

What Does the 2015/2016 Supplementary Budget Say About Kenya's Priorities?

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OVERVIEW

In this short brief, we highlight major changes in the national government's supplementary budget 2015/2016. It is notable that a number of these changes reduce funding for programs that have been described by government as priorities in the past few years, including the laptop initiative, the National Youth Service (NYS), and the irrigation program. These reductions should be thoroughly debated, particularly in the context of a supplementary budget that increases the overall size of the budget. The reduction in the NYS particularly stands out: in the last couple of years it has been deemed a "national interest" priority when the Division of Revenue Bill has been presented, meaning that its funding is used to justify restricting the funds available for sharing with counties. This raises questions about the consistency of government's priorities over time and across legislation.

Key changes in the supplementary budget include:

- The allocation for Tourism Promotion and Marketing has been reduced by Ksh 2.5 billion from an approved budget of Ksh 6.3 billion.
- The budget for the NYS has been reduced by Ksh 7.7 billion for the year 2015/16, although the targets set for the program have remained the same.
- The Irrigation and Drainage program has been moved from the State Department of Agriculture to the Ministry of Water and Irrigation. The allocation to the program has also been revised downwards by Ksh 1.9 billion.

- The laptop initiative has been moved from the Ministry of Education to the Ministry of Information, Communication and Technology. The allocation for the program also appears to have been reduced by as much as Ksh 5 billion.
- The estimates for the Road Maintenance Levy Fund have been revised upwards by 44 percent, from Ksh 26.7 billion to Ksh 38.5 billion. This is quite an ambitious target relative to past performance and the reasons behind the change are unclear.
- Funding for both the Office of Director of Prosecution and the Ethics and Anti-Corruption Commission has been increased (a combined Ksh 1.2 billion) as part of the multi-agency work to fight corruption.
- The National Treasury's development budget has been increased. This is mainly driven by a Ksh 20.2 billion loan for onward lending to Kenya Airways.

The budget documents that contain these changes mostly fail to justify the reasons behind them. This undermines the supplementary budget's transparency and the quality of public deliberation around the changes. In addition, we note that the supplementary budget has not been widely available to the public, which of course further erodes the quality of debate over its contents. Finally, we find that in many cases where budgets have been revised downward, there is no corresponding decrease in the programmatic targets. This suggests that government expects the same work to be done for much less money. Either the original estimates were inflated, which raises additional concerns about the probity of the budget process, or these targets are not realistic.

The rest of this brief looks in further detail at the proposed changes and justifications, if any. Where possible, we also look at any changes in non-financial targets for the year.

TOTAL ALLOCATIONS TO MINISTRIES, DEPARTMENTS AND AGENCIES (MDA)

The supplementary budget proposes to increase the total budget by 2 percent, from Ksh 1.51 trillion to Ksh 1.53 trillion. This is contrary to rhetoric about "austerity" and earlier media reports indicating substantial cuts to the overall budget.¹ How will the budget increase be funded? On the recurrent side, the main source will be Appropriations-in-Aid, from an increase in the projected collections from the Road Maintenance Levy Fund. On the development side, the full increase is from external funding

¹ See <http://www.businessdailyafrica.com/Kenya-to-cut-spending-by-Sh50bn-in-2015-2016/-/539552/3121150/-/wvxa24/-/index.html>

commitments. The remaining increase of Ksh 8.2 billion will be funded by general revenues, probably by increasing the deficit.

Among MDAs, the largest increase in percentage terms is for the Ministry of Information, Communication and Technology (ICT), which will see its budget increase by 46 percent. This is mostly due to the ministry taking over the laptop initiative from the State Department for Education. Although the use of different codes, opaque language, and conflicting data within and across ministries makes it difficult to tell, it appears that the sub-program containing the laptops initiative (ICT Capacity Development) has fallen from about Ksh 16 billion when it was under Education to only Ksh 6.4 billion now that it is under ICT (ICT Infrastructure Connectivity). Our best guess, comparing vague lines in the line item budget for furniture and specialized equipment, is that this has resulted in a drop of as much as Ksh 5 billion in the funds available for laptops. The original objective in the State Department for Education was to buy laptops for 400,000 pupils; the target for the initiative is zero now in this department, and there is unfortunately no target under ICT.

