Budget Estimates 2016/17 FY: Public Expenditure Priorities and Allocations. Trends and the why's of allocations

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OBJECTIVES OF THE PRESENTATION

This presentation seeks to respond to the following five salient fiscal policy issues:

1. The level of compliance of FY 2016/17 budget estimates to legal framework. An assessment by PBO Kenya
2. Debts and deficit financing. Is there a deficit in the FY 2016/17 budget?
3. Revenue performance, outlook . Why are revenues forecasts consistently overstated?
4. The expenditure projections and the underpinning fiscal framework. The views of Parliamentary Budget Office (PBO) Kenya.
5. Expenditure priority areas in 2016/17 FY and the medium term

INTRODUCTION

- **Sessional paper No.10 of 1965:** "African Socialism and its application in planning in Kenya":- The ultimate objectives of all societies are remarkably similar
  - political equality;
  - social justice;
  - human dignity including freedom of conscience;
  - freedom from want, disease, and exploitations
  - equal opportunities; and
  - high and growing per capita incomes, equitably distributed.

THEME FOR 2016/17 BUDGET

- Budget an instrument for economic growth and development
- The theme for the 2016/17 budget is to "**Sustaining prosperity in a volatile global economy" OR " Consolidating gains for a prosperous Kenya" ?**
- Government aims at supporting rapid and inclusive economic growth; ensure gradual decline of public debt; rationalize expenditures and reorient to capital investments.

WHERE IS THE MONEY GOING?

Total budget for 2016/17 FY

- CONSOLIDATED FUND SERVICES
  - PUBLIC DEBT:466,514,040,169
    - **Interest: 250,787,239,80**
      - Domestic :197,266,820,801
      - External: 53,520,419,000
    - **Redemptions: 215,726,800,368**
      - Internal: 172,104,225,000
      - External: 43,622,575,368
  - **Ministerial : 1,626,901,778,027**
    - Recurrent : 817,007,728,476
    - Development:809,894,049,551
  - **Judiciary:19.519 billion**
    - Recurrent: 13.570 billion
    - Development: 5,949 billion
  - **County Transfers including level IV hospital but excluding grants Ksh. 284.4 billion**
  - **PSC:27.494 Billion…likely to reach Ksh. 31.494 billion**
    - National Assembly: 17.027
    - PSC+ Senate: 10.467 Billion.

LEGAL UNDERPINNING THE SUBMISSION

- The submission and approval of the 2016/17 budget estimates by National Assembly is anchored in the Constitution pursuant to Article 221, the Public Finance Management ((PFM) Act, 2012 (section 38), Public Finance Management Act (PFM) Regulations and Standing Orders.
- The National Government and Judiciary submitted their respective budget estimates pursuant to Article 221(3) to Parliament on the 28th of May 2016 while Parliament submitted its budget estimates to National Assembly on the 27th May 2016.

CRITERIA FOR ASSESSING THE BUDGET

- **Comprehensiveness, Clarity and credibility:** - Were the budgets designed within clear and credible limits for fiscal policy?
- **Alignment with medium-term priorities:–** Were the budgets closely aligned with the medium-term strategic priorities of government?
- **Efficacy of capital budgeting framework-** Does the capital budgeting framework meet the national development needs in a cost-effective and coherent manner?
- **Justification of the allocations-** Did the budgets present a comprehensive, accurate and reliable account of the public finances?
- **Quality of proposed management and monitoring of the plan-** Is there a concrete plan to manage and monitor the commitments made in FY2016/17 Budget?

Review of Adherence of budget estimates to legal provisions

Review of adherence of budget estimates to legal provisions

Key Element	Detailed Requirements	Legal Provisions	Compliance Rate	Comments
1. Timelines: *Were the estimates of 2016/17 and medium term submitted to the National Assembly on time? i.e. by 30th April.*	**1.1** National Government	Constitution, PFM Act, PFM Regulations Standing Orders	2.5 out of 2.5	National Government submitted their estimates on 28th April, 2016
	1.2 Parliamentary Service Commission		2.5 out of 2.5	Parliament submitted their estimates on 27th April, 2016
	1.3 Judiciary		2.5 out of 2.5	Judiciary submitted their estimates on 28th April, 2016
2.Comprehensiveness of the estimates and related documents: *Do the estimates provide enough details?*	**2.1** The ceilings approved in the report on 2016 Budget Policy Statement, shall serve as the basis of the expenditure ceilings for 2016/17 and medium term		1.0 out of 2.5	Most of the ceilings were not adhered to. See table 8 and 9
	2.2 Fiscal responsibilities principles: explanation of how the budget relates to the principles.		1.0 out of 2.5	Information provided for in the Budget Summary indicates that some of the principles such as the threshold of compensation to employees
	2.3 List of all projects been implemented in the financial year 2016/17 and the medium term		0 out of 2.5	There is no comprehensive list of all projects being funded leading to lack of transparency and openness
	2.4 Allocation to state corporations/all entities on those that are to receive appropriated funds		2.5 out of 2.5	Information Provided
	2.5 Detailed estimated expenditure by vote and programme indicating both recurrent and development expenditure		2.5 out of 2.5	Information is provided
	2.6 Summary of budget policies including policies on revenue, expenditure, debt and deficit		1.5 out of 2.5	Some policies are not well articulated. Such as debt and revenues policies in the Budget Summary
	2.7 Information on revenue allocations to county governments from the national government's share, including conditional and unconditional grants		2.5 out of 2.5	Information is provided
	2.8 Information on estimated revenue by broad economic classification		2.5 out of 2.5	Information has been provided
3. Financing proposals: *Do the estimates provide reliable information of the government's financing of the budget?*	**3.1** On anticipated deficit / surplus for the financial year and the MT and the proposed source of financing	Constitution, PFM Act, PFM Regulations	1.0 out 2.5	Though the information is provided, the framework is may be based on unrealistic GDP growth level
	3.2 On loans and guarantees made to and by the national government, including an estimate of principal, interest and other charges to be paid by the national government in the financial year in respect of those loans		1.5 out of 2.5	The information provided does not indicate interest and other charges to be paid in the financial year
	3.3 On payments to be made and liability to be incurred by the National Government for which an Appropriation Act is not required.		2.5 out of 2.5	Information has been provided.
	3.4 Information regarding payments to be made and liabilities to be incurred that need constitutional		1.5 out of 2.5	Limited information provided

