

Module 2 Session 2: How to Read and Understand Key Budget Documents

NOTE:

ONE TASK BETWEEN TASK 2.2A OR 2.2B WILL BE UNDERTAKEN AT ANY PARTICULAR TRAINING DEPENDING ON THE TIME OF THE TRAINING (IN RELATION TO THE BUDGET CYCLE) AND YOUR DEMAND AS PARTICIPANTS.

TIME OF THE YEAR	TASK TO UNDERTAKE
FROM JULY TO JANUARY	TASK 2.2B: CBROP
FROM JANUARY TO JUNE	TASK 2.2A:CFSP

BOTH DOCUMENTS ARE IMPORTANT BUT BECAUSE THESE TWO DOCUMENTS ARE QUITE SIMILAR, IT MAY NOT BE NECESSARY TO GO THROUGH BOTH DOCUMENTS FOR PURPOSES OF UNDERSTANDING HOW TO READ THEM.

TASK 2.2A ■ UNDERSTANDING COUNTY FISCAL STRATEGY PAPERS: BARINGO COUNTY (CFSP, 2015)

45 MINUTES

TASK OBJECTIVE:

- ❖ IDENTIFYING AND UNDERSTANDING KEY COMPONENTS OF THE COUNTY FISCAL STRATEGY PAPER

RESOURCES NEEDED

- ✓ The Budget Policy Statement (BPS) 2015 & 2016 snippets
- ✓ The Baringo County Fiscal Strategy Paper 2015

TASK EXPLANATORY NOTES

1. Ensure you learn the four components of a CFSP and the importance of the CFSP within the broader budget cycle.
2. Refer to Task 2.2A and led by the facilitator in plenary answer the task questions under Part 1 (This may be done individually or in groups as instructed by the facilitator)
3. Proceed to Part 2 led by the facilitator still in plenary (this may be done individually or in groups as instructed by the facilitator)

TASK 2.2A

Part 1: Budget Policy Statement

Table 2.1 Cumulative Budget Out-Turn, July – December 2014 (Ksh Million)

	Dec-13 Actual	Dec-14			% Growth
		Prog.	Prel.	Deviation	
A. Total Revenue and External Grants	469,485	589,888	524,986	(64,902)	11.8
Total Revenue (1+2)	460,602	560,438	517,159	(43,279)	12.3
1. Ordinary Revenue	435,077	513,240	491,323	(21,916)	12.9
Import Duty	34,484	39,099	35,092	(4,007)	1.8
Excise Duty	48,050	57,540	56,506	(1,034)	17.6
Income Tax	210,699	251,473	239,202	(12,271)	13.5
VAT	110,723	129,083	122,888	(6,195)	11.0
Other Revenue	31,120	36,045	37,636	1,591	20.9
2. Ministerial Appropriation in Aid	25,526	47,198	25,836	(21,362)	1.2
RDL	10,052	11,602	10,119	(1,484)	0.7
Recurrent	14,594	30,852	14,812	(16,040)	1.5
Development	880	4,744	905	(3,838)	2.9
Grants	8,882	29,450	7,827	(21,623)	(11.9)
AMISOM Receipts	2,591	4,040	-	(4,040)	(100.0)
Projects Grants(Revenue)	3,292	4,630	2,460	(2,170)	(25.3)
Projects Grants(AIA)	2,486	19,990	4,839	(15,151)	94.7
Italian Debt Swap	514	240	527	287	2.6
B. TOTAL EXPENDITURE AND NET LENDING	572,050	765,206	613,965	(151,241)	7.3
1. Recurrent Expenditure	394,707	428,170	383,853	(44,317)	-2.7
Domestic Interest	59,896	53,570	56,110	2,540	-6.3
Foreign Interest	5,020	11,375	11,375	-	126.6
Pensions & other CFS	15,510	17,939	15,996	(1,943)	3.1
Net Issues/Net Expenditure	299,688	313,327	285,559	(27,767)	-4.7
Wages & Salaries	136,465	150,435	150,000	(435)	9.9
Others	110,720	162,892	135,559	(27,332)	22.4
Ministerial Recurrent AIA	14,594	27,689	14,812	(12,877)	1.5
2. Development	110,801	229,045	146,496	(82,549)	32.2