The second largest increase among MDAs is for the Salaries and Remuneration Commission (SRC), which will see its budget increase by 34 percent. SRC will use an additional Ksh 247 million primarily to complete a job evaluation in the public service. This is part of an ongoing debate in the 2015/16 budget cycle on the SRC budget: the National Treasury had initially recommended an increase in the SRC allocation for 2015/16, but MPs approved a reduced amount. Treasury appears to have remained keen on increasing SRC's budget this year.

The third largest increase is for the Ministry of Water and Irrigation, which will see its budget increase by 31 percent. This is mainly due to the ministry taking over the irrigation program from the State Department of Agriculture, which will see its budget reduced by 51 percent. The narrative also mentions new donor commitments to the ministry as another reason for the Ksh 12.6 billion increase in capital expenditure for the ministry. However, the amount transferred to Water and Irrigation (Ksh 14.6 billion) is lower than what was initially approved for the Promotion of Irrigation and Drainage program in Agriculture (Ksh 16.5 billion). Despite a Ksh 1.9 billion reduction in funding, the target for the program remains the same. This raises questions about the seriousness of the government's targets.

Budgets for the Ministry of Mining as well as Commerce and Tourism will each be reduced by a third. The change under Mining is a reduction in the capital estimates as part of "austerity measures" by the national government. No further explanation is given for the specific cuts to Mining. The allocation for Tourism Promotion and Marketing has been reduced by Ksh 2.5 billion, accounting for most of the ministry's 34 percent reduction. The ministry has now revised the number of tourist arrivals from 2.5 million to 2 million

while the number of beds occupied by local tourists has been reduced to 2 million from an earlier target of 3.4 million.

TABLE 1. LARGEST INCREASES AND DECREASES AT MDA LEVEL (%)

Vote	Approved Gross Estimates 2015/2016 (Billions)	Supplementary Gross Estimates 2015/2016 (Billions)	Change (Billions)	% Change
Ministry of Information, Communications and Technology	11.99	17.52	5.53	46%
Salaries and Remuneration Commission	0.72	0.97	0.25	34%
State Department for Water and Irrigation	39.71	52.06	12.36	31%
Ministry of Energy and Petroleum	94.46	118.10	23.64	25%
Office of the Director of Public Prosecutions	2.22	2.74	0.52	24%
Public Service Commission	1.29	1.13	(0.16)	-12%
State Department for Education	81.44	67.12	(14.32)	-18%
State Department for Commerce and Tourism	10.68	7.08	(3.60)	-34%
Ministry of Mining	2.22	1.35	(0.87)	-39%
State Department for Agriculture.	34.47	17.00	(17.47)	-51%
Total Voted Expenditure	1,505.49	1,531.93	26.44	2%

In absolute terms, the Ministry of Energy and Petroleum will have the highest increase in the supplementary budget of Ksh 24 billion. This is mainly driven by a 73 percent increase in the allocation to the national grid system (in spite of a Ksh 4 billion drop in geothermal generation funding), based on new donor commitments. Though the budget for the national grid system is going up by Ksh 33.6 billion in the program-based budget, the targets for the program have not changed. This may reflect the fact that in the line budget, the national grid system is actually not where most of the increases are concentrated. Rather, a few specific projects, of which the Garissa solar power plant development project is the largest, seem to be taking most of the new donor funds. The next largest increase at ministry level is Ksh 12 billion for the Ministry of Water and Irrigation, after the irrigation program was moved here.

A review of the expected collections under the Road Maintenance Levy Fund is the main reason that the State Department of Infrastructure has an increased allocation. An increase for primary and secondary school teacher salaries is the main reason why the allocation for the Teachers Service Commission is going up by Ksh 6.7 billion. No explanation is given for this increase even as the numbers of teachers to be employed is revised downwards, from 10,000 to fewer than 4000 primary school teachers (and from about 9200 to 2400 secondary school teachers). The narrative in the budget claims that the Office of the

Director of Prosecution is getting an extra Ksh 523 million for the multi-agency activities meant to fight corruption and economic crimes. However, the largest share of new funds is going to “prosecution of criminal offences” while the budget for “inter-agency cooperation” is not increasing.

Reductions in the budgets for both education and agriculture, which are among the largest, are primarily related to reorganization of the budget rather than actual reductions in spending. However, as we have seen, there were also small reductions accompanying these shifts of programs between ministries.

