

## MEMORANDUM

May 18, 2016

### RE: CIVIL SOCIETY VIEWS ON THE FY 2016/17 BUDGET ESTIMATES

During the week of May 9, 2016, civil society organizations and citizens convened to discuss the 2016/17 Budget Estimates and to prepare this memorandum for Parliament's Budget and Appropriations Committee.

This memorandum is a summary of the key issues that arise when we assess: the budget against the Budget Policy Statement 2016, the quality and transparency of the proposed budget, and sector priorities in this year's budget versus last year.

### Budget 2016/17 v. BPS 2016

1. **The 2016/17 budget has again broken the ceilings approved by Parliament during the Budget Policy Statement (BPS) 2016 approval process.** Using the "printed estimates" in the budget summary, and comparing to the BPS, the expenditure figure is above the ceilings by Kshs. 210 billion. Revenue has increased by less than Kshs. 5 billion from the BPS, so the inevitable result is a huge increase in the deficit. Parliament should demand clear explanations for these changes; it is our view that the budget summary does not contain adequate explanations for these violations of Parliament's views. For example, while the health sector ceiling has been broken by nearly Kshs. 700 million, the explanations provided—"adjustment for salary expenses" and "donor projects"—do not explain why these items were not planned for in the BPS, or what specifically the new funding is going to do.
2. **The implication of these changes from the BPS would be to further privilege funding for the infrastructure as a share of the overall budget, while reducing the share of the budget going to education.** Parliament should consider whether these changes are in the best interests of the country, having just approved a BPS with a higher share of funding for education and a lower share for infrastructure than what is proposed.

### Quality and Transparency of Budget 2016/17

3. **The 2016/17 budget was released with some additional information that was not available last year, such as an enhanced annex on state corporations, but the failure to release to the public an online version of the line-item budget is a serious step backward in transparency from FY 2015/16.** So, too, is the loss of the column in the program based budget (PBB) showing current year allocations for comparison over time (e.g., 2015/16 allocations versus 2016/17 proposed).
4. **The PBB format continues to evolve, but major gaps remain, including:**
  - a. A weak narrative that does not explain changing priorities over time at program or sub-program level.

- b. Indicators and targets that continue to change from year to year, that lack baselines or any kind of rolling reporting on progress, and that frequently seem poorly conceived (many targets, such as those for kilometers of road to be constructed for major road projects, are 0 for the next three years; in other cases, they contradict the narrative, such as 0 for number of petroleum blocks to be gazetted against 15 in the narrative).
  - c. No substantial information about wages or external funding (or other forms of Appropriations-in-Aid).
  - d. A vague economic classification that classifies too much of the budget as "other" recurrent or development (more than half of the National Youth Service development budget is "other development" with no further explanation).
  - e. Most ministries and departments fail to explain past budget implementation performance or how they propose to address budget implementation challenges going forward. This weakens Parliament's ability to assess the reasonableness of a given ministry's budget.
  - f. The state corporations annex provides line-item information about recurrent and capital funding, but provides no details about where these corporations are in the budget (under which ministry, program, sub-program) and no further narrative explanation of their budgets. It is not possible to link the annex to the PBB.
5. **Treasury has this year disclosed figures for donor commitments of nearly Kshs. 411 billion, but has also indicated that it expects to realistically collect Kshs. 195 billion; it appears that the Treasury is proposing to appropriate the larger figure, though no explanation is given for this decision.** The implication of the larger figure is a budget that is unlikely to be fully spent, as well as a substantial increase in the deficit (by about Kshs. 176 billion). While we recognize that Treasury would prefer to budget for this additional funding (even if it does not come) than to have to pass a supplementary if it materializes, good financial management practice would be to develop a better method of assessing commitments at the start of the year to ensure that the budget is realistic. The current presentation of the budget does not allow for a serious conversation about which donor funding is more likely to come through and which projects are worth expanding the deficit further to accommodate.

### Priorities in Budget 2015/16 v. Budget 2016/17

6. **The proposed budget continues to put more emphasis on infrastructure and less on education, with a shift in the share of the budget for infrastructure from 27 to 30% of the total budget.** Education will fall to 20% of the 2016/17 budget. While infrastructure is undoubtedly a key driver of economic transformation, Parliament should interrogate these shifts carefully to ensure that the country is investing in the most productive forms of capital.
7. **Our analysis suggests that the government is actually reducing funding to many of its flagship programs, raising questions about its commitment to the National Youth Service, the laptop initiative, and tourism promotion.** These programs were already cut

in the supplementary budget for 2015/16, and government seems intent on maintaining their 2016/17 budgets below their 2015/16 allocations.

