



Applied Budget Work

Training of Trainers' Manual

April 2011



Institute of
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Preface

A popular question asked in the public discourse is why civil society should care about budget? The simple answer is that civil society and indeed parliament are two key actors in ensuring that the budget process and system is open, participatory and transparent. Therefore participation of these actors is critical in varied ways. Civil society participation may contribute to the development and sustenance of a good budget system by providing independent analysis, bringing new information for debate and deepening budget debates through simplification of budget, for instance. On the other hand, parliament's involvement in the budget process is a constitutional mandate in most countries as the supreme institution that provides checks and balances on the budget in exercising its oversight role on the budget.

Over time, the budget process in Kenya is increasingly becoming more open, attributed largely to the on-going public finance management reforms. As such, civil society participation especially at the budget formulation stage has been improving. However, studies show that their participation in the other phases of the budget cycle is minimal largely due to lack of adequate skills, lack of information and awareness of how to engage beyond budget formulation stage.

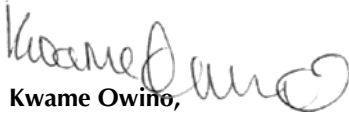
To effectively influence budget priorities and processes, civil society needs to go the extra mile to back their budget work with numbers and some rigor in analysis. This five module Training of Trainers manual is intended to fill the capacity gap by equipping civil society with skills to be able crunch budget numbers in order to fortify their budget advocacy work.

Acknowledgement

This Training of Trainers was written by John Mutua, Budget Information Programme Officer at the Institute of Economic Affairs (IEA) -Kenya.

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Finally, special thanks go to the Royal Danish Embassy (DANIDA) for their commitment and financial support without which the development of this manual could not have been possible.



Kwame Owino,
Chief Executive Officer.

Acronyms and Abbreviations

AiA	Appropriations in Aid
ACE	Adult and Continuing Education
BIS	Budget Information Services
BOPA	Budget Outlook Paper
BSP	Budget Strategy Paper
CCJP	Catholic Centre for Justice, Development and Peace
CDF	Constituency Development Fund
COMESA	Common Market for Eastern and Southern Africa
CSOs	Civil Society Organizations
DISHA	Developing Initiatives for Social and Human Interaction
EAC	East Africa Community
GOK	Government of Kenya
GRB	Gender Responsive Budgeting
IBASE	Brazilian Institute for Social and Economic Analysis
IDASA	Institute for Democracy in South Africa
IEA	Institute of Economic Affairs – Kenya
IPF	Institute for Public Finance
KENAO	Kenya National Audit Office
LATF	Local Authorities Transfer Fund
MDAs	Ministries, Departments and Agencies
MDGs	Millennium Development Goals
MoF	Ministry of Finance
MP	Member of Parliament
MPND	Ministry of Planning and National Development
MTEF	Medium Term Expenditure Framework
NGOs	Non-Governmental Organizations
OBI	Open Budget Index
PAYE	Pay As You Earn
PBB	Programme Based Budgeting
PER	Public Expenditure Review
PIT	Personal Income Tax
PWC	Price Waterhouse Coopers
SWGs	Sector Working Groups
TOT	Training of Trainers
UDN	Uganda Debt Network
VAT	Value Added Tax

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Introduction

A. Background

Democracy and good governance agenda from the 1990s has focused attention on accountability, transparency and participation as desirable attributes of effective states and countries. The term **good governance** which is being used increasingly in development literature means:

“...the process of decision-making and the process by which decisions are implemented.”

In essence, there are actors and structures, whether formal or informal involved in decision making and implementing the decisions made.

Government is one of the actors in governance. Other actors involved in governance include: the electorate, the civil society, the private sector, the media, the development partners and horizontal accountability institutions such as the legislature, the judiciary, auditing agencies and others. One of the two key characteristics of good governance are the concepts of transparency and accountability, as perhaps the two most important factors that control holders of political and administrative power.

According to Schacter M. (1999), citizens grant sweeping powers to the political executive. They entrust it with the authority to raise and spend public funds and the responsibility to decide on the design and implementation of public policy. At the same time, citizens want to guard against abuse of these powers by the executive. On a more operational level, they also want to ensure that the executive uses its powers wisely, effectively and efficiently, and that it will be responsive to demands by citizens to change the ways in which it carries out its functions. They expect therefore, that the executive will be held accountable to them.

The budget is one of the most important policy instruments through which the executive raises and spends public funds and for the citizens to hold their leaders to account on the use and management of public funds, they have to be able to understand the budget. Besides, the legislature is more likely to effectively monitor the budget process if there is widespread public interest in budget issues. The media and civil society organizations play a particularly important role in spurring public debates about the budget.

This is a Training of Trainers' (TOT) manual intended for civil society organizations that work around budget issues supposed to demystify the budget and also encourage these organizations to understand that the budget can be used as a tool of accountability. As such it is intended to equip them with skill and techniques to undertake budget analysis as well as apply other budget work skills in order to effectively participate throughout the budget cycle.

B. Overall Goal of the Manual

This TOT manual is intended to create a pool of trainers within civil society organizations working around budget issues from either a national or a sub-national perspective to engage in training forums for their constituents. The expected result is increased applied budget work by civil society to influence budget priorities and processes.

C. Specific Objectives of This Manual

- To demystify and enhance budget literacy among civil society.
- To empower Civil Society Organizations and other interested parties to undertake budget analysis and budget advocacy work intended to inform budget process and priorities.
- To educate participants on the importance of advocating for budget transparency

D. Who is this manual for?

This manual is mainly targeted to the Civil Society Organizations but also applicable for use by the following groups:

- Citizens
- The legislature
- The media

E. The Approach/Organization of the Manual

The manual is organized into six modules with different training session in the application of the budget work. The training may be conducted in a three day workshop/seminar or a short course of the same duration.

