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# 16 Key Questions About Your County Budget

## A Tool for Reading and Understanding County Budgets

### INTRODUCTION

With the onset of devolution in Kenya, county budgets have been one of the most talked about subjects in 2013. This is perhaps one of devolution's major achievements so far: the fact that ordinary people, media, and analysts are all asking questions about how government is planning to spend money. Increased attention to the management of public resources is the first step in ensuring greater transparency and accountability, one of the promises of devolution and broader constitutional reforms in Kenya.

As citizens and the media try to understand and interrogate county budgets, we believe it is useful to have some orientation to help Kenyans know what to look for and how to interpret what they are finding. For this reason, Institute of Economic Affairs, The Institute for Social Accountability, International Budget Partnership, WALINET, World Vision Kenya, ARTICLE 19, and I Choose Life – Africa have come together to provide a set of questions with guidance that can be used by anyone who wants to know where to start when looking at a county budget. We have also used this tool to analyze some budgets ourselves. A synthesis paper based on some of our findings is already available, and longer analysis using the full tool will be made available in 2014.

Below, we provide first a summary of the questions. We then go through each in detail and provide some direction for how to answer them.

### KEY QUESTIONS

1. Are there reasons given for choices my leaders made in the budget?
2. What are the priority areas in my budget?
3. Does the budget have the same priorities as my county's development plan?
4. Is there enough money in my budget to maintain the current level of basic services like health?
5. Does my budget tell me where (that is, in which ward or constituency) development projects will be located?
6. Does my budget have a deficit and how will it be paid for?
7. How much money does my county say it will raise from its own taxes and fees and is that reasonable?
8. How much money does my county expect to get from national government?
9. Does my budget spend money on things that counties are responsible for rather than things the national government is responsible for?
10. Does it spend money on all of the things that counties are responsible for, or are there key areas missing?
11. Does my budget have an emergency fund in case of any disaster?
12. Does the budget properly distinguish between recurrent and development expenditure?
13. Does the budget contain unit costs for various purchases (such as vehicles, generators and other assets) and are these consistent across departments?
14. Are the budget lines sufficiently clear to know what each of them refers to, and are they consistent across departments?
15. Does the budget contain estimates for the coming three years or only for this year?
16. Does the budget contain any funds for civic education, or to facilitate public participation in county decision-making?

### 1. Are there reasons given for choices my leaders made in the budget?

This question asks whether the budget contains a narrative explanation that explains why the county made certain choices. Every budget must make choices about how to use limited amounts of money. There is no one right way to distribute funds, but good practice is to provide some explanation of priorities and the reasons for making choices. It is not good practice to simply provide tables with data without a good explanation. While the budget speech or statement that accompanies the budget may provide some information about county priorities, it is not a substitute for a detailed narrative within the budget documents that explains key tables and charts.

### 2. What are the priority areas in my budget?

When we talk about priority areas, we generally mean the sectors that have received the highest allocations (most money). This is one way of understanding choices and relative priorities.

However, not all areas are equally expensive. For example, if one considers international benchmarking for different sectors, education is usually more expensive than health, health more expensive than agriculture, and agriculture more expensive than water. It does not follow that spending more on health than water means health is more of a priority than water.

Priorities are also about changes over time in allocations. If a county receives an extra Ksh 100 between 2013/14 and 2014/15, how is that money used? Is that extra funding used for health or water? Is it used for other areas? This is also a measure of priority. A priority area can be identified by comparing the current budget to last year or to the budgets of similar counties.

### 3. Does the budget have the same priorities as my county's development plan?

Again, this is a difficult question to answer in the first year, because not all counties have a plan yet. But they will be approving plans this financial year (and many have done so already), and these must be an input into the budget for next year. The law requires that the budget be based on the plan, and therefore, the priorities in the plan should be the same as the priorities in the budget. This means that if the plan focuses spending on health, agriculture and water, the budget should do the same.

Even if the sequence of plan and budget is improper in this year, there is still no reason why the priorities should not be similar between the two documents. And in future years, an annual development plan should be tabled in the County Assembly by September 1 each year. The subsequent budget must be aligned with this plan.



A priority area can be identified by comparing the current budget to last year or to the budgets of similar counties.

