

KENYA BUDGET ANALYSIS: NAKURU 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 Nakuru County budget does not have a narrative to explain the choices made in the budget.

2. WHAT ARE THE PRIORITY AREAS IN MY BUDGET?

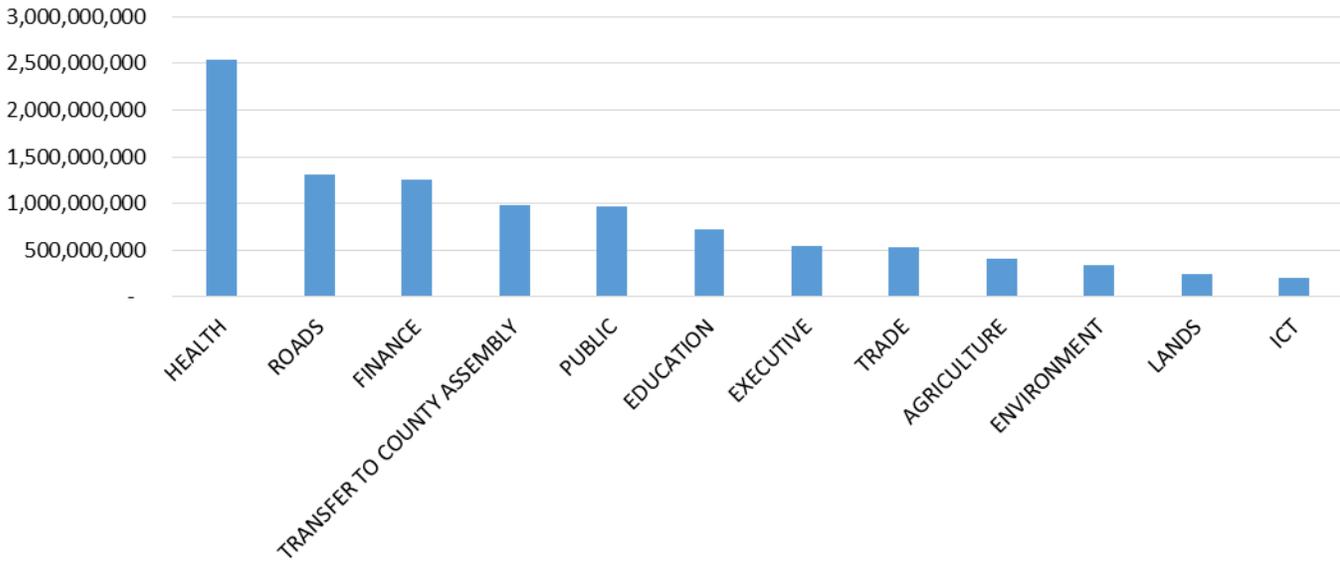
When we talk about priority areas, we generally mean the sectors that have received the highest allocations (most money). This is one way of understanding choices and relative priorities.

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.

