



# BUDGET GUIDE

June 2015

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By Institute of Economic Affairs

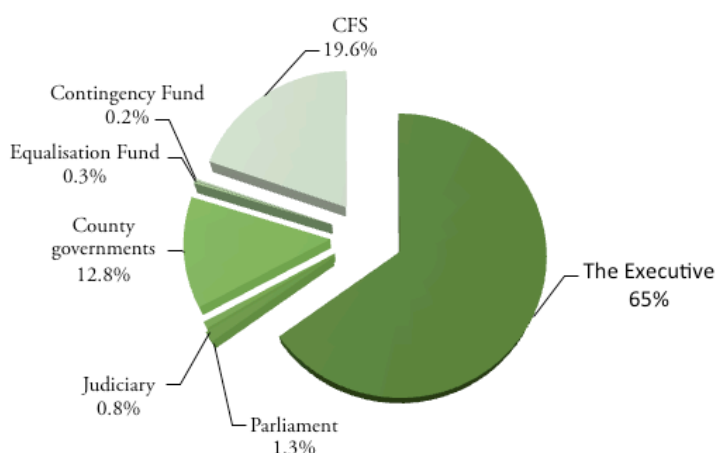
## 1.0 Global Budget Analysis

In absolute terms, the estimated budget for 2015/16 is Ksh 2,246 billion up from approved budget of Ksh 1,910.7 billion in the previous financial year, accounting for 17.6% increase. In 2014, the National Bureau of Statistics rebased Kenya's economy showing that it's being growing more rapidly than previously estimated. With a GDP per capita of USD 1,269, Kenya is now ranked as a lower middle-income country.

2014/15 one, where the executive share was marginally lower, 63.8% and CFS share was slightly higher 20.4%. Apparently the share to county government in 2014/15 was exactly the same as in 2015/16.

With county governments still a new phenomenon; there has been a lot of public and the media attention on county governments spending. Similar, if not more attention has also been directed to parliament especially because of their characteristic unanimity in call for increase of their perks in 2013 period contrary to recommendations by the Salaries and Remuneration Committee. Equally, their sheer size, 349 MPs and 67 Senators relative to previous parliaments is perhaps the other reason for increased public focus.

How Budget of Ksh 2,246 Bn is to be Shared in 2015/16



It is however evident from the pie chart of the importance of holding the executive to account given that it takes the lion share of the budget. More importantly, the budget and issues around allocations and how funds are implemented should be analyzed holistically.

## 1.1 Expenditure Analysis

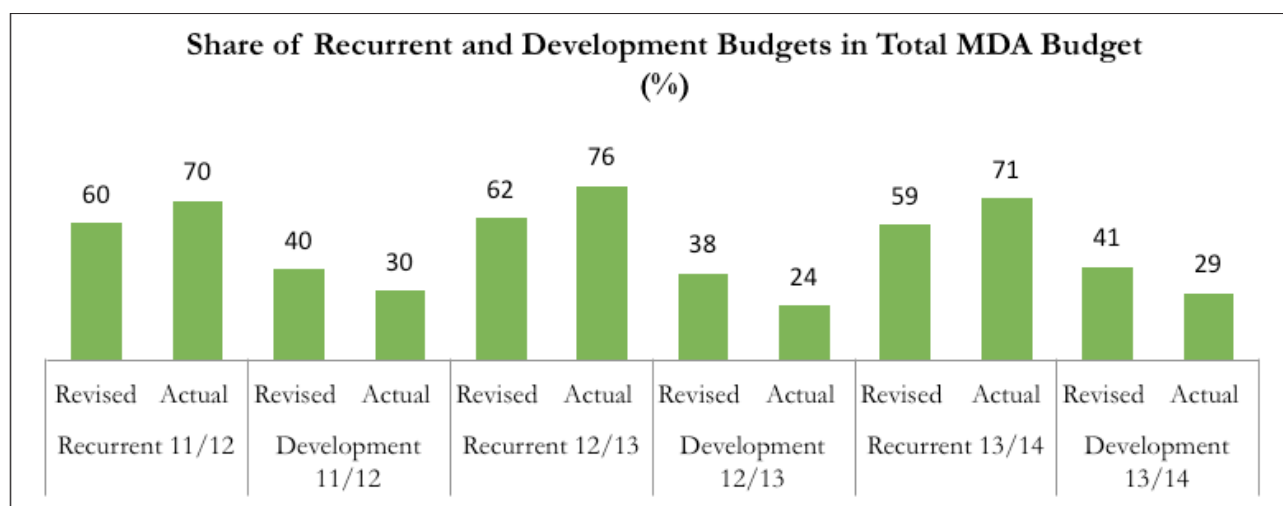
Budgeting is about making choices. Often, every year during the budget debate period there are public and media questions bandied around whether the executive budget proposal is good or bad, whether it is pro-poor and pro-growth, who are the winners versus the losers among other questions.

In line with principles of budgeting, questions of affordability, predictability, equity and whether government spending is done within their means are pertinent. This section gives a snapshot of the budget

In the same breadth, the budget has ballooned over the last decade, with the pace picking up since the onset of implementation of the constitution. The pie chart shows a breakdown of how the budget is to be shared among the three arms of government; to county governments as well as to Consolidated Fund Services (CFS), with the bulk of the allocations, 65% estimated to go to the executive. This budget share breakdown is largely similar to the

<sup>1</sup> KNBS Economic Survey 2014 and World Bank (December 2014) Kenya Economic Update

<sup>2</sup> Budget Statement Policy 2015, the National Treasury



Source: Various issues of the Office of Controller of Budget Implementation Reports

from this aforementioned perspective. In addition, it also seeks to find out how the budget is aligned to the fiscal policy objective of enhancing revenue mobilization for scaling up spending on national priorities as reflected in Vision 2030 and Medium Term Plan II while maintaining macro stability.

The aim of national government in its medium term fiscal policy according to the Budget Policy Statement (BPS) is to shift more public resources from recurrent to capital investment so as to promote sustainable and inclusive growth. In this regard, out of the national government (all ministries, parliament, judiciary and CFS) budget of Ksh 1,953.9 billion in 2015/16, 37% is dedicated to development investment.

With a focus on ministries, department and agencies (MDA) inclusive of parliament and judiciary, almost half (48%) of their total estimated budget of Ksh 1,507.3 billion in 2015/16 is set aside for development investment. This is commendable and in line with government's fiscal policy goals. However budget allocations are often different from revised budgets which are in turn often also different from actual spending. The graph above clearly demonstrates this difference between allocation based on revised budget and actual spending. The latter is at the end of the day what makes the difference in public service delivery and in terms of actual outcomes.

Based on Controller of Budget (CoB) implementation reports, actual spending on development investment was 30% of total MDA budget in 2011/12 and 2013/14 but below that (24%) in 2012/13.

This raises the question on the appropriateness of using the proportion of budget allocation as opposed to proportion of actual spending as a measure or benchmark of the fiscal responsibility principles that mandates the national and county government to set aside at least 30% of their budget for capital investment in the medium term.

### 1.1.2 Non Discretionary Spending

The size of Consolidated Fund Services (CFS), which is a "first charge" on the budget, has implications on budget flexibility or the amount of resources that will be left for use in public service delivery.

In absolute terms, CFS went up slightly from Ksh 437 billion in 2014/15 to Ksh 442.5 billion in 2015/16, accounting for 1.3% increase. However, relative to the total public spending (budget), CFS reduced from 24.6% to 19.8% over the same period. Its size is driven by public debt payment and pensions, together constituting almost 99% of total CFS. Interestingly, public debt payment reduced marginally by about 1% in the period 2014/15-2015/16 in contrast to the biggest increase that was recorded by pensions. There was also a considerable increase in salaries and allowances to constitutional office holders owing to the number of Commissions established and salary adjustments.

Overall, growth and size of CFS demands prudent public debt management that aims to ensure our public debt is sustainable, that is below the 50% threshold as a percentage of GDP. On the part of pensions and salaries to constitutional office holders, it is critical that the government soon adopts a comprehensive public wages policy to control public wages. Similarly, the Salary and Remuneration Commission should fast track the completion of job evaluation and harmonization of wage structure to complete the puzzle.

Secondly, it is important for parliamentarians to appreciate the linkage between public debt payment and other statutory obligations (CFS) to shareable revenue between the two levels of government. The bigger the CFS the less is the resources that will be available to be shared as revenue between the national and county government. As a result of this, there is need for a debate in parliament on how to strike a balance between public debt and impact on availability of funds for services

especially in the context of governors clamoring for additional funds for counties.

### Trends in Consolidated Fund Services (CFS) -Ksh Billion

| Item                                    | 2009/10       | 2010/11       | 2011/12       | 2012/13       | 2013/14       | 2014/15       | 2015/16      | % Change<br>2014/15 vs<br>2015/16 |
|-----------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|-----------------------------------|
| Public Debt                             | 161.13        | 157.20        | 175.39        | 322.11        | 331.17        | 399.3         | 397.0        | -0.57                             |
| Pensions                                | 26.51         | 26.73         | 29.26         | 28.15         | 28.15         | 32.4          | 40.0         | 23.43                             |
| Salaries & Allowances                   | 1.81          | 2.06          | 3.30          | 3.35          | 3.72          | 4.1           | 4.4          | 8.29                              |
| Miscellaneous Services                  | 1.264         | 0.06          | 0.06          | 0.13          | 0.13          | 0.13          | 0.1          | 0.00                              |
| Subscriptions to<br>International Orgs. | 0.06          | 0.00          | 0.00          | 9.16          | 0.00          | 0.00          | 0.0          | 0.00                              |
| Guaranteed Debt                         | 0.00          | 1.36          | 1.46          | 1.46          | 1.18          | 1.01          | 0.9          | -6.93                             |
| <b>Total</b>                            | <b>190.78</b> | <b>187.41</b> | <b>209.47</b> | <b>364.36</b> | <b>364.35</b> | <b>436.94</b> | <b>442.5</b> | <b>1.27</b>                       |
| <b>% Total Public Spending</b>          | <b>18.8</b>   | <b>18.2</b>   | <b>17.9</b>   | <b>23.7</b>   | <b>23.20</b>  | <b>24.64</b>  | <b>19.81</b> |                                   |

Source: Various issues of Estimate of Recurrent Expenditure

## 1.2 Sector Allocations and Priorities Changes

The 2015/16 budget has a total allocation of Ksh 1.5 trillion for MDAs (inclusive of the total allocation to the Judiciary and Parliamentary Service Commission as stated in the budget summary).

