

## SUBMISSION TO THE NATIONAL TREASURY AND ECONOMIC PLANNING PROPOSALS FOR THE COMING FY 2024/25.

Presented during Sector hearings on 14<sup>th</sup> December 2024

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### 1.0. 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 CRBH achieves this through a continuous capacity building of budget champions and communities in the budget processes, research, and budget analysis for evidence-based advocacy engagement and network building with stakeholders. Currently, the Hub has over 15 budget facilitators and over 300 budget champions from across the Coast.

Through this submission, we are pleased to share our thoughts on budget proposals for 2024/25 and the medium term on *the environmental protection water and natural resources sector* (EPWNR), with a keen focus on the water and sanitation sub-sector. The submission is a product of a consultative process between the Coast Regional Budget Hub and Stakeholders, drawn from the budget facilitators, budget champions, CSOS and the grassroots communities, in the Coastal Region.

### 2.0. Environment Protection Water & Natural Resources (EPWNR) Sector

The Environment Protection, Water, and Natural Resources (EPWNR) Sector encompasses six distinct subsectors, each with its dedicated focus: Water and sanitation, Mining, Wildlife, Environment and Climate Change and Forestry. The sector is governed by a network of twenty-eight Semi-Autonomous Government Agencies (SAGAs). Additionally, integral entities within the sector include the National Environmental Complaints Committee (NECC), the National Environment Tribunal, and the Wildlife Clubs of Kenya (WCK).

The EPWRN sector's role in Kenya's economic development lies in the securing of a sustainable natural environment and harnessing natural resources towards equitable provision of basic social services. Moreover, the sector is critical to Kenya's climate change effort, with several of the country's national climate-related programmes being implemented within it. According to the Economic Survey Report 2023, the contribution of the sector to the Gross Domestic Product (GDP) was 3.6 per cent for the year 2022. For this submission, the specific focus is on two sub-sectors, Water, and sanitation sub-sector.

### **3.0. Overall sector allocation and expenditure in the MTEF 2020/21 to 2022/23**

During the Medium-Term Expenditure Framework (MTEF) period spanning from 2020/21 to 2022/23, the budgetary allocation for the EPWNR Sector experienced a sequential decline. Between the fiscal years 2020/21 and 2021/22, there was a 3.8% reduction from Kshs. 106,159 million to Kshs. 102,118 million. This downward trend continued with a 5.6% decrease in FY 2022/23 to Kshs. 96,341 million. Notably, the actual expenditure during this period amounted to Kshs. 100,430 million, Kshs.8,595 million, and Kshs. 75,107 million in FY 2020/21, FY 2021/22, and FY 2022/23, respectively, resulting in absorption rates of 94.6%, 86.6%, and 77.9%.

Within this context, the sector's recurrent budget allocation experienced a 1.2% decrease in FY 2021/22, declining from Kshs. 25,951 million in FY 2020/21 to Kshs. 25,640 million. However, there was an 8.7% increase in FY 2022/23 compared to FY 2021/22. Similarly, the sector's development budget allocation saw a 4.7% decrease in FY 2021/22 from Kshs. 80,208 million in FY 2020/21 to Kshs. 76,478 million. This trend continued with a further 10.5% decrease in FY 2022/23 to Kshs. 68,470 million compared to FY 2021/22. These fiscal dynamics underscore the evolving financial landscape of the EPWNR Sector during the specified MTEF period.

### **4.0. Sector Resource Requirements versus allocated resources in the Medium Term 2024/25-2026/27.**

The Environment Protection, Water, and Natural Resources (EPWNR) Sector faces a notable misalignment between its resource requirements and allocated funds during the Medium-Term Expenditure Framework (MTEF) period from 2024/25 to 2026/27. The sector anticipates needing Kshs. 292.26 billion, Kshs. 317.15 billion, and Kshs. 329.28 billion for the financial years 2024/25, 2025/2026, and 2026/2027, respectively.