This manual is structured into the following components

- a) Title: topic of the module
- b) Module objectives: what participants are expected to achieve at the end of the training session in cognizance of their expectations
- c) Module content: what the module plans to cover with little explanations. Module objectives and overview should be presented at the beginning of every module
- d) Methodology: training approaches, methods and techniques
- e) Training materials: handouts, slides, trainer's notes and other reading materials to be used during the session. Further, references and internet links to relevant material and information on the module topic shared out to participants.
- f) Duration: time to be taken to conduct each session. The time allocated to each session should only serve as a guide.
- g) Output(s): results or deliverables expected at the end of the session
- h) Assignments: instruction on the tasks to be carried by the participants where applicable.

F. Preparation for Training

(i) Before the Training

1. Identify training needs
 2. Identify number of participants
 3. Select dates for training courses
 4. Develop training/course programme/schedule and objectives
 5. Make a list of all necessary items/resources/equipment to be used
 6. Purchase or avail all necessary items/resources/equipment
 7. Test the equipment to confirm they are in good working condition
 8. Procure and book/reserve an appropriate venue
 9. Identify and select facilitators, resource persons and guest speakers
 10. Send invitation letter to resource persons and speakers at least one month before the course
 11. Orient facilitators and resource persons about the programme, the training course and its objectives and obtain presentation materials from them
 12. Send invitation letters to participants with programme summary and travel arrangements
 13. Reconfirm the venue, training facilities, food and accommodation
 14. Arrange transportation to and from the venue
 15. Prepare teaching notes and handouts
 16. Rehearse the presentations
- Plan and organize an opening and closing and press coverage, if necessary.

As a course organizer and facilitator, it is a good idea to arrive at the training venue ahead of the participants. This will enable you to welcome the participants and give them any information they may need.

(ii) During the Training

- Manage and monitor registration process
- Arrange or organize the training room
- File all training course documentation e.g. flipcharts, handouts and notes
- Prepare participants' contact address list and distribute to all
- Reconfirm participants' departure arrangements
- Arrange for group photo and press coverage if necessary
- Prepare workshop folder or bag for the participants together with writing materials, programme and other relevant information about the course
- Prepare daily "mood meter" charts for evaluation purposes

G. Team Facilitation

Training is usually more fun, successful and less stressful when facilitated by more than one person. If you are training more than 15 participants at one time, you need to have two

or three facilitators. Before the training begins, it is quite important for the facilitators to discuss and agree on responsibilities for each and every session. Team teaching approach is therefore encouraged while presenting the contents of this training manual. As a team, facilitators should be supportive of their colleagues and work together to build a strong team spirit.

For team facilitation, you need to plan and prepare the sessions as a group by studying the steps in each procedure and the additional notes for facilitators. They also need to prepare PowerPoint presentation and/or transparencies and handouts for the session.

1. Facilitation Techniques

The following facilitation techniques are applicable:

Techniques	Brief Description
Lecture	A structured and orderly presentation of information delivered by an trainer/ facilitator/ guest speaker (facilitator).
Discussions	A verbal exchange led by the facilitator or participants about a specific issue or topic in the unit.
Role-plays	Short dramas in which learners can experience how someone might feel in a situation, try out new skills, and learn from each other.
Case Studies	Stories, either fictional or true, often describing a problem by discussing what a character's options are or how these dilemmas might be resolved.
Guest Speaker / Resource People	Technical experts you can call on to facilitate a unit or a specific session within a unit.
Games and Exercises	They include such things as introductions, energizers and warm-ups
Questioning Techniques	Questions can be used to introduce new ideas, to stimulate discussion and to enable participants to pause and think about what they have been learning.
Experiential Education	Experiential activities are designed to help participants gain information, examine attitudes and practice skills. They are structured exercises in which the participants do something and then process the experience together, generalizing about what they learned and, ideally, attempting to apply it to future situations.

Whatever facilitation techniques you use, you should remember to keep an eye on the clock to ensure that there is sufficient time for group work and discussions. Have a 'Question Box' available throughout the duration of the training. Encourage the participants to write any questions they have and assure them that there is no such thing as a 'irrelevant question'. Giving the participants an opportunity to ask questions anonymously helps ensure that you can address their concerns promptly and appropriately. Make sure you read the questions in the 'question box' daily and reply to them the following day.

2. Group Membership

While forming participants groups, it is important for a facilitator to be aware and recognize that different participants have different characteristics e.g. location, gender, religion, Monitoring & Evaluation skills and experience etc. The facilitator must therefore manage this mix of group member tendencies, in order to achieve a balance among the different qualities and get effective participation by all group members. There are many ways of grouping the participants:

- Have participants' count 1, 2, 3, 1, 2, 3, ... then all 1's form a group and all 2's form the second group etc;
- Divide the participants depending on the sitting arrangement;
- Facilitators' own judgment – chose who will go into which group depending on the various attributes e.g. location, gender, religion, skills and experience;
- etc

However, the facilitators should ensure that the groups are not static i.e. fixed membership throughout the entire training. Instead, different members should be in different groups for different tasks.

H. Course Evaluation

Evaluation Methods	Brief Description
Formative evaluation	This is an evaluation undertaken on a daily basis. It involves the following steps: <ul style="list-style-type: none">• Getting daily feedback from the participants either at the beginning of the session or at the end, on the participants' feelings on each of the sessions.• Feedback obtained from group discussions and review of case studies.
Evaluation committee	Two or three participants are chosen or volunteer to evaluate each day's events. They may use any technique to gather information from the other participants.
Final Evaluation	<ol style="list-style-type: none">1. Converting the 'expectations' and 'concerns' generated at the beginning of the training course in order to determine whether they were achieved or not and subsequent impact of the results to the course and improvement required.2. Asking participants to comment on all of the factors to be evaluated at the end of the training course. This would include, among others, the following:<ul style="list-style-type: none">• Venue/food/accommodation• Training course facilities• Facilitation• Content• Outcomes• Duration• Daily schedule• Use of resource people

I. Tasks After the Training Course

- Meet with other facilitators on the team to discuss problems and successes and give general feedback
- Pay final bills, closing accounts as necessary
- Send thank you letters to all those who helped with the training course
- Draft, edit, and produce final report and recommendations

