

# KENYA BUDGET ANALYSIS: MARSABIT 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 Marsabit county budget does not have any narrative explaining the budget estimates for the year 2013/14.

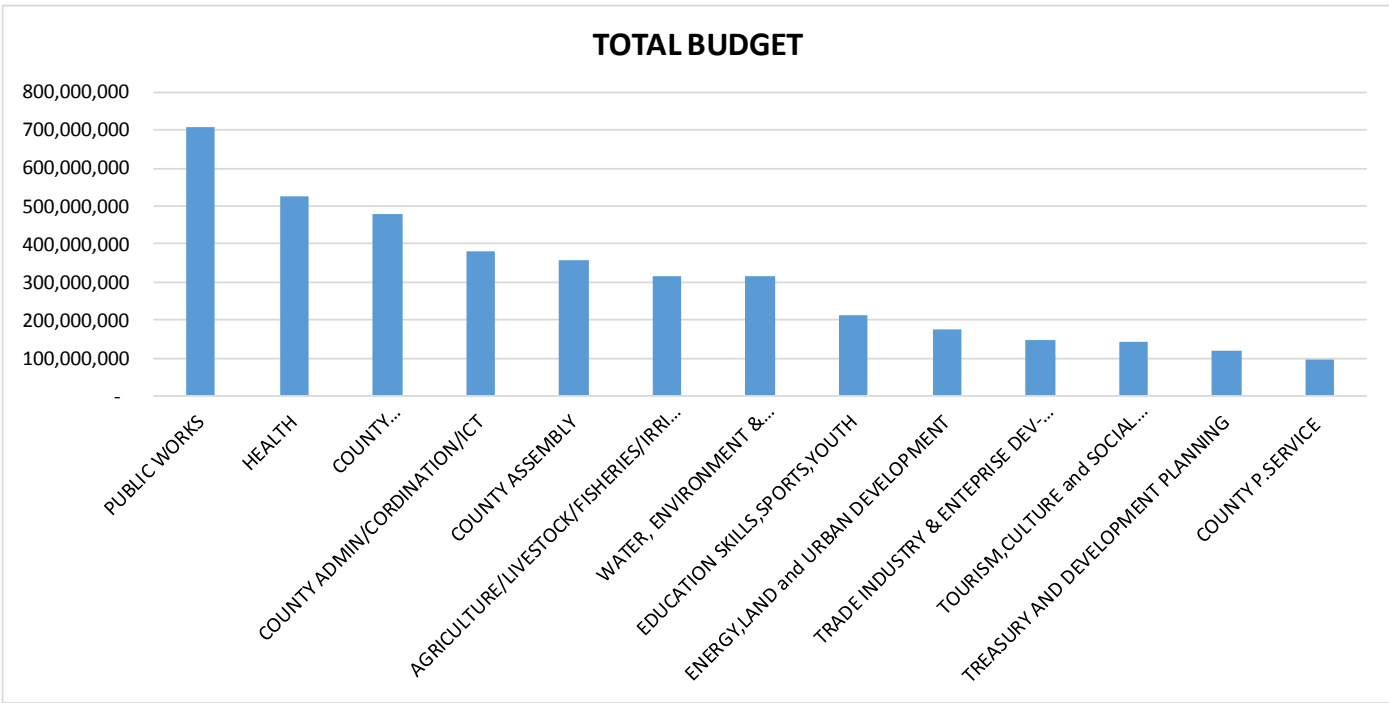
## 2. WHAT ARE THE PRIORITY AREAS IN MY BUDGET?