### 4. Is there enough money in my budget to maintain the current level of basic services like health?

In order to know the answer to this question, one has to look at how much it cost to deliver services last year. Since counties did not exist, this requires one to look at estimates of how much was spent by national government on devolved services last year. This is the baseline for what should be spent this year to maintain services. To view some of this Treasury data, refer to Budget Brief 19, "County Budgets: How do we know if there is enough to maintain key services," on the IBP website, <http://internationalbudget.org/wp-content/uploads/brief19.pdf>. The full underlying data is also available at [www.internationalbudget.org/kenya](http://www.internationalbudget.org/kenya) below the link for Budget Brief 19. Also see Table 2 at the end of this Brief. In future years, the 2013/14 spending figures will provide an indication of current service levels. Counties will eventually have, we hope, better figures on the cost of maintaining services based on their greater proximity to the services and efficiency gains they may realize from restructuring these services in line with county needs.

## 5. Does my budget tell me where (that is, in which ward or constituency) development projects will be located?

In order to assess the degree to which the budget is allocating resources equitably, we want to know where buildings and infrastructure will be located. This requires that spending information be broken down below the county level (to sub-county or ward). Generally, this information should be included in the part of the budget that details development (capital) expenditure.

## 6. Does my budget have a deficit and how will it be paid for?

Many counties have deficits. A deficit has to be financed somehow, and this almost always means taking a loan. But loans are not permitted without national sign-off, which is unlikely at this time. Given this, it is also important to know what will be cut from the budget if the deficit cannot be financed.

In the first year, the Controller of Budget has been clear that deficits are not allowed. In subsequent years, counties will need to seek permission to borrow. There should be evidence in the budget that borrowing has been allowed if a county is presenting a deficit.

## 7. How much money does my county say it will raise from its own taxes and fees and is that reasonable?

Counties mostly receive money from national transfers and from their own taxes and fees. Many counties have estimated very high revenues from their own sources. To know if these are reasonable, one could compare them to what local authorities were able to raise from similar sources. The Parliamentary Budget Office has estimated this for 2010/11. You can compare your county estimates to these to get a sense of what is reasonable. This data is contained in the 2012/13 PBO report.<sup>1</sup> We now also have some data from the Controller of Budget that tells us how much counties have actually been able to raise during their first four months.<sup>2</sup> By multiplying these figures by three, you can estimate how much a county would raise in a year. We carried out this analysis and compared the PBO and COB figures in the table below.

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1 Republic of Kenya, The Parliamentary Budget Office, "MPs Budget Watch Financial Year 2012/13." Available at <http://www.parliament.go.ke>. Accessed 25 September 2012.

2 Office of the Controller of Budget, "County Budget Implementation Review Report: Fourth Quarter FY 2012/13." Available at <http://www.cob.go.ke/>. Accessed on 26 November 2013.

Table I: Various estimates of County Own Revenues for FY 2013/14

County	PBO Estimates 2012/13	COB Own Revenue Figures March-June 2013	Annualized COB Figures (*3)	Annual COB/PBO
Baringo	76,250,000	39,048,640	117,145,920	1.54
Bomet	58,880,000	31,152,044	93,456,132	1.59
Bungoma	224,940,000	46,358,675	139,076,025	0.62
Busia	148,740,000	71,848,523	215,545,569	1.45
Elgeyo Marakwet	60,900,000	18,697,094	56,091,282	0.92
Embu	164,220,000	80,862,924	242,588,772	1.48
Garissa	42,160,000	15,090,673	45,272,019	1.07
Homa Bay	106,120,000	29,626,917	88,880,751	0.84
Isiolo	136,340,000	35,611,084	106,833,252	0.78
Kajiado	185,470,000	124,736,941	374,210,823	2.02
Kakamega	238,720,000	89,979,207	269,937,621	1.13
Kericho	180,050,000	29,233,735	87,701,205	0.49
Kiambu	655,740,000	442,709,560	1,328,128,680	2.03
Kilifi	275,640,000	173,700,905	521,102,715	1.89
Kirinyaga	184,430,000	89,810,777	269,432,331	1.46
Kisii	180,060,000	77,651,897	232,955,691	1.29
Kisumu	869,170,000	221,536,239	664,608,717	0.76
Kitui	141,920,000	90,024,888	270,074,664	1.90
Kwale	99,200,000	48,331,625	144,994,875	1.46
Laikipia	168,960,000	98,387,612	295,162,836	1.75
Lamu	28,110,000	12,834,971	38,504,913	1.37
Machakos	427,680,000	285,088,651	855,265,953	2.00
Makueni	86,110,000	72,570,534	217,711,602	2.53
Mandera	38,950,000	7,053,062	21,159,186	0.54
Marsabit	46,420,000	5,202,000	15,606,000	0.34
Meru	212,080,000	136,903,867	410,711,601	1.94
Migori	123,700,000	50,920,578	152,761,734	1.23
Mombasa	1,349,440,000	436,074,955	1,308,224,865	0.97
Murang'a	220,860,000	214,163,663	642,490,989	2.91
Nairobi	6,860,460,000	2,241,165,418	6,723,496,254	0.98
Nakuru	631,860,000	466,275,412	1,398,826,236	2.21
Nandi	70,830,000	37,405,911	112,217,733	1.58
Narok	983,080,000	212,268,298	636,804,894	0.65
Nyamira	31,610,000	21,969,669	65,909,007	2.09
Nyandarua	214,540,000	48,132,509	144,397,527	0.67
Nyeri	291,450,000	175,265,226	525,795,678	1.80
Samburu	136,650,000	34,785,135	104,355,405	0.76
Siaya	131,080,000	37,254,937	111,764,811	0.85
Taita Taveta	123,210,000	20,157,723	60,473,169	0.49
Tana River	25,500,000	7,907,234	23,721,702	0.93
Tharaka Nithi	47,260,000	29,792,473	89,377,419	1.89
Trans Nzoia	143,670,000	84,032,201	252,096,603	1.75
Turkana	33,670,000	22,037,686	66,113,058	1.96
Uasin Gishu	402,120,000	186,965,858	560,897,574	1.39
Vihiga	69,920,000	36,483,463	109,450,389	1.57
Wajir	27,960,000	9,377,310	28,131,930	1.01
West Pokot	37,000,000	9,574,379	28,723,137	0.78
<b>Total</b>	<b>16,993,130,000</b>	<b>6,756,063,083</b>	<b>20,268,189,249</b>	<b>1.19</b>

