

KENYA BUDGET ANALYSIS: KISUMU COUNTY

1. ARE THERE REASONS GIVEN FOR CHOICES MY LEADERS MADE IN THE BUDGET?

This question asks whether the budget contains a narrative explanation that explains why the county made certain choices. Every budget must make choices about how to use limited amounts of money. There is no one right way to distribute funds, but good practice is to provide some explanation of priorities and the reasons for making choices. It is not good practice to simply provide tables with data without a good explanation. While the budget speech or statement that accompanies the budget may provide some information about county priorities, it is not a substitute for a detailed narrative within the budget documents that explains key tables and charts.

The Kisumu county budget does not have a narrative to explain how the different allocations in the budget were arrived at. However, this being a revised budget there are attached notes explaining the changes made in the budget.

NOTES ON THE REVISED BUDGET FOR THE FY 2013/2014			
The county government of Kisumu Budget for FY 2013/2014 went through the budget preparation process culminating to gazettelement of the Appropriation Bill vide County Gazette supplement No.7 (County Assembly Bill No. 7) of 27th June, 2013.			
The budget was subsequently analyzed by both the Office of the Controller of Budget (CoB) and Commission on Revenue Allocation(CRA) upon which it was reported that Kisumu County budget had a deficit of Kshs. 2,201,319,000(Say Kenya shillings Two billion two hundred and one million three hundred nineteen against the actual deficit of Kshs 728,471,556(Say Kenya thousand) shillings Seven hundred twenty eight million four hundred seventy one thousand five hundred and fifty six)			
Unauthorized items of expenditure were identified in the budget as per the Controller of Budget's letter Ref.No. OCoB/FIN/002 of 8 th August, 2013 addressed to the Governor, County Government of Kisumu. Since these items are said to be an impediment to the disbursement of funds to our county by the Commission on Revenue allocation and the Controller of Budget, a review of the budget has been done as follows:			
1	EXECUTIVE		
GOVERNANCE AND ADMINISTRATION			
The following unauthorized allowances are removed:			
1	Domestic servant allowance	400,000	
2	Entertainment Allowance	5,113,000	
3	Responsibility Allowance	2,500,000	
		8,013,000	
Other Allowances adjusted downwards by		2,983,000	

2. WHAT ARE THE PRIORITY AREAS IN MY BUDGET?

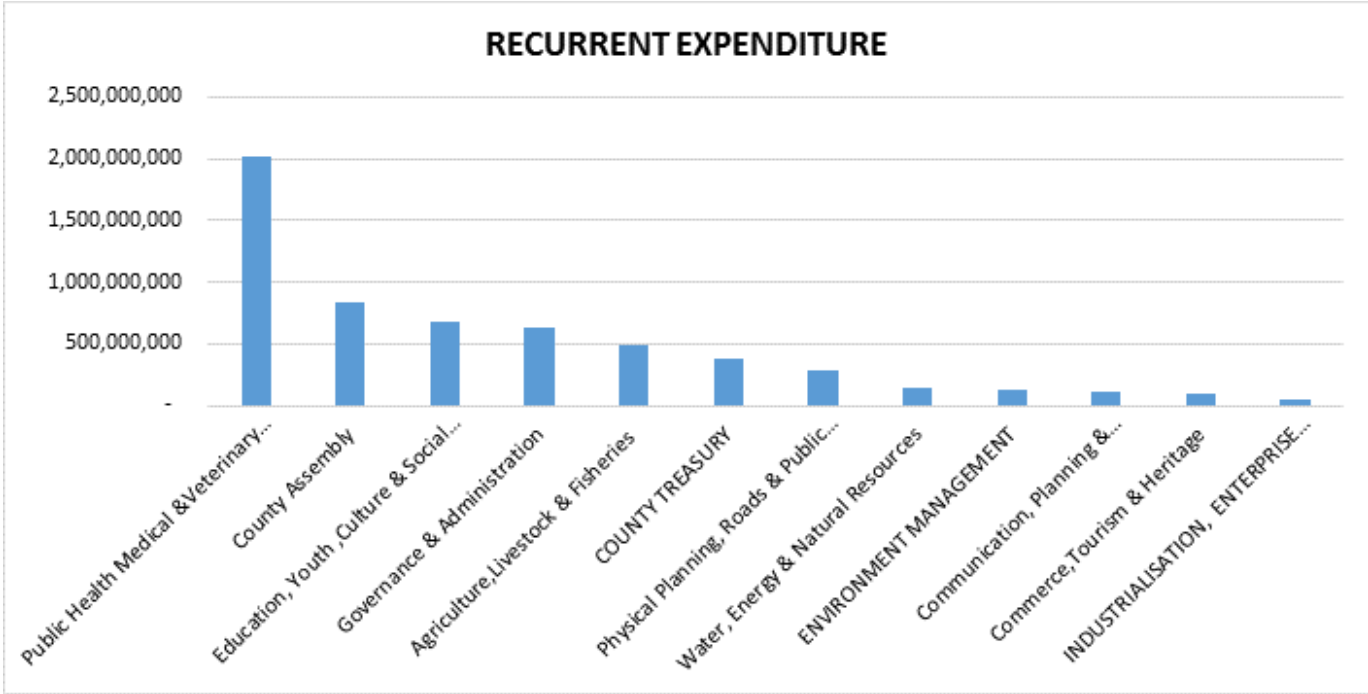
When we talk about priority areas, we generally mean the sectors that have received the highest allocations (most money). This is one way of understanding choices and relative priorities.

