Chapter II: Improving Content

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 accessible 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 presents 6 recommendations for the comprehensiveness and clarity of information included in the budget. The current budget lacks sufficient breakdown of expenditures under ministries, and line items do not clearly indicate the nature of the expenses. Recommendations include: enhancing coding; creating ministry specific activity lines; re-categorising transfers to state agencies; adding aggregate information in summary pages; including cross-year comparisons as well as qualitative information that highlight trends and justify major changes.

1. Incorporating Cross-Year Comparisons and Highlighting Trends

Recommendation 2.1: Clearly show past year expenditures and highlight the column for the budget year to be voted.

- Including expenditure from the year prior to the budget year, and the anticipated budget estimates for at least two years after the current budget year are standard best budgeting practices (IBP 2012).

Recommendation 2.2: Include qualitative narratives that highlight trends and explain significant changes in expenditures between years.

→ In our workshops, CSOs identified that the current budget does not offer any explanation for significant changes

2. Clarifying Line Items

Recommendation 2.3: Rename chart of account line items so they are more self-explanatory.

- Line Items are based on a Chart of Account managed by the Kenya National Audit Office (KENAO).
  - → Aggregate expenses by nature of inputs (communication costs, printing costs, salaries etc.…), which creates categorical standardization across all Ministries.
- Standardization of line items does not give any flexibility to Ministries to rename or adjust line item categories to match the specific nature of their expenses.
  - → Negative effect of producing line items in the budget that can be both extremely vague and overly generic

→ One of the main problems for readability of the budget since there is a lack of clarity in the breakdown of expenditure under ministries and line items do not clearly indicate the nature of expenses

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Recommendation 2.4: Add digits to the existing coding so as to allow ministries to create more specific activity line items.

- Giving discretion to line Ministries to build upon existing coding (currently 7 digits) and create new sub-line items, would allow for more detailed information to be included that specifies Ministry specific expenses.
- The current codes from the chart of accounts could remain the same: Ministries would add two digits to the end of each generic line item code in order to tie it to more specific Ministry activities.
  - → Taking the example of the line item 2211 000 "Specialized Material and supplies", additional code could be designed as follows:

Recommendations for Reclassification using discretionary coding by Ministry		
Generic Code	**Generic description (Chart of account)**	**Description**
2211000	Specialized Materials and Supplies	
Ministry code:	Code for Vote 49, Ministry of Public Health and Sanitation	
2211000-4901	Vaccines	Related to outputs line 04020202
2211000-4902	Material for awareness campaign –childhood disease prevention	Related to outputs line 04020205
2211000-4903	House Spray for malaria	Related to output line 04020207

  - → *The generic code 2211000 at Treasury level could be broken down in into sub line items that would be determined and managed by line ministries. This would be useful since Treasury would still be able aggregate the line item 2211000 in order to assess expenses across Ministries, while the budget could provide a more detailed breakdown of Ministry-specific activities.*

3. Aggregating Breakdowns by Economic and Functional Classification

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Recommendation 2.5: Aggregate budgetary information according to the split between Capital/Current expenditures and GFS economic classification at ministry level.

- While a complete breakdown is available for previous years on the Open Data portal online, it is not included in the current layout of the published Executive Budget Proposal.
- **There are 4 key levels of economic classification in Kenya:** 1) Development / Recurrent; 2) Capital / Current / Other; 3) GFS classification, 4) Line items.
  - → Currently only two are presented in the Executive budget proposal. The National Estimate of Expenditures separates development and recurrent expenditures (1) into different books. Line items (4) are included under Heads in all books.

> **Recommendation 2.6:** Clearly code transfers, grants and official development assistance to state agencies.

- The budget does not clearly categorize transfers to state agencies.
- With the switch to programme budgeting, it does not seem appropriate to create a breakdown at sub programme or activity level for state agencies.
    - → The tracking should be done with line items under the GFS classification "Grants and other Transfers".