

SUBMISSION ON MOMBASA COUNTY BUDGET ESTIMATES FY 2021/22 SUBMITTED BEFORE THE CLERK OF THE COUNTY ASSEMBLY OF MOMBASA.

Submitted on: 28th June 2021

Contact Person,
Josephine Nyamai,
Coordinator, Coast Regional Budget Hub,
Co-Founder, Budget Talk Global,
Contacts: jnyamai70@gmail.com

1.0. Introduction

The Public Finance Management Act (PFMA) 2012, Section 131(1) requires the County Assembly to consider the County Government Budget Estimates and to approve them, with or without amendments. Section 131(2) requires the county Assembly Committee (Finance and appropriation) to consider the views of the public before considering the budget estimates. Considering the above provisions and the call for public participation by the County Assembly of Mombasa through a notice dated 24th June 2021, Budget Talk Global and Coast Regional Budget Hub (CRBH) submit this memorandum.

2.0. Budget overview and presentation of budget estimates.

The total budget estimates in FY 2021/22 amount to Kshs. 14.3 billion compared to Ksh.14.6 billion in FY 2020/21, representing a 2.1 per cent (%) decrease. The total estimated recurrent expenditure in FY 2021/22 stands at Ksh.9.3 billion compared to Ksh.9.7 billion in 2020/21, representing a 4.1 per cent (%) decrease. Development expenditure is estimated to increase by 2 per cent (%) from Ksh.4.9 billion in 2020/21 to Ksh.5 billion in 2021/22.

Observation: The Budget Estimates 2021/22 provides a narrative on the overview of the budget and the key priority areas (See page 16 of the PBB 2021/22). This is good practice.

3.0. Revenue information

PFMA, 2015 County Regulations Section 58(1) requires the budget estimates to provide revenue information by source, that is, Equitable share, conditional grants and own source revenue and the estimated amount. Further, the revenue information should cover the two actual years, the estimates for the incoming financial year and projections for the two outer years.

Snippet 1: Revenue projection

Projected FY 2019/2020 -2021/2022 Revenues and Expenditure

REVENUE/EXPENDITURE PROJECTIONS	ACTUAL 2019/2020 (KSHS.)	2020/2021(KSHS.)	2021/2022(KSHS.)
Revenues			
National Government Equitable Share	7,057,950,000	7,437,750,000	7,567,354,061
Conditional Grants	1,032,493,924	1,944,381,324	1,966,315,832
Total Exchequer Issues	8,090,443,924	9,382,131,324	9,533,669,893
County Local Sources	3,260,008,335	5,252,448,363	4,766,330,107
Total Revenue	11,350,452,259	14,634,579,687	14,300,000,000
Expenditures			
Personnel	4,460,837,110	5,332,449,007	5,489,359,723
Operations Repair and Maintenance	4,385,962,606	4,376,789,099	3,802,366,479
Capital Expenditure	1,891,011,178	4,925,341,581	5,008,273,798
Total Expenditure	10,737,810,894	14,634,579,687	14,300,000,000
Surplus/(Deficit)	0	0	0

Source: County Treasury

Observation: The Budget Estimates on page 14, provide revenue information by a source that is equitable share, conditional Grants and own source revenue. Further, the table provides the revenue information for three years (actual for 2019/20, current FY 202021 and the projected revenue for 2021/22). Section 58(1) requires the revenue information provided to cover actual information for the past two years, the current year and two outer years. Further, disintegrated revenue information by source should be provided. Whereas a table with itemized exchequer issues is provided on page 15, itemized information on local revenue streams is missing.

Ask/ Recommendations: Good practice is to provide revenue information not only disintegrated by major categories but further streams. Further, information on actual performance for two years and projections for the two outer years should be provided. Proper budgeting and planning are informed by historical performance and future projections, to make informed and realistic estimations.

a. Equitable share and conditional grants

The total exchequer issues (Conditional grants and equitable share) in 2021/22 amount to Ksh.9.5 billion, Ksh.7.6 billion as equitable share while Ksh.1.95 billion as conditional grants). The table on itemized exchequer issues, on page 15 of the PBB 2021/22, provides a breakdown of the conditional grants and equitable share.

