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Parliament and National Treasury: How are They Playing Their Roles in Kenya's New Budget Process?

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Key Messages

The roles of Parliament and the National Treasury have changed significantly in Kenya's new budget process. Parliament (particularly the National Assembly) is now expected to play a larger role in budget decisions. While Treasury still sets the agenda for the budget, it must now position itself to be able to sell its budget proposals.

This brief examines how the National Assembly and Treasury interacted during the formulation and approval of the 2015/16 budget to determine how they are adapting to the new rules of the game.

It finds:

- Despite the expansion of Parliament's role, the National Assembly did not make major changes to the 2015/16 budget. Total spending, total revenues, and the sector distribution of spending were not changed significantly by the National Assembly.

- In March, the National Assembly amended Treasury's proposed Budget Policy Statement to direct more funds to Parliament itself and, to a lesser extent, other oversight institutions (such as the Office of the Auditor General). This increased the deficit by a modest amount. Parliament also made small changes to the budget estimates in June to protect the budgets for oversight institutions.

- While the Budget Policy Statement agreed to in March should have established the total size of the budget, Treasury did not respect this and increased the deficit by approximately Ksh 74 billion in its budget estimates tabled in Parliament in April. The National Assembly did not respond substantively to this violation of the Budget Policy Statement and approved the larger deficit in June.

- The National Assembly and the National Treasury both failed to provide informative justifications for the changes that they made as they moved through the budget-making process between February and June. This makes it impossible to understand the priorities of either actor and how, or if, they incorporate public inputs into the budget process.

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Kenya’s New Budget Process

The 2010 Constitution of Kenya and the Public Finance Management Act, 2012 (PFM Act) significantly altered the roles that Parliament and the National Treasury play in the budget process.

Parliament’s role has been dramatically enhanced. It is now expected to play a key role in 1) determining the division of revenue between national government and counties; 2) amending and approving the sector ceilings, which determine the relative share of the budget for key priorities; and 3) making the final determination about how much will go to specific programs and projects.

The National Treasury retains a major role in agenda-setting within the new system. However, it now shares formal powers with the National Assembly. Whereas Treasury had more direct control over the outcome in the past, in theory it must now position itself to be able to sell its proposed budget.

Treasury leads the budget process by setting the agenda through policies and papers, which are then either accepted or amended by parliament. In February, Treasury proposes total revenue, expenditure and the deficit, along with ceilings for allocations to each of the Ministries, Departments and Agencies (MDAs). These are debated, amended, and approved by the National Assembly within two weeks. These ceilings then form the basis upon which the priorities within each MDA are decided, leading to the tabling of the budget estimates with program detail by the end of April. Once the budget is tabled, the assembly can amend the allocations to programs as long as they do not increase the deficit.

In this paper we analyze the changes between February and June 2015 to understand the role played by the National Assembly in the 2015/16 budget process, from the tabling of the Budget Policy Statement until the approval of the budget. Our purpose is to see to what extent parliament is using its powers while respecting the law.

The National Assembly’s Role in the 2015/16 Budget Process

The total size of the budget for MDAs in Treasury’s proposed Budget Policy Statement (excluding debt repayment, other obligatory payments, and the county transfer) was Ksh 1.396 billion. Recurrent spending accounted for 55 percent of this and development spending for 45 percent. Table 1 shows the individual budget allocations for the top ten MDAs; together they were allocated 78 percent of the total MDA budget. The MDAs receiving the largest share of the budget were the Teachers Service Commission (12.3 percent), the State Department for Transport (11.8 percent), and the State Department for Education (10.1 percent).

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Table 1: Budgets for Ministries, Departments and Agencies in the Budget Policy Statement 2015

		Budget Policy Statement Ceilings 2015/16			
	Vote	**Recurrent**	**Development**	**Total**	**Share of the Total MDA Budget**
1	Teachers Service Commission	171.0	0.2	171.2	12.3%
2	State Department of Transport	5.8	159.3	165.1	11.8%
3	State Department for Education	112.0	28.4	140.4	10.1%
4	State Department of Infrastructure	26.3	102.2	128.5	9.2%
5	State Department for Interior	84.6	9.9	94.5	6.8%
6	Ministry of Defence	93.9	-	93.9	6.7%
7	The National Treasury	57.4	32.5	89.9	6.4%
8	Ministry of Energy and Petroleum	2.0	79.4	81.4	5.8%
9	State Department for Planning	22.7	51.2	73.9	5.3%
10	Ministry of Health	28.0	23.4	51.4	3.7%
	Sub Total for Top 10 MDAs	***604.0***	***486.5***	***1,090.4***	***78.1%***
	Sub Total for Other MDAs	***164.1***	***141.3***	***305.4***	***21.9%***
	Total MDA Budget	**768.1**	**627.8**	**1,395.9**	**100.0%**

Source: Budget Policy Statement 2015 (sub-totals vary slightly due to rounding)

What Changes Did Parliament's Budget and Appropriations Committee Propose?

The first stage in reviewing the Budget Policy Statement is for the Budget and Appropriations Committee (BAC) to examine the document and produce a report. This report is debated in the National Assembly and either approved or rejected. Understanding Parliament's role in the budget process thus begins with a review of the BAC report. The BAC report should present a clear proposal detailing the size of the total budget, and the distribution of funds across sectors. It should carefully justify any changes made to the Budget Policy Statement.