2. Development	110,801	229,045	146,496	(82,549)	32.2
Domestically Financed (Gross)	81,149	133,545	98,853	(34,692)	21.8
o/w Domestically Financed (Net)	80,269	126,160	87,829	(38,331)	9.4
Ministerial Development AIA	880	7,385	11,024	3,639	1153.2
Foreign Financed	29,437	92,560	46,547	(46,013)	58.1
Net Lending	216	1,095	1,095	-	407.8
Equalization Fund	-	1,845	-	(1,845)	
3.County Allocation	66,542	105,491	83,616	(21,874)	25.7
C. BALANCE EXCLUSIVE OF GRANTS (commitment basis)	(111,448)	(204,768)	(96,805)	107,963	(13.1)
D. BALANCE INCLUSIVE OF GRANTS (commitment basis)	(102,566)	(175,318)	(88,978)	86,339	(13.2)
E. Adjustments to cash basis	-	-	-	-	-
F. BALANCE INCLUSIVE OF GRANTS (CASH BASIS)	(102,566)	(175,318)	(88,978)	86,339	(13.2)
G. TOTAL FINANCING	74,560	175,120	121,053	(54,067)	62.4
1. NET FOREIGN FINANCING	7,192	57,197	48,252	(8,945)	570.9
Disbursements	23,659	70,331	114,520	44,189	384.0
Commercial Financing	-	-	75,272	75,272	-
Project Loans AIA	11,327	50,410	25,595	(24,815)	126.0
Project Loans Revenue	12,332	17,530	13,653	(3,877)	10.7
Programme Loans	-	2,391	-	(2,391)	-
Debt repayment - Principal	(16,467)	(13,134)	(66,268)	(53,134)	302.4
Domestic Load Redemptions (receipts)	-	-	1,182	1,182	
Euro Bond Deposits	-	-	142,674	142,674	
2. NET DOMESTIC FINANCING	67,368	117,923	(71,055)	(188,978)	(205.5)
Nominal GDP (Fiscal Year)	5,049,156	5,719,100	5,719,100		

Source: National treasury

What kind of information is contained in this table and why is it important?

Snippet 2, page 39, BPS 2015

Table 3.1: Central Government Fiscal Projections, FY 2012/13-2017/18

	2012/13	2013/14	2014/15	2015/16		2016/17		2017/18	
	<i>Act.</i>	<i>Prel.</i>	<i>Rev. Proj</i>	<i>BROP'14</i>	<i>BPS'15</i>	<i>BROP'14</i>	<i>BPS'15</i>	<i>BROP'14</i>	<i>BPS'15</i>
Total Revenue	847.2	974.4	1,164.1	1,352.2	1,347.7	1,558.9	1,594.6	1,752.9	1,845.3
% of GDP	18.8%	19.3%	20.4%	21.8%	20.7%	22.3%	21.5%	22.1%	21.8%
Ordinary Revenue	779.4	919.0	1,070.0	1,249.9	1,249.9	1,447.8	1,490.2	1,632.6	1,730.2
% of GDP	17.3%	18.2%	18.7%	20.8%	19.2%	21.3%	20.1%	21.2%	20.5%
Tax Revenue	701.2	851.8	989.6	1,161.7	1,157.8	1,350.6	1,386.9	1,522.8	1,616.3
Non-Tax Revenue	78.3	67.2	80.4	88.1	92.0	97.2	103.3	109.8	113.9
AIA	67.8	55.4	94.1	102.3	97.8	111.0	104.4	120.3	115.1
Expenditure	1,107.3	1,300.6	1,669.0	1,800.5	1,880.8	1,987.6	2,052.6	2,216.4	2,251.4
% of GDP	24.6%	25.7%	29.2%	27.8%	28.8%	27.1%	27.6%	26.7%	26.6%
Recurrent	808.3	787.9	900.2	916.7	987.0	990.0	1,104.4	1,136.7	1,244.3
Development	298.9	319.3	534.6	633.4	627.1	729.8	654.5	793.2	683.4
Contingencies	-	-	5.0	5.0	5.0	5.0	5.0	5.0	5.0
County Transfer	-	193.4	229.3	245.5	261.7	262.9	288.8	281.5	318.7
Equalization Fund	-	-	3.4	6.0	6.0	6.9	6.0	7.7	5.5
Budget Balance (Deficit (-), Surplus(+)) excl. Grants	(260.0)	(326.2)	(504.9)	(448.4)	(533.2)	(428.8)	(458.0)	(463.5)	(406.1)
Budget Balance (Deficit (-), Surplus(+)) excl. Grants	(260.0)	(326.2)	(504.9)	(448.4)	(533.2)	(428.8)	(458.0)	(463.5)	(406.1)
% of GDP	-5.8%	-6.5%	-8.8%	-7.1%	-8.2%	-6.0%	-6.2%	-5.8%	-4.8%
Grants	20.9	26.9	48.7	64.7	53.5	71.5	59.8	79.2	64.9
Budget Balance (Deficit (-), Surplus(+)) incl. Grants	(239.1)	(299.2)	(456.1)	(383.7)	(479.7)	(357.3)	(398.2)	(384.4)	(341.2)
% of GDP	-5.3%	-5.9%	-8.0%	-6.1%	-7.4%	-5.0%	-5.4%	-4.8%	-4.0%
Net Foreign Financing	62.7	106.4	193.8	241.0	269.3	193.6	219.7	212.1	171.9
Domestic Loan Repayments (Receipts)	-	1.3	2.1	2.0	2.2	2.0	2.4	2.0	2.6
Sovereign Bond Proceeds	-	-	141.4	-	-	-	-	-	-
Domestic borrowing	169.8	201.7	118.8	140.7	208.3	161.6	176.1	170.3	166.7
% of GDP	3.8%	4.0%	2.1%	2.2%	3.2%	2.3%	2.4%	2.1%	2.0%
Public Debt to GDP (Gross)		48.0%	45.8%	46.1%	46.6%	46.0%	45.2%	45.3%	43.6%
Public Debt to GDP (net of deposits)	38.5%	44.1%	43.8%	43.1%	43.7%	43.3%	42.6%	43.0%	41.3%
Nominal GDP (Ksh billion)	4,506.2	5,051.6	5,719.1	6,290.4	6,520.5	7,113.1	7,430.2	8,029.7	8,448.2
<i>Source: National Treasury</i>									

