

KENYA BUDGET ANALYSIS: TAITA TAVETA 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 Taita Taveta county budget does not have a budget narrative to explain the choices made by the county executive in the 2013/14 budget.

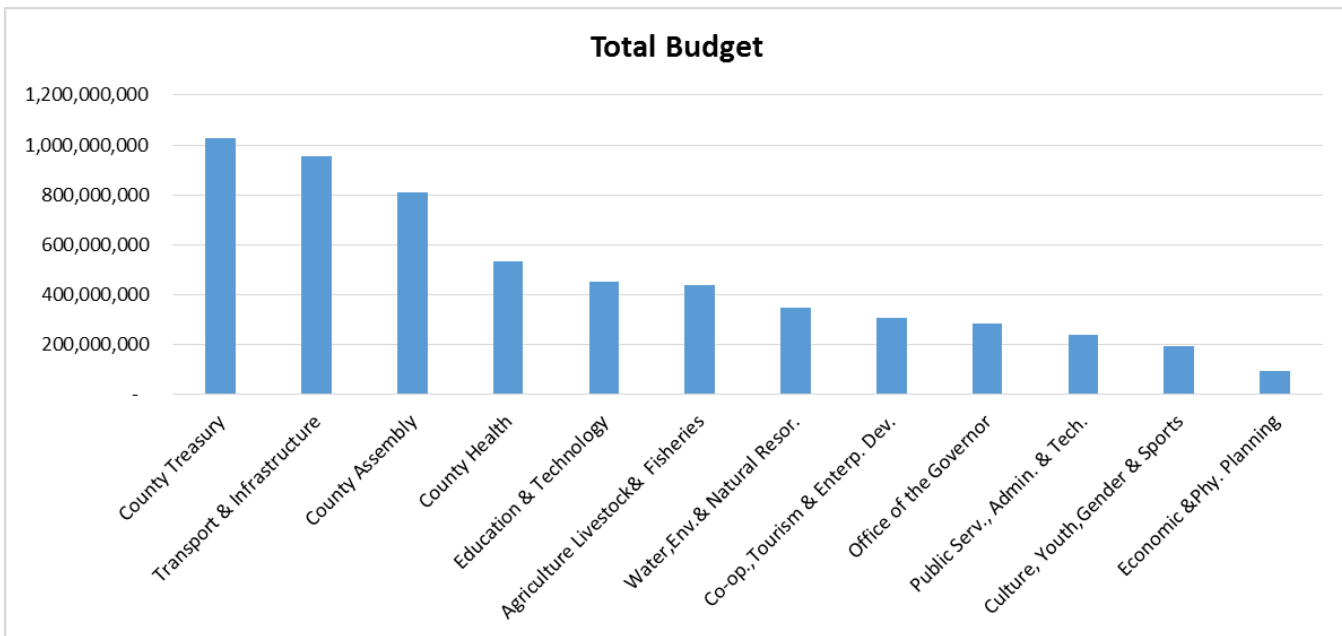
2. WHAT ARE THE PRIORITY AREAS IN MY BUDGET?

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.

