

Kenya: Analysis of the 2016/17 National Budget Estimates

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Kenya's 2016/17 national budget (the Budget Estimates) was tabled in the National Assembly just before the end of April, 2016. It will now be reviewed by the Budget and Appropriations Committee and then by Parliament for amendment and approval before June 30. This analysis asks key questions about the budget that we believe should be of interest to both Parliament and the public.

We ask four questions of the Budget Estimates 2016/17:

1. **Does the overall budget and do the budgets for ministries, departments and agencies in the Budget Estimates match the ceilings set in the Budget Policy Statement (BPS)?** The BPS, approved by the National Assembly in March, is supposed to set the sector and ministry limits; while the Budget Estimates are meant to set the limits for programs and subprograms within these sectors and ministries.
2. **Which programs and subprograms are receiving priority in the coming year and why?** The most fundamental questions about any budget are about how government priorities are changing over time. This is what program level data (and below) should tell us.
3. **What are the targets for the year for various programs and how realistic and reasonable are these in light of past performance?** A program-based budget is designed to focus our attention on ministry outputs and outcomes, which are measured by program indicators and targets. Each year, we should assess progress toward these and the value of continuing to focus on particular measures.
4. **Does the budget contain narrative information about how past challenges in budget implementation are being addressed through the coming year's budget?** Modern financial management demands that we review past performance when allocating new funds, and the budget should speak to how performance has been taken into account in the proposed budget.

Our analysis is mainly based on two documents available to the public as of the time of the analysis: the 2016/17 Program Based Budget (PBB), and the Budget Summary for FY 2016/17 and Supporting Information.^{1,2}

DOES THE BUDGET 2016/17 RESPECT THE AGREEMENTS IN THE BUDGET POLICY STATEMENT?

To answer, this we must first look at the BPS 2016 and the amendments made to it by Parliament. We then look at the changes made by Treasury in the budget to the sector and ministry allocations that were approved by Parliament in the BPS.

Table 1 below shows these changes. Parliament approved a total ministries, departments and agencies (MDAs) budget of 1.498 trillion through the BPS. However, the Treasury has increased the budget by nearly 170 billion to Ksh 1.667 trillion (using the ministry figures in the PBB). Development expenditure makes up 94 percent of the increase from the BPS.

Unfortunately, the figures throughout the budget documents availed by Treasury are contradictory, as can be seen in columns C, D and E below. The figures for MDAs are different depending on whether we use Treasury's "Printed Estimates," the "Estimates" figures in the Budget Summary, or the figures in the MDA breakdown in the PBB.³

TABLE 1. CHANGES BETWEEN THE TABLED BPS AND THE TABLED BUDGET ESTIMATES

¹ See <http://www.treasury.go.ke/downloads/category/105-budget-2016-2017.html?download=416:programme-based-budget>

² See <http://www.treasury.go.ke/downloads/category/105-budget-2016-2017.html?download=422:budget-summary-for-the-fy-2016-17-and-supporting-information>

³ The Budget Summary refers to this document, available from the Treasury website: The National Treasury, "The Budget Summary for the Fiscal Year 2016/17 and Supporting Information," April 2016.

Indicator	BPS Approved Ceilings	"Printed Estimates" 2016/17 (Budget Summary)	"Estimates" 2016/17 (Budget Summary)	PBB 2016/17	Differences between BPS Ceilings and "Printed Estimates" 2016/17	Differences between BPS Ceilings and "Estimates" 2016/17	Differences between BPS Ceilings and PBB 2016/17
Total Expenditure	2,052.0	2,262.2	2,046.8		210.2	-5.2	
Of which:							
Foreign Financed		410.6	195.2				
Total Revenue	1,496.3	1,500.6	1,500.6		4.3	4.3	
Grants	59.8	72.6	32.9		12.8	-26.9	
<i>Deficit incl. Grants</i>	<i>495.5</i>	<i>689.1</i>	<i>513.2</i>		193.6	17.7	
Total MDAs Expenditure	1,498.4	1,659.3	1,443.9	1,667.3	161.0	-54.5	169.0
Recurrent	840.8	850.3	850.3	850.3	9.5	9.5	9.5
Development	657.5	809.0	593.6	817.0	151.5	-63.9	159.5
Interest + Pensions	275.4	311.0	311.0	311.6	35.6	35.6	36.2

On the revenue side, there is a small increase of about 4.3 billion, as can be seen in Table 1, but this is not enough to keep the deficit at the level agreed in the BPS.

At the sector level, budget allocations for three sectors are more than 25 percent higher than their approved ceilings in the BPS. This has affected the share of the budget taken by each sector, as can be seen in Table 2 below. For example, the Energy, Infrastructure and ICT sector took up nearly 25 percent of the total MDAs budget in the BPS 2016. However, in the tabled budget that share has grown by 6 percentage points to nearly 30 percent. Of course, this has meant that other sectors have declined as a share of the total, and this has particularly affected education, whose share of the budget is going down by about 3 percentage points.