*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.*

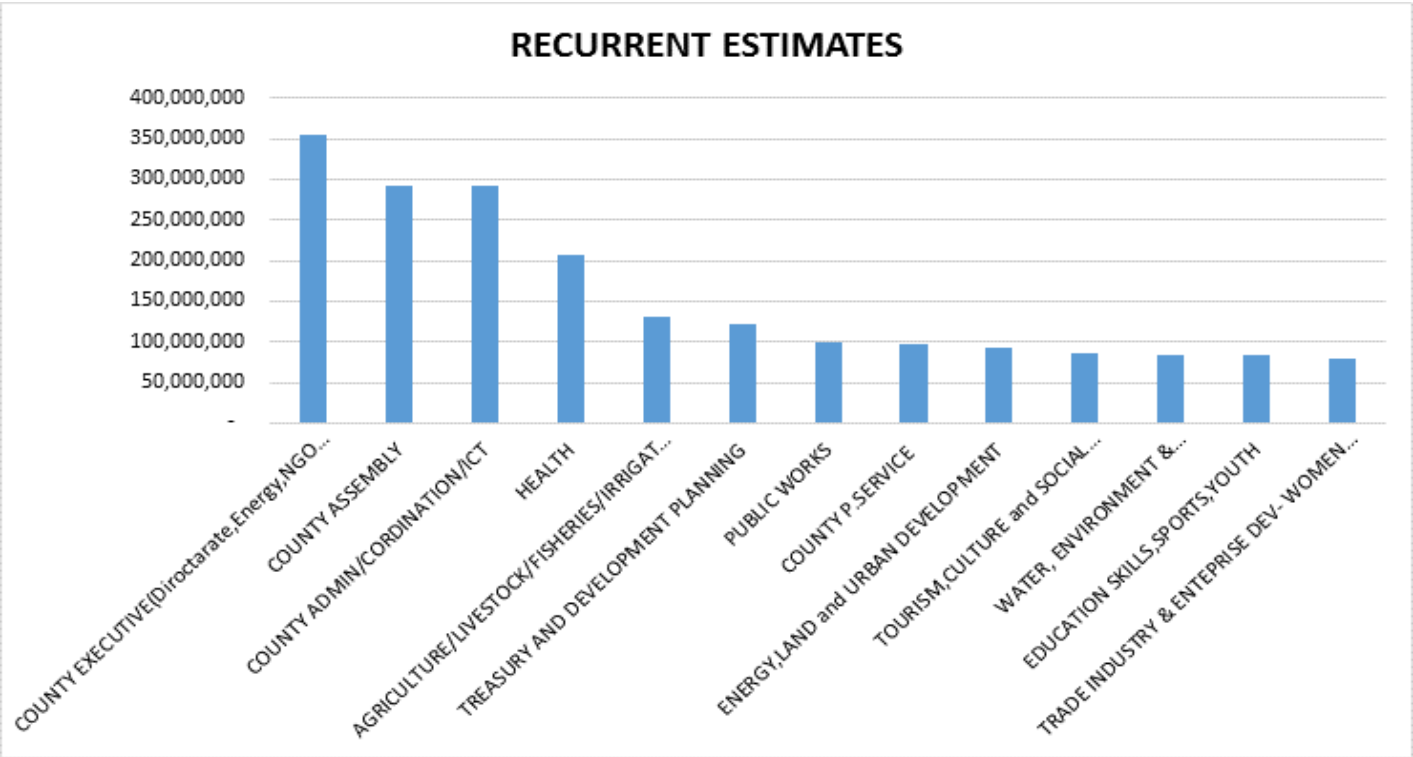
*However, not all areas are equally expensive. For example, if one considers international benchmarking for different sectors, education is usually more expensive than health, health more expensive than agriculture, and agriculture more expensive than water. It does not follow that spending more on health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

Marsabit has a total budget of Ksh 3.99 billion for the year 2013/14, with the recurrent expenditure taking up 51 percent of the total budget while the development expenditure get a considerable allocation of 49 percent (not including a small amount for debt repayment). The public works sector has the highest allocation for the year with Ksh 708 million, followed by the health sector at 526 million and the County Executive completes the top three allocations with Ksh 481 million. These three top allocations take up 43 percent of the total budget for Marsabit county.