TABLE 2. LARGEST INCREASES AND DECREASES AT MDA LEVEL (ABSOLUTE VALUE)

Vote	Approved Recurrent Estimates 2015/2016 (Billions)	Supplementary Recurrent Estimates 2015/2016 (Billions)	Change (Billions)	% Change
Ministry of Sports Culture and Arts	2.95	4.45	1.50	51%
State Department of Infrastructure	29.95	41.63	11.67	39%
Office of the Director of Public Prosecutions	1.96	2.67	0.70	36%
Salaries and Remuneration Commission	0.72	0.97	0.25	34%
Ethics and Anti-Corruption Commission	2.31	3.09	0.78	34%
The Judiciary	12.62	11.61	(1.02)	-8%
Controller of Budget	0.58	0.53	(0.05)	-9%
Office of The Attorney General and Department of Justice	4.09	3.73	(0.37)	-9%
The National Treasury	43.22	33.75	(9.47)	-22%
State Department for Agriculture	8.31	6.08	(2.23)	-27%
Total Voted Expenditure	784.20	804.28	20.08	3%

RECURRENT ALLOCATIONS

As the discussion continues about “austerity” measures by the national government, the focus has been on a possible reduction in spending in non-core areas, like travel, in order to control the size of the recurrent budget. However, as shown in Table 3, the recurrent budget has increased by three percent (Ksh 20 billion). In percentage terms, the highest increase in recurrent budgets is in the Ministry of Sports Culture and Arts with a 51 percent increase. This is mainly to cater for the upcoming Olympic Games, allocations for the Anti-Doping Agency, and cash awards for sports persons. The Ethics and Anti-Corruption Commission is also among the top five in terms of increased allocation, with an increase of Ksh 775 million to increase its capacity as part of the multi-agency team formed to fight corruption and economic crimes. As Table 3 shows, the top five increases in allocations are all over 30 percent.

TABLE 3. LARGEST INCREASES AND DECREASES IN RECURRENT SPENDING (%)

Vote	Approved Recurrent Estimates 2015/2016 (Billions)	Supplementary Recurrent Estimates 2015/2016 (Billions)	Change (Billions)	% Change
Ministry of Sports Culture and Arts	2.95	4.45	1.50	51%
State Department of Infrastructure	29.95	41.63	11.67	39%
Office of the Director of Public Prosecutions	1.96	2.67	0.70	36%
Salaries and Remuneration Commission	0.72	0.97	0.25	34%
Ethics and Anti-Corruption Commission	2.31	3.09	0.78	34%
The Judiciary	12.62	11.61	(1.02)	-8%
Controller of Budget	0.58	0.53	(0.05)	-9%
Office of The Attorney General and Department of Justice	4.09	3.73	(0.37)	-9%
The National Treasury	43.22	33.75	(9.47)	-22%
State Department for Agriculture	8.31	6.08	(2.23)	-27%
Total Voted Expenditure	784.20	804.28	20.08	3%

The National Treasury's recurrent allocation has been reduced by Ksh 9.5 billion. This is mainly due to reductions in the pensions department as well as a substantial reduction in the administration program. No reasons have been given for why the allocation for pensions is going down. An increase of Ksh 11.7 billion, mainly for road maintenance from the Road Maintenance Levy Fund (RMLF), has driven the increased budget for Infrastructure. It is not clear why the revenue expected for this fund has been revised by such a big margin. Over the last few years, the estimates for the RMLF have been a bit sporadic, but the projected change from 2014/15 to this revised figure for 2015/16 would be by far the largest change for the fund (see Table 4).

TABLE 4. ROAD MAINTENANCE LEVY FUND COLLECTIONS

Year	RMLF Budget Estimates	% Growth
2011/12	20,258,000,000	-
2012/13	15,373,800,000	-24%
2013/14	15,715,897,612	2%
2014/15	22,379,247,812	42%
2015/16*	38,058,182,151	70%

*Revised figure in the supplementary budget

The increase for the Ministry of Foreign Affairs and International Trade provides a nice example of the kind of unexpected changes in the environment that can lead to a supplementary budget: a weak shilling has increased costs for Kenya's missions abroad and the supplementary tries to cushion this. There is also reduced Appropriations-in-Aid for the ministry, due to the introduction of e-visa service, which has meant fewer fees collected at source.

