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KEY QUESTIONS ON DIVISION OF REVENUE BILL 2014

The International Budget Partnership-Kenya encourages Parliament to ask the following 8 critical questions in debating the DORB 2014. This memorandum will also be made available on our website at **www.internationalbudget.org/kenya**. For further information, please contact us at +254729937158.

1. **Is there enough money going to regional hospitals to maintain current services?** Given that the conditional grant provided last year to Level 5 hospitals was cut from Ksh 10 billion to 3.4 billion, and given that there is no such grant this year, it is important to understand whether these hospitals are receiving adequate financing to sustain services.
2. **What is the basis of the reassignment of Ksh 7.1 billion in administrative expenses from national to county governments?** It appears that Treasury believes line ministries should have devolved more of their administrative costs to counties than they have agreed to in the past. (They were asked to to determine which costs should be devolved and which should remain at national level in 2012/13). However, no justification is provided for an adjustment of Ksh 7.1 billion, and it is unclear whether a thorough reassessment of the 2012/13 exercise was done. Given that the initial exercise was always meant to be provisional, it is important to insist on a full review of the 2012/13 figures to clarify responsibilities and costs and ensure each level of government has adequate funds.
3. **Are the country's priorities in 2014/15 the same as they were in 2012/13?** The baseline for determining the share of revenues going to national and county governments is still the cost of all functions that national government managed in 2012/13. In 2012/13, nearly 60 percent of the budget went to education, infrastructure and security, while less than 20 percent went to health and agriculture. Are those still the right priorities today?
4. **Why has the administrative cost of running counties escalated from roughly 14 billion last year to 30 billion this year (34 billion, including pension costs)?** The Treasury has provided inadequate justification for these figures, which are still lower than other figures provided by CRA, which estimates a cost of 48 billion (including pensions) for running county offices.
5. **What is the justification for the Ksh 108 billion allocation for "national strategic interventions" and what exactly are these funds for?** In justifying the share of revenues that is to be retained by national government, there is a large allocation for an undefined

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item, “national strategic interventions.” Parliament should demand further information about these funds, which amount to nearly half the total allocated to counties. While Annex Table 7 of the Budget Policy Statement indicates the sectors for these interventions, it does not tell us what the interventions actually are.

6. **What is the location and timeframe for implementation of all of the donor-funded projects (totaling Ksh 13.9 billion) included in the DORB?** This information was not provided in last year’s DORB either, and it makes it difficult to know what kinds of development projects are happening in each county and what the implications should be for county revenues and expenditures. While the County Allocation of Revenue Bill does provide some information about donor projects this year (which is an improvement), there is still no county by county breakdown of allocations or timeframe. This is reflected in the lack of detail in the section labeled “Allocation Criteria” for each donor-financed project in the CARB.
7. **Is the continuing increase in the allocation for debt repayment in the interests of the country, or would it be better to try to limit this spending to ensure funding for other services?** The allocation for debt repayment has increased rapidly from about Ksh 304 to 353 billion between 2012/13 and 2014/15. As a major deduction from the national share of revenues, this spending crowds out other priorities. Debt-financed growth should be balanced against other priorities, and it is Parliament’s role to debate the proper balance.
8. **Why is Treasury proposing to distribute the 7.3 billion for rural electrification based on the equitable share (“CRA”) formula, rather than the actual demand or need for rural electrification?** These funds will eventually go to the counties as part of their equitable share, but in the meantime, it would make sense to consider the specific need for electrification by county, which may differ from the formula (which does not measure it).