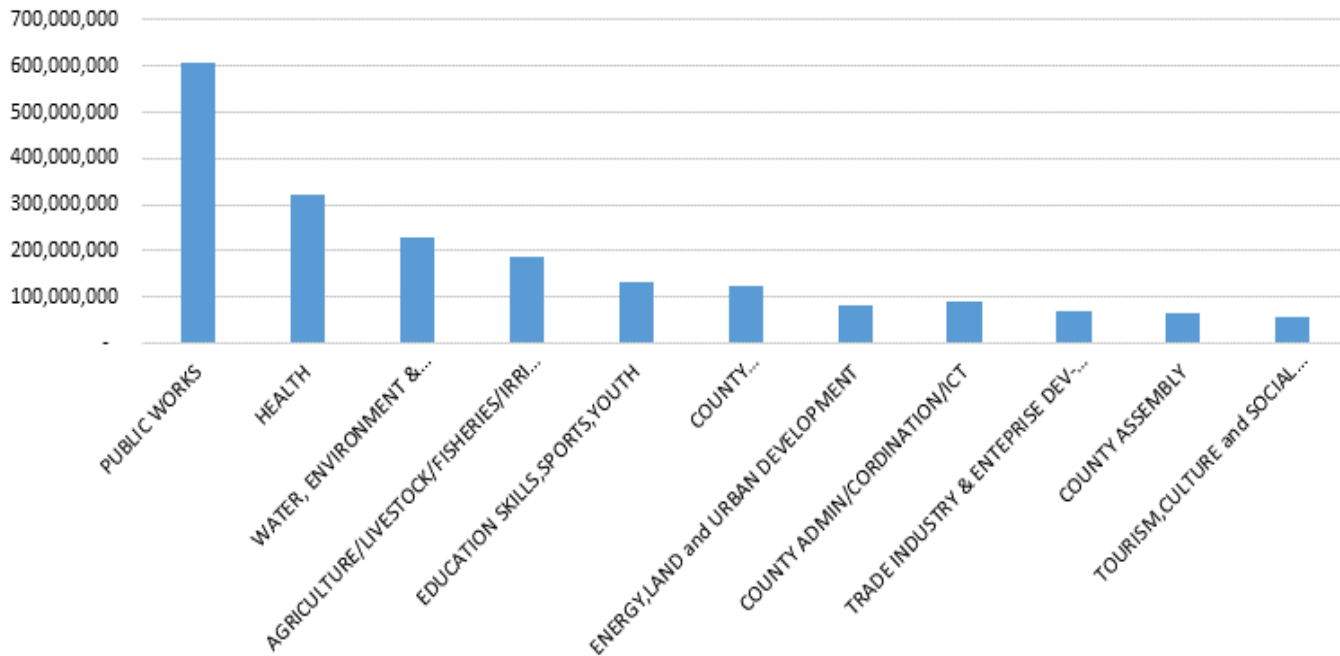


Administrative departments take up the three highest recurrent expenditure allocations. The County Executive has the an allocation of Ksh 355 million, followed by the County Administration Department with Ksh 291.7 million, and the County Assembly with Ksh 291.68 million. These three top departments take up about half of the total recurrent budget (47 percent, or Ksh 950 million of the total Ksh 2 billion). On the face of it, we might assume that the administration department is really part of the County Executive. However, it is pretty hard to tell what this department actually does. It has a large budget for “maintenance of street lights,” which appears to be a public works responsibility and also occurs there.



The total development expenditure estimates for Marsabit county for 2013/14 is Ksh 1.95 billion. The Public Works has a budget of Ksh 608 million; followed by the Health Department Ksh 322 million. The Water, Environment and Natural Resources Department is third with an allocation of Ksh 230 million.

