

Steps to Read and Analyze A Sector in Your County Budget

May 26, 2016

- 1. Choose your sector (department) of interest.**
- 2. Look at the programs in that sector.** The program and sub-program breakdown for all departments can be found in the summary at the start of the budget. You can also find the programs in Part C, D, E, F, or G of each ministry's breakdown, along with their further breakdowns. You may find that in some cases there are inconsistencies across all these sections.
- 3. Compare program allocations in 2015/16 and 2016/17.** Which programs are increasing and which are decreasing? Which are increasing faster than the average for the department? Those that are increasing faster than average will be taking a greater share of the department's budget in 2016/17 than in 2015/16. For example, if the department's budget is growing by 11%, and Program A is growing by 5% while Program B is growing by 15%, then Program B will have a larger share of the 2016/17 budget than it did in 2015/16. This is a sign of an increasing priority. Program A is still growing, but at a rate below the department average, suggesting it is a bit less of a priority in the coming year. These growth rates reflect choices made by the county government about what is most important. You can see from the table below that Program A's share of the budget is falling from 40% to 38%, while Program B's share is rising by 2 percentage points.

Program	2015/16 Budget	2016/17 Budget	Rate of Growth	Share of 2015/16	Share of 2016/17
Department	1000	1110	11%	100%	100%
Program A	400	420	5%	40%	38%
Program B	600	690	15%	60%	62%

There may be cases where the absolute growth in a program is so large that we also want to look at it, even if its share of the budget is declining (like Solid Waste Management in the Nairobi 2016/17 budget).

4. **Having established priorities at the program level, we now ask what is driving these choices?** Why are some programs being prioritized over others? To answer this, we first look at the narrative in the sector to see what information it gives us. The narrative should tell us why certain areas are being prioritized over others. To be useful, it must explain this at the program level, because that is the level at which the budget is done. Just listing projects or initiatives that we cannot connect to programs and sub-programs does not help us understand the choices.
5. **After looking at the narrative, look next at the sub-program breakdown for programs that are increasing (decreasing) in priority to understand what specifically is increasing (decreasing).** The sub-program breakdown can be found in the summary table at the top of the document, or in Part F of each sector. Just as we did at program level, we will ask which sub-programs are growing fastest and which are taking a larger share of the available program budget. Those are the sub-program priorities.
6. **To understand what the sub-programs are actually doing, look at two additional parts of the department budget, starting with the economic classification of the sub-program.** The sub-programs are broken down into broad economic classes in Part H. Here we should be able to see whether most of the funds in the sub-program are going to recurrent or development, and particularly for salaries, goods and services, assets, etc. This will give us some general understanding of the sub-program's focus.
7. **Next, to understand in more detail what the SP is actually doing, look at the indicators and targets for that sub-program.** This is available in Part E of each department's budget. The indicators should highlight the key activities that the sub-program will undertake, and the targets should point to what the sub-program will seek to achieve in the coming year and the next two years after that. If there is an increase in the budget for salaries or for capital expenditure in the economic classification, we should be able to find some indication of where that money is going in the indicators. If we cannot, this suggests a disconnect between the budget and the departmental objectives.
8. **At this point, turn to the line-item budget for the department to see if there is additional information that can explain the department's priorities.** Most departments have some capital expenditure breakdown which may be useful. The recurrent breakdown into line items may or may not shed light on what the department hopes to do. For example, it may be possible to identify the particular sub-department where salaries are being increased, or to find out more specifics about which buildings are being constructed.
9. **With this information, analyse the priorities.** The remaining task is to synthesize this information into an analysis of the government's priorities. Answer the following questions:

Question	Notes
Are the government's priorities at program and sub-program level CLEAR?	This is a basic transparency question about the budget presentation. Can we understand the priorities or not? With the health sector in many counties, this is difficult due to centralization of health worker salaries.
Are the program priorities JUSTIFIED?	We need to decide whether the narrative information and our own knowledge of the county's needs can justify the decisions that appear to be being made to focus on particular areas or not.
What alternative priorities might the government have focused on and WHY?	In case we are not convinced that the county's choices are justified, what do we recommend as focus areas at program and sub-program level in the budget?
Do the indicators and targets appear to capture the most important ACTIVITIES of government or are there key activities missing?	What gets measured gets done. We want to make sure that if we think government should be doing certain things, that these are captured in an indicator or set of indicators.
Are the TARGETS realistic given what we know about current performance?	We can only link budget to performance if we have realistic targets, otherwise we will never meet them and never know whether this is because we did not spend well or because they were impossible targets to meet. We should use available resources to question the targets before they are approved.
Are the ALLOCATIONS realistic given past budget performance?	We would ideally want to look at past implementation reports to know whether the various departments and programs have actually been able to spend what they were given before increasing their funding. This requires us to look at Controller of Budget reports (or county implementation reports if available) to see which departments have been able to spend and which have not. Those that have not spent should not be given increments unless they have shown that they have addressed their implementation challenges.