However, not all areas are equally expensive. For example, if one considers international benchmarking for different sectors, education is usually more expensive than health, health more expensive than agriculture, and agriculture more expensive than water. It does not follow that spending more on health than water means health is more of a priority than water.

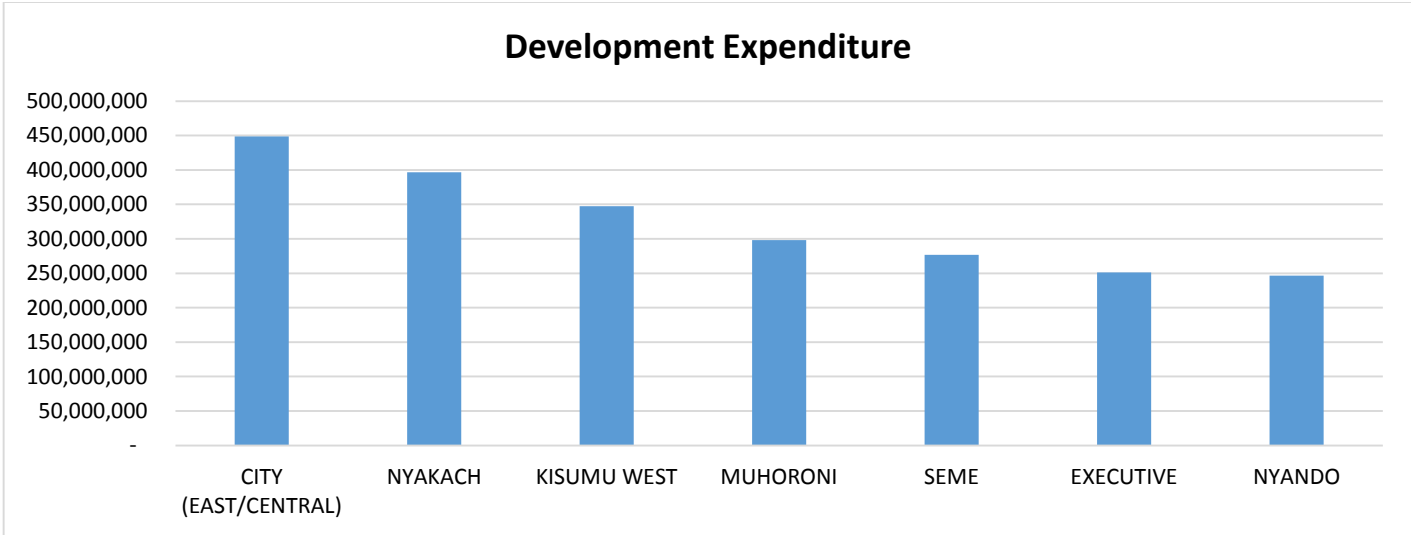
Priorities are also about changes over time in allocations. If a county receives an extra Ksh 100 between 2013/14 and 2014/15, how is that money used? Is that extra funding used for health or water? Is it used for other areas? This is also a measure of priority. A priority area can be identified by comparing the current budget to last year or to the budgets of similar counties.

