



MY CITY, MY RESPONSIBILITY

August, 2024

POLICY STATEMENT

on

LAND-BASED REVENUE MODERNIZATION

Lilongwe City Council (LCC) is implementing the 2021-25 Strategic Plan, under which the main strategic goal is to fix the city's finances by significantly increasing revenues, better allocating and managing available resources, and freeing up resources to expand the delivery of critical services.

In this regard, the City Council Land-based Revenue Modernization Activity is a strategic factor for the LCC in achieving her targets in the strategic plan and overall mandates as provided in the Local Government Act Cap 22:01. The LCC is mandated by the Local Government Act to enshrine the Decentralization Policy. Section 6(1) of the Local Government Act outlines the functions of the LCC 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

Under the overarching vision of, ‘A future Lilongwe that is clean, green, and prosperous,’ the LCC’s mission statement is:

‘To tirelessly serve all citizens of Lilongwe City.’

Compliance and Performance

Currently, the LCC mobilizes exceptionally low levels of land-based revenues, and improvements to revenue policy, regulations, procedures, and systems represent a 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 30 percent of property owners pay their property taxes in Lilongwe City in a year. 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—Lilongwe City has approximately **66 percent** of permanent dwellings that are not rateable because they are in informal areas.
- (ii) Low and outdated property valuations – the last valuation roll was done in 2011.
- (iii) Outdated information management systems for locating, recording, billing, and collection of property rates. The information management system is not integrated with land management systems and payment platforms to easily track receipts for the rates paid by ratepayers.

- (iv) Insufficient legislation - laws, policies, bylaws, and regulations to enforce payment compliance. The legislation is not strong enough to enable and enforce timely compliance.
- (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 Lilongwe City Council totaling **MWK 13 billion** as of 31st August 2024.

As a result of the under-performance in property tax management, collection, and payment enforcement, the LCC 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, 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 **3rd May 2023**, the Council of the City of Lilongwe 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 City Council Land-based Revenue Modernization Activity has the following intentions that the Lilongwe 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 (Property 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 Property Rates and arrears on these properties.

- (iii) **Shall/will** implement public awareness and communication, informational campaigns, and engagement activities with and between LCC personnel and City Ratepayers to understand the linkage between paying Property 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 LCC policy objectives and satisfy the public need.
- (v) **Shall** allocate an average of **12.7%** 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 31st July 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 Lilongwe.

The LCC would like to inform the city residents that the City Council Land-based Revenue Modernization Activity intends to strengthen the social contract espoused in the Service Charter between the LCC and city residents to improve accountability and the efficiency and effectiveness of service delivery.

Therefore, the LCC expects all Residents of Lilongwe City to support this Activity and make its implementation successful, thus making Lilongwe a ***“clean, green, and prosperous”*** City.

Cllr Esther Sagawa



01/10/2024

Her Worship, the Mayor

Signature

Date

Dr. Macloud Kadam'manja



01/10/2024

Chief Executive Officer

Signature

Date

Towards a clean, green, and prosperous City