Introduction to the Course

1.1 Purpose

This session is intended to welcome the participants to the workshop and take them through workshop objectives and methodology. This is preceded by giving a chance for each participants to introduce themselves and share briefly any experience in using the budget as a tool for accountability

1.2 Objectives of the Session

By end of this session participants should be able to:

- Introduce their fellow participants and interact freely
- Understand workshop objectives vis a vis their expectations
- Understand how budget analysis tool can be used to hold government to account
- Begin to appreciate how to relate budget analysis to their work
- Discuss administrative and housekeeping arrangements

1.3 Duration: Two hours

1.4 Overview of Session Content

- Introductions and official opening
- Expectations
- Workshop objectives and methodology
- Workshop evaluation
- Administrative and housekeeping matter

1.5 Training Materials

- Handouts
- Transparencies
- Laptop
- LCD projector
- Flip charts, marker pens, masking tape, flash cards, pins etc
- Project documents and evaluation/assessment reports from any of the Government Development funds.

1.6 Methodology

1.6.1 Introductions and Official Opening

- Presiding official welcomes participants, facilitators and guests into the workshop advisedly with a word of prayer.
- Introduce key guest(s) if any and consequently allow the facilitator(s) to introduce themselves
- Ask participants to pair up and take a few minutes to introduce themselves to their partner, mentioning their name, organization their work for and highlighting one thing they would like to be remembered for. Consequently, allow the participants to introduce to the plenary their partner.
- Give a brief overview of the workshop and programme
- Invite the keynote speaker to address the participants
- Invite one of the guest/facilitators/participants to provide a vote of thanks

1.6.2 Expectations

- Allow an open discussion from the participants to discuss their experiences in engaging in the budget process or conducting any work around the national budget.
- Following the open discussion, ask each participant to mention one key expectation they have of this training by writing it down on a card.
- The facilitator(s) will in turn stick all the cards on the wall and read out the expectations to the participants. These expectations will be revisited later after the training to gauge whether they have been met in one way or another or whether some of the expectations were beyond the scope of this training.

1.6.3 Workshop Objective and Methodology

- Facilitator(s) present(s) workshop rationale, objectives, course content, duration, methodology, training materials, assignment and expected outcomes by issuing **Handout 1.6.1** and **1.6.2**
- Highlight training techniques, approaches or methods to be used and indeed emphasize participatory approach.
- Allow participants time to review and familiarize themselves with the course objectives and methodologies to be employed.

1.6.4 Workshop Evaluation

Explain to the participants that the course will be evaluated through either or a combination of the following ways:

- Getting daily feedback from the participants
- Feedback obtained from groups discussions and review of cases studies
- Evaluation committee
- End of course evaluation

1.6.5 Administrative and Housekeeping Matters

- Guide the participants in developing ground rules/norms. These include time keeping, respect for different opinions, participation, distractions, etc
- Presiding official highlights administrative and housekeeping issues such as accommodation, financial matters, personal issues and workshop resources such as library, internet among others
- Explain any feedback system, for instance getting participants' grievances through one of their own elected/selected representatives

1.6.6 Conclusions

Conclude the presentations on the module by reviewing (through a participatory approach) the following:

- Workshop purpose and objectives
- Workshop methodology
- Expectations and concerns
- Workshop evaluations
- The role of the participants, evaluation committee, facilitators, and guest speakers.

Finally, issue the participants with the reading materials/assignments for the next module

Handout 1.6.1



- By the end of the training workshop/course participants should be able to:
- Define basic budget concepts and explain the rationale for budgeting
- Understand Kenya's budget cycle, the interaction of the various actors and be able to identify entry points for applied budget work
- Utilise skills and techniques effectively in application of various budget analysis for their budget work and advocacy.



Course Outline – Curriculum

Module/ Session Name	Time (hrs)	Session	Time (min)
1. Introduction to the course	2	Introduction and Official Opening	40
		Expectations	30
		Workshop objectives and methodology	20
		Workshop evaluation	20
		Administrative and housekeeping matters	10
2. Budget Basics and Concepts	3	What is a Budget and its Functions	60
		Why do we Budget?	50
		Understanding Overall Structure and Composition of the Budget	70
3. Budget making Process	2.5	Understanding the Budget Process in Kenya and the Interaction of Key Actors in the Process	60
		Entry Points into the Budget Process for Applied Budget Work	45
		Problem Solving	45
4. Applied Budget Work	4	Basic Skills for Applied Budget Work	100
		Basic Revenue and Expenditure Analysis	50
		Understanding various types of Budget Work	40
		Case Studies of Civil Society Organisations involved in Budget Work	50
5. Budget Transparency and Accountability	1.5	What budget transparency is and benchmarks for assessing budget transparency	45
		Budgetary Controls for enhancing budget transparency and accountability	45
		Legal provisions and whether they hinder or advance budget transparency	N/A
6. Advocacy and Dissemination	3	Understanding the concept of budget advocacy and dissemination	50
		How to develop a budget transparency and dissemination strategy	130
7. Action plan and Workshop Evaluation	3	Workshop Wrap-up and Action Planning	90
		Workshop Evaluation	60
		Presentation of Certificates and Workshop Closure	30

2.1 Purpose

This module is intended to help participants understand basic concepts and principle of budgeting and public finance, the rationale for budgeting, two sides of a budget and interpretation of basic budget information.

2.2 Objectives of the Module

By the end of this module participants should be able to:

- Define and interpret basic budget concepts
- Explain the principles of public finance and the rationale for budgeting
- Appreciate the two sides of a budget and the tradeoffs thereof

2.3 Module Duration: 3 Hours

2.4 Overview of Module Content

- (i) What is a budget and its functions?
- (ii) Why do we budget?
- (iii) Understanding overall structure and composition of the budget

2.5 Training Materials

- Handouts and exercise instructions
- Flipcharts, marker pens, flash cards, pins and masking tape.
- Institute of Economic Affairs (2007), The Citizens handbook on the Budget: A guide to the Budget Process in Kenya, 2nd Edition. Nairobi, Kenya for reference
- Republic of Kenya Budget Speech for the Fiscal Year 2009/2010
- Other budget documents such as Government Financial Regulations and literature on budget such as Byanyima, W and Wehner J (2004) Parliament, the Budget and Gender.