The total county budget for Kisumu is Ksh 8.3 billion with recurrent costs taking up 70 percent of the budget.

The health sector took up the highest recurrent allocation of Ksh 2 billion (35 percent) while the County Assembly and Education, Youth, Culture & Social Services had the second and third highest allocations as shown in the chart below. The three to sectors are allocated 60 percent of the total county recurrent budget.



The budget does not give a sector breakdown of the development budget, the only available detail is the sub-county allocations of the development expenditure. Kisumu East and Central Constituencies have a combined allocation of Ksh 448 million which is the highest followed by Nyakach and Kisumu West, with Ksh 396 million and Ksh 347 million respectively.



3. DOES THE BUDGET HAVE THE SAME PRIORITIES AS MY COUNTY'S DEVELOPMENT PLAN?

Again, this is a difficult question to answer in the first year, because not all counties have a plan yet. But they will be approving plans this financial year (and many have done so already), and these must be an input into the budget for next year. The law requires that the budget be based on the plan, and therefore, the priorities in the plan should be the same as the priorities in the budget. This means that if the plan focuses spending on health, agriculture and water, the budget should do the same.

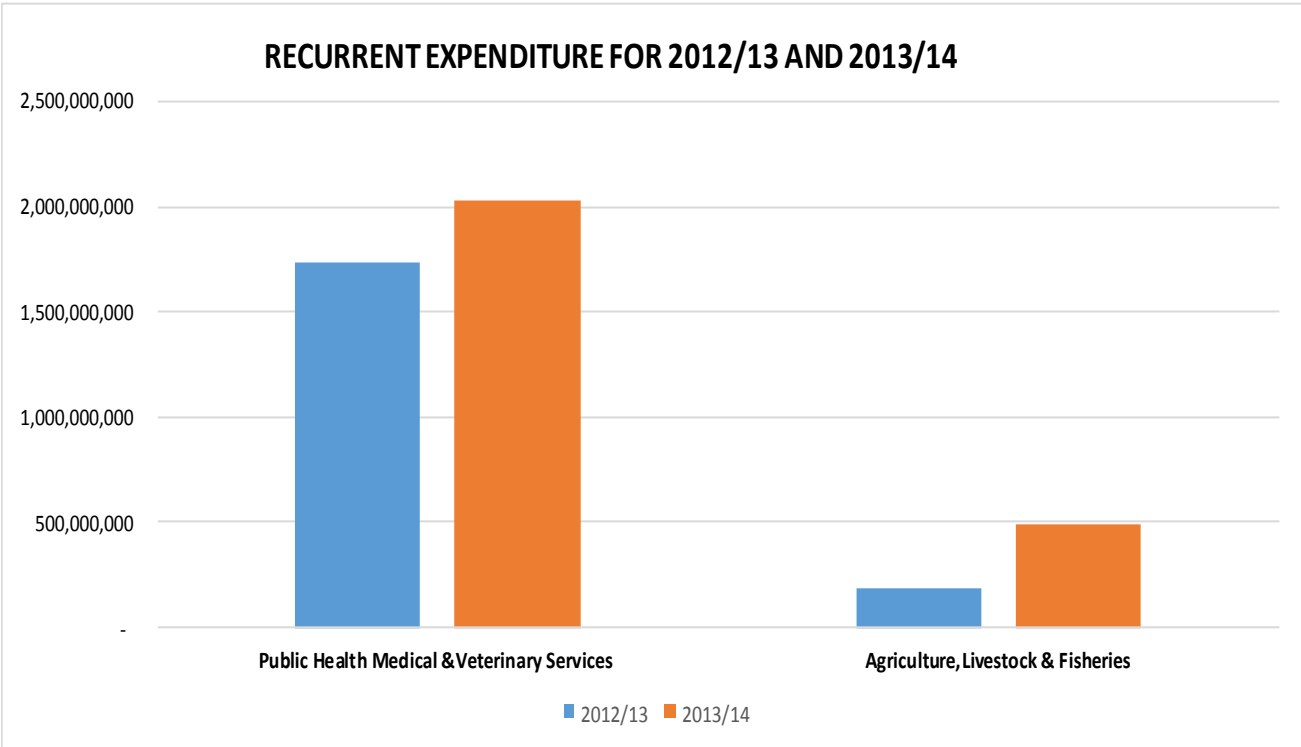
Even if the sequence of plan and budget is improper in this year, there is still no reason why the priorities should not be similar between the two documents.

