

Module 2 Session 2: How to Read and Understand Key Budget Documents

NOTE:

ONE TASK BETWEEN TASK 2.2A OR 2.2B WILL BE UNDERTAKEN AT ANY PARTICULAR TRAINING DEPENDING ON THE TIME OF THE TRAINING (IN RELATION TO THE BUDGET CYCLE) AND YOUR DEMAND AS PARTICIPANTS.

TIME OF THE YEAR	TASK TO UNDERTAKE
FROM JULY TO JANUARY	TASK 2.2B: CBROP
FROM JANUARY TO JUNE	TASK 2.2A:CFSP

BOTH DOCUMENTS ARE IMPORTANT BUT BECAUSE THESE TWO DOCUMENTS ARE QUITE SIMILAR, IT MAY NOT BE NECESSARY TO GO THROUGH BOTH DOCUMENTS FOR PURPOSES OF UNDERSTANDING HOW TO READ THEM.

TASK 2.2B: UNDERSTANDING THE COUNTY BUDGET REVIEW AND OUTLOOK PAPER (CBROP) –BARINGO COUNTY CBROP, 2015

45 MINUTES

TASK OBJECTIVE

- ❖ IDENTIFYING AND UNDERSTANDING KEY COMPONENTS OF THE COUNTY BUDGET REVIEW OUTLOOK PAPER

RESOURCES NEEDED

- ✓ Baringo CBROP 2014/15 available at http://baringo.go.ke/index.php?option=com_content&view=article&id=1377:baringo-county-budget-review&catid=21&Itemid=121
- ✓ National Budget Review and Outlook Paper 2014/15

TASK EXPLANATORY NOTES

1. Ensure you learn the key components of a CBROP and the importance of the CBROP within the broader budget cycle.
2. Refer to Task 2.2A and led by the facilitator in plenary to answer the task questions under Part 1 (This may be done individually or in groups as instructed by the facilitator)
3. Proceed to Part 2 led by the facilitator still in plenary. (This may be done individually or in groups as instructed by the facilitator)

TASK 2.2B

Part 1: National BROP 2015

1) Snippet 1 a, and b, page 3 & 4 Performance for the previous year (2014/15)

Table 1: Government Revenue and External Grants, 2014/15 (Ksh Million)

	2013/14	2014/15		Deviation (percentage)	
	Actual	Actual	Target		
Total Revenue (a+b)	1,001,027	1,106,378	1,170,529	64,151	28.5
(a) Ordinary revenue	918,990	1,031,248	1,070,515	39,267	3.7
Import Duty	67,555	74,048	76,748	2,700	3.5
Excise Taxes	102,029	115,872	119,559	3,687	3.1
PAYE	249,873	279,796	284,361	4,566	1.6
Other Income Tax	199,717	228,785	248,038	19,253	7.8
VAT Domestic	107,737	127,905	126,766	(1,138)	(0.9)
VAT Imports	124,893	131,781	143,286	11,505	8.0
Investment revenue	10,181	13,460	16,403	2,942	17.9
Traffic Revenue	3,323	2,825	3,010	186	6.2
Others	53,682	56,777	52,344	(4,433)	(8.5)
(b) Appropriation in Aid	82,037	75,130	100,014	24,884	24.9
(c) External Grants	26,957	27,384	66,395	39,011	58.8
Total Revenue and Grants	1,027,984	1,133,762	1,236,924	103,162	8.3
Total Revenue & External Grants as percentage of	20.4	19.9	21.7	1.8	-

1/ includes rent on land, capital gains tax, fines and forfeitures, other taxes, IDF fees and miscellaneous revenue.