A shift of the laptop project from the Education sector to the Energy, Infrastructure and ICT sector explains the 3 percentage-point decline in the share of the education sector. The Public Administration sector's budget allocation decreased slightly by about Ksh 1.5 billion compared to 2015/16, leading to a decline in its share of the budget by 1.7 percentage points. While the Governance, Justice, Law and Order (GJLO) sector budget is increasing by 3 percent, this is far below the overall increase in the MDA budget of 11 percent, leading to a decline of nearly 1 percentage point in the sector's share of the budget.

TABLE 2. SECTOR CHANGES BETWEEN THE BPS 2016 AND TABLED BUDGET ESTIMATES (PBB) 2016/17

	2016/17 (Approved BPS Ceilings)	2016/17 (Gross Expenditure Estimates)	Absolute Expenditure Change	Percentage Change	2016/17 (Approved BPS Ceilings)	2016/17 (Gross Expenditure Estimates)	% Sector Share Growth
Sectors	Total	Total			Share of the Total	Share of the Total	Difference
Energy, Infrastructure and ICT	367.6	506.6	139.1	37.8%	24.5%	30.4%	5.9%
Environment Protection, Water and Natural Resources	74.6	92.9	18.3	24.6%	5.0%	5.6%	0.6%
General Economic and Commercial Affairs	15.4	20.9	5.5	35.9%	1.0%	1.3%	0.2%
Social Protection, Culture and Recreation	32.4	33.7	1.4	4.3%	2.2%	2.0%	-0.1%
Agriculture, Rural and Urban Development	65.4	69.6	4.3	6.5%	4.4%	4.2%	-0.2%
Health	59.6	60.3	0.7	1.2%	4.0%	3.6%	-0.4%
National Security	120.8	124.0	3.2	2.7%	8.1%	7.4%	-0.6%
Governance, Justice, Law and Order	182.7	188.0	5.3	2.9%	12.2%	11.3%	-0.9%
Public Administration and International Relations	233.4	231.9	-1.46	-0.6%	15.6%	13.9%	-1.7%
Education	346.6	339.3	-7.25	-2.1%	23.1%	20.4%	-2.8%
Total	1,498.4	1,667.3	169.0	11%	100%	100%	

At the ministry level, the highest percentage increase (132 percent) is in the Ministry of Mining. This is mainly driven by an increase of over 300 percent in the Mineral Resource Management Program budget. While the recurrent budget is down slightly as part of the government’s budget “rationalization,” the development budget ceilings are going up by 220 percent for geological mapping and mineral exploration, which includes setting up a mineral lab and purchase of aerial mineral survey equipment.

TABLE 3. LARGEST INCREASES AND DECREASES AT MINISTRY LEVEL FROM BPS 2016 TO BUDGET 2016/17 (%)

Vote (Billions)	BPS Ceilings (Billions)*	Annual Gross Estimates 2016/17 (Billions)	Variance (Billions)	% Growth
Ministry of Mining	1.98	4.59	2.61	132%
Ministry of Information Communications and Technology	11.22	25.93	14.71	131%
State Department for Livestock	6.84	13.28	6.45	94%
Registrar of Political Parties	0.51	0.83	0.32	63%
State Department for Devolution	10.24	15.87	5.64	55%
The National Treasury	91.44	82.07	-9.37	-10%
State Department for Fisheries	4.70	4.18	-0.51	-11%
Judiciary	17.31	15.31	-2.00	-12%
State Department for Education	81.49	67.19	-14.30	-18%
Parliamentary Service Commission	13.46	10.24	-3.22	-24%
Total	1,498.36	1,667.35	168.99	11%

Note: BPS Ceilings are the Parliament approved ceilings according to the Budget Summary

The Ministry of ICT's ceiling has also been broken by over 130 percent. This is mainly due to the shift of the laptop/tablet project to this ministry, a shift that started in the supplementary budget for 2015/16, after the BPS ceilings had been set. The allocation to the E-Learning subprogram has a target of buying 600,000 digital devices in 2016/17, which is an increase from the approved target of 400,000 in 2015/16. This reallocation also explains in part the reduction in the budget for the State Department of Education.

However, the budget does not adequately explain the full (and changing) costs or nature of this "national priority" initiative (see Table 4 below). The laptop project was moved to the ICT Infrastructure Connectivity subprogram during the supplementary budget for 2015/16. It has now been moved to the ministry's E-Government Services subprogram. It is not possible to track the exact costs of the laptops initiative because it has been part of larger subprograms that contain other items as well. For example, the E-Government subprogram contains issues of digitization and cyber security in addition to laptops. In sum, the budget does not give us the exact costs of this key government project.

The indicators and targets for the laptop initiative are also confusing. When the initiative moved from the State Department for Education to the ICT Ministry in the supplementary budget, the new ministry's budget did not include a target for the initiative. Now, in the 2016/17 budget, the situation

has become more confused because we can see that the budget for the subprogram hosting the initiative has fallen, but the targeted number of devices is rising. The narrative contains no explanation of these curious facts. In addition, the Division of Revenue Bill 2016 lists the laptop project as a national interest item with an allocation of Ksh 17.58 billion. Yet the entire budget for the E-government Services Program, which includes more than laptops, is only 13.8 billion.