8. **Although the budget narrative suggests that allocations for cash transfers to poor and vulnerable groups will be enhanced in line with Parliament's demands, the budget for the National Social Safety Net program is actually falling by 1% between 2015/16 and 2016/17.** This budget has risen steadily in recent years, but the decline this year suggests that the program is not being prioritized. There has also been a decline in the targeted number of beneficiaries for these programs going forward compared to last year, suggesting declining priority into the future as well. Parliament should ask questions about the government's commitment to this program going forward.
9. **The health sector has seen the replacement of the Maternal and Child Health program with the Health Policy, Standards, and Regulations program, although the sub-programs within the latter are the same as they were in 2015/16.** It is not clear why a program dedicated to maternal and child health would have its name changed to one relating to policy. More importantly, the budget for the Maternity sub-program has fallen from Kshs. 4.348 billion to Kshs. 4.298 billion, yet we know from the Division of Revenue Bill 2016 that the free maternity grant has fallen from Kshs. 4.3 to 4.1 billion. As the entire amount shown is a "capital transfer", this suggests that there is inconsistency between the Division of Revenue and the budget. At the same time, the 2016/17 target for skilled births has increased from 70% in the 2015/16 budget to 79% in the 2016/17 budget, even though the budget is declining. Parliament should interrogate these targets to understand whether the ministry has adequate funds to deliver on them.
10. **The attention paid to non-communicable diseases (NCD) appears inadequate.** The budget for the NCD sub-program is just over one percent of the total budget for health. The indicators and targets for this sub-program seem to focus only on cervical cancer screening and multi-drug resistant tuberculosis (which is a communicable disease). This raises questions as to whether all of the non-communicable disease activities of government are captured by the sub-program, or are monitored (at least one cancer facility is captured under a different sub-program, known as forensic and diagnostics). The lack of clarity around the treatment of NCD makes it difficult to track whether it is receiving sufficient priority.
11. **While the budget for teacher salaries is rising, the target for teacher recruitment is falling dramatically.** In the 2015/16 budget, the government projected to recruit 7,500 primary teachers, 7,000 secondary teachers and 500 tertiary teachers. The 2016/17 budget has targets of 2,665, 2,338 and 100 respectively. There is no narrative explanation of these declines and Parliament should interrogate them carefully. On the issue of indicators in the education sector, it is also notable that there are no targets for distribution of sanitary pads to female students.
12. **Notably, the increase in salaries for teachers is also focused on primary and secondary school teachers, while the budget for tertiary has been cut in half.** What is the reason for this shifting focus away from tertiary institutions?

13. **While special needs education is indicated as an important priority in the narrative in the budget, the allocation remains low and it is unclear what data the government is relying on to ensure that the needs of this population are catered for.** The 2016/17 BPS reported that a national database on children with disabilities has not been established.
14. **Some of the indicators and targets in the agriculture and rural and urban development sector are inadequate.** For example, under the Land and Crops Development sub-program, there is an output related to agricultural technologies. The target is to develop one technology per year. This does not seem ambitious enough. For improved food safety, there is a target to destroy bags of maize, rather than to reduce the need to destroy them (page 484). The new miraa initiative (page 485) seems to have the same targets every year for the next three years for all indicators. This looks like it was copy-pasted from year to year rather than reflected upon.
15. **While there is a large increase in the Livestock Production and Management sub-program, it is difficult to tell where this funding is going.** The targets for many indicators related to the numbers of cattle, sheep, goats and rabbits were all higher in 2015/16 than they are in 2016/17. The big increase in the budget is for acquisition of non-financial assets, but the narrative does not explain where these funds are going. Parliament should interrogate further the destination for this enhanced funding and ensure it is in line with the public interest.
16. **The Office of the Director of Public Prosecutions is receiving an increase beyond what was agreed in the ceilings approved by Parliament.** The BPS indicated that the emphasis would be on the provision of prosecution services. The current estimates seem to indicate this emphasis.
17. **Overall, there is a need for greater public justification of the decisions made in the budget at all levels.** This should include improved narrative wherever possible, but also links and references to other documents, reports, data, public engagements, and so on that explain how choices were arrived at. As Parliament goes out to conduct its own public participation, it should have these explanations with it so that it can balance what it hears from the public with what Treasury has proposed on the basis of the underlying justifications for choices made.