MEMORANDUM TO THE CECM FINANCE & ECONOMIC PLANNING, KILIFI COUNTY ON THE BUDGET ESTIMATES 2021/22

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1.0 INTRODUCTION

The Coast Regional Budget Hub and Moving The Goalposts (MTG) are pleased to submit this memorandum for consideration by the Kilifi county executive committee in the finalization of the Kilifi county estimates of revenue and expenditure to be submitted to the County Assembly, by 30th April.

The Coast Regional Budget Hub, is a group of budget facilitators and community budget champions who conduct capacity building, trainings and advocacy on county and national budgets, not only in Kilifi but the entire Coast Region. This submission was prepared jointly by four (4) CSOs and a group of budget champions and technical working group convened by Moving the Goalposts.

The analysis covers revenue, expenditure, presentation of the estimates, linkage of the estimates with CFSP, Departmental/divisions allocations and sector shares, Priority areas, Presentation of Non-financial Information, Equity and Public Participation.

The above focus areas have further been broken down into observations/issue and specific asks/recommendations. At the annexes is the list of participants who took part in the development of this submission.

2.0 DETAILED SUBMISSION

2.1 Revenue

The Public finance Management Act (PFMA), 2015 County Government Regulations, section 58 requires budget estimates to provide revenue information. The budget estimates on page 6 provide a table “FY 2021/22 fiscal framework” that gives information on the county sources of revenue by source/description, i.e., equitable share, total conditional grants, loans and grants from development partners and Own-Source Revenue.
2.1.1 Presentation of revenue information

**Issue:** The table presented on page 6 of Kilifi PBB 2021/22, provides revenue information for the current financial year, 2020/21 and for 2021/22, only. PFM Regulation 2015 section 158 (2) requires the PBB to present information on actual performance for two previous financial years and projection for two outer years. This information helps us tell whether the revenue targets set are realistic. Further, our budgeting should be annual and in the medium term. Notably, the PBB refers to the estimates as “APPROVED”. It is confusing as the estimates are yet to be approved and or tell approved by the executive or assembly.

**Ask/Recommendation:** Include columns for actual revenue performance of 2018/19 and 2019/20 and projections for 2022/23. Clarify on the issue of “approved estimates.”

2.1.2 Discrepancy in figures provided in local revenue projections

There are notable discrepancies in the figures provided on the table on page 6, of the PBB 2021/22, the own source category. For instance, the total approved OSR in 2020/21 indicated is Ksh.900 million. But the actual figure as per the data provided adds up to Ksh.893.3 million resulting in a 0.75 per cent difference. Similarly, the projected OSR in 2021/22 is Ksh.925 million but the data provided amounts to Ksh.956.5 million representing an increase of 3.4 per cent (%). This is a data quality and transparency issue and further may be misleading in terms of projections.

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL AS PER THE DATA</td>
<td>784,390,256</td>
<td>933,240,949</td>
<td>1,188,087,147</td>
<td>966,472,000</td>
</tr>
<tr>
<td>TOTAL AS PER THE B.E</td>
<td>794,390,256</td>
<td>990,000,000</td>
<td>1,150,000,000</td>
<td>925,000,000</td>
</tr>
<tr>
<td>DIFFERENCE</td>
<td>0</td>
<td>-6749,741</td>
<td>38,087,147</td>
<td>41,472,000</td>
</tr>
<tr>
<td>Percentage difference</td>
<td>0%</td>
<td>-0.75%</td>
<td>5.08%</td>
<td>3.40%</td>
</tr>
</tbody>
</table>

**Ask/Recommendations:** Proper revenue projections/ forecasting should be based on accurate data. We recommend the County Treasury provide accurate revenue data and harmonize the discrepancies noted.

2.1.3 Local Revenue Forecasting
Local revenue/ OSR between 2015/16 financial to 2019/20 in Kilifi County averaged Ksh.633 million shillings. The county governments acknowledge that shortfalls in local revenue collection have affected Kilifi’s ability to consistently and persistently meet their local revenue and expenditure targets. In 2019/20 the local revenue shortfall was 28 per cent, although this has been attributed to the negative impacts of the Covid-19 pandemic, in the previous years, the same challenge has been equally alive! It is not clear what informs the OSR projections/ forecasts. For instance, it is noted that the county revised its local revenue projections in the revised estimates upwards, despite the existing economic predicaments of Covid-19.

