



An Analysis of 2017/18 Budget

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What we did

- We used the approved budget numbers for 2016/17 in the Budget Policy Statement (BPS) 2017
- We looked at the Program Based Budget (PBB) tabled by the National Treasury in the National Assembly.
- We also analysed the budget summary from National Treasury for 2017/18.
- We also looked at past performance information from the OCOB and National Treasury quarterly reports.
- NB: The numbers could change in the enacted budget.

The total MDAs budget is decreasing

- The total budget for MDAs in 2017/18 (including Parliament and the Judiciary) is Ksh 1.63 trillion; this is 2.5% lower than in 2016/17.
- There are three key sectors whose allocations are changing in 2017/18.
 1. Public Administration and International Relations (PAIR)
 2. Education
 3. Energy, Infrastructure and ICT

Sector changes in 2017/18 compared to 2016/17

	2016/17 Estimates	2017/18 Allocation			
Sectors	Total Budget	Total Budget	Absolute Changes (Millions)	% Changes in Total Budget	Changes in the Sector Shares
Public Administration and International Relations	224,910	274,287	49,377	22%	3.4%
Education	339,924	375,337	35,413	10%	2.7%
Governance, Justice, Law and Order	195,518	202,840	7,322	4%	0.7%
National Security	124,045	130,223	6,178	5%	0.6%
Health	60,270	61,640	1,371	2%	0.2%
Social Protection, Culture and Recreation	44,647	45,170	523	1%	0.1%
General Economic and Commercial Affairs	23,666	19,794	(3,872)	-16%	-0.2%
Agriculture, Rural and Urban Development	46,544	38,037	(8,507)	-18%	-0.5%
Environment Protection, Water and Natural Resources	88,999	73,537	(15,463)	-17%	-0.8%
Energy, Infrastructure and ICT	529,163	415,683	(113,480)	-21%	-6.1%
Total MDA Estimates	1,677,687	1,636,549	(41,138)	-2%	

There is a significant growth in wages under National Treasury

- PAIR's growth is mainly driven by a 49% increase in National Treasury's budget. (A Ksh 40.5B growth).
- This seems to be mostly for salaries as compensation for staff is growing by Ksh 40.2B. (A 1,525% increase compared to 2016/17).
- What is the increased wage budget for? No information is provided in the PBB
- The budget summary does not give any details of which cadre of staff this covers.

University education budget is growing significantly in 2017/18

- The education sector budget is going up by 10% (Ksh 35.4B).
- This increases the sector's share of the total budget from 20% to 23%.
- The most significant change is in the State Department for University Education whose budget is increasing by Ksh 25.9B.
- The PBB has a list of priorities under university education over the medium term and most are capital in nature.
- However, 98% of the increase is for the recurrent budget.
- Is this in line with the CBA with university union employees?

Priorities for university education

Major services/outputs to be provided in the 2017/18- 2019/20 budget are expansion of physical infrastructure in university education sub sector, increase student financing and Implement differentiated unit cost, establishment of University Management information system, establishment of National Science Technology and Innovation Statistics Observatory, establishment and equipping of incubators and science parks, increase enrollment in university education and improve capacity on quality and relevance in university education.

Transport and energy budgets are reducing going into 2017/18

- The sector's budget is reducing by 21%. In such a big sector that is a Ksh 113.5 B reduction.
- The State Department for Transport's budget has the highest reduction (43%).
- The railway transport budget, mostly for SGR, is reducing from Ksh 156.5B to Ksh 75.8B.
- The PBB gives a construction target of 150km for the Nairobi-Naivasha section of the SGR in 2017/18 and the completion of the 472km section from Mombasa to Nairobi.

There is less funding for energy programs

- The State Department of Energy's budget is also decreasing by 34%.
- While the allocations are reducing, the targets in the different programs seem to be on the rise.
- For example targets for connections to rural households and public facilities is increasing from 16,950 in 2016/17 to 25,000 in 2017/18.
- The same is seen in power generation.
- How will these higher targets be achieved with a significant reduction in funding to the MDA?

