



ZOMBA CITY COUNCIL

POLICY STATEMENT

on

LAND-BASED REVENUE MODERNIZATION PROJECT



Land-based revenue modernization is a strategic factor for **Zomba City Council** in achieving its mandates as provided in the Local Government Act 1998. As a district in its own right, the Zomba City Council is mandated by the Local Government Act of 1998 (amended in 2010) to enshrine the Decentralization Policy. Section 6(1) of the Local Government Act outlines the functions of the District Council as follows:

- (i) Make policies and decisions on local governance and development for the local government area.
- (ii) Consolidate and promote local democratic institutions and democratic participation.
- (iii) Promote infrastructure and economic development through the formulation, approval, and execution of District development plans.
- (iv) Mobilize resources within the local government area for governance and development.
- (v) Maintain peace and security in the local government area with the Malawi police service.
- (vi) Make by-laws for the good governance of the local government area.

Vision and Mission Statement for Zomba City Council

Under the overarching vision of, 'A people-centered democratic urban local government with a conducive and ready environment for investment, vibrant eco-tourism, work, and leisure, and providing sustainable quality services,' the Zomba City Council's mission statement is:

'To provide efficient, sustainable, high-quality services through the formulation of policies that consolidate inclusiveness and promote local democratic participation and infrastructure development, with the aim of making the residents develop politically, economically, socially and technologically.'

Compliance and Performance

Currently, Zomba City Council mobilizes exceptionally low levels of land-based revenues, and improvements to revenue policy, regulations, procedures, and systems represent significant opportunity to boost revenues and use the increased revenue on expenditures to improve the provision of public services, including land administration services. Due diligence demonstrates that only between 20 and 40 percent of property owners pay their property taxes in Zomba City. The reasons for the low level of compliance are complex, but they can be attributed mainly to the following:

- (i) Not all properties are on the tax rolls—Zomba has the lowest estimated coverage rate of 40 percent, and about 36,000 permanent dwellings (50 percent of properties) are not ratable because they are in informal areas.
- (ii) Low and outdated property valuations—Zomba City Council has an outdated valuation roll that needs updating and review in terms of property values, ownership, and spatial attributes.
- (iii) Inadequate information systems for managing, billing, and collecting—Zomba City Council still uses manual systems and paper-based maps to trace, collect, and manage its land-based revenues.
- (iv) Insufficient policies, bylaws, and regulations to enforce payment compliance— Zomba City Council has implemented a bylaw that covers rate payment enforcement. However, it still lacks enforcement and thus demands further support.
- (v) Property owners/taxpayers unaware of the requirement to pay and reluctant to pay without a corresponding improvement in public infrastructure and provision of public services have led to the accumulation of property tax arrears at Zomba City Council totaling MWK 3.5 billion as of 30 June 2024.

As a result of the Council's under-performance in property tax management, collection, and payment enforcement, the Zomba City Council does not have sufficient financial resources to fund the land-related public services necessary to support the efficient and transparent functioning of land markets, developments as per its Urban Structure Plan of 2017-2022 (estimated at MWK66 billion), enforce physical development controls and effectively manage the property tax system to incentivize the most productive use of land.

Council Resolution and Intentions

Therefore, on 27th January 2023, the Full Council of the City of Zomba met and approved a Council Resolution to implement a City Council Land-Based Revenue Modernization Activity under the Millennium Challenge Second Compact that entered into force on May 7th, 2024, between the Republic of Malawi ("Government") and the United States of America ("United States"). The Land Based Revenue Modernization Activity has the following intentions that the Zomba City Council:

- (i) Shall/will develop and implement reforms in the Bylaws, rules, procedures, and processes regulating the operation of an equitable and publicly accepted property tax (City Rates) system.
- (ii) Shall/will update the City's property information by digitally mapping all taxable properties within the city boundaries, completing mass-appraisal of property values of these properties, automating all existing property records, and deploying a computerized property information management system to manage the billing and collection of City Rates and arrears on these properties.
- (iii) Shall/will implement public awareness and communication, informational campaigns, and engagement activities with and between City Council personnel and City Ratepayers to understand the linkage between paying City Rates and the provision of public services and expenditures, to foster institutional and individual social behavior change and put in place mechanisms to ensure transparency in the use of public revenue.
- (iv) Shall/will put in-place public expenditure management practices that focus on aggregate fiscal discipline, operational performance, and allocation of resources to conform with City Council policy objectives and satisfy the public need.
- (v) Shall/will allocate an average of 19% of all revenue collected for the next five years commencing Fiscal Year 2025/26 towards establishing a Public Service Fund to provide essential public services in each Ward as approved by the Full Council on 24 June 2024.

Grant Funding

To support the implementation of this program, The United States of America has agreed to provide grant funding of US\$24 million to finance the City Council Land-Based Revenue Modernization Activity in the four cities of Malawi, including the City of Zomba. The City of Zomba Council would like to inform the Residents that with the land-based revenue modernization project, the Council intends to strengthen the social contract espoused in the Service Charter between the City Council and the residents to improve accountability and the efficiency and effectiveness of service delivery. Therefore, the council is appealing to all Residents of Zomba City to support this Land-Based Revenue Modernization Activity and make its implementation successful. Thus, Zomba will become "flourishing and people-centered democratic" City.

CHRISTOPHER JANA
His Worship, the Mayor

Signature

10/10/2024

Date

ARCHANGEL BAKOLO
Chief Executive Officer

Signature

10/10/2024

Date

Towards a flourishing and people-centered democratic City