TABLE 5. LARGEST INCREASES AND DECREASES IN RECURRENT SPENDING (ABSOLUTE VALUES)

Vote	Approved Recurrent Estimates 2015/2016 (Billions)	Supplementary Recurrent Estimates 2015/2016 (Billions)	Change (Billions)	% Change
State Department of Infrastructure	29.95	41.63	11.67	39%
Teachers Service Commission	181.21	188.02	6.81	4%
State Department for Interior	88.03	93.23	5.20	6%
Ministry of Foreign Affairs and International Trade	13.14	15.40	2.27	17%
Ministry of Sports Culture and Arts	2.95	4.45	1.50	51%
State Department for Planning	19.79	19.44	(0.35)	-2%
Office of The Attorney General and Department of Justice	4.09	3.73	(0.37)	-9%
The Judiciary	12.62	11.61	(1.02)	-8%
State Department for Agriculture.	8.31	6.08	(2.23)	-27%
The National Treasury	43.22	33.75	(9.47)	-22%
Total Voted Expenditure	784.20	804.28	20.08	3%

DEVELOPMENT ALLOCATIONS

The total development budget for MDAs will increase by 1 percent. The largest percentage increase is to the small budget for the Ministry of Defence. The Ministry of ICT has a 62 percent increase for its development expenditure, which, as we have seen, is mainly the shifting of the laptop program from the Ministry of Education.

The top five reductions in development allocations will slash by more than two-thirds the budgets for independent agencies and commissions, which have relatively small allocations. The main reason for the reductions is given as “expenditure rationalization,” though it is unclear why these particular expenditures were cut and not others.

TABLE 6. LARGEST INCREASES AND DECREASES IN CAPITAL EXPENDITURE (%)

Vote	Approved Capital Estimates 2015/2016 (Billions)	Supplementary Capital Estimates 2015/2016 (Billions)	Change (Billions)	% Change
Ministry of Defence	0.04	0.08	0.03	83%
Ministry of Information, Communications and Tech	8.94	14.52	5.58	62%
State Department for Water and Irrigation	35.45	48.00	12.55	35%
The National Treasury	49.77	63.69	13.92	28%
Ministry of Energy and Petroleum	92.41	116.01	23.60	26%
Teachers Service Commission	0.20	0.07	(0.13)	-67%
Public Service Commission	0.17	0.05	(0.12)	-69%
Office of the Director of Public Prosecutions	0.25	0.07	(0.18)	-71%
Independent Electoral and Boundaries Commission	0.10	0.03	(0.07)	-72%
Ethics and Anti-Corruption Commission	0.30	-	(0.30)	-100%
Total Voted Expenditure	721.29	727.65	6.36	1%

In absolute terms, the Ministry of Energy and Petroleum’s development budget was increased the most, by Ksh 23.6 billion. The National Treasury will also get a Ksh 13.9 billion boost for the government investment program, mainly due to a Ksh 20.2 billion loan from the Africa Export Import Bank for onward lending to Kenya Airways, while some other areas have been reduced, leading to the smaller net increase of Ksh 13.9 billion.

The transfer of the irrigation program from the State Department of Agriculture to the Ministry of Water and Irrigation (explained above) is the reason for the 58 percent reduction in the budget to Agriculture. There is a significant (Ksh 7.7 billion) reduction in allocations to NYS which explains the reduction in the State Department for Planning. Despite the significant reduction, the targets set for NYS in 2015/16 have been maintained, which raises questions about the seriousness of the initial targets. For example, funding for training additional recruits has remained the same at Ksh 21,870, while the number of small dams to be constructed by NYS has remained as 48,600. Given that NYS was just mentioned as a “national interest” priority in the 2016 Division of Revenue Act passed in April 2016, this also raises questions about the seriousness of that legislation.

**TABLE 7. LARGEST INCREASES AND DECREASES IN CAPITAL EXPENDITURE
(ABSOLUTE VALUES)**

Vote	Approved Estimates 2015/2016 (Billions)	Supplementary Estimates 2015/2016 (Billions)	Change (Billions)	% Change
Ministry of Energy and Petroleum	94.46	118.10	23.64	25%
State Department for Water and Irrigation	39.71	52.06	12.36	31%
State Department of Infrastructure	133.97	143.86	9.90	7%
Teachers Service Commission	181.41	188.09	6.67	4%
State Department for Interior	102.32	108.48	6.16	6%
State Department for Commerce and Tourism	10.68	7.08	(3.60)	-34%
Ministry of Land Housing and Urban Development	32.06	28.36	(3.70)	-12%
State Department for Planning	81.50	74.05	(7.46)	-9%
State Department for Education	81.44	67.12	(14.32)	-18%
State Department for Agriculture.	34.47	17.00	(17.47)	-51%
Total Voted Expenditure	1,505.49	1,531.93	26.44	2%