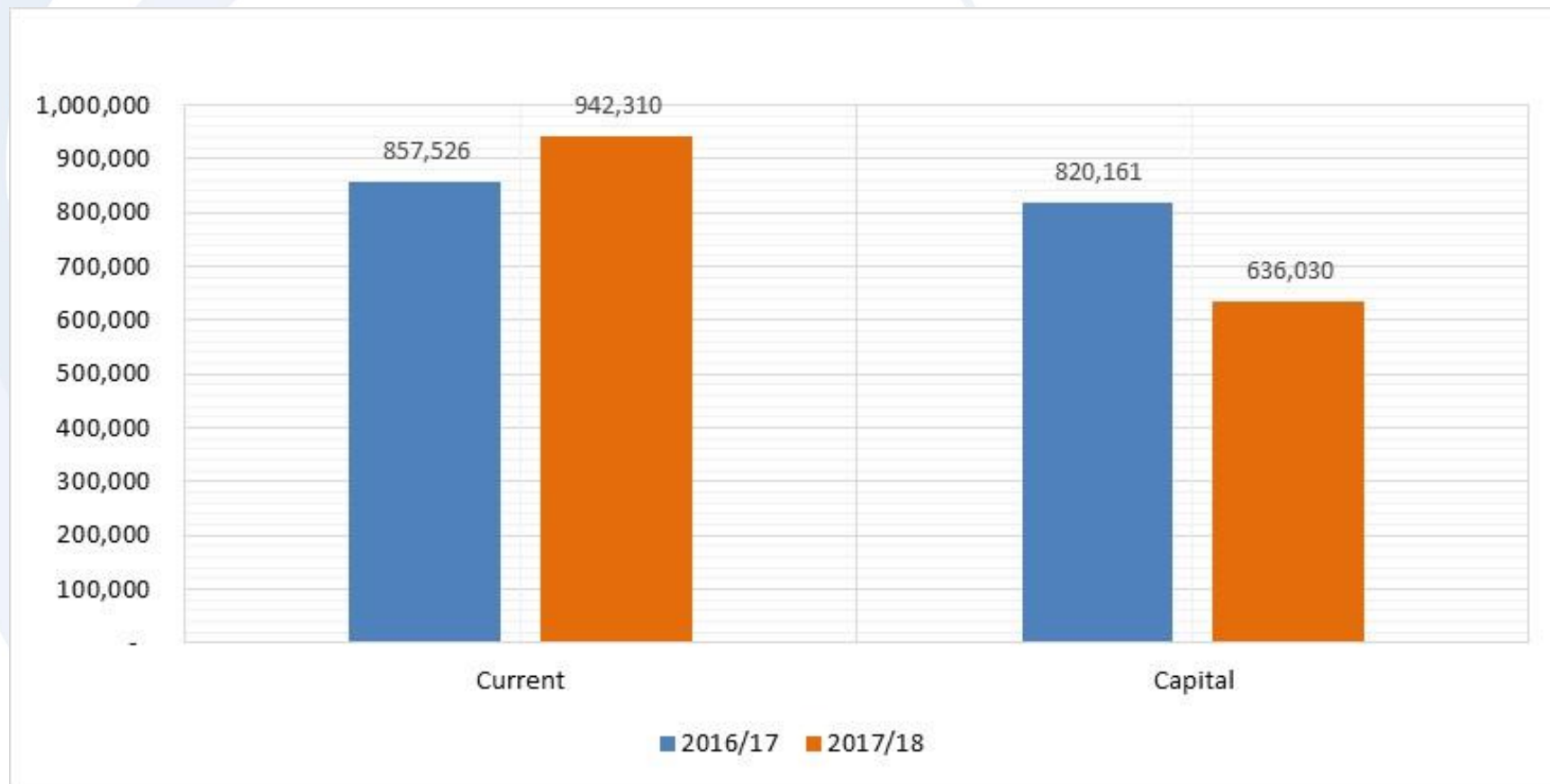
Changes in allocation to Infrastructure, Energy and ICT MDAs

MDAs	2016/17 Estimates	2017/18 Estimates	Absolute Change between 2016/17 and 2017/18	% Change between 2016/17 and 2017/18
1153 State Department for Petroleum	4,300	5,381	1,081	25%
1093 State Department for Maritime Affairs	237	275	38	16%
1091. State Department of Infrastructure	176,751	187,586	10,835	6%
1123 State Department for Broadcasting & Telecommunications	2,708	2,860	152	6%
1095 State Department for Public Works	2,944	3,022	78	3%
1122 State Department for Information Communications and Technology & Innovation	23,222	20,523	- 2,699	-12%
1094 State Department for Housing & Urban Development	20,151	15,998	- 4,154	-21%
1152 State Department for Energy	117,262	77,219	- 40,043	-34%
1092 State Department of Transport	181,587	102,820	- 78,767	-43%
Total	529,163	415,683	- 113,480	-21%

Development budget allocation is declining in 2017/18

- In the BPS the government states that investments in infrastructure will be sustained and expanded over the medium term.
- The reduction in the total MDAs budget is mainly driven by a 22% reduction in allocation to development expenditure. (Reducing from Ksh 820B to Ksh 636B).
- The recurrent budget is growing by 10% between the two years.

Recurrent and Development Allocations in 2016/17 and 2017/18



Why the reduction in capital expenditure?

- Are we getting more realistic or just cutting on some investments?
- In 2015/16 absorption of development budget improved by 20 percentage points from 46% to 66%.
- At the half year point of 2016/17 the performance is better than that of 2015/16. (67% against 53%).
- Therefore, performance has been improving over time.
- However, development targets have always been too ambitious. That is shown by missed targets over time.
- Is the 2017/18 allocation for development a response to either of these trends?