The allocations show the largest share of the budget for the year will be for infrastructure and energy which will take up 27% of the total budget, while education and security take up 22% and 15% respectively to complete the top three as shown in the table below.

\*The sector's total allocation is inclusive of allocations to the Judiciary and Parliamentary Service Commission with their shares calculated based on their relative share in the BPS ceilings.

The three top sectors in terms of allocations take up 65% of the total MDA budget which is a percentage point higher compared to their total shares of the total MDAs budget in 2014/15 as shown in the table below.

The Budget Policy Statement (BPS) lists infrastructure, energy and Information Communication and Technology (ICT) as key areas that will see a significant

| Sectors                                                  | 2015/16 (Annual Gross Estimates) |             |              | Share of the Total | Cumulative Share of the Total |
|----------------------------------------------------------|----------------------------------|-------------|--------------|--------------------|-------------------------------|
|                                                          | Recurrent                        | Development | Total        |                    |                               |
| Infrastructure + Energy                                  | 40.85                            | 363.82      | 404          | 27%                | 27%                           |
| Education                                                | 299.17                           | 36.59       | 335.75       | 22%                | 49%                           |
| Security                                                 | 217.88                           | 15.40       | 233.27       | 15%                | 65%                           |
| State Administration                                     | 60.28                            | 67.52       | 127.80       | 8%                 | 73%                           |
| Planning and Devolution                                  | 22.27                            | 71.00       | 93.27        | 6%                 | 79%                           |
| Parliament, AG, Judiciary and Constitutional Commissions | 58.89                            | 10.92       | 69.81        | 5%                 | 84%                           |
| Water and Regional Development                           | 18.04                            | 42.73       | 60.78        | 4%                 | 88%                           |
| Health                                                   | 28.52                            | 30.66       | 59.18        | 4%                 | 92%                           |
| Agriculture                                              | 11.63                            | 34.46       | 46.09        | 3%                 | 95%                           |
| International Relations and Commerce                     | 20.99                            | 16.31       | 37.30        | 2%                 | 97%                           |
| Lands and Housing                                        | 3.94                             | 28.12       | 32.06        | 2%                 | 100%                          |
| Gender, Youth and Culture                                | 2.95                             | 3.64        | 6.59         | 0%                 | 100%                          |
| <b>Total</b>                                             | <b>785</b>                       | <b>721</b>  | <b>1,507</b> | <b>100%</b>        |                               |

increase in funding in the 2015/16 budget. The sector's share of the total budget has increased by five percentage points which is the highest among all the sectors contrasted by reduction in education and security's share of the budget by 5 cumulative percentage points. Health and education are mentioned in the BPS as sectors that will continue to receive the bulk of resources even in 2015/16 and both sectors take up 26% of the budgetary allocation for the year.

| Sectors                                                     | 2014/15<br>Total Budget<br>Estimates | 2015/16<br>Total Budget<br>Estimates | Share of<br>the Total<br>2014/15 | Share of<br>the Total<br>2015/16 | Sector Change<br>in the Total<br>Share of the<br>Budget |
|-------------------------------------------------------------|--------------------------------------|--------------------------------------|----------------------------------|----------------------------------|---------------------------------------------------------|
| Infrastructure + Energy                                     | 257                                  | 405                                  | 22%                              | 27%                              | 5%                                                      |
| Lands and Housing                                           | 22                                   | 32                                   | 2%                               | 2%                               | 0%                                                      |
| Gender, Youth and Culture                                   | 4                                    | 7                                    | 0%                               | 0%                               | 0%                                                      |
| State Administration                                        | 100                                  | 128                                  | 8%                               | 8%                               | 0%                                                      |
| Agriculture                                                 | 37                                   | 46                                   | 3%                               | 3%                               | 0%                                                      |
| Health                                                      | 47                                   | 59                                   | 4%                               | 4%                               | 0%                                                      |
| Water and Regional Development                              | 49                                   | 61                                   | 4%                               | 4%                               | 0%                                                      |
| International Relations and Commerce                        | 31                                   | 37                                   | 3%                               | 2%                               | 0%                                                      |
| Planning and Devolution                                     | 76                                   | 93                                   | 6%                               | 6%                               | 0%                                                      |
| Parliament, AG, Judiciary and<br>Constitutional Commissions | 61                                   | 70                                   | 5%                               | 5%                               | -1%                                                     |
| Security                                                    | 191                                  | 233                                  | 16%                              | 15%                              | -1%                                                     |
| Education                                                   | 308                                  | 336                                  | 26%                              | 22%                              | -4%                                                     |
| <b>Total</b>                                                | <b>1,182</b>                         | <b>1,507</b>                         | <b>100%</b>                      | <b>100%</b>                      |                                                         |

### 1.2.1 Absorption Capacity

One issue to keep in mind is the capacity of the sectors to spend monies allocated to them over the budget year and cross check that against allocations made to the sectors in subsequent year. For example, absorption rate for development budget for the period 2011/12-2013/14 averaged 50.3% against the desired government target of 80%.

Over the last three years security has been the most efficient spender contrasted by the infrastructure and energy, which has been constantly underperforming. Equally water and regional development MDAs have also been low on spending over the period.

The key thing for parliament is to ensure the gaps affecting absorption in these sectors are resolved by the executive to avoid allocating more funds at the risk of not spending the funds. For example, the infrastructure and energy sector has a significant increase in funding although it has consistently had low absorption.

Some of the areas that the infrastructure and energy related ministries should focus on is better project management and synchronization with procurement plans and scale down of donor projections.

### 1.2.2 Where are the resources to finance this budget going to come from?

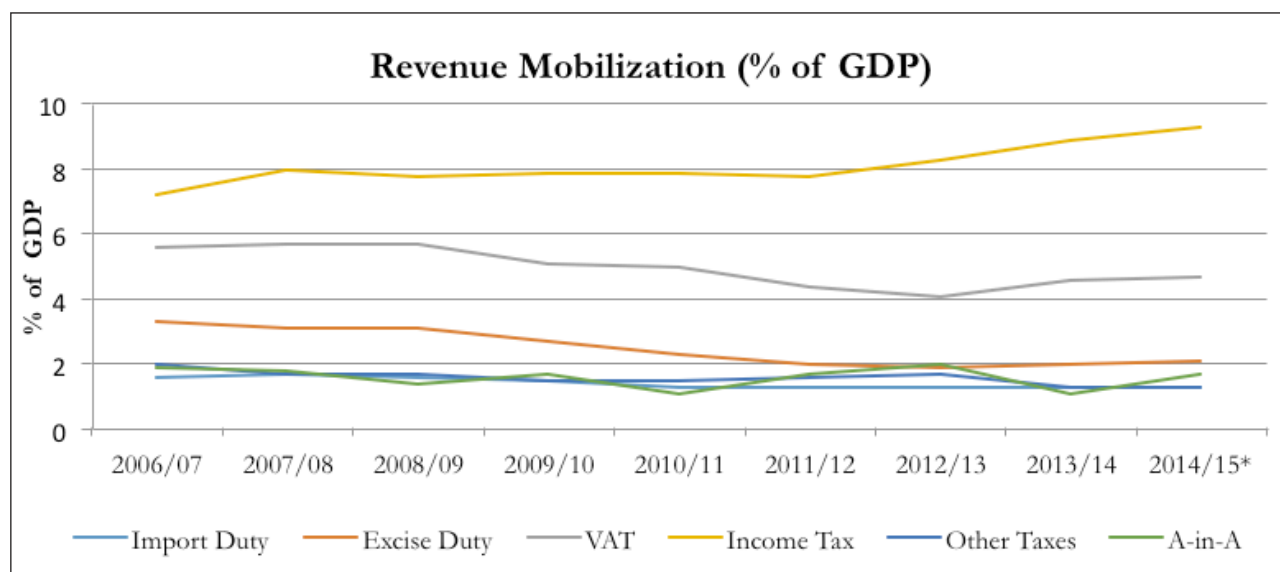
The government anticipates mobilizing revenue of Ksh 1,358 billion in 2015/16 from domestic taxes, customs, road transport levies and ministerial Appropriation in Aid (AiA). This represents a nominal increase of 16% from Ksh 1,170.5 billion in 2014/15. Revenue projections are premised on anticipated economic growth rate of between 6.5 - 7% in 2015/16 as well as in on-going reforms in tax policy and revenue administration as noted in the BPS.

Kenya's revenue system is broad based as evident from the various revenue sources seen from the graph above. Income tax and value added tax (VAT) remain the primary sources of revenue. Indeed for 2015/16, taken together, both income tax (46%) and VAT (23%) are expected to contribute almost three quarters of total revenue.

Revenue mobilization trend as a percentage of the size of the economy (GDP) shows that from 2012/13, all the revenue sources rose save for AiA. Related to this, Kenya Revenue Authority performed exceptionally well in 2013/14, collecting 99.8% of annual target. The picture has however become slightly grimmer by the first half

<sup>3</sup> Computed from Various issues of Controller of Budget Implementation Reports

of 2014/15 where revenue realized from customs reduced by 7.3%, compared to the first half of 2013/14. Equally, revenue realized from domestic taxes and road transport levies reduced by 4.4% and 8.2% respectively, over the same period.



Source: Statistical Annex to the Budget 2015/16

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## Emerging Issues

The first issue that follows from the foregoing is the potential to realize projected revenue based on a seemingly ambitious economic growth rate. Using the rebased GDP growth rate figures from 2009 to 2014, the average GDP growth rate for this period is 5.6%. Further to this, agriculture, which contributes about a quarter of Kenya's GDP registered modest average growth rates of 3.9% for the period 2012-2014. Save for resilience in the services sector, the manufacturing sector has stagnated.

Some reports show that the share allocated to agriculture at the counties is low, below 24% and hence contributed to disrupting on-going projects started before the onset of devolution, a primary reason for reduced growth momentum. As a result of this, there is need for coordination between the two levels of government on how county government can reprioritize their budgets to the agriculture sector.

The Cabinet Secretary for the National Treasury has committed Ksh 223.9 billion to all security organs to combat terrorism and crime as insecurity is a threat to the business environment investment and the lives of Kenyans.

In our opinion, these two issues, efforts towards revamping agricultural production and tackling insecurity will be the key drivers to realizing the projected economic growth and in turn the estimated revenue.

With regard to tax reforms, the new legislation on VAT has been noted as a key contributor to increasing VAT revenue. For example, VAT increased from Ksh 232.8 billion in 2013/14, to Ksh 270.1 billion and is further estimated to increase to Ksh 310.2 in 2015/16. It is however important to note that with the new VAT legislation, the list of goods and services that were exempt and zero rated was reduced drastically. However new proposals for additional exemptions and zero rating of goods and services is a policy reversal that will serve expand the list further and in total may adversely affect

<sup>4</sup> Tegemeo Institute of Agricultural Policy and Development (2014). An analysis of Agricultural Sector Funding by County Governments, Policy Brief No. 12, Egerton University

total VAT collection in 2015/16 and in turn total revenue performance.

