

KENYA BUDGET ANALYSIS: KAKAMEGA COUNTY

1. ARE THERE REASONS GIVEN FOR CHOICES MY LEADERS MADE IN THE BUDGET?

This question asks whether the budget contains a narrative that explains why the county made certain choices. In every budget choices must be made 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.

Kakamega county budget does not have a narrative to explain the choices made in the budget.

2. WHAT ARE THE PRIORITY AREAS IN MY BUDGET?

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.

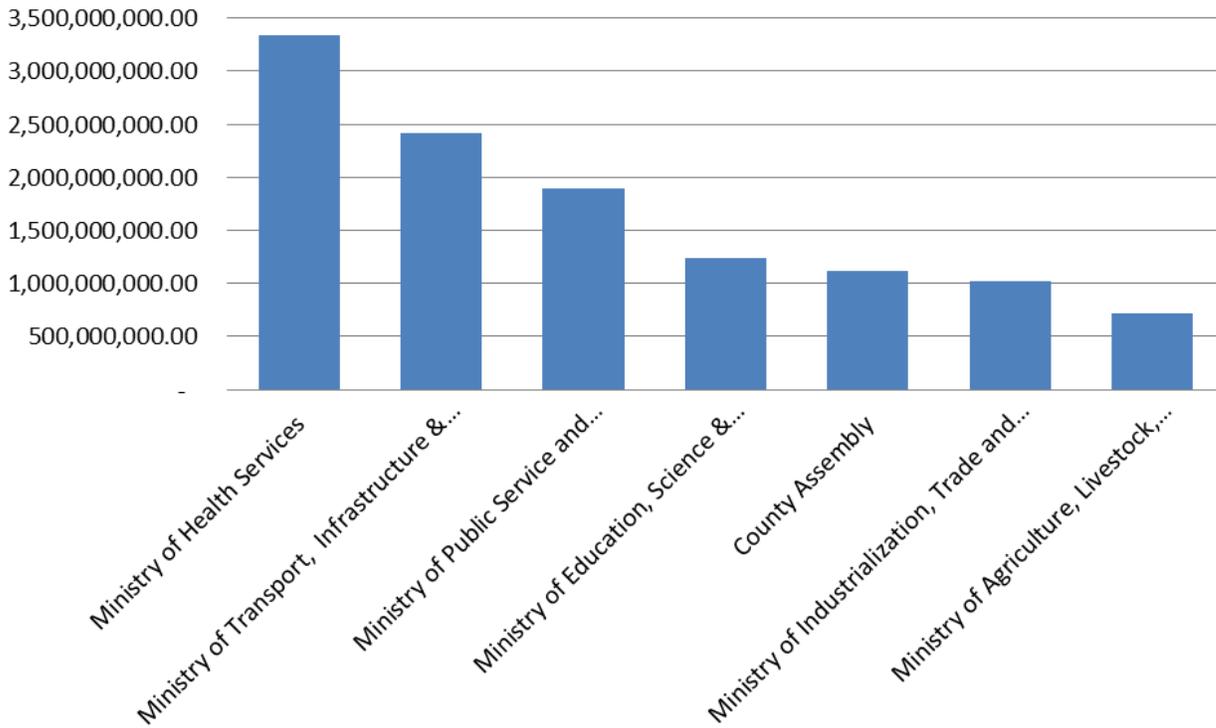
However, not all areas are equally expensive. For example, if one considers international benchmarking for different sectors, education is usually more expensive than health, health more expensive than agriculture, and agriculture more expensive than water. It does not follow that spending more on health 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.

The total budget for Kakamega County is Ksh 13.2 billion for the year 2013/14. Ministry of Health Services has the highest allocation of Ksh 3.3 billion; followed by Ministry of Transport, Infrastructure & Public Works with Ksh 2.4 billion; and then Ministry of Public Service and Administration with Ksh 1.9 billion.