The County Integrated Development Plan (CIDP) for Kisumu is available. Looking at the health projects in the CIDP, there seem to be limited relation with the projects funded in the budget. Lumumba Health Center is mentioned in both the CIDP and the budget, though no details are provided in CIDP on budget or timeframe for this. Nevertheless, most health projects in the budget are not in the CIDP. The same case for roads and Agriculture.

4. IS THERE ENOUGH MONEY IN MY BUDGET TO MAINTAIN THE CURRENT LEVEL OF BASIC SERVICES LIKE HEALTH?

In order to know the answer to this question, one has to look at how much it cost to deliver services last year. Since counties did not exist, this requires one to look at estimates of how much was spent by national government on devolved services last year. This is the baseline for what should be spent this year to maintain services. To view some of this Treasury data, refer to Budget Brief 19, "County Budgets: How do we know if there is enough to maintain key services," on the IBP website, <http://internationalbudget.org/wp-content/uploads/brief19.pdf>. The full underlying data is also available at <http://internationalbudget.org/kenya> below the link for Budget Brief 19.

To answer this question we evaluate the allocations for running costs last year and what is allocated for the current year. We evaluate the two sectors that are heavily devolved; health and agriculture. Kisumu County allocated Ksh 2 billion for recurrent health budget for 2013/14 and Ksh 488 million for Agriculture, Livestock and Development. In 2012/13 running costs in Kisumu for Health and Agriculture were Ksh 1.7 billion and Ksh 182 million respectively, as shown in the chart below. This is a 17 percent increase in allocations for health; and a 167 percent for the agriculture. However, it's important to note that veterinary services were part of the Agriculture sector in the 2012/13 budget but in 2013/14 it's under health. So we cannot tell for sure what the increases in the two sectors is due to the switch.



Kisumu County is one of the counties which received a conditional grant for the Nyanza Provincial Hospital. Unlike other counties with level 5 facilities, Kisumu has a section of the budget that has the budget for the facility. The national government allocated Ksh 395 million while the budget shows an allocation of Ksh 599 million, which shows the county topped up what it received. However, this conditional allocation is not clearly shown on the county revenue side (there is a revenue projection of Ksh 345 marked as “Cost sharing” which could be) and it is strange that there are no funds for staff compensation. The health sector has total aggregate salaries which might contain the salaries for the level 5 facility.

2. JARAMOGI OGINGA ODINGA TEACHING AND REFERRAL HOSPITAL		599,436,481
2110100	Basic salary- Permanent Employees	-
2110101	Basic Salary civil services	-
2110300	Personal Allowance -Paid as Part of Salary	7,820,000
2110301	House Allowance	-
2110308	Medical Allowance	-
2110309	Special Duty Allowance	-
2110310	Top Up Allowance	-
2110311	Transfer Allowance	-
2110312	Responsibility Allowance	-
2110313	Entertainment Allowance	-
2110314	Transport /Commuter Allowance	-
2110315	Extraneous Allowance	-

5. DOES MY BUDGET TELL ME WHERE (THAT IS, IN WHICH WARD OR CONSTITUENCY) DEVELOPMENT PROJECTS WILL BE LOCATED?

In order to assess the degree to which the budget is allocating resources equitably, we want to know where buildings and infrastructure will be located. This requires that spending information be broken down below the county level (to sub-county or ward). Generally, this information should be included in the part of the budget that details development (capital) expenditure.

The budget does not have many details of the projects that are funded. The different projects are clustered under each sub-county but no further regional breakdown is provided. However, many of the projects are captured by name which makes it easier to tell where the projects are.