The 2015 BAC report called for increasing spending by Ksh 48 billion from what was proposed in the Budget Policy Statement. The report also proposed to increase the share of development expenditure by one percent, and a corresponding decrease in recurrent spending.[1] Table 2 compares the committee's report with the Budget Policy Statement, showing the top changes in percentage terms and providing the reasons Parliament gave for the changes. It is not clear why the committee opted for these specific changes. Were these salient issues raised by the public? Were they the result of bargaining within the National Assembly? We cannot be sure from the report, but it is notable that many of the increases relate to independent commissions and oversight bodies, such as the Ethics and Anti-corruption Commission and the Auditor General.

[1] There appear to be some small errors in the BAC report, incorrectly states some of the allocations in Budget Policy Statement 2015. For example, the report shows no change in the recommendation for ICT, but has actually reduced the budget by Ksh 1 million. It is not clear if this is just a typographical error or was intended to reduce the budget. It is also possible that the discrepancy was caused by rounding error, if the BAC figures are generated from more detailed numbers than those in the Budget Policy Statement.

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Table 2: Comparison of the Budget and Appropriations Committee Report and the Budget Policy Statement 2015 (Top Ten Proposed Changes)

		Change between Tabled Budget Policy Statement and the BAC report			
	Vote	**Recurrent**	**Development**	**Total**	**Reasons for increase**
1	National Land Commission	57%	646%	238%	For enactment of policies, land adjudication and a fund for land resettlement
2	National Gender and Equality Commission	74%	-	74%	Additional funding to set up gender based violence desks in all counties and carry out a research on the boy child
3	Independent Electoral and Boundaries Commission	58%	0%	57%	Additional funds were to cater for voter registration
4	Ministry of Industrialization and Enterprise Development	0%	68%	48%	Construction of Jua kali sheds
5	Ethics and Anti-Corruption Commission	64%	0%	46%	For operations in the counties
6	State Department for Commerce and Tourism	17%	71%	41%	Funds to support tourism recovery and marketing, to improve the national commodities exchange and for specific training institutions
7	Independent Police Oversight Authority	41%	-	41%	For additional staff and setting up of offices
8	Ministry of Sports Culture and Arts	76%	0%	38%	Additional funding for national teams and construction of flagship projects in Eldoret and Mombasa. There is also an allocation for Kenya Film Commission and film development.
9	Auditor General	37%	0%	32%	Improve audit services in the counties
10	State Department for Science and Technology	0%	63%	30%	To equip new Technical Training Institutes
	% Change in Total Vote Allocations	**2%**	**5%**	**3%**	

Source: Budget and Appropriations Committee report and the Budget Policy Statement 2015

The BAC report contradicts itself in a few places. While it proposes to increase spending by 48 billion, Paragraph 46 of the report then proposes to reduce the budget from Ksh 1,395 billion to 1,345 billion. This contradicts the proposed increases, and the specific cuts that would account for this Ksh 50 billion reduction are not identified. In another section, the report suggests that the proposed Ksh 48 billion in increased spending will not increase the total size of the budget due to cuts that have been identified. The report mentions a specific cut of Ksh 12.4 billion to the county share of revenue (Section 8) and outlines nearly Ksh 40 billion in vague cuts ("re-prioritization," "savings" from "reforms" and "enhanced efficiency"). Given that these cuts do not refer to any specific items, we cannot consider them a credible offset of the Ksh 48 billion in specific increases, nor a way to reduce the total size of the budget.

Taken together, these contradictory and vague proposals introduce ambiguity in the report about the nature of the final recommendations from the BAC to the National Assembly. They suggest that the National Assembly is still learning how to carry out its duties at the formulation stage of the budget process.

What did Parliament Do with the Committee Report?

The National Assembly did not approve the Budget Policy Statement until mid-March, despite it being due by the end of February (within two weeks of tabling on 15 February). While the approved Budget Policy Statement is not publicly available, it is possible to piece together the changes made by the National Assembly from the Hansard and Order Papers in Parliament.

A number of changes were made to the BAC report:

1) **Deletion of Section 8.** Section 8 of the BAC report contained the cuts to the rest of the budget (mentioned in the previous section of this brief) to allow for the nearly Ksh 48 billion in additional spending. Its deletion removed cuts to the equitable share for counties, and meant that there was no proposed reduction in spending (through "enhanced efficiency" and so on) to account for the spending increases. The removal of this section removed the ambiguity about whether the National Assembly was increasing or decreasing the budget and confirmed that it was increasing it.

2) **Addition of new Section 8**. A new Section 8 specified areas in which expenditure should be increased, and deferred all other increases mentioned in the BAC report that were not specified in this new section (from the Order Paper: "THAT, all other addition (sic) expenditure increments contained in First Schedule be deferred until additional resources are available;"). In other words, this section threw out the other proposed increases in the original BAC report and limited the increases from the National Assembly to those listed in this new section.

Table 3 shows the specific items that the new Section 8 intended to be funded in lieu of the full Ksh 48 billion in the BAC report. The changes mentioned under "Order Paper" are those that were finally introduced and accepted by the National Assembly.