2/ includes receipts from Road Maintenance Levy Fund and A-I-A from MDAs

Source: National Treasury

Snippet 1b

Table 2: Expenditure and Net Lending, Ksh Million

	FY 2013/14	FY 2014/15		Deviation	% Growth
	Preliminary Actual	Preliminary Actual	Targets		
1. RECURRENT	814,535	896,993	940,533	(43,540)	10.1
Domestic Interest	119,193	139,615	136,221	3,394	17.1
Foreign Interest due	15,628	33,330	28,966	4,364	113.3
Pensions etc	30,155	38,232	39,444	(1,212)	26.8
Wages & Salaries	281,197	293,115	297,978	(4,863)	4.2
Defense and NSIS	93,775	97,832	97,911	(79)	4.3
Others (Incl of O & M)	274,588	294,868	340,013	(45,144)	7.4
o/w Ministerial Recurrent AIA	54,814	50,566	61,705	(11,139)	(7.8)
2. DEVELOPMENT	319,274	508,580	684,360	(175,780)	59.3
Domestically Financed (Gross)	198,488	266,015	319,992	(53,977)	34.0
Foreign Financed	118,601	240,439	362,245	(121,805)	102.7
Net Lending	2,185	2,125	2,123	2	(2.7)
3. COUNTY TRANSFER	193,390	229,336	229,264	73	18.6
4. EQUILIZATION FUND	-	400	3,411	(3,011)	-
5. CONTINGENCIES FUND	-	4,951	5,000	(49)	-
				-	-
TOTAL EXPENDITURES (1+2+3+4+5)	1,327,199	1,640,259	1,862,566	(222,307)	23.6

Wages and salaries; for teachers and civil servants including the police

Source: National Treasury

What kind of information is contained in the tables and why is it important?

2) Snippet 2a (page13) and 2b (page 25): update of the fiscal position for the current year 2015/16.
 Snippet 1: Central Government Fiscal Projections, FY 2012/13 -2018/19

Table 7: Central Government Fiscal Projections, FY 2012/13-2018/19

	2012/13	2013/14	2014/15		2015/16			2016/17			2017/18			2018/19	
	Act.	Act.	Rev. Budget	PreL.	BPS'14	BROP'14	BPS'15	BROP'15	BROP'14	BPS'15	BROP'15	BROP'14	BPS'15	BROP'15	BROP'15
Total Revenue	847.2	974.4	1,164.6	1,106.4	1,473.8	1,352.2	1,358.0	1,363.7	1,558.9	1,594.6	1,560.4	1,752.9	1,845.3	1,791.5	2,051.8
Total Revenue as a % of GDP	18.8%	19.3%	20.4%	19.4%	23.4%	21.8%	20.8%	21.1%	22.3%	21.5%	21.3%	22.1%	21.8%	21.6%	21.9%
Ordinary Revenue	779.4	919.0	1,070.5	1,031.2	1,382.6	1,249.9	1,254.9	1,250.9	1,447.8	1,490.2	1,444.9	1,632.6	1,730.2	1,663.5	1,913.9
Ordinary Revenues as a % of GDP	17.3%	18.2%	18.7%	18.1%	22.0%	20.8%	19.2%	19.4%	21.3%	20.1%	19.7%	21.2%	20.5%	20.1%	20.4%
Tax Revenue	701.2	851.8	998.8	958.2	1,174.5	1,161.7	1,157.8	1,153.7	1,350.6	1,386.9	1,341.6	1,522.8	1,616.3	1,547.9	1,784.3
Non-Tax Revenue	78.3	67.2	71.8	73.1	208.1	88.1	97.0	97.2	97.2	103.3	103.2	109.8	113.9	115.7	129.7
AIA	67.8	55.4	94.1	75.1	91.1	102.3	103.2	112.8	111.0	104.4	115.5	120.3	115.1	128.0	137.9
Expenditure	1,107.3	1,300.6	1,806.7	1,640.3	1,795.6	1,800.5	1,998.5	2,014.8	1,987.6	2,052.6	2,102.4	2,216.4	2,251.4	2,323.6	2,526.9
Expenditure as a % of GDP	24.6%	25.8%	31.6%	28.8%	28.5%	27.8%	30.6%	31.2%	27.1%	27.6%	28.7%	26.7%	26.6%	28.0%	27.0%
Recurrent	808.3	787.9	935.4	897.0	925.0	916.7	1,015.0	1,017.5	990.0	1,104.4	1,112.0	1,136.7	1,244.3	1,199.9	1,264.8
Development	298.9	319.3	637.0	509.0	622.3	633.4	717.6	728.1	729.8	654.5	705.6	793.2	683.4	796.8	901.8
Contingencies	-	-	5.0	5.0	-	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
County Transfer	-	193.4	229.3	229.3	239.3	245.5	260.9	264.2	262.9	288.8	279.9	281.5	318.7	321.9	355.3
Equalization Fund	-	-	3.4	0.4	6.0	6.0	6.0	6.0	6.9	6.0	6.0	7.7	5.5	5.5	8.7
Budget Balance (Deficit (-) excl. Grants	(260.0)	(326.2)	(642.0)	(533.9)	(321.8)	(448.4)	(640.5)	(651.1)	(428.8)	(458.0)	(542.0)	(463.5)	(406.1)	(532.1)	(475.1)