In 2021/22 we note that the county has introduced three new revenue streams namely, liquor licenses, AMS/ATCs and leasing of planting equipment. The administrative fees and charges, which is one of the highest contributors of Kilifi OSR, has also been scrapped off, though justifications are not provided in the PBB 2021/22, the CFSP 2021, on page 68, indicates that this fund will be administered as per Health Services Improvement Fund (HSIF) Act. The same information should be indicated in the budget estimates.

Ask/Recommendations: There is a need to have a clear local revenue analysis and forecast, to avoid over-estimation and/ or underestimation in local revenue forecasts.

### 2.2 Expenditure

The total estimated budget in 2021/22 is Ksh.14.87 billion shillings, a 1.34 per cent increase from Ksh.14.68 billion in 2020/21. Recurrent estimated expenditure amounts to Ksh.9.21 billion or (61.94%), compared to Ksh.9.05 billion in 2020/21, while total estimated development expenditure is Ksh.5.66 billion (38.06 per cent) in 2021/22 compared to Ksh.5.56 billion in 2020/21.

<table>
<thead>
<tr>
<th>Financial year</th>
<th>Actual collection (Kshs. million)</th>
<th>Target (Kshs. million)</th>
<th>Collection vsTarget</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013/14</td>
<td>414.50</td>
<td>650</td>
<td>63.7%</td>
</tr>
<tr>
<td>2014/15</td>
<td>550.00</td>
<td>850</td>
<td>64.7%</td>
</tr>
<tr>
<td>2015/16</td>
<td>516.00</td>
<td>1,000</td>
<td>51.6%</td>
</tr>
<tr>
<td>2016/17</td>
<td>602.00</td>
<td>1,700</td>
<td>35.4%</td>
</tr>
<tr>
<td>2017/18</td>
<td>522.00</td>
<td>1,500</td>
<td>34.8%</td>
</tr>
<tr>
<td>2018/19</td>
<td>864.30</td>
<td>1,400</td>
<td>61.7%</td>
</tr>
<tr>
<td>2019/20</td>
<td>793.71</td>
<td>1,100</td>
<td>72.15%</td>
</tr>
</tbody>
</table>
In 2021/22, 33.6 per cent of the total budget will be used for wages which is below the required threshold stipulated by the PFM act, that not more than 35% of the total revenue shall be used to compensate employees. Notably, 38 per cent of the budget will be used for development expenditure, compliance to PFM provision that at least thirty per cent of the total budget shall be used for development expenditure. It is commendable that actual development expenditure as a percentage of the total actual expenditure is above 30 % in 2019/20.

**Issue:** The information provided above is missing in the Kilifi county Budget estimates 2021/22. Expenditure information is only provided at the programme level. Further, there is no narrative information on the overview of the budget.

**Ask/Recommendation:** Provide a summary table and a narrative explaining the overview of the budget and categorize it into economic classification (Employees’ salaries, operations/maintenance and capital expenditure). This information is imperative as it gives the readers/ public gist of what the allocated funds are used for.

<table>
<thead>
<tr>
<th>Expenditure performance and projection in billion shillings (Economic Classification)</th>
<th>2019/20 (Budgeted)</th>
<th>% share of the total budget</th>
<th>2019/20/Actual</th>
<th>% share of actual expenditure as a share of total actual exp.</th>
<th>2020/21</th>
<th>2021/22 % share of the total budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL RECURRENT</td>
<td>9.25</td>
<td>61.54%</td>
<td>7.65</td>
<td>67.58%</td>
<td>9.05</td>
<td>9.21</td>
</tr>
<tr>
<td>Compensation to employees</td>
<td>4.22</td>
<td>26.08%</td>
<td>4.13</td>
<td>36.48%</td>
<td>4.99</td>
<td>33.56%</td>
</tr>
<tr>
<td>Operations and maintenance</td>
<td>5.03</td>
<td>33.47%</td>
<td>3.52</td>
<td>61.84%</td>
<td>4.22</td>
<td>28.38%</td>
</tr>
<tr>
<td>DEVELOPMENT</td>
<td>5.78</td>
<td>38.46%</td>
<td>3.67</td>
<td>32.42%</td>
<td>5.56</td>
<td>5.66</td>
</tr>
<tr>
<td>TOTAL EXPENDITURE</td>
<td>15.03</td>
<td>100.00%</td>
<td>11.32</td>
<td>100.00%</td>
<td>14.61</td>
<td>14.87</td>
</tr>
</tbody>
</table>