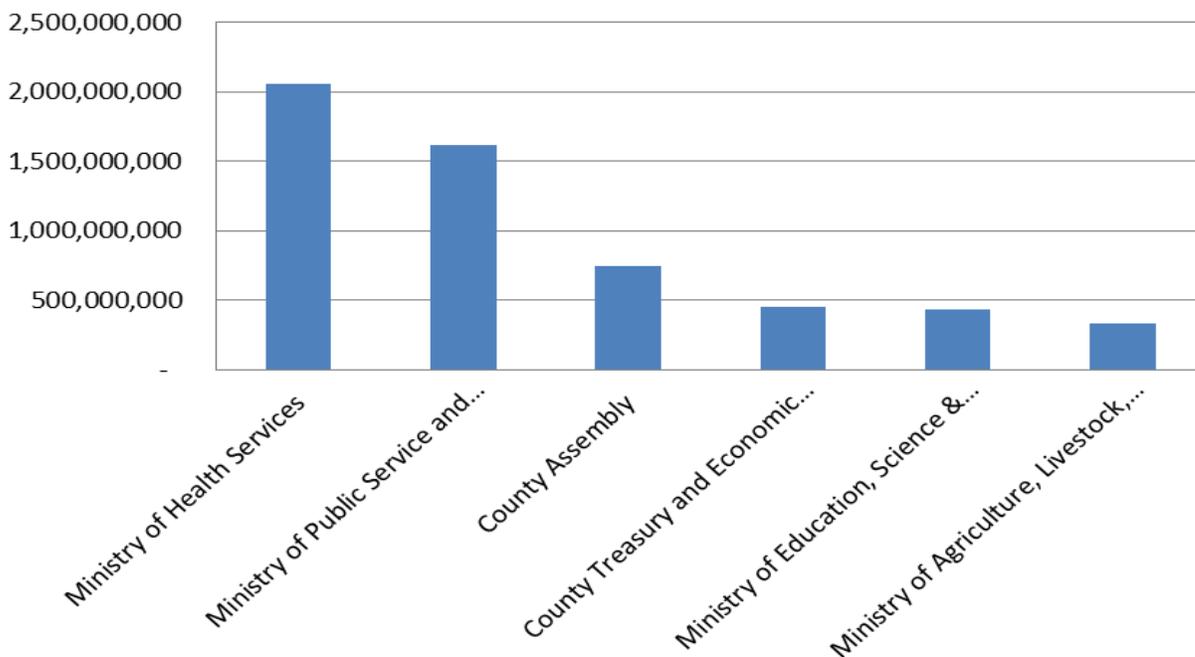
The three units take up 7.6 billion or 58 percent of the total budget.

Total Expenditure



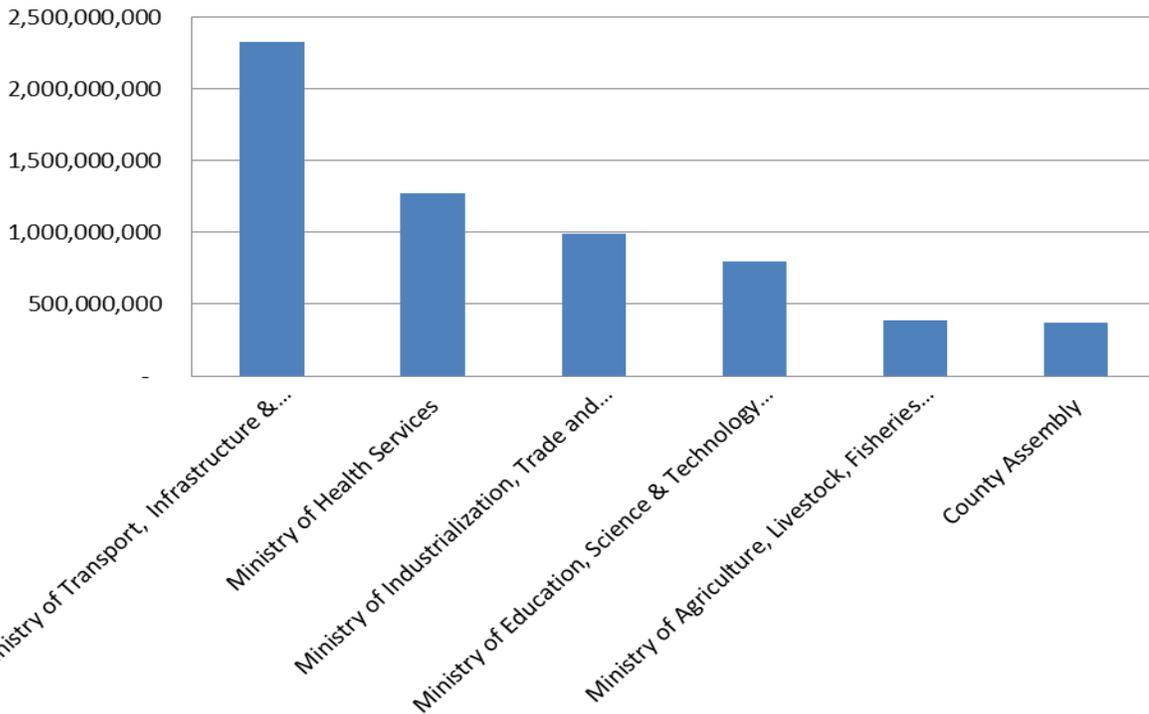
Ministry of Health Services has the highest allocation with Ksh 2 billion followed by Ministry of Public Service and Administration with Ksh 1.6 billion and then the County Assembly has the third highest allocation Ksh 745 million for recurrent spending.

