



Submission on the Mombasa County budget estimates 2024/2025, submitted to the County Assembly of Mombasa on 14th June 2024.

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Introduction

The Coast Regional Budget Hub is a platform for Public Finance Management (PFM) practitioners, that brings together regional voices for collective efforts and synergy to enhance public budgets and services across the Coast Region of Kenya. The Coast Regional Budget Hub operates in the six Coastal counties: *Mombasa, Kwale, Kilifi, Lamu, Taita-Taveta, and Tana River Counties*. The Hub is Comprised of budget coordinators, facilitators, and champions from various organisations/institutions, informal groups, academia and individuals, drawn from across the Coast. The Coast Regional Hub builds the collective capacity of communities to engage effectively and mobilizes participation in the budget-making processes at the county, regional and national levels.

The Public Finance Management Act 2012 requires counties to use Programme Based Budget (PBB) in the preparation of Budget Estimates. The PBB format is meant to organize the budget around programmes with clear objectives, indicators and targets that are measurable and achievable. The Budget Estimates are prepared following Sections 129 to 131 of the Public Finance Management Act (PFM) 2012.

Following the call for public comments, The Coast Regional Budget Hub is Pleased to submit, their views on the draft budget Estimates for 2024/2025. These views are a result of consultative meetings with a team of Budget champions, CSOs and stakeholders.

Summary of the submission

- i. Revenue:** Mombasa County's projected revenue for FY 2024/25 is Kshs. 15.5 billion. This comprises Kshs. 8.4 billion from the equitable share (56.6%), Kshs. 2.1 billion from conditional grants (13.8%), and Kshs. 4.9 billion from the county's source revenue (31.6%). Overall revenue is down by 3.3% from the previous year. However, equitable share and conditional grants are set to increase by 7.4% and 28.24%, respectively, while own source revenue is reduced by 16.5% to align with historical collection trends.
- ii. Expenditure:** The total expenditure for Mombasa County in FY 2024/25 is estimated at Kshs. 15.5 billion, with Kshs. 10.6 billion (68%) allocated to recurrent expenditure and Kshs. 4.9 billion (32%) to development expenditure, further broken down into 43.8% for personnel emoluments, 24.6% for operations and maintenance, and 31.7% for capital expenditure. *Review staffing to*

optimize budgets, reduce salaries below 35% of expenditure, and redirect savings to development projects and essential services in compliance with PFMA.

- iii. County priorities:** Mombasa County's priorities for FY 2024/25 include enhancing health services, empowering youth and women, improving education, streamlining waste management, promoting investment, and developing infrastructure and housing. In health, goals include increasing NHIF uptake, enhancing sub-county healthcare infrastructure, acquiring a second cancer treatment centre, training healthcare workers, ensuring universal health care, and operationalizing the Mombasa County Community Health Service Bill, 2020. *Prioritize specific sector goals to optimize resource allocation and align county health plans with national reforms such as shifting to SHIF from NHIF to enhance healthcare strategies.*
- iv. Health department:** The total allocation for the Department of Health in FY 2024/25 is Kshs. 4,687.3 million. This allocation is divided into recurrent expenditure, which stands at Kshs. 4,087.3 million (87.2%), and capital expenditure, which is Kshs. 600 million (12.8%). The health department's budget accounts for 30.3% of the total county budget. Significant portions of this budget are allocated towards salaries (48.4%), operational costs (21.3%), and development costs (12.2%). Despite high absorption rates for recurrent expenditure, the development expenditure remains very low, indicating underutilization of funds allocated for development projects. *Recommendations include increasing capital expenditure for health infrastructure, expediting local fund management policies, enhancing development budget absorption through stricter monitoring, and reviewing departmental spending to reallocate resources efficiently.*
- v. Water department:** The total allocation for the Water, Natural Resources, Public Works, and Climate Change Resilience department in FY 2024/25 is Kshs. 1,330.1 million, with Kshs. 242.1 million (18.2%) for recurrent expenditure and Kshs. 1,088.0 million (81.8%) for capital expenditure, representing 8.6% of the county budget; however, development expenditure absorption rates remain very low. *Properly categorize the public works sub-program, enhance monitoring to improve development budget absorption rates, and address low absorption rates in critical areas like sanitation and water supply.*

Detailed submission

1. Revenue (Equitable share, OSR and Grants)

The total projected revenue in 2024/25 is Kshs. 15.5 billion, Kshs. 8.4 billion (56.6%) from equitable share, Kshs.2.1 billion (13.8%) from conditional grants and Kshs.4.9 billion (31.6) from the county's source revenue. (See Figure 1 in the next section).