Budget Balance (Deficit (-) excl. Grants	(260.0)	(326.2)	(642.0)	(533.9)	(321.8)	(448.4)	(640.5)	(651.1)	(428.8)	(458.0)	(542.0)	(463.5)	(406.1)	(532.1)	(475.1)
Deficit as % of GDP	-5.8%	-6.5%	-11.2%	-9.4%	-5.1%	-7.1%	-9.8%	-10.1%	-6.0%	-6.2%	-7.4%	-5.8%	-4.8%	-6.4%	-5.1%
Grants	20.9	26.9	66.4	27.4		64.7	73.5	73.4	71.5	59.8	59.9	79.2	64.9	65.0	73.0
Budget Balance (Deficit (-) incl. Grants	(239.1)	(299.2)	(575.6)	(506.5)		(383.7)	(567.0)	(577.7)	(357.3)	(398.2)	(482.1)	(384.4)	(341.2)	(467.1)	(402.1)
Deficit as % of GDP	-5.3%	-5.9%	-10.1%	-8.9%		-6.1%	-8.7%	-8.9%	-5.0%	-5.4%	-6.6%	-4.8%	-4.0%	-5.6%	-4.3%
Net Foreign Financing	62.7	106.4	261.2	216.4	117.0	241.0	340.5	340.5	193.6	219.7	239.9	212.1	171.9	191.2	153.3
Domestic Loan Repayments (receipts)	-	1.3	2.1	3.0	193.9	2.0	2.2	2.3	2.0	2.4	2.4	2.0	2.6	2.5	2.5
Sovereign Bond Proceeds	-	-	141.4	140.5	193.9	-	-	-	-	-	-	-	-	-	-
Domestic borrowing	169.8	201.7	163.7	110.6	193.9	140.7	219.2	229.9	161.6	176.1	239.8	170.3	166.7	273.4	246.3
Domestic borrowing as % of GDP	3.8%	4.0%	2.9%	1.9%	3.1%	2.2%	3.4%	3.6%	2.3%	2.4%	3.3%	2.1%	2.0%	3.3%	2.6%
Public Debt to GDP (Gross)		48.0%	45.8%	45.8%		46.1%	49.1%	51.4%	46.0%	45.2%	48.0%	45.3%	43.6%	47.6%	46.7%
Public Debt to GDP (net of deposits)	38.5%	44.0%	43.8%	43.8%	43.4%	43.1%	46.1%	47.7%	43.3%	42.6%	44.7%	43.0%	41.3%	44.7%	44.1%
Nominal GDP (Ksh billion)	4,496.0	5,044.2	5,719.1	5,697.5	6,294.2	6,290.4	6,520.5	6,457.9	7,113.1	7,430.2	7,327.6	8,029.7	8,448.2	8,290.8	9,362.7
Source: National Treasury															

Snippet 2(b) page 25

Snippet 2: Main Macroeconomic Indicators Underlying the Medium-Term Fiscal Framework

Table 9: Main Macroeconomic Indicators Underlying the Medium Term Fiscal Framework

