

# 20 Key Questions About Your County Budget

## A Citizens' Tool for Reading and Understanding County Budgets

Updated for 2014/15

### INTRODUCTION

The 2014/15 county budget process was plagued by many challenges, but most counties managed to produce Fiscal Strategy Papers for the first time, and many based their budgets in part on these papers. Moreover, as required by the Public Finance Management Act 2012, many counties shifted to programme-based budgeting this year.

As counties finalize their budgets, it is time to start analyzing them. In order to help citizens and organizations at county level engage with their budgets, we have revised and expanded our “16 Key Questions” tool from last year to include 20 questions. This was motivated particularly by a need to provide additional guidance when reading programme-based budgets (PBB), which are very different from the traditional line-item budgets Kenyans are used to. While most counties will have made the transition to PBB this year, the core questions remain the same and the 16 Question version of the tool is also still available (as are a number of examples of how it has been used).

While we encourage citizens and county assembly members to use the 20 Key Questions to evaluate their budgets, we also encourage them to continue to monitor budget implementation as well, since budget proposals and enacted budgets are just the beginning of the cycle.

### KEY QUESTIONS

1. Are there reasons given for choices my leaders made in the budget?
2. Does the budget contain a summary table allowing easy comparison of total proposed spending for all ministries/departments?
3. What are the priority areas in my budget?
4. Does the budget have programmes, sub-programmes and further disaggregation of government spending below the sub-programme level?
5. Are there indicators and targets for all the programmes and sub-programmes?
6. Does the budget contain detailed information about staff costs, including the salaries and benefits of workers by ministry, and ideally, by job class, group, or individual positions?
7. Does the budget have the same priorities as my county's development plan?
8. Is there enough money in my budget to maintain the current level of basic services like health?
9. Does my budget tell me where (that is, in which ward or sub-county) development projects will be located?
10. Does the budget contain any funds for civic education, or to facilitate public participation in county decision-making?
11. Does my budget have a deficit and how will it be paid for?
12. How much money does my county say it will raise from its own taxes and fees and is that reasonable?
13. Did my county table a cash flow projection with the budget showing how much it expects to take in by month, and how much it expects to spend by month?
14. How much money does my county expect to get from national government?
15. Does my budget spend money on things that counties are responsible for rather than things the national government is responsible for and are there any areas that counties are responsible for that are missing from the budget?
16. Does my budget have an emergency fund in case of any disaster?
17. Does the budget properly distinguish between recurrent and development expenditure?
18. Does the budget contain unit costs for various purchases (such as vehicles, generators and other assets) and are these consistent across departments?
19. Are the budget lines sufficiently clear to know what each of them refers to, and are they consistent across departments?
20. Does the budget contain estimates for the coming three years or only for this year?

#### IN PARTNERSHIP WITH:



## DETAILED QUESTIONS AND GUIDANCE FOR ANSWERING THEM

### 1. Are there reasons given for choices my leaders made in the budget?

This question asks whether the budget contains a narrative explanation that explains why the county made certain choices. Every budget must make choices about how to use limited amounts of money. There is no one right way to distribute funds, but good practice is to provide some explanation of priorities and the reasons for making choices.

It is not good practice to simply provide tables with data without a good explanation. While the budget speech or statement that accompanies the budget may provide some information about county priorities, it is not a substitute for a detailed narrative within the budget documents that explains key tables and charts.

In addition, the PFM Act 2012 requires county governments to use a programme budget structure in 2014/15. Programme-based budgeting demands that each ministry or department have a clear mission, and that it be organized around a set of programmes with clear objectives and indicators. It is not possible to prepare a programme-based budget without a narrative explaining ministerial and programme-level policy objectives. The key question is whether there is a close link between the narrative and the tables.

### 2. Does the budget contain a summary table allowing easy comparison of total proposed spending for all ministries/departments?

Because a programme-based budget is often produced in a word processing programme rather than a spreadsheet to allow for more narrative, governments sometimes do not include a summary table at the beginning with basic information. Good practice would be to include a summary table with the total budget for all ministries for the current year, plus two years of projections. Additionally, separate tables could show the breakdown of total expenditure into recurrent and development, and show the ministries broken down to programme level. This is particularly useful because the Appropriations Bill that will be approved by the Assembly must be at the programme level. Thus, a summary table showing all ministries and programmes by recurrent and capital spending would mirror what should be in the final Appropriations Bill approved by the County Assembly.