TABLE 4. THE SHIFTING FORTUNES OF THE “NATIONAL PRIORITY” LAPTOP INITIATIVE

	Ministry	Sub-Program	Total Allocation (Billions)	Target	SP components
Approved Budget 2015/16	State Department for Education	ICT Capacity Development	17.59	400,000(Number of pupils with laptops)	ICT training for teachers, purchase of laptops, enforcement of computer labs and purchase of projectors for all schools.
Supplementary Budget Estimates 2015/16	Ministry of Information, Communications and Technology	ICT Infrastructure Connectivity	12.04	No revised figure	ICT Infrastructure connectivity, ICT and BPO development
Tabled Budget Estimates 2016/17	Ministry of Information, Communications and Technology	E-Government Services	13.76	600,000 (Number of devices procured)	Implement the cyber security master plan, E-registries/ Digitization and procurement of laptops

The other major changes between the BPS and the budget receive partial explanations in the Budget Summary. Many of these explanations relate to an apparent increase in certainty about donor funds. For example, the State Department for Livestock has a total increase of 94 percent mainly due to “confirmed donor commitments” (Budget Summary, page 28). This suggests that the donor commitments were not fully known at the time of formulating the BPS. Other explanations do not fully justify the changes, as they do not explain why the original estimates have changed. For example, the Registrar of Political Parties has received a significant increase in allocations for “election-related expenses” in the lead up to 2017. But the government knew about the 2017 elections when the BPS was prepared, so this does not explain why these expenses were not taken into account at that time.

Additional capital allocation for the resettlement of Internally Displaced Persons resettlement is the reason given in the Budget Summary for the increased allocation under the State Department for Devolution. The National Treasury’s recurrent budget was reduced by Ksh 9.9 billion in what Treasury says is part of budget “rationalization.” The State Department of Fisheries allocation was also reduced to “reflect confirmed donor commitments,” suggesting that the earlier estimates were based on some donor funding that was not ultimately confirmed. The Parliamentary Service Commission’s ceilings were reduced due to “lack of resources,” which is not an adequate explanation when the budget for other items is increasing.

In absolute terms, the infrastructure MDAs account for four of the five budgets that have broken their approved ceilings by the largest amount. The Department of Transport has the highest increase, with Ksh 51 billion. According to Treasury, this is due to “revised donor commitments” and an extra Ksh 10 billion for the Lamu Port-South Sudan-Ethiopia Transport (LAPSSET) project. Under the State Department for Infrastructure, the Road Transport Program has a Ksh 42 billion increase to build low seal roads as well as to reflect new donor commitments.⁴

In the Ministry of Energy and Petroleum, the increase of just over Ksh 31 billion is for connection of new transformers, street-lighting, implementing donor funded projects, and distribution of liquefied petroleum gas. Confirmed donor commitments are given as the reason for the increase in the allocation for the Ministry of Water and Irrigation.

TABLE 5. LARGEST INCREASES AND DECREASES AT MINISTRY LEVEL FROM BPS (ABSOLUTE VALUE)

Vote (Billions)	BPS Ceilings (Billions)*	Annual Gross Estimates 2016/17 (Billions)	Variance (Billions)	% Growth
State Department of Transport	130.75	181.62	50.87	39%
State Department of Infrastructure	134.55	176.75	42.21	31%
Ministry of Energy & Petroleum	91.08	122.34	31.26	34%
Ministry of Water and Irrigation	46.28	62.27	15.99	35%
Ministry of Information Communications and Technology	11.22	25.93	14.71	131%
State Department for Agriculture	23.33	21.61	-1.71	-7%
Judiciary	17.31	15.31	-2.00	-12%
Parliamentary Service Commission	13.46	10.24	-3.22	-24%
The National Treasury	91.44	82.07	-9.37	-10%
State Department for Education	81.49	67.19	-14.30	-18%
Total	1,498.36	1,667.35	168.99	11%

BUDGET PRIORITIES IN 2016/17

SECTOR PRIORITIES

There are several ways to think about changing sector priorities.

We begin by looking at the change in allocation to each sector between the 2015/16 budget and the 2016/17 budget. Generally, this year’s MDA budget is 11 percent higher than what the National Assembly approved in 2015/16. Sectors and ministries growing faster than that average are being

⁴ Parliament did not change the proposed amount of Ksh 134.55 billion in the original BPS, but after the BPS was approved, Treasury increased the amount by Ksh 42 billion in the Budget Estimates.

prioritized, while those growing slower than average are not. Those growing faster than average are taking a higher share of the overall budget in 2016/17; those growing slower are taking a smaller share. However, in some cases, these changes also reflect reorganization of ministries and programs rather than shifting priorities, and we must also look at this.