## 8. How much money does my county expect to get from national government?

The correct number for the national transfer to each county is in the County Allocation of Revenue Act (CARA) 2013 and can be compared to what a county has proposed. The CARA 2013, Annex 3, contains information on the equitable share (the amount that goes through the formula as an unconditional grant) and additional conditional grants that counties received for regional hospitals (provincial and high volume hospitals), donor-financed projects, and the Equalisation Fund. This information is available at <http://kenyalaw.org/kl/fileadmin/pdffdownloads/Acts/CountyAllocationofRevenueActNo34of2013.pdf>.

## 9. Does my budget spend money on things that counties are responsible for rather than things the national government is responsible for?

Citizens can consult the Fourth Schedule of the Constitution to determine which functions counties are responsible for, and which national government is responsible for, then see if the county budget is aligned with county functions. Further detail on the functions described in the Fourth Schedule are available in a Gazette Notice issued by the Transition Authority on 9 August 2013.<sup>3</sup>

## 10. Does it spend money on all of the things that counties are responsible for, or are there key areas missing?

In reviewing some budgets, we find that things like housing are completely missing. This is a core county function, so it is surprising to find it missing. This question can be answered by looking at the Fourth Schedule, but also by looking within each sector and comparing the activities to those that a sector specialist (in health, housing, etc.) would identify as key areas of spending. This can be supplemented by looking at activities contained in the sector report (MTEF) and the 2012/13 budget at national level. In many cases, however, the lack of programme budgeting and the use of only line items in the county budgets makes it very difficult to tell what functions are being taken up under each county department/ministry.

## 11. Does my budget have an emergency fund in case of any disaster?

All counties can (and should) have a County Emergency Fund in their budget to provide for disasters. As per the Public Finance Management Act, this can spend up to 2 percent of the county revenues in a single year.

## 12. Does the budget properly distinguish between recurrent and development expenditure?

In some budgets, we find that these expenditures are misclassified, which also leads to an incorrect assessment of the share of the budget that is for development. The PFM Act 2012 requires at least 30 percent of development spending over the medium term (3-5 years). Some budgets classify medicines as development spending (when they should be recurrent) and assets like equipment as recurrent spending (when they are capital/development). We also noticed variations of classification within a single budget, but across departments (e.g., equipment classified as recurrent in some departments, and development in other departments).



Good practice is to give an indication of the number of units (say, vehicles) and the total cost, along with a unit cost to know how much each asset is estimated to cost.

<sup>3</sup> Kenya Gazette Supplement No. 116, Legal Notice 137, "The Constitution of Kenya, The Transition to Devolved Government Act, 2012 (No. 1 of 2012), Transfer of Functions."

### 13. Does the budget contain unit costs for various purchases (such as vehicles, generators and other assets) and are these consistent across departments?