## DEVELOPMENT ESTIMATES



### 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.

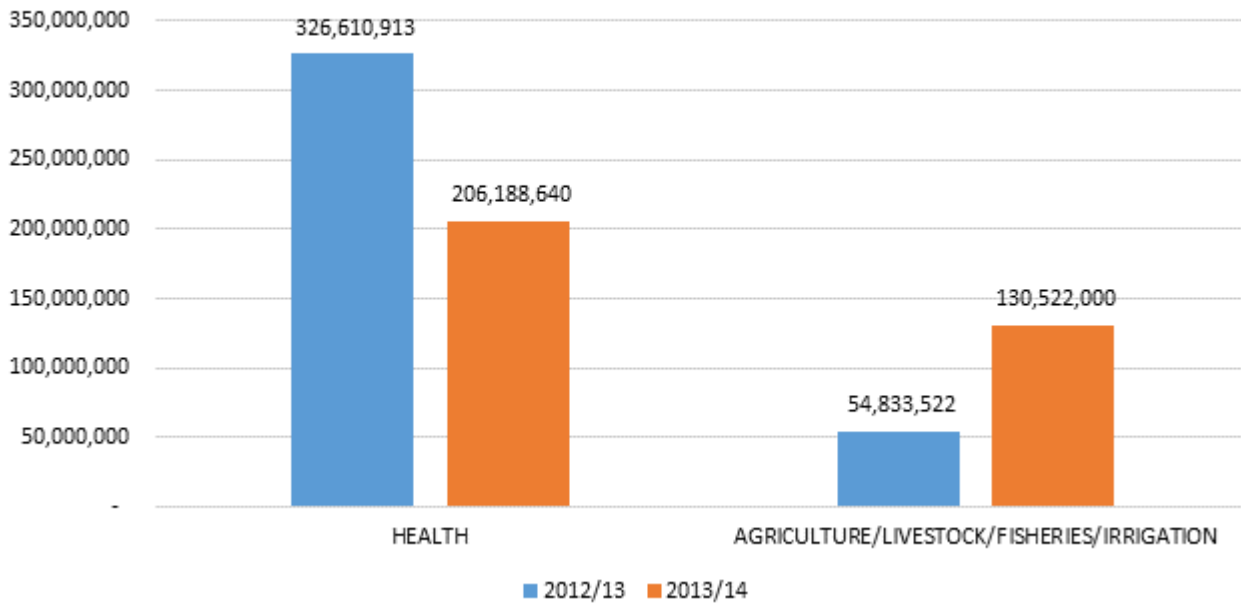
The County Integrated Development Plan is not available for this analysis.

### 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 [www.internationalbudget.org/kenya](http://www.internationalbudget.org/kenya) below the link for Budget Brief 19.

Here we evaluate how much the county has allocated for running costs in 2013/14 for two key devolved sectors, health and agriculture, and compare to what the national government spent for the same devolved functions in 2012/13. The health budget has been reduced by nearly 37 percent, from Ksh 326 million in 2012/13 to Ksh 206 million this year. However, the agriculture budget saw a sizeable increase. The sector's recurrent budget in 2012/13 was Ksh 55 million compared to Ksh 131 million in 2013/14, an increase of 138 percent. In the case of health, while there is a salaries and allowances allocation it does seem quite low. One theory to explain this is that the remainder bit of the staff compensation is what is captured in the County Administration department (Ksh 190 million).

## RECURRENT EXPENDITURE FOR 2012/13 AND 2013/14



### 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 Marsabit budget does not have any breakdown of the development budget lines and that makes it impossible to tell what these allocations are exactly for and where the projects will be implemented. Below is example for the health department.

<b>SUBTOTAL</b>	<b>38,500,000</b>
<b>TOTAL RECURRENT EXPENDITURE</b>	<b>206,188,640</b>
<b>DEVELOPMENT EXPENDITURE</b>	
DEVELOPMENT EXPENDITURE	<b>320,000,000</b>
<b>TOTAL DEVELOPMENT EXPENDITURE</b>	<b>320,000,000</b>
<b>GRAND TOTAL</b>	<b>526,188,640</b>

### 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 Marsabit budget in 2013/14 has a deficit of Ksh 35.3 million. It's not clear why it still has a deficit considering all counties with deficits were asked to revise their budgets in September 2013 to eliminate them.

