

KENYA BUDGET ANALYSIS: MOMBASA COUNTY

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

This question asks whether the budget contains a narrative that explains why the county made certain choices. In every budget choices must be made 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 Mombasa County budget does not have any narrative explaining the allocation in its budget

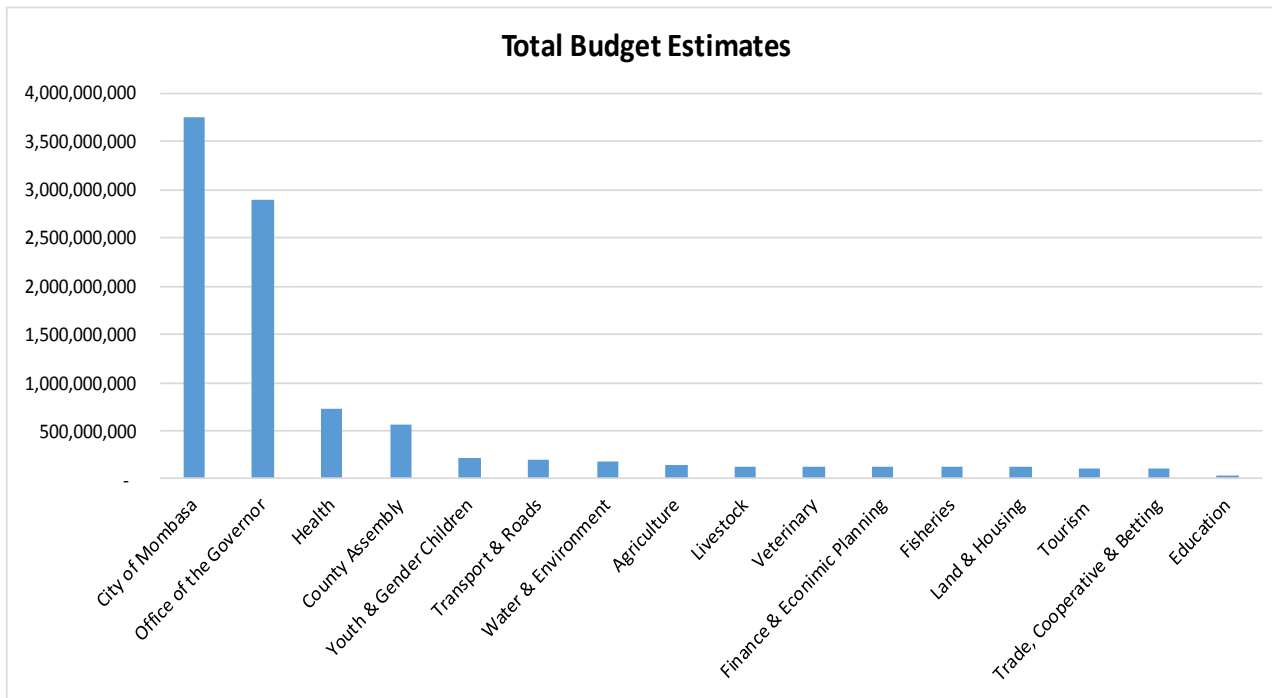
2. WHAT ARE THE PRIORITY AREAS IN MY BUDGET?

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.