Review of Adherence of budget estimates to legal provisions…….Cont

Key Element	Detailed Requirements	Legal Provisions	Compliance Rate	Comments
4. Public Participation: *Were the key stakeholders consulted during preparation of the estimates?*	**4.1** Do the estimates comply with the CRA policy: on revenue allocated to, and expenditures projected from, the equalisation Fund over the medium term.	Constitution, PFM Act, PFM Regulations	0 out of 2.5	The criterion used by National Treasury does not comply with CRA recommendations
	4.2 Did the National Government consult the public when preparing their estimates?		0 out of 2.5	National Government have not attached a report that informs on the views of the public
	4.3 Did Parliament consult the public when preparing their estimates?		0 out of 2.5	Parliament have not attached a report that informs on the views of the public
	4.4 Did Judiciary consult the public when preparing their estimates?		0 out of 2.5	Judiciary have not attached a report that informs on the views of the public
5. **Adherence on the recommendations by National Assembly on the BPS and previous year(s) budgets**	**5.1** Memorandum explaining how the resolutions adopted by the National Assembly on the BPS have been taken into account	PFM Act, PFM Regulations	1.5 out 2.5	The memorandum has been included in the budget summary document but some of the resolutions were not adhered to.
	5.2 A statement specifying the measures taken by the national government to implement any recommendations made by the National Assembly with respect to the budget for previous financial year or years.		1.5 out 2.5	No information provided after the year 2015/16
Total Level of Compliance	-	-	**30.0 out of 52.5**	**57.14 %**

EMERGING ISSUES: LEGAL UNDERPINNING

- *The spending agency ceilings in the adopted report BPS by the House were not adhered to as required under section 25(8) and 27(4) of the PFM Act and PFM Regulations respectively.*
- *Some of the fiscal responsibility principles spelt out in PFM section 15 and PFM Regulations 26 (1) have not been adhered to. The 2016/17 budget estimates have failed to factor in compensation to employees of state owned enterprises (SoEs). Furthermore, revenues are unrealistic. The revenues projected are not in tandem with the forecasted revenues in Budget Policy Statement, 2016.*
- *The memorandum by the Cabinet Secretary explaining resolutions adopted by National Assembly on the BPS, indicates that some of the resolutions were not adopted. For instance, the development budget is not reconcilable with the list projects in the various MDAs*
- *Debt policies are not well articulated therefore it's hard to evaluate whether fiscal consolidation will be achieved.*
- *No publication of citizens' budget **(Mwananchi's guide)** on National Treasury Website as required under PFM regulations 6(2).*