Out of this, recurrent expenditure is projected at Kshs. 50.17 billion, Kshs. 54.78 billion, and Kshs.59.4 billion, while development expenditure is estimated at Kshs. 242 billion, Kshs. 262.3 billion, and Kshs. 269.8 billion over the MTEF period. The sector's total allocation, however, falls short at Kshs.127.96 billion, Kshs. 157.59 billion, and Kshs. 167.72 billion for the respective years. This allocation breakdown reveals recurrent expenditure of Kshs. 34.54 billion for 2024/25, Kshs. 38.30 billion for 2025/26, and Kshs. 40.67 billion for 2026/27, while development expenditure is allocated at Kshs.93.42 billion, Kshs. 119.29 billion, and Kshs. 127.05 billion for the corresponding years.

## 5.0. Concerns

### 5.1. Misalignment of resource requirements and the allocated resources

The resource requirements for the EPWNR Sector during the MTEF 2024/25 – 2026/27 period do not align with the allocated resources. Furthermore, it's unclear what alternative measures the sector plans to implement to ensure strategic interventions are met and to address the resource deficit. Additionally, the factors informing the allocation and projections remain unclear, especially considering historically low absorption rates. The identified resource requirements for the EPWNR Sector during the specified MTEF period significantly surpasses the allocated resources.

This misalignment raises questions about the feasibility of realizing crucial strategic interventions with the current funding levels. The challenge of historically low absorption rates further complicates the understanding of resource allocation. It raises questions about the effectiveness of past resource utilization and underscores the need for a transparent and data-driven approach to inform future allocations.

#### Asks/Recommendations

- i. Strategic Realignment- Conduct a thorough review of strategic priorities and realign them with available resources. Prioritize projects that have the highest impact on the sector's objectives, considering the current financial constraints. Importantly, communicate the criteria and rationale behind resource allocations, addressing past absorption challenges and outlining measures taken to enhance efficiency.*

### 5.2. Continued over-reliance on loans and flow of funds, specifically on the capital budget financing by the Environment Protection, Water, and Natural Resources sector.

The Environment Protection, Water, and Natural Resources sector exhibits a persistent over-reliance on loans and external funds, particularly for capital budget financing. The snippet below in the MTEF 2020/21 - 2022/23 reveals that more than half of the development funds allocated to the sector during this period predominantly originated from loans, indicating a substantial dependency on external financial sources.

**Table 2.3 Analysis of Development Expenditure (Ksh.Million)**

Environment Protection, Water and Natural Resources Sector							
Vote and Vote Details	Economic Classification	Approved Budget			Actual Expenditure		
		2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
Summary of Sector Development Expenditure	Gross	80,208	76,478	68,470	74,850	64,729	48,662
	GOK	28,253	25,718	18,918	27,360	25,628	17,096
	Loans	47,690	46,555	45,339	43,280	36,534	29,297
	Grants	4,265	4,205	4,212	4,210	2,567	2,269

### **Asks/Recommendations**

- *Diversification of Funding Sources- Public-Private Partnerships (PPPs): Explore collaborative ventures with private entities to jointly fund and implement projects. PPPs can bring in additional capital, expertise, and efficiency, reducing the burden on public finances.*
- *Strategic Loan Utilization and Project Prioritization: The national treasury Developed a rigorous project prioritization framework to identify and prioritize high-impact projects that align with the sector's strategic goals. Further, there is a need to ensure that loans are directed towards initiatives with significance. measurable benefits. Conduct thorough feasibility studies for proposed projects to assess their long-term viability and potential returns on investments.*

### **6.0. Water and sanitation sub-sector**

The water and sanitation subsector holds a paramount mandate outlined in the constitution: to protect water resources and ensure universal access to clean and safe water for every citizen. In pursuit of this mandate, the ministry orchestrates a multifaceted approach through various programs and sub-programs. Article 43(d) of the Constitution of Kenya under the economic and social rights provides for the right to access clean water in adequate quantities.

