

Chapter I: Improving Process

In 2013, a group of graduate students from the London School of Economics, working with the International Budget Partnership, did an assessment of Kenya's budget along four dimensions: Process; Content; Presentation; and Accessibility. A full report was produced, outlining 35 recommendations that will improve the transparency of the Kenya budget by making it more readable and user-friendly for citizens and CSOs. The report was broken down into four chapters so that CSOs can find the chapter that is most useful to their work. A full list of the recommendations can be found at www.internationalbudget.org/kenya.

This chapter focuses on Process. The 8 recommendations focus on the impact of programme-based budgeting and devolution on the Executive Budget Proposal. Recommendations relating to programme budgeting address the creation of new programmes, activity lines and performance indicators. The devolution taking place in Kenya can negatively impact readability of the budget if devolved funds are not carefully broken down in the budget. Recommendations highlight the need to clarify responsibilities between national and county government, standardize budget templates at both levels of government, and create consistent coding in order to effectively track devolved expenses.

1. Programme Budgeting

Recommendation 1.1: Implement programme-based budgeting.

- The Kenyan Treasury has proposed a switch from administrative- budgeting to programme-based budgeting by the next fiscal cycle
- Programme budgeting is a means to creating a performance-based budget, which includes performance indicators that inform budgetary priorities. These indicators focus not only on inputs, but also on outputs and outcomes.
- Challenges: 1) defining inputs, outputs and outcomes in the context of a specific programme can be extremely difficult 2) outcome data is often difficult and/or extremely costly to obtain; 3) require a significant amount of additional government resources, including new staff, technologies and overall enhanced monitoring systems.

South Africa provides a good example of how this is done. The 2013 Estimates of National Expenditure can be found at <http://www.treasury.gov.za/documents/national%20budget/2013/ene/FullENE.pdf>. Pieces of the South Africa budget, to be used as an example, will be attached in the annex.

1.1 Creating Programs under Programme Budgeting

Recommendation 1.2: Create programmes aggregated at the sub-vote level.

- The IPBB, which has been published in the past as a supplement to the regular budget books, reorganizes the current breakdown of expenditures into a programme model:

Current	IPBB
Vote	Ministry
N/A	Programme
Sub-Vote	Sub-Programme
Head	N/A
Sub-Head*	N/A
Line Item	GFS economic lines

- The creation of broad “programmes” at the level outlined above may not provide enough detail for citizens and civil society actors.
- Therefore, we recommend creating programs at a lower level of aggregation in order to make it possible to include performance indicators at the programme level.

1.2 Breakdown of Classifications

Recommendation 1.3: Break down sub programmes into activity lines relating to specific outputs for that programme.

- The IPBB includes only programmes/sub programmes and GFS classification.
 - Workshop participants expressed concerns that this level of breakdown could not provide sufficient detail about activities and the functions of expenditures
 - Desire to see activity lines integrated into the new programme-based budget books, with each line related to one specific output for a sub program.
- For instance

Programme	Preventative and Promotive Health Care Services
Sub-Programme 1: <i>Preventative Medicine and Promotive Health</i>	
Activity Lines:	Immunization of Children
	Maternal Health
	Tuberculosis Prevention
Sub-Programme 2: <i>Primary Health Care Services</i>	
Activity Lines:	Allocation of Health Sector Services Fund to Public Health Facilities
	Ensuring Drug Supply at Primary Health Facilities

Recommendation 1.4: Categorize line items under activity lines according to GFS classification. Breakdown the budget of expenditures as follows: Program/Sub Program/Activity Lines/GFS/Line Items.

- The IPBB has a breakdown by economic classification, but does not provide line item information.
- GFS classification in the new programme budget should be broken down by line items, a best practice by IMF Fiscal Transparency report for 2008. This level of break down would allow not only a specific description of activities but also a description of the nature of the expenses, consistent with the National Chart of Accounts.

2. Devolution

- Government decentralized into 47 newly formed counties following the February 2013 elections.
- New constitutional requirement mandates that at least 15% of the National Budget be devolved to these county governments.
- Devolved funding for counties will be transferred through several different channels. The way these funds are broken down in the budget impacts people's ability to track funds, understand which level of government is responsible for a particular service, and see the full picture of spending at both levels of government.

2.1 Specifying Devolved Funds

Recommendation 1.5: Include the 15% devolved county fund transfer in the Executive Budget Proposal.

- All devolved funds must be outlined in the national budget—specifying both the recipient and the source of the funds.
- The new 15% constitutionally devolved funds are a particular concern for inclusion, as this expenditure is not a specific ministerial vote and may not be included in the total expenditures as listed in the Executive Budget Proposal. Though the 15% funds will be voted on by Parliament by the end of March, these allocations may not be directly reflected in the final vote of the Executive Budget.
 - The 15% devolved funds need to be specified in the Executive Budget Proposal to maintain a full and accountable record of expenditures.
- Some devolved funding that is already established, such as Local Authority Transfer Fund (LATF), may continue to be appropriated by ministries to counties. If this is the case, transfers may be reflected in the ministry budgets. However, if instead these funds are incorporated into the 15% allocation, it will be extremely difficult to differentiate in the budget between local level funding sources. There should be a county-level breakdown for conditional transfers that go directly to counties in the budget proposal.

2.2 Standardizing and Tracking Government Expenses

Recommendation 1.6: Create a standard budget template for use at all levels of government: national and local. Such a template could be modeled off of our template, but should remain consistent in terms of layout, coding, and classification of information

- Inconsistencies between county budgets and the National Budget will make it difficult to match allocations to more detailed breakdowns of information in county budgets.

→ Reduces readability as users must understand multiple formats and attempt to integrate the different systems when tracking information from the local to the national budget (and vice versa).

Recommendation 1.7: Delineate accountability responsibilities between county and national governments within the budgeting framework.

- For civil society organizations to monitor coordination between national and county level and help to prevent overlap, budget documents need to identify which expenditures are allocated to which programmes, and who is responsible for service delivery.
- Standards which clearly outline the responsibilities of each level of government with regards to performance indicators is necessary to gain a complete understanding of the national budget expenditures.

Recommendation 1.8: Indicate by code which expenses coming through the national ministries are devolved to which county.

- In the current Kenyan budget, it is not possible to track ministry expenditures spent at the local level: there is no table of transfers or spending by county within each Ministry or sub-vote
 - It becomes difficult to see how national-level spending co-exists with funds at the local level. It can also be difficult to aggregate spending at the county level originating from different sources
 - To facilitate this tracking, the budget should code expenditures by county.
 - The Treasury indicated such a coding system is already underway, though not yet implemented.