2.6 Methodology

Session 2.6.1: What is a budget and its functions? (60 mins)

- To come to a common understanding of what a budget is, ask participants to discuss in groups what comes to their minds whenever they hear the word budget, its meaning and what they think are the functions of a national budget?
- Collate views and comments presented by the working groups followed by a brief plenary discussion and close the session by providing the participants with notes of **Handout 2.6.1**.
- In summing up this session, provide an exercise aimed at demystifying the government budget and drawing parallels with a household budget negotiation. In this exercise, divide the participants into groups of five, with each group representing a household of five members. Assume that each household has a total income of KShs.35,000 per month. Task each group (household) to come up with a monthly household budget. Consequently invite each group to report back and present respective individual 'household' budget to the plenary. The following issues can be used as a guide in the discussion and consequently presentation by the participants:
 - o What challenges or difficulties you had working with limited amount of resources
 - o How were the decisions/choices made and by whom?
 - o Which budget items were prioritized and which were left out?
 - o What similarities and differences can you draw of household budgets vis a vis government budgets

Session 2.6.2: Why do we budget? (50 mins)

- Ask participants in groups of three or four to brainstorm briefly why governments should budget in reference to session 2.6.1 and why as citizens they should be interested in the Budget. The groups can summarize their discussion in a flip chart for presentation in plenary.
- Consequently, having discussed why it is important to budget, give two cards each to the participants and ask them to write two things they think should form the principles of good budgeting? At the end, ask each participant to read out what principles they have written down, collect all the cards and pin them on the wall with similar principles pinned together.
- Circulate notes of **Handout 2.6.2** and **Box 1** and ask the participants to compare what they shared on the rationale for budgeting and what they wrote down as principles of good budgeting with the notes.

Session 2.6.3 Understanding Overall Structure and Composition of the Budget (70 mins)

- Give a lecture using power point presentation to the participants on the overall structure and composition of the budget and circulate **Handout 2.6.3** thereafter.
- Circulate **exercise 1** to each participant and ask them to follow the instructions given as a way of testing their ability to interpret basic budget information. The instructions are as follows:

- o Ask participants to form three or four working groups.
- o In these groups, ask them to take some time to read through the excerpt one (exercise 1) below extracted from Republic of Kenya Budget Speech for the Fiscal Year 2009/2010 (pages 19 and 20) that was presented in the August House on 11th June 2009.
- o After reading through the excerpt, ask the participants to interpret the information so presented by answering the following guiding questions:
 - ◆ What are the components of a national budget?
 - ◆ What happens when governments spend more money (expenditure) than the available resources (revenue)?
 - ◆ What are the implications of a budget deficit?
- Using this information, ask the participants to present it in a tabular form that is easy to interpret.



Budgeting basics, concepts and principles

The purpose of this session is to help participants understand basic concepts of public finance, budget and budgeting include rationale behind budgeting. The following are definitions of, these concepts:

What is a budget?

Budgets are variously referred to as financial plans, work plans or programmes or political and social documents. A budget can be viewed from various frames of reference: as an economic process (resource allocation); as an administrative process (planning, coordinating, control and evaluation); and as a human rights process (allocation of funds in compliance with state obligations towards full realization of economic, social and cultural rights)¹.

What is a government budget?

The budget is the most important economic policy instrument for governments. It reflects a government's social and economic policy priorities more than any other document, translating policies, political commitments and goals into decisions on where funds should be spent and how funds should be collected

It is a document that sets out how a government in power in a particular country proposes to collect and spend money for an upcoming period, usually a year. The budget expresses the objectives and aspirations of a government in power through policy priorities and fiscal targets proposals.

Further definitions of national or government budget:

A financial plan of the government's programmes:

- Detailing projected expenditure and what the expenditure will be incurred on
- Detailing where and how the resources to finance expenditures will come from

- A document outlining who pays to fund the government and who benefits from the resources
- A document that allocates tax burdens and benefits among various economic units and players
- A document showing what priorities and programmes, among the many competing needs will be funded, how and what will not

¹ Maria Socorro I. Dionko (1999). A Rights Based Approach Towards Budget Analysis

Economic functions of a budget²

- **Macroeconomic stabilization:** this function responds to the need for government budgets to promote a certain level of employment, public spending, economic growth, environmental sustainability and external balance. Stabilization policy require the use of economic, political and social judgements to determine which objectives are to be given priority and what are the acceptable rates of unemployment, interest, level of debt and so on.
- **Redistribution of income and wealth:** this function relates to the use of fiscal policy and the budget to try to redress inequalities in income and wealth distribution within the society. Governments have to make decisions as to what constitutes a 'fair' distribution between different groups.
- **Allocation of financial resources to various government functions:** this function relates to the provision of public goods and services by the government. All the goods and services in a country are produced by the public sector, the formal and informal sectors, or the not-for profit community and unpaid household care sectors. In allocating resources, the government must decide both the relative size of the public sector provisions, as well as how available resources are to be divided among the various government policies, programmes and functions such as health, education, defense and so on.

Bottom line: A budget is both a technical and political policy tool.

Budgeting is translating financial resources into human purposes."

By Aaron Wildavsky

2. Guy H and Budlender D. (2003) Engendering Budgets: A Practitioner's Guide to Understanding and Implementing Gender Responsive Budgets

Box 1

Principles of good budgeting

Comprehensiveness: The budget must cover all the fiscal operations of government, encompassing all public expenditure and revenues, to enable full and informed debate of the trade-offs between different policy options.

Predictability: Spending agencies should have certainty about their allocations in the medium-term to enable them to plan ahead. Stable funding flows support departmental planning and efficient and effective delivery.