DEBT AND DEFICIT FINANCING

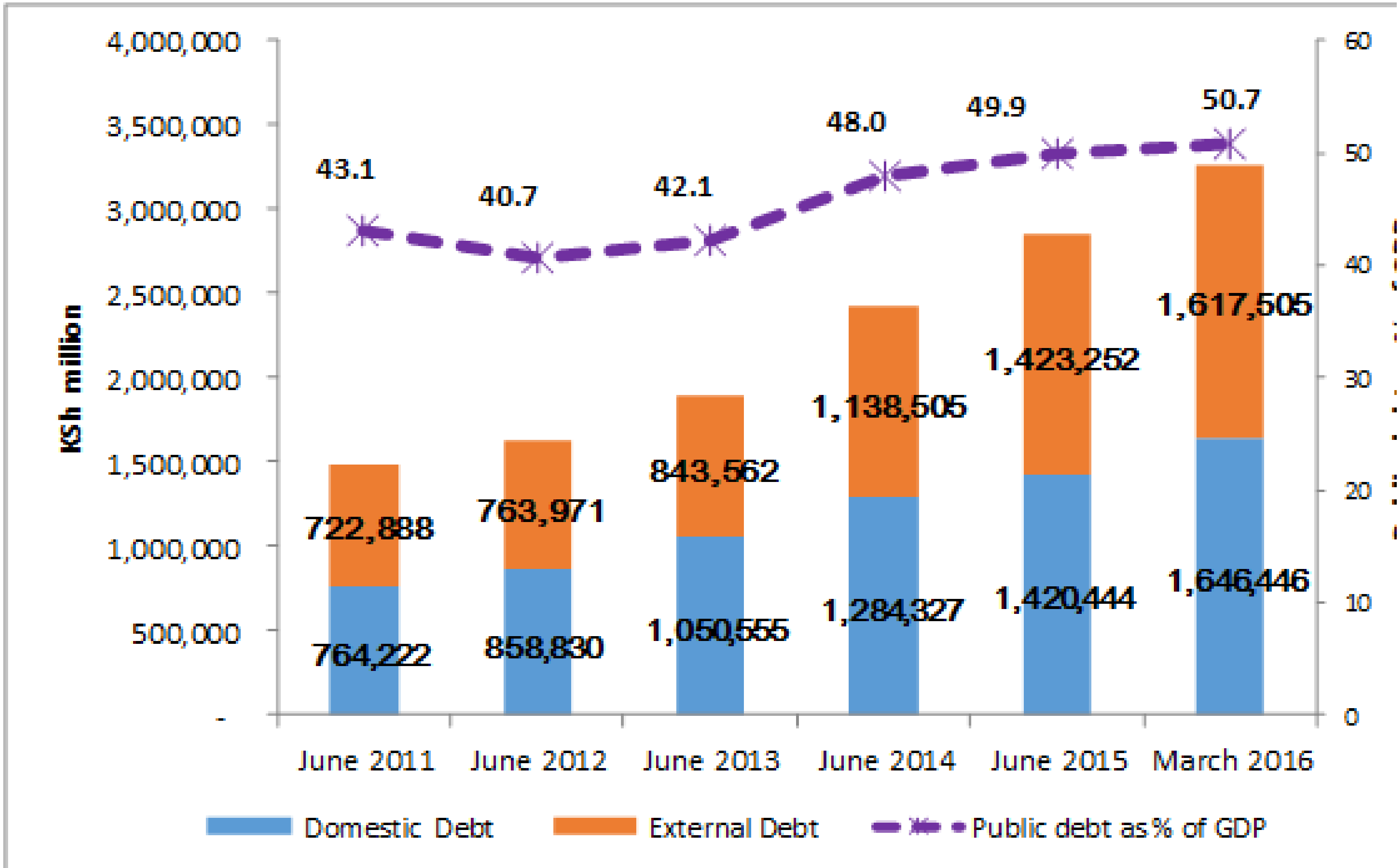
- **Deficit a moving target:** The strategy of government is to reduce public debt over the medium term. However, the increase in budget deficit shows lack of commitment to debt sustainability in the long run.
- **Financing gap:** The framework may not fully financed due to lower than expected performance of revenue
- **Noted increase in domestic borrowing:** In the BPS domestic borrowing for financial year 2015/16 was projected at Kshs.197.6 billion, but has increased to Kshs.241.2 billion. This negates the government policy of facilitating private sector growth as this trend will crowd out the private sector.

Low Deficit a Moving Target:- Primary Balance Projections

	Financial Years(%GDP)	**2010/11**	**2011/12**	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**
BPS 2012	Balance(Commitment basis excl grants)	-5.20%	-6.30%	-5.60%	-4.90%	-4.60%				
BPS 2013	Balance(Commitment basis excl grants)	-5.50%	-6.10%	-7.00%	-5.50%	-4.90%	**-4.80%**			
BPS 2014	Balance(Commitment basis excl grants)		-6.20%	-7.40%	-10.80%	-7.90%	**-7.20%**			
BPS 2015	Balance(Commitment basis excl grants)			-5.80%	-6.50%	-8.80%	**-8.20%**	-6.20%	-4.80%	
MTEF (2015/16 Budget)	Balance(Commitment basis excl grants)						-8.70%	-5.30%	-4.00%	
BPS 2016	Balance(Commitment basis excl grants)				-6.50%	-9.30%	-9.20%	-7.70%	-6.20%	-4.90%
MTEF (2016/17 B[illegible]t)	Balance(Commitment basis excl grants)						-10.10%	-9.30%	-6.40%	-5.30%

Debt Trends

Trends in public debt (June 2011 to March 2016)