This of course may be offset by other new taxation proposals including 0.3% withholding tax on the transaction value of the share under Capital Gains Tax, 12% on gross annual rental income below 10 million as new efforts to fund the government. The other new tax effort worth noting is the proposal to amend income tax in order to factor extractive industry tax in line with international best practices.

At this juncture, without the benefit of simulation, it is difficult to tell whether the net effect will be positive or negative. Altogether this is a cause for concern with regard to realization of projected revenue.

Going forward, it is important to consider the impact of the new proposed legislations including, Tax Procedure Bill 2014 and Customs and Excise Duty Bill once enacted, on improving tax compliance levels. These two legislations are intended to simplify the tax system with the former seeking to enhance uniform tax procedures.

## Public Debt and Deficit Financing

Comparison of the trends of tax revenue with those of expenditure, both as a percent of GDP over the last decade reveals that the latter has persistently been growing at a faster rate. For 2015/16, out of an estimated budget of Ksh 2,247 billion and projected revenue of 1,358 billion, the expected fiscal deficit is Ksh 889 billion up from 740 billion in 2014/15 revised budget.

Going by the Estimates of Revenue, Grants and Loans (ERG&L) 2015/16, this deficit is to be financed partly by as total grants of Ksh 78.4 billion (inclusive of grants to African Mission in Somalia-AMISOM) and total external loans of Ksh 303.5 billion. Taken together, donors will finance 17% of the budget. However, based on information from the Estimate of Development Budget 2015/16 the proportion is lower, 15.4% because total external funding is Ksh 346.65 billion, an example of data inconsistency from various budget documents.

As a result of the above, the anticipated budget deficit (fiscal deficit minus both external grants and loans) using the ERG&L is Ksh 507 billion up from Ksh 406 billion in the previous financial year. This escalation of budget deficit is largely attributed to massive infrastructure projects, bloated public wage bill and transition to devolution related expenditure and so on.

Growth in budget deficit is a concern for Kenyans and something that parliamentarians need to pay attention to because it negates government's commitment to containing rise in expenditure.

This notwithstanding, increasingly the government is commendably seeking alternative sources of deficit financing to the traditional ones. The issuance of a sovereign bond in 2014/15 is a case in point. Beyond this, the government has recently been showing an appetite for borrowing to mainly finance infrastructure development which has as a result has led to rise in the stock of public debt. For example, public debt as a percentage of GDP increased from 35.7% in 2010 to 42.1% in 2014. Due to the issuance of sovereign bond and increased disbursement by traditional external lenders external debt to the total public debt grew to 51.3% in 2014 from 48.7% in 2013. In sum, this translates to every single Kenyan bearing a debt burden of Ksh 56,035 by 2014. Admittedly, public debt to GDP is within debt sustainability threshold, however the cause for concern is at the pace in which it is growing.

In 2015/16, the government seeks to plug budget deficit through an array of options including: domestic borrowing, Ksh 225 billion; commercial loans of Ksh 71.8 billion; debt rollover of Ksh 175 billion and anticipated proceeds from rights issue of National Bank of Kenya and Mumias Sugar Company, estimated at Ksh 5 billion. Again this does not add up to completely meet the total budget deficit of Ksh 507 billion because of data inconsistency. Further there is no additional narrative information in the BPS or other budget documents on for example the rights issue for any informed comments.

## 2.0 Spending by Key Sectors and What it Means to the Economy

### 2.1 Investment in Energy, Infrastructure and ICT

The MTEF Sector Report for the sector prioritized the various programmes in this sector. The first priority was Road Transport, followed by Power Generation, followed by Rail Transport. Looking at the changes in sector shares over the past year, however, it is clear that the major priority is Rail. Between 2014/15 and 2015/16, the share of the sector budget going to Road Transport fell by about 15 %, while the share for Power Generation also fell slightly (2 %). But the share for Rail Transport rose by more than 25 % to become the largest single programme (taking over 35% of the sector). This shift is of course due primarily to the massive increase in funding for the Standard Gauge Railway project.

If we look within ministries and programmes, some interesting shifts emerge. The State Department of Infrastructure deals mainly with road transport. While the Road Transport programme budget increased by about Ksh 9 billion, there is an important shift away from

construction of new roads, and toward rehabilitation and maintenance. The construction sub-programme dropped by around Ksh 50 billion, while the rehabilitation sub-programme increased by more than Ksh 50 billion. Maintenance increased by about Ksh 4 billion. Taken together, this means that more than 60% of the Department's budget is now going to maintenance and rehabilitation, compared to 25% for these items last year.

It is not entirely clear if the indicators and targets for the department actually relate to these massive shifts in spending. For example, the target for rehabilitation of major roads in 2014/15 was 83 km, while the target in 2015/16 is 113. For "other roads," the target was 74 km in 2014/15 and the target in 2015/16 is 121 km. These are substantial increases of about 36% and 64% in kilometers of roads targeted for rehabilitation, but the budget increase is about about 700%. Is this sensible?

Moreover, the narrative states that in 2013/14, about 237.6 kms of road were rehabilitated. Taking both major and other road rehabilitation for 2015/16 together, we get a target of 234 km. Yet in 2013/14, the entire budget for new roads, rehabilitation and road maintenance together was only about 18 billion, compared to the budget for rehabilitation alone in 2015/16 of Ksh 60 billion. Is it possible that rehabilitating a similar length of road in 2015/16 is more than 4-5 times as expensive as in 2013/14? The PBB has no information on target for 2014/15, but the sector report says the target for 2014/15 was 200. This is a huge increase in the rehabilitation budget for a minor increase in the target in 2015/16.

If we look at Rail Transport in the State Department of Transport, we can see what appears to be a more sensible shift in budgets and targets. The budget for Rail Transport has increased by 6 times; the target for kms of rail built has increased from 10 kms to 95 kms, an increase of nearly 10 times.

Have there been changes between the BPS and the estimates? The BPS 2015 had set a ceiling for the sector of Ksh 385 billion. From the Budget Summary, the following is apparent:

#### Net Estimates for Infrastructure Sector: Changes from BPS

| Vote           | BPS 2015 Recurrent | Estimates 2015 Recurrent | BPS 2015 Development | Estimates 2015 Development | Remarks from Budget Summary                                                  |
|----------------|--------------------|--------------------------|----------------------|----------------------------|------------------------------------------------------------------------------|
| Infrastructure | 1.5                | 1.7                      | 57.4                 | 59.4                       | Increase for operations and allowances                                       |
| Transport      | 1.4                | 1.4                      | 5.9                  | 3.9                        | Decrease for money sent to Devolution & Planning and Office of the President |
| Energy         | 1.8                | 1.8                      | 21.9                 | 24.9                       | Increase to improve access/affordability of power                            |
| ICT            | 2                  | 3                        | 8.3*                 | 8.3*                       | Consolidation of government advertising                                      |
| <b>Total</b>   | <b>6.7</b>         | <b>7.9</b>               | <b>93.6</b>          | <b>96.5</b>                |                                                                              |

\*From BPS 2015; no change in Budget Summary so figures not mentioned.

There were some modest increases in the budget for the sector on balance, and particularly for infrastructure and energy. These are changes introduced after Parliament approved the BPS 2015 and should therefore be scrutinized further by the Budget Committee.

## Absorption Issues

One of the main considerations for Parliament is whether, if a sector increases its budget as fast as the infrastructure sector is rising, it can actually implement that budget. It is not clear that this is the case. While the infrastructure sector budget has increased from about Ksh 260 to about Ksh 400 billion in one year, absorption in this sector has been a challenge in recent years.

Even the PBB narrative in the State Department for Transport notes that in recent years, budget absorption for development has been around 60% or less (2011/12-2013/14). While the State Department for Infrastructure notes that absorption has been improving, it does not

provide figures (page 213). According to Controller of Budget (COB) reports, however, in 2013/14, absorption for Ministry of Infrastructure and Transport as a whole was under 50%; in the first half of 2014/15, absorption for the State Department for Infrastructure is about 27%.

One of the challenges the Department for Transport notes is that donor funding does not always materialize; Ministry of Energy and Petroleum notes the same. If we look at the donor funding component of the sector in the line item budget (there is no such information in the PBB), we can see that AIA is substantial. The table in the next page shows AIA as a percent of the development budget for the four departments/ministries:

| Vote (Development) | AIA ( Ksh Billions) | Total Budget (Ksh Billion) | AIA Share of Budget |
|--------------------|---------------------|----------------------------|---------------------|
| Infrastructure     | 41.7                | 104                        | 40%                 |
| Transport          | 153                 | 158                        | 97%                 |
| Energy             | 63.4                | 92.4                       | 69%                 |
| ICT                | 3.8                 | 8.9                        | 43%                 |

This shows that the largest vote in the sector, and the area with the largest increase (rail transport), is also the most dependent on foreign funding that has proven a challenge to realize in the past.

The table below provides further details about types of AIA funding. While some of this funding is in the form of local AIA, most of it consists of foreign grants and loans.

| Vote           | Grant (Billion) | Loan(Billion) | Other (Local AIA) |
|----------------|-----------------|---------------|-------------------|
| Infrastructure | 10              | 29            | 2.5               |
| Transport      | 0               | 127           | 26                |
| Energy         | 0.2             | 56            | 7                 |
| ICT            | 0.4             | 3.4           | 0                 |
| <b>Total</b>   | <b>10.6</b>     | <b>215.4</b>  | <b>35.5</b>       |

Unfortunately, this year's budget fails to provide details on the sources for each grant, loan and budget support contribution at the back of the development section for each vote as was provided in 2012/13, before the shift to PBB.

## Transparency Issues

As is true in other parts of the PBB, the narrative section of the various infrastructure ministries/departments is weak. For example, the narrative for the State Department of Transport does not comment on the massive increase in the budget for Rail Transport or provide any indication of where funding for this increase is coming from. A budget narrative that makes no comment about an increase of over Ksh 120 billion in a single programme is inadequate. It is possible to find in the line item budget an item from Government of China for 118 billion for the Department, but no further details on what this is for. Due to its massive size, and drawing on media reports, one can deduce that this is to support Rail Transport and the SGR, but a proper narrative should explain this clearly and in detail, including some of the terms of the loan.