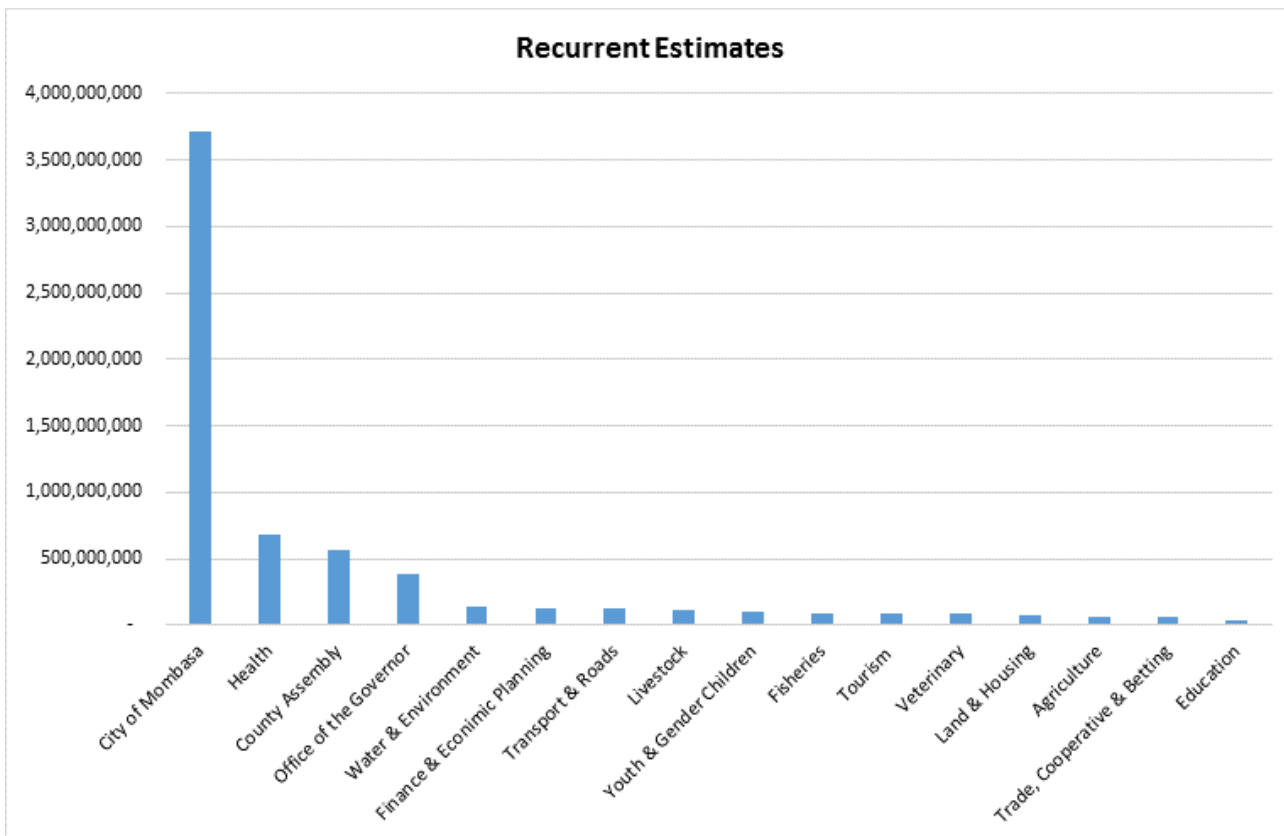
However, not all areas are equally expensive. For example, if one considers international benchmarking for different sectors, education is usually more expensive than health, health more expensive than agriculture, and agriculture more expensive than water. It does not follow that spending more on health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

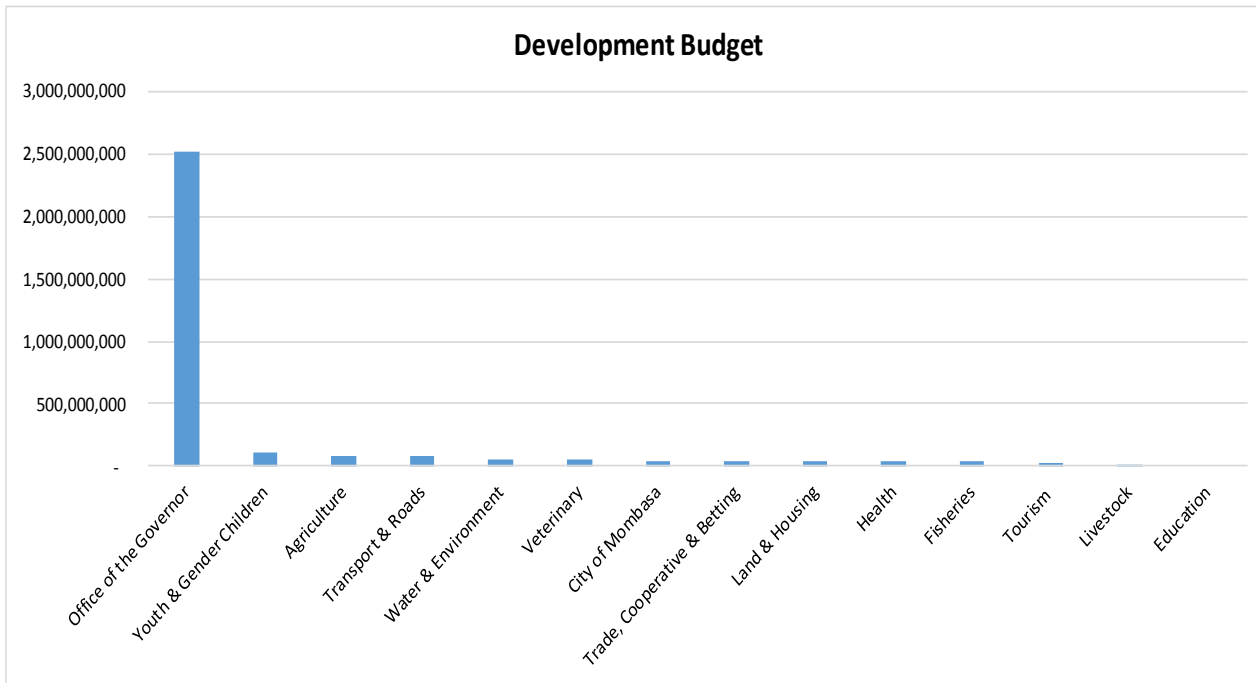
The total Budget for Mombasa County for the year 2013/14 is Ksh 9.57 billion shillings, with 67 percent (Ksh 6.4 billion) of this as recurrent expenditure and the remaining Ksh 3.1 billion for development costs. The City of Mombasa has the highest budgetary allocation of Ksh 3.8 billion followed by the Office of the Governors with 2.9 billion. The health sector is third with an expenditure estimate of Ksh 719 million. The top two spenders in the county collectively take up 70 percent of the budget and the other departments take up the rest as shown in the chart below. The three units take up 7.6 billion; or 58 percent of the total budget.