317 D 02 : DEVELOPMENT EXPENDITURE - SUB COUNTY UNITS		
1. EXECUTIVE (HEADQUARTERS)		
2220205	Renovation of Governor's Residential House	10,000,000
3130101	Acquisition of Land	200,000,000
3110202	Construction of Ward Offices	35,000,000
3110701	HEARSE	6,000,000
SUB TOTAL		251,000,000
2. KISUMU CENTRAL		
		298,618,251
	Construction of Community hall at Arina	
3110202	Estate/fencing	4,469,115
3110202	Community Hall Milimani	827,514
3110302	RENOVATION OF INSTITUTIONAL HOUSE - KIBUYE	4,380,658
3111117	Streetlighting	38,000,000
3110701	Lorry for Inspectorate	7,000,000
3110302	REN. OF MEO'S (PAINTING, ROOFING, FIXTURES & FURNITURE	3,500,000
3111403	DEVELOPING TOUR GUIDE POLICY DOCUMENT - TOURISM DEPARTMENT	500,000
3110302	RENOVATION OF MUNICIPAL WORKS YARD OFFICES	2,300,000
3110301	RENOVATION OF INSTITUTIONAL HOUSES - LIMUMBA	2,000,000

6. DOES MY BUDGET HAVE A DEFICIT AND HOW WILL IT BE PAID FOR?

Many counties have deficits. A deficit has to be financed somehow, and this almost always means taking a loan. But loans are not permitted without national sign-off, which is unlikely at this time. Given this, it is also important to know what will be cut from the budget if the deficit cannot be financed.

In the first year, the Controller of Budget has been clear that deficits are not allowed. In subsequent years, counties will need to seek permission to borrow. There should be evidence in the budget that borrowing has been allowed if a county is presenting a deficit.

The Kisumu county budget has a balanced budget with no explicit deficit. The revenue projections for the year is Ksh 8.4 billion while the total expenditure estimates are Ksh 8.4 billion. The initial budget proposed by the county did have a deficit and was rejected by the COB on those grounds.

REVENUES RAISED / RECEIVED FOR FYR 2013/2014						TOTAL (KSHS)
Share of National Revenue						4,866,678,745
Local Revenue						3,417,121,255
Unspent balances returned to Exchequer Account						61,200,000
Total Revenues						8,345,000,000

7. HOW MUCH MONEY DOES MY COUNTY SAY IT WILL RAISE FROM ITS OWN TAXES AND FEES AND IS THAT REASONABLE?

Counties mostly receive money from national transfers and from their own taxes and fees. Many counties have estimated very high revenues from their own sources. To know if these are reasonable, one could compare them to what local authorities were able to raise from similar sources. The Parliamentary Budget Office (PBO) has estimated this for 2010/11. You can compare your county estimates to these to get a sense of what is reasonable. This data is contained in the 2012/13 PBO report.¹ We now also have some data from the Controller of Budget that tells us how much counties have actually been able to raise during their first four months.² By multiplying these figures by three, you can estimate how much a county would raise in a year. We carried out this analysis and compared the PBO and COB figures in the table below.

Kisumu county plans to collect Ksh 3.4 billion in 2013/14 from local sources within the county. According to the Controller of Budget Implementation Report for the first six months of this financial year, Kisumu was only able to collect Ksh 210 million. If we extrapolate this for 12 months then the county will collect Ksh 420 million for the whole year. This leaves an implicit deficit of Ksh 2.98 billion, or just 12 percent of the annual revenue target. It is possible that the county will collect at a faster rate in quarter three, but we don't have a basis for knowing that. Each county should produce a cash flow statement that estimates this.

8. HOW MUCH MONEY DOES MY COUNTY EXPECT TO GET FROM NATIONAL GOVERNMENT?

The correct number for the national transfer to each county is in the County Allocation of Revenue Act (CARA) 2013 and can be compared to what a county has proposed. The CARA 2013, Annex 3, contains information on the equitable share (the amount that goes through the formula as an unconditional grant) and additional conditional grants that counties received for regional hospitals (provincial and high volume hospitals), donor-financed projects, and the Equalisation Fund. This information is available at <http://kenyalaw.org/kl/fileadmin/pdfdownloads/Acts/CountyAllocationofRevenueActNo34of2013.pdf>.

Kakamega does not show any information on the amount of money it expects to receive from the national government. However, the County Allocation of Revenue Act, 2013 indicates that the county would receive Ksh 6.5 billion in the year 2013/14 as shown below, as equitable share and then receive Ksh 840 million as conditional grant making a total of Ksh7.4 billion.