The presentation of the PBB still does not allow one to readily see the state corporations that play a major role in the sector, including Geothermal Development Corporation, KETRACO, KURA, etc. Given the size and significance of these players, one should be able to find them easily in the PBB narratives and description of sub-program activities, indicators and targets.

## 2.2 Access to Quality Health Care

The Ministry of Health, takes up 4.1% of the total estimated budget of Ksh 1.5 trillion for MDAs (excluding parliament and judiciary budget). The overall nominal increase in the budgetary allocation was about 18.7%, that is, from Ksh 49.9 billion in 2014 to Ksh 59.2 billion in 2015/16.



From the five Programmes that fall under this Ministry, curative health programme continues to take the lion share, about 40% of the Ministry's budget. In fact this Programme's budget, increased by 20.5%. This therefore signifies that as a country we have some way to go in realizing the goal of shifting health care allocation toward preventive health, albeit acknowledging that the unit cost of curative health care is relatively higher.

## Health Sector Priorities

Health personnel and health care infrastructure are two critical components for a robust health care system. To this end, the Cabinet Secretary for National Treasury proposed to allocate Ksh12.9 billion for free access to primary health care in dispensaries, maternal health care, leasing medical equipment, and internship program.

Despite improved health service delivery given the onset of devolution there are two recent events that may reverse gains if not speedily resolved. The first, regards the seven-year health care equipment leasing at a cost of Ksh 38 billion by the national government on behalf of counties which the Council of Governors have challenged in court.

This program is intended to provide select hospitals with modern facilities such as kidney dialysis equipment, digital X ray machines among others. In fact, Ksh 4.5 billion is targeted for roll out of this program in 2015/16. Majority of governors however interpret this move by the national government as an attempt to claw back of devolution by taking functions that are assigned to counties. Furthermore, they view this as affront and unconstitutional because they have not been consulted on a function that is devolved. In addition, they feel that this deal is opaque in terms of a number of issues. For example, on ownership of equipment after lapse of seven year and whether part of their budgets will be slashed off to finance the lease agreement among other issues.

Our view is that in order not adversely affect health service delivery, it is important that intergovernmental consultation and agreement between the two levels of government as provided for Article 187 of the Constitution is respected for success in implementation of the foregoing programme. Besides, without details of this Programme we are not able to comment on whether it is cost effective or not and its sustainability. It is also not clear the criteria used to supply this equipment. Is it informed by county health needs assessment?

The second critical challenge is the frequent strikes by health personnel at the county level leading to calls or questions on whether health service delivery function should revert to the national government. Going deeper into the budget figures, we see human resource

management taking around Ksh 3 billion and therefore we would assume this is the money to be used to pay for staff working in the health sector, but comparing its prior year's allocation, there is a huge decrease of Ksh 1 billion. It is not clear why this is the case and therefore the budget figures contradict with the policy interventions and priorities mentioned. Further, without proper management of personnel Ksh 3 billion for doctors/clinical officers/nurses internship programme will be affected.

Disaggregated budget allocation point out some good news on the shift in priority away from national referral hospital towards forensic and diagnostics and free primary healthcare which is in line with the budget priorities of scaling up policy interventions to ensure equitable access to health care.

Although trends in childhood mortality have markedly improved since 1998, with infant mortality of 39 deaths per 1000 live births and under five mortality of 52 deaths per 1,000 live births, they are still short of MDG target of 22 and 32 deaths per 1,000 respectively. Therefore seeing a shift towards increased budget allocation to the maternal and child health Programme whose budget increased by 84% is commendable despite being the smallest programme in the Ministry.

In fact, as a share of Ministry budget, Maternal and child health care increased from 8.7% to 13.5%. Again in line with policy priority of improving immunization coverage for children countrywide by rolling out the Kenya Expanded Program on Immunization (KEPI) and reduce child mortality rates, the Programme shifts budgetary allocations away from maternity to family planning and immunization.

## Health Budget Narrative

There is information on the ministry achievements besides sector allocation over the years with information on the budget trends as well as achievements. For instance, HIV prevalence rates reduced from 13.9 % in 2000 to 5.6 % in 2013.

However, there is no direct relationship between this information and the indicators and targets. HIV prevalence as an indicator for this sector is missing. Instead, the only indicators available are % of HIV positive mothers receiving care, No. of treat clients and no of patients receiving HIV viral load test.

A look also at KMTC for instance, in narrative shown below shows that we are graduating almost 22,000 workers, but the target for the 2015/16 budget year is only 21,000 for this year.

In its core mandate of Training health workers, Kenya Medical Training College graduated 21,853 health workers of different cadres while its students population increased from 19,000 to 23,000. KMTC has now 34 campuses countrywide.

Generally, the narrative does not tell us how priorities are changing over time. If we look at program level shifts, what do we see? Overall, there is an important decline in the share of total spending going to the Preventive & Promotive Program of about 5%, which is driven by a large drop in the Health Promotion SP and the Non-Communicable Disease SP. This is in spite of a fairly large increase in the Communicable Disease SP also within the same Program. What is happening here?

Part of the story is simply due to the shift of Immunization from Health Promotion into its own SP within Maternal and Child Health Program, which has resulted in a big increase in that program, but not a real shift in priorities.

## 2.3 Education Sector

The budget for State Department of Education went up in nominal terms by 6.4% from Ksh 76.8 billion in 2014/15 to Ksh 81.7 billion in 2015/16. As for the Programmes within the State Department of education, there seems to be a slight shift in allocation towards Secondary Education and General Administration, Planning and Support whose budgets increased by 17.1% and 11.8% respectively.

It is important to note that increased enrollment in basic education and in turn remarkable progress towards meeting universal primary education is driven by both Free Primary Education and Free Day Secondary Education as two important education policy measures. The success of these two measures has however led to disparities in learning outcomes and compromised quality education.

The extent to which the Ministry of Education budget addresses the above challenges is telling from the shift in allocations. For example, further breakdown of State Department of Education programmes reveals that while ICT Capacity Development takes the bulk of the Primary Education Programme budget, 49.1%, the shift in focus for 2015/16 is Free Primary Education which takes up 42.1% and Special Needs Education.

It is important to note though that within Primary education programme, the biggest shift in priority was with ECDE and School Health, Nutrition and Meals whose budget reduced by 47% and 37% respectively. This is perhaps because these sub programmes are now a function of county government and hence the reason for reduction in allocations, notwithstanding that they comprise only 0.1% and 4.1% of primary education budget respectively.

ICT Capacity Development is intended for deployment of ICT learning services to primary schools, development of digital content, building the capacity of teachers and rolling out of computer laboratory for class 4 to class 8 in schools countrywide. It did not take off in 2014/15 due to court appeals on the award of tenders coupled with questions on its feasibility in terms of design and implementation. It is therefore important that civil society and the media play as well as parliament play their oversight role to monitor how this programme will be rolled out.

Regarding secondary education, Free Day Secondary Education will take up about 96% of secondary education budget in 2015/16 and up by 16.3% from the previous financial year, evidence of continued government support towards increasing enrolment rates in secondary schools. This notwithstanding, the biggest shift in secondary education, albeit each taking up less than 2% of total secondary education budget is towards training about 2,073 Diploma teachers in different colleges and through secondary bursary management services. Funds allocated to the latter sub-programmes are intended for producing and disseminating 1,150 lab equipment and science kit, completion of 20 laboratory production units and in expansion of school and laboratory infrastructure.

Further significant priority shifts are expected in enhancement of education quality and standards through curriculum reform and review and co curriculum activities, which when combined account for 54% of Quality Assurance and Standards budget. Some of the planned initiatives as reflected in the PBB include initiatives such as Tusome and Early Grade Mathematics. Similarly, efforts towards improving accountability, efficiency and effectiveness in education service delivery, about 50% of General Administration and planning budget is targeted to the Counties. These funds are meant largely for conducting monitoring and evaluation of county education services and consequently producing report, as well as in the expansion of training for adult learners.

## Teacher Recruitment and Deployment

Teachers are a critical input in deliver and quality of education. As per the Teachers Service Commission (TSC), their objective is to maintain a sufficient and equitably distributed teaching force in all public and post primary institutions. The weight of teachers is demonstrated by the fact that out of a budget of 179.9 billion, salaries and wages account for 99.3% of total TSC recurrent budget with the bulk going to teachers. Although primary pupil teacher ratio nationally worsened from 41:1 in 2013 to 43:1 in 2014 this ration is not so far from the international recommendation of 35:1 . There are specific efforts towards shoring the number of

teachers. For example, the Ministry of Education targets to enrol 11,800 primary school teachers for training and in servicing in 2015/16. Furthermore the Cabinet Secretary for Finance stated that the Ministry seeks to allocate Ksh 2.3 billion for recruiting an additional 5,000 teachers and Ksh 2.2 billion for promotion of teachers.

From the PBB or other supporting budget documents, it is however not clear what plans or mechanisms the Ministry seeks to use in order to address high pupil ratio or uneven distribution of teachers especially in Arid and Semi Arid Areas (ASALs). The situation has worsened in some of the areas including some ASAL counties that have that have in the recent past been affected by terrorist attacks leading to teachers seeking transfers. Similarly, the issue of uneven distribution of teachers and now increasingly, teachers' absenteeism is one of the documented factors that compromise quality of education but there again no information or clarity on how the Ministry seeks to tackle this.

## 2.4 Equity, Poverty Reduction and Social Protection for Vulnerable Groups

The Social Protection, Culture and Recreation Medium Term Expenditure Framework (MTEF) sector 2015/16-

2017/18 priority is on creating an enabling environment for development and promotion of Kenya's rich cultural heritage, generation of revenue and creation of employment. Additionally, this sector focuses on creating an efficient, motivated and healthy human resource base while promoting decent work, representation and social security. The sector still continues to improve livelihood of vulnerable groups specifically the orphans and vulnerable children, the elderly, and persons with disability through National Safety Net Programme that integrate the various cash transfers.

The allocation for the sector in 2015/2016 is Kshs 31.5 billion which represents 1.4 % of the total national budget. The social safety net programme received an allocation of Ksh 19.1 billion which is an increase of 29.1 % compared with 2014/2015. The sub programmes within the sector include: cash transfers to elderly persons, orphans and vulnerable, presidential secondary bursary scheme, extreme disability, street family, children welfare and elderly persons.