Recurrent Expenditure



For the development spending, the Ministry of Transport, Infrastructure & Public Works has the highest priority in terms of development spending of Ksh 2.3 billion followed by the Ministry of Health Services with Ksh 1.3 billion and then Ksh 990 million going to the Ministry of Industrialization, Trade and Tourism.

Development Expenditure



3. DOES THE BUDGET HAVE THE SAME PRIORITIES AS MY COUNTY'S DEVELOPMENT PLAN?

This is a difficult question to answer in the first year, because not all counties have a plan yet. But they will be approving plans this financial year (and many have done so already), and these must be an input into the budget for next year. The law requires that the budget be based on the plan, and therefore, the priorities in the plan should be the same as the priorities in the budget. This means that if the plan focuses spending on health, agriculture and water, the budget should do the same.

Even if the sequence of plan and budget is improper in this year, there is still no reason why the priorities should not be similar between the two documents.

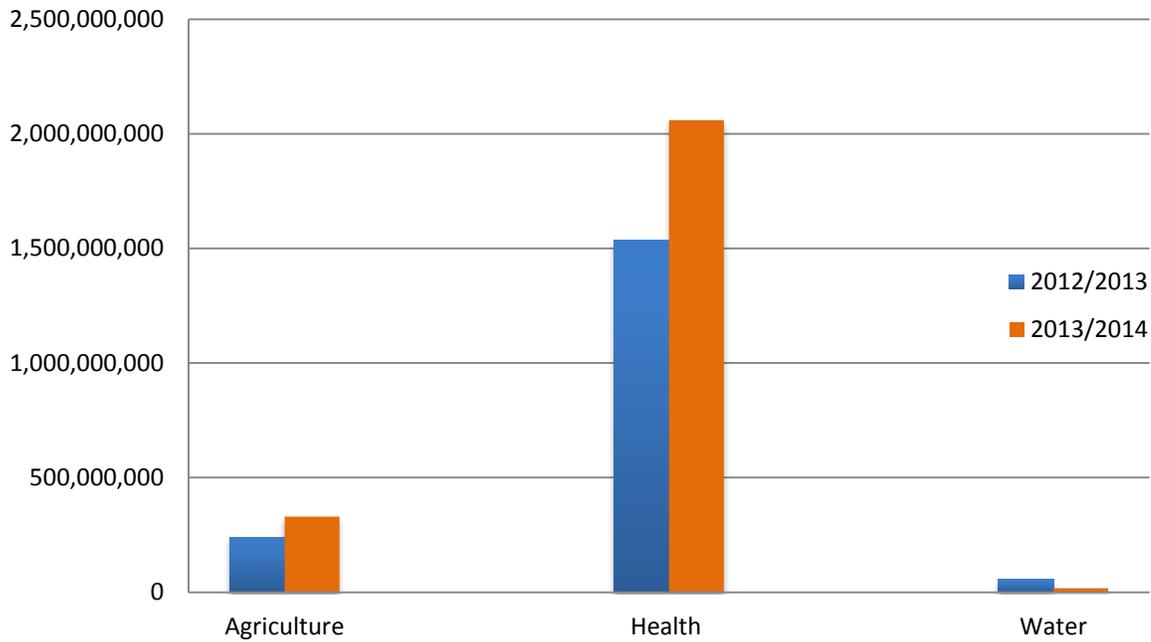
Kakamega County Integrated Development Plan is not available.

4. 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 last year. Since counties did not exist, this requires one to look at estimates of how much was spent by national government on devolved services last year. This is the baseline for what should be spent this year 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 below the link for Budget Brief 19.

In the year 2012/2013, Treasury estimated that it would cost Kakamega county Ksh 1.5 billion, Ksh 241 million, and Ksh 58 million to run its recurrent health, agriculture, and water services respectively. However, the county allocated Ksh 2 billion, Ksh 330 million, and Ksh 42 million for the three sectors in its revised budget for 2013/14. This indicates a 33 percent increase for both agriculture and health services allocation but a 28 percent (or Ksh 17 million) decrease in allocations to the water sector. Kakamega County can keep its important services running in the agriculture and health sectors but water services running are less assured.