	2012/13	2013/14	2014/15		2015/16		2016/17	2017/18	2018/19		
	Act.	Act.	Rev. Budget	Prel.	Budget	Proj.	Projections				
Annual percentage change											
National Account and Prices											
Real GDP	5.1	5.5	6.1	5.5	7.0	6.2	7.1	6.5	7.0	6.5	6.5
GDP Deflator	7.2	6.3	6.7	7.0	6.5	6.8	6.4	6.5	6.2	6.2	6.0
CPI Index (eop)	5.8	6.8	5.3	6.1	5.0	5.3	5.0	5.0	5.0	5.0	5.0
CPI Index (avg)	4.6	7.1	5.7	6.6	5.0	5.6	5.0	5.0	5.0	5.0	5.0
Terms of Trade (-deterioration)	2.0	1.1	0.2	1.5	0.3	0.4	0.2	-1.0	0.2	0.6	-1.0
in percentage of GDP											
Investment and saving											
Investment	20.9	21.7	24.6	24.2	26.9	25.5	25.2	24.9	25.6	25.3	24.1
Gross National Saving	12.4	12.7	16.6	15.7	19.7	17.8	18.0	17.7	18.2	18.3	17.7
Central government budget											
Total revenue	18.8	19.3	20.4	19.4	20.8	21.1	21.5	21.3	21.8	21.6	21.9
Total expenditure and net lending	24.6	25.8	31.6	28.8	30.6	31.2	27.6	28.7	26.6	28.0	27.0
Overall balance (commitment basis) excl. grants	-5.8	-6.5	-11.2	-9.4	-9.8	-10.1	-6.2	-7.4	-4.8	-6.4	-5.0
Overall balance (commitment basis) incl. grants	-5.3	-5.9	-10.1	-8.6	-8.7	-8.9	-5.4	-6.6	-4.0	-5.6	-4.3
Nominal public debt, net	38.5	44.0	45.4	45.7	46.1	47.7	42.6	44.7	41.3	44.7	44.1
External sector											
Current external balance, including official transfers	-8.5	-9.0	-8.0	-8.5	-7.2	-7.7	-7.2	-7.2	-7.4	-7.0	-6.5
Gross international reserve coverage in months of imports	3.8	4.1	4.6	4.6	4.8	4.8	5.1	5.1	5.3	5.3	5.4
<i>Source: National Treasury</i>											

What is the significance of this information in the snippets 2a and 2b of the paper?

Snippet 3: Page 31 Provisional ceilings and priorities

Snippet 3: Medium Term Sector Ceilings FY 2016/17-2018/19

SECTOR		PRINTED 2015/16	2016/17 BPS PROJECTION	2016/17 BROP CEILING	PROJECTIONS		% SHARE OF TOTAL EXPENDITURE				
					2017/18	2018/19	PRINTED 2015/16	2016/17 BPS PROJECTION	2016/17 BROP CEILING	PROJECTIONS	
										2017/18	2018/19
Agriculture, Rural & Urban Development	Sub Total	79,692	70,124	69,347	71,658	72,363	5.3%	5.0%	4.5%	4.4%	4.6%
	Rec. Gross	16,671	16,839	16,301	16,771	17,252	1.1%	1.2%	1.1%	1.0%	1.1%
	Dev. Gross	63,021	53,285	53,046	54,887	55,111	4.2%	3.8%	3.5%	3.4%	3.5%
Energy, Infrastructure & ICT	Sub Total	404,670	271,681	358,276	362,810	291,060	26.9%	19.4%	23.5%	22.3%	18.4%
	Rec. Gross	40,847	36,333	42,682	44,637	46,725	2.7%	2.6%	2.8%	2.7%	2.9%
	Dev. Gross	363,823	235,348	315,595	318,173	244,335	24.2%	16.8%	20.7%	19.6%	15.4%
General Economic & Commercial Affairs	Sub Total	21,296	15,216	19,359	18,863	18,584	1.4%	1.1%	1.3%	1.2%	1.2%
	Rec. Gross	7,126	7,062	7,340	7,544	7,665	0.5%	0.5%	0.5%	0.5%	0.5%
	Dev. Gross	14,170	8,154	12,020	11,319	10,919	0.9%	0.6%	0.8%	0.7%	0.7%
Health	Sub Total	59,184	53,341	61,492	63,652	65,437	3.9%	3.8%	4.0%	3.9%	4.1%
	Rec. Gross	28,520	28,738	29,826	30,403	30,688	1.9%	2.1%	2.0%	1.9%	1.9%
	Dev. Gross	30,664	24,603	31,666	33,249	34,749	2.0%	1.8%	2.1%	2.0%	2.2%
Education	Sub Total	336,252	361,928	359,365	379,434	393,115	22.3%	25.8%	23.5%	23.3%	24.8%
	Rec. Gross	299,597	324,047	318,464	335,536	348,437	19.9%	23.1%	20.9%	20.6%	22.0%
	Dev. Gross	36,655	37,881	40,901	43,898	44,678	2.4%	2.7%	2.7%	2.7%	2.8%