Table 3: Changes to the Budget Policy Statement During Approval by the National Assembly (Ksh billions)

Item	Original Budget Policy Statement	BAC report	Order Paper	Difference Budget Policy Statement / Order Paper
Parliamentary Service Commission Operations	22.9	28.3	27	4.1
Parliamentary Service Commission Senate Monitoring and Evaluation	0	0	1	1
State Department Planning (Affirmative Action, CDF, Uwezo, ESP Centers)	73.9	79.4	80.5	6.6
Ethics and Anti-Corruption Commission (County operations)	2.2	3.2	2.9	0.8
Auditor General	3.1	4.1	4.1	1
Independent Police Oversight Authority	0.2	0.3	0.3	0.1
Min of Industrialization (Jua Kali)	8	11.8	8.2	0.2
Judiciary	17.5	17.5	18	0.5
Controller of Budget	0.5	0.6	0.6	0.1
Total				**14.4**

Source: Budget Policy Statement 2015; National Assembly Order Paper (17/03/2015); Parliamentary Hansard March 17, 2015.

As Table 3 shows, the Budget Policy Statement approved by the National Assembly increased the budget by Ksh 14.4 billion – far less than the 48 billion increase proposed in the Budget and Appropriations Committee report. While the National Assembly threatened to make a single cut to the recurrent budget for the Salaries and Remuneration Commission (from Ksh 476 to Ksh 219 million), this was ultimately not enacted. The final approved Budget Policy Statement therefore set a budget of Ksh 1.41 trillion, up from the Ksh 1.396 trillion proposed by Treasury.

More than 80 percent of the changes during this stage related to increases in funds controlled by the National Assembly or under the influence of its members: the budget for the Parliamentary Service Commission was increased, as was the budget for the Constituency Development Fund (CDF). Most of the remaining changes, though small, went to other oversight institutions, such as the Ethics and Anti-Corruption Commission (EACC), the Office of the Auditor General (OAG), the Controller of Budget and the Judiciary.

As mentioned, the Budget Policy Statement tabled by Treasury in February should set the total size of the budget. The National Assembly failed to amend the revenue estimates to account for its Ksh 14 billion spending increase. The BAC report does recognize that revenue collection has not been meeting targets, and that an estimated revenue of Ksh 1.348 trillion is too ambitious. It also indicates that debt might be higher than estimated in the proposed Budget Policy Statement. Nevertheless, no moves were made to increase revenues or cut spending. By failing to adjust revenues or make cuts, the National Assembly effectively increased the deficit by Ksh 14 billion.

In summary, the changes made to the Budget Policy Statement by the National Assembly were minor. Total spending increased by just over 14 billion out of a total MDA budget of 1.4 trillion, a change of about 1 percent. Revenues were not adjusted accordingly, however, which implies an increase in the deficit. The small changes made by the National Assembly were mostly related to Parliament's own budgets and the funds over which it has influence, with further modest increases for other oversight institutions.

What Budget Estimates did the Treasury Table in Parliament on 30 April?

Contrary to the law, the budget estimates tabled by Treasury in the National Assembly on April 30 contained a budget that was larger than that contained in the approved Budget Policy Statement. Many of the budget ceilings set by the Budget Policy Statement were broken in the tabled budget estimates, as the MDA budget increased by Ksh 97 billion (7 percent). Given that projected revenue (including grants) increased by a much smaller amount above the original revenue projections, this implied a widening of the budget deficit by 74 Ksh billion.[2] Of this new spending, Ksh 87 billion was allocated to development expenditure and 10 billion to recurrent expenditure. The largest changes are shown in Table 4. (We cover the executive proposal in more detail in Part II of this paper.)

Table 4: Comparison of Approved Budget Policy Statement and Tabled Gross Estimates

Vote	% Change between Approved Ceilings and Tabled Gross Estimates 2015/16			Programs driving the vote allocation changes
	Recurrent	Development	Total	
Largest Increase in MDA Allocation				
State Department for Science and Technology	607%	88%	362%	P4: University Education
State Department for Commerce and Tourism	4%	253%	116%	P2: Tourism Development and Promotion
State Department for Fisheries	31%	148%	95%	MDA has a single program
Salaries and Remuneration Commission	94%	-	94%	MDA has a single program
The Presidency	47%	136%	61%	P2: Cabinet Affairs
Largest Decrease in MDA Allocation				
Kenya National Commission on Human Rights	-8%		-8%	MDA has a single program
Ethics and Anti-Corruption Commission	0%	-50%	-10%	MDA has a single program
National Land Commission	-10%	-19%	-13%	MDA has a single program
Commission for the Implementation of the Constitution	-32%	-	-32%	MDA has a single program
State Department for Education	-47%	-21%	-42%	P.4: University Education
Change in Total Voted Expenditure	1%	14%	**7%**	

Source: Budget Policy Statement 2015 and Budget Estimates 2015/16

[2] The total deficit is driven by several factors beyond simply the MDAs budget and the local revenue estimates. Treasury increased local revenue by Ksh 10 billion and grants by Ksh 20 billion. However, in addition to the increase in MDA spending of Ksh 97 billion, there was also an increase in interest payments and pensions of over Ksh 7 billion, and a slight decrease in the county transfer. Taking everything together, the total increase in the deficit, driven mainly by the increase in MDA spending, was Ksh 74 billion.

What did the National Assembly do with the Budget Estimates?

