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MEDIA STATEMENT

SUGGESTED IMPROVEMENTS TO PROGRAM-BASED BUDGET FOR 2015/16

- 1. We recognize and applaud the efforts of the National Treasury to greatly improve the transparency and accessibility of the Program-Based Budget (PBB) since 2013/14.** The 2014/15 PBB was a major advance over the 2013/14 version, and demonstrated serious commitment by Treasury to enhance the transparency and usefulness of national budget documents.
- 2. The 2015/16 budget introduces two major improvements we wish to highlight:** information about prior year spending down to the program level throughout the document, and an enhanced budget summary with more information about loan guarantees, state corporations and contingent liabilities. This summary also includes a table showing changes in sector ceilings since the Budget Policy Statement with explanations of these changes. While the budget summary is not part of the PBB, it continues the trend of Treasury providing extra documents to help clarify what is in the PBB.
- 3. While recognizing these achievements, we believe the 2015/16 budget could have gone farther to improve transparency. We make some very specific suggestions for further improvements.**
- 4. Our suggestions relate to the following areas, which we explain below:** Narrative links to budget data; indicators and targets; AIA/external funding; and breakdown of economic classification, including wage data.

Narrative links to budget data

The 2015/16 narrative still fails to explain choices about allocations at program or subprogram level, which is the main purpose of a budget narrative. For example, the biggest change in the health sector this year is the increase in funding for the Health Policy subprogram, but this is not mentioned in the budget narrative at all, while items mentioned in the narrative, such as the Health Insurance Subsidy Program, cannot be found in the budget allocations.

Indicators and targets

Indicators and targets continue to be less useful than they should be. In 2015/16, they still lack baselines making it impossible to know how realistic the targets are. In addition, there is introduction of new indicators and targets over the years, with some being dropped and some replaced without any explanation. For example, in the health promotion subprogram, under the delivery unit – environmental health services, the indicator used in 2014/15 was % of households with latrines, and the target was 70% by the year 2015/16.

IBP Kenya
Timau Plaza
6th Floor SID Offices
Argwings Kodhek Road
Across from the French School
Nairobi, Kenya

<http://internationalbudget.org/kenya/>
Tel: +254729937158

However, that has been dropped and the same unit now has a new indicator – National Aflatoxin Management with no target for the year 2015/16. Why? Many of the targets in the budget are inconsistent with other government sources. Some of these sources, including sector working group reports, show the budget targets were already met last year!

External funding

In the 2015/16 PBB, there is still no information provided on Appropriations in Aid, meaning there is no information on external funding of the budget. Given an increase in external funding apparent from the line-item budget this year of 87% (over Ksh 160 billion increase), this is a major omission from the PBB. Information on external funding is important for several reasons, including the fact that sectors with heavy external funding tend to have more trouble actually spending their budgets.

Breakdown of economic classification including wage data

Both 2014/15 and 2015/16 PBBs lack adequate breakdown of economic classification, including information about staff compensation. The budget provides only a gross figure for staff compensation at the sub-program level, and no information on the number, type of employees or job group is provided.

The continued use of vague categories, such as “other development” and “other recurrent,” for major allocations undermines transparency. These are intended as residual categories but sometimes take the largest share at subprogram level.

County successes and challenges: 2015/16 Budgets

- 1. Counties have faced a rapid transition to PBB and many are still struggling with the format.** We looked at Nairobi, Taita Taveta, Lamu, Elgeyo Marakwet and Nyeri 2015/16 budgets. It is no surprise that county budgets share many of the weaknesses of the national government.
- 2. Nonetheless, some have introduced useful improvements.** Elgeyo Marakwet has a number of summary tables that go beyond what the national government has done, including a summary down to the subprogram level. Nyeri has a detailed staff breakdown by job group and compensation for each ministry, which is also more transparent than the national budget.
- 3. On balance, though, counties have considerable room for improvement.**
- 4. Narratives do not illuminate budget choices or explain why more money is going to certain programs rather than others.** This is a problem in all of the county budgets we reviewed.
- 5. Many programs have unclear or overlapping objectives; sub-programs are absent in many counties, and unclear in many others.** For example, Nairobi County’s health budget has subprograms which are actually facilities, rather than activities geared toward a common objective. Taita Taveta has introduced subprograms which are the same as the programs in the health sector, adding no explanatory value.
- 6. All the counties we looked at have put staff costs under an administrative program, even when these staff are service delivery workers.** This reflects a fundamental misunderstanding of PBB, as these budgets tend to put all recurrent costs under an “administration” program, rather than allocating them to the programs and objectives to which these costs contribute.
- 7. Indicators and targets are weak or non-existent.** In Taita Taveta, there are a number of indicators with no targets; in Nairobi, targets are often listed as “continuous” with no actual figures.

For more information: Contact International Budget Partnership Kenya
+254719332631 or magero.documents@gmail.com