The overall revenue registers a 3.3% reduction compared to the projected revenue in FY 2023/24. Importantly, the equitable share and conditional grants are projected to increase by 7.4% and 28.24% respectively in 2024/25 compared to 2023/24. The own source revenue projections have been reduced to Kshs.4.9 billion in 2024/25, compared to Kshs.5.8 billion in FY 2023/24, registering a 16.5% decrease.

Comments: The revision of its source revenue downwards is commendable as evidence shows that in the past years, the county consistently missed its source revenue targets, thus downward revision to align with the previous collection trend is realistic and more data informed.

Figure 1: Resource envelope in 2024/25

Revenue Category	2022/23 Actual	2023/24	2024/25	% Change
Equitable share	7,567,354,061	7,861,523,820	8,443,729,622	7.41%
Total Grants	666,796,746	1,661,315,449	2,130,441,044	28.24%
County Local Sources	3,998,628,848	5,856,356,997	4,890,829,334	-16.49%
Opening balance	703,974,578	610,803,734	-	
TOTAL	12,936,754,233	15,990,000,000	15,465,000,000	-3.28%

Source: Mombasa county treasury, 2024

2. Expenditure projections

The total expenditure is estimated at Kshs.15.5 billion in FY 2024/25. In the upcoming financial year 2024/25, the Mombasa County Government plans to spend a total of Kshs.15,465,000,000; recurrent expenditure of Kshs.10.6 billion (68%) and development expenditure of Kshs.4.9 billion (32%). Further breakdown as per figure 2, below shows that the county will spend 43.8% towards personnel emoluments, 24.6% towards operations and maintenance costs and 31.7% towards capital expenditure.

Figure 2: Expenditure estimates in FY 2024/25 in shillings

Expenditure classification	Actual 2022/23	Budget 2023/24	Projected in 2024/25	% share of the budget
Personnel	6,518,630,269	6,864,551,211	6,767,737,501	43.8%
Operations Repair and Maintenance	4,367,122,945	4,327,741,742	3,796,749,499	24.6%
Capital Expenditure	1,623,043,985	4,797,707,047	4,900,513,000	31.7%
Total Expenditure	12,506,371,205	15,990,000,000	15,465,000,000	100.0%

Source: Mombasa County treasury, 2024

Section 107 of the PFM Act, 2012 [PFMA](#), requires the county treasury to adhere to fiscal responsibilities by ensuring the County Government's recurrent expenditure shall not exceed its total revenue, a minimum of thirty per cent of the budget shall be allocated to development expenditure over the medium term, and expenditure on wages and benefits for public officers shall not exceed thirty-five per cent of the total revenue.

The total personnel expenditure in 2024/25 exceeds the stipulated threshold of 35%, which contravenes the PFMA provisions and potentially limits funds available for development projects and other crucial expenditures, such as operations and maintenance.

Figure 3: Departmental percentage share of the personnel expenditure in 2024/25

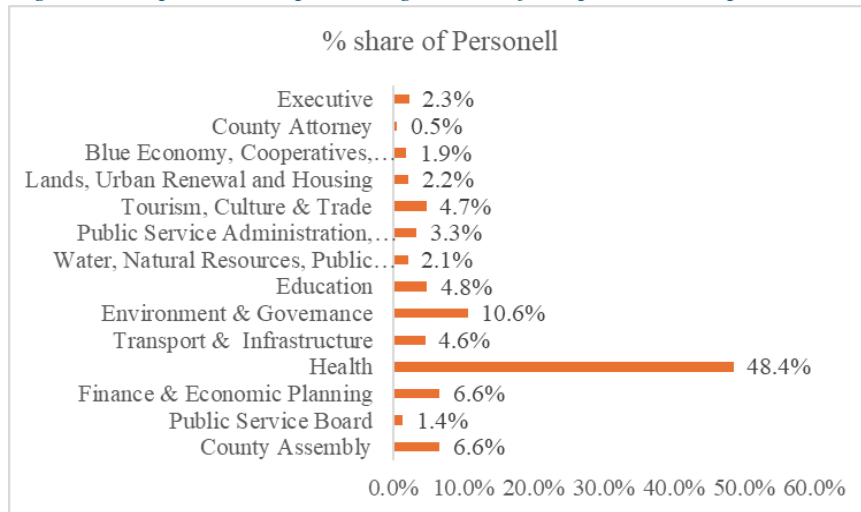


Figure 3 above shows that, the Department of Health has the highest share of the personnel budget at 48.4 %, environment and governance at 10.6%, while the county attorney has the least share of the personnel budget at 0.5%. Further review of staff establishments in health departments, provided on pages 57-68 of the PBB 2024/25, indicates that the department has a total of 1,829 employees, and the department had an annual salary increment of Kshs.37.5 million. The environment & governance on the other hand have a total of 1130 employees.