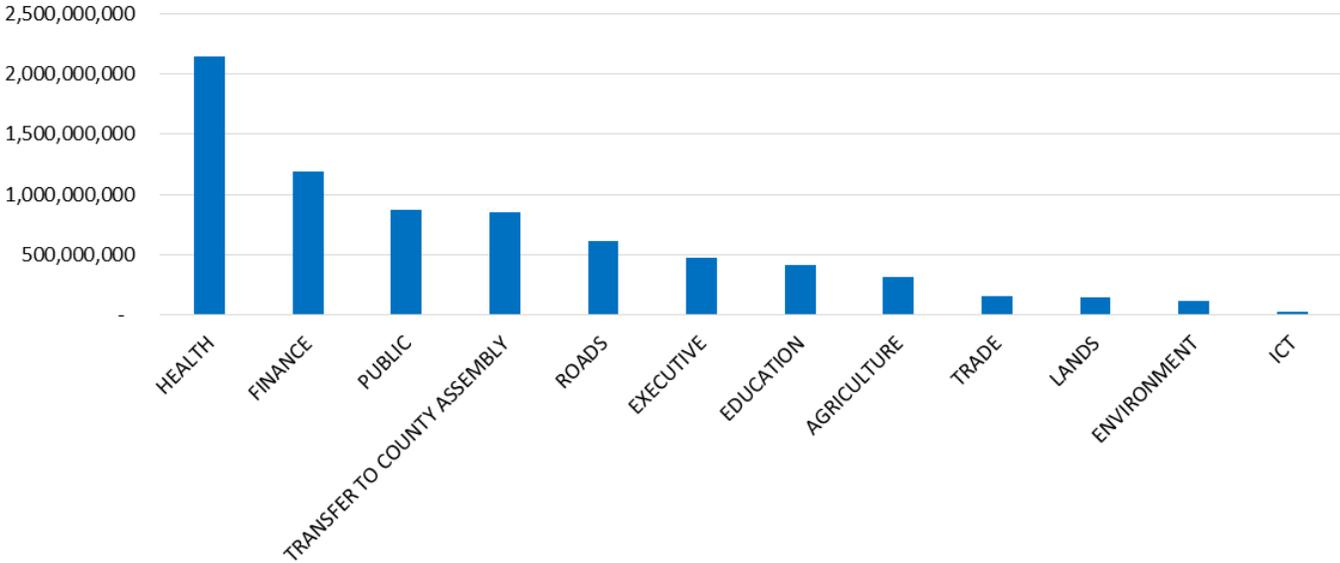
Nakuru County total budget is Ksh 10 billion for the year 2013/14. Out of this, the top three allocation goes to the Health department with Ksh 2.5 billion, while 1.3 billion and 1.25 billion goes to the Roads and Finance departments respectively. The health sector takes up a quarter of the total budgetary estimates for the year and the top three spenders are allocated 51 percent of the total budget.

Total Expenditure



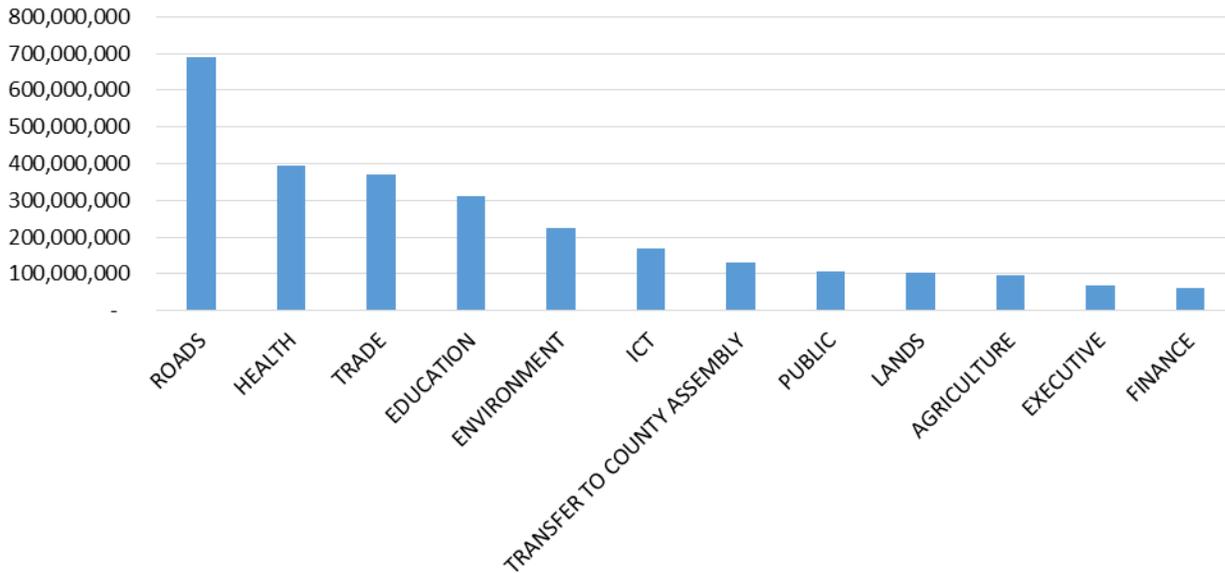
For the recurrent expenditure, health is the priority area with an expenditure estimate of 2.2 billion for the year, followed by finance and the public service sector with Ksh 1.2 billion (this is inclusive of Ksh 300 million for debt repayment) and 868 million respectively. The three departments take up 58 percent of the total recurrent budget. In general, 46 percent of all recurrent costs are for staff compensation, with health accounting for almost 40 percent of all the salaries in the county.