#### **6.1. Equity and fairness in the provision of water services**

The 2022 Kenya Demographic and Health Survey (KDHS) unveils stark statistics: only 67.7% have access to basic drinking water, and 40.9% to basic sanitation. Disparities intensify in rural-urban divides. At the Regional level, Tana River, Kwale and Mombasa counties have the highest percentage of households without access to safe drinking water, compared to Taita Taveta, Kilifi and Lamu counties. The level of access to clean water by households, varies according to the county to other, with 53% of households in Kwale County, 51% in Tana River County, 47% in Mombasa County, 34% in Lamu and Kilifi Counties, 32% in Taita Taveta going without access to safe cleaning water.

According to the Water Sector Working Report, 2023, the sector increased access to improved water services from 65.5 % in 2020/21 to 68% in 2022/23, improved urban sewerage services from 27.7 % in 2020/21 to 32% and increased national sanitation coverage from 78% to 81.5%. In addition, 1,117,492 people were connected to water and sanitation services in low-urban income areas/informal settlements and rural marginalized/ASAL areas. The water access target over the medium term was 85% by 2024/25, according to the Budget Policy Statement 2022.

It is difficult, to establish out of the people connected to water and sanitation services, the exact number of households, out of those households are women or male-led, and in what regions. The non-financial information provided cannot be effective in addressing inequalities across the regions and addressing the issues of gender and budgets. The lack of desegregated data hampers the formulation of targeted policies to address regional and gender-specific disparities effectively.

- i. Data Limitations and Inequalities- The challenges in obtaining detailed data hinder the ability to design targeted interventions for regions facing more significant water and sanitation challenges. This could perpetuate existing inequalities, as generalized policies may not adequately address specific regional needs.
- ii. Gender Responsiveness- The inability to discern the leadership structures within households connected to water and sanitation services hampers gender-responsive planning. Understanding whether households are women or male-led is crucial for tailoring policies that address the distinct needs and priorities of different gender-led households.
- iii. Budgetary Implications- Inaccurate or insufficient data may result in budget allocations that do not align with the actual needs of different regions and household structures. A more nuanced understanding is crucial for allocating resources effectively and addressing inequalities in water and sanitation access.

### Asks/Recommendation

- While progress has been made in improving water and sanitation services, the data limitations identified in the comprehensive reports highlight the importance of refining data collection methods. A more nuanced approach to data collection will enhance the sector's ability to address regional and gender-based disparities, fostering more targeted and effective policies and budget allocations.

### 6.2. Water and sanitation sub-sector allocations and expenditure in the MTEF 2020/21 to 2022/23

The cumulative budgetary allocation for the water and sanitation sub-sector between 2020/21 to 2022/23 amounted to Kshs.226.67 billion which represents 91.74% and 8.26% for development and recurrent budgets respectively. During the same period, the total expenditure amounted to Kshs.128.77 billion representing 89.58% and 10.42% for development and recurrent expenditures respectively. The absorption rate for this Ministry during this period was 56.1%, slightly above half of what was allocated. There is a need to increase this expenditure to ensure that services are offered to citizens so that they can enjoy clean and safe water.

The recurrent budget had an absorption rate of 71.69% while the development budget recorded a lower absorption rate of 55.47%. The chart and table below show the allocation and expenditure levels of both recurrent and development expenditure for the years under review, 2020/21 to 2022/23.

FY	Allocation			Expenditure			Absorption Rate		
	Rec.	Dev.	Total	Rec.	Dev.	Total	Rec	Dev	Total
2020/21	6.08	75.72	81.80	3.83	35.02	38.85	62.99%	46.25%	47.49%
2021/22	6.29	71.58	77.87	5.82	58.12	63.94	92.53%	81.20%	82.11%
2022/23	6.35	60.65	67.00	3.77	22.21	25.98	59.37%	36.62%	38.78%