Not all of the budgets contain unit costs. Good practice is to give an indication of the number of units (say, vehicles) and the total cost, along with a unit cost to know how much each asset is estimated to cost. This allows comparison with market rates and with other parts of the budget. In our review of some budgets, unit costs are missing and there is some evidence that they differ across departments within a single budget.

### 14. Are the budget lines sufficiently clear to know what each of them refers to, and are they consistent across departments?

Proper budgeting requires a consistent set of codes and budget lines that are easy to interpret. Where they are not, narrative explanation should be provided. One can look at this issue broadly but also within specific sectors.

### 15. Does the budget contain estimates for the coming three years or only for this year?

Some budgets seem to contain only a single year of estimates, whereas the PFM Act 2012 encourages budgeting in a medium term framework (the coming year, plus at least two additional years). The PFM Act requires three years of revenue estimates at least, but good practice is to provide three years of expenditure estimates as well, for both recurrent and development spending. Development spending is particularly important because it generally commits the budget for future years and reduces choices in those years. Multi-year projects should be discussed as multi-year projects, not single year budget items, if they will constrain budget choices in future years.

### 16. Does the budget contain any funds for civic education, or to facilitate public participation in county decision-making?

The Fourth Schedule of the Constitution assigns to counties the role of ensuring community participation in governance. The County Governments Act requires counties to encourage public participation in a number of ways. These include, among others: meetings where plans, budgets and government performance can be discussed, opportunities to give inputs on development projects, citizen commissions in various sectors, and a variety of information dissemination platforms (e.g., through notice boards). Since these activities are not free, the county should budget for them in some way and this should be clearly indicated.



Multi-year projects should be discussed as multi-year projects, not single year budget items, if they will constrain budget choices in future years.

## CONCLUSION

The tool presented here can be used with any county budget and we hope that it will be useful for assessing not only the 2013/14 budgets, but also revised budgets from 2013/14 and new budgets for 2014/15. To see some of the output we have generated from using this tool, please consult, “Learning by doing: toward better county budgets in 2014/15.”

Table II: Estimated costs of continuing devolved services in four sectors in 2012/13 (Ksh)

County	Recurrent				Development			
	Agriculture	Health	Roads	Water	Agriculture	Health	Roads	Water
<b>Baringo</b>	124,819,105	765,476,460	157,435,382	59,018,456	18,500,000	242,384,560	170,004,000	63,600,000
<b>Bomet</b>	56,633,796	399,611,739	156,191,672	33,234,280	13,997,400	213,072,745	90,002,000	52,000,000
<b>Bungoma</b>	200,105,586	1,023,766,068	207,177,976	41,460,972	30,304,530	492,341,833	410,003,000	68,000,000
<b>Busia</b>	120,267,345	617,037,698	160,722,905	39,845,701	28,702,632	370,559,075	436,004,000	88,500,000
<b>Elgeyo Marakwet</b>	109,212,210	569,091,073	120,880,000	37,572,800	5,000,000	218,435,122	380,003,000	54,900,000
<b>Embu</b>	230,877,767	1,129,820,603	155,159,795	65,812,040	21,587,411	288,085,830	52,501,000	65,408,739
<b>Garissa</b>	104,538,226	777,682,330	152,180,423	63,238,808	90,590,000	264,795,793	50,002,000	109,800,000
<b>Homa Bay</b>	117,078,796	564,633,386	192,557,063	40,042,700	12,250,000	391,239,275	10,000,000	71,600,000
<b>Isiolo</b>	75,271,328	340,013,963	60,440,000	44,453,916	125,271,000	120,542,426	0'	45,400,000
<b>Kajiado</b>	111,880,109	506,453,744	90,660,000	37,903,031	32,800,000	310,282,912	305,002,000	61,600,000
<b>Kakamega</b>	241,064,334	1,537,359,570	317,877,802	58,574,656	54,221,870	524,072,875	230,000,000	86,500,000
<b>Kericho</b>	142,530,186	602,293,664	109,541,545	39,892,184	18,200,000	338,199,428	506,255,425	48,900,000
<b>Kiambu</b>	292,403,650	1,821,264,626	229,944,179	75,359,024	35,950,000	685,720,770	1,145,006,000	80,000,000
<b>Kilifi</b>	150,099,710	710,825,102	177,460,894	32,461,984	53,630,000	435,893,498	120,001,000	66,000,000
<b>Kirinyaga</b>	179,137,869	579,236,422	126,960,157	46,142,840	45,650,000	250,956,008	105,003,000	47,558,745
<b>Kisii</b>	146,654,508	1,069,121,257	227,928,924	45,242,512	21,769,700	480,507,242	730,000,000	37,000,000
<b>Kisumu</b>	182,401,499	1,734,827,952	292,262,125	32,637,343	41,650,000	514,999,606	9,001,000	47,200,000
<b>Kitui</b>	78,522,514	463,952,896	90,660,000	36,383,889	25,544,500	454,783,030	425,002,000	109,350,000
<b>Kwale</b>	81,350,134	463,952,896	90,660,000	36,383,889	33,970,000	305,819,394	50,000,000	36,400,000
<b>Laikipia</b>	122,185,601	463,365,353	73,605,780	57,120,596	34,000,000	211,526,902	260,005,000	74,900,000
<b>Lamu</b>	47,931,219	214,121,988	60,440,000	32,521,984	16,550,000	98,003,463	30,003,000	26,500,000
<b>Machakos</b>	195,959,912	1,133,104,511	221,308,091	66,031,492	73,098,605	431,209,251	395,000,000	73,625,000
<b>Makueni</b>	140,467,098	737,547,125	151,100,000	50,704,643	20,950,000	469,495,449	155,005,000	65,500,000
<b>Mandera</b>	56,711,701	205,007,270	90,660,000	27,755,031	17,850,000	327,147,152	128,521,000	72,400,000
<b>Marsabit</b>	54,833,522	326,610,913	120,880,000	26,282,027	11,485,311	188,497,302	70,003,000	90,500,000