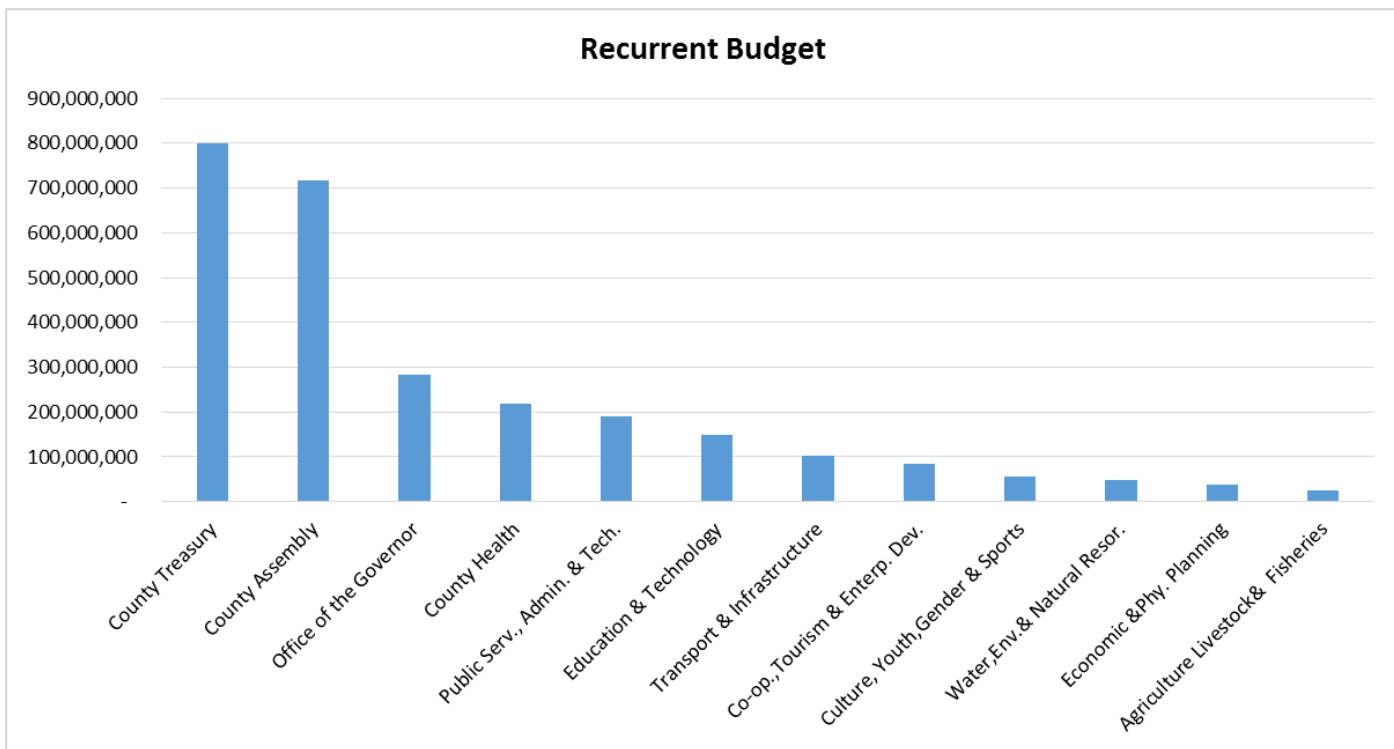
However, not all areas are equally expensive. For example, if one considers international benchmarking for different sectors, education is usually more expensive than health, health more expensive than agriculture, and agriculture more expensive than water. It does not follow that spending more on health 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 Taita Taveta County is Ksh 2.9 billion for the year 2013/14. The health sector has the highest allocation with Ksh 605 million, second is the County Executive with Ksh 542 million, while the County Assembly has the third highest allocation Ksh 377 million. The three units take up Ksh 1.6 billion or 53 percent of the total county budget for the year.