The National Assembly has a period of 60 days to approve the budget estimates tabled by Treasury, with or without amendments. The PFM Act grants the National Assembly the power to make changes, but only within the approved ceilings set by the proposed Budget Policy Statement. Given that Treasury failed to respect its own ceilings, the National Assembly should have pushed back against the increases to restore the agreed budget from March and control the ballooning deficit. At this stage of the budget process the focus should be on changes within sectors and ministries (i.e., at program level), not allocations to those sectors or the overall size of the budget.

The National Assembly failed to push spending back down to the limits set in March. After a number of small changes to various programs, it approved a minor overall decrease of Ksh 1.1 billion in the budget proposal. This suggests that the National Assembly is yet to take seriously its role as defender of the agreements reached at earlier stages of the budget process.

As shown in Table 7, the National Assembly made more substantial changes at the level of specific MDAs. The top five gainers among MDAs were mainly independent commissions; the main losers were the Salaries and Remuneration Commission and the Judiciary. Most of the changes in allocation affected the recurrent budget.

Table 5: Changes made at MDA Level During the Approval Stage (by Percentage)

Vote	% Change between Tabled and Approved Gross Estimates		
	Recurrent	**Development**	**Total**
Commission for the Implementation of the Constitution	47.2%	-	47.2%
National Police Service Commission	38.2%	-	38.2%
Kenya National Commission on Human Rights	27.8%	-	27.8%
Independent Police Oversight Authority	23.6%	-	23.6%
Independent Electoral and Boundaries Commission	13.5%	44.1%	14.1%
Largest Decrease in MDA Allocation			
The National Treasury	-3.8%	-0.6%	-2.1%
State Department for Commerce and Tourism	0.0%	-3.7%	-2.7%
State Department for Environment And Natural Resources	-7.3%	-1.2%	-5.0%
The Judiciary	-1.6%	-28.4%	-9.8%
Salaries and Remuneration Commission	-21.7%	-	-21.7%
Average % Change in Individual MDAs	**3.0%**	**1.0%**	**3.1%**

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Table 6: Changes made During the Approval Stage (in Ksh Billions)

Vote	Absolute Change between Tabled and Approved Gross Estimates (Billions)		
	Recurrent	**Development**	**Total**
State Department for Water and Regional Authorities	0.00	1.10	1.10
Ministry of Industrialization and Enterprise Development	0.00	1.06	1.06
State Department for Science and Technology	0.73	0.07	0.80
Independent Electoral and Boundaries Commission	0.50	0.03	0.53
Parliamentary Service Commission	0.14	0.13	0.28
Largest Decrease in MDA Allocation			
State Department for Education	-0.30	-	-0.30
State Department for Commerce and Tourism	-	-0.30	-0.30
State Department for Environment And Natural Resources	-1.00	-0.10	-1.10
The Judiciary	-0.20	-1.61	-1.81
The National Treasury	-1.70	-0.33	-2.03
Average Absolute Change in Individual MDAs	**-0.03**	**0.00**	**-0.03**

Source (Table 5 & 6): Tabled Budget Estimates and Approved Report on the Budget Estimates 2015/16

Allocations to programs did not vary much (see Annex 1), but there were some changes on the recurrent side. Tables 5 and 6 show the top five winners and losers. The approved BAC report on the budget estimates explains some, but not all, of the changes. Two of the programs with the highest reduction in funding were within the two MDAs which also had significant reductions in overall funding. The decision to increase the Judiciary budget while amending the Budget Policy Statement, and then decrease it during the review of the budget estimates, suggest that changes were unrelated to the needs of the Judiciary. The decisions to reduce the Judiciary budget and scrap 1 billion Ksh for the Senate appear to have been related to the squabbles over the Division of Revenue Bill with the Senate. The Commission for the Implementation of the Constitution (CIC) also got a significant increase to complete its operations and wind up. The increase for the Independent Electoral and Boundaries Commission's (IEBC) was to carry out mass voter registration and map all voting stations. Further explanations of major changes at program level (to the extent they exist in the BAC report) are provided in Tables 7 and 8.

Table 7: Program Changes Made During the Approval Stage (Percentage Changes)

		% Change between Tabled and Approved Gross Estimates			Reasons for changes in allocation
Vote	**Program**	**Recurrent**	**Development**	**Total**	
Largest Increase in MDA Allocation					
State Department of Transport	Road Safety*	-	∞	**66%**	Upgrading the motor vehicle inspection centers and purchase of safety enforcement vehicles
Commission for the Implementation of the Constitution	Commission for the Implementation of the Constitution	47%	-	**47%**	Completion of mandated programs and winding up
National Police Service Commission	National Police Service Human Resource Management	38%	-	**38%**	For development of a scheme of service for police officers, recruitment of police officers and the police vetting program
Kenya National Commission on Human Rights	Protection and Promotion of Human Rights	28%	-	**28%**	
Ministry of Industrialization and Enterprise Development	Industrial Development and Investments	0%	28%	**24%**	An increase in allocation to Kenya Industrial Training Institute - KITI, New Kenya Cooperative Creameries- KCC , Kenya Industrial Property Institute - KIPI, and Kenya Industrial Research and Development – KIRDI
Independent Police Oversight Authority	Policing Oversight Services	24%		**24%**	Increased allocation for operations
Independent Electoral and Boundaries Commission	Management of Electoral Processes	14%	44%	**14%**	Additional funds were to cater for voter registration
Public Service Commission	General Administration, Planning and Support Services	14%	-	**11%**	For the implementation of the Enterprise Resource Planning (ERP) for the Commission, document management, business intelligence and audit system
Office of the Director of Public Prosecutions	Public Prosecution Services	10%	-	**9%**	To recruit new prosecutors and pay for their health cover. In addition an allocation for witnesses and victims.
The Commission on Administrative Justice	Promotion of Administrative Justice	8%		**8%**	For personnel costs
Largest Decrease in MDA Allocation					
The Presidency	Cabinet Affairs	-7%	0%	**-4%**	From goods and services moved to the Power of Mercy.