Contestability: No item in the budget should have an automatic claim to funding. All policy and attached funding should be regularly reviewed and evaluated in order to ensure prioritization and optimal performance of spending agencies.

Transparency: All relevant information required for sound budgetary decision-making should be available in an accessible format, and in a timely and systematic fashion. Budget information needs to be accurate, reliable and comprehensive.

Periodicity: The budget should cover a fixed period of time, typically one year, and the process of compiling the budget should follow a clear and reliable schedule that is agreed upon and published in advance.

Source: World Bank (1998).



Rationale of budgeting/why do we budget?

Governments have no money of their own. As a result the government outlines its plans for spending and explains how it intends to raise spending money from the public, as captured in a budget. In a democratic society, citizens give the government a mandate via their votes. Politicians are obliged to translate that mandate into politics and plans that are, in part, reflected in the budget. Since no country has infinite public resources at its disposal to match a boundless array of needs, the budget always incorporates **trade-offs** between different spending priorities.

Why the interest in the Budget?

The national budget is perhaps the most important policy instrument for any government. Since it reflects a government's social and economic policy priorities, it therefore influences both social and economic development. For instance, if the government of Kenya plans to improve literacy levels and the health of its populace in progression towards better human capital development for a certain period as a matter of policy priority, the implementation of these plans cannot be effected without funding. Besides, what is the effect of budget allocation to different population groups such as low income earners, the rich, the vulnerable, women, men and children? Government spending is one of the indicators of what priority the budget is according to the poor for instance.

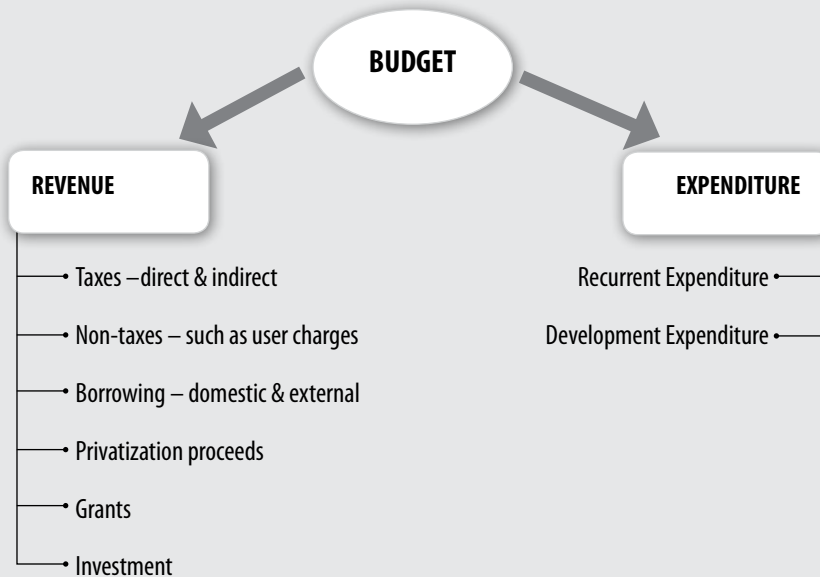
As a result of the above, there is need for the citizens to be interested in understanding the budget. Their involvement and participation in the budget process is also important. In a democracy, citizens have a right to know:

- What money is being spent on,
- What decisions their elected representatives' make on their behalf?

It is only with this knowledge that elected officials can be held accountable for their budget planning, allocations and implementation. In addition it provides a forum for purposeful and concrete engagement between the executive, the legislature and civil society around critical choices and outcomes. This ultimately leads to better decision-making within government



Overall structure and composition of a typical Budget



Revenue and Expenditure

The budget has two key components of revenue, whose sources vary from country to country, and expenditure which is determined by how much revenue is available. On the expenditure front, the government allocates funds to various functions such as health care, education, infrastructure, agriculture, justice, defense and so on. The breakdown of these two components is as shown below.

A. Public Revenue

Public revenue represents the amount of money, income or receipts that the government plans to raise in a budget period to finance expenditure. The following are the various sources of government money:

A.1 Taxation Revenue - compulsory contributions to finance state activities. Taxes are computed at rates established by law without any direct relation to the benefit enjoyed by the taxpayer and they vary substantially between countries. Thus are the primary and traditional source of a state's income. In the Kenyan tax system, we have direct taxes such as income taxes and indirect taxes such as Value Added Tax (VAT), import and trade taxes on export and imports. These are explained in details below:

Overall structure and composition of the Budget *(continued)*

- **Income tax:** this is a tax charged on incomes of individuals from employment and self-employment and profits from business entities. It is classified into individual, corporate, withholding and other income taxes such as fringe benefit tax, advance tax, taxes under Widows and Pension Act and Parliamentary Pension Act. The four key classification of income tax are elaborated as below:
 - **Personal Income Tax (PIT)** - is a direct tax levied on income of a person. It is a direct tax derived from business income, rent income, dividends, interests and pension among others. In general, a person liable to PIT has to compute tax liability, file a return and pay tax on a calendar year basis. Income Tax Department administers various direct taxes e.g. Pay As You Earn (PAYE), corporation tax, withholding tax and advance tax.
 - **Pay As You Earn (PAYE)** - is a method of tax collection at source from salaries and wages to any income from any office and employment. The employer deducts a certain amount of tax from his/her employee's salary or wages on each payday, and then remits the tax to the revenue collection authority, in our case the Kenya Revenue Authority. This prevents the employee from paying taxes at the end of the charge year and shifts the burden of responsibility to the employers.
 - **Corporate tax** - is a form of tax that is levied to corporate bodies such as limited companies, trusts, and co-operatives. Essentially, it's a tax on company's profits. Resident companies in Kenya are taxed at the rate of 30% while non residents are taxed at the rate of 37.5% effected in the year of income of 2000.
 - **Withholding tax** - is an amount of employee income that an employer sends directly to the government agent in charge of tax collection. It's usually deducted at source from the sources of income for instance: professional fees, commissions, pension, rent, performance fees, sporting, interest, dividends and royalties
- **Value Added Tax (VAT):** this tax was introduced in 1990 to replace sales tax that was levied on consumption of goods. VAT as it is commonly referred to, is a tax on the consumption of goods and services and it is levied at each stage of production and distribution chain up to the retail stage. It is also levied on imported taxable goods and services. VAT is charged by registered traders only with an annual sales turnover of KShs.3 million. Further it is currently charged at a standard rate of 16% with a lower rate of 14% applying to hotels and restaurant. VAT introduction in Kenya was a measure by the government to increase revenue

through the expansion of tax base. It is collected by registered taxpayers who act as agents of the government. Local VAT is paid to the commissioner of domestic taxes while VAT on imported goods is collected by the commissioner of customs service department.