Data Source: National Treasury

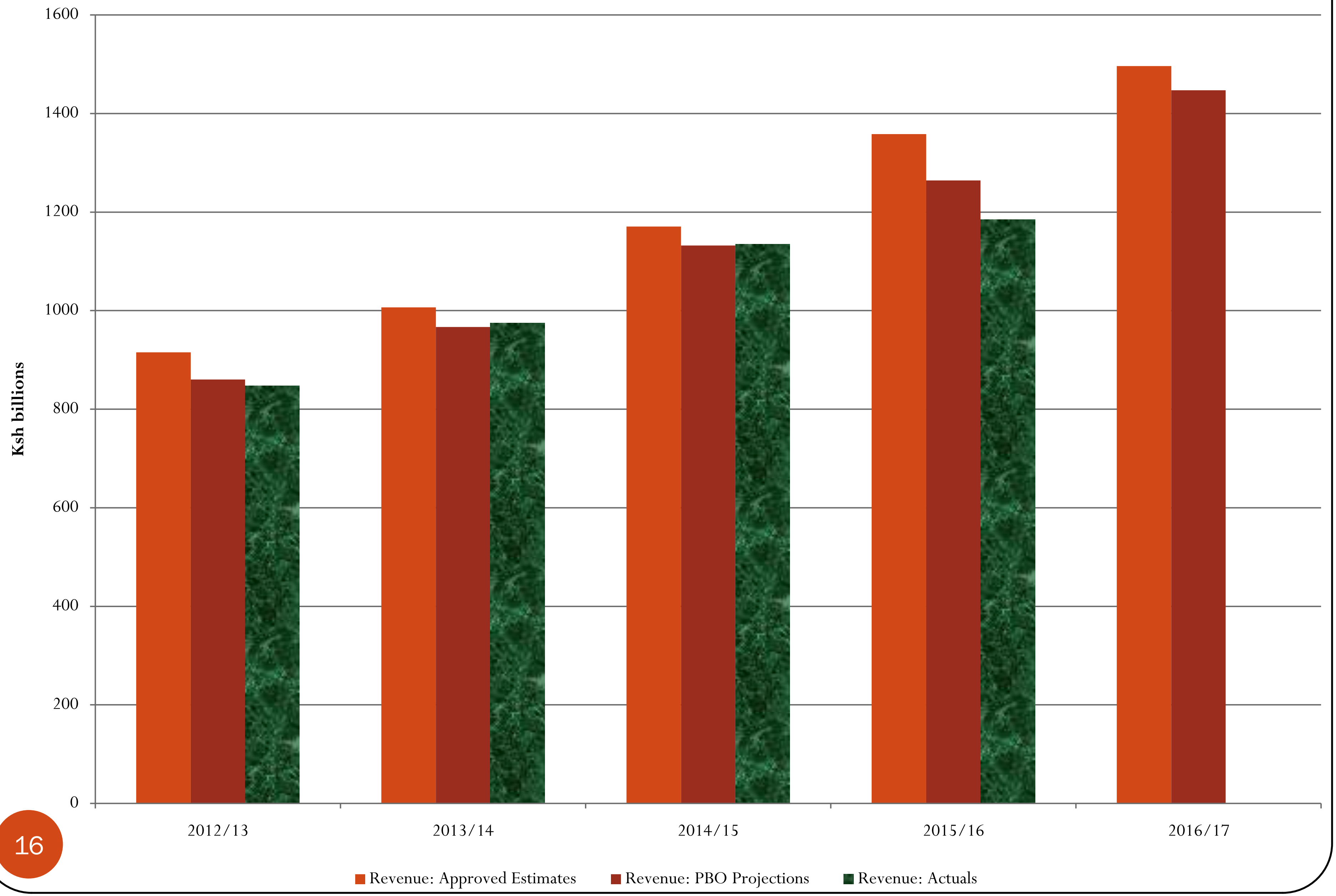
DEBT AND DEFICIT FINANCING… Emerging Issues

- ***Lack of Commitment to Debt Sustainability:-*** *The strategy of government is to reduce public debt over the medium term. However, the increase in budget deficit shows lack of commitment to debt sustainability in the long run. This is a worrisome trend since according to the Constitution Art.201 (c), the government is obliged to maintain debt levels sustainable for future generations also.*
- ***Fiscal Framework not fully financed:-*** *There is a high likelihood that the framework is not fully financed. Indeed, the government may not be able to raise the revenue projected due to the fact that the revenue projection is premised on a higher growth trajectory.*
- ***Debt Management Strategy:-*** *The new proposed level of financing is not accompanied with other supporting documents. For instance, in light of the new developments of financing the new budget deficit, there is need for the Government to adhere to the MTDS 2016 as approved by the Parliament.*
- ***Supply Driven Rather than Demand Driven Budget:-****In the BPS, 2016 the domestic borrowing for FY 2016/17 was projected at Kshs.197.6 billion, however in the estimates submitted the domestic debt is set to rise by Kshs.43.5 billion to Kshs.241.1 billion. This clearly shows the budget is not driven by any policy as the policies in the BPS were those of austerity and containing the deficit expansion. An expansion shows that the budget is tending to be more of supply driven rather than demand driven. This negates the government policy of facilitating private sector growth as this trend will crowd out the private sector. Even though, domestic borrowing appears to be decreasing in the medium term, judging from history, this could be a moving target.*