The City of Mombasa has the highest recurrent costs with Ksh 3.7 billion, which is about 77 percent of the total recurrent expenditure. The health sector and the County Assembly complete the top three recurrent cost allocations with Ksh 684 million and Ksh 560 million respectively.



80 percent of the total development budget in the county falls under the Office of the Governor. This is interesting and looking at the budget there is not much detail on what projects are under the Office of the Governor. A big proportion of the allocation goes for “Infrastructure and Civil Works.” One notable observation is that this amount is similar to the projected donor funding.



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

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.

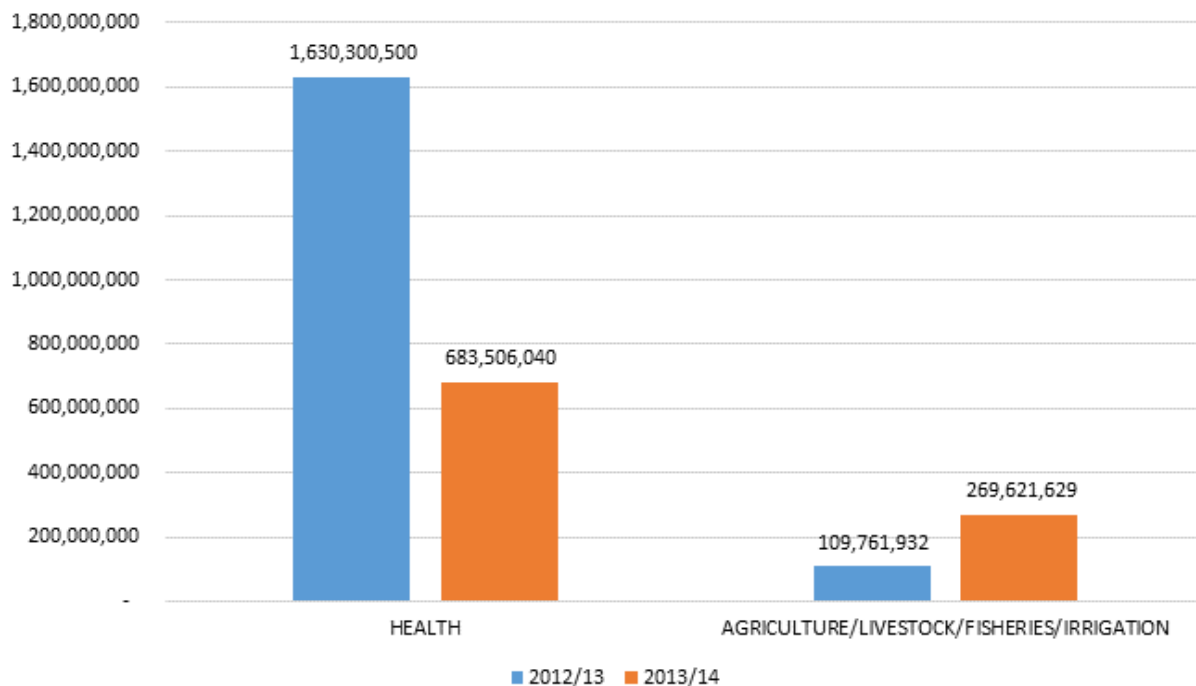
The County Integrated Development Plan is not available for analysis.