Unlike other taxes, VAT and other consumption taxes applies to all consumers, regardless of their income and hence raising equity concerns. However, some of these concerns have been addressed through exempting certain basic goods and services from the VAT or taxing them at a rate of zero. From the VAT schedule provided by Kenya Revenue Authority, the following items are exempt from VAT: maize flour, wheat flour, some agricultural produce such as tomatoes and onions, and animal products such as live goat. Besides, there are some professional services including insurance, medical and veterinary services that are also exempt from VAT.

- **Excise tax:** is levied selectively on certain goods and services applied to either production or sale, to domestic output or imported with either *ad valorem*, that is in accordance with the value of a good or specific rates that is per volume or quantity. Excisable commodities in Kenya include alcoholic beverages, tobacco, fuel and motor vehicles which are all currently charged on a specific basis with the exception of motor vehicles. There are a number of reasons why this tax, colloquially referred to as “sin tax” is levied. First, due to the ease with raising revenue for the government at a relatively low cost and secondly, to discourage consumption or importation of certain goods that impose negative externalities. For instance excessive smoking and drinking is not only harmful to the individual but also to the society at large.
- **Import/customs duty:** is levied on imported goods under certain structure of the tariffs bands of 0,5,15,20,25,30 and 35% and sugar 100%. Some imports from regional blocs such as East Africa Community (EAC) and Common Market for Eastern and Southern Africa (COMESA) are subject to customs duty at the rate of zero.

A.2 Non –tax Revenue

- **Appropriations-in Aid (AiA)** – this is part of revenue collected in form of fines, licenses, fees, other charges when a ministry or government department offers certain goods and services for instance processing of a driving license. At this juncture, these fees are called user charges. However, whenever the said ministry or department applied the user charges to finance its own operations instead of waiting for disbursement from the Exchequer, the amount spent is deducted from approved budget and hence referred to as Appropriation-in-Aid. Indeed, donor

funds for direct financing of a project are also referred to as AiA.

- **Privatizations proceeds:** transfer of the control and/or ownership of an enterprise from the government to the private sector in which revenue accrues to the government on a one time basis. Where government raises a smaller share without transferring control to the private sector this process is called divestiture.
- **Investment income:** source of public revenue includes dividends paid by government and other corporations/parastatals where government is a shareholder.
- **Borrowing:** this can either be domestic or external. Domestic borrowing is done through sale of government securities in the form of Treasury Bills or Treasury Bonds in the local money market. On the other hand, government sometimes borrows externally from multilateral institutions like the World Bank or from foreign governments' on a bilateral arrangement. External funds or foreign aid which supplements local resources in financing the Budget has in the last five years averaged about 10% of the total budget. Foreign aid is provided in two ways through grants and loans. Grants are a form of financial assistance that does not need to be repaid whereas loans must be repaid at a later agreed date, with interest. See below:

External Financing /Borrowing

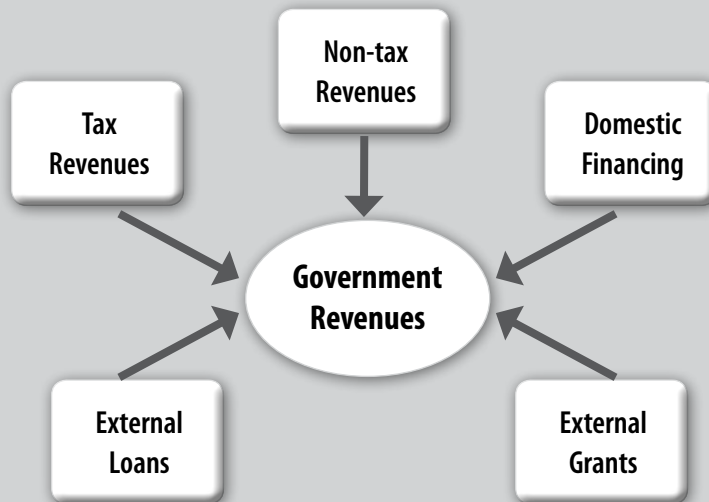
All donor assistance enters government process via development expenditure estimates of the annual budget.

Donor assistance comes in the form of:

- Grants (captured as revenue) and
- Loans (recorded as expenditure)

Fund disbursement options:

- Appropriations in Aid (AiA)
 - Revenue



B. Public Expenditure

Public expenditure represents the amount of money the government plans to spend in a budget period, and on what. It is mainly comprised of the following:

- **Capital/development Expenditures** - amount of money needed to spend on capital items or fixed assets such as land, buildings, construction of roads, equipments, etc that is projected to generate income in the future.
- **Current Expenditure** - day to day operating expenses or those expenses usually incurred in the conduct of normal state operations, such as wages and salaries, administration, purchase of goods and services for current consumption, acquisition of furniture and equipment, inputs used in service delivery.
- **Transfer Payments** - state funds that are directly transferred to other organizations such as Kenya Revenue Authority or individuals and are not payments for productive work, for example, old age pension, disability grant, child support benefit, etc.