Source: OCOB Report 2019/20, PBB 2021/22
2.3 Sector/Department/Division shares and allocations

According to CFSP 2021, resource sharing is based on resources required for wages, ring-fenced resources for strategic interventions, the ongoing projects, operations and maintenance and funds required for development activities. (Refer to CFSP, 2021/22, page 73-75). As such, some sector/departmental allocations have increased and vice versa.

The county divisions of medical services and economic planning have the highest share of the total budget, 30.47 per cent and 25.26 per cent respectively in 2021/22. The medical services budget increased by 15 per cent while economic planning’s budget increased by 19 per cent. The county division of education’s budget, on the contrary, has reduced by 30 per cent, despite the department being earmarked for consideration for strategic intervention in the CFSP, 2021. The department’s share of the total budget is estimated to reduce from 11.5 per cent in 2020/21 to 7.8 per cent in 2021/22. It is not clear how the department is supposed to fulfil its strategic interventions with a reduced budget.
2.4 Linkage of the Budget Estimates with county fiscal Paper

The CFSP sets the maximum amount which a department can spend, which in turn informs the departmental allocations in the budget estimates. There are notable differences in the allocation in the CFSP and those in the Budget estimates, amounting to Ksh.25 million decreases, contravention of PFM act. There are no justifications provided for this decrease and disconnect between the two documents. This is an indication of poor budgeting.

Ask/Recommendation: Provide reasons for the disconnect between the CFSP and the budget estimates and harmonize the figures.

2.5 Priority areas

The programme Based Budget should have an overall narrative highlighting the key priority areas and interventions. Further, the PBB should also provide the linkage of the priorities with CIDP and ADP, under section 31(f) of PFM, 2015 regulations. We should be able to see the flow and linkage on these budget documents.

Snippet 1: Priority areas identified in the CFSP2021,

B. The BPS aims to complement the County’s aspiration of a resilient and sustainable development in the wake of the economic shock caused by the COVID-19 pandemic. As such, priority is given to the following crucial areas whose interventions resonate with the overall government agenda as well as context specific interventions that will continue the progressive development envisioned in the people focused transformation agenda for the preceding three years. The areas of intervention are as follows:

i. Integrating Food Value Chains for Nutrition and Economic Sufficiency
iii. Promoting Basic Education, Training And Skills Development
iv. Ensuring Access To Safe Water And Sanitation Services
v. Protecting the Vulnerable Members of Society through a Social Safety Net Program as well as Community Sensitization
vi. Promoting Infrastructural Development
vii. Promoting Environmental Protection And Disaster Mitigation
viii. Providing quality and affordable health care for disease control and eradication

Source: Kilifi CFSP, 2021, page 12

Issue: The Budget estimates 2021/22 do not provide a summary narrative on key priority areas. At the department/division level, this information is missing. Despite these being mentioned in the CFSP, 2021. Notably, the ADP does not specifically mention the priority areas that my county is undertaking in 2021/22 but rather presents the broad strategic priorities which should be realized through various departments.

Ask/ Recommendation: Provide a summary narrative on key priority in the Budget estimates 2021/22.
2.6 Non-financial information

PFM requires counties to present their budget in Programme Based Budget (PBB) format. A programme brings together activities of the government that are focused on bringing a common objective. For instance, the Sports, culture, gender and social protection division/department in Kilifi seek to promote sustainable and equitable socio-cultural and economic development. Programmes are divided into sub-programmes and further to specific projects/ delivery units. The projects should have realistic indicators and targets.