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The National Treasury	General Administration Planning and Support Services	-4%	0%	**-4%**	A reduction from the Human Resource Reforms (Temporary Employees) and Defined Contributory Scheme
State Department of Transport	Air Transport	0%	-10%	**-4%**	Reduction from Air Transport program to the Road Safety program
Office of The Attorney General and Department of Justice	Governance, Legal Training and Constitutional Affairs	-5%	-	**-5%**	Reduction from the AG to fund the pupilage program and to the Council of Legal Education
State Department for Education	General Administration, Planning and Support Services	-7%	-	**-6%**	
State Department for Environment And Natural Resources	Environment and Natural Resources Management and Protection	-8%	-1%	**-6%**	Reduction from Kenya Wildlife Service
The Judiciary	Dispensation of Justice	-2%	-28%	**-10%**	Reduction in capital allocation to the Judiciary
State Department for Science and Technology	General Administration, Planning and Support Services	-14%		**-14%**	Reduction of recurrent allocation under General Administration, Planning and Support Services program
Salaries and Remuneration Commission	Salaries and Remuneration Management	-22%		**-22%**	
State Department for Science and Technology	Youth Training and Development	-60%	-100%	**-91%**	Reduction in the allocation for revitalization of youth polytechnics
Average % Change in All Individual Programs in Budget		**0.51%**	**-0.37%**	**0.95%**	

Source: Approved Report on Budget Estimates 2015 and Budget Estimates 2015/16
*Road Safety got 300M for development where it had none and that pushed its total budget up by 66%

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Table 8: Program Changes made During the Approval Stage (Absolute Values)

		Absolute Change between Tabled and Approved Gross Estimates			
Vote	**Program**	**Recurrent**	**Development**	**Total**	**Reasons for changes in allocation**
Largest Increase in Program Allocation					
State Department for Water and Regional Authorities	Water Resources Management		1,100,000,000	1,100,000,000	Capital allocation increase to the Water Services Boards
Ministry of Industrialization and Enterprise Development	Industrial Development and Investments	-	1,057,862,658	1,057,862,658	An increase in allocation to Kenya Industrial Training Institute - KITI (Ksh 120 million), New Kenya Cooperative Creameries- KCC (Ksh 400 million), Kenya Industrial Property Institute - KIPI (Ksh 300 million), and Kenya Industrial Research and Development - KIRDI (Ksh 638 million)
State Department for Science and Technology	University Education	1,007,676,286	-	1,007,676,286	A recurrent allocation increase of Ksh 500 million to the University of Nairobi Collective Bargaining Agreement and Ksh 507.7 million for University of Nairobi for Operations and Maintenance
Independent Electoral and Boundaries Commission	Management of Electoral Processes	500,000,000	30,000,000	530,000,000	Additional funds were to cater for voter registration
State Department for Science and Technology	Technical Vocational Education and Training		500,000,000	500,000,000	Increase capital allocation to TIVETS by Ksh 500 million
State Department of Transport	Road Safety		300,000,000	300,000,000	
Office of the Director of Public Prosecutions	Public Prosecution Services	178,000,000	-	178,000,000	To recuit new prosecutors and pay for their health cover. In addition an allocation for witnesses and victims
National Police Service Commission	National Police Service Human Resource Management	121,000,000	-	121,000,000	For development of a scheme of service for police officers, recruitment of police officers and the police vetting Program
Commission for the Implementation of the Constitution	Commission for the Implementation of the Constitution	100,000,000		100,000,000	Completion of mandated Programs and winding up
Kenya National Commission on Human Rights	Protection and Promotion of Human Rights	100,000,000	-	100,000,000	
Largest Decrease in Program Allocation					
State Department for Science and Technology	General Administration, Planning and	-200,000,000	0	-200,000,000	A reduction in allocation for goods and services under the General administration Program

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	Support Services				
Salaries and Remuneration Commission	Salaries and Remuneration Management	-200,000,000	0	-200,000,000	
State Department of Transport	Air Transport	0	-300,000,000	-300,000,000	The reduction was re-allocated to the Road Safety Program
State Department for Commerce and Tourism	Tourism Development and Promotion	0	-300,000,000	-300,000,000	Re-allocated to Ronald Ngala Utalii College
State Department for Education	General Administration, Planning and Support Services	-300,000,000	0	-300,000,000	
The National Treasury	Public Financial Management	0	-325,000,000	-325,000,000	Reduced allocation for IFMIS re-engineering
State Department for Science and Technology	Youth Training and Development	-76,710,513	-430,965,773	-507,676,286	The Ksh 507.7 million was moved to the University of Nairobi for Operations and Maintenance
State Department for Environment And Natural Resources	Environment and Natural Resources Management and Protection	- 1,000,000,000	-100,000,000	-1,100,000,000	
The National Treasury	General Administration Planning and Support Services	- 1,700,000,000	0	-1,700,000,000	Reduction from Human Resource Reforms and Defined Contributory Scheme
The Judiciary	Dispensation of Justice	-200,198,073	-1,612,101,927	-1,812,300,000	
Average Absolute Change in All Individual Programs in Budget		**-14,213,346**	**-237,835**	**-14,451,181**	