The social protection MTEF sector report indicates the sub programme on Urban Food Subsidy Cash Transfers had a target of urban food poor covering Mombasa, Nairobi and Kisumu with an intention of covering other urban and city areas at a cost of Ksh 1,160 in the medium

### Allocation to the Marginalized Groups in the Sector

|                                                   | 2014/15              |                       |                       | 2015/16              |                       |                       |
|---------------------------------------------------|----------------------|-----------------------|-----------------------|----------------------|-----------------------|-----------------------|
|                                                   | Recurrent            | Development           | Total                 | Recurrent            | Development           | Total                 |
| Social Welfare                                    | 248,175,271          | -                     | 248,175,271           | 291,145,069          | 0                     | 291,145,069           |
| Vocational Rehabilitation                         | 194,238,140          | 33,000,000            | 227,238,140           | 175,398,701          | 31,350,000            | 206,748,701           |
| Rehabilitation School                             | 233,415,805          | 25,000,000            | 258,415,805           | 220,878,998          | 25,000,000            | 245,878,998           |
| Children Remand Homes                             | 122,547,610          | 15,000,000            | 137,547,610           | 137,133,140          | 15,000,000            | 152,133,140           |
| Street Children Rehabilitation Centres            | 0                    | 0                     | 0                     | 0                    | 0                     | 0                     |
| Children Services                                 | 1,177,264,577        | 449,627,500           | 1,626,892,077         | 946,217,325          | 467,646,000           | 1,413,863,325         |
| Cash Transfer to Older Persons                    | 2,802,935,940        | 2,892,000,000         | 5,694,935,940         | 3,036,299,971        | 5,062,000,000         | 8,098,299,971         |
| Cash Transfer to orphans and Vulnerable Children  | 825,330,220          | 6,572,400,386         | 7,397,730,606         | 816,171,733          | 8,208,472,886         | 9,024,644,619         |
| Cash Transfer to Persons with Severe Disabilities | 770,000,000          | 0                     | 770,000,000           | 1,200,000,000        | 0                     | 1,200,000,000         |
| Urban Food Subsidy Cash Transfers                 | 235,650,000          | 0                     | 235,650,000           | 0                    | 0                     | 0                     |
| Social Development Services                       | 115,008,258          | 304,000,000           | 419,008,258           | 185,568,497          | 326,500,000           | 512,068,497           |
| <b>Total</b>                                      | <b>6,724,565,821</b> | <b>10,291,027,886</b> | <b>17,015,593,707</b> | <b>7,008,813,434</b> | <b>14,135,968,886</b> | <b>21,144,782,320</b> |

Source: Estimates of recurrent and development Expenditure 2015/2016

term, scaling up the number of beneficiaries to reach 40,000 in financial year 2014/15.

From the table above, this sub programme received an approved amount of Ksh 253.6 million with no allocation for 2015/2016. What is of interest to know from the ministry is whether the programme has being suspended or transferred to other sub programmes and the extent of gains so far achieved as reported in the pilot programme in other target town of Nairobi and Kisumu.

The allocation for cash transfer to older persons and cash transfer to persons with severe disabilities development expenditure have relatively increased in 2015/2016 with cash transfer to older persons recording 75% increase in the development expenditure. Whereas the sector report is clear that beneficiaries aged above 65 years receive Kshs. 2,000 monthly cash transfer, the huge allocation in the development expenditure relative to recurrent expenditure in both cases need clarity. A continuous assessment report on the performance of the report need to be shared by the ministry articulating the performance of the fund in terms of either capital items purchased in registration of the cash transfer.

## The Equalization Fund

In the year 2015/16, the National Treasury has proposed to allocate Ksh 6.0 billion from the equalization fund to 14 marginalized counties which is 0.8% of the last audited revenue and which is above the 0.5% constitutional minimum requirement to compensate for the years in which there was no disbursement from the equalization fund. However, of interest to note is the fact

| Computation of County Allocation from the Equalization Fund |                      |                      |
|-------------------------------------------------------------|----------------------|----------------------|
|                                                             | 2014/15              | 2015/16              |
| Kwale                                                       | 419,290,367          | 398,325,849          |
| Kilifi                                                      | 559,547,682          | 531,570,298          |
| Tana River                                                  | 342,911,077          | 325,765,523          |
| Lamu                                                        | 194,885,588          | 185,141,309          |
| Taita Taveta                                                | 283,147,679          | 268,990,295          |
| Marsabit                                                    | 406,697,258          | 386,362,395          |
| Isiolo                                                      | 241,088,695          | 229,034,260          |
| Garissa                                                     | 440,317,701          | 418,301,816          |
| Wajir                                                       | 544,583,332          | 517,354,166          |
| Mandera                                                     | 651,250,379          | 618,687,860          |
| Turkana                                                     | 680,568,528          | 646,540,102          |
| West Pokot                                                  | 409,350,217          | 388,882,706          |
| Samburu                                                     | 324,758,653          | 308,520,720          |
| Narok                                                       | 501,602,844          | 476,522,702          |
| <b>Total</b>                                                | <b>6,000,000,000</b> | <b>6,000,000,000</b> |

that the projected figures for the 2016/17 and 2017/18 are expected to drop to Ksh 6 billion and Ksh 5.5 billion respectively.

The Equalization Fund is supposed to provide basic services including water, roads, health facilities and electricity to marginalized areas. In our case, the marginalized areas are the 14 counties selected using the County Development Index by the Commission on revenue Allocation. Since the inception of the Equalization Fund, very little has been achieved in terms of ensuring provision of basic services to the identified marginalized areas.

The Equalization Fund has not been implemented since the passing of the Constitution denying the 14 identified marginalized counties much needed funds to uplift them socially and economically. There have been delays in disbursement of this Fund owing to lack of a framework and regulations to govern their use and management. Suggestions are rife that the CDF framework should be adopted. Now there is a Senate report on the guidelines on administration of the Fund. Therefore parliament should pressurize the National Treasury to fast track the process as the necessary guidelines and framework are nearing conclusion.

Other allocations in the financial year 2015/2016 addressing the plight of the less disadvantaged in society, combating poverty, and promoting equity include allocation for the equalization fund, Constituency Development Fund (CDF) and Affirmative Action for Social Development. These funds have been set aside as follows;

- Ksh 9.0 billion is for orphans and vulnerable children
- Ksh 0.3 billion for street families
- Ksh 35.2 billion for CDF
- Ksh 2.1 billion for Affirmative Action for Social Development
- Ksh 0.5 billion for insurance cover for persons under the social safety net program
- Ksh 0.8 billion for Children Welfare Society
- Ksh 0.4 billion for Presidential Secondary School Bursary Scheme for orphans, poor and bright students
- Ksh 1.2 billion for Resettling the IDPs
- Ksh 1.0 billion Drought management fund
- Ksh 1.3 billion for hunger safety net
- Ksh 1.3 billion for slum upgrading
- Ksh 1.8 billion for construction of stadia
- Ksh 1.0 billion seed capital for the National Fund for Restorative Justice

It is important to note that Social safety net programmes and certain initiatives such as the 30% preferential

procurement and the 40% local content, require regulations that spells out clear implementation framework and targeting mechanisms for success.

## 2.5 Agriculture and Food Security

Agriculture transformation and food security is one of the five pillars of the government's transformation agenda. The agricultural sector is critical to Kenya's development. Majority of Kenya's population live in rural areas and are dependent on the sector. Increasing agricultural productivity will result in improved incomes, growth in related sectors, food security and economic transformation of the country in general. The sector directly contributes 25.3% of the GDP valued at Ksh 961 billion, 27% via linkages with other related sectors, the sector accounts for 65% of Kenya's total exports, and 18% of formal employment and 60% of the total employment.

The sector has however experienced a decline in productivity over the years due to challenges including inadequate investment and inappropriate incentive structure and external and domestic shocks like droughts and other weather related shocks. The next section assesses to the extent to which the Budget 2015/16 is aligned to some of the strategies identified by the government to address these challenges.

### Budgetary Allocations and Priorities

The Agriculture, Rural and Urban Development (ARUD) sector comprises three subsectors namely: Agriculture, Livestock and Fisheries; Land, Housing and Urban Development; and the National Land Commission. From the ARUD Sector proposed budget allocation for 2015/16 of Ksh 78.2 billion, the Ministry of Land, Housing and Urbanization has been allocated Ksh 32.1 billion and the remaining Ksh 46.1 billion is shared between three state departments. These are State Department of Agriculture which will receive Ksh 34.5 billion, almost 50% of the agriculture sector budget. Development budget of Kshs 26.1 billion accounts for 75.8% of the State Department of Agriculture budget. Furthermore the Department of Livestock will receive Ksh 7.1 billion whereas the proposed allocation to the Department of Fisheries is Ksh 4.5 billion.

This proposed allocation of Ksh 46.1 billion represents 2.1% of the total national budget, up from Ksh 33.7 billion in 2014/15. From the Ksh 46.1 billion, about Ksh 8.6 billion will be drawn from Appropriations in Aid leaving Ksh 37.5 billion as the net expenditure for the sector. Most of this AIA is donor component of total development budget with only Kshs 452 million being used under the recurrent budget.

There is a considerable shift towards irrigation in 2015/16 evident from the increase in the budget to Irrigation and Drainage Infrastructure programme as a share of State Department of Agriculture budget from 39% 2014/15 to 47.8%. The objective of this programme is to increase utilization of land through irrigation and drainage as a strategy for exploiting irrigation potential. In fact, for 2015/16, this programme takes the lion of the State Department of Agriculture budget and its budget indeed expanded by 41% from the previous financial year.

Part of Ksh 16.5 billion to the Irrigation and Drainage Infrastructure programme and in particular Ksh 3.5 billion is targeted to increase acreage of land under irrigation in Galana/Kulalu food security project to 6,000 acres in 2015/16. Related to this, the lion share portion set aside for the National Irrigation Board, Ksh 13.8 billion up from Ksh 9.5 billion in 2014/15 for increasing overall acreage of land in other parts of Kenya to 30,000 in 2015/16. Specifically, some of the expenditure items under the irrigation and drainage services include construction and civil works for small holder irrigation projects and as capital grants to government agencies and other levels of government.

It is important to note that the results of massive investment in scaling up irrigation are not clear. For example, Galana Irrigation project has received since 2013/14 Ksh 3 billion and another Ksh 3.5 bn in 2014/15 but implementation of these funds and the progress made has lagged behind set targets of 4,500 acres. This is a matter that the relevant Agriculture committee and non state actors should exercise oversight and demand accountability from relevant ministry officials.

There are significant allocations towards Development Planning services (capital grants to government agencies and other levels of government for the food security and diversification project) and policy and agricultural development coordination services (funding goes to capital grants and transfers for policy research and development and subsidies to small businesses, cooperatives and self employment youth and women) and the Development Planning Services for Livestock (towards policy development).