Total Recurrent



The total development budget for the county is Ksh 2.7 billion; and roads, health and trade take up 53 percent of the development budget.

DEVELOPMENT EXPENDITURE



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 for Nakuru is not available.

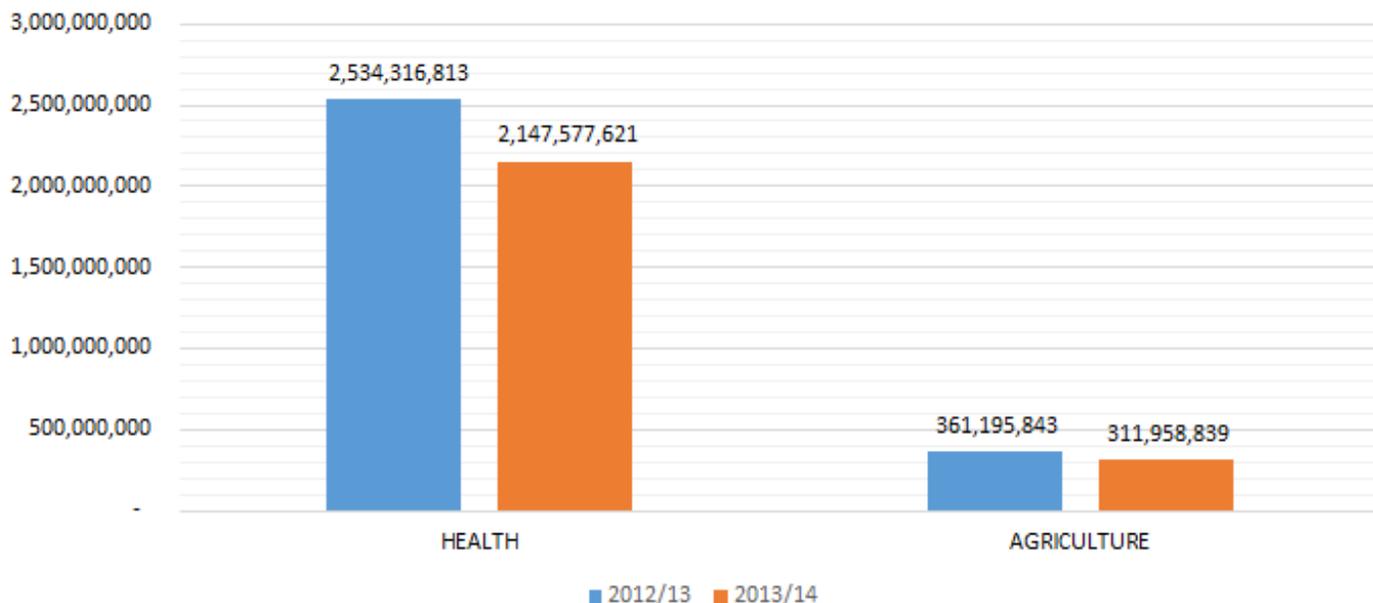
4. IS THERE ENOUGH MONEY IN MY BUDGET TO MAINTAIN THE CURRENT LEVEL OF BASIC SERVICES LIKE HEALTH?

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.

To answer this question we evaluated the allocations for running costs last year and what is allocated for the current year. Nakuru has allocated Ksh 2.1 billion for recurrent costs in the health sector this financial year, this is 387 million lower than what was spent to run health services in the county in 2012/13. This is quite a significant drop in funding for the sector. Nakuru is one of the counties that received a conditional grant for the level 5 hospital (in this case is the Rift Valley General Hospital), the grant was just over Ksh 600 million. This conditional allocation is not shown in the health budget, generally there seem to be a low allocation for staff compensation in health as majority (at least 80 percent) of the recurrent costs in the sector are for staff.