Source: Approved Report on Budget Estimates 2015 and Budget Estimates 2015/16

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The changes made by the National Assembly at the budget approval stage suggest that its overall impact was only a very minor decrease in the total budget. However, budgets for individual programs were changed significantly (see Table 7 and 8 above). On a percentage basis, eight of the top ten increases at program level were for programs under independent commissions. While some of these changes may be justified, it is not easy to link the report narrative to the final decisions. For example, inputs from the public are mentioned, but no specific reaction to these is given to know which the committee found valuable enough to take on board. Many changes reduced the budget for goods and services under specific agencies, but there is no clear reason given for those changes or for their magnitude.

Conclusion

During the review of the Budget Policy Statement, the National Assembly has used its powers mainly to protect its own interests in adjusting the share of the budget going to areas that relate directly to Parliament. It did also make some minor enhancements for oversight bodies. The National Assembly failed to ensure that the total size of the budget remained the same as what was agreed to in the approved Budget Policy Statement, and instead allowed Treasury to massively expand the budget. This contributed to an increase in the deficit. In its revisions to the budget proposal, the National Assembly made minor changes that may reflect some inputs from the public and some genuine concern for oversight. Some changes, however, seem to be more to do with petty grievances with specific institutions. A number of the changes that the National Assembly made during the formulation stage remain unexplained in available documents.

The National Assembly has considerable powers under the 2010 constitution. On balance, however, it is not yet using those powers to manage the process and ensure Treasury compliance, nor to make substantive inputs in areas that do not affect its own interests. Its overall contribution to the budget-making process is limited in terms of both the breadth and quality of deliberation over trade-offs in the budget, and the substance of the changes made.

The Role played by Treasury in the New Budget Process

The role of the Treasury has also changed in Kenya's new budget process. While the Treasury retains a major role in agenda-setting within the new system, it has to share the formal powers to decide on the total size of the budget and key priorities at sector and program level with the National Assembly. In theory, this means that Treasury has to position itself to be able to sell its proposed budget, whereas it had more direct control over the outcome in the past.

Time-bound stages in the process for making certain decisions have also been introduced. For example, Treasury and the National Assembly must first agree on the total size of the budget and the distribution of the budget across the sectors in February, and agree on department and program details in June.

What did Treasury Propose in the Budget Policy Statement 2015?

As mentioned, the proposed Budget Policy Statement had a budget of Ksh 1.4 trillion for MDAs. (This figure excludes debt repayment and the county transfer.) Local revenues were estimated at Ksh 1.348 trillion, plus about Ksh 54 billion in grants. About 80 percent of the core budget was to be funded from local revenues and the remainder from borrowing (both domestic and foreign) and external aid. Infrastructure, education and security accounted for the majority (65 percent) of the sector allocations.

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Table 9: Sector Allocation in the Tabled Budget Policy Statement 2015 and 2014

Sectors	2014/15 Total Budget Estimates	2015/16 Total Budget Estimates	Share of the Total 2014/15	Share of the Total 2015/16	Sector change in the Total share of the budget
Infrastructure + Energy	256,894,283,639	404,670,318,417	22%	27%	5%
Lands and Housing	21,544,111,760	32,058,178,672	2%	2%	0%
Gender, Youth and Culture	3,956,439,308	6,588,709,958	0%	0%	0%
State Administration	100,316,258,262	127,802,307,050	8%	8%	0%
Agriculture	36,981,098,688	46,093,218,760	3%	3%	0%
Health	47,362,261,263	59,183,879,823	4%	4%	0%
Water and Regional Development	48,842,583,890	60,777,057,326	4%	4%	0%
International Relations and Commerce	30,666,227,165	37,299,938,967	3%	2%	0%
Planning and Devolution	75,543,553,333	93,267,414,334	6%	6%	0%
Parliament, AG, Judiciary and Constitutional Commissions	61,227,301,357	69,809,137,840	5%	5%	-1%
Security	190,746,985,653	233,274,953,997	16%	15%	-1%
Education	308,351,151,321	335,752,166,194	26%	22%	-4%
Total	**1,182,432,255,639**	**1,506,577,281,338**	**100%**	**100%**	

Source: Budget Estimates 2014/15 and 2015/16

These sector allocations represented a significant shift from the last year's budget, with the infrastructure sector claiming a larger share of the budget and education and security smaller shares. There was some narrative explanation of these changes but it was fairly weak, indicating that Treasury did not make a strong effort to sell its proposals. For example, page 65 of the Budget Policy Statement 2015 describes changes in sector shares, stating that the bulk of budgetary resources would go to social sectors, defined as education and health. However, as Table 9 shows, Treasury proposed reducing the share of the budget to education and maintaining the share for health at the same level. The increased attention to the infrastructure sector is highlighted in the Budget Policy Statement, which explains the focus on energy, roads, and rail. However, security is also mentioned as a priority sector, while its proposed share has fallen. Taken together, the explanations provided in the document fail to explain the shifting shares of the budget going to different items beyond the infrastructure sector. There is no explanation for why the proposed allocations for education and security have fallen.