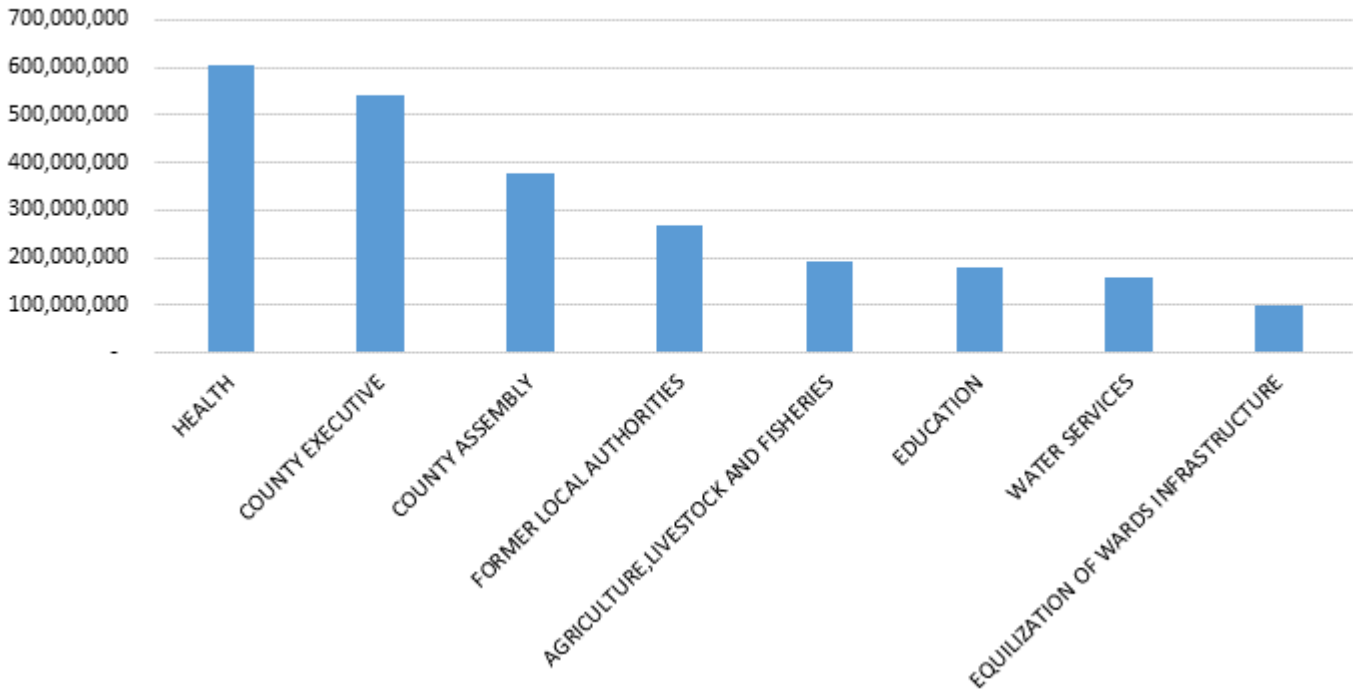


Administrative departments take up the three highest recurrent expenditure allocations, the County Treasury has the an allocation of Ksh 799 million with 58 percent of these being salaries and allowances, the second highest is the County Assembly with 718 million, and third is the Office of the Governor at Ksh 283 million. About 46 percent of the total recurrent costs are for salaries and allowances.



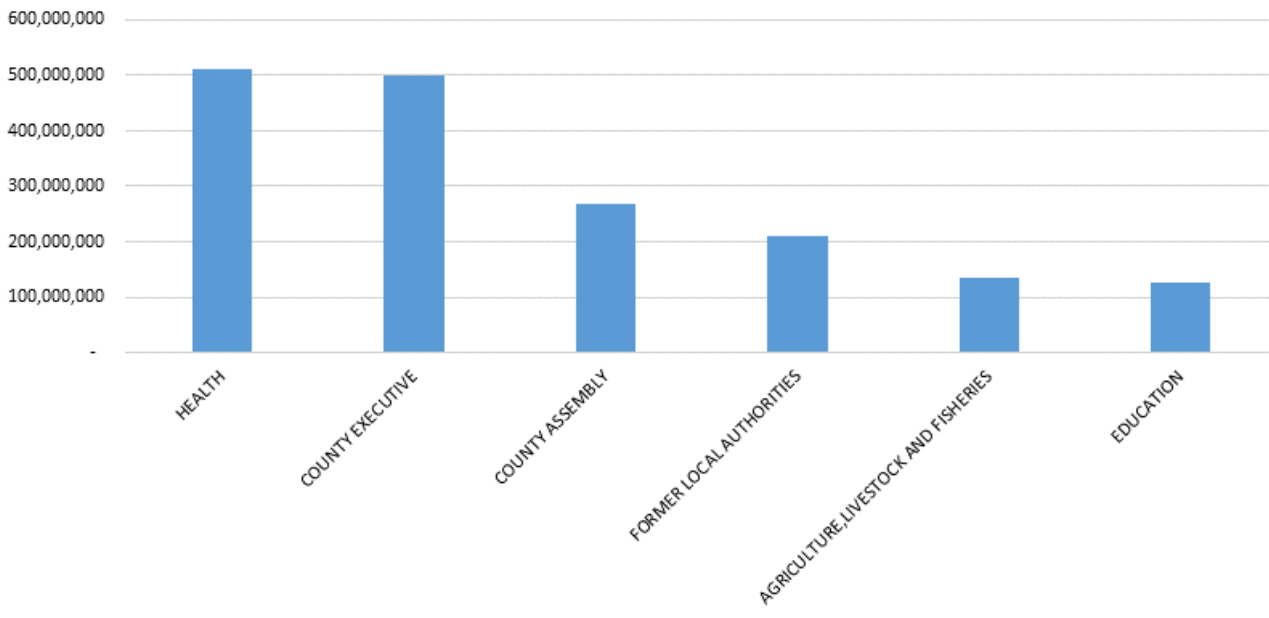
The total development expenditure estimates for Meru stands at Ksh 3 billion (inclusive of debt repayment). The Transport and Infrastrcuture department has the highest allocation at Ksh 849 million followed by the agriculture sector with an allocation of Ksh 411 million. The health sector is third, with a total of Ksh 317 million for development.