FISCAL FRAMEWORK AND BUDGET CREDIBILITY

	2016/17 BPS Estimates	2016/17 Printed Estimates	2016/17 BPS Estimates	2016/17 Printed Estimates	Difference	% change
	Ksh billions		**As a % of GDP**			
Total Revenue and Grants	**1,556.2**	**1,573.2**	**21.1%**	**21.3%**	**16.96**	**1.1%**
Total Revenue (incl. AiA)	1,496.4	1,500.6	20.2%	20.3%	4.21	0.3%
External Grants	59.8	72.6	0.8%	1.0%	12.75	21.3%
Total Expenditure and Net Lending	**2,051.7**	**2,276.3**	**27.8%**	**30.8%**	**224.61**	**10.9%**
Recurrent	1,094.2	1,168.6	14.8%	15.8%	74.43	6.8%
CFS (Interest & Pensions)	*275.4*	*310.6*	*3.7%*	*4.2%*	35.16	12.8%
Ministerial Recurrent	*818.8*	*858.1*	*11.1%*	*11.6%*	39.27	4.8%
Development	667.7	817.9	9.0%	11.1%	150.19	22.5%
Domestic	*351.3*	*400.9*	*4.8%*	*5.4%*	49.56	14.1%
Foreign	*310.4*	*411.0*	*4.2%*	*5.6%*	100.64	32.4%
Equalization Fund	*6.0*	*6.0*	*0.1%*	*0.1%*	-	
Contingencies	5.0	5.0	0.1%	0.1%	-	
County Allocation	284.8	284.8	3.9%	3.9%	(0.01)	0.0%
Overall Balance (incl. grants)	**(495.5)**	**(703.1)**	**-6.7%**	**-9.5%**	**(207.65)**	**41.9%**
Statistical Discrepancy	-	-	0.0%	0.0%	-	0.0%
Financing	**495.5**	**703.1**	**6.7%**	**9.5%**	**207.65**	**41.9%**
External Financing	310.7	459.4	4.2%	6.2%	148.73	47.9%
Domestic Financing	184.8	243.7	2.5%	3.3%	58.91	31.9%
Nominal GDP	**7,392.2**	**7,392.2**	**100.0%**	**100.0%**		