What kind of information is contained in this table and why is it important?

185. Taken as a whole, the budget for FY2016/17 will focus on the following:

- Enhancing support to social sectors (Social Protection, Health and Education). These will continue to receive the bulk of budgetary resources especially in education and health sectors. The Social Sectors will receive 29.0 percent of total discretionary expenditures.
- Capital investments in Energy, Infrastructure, ICT sector and other development expenditure in general. This reflects the priority assigned to capital investments in our growth objectives. With an overall allocation of 24.7 percent of total discretionary expenditures, the Energy, Infrastructure and ICT Sector will be receiving the second largest share of the resource envelope. This reflects Government's commitment in improving infrastructure countrywide for faster growth.

186. Other priority areas including security, social protection, youth and agriculture will be given priority in the allocation of resources.

What is the significance of this narrative section of the paper?

Table 4.2: Medium Term Sector Ceilings, 2016/17 - 2018/19 (Ksh Million)

SECTOR		% SHARE OF TOTAL EXPENDITURE							
		PRINTED ESTIMATES 2015/16	BPS CEILING 2016/17	PROJECTIONS		PRINTED ESTIMATES 2015/16	BPS CEILING 2016/17	PROJECTIONS	
				2017/18	2018/19			2017/18	2018/19
AGRICULTURE, RURAL & URBAN DEVELOPMENT	Sub Total	79,692	64,079	69,800	71,834	5.3%	4.3%	4.3%	4.1%
	Rec. Gross	16,671	15,792	17,044	17,523	1.1%	1.1%	1.0%	1.0%
	Dev. Gross	63,021	48,286	52,756	54,311	4.2%	3.2%	3.2%	3.1%
ENERGY, INFRASTRUCTURE & ICT	Sub Total	404,670	367,596	391,883	431,434	26.9%	24.7%	24.0%	24.9%
	Rec. Gross	40,847	42,291	44,634	46,671	2.7%	2.8%	2.7%	2.7%
	Dev. Gross	363,823	325,305	347,249	384,763	24.2%	21.8%	21.3%	22.2%
GENERAL ECONOMIC & COMMERCIAL AFFAIRS	Sub Total	21,296	15,361	18,862	18,582	1.4%	1.0%	1.2%	1.1%
	Rec. Gross	7,126	6,768	7,543	7,664	0.5%	0.5%	0.5%	0.4%
	Dev. Gross	14,170	8,593	11,319	10,918	0.9%	0.6%	0.7%	0.6%
HEALTH	Sub Total	59,184	59,576	63,652	65,437	3.9%	4.0%	3.9%	3.8%
	Rec. Gross	28,520	28,940	30,403	30,688	1.9%	1.9%	1.9%	1.8%
	Dev. Gross	30,664	30,636	33,249	34,749	2.0%	2.1%	2.0%	2.0%
EDUCATION	Sub Total	336,252	342,020	376,535	393,114	22.3%	23.0%	23.1%	22.7%
	Rec. Gross	299,597	306,516	334,224	348,436	19.9%	20.6%	20.5%	20.1%
	Dev. Gross	36,656	35,505	42,311	44,678	2.4%	2.4%	2.6%	2.6%