TOTAL BUDGET



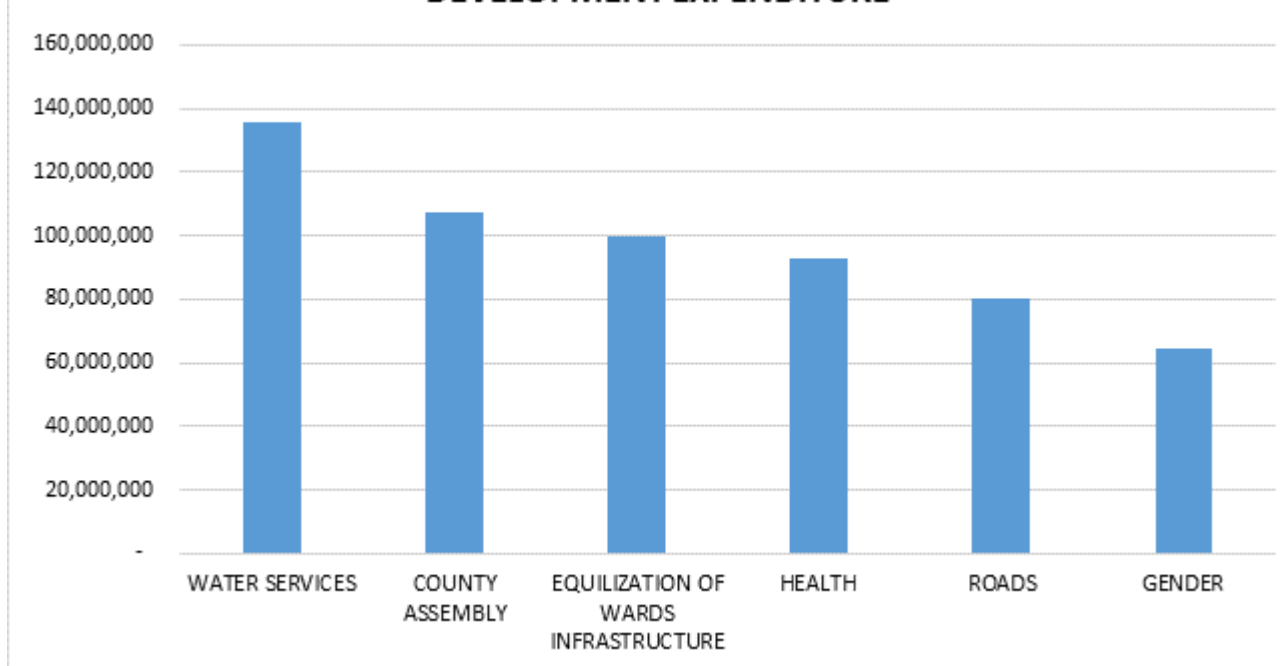
The health sector has the highest recurrent expenditure, at 512 million followed by the county executive and county assembly. So roughly 1.3 billion of the 1.5 billion consumed by these three units is for recurrent costs (including personnel).

RECURRENT EXPENDITURE



The water sector has the highest priority in terms of development spending of just under Ksh 136 million. The County Assembly has the second highest allocation with Ksh 107 million. A county equalization fund of Ksh 100 million for the wards has the third highest share. It's important to note that this is not the Equalization Fund that comes from National Transfers but an infrastructure fund created by the county for its wards.

DEVELOPMENT EXPENDITURE



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.