Generally and related to the above issue the budget in 2015/16 proposes a raft of tax incentives and input subsidy for small holder farmers; however reports show modest success in this area because of poor targeting and implementation structure. In addition, there is very little in terms of information on follow through and evaluation of past initiatives such as the Agri-Business Fund to improve farmers access to credit.

The second largest programme within the State Department of Agriculture is Crop Development and Management whose objective is to increase agricultural productivity and outputs. Allocation to headquarters, land and crop development reduced from Ksh 502 million in 2014/15 to the proposed Ksh 399 million which will be used to fund the purchase of specialized materials and supplies for traditional high value crops, rice and potato promotion, funding for the small holder horticulture empowerment project, funding for research and project design for rice market oriented project and the science and technology project, food security and drought resilience project (*all items were not funded in FY 2014/15*) among other things.

Of importance to note, is the discrepancy between the suggested figures in the BPS and the proposed budget. The government is quick to point out that economic transformation will not be achieved without substantive investment in agricultural reforms and productivity enhancement.

Unfortunately, the low investment in the budget waters down the statement and is alarming and this is exacerbated by underfunding and low priority to agriculture at the county level, a threat to on-going projects started before onset of devolution. Tegemeo Institute (2014) study shows that average share of development expenditure to infrastructure at the county government level is 14%, to agriculture 4% and to trade 2%. Without coordination and cooperation of the two levels of government on the need for increased prioritization of agriculture at the counties will under on-going projects and ultimately lead to reduced agricultural production.

As far as ailing agricultural state corporations are concerned, there seems to be a persistent rise in politically driven government bailouts as a way of reviving them. This budget in 2015/16, is no different from the past five or so financial years where the Cabinet Secretary for the National Treasury proposed to use of public funds in the revival of the Kenya Meat Commission at Ksh 600 million, the Pyrethrum Board at Ksh 300 million and the Ksh 1 billion for Coffee Board debt write off. Further to this, the government proposed another bail out to Mumias Sugar Company of Ksh 1 billion.

The public and civil society should as a result demand that the government justifies why they have resorted to

bail outs and in turn eat the into the limited taxpayers' money yet the results have been dismal. In addition, there is very little if any action in terms of prosecuting the culprits have led to the downfall of these corporations and the same applies for recovery of stolen assets.

## 2.6 Public Administration and International Relations Sector

The anticipated allocation to the Public Administration and International Relations (PAIR) sector is Ksh 244.9 billion which is 11.1% of the total budget. The overall percentage increase in the sector budget is approximately 30% (see annexed table). Both the National Treasury (44%) and the State Department for Planning (37%) take up the bulk of the sector budget in 2015/16.

The highest increase relative to 2014/15 allocation of 171% is by the Salaries and Remunerations Commission. This is followed by the State of Department of Devolution, 70% and 63% by the Commission on Administration of Justice comes closely third

Commanding about 35% of the State Department for Planning budget in 2015/16 and given the that its budget is expected to increase by 42%, the focus and in line with the Department's priority will be in promotion of gender equity and socio economic empowerment of women and youth through the Gender and Youth Empowerment (GYE) programme.

The National Youth Service (NYS) sub programme under GYE has the highest allocation of Ksh 25 billion in 2015/16 increasing from Ksh 17.9 billion in 2014/15 budget. The NYS budget allocation will increase by 39.1% in 2015/16 and comprising of 89% budget allocation of the GYE programme.

In addition, although the National Statistical Information Service only takes up about 4% of the Department's budget, the tremendous expected increase in allocation by 291% from Ksh.847million in 2014/15 to 3.31 billion in 2015/16 is another signal of priority areas. This sub-programme key output is establishing the economic indicators and publishing 3 economic surveys in 2015/16 which is a departure from norm of publishing one economic survey annually. The department also intends to operationalize data/information centers in all the 47 counties.

The Planning Department has budgeted Ksh 38.3 billion in 2015/16 for Community Development sub programme within which Constituency Development Fund (CDF) falls. The CDF sub programme budget comprise of 94% of the Economic Policy and National Planning programme budget which is Ksh 40.7 billion. This CDF component of the budget has been included in the MTEF three years rolling budget, and therefore it indicates that the department has not taken into

consideration the court judgment which challenged the existence of CDF in its current form.

### State Department of Planning Programmes Allocations

| Programmes                                                    | 2014/15        | 2015/16        | %Change | %share of total dept. of planning |
|---------------------------------------------------------------|----------------|----------------|---------|-----------------------------------|
| P1 : Economic Policy and National Planning                    | 39,945,540,064 | 40,663,823,171 | 1.8     | 49.8                              |
| P2 : National Statistical Information Services                | 847,380,000    | 3,313,133,297  | 291     | 4.2                               |
| P3: Monitoring and Evaluation Services                        | 508,564,411    | 204,800,604    | -59.7   | 0.3                               |
| P4: General Administration Planning and Support Services      | 820,833,503    | 845,463,541    | 3.0     | 1.0                               |
| P5: Public Service Transformation                             | 8,051,262,245  | 8,326,141,133  | 3.4     | 10.2                              |
| P6: Gender & Youth Empowerment                                | 19,859,823,795 | 28,224,616,888 | 42.1    | 34.6                              |
| Total Expenditure for Vote 1031 State Department for Planning | 70,033,404,018 | 81,577,978,634 | 16.5    |                                   |

Source: PBB 2014/15 and 2015/16

### Funds for Targeted Social Groups

About Ksh 1.45 billion is proposed to be allocated to the Uwezo Fund in 2015/16 an increase from Ksh 1.25 billion in 2014/15. Allocation to Women Enterprise Fund has remained constant at Ksh 0.2 billion while that for Youth Enterprise Fund is expected to reduce by Ksh 0.1 billion. These three different Funds when taken together will demand funds up to Ksh 1.85 billion for promotion of youth and women empowerment.

Initiatives by the government to continue to finance these Funds as a way of uplifting socio-economic status of women and the youth, is obviously commendable, however some reports show that the uptake is low. It is not clear what measures the Department has put in place to address some of the hurdles and transaction costs causing low uptake despite the fact that this Department conducts impact assessment and regular monitoring and evaluation of these Funds.

### National Youth Service (NYS)

The NYS on its part will receive an increase in their allocation by 39.3% owing to addition of various programmes and projects including, construction of 48,600 dams; 12,150 slums civil work; 38,470 road construction; 21,870 vector control; 43,680 Huduma Kitchens, 14,100 service constabulary; 1,215 traffic control; 1,280 public security, 48,600 Agri-business with 227,670 number of youths mentored on NYS programme.

Again, this is another important initiative by the government to note only engage the youth in national service but also in some gainful employment. However, given the significant increase in funding and rise in number of projects makes it's vulnerable to corruption as evident from recent media reports. As such parliament and other oversight institutions and actors need to

carefully monitor and track implementation of the various budgeted programmes and project to ensure that that is above board.

### Huduma Kenya Services

In an effort to ensure efficiency and effectiveness in service delivery the government targets to establish 10 one stop-shop Huduma centre in 2015/16 and as a result be able to serve 33,660 people. This ambitious target notwithstanding, Huduma Services targets of 2014/15 were never met fully. The target of establishing 14 Huduma Centres was not met since only 10 are in existence.

It is not clear whether the new target of establishing the 10 one-stop shop Huduma centres in addition to the 4 that A were not achieved or not. If it is in addition then by end of FY 2015/16 there should be 24 Huduma centres; if it is not then only 20 Huduma centres will be established by end of FY2015/16.

A positive remark on 2014/15 Huduma Kenya Services is that there was an establishment of the Integrated Huduma Web Portal and an Integrated Posta Pay Gateway was established in all Huduma Centres as a payment platform for the collection of payments for services that require payment to be done.

### State Department of Devolution

On special Initiatives, the department of devolution will have a reduced allocation by 35.7 % due to a reduction in allocation for Relief and Rehabilitation as well as Resettlement and Reconstruction sub programs although a new program has been introduced in the FY 2015/16 on Family Protection- street families.

In 2015/16 under the Accelerated ASAL Development Program a new sub-programme known as ASAL Development that is allocated Ksh.1.17 Billion while the drought management allocation is increased from Ksh 3.4 billion to Ksh 6.7 billion (increase by 95%).

### State Department of Devolution Programmes

| Programmes                                                             | 2014/15              | 2015/16               | %Change     | % share of total dept. of devolution |
|------------------------------------------------------------------------|----------------------|-----------------------|-------------|--------------------------------------|
| P7: Devolution Services                                                | 1,593,680,612        | 898,465,641           | -43.6       | 7.7                                  |
| P 8: Special Initiatives                                               | 4,098,007,955        | 2,636,618,169         | -35.7       | 22.6                                 |
| P.9 Accelerated ASAL Development                                       | 3,442,860,748        | 7,898,042,000         | 129.4       | 67.6                                 |
| <b>Total Expenditure for Vote 1032 State Department for Devolution</b> | <b>9,134,549,315</b> | <b>11,689,435,700</b> | <b>28.0</b> |                                      |

Source: PBB 2014/15 and 2015/16

## 2.7 National Security

National security is one of the top three key priorities for the government in the medium term. It is expected to take up 15% of total MDA's budget in 2015/16. In fact, the total allocation anticipated for security state organs (National Intelligence Service, Ministry of Defense-MoD and State Department for Interior) in 2015/16 is Ksh 214.98 billion up from Ksh 189.1 billion, accounting for 13.7 % nominal increase.

There is minimal shift in allocation to the three security organs between 2014/15 and 2015/16. This notwithstanding, given that the share of MoD to the total budget for three security organs is expected to increase by 1.3 percentage point to 43% from 41.7% implies slightly more focus towards external security threats. The budget for internal safety and security provided by State Department for Interior is almost half of the total security budget and slightly reduced by 1.5 percentage points.

### Will massive investment translate to enhancing law and order?

The question is whether this massive investment will translate to effective fight against crime and terrorism and thus an enabling environment for investment and protection of human life and property.

The good news is that under the State Department of Interior, the budget for National Policing Service is poised to increase in absolute terms from Ksh 71.1 billion in 2014/15 to Ksh 81.8 billion, representing a nominal increase of 15.1%. In fact, there is a shift in priority for the State Department of Interior towards National Policing Services as its budget share increased by 3.4 percentage points (from 76.5% to 79.9%). In particular, the targeted focus for 2015/16 is both to Kenya Police Service and Criminal Investigation Services.

According to the GJLO sector report 2015, the number of police officers trained increased from 3000 to 4000 between 2011/12-2012/13 and part of Ksh 44.3 billion to the Kenya Police Service is targeting to increase this number to at least 6,000 officers in each financial year for the period 2014/15 to 2017/18.