Further Classification of Government Expenditure

- I. Specific Expenditure
 - A. Transfer payments
 - To persons including public pensions and transfers to charitable and Non Profit Organizations
 - To businesses
 - B. Purchase of goods and services
 - Health care
 - Education
 - Others
- II. General expenditures
 - A. Purchase of goods and services
 - General administration
 - National defense
 - Protection of persons and property
 - Others
- III. Interest on the public debt

C. Balanced Budget (Surplus/Deficit)

A balanced budget is that budget where expenditures are equal to revenues including where revenues are defined as ordinary revenues. What this means is that the government is able to finance its expenditure using its own generated revenues from taxes or user charges. This is a rare phenomenon for developing countries

- **Budget Deficit** – refers to situation where total expenditure (total outflows) exceeds total revenue (total inflows). This implies that a government is unable to raise sufficient resources to cover its recurrent and development expenditure which necessitate borrowing or other budget deficit financing options. This is most common with developing countries such as Kenya.
- **Budget Surplus** – this is the reverse of budget deficit where revenues exceed total expenditure in any budget year. This is a rare occasion in many countries but is the path to economic stability.

Budget deficits are responsible for the growing debt obligations of the government incurred when government results to borrow either domestically or externally among other options such as privatization to finance budget deficit.

Classification of **public debt** which is money that the government owes to creditors is as follows:

- **External debt** – these are external resources that are owed by the government to bilateral countries such as USA, Japan as well as resources owed to multilateral financial institutions such as World Bank or other independent financial institutions such as African Development Bank. External debt accrues through external financing which may take the form of project or programme loans. It is not to be confused with grants which government is not under any obligation to repay. Foreign loans are repayable with interest.
- **Domestic debt** – refers to money owed locally from individuals or institutions through Treasury Bills issued for 91 or 182 days (short term debt) or long term Treasury Bonds which exceed one year.

Payment of debt to a lender for a loan includes both interest and repayment of the loan on principal amount and is known as **debt servicing**. Payment of debt comprises what is called **mandatory or non discretionary expenditure** and is a first charge to the Budget from the Consolidated Fund. Of concern to the public is the **sustainability of debt** which refers to the level of debt which allows a debtor country (read Kenya) to meet its current and future debt service obligations in full, without recourse to further debt relief or rescheduling, avoiding accumulation of arrears, while allowing an acceptable level of economic growth.

Kenya stock of debt is estimated to be about KShs.1.12 trillion in 2009/10. If this amount was divided by the size of Kenyan population estimated at 39.4 million, it would translate to each Kenyan owing about KShs.28,426.40 in debt. See Statistical annex to the budget speech for 2010/11 and the Annual Public Debt Management Reports for detailed information on public debt, its structure, proportion to GDP, public debt by holders, currency denomination among other public debt profile. These documents can be accessed from Treasury website (www.treasury.go.ke)

Source: Inferred some literature from various sources including Karingi S. et al (2005); Haki Elimu and Policy Forum (2008) Understanding the Budget Process in Tanzania: A Civil Society Guide, Dar es Saalam, Tanzania and Republic of Kenya Statistical Annex to the Budget Speech for Fiscal Year 2010/2011

5.0 FINANCIAL PROJECTIONS FOR 2009/10

81. Mr. Speaker let me now turn to the financial projections for 2009/10 budget.

5.1 Revenue

82. Mr. Speaker, the total revenue target for fiscal year 2009/10 is KShs.569.6 billion (or 22.4% of GDP) comprising of KShs.522.8 billion of ordinary revenue and KShs.46.8 billion of appropriations-in aid. The targeted revenue is predicated on the on-going reforms in tax and customs administration.

5.2 Recurrent Expenditure

83. Mr. Speaker, as Honourable Members may have noted from their copies of the Printed Estimates, the gross recurrent expenditure for 2009/10 is estimated at KShs.606.7 billion. This includes KShs.41.8 billion which will be financed through Appropriations-in-Aid, and expenditures financed directly from the Consolidated Fund Services, amounting to KShs.187.5 billion, thus leaving a net of KShs.377.4 billion for discretionary recurrent expenditures.

84. The Consolidated Fund Services comprise KShs.58.0 billion for domestic interest; KShs.6.3 billion for foreign interest; KShs.24.3 billion for pensions, KShs.1.2 billion for salaries and allowances of constitutional office holders; and KShs.1.3 billion for other non-discretionally expenditures. In addition, I expect to finance external redemptions amounting to KShs.18.7 billion and domestic redemptions amounting to KShs.77.6 billion.

5.3 Development Expenditure

85. Mr. Speaker, gross development expenditures for 2009/10 is estimated at KShs.258.9 billion. Out of this amount, KShs.68.6 billion will be financed through Appropriations-in-Aid, comprising of direct project financing of KShs.20.2 billion in form of grants, KShs.44.1 billion in form of loans and KShs.4.4 billion in form of Local Appropriations-in-Aid.

86. Mr. Speaker, taking the above into account, I expect to finance net development expenditure amounting to KShs.190.3 billion from the Exchequer. This comprises of KShs.15.1 billion in form of grants revenue; KShs.24.4 billion in form of loans revenue; and KShs.150.8 billion from Government of Kenya.

5.4 External Grants

87. Mr. Speaker, on external grants, I have received commitments amounting to KShs.35.3 billion to finance development projects. Details of the donors and projects being financed are included in the Development Estimates. I wish to sincerely thank the development partners who have pledged and confirmed their support.

5.5 Overall Deficit and Financing

88. Mr. Speaker, the overall fiscal deficit, after grants, amounts to KShs168.2 billion. After taking into account expected net foreign financing of projects, amounting to KShs.50.2 billion, projected privatization receipts amounting to KShs.6 billion, and a refinancing of Kshs.2.5 billion, this would leave a financing requirement of KShs.109.5 billion to be financed through domestic borrowing. **Mr. Speaker**, this means that the fiscal framework for 2009/10 is fully financed and there is no financing gap.

3.1 Purpose

The purpose of this module is to build the knowledge of participants into understanding the budget cycle and actors involved at each stage for increased awareness levels and effective participation.