Overall, the budget is shifting resources toward infrastructure, water and governance, and reducing resources for education and public administration. The Energy, Infrastructure and ICT sector's share of the budget has increased by 4 percentage points, growing from 26.9 percent to 30.4 percent, the largest increase for any sector (Table 6, Column H). This indicates that the sector continues to grow as a priority area for the government. The Environment Protection, Water and Natural Resources sector is also rising by 1.4 percentage points, but this is mainly driven by the reorganization of government: the irrigation program has been moved here from Agriculture, Rural and Urban Development. The Education sector is the second largest expenditure sector and is allocated one fifth of the total MDAs budget. Here again, a reorganization rather than a change in priorities (in this case the shift of the laptop budget to ICT) has caused most of the reduction in the share of the budget for Education, which is going down by 2 percentage points between 2015/16 and 2016/17. There are also smaller reductions for the Quality Assurance and Standards and Technical Vocational Education and Training programs. The Public Administration and International Relations sector's share has also reduced by 2 percentage points, driven mainly by a 12 percent reduction in the National Treasury's budget under the administration program.

TABLE 6. CHANGING SECTOR PRIORITIES BETWEEN BUDGET 2015-16 AND BUDGET 2016-17

	2015/16 (Approved Budget Estimates)	2016/17 (Gross Expenditure Estimates)	<i>Absolute Growth</i>	<i>% Growth</i>	2015/16 (Approved Budget Estimates)	2016/17 (Gross Expenditure Estimates)	
Sectors	<i>Total</i>	<i>Total</i>			<i>Share of the Total</i>	<i>Share of the Total</i>	<i>Variance</i>
Energy, Infrastructure and ICT	404.7	506.6	102.0	25.2%	26.9%	30.4%	3.5%
Environment Protection, Water and Natural Resources	63.0	92.9	29.9	47.4%	4.2%	5.6%	1.4%
Governance, Justice ,Law and Order	154.0	188.0	34.0	22.0%	10.2%	11.3%	1.0%
National Security	112.5	124.0	11.5	10.2%	7.5%	7.4%	0.0%
Social Protection, Culture and Recreation	31.5	33.7	2.2	7.1%	2.1%	2.0%	-0.1%
General Economic and Commercial Affairs	21.3	20.9	-0.4	-2.0%	1.4%	1.3%	-0.2%
Health	59.2	60.3	1.1	1.8%	3.9%	3.6%	-0.3%
Agriculture, Rural and Urban Development	79.7	69.6	-10.1	-12.6%	5.3%	4.2%	-1.1%
Education	336.3	339.3	3.1	0.9%	22.3%	20.4%	-2.0%
Public Administration and International Relations	243.4	231.9	-11.4	-4.7%	16.2%	13.9%	-2.3%
Total	1,505.5	1,667.3	161.9	10.8%	100%	100%	

PROGRAM PRIORITIES

Analysis of the budget estimates should really focus more on program level changes than sector changes, as the sector and ministry ceilings should have been finalized at the BPS stage of the budget process. We have seen that there were in fact many changes at sector level after the BPS, but we now turn to the real focus of the budget discussion: the allocations to programs and sub-programs.

TABLE 7. LARGEST INCREASES AND DECREASES IN PROGRAMS BETWEEN 2015/16 AND 2016/17 (ABSOLUTE VALUES)

		2015/16	2015/16	2016/17	Absolute Changes in Allocations Between 2015/16 and 2016/17	% Increase and Decrease in Allocations Between 2015/16 and 2016/17 Estimates
Vote	Program	Gross Total Estimates	Supplementary Budget	Gross Total Estimates	Gross Total Estimates	Gross Total Estimates
State Department of Infrastructure	0202000 P.2 Road Transport	133.97	143.9	176.75	42.8	32%
Ministry of Energy and Petroleum	0213000 P3 Power Transmission and Distribution	62.88	91.2	94.24	31.4	50%
Independent Electoral and Boundaries Commission	0617000 P.1 : Management of Electoral Processes	4.30	4.9	19.73	15.44	359%
State Department for Water and Regional Authorities/Ministry of Water and Irrigation	1004000 P.4 Water Resources Management	34.87	36.7	48.46	13.59	39%
Teachers Service Commission	0509000 P.1 Teacher Resource Management	174.30	182.3	187.87	13.57	8%

State Department for Commerce and Tourism	0306000 P 2: Tourism Development and Promotion	8.60	5.1	4.48	-4.12	-48%
Ministry of Energy and Petroleum	0212000 P2 Power Generation	28.08	24.0	22.29	-5.80	-21%
The National Treasury	0717000 P1 : General Administration Planning and Support Services	42.29	34.2	35.72	-6.57	-16%
State Department for Planning	0711000 P6: Gender & Youth Empowerment	28.22	20.6	21.11	-7.11	-25%
State Department for Education	0501000 P.1 Primary Education	35.80	22.6	23.04	-12.76	-36%
	Total Voted Expenditure	1,505.49	1,531.93	1,667.35	161.85	11%

The Road Transport program is rising by the highest absolute amount, up by Ksh 42.8 billion. The narrative under the State Department of Infrastructure indicates that the government plans to construct a wide range of roads across the country and the indicators section has provided details of each of the roads to be constructed and maintained in 2016/17. While the narrative does not clearly indicate what the priorities are within the ministry, a look at the subprograms shows that the priority area is the construction of roads and bridges whose budget is rising from Ksh 43 to 97 billion, an increase of 123 percent. The allocations for other sub-programs in the ministry are reducing with the exception of administration.