Recurrent Expenditure for 2012/13 and 2013/14



5. DOES MY BUDGET TELL ME WHERE (THAT IS, IN WHICH WARD OR CONSTITUENCY) 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.

The county budget has no information on the location of the development projects. For instance, one cannot tell where many of these projects will be undertaken. Namely, which ward, location and area?

D0004	01	2640500	004 Ministry of Labour, Social Services, Youth and Sports	
		2640503	Social protection	60,000,000
		2640503	Sports	20,200,000
		2640503	Culture conservation	10,000,000
		3110504	Bukhungu stadium upgrading	50,000,000
		2640503	Youth and women entrepreneurship	75,000,000
		2640503	Labour	5,000,000
D0005	01	3110500	005 Ministry of Transport, Infrastructure & Public Works	
		3110501	Bridges	80,000,000
		3110401	Road construction	1,000,000,000
		3110504	Toll stations	50,000,000
		3110402	Rural Roads maintenance	625,600,000
		3110402	Urban roads	170,000,000
		3110402	Road construction equipment	250,000,000
		3110504	Electrification	150,000,000
D0006	01	3111500	006 Ministry of Lands, Housing, Urban Areas and Physical Planning	
		3111504	Investment	100,000,000
		3111401	Urban planning and asset profiling	100,000,000
		3111502	Slum upgrading	100,000,000
		3111504	Town landscaping and planning	10,000,000
D0007	01	3111500	007 Ministry of Health Services	
		3111504	PGH	411,000,000
		2640503	Child mortality	100,000,000
		2640503	HIV/AIDS prevention	24,000,000
		3111504	Health facilities	618,500,000
		3111504	Health ICT	40,000,000
		3111504	Public health	80,000,000

6. 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 has been clear that deficits are not allowed. In subsequent years, counties will need to seek permission to borrow. There should be evidence in the budget that borrowing has been allowed if a county is presenting a deficit.

Kakamega budget has no information on what the county expects to get from the national government as well as its own revenues. Therefore, it is not easy to tell whether it has a deficit or not. However, from the total equitable share of revenue, Kakamega was to receive Ksh 7.4 billion including conditional allocations from the national government.

7. 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. 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 (PBO) 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. 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 four months. By multiplying these figures by three, you can estimate how much a county would raise in a year. We carried out this analysis and compared the PBO and COB figures in the table below.

Kakamega County does not provide information on its taxes. However, there is an exception of Appropriation in Aid in the public health sector which could be user fees.

8. HOW MUCH MONEY DOES MY COUNTY EXPECT TO GET FROM NATIONAL GOVERNMENT?

The correct number for the national transfer to each county is in the County Allocation of Revenue Act (CARA) 2013 and can be compared to what a county has proposed. 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 grants that counties received for regional hospitals (provincial and high volume hospitals), donor-financed projects, and the Equalisation Fund. This information is available at <http://kenyalaw.org/kl/fileadmin/pdfdownloads/Acts/CountyAllocationofRevenueActNo34of2013.pdf>.

Kakamega does not show any information on the amount of money it expects to receive from the national government. However, the County Allocation of Revenue Act, 2013 indicates that the county would receive Ksh 6.5 billion in the year 2013/14 as shown below, as equitable share and then receive Ksh 841 million as conditional grant making a total of 7.4 billion.

2013

County Allocation of Revenue

No. 34

THIRD SCHEDULE

[S. 4 & 5]

EQUITABLE TRANSFERS AND CONDITIONAL TRANSFERS FROM NATIONAL TO COUNTY GOVERNMENTS

		A	B	C = A+B
			TOTAL	
NO.	COUNTY	TOTAL EQUITABLE SHARE OF REVENUE (SHILLINGS) (31%)	CONDITIONAL ALLOCATION (SHILLINGS)	GRAND TOTAL (SHILLINGS)
1	Baringo	3,247,853,215	382,555,501	3,630,408,716
2	Bomet	3,442,638,623	272,582,727	3,715,221,350
3	Bungoma	6,180,666,881	334,595,329	6,515,262,210
4	Busia	3,412,404,160	266,369,417	3,678,773,577
5	Elgeyo/ Marakwet	2,392,011,591	744,501,814	3,136,513,405
6	Embu	2,807,082,691	557,198,402	3,364,281,093
7	Garissa	4,221,433,715	475,032,960	4,696,466,675
8	Homa Bay	4,121,429,825	1,604,785,613	5,726,215,438
9	Isiolo	2,235,583,337	187,893,545	2,423,476,882
10	Kajiado	3,227,409,859	284,382,199	3,511,792,058
11	Kakamega	6,515,510,758	840,702,017	7,356,212,775

9. DOES MY BUDGET SPEND MONEY ON THINGS THAT COUNTIES ARE RESPONSIBLE FOR RATHER THAN THINGS THE NATIONAL GOVERNMENT IS RESPONSIBLE FOR?

