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## **MEMORANDUM TO NATIONAL TREASURY SUGGESTED IMPROVEMENTS TO PROGRAM-BASED BUDGET FOR 2015/16**

This memo summarizes our views on how to improve budget transparency in the 2015/16 national Program-Based Budget. For further information, please contact Dr. Jason Lakin at 0729937158 or [jason.lakin@gmail.com](mailto:jason.lakin@gmail.com).

- 1. We recognize and applaud the efforts of the National Treasury to greatly improve the transparency and accessibility of the 2014/15 Program-Based Budget (PBB).** 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. While recognizing these achievements, we believe the 2015/16 budget could further improve upon the 2014/15 budget. We take this opportunity to make some very specific suggestions for further improvements.** In so doing, we rely heavily on the presentation of the Ministry of Health PBB (attached) to ensure that our suggestions are as concrete as possible.
- 3. Our suggestions relate to proposed improvements in the following areas, which we explain below:** Narrative links to budget data; program and sub-program details; indicators and targets; AIA/external funding; and breakdown of economic classification, including wage data.
- 4. The final section of this memo identifies challenges in the production of PBBs at county level. Greater technical support from National Treasury may be necessary to address these.** These challenges overlap with those we identify at national level, but in some cases are more severe.

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## Narrative links to budget data

5. **The 2014/15 narrative is a substantial improvement over 2013/14, but it is still insufficiently linked to the figures in the budget and does not adequately reveal priorities or choices.** For example, the narrative overview in the health budget “Part C” (page 192) discusses achievements and challenges but does not link these to the programs within the ministry. A program-based budget should tell the reader about performance at the program level. This allows citizens and parliament to link performance to funding. Performance narratives should also consistently include budget performance, meaning information on the absorption of funds at program level.
6. **Similarly, the final paragraph under Part C identifies focus areas for the ministry and provides financial figures, but it is not easy to link these to the programs in the budget tables that are provided subsequently.** For example, the narrative (page 192) mentions an allocation of Ksh 3 billion for equipping hospitals, and an allocation of Ksh 300 million for upgrading facilities in slum areas. Which programs do these fall under? It is not possible to identify these items from the budget tables (page 204). If we try to find them in the sub-program detail (indicators and targets section), we can find only a mention of a delivery unit called “Rehabilitation and strengthening of 23 hospitals” which is within the Health Policy, Planning and Financing Sub-program (page 201). This may or may not be related to the equipping of 94 hospitals, but there is no way to know this.
7. **It is very difficult to link the narrative to any choices in the budget about priorities that require trade-offs (spending more on one program than another).** For example, the narrative mentions dilapidated facilities and inadequate budget for “essential health products” as key challenges. Rising incidence of non-communicable diseases is also highlighted. However, no further detail is provided in the budget on whether more money is going to flow to these areas than to others. The focus areas are related but different (equipping facilities does not fully address dilapidated facilities; there is no mention of “essential health products”; there is no mention of communicable diseases).
8. **Data on prior years is missing from the budget tables, which also lack percentage figures for changes in item allocations over time, and for program shares of individual votes. This makes it difficult to tell which programs are actually seeing a relative increase from last year and to link this to the narrative.** We acknowledge that it would have been difficult to include this information last year, due to substantial changes in the programs since 2013/14. However, it is important to provide a “cross-walk” (guidance on how to move) between different budget presentations over time for comparison.

## Program and sub-program details

9. **The 2014/15 budget added more programs and broke these into sub-programs, a major improvement over 2013/14.** The new programs and sub-programs allow for greater clarity about the activities and objectives of the ministries.
10. **Program objectives for different programs still overlap and are imprecise, as each program should have clear and distinct objectives.** For example, the Curative program objective is to improve health status, which is almost certainly also the objective of the Preventive & Promotive Health Services and Maternal and Child Health programs. The Maternal and Child Health program is also dealing with

prevention and promotion, and it is not clear why it is a program rather than a sub-program of the Preventive and Promotive Services program.