Issue/concern: According to the Budget Policy Statement,2021, page 80, paragraph 288 (b), four out of six conditional grants, namely level 5 hospital grant, Road maintenance Levy Fund, user fee forgone and rehabilitation of village polytechnics, were converted into equitable share, leaving only two conditional grants, leasing of medical equipment and construction of county centres.¹It’s noted that the Mombasa PBB 2021/22, has included the said conditional grants in the itemized table on page 15. This is a good practice in ensuring the services supported by the grants are not disrupted, however, it will be important for the county executive and assembly to ensure there is a policy in place, to ensure the sustainability of the ring-fencing in future.

Ask/Recommendation: Provide further information on whether there is a policy in place to ensure the sustainability of the conditional grants converted into equitable shares.

b. Own source Revenue

The total projected local revenue to be raised in 2021/21 is Ksh.4.8 billion shillings, a 9.4 per cent (%) decrease from Ksh.5.3 billion budgeted for 2020/21. Own source revenue remains an important source for financing Mombasa, as shown in the table below.

Contribution of OSR in financing the Mombasa county budget in billion shillings							
FY	Original Approved Budget (Billion Ksh.)	Total actual expenditure	Original Local Revenue (Billion Ksh.)	Projected Revenue	Actual collected(Billion) OSR	Projected Percentage budget financed by local revenue	Actual percentage of budget financed by OSR
2016/17	9.93	9.12	5.29		3.166	53.30%	34.71%
2017/18	12.53	10.31	3.59		3.168	28.70%	30.73%
2018/19	13.59	12.64	4.74		3.7	34.90%	29.27%
2019/20	13.68	10.79	5		3.26	36.50%	30.21%
Average	12.43	10.72	4.66		3.32	38.35%	30.97%

Source: Authors analysis of OCOB reports

According to the analysis above, between 2016/17 and 2019/20 own source revenue averagely financed the Mombasa Budget Estimates by 30.97 per cent (%). We notice subsequent shortfalls in the projected source revenue over the years. The Budget Estimates on page 13, paragraph 5, states that the county will enhance its revenue base to ensure increased collection of its own source revenue and its efficiency. PBB 2021/22 does not state the exact measures that the county intends to put into consideration in the achievement of

¹ <https://www.treasury.go.ke/wp-content/uploads/2021/03/2021-Budget-Policy-Statement.pdf>

increased revenue collection and efficiency. The Budget Estimates 2021/22 revise the own source revenue downwards by 9.4 per cent (%) from Ksh.5.3 billion in 2020/21 to Ksh.4.8 billion in 2021/22. This is commendable! However, the Budget Estimates should provide a breakdown of their source revenue streams. Proper Revenue forecast and analysis are imperative towards ensuring the targets set are not overestimated and or underestimated.

Ask/Recommendation: Provide information with your Own Source Revenue (OSR) breakdown by streams. This helps in realistic revenue projection by telling what streams are performing better and how to improve on the non-performing revenue streams.

4.0. Expenditure information

The total projected expenditure in 2021/22 amounts to Ksh.14.3 billion, with Ksh.9.3 recurrent expenditure and Ksh.5 billion for development expenditure. In 2021/22. The total expenditure is expected to reduce by 2.1 per cent, with recurrent expenditure dropping by 4.1 per cent, while development expenditure increasing by 2 per cent.

Expenditure		
Personnel	5,489,359,723	38
Operations Repair and Maintenance	3,802,366,479	27
Capital Expenditure	5,008,273,798	35
Total Expenditure	14,300,000,000	100
Surplus/(Deficit)	0	0

Whereas the development budget complies with the PFM provision that the amount allocated to the development budget should not be less than 30 per cent of the total budget, there is a concern that the total actual development budget has been below 30 per cent as illustrated in the following table, this is a serious credibility issue and impacts development budget implementation negatively and in turn affects service delivery. For instance, in 2019/20 FY, the total actual development budget was only 17.61 per cent of the total actual expenditure.