TABLE 8. ROAD TRANSPORT PROGRAM BREAKDOWN 2015/16 AND 2016/17

Sub-Programs	2015/16	2016/17	% Growth
Construction of Roads and Bridges	43.48	96.91	123%
Rehabilitation of Roads	60.33	47.90	-21%
Maintenance of Roads	26.66	26.18	-2%
Design of Roads and Bridges	1.69	1.00	-41%
General Administration, Planning and Support Services	1.80	4.77	165%
Total	133.97	176.75	32%

The Power Transmission and Distribution program has the second highest increase in absolute amounts, up by Ksh 31.4 billion. What are the priorities under this program? The ministry narrative discusses generation, distribution, and power connections without highlighting any particular focus. The subprogram budgets show that that the allocation to improve the National Grid is going up by Ksh 22.25 billion (48 percent) and that of Rural Electrification is going up by Ksh 9.11 billion (54 percent). Thus both subprograms seem to be receiving enhanced resources, maintaining their relative importance within the program. The increase in funding for rural electrification seems to be intended for new power connections for public facilities as well as rural households. The National Grid allocation will fund projects across the country meant to improve grid connectivity to new power generation sites and inter-country links. For example, there is a project from the new wind power site in Loiyangalani to the Suswa grid line and there are projects to enhance connections between Kenya and Ethiopia and Kenya and Tanzania.

TABLE 9. THE POWER TRANSMISSION AND DISTRIBUTION PROGRAM BREAKDOWN 2015/16 AND 2016/17 (KSH BILLIONS)

Sub-Programs	2015/16	2016/17	% Growth
National Grid System	45.97	68.22	48%
Rural Electrification	16.91	26.02	54%
Total	62.88	94.24	50%

As we approach the elections, it is not surprising to see the large increase in the IEBC allocation, up by 359 percent, from Ksh 4.3 billion in 2015/16 to Ksh 19.7 billion in 2016/17. The narrative does not detail the commission's priorities in 2016/17, but the indicators show that the number of people to be registered is 8.5 million, a substantial increase above the 2015/16 target of 4 million. Another priority program in 2016/17 is Water Resource Management, as we saw above. From the subprogram allocations, the driver of this increase is the budget for water supply infrastructure, which is going up by about Ksh 9 billion. This subprogram appears to fund both water access and sanitation infrastructure.

Finally, while the education sector will see a declining share of the total budget in 2016/17, the Teacher Resource Management Program under the Teachers Service Commission (TSC) is one of the top five programs in terms of increases for the year. Its budget will rise by Ksh 13.6 billion. While again the narrative does not explain which priorities TSC will focus on in 2016/17, a look at the allocations show that primary school teachers are the biggest beneficiary of this increase. The primary school teacher management subprogram's budget is increasing by Ksh 24.38 billion (25 percent increase) and that is the fastest growing under TSC. There appears to be a tradeoff between primary and tertiary teachers (those at polytechnics and colleges) in the budget, as the tertiary education teacher management subprogram is going down by Ksh 11.27 billion.

There is no explanation of this tradeoff or what it means for these teachers. The number of teachers to be recruited at the tertiary level in 2016/17 has been revised downwards from 500 to 100. It is interesting to note that in 2015/16 the target number for employment was 841. This was revised to 0 in the supplementary budget. The large cut in this program is consistent with the declining focus on new recruitments, but also suggests that some of the current teacher positions might have to be terminated as well. The Primary Education program has the highest decrease among all the MDAs, dropping by Ksh 12.8 billion. This is mostly due to the shift of the laptop project to the ICT ministry.

The reduction of the National Youth Service (NYS) budget by Ksh 8.1 billion is the main reason why the Gender and Youth Empowerment Program is falling. This is a big shift because NYS, like the laptop initiative, is a "national priority" program for the National Government. The ministry does not explain why this budget is falling. In addition, despite the huge reduction in its budget, the targets for the program have remained the same. For example, the number of small dams to be constructed by NYS remains as 48,600 and the number of new recruits into NYS remains 21,870. The 2016/17 estimates target 150,000 community members to be trained by the NYS trainees; this was missing in the 2015/16 budget, but a new target of this magnitude might also require more, not less, funding. The Division of Revenue Bill had an allocation of Ksh 11.6 billion for NYS, which is much lower than the Ksh 16.9 billion allocated in the budget estimates for 2016/17. This is another example of the lack of consistency between different Treasury documents.