The situation is the same for the agriculture sector, where the recurrent expenditure estimates between the two years dropped by Ksh 49 million. National Treasury gives a figure of Ksh 361 million for 2012/13; while the county government of Nakuru has allocated Ksh 312 million in 2013/14.

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.

Nakuru county does give information where specific projects will be carried out. The budget gives details including the name of the project, the ward where it will be carried out as well as the constituency plus the funds allocated for implementation. However, one is not able to tell if these projects will be carried out in one year or longer than that and if the later whether the allocations are only for the current year or the whole project cycle.

NAKURU COUNTY GOVERNMENT DEVELOPMENT						
DETAILS	COUNCIL	FUNCTIONS	S. FUNCTION	WARDS	CONSTITUENCY	AMOUNT
EXPANSION OF DUNDORI HEALTH CENTRE	NC	HEALTH	HEALTH	DUNDORI	BAHATI	4,000,000
CONSTRUCTION TANGI TANO DISPENSARY AND TOILET	NC	HEALTH	HEALTH	ELEMENTAITA	GILGIL	2,500,000
CONSTRUCTION OF KIPTAGWANYI DISPENSARY WARDS	NC	HEALTH	HEALTH	ELEMENTAITA	GILGIL	4,500,000
GILGIL HEALTH CENTRE THEATRE	NC	HEALTH	HEALTH	GILGIL	GILGIL	3,000,000
KARURA COMMUNITY DISPENSARY	NC	HEALTH	HEALTH	GILGIL	GILGIL	2,000,000
CONSTRUCTION OF OJORA I HEALTH CENTRE	NC	HEALTH	HEALTH	MBARUK/EBURU	GILGIL	2,000,000
MEDICAL AND PUBLIC HEALTH	NC	HEALTH	HEALTH	HQ	HQ	-
SANITATION IN SCHOOLS	MCN	HEALTH	HEALTH	OFFICE	HQ	4,042,200
COMPLETION OF EDDY LONG MATERNITY	MCN	HEALTH	HEALTH	OFFICE	HQ	15,000,000
KIPTORORO DISPENSARY-CONSULTATION	CCN	HEALTH	HEALTH	KIPTORORO	KERESOI NORTH	3,000,000
MURINDUKO DISPENSARY-MATERNITY WING	CCN	HEALTH	HEALTH	MKULIMA	KERESOI NORTH	3,200,000
COMPLETION KURESOI HEALTH CENTRE	NC	HEALTH	HEALTH	KIPTORORO	KURESOI NORTH	2,000,000
KIPKEWA DISPENSARY	NC	HEALTH	HEALTH	KIPTORORO	KURESOI NORTH	1,000,000
COMPLETION KORABARIET DISPENSARY	NC	HEALTH	HEALTH	KIPTORORO	KURESOI NORTH	1,000,000
COMPLETION TULWET DISPENSARY	NC	HEALTH	HEALTH	KIPTORORO	KURESOI NORTH	1,500,000
COMPLETION NDOINET H CENTRE	NC	HEALTH	HEALTH	KIPTORORO	KURESOI NORTH	1,000,000
COMPLETION TEMOYATTA DISPENSARY	NC	HEALTH	HEALTH	NYOTA	KURESOI NORTH	1,500,000
REHABILITATION SASUMUA DISPENSARY	NC	HEALTH	HEALTH	NYOTA	KURESOI NORTH	1,500,000
COMPLETION MOLO SOUTH DISPENSARY	NC	HEALTH	HEALTH	NYOTA	KURESOI NORTH	1,500,000
COMPLETION OF IKUMBI HEALTH CENTRE	NC	HEALTH	HEALTH	NYOTA	KURESOI NORTH	1,000,000
KERINGET HEALTH CENTRE	NC	HEALTH	HEALTH	KERINGET	KURESOI SOUTH	5,000,000
DISPENSARY-chemnar, kapket, karao dispensary	NC	HEALTH	HEALTH	TINET	KURESOI SOUTH	5,000,000
GENERATOR ELBURGON HOSPITAL	NC	HEALTH	HEALTH	ELBURGON	MOLO	1,500,000
CONSTRUCTION OF MATERNITY WING	NC	HEALTH	HEALTH	MARIOHONI	MOLO	10,000,000
MOLO SUBDISTRICT HOSPITAL OUTPATIENT FACILITY	TCM	HEALTH	HEALTH	MOLO CENTRAL	MOLO	3,000,000
MWANGI MICHUKI HEALTH CENTRE PURCHASE OF BUILDING	CCN	HEALTH	HEALTH	MUTAMA IYO	MOLO	2,000,000
CONSTRUCTION OF A MODERN TOILET-POSTA	TCM	HEALTH	HEALTH	OFFICE	MOLO	3,000,000