Comments

- i. *To balance the personnel budget and manage salary costs, the County Government should review staffing needs across all departments. The Department of Health holds 48.4% of the personnel budget with 1,829 employees and an annual salary increment of Kshs. 37.5 million, efficiency improvements and redundancy reductions should be identified.*
- ii. *Similarly, the environment and governance department, with 1,130 employees and a 10.6% budget share, should be evaluated for optimal staffing levels.*
- iii. *Ensuring adequate staffing in smaller departments, like the County Attorney's office, without excessive expenditure is also crucial. Performance-based incentives and a freeze on non-essential hiring are recommended strategies.*

3. Sector priorities

The County Government Act, 2012 Section 104 (1) states that no funds shall be allocated by a county government outside a planning framework, prepared by the county executive and approved by the county assembly. The Mombasa County Integrated Development Plan (CIDP) 2023-2027, prepared is the major planning document which presents broad priorities and development projects.

In the upcoming financial year 2024/25, the County will prioritize expenditure on enhancing *quality and affordable health services, empowering youth and women while promoting cohesion and inclusivity,*

improving education and training, streamlining waste management services, promoting investment, and developing infrastructure, land management, and affordable housing services.

To enhance the quality and affordable health services, the county seeks to increase the uptake of NHIF to reduce out-of-pocket spending, resourcing devolved healthcare infrastructure at the sub-county level to ensure adequate staff, medication, and equipment, acquire a second cancer treatment centre, recruiting and providing continuous training and promotions for healthcare workers, ensuring Universal Health Care for all citizens, and operationalizing the Mombasa County Community Health Service Bill, 2020.

Recommendations

- i. *Specificity on priority areas- there is a generalization on priority areas listed. The breakdown provided seems too ambitious to be achieved within a financial year. For instance, in the health department, where the priority areas are listed, there is a need for more prioritization. With the allocated resources, the department needs to state which area will be of focus, is it reducing out-of-pocket expenditure or devolving healthcare services at the sub-county level by adequate staffing or by hiring more community health promoters?*
- ii. *Further, the Department of Health may want to provide how they have taken into consideration the health reforms effected at the national level, such as a shift from NHIF to SHIF and how that will be undertaken.*

4. Sector/Department focused analysis

a. Health

The county's Department of Health has 5 programs, namely, ***General administration, planning, and support services, clinical and curative health services, preventive and promotive measures, special programs, and specialized care and research at the Coast General Teaching and Referral Hospital.***

The objectives as per the programs include enhancing the institutional framework for efficient service delivery, providing quality curative and rehabilitative health services, increasing access to effective promotive and preventive health services, expanding access to quality promotive, preventive, and curative/rehabilitative health services, and offering specialized care, training, and research at the Coast General Teaching and Referral Hospital.

Health department allocations

The total allocation for the Department of Health in 2024/25 stands at Kshs.4,687.3 million, out of which Kshs.4,087.3 million (87.2%) is allocated towards recurrent expenditure and Kshs.600 million (12.8%) is allocated towards capital expenditure. The allocation represents an increase of 0.4% from the Kshs.4,666.6 budgeted for FY 2023/24.

The departmental share of the health budget stands at 30.3%, taking the biggest share of the county budget compared to the other departments. Further analysis as per economic classification, the Department of Health will spend 48.4% towards paying salaries, 21.3% on operational costs and 12.2% on development costs.

Figure 4: Total Program allocation-Health

Programme	Budget 2023/24	Estimates 2024/2025	Projected 2025/2026	Change from 2023/34 to 2024/25	% change
General Administration, Planning and Support Services	1931.9	3,473.2	3,884.1	1,541.3	79.78%
Clinical and Curative Health Services	1483.4	191.6	175.1	-1,291.8	-87.08%
Preventive and Promotive	75.2	175.4	138.1	100.2	133.24%
Special Programs	37.4	12.0	13.0	-25.4	-67.93%
Coast General Teaching and Referral Hospita	-	835.0	918.5	-	-
Total	4666.6	4,687.2	5,128.8	20.6	0.44%

Source: PBB 2024/25 & CBIRR

Figure 4 above provides an analysis of allocation at the programme level. The general administration program allocations stand at Kshs. 3,473.2 million (74.1%), clinical and curative, Kshs.191.6 million (4.1%), Preventive & promotive Kshs.175.4 million (3.7%), Special programmes Kshs.12 million (0.3%) and Coast General Kshs.835.0 million (17.8%) of the total budget.