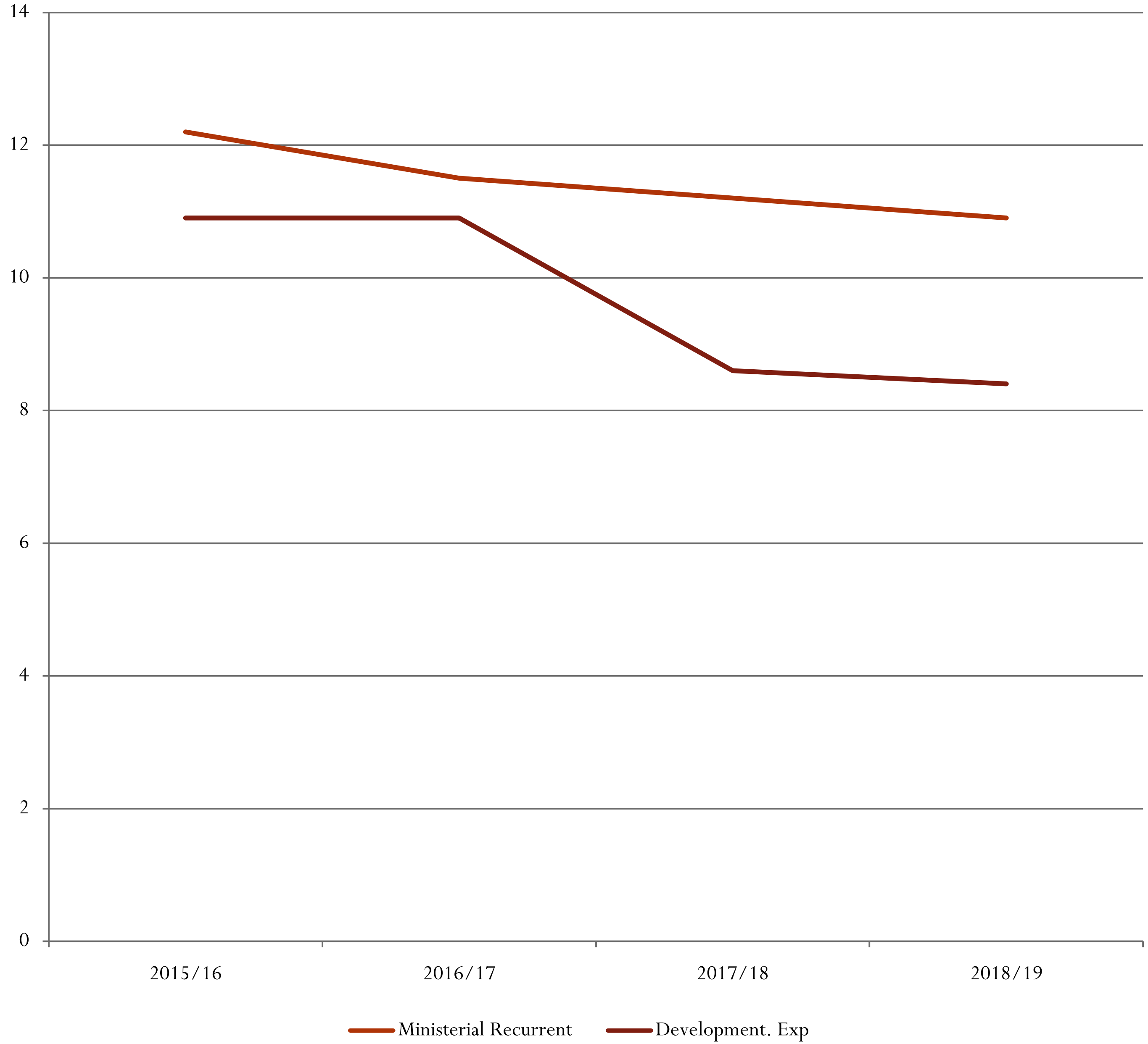
Revenue Projections



POINTS TO PONDER

	2016/17 BPS Estimates	2016/17 Printed Estimates	Printed Estimates
	Ksh billions		
Total Revenue and Grants	**1,556.20**	**1,573.20**	1.09%
Total Revenue (incl. AiA)	1,496.40	1,500.60	0.28%
External Grants	59.8	72.6	21.40%
Total Expenditure and Net Lending	**2,051.70**	**2,276.30**	10.95%
Recurrent	1,094.20	1,168.60	6.80%
CFS (Interest & Pensions)	*275.4*	*310.6*	12.78%
Ministerial Recurrent	*818.8*	*858.1*	4.80%
Development	667.7	817.9	22.50%
Domestic	*351.3*	*400.9*	14.12%
Foreign	*310.4*	*411*	32.41%
Equalization Fund	*6*	*6*	0.00%
Contingencies	5	5	0.00%
County Allocation	284.8	284.8	0.00%
Overall Balance (incl. grants)	**-495.5**	**-703.1**	41.90%
Statistical Discrepancy	-	-	
Financing	**495.5**	**703.1**	41.90%
External Financing	310.7	459.4	47.86%
Domestic Financing	184.8	243.7	31.87%
Nominal GDP	**7,392.20**	**7,392.20**	0.00%

Is the fiscal framework losing credibility?



CRITIQUE OF FISCAL FRAMEWORK

- Expenditures growing faster than revenues.
- Revenue likely to underperform as its estimation is based on overly optimistic GDP thereby increasing borrowing
- Primary balance (**government net borrowing/lending excluding interest payment)** is widening;
- For debt to reduce over the medium term as envisioned in the budget, the primary balance needs to be maintained at 3 per cent or less

REVENUE PERFORMANCE AND OUTLOOK

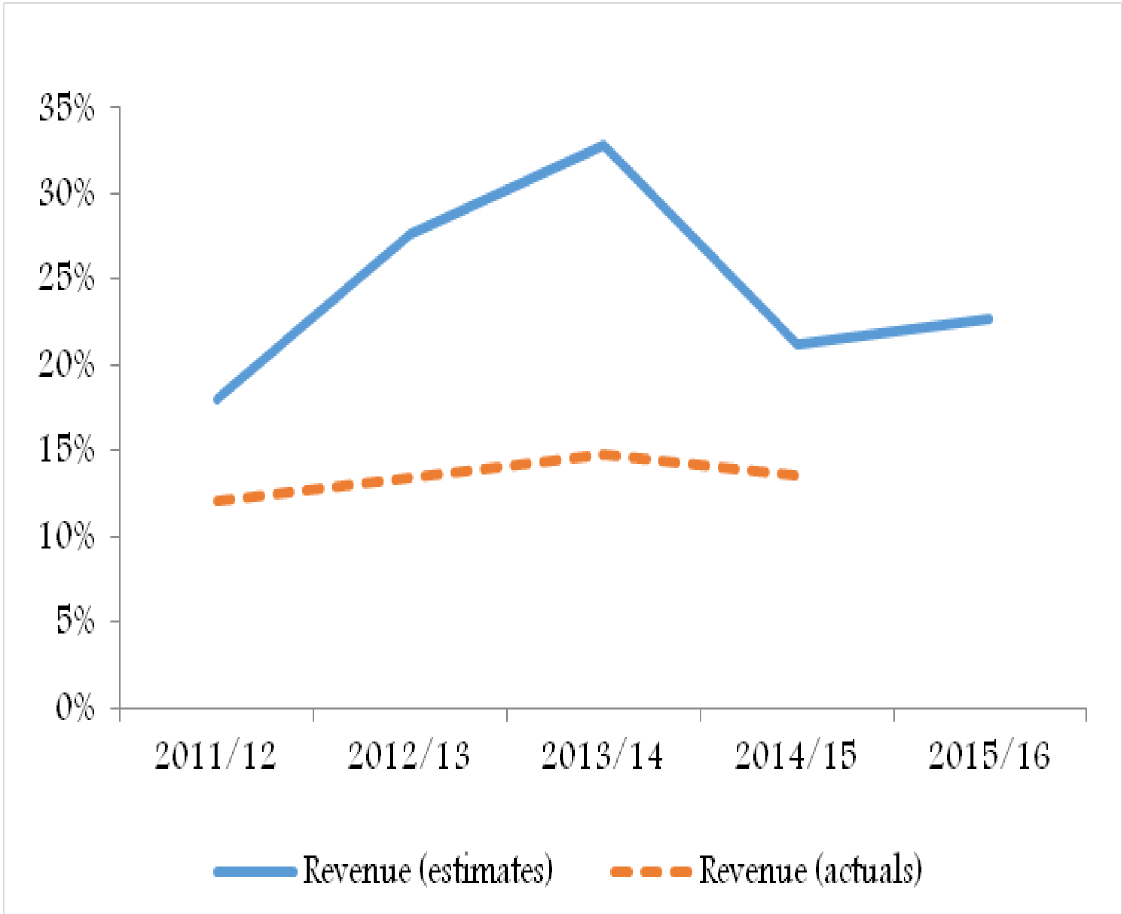
Growth rates of revenue forecasts relative to actual revenue collections