### 3. What are the priority areas in my budget?



A priority area can be identified by comparing the current budget to last year or to the budgets of similar counties.

When we talk about priority areas, we generally mean the sectors that have received the highest allocations (most money). This is one way of understanding choices and relative priorities. However, not all areas are equally expensive. For example, if one considers international benchmarking for different sectors, education is usually more expensive than health, health more expensive than agriculture, and agriculture more expensive than water. It does not follow that spending more on health than water means health is more of a priority than water.

Priorities are also about changes over time in allocations. If a county receives an extra Ksh 100 between 2013/14 and 2014/15, how is that money used? Is that extra funding used for health or water? Is it used for other areas? This is also a measure of priority. A priority area can be identified by comparing the current budget to last year or to the budgets of similar counties.

A summary table at the beginning of a programme-based budget, as suggested in question 2 above, makes it easier to answer this question.

#### 4. Does the budget have programmes, sub-programmes and further disaggregation of government spending below the sub-programme level?

As noted above, the PFM Act requires counties to use programme-based budgeting in 2014/15. In order for a budget to meet the standard of a programme-based budget, each programme must have clear objectives so that the reader knows what the programme does. A programme is a way of bringing together activities of government that all aim to achieve a common purpose, such as reducing crime or improving population health.

The number of programmes and sub-programmes in a programme-based budget really determines the level of detail that a reader has about how the government is using money and for what purpose. Because programmes are often themselves too broad to really identify the focus of spending, it is usually important to have further breakdown to the sub-programme level. Each sub-programme should have its own objectives as well. Below the subprogrammes, there should be an economic classification of spending with information on wages, capital projects, and different goods and services to be purchased.

While ministries need a number of programmes and sub-programmes to provide sufficient explanation of government spending, it is also possible to have too many programmes with overlapping objectives that can become confusing. Moreover, while programmes and sub-programmes should be clear and distinct, they should also be sufficiently broad to prevent the need to reorganize ministries every year to accommodate new government initiatives.

#### 5. Are there indicators and targets for all the programmes and sub-programmes?

There should be clear indicators and targets for each ministry in a programme-based budget. These indicators and targets should be linked to specific programmes and sub-programmes within the ministry. The indicators should be logical, have a clear baseline and clear timeframes to achieve the targets. The targets should be measurable and should be easy to relate back to the programme and sub-programme objectives.

The choice of indicators and targets should be linked to the most important objectives of the ministry, but should also be designed keeping in mind what kind of information is available and can be regularly collected. Some indicators may be ideal for tracking objectives, but may require expensive surveys that can only be conducted every five years. These types of indicators cannot be realistically tracked during a single year, or even three years.

Some administrative targets may be less important, but easier to track (were certain workshops or studies conducted?).

Counties must find a balance between what is important and what can actually be measured. There should be a clear link between the indicators and targets in the budget and those in the County Integrated Development Plan.

#### 6. Does the budget contain detailed information about staff costs, including the salaries and benefits of workers by ministry, and ideally, by job class, group, or individual positions?

A key concern when reviewing the budget is to understand what share of each ministry's spending goes to wages versus other costs. Moreover, it is useful to know what kind of workers each ministry is employing to understand how much of public spending is going to service delivery, how much to administration, and how much to other types of support services. Good practice is to present the total share of ministry



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spending going to compensation, and then to break this down further to provide information on the types of workers and their costs. This also applies to the county assembly budget, which should distinguish between wages and benefits of MCAs and other employees of the assembly.

## 7. Does the budget have the same priorities as my county's development plan?

Technically, counties should base their budgets on an Annual Development Plan tabled in September every year. Most counties opted to produce a 5-year County Integrated Development Plan first, so few produced Annual Plans this year. While all counties should have finalized their CIDPs, not all counties have plans that have been approved by the Assembly yet. But all counties have draft plans that can be used to answer this question.

There have been challenges in producing these plans, and a weakness is that many County Integrated Development Plans are not closely linked to county sector plans as they should be. Nevertheless, the law requires that the budget be based on county plans, and the priorities in the CIDP (or whatever plans are currently available) should be the same as the priorities in the budget. This means that if the plans focus on health, agriculture and water, the budget should do the same. This should be apparent at the level of programmes and projects.