Under Power Generation, a reduction in allocations for geothermal power generation is the main reason why the program's budget is going down (though there is a slight increase in allocation for coal exploration). The Tourism Development and Promotion program's budget is reducing by Ksh 4.1 billion. This has also been claimed as a major priority for the government, but the budget suggests otherwise. More surprising is the fact that even as its budget is cut by half, the targets for the programs are progressively increasing. The targets may also be unrealistic. For example, the target for foreign tourists for 2016/17 is 2.8 million. According to the Economic Survey 2016, the number of international visitors was 1.18 million in 2015.⁵ Is it possible to more than double that figure in 2016/17? This seems ambitious, especially in the face of reduced resources.

When we look at the program priorities based on percentage changes, the Cooperative Development and Management program has the highest increase, up by nearly 1000 percent as shown in Table 10 below. This growth is mainly in the Cooperative Advisory Services subprogram, but it is not clear what the money is to fund. The narrative has no details of the ministry's priorities or the reasons behind the distribution of funding between the ministry's programs. However, the targets for savings in SACCOS is expected to grow by 15 percent and the target for new cooperatives is 600 in 2016/17. The administration program under the State Department for Commerce and Tourism has an increase of 237 percent in its budget. This is not explained anywhere but there are new delivery units under the program, such as the tourism recovery unit and a charter flight incentive program, which might be driving the need for more resources. This may partially compensate for the decrease in the Tourism Development program (but this increase in administration of Ksh 1.6 billion is much less than the decrease in that program of Ksh 4.1 billion). The other large percentage changes have already been discussed as they also dominated the major changes in absolute terms.

⁵ http://www.knbs.or.ke/index.php?option=com_phocadownload&view=category&download=862:economic-survey-2016&id=107:economic-survey-publications&Itemid=1181 Page 207

TABLE 10. LARGEST INCREASES AND DECREASES IN PROGRAMS BETWEEN 2015/16 AND 2016/17 (% CHANGES)

		2015/16	2015/16	2016/17	% Increase and Decrease in Allocations Between 2015/16 and 2016/17 Estimates
VOTE CODE TITLE	PROGRAMME CODE AND TITLE	Gross Total Estimates	Supplementary Budget	Gross Total Estimates	Gross Total Estimates
Ministry of Industrialization and Enterprise Development	0304000 P.4 Cooperative Development and Management	0.27	0.7	2.82	956%
Independent Electoral and Boundaries Commission	0617000 P.1 : Management of Electoral Processes	4.30	4.9	19.73	359%
Ministry of Information, Communications and Tech	0208000 P2: Information And Communication Services	3.48	3.1	14.93	329%
Ministry of Mining	1009000 P.3. Mineral Resources Management	0.88	0.6	3.79	328%
State Department for Commerce and Tourism	0308000 P 4: General Administration, Planning and Support Services	0.68	0.6	2.29	237%
State Department for Commerce and Tourism	0306000 P 2: Tourism Development and Promotion	8.60	5.1	4.48	-48%
Ministry of Energy and Petroleum	0212000 P2 Power Generation	28.08	24.0	22.29	-21%
The National Treasury	0717000 P1 : General Administration Planning and Support Services	42.29	34.2	35.72	-16%
State Department for Planning	0711000 P6: Gender & Youth Empowerment	28.22	20.6	21.11	-25%
State Department for Education	0501000 P.1 Primary Education	35.80	22.6	23.04	-36%
	Total Voted Expenditure	1,505.49		1,667.35	11%

HOW REALISTIC AND USEFUL ARE PROGRAM INDICATORS AND TARGETS?

The 2016/17 PBB has made some improvements that are important to highlight. For example, indicators are now broken down to the individual project level in some ministries, with specific targets for each as can be seen in the Road Transport program. In 2015/16, all road construction projects were lumped together and measured through a gross target of kilometers (km) constructed (see Figure 1).

FIGURE 1. INDICATORS AND TARGETS, ROAD TRANSPORT PROGRAM, 2015/16 BUDGET

Programme: 0202000 P.2 Road Transport

Outcome: Enhancing Effective and Efficient Mobility to Create a Conducive Environment for Trade and Commerce

Sub Programme: 0202010 SP. 2.1 Construction of Roads and Bridges

Delivery Unit	Key Output (KO)	Key Performance Indicators (KPIs)	Targets 2015/2016	Targets 2016/2017	Targets 2017/2018
1091000400 Mechanical and Transport Department	Financial Services	Amount collected under the MTF	Collecting kshs. 1,488,000,000 as AIA under the MTF	Collecting kshs. 1,600,000,000 as AIA under the MTF	Collecting kshs. 1,650,000,000 as AIA under the MTF
1091000500 Materials Department	Materials tests.	No. of materials tests carried out	1 material test carried out on road construction	1 material test carried out on road construction	1 material test carried out on road construction
1091000700 Major Roads	Roads	KM of new roads constructed	1,072KM of new roads constructed	1,080KM of new roads constructed	1,100KM of new roads constructed
1091000800 Other Roads	Roads	KM of new roads constructed	2,278KM of new roads constructed	2,390KM of new roads constructed	2,420KM of new roads constructed
1091000900 Headquarters Roads Department	Compliance and Standards	% adherence to roads standards	100% adherence to prescribed roads standards	100% adherence to prescribed roads standards	100% adherence to prescribed roads standards

In 2016/17, the indicators under the same program are now broken down further as shown below.