EDUCATION	Sub Total	336,252	342,020	376,535	393,114	22.3%	23.0%	23.1%	22.7%
	Rec. Gross	299,597	306,516	334,224	348,436	19.9%	20.6%	20.5%	20.1%
	Dev. Gross	36,656	35,505	42,311	44,678	2.4%	2.4%	2.6%	2.6%
GOVERNANCE, JUSTICE, LAW & ORDER	Sub Total	154,047	182,578	186,239	197,490	10.2%	12.3%	11.4%	11.4%
	Rec. Gross	133,474	161,052	161,746	172,497	8.9%	10.8%	9.9%	9.9%
	Dev. Gross	20,573	21,527	24,493	24,993	1.4%	1.4%	1.5%	1.4%
PUBLIC ADMINISTRATION & INTERNATIONAL RELATIONS	Sub Total	243,354	232,752	286,682	296,841	16.2%	15.6%	17.6%	17.1%
	Rec. Gross	115,465	119,072	144,888	149,332	7.7%	8.0%	8.9%	8.6%
	Dev. Gross	127,889	113,680	141,794	147,509	8.5%	7.6%	8.7%	8.5%
NATIONAL SECURITY	Sub Total	112,513	120,840	123,217	141,933	7.5%	8.1%	7.5%	8.2%
	Rec. Gross	112,471	120,798	123,175	141,891	7.5%	8.1%	7.5%	8.2%
	Dev. Gross	42	42	42	42	0.0%	0.0%	0.0%	0.0%
SOCIAL PROTECTION, CULTURE & RECREATION	Sub Total	31,483	30,150	32,223	32,914	2.1%	2.0%	2.0%	1.9%
	Rec. Gross	12,262	12,070	13,002	13,292	0.8%	0.8%	0.8%	0.8%
	Dev. Gross	19,221	18,079	19,221	19,622	1.3%	1.2%	1.2%	1.1%
ENVIRONMENT PROTECTION, WATER & NATURAL RESOURCES	Sub Total	63,001	74,553	83,860	84,281	4.2%	5.0%	5.1%	4.9%
	Rec. Gross	17,771	19,537	21,649	22,448	1.2%	1.3%	1.3%	1.3%
	Dev. Gross	45,230	55,016	62,211	61,833	3.0%	3.7%	3.8%	3.6%
TOTAL	TOTAL	1,505,492	1,489,505	1,632,953	1,733,859	100.0%	100.0%	100.0%	100.0%
	Rec. Gross	784,204	832,836	898,307	950,441	52.1%	55.9%	55.0%	54.8%
	Dev. Gross	721,289	656,669	734,646	783,418	47.9%	44.1%	45.0%	45.2%

What kind of information is contained in this table and why is it important?

PART 2: Baringo County Fiscal Strategy Paper FY 2015/16(February 2015)

For this exercise, handouts specific to the county should be provided to both participants and facilitators. In this case, the facilitator can refer participants to the Baringo County Fiscal Strategy Paper which can be found in the Annex of Key Documents.

For question 4, ask the participants to focus on the Health and Agriculture Departments (page 29) to answer.

Now let's look at the Baringo CFSP (Extract).

1. Performance: Current year budget implementation

Turn to page 15 and 16 to see information on budget implementation. You will see information about revenue collection. How do you interpret this? Do you see information about expenditure of the current budget?

2. Projections: next year's recurrent and development budget

Now look for the information we looked at in snippet 2: overall revenue and expenditure projected for the coming budget year. Where is this information? What is the county expecting to raise from central government and from own sources? How do we know if these figures are reasonable?

3. Our third snippet above was a narrative explanation of priority spending areas. Do you see this discussion in the CFSP? What are the priorities and what areas are to receive less so that priorities can receive more?

4. We look finally for the numbers: the sector allocations that are the core of the CFSP. Can you find these? Are you able to identify the areas getting the highest allocations? Does this match the text we looked at in Q3?

5. Does the document recognize public and other stakeholders input into the final allocations?

EXTRA READINGS

- i. IBP Kenya et al, "Toward Better County Fiscal Strategy Papers in Kenya: a Review," June 2014. This joint policy brief with other CSOs gives 8 questions that help to know what to look at in

every CFSP. Available at

<https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=3&cad=rja&uact=8&ved=0ahUKEwjghsTXzOXLAhXJbRQKHawhB9IQFggnMAI&url=http%3A%2F%2Fwww.internationalbudget.org%2Fwp-content%2Fuploads%2FFormatted-joint-Kenya-CFSPs-JL-FINAL-exp.pdf&usq=AFQjCNGwC25fLBBBOwvuXW5u4PGXaSlFw&sig2=xBshVKg3diZebLQEIMugqw>

- ii. IBP Kenya “How to Read and Use a Budget Policy Statement and a County Fiscal Strategy Paper,” Available at <http://www.internationalbudget.org/publications/kenya-how-to-read-and-use-a-budget-policy-statement/>
- iii. IBPKenya, “Analysis of Budget Policy Statement 2016,” February 2016
<http://www.internationalbudget.org/publications/kenya-budget-policy-statement-2016/>