¹ Republic of Kenya, The Parliamentary Budget Office, "MPs Budget Watch Financial Year 2012/13." Available at <http://www.parliament.go.ke>. Accessed 25 September 2012.

² Office of the Controller of Budget, "County Budget Implementation Review Report: Fourth Quarter FY 2012/13." Available at <http://www.cob.go.ke/>. Accessed on 26 November 2013.

THIRD SCHEDULE

[S. 4 & 5]

**EQUITABLE TRANSFERS AND CONDITIONAL TRANSFERS FROM
NATIONAL TO COUNTY GOVERNMENTS**

		A	B	C = A+B
			TOTAL	
NO.	COUNTY	TOTAL EQUITABLE SHARE OF REVENUE (SHILLINGS) (31%)	CONDITIONAL ALLOCATION (SHILLINGS)	GRAND TOTAL (SHILLINGS)
1	Baringo	3,247,853,215	382,555,501	3,630,408,716
2	Bomet	3,442,638,623	272,582,727	3,715,221,350
3	Bungoma	6,180,666,881	334,595,329	6,515,262,210
4	Busia	3,412,404,160	266,369,417	3,678,773,577
5	Elgeyo/ Marakwet	2,392,011,591	744,501,814	3,136,513,405
6	Embu	2,807,082,691	557,198,402	3,364,281,093
7	Garissa	4,221,433,715	475,032,960	4,696,466,675
8	Homa Bay	4,121,429,825	1,604,785,613	5,726,215,438
9	Isiolo	2,235,583,337	187,893,545	2,423,476,882
10	Kajiado	3,227,409,859	284,382,199	3,511,792,058
11	Kakamega	6,515,510,758	840,702,017	7,356,212,775

9. DOES MY BUDGET SPEND MONEY ON THINGS THAT COUNTIES ARE RESPONSIBLE FOR RATHER THAN THINGS THE NATIONAL GOVERNMENT IS RESPONSIBLE FOR?

Citizens can consult the Fourth Schedule of the Constitution to determine which functions counties are responsible for, and which national government is responsible for, then see if the county budget is aligned with county functions. Further detail on the functions described in the Fourth Schedule are available in a Gazette Notice issued by the Transition Authority on 9 August 2013.³

The county has allocated money for many functions that counties are responsible for as captured in schedule 4 of the constitution. However, the budget has items that are under the mandate of the national government. Below is a snippet from the budget which shows considerable allocation for construction of classes in primary and secondary schools.

³ Kenya Gazette Supplement No. 116, Legal Notice 137, "The Constitution of Kenya, The Transition to Devolved Government Act, 2012 (No. 1 of 2012), Transfer of Functions."

3110202	6 Classrooms (Omuga, Obwanda & Obina Sch)	5,600,000
3110202	Construction of Youth Poly. At Obuolo (Admin & 2 Cla	5,000,000
3110202	4 Classroom -Chiga,Nyatege,Obino Pri. Schools	3,400,000
3110202	2 Classrooms Nyamonge Secondary School	1,800,000
3110202	2 Classrooms Masawa Primary School	2,000,000
3110202	Doctors House at Orongo Dispensary	2,300,000
3110202	Public Toilet at Rweya Chief's Camp	1,100,000

10. DOES IT SPEND MONEY ON ALL OF THE THINGS THAT COUNTIES ARE RESPONSIBLE FOR, OR ARE THERE KEY AREAS MISSING?

In reviewing some budgets, we find that things like housing are completely missing. This is a core county function, so it is surprising to find it missing. This question can be answered by looking at the Fourth Schedule, but also by looking within each sector and comparing the activities to those that a sector specialist (in health, housing, etc.) would identify as key areas of spending. This can be supplemented by looking at activities contained in the sector report (MTEF) and the 2012/13 budget at national level. In many cases, however, the lack of programme budgeting and the use of only line items in the county budgets makes it very difficult to tell what functions are being taken up under each county department/ministry.

The budget gives a good breakdown showing all sectors then breaking them down for each sub-county. However, even with that much detail, it's not possible to tell who is being paid. For example it's not possible to tell if ECD teachers' salaries are captured in the total salaries for the sub-counties as other ECD items such as equipment and feeding programs can be seen under each.