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.

Generally, most functions seem to be county functions. However, Kakamega budget is arranged in such a way that one cannot be able to clearly identify the functions as most of them are vague and do not have enough information about county functions. For instance, what exactly does “Tourism Promotion” mean? Lack of detailed breakdown may seem to be overlap with the national function of tourism and development. There is also a line item “Medical School” with no additional information that could be a national function since counties are only responsible for ECD and village polytechnics. There is money allocated for urban roads in the budget which could still be under the KURA which is not yet a county function.

D0009	01	3111500	009 Industrialization, Trade and Tourism	
		3111504	Modern markets	800,000,000
		3111504	Slaughter houses	20,000,000
		2640302	Small scale Enterprises	100,000,000
		2640302	Trade development loans	20,000,000
		2640503	Tourism promotion	50,000,000
D0010		3111500	010 Education	
		3111504	Medical school	50,000,000
		3111504	Polytechnics	150,000,000
		3111504	Education support programme	500,000,000
		3111401	Task force on Education	10,000,000
		2640101	Bursaries	30,000,000
		3110504	ICT Connection centres	60,000,000

10. DOES IT SPEND MONEY ON ALL OF THE THINGS THAT COUNTIES ARE RESPONSIBLE FOR, OR ARE THERE KEY AREAS MISSING?

In reviewing some budgets, we find that things like housing are completely missing. This is a core county function, so it is surprising to find it missing. This question can be answered by looking at the Fourth Schedule, but also by looking within each sector and comparing the activities to those that a sector specialist (in health, housing, etc.) would identify as key areas of spending. This can be supplemented by looking at activities contained in the sector report (MTEF) and the 2012/13 budget at national level. In many cases, however, the lack of program budgeting and the use of only line items in the county budgets makes it very difficult to tell what functions are being taken up under each county department/ministry.

There are key areas that are missing in Kakamega budget. For example, there is a large budget for education but one cannot see any allocation for early childhood development education (ECD) which is a responsibility of the county as well as allocation put aside for ECD teachers and polytechnics projects. In agriculture, we do not know if there is an allocation for agricultural extension workers in the recurrent expenditure. How are they going to be paid?

11. 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.

Kakamega county does not have an Emergency Fund in the budget.

12. 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 development spending over the medium term (3 to 5 years). Some budgets classify medicines as development spending (when they should be recurrent) and assets like 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).

Kakamega county has separated spending categories clearly under recurrent and development spending. It also has a total of both spending and a summary of each spending. Also, the county government's development spending is 54 percent of the total budget! However, the items in the development budget are not entirely clear. There are lines for things like "bridges." A bridge is development spending if it is construction, but recurrent if it is maintenance/operations. Other items like "sports" and "labour" could also be recurrent.

13. 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.

Kakamega budget does not have information on unit costs for purchases. This is true for both the recurrent and development spending in all the sectors. For example, a look at the recurrent expenditure for education, the snippet below does not show any information on how many items will be bought and how much they would cost. It only shows aggregate figures. There is no information on number of type of employees. There is also a budget line on foreign travel, subsistence and transport allowance but does not include information on the number of travels that would occur in the budget year and which ones are by air or the total number of mileage that they expect and how much each costs.

