

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.

OSR performance and projections

Revenue Stream	Actual Revenue FY 2019/20	Approved /OSR in 2020/21	Revised Estimates 2020/21	Projected OSR in 2021/22
TOTAL AS PER THE DATA	794,390,255	893,250,949	1,185,087,157	956,472,000
TOTAL AS PER THE B.E	794,390,255	900,000,000	1,150,000,000	925,000,000
DIFFERENCE	0	-6,749,051	35,087,157	31,472,000
Percentage difference	0%	-0.75%	3.05%	3.40%

Source: Kilifi county Treasury

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

Financial year	Actual collection (Kshs. million)	Target (Kshs. million)	Collection vsTarget
2013/14	414.50	650	63.7%
2014/15	550.00	850	64.7%
2015/16	516.00	1,000	51.6%
2016/17	602.00	1,700	35.4%
2017/18	522.00	1,500	34.8%
2018/19	864.30	1,400	61.7%
2019/20	793.71	1,100	72.15%

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.

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.

Expenditure performance and projection in billion shillings (Economic Classification)							
	2019/20 (Budgeted)	% share of the total budget	2019/20 (Actual)	actual expenditure as a share of total actual exp.	2020/21	2021/22	% share of the total budget
TOTAL RECURRENT	9.25	61.54%	7.65	67.58%	9.05	9.21	61.94%
<i>Compensation to employees</i>	4.22	28.08%	4.13	36.48%		4.99	33.56%
<i>Operations and maintenance</i>	5.03	33.47%	3.52	61.84%		4.22	28.38%
DEVELOPMENT	5.78	38.46%	3.67	32.42%	5.56	5.66	38.06%
TOTAL EXPENDITURE	15.03	100.00%	11.32	100.00%	14.61	14.87	100.00%

Source: OCOB Report 2019/20, PBB 2021/22

2.3 Sector/Department/ Division shares and allocations

Change in Total Divisions/departmental allocations and share of the total								
Vote Code Title	Gross Baseline Total FY 2020/21	CFSP 2021, allocation	Total approved estimates FY 2021/22	Change in allocation between CFSP and the proposed budget	Changes in allocation in 2021/22	%age change in allocation between 2021/22	Division's share of the total budget in 2020/21	Division's share of the total budget in 2021/22
3111 County Assembly	936,088,616	1,000,000,000	1,000,000,000	0	63,911,384	6.83%	6.38%	7%
3112 Office of the Governor	280,395,858	304,792,760	294,792,760	-10,000,000	14,396,902	5.13%	1.91%	1.98%
3124 County Attorney	90,000,000	122,274,043	122,274,043	0	32,274,043	35.86%	0.61%	0.82%
3113 County Division for Finance	705,422,107	3,757,765,382	3,757,765,382	0	3,052,343,275	432.70%	4.81%	25.26%
3125 County Division for Economic Planning	87,424,782	104,293,609	104,293,610	1	16,868,828	19.30%	0.60%	0.70%
3114 County Division for Agriculture	738,175,962	467,017,702	402,007,365	-65,010,337	-336,168,597	-45.54%	5.03%	2.70%
3126 County Division for Livestock	208,841,501	28,182,695	53,495,755	25,313,060	-155,345,746	-74.38%	1.42%	0.36%
3127 County Division for Fisheries	152,042,355	25,364,426	65,061,703	39,697,277	-86,980,652	-57.21%	1.04%	0.44%
3115 County Division for Water	1,448,335,754	386,257,690	386,257,690	0	-1,062,078,064	-73.33%	9.87%	2.60%
3128 County Division for Environment, Natural Resources & Wildlife	173,033,265	38,328,466	38,328,466	0	-134,704,799	-77.85%	1.18%	0.26%
3116 County Division for Education	1,683,374,445	1,163,412,152	1,163,412,152	0	-519,962,293	-30.89%	11.47%	7.82%
3129 County Division for ICT	81,855,754	28,182,695	28,182,695	0	-53,673,059	-65.57%	0.56%	0.19%
3117 County Division for Medical Services	3,915,872,618	4,531,603,297	4,531,603,297	0	615,730,679	15.72%	26.68%	30.47%
3130 County Division for Public Health	529,781,345	63,129,238	63,129,238	0	-466,652,107	-88.08%	3.61%	0.42%
3118 Roads, Transport & Public Works	1,413,291,555	1,085,857,609	1,085,857,609	0	-327,433,946	-23.17%	9.63%	7.30%
3119 County Division for Lands & Energy	486,417,121	388,343,034	348,143,035	-40,199,999	-138,274,086	-28.43%	3.31%	2.34%
3131 County Division for Physical Planning, Urban Development and Housing	211,211,458	19,727,887	59,927,887	40,200,000	-151,283,571	-71.63%	1.44%	0.40%
3120 Gender, Culture, Social Services and Sports	314,321,886	199,836,670	195,836,671	-3,999,999	-118,485,215	-37.70%	2.14%	1.32%
3121 County Division for Trade, & Tourism	432,943,649	300,650,754	300,650,754	0	-132,292,895	-30.56%	2.95%	2%
3132 County Division for Cooperative Development	14,350,000	14,091,348	14,091,348	0	-258,652	-1.80%	0.10%	0%
3122 County Public Service Board	65,158,201	53,134,680	53,134,680	0	-12,023,521	-18.45%	0.44%	0%
3133 Devolution, Public Service and Disaster Management	224,290,041	450,341,810	149,341,810	-301,000,000	-74,948,231	-33.42%	1.53%	1%
3123 Public Service Management	389,149,111	366,311,481	656,311,481	290,000,000	267,162,370	68.65%	2.65%	4%
3134 Kilifi Municipality	25,000,000	0	0	0	0	0.00%	0.17%	0%
3135 Malindi Municipality	71,000,000	0	0	0	0	0.00%	0.48%	0%
Total Voted Expenditure	14,677,777,384	14,898,899,430	14,873,899,430	-25,000,000	196,122,046	1.34%	100.00%	100%