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.

Nakuru has a balanced budget with no deficit, but rather a small surplus.

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.

Nakuru County plans to collect Ksh 2.6 billion in 2013/14 from local sources within the county. According to the Controller of Budget, for the first six months of this financial year Nakuru was only able to collect Ksh 349 million. If we extrapolate this for 12 months then the county will collect Ksh 698 million. This implies a deficit of Ksh 1.9 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 government expects to get Ksh 6.96 billion from the national government for the year. This includes Ksh 1.02 billion in conditional grants. This figure is similar to the amount captured in the County Allocation of Revenue Act of 2013. It's not clear what the revenue stream labeled FIF is and no explanatory note is given to explain the different revenue sources.

NAKURU COUNTY GOVERNMENT 2013/14 REVISED BUDGET SUMMARY	
SUMMARY OF RECURRENT AND DEVELOPMENT EXPENDITURE	
FY2013/2014	
RECURRENT EXPENDITURE	TOTAL
COMPENSATION TO EMPLOYEES	3,357,663,211
USE OF GOODS AND SERVICES	2,853,707,688
OTHER CURRENT EXPENDITURES	629,618,087
	6,840,988,986
DEVELOPMENT EXPENDITURE	2,896,491,390
DEBT REPAYMENTS PLAN	300,561,737
TOTAL	10,038,042,113
REVENUE	
CRA ALLOCATION	5,936,313,837
CRA CONDITIONAL ALLOCATION	1,024,998,693
F.I.F	522,000,000
LOCAL REVENUE	2,554,738,273
TOTAL REVENUE	10,038,050,803
SURPLUS/DEFICIT	8,690

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.

The county has allocated money for many functions that counties are responsible for as captured in schedule 4 of the constitution. This includes the agriculture and health which are mostly county functions. Almost all education capital projects seem to be for ECD or polytechnics, unlike some counties that have put a lot in primary and secondary schools. There is quite a bit of money in roads; is that only for “county” roads as per Fourth Schedule/Gazette Notice? It is possible to analyze since specific roads are mentioned. It is also not clear why the county is building police posts.

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.

While most sectors seem covered, one can question the low allocation for housing development (Ksh 7 million) and rehabilitation of council houses. However, in various sectors, it is not entirely clear what has been catered for from the organization of the budget. For example, in agriculture it is not clear if the salaries are for extension workers or other administrators. Similarly, under education there are salaries under “culture.” Does this mean there are no salaries for ECD teachers? Also note that there are no salaries for “refuse” – who actually is going to collect the refuse?

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 50 million for the Emergency Fund this year. This is quite low and well below the 2 percent ceiling given in the PFM Act, which would be Ksh 201 million for Nakuru in 2013/14.

PARTITIONING OF OFFICES	NC	EXECUTIVE	EXECUTIVE	OFFICE	HQ	-
EMERGENCY FUND	NC	EXECUTIVE	EXECUTIVE	OFFICE	HQ	50,000,000
COUNTY VEHICLES	NC	EXECUTIVE	EXECUTIVE	OFFICE	HQ	-
GOVERNOR'S RESIDENCE	NC	EXECUTIVE	EXECUTIVE	OFFICE	HQ	20,000,000

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).