01		001 Education	
	2110100	Basic salaries- permanent employees	300,000,000
	2110200	Salaries - casuals	-
	2110300	Personal allowances-paid as part of salaries	
	2120100	Employers contributions - retirement	
	2210100	Utilities supplies and services	500,000
	2210200	Communication, supplies & services	740,000
	2210300	Domestic travel,subsistence, transport	3,800,000
	2210400	Foreign travel, subsistence, transport	1,000,000
	2210500	Printing, advert and info supplies	3,400,000
	2210600	Rentals of produced assets	-
	2210700	Training expenses	-
	2210800	Hospitality supplies	1,250,000
	2210900	Insurance	-
	2211000	Specialized material supplies	60,000,000
	2211100	Office & general supplies & services	1,290,000
	2211200	Fuel,oil and lubricants	2,000,000
	2211300	Other operating expenses	2,130,000
	2220100	Routine maint.-v/cles & transport equ	650,000
	2220200	Routine maint. - other assets	700,000

On the development side, there is still lack of information on, for example, how many medical schools and polytechnics will be constructed, and how much it would cost to construct one polytechnic and one medical school. From the information provided, does it mean that the medical school will cost Ksh 50 million and is this only one? It is also not clear if the expenditure in a single year is enough to complete the project, or there are ongoing costs implied for future years that are not mentioned here.

D0010	3111500	010 Education	
	3111504	Medical school	50,000,000
	3111504	Polytechnics	150,000,000
	3111504	Education support programme	500,000,000
	3111401	Task force on Education	10,000,000
	2640101	Bursaries	30,000,000
	3110504	ICT Connection centres	60,000,000

14. 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. Where they are not, narrative explanation should be provided. One can look at this issue broadly but also within specific sectors.

The items in the recurrent budget seem to be clear and one can tell what they mean. However, in the development budget, one is not able to identify some line items and what they refer to. Some of the line items lack enough information to tell what they actually mean. For instance, line item “Bridges” under the Ministry of Transport and Infrastructure does not provide additional information that may be able to tell us whether it refers to building completely new bridges or refurbishing or upgrading. Under the Ministry of Lands and Housing, there is a line item “investment” – what does this mean? Other examples include “Child Mortality”, “Public Health” and “Health ICT” which are vague and do not have any additional explanation of what they refer to. On the recurrent side, there is some confusion about departments within ministries. For example, there is an Enforcement department, but we don’t know what it enforces. Within health, there are health services, but then separate departments for dispensaries and health centers. So what is a health service then? It appears that all salaries for the latter are under health services, and the dispensaries and health center budgets are for other inputs.

D0005	01	3110500	005 Ministry of Transport, Infrastructure & Public Works	
		3110501	Bridges	80,000,000
		3110401	Road construction	1,000,000,000
		3110504	Toll stations	50,000,000
		3110402	Rural Roads maintenance	625,600,000
		3110402	Urban roads	170,000,000
		3110402	Road construction equipment	250,000,000
		3110504	Electrification	150,000,000
D0006	01	3111500	006 Ministry of Lands, Housing, Urban Areas and Physical Planning	
		3111504	Investment	100,000,000
		3111401	Urban planning and asset profiling	100,000,000
		3111502	Slum upgrading	100,000,000
		3111504	Town landscaping and planning	10,000,000
D0007	01	3111500	007 Ministry of Health Services	
		3111504	PGH	411,000,000
		2640503	Child mortality	100,000,000
		2640503	HIV/AIDS prevention	24,000,000
		3111504	Health facilities	618,500,000
		3111504	Health ICT	40,000,000
		3111504	Public health	80,000,000

15. 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.

Kakamega budget does not have expenditure estimates for three years. In addition, it does not provide information on its revenue as well as revenue estimates for three years. It only shows projected estimates for the current year 2013/14.

16. 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 encourage public participation in a number of ways. These include, among other things: Meetings where plans, budgets and government performance can be discussed, opportunities to give inputs on 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.

The budget does not appear to have any allocation for either public participation or civic engagement in the county. However, some sectors in the recurrent budgets have allocations for communication, but this does not tell us whether it is specifically set aside for public participation. There is also money that is set aside for advert, under the Public Administration ministries to be used at the sub-county level but we cannot tell what whether this is just money for public relations and not specifically for public participation.

VOTE R01 Ministry of Public Service and Administration

II. RECURRENT EXPENDITURE SUMMARY 2013/14

II. Heads and items under which this vote will be accounted for by the County Government of Kakamega Ministry of Public Service and Administration

Head Code	Unit	Item	Title	Projected Estimates 2013/14
	04		004 Sub counties	
		2110100	Basic salaries- permanent employees	3,100,000
		2110200	Salaries casuals	-
		2110300	Personal allowances-paid as part of salaries	-
		2210100	Utilities supplies and services	3,533,000
		2210200	Communication, supplies & services	2,458,200
		2210300	Domestic travel,subsistence, transport	7,500,000
		2210400	Foreign travel, subsistence, transport	-
		2210500	Printing, advert and info supplies	11,420,000
		2210600	Rentals of produced assets	-