Notably, the total amount budgeted for personnel emoluments/compensation of employees exceeds the PFM stipulated threshold of 35 per cent as it consumes 38 per cent of the total revenue. There is a notable trend and violation of the PFM regulations regarding the compensation to employees due to bloated wage bills. For instance, in 2019/20 the total amount used to compensate employees comprised 41.54 per cent of the total actual expenditure.

EXPENDITURE PROJECTIONS	Actual 2019/20	%age	2020/21	share of total budg	2021/2022	% share of
Personnel	4,460,837,110	41.54%	5,332,449,007	36.44%	5,489,359,723	38.39%
Operations Repair and Maintenance	4,385,962,606	40.85%	4,376,789,099	29.91%	3,802,366,479	26.59%
Capital Expenditure	1,891,011,178	17.61%	4,925,341,581	33.66%	5,008,273,798	35.02%
Total Expenditure	10,737,810,894	100.00%	14,634,579,687	100.00%	14,300,000,000	100.00%

Source: Mombasa County Treasury

Asks/ Recommendations: There is a need to observe the PFM provisions on thresholds required for development and wages and most importantly the county needs to strengthen measures of collecting local revenue towards improved implementation of the development budget, which is mostly funded from local sources.

5.0. Linkage of the PBB 2021/22 and the CFSP 2021

Under the PFM Act, 2012, Section 117(3), the Budget Estimates should be prepared in line with CFSP, which provides for priorities, projections and ceilings for the latter. There is a notable discrepancy in total figures on estimated revenue and expenditure provided in the CFSP 2021 and the Budget Estimates 2021/22. This is a gross violation of PFM provisions as the Ceilings provided by CFSP should be the basis of budgeting.

REVENUE/EXPENDITURE	CFSP projections 2021	2021/2022(KSHS.)	Differences between	% change
Revenues				
National Government Equitable Share	7,567,354,061	7,567,354,061	0	0.00%
Conditional Grants	1,178,604,808	1,966,315,832	787,711,024	66.83%
Total Exchequer Issues	8,745,958,869	9,533,669,893	787,711,024	9.01%
County Local Sources	4,354,041,131	4,766,330,107	412,288,976	9.47%
Total Revenue	13,100,000,000	14,300,000,000	1,200,000,000	9.16%
Expenditures				
Personnel	5,518,405,854	5,489,359,723	-29,046,131	-0.53%
Operations Repair and Maintenance	3,650,594,146	3,802,366,479	151,772,333	4.16%
Capital Expenditure	3,931,000,000	5,008,273,798	1,077,273,798	27.40%
Total Expenditure	13,100,000,000	14,300,000,000	1,200,000,000	9.16%

Source: Mombasa PBB 2021/22

According to the calculations above, there is an overall budgetary increase of 9.16 per cent from the figures provided by the CFSP and those provided by the Budget Estimates as shown in the above table. It is not clear where the county got the additional Ksh.1.2 billion to increase the ceilings provided in the CFSP. This difference has equally affected the allocation within the programmes.

Ask/Recommendation: Justify the differences in the CFSP and the Budget Estimates. The County Assembly should be keen to demand explanations on the variances, as it violates PFM regulations.

6.0. County priority areas

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) 2018-2022, prepared in 2017 is the major planning document which presents broad priorities and development projects. The Mombasa County Annual Development Plan (CADP) 2020 forms the basis for the preparation of the 2021/22 budget, as it presents specific priority areas and projects to be undertaken. It is important to refer to the broad priorities presented in the CIDP and CADP 2020 and whether they are in tandem with the priorities in the CFSP and the Budget estimates. The County has had similar priority areas for the last five financial years except for waste management, which was introduced in the 2019/20 financial year. There is a flow of priority areas from the Annual Development Plan 2020 and the County Fiscal and Strategy Paper 2021. This is a good practice, however there is a notable mismatch between the priority areas and the allocation.