The Taita-Taveta County Integrated Development Plan (CIDP) is available and there is some relation between the items mentioned in the plan and what is contained in the 2013/14 budget. Let's examine the health budget and health section of the CIDP.

HEALTH-MEDICAL SERVICES		92,350,665.75	99,738,719.01	107,717,816.53
3110200	Construction of Building	26,459,100.00	28,575,828.00	30,861,894.24
3110202	Non-Residential Buildings (offices, schools, hospitals, etc.)	-	-	-
3110202	Construction of wards - male, female & peads- Mwatate SDH	6,500,000.00	7,020,000.00	7,581,600.00
3110202	Upgrading of infrastructure development- Wesu SDH	8,602,500.00	9,290,700.00	10,033,956.00
3110202	Construction of a modern incinerator- Wesu SDH	904,100.00	976,428.00	1,054,542.24
3110202	Contruction of medern incinerator- Wundanyi SDH	828,700.00	894,996.00	966,595.68
3110202	REKEKE HEALTH CENTRE	542,460.00	585,856.80	632,725.34
3110202	2 MATERNITY BLOCKs KIWALWA &MAHANDAKINI DISPENSARIES	2,712,300.00	2,929,284.00	3,163,626.72
3110202	CONTRUCTION OF INCINERATOR-KIWALWA	379,722.00	410,099.76	442,907.74
3110202	2 MATERNITY BLOCKs MODAMBOGHO DISPENSRY	2,712,300.00	2,929,284.00	3,163,626.72
3110202	CONSTRUCTION OF 5 PLACENTA PITS(mata,chala,mahandakini&kimorigo)	433,968.00	468,685.44	506,180.28
3110202	RENOVATIONS OF INCINARATORS(mata,chala mahandakini ,kitobo,kimorigo)	302,050.00	326,214.00	352,311.12
3110202	Non-Residential Buildings (offices, schools, hospitals, etc.)-Dist& sub dist hos	2,541,000.00	2,744,280.00	2,963,822.40
3110700	Purchase of Vehicles and Other Transport Equipment	17,178,500.00	18,552,780.00	20,037,002.40
3110701	Purchase of Motor Vehicles	17,178,500.00	18,552,780.00	20,037,002.40
3111000	Purchase of Office Furniture and General Equipment	1,521,633.00	1,643,363.64	1,774,832.73
3111001	Purchase of Office Furniture and Fittings	521,633.00	563,363.64	608,432.73
3111002	Purchase of computers, printers & other IT equipment	1,000,000.00	1,080,000.00	1,166,400.00