Despite the recruitment process being marred by cases of irregularities in 2014/15, a new exercise was undertaken leading to absorption of 10,000 recruits in police colleges in April 2015. Given the attrition of 2,930 police officers between 2013 and 2014, the question that begs answers is how sufficient the budget is towards realization of the UN recommended police officer to citizen ratio is one police officer to every 450 citizens. Implementation of funds for recruitment of police officers as planned can easily be derailed if the process is not transparent and well insulated from patronage and political interference.

Further allocations intended to improve police welfare and in turn their capacity is Ksh 1.7 billion for police medical insurance scheme, By 2013/14 the number of police officers that were covered with comprehensive life insurance was 83,165. To also improve their housing another allocation of Ksh 1.3 billion was proposed by the Cabinet Secretary for the National Treasury.

The number of crime cases reported to the police reduced from 71,832 in 2013 to 69,376 in 2014 and the number of offenders reported declined by 3.7% to 78,877. In order to monitor, identify and track criminals the government has so far installed 600 CCTV cameras in Nairobi and Mombasa in partnership with counties and established the Command and Control Centre for Nairobi and Mombasa...it is however not clear how surveillance equipment and the Command Centre have helped compensate for the overstretched police force and in coordination, especially given that police officers still man traffic. Secondly, the correlation of installed CCTV camera, data collected, number of cases prosecuted and ultimately reduction in crime cases is not clear.



## Annex

## Summary of Estimates 2015/2016 (Kshs. Million)

| Details of Vote                                          | Recurrent                    |                           | Development                  |                           | Total                        |                           | % change of Total Expend. from 14/15 to 15/16 | % share of Executive Budget 2014/15 |
|----------------------------------------------------------|------------------------------|---------------------------|------------------------------|---------------------------|------------------------------|---------------------------|-----------------------------------------------|-------------------------------------|
|                                                          | Approved Estimates 2014/2015 | Gross Estimates 2015/2016 | Approved Estimates 2014/2015 | Gross Estimates 2015/2016 | Approved Estimates 2014/2015 | Gross Estimates 2015/2016 |                                               |                                     |
| <b>Public Admin. &amp; Int'l Relations</b>               | <b>103,415.77</b>            | <b>100,508.64</b>         | <b>97,440.15</b>             | <b>128,113.69</b>         | <b>200,855.92</b>            | <b>228,622.33</b>         | <b>13.8</b>                                   | <b>11.81</b>                        |
| The Presidency                                           | 5,232.12                     | 6,050.56                  | 1,236.50                     | 1,846.13                  | 6,468.62                     | 7,896.69                  | 22.1                                          | 0.41                                |
| State Department for Planning                            | 16,402.57                    | 1,996.48                  | 50,546.53                    | 61,613.15                 | 66,949.10                    | 63,609.63                 | -5.0                                          | 3.29                                |
| State Department for Devolution                          | 3,461.02                     | 2,300.79                  | 4,091.37                     | 9,388.65                  | 7,552.38                     | 11,689.44                 | 54.8                                          | 0.60                                |
| Min. of Foreign Affairs and International Trade          | 10,833.84                    | 13,135.86                 | 1,860.00                     | 1,401.85                  | 12,693.84                    | 14,537.71                 | 14.5                                          | 0.75                                |
| The National Treasury                                    | 40,026.00                    | 44,916.46                 | 35,057.75                    | 50,094.90                 | 75,083.75                    | 95,011.36                 | 26.5                                          | 4.91                                |
| The Commission on Revenue Allocation                     |                              | 345.58                    | -                            | -                         | 0.00                         | 345.58                    | #DIV/0!                                       | 0.02                                |
| Public Service Commission                                | 1,033.20                     | 1,026.40                  | 168.00                       | 166.83                    | 1,201.20                     | 1,193.23                  | -0.7                                          | 0.06                                |
| Salaries and Remuneration Commission                     | 440.55                       | 922.83                    | -                            | -                         | 440.55                       | 922.83                    | 109.5                                         | 0.05                                |
| Auditor-General                                          | 2,681.02                     | 3,736.49                  | 405.00                       | 402.18                    | 3,086.02                     | 4,138.67                  | 34.1                                          | 0.21                                |
| Controller of Budget                                     | 429.96                       | 565.48                    | -                            | -                         | 429.96                       | 565.48                    | 31.5                                          | 0.03                                |
| The Commission on Administrative Justice                 | 404.49                       | 444.71                    | -                            | -                         | 404.49                       | 444.71                    | 9.9                                           | 0.02                                |
| Parliament Service Commission (PSC)                      | 22,471.00                    | 25,067.00                 | 4,075.00                     | 3,200.00                  | 26,546.00                    | 28,267.00                 | 6.5                                           | 1.46                                |
| <b>National Security</b>                                 | <b>96,221.00</b>             | <b>112,471.04</b>         | <b>0.00</b>                  | <b>42.00</b>              | <b>96,221.00</b>             | <b>112,513.04</b>         | <b>16.9</b>                                   | <b>5.8</b>                          |
| Ministry of Defence                                      | 78,781.00                    | 92,329.04                 | -                            | 42.00                     | 78,781.00                    | 92,371.04                 | 17.3                                          | 4.77                                |
| National Intelligence Services                           | 17,440.00                    | 20,142.00                 | -                            | -                         | 17,440.00                    | 20,142.00                 | 15.5                                          | 1.04                                |
| <b>GJLOS</b>                                             | <b>131,608.34</b>            | <b>132,014.86</b>         | <b>11,123.19</b>             | <b>21,894.82</b>          | <b>143,170.53</b>            | <b>154,382.88</b>         | <b>7.8</b>                                    | <b>7.98</b>                         |
| State Department for Interior                            | 88,140.34                    | 88,121.16                 | 4,321.32                     | 14,346.12                 | 92,461.66                    | 102,467.28                | 10.8                                          | 5.29                                |
| State Department for Coordination of National Government | 16,211.37                    | 16,967.13                 | 657.12                       | 1,011.00                  | 16,868.49                    | 17,978.13                 | 6.6                                           | 0.93                                |
| Office of The Attorney General and Department of Justice | 3,533.49                     | 4,094.98                  | 231.68                       | 549.93                    | 3,765.16                     | 4,644.91                  | 23.4                                          | 0.24                                |
| Ethics and Anti-corruption Commission                    | 1,546.00                     | 2,311.92                  | 77.60                        | 300.00                    | 1,623.60                     | 2,611.92                  | 60.9                                          | 0.13                                |
| Office of the Director of Public Prosecution             | 1,732.42                     | 1,786.06                  | 119.30                       | 254.00                    | 1,851.72                     | 2,040.06                  | 10.2                                          | 0.11                                |
| Commission for the Implementation of the Constitution    | 306.00                       | 212.04                    | -                            | -                         | 306.00                       | 212.04                    | -30.7                                         | 0.01                                |
| Office of the Registrar of Political Parties             | 466.96                       | 505.78                    | -                            | -                         | 466.96                       | 505.78                    | 8.3                                           | 0.03                                |
| Witness Protection Agency                                | 284.68                       | 364.71                    | -                            | -                         | 284.68                       | 364.71                    | 28.1                                          | 0.02                                |
| National Police Service Commission                       | 470.12                       | 316.50                    | -                            | -                         | 470.12                       | 316.50                    | -32.7                                         | 0.02                                |

| Details of Vote                                            | Recurrent                    |                           | Development                  |                           | Total                        |                           | % change of Total Expend. from 14/15 to 15/16 | % share of Executive Budget 2014/15 |
|------------------------------------------------------------|------------------------------|---------------------------|------------------------------|---------------------------|------------------------------|---------------------------|-----------------------------------------------|-------------------------------------|
|                                                            | Approved Estimates 2014/2015 | Gross Estimates 2015/2016 | Approved Estimates 2014/2015 | Gross Estimates 2015/2016 | Approved Estimates 2014/2015 | Gross Estimates 2015/2016 |                                               |                                     |
| Kenya National Commission on Human Rights                  | 356.50                       | 359.10                    | -                            | -                         | 356.50                       | 359.10                    | 0.7                                           | 0.02                                |
| Independent Electoral and Boundaries Commission            | 6,106.10                     | 3,697.92                  | 91.28                        | 68.00                     | 6,197.38                     | 3,765.92                  | -39.2                                         | 0.19                                |
| National Gender and Equality Commission                    | 290.25                       | 314.15                    | -                            | -                         | 290.25                       | 314.15                    | 8.2                                           | 0.02                                |
| Independent Police Oversight Commission                    | 297.12                       | 339.48                    | -                            | -                         | 297.12                       | 339.48                    | 14.3                                          | 0.02                                |
| Judiciary                                                  | 11,867.00                    | 12,623.93                 | 5,624.90                     | 5,365.77                  | 17,491.90                    | 17,989.70                 | 2.8                                           | 0.93                                |
| Judicial Service Commission                                | 439.00                       | 473.200002                | -                            | -                         | 439.00                       | 473.20                    | 7.8                                           | 0.02                                |
| <b>Education</b>                                           | <b>253,333.51</b>            | <b>299,165.60</b>         | <b>31,552.14</b>             | <b>36,586.56</b>          | <b>284,885.64</b>            | <b>335,752.17</b>         | <b>17.9</b>                                   | <b>17.35</b>                        |
| State Department for Education                             | 50,078.43                    | 59,332.53                 | 20,748.06                    | 22,408.28                 | 70,826.49                    | 81,740.81                 | 15.4                                          | 4.22                                |
| State Department for Science and Technology                | 37,200.09                    | 58,621.46                 | 10,669.08                    | 13,978.28                 | 47,869.18                    | 72,599.75                 | 51.7                                          | 3.75                                |
| Teachers Service Commission                                | 166,054.98                   | 181,211.61                | 135.00                       | 200.00                    | 166,189.98                   | 181,411.61                | 9.2                                           | 9.37                                |
| <b>Health</b>                                              | <b>24,555.37</b>             | <b>28,519.51</b>          | <b>14,046.27</b>             | <b>30,664.37</b>          | <b>38,601.64</b>             | <b>59,183.88</b>          | <b>53.3</b>                                   | <b>3.06</b>                         |
| Ministry of Health                                         | 24,555.37                    | 28,519.51                 | 14,046.27                    | 30,664.37                 | 38,601.64                    | 59,183.88                 | 53.3                                          | 3.06                                |
| <b>Energy, Infrastructure and ICT</b>                      | <b>7,177.02</b>              | <b>40,846.96</b>          | <b>97,392.60</b>             | <b>363,823.36</b>         | <b>104,569.63</b>            | <b>404,670.32</b>         | <b>287.0</b>                                  | <b>20.91</b>                        |
| State Department for Infrastructure                        | 1,441.46                     | 29,953.41                 | 59,020.58                    | 104,012.54                | 60,462.04                    | 133,965.95                | 121.6                                         | 6.92                                |
| State Department for Transport                             | 1,473.48                     | 5,798.95                  | 7,781.47                     | 158,455.29                | 9,254.95                     | 164,254.24                | 1674.8                                        | 8.49                                |
| Min. of Information, Communication and Technology          | 2,513.75                     | 3,045.53                  | 5,505.61                     | 8,943.10                  | 8,019.36                     | 11,988.63                 | 49.5                                          | 0.62                                |
| Min. of Energy and Petroleum                               | 1,748.34                     | 2,049.07                  | 25,084.94                    | 92,412.44                 | 26,833.27                    | 94,461.50                 | 252.0                                         | 4.88                                |
| <b>Environment, Protection Water and Natural Resources</b> | <b>10,835.00</b>             | <b>18,771.30</b>          | <b>27,700.59</b>             | <b>44,230.15</b>          | <b>38,535.59</b>             | <b>63,001.45</b>          | <b>63.5</b>                                   | <b>3.26</b>                         |
| Ministry of Mining                                         | 708.23                       | 728.07                    | 1,200.00                     | 1,496.32                  | 1,908.23                     | 2,224.39                  | 16.6                                          | 0.11                                |
| State Department for Environment and National Resources    | 8,022.98                     | 13,783.27                 | 6,418.92                     | 8,385.72                  | 14,441.90                    | 22,168.99                 | 53.5                                          | 1.15                                |
| State Department for Water and Regional authorities        | 2,103.79                     | 4,259.96                  | 20,081.67                    | 34,348.11                 | 22,185.46                    | 38,608.07                 | 74.0                                          | 1.99                                |
| <b>Agriculture, Rural and Urban Development</b>            | <b>15,796.30</b>             | <b>16,671.44</b>          | <b>53,315.96</b>             | <b>62,020.52</b>          | <b>69,112.26</b>             | <b>78,691.96</b>          | <b>13.9</b>                                   | <b>4.07</b>                         |
| State Department for Agriculture                           | 7,598.50                     | 8,314.14                  | 17,966.94                    | 26,152.67                 | 25,565.44                    | 34,466.80                 | 34.8                                          | 1.78                                |
| Department of Livestock                                    | 1,814.43                     | 1,947.86                  | 3,280.20                     | 5,170.79                  | 5,094.63                     | 7,118.65                  | 39.7                                          | 0.37                                |