	2011/12	2012/13	2013/14	2014/15	2015/16	Average growth
Approved Revenue Forecasts						
Total Revenue	18%	28%	33%	21%	23%	24%
Ordinary Revenue	17%	26%	34%	18%	22%	23%
Import Duty	21%	30%	69%	15%	11%	29%
Excise Duty	16%	17%	17%	17%	23%	18%
Value Added Tax	19%	26%	24%	15%	19%	21%
Income Tax	13%	23%	22%	21%	23%	20%
Other Taxes	30%	49%	105%	20%	33%	47%
AIA	27%	48%	24%	70%	37%	41%
Actual Revenue Outturn						
Total Revenue	12%	13%	15%	14%		13%
Ordinary Revenue	13%	13%	18%	12%		14%
Import Duty	12%	11%	17%	10%		13%
Excise Duty	-2%	9%	19%	14%		10%
Value Added Tax	7%	1%	26%	12%		11%
Income Tax	21%	19%	21%	13%		18%
Other Taxes	24%	19%	-12%	9%		10%
AIA	-2%	24%	-22%	36%		9%

Sources: QEBR (various issues); Budget Estimates (various issues)

REVENUE PERFORMANCE AND OUTLOOK......Continued

Growth Rates of Revenue Estimates and Actuals



Sources: QEBR (various issues); Budget Estimates (various issues)

EXPENDITURE FRAMEWORK..Analysis of 2016/17 FY PBB

- The policy behind the adoption of programme based budgeting is to link the various programs being funded in the budget with its indicators and targets. This linkage enables one to track the efficiency of delivery of services to its citizens. The narrative for program based budgeting in the 2016/17 estimates is weak.

The following are the emerging Issues:

- *There are some changes in programs in the 2016/17 estimates as compared to the BPS, 2016. Furthermore, the indicators and targets lack baselines i.e. there is no progress report for previous years on ongoing programs.*
- *Some programs have zero indicators and targets especially in the energy sector. This makes it difficult to track the desired output. In addition, there is no information provided for exemption to disclosure of some programs.*
- *The economic classification provided in the 2016/17 lacks clarity. There is no information provided that entails what qualifies to be other recurrent and development.*
- *There is no detailed information on Appropriations in Aid, including donor funding. The national treasury has indicated in their budget summary that they have received new funds from donors which they have factored in the budget. However, it's difficult to trace which programs will be funded by donor funds. It's crucial to know programs funded by donor funds, since the low absorption rate among MDAs reported in year is a result of donors not fulfilling their commitments hence resulting to the introduction of the supplementary budget.*

Estimates of Expenditure on CFS

Consolidated Fund Service Payables 2016/17 - Medium Term (Kshs. Millions)

Items	2015/16	2016/17	2017/18	2018/19
Interest				
Internal	160,676.5	197,266.8	196,858.1	189,184.1
External	34,562.5	53,520.4	55,215.0	52,916.3
Total Interest Payables	**195,239**	**250,787**	**252,073**	**242,100**
Redemptions				
Internal	187,263.3	172,104.2	161,779.6	154,732.1
External	34,688.7	43,622.6	128,566.4	131,759.8
Total Debt Redemptions	**221,952**	**215,727**	**290,346**	**286,492**
Total Public Debt Expenditure	**417,191**	**466,514**	**542,419**	**528,592**
Pensions, salaries, allowances & Others				
Pensions	42,991.1	55,691.1	63,111.1	61,311.1
Salaries	4,437.8	3,956.0	4,149.0	4,326.6
Miscellaneous	128.0	128.0	128.0	128.0
guaranteed Debt	944.7	1,017.2	993.5	969.9
Subscriptions to International Organizations	2.2	0.5	0.5	0.5
Total Expenditure	**48,504**	**60,793**	**68,382**	**66,736**
Total CFS Expenditure	465,695	527,307	610,801	595,328

Source: Budget estimates 2016/17

Estimates of Expenditure on CFS…. Emerging Issues

- *The level of debt in Kenya is approaching unsustainable levels. Already the ratio of debt service to revenue has reached its limit of 30 percent and is expected to bypass its limit in the 2017 by 4.7% on account of debt redemptions and interest rate costs that are expected to rise substantially in the FY 2017/18.*
- *With the current level of debt growth (15% p.a) and a ratio of 48.5 PV of debt to GDP, the country is likely to exceed the EAC convergence criteria that recommends a level of 50% of PV of debt to GDP for macroeconomic stability and sound debt framework*
- *The rise in CFS expenditure is likely to pose constraints to the level of financial resources available and fiscal space for other budgetary needs.*
- *The country is expected to experience exponential rise in external debt redemption in FY 2017/18 from* Kshs. *43 billion in 2016/17 to* Kshs. *128.6 billion in 2017/18 and similarly in 2018/19 partly due to the payments to standard chattered $750 million, syndicated loan and sovereign bonds. This increase in debt service costs and redemptions calls for pragmatic measures to avert economic shocks and fiscal turbulence*
- *Salaries and allowances are expected to decrease from* Kshs. *4.4 billion in FY 2015/16 to* Kshs. *3.96 billion due to end of the mandate of the Commission for the Implementation of the Constitution in 2016.*
- *The 2016/17 budget estimates also indicate that the country is to incur Kshs. 10.305 billion as interest payables (Item E002000219) however, the estimates do not indicate when this debt was issued, the principal, amount tenor or due year.*