Department	2018/19	2019/20	2020/21	Budget Estimates 2021/22
C.E	4.9	2.8	2.7	2.7
C.A	5	5.1	4.7	5.5
PSCB	1.1	1	0.9	1
Finance	10.4	10.6	10.5	6.7
Environment/Waste	6.8	7.1	7	6.4
Education	6.1	5.7	6.2	7.2
Health services	21.5	22.8	24.4	25.5
Water & Sanitation	6.7	12.5	10.1	8.6
Youth/Gender/Sp	11	4.8	6.4	6.3
Trade/Tourism	3.7	4.6	4.5	5.9
Lands/Housing	3.3	3.2	3.8	5.3
Transport	9.6	8.2	8.8	8.3
Agriculture	3.7	3.2	3.3	3.5
Devolution	6.4	8	6.7	7.1
Total	100	100	100	100

Observation: According to the table above the allocations to priority areas seem to be reducing, for instance, waste management allocation's share of the total budget reduced from 7% to 6.4 % in 2021/22 and Water and Sanitation from 10.1% to 8.6%. A priority area should have an increased allocation from one year to the other and or, that which receives a higher allocation. However, it should be noted that some departments such as health, which are costly to run, hence it might have a higher allocation compared to other departments.

Notably, there is a lack of specificity in the areas of interventions for the priority areas. For instance, on page 11, the PBB 2021/22 states that the county will invest in universal health coverage. It is not clear the exact area of intervention as far as Universal health coverage is concerned. This is the same for water, whereas the PBB mentions the needs and demand for water, it's indicated that a water desalination plant will help address this challenge. So, the question then would be, is the priority intervention to increase safe potable water through infrastructure development or increasing water supply a priority? This needs to come out strongly.

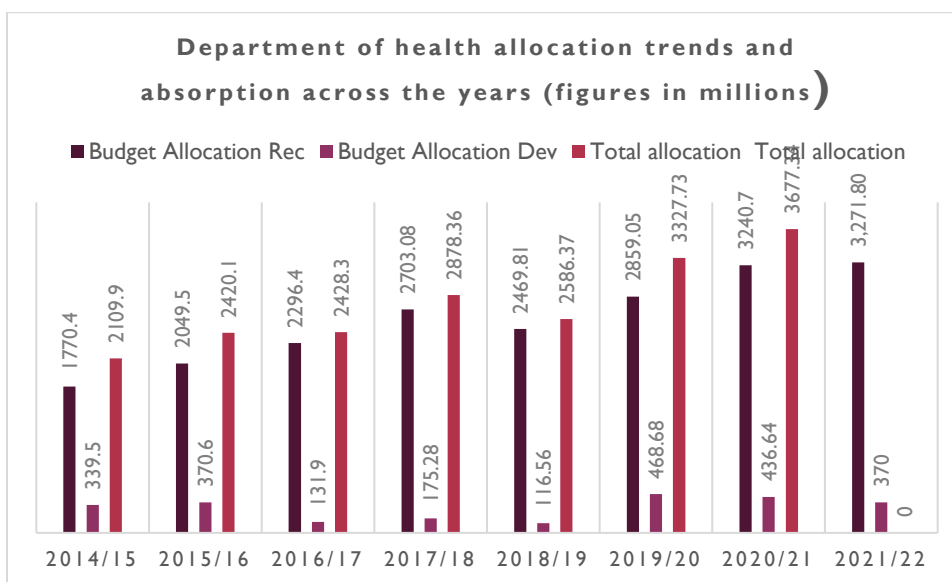
Asks/Recommendations: There is a need to match priority areas with allocations to realize the county priority areas as provided in the planning documents such as the CFSP and the ADP. Secondly, be specific with the exact area of intervention as far as priority areas are concerned.

7.0. Programme and sub-programme allocations

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. PBB is more service-oriented and enables citizens to track spending below the programme. The PBB from pages 16 to 20 provides an overall summary of allocation across the programmes and below the programmes. This analysis focuses on health Water and Sanitation.

i. Department of Health Services

The health department in Mombasa County is made up of 4 programs, namely: General Administration, Planning and Support Services, curative and rehabilitative services, Promotive and preventive health services, and special programs. The proposed allocation for the department for 2020/21 is estimated at Ksh.3.6 billion. The department has the highest share of the total budget, at 25.5 per cent. The following chart shows the allocation trend in the county Department of Health services from 2014/15 to 2021/21.