	Dev. Gross	36,636	37,881	40,901	43,893	44,673	2.4%	2.7%	2.7%	2.7%	2.8%
Governance, Justice, Law & Order	Sub Total	154,047	170,810	175,766	186,329	191,340	10.2%	12.2%	11.5%	11.5%	12.1%
	Rec. Gross	133,474	139,885	153,313	163,135	167,647	8.9%	10.0%	10.0%	10.0%	10.6%
	Dev. Gross	20,573	30,924	22,453	23,193	23,693	1.4%	2.2%	1.5%	1.4%	1.5%
Public Administration & International Relations	Sub Total	243,354	245,240	256,191	296,982	298,141	16.2%	17.5%	16.8%	18.3%	18.8%
	Rec. Gross	115,465	142,573	125,939	144,883	149,332	7.7%	10.2%	8.3%	8.9%	9.4%
	Dev. Gross	127,889	102,667	130,252	152,094	148,809	8.5%	7.3%	8.5%	9.4%	9.4%
National Security	Sub Total	112,513	131,224	117,262	135,198	141,956	7.5%	9.4%	7.7%	8.3%	9.0%
	Rec. Gross	112,471	131,224	117,220	135,156	141,914	7.5%	9.4%	7.7%	8.3%	9.0%
	Dev. Gross	42		42	42	42	0.0%	0.0%	0.0%	0.0%	0.0%
Social Protection, Culture & Recreation	Sub Total	31,483	28,287	31,998	32,223	32,913	2.1%	2.0%	2.1%	2.0%	2.1%
	Rec. Gross	12,262	11,479	12,477	13,002	13,292	0.8%	0.8%	0.8%	0.8%	0.8%
	Dev. Gross	19,221	16,808	19,521	19,221	19,621	1.3%	1.2%	1.3%	1.2%	1.2%
Environment Protection, Water & Natural Resources	Sub Total	63,001	53,073	77,011	78,569	78,990	4.2%	3.8%	5.0%	4.8%	5.0%
	Rec. Gross	17,771	14,980	20,341	21,034	21,834	1.2%	1.1%	1.3%	1.3%	1.4%
	Dev. Gross	45,230	38,123	56,670	57,335	57,157	3.0%	2.7%	3.7%	3.5%	3.6%
TOTAL	TOTAL	1,505,492	1,400,923	1,526,067	1,625,719	1,583,899	100.0%	100.0%	100.0%	100.0%	100.0%
	Rec. Gross	784,204	853,200	843,901	912,108	944,785	52.1%	60.9%	55.3%	56.1%	59.6%
	Dev. Gross	721,289	547,723	682,166	713,611	639,114	47.9%	39.1%	44.7%	43.9%	40.4%

What kind of information is contained in this table and why is it important?

PART 2: Baringo County Budget Review and Outlook Paper 2015

(For this exercise, handouts specific to the county should be provided to the participants and for the facilitators there are snippets here to support the answers.)

Now let's look at the Baringo CBROP 2015 (Extract).

1. Does the CBROP give information on the previous' year performance (Page 6 and 7)
2. Does the CBROP give any updates on the fiscal position and economic expectations for the current financial year 2015/16? (Page 12 -16)

3. Our second snippet above for the BROP gives provisional priorities and sector ceilings: Can you find these in the county version? Are you able to identify the areas getting the highest allocations? Does this match the snippet we looked at in Q2? Does the narrative support or justify these changes?

EXTRA READING:

IBP Kenya, “How to Read and Use a Budget Review and Outlook Paper” (Guides & Training Materials)
January 2016

<http://www.internationalbudget.org/publications/how-to-read-and-use-budget-review-outlook-paper-kenya/>