Sector changes in development budget allocations

	2016/17 Estimates	2017/18 Allocation		
Sectors	Capital Expenditure	Capital Expenditure	Absolute Changes (Millions)	% Change in Capital Expenditure
Agriculture, Rural and Urban Development	30,792	20,725	(8,507)	-33%
Energy, Infrastructure and ICT	487,217	348,461	(113,480)	-28%
Environment Protection, Water and Natural Resources	69,443	50,748	(15,463)	-27%
Governance, Justice, Law and Order	29,697	23,055	7,322	-22%
General Economic and Commercial Affairs	11,062	10,185	(3,872)	-8%
Public Administration and International Relations	110,003	101,645	49,377	-8%
Social Protection, Culture and Recreation	26,448	25,360	523	-4%
Health	31,280	30,967	1,371	-1%
National Security	45	45	6,178	0%
Education	24,175	24,839	35,413	3%
Total MDA Estimates	820,161	636,030	(41,138)	-22%



County Allocation

What the different stakeholders gave to counties as the Equitable Share

- For 2017/18, CRA had recommended that Ksh 331.6B be disbursed to the counties.
- National Treasury proposed a lower amount at Ksh 299.1B.
- The National Assembly in the BPS approved a figure of 291.1B.
- The Senate then approved an amount of Ksh 314B.
- The CS National Treasury gave a figure of 291B in his budget speech.
- The process is currently going through a mediation committee in Parliament.

What led to the different proposals between CRA and the National Treasury?

- CRA had proposed a growth factor of about 15%, the average growth of audited and approved revenue over three years.
- The National Treasury's growth projection was an adjustment for inflation at 6.7%. This was the average inflation over a period of three years.
- This biases the division of revenue process toward national government, if actual revenue growth is consistently above inflation (it has been over the past 5 years).



Wage Bill

What is the size of the our wage bill?

- The budget summary and the Program Based Budget give varying figures of the wage bill.
- In the budget summary, the total wages and salaries are given as Ksh 365B.
- The compensation to staff allocations in the PBB comes to Ksh 390B. (Excluding Parliament and Judiciary)
- The PBB does not give wage details on state corporations.
- The President in his state of the nation address gave a figure of Ksh 627 billion as the current wage bill.
- Transparency on wage details remain a challenge in 2017/18 and we cannot establish the total wage bill from available documents.



Equity Funds

Fighting poverty and promoting equity

- The budget summary has a list of 12 funds that are part of the government's program to promote equity and fight poverty.
- The programs are allocated Ksh 63.1B, a slight reduction from Ksh 66.5B in 2016/17.
- How equitable are the funds? Are they distributed based on inequality trends in the country?
- Some of the funds such as NGCDF and Affirmative Action have high equal weights in their distribution criteria.

Examples of the Funds

42. **Equity, Poverty Reduction and Social Protection for Vulnerable Groups:** To address the plight of the less disadvantaged in society, combat poverty, and promote equity, the social protection safety net in form of cash transfer has been enhanced. In addition an allocation for the equalization fund, Constituency Development Fund (CDF), and Affirmative Action for Social Development has been set aside as follows:

- Ksh 30.9 billion for National Government Constituency Fund
- Ksh 2.1 billion for Affirmative Action for Social Development for Women Representatives
- Ksh 7.7 billion for the Equalization Fund
- Ksh 8 billion is for Orphans and Vulnerable Children (OVC)
- Ksh 7.4 billion for Cash Transfer to Elderly Persons
- Ksh 1.2 billion for Cash Transfer to Persons with Severe Disability
- Ksh 0.4 billion for National Development Fund for persons with disability;
- Ksh 0.3 billion for Street Families Rehabilitation
- Ksh 0.5 billion for Children Welfare Society

How fair are the distribution models for some of the funds?

- For example, 75% of NGCDF is shared equally among the constituencies. The rest is shared based on each constituency's share of the total poor people in the country.
- The poverty rate in Kinango stands at 84% and there are almost 175,000 people living below the poverty line. Compare this to just over 16,000 poor people living in Embakasi West.
- Is it fair to allocate equal or almost equal allocations under NGCDF?



Irrigation

Is the spending in irrigation paying off?

- One of the major changes in 2017/18 is the creation of a State Department for Irrigation within the Ministry of Water and Irrigation.
- In the three years between 2013/14 and 2015/16, the national government allocated Ksh 41.9 billion.
- However only Ksh 26.8 billion of that amount was spent, just under two thirds.
- The PBB says that the investment increased irrigation coverage across the country by 64,498 acres.
- This is against a target of 100,000 per year under vision 2030, towards a cumulative target of 1 million acres?

Spending in irrigation

Year	Allocation	Actual Spending	Absorption
2013/14	12.4	9.4	76%
2014/15	15.9	9.1	57%
2015/16	13.6	8.3	61%
Sub-Total	41.9	26.8	64%
2016/17	19.0		
2017/18	13.2		
Total	74.1		

Conclusion

- Capital spending is declining by a fifth, mostly under energy and transport.
- Wage information has to be presented in a consolidated format to the public if we are to have a national debate.
- The division of revenue process should be more predictable especially the revenue growth factor.
- Parliament should ensure that the distribution criteria for all national government funds are transparent and equitable.



Thank You