11. DOES MY BUDGET HAVE AN EMERGENCY FUND IN CASE OF ANY DISASTER?

All counties can (and should) have a County Emergency Fund in their budget to provide for disasters. As per the Public Finance Management Act, this can spend up to 2 percent of the county revenues in a single year.

The county has not allocated any funds for the Emergency Fund.

12. DOES THE BUDGET PROPERLY DISTINGUISH BETWEEN RECURRENT AND DEVELOPMENT EXPENDITURE?

In some budgets, we find that these expenditures are misclassified, which also leads to an incorrect assessment of the share of the budget that is for development. The PFM Act 2012 requires at least 30 percent of development spending over the medium term (3-5 years). Some budgets classify medicines as development spending (when they should be recurrent) and assets like equipment as recurrent spending (when they are capital/development). We also noticed variations of classification within a single budget, but across departments (e.g., equipment classified as recurrent in some departments, and development in other departments).

Kisumu has separated spending categories clearly and one is able to differentiate the two budget types. The budget gives aggregate figures for development costs and then gives a full lists of all the projects on a separate tab. The one gap is that the development projects are not aligned to the sectors on the recurrent side of the budget. There are also some projects listed where it does not say whether they are construction or refurbishment or what the allocations are exactly for.

3110202	Dunga Pri School	1,200,000
3110202	Ezra Gumbe Hall	4,500,000

13. DOES THE BUDGET CONTAIN UNIT COSTS FOR VARIOUS PURCHASES (SUCH AS VEHICLES, GENERATORS AND OTHER ASSETS) AND ARE THESE CONSISTENT ACROSS DEPARTMENTS?

Not all of the budgets contain unit costs. Good practice is to give an indication of the number of units (say, vehicles) and the total cost, along with a unit cost to know how much each asset is estimated to cost. This allows comparison with market rates and with other parts of the budget. In our review of some budgets, unit costs are missing and there is some evidence that they differ across departments within a single budget.

The budget has provided a number of units for many cases in the development budget, but not the unit costs. However, there are still many instances where the number of units being funded is not clear.

	3. KISUMU EAST	149,818,865
3110202	2 ECD classrooms at Nyalunya Primary School	1,660,073
3110504	Fencing of Cemetery	1,231,794
3110202	2 ECD Classrooms Buoye Primary Schools	2,100,000
3110202	2 ECD CLASSROOMS OMWOGA,BWANDA SCHOOLS	2,500,000
3110202	CONST. OF 3 STOREY OF AT KUOYO DISPENSARY(DOC .HOUSE)	6,000,000
3111001	EQUIPMENT /FURNITURE GOT NYABONDO HEALTH CENTER	2,728,998
3110402	Construction of Roads- Kolwa Central Access .	8,338,000
3110402	Construction of Roads-Kolwa East Access Road	10,920,000
3110402	Construction of roads-Kenya Re-Estate roads	9,200,000
3110402	Construction of Roads-Chiga-Masawa-Obino	14,600,000
3110402	Construction of Roads-Chiga mkt-Chiga Sch	3,400,000
3110402	Construction of Roads-Nyamong-Masawa	8,500,000

14. ARE THE BUDGET LINES SUFFICIENTLY CLEAR TO KNOW WHAT EACH OF THEM REFERS TO, AND ARE THEY CONSISTENT ACROSS DEPARTMENTS?

Proper budgeting requires a consistent set of codes and budget lines that are easy to interpret. Where they are not, narrative explanation should be provided. One can look at this issue broadly but also within specific sectors.

The budget has some good detail for both budget types despite the fact the use of generic economic classifications with generic line items, which in some cases do not allow us to know what kind of item we are really talking about e.g. “rain catchment-staff quarters” It’s hard to tell what this is.

However, the budget does not make use of any charts of accounts throughout the budget, though it appears the same code is used for many different items as shown by code 310202 that is used for construction of ECD classrooms, toilets and staff sheds.