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,

8. 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
- ii. Bolstering Financial Access for Economic Prosperity
- 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)

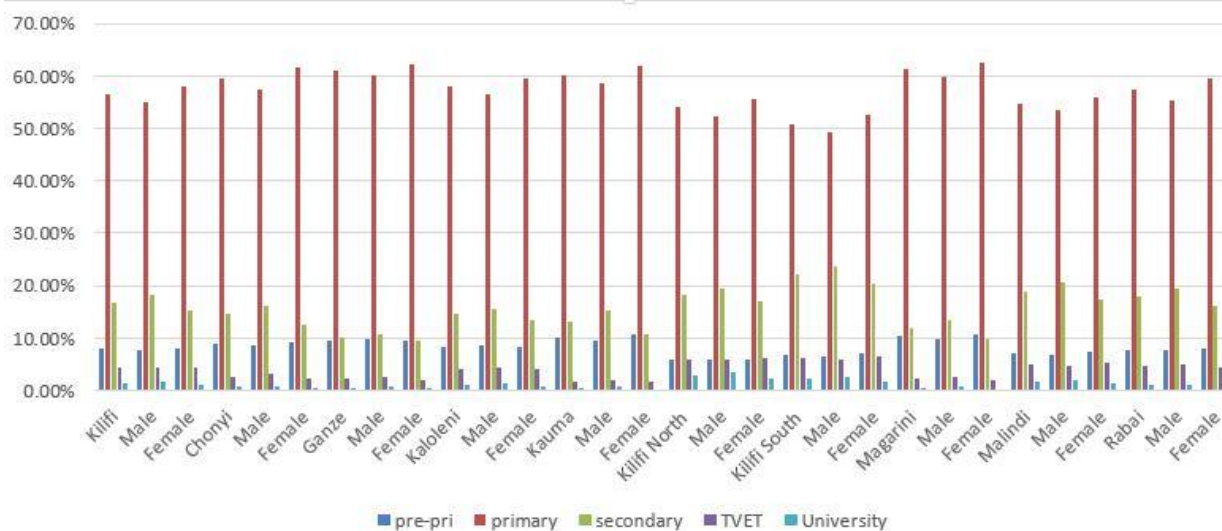
The overall literacy rate in Kilifi County stands at 68%. Of these, 51% are male while 49% are female. There are 418 primary schools and 86 secondary schools catering for an estimated 256,000 and 22,500 students respectively. There are 13 youth polytechnics, one college and a university campus. According 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.

Table 2.5: Distribution of Population Age 3 Years and Above by Highest Level of Education Completed, Area of Residence, Sex, County and Sub-County

County/ Sub-County	Total*	Pre-Primary	Primary	Secondary	Middle Level/ Technical and Vocational Training	Universities	Adult Basic Education	Madrasas/ Duksi	None	Don't Know	Not Stated
KILIFI	1,063,750	83,453	599,327	177,711	46,722	15,770	781	13	135,660	3,071	1,242
Male	549,374	42,321	301,787	99,563	24,015	9,782	405	7	69,143	1,673	678
Female	514,362	41,132	297,531	78,148	22,706	5,988	376	6	66,515	1,397	563
CHONYI	44,897	3,933	26,684	6,500	1,196	299	44	-	6,157	61	23
Male	23,263	1,972	13,395	3,768	717	212	27	-	3,181	36	15
Female	21,633	1,961	13,289	2,732	479	87	17	-	2,976	25	8
GANZE	95,274	9,143	58,252	9,644	2,138	565	153	1	15,147	141	90
Male	48,889	4,749	29,379	5,286	1,208	407	78	1	7,671	69	41
Female	46,383	4,394	28,871	4,358	930	158	75	-	7,476	72	49
KALOLENI	134,645	11,325	78,082	19,556	5,554	1,511	113	1	17,996	317	190
Male	69,960	5,912	39,605	10,914	2,978	965	56	1	9,256	179	94
Female	64,681	5,413	38,476	8,642	2,576	546	57	-	8,738	138	95
KAUMA	16,076	1,615	9,683	2,098	291	78	15	-	2,224	54	18
Male	8,528	817	5,000	1,301	170	56	9	-	1,127	36	12
Female	7,548	798	4,683	797	121	22	6	-	1,097	18	6
KILIFI NORTH	138,095	8,070	74,515	25,235	8,260	4,012	25	-	17,400	480	98
Male	70,668	4,163	36,942	13,840	4,114	2,411	18	-	8,880	259	51
Female	67,425	3,917	37,572	11,395	4,146	1,601	7	-	8,520	220	47
KILIFI SOUTH	158,925	10,757	80,815	35,112	9,754	3,416	83	3	18,312	452	221
Male	81,501	5,373	40,180	19,282	4,831	2,031	35	2	9,409	231	127
Female	77,423	5,384	40,635	15,830	4,922	1,385	48	1	8,903	221	94
MAGARINI	134,107	13,879	82,026	15,867	2,984	707	175	1	18,078	294	96
Male	70,300	6,987	42,083	9,531	1,744	509	98	1	9,126	167	54
Female	63,807	6,892	39,943	6,336	1,240	198	77	-	8,952	127	42
MALINDI	252,086	17,738	137,812	47,716	12,355	4,320	143	4	30,612	973	413
Male	129,812	8,809	69,535	26,621	5,926	2,632	68	1	15,472	521	227

Source: KNBS, 2019

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.



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

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