**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 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.<sup>1</sup> 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.<sup>2</sup> 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.*

According to the budget the county projects to collect Ksh 44 million for the financial year 2013/14. According to the second quarter implementation report from the Controller of Budget, Marsabit was able to collect Ksh 16.4 million for the first 6 months of the year. This is not a huge shortfall when measured against the annual target. If the county maintains the same level of collection for the remaining half of the year then, the shortfall will be about Ksh 11 million. However, adding this to the deficit, then the county could have a revenue shortfall of about Ksh 46 million.

**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>.

The county government expects to get Ksh 3.7 billion from the national government for the year. The county also projects an allocation of Ksh 228 million from the Equalization Fund for the year. According to the County Allocation of Revenue Act, 2013, the county is allocated Ksh 4.1 billion; with Ksh 3.8 billion as the equitable share and an extra Ksh 273 million in conditional grants. If you add the Equalization Fund then the county is bound to receive Ksh 4.3 billion just in national transfers. Even without the inclusion of the conditional grants the county will get Ksh 4.02 billion which will still mean a budget surplus in 2013/14.

TOTAL REVENUE FOR THE COUNTY 2013/2014				
1	CRA ALLOCATION	3,678,000,000		
2	EQUALIZATION FUND	228,000,000		
3	PROJECTED LOCAL REVENUE	44,000,000		
	TOTAL	3,950,000,000		

<sup>1</sup> 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.  
<sup>2</sup> 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.

## 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.<sup>3</sup>*

Many of the items in the budget do seem to be aligned to county functions as assigned in Schedule four of the constitution. However, the level of detail in the budget is wanting especially for the development expenditure limits the analysis in what is funded throughout the budget. Even with the little detail one thing stands out that seem strange, the county has an allocation to Nema which one cannot tell why the county is budgeting for Nema activities while it's a national body. There is also a large contribution water on the development side of the budget, and it is not clear how this is coordinated with the Northern Water Services Board for the region.

## 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.*

With the details provided nothing seems to be missing in terms of functions for counties including the allocation for salaries. However, we cannot tell if they are budgeting for extension workers, ECD teachers, etc. Salaries in health are exceptionally low as well. ECD is actually under admin, but has no budget allocation.

## 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 allocated Ksh 130 million for its Emergency Fund. This is about 3 percent of the total projected revenue in the budget and against the PFM Act that puts a ceiling of 2 percent of revenue for expenditure from the Emergency Fund in a given year.

## 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).*

The budget separates the recurrent expenditure and the development expenditure, but the development part is all aggregated, so hard to know if properly classified. Purchase of motor vehicles may or may not be properly classified as recurrent, depending on the type of vehicle.

<sup>3</sup> 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."

### 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 details provided do not show any unit costs for any of the expenditure types and this means we are not able to see how many items are to be procured by the allocated funds. For example there is an allocation for banner posts under the agriculture department but no details on the number of banners or the unit costs of each banner.

SALARY ARREARS					
BENOVELENT FUND					
AGRICULTURAL SHOW CONTRIBUTION				400,000	0
PASSENGERS VEHICLE HIRE		1,000,000		100,000	300,000
DRUGS & VACCINES		1,000,000	4,000,000	200,000	5,200,000
BANNERS POSTS				600,000	200,000
ROADS SIGNS					
FIRE ENGINE RUNNING EXPENSES					
RENEWALS OF DRIVING LICENCES					
PERFORMANCE CONTRACTING/RRI					

On the development side, there is still lack of information, for example, how many medical schools and polytechnics will be constructed, how much it would cost to construct one polytechnic and one medical school. From the information provided, does it mean that the medical school will cost Ksh 50 million and is this only one? It is also not clear if the expenditure in a single year is enough to complete the project, or there are ongoing costs implied for future years that are not mentioned here.

<b>D0010</b>	<b>3111500</b>	<b>010 Education</b>	
	3111504	Medical school	50,000,000
	3111504	Polytechnics	150,000,000
	3111504	Education support programme	500,000,000
	3111401	Task force on Education	10,000,000
	2640101	Bursaries	30,000,000
	3110504	ICT Connection centres	60,000,000

### 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.*

Many of the items in the budget are clear with the budget well split up between recurrent and development. While 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.