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County	Recurrent				Development			
	Agriculture	Health	Roads	Water	Agriculture	Health	Roads	Water
Meru	215,231,038	1,046,015,222	236,525,216	60,509,292	22,550,000	519,315,088	1,590,001,000	84,358,739
Migori	111,041,522	600,892,925	167,589,874	42,106,452	42,089,707	367,695,840	537,002,000	54,000,000
Mombasa	109,761,932	1,630,300,500	415,875,170	38,114,389	21,150,000	405,706,224	80,001,000	53,000,000
Murang'a	148,224,089	483,889,704	310,920,195	57,402,264	8,650,000	324,276,980	1,795,001,000	66,133,739
Nairobi	246,494,437	4,296,160,666	1,300,449,528	2,273,500	90,329,294	1,112,513,446	3,203,001,000	10,400,000
Nakuru	361,195,843	2,534,316,813	334,752,891	84,505,672	40,119,895	537,737,136	540,801,338	84,700,000
Nandi	107,119,920	587,732,502	128,825,016	32,397,700	18,091,410	333,939,594	248,001,000	56,800,000
Narok	86,568,370	476,668,438	90,660,000	17,583,438	29,165,000	287,233,415	20,008,000	42,225,000
Nyamira	80,500,500	411,891,587	90,660,000	28,512,508	15,663,760	224,772,064	130,000,000	19,300,000
Nyandarua	192,320,836	652,500,415	129,595,945	51,680,523	11,200,000	285,524,819	370,001,000	62,220,000
Nyeri	222,839,427	1,624,875,672	218,654,715	74,094,226	42,400,000	397,808,199	2,273,740,000	72,233,739
Samburu	41,211,178	245,388,431	60,440,000	17,633,438	7,200,000	170,359,526	60,000,000	36,500,000
Siaya	116,255,919	510,385,930	157,147,368	37,236,782	35,883,520	337,205,039	873,000,000	52,800,000
Taita Taveta	97,888,655	440,187,590	135,704,016	36,403,889	56,650,000	191,878,654	15,000,000	54,000,000
Tana River	62,087,632	263,933,437	90,660,000	32,511,984	7,500,000	156,030,841	360,000,000	58,400,000
Tharaka Nithi	92,653,180	468,098,244	64,917,616	39,909,323	18,750,000	166,607,515	40,000,000	40,033,739
Trans Nzoia	119,690,980	447,394,642	116,927,177	41,569,728	25,702,500	263,637,459	15,000,000	34,000,000
Turkana	62,111,022	314,376,349	99,334,113	32,857,230	20,200,000	284,023,410	120,000,000	88,000,000
Uasin Gishu	136,180,145	703,902,675	187,184,298	44,036,188	41,518,330	335,642,616	435,003,000	37,900,000
Vihiga	63,537,936	374,247,334	129,206,770	30,505,343	13,700,000	217,322,156	40,000,000	51,500,000
Wajir	77,317,146	262,207,545	120,880,000	27,668,471	64,250,000	334,940,295	130,000,000	73,000,000
West Pokot	57,211,323	402,899,400	97,080,506	40,200,270	59,850,000	208,329,545	20,000,000	61,450,000

Source: Kenya Ministry of Finance 2013