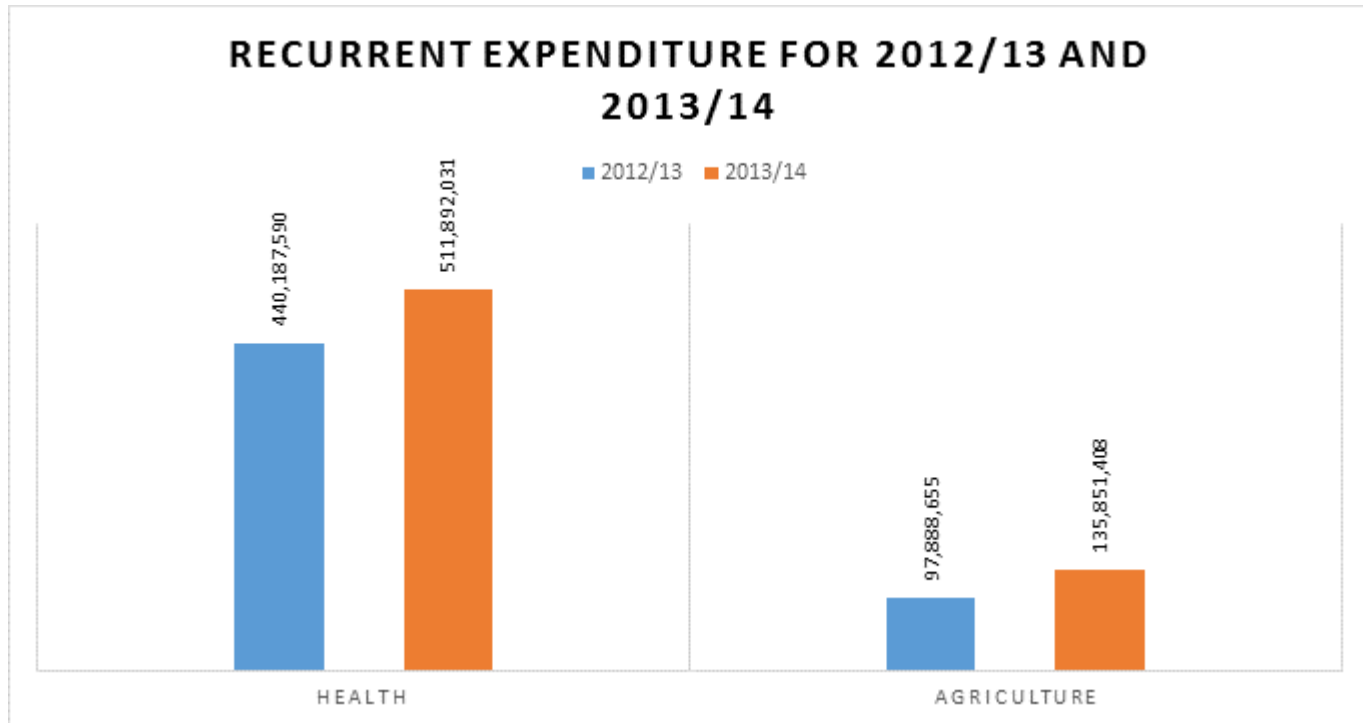
A number of the specific projects are mentioned in both the budget and the CIDP, like Rekeke Health Centre. However, it is not clear why certain projects are in the budget this year and others are not. Some explanation of how projects will be implemented over time to ensure equity is important.

Moreover, here it is not clear what is supposed to be built at Rekeke. The CIDP has an allocation for a twin staff house block. The cost of building that block is 6 million, according to the CIDP, of which Ksh 542,000 is allocated here in 2013/14. Over 3 years, a total of Ksh 1.76 million is allocated. It is not clear if this implies over Ksh 4 billion in expenditure for the subsequent two years or whether the cost has changed.

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.

We look at recurrent spending primarily for this is what funds continuing services in the county. The national treasury indicated that the county spent Ksh 440 million in 2012/13 on health services, the county has allocated Ksh 512 million in its revised budget for 2013/14. This is a substantial increase (16 percent), which means the county can at least keep health services running, and possibly expand them (this increase is above inflation). Allocation for agriculture services also increased (by about 39 percent).



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 county budget makes an attempt to give the location of development projects in the county as well as in the areas that were under the local authorities. For example, the water harvesting items do indicate the wards where they will be constructed. There are some items without a location, but the majority have specific locations. Exceptions? See equipment purchases in health sector. What units are these for?

DEPARTMENT	DESCRIPTION	2013/2014	2014/2015	2015/2016
		-	-	-
Agriculture		18,745,754	24,369,480.27	28,024,902.31
		-	-	-
2211000	Specialised Materials and Supp	3,978,040	5,171,452.00	5,947,169.80
2211007	Agricultural Materials, Supplies and Small Equipment	-	-	-
	Purchase and distribution of Traditional High Value Crops	-	-	-
	All Wards in Mwatate Constituency			
		1,356,150.00	1,762,995.00	2,027,444.25
	Kaloleni, Marungu, Mbololo, Ngolia, Kasigau, Sagalla	1,265,740.00	1,645,462.00	1,892,281.30
	Bomani, Mbogholi, Mahoo, Challa & Mata	1,356,150.00	1,762,995.00	2,027,444.25
3110200	Construction of Building	-	-	-
3110202	Non-residential buildings	-	-	-
3110700	Purchase of Vehicles and Other Transport Equipment	0	-	-
3110701	Purchase of Motor Vehicles	-	-	-
3110500	Construction and Civil Works	14,767,714	19,198,028.27	22,077,732.51
3110504	Other Infrastructure and Civil Works	-	-	-
	Water Harvesting - Sangenyi-Werugha ward	2,637,332.03	3,428,531.64	3,942,811.38
	Water Harvesting - Wesu-Wundanyi ward	2,637,332.03	3,428,531.64	3,942,811.38
	Water Harvesting - Rehabilitation of Kishushe Water Pan	452,050.00	587,665.00	675,814.75
	Excavation of Mvita Water pan, capacity 8,736 cubic metres-Ronge ward	1,356,150.00	1,762,995.00	2,027,444.25
	Excavation of Manganga Water pan, capacity 23,039 cubic metres	2,260,250.00	2,938,325.00	3,379,073.75
	Water Harvesting-Shallow wells Kaloleni, borehole Mbololo, water pan Ngolia	2,260,250.00	2,938,325.00	3,379,073.75
	Water harvesting-Challa and Mata	3,164,350.00	4,113,655.00	4,730,703.25