Priorities in the FY 2016/17 Budget and the Medium Term

Pillar	Details
Pillar 1 : Sustaining Conducive Business Environment for Investment Opportunities	i. Macroeconomic stability for sustained growth and development. to pursue prudent fiscal and monetary policies that are supportive of accelerated inclusive growth and development. ii. Enhancing security for sustained growth and development this is done through police welfare/performance improvement through a comprehensive medical cover and housing, and investment in security infrastructure covering housing, offices, security installation and additional leasing of police vehicles and training facilities.
Pillar 2 : Continued spending in Infrastructure to Unlock Constraints to Growth: transport, logistics, energy and water to encourage growth of competitive industries	i. Expanding Road Network- the Construction of 3,800 km of low volume seal roads across the country. ii. Expansion of major roads in the Urban Centers e.g. Outer-ring road in Nairobi. iii. Construction of East Africa Road Network (Voi-Mwatate-Wundanyi),Malindi-Mombasa-Lunga Lunga. iv. Construction of Kisumu-Kakamega Road v. Dredging of Mombasa Port and construction of Road network around and out of the port. vi. Commissioning of new terminal 1E in JKIA. vii. Generation of an additional 5,000 MW comprising of renewable geothermal, wind and coal.
Pillar 3: Sustaining Sectoral Spending for Employment Creation: in particular agricultural transformation to ensure food security and lower prices and employment	i. Establishment of Disease Free zones in Bachuma, Kurawa and Miritin. ii. Procurement of offshore patrol vessel (OPV) . iii. Establishment of Fertilizer plant. iv. Facilitating tourism promotion and marketing to increase international arrival and tourism revenue. v. Development of sport facilities and the construction and improvement of the 5 regional stadia.

Priorities in the FY 2016/17 Budget and the Medium Term.....Cont

Pillar 4: Sustained Investment in Social Services for the Welfare of Kenyans: quality and accessible health care services as well as relevant education and strengthening the social safety net	i. Scaling up universal health coverage initiatives including free maternity services, subsidies for the poor and vulnerable groups; increased funding of the health sector by Government and partners. ii. Equipping public hospitals with specialized medical equipment and equipment modernization in 94 hospitals. iii. Reducing morbidity and mortality from malaria, HIV/AIDs, tuberculosis non-communicable diseases. iv. Recruitment of more health workers and strengthening health research for improved quality of health. v. Improving and expanding schools and training institutions infrastructure through construction/rehabilitation of class rooms, provision of electricity and integration of ICT in curriculum delivery at all levels of education, vi. Construction of low cost boarding facilities in ASALs, construction of special needs education infrastructures) throughout the country over the medium term; vii. Increasing provision of student loans, bursaries and scholarships to fully finance the universal free primary education, free day secondary education and tertiary education. viii. Increase the number of beneficiaries in Cash transfer programmes from 717,000 in FY 2015/16 to 1, 047,000 in FY 2015/17. ix. Decentralization of Single registry for the National Safety Net Programme to 15 additional Counties.
Pillar 5: Enhancing Service Delivery through Devolution.	i. The enactment of the Public Audit and Public Procurement and Asset Disposal Acts as well as the gazettement of the Public Finance Management Regulations to strengthen County financial management. ii. The strengthening accountability and fiscal discipline by the National Government in the use of devolved resources for better service delivery. iii. The National Treasury through the Intergovernmental Budget and Economic Council (IBEC) will initiate the development of a national framework legislation to support the enhancement of county own-source revenue. In addition, a comprehensive review and harmonization of all existing legislation relating to county taxes, fees, user charges and business licenses will be undertaken.

SECTORAL ALLOCATIONS

- Rise in the allocations to 'energy, infrastructure and ICT' sector while most other sectors have seen their budgets maintained.
- Apart from infrastructure development, increase in nominal expenditures for 2016/17 follow traditional expenditure patterns with little connections to the challenges the government proposes to address when setting its policy framework.
- Medium term targets deviate extensively from the policy targets of the government.

EMERGING CONCERNS:

- **Unclear status of 2015/2016 targets:** proposed budget has not comprehensively presented the actual performance of 2013/14 and the status of 2014/15 budget implementation. Thereby limiting oversight
- **Poor linkage of allocations to outputs:** A comparison of the 2015/16 and 2016/17 budgets indicates enhanced allocations to some ministerial programmes but review of the programme based budgets shows no evident change in the outputs and targets. This raises concerns as to whether the funds voted in each programme are based on the programme's outputs and targets presented in the estimates.

EMERGING CONCERNS

- **Pending bills**: Funding is requested for a high number of pending bills through supplementary budgets showing this is prioritized on the commencement of the fiscal year. All spending entities should indicate to their procedure for settling their pending bills in the current estimates so that this cannot be carried to the supplementary budgets.
- **Operationalization of the Equalization Fund:** the fund has been allocated Kshs. 6 billion bringing total accumulated arrears to Kshs.12.4 billion. However, based on article 204(5) where unspent balances remain in the fund the total balances to be higher as total unspent is approximately Kshs.16.8 billion.


DEAD END
YOU'VE REACHED THE
END OF THE INTERNET