and stakeholders will be optimally engaged.
- Sufficient funds will be obtained and released timely to implement the planned programmes.
- There will be mechanisms to motivate staff through better terms and conditions of service to realize improved productivity.

CHAPTER FIVE

5.0 IMPLEMENTATION OF THE THIRD CORPORATE PLAN

5.1 Introduction

ZRB has developed its third corporate plan covering the period 2014/15 – 2018/19. The plan is organized around four strategic objectives namely to optimize revenue collection, Re- engineer business processes and modernize technology, to provide quality service to taxpayers and promote voluntary compliance, to improve working environment, staff remuneration, skills and competence which are meant to guide ZRB in achieving its vision of increasing the revenue to GDP ratio from the current 12.6% to 20.1% in 2018/19, while the cost of collection declined from 4% to 3%

ZRB believes the implementation of this plan is necessary in order for the Government of Zanzibar to become more self reliant and reduce donor dependancy. The focus of the plan is on enhancing domestic revenue collections especially in the petroleum, telecommunication and tourism which are the fastest growing sectors of the economy of Zanzibar.

Implementation of the (2014/15 -2018/19) Corporate plan will continue to depend upon team work, backed by strong leadership, at all levels of the organization. In particular, it is going to be incumbent upon the Board and the Top management to continue giving the organization visionary and innovative leadership, while the rest of members of staff will be expected to implement the strategic activities as outlined in the plan.

However, in order for the implementation to be efficient and focused, ZRB will need to enhance its ability to mobilize more resources, particularly in the areas of revenue collection. This will not only be aimed at ensuring that the

organization meets the expectations of the Government and various stakeholders in a much more effective and focused manner, but also its declared mandate

5.2 Implementation management structure

Under the new plan, ZRB has proposed to implement a new management structure, aimed at ensuring that it is able to realize its mandate in a much more focused and efficient way, while at the same time sticking to its re-focused Vision, Mission, Core Values and Strategic Objectives. ZRB will also need to align its revised structure to conform to the expanded priorities and added coordination role within the revenue collections. In addition, the organization plans to carry out a detailed job evaluation so as to determine the appropriate staffing levels as outlined in its revised new structure.

Under the revised new structure, the key issues that will particularly need to be addressed will inter-alia include the following:-

- Clarity between functions in different departments.
- Capacity to effectively manage emerging revenue needs in terms of scope and frequency in technical departments.
- Relationship between functions and descriptions with the view to ensuring Plan are well aligned within each department.
- Performance indicators and targets, aimed at ensuring that, monitoring and evaluation of results are more output and outcome focused.
- Job descriptions and specifications, which are well defined with clear delineation of functions, duties and responsibilities at all levels.

5.3 Work plan

The planned and coasted activities which ZRB has identified are crucial and necessary to achieve the strategic focus identified in chapter 3. These activities are pegged to specific focus areas and are aimed at meeting ZRB Strategic Objectives, particularly, creating general awareness about revenue and raising the profile of the ZRB; producing high quality services; creating an effective Revenue Collection System and strengthening human-resource management and development. The activities are organized based on the strategic focus and the departments will be expected to draw their annual work plans from them.

The work plan will be used to monitor the implementation of the strategic operational outputs which the organization has committed itself to deliver in the five year plan period. The successful implementation of these work plans will depend on availability of both capital and human resources.

Resource mobilization

The implementation of various strategies discussed in this plan will require enhanced capacity in human, technical and financial resources. In this respect, four key areas will need to be addressed:-

- Human Resource Management and Development
- Physical Infrastructure and Transport
- ICT Infrastructure and Communication
- Financial Resources

5.4 MONITORING AND EVALUATION OF THE THIRD CORPORATE PLAN

The Third Corporate Plan identifies 25 initiatives in line with the Corporate Plan. In determining the indicators and targets, ZRB took cognisance of the following:-

- (a) Government Policy and Vision 2020
- (b) Core functions of the ZRB which is collection of Government Revenue
- (c) Strategic Objectives of the Corporate Plan

To ensure overall coordination of the Monitoring and Evaluation within ZRB, a separate unit on Modernization within the Department of Policy, Research and Modernization will be responsible for:-

- (a) Ensuring the preparation of ZRB Annual work Plans for implementation and their individual departments
- (b) Providing framework including policies and procedures for reporting on quarterly, semi annual and annual basis
- (c) Maintaining and reviewing a set of key performance indicators drawn from the Plan
- (d) Carry out periodic visits to projects and programmes to ensure reported implementation conforms on the facts and grounds
- (e) Co-ordinate meetings to review progress and resolve issues that may arise in implementation.
- (f) Provide relevant reports to the top management to ensure the management are fully appraised of the implementation status of the plan.

Monitoring and Evaluation will be carried out quarterly, annually and at the end of the plan period leading to the preparation of the following reports:-

- i) **Quarterly Progress Report:** Quarterly progress reports will include information on key process and output indicators against set targets for the quarter. The quarterly progress report shall be used for reviewing progress and forward planning by project implementers.
- ii) **Annual Review Report:** At the end of every financial year, annual progress report will be prepared that objectively highlights key achievements against set targets (both physical progress and financial status), constraining factors, lessons learnt and recommendations on the way forward.
- iii) **End of Plan Period Report:** At the end of the plan period, there will be a Terminal Review (TR). The TR will identify achievements against each set target and make an overall assessment of performance of the ZRB in implementing the plan. The review will also identify challenges encountered and make recommendations to inform formulation of the next Corporate Plan.

The Department of Policy, Research and Development coordinates the monitoring of the Corporate Plan on behalf of the Commissioner. The quarterly report, semi annual and annual reports shall be submitted and approved by the Board of Directors.

Linking Monitoring and Evaluation (M&E) to Performance Management

For the implementation of the Plan to be effective, the M&E will be an integral part of the ZRB performance management system and will be linked to staff appraisal and reward systems. The ZRB will monitor and evaluate its activities and performance in the process of reporting on its performance report on annual basis. The tracking of the corporate plan will be regularized to become part of this process.

5.5 CONCLUSION

Revenue administration has, in the last two decades become a focal area of fiscal reforms in a number of countries, and various reforms are currently being undertaken to improve operational efficiency and modernizing revenue administration.

ZRB remains confident in its strategic planning. Departmental plans will be developed in line with this Plan and ZRB operations will be guided by this Plan. The overall objective is to remain focused, share the vision and achieve the set results.