3.2 Objectives of the Module

By the end of this module participants should be able to:

- Understand the four stages of budget making process in Kenya and the interaction of key actors in the process.
- Identify strategic entry points in the process for various actors
- Have a clear picture of how they can engage in the process
- Understand how funds flow from central government to various spending units

3.3 Module duration: 2.5 Hours

3.4 Overview of Module Content

- i) Understanding the budget process in Kenya and the interaction of key actors in the process
- ii) Entry points into the budget process for applied budget work
- iii) Problem solving

3.5 Training Materials

- New Constitution –Chapter Twelve⁴
- Kenya National Assembly Standing Orders adopted on the 10th December 2008
- Fiscal Management Act 2009
- Others documents such as Government Financial Regulation: Paymaster- General's Act and Regulation (Cap. 413): External Loans and Credit Act (Cap. 422): Treasury Call Circular and Public Procurement and Disposals Act

³ The budget process has changed considerably following the promulgation of a new constitution in August 2010

⁴ Other related sections of the various chapters including: chapter 8 on the Legislature; chapter 11 on devolved government; and chapter 15 on Commissions and Independent Offices. Refer also to the old Constitution section 48 and 99-105 to identify and understand the changes

3.6 Methodology

Session 3.6.1: Understanding the budget process in Kenya and the interaction of key actors in the process. (60 mins)

- Invite the participants to voluntarily share in brief their understanding of the budget process and any experience they have of engaging in the process.
- Using the above ensuing discussion, divide the group into four as per the four stages of budget making process and ask them to discuss the budget cycle using the following pointers
 - o How is the budget formulated? - group 1
 - o What entails budget enforcement/legislations? - group 2
 - o How is the budget executed? - group 3
 - o How is the budget reported and audited? - group 4
- Further in reference to the above discussion, ask the respective groups to identify key actors at every stage and their roles to be filled in blank matrix provided as **exercise 2**.
- Consequently ask each group to report back and allow plenary discussions after each group presentations.
- Close the session by circulating **Box 2** and **Handout 3.6.1, 3.6.2 & 3.6.3** for a snapshot of the various laws governing budget process; an understanding the budget process in Kenya and a summary of the budget cycle.
- For the participants to appreciate the changes in the legislative budget process as reflected in the new Constitution and to also get a sense of the process in practice, invite a **guest speaker** from the **Parliament Budget Office** to make a presentation. This presentation should cover among other issues the following:
 - o Timing of tabling of budget in parliament
 - o Parliament committees to debate and review the budget
 - o Parliament budget amendment powers
 - o Budget day vis-a-vis tradition of reading the budget on the same day as other East Africa Community member states
- Allow a plenary discussion after the presentation and response from the invited guest speaker.

Session 3.6.2 Entry Points Into the Budget Process (45 mins)

- Ask participants to break into groups and discuss possible entry point into the budget process at each of the four stages and challenges thereof with regard to undertaking budget work.
- Have each group present their discussion and open up for plenary discussion after all the groups have made their presentations
- Close the session by referring the participants to the Institute of Economic Affairs '**Training of Trainers' manual on Existing Mechanisms for the Public to Engage in the Budget Process'** for detailed information on entry points for civil society and other stakeholders into the budget process.

Session 3.6.3: Problem solving (45 mins)

- Allow the participants in groups, using a matrix, to review the budget making process/system by the following headings:
 - o Discuss flow of funds from National to County government
 - o Problems in the budget making process/system
 - o Causes of the problems
 - o Recommended remedies to solve the problems
 - o Who should take action to implement the remedies
 - o Expected impact as a result of implementing the remedies.
- The groups should prepare their report on the flip chart. This should be followed by group presentations and discussions.

Box 2

Understanding the existing laws and regulations governing the budget process in Kenya

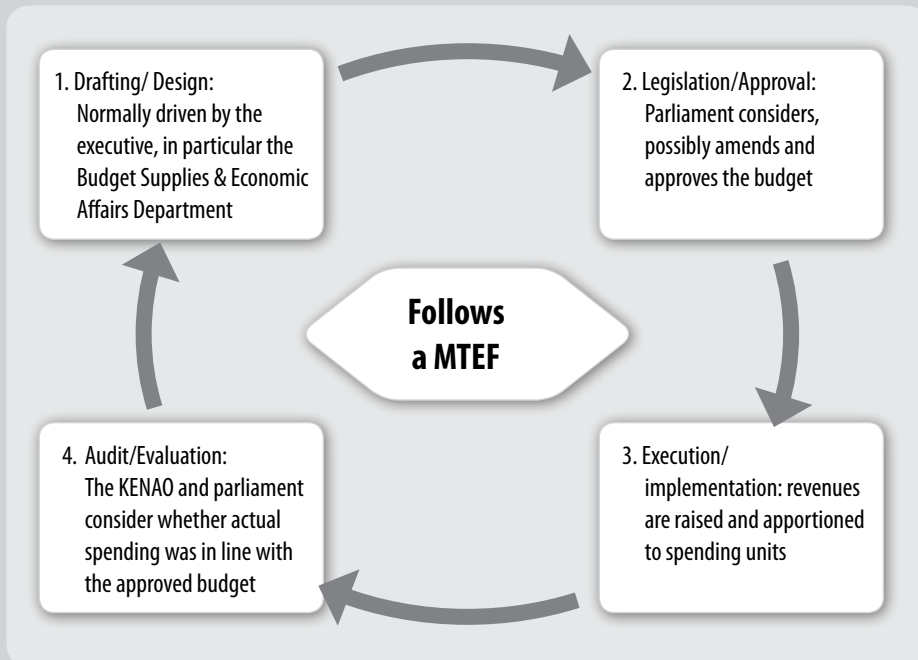
- New Constitution of Kenya Chapter 12 on Public Finance⁵
- Kenya National Assembly Standing Orders adopted on the 10th December 2008
- Fiscal Management Act 2009
- Paymaster- General's Act and Regulation (Cap. 413)
- Government Financial Regulation
- External Loans and Credit Act (Cap