

January 2, 2018.

County Director of Budget
Kwale County Executive
Kwale County.



Dear Sir,

**MEMORANDUM BY THE KWALE COUNTY CIVIL SOCIETY ORGANIZATIONS ON
KWALE'S COUNTY BUDGET REVIEW AND OUTLOOK PAPER 2017 PRESENTED TO THE
COUNTY TREASURY.**

Section 118 of the PFM Act mandates the county treasury to prepare a County Budget Review and Outlook Paper for each budget year. In preparing this document the County Treasury is required to specify; a) details on actual fiscal performance in the previous year, b) Update economic and financial forecasts in the recent produced county fiscal strategy paper and c) provide provisional departmental ceilings.

Kwale Civil Society Networks held a forum at Kwale Red Cross Hall on December 18, 2017 to interrogate Kwale County Budget Review and Outlook Paper to identify good practice and gaps in preparation of this document.

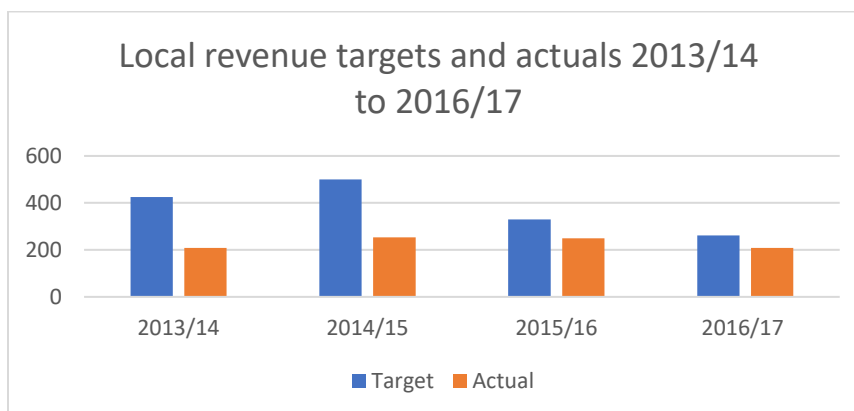
This document reflects the observations made on the County Budget Review and Outlook Paper and makes recommendations intended to improve the quality of the document and enhance citizen involvement in budget decisions going into 2018/19.

**Observations in relation to the preparation of the County Budget Review and
Outlook Paper 2017.**

1. The County Budget Review and Outlook Paper, 2017 as at 18th December 2018 was not publicly available despite the lapse of the 7th October deadline lapse as envisioned in the Public Finance Management Act, 2012 (118) (4). CBROP provides provisional ceilings paramount in guiding sector specific discussions on how the

allocation will be distributed in the specific sectors. The absence of this document undermines the extent to which the public participate in the budget process. The county should avail the CBROP and subsequently the CFSP on the website and in ward administrators' offices to enhance transparency on budget information.

2. We commend the county government for the attempts to mitigate shortfalls in revenue collection by revising the revenue targets over the years. Notwithstanding, we notice that the county has consistently missed its local revenue target whose net effect interferes with efficient delivery of services. The County local revenue collection for 2016/17 was Ksh221 million against a target of Ksh 261 million. Further, from the Office of the Controller of Budget reports, we have noticed that the county is yet to meet any of its revenue target since 2013/14. In 2013/14, the county collected Sh 208 million against a target of Ksh 425 million, 2014/15, the county collected Ksh 253 million against a target of Ksh 500 million. Local revenue target for 2015/16 was revised down to Ksh 500 million. Local Revenue target for 2015/16 was revised down to Ksh330 million but still missed the target by 25% and collected Ksh 249 million. The local revenue collection has been erratic comparing the actuals over the years. It is difficult to understand the trend and the extent to which automation of revenue collection has improved local revenue collection. The table below shows the trends in local revenue collection since 2013/14.



Local Revenue

	Target	Actual	Deviation	%Deviation
2013/14	425	208.5	216.5	50.9%
2014/15	500	253.38	246.62	49.3%
2015/16	330	248.62	81.38	24.7%
2016/17	261	208	53	20.3%

We implore upon the county to research on the potential of its tax base and use revenue collection trends to set achievable targets. Additionally, we recognize that changes in the social, economic and political environment could have affected local revenue collection and such reasons should be provided in the narrative. An explanation could be provided providing details of how the county government is reacting to these changes and the approach is taking to resolve shortfalls in revenue targets.

3. There are low absorption rates in the departments especially on development at 60% the lowest absorption being the department of Health (44%), Trade (70%) and Water Services (71%). In recurrent expenditure equally, the absorption capacity was lowest in Trade, Water Services and Health. Part of the narrative explains that low absorption was due to shifting of some items such as bursary and purchase of medical drugs that were earlier classified as development. However as observed the departments with low absorption in recurrent expenditure correspondingly, has the lowest absorption in development expenditure. We implore upon the county government to provide more information relating to absorption in these departments.
4. The other challenge given that the county faces in execution for the development programmes, is the late release from the national exchequer. It requires guided instruction to understand the strategies that the county is taking towards resolving these challenges and lessons from the success story from the departments that have absorbed the highest. As we interrogated the validity of the reasons provided, we could not link. From the office of the Controller of Budget reports, the county absorbed 97% of the funds released from the exchequer, 102% of that amount was

spent on recurrent activities while development expenditure accounted for 89.4 % of the funds released for development activities.

5. The draft CBROP 2017, has not provided updates on the fiscal position and economic expectations for the current financial year 2017/18. The law requires provision of an update on economic data from what has been provided on inflation, interest rates, GDP growth has no linkage on the impact these factors have on the county's budget implementation for 2017/18. For example, the document has alluded to Standard Gauge Railway in macro-economic outlook, but little linkage to its impact on county's growth and budget implementation. The document has also not provided adjustments to revenue and expenditure targets despite shortfalls in revenue collection targets. It would help to have this data to ensure that the public is abreast with the current economic situation and how it affects the budget in 2017/18.
6. It is commendable that the county has provided provisional departmental ceilings, to guide sector working groups discussions towards setting the final ceilings in the CFSP. We however appeal to the county government to provide comparative data to indicate how the county priorities are changing, it is imperative to provide these deviations and equally indicate as much in the narrative. Health sector for instance, has been listed as a priority in the FY2017/18. This however is not reflected on the budget. Its allocation is declining both in absolute terms and as a share of the total budget.

Sector	Estimates 17/18	%(a)	Ceilings 18/19	%(b)	(b-a) %
Health	2,727,599,165.33	28	2,095,194,889.49	22	(6)
PAIR	1,960,013,258.90	20	1,795,413,170.34	19	(1)
Education	1,748,114,560.36	18	2,095,194,889.49	22	4

Water Services	1,070,577,503.45	11	882,881,727.77	9	(2)
Energy	840,142,101.69	9	1,180,467,659.05	12	3
Agriculture	502,782,799.03	5	646,445,198.46	7	2
Gen. Economic	470,368,144.00	5	401,365,763.57	4	(1)
Social Services	391,106,247.61	4	407,595,045.23	4	0
Total	9,710,703,780.3	100	9,504,558,343.40	100	

Conclusion.

We commend the county for the attempts towards improvement of the public finance management and that the recommendation that we have provided will further compliment these efforts towards more transparency and citizen involvement in budget decisions and governance.

Sincerely,

Kwale Civil Society Organizations Network.