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 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 58 percent in 2013/14 compared to what was allocated in 2012/13. In contrast, Mombasa increased its agriculture expenditure estimates by 146 percent over the same period, as shown in the chart below. It is possible that the decline in health reflects the fact that salaries are not all there, but may be listed also under the "City of Mombasa."

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 Mombasa budget has some level of detail for its development expenditure estimates but no details of the geographical location of the projects that are funded in the budget. The sample from the Health department below shows construction of the buildings but it is not possible to tell where the constructions will be.

HEALTH			
3111400	Research, Feasibility Studies, Project Preparation and Design, Project Supervision		
3111401	Pre-feasibility, Feasibility and Appraisal Studies		15,000,000.00
3111402	Engineering and Design Plans		
3110700	Purchase of Vehicles and Other Transport Equipment		
3110707	Purchase of Ambulances		
3110200	construction and Building		
3110202	Non-Residential Buildings (offices, schools, hospitals, etc)		20,000,000.00
3111100	Purchase of Specialised Plant, Equipment and Machinery		
3111101	Purchase of Medical and Dental Equipment		
3111107	Purchase of Laboratory Equipment		
			35,000,000.00

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.

Mombasa county has a balanced budget for 2013/14; planning to spend as much as they will collect in revenue from the National transfers, donors and local sources.

Summary of Mombasa County Budget 2013/14					
	Expenditure	Income			Total Income
		Local Income	Exchequer	Donor	
Personnel Emoluments	2,589,883,454		2,589,883,454		
Recurrent	3,853,250,741	2,573,885,996	1,279,364,745		
Development	860,491,456	382,121,850	478,369,606		
Donor	2,263,781,489			2,263,781,489	
Total	9,567,407,140	2,956,007,846	4,347,617,805	2,263,781,489	
Grand Total	9,567,407,140.00	2,956,007,846.00	4,347,617,805.00	2,263,781,489.00	9,567,407,140.00

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. 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. 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.

As shown in the previous table, Mombasa county projects that it will be able to collect Ksh 2.96 billion from local sources for the year 2013/14. For the first half of 2013/14, Mombasa was able to collect a total of Ksh 405 million according to the half year Controller of Budget Implementation Report for the counties. This shows a low collection rate as this would translate to Ksh 810 million against a target of Ksh 2.9 billion.

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 expects to get Ksh 4.35 billion from national transfers. This figure is similar to what is provided for in the County Allocation of Revenue Act although with a small difference. However, these funds are divided up into Ksh 3.8 billion for the equitable share while Ksh 546 million are in conditional grants. The Mombasa budget does not show this breakdown in its budget. What is funded by the conditional grant?

LOCAL REVENUES AND GOVERNMENT TRANSFER			
		Local	Transfer
	Ks	Kshs.	
1330302	Road Maintenance Levy Fund		
1330201	Transfer from Central Govt.		4,347,617,805.00

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.

Looking at the different spending sectors, the county does seem to have allocated money for functions that are county specific. While the level of detail does not give much to do the analysis, the county does not seem to have allocated funds to national functions. Without more information, we cannot know if the roads to be funded are county roads, or what the railway funding is for. We also do not really know what City of Mombasa funding is for.

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 program 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.

Many of the items in the budget do seem to be aligned to county functions as assigned in Schedule four of the constitution. However, some key things seem to be missing, for example no salaries are allocated under the education sector for permanent employees. Does this mean the county is not in charge of any ECD and village polytechnic teachers or staff running the facilities? One assumption is that the salaries and allowances could be in the Mombasa City budget which has a huge allocation for these. There is also no budget for building ECD centers as there is no development budget for education. There is also apparently no budget for housing, which is surprising in a major urban area.

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 funding for an Emergency Fund in line with the PFM Act. There is a contingency allocation under the agriculture Sector but this is for droughts as shown.

	<u>AGRICULTURE</u>			
3110500	Construction and Civil Works			
3110504	Other Infrastructure and Civil Works		25,000,000.00	
3111300	Purchase of certified seeds, breeding stock and live animals		3,000,000.00	
3111301	Purchase of Certified Crop Seed			
2211000	Specialised Materials and Supplies			
2211007	agricultural materials, Supplies and small equipment		1,000,000.00	
2640200	Emergency Relief and Refugee Assistance			
2640203	Drought Contingency		7,200,000.00	
	Water Harvesting		15,000,000.00	
3110500	Construction and Civil Works			
3110504	Other Infrastructure and Civil Works		30,000,000.00	
				81,200,000.00

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 to 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 through the development expenditure has does not give much detail on the projects under the different budget lines or the location of these projects. There also quite a few confusing empty lines in the development budget, and some that seem to repeat (see construction and civil works under agriculture, which appears twice with different lines). For example, "Veterinary special materials and supplies" seems like it should actually be recurrent, not development expenditures. Training expenses under Office of Governor also sound like recurrent, not development expenditures.

