

The Clerk,
Kwale County Assembly
Kwale County.
Dear Sir,



March 13th, 2018.

SUBMISSION ON COUNTY FISCAL STRATEGY PAPER OF THE COUNTY GOVERNMENT OF KWALE 2018 TO THE COUNTY ASSEMBLY OF KWALE

As part of the engagement in the budget process at the county level, the Institute of Public Finance –Kenya engaged Kwale County CSOs, women groups and People Living with Disabilities (PLWDs) in interrogating the County Fiscal Strategy Paper 2018 on 7th- 9th March 2018.

The memorandum reflects on the observations made on the County Fiscal Strategy Paper (CFSP) 2018 and makes recommendations intended to improve the quality of the document.

General Observations.

Performance.

1. Revenue:

- a) Underperformance on Own Source Revenue (OSR) we commend the county for revising this target down from Sh275 million in 2017/18 to sh243 million in 2018/19 owing to the consistent shortfall in local revenue for the last 5 years. However, while this is commendable, it would be imperative for the county to speak on how to build on the various innovations and success in automation of revenue. Additionally, address other challenges that could be bringing about these shortfalls such like administrative inefficiencies as well as explore how previous interventions have worked towards resolving this problem.
- b) We commend the county for providing a break-down for actual revenue collected in the half-year period in quarter 1 and quarter 2 for all the county sources of own revenue. Good practice, however, requires providing this break down against the

quarterly targets to provide a clear interpretation of the performance of all the revenue sources and how far they fall above or below the target.

- b) The County own revenue collected during the half year period has gone down from sh78 million collected in the first half of the previous financial year to sh50 million for the 2017/18 FY. An explanation has however not been provided on how the county is addressing the challenges mentioned, like absence of updated tax laws and how they will mitigate shortfall in revenue collection in the coming periods. Additionally, the National remittances amounted to sh1.82 billion a decline, from sh2.44 billion received on the same period in the previous financial year.

2. Expenditure

- a) On County expenditure performance we notice a discrepancy between the figure indicated in Total Revenue, **sh1,868,029,316** against the narrative that indicates the county spent **Sh 2.142,428,188** creating a deficit of **Sh 274 million**. We implore upon the county to provide explanation on this discrepancy and what it represents.
- b) The County absorptions stands at 22% over the last six months an implication that there have been inefficiencies in provision of services. The development expenditure has been the most affected with the absorption rate of 11.2%. From the table provided, it is not possible to interpret the departments with the lowest absorption since there are no department expenditure targets against the actual and neither has a narrative been provided to explain the low absorption rates. It would benefit if the county provided this information as well as indicate measures that will be put in place to mitigate low absorption.

Priorities.

While the document has listed the departments and their specific priorities, the narrative provided in paragraph 144, has listed almost all the sectors as priority areas. It is not easy to point out the departments that have been prioritized from the narrative. The CFSP should have made a comparison of the previous year allocations against the current year intended allocation to illustrate the departments receiving the additional share of resources that the county has

budgeted for. It notable, however, that Education and Health sectors ceilings have declined as a percentage of the total budget from 18% to 15% and 28% to 25% respectively; despite including health care services and education services as priority areas. **(See the attached annex)**. We appeal to the county government to present definite priorities with an understanding that the resources are scarce, and it would be helpful to indicate the sectors that will be prioritized.

Projections.

To determine whether these targets are realistic, we could look at the current year's performance and last year's performance revenue and expenditure. It would help to know the performance from the previous year, which is not included in the CFSP 2018 to ascertain whether the targets are reasonable. We commend the county for providing expenditure forecasts for both recurrent and development. We however, implore upon the county to provide these projections against the actual expenditures for all the sectors for both recurrent and development expenditure. Further the challenges in absorption should be explained for all the sectors informing the overall absorption rate of 22%.

Public Participation: The PFM Act recognizes the involvement of the County Budget and Economic Forum(CBEF) as an extensive body in engaging constituents feedback channel. However, we would recommend the County Executive to conduct a more elaborate public participation that will see more involvement of the CBEF constituent groups, other than the three-days meeting conducted by the executive at the sub-county level during the CFSP public participation. This limits the number of people who can participate in the process given the vastness of the county.

Availability of budget documents: Kwale County has continually failed to adhere to the stipulated legal frameworks pertaining publication of budget documents. The County Integrated Development Plan (CIDP) 2018-2022 is not available; on which programmes and projects in the Annual Development Plan(ADP) have been based and linking the priorities to the CFSP. The PFM Act section 166 mandates the County treasury to consolidate quarterly implementation reports and submit them to the County Assembly which are also missing.

County Statistics: The county Assembly has a major role in ensuring that the interests of the people have been addressed and incorporated in the expenditure plans. For the county assembly to address these inequalities and regional disparities, it should consider equity and planning in the budget process. The County should consider providing adequate funding for a statistics office that would provide adequate data to assist in planning, influencing policies and distribution of resources.

Specific Sectors Observations

Education

The county continues to invest heavily in infrastructure and this policy document should guide the assembly on the linkage between infrastructure and its use with special consideration to the target population of children. We recommend;

- a) The county to review the modalities of revenue distribution in the county. The current model of equality in bursary allocation does not serve the intended purpose due to advancing equity. This has left out many bright and needy students who would have otherwise benefited from this fund.
- b) We also noted that the education sector budget has declined in absolute figures as well as a percentage of the total budget from 18% in 2017/18 to 15% in 2018/19. A major decline is in development expenditure. The county should consider prioritizing construction of hostels and equipping the already existing facilities for the village polytechnics as opposed to the proposal in the document to construct 2 ECDEs per ward. Ukunda Ward for instance observed that they would not need any extra ECDEs and in its place bursary allocation for this ward could be increased.
- c) Bursary committees should ensure marginalized groups are factored in these committees to represent their needs. Ukunda ward bursary committee needs to consider inclusivity with people living with disabilities.