The total estimated Budget for the health department in 2021/22 amounts to ksh.3, 271.8 million, with 89.8% for recurrent expenditure and 10.2 % directed towards development expenditure. There is inequity in the distribution of health resources where a huge chunk is directed towards recurrent expenditure leaving little for development. The development budget was reduced by 15.26 per cent (%) from Ksh.436 million in 2020/21 to Ksh.370 million in 2021/22.

Health Priority Areas- Matching financial and non-financial information Investing in UHC is one of the mentioned priority areas by the Department of Health Services. The following are the specific areas of intervention in 2021/22.

Priorities (County) for FY 2021/2022

- ★ Replacement of the asbestos roof in the affected facilities
- ★ Advocate for funds to put up accident and emergency department in level 4 facilities.
- ★ Identify space and set up delivery rooms.
- ★ Establish laboratory services in all levels 2 facilities and upgrade the existing ones.
- ★ Upgrade Likoni to in-patient facility
- ★ Upgrade dental services in level 4 facilities.
- ★ Construction of incinerator in Kisauni/ Nyali
- ★ Advocate for establishment of level 4 at Kisauni and Nyali sub counties

The following snippet presents non-financial information related to infrastructure development.

Infrastructure and development	Administration	Constructed infrastructure	No of buildings constructed	5 projects ongoing	2 projects ongoing	2 projects ongoing	1 project ongoing
	Administration	Refurbished buildings	No of buildings renovated	1	4	3	3
	Administration	Vehicles procured and maintained	No of Vehicles procured and maintained	4	7	2	2

Observation: There is no clear link between the key priority areas, financing and non-financial information. For instance, the PBB indicates the replacement of asbestos in affected facilities. In the non-financial information presented, it is not clear whether the above intervention will be measured by the number of buildings renovated. Importantly, the cost is not mentioned, so it's difficult to track and know the amount committed towards the mentioned priority areas.

Recommendations/Asks: There is a need to match allocations with priority areas as well as ensure the key performance indicators are in tandem with the key priority interventions. There should be a flow of how priority areas are financed and measured. What can't be measured can't be achieved!

- ii. Emerging issues- COVID-19 interventions

The County still struggles to mitigate and control the spread of the COVID-19 pandemic. Despite the rising cases of infection of Covid 19, there is no budget nor allocation made towards addressing and containing Covid 19. The PBB on page 70 mentions that the county established an isolation centre with 300 bed capacity at the Technical University of Mombasa. It is unclear how the county plans to address the COVID-19 issue without any considerable allocation on the same. Is this left to the national government? This information needs to come out clearly!

iii. Equity- Case of Water and Sanitation department

Improved Water and Sanitation is one of the Sustainable Development Goals (SDGs) and a county priority area. The department has 4 programmes and is mandated to provide access to water and sustainable management of natural resources. In 2022, the county's priority is to increase safe and potable water through the establishment of desalination plants (see page 11 of PBB). The total allocation of the department in 2021/22 amounts to Ksh.1.23 billion, which is 8.6 % of the total budget.

iv. Water Needs-Assessment in the County

The projected water demand for the County is 186,000 cubic meters per day while the current supply is 42,000 cubic meters. The available supply can only meet about 25% of the demand. The following are snippets illustrating varying water needs at the sub-county and ward levels. The data was retrieved from KNBS statistics, 2013.

County	Sub County	Number of People without access to improved water sources
Mombasa	Jomvu	20,091
Mombasa	Likoni	28,829
Mombasa	Mvita	29,976
Mombasa	Kisauni	46,450
Mombasa	Nyali	47,558
Mombasa	Changamwe	50,571

Source: KNBS 2013

County	Sub County	Wards	Number of People without access to improved water sources
Mombasa	Changamwe	Changamwe	497
Mombasa	Changamwe	Chaani	7,748
Mombasa	Changamwe	Airport	13,106
Mombasa	Changamwe	Port Reitz	14,076
Mombasa	Changamwe	Kipevu	15,144
Mombasa	Changamwe	Changamwe	50,571