	<u>AGRICULTURE</u>			
3110500	Construction and Civil Works			
3110504	Other Infrastructure and Civil Works		25,000,000.00	
3111300	Purchase of certified seeds, breeding stock and live animals		3,000,000.00	
3111301	Purchase of Certified Crop Seed			
2211000	Specialised Materials and Supplies			
2211007	agricultural materials, Supplies and small equipment		1,000,000.00	
2640200	Emergency Relief and Refugee Assistance			
2640203	Drought Contingency		7,200,000.00	
	Water Harvesting		15,000,000.00	
3110500	Construction and Civil Works			
3110504	Other Infrastructure and Civil Works		30,000,000.00	
				81,200,000.00

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 does not provide details on units or unit costs for the different purchases allocated money in 2013/14. For example, in the lands department Ksh 40 million is provided for purchase of land, one cannot tell if this is one parcel of land or several and if the later the cost of each.

On the development side, there is still lack of information on, for example, how many medical schools and polytechnics will be constructed and how much it would cost to construct one polytechnic and one medical school. 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.

Land, Infrastructure and Urban Development			
3130100	Acquisition of Land		
3130101	Acquisition of Land		40,000,000.00

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 does provide some level of detail with generic budget lines but accompanying budget codes. However, several things are not clear and one cannot tell what the allocation is for. For example, the county has allocated money for “Capital Transfers to Individuals and Households”, what exactly is this? Lots of money for infrastructure and civil works with no details.

YOUTH AND GENDER			
3110200	construction and Building		
3110202	Non-Residential Buildings (offices, schools, hospitals, etc		10,000,000.00
2640500	Other Capital Grants and Transfers		
2640502	Capital Transfers to Individuals and Households		40,000,000.00
2640505	Micro-Finance Youth Programme		40,000,000.00
3110500	Construction and Civil Works		
3110504	Other Infrastructure and Civil Works		25,000,000.00

Another example is under the Transport department where there is an allocation of Ksh 30 million for “Railways”. No details are provided for this, is it construction of railway, maintenance of the railway line in the county?

TRANSPORT & INFRASTRUCTURE

3110400	Construction of Roads		
3110402	Access Roads		50,000,000.00
3110500	Construction and Civil Works		
3110504	Other Infrastructure and Civil Works		
3110506	Railways		30,000,000.00
			80,000,000.00

The City of Mombasa recurrent budget also has a number of surprises: “Funds for vaccines,” “supplies for production,” “X-ray equipment,” etc.

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

DEVELOPMENT BUDGET FOR THE YEAR 2013/14			
OFFICE OF GOVERNOR		Amounts (Kshs)	
	County Executive services	301020100	
2210700	Training Expense (including capacity building)		
2210702	Remuneration of Instructors and Contract Based Training		50,000,000.00
3111000	Purchase of Office Furniture and General Equipment		
3111011	Lighting Equipment		200,000,000.00
3110300	Refurbishment of Buildings		
3110302	Refurbishment of Non-Residential Buildings		
3110500	Construction and Civil Works		
3110504	Other Infrastructure and Civil Works		2,263,781,489.00
			2,513,781,489.00

LOCAL REVENUES AND GOVERNMENT TRANSFER

	Ks	Local	Transfer	Donnor
		Kshs.		
1330302	Road Maintenance Levy Fund			
1330201	Transfer from Central Govt.		4,347,617,805.00	
1420318	Fisheries	12,000,000.00		
1420502	Water	780,000,000.00		
1410401	Land rates	620,000,000.00		
1420313	Land Valuation Fees	-		
1420314	Land Registration Fees	-		
1410501	Plot Rents	34,137,850.00		

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 other things: 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 “publicity and awareness” with an allocation of Ksh 14.2 million under the Governor’s Office. But this is not necessarily for public participation or civic education per se. It could be simply a public relations fund.

2210500	Printing , Advertising and Information Supplies and Services		
2210501	International News Services		50,490.00
2210502	Publishing and Printing Services		4,000,000.00
2210503	Subscriptions to Newspapers, Magazines and Periodicals		121,000.00
2210504	Advertising, Awareness & Publicity Campaigns		14,210,000.00
2210505	Trade Shows and Exhibitions		1,000,000.00
2210701	Travel Allowance		10,000,000.00