3110402	Construction of Road-SUNRISE-ELUHOBE-SANGANYINYA RD	
3110202	Construction of laboratory - Shambembe sec.	
3110202	2 ECD at Sidika Primary School	
3110202	CLASSROOM CONSTRUCTION-GOMBE KOKULO	
3110202	CONSTRUCTION OF ECD CENTRE -OTHO	
3110502	RAINWATER CATCHMENT -STAFF QUARTERS (KISUMU CENTRA	
3110202	CONSTRUCTION OF STAFF SHEDS IN MARKETS (HOLO,)	
3110202	CONSTRUCTION OF 2 MARKET PIT LATRINES-HOLO	
3110202	Construction of 6 door toilet Dago Kokore Health Centre	
3110202	BOREHALLS(,USIRI,OJOLA,KANYAWEGI)	
3110202	CONSRUCTION OF LWALA KADAWA DISPENSARY	
3110201	CONSTRUCTION OF STAFF HOUSE LOLWE DISPENSARY	
3110202	CONSTRUCTION OF 2 ECD CLASSROOMS	

15. DOES THE BUDGET CONTAIN ESTIMATES FOR THE COMING THREE YEARS OR ONLY FOR THIS YEAR?

Some budgets seem to contain only a single year of estimates, whereas the PFM Act 2012 encourages budgeting in a medium term framework (the coming year, plus at least two additional years). The PFM Act requires three years of revenue estimates at least, but good practice is to provide three years of expenditure estimates as well, for both recurrent and development spending. Development spending is particularly important because it generally commits the budget for future years and reduces choices in those years. Multi-year projects should be discussed as multi-year projects, not single year budget items, if they will constrain budget choices in future years.

The 2013/14 Kisumu budget has expenditure and revenue estimates for just the current year as shown below.

2013/2014 REVISED RECURRENT EXPENDITURE ESTIMATES		
317 RO1 : OFFICE OF THE GORVERNOR AND COUNTY ADMINISTRATION		
		635,119,842
1. EXECUTIVE (HEADQUARTERS)		360,302,732
2110100	Basic salary- Permanent Employees	112,534,992
2110101	Basic Salary civil services	112,534,992
2110300	Personal Allowance -Paid as Part of Salary	49,111,120
2110301	House Allowance	19,005,120
2110308	Medical Allowance	200,000
2110309	Special Duty Allowance	500,000
2110310	Top Up Allowance	210,000
2110311	Transfer Allowance	1,728,000
2110312	Responsibility Allowance	-
2110313	Entertainment Allowance	-
2110314	Transport (Commuter) Allowance	10,308,000
2110315	Extraneous Allowance	650,000
2110317	Domestic Servant Allowance	-

2013/2014 REVENUE BUDGET		
CODE	DEPARTMENTS	TOTAL REVENUE
GENERAL MNGT UNIT		
1130101	Stand Premium	5,123,193
	Sale of Council Minutes	90,024
1300000	KUP Donor fund	9,980,000
ENFORCEMENT UNIT		
1430101	Court fines	4,007,020
1430100	Impounding Charges	718,656
ESTABLISHMENT UNIT		
1160201	Training levy	389,558
COUNTY TREASURY		

16. DOES THE BUDGET CONTAIN ANY FUNDS FOR CIVIC EDUCATION, OR TO FACILITATE PUBLIC PARTICIPATION IN COUNTY DECISION-MAKING?

The Fourth Schedule of the Constitution assigns to counties the role of ensuring community participation in governance. The County Governments Act requires counties to encourage public participation in a number of ways. These include, among others: meetings where plans, budgets and government performance can be discussed, opportunities to give inputs on development projects, citizen commissions in various sectors, and a variety of information dissemination platforms (e.g., through notice boards). Since these activities are not free, the county should budget for them in some way and this should be clearly indicated.

The budget does provide funding for civic education under the Governor's Office with an allocation of Ksh 1 million.

2013/2014 REVISED RECURRENT EXPENDITURE ESTIMATES		
317 RO1 : OFFICE OF THE GORVERNOR AND COUNTY ADMINISTRATION		
2210711	Tuition fees	1,000,000
	Civic Education-Legal policy etc	1,000,000
2210800	Hospitality Supplies and Services	6,540,000
2210801	Cartering services,receptions,Ac	6,540,000
2211000	Specialised Materials and Supplies	800,000
2211009	Education and Library Supplies	300,000
2211016	Purchase of Uniforms and Clothing - Staff	500,000