| Details of Vote                                      | Recurrent                    |                           | Development                  |                           | Total                        |                           | % change of Total Expend. from 14/15 to 15/16 | % share of Executive Budget 2014/15 |
|------------------------------------------------------|------------------------------|---------------------------|------------------------------|---------------------------|------------------------------|---------------------------|-----------------------------------------------|-------------------------------------|
|                                                      | Approved Estimates 2014/2015 | Gross Estimates 2015/2016 | Approved Estimates 2014/2015 | Gross Estimates 2015/2016 | Approved Estimates 2014/2015 | Gross Estimates 2015/2016 |                                               |                                     |
| Min. of Land, Housing and Urban Development          | 4,125.62                     | 3,939.55                  | 17,101.58                    | 28,118.63                 | 21,227.21                    | 32,058.18                 | 51.0                                          | 1.66                                |
| National Land Commission                             | 1,156.34                     | 1,101.37                  | 542.00                       | 439.20                    | 1,698.34                     | 1,540.57                  | -9.3                                          | 0.08                                |
| <b>Social Protection, Culture and Recreation</b>     | <b>11,327.05</b>             | <b>12,261.89</b>          | <b>12,735.66</b>             | <b>19,221.08</b>          | <b>24,062.71</b>             | <b>31,482.97</b>          | <b>30.8</b>                                   | <b>1.63</b>                         |
| Min. of Sports, Culture and Arts                     | 2,608.05                     | 2,947.34                  | 1,310.00                     | 3,641.37                  | 3,918.05                     | 6,588.71                  | 68.2                                          | 0.34                                |
| Min. of Labour, Social security and services         | 8,719.00                     | 9,314.55                  | 11,425.66                    | 15,579.71                 | 20,144.66                    | 24,894.26                 | 23.6                                          | 1.29                                |
| <b>General Economic and Commercial Affairs</b>       | <b>7,435.53</b>              | <b>7,125.75</b>           | <b>9,037.31</b>              | <b>13,412.09</b>          | <b>16,472.84</b>             | <b>20,537.83</b>          | <b>24.7</b>                                   | <b>1.06</b>                         |
| Min. of Industrialization and Enterprise Development | 3,097.72                     | 2,568.51                  | 6,952.91                     | 5,207.19                  | 10,050.63                    | 7,775.70                  | -22.6                                         | 0.40                                |
| State Department for East African Affairs            | 1,617.10                     | 1,665.60                  | -                            | 115.00                    | 1,617.10                     | 1,780.60                  | 10.1                                          | 0.09                                |
| State Department for Commerce and Tourism            | 2,720.71                     | 2,891.64                  | 2,084.40                     | 8,089.90                  | 4,805.11                     | 10,981.54                 | 128.5                                         | 0.57                                |
|                                                      |                              |                           |                              |                           |                              |                           |                                               |                                     |
| <b>Total Discretionary Expenditure</b>               | <b>661,704.89</b>            | <b>768,356.99</b>         | <b>354,343.87</b>            | <b>720,008.65</b>         | <b>1,016,487.76</b>          | <b>1,488,838.83</b>       | <b>46.5</b>                                   | <b>76.93</b>                        |
|                                                      |                              |                           |                              |                           |                              |                           |                                               |                                     |
| <b>Contingency Fund</b>                              | <b>5,000.00</b>              | <b>5,000.00</b>           |                              |                           | <b>5,000.00</b>              | <b>5,000.00</b>           |                                               | <b>0.26</b>                         |
| <b>Add Consolidated Fund Services (CFS)</b>          | <b>436,887.63</b>            | <b>441,537.58</b>         |                              |                           | <b>436,887.63</b>            | <b>441,537.58</b>         |                                               | <b>22.81</b>                        |
| <b>Total Nat. Govt Expenditure outlay</b>            | <b>1,103,592.52</b>          | <b>1,209,894.57</b>       | <b>354,343.87</b>            | <b>720,008.65</b>         | <b>1,458,375.39</b>          | <b>1,935,376.41</b>       |                                               | <b>100.00</b>                       |
| <b>Equalization Fund</b>                             | <b>3,400.00</b>              | <b>6,000.00</b>           |                              |                           | <b>3,400.00</b>              | <b>6,000.00</b>           |                                               |                                     |
| <b>Transfer to counties</b>                          | <b>226,700</b>               |                           |                              |                           | <b>226,700</b>               | <b>287,000</b>            |                                               |                                     |
| <b>TOTAL EXPENDITURE OUTLAY</b>                      | <b>1,333,692.52</b>          | <b>1,215,894.57</b>       | <b>354,343.87</b>            | <b>720,008.65</b>         | <b>1,688,475.39</b>          | <b>2,228,376.41</b>       |                                               |                                     |

Source: Printed Estimates of Expenditure 2014/15 and 2015/16 and own calculations

### Macroeconomic Indicators

|                             | 2010   | 2011   | 2012    | 2013    | 2014    |
|-----------------------------|--------|--------|---------|---------|---------|
| Population - million        | 38.5   | 39.5   | 40.7    | 41.8    | 43      |
| Real GDP growth rate (%)    | 8.4    | 6.1    | 4.6     | 5.7     | 5.3     |
| Income per capita (Ksh)     | 82,376 | 94,219 | 104,821 | 113,210 | 124,710 |
| Average annual inflation    | 4      | 14     | 9.4     | 5.7     | 6.9     |
| Interest rate -KBRR         | 6.4    | 8.4    | 15.8    | 8.8     | 8.5     |
| Avg Exchange rate (Ksh/USD) | 79.2   | 88.8   | 84.5    | 86.1    | 87.9    |
| Public debt as % of GDP     | 35.7   | 37.2   | 36.1    | 37.6    | 42.1    |

Source: Statistical Annex to the Budget Statement 2015/16

### Public Administration and International Relations (PAIR) Sector

| Ministry, Department, Agency                             | Gross Total Estimate 2014/15 | Gross Total Estimate 2014/15 | % to Total Sector Budget | % Change from 2014/15 to 2015/16 |
|----------------------------------------------------------|------------------------------|------------------------------|--------------------------|----------------------------------|
| 1011 The Presidency                                      | 4,249,523,597                | 7,896,687,682                | 3.62                     | 85.83                            |
| 1031 State Department for Planning                       | 66,344,404,018               | 81,577,978,634               | 37.42                    | 22.96                            |
| 1032 State Department for Devolution                     | 6,883,149,315                | 11,689,435,700               | 5.36                     | 69.83                            |
| 1051 Ministry of Foreign Affairs and International Trade | 12,453,839,943               | 14,537,710,904               | 6.67                     | 16.73                            |
| 1071 The National Treasury                               | 73,370,211,260               | 95,011,359,608               | 43.59                    | 29.50                            |
| 2071 Public Service Commission                           | 1,107,204,313                | 1,193,231,450                | 0.55                     | 7.77                             |
| 2081 Salaries and Remuneration Commission                | 340,649,493                  | 922,832,086                  | 0.42                     | 170.90                           |
| 2111 Auditor General                                     | 2,716,015,700                | 4,138,673,176                | 1.90                     | 52.38                            |
| 2121 Controller of Budget                                | 415,962,741                  | 565,478,230                  | 565,478,230              | 35.94                            |
| 2131 The Commission on Administrative Justice            | 272,485,500                  | 444,710,920                  | 0.20                     | 63.21                            |
| <b>TOTAL VOTED EXPENDITURE</b>                           | <b>168,153,445,880</b>       | <b>217,978,098,390</b>       | <b>100.00</b>            | <b>29.63</b>                     |

Source: PBB 2014/15 and 2015/16

NB: the above does not include the Parliamentary Service Commission, which belongs to the PAIR Sector





# BUDGET GUIDE

The Institute of Economic Affairs is a civic forum which seeks to promote pluralism of ideas through open, active and informed debate on public policy issues. It is independent of political parties, pressure groups and lobbies, or any other partisan interests

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Public Finance Management

Programme (PFM)

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