What did the National Assembly do with the Proposed Budget Policy Statement?

The National Assembly's role is examined in detail above. In summary, Parliament accepted the main outlines of the Budget Policy Statement, but did make some small adjustments, raising the total budget by about Ksh 14.4 billion. A large proportion of this increase was to MDAs associated with Parliament and to funds influenced by the National Assembly i.e. Constituency Development Fund, Social Affirmative Action Fund, and some money to Completion of Economic Stimulus Program Centers of Excellence through CDF. There was also a small increase in the budgets of key oversight institutions, such as the Auditor General. While increasing the budget slightly, Parliament did not alter the revenue estimates, thereby slightly increasing the deficit.

What Changed between the Budget Policy Statement and the budget estimates?

The Budget Policy Statement approved by the National Assembly had a total budget of 1.41 trillion. When the budget was tabled, this had increased by roughly Ksh 97 billion (7 percent) to Ksh 1.51 trillion. This means that the executive broke the ceilings approved by the National Assembly in the Budget Policy Statement. At the same time, local revenue estimates only increased by Ksh 10 billion (from Ksh 1.348 to

1.358 trillion), while grants increased by Ksh 20 billion, resulting in a significant increase in the projected deficit. Development allocations accounted for roughly 90 percent of the increases between the ceilings approved in the Budget Policy Statement and the budget estimates.

As a result, the share of the recurrent budget went down from 55 percent to 52 percent while that of development rose by three percentage points from the original Budget Policy Statement tabled in Parliament. (The changes to the final approved Budget Policy Statement are a little harder to know, because Parliament did not specify whether its final increases were recurrent or development when it approved the Budget Policy Statement).

Table 4 shows the MDAs with the largest percentage changes in allocations. The overall allocation for development went up by 14 percent compared to just one percent for recurrent expenditure. The highest increases and decreases were among two MDAs in the education sector. This was due to a shift in the University Education program, which moved from one ministry to another. While the program itself did increase its allocation slightly in this period, the main reason for the large change was the reorganization of the budget. There is a significant increase for the Department of Commerce and Tourism mainly driven by an increase in the development budget for the Tourism Promotion and Development Program. The majority of MDAs whose allocations were reduced between the two budget stages are independent commissions. The Salaries and Remuneration Commission (SRC), however, was given an increase of over 90 percent. This set Treasury at odds with the National Assembly, which responded by increasing the allocation for independent commissions while decreasing the SRC budget (see Annex 1).

As shown in Table 10, there were some major shifts at the program level. The allocations for the top five gainers increased by over 200 percent; with allocations increasing for development more than recurrent.

Funding to some programs decreased significantly. On average the five programs with the largest reductions had their funding cut in half. These major shifts by Treasury over a period of two months suggest some challenges in budgeting within the executive. It is surprising that there are major organizational changes happening in which initiatives are shifting between ministries in the middle of the budget process. As the executive does not provide clear explanations for these shifts, they remain unexplained. This again suggests that Treasury is not really selling its budget.

Table 10: Program Changes Between the Tabled Budget Policy Statement and the Tabled Gross Estimates[3]

Vote	Program	% Change between the Tabled BPS Ceilings and Tabled Gross Estimates 2015/16		
		Recurrent	Development	Total
Largest Increase in Program Allocations				
The Presidency	Cabinet Affairs	272%	957%	427%
State Department for Planning	National Statistical Information Services	133%	1410%	274%
State Department for Coordination of National Government	General Administration, Planning and Support Services	176%	-	219%
State Department for Commerce and Tourism	Tourism Development and Promotion	12%	351%	212%
Ministry of Information, Communications and Tech	General Administration Planning and Support Services	132%	519%	205%
Largest Decrease in Program Allocations				
State Department for Planning	Public Service Transformation	-43%	-37%	-43%
Ministry of Land Housing and Urban Development	Government Buildings	-77%	-11%	-43%
State Department of Transport	Air Transport	-2%	-67%	-46%
State Department of Transport	Government Clearing Services	-51%	-100%	-58%
State Department for Science and Technology	Youth Training and Development	-90%	-62%	-76%
	Change in Total Voted Expenditure	2%	15%	8%

Source: Budget Policy Statement 2015 and Budget Estimates 2015/16

Other Changes

The MDA ceilings approved by the National Assembly in the Budget Policy Statement had a single vote (budget line) for “Parliament: Parliamentary Service Commission (PSC).” However, this is divided into two separate votes in the approved budget: one retains the original name (PSC), while the National Assembly now has a separate vote.

The budget estimates introduced new programs that were not included in the Budget Policy Statement. It is unclear whether these were entirely new programs or the result of a reorganization of existing programs and sub-programs. Ideally, new programs should be introduced in the Budget Policy Statement proposed by

[3] The program allocations are based on the tabled Budget Policy Statement because the approved Budget Policy Statement figures were not broken down to program level. Therefore, the comparison is slightly different from the MDA comparison shown in Table 2.

Treasury, not in the budget estimates. Moreover, while program changes from year to year are inevitable, they should be minimized to maintain consistency over time in the budget. Otherwise, it is extremely difficult to track changing budget priorities over time.