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.

Taita Taveta has a balanced budget with no deficit. The county budget is Ksh 2.9 billion and the projected revenue estimates are Ksh 2.9 billion as shown below.

COUNTY REVENUE	
COUNTY ALLOCATION	2,420,750,540
EQUALIZATION	194,000,000
LOCAL AUTHORITIES REV	214,119,909
OTHER SOURCES	30,000,000
TOTAL REVENUE	2,858,870,449

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.¹ We now also have some data from the

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.

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.

The county estimates that it will collect Ksh 214 million in 2013/14 in own revenues. Is this target achievable? One way to evaluate this is to look at what the county has been able to collect in the first half of the year. Taita Taveta collected Ksh 54 million, if the trend is maintained for the year then the county will only collect Ksh 108 million against a target of Ksh 214 million.

COUNTY REVENUE	
COUNTY ALLOCATION	2,420,750,540
EQUALIZATION	194,000,000
LOCAL AUTHORITIES REV	214,119,909
OTHER SOURCES	30,000,000
TOTAL REVENUE	2,858,870,449

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 2.6 billion, including Equalization Fund. The County Allocation of Revenue Act, 2013 indicates that the county will receive Ksh 2.6 billion including conditional grants. However, this is not inclusive of the Equalization Fund of Ksh 194 million. The county appears not to have realized it will also get a conditional allocation, and this means the county will get more revenue than projected.

COUNTY ALLOCATION	2,420,750,540
EQUALIZATION	194,000,000
LOCAL AUTHORITIES REV.	214,119,909
OTHER SOURCES OF REVENUE	50,000,000
TOTAL REVENUE	2,878,870,449

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

Generally, the budget seems to contain items that are under the county functions as captured in Schedule four of the constitution. However, there are two development expenditure items in the list of former local authority projects that might be considered national functions; the construction of a dormitory and a laboratory in two secondary schools in the county.

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.

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."

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.

Most areas do seem to be represented with some considerable breakdown compared to other counties. However, the lack of programs make it difficult to know for sure whether the recurrent side of the budget covers things like extension workers, ECD teachers, etc. because there are just block figures for salaries under each ministry. We cannot know exactly what kind of public workers these are, and whether they are administrators or service delivery workers. Generally, there is only one specific reference to ECD in the document, for teaching materials. What about salaries and units? The housing budget is meager, and there is nothing for housing development. Also, why are all health workers considered temporary?

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 budget has an item "Emergency Relief" but this does not seem to be the Emergency Fund for it seems to cater for certain items rather than a fund for unplanned occurrences. There is some money specifically for "Flood Mitigation", but again, not an 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).

Taita Taveta has separated spending categories clearly and one is able to differentiate the two. However, there do appear to be equipment and office purchases in both recurrent and development spending and it is not sufficiently clear why this should be. For example, "Purchase of Office Furniture and General Equipment" appear as a budget line under both the recurrent and the development budget.

Recurrent Budget

3111000	Purchase of Office Furniture and General Equipment
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Development Budget

3111000	Purchase of Office Furniture and General Equipment
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See health (development) and education (recurrent)

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.

Generally, the budget does not provide the units and unit costs for purchases. However, there are several exceptions such as the recurrent budget for education (below) or the development expenditure for “Veterinary Services”. However, the figures for the education budget do not add up in any obvious way. This is also true of the “Veterinary Services” figures.