Specific road projects are listed by name as “delivery units” with individual targets.

FIGURE 2. INDICATORS AND TARGETS, ROAD TRANSPORT PROGRAM, 2016/17 BUDGET

Delivery Unit	Key Output (KO)	Key Performance Indicators (KPIs)	Targets 2016/2017	Targets 2017/2018	Targets 2018/2019
1091100300 Nuno-Modogashi Road	Km of road constructed	No. of kilometers	10	50	75
1091100400 Mombasa Port Area Roads Development project	Km of road constructed	No. of kilometers	2	5	3
1091100500 Dualling Of Nairobi- Dagoretti Corner Road Phase 1	Km of road constructed	Number of kilometers	0.4	1.8	0.4
1091100600 Nairobi Southern Bypass Project	Km of road constructed	No. of kilometers	4	0	0
1091101000 Northern Corridor Transport Improvement Project	Km of road constructed	No. of kilometers	0	0	0
1091101100 East African Trade and Transport Facilitation Project (KRA)	Boarder posts constructed	% completion	5	0	0

However, there are still challenges with a number of these targets. The targets in some cases seem unrealistic or illogical. For example, the Northern Corridor Transport Improvement Project has targets over the medium term of 0 km for each of the next three years. This does not seem like a useful

indicator to have in the budget if the target is to achieve nothing for three years. The target for construction of Nairobi-Dagoretti Corner for the full year is only 0.4KM. This seems extremely modest.

One of the challenges with some of the indicators is that a lack of baseline data (targets and projected actuals for 2015/16) makes it difficult to know where we are starting and whether the targets are realistic. This remains a big gap in the national budget. By contrast, some county governments, such as Nakuru County, have actually improved upon this presentation. Apart from baseline indicators for 2015/16, the county also includes the actual performance for 2014/15 (Figure 3). The National Treasury should mimic this approach in next year's budget.

FIGURE 3. NAKURU COUNTY 2016/17 PROGRAM BASED BUDGET INDICATORS AND TARGETS

Programme	Delivery Unit	Key Output	Key Performance Indicators	Target 2014/2015	Actual Achievement 2014/2015	Baseline 2015/2016	Target 2016/2017	Target 2017/2018
Programme 2: Preventive and Promotive health services								
Outcome: Reduce disease burden associated with environmental health risk factors and unhealthy lifestyle.								
S-P2.1 Primary Health care	Directorate of public Health	Increase population under 1 year immunized	% of fully immunized children	85%	92%	92%	94%	95%
SP2.2. Environmental Health and sanitation		Increase functional community units	No. of community health units established	22	138	138	150	172
		Increase percentage of house hold with functional toilets	Percentage of Household with functional toilets	85%	84%	84%	90%	95%
		Increase no. of schools with functional sanitary facilities	%Of schools with functional sanitary facilities	80%	80%	80%	85%	90%
		Increase the Acreage of cemetery Land	No of Acreage for cemetery	50	0	20	40	70

BUDGET ABSORPTION

As the National Assembly discusses the allocations to different sectors and ministries, it is also important to look at implementation of past years' budgets. MDAs that have struggled to spend the money allocated to them in previous years should be interrogated further with the aim of resolving challenges before more funds are allocated to them. The narrative section of the PBB gives each ministry an opportunity to explain implementation challenges and the remedies it is putting in place to tackle these challenges. Parliament should demand this information where it is not included and review it to see if the remedies proposed are satisfactory.

One place to find implementation data is in the Controller of Budget's quarterly implementation reports. These reports provide information on budget absorption over time. From Table 11 below, we can see that the national security sector spent all the money allocated to it in 2014/15, which is the

last year with full annual expenditure data. Several other sectors spent over 80 percent of their allocations. But more than half of the sectors spent less than 80 percent of their allocations in 2014/15.

For 2015/16, we only have data through the half year. We can see that the same sectors that performed well in 2014/15 also performed reasonably well in the first half of 2015/16. Energy, Infrastructure and ICT had the lowest absorption in 2014/15, spending less than one third of the money approved for the sector. They have spent only 21 percent of their budget during the first half of 2015/16. Environment Protection, Water and Natural Resources spent just under 60 percent of its approved budget in 2014/15. In the first half of 2015/16, the sector has only spent 17 percent of its budget. These two sectors are relatively capital intensive and donor dependent, which may be among the causes of poor absorption.