Medical and Public Health Services.

While the health budget has increased in absolute value, the percentage allocation against the total budget has declined from 28% to 25% even though the sector has been mentioned as a priority. The document does not reflect health services as a priority since the additional share of resources that the county is receiving have not been channeled to health services.

- a) The county should consider formulating a comprehensive health policy to address the insufficiencies within this sector from lack of drugs, to understaffing to inadequate equipment. The county could possibly formulate a health bill that among other things, would authorize hospitals to spend its revenue collected at source, addressing most of its financial constraints.
- b) Expansion of staff housing facilities to ensure their accessibility when their services are needed is also important.

Agriculture Livestock and Fisheries.

Considering the recent events of projected famine in the country, we commend the county for introducing agricultural farms that will work towards mitigating famine and ensuring food security within the county. However, the department has not addressed specific strategic priorities that the public submitted for public participation.

- a) We implore upon the county to invest in extensive research in researching on proper animal husbandry practices and conduct research on the feasibility of the livestock breeds. It also would benefit if the county provided the farm inputs including fertilizers and hybrid seeds before the planting season. Equally to provide sufficient explanation on how the views of the public have been considered in the broad programmes outlined in this department. Delay in fuel for tractors has also been highlighted as a challenge in ensuring timely service delivery in terms of ploughing. We implore upon the county to ensure timely delivery of farm inputs and mechanizations services; since the county relies on rain-fed agriculture late delivery of services translates to poor agricultural production.

- b) While the county proposes to invest in the promotion of commercial and modern agriculture through mechanization, the county could also ensure that principles of equity are followed in its distribution. Mwereni Ward for example whose land area is 2040.4km² would need more tractors than Ukunda ward which is 25.1km². The current distribution further intensifies ward inequalities.

Water Services

We commend the county on increasing the water services budget reflecting on the proposal to invest on medium sized dams and irrigation projects. However, the county needs to work towards ensuring value for money in the construction of medium-sized dams and drilling of boreholes. Mkang'ombe dam, for example, was noted to have been incomplete. Dzombo ward on the other hand has limited water sources despite being the leading ward in agricultural production in the county, we implore upon the County to invest in micro-irrigation projects in the ward to boost this economic activity and to equally resolve the water crisis in the wards.

Conclusion

As stakeholders interested in development of Kwale County we implore the county as they finalize the development of the CFSP 2018 to consider subjecting the document to a wider public consultation process to ensure that the budget decisions are in line with public priorities.

Annex 1: Allocation Trends for the departments 2015/16-2018/19.

DEPARTMENTS ALLOCATION TRENDS									
	2015/16	% of Total Budget	2016/17	% of Total Budget	2017/18	% of Total Budget	2018/19	% of Total Budget	
1	COUNTY EXECUTIVE SERVICES	388,747,456.00	5%	294,367,622.32	5%	199,594,492.46	3%	264,619,678.88	3%
2	PUBLIC SERVICE AND ADMINISTRATION	259,070,738.00	3%	273,100,256.89	4%	378,852,238.21	5%	312,873,005.95	4%
3	FINANCE AND ECONOMIC PLANNING	415,167,570.58	5%	282,304,807.88	5%	435,853,316.74	6%	438,103,983.50	5%
4	AGRICULTURE, LIVESTOCK AND FISHERIES	400,485,504.00	5%	295,372,938.15	5%	315,598,977.30	4%	429,696,313.13	5%
5	EDUCATION	1,294,732,711.00	17%	1,121,121,262.47	18%	1,290,145,160.00	18%	1,289,717,694.74	15%
6	HEALTH	1,736,769,695.91	23%	1,691,876,335.05	27%	2,045,663,906.82	28%	2,160,059,780.09	25%
7	TRADE AND COOPERATIVE DEVELOPMENT	302,470,017.20	4%	212,578,227.16	3%	196,580,588.34	3%		0%
8	COMMUNITY DEVELOPMENT	389,596,888.00	5%	269,326,925.45	4%	263,873,771.88	4%	378,631,531.03	4%
9	INFRASTRUCTURE	488,163,977.22	6%	416,090,647.18	7%	512,225,062.24	7%	1,080,508,700.96	13%
10	TOURISM	196,851,976.00	3%	157,598,950.00	3%	168,338,164.70	2%		0%
11	LANDS	164,234,279.00	2%	104,767,122.08	2%	121,251,635.13	2%	196,411,657.73	2%
12	WATER SERVICES	558,909,626.28	7%	448,538,543.27	7%	738,362,204.28	10%	956,005,394.51	11%
13	COUNTY PUBLIC SERVICE BOARD	44,520,000.00	1%	34,443,600.41	1%	43,855,395.90	1%	35,182,748.30	0%
14	COUNTY ASSEMBLY	971,757,000.80	13%	663,689,136.1	11%	606,804,086.00	8%	732,873,320.71	9%
15	TOURISM AND ENTERPRISE DEVELOPMENT		0%		0%		0%	342,987,314.57	4%
		7,611,477,439.98	100%	6,265,176,374.39	100%	7,317,000,000.00	100%	8,617,671,124.10	100%

Annex 2: Graphical representation of departmental allocation trends