- 11. Sub-programs lack clear objectives. We are left to guess what they are trying to achieve based on their indicators and targets, which are sometimes confusing.** For example, the Communicable Disease Control is a sub-program in the Preventive and Promotive Services program. However, the Communicable Disease Control sub-program has indicators and targets which appear to be curative, such as clients receiving treatment for HIV and TB (page 196).

### Indicators and targets

- 12. The indicators and targets in 2014/15 were much improved over 2013/14, with clearer targets for nearly all indicators.**
- 13. Nonetheless, these indicators lack baselines to enable the reader to determine whether the targets are realistic.** A basic principle of using indicators and targets is that we must know where we are starting from to assess progress over time.
- 14. A number of the indicators and targets are still challenging to understand.** For example, why is the indicator for “% of facility based maternal deaths” using 100 percent as a target for the next three years? What exactly is this measuring and should it not be decreasing over time?
- 15. A number of the indicators and targets are also at odds with figures in other government documents.** Continuing with maternal deaths, the Health Sector Working Group Report target for the absolute number of in-facility maternal deaths per 100,000 live births is 111 (declining from a baseline of 114 in 2013).<sup>1</sup> Targets for deliveries by skilled birth attendants are also at odds with figures from other sources. The target of 44 percent for 2014/15 is below what the Beyond Zero campaign and other government sources claim has already been achieved for in-facility births prior to the 2014/15 budget.

### External funding

- 16. The 2014/15 PBB lacked critical information on AIA including both domestic and external funding.**
- 17. This information was made available in the line-item budget, and it is critical that, as the country shifts to a PBB, information on local and external AIA, as well as external revenues that flow through Treasury, are presented at program level.** This is the only way to form a full picture of the degree to which different programs depend on different forms of financing.

### Breakdown of economic classification including wage data

- 18. The 2014/15 PBB lacks 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 or type of employees is provided.

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<sup>1</sup> Republic of Kenya, *Health Sector Working Group Report*, MTEF 2015/16-2017/18, p. 15.

19. **Information related to economic classification was made available in the line-item budget, but has since been eliminated.** While it might be considered too detailed for a PBB approach, other countries using PBB, including South Africa, do make more information about wages available. This includes staff numbers and job group information.
20. **Information on goods and services, and capital projects, also need to be further disaggregated. This will enhance clarity about the main areas of spending.** Once again, this is done in other PBBs, such as South Africa's 2014/15 PBB.
21. **The use of "other development" and "other recurrent" categories undermines transparency, especially when these are used for anything other than residual spending.** If we consider the budgets for sub-program 1.2 and subprogram 1.3 (page 207), "other development" is not a residual category of spending, but the single largest item in both sub-programs (as it is for the program as a whole). Very little information about the type of spending that these sub-programs are undertaking is therefore available.

### County challenges

22. **Our review of county budgets revealed that they share a number of the weaknesses listed above.** Here we draw out issues arising from three counties: Nyeri, Uasin Gishu, and Taita Taveta. We summarize key challenges in this memo, but further notes on these budgets are available.
23. **Narrative explanations of past performance and future priorities are weak and difficult to link to budget numbers.** For example, while the budget proposal for Taita Taveta county includes a narrative and describes some challenges, an explanation of how these challenges will be addressed is not included, nor is there any narrative discussion of priorities for the coming year.
24. **Many programs have unclear objectives; sub-programs are absent in many counties, and unclear in many others.** For example, Nyeri county has no description of its sub-programs, some of which are defined as health facilities while others have vague names that overlap.
25. **A number of counties have put all 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. This is the case with Taita Taveta, where both programs in all departments are really just "recurrent" and "development" spending.
26. **Indicators and targets are weak or non-existent.** In Taita Taveta, there are a number of indicators with no targets at all. Uasin Gishu programs entirely lack indicators or targets.
27. **Economic classification is vague, with no breakdown of major items such as staff or capital spending, and use of "other recurrent" and "other development" for major, rather than residual, spending.**