Source :KNBS 2013

Source: KNBS 2013

The above snippets illustrate that water needs vary from one sub-county to the other and within the wards. For instance, according to the above statistics, over 50,000 people in Changamwe have no access to improved water services. Further, looking within the sub-county, water needs vary from ward to ward. For instance, 497 people in Changamwe ward have no access to improved water compared to Kipevu where 15,144 people have no access to clean water. Given these varying water needs across the sub-counties, intra-wards and within wards, it is imperative that the county leverages on use of data and looks at the varying needs while allocating resources to address existing inequities.

v. Water department allocation

FY	Admn. & Human Resource Mgt				Sanitation & Sewerage Services				Water supply & Management				Natural Resource Management				Total			Department share of total budget
	Rec	Dev	Total	SP % share of departmental budget	Rec	Dev	Total	% share of total dept. budget	Rec	Dev	Total	%share of total dep. Budget	Rec	Dev	Total	%share of	Rec	Dev	Total	
2018/19	53.84	9.81	63.65	7.04%	0	312.62	312.62	34.56%	80	437.94	517.94	57.25%	3.8	6.68	10.48	1.16%	137.64	767.05	904.69	6.70%
2019/20	52.42	16.56	68.98	4.13%	0.5	608.93	609.43	36.47%	64.51	873.5	938.01	56.13%	3.8	51	54.8	3.28%	121.23	1549.99	1671.22	12.50%
2020/21	114.5	12	126.5	8.55%	1.9	77	78.9	5.33%	7.63	1,234.85	1,242.48	83.97%	4.72	27	31.72	2.14%	128.75	1,350.85	1,479.60	10.30%
2021/22	113.6	820	933.60	75.90%	1.7	10	41.7	3.39%	7.5	163	170.5	13.86%	7.2	77	84.2	6.85%	130	1,100.00	1,230.00	8.60%

Source: PBBs

There is a noticeable increased allocation under the administration and Human resource management programme in 2021/22, taking up to 75.9 per cent of the total water budget. The water supply and management allocation has been reduced by 86 per cent despite being the programme that is delivering increased potable and safe drinking water, as a priority area. There is no justification given on the criteria of the allocation across the programmes under the water and sanitation department. Why increased allocation on the administration and human resource programme? Is the department hiring a new workforce or undertaking any major project, since such is not reflected in the non-financial information provided? See the snippets below.

Major services/outputs to be provided in medium term period 2020/21 – 2021/22 and the inputs required (the context within which the budget is required)

D1: County Funded Activities: Ongoing from 2020/21 FY

S/No.	Major Services / Strategic Objectives	Expected Achievements	Estimated Cost	
			20/21	21/22
I.	Administration and Human Resources Management			
i.	To improve workplace environment by x + 20% by 2022	a) 1No. office block refurbished	3.0M	3.3M
ii.	To have adequate, experienced and skilled 40 personnel by 2022	b) 1No. new office block constructed	9.0M	9.9M
iii.	To improve service delivery and customer satisfaction by 10% by 2022	c) Minimum of 10No. staff trained. d) Managerial and operational systems improved by minimum of 5%	4.0M	4.4M

I: Summary of the Programme Outputs and Performance Indicators for 2021/22-2023/2024

Code	Key Outputs	Key Performance	Targets
PI: Administration, Planning and Support Services			
Outcome: Improved service delivery			• 10 Officers trained
• Improved customer satisfaction			• 1 office block renovated
• Improved workplace environment			• 1 New office block Constructed.
• Skilled personnel			
Delivery Units	Number of officers trained	10	
	Renovated office block	1	
	Constructed new office block	1	

Asks/Recommendations: Allocate more resources under the water supply and management to assist in undertaking water intervention activities to increase the supply of water in the county. Secondly, the ADP indicates that water projects will be undertaken “Countywide”, this makes it difficult to track the exact locations and trace the extent to which allocation and distribution of water resources is equitable across the county. Leverage the use of data to ensure equitable distribution of water resources across the county.

8.0. Public participation

The PBB does not provide information on whether there was public participation conducted during the preparation of the Budget. There is no information indicating how public inputs were considered. This is an area where the county needs to improve by providing a public participation report and feedback and how public views inform the budget decisions and priority areas.