Source: OCOB Reports

### 6.3. Resource Requirements in the MTEF 2024/25- 2026/27

The snippet below provides the resource requirements for the water sub-sector in the MTEF 2024/25 to 2026/27. The required resource requirements amount to Kshs.114.8 billion against an allocation of Kshs.60.9 billion, in 2024/25, Kshs. 135.1 billion against an allocation of Kshs.69.8 billion in 2025/26, and Kshs. 156.3 billion against an allocation of Kshs.76.2 billion in 2026/27, resulting in 46.9%, 48.3% and

51.2 % deficits in 2024/25, 2025/26 and 2026/27 respectively. The resource requirements for the water sub-sector in the Medium-Term Expenditure Framework (MTEF) from 2024/25 to 2026/27 present a substantial shortfall.

Water and Sanitation Sub Sector							
Description	Approved Estimates	Requirement			Allocation		
	2023/24	2024/25	2025/26	2026/27	2024/25	2025/26	2026/27
<b>Gross</b>	<b>58,110</b>	<b>114,819</b>	<b>135,141</b>	<b>156,342</b>	<b>60,903</b>	<b>69,801</b>	<b>76,216</b>
GOK	14,066	32,330	36,681	38,820	9,720	12,301	15,016
Loans	41,197	77,156	92,095	109,925	47,836	54,000	57,500
Grants	2847	5,332	6,364	7,597	3,347	3,500	3,700
Local AIA	-	-	-				

Source: Sector Report, 2023

#### Concerns

- i. Impact on Project Implementation- Substantial deficits may impede the implementation of planned water projects and initiatives. The shortage of funds can lead to delays, scaled-down projects, or the inability to initiate critical interventions.
- ii. Service Delivery Challenges- Deficits in resource allocation may result in challenges related to water service delivery, affecting both quality and accessibility. This can have significant repercussions on communities, particularly those in need of improved water infrastructure.
- iii. Inadequate Infrastructure Development- The deficits pose a risk of inadequate development of water infrastructure, hindering the sector's capacity to expand and enhance water services. This shortfall may limit the sector's ability to address growing demand and improve overall water management.
- iv. Risk of Unmet Targets- The identified deficits raise concerns about the water sub-sector's ability to achieve its targets outlined in the Medium-Term Expenditure Framework. Unmet targets may impact the sector's performance indicators and overall effectiveness.

#### Asks and Recommendation

- i. Enhance Absorption Capacity, especially in the development budget- Prioritize capacity-building initiatives within the water sub-sector to improve absorption rates. Invest in training programs, streamlined

*procurement processes, and efficient project management practices. This can optimize the utilization of allocated funds and reduce underspending.*

*ii. Strategic Resource Allocation and Advocacy- Engage in strategic resource allocation by prioritizing high-impact projects that align with the sector's critical objectives. Simultaneously, advocate for increased budgetary allocations, demonstrating the sector's essential role in national development. Emphasize the potential long-term returns on investment and the positive impact on water accessibility and quality.*

## 7.0. Conclusion

In conclusion, our exploration of the Water sector in Kenya has revealed a complex landscape marked by budgetary challenges, regional disparities, and deficits in resource allocation. The identified deficits, coupled with historically low absorption rates, underscore the urgency for strategic interventions.

To navigate these challenges effectively, the sector must enhance its absorption capacity through targeted capacity-building initiatives. Simultaneously, strategic resource allocation and advocacy for increased budgetary allocations are pivotal to ensure the sector's sustained growth and impact.

As the sector grapples with disparities in water access and the imperative to meet ambitious targets, a nuanced and data-driven approach becomes paramount. Understanding regional nuances, gender-specific needs, and the dynamics of project implementation will be essential for shaping policies that resonate with the diverse realities on the ground.

In the pursuit of a more resilient and equitable Water sector, collaboration among stakeholders, transparent communication, and a commitment to strategic planning will be key. By addressing these challenges head-on and implementing the recommended measures, the Water sector can evolve into a catalyst for sustainable development, ensuring that every citizen has access to safe and clean water—a fundamental right crucial for the prosperity and well-being of the nation.