Several items are not clear though. For example, in the water sector there is an allocation for Nema Licensing, it's not clear what the county could be paying Nema for.

2013/2014			
DEPARTMENTS	WATER	ENVIRONMENT/NR	TOTAL
<b>RECCURRENT EXPENDITURE</b>			
<b>COMPENSATION TO EMPLOYEES</b>			
SALARIES AND WAGES	26,948,640		26,948,640
NSSF			240,000
PROVIDENT	600,000		600,000
GRATUITY	2,800,000		1,800,000
LIQUID EFFLUENCE NEMA		1,000,000	1,000,000
BEAUTIFICATION AND TREE PLANTING		2,721,000	1,700,000
PURCHASE OF FURNITURES AND FITTINGS	2,000,000	1,000,000	2,000,000
<b>NEMA LICENCING</b>	<b>1,340,000</b>		<b>1,200,000</b>
SENSITIZATION DRUG/PORNOGRAPHY			
RESEARCH/ CONSULTANCY		1,200,000	1,000,000

There is also a line for “Subscription” that is not clear, for example in health. There are also lines for “Vehicles” without saying type or number. It is also not clear why the Emergency Fund is allocated across ministries – is this meant to suggest that these are ministry specific contingency funds rather than a proper Emergency Fund?

### 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 Marsabit budget has expenditure and revenue estimates for just the current year as shown below.

#### MARSABIT COUNTY BUDGET ESTIMATES

2013/2014

CODES	DEPARTMENTS	COUNTY EXECUTIVE
	<b>RECCURRENT EXPENDITURE</b>	
	<b>COMPENSATION TO EMPLOYEES</b>	
2110101	SALARIES AND WAGES	40,030,000
2120101	NSSF	120,000
2120102	PROVIDENT	600,000
2710102	GRATUITY	6,000,000
2210900	INSURANCE	3,000,000
2110303	DIRTY/ACTING ALLOWANCE	
2110301	HOUSE ALLOWANCE	1,300,000
2110320	LEAVE ALLOWANCES	2,000,000
2110314	COMMUTER ALLOWANCES	2,500,000
2110322	RISK ALLOWANCES	
2110321	OTHERS	1,500,000
2110333	SPECIFIED ALLOWANCE	200,000



**MARSABIT COUNTY BUDGET ESTIMATES  
2013/2014**

<b>CODES</b>	<b>DEPARTMENTS</b>	<b>COUNTY EXECUTIVE</b>
	<b>RECCURRENT EXPENDITURE</b>	
	<b>COMPENSATION TO EMPLOYEES</b>	
2110101	SALARIES AND WAGES	40,030,000
2120101	NSSF	120,000
2120102	PROVIDENT	600,000
2710102	GRATUITY	6,000,000
2210900	INSURANCE	3,000,000
2110303	DIRTY/ACTING ALLOWANCE	
2110301	HOUSE ALLOWANCE	1,300,000
2110320	LEAVE ALLOWANCES	2,000,000
2110314	COMMUTER ALLOWANCES	2,500,000
2110322	RISK ALLOWANCES	
2110321	OTHERS	1,500,000
2110333	SPECIFIED ALLOWANCE	200,000

**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 public participation with the allocations spread across a number of departments. The total allocation comes to Ksh 14.2 million. However, it is not entirely clear what this is for.

2211100	CLEANING AND DETERGENTS
2220206	MAINTAINANCE
2211311	ASSET VALUATION
3110301	REFURBISHMENTOF BUILDINGS
2640201	RELIEF OF DISTRESS
2211329	HIV PROGRAMMES
2211310	CONTRACTED PROFESSIONALSERVICES-C
2211311	SURVEY FEE
2210799	COMMIUNITY PARTICIPATION PROGRAMME
2210106	PROVISION OF LITTER BINS