**Issue:** Kilifi PBB 2021/22 has information on programmes and sub-programmes. For instance, on page 102, Sports, Culture, Gender and Social protection such information is provided. We observe an inconsistency in the programmes. In the previous FYs, 2019/20 and current 2020/21, the sports department/division had seven (7) programmes. In 2021/22 we note that betting control and sports development are sub-programmes under social protection. No justifications nor information has been provided to explain the merge. Further, on page 106, of Kilifi PBB 2021/22, the sports development sub-programme is also categorized under “P.8 on strategic initiatives.”

Importantly, under the administration and gender development programmes (Sports, Culture and Social protection), the directorate of budget and economic planning is the delivery unit. The outcome does not match with the delivery unit, and it is not clear why the directorate of finance and economic planning should be the one delivering towards that outcome.

**Education:** We note two projects under the education department, programme 4 on vocational education and training, with no corresponding allocation in 2021/22. It is not clear why the projects do not have allocations.

Further, the targets set under the education bursary to benefit 145,273 pupils in 2021/22 seems unrealistic, given that the allocation to the fund is the same as 2020/21 at Ksh.350,000 to benefit targeted 132,067 pupils. It is not clear, where the additional funds to benefit 13,206 pupils will come from. (see page 66). Further, the total share of the overall estimated education division budget in 2021/22 is expected to reduce by 20.89 %.

**Ask/Recommendation:** Revise the targets of the pupils expected to benefit from the education/bursary fund downwards, since there are no additional funds in the 2021/22 bursary fund.

2.7 Equity (Case of education department)

The overall literacy rate in Kilifi County stands at 68%. Of these, 51% are male while 49% are female. There are 418 primary schools and 86 secondary schools catering for an estimated 256,000 and 22,500 students respectively. There are 13 youth polytechnics, one college and a university campus. According to the KNBS census report, in 2019, 7.85 % of total individuals in school are in pre-primary, 54.34% in primary schools, 16.71 % in secondary education, 4.39% in TVETs and 1.48 % in university.
Enhancing basic education, training and skills development is one of the key interventions that the county is undertaking in 2021/22. Page 20-21 of the CFSP, 2021, provides further information of enrollment in pre-primary and TVETs (which are functions of the county, under the 4th schedule of the constitution, 2010), as of February 2021.

Source: KNBS, 2019

The Kilifi PBB 2021/22 allocates Ksh.350,000 to benefit 145,273 pupils. (PBB 2021/22, page 66). Is there a criterion and or formula that the county department of education in ensuring equitable distribution of the bursary? It is commendable that the county has provided some updated information on the number of schools in Kilifi and enrolment in various VTCs.

Ask/Recommendations: There is a need for the county to leverage the use of data, based on needs in allocating these resources not only to the pupils but also across the sub-county units. This to ensure equity and to address the inequalities in access to education services.
2.8 Public participation

The Constitution of Kenya, 2010 under the fourth schedule and the subsequent legislation, (CGA, 2012) obligate the counties to undertake and facilitate public participation. The County’s Department of Devolution and Disaster Management is mandated to undertake public participation under the Civic Education and Public Participation programme.

Public participation in the budget-making process remains a challenge in many counties. This has been worsened by the Covid-19 pandemic and containment measures that limit physical meetings, which in the recent past have been the popular modes of participation. On page 139 of the PBB, the county plans to undertake 70 civic education meetings and 70 public participation in disaster management. Notably, there is no allocation to undertake such meetings in the allocation category. It is not clear how the county intends to facilitate the meetings without a budget. Further, we note that the development budget for devolution in 2021/22 has been removed.

Ask/Recommendation: Public participation in influencing county decisions on allocation and utilization of resources should be treated with seriousness. The county needs to allocate resources to facilitate public participation and devise other hybrid modalities of conducting participation in the budget process, to ensure inclusivity and participation from all citizens in Kilifi.

3.0 ANNEXURES: Contributors

<table>
<thead>
<tr>
<th>Name</th>
<th>Organization/ Group</th>
<th>email</th>
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</thead>
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