TABLE 11. SECTOR ABSORPTION RATES IN 2014/15 AND HALF YEAR 2015/16

Sectors	2014/15 (% Expenditure to Revised Gross Estimates)			2015/16 (% Half Year Expenditure to Gross Estimates)		
	Recurrent	Development	Total	Recurrent	Development	Total
National Security	100%	0%	100%	46%	0%	46%
General Economic and Commercial Affairs	93%	89%	91%	42%	29%	33%
Education	90%	62%	88%	42%	13%	39%
Social Protection, Culture and Recreation	79%	83%	81%	42%	33%	36%
Governance, Justice ,Law and Order	80%	46%	77%	30%	10%	28%
Public Administration and International Relations	87%	66%	76%	50%	9%	28%
Agriculture, Rural and Urban Development	82%	69%	72%	36%	31%	32%
Health	85%	54%	71%	35%	16%	25%
Environment Protection, Water and Natural Resources	68%	54%	58%	24%	14%	17%
Energy, Infrastructure and ICT	18%	31%	30%	8%	23%	21%
Total	85%	46%	66%	39%	20%	30%

We can also look at absorption at ministry level. Table 12 shows that the MDAs under the Energy, Infrastructure and ICT sector had the lowest absorption rates across the government, driving the poor overall sector performance.

TABLE 12. HIGHEST AND LOWEST MDA ABSORPTION RATES IN FY 2014/15 AND HALF YEAR 2015/16

Vote	2014/15 (Revised Gross Estimates)	2014/15 (Actual Annual Expenditure)	2014/15 (% Expenditure of Revised Estimates)
Commission for the Implementation of the Constitution	306,000,000	317,845,849	103.9%
National Intelligence Service	19,141,500,000	19,127,033,313	99.9%
Ministry of Defence	78,873,270,625	78,694,694,178	99.8%
Public Service Commission	1,184,204,313	1,171,388,338	98.9%
Ethics and AntiCorruption Commission	1,746,000,000	1,725,036,735	98.8%
	-	-	
State Department for Devolution	14,491,280,765	8,338,806,750	57.5%
State Department for Water and Regional Authorities	37,696,435,283	18,578,932,454	49.3%
State Department of Infrastructure	137,451,357,697	63,421,990,035	46.1%
Ministry of Energy & Petroleum	90,779,639,482	23,333,318,415	25.7%
State Department of Transport	187,742,634,777	35,346,393,261	18.8%
Total	1,433,218,906,255	941,958,795,250	65.7%

At the program level, we consider the five programs with the highest absolute increase in their allocations between 2015/16 and 2016/17. Table 13 shows that these programs have also been struggling to absorb their allocations. For example, the Road Transport program (which has the highest increase) was only able to spend 46 percent of its budget in 2014/15, and by the middle of 2015/16 had only spent 15 percent. Similarly, the Power Transmission and Distribution program has only absorbed 11 percent of its budget in the first half of 2015/16 and was only able to spend 31 percent in all of 2014/15.

However, other programs have done better. Teacher Resource Management has spent about half of its budget by the midpoint of 2015/16 and spent 98 percent in the year 2014/15. The Management of Electoral Processes program spent three quarters of its budget in 2014/15 and had spent 35 percent in first half of 2015/16.

In general, it seems there is a difference between capital heavy programs and those that are wage heavy. Capital-intensive programs have lower absorption. However, as discussed earlier, capital-intensive sectors and ministries are also those receiving the highest absolute budget increases in 2016/17.

Why is this information important? Some of the sectors, ministries, and programs that have challenges spending what has been allocated are also among those where the ceilings were broken

to increase their budgets beyond the BPS. Their shares of the budget are also growing by large margins when we compare allocations between 2015/16 and 2016/17. Parliament should therefore ask why it should approve large increases in the budgets for MDAs that are clearly not able to spend their previous years' allocations? Have the ministries provided adequate explanations for how past challenges will be addressed to ensure higher levels of implementation in 2016/17? If not, Parliament could consider requesting additional information until it is satisfied that the budget will be implemented, or, if this is not forthcoming, it should consider making changes to the budget.

TABLE 13. PROGRAM ABSORPTION RATES IN FY 2014/15 AND HALF YEAR 2015/16 FOR THOSE PROGRAMS RECEIVING LARGEST INCREASES IN BUDGET IN 2016/17 VERSUS 2015/16^{6, 7}

Program	Absolute Changes in Allocations Between 2015/16 and 2016/17 (Billions)	% Increase and Decrease in Allocations Between 2015/16 and 2016/17 Estimates	Full Year Absorption 2014/15	Half Year Absorption 2015/16
P.2 Road Transport	42.78	32%	46%	15%
P3 Power Transmission and Distribution	31.36	50%	31%	11%
P.1 : Management of Electoral Processes	15.44	359%	76%	35%
P.4 Water Resources Management	13.59	39%	44%	14%
P.1 Teacher Resource Management	13.57	8%	98%	49%

⁶ See <http://cob.go.ke/?wpdmdl=9814>

⁷ See <http://cob.go.ke/?wpdmdl=9320>