



A SUBMISSION ON MOMBASA COUNTY FINANCE BILL DRAFT FY 2021/22 SUBMITTED TO THE COUNTY EXECUTIVE COMMITTEE MEMBER (CECM) FINANCE & ECONOMIC PLANNING, MOMBASA COUNTY

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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 Hub was established and supported by the International Budget Partnership Kenya (IBPK).

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.

Public Finance Management Act, 2012 Section 132 obligates the CECM finance, each financial to make a pronouncement of the revenue-raising measures for the county government. This is through a Finance Bill (FB), which sets out revenue-raising measures for the county, together with a policy statement expounding on those measures. According to Section 133, the finance bill should be passed to an Act after ninety (90) days after the passing of the Appropriation Bill. The County Finance Bill / Act helps counties improve their revenue collection by identifying new revenue streams as well as strengthening the existing revenue laws. Local revenue remains an important source of financing Mombasa's budgets and accounts for approximately 28 per cent of the total revenue.

This submission follows the call for public views by the county Government of Mombasa. Coast Regional Budget Hub and Budget Talk Global are pleased to present this submission, on the Mombasa County Finance Bill Draft, 2021/22.

2.0. SUMMARY OF SUBMISSION

Title	Observation	Comments	Recommendations
Short Title/ Commencement date	The draft Finance Bill 2021/22 does not indicate the date when the revenue proposal will take effect. (See page 1). Source: Mombasa Finance Bill Draft 2021/22, page 1	The absence of an effective commencement date can create confusion and lack of clarity regarding when the new measures will start being implemented. Example from Nairobi City County Finance Act, 2018 shows best practice.	We recommend an indication of the effective commencement date in the final Bill/Act.
Balance tax burden	Section 132(3) (a) of PFM Act, 2012 requires that the revenue-raising measures should consider the principles of equity, certainty, and ease of collection. No information on measures to ensure the tax burden is fair for residents.	Without measures to balance the tax burden, residents may face unfair financial pressure. Providing information on tax waivers could encourage investment and economic growth.	Provide information on tax waivers in the finance bill.
Revenue Administration	Guidelines: The Bill provides for revenue-guiding laws on business licenses and permits, rates, licenses, fees, and market cess and fees. It also indicates penalties and fines for defaulters and revenue-collecting officers. Payment: The Bill provides guidelines on payment channels, including bank accounts and electronic pay bill numbers. Payments should be made to an identifiable county revenue collector, with a receipt issued thereafter.	Comments/Asks: The county has indicated challenges with inefficient tax administration systems hindering local revenue targets in implementation reports.	The Finance Act may need to address these inefficiencies to improve tax administration.

<p>Key revenue-raising proposals</p>	<p>The Finance Bill provides key revenue proposals per department but lacks an easy way to track changes from previous years in rates, charges, and levies. Some sections provide columns for 2020/21 and 2021/22 rates, while others only for 2021/22, making it unclear whether changes have been made.</p>	<p>Tracking changes and understanding the rationale behind them is crucial for transparency and accountability.</p>	<p>Provide a consistent comparison for all county departments, including a column on changes in charges/rates and justifications for the proposed changes.</p>
<p>Linkage between revenue measures/proposals and monthly revenue projections</p>	<p>The finance bill aims to improve revenue collection but lacks detailed data on its source revenue stream breakdown. Projections for 2021/22 are Ksh.4.8 billion, a 9.4% decrease from 2020/21. The county has missed targets in previous years, and there is no clear link between the county cash flow statement and the finance bill.</p>	<p>Justifications for changes in rates and how they impact revenue mobilization are necessary. Accurate projections based on historical data and transparency in budget information are crucial for effective planning and implementation.</p>	<p>The County treasury should make projections based on historical performance and provide justifications in the finance bill on how the revenue-raising measures align with the approved fiscal framework. Improve budget transparency by providing cash flow statements and county quarterly implementation reports.</p>

3.0. CONCLUSION

Own source revenue remains an important source of financing for the Mombasa County budget. There is a need for the county government to incentivize its capacity in its source revenue collection. Proper revenue analysis and forecasting are needed coupled with prevailing macro-economic factors to guide the county in setting realistic targets. Lastly, there is a need for good justifications in the bill on how the revenue-raising measures in the Finance Bill speak to the approved fiscal framework.