The general administration programme allocation is expected to increase by 79.8% from Kshs.1,931.9 million in 2023/25 to Kshs.3,473.2 million in 2024/25, while special programmes such as maternal health, adolescent /child health, malaria, TB, HIV and drug abuse control will see a reduction of Kshs.25.4 million representing 67.9% decline in 2024/25.

A review of the controller of Budgets reports from 2020/21 to 2023/24 indicates higher absorption rates above the allocated amount pointing to possible spending at the source. The department seems to have been retaining the Facility Improvement Fund, and spending at the source, without the policy, which is in the process of enactment. According to the CBIRR reports 2023/24(9 months)¹, the department's recurrent expenditure compared to exchequer releases was 115.4% as of March 2024, with very minimal absorption rates at the development budget of 6%.

¹ <https://cob.go.ke/reports/consolidated-county-budget-implementation-review-reports/>

Recommendations

- i. **Health Financing:** Increase the proportion of capital expenditure to address infrastructure and equipment needs, as currently only 12.8% of the health budget is allocated for this purpose.
- ii. **Policy Enactment:** Expedite the enactment of policies that allow health facilities to retain and manage funds locally, such as the Facility Improvement Fund, to ensure better financial accountability and efficiency.
- iii. **Improving Development Budget Expenditure:** Implement stricter monitoring and evaluation mechanisms to improve the absorption rates of the development budget, which currently stands at a minimal 6%.
- iv. **Operational Efficiency:** Conduct a detailed review of the department's spending to identify inefficiencies and reallocate resources towards more impactful health services and projects.

Water, Natural Resources, Public Works and Climate Change Resilience

The department has 6 programs namely, **administration planning and support services, natural resources management, sanitation services and management, water supply and management, climate resilience & renewable energy and public works**. The objectives as per the programs include enhancing efficient service delivery and customer satisfaction, conserving natural resources, increasing access to clean and safe water, improving access to sanitation and sewerage services, increasing climate change resilience at the county and improving access to affordable and renewable energy.

Allocations to the department

The total allocation for the above department in 2024/25 stands at Kshs. 1,330.1 million which is 8.6% of the total county budget, out of which Kshs.242.1 million (18.2%) is allocated towards recurrent expenditure and Kshs. 1,088.0 million (81.8%) is allocated towards capital expenditure. The department allocation represents an increase of 11% from the Kshs. 1,197 million budgeted for FY 2023/24.

The departmental share of the water budget stands at 8.6%, taking the 3rd biggest share of the county budget. Further analysis as per economic classifications, the department will spend 10.7% on personnel, 7.5% on operational costs and 81.8% on development costs.

Figure 5: Total Program allocation- water, natural resources, public works & climate change resilience

Programme	Budget 2023/24	Estimates 2024/2025	Projected Estimates 2025/2026	Change from 2023/24 to 2024/25	% change	Programme % allocation 2024/25
General Administration, Planning and Support Services	1,070,906,170	1,186,192,057	1,304,811,263	115,285,887	11%	89%
Natural Resources Management	31,043,830	20,093,830	2,103,213	-10,950,000	-35%	2%
Sanitation Services and Management	13,050,000	27,850,000	30,635,000	14,800,000	113%	2%
Water Supply and Management	22,100,000	42,350,000	46,585,000	20,250,000	92%	3%
Renewable Energy & Climate Resilience	59,900,000	45,650,000	50,215,000	-14,250,000	-24%	3%
Public works		8,010,000	8,811,000	8,010,000	-	1%
Total Vote	1,197,000,000	1,330,145,887	1,463,160,476	133,145,887	11%	100%

Source: PBB 2024/25 & CBIRR

Figure 5 above provides an analysis of allocation at the programme level. The general administration program allocations stand at Kshs. 1,186.2 million (89%), natural resources management Kshs. 20 million (2%), sanitation services and management Kshs. 27.8 million (2%), water supply and management Kshs. 42.3 million (3%), renewable energy & climate resilience Kshs. 45.6 million (3%), and public works Kshs. 8 million (1%) of the total budget.