Nakuru 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. Nevertheless, there are some questions about some of the items listed in the projects tab. For example, "media centre," "networking of computers," "planning and survey," etc. Some apparent assets, like furniture and vehicles, have generally not been considered development spending by the national government or other counties, unless they are highly specialized and designed to last for long periods of time.

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 as per unit costs. It is not clear why the costs seem to vary for similar items, like classrooms. The cost for 3 and for 2 is the same, for example, in different places. Some narrative would help to explain this.

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. From the information provided, does it mean that the medical school will cost 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.

NAKURU COUNTY GOVERNMENT DEVELOPMENT						
DETAILS	COUNCIL	FUNCTIONS	S. FUNCTION	WARDS	CONSTITUENCY	AMOUNT
ECHARIRIA ECD 2 CLASSES	NC	EDUCATION	PRE EDUC	MBARUK/EBURU	GILGIL	2,000,000
GIACHNGE NURSERY SCH. CLASSROOM	NC	EDUCATION	PRE EDUC	DUNDORI	BAHATI	1,000,000
ELEMENTAITA ECD - 3 CLASSROOMS	CCN	EDUCATION	PRE EDUC	ELEMENTAITA	GILGIL	2,000,000
GILGIL ECDS - 2 CLASSROOMS	CCN	EDUCATION	PRE EDUC	GILGIL	GILGIL	2,000,000
KASARANI ECD 2 CLASSES	NC	EDUCATION	PRE EDUC	MALEWA WEST	GILGIL	2,000,000
CONSTRUCTION OF 2 CLASSROOMS -KIUNGURURIA ECD	NC	EDUCATION	PRE EDUC	MBARUK/EBURU	GILGIL	2,000,000
NGUMO ECD - 2 CLASSROOMS	CCN	EDUCATION	PRE EDUC	MORENDAT	GILGIL	2,000,000
ECD IN COSTITUNCIES	NC	EDUCATION	PRE EDUC	OFFICE	HQ	-
MUCHORWE ECD	TCM	EDUCATION	PRE EDUC	KAMARA	MOLO	1,000,000
MLIMA ECD	TCM	EDUCATION	PRE EDUC	KAMARA	MOLO	850,000
MAUSUMMIT ECD	TCM	EDUCATION	PRE EDUC	KAMARA	MOLO	750,000

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. For example, the type and number of workers being paid, budget lines such as “Mlima ECD” which do not indicate whether its rehabilitation of the center of the construction of a new one. However, the budget does not make use of any charts of accounts throughout the budget. Also, a major expenditure item in the budget is “salary arrears” of over Ksh 200 million. Some explanation of this figure is required.

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.

Nakuru has only provided budget estimates for 2013/14 alone for expenditure and revenue estimates as shown below.

NAKURU COUNTY HEALTH SERVICES SUMMARY					
CGC	FY 2013/2014				
	MEDICAL	P. HEALTH	CEMENTARIES	REFUSE	TOTAL
	KSHS	KSHS	KSHS	KSHS	KSHS
COMPENSATION TO EMPLOYEES					
SALARIES AND WAGES	788,312,646	393,585,248	-	-	1,181,897,894
NSSF	-	362,400	-	-	362,400
PROVIDENT	-	11,538,281	-	-	11,538,281
SUPERANNUATION FUND/GRATUITY	-	23,658,130	-	-	23,658,130
DIRTY / ACTING ALLOWANCE	-	445,800	-	-	445,800
HOUSE ALLOWANCE	-	75,781,250	-	-	75,781,250
LEAVE ALLOWANCES	-	13,717,392	-	-	13,717,392
COMMUTER ALLOWANCE/SPECIFIED	-	13,308,000	-	-	13,308,000
RISK ALLOWANCE	-	1,572,000	-	-	1,572,000
OTHERS	-	44,400	-	-	44,400
SPECIFIED ALLOWANCE	-	-	-	-	-
SUB-TOTALS	788,312,646	534,012,901	-	-	1,322,325,547
USE OF GOODS AND SERVICES					

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.

There is Ksh 23 million allocated for community participation in Education, Public Service, and Executive.