2220200	Routine Maintenance - Other Assets	168,000.00	181,440.00	195,955.20
2220201	Maintenance of Plant/Machinery/Equipment 6,000/= x 5 x 12	48,000.00	51,840.00	55,987.20
2220202	Maintenance of Office furniture - 1,500/= x 5 x 12	-	-	-
2220205	Maintenance of Buildings & Stations (non- residential)- 5,000/= x 5 x 12	120,000.00	129,600.00	139,968.00
2220210	Maintenance of Computers, Software & networks - 1,000/= x 5 x 12	-	-	-
3111000	Purchase of Office Furniture and General Equipment	7,390,000.00	7,981,200.00	8,619,696.00
-	-	-	-	-
3111001	Purchase of Office Furniture and Fittings	250,000.00	270,000.00	291,600.00
3111002	Purchase of Computers, Printers and other IT Equipment	300,000.00	324,000.00	349,920.00
3111005	Purchase of Photocopiers - 60,000/= x 5	180,000.00	194,400.00	209,952.00
3111009	Purchase of other Office equipment - 1,000/= x 5 x 12	60,000.00	64,800.00	69,984.00
	Teaching/Learning materials for ECDE Resource Centres - 5m x 4 cntrs	3,000,000.00	3,240,000.00	3,499,200.00
	Games & playing materials	3,600,000.00	3,888,000.00	4,199,040.00

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 Taita Taveta budget does give some good level of detail for both recurrent and development expenditures, and it generally uses the national COA codes for various items. However, one major problem are the generic line items that comes with the line item budgets, which in some cases do not allow us to know what kind of item we are really talking about (type of worker, building, etc.). This might change in 2014/15 as the county CEC for Finance has directed all departments to prepare program based budgets. One

specific question: what is the current grant to semi-autonomous agency under the County Assembly budget?

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.

Even before the revision of the budget, Taita Taveta county budget had expenditure estimates for three years as shown below. However, a key legal requirement is missing; the revenue estimates for three years as well. The county only provides revenue estimates for 2013/14.

DEPARTMENT	DESCRIPTION	2013/2014	2014/2015	2015/2016
COUNTY ASSEMBLY		323,407,462.00	349,280,058.96	377,222,463.68
		-	-	-
2110100	Basic salary- Permanent Employees	124,351,720.00	134,299,857.60	145,043,846.21
2110101	Basic Salary civil services	124,351,720.00	134,299,857.60	145,043,846.21
2110200	Basic Wages - Temporary Employees	-	-	-
2110202	Casual Labour - Others	-	-	-
2210100	Utilities Supplies and Services	2,050,000.00	2,214,000.00	2,391,120.00
2210101	Electricity Expenses	1,000,000.00	1,080,000.00	1,166,400.00
2210102	Water and sewerage charges	800,000.00	864,000.00	933,120.00
2210102	Water and Sewerage charges	250,000.00	270,000.00	291,600.00
2210200	Communication Supplies and Services	5,488,500.00	5,927,580.00	6,401,786.40
2210201	Telephone, Telex, Facsimile and M	4,520,500.00	4,882,140.00	5,272,711.20
2210202	Internet Connections	400,000.00	432,000.00	466,560.00
2210203	Courier and Postal Services	568,000.00	613,440.00	662,515.20
2210300	Domestic Travel and Subsistence, and Other Transportation Costs	74,000,000.00	79,920,000.00	86,313,600.00
2210301	Travel Costs (Airlines, Bus, Railway)	9,000,000.00	9,720,000.00	10,497,600.00
2210302	Accommodation - Domestic Travel	35,000,000.00	37,800,000.00	40,824,000.00
2210303	Daily Subsistence Allowances	30,000,000.00	32,400,000.00	34,992,000.00
2210400	Foreign Travel and Subsistence, and other transportation costs	16,000,000.00	17,280,000.00	18,662,400.00
2210401	Travel Costs (airlines, bus, railway, etc.)	9,000,000.00	9,720,000.00	10,497,600.00
2210402	Accommodation	5,000,000.00	5,400,000.00	5,832,000.00
2210403	Daily Subsistence Allowance	2,000,000.00	2,160,000.00	2,332,800.00

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 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 not appear to have any allocation for either public participation or civic engagement in the county. Some ministries do have budgets for "awareness" and publicity, but this may just be public relations funding.