The general administration programme allocation is expected to increase by 11% from Kshs. 1,070 million in 2023/24 to Kshs. 1,186.1 million in 2024/25, natural resources management will decrease by 35% from Kshs. 31 million in 2023/24 to Kshs. 20 million in 2024/25, sanitation services will see a robust increase of 113% from Kshs. 13 million in 2023/24 to Kshs. 27.9 million in 2024/25, water supply and management will also see a significant increase of 92% from Kshs. 22.1 million in 2023/24 to Kshs. 42.3 million in 2024/25. The renewable energy and climate change resilience will see a reduction of 24% from Kshs. 59.9 million in 2023/24 to Kshs. 45.6 million in 2024/25. The public works sub-programme in this department is not comprehensively captured in the same department according to the CBIRR.

Figure 6: Public work sub-programme missing in the CBIRR for the first nine months of FY 2023/24.

Programme	Sub-Programme	Approved Estimates FY 2023/24		Actual Expenditure		Absorption Rate (%)	
		Recurrent Expenditure	Development Expenditure	Recurrent Expenditure	Development Expenditure	Rec Exp	Dev Exp
	Special Programs	36,150,937	1,221,000	-	-	-	-
	Sub-Total	1,943,973,855	1,584,026,145	1,949,984,801	40,011,074	100.3	2.5
WATER, NATURAL RESOURCES & CLIMATE CHANGE RESILIENCE							
Programme 8	Administration unit	70,906,170	1,000,000,000	19,225,378	10,000,000	27.1	1.0
	Natural Resources Management	8,543,830	22,500,000	-	-	-	-
	Sanitation Services and Management	3,050,000	10,000,000	-	-	-	-
	Water Supply and Management	7,100,000	15,000,000	-	-	-	-
	Renewable Energy	6,500,000	2,000,000	-	-	-	-
	Climate Resilience	17,900,000	33,500,000	-	-	-	-
	Sub-Total	114,000,000	1,083,000,000	19,225,378	10,000,000	16.9	0.9

Recommendations

- i. **Proper categorization of public works sub-programme-** The public work sub-programme needs to be well categorized to easily analyze any budgetary increase or decrease in the sub-programme. The public work sub-programme is captured in the PBB 2024/25 but the same cannot be traced in the CBIRR for the first nine months of FY 2023/24.
- ii. **Improving the departmental budget expenditure-** the department's absorption rate particularly development expenditure remains very low with recurrent expenditure absorption rate standing at 16.9% and development expenditure absorption rate standing at 0.9% for the first nine months of FY 2023/24, which surprisingly, is the lowest recorded absorption rate across the departments in this period. This begs the question of whether the county will be able to maximize the absorption rate by the end of FY 2023/24. The CoB reports for absorption rate for the past 2 financial years 2022/23 and 2022/21, indicate that the department has a challenge in absorption rate with sanitation/ sewerage services and water supply sub-programmes realizing absorption rates of below 10% in FY 2022/23 and in FY 2021/22 administration unit, sanitation/ sewerage and natural resources sub-programmes realizing absorption rates of below 5% and water supply having an 830% absorption rate in FY 2021/22.

N/B: With an increase in budgetary allocation in the department for FY 2024/25, it will be important to see how the departments' absorption rates will be achieved and realized, particularly the development expenditure.








Conclusion

In summary, Mombasa County's projected revenue for FY 2024/25 is Kshs. 15.5 billion, sourced primarily from the equitable share (Kshs. 8.4 billion), conditional grants (Kshs. 2.1 billion), and the county's revenue (Kshs. 4.9 billion). Despite a 3.3% decrease from the previous year, equitable shares and conditional grants are expected to increase, while our own revenue aligns with historical trends. The total expenditure is also estimated at Kshs. 15.5 billion, with 68% for recurrent costs and 32% for development. Priorities include enhancing health services, youth and women empowerment, education, waste management, investment promotion, and infrastructure development. The health department allocated Kshs. 4,687.3 million, faces challenges in utilizing development funds, necessitating increased capital expenditure and better fund management. Similarly, the Water and Public Works department, with

Kshs. 1,330.1 million, must improve absorption rates for development projects. Key recommendations include reviewing staffing, optimizing resource allocation, aligning with national health reforms, enhancing budget monitoring, and addressing low absorption rates in critical sectors.

Annexes

Individuals involved in the analysis

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