

Conclusion

This study did not create recommendations in a vacuum; rather, it builds upon several decades of policy and academic work focused increasing transparency as essential to the promotion of good governance.

Achieving “readability” does not need to be a monumental task. What is required first and foremost is a deliberate effort on the part of government to see citizens as the end-users when designing budget documents. For this reason, many of the recommendations in this report regarding process, content, and accessibility focus on issues that have already been addressed in some way by past initiatives, but from a readability perspective. The presentation section outlines layout and style issues that are new, but could be easily tackled if government accepts the need to put greater emphasis on document design

For Kenya, the most challenging recommendations are those that pertain to devolution and the implementation of program budgeting. In terms of devolution, including a clear and comprehensive breakdown of county expenditures in the national budget will be complicated by procedural difficulties coordinating the different funding channels. As the recommendations in the process section of the report indicates, careful standardization and coding will be essential to this effort. Under program-based budgeting, the creation of new activity lines and performance indicators will involve rethinking the understanding of “program” to ensure that it is specific enough to monitor, evaluate and measure performance. In order for the government to effectively illustrate policy priorities, outline programs, and initiatives, and depict activities through expenditure data, the budget will need to be compiled with an increased level of detail and clarity.

Annexes

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An Explanation of Devolution

The new 2010 Kenyan Constitution requires a change in the way money flows from the national government to local government. **Devolution involves the national government transferring several programs to local management, expecting a more efficient provision of services.** Therefore, a combination of local and national funds will be used to implement programs at the local level.

County revenue streams will consist of four channels:

- 1) **Constitutional 15%:** Article 203-2 in the Kenyan constitution allocates at least 15% of the revenues gathered from the previous year to be given directly to local counties. This 15% is a minimum requirement and the actual figure is likely to be higher.
- 2) **Equalization Fund:** The poorest counties of Kenya will receive additional funding to help even the disparity. This fund will be supplied by 0.5% of the previous year's national revenues. An equation already exists for the distribution of this fund. This Fund can be given as a conditional grant to counties or be spent directly by national government.
- 3) **Existing Devolved Funds:** Even before the creation of counties, part of the national budget was transferred to local governments through several devolved funds including LATF, PELF, FPE, etc. The management of these funds is currently local, based on allocations determined by a bottom-up approach consisting of community meetings to make budget requests, validation by line-ministries, and confirmation by Parliamentary vote. These funds will continue to be granted through ministries and managed by counties. The Constituency Development Fund (CDF) is currently set to continue as a grant to constituencies.
- 4) **Local Revenue:** Counties will directly manage share of public revenues, derived from local entertainment and property taxes, as well as fees and service charges (for licenses, etc.). These funds will cover many costs associated with new management of programs at the local level.

Description of the Current Kenyan Budget

Structure:

1. Table of contents
2. Vote breakdown summary
3. Summary by administrative segment for each ministry
4. One large table of expenditures for each ministry
5. One large table of personnel emoluments for each ministry

Strength: The budget is consistent with the voting process at legislative level (Parliament).

Heads and Line items: Heads are decided at the discretion of each ministry while line items are coded by nature of the expenses (accounting codes) and follow up the chart of accounts, (similar to any ministries).

Expenses indicated:

- i. National estimates documents show the estimate of expenditures for the current year and the projected MTEF for the next two years.
 - ii. Current year expenses at heads level show the total expenses, financed by national level and local level (Appropriation in Aid)
- Strength: This is a first step in showing the devolution to lower level of administration as it isolates the revenues raised at local level (appropriation in Aid).

Breakdown of the budget:

- i. First page of each Ministry budget shows the breakdown of expenditure by heads (for the current year and MTEF).
 - ii. Following pages covers the breakdown of each head by sub-heads and by line items.
 - iii. The first two heads for each Ministry (HQ administrative and technical services/HQ administrative Professional services) covers administrative costs, while the others cover program costs and transfers to state agencies.
- Strength: This separation translates logic to isolate administrative costs from program costs.
- iv. Heads are split in sub-heads.
 - v. Sub Heads are split by line items. Line items are accounting codes following the Chart of accounts (similar for any ministry).

8 Key budget documents

The International Budget Partnership's Open Budget Index (OBI) identifies eight key budget documents that are evaluated to rank a country's budget transparency and scores countries based on the availability of these documents to the public:

OBI Budget Document	Name of Kenya Document	Available
Pre Budget Document	Budget Policy Statement/ Speech	Yes
Executive Budget Proposal	National Estimate of Estimates	Yes
Citizen's Guide	Budget Highlights	Yes
In year reports	CBK Weekly Bulletin	Yes
Monthly Economic Review		
Mid-year Review	-	Internal
Year-end Report	-	Internal
Enacted Budget	Budget	Yes
Audit Reports	Report of the Auditor General on the Appropriation Accounts, Other Public Accounts and the Funds of the Republic of Kenya	Yes -Delayed

OBI Budget Document	Online	Raw Data	Excel	PDF
Pre Budget Document	Yes	N/A	N/A	Yes
Executive Budget Proposal	No*	For past years (2002 - 2012)	No	No
Citizen's Guide	Yes	N/A	N/A	Yes
In year reports	Yes*	No	No	Yes
Mid-year Review	-	-	-	-
Year-end Report	-	-	-	-
Enacted Budget	No	For past years (2002 -?)	No	No
Audit Reports	Yes -Delayed (Up to 2010/2012 Fiscal Yr)	No	No	No