Table 11: New Programs Introduced in the Budget Estimates

MDAs	New Programs
State Department for Agriculture.	P3: Agribusiness and Information Management
Ministry of Industrialization and Enterprise Development	P.3 Standards and Business Incubation
State Department for Coordination of National Government	P.3 Betting Control, Licensing and Regulation Services

The titles of some programs have also changed between the proposal stage and the approval period. It is difficult to know whether these changes are simply semantic or whether they represent changes in the sub-programs or other details within the program. For example, the Library Services and Archives Management changed its name to simply Library Services. Does this mean that the archives function is no longer under the program? The Culture and Arts program is under the Ministry of Sports, Culture and Arts in the Budget Policy Statement, but split up into "Arts" and "Culture" in the budget estimates. Does this have implications for the activities under the program?

Table 12: Programs that Changed Names between the Budget Policy Statement and the Approved Estimates

MDAs	Name in Budget Policy Statement	Name in Approved Budget
Ministry of Health	Research Development and Training	Health Research and Development
Ministry of Health	Family Health	Maternal and Child Health
State Department of Transport	Road Transport Safety and Regulation	Road Safety
Ministry of Information, Communications and Technology	ICT and Mass Media Skills Development	Mass Media Skills Development
Ministry of Sports Culture and Arts	Library Services and Archives Management	Library Services
State Department for Planning	Coordination of Humanitarian Service	Special Initiatives
Ministry of Energy and Petroleum	Petroleum Exploration and Distribution	Exploration and Distribution of Oil and Gas

Some programs, such as the University Education Program, shifted from one MDA to another. Others, like the administration program under the State Department for East Africa Affairs, were simply lost. The implications of such shifts and losses remain unclear. Did the activities under the program shift entirely to another ministry? Did they cease altogether?

These changes suggest there is considerable confusion about the structure of government and the objectives of different ministries and programs. Resolving this confusion demands a far more aggressive communications strategy from Treasury to sell its vision. At a minimum, there should be substantially more narrative explanation in the budget to help readers navigate the decisions that are being made. Some of

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these decisions should also be taken earlier in the process to avoid the confusion created by making changes in the middle of the most intense period of budgeting between February and May.

Conclusion

The National Treasury has only partially adapted to the new budget process. While it is producing more and better budget documents than it did a few years ago, it is still not investing enough in communicating key budget decisions and is not following the budget stages. For example, the total resource envelope and expenditure should both be decided when the Budget Policy Statement is tabled in Parliament. The Budget Policy Statement approved by the National Assembly sets the limits of how much will be spent under the MDAs and how much the government projects for revenue. Yet the ceilings changed quite significantly between the Budget Policy Statement and the tabling of the budget, increasing by roughly KSh 100 billion. There were also significant changes in the organization of the budget during this period, including changes to the names and locations of some programs. Aside from the fact that there should not be major changes of this type between the Budget Policy Statement and the budget estimates, there must be explanations for major changes over time. To play its role in Kenya's new budget process effectively, Treasury must explain such changes.

A healthy debate seem to be evolving between Treasury and the National Assembly over the proper funding levels for independent commissions and oversight institutions, such as the EACC and OAG. The back and forth between the two institutions is captured in Annex 1. While this is an encouraging development, there is little that can be gleaned from official documents about the reasons for increasing or decreasing these budgets. Treasury and Parliament both need to enhance the deliberative process by providing public justifications for particular levels of funding.

Annex 1: Changes Made by Parliament and the National Treasury to Budgets for Independent Commissions and Oversight Bodies During 2015/16 Budget Process

	Parliament			
		% Change between Tabled BPS Ceilings and Budget Committee Report on BPS		
	Vote	**Recurrent**	**Development**	**Total**
1	Commission for the Implementation of the Constitution	0%		**0%**
2	Ethics and Anti-Corruption Commission	64%	0%	**46%**
3	Independent Electoral and Boundaries Commission	58%	0%	**57%**
4	Independent Police Oversight Authority	41%	-	**41%**
5	National Gender and Equality Commission	74%	-	**74%**
6	National Land Commission	57%	646%	**238%**
7	Salaries and Remuneration Commission	0%	-	**0%**
	National Treasury			
		% Change between Approved BPS Ceilings and Tabled Gross Estimates 2015/16		
	Vote	**Recurrent**	**Development**	**Total**
1	Commission for the Implementation of the Constitution	-32%	-	**-32%**
2	Ethics and Anti-Corruption Commission	0%	-50%	**-10%**
3	Independent Electoral and Boundaries Commission	20%	-20%	**19%**
4	Independent Police Oversight Authority	-1%		**-1%**
5	Kenya National Commission on Human Rights	-8%		**-8%**
6	National Land Commission	-10%	-19%	**-13%**
7	Salaries and Remuneration Commission	94%	-	**94%**
	Parliament			
		% Change between Tabled and Approved Gross Estimates		
	Vote	**Recurrent**	**Development**	**Total**
1	Commission for the Implementation of the Constitution	47%	-	**47%**
2	Ethics and Anti-Corruption Commission	0%	0%	**0%**
3	Independent Electoral and Boundaries Commission	14%	44%	**14%**
4	Independent Police Oversight Authority	24%		**24%**
5	Kenya National Commission on Human Rights	28%	-	**28%**
6	National Land Commission	0%	0%	**0%**
7	Salaries and Remuneration Commission	**-22%**		**-22%**

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