## 8. Is there enough money in my budget to maintain the current level of basic services like health?

In order to know the answer to this question, one has to look at how much it cost to deliver services in previous years. In 2012/13, counties did not exist, but we can look at estimates of how much was spent by national government on devolved services that year. This is the baseline for what should have been spent in 2013/14 to maintain services. To view some of this Treasury data, refer to Budget Brief 19, "County Budgets: How do we know if there is enough to maintain key services," on the IBP website, <http://internationalbudget.org/wp-content/uploads/brief19.pdf>. The full underlying data is also available at [www.internationalbudget.org/kenya](http://www.internationalbudget.org/kenya) below the link for Budget Brief 19. And some of this data is also available below in Table I. (See page 5)

In 2014/15, we can compare figures to the 2013/14 budget and the 2012/13 budget to get a sense of whether enough money is being allocated to maintain services. Since many counties did not have full information about their costs in 2013/14, it is important to use figures from 2012/13 as well to get a sense of the true service costs. It may be that over the course of 2013/14, it was discovered that 2012/13 costs were improper. For example, the county may have released a number of ghost workers, allowing it to reduce costs. Or it may have found that it could not sustain its existing facilities with the 2012/13 budget. In that case, the 2014/15 figures may deviate substantially from 2012/13. If so, this should be explained in the budget narrative.

For a proper comparison, we focus on the recurrent budgets for key sectors. The reason we do this is that development spending tends to be less consistent over time, due to the nature of capital projects. Recurrent funding is more closely linked to the minimum costs of maintaining services through wages and inputs.



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**Table 1: Estimated costs of continuing devolved services in four sectors in 2012/13 (Ksh)**

County	Recurrent				Development			
	Agriculture	Health	Roads	Water	Agriculture	Health	Roads	Water
<b>Baringo</b>	124,819,105	765,476,460	157,435,382	59,018,456	18,500,000	242,384,560	170,004,000	63,600,000
<b>Bomet</b>	56,633,796	399,611,739	156,191,672	33,234,280	13,997,400	213,072,745	90,002,000	52,000,000
<b>Bungoma</b>	200,105,586	1,023,766,068	207,177,976	41,460,972	30,304,530	492,341,833	410,003,000	68,000,000
<b>Busia</b>	120,267,345	617,037,698	160,722,905	39,845,701	28,702,632	370,559,075	436,004,000	88,500,000
<b>Elgeyo Marakwet</b>	109,212,210	569,091,073	120,880,000	37,572,800	5,000,000	218,435,122	380,003,000	54,900,000
<b>Embu</b>	230,877,767	1,129,820,603	155,159,795	65,812,040	21,587,411	288,085,830	52,501,000	65,408,739
<b>Garissa</b>	104,538,226	777,682,330	152,180,423	63,238,808	90,590,000	264,795,793	50,002,000	109,800,000
<b>Homa Bay</b>	117,078,796	564,633,386	192,557,063	40,042,700	12,250,000	391,239,275	10,000,000	71,600,000
<b>Isiolo</b>	75,271,328	340,013,963	60,440,000	44,453,916	125,271,000	120,542,426	0	45,400,000
<b>Kajiado</b>	111,880,109	506,453,744	90,660,000	37,903,031	32,800,000	310,282,912	305,002,000	61,600,000
<b>Kakamega</b>	241,064,334	1,537,359,570	317,877,802	58,574,656	54,221,870	524,072,875	230,000,000	86,500,000
<b>Kericho</b>	142,530,186	602,293,664	109,541,545	39,892,184	18,200,000	338,199,428	506,255,425	48,900,000
<b>Kiambu</b>	292,403,650	1,821,264,626	229,944,179	75,359,024	35,950,000	685,720,770	1,145,006,000	80,000,000
<b>Kilifi</b>	150,099,710	710,825,102	177,460,894	32,461,984	53,630,000	435,893,498	120,001,000	66,000,000
<b>Kirinyaga</b>	179,137,869	579,236,422	126,960,157	46,142,840	45,650,000	250,956,008	105,003,000	47,558,745
<b>Kisii</b>	146,654,508	1,069,121,257	227,928,924	45,242,512	21,769,700	480,507,242	730,000,000	37,000,000
<b>Kisumu</b>	182,401,499	1,734,827,952	292,262,125	32,637,343	41,650,000	514,999,606	9,001,000	47,200,000
<b>Kitui</b>	78,522,514	463,952,896	90,660,000	36,383,889	25,544,500	454,783,030	425,002,000	109,350,000
<b>Kwale</b>	81,350,134	463,952,896	90,660,000	36,383,889	33,970,000	305,819,394	50,000,000	36,400,000
<b>Laikipia</b>	122,185,601	463,365,353	73,605,780	57,120,596	34,000,000	211,526,902	260,005,000	74,900,000
<b>Lamu</b>	47,931,219	214,121,988	60,440,000	32,521,984	16,550,000	98,003,463	30,003,000	26,500,000
<b>Machakos</b>	195,959,912	1,133,104,511	221,308,091	66,031,492	73,098,605	431,209,251	395,000,000	73,625,000
<b>Makueni</b>	140,467,098	737,547,125	151,100,000	50,704,643	20,950,000	469,495,449	155,005,000	65,500,000
<b>Mandera</b>	56,711,701	205,007,270	90,660,000	27,755,031	17,850,000	327,147,152	128,521,000	72,400,000
<b>Marsabit</b>	54,833,522	326,610,913	120,880,000	26,282,027	11,485,311	188,497,302	70,003,000	90,500,000
<b>Meru</b>	215,231,038	1,046,015,222	236,525,216	60,509,292	22,550,000	519,315,088	1,590,001,000	84,358,739

County	Recurrent				Development			
	Agriculture	Health	Roads	Water	Agriculture	Health	Roads	Water
Migori	111,041,522	600,892,925	167,589,874	42,106,452	42,089,707	367,695,840	537,002,000	54,000,000
Mombasa	109,761,932	1,630,300,500	415,875,170	38,114,389	21,150,000	405,706,224	80,001,000	53,000,000
Murang'a	148,224,089	483,889,704	310,920,195	57,402,264	8,650,000	324,276,980	1,795,001,000	66,133,739
Nairobi	246,494,437	4,296,160,666	1,300,449,528	2,273,500	90,329,294	1,112,513,446	3,203,001,000	10,400,000
Nakuru	361,195,843	2,534,316,813	334,752,891	84,505,672	40,119,895	537,737,136	540,801,338	84,700,000
Nandi	107,119,920	587,732,502	128,825,016	32,397,700	18,091,410	333,939,594	248,001,000	56,800,000
Narok	86,568,370	476,668,438	90,660,000	17,583,438	29,165,000	287,233,415	20,008,000	42,225,000
Nyamira	80,500,500	411,891,587	90,660,000	28,512,508	15,663,760	224,772,064	130,000,000	19,300,000
Nyandarua	192,320,836	652,500,415	129,595,945	51,680,523	11,200,000	285,524,819	370,001,000	62,220,000
Nyeri	222,839,427	1,624,875,672	218,654,715	74,094,226	42,400,000	397,808,199	2,273,740,000	72,233,739
Samburu	41,211,178	245,388,431	60,440,000	17,633,438	7,200,000	170,359,526	60,000,000	36,500,000
Siaya	116,255,919	510,385,930	157,147,368	37,236,782	35,883,520	337,205,039	873,000,000	52,800,000
Taita Taveta	97,888,655	440,187,590	135,704,016	36,403,889	56,650,000	191,878,654	15,000,000	54,000,000
Tana River	62,087,632	263,933,437	90,660,000	32,511,984	7,500,000	156,030,841	360,000,000	58,400,000
Tharaka Nithi	92,653,180	468,098,244	64,917,616	39,909,323	18,750,000	166,607,515	40,000,000	40,033,739
Trans Nzoia	119,690,980	447,394,642	116,927,177	41,569,728	25,702,500	263,637,459	15,000,000	34,000,000
Turkana	62,111,022	314,376,349	99,334,113	32,857,230	20,200,000	284,023,410	120,000,000	88,000,000
Uasin Gishu	136,180,145	703,902,675	187,184,298	44,036,188	41,518,330	335,642,616	435,003,000	37,900,000
Vihiga	63,537,936	374,247,334	129,206,770	30,505,343	13,700,000	217,322,156	40,000,000	51,500,000
Wajir	77,317,146	262,207,545	120,880,000	27,668,471	64,250,000	334,940,295	130,000,000	73,000,000
West Pokot	57,211,323	402,899,400	97,080,506	40,200,270	59,850,000	208,329,545	20,000,000	61,450,000

Source: Kenya Ministry of Finance 2013

## 9. Does my budget tell me where (that is, in which ward or sub-county) development projects will be located?

In order to assess the degree to which the budget is allocating resources equitably, we want to know where buildings and infrastructure will be located. This requires that spending information be broken down below the county level (to sub-county or ward). Generally, this information should be included in the part of the budget that details development (capital) expenditure. This information should allow us to assess whether the distribution of these projects is related to the needs of the areas receiving them, and whether funds are fairly distributed across the county.

## 10. Does the budget contain any funds for civic education, or to facilitate public participation in county decision-making?

The Fourth Schedule of the Constitution assigns to counties the role of ensuring community participation in governance. The County Governments Act requires counties to facilitate public participation in a number of ways. These include, among others: meetings where plans, budgets and government performance can be discussed, opportunities to give inputs on bills and policies, to participate in selecting development projects, citizen commissions in various sectors, and a variety of information dissemination platforms (e.g., through notice boards). Since these activities are not free, the county should budget for them in some way and this should be clearly indicated.

Moreover, the budget should contain some narrative information explaining how comments or suggestions from the public were incorporated into the budget. If these inputs were not included in the budget, then this should also be explained.

## 11. Does my budget have a deficit and how will it be paid for?

Many counties have deficits. A deficit has to be financed somehow, and this almost always means taking a loan. But loans are not permitted without national sign-off, which is unlikely at this time. Given this, it is also important to know what will be cut from the budget if the deficit cannot be financed.

In the first year, the Controller of Budget was clear that deficits were not allowed. The position is similar in 2014/15. Any county proposing a deficit must have information about how it plans to fund that deficit. There should also be evidence in the budget that borrowing has been allowed by national government if a county is presenting a deficit.

## 12. How much money does my county say it will raise from its own taxes and fees and is that reasonable?

Counties mostly receive money from national transfers and from their own taxes and fees. Good practice is to clearly show local revenue estimates against previous year estimates and actuals. Revenue sources should be broken down by source, and it should be easy to connect this information to what is in the county's cash flow projections for revenues.

Many counties have estimated very high revenues from their own sources. To know if these are reasonable, one could compare them to what local authorities were able to raise from similar sources. The Parliamentary Budget Office has estimated this for 2010/11. You can compare your county estimates to these to get a sense of what is reasonable. This data is contained in the 2012/13 PBO report. The World Bank also has updated estimates for 2012/13 contained in Table II here. (*See page 8*)

We now also have some data from the Controller of Budget that tells us how much counties have actually been able to raise during their first year. By projecting these figures out for an additional quarter, we can estimate what they are likely to collect (soon, we will have a full year of actual collections to use as a baseline).

**Table II: Various estimates of county own revenues for FY 2013/14**

County name	Projected revenue collected by local authorities in county 2012/13 (WB)	Local Revenue as at 31st March 2014	Annualized Revenue Projections for 2013/14 (*4/3)	Local Revenue Target for 2013/14	Projected Revenue as a % of Annual Local Revenue Target
Baringo	112,114,229	129,603,327	172,804,436	360,000,000	48%
Bomet	77,720,504	136,639,240	182,185,653	245,000,000	74%
Bungoma	372,763,303	139,476,282	185,968,376	2,753,780,000	7%
Busia	222,969,331	199,247,163	265,662,884	632,404,257	42%
Elgeyo/ Marakwet	59,082,347	38,267,554	51,023,405	85,000,000	60%
Embu	406,499,261	87,111,734	116,148,979	659,165,345	18%
Garissa	71,735,061	27,451,262	36,601,683	150,533,326	24%
Homa Bay	136,079,664	98,868,686	131,824,915	140,678,820	94%
Isiolo	172,154,533	100,941,986	134,589,315	360,000,000	37%
Kajiado	246,516,369	209,544,248	279,392,331	517,000,000	54%
Kakamega	404,894,297	150,548,896	200,731,861	3,500,000,000	6%
Kericho	185,060,989	209,308,264	279,077,685	338,692,707	82%
Kiambu	1,167,690,962	869,541,616	1,159,388,821	3,058,567,275	38%
Kilifi	446,955,792	330,772,165	441,029,553	2,064,085,271	21%
Kirinyaga	275,237,753	146,072,366	194,763,155	437,993,243	44%
Kisii	321,128,622	171,819,011	229,092,015	1,229,194,738	19%
Kisumu	1,655,148,999	466,653,547	622,204,729	3,417,121,255	18%
Kitui	240,262,376	178,560,079	238,080,105	713,850,291	33%
Kwale	127,014,696	127,765,268	170,353,691	642,361,019	27%
Laikipia	334,392,949	178,825,087	238,433,449	557,173,528	43%
Lamu	16,601,523	18,750,058	25,000,077	86,124,909	29%
Machakos	825,245,174	866,245,472	1,154,993,963	2,541,819,152	45%
Makueni	173,060,281	116,576,369	155,435,159	350,000,000	44%
Mandera	61,793,284	62,986,253	83,981,671	437,400,000	19%
Marsabit	78,715,405	28,716,453	38,288,604	44,000,000	87%
Meru	362,398,332	208,049,622	277,399,496	658,000,000	42%
Migori	214,666,493	164,610,162	219,480,216	795,374,867	28%
Mombasa	1,531,176,499	1,380,538,883	1,840,718,511	5,074,615,602	36%
Murang'a	185,660,559	319,849,458	426,465,944	1,300,000,000	33%
Nairobi City	8,555,428,715	7,783,940,092	10,378,586,789	15,448,045,417	67%
Nakuru	1,001,195,939	1,191,426,753	1,588,569,004	3,076,738,273	52%
Nandi	108,777,819	82,673,509	110,231,345	422,472,914	26%
Narok	1,534,157,274	1,251,077,620	1,668,103,493	4,216,262,980	40%
Nyamira	48,187,770	33,249,925	44,333,233	100,000,000	44%
Nyandarua	267,021,741	82,864,422	110,485,896	204,700,039	54%
Nyeri	404,867,366	285,749,656	380,999,541	479,050,914	80%



County name	Projected revenue collected by local authorities in county 2012/13 (WB)	Local Revenue as at 31st March 2014	Annualized Revenue Projections for 2013/14 (*4/3)	Local Revenue Target for 2013/14	Projected Revenue as a % of Annual Local Revenue Target
Samburu	165,257,518	156,598,328	208,797,771	223,550,000	93%
Siaya	125,395,264	71,754,853	95,673,137	153,000,000	63%
Taita/Taveta	173,293,234	86,589,513	115,452,684	244,119,909	47%
Tana River	31,351,808	24,334,609	32,446,145	87,290,000	37%
Tharaka -Nithi	47,385,070	52,720,271	70,293,695	84,164,893	84%
Trans Nzoia	365,008,677	131,004,090	174,672,120	501,503,926	35%
Turkana	32,114,514	99,204,712	132,272,949	250,000,000	53%
Uasin Gishu	1,008,227,392	417,101,256	556,135,008	1,946,800,000	29%
Vihiga	54,425,235	77,455,761	103,274,348	204,274,739	51%
Wajir	24,156,202	36,546,380	48,728,507	119,030,873	41%
West Pokot	68,848,010	29,360,089	39,146,785	38,000,000	103%
<b>Total</b>	<b>24,499,839,134</b>	<b>19,056,992,349</b>	<b>25,409,323,132</b>	<b>60,948,940,482</b>	<b>42%</b>

*Source: World Bank, Controller of Budget, Author Calculations*

### 13. Did my county table a cash flow projection with the budget showing how much it expects to take in by month, and how much it expects to spend by month?

Counties have restricted access to borrowing, and they depend on national transfers that come at specific times. Local taxes/fees are also higher at certain times (e.g., business permits tend to be renewed in the third quarter). It is therefore important for the county to project its flow of cash by month (and it is also a requirement of the PFM Act that this be tabled by June 15 each year). A cash flow projection helps us to know whether the county will have enough money to execute all the projects in the budget, given that it may not be able to start these projects until it has money to cover them. Moreover, it gives us a sense at different points in the year, such as after the first and second quarter, whether the revenue and spending projections for the year were realistic.

For example, a county may raise and spend much less in the first quarter than in the third quarter. If this is captured in the cash flow projection, we will be less concerned about low collections in the first quarter. If on the other hand, the county expected to collect a lot in the first quarter and did not, we will be more concerned that its revenue projections are unrealistic.

A good cash flow projection is not simply presented at the aggregate level, but is broken down by revenue source and expenditure type.

### 14. How much money does my county expect to get from national government?

The correct number for the national transfer to each county should be contained in the annual County Allocation of Revenue Act. In 2013/14, this information was contained in the County Allocation of Revenue Act (CARA) 2013. The CARA 2013, Annex 3, contains information on the equitable share (the amount that goes through the formula as an unconditional grant) and additional conditional



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grants that counties received for regional hospitals (provincial and high volume hospitals), donor-financed projects, and the Equalization Fund. The Act is available at <http://kenyalaw.org/kl/fileadmin/pdfdownloads/Acts/CountyAllocationofRevenueActNo34of2013.pdf>.

In 2014/15, the passage of the CARA has been delayed, and counties would only be able to consult the County Allocation of Revenue Bill 2014, which has changed substantially due to changes in the Division of Revenue Bill 2014. Nevertheless, the CARB 2014 remains the most definitive source for counties to use to calculate their share of national revenues. The Bill can be found here: <http://www.cickenya.org/index.php/legislation/item/379-the-county-allocation-of-revenue-bill-2014#>.

In addition to information about the national transfer, the budget should also contain clear information about any donor funding or loans that the county expects. As per Question 10, however, there is no provision for counties to accept loans at this point.

## 15. Does my budget spend money on things that counties are responsible for rather than things the national government is responsible for and are there any areas that counties are responsible for that are missing from the budget?

Citizens can consult the Fourth Schedule of the Constitution to determine which functions counties are responsible for, and which national government is responsible for, then see if the county budget is aligned with county functions. Further detail on the functions described in the Fourth Schedule are available in a Gazette Notice issued by the Transition Authority on 9 August 2013.

In reviewing some budgets, we find that counties are taking up primary or secondary education, or security, while things like housing are completely missing. Primary and secondary education, and security, are national functions, while housing is a county function. When counties spend money on national functions, they reduce the funds available for county functions. While no county is obligated to spend money on specific functions, it is useful to raise questions about the rationale for ignoring core county functions in the budget.

Answering this question should start with a look at the Fourth Schedule, but also within each sector to compare the activities in the budget to those that a sector specialist (in health, housing, etc.) would identify as key areas of spending. This can be supplemented by looking at key sectoral activities contained in (MTEF) sector reports and the 2012/13 budget at national level. In some cases, however, poor classification of the budget makes it difficult to tell what functions are being taken up under each county department/ministry.



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## 16. Does my budget have an emergency fund in case of any disaster?

All counties can (and should) have a County Emergency Fund in their budget to provide for disasters. As per the Public Finance Management Act, this can spend up to 2 percent of the county revenues in a single year (based on previous year audited revenues). The PFM Act states clearly that the Emergency Fund should only cater for unforeseen circumstances that constitute a serious threat to human life or the environment.

## 17. Does the budget properly distinguish between recurrent and development expenditure?

In some budgets, we find that these expenditures are misclassified, which also leads to an incorrect assessment of the share of the budget that is for development. The PFM Act 2012 requires at least 30 percent of the budget for development spending over the

medium term (3-5 years). Some budgets classify medicines as development spending (when they should be recurrent) and assets like specialized equipment as recurrent spending (when they are capital/development). We also noticed variations of classification within a single budget, but across departments (e.g., equipment classified as recurrent in some departments, and development in other departments).

**18. Does the budget contain unit costs for various purchases (such as vehicles, generators and other assets) and are these consistent across departments?**

Not all of the budgets contain unit costs. Good practice is to give an indication of the number of units (say, vehicles) and the total cost, along with a unit cost to know how much each asset is estimated to cost. This allows comparison with market rates and with other parts of the budget. In our review of some budgets, unit costs are missing and there is some evidence that they differ across departments within a single budget.

**19. Are the budget lines sufficiently clear to know what each of them refers to, and are they consistent across departments?**

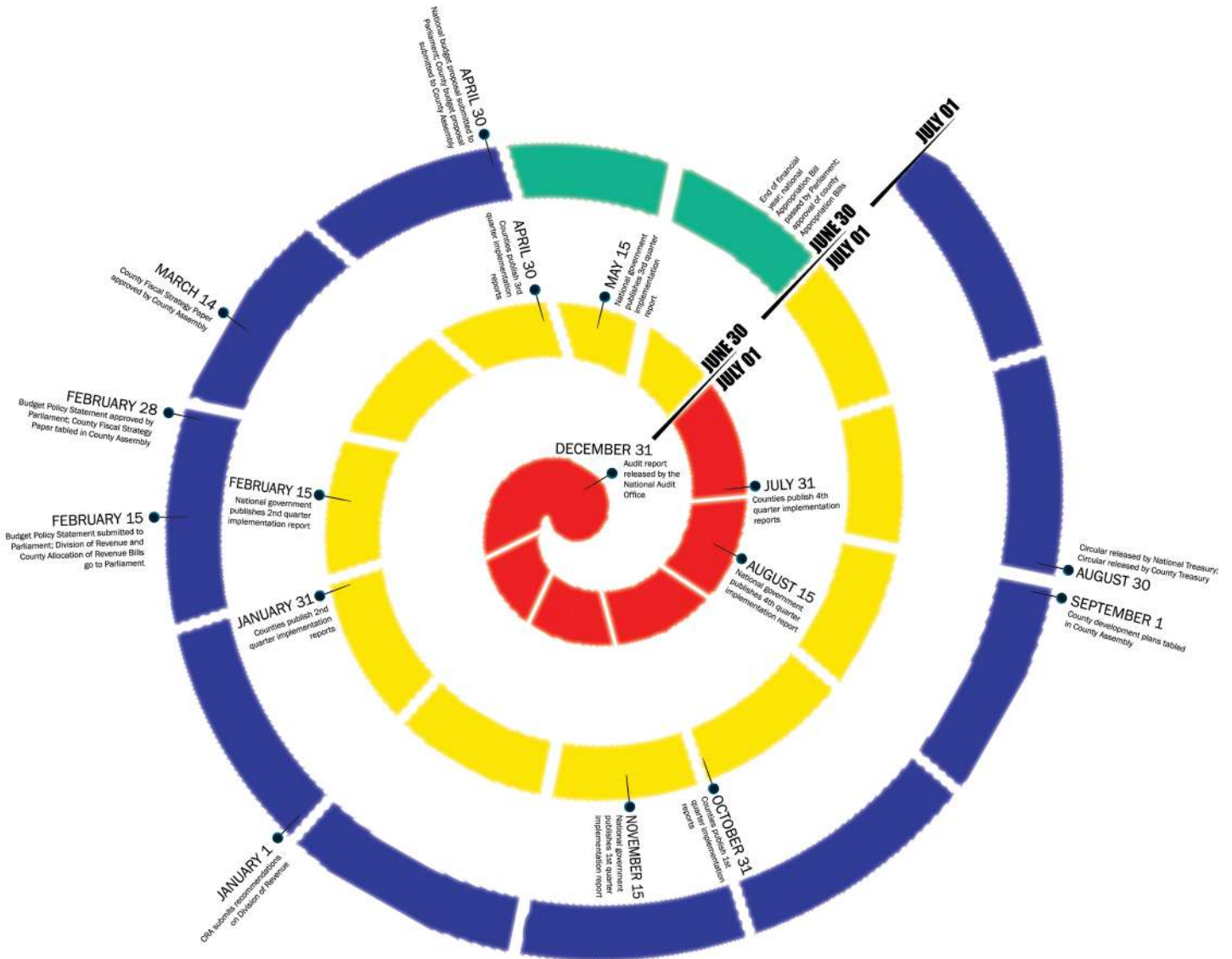
Proper budgeting requires a consistent set of codes and budget lines that are easy to interpret. This is usually referred to as the Chart of Accounts. Where budget lines are not easy to interpret, narrative explanation should be provided. One can look at this issue broadly but also within specific sectors. Ideally, the Chart of Accounts should follow the national structure and be consistent with what is required for the use of the Integrated Financial Management Information System.

**20. Does the budget contain estimates for the coming three years or only for this year?**

Some budgets seem to contain only a single year of estimates, whereas the PFM Act 2012 encourages budgeting in a medium term framework (the coming year, plus at least two additional years). The PFM Act requires three years of revenue estimates at least, but good practice is to provide three years of expenditure estimates as well, for both recurrent and development spending. Development spending is particularly important because it generally commits the budget for future years and reduces choices in those years. Multi-year projects should be discussed as multi-year projects, not single year budget items, if they will constrain budget choices in future years.

# THE BUDGET PROCESS IN KENYA

## NATIONAL AND COUNTY LEVEL



FORMULATION
  APPROVAL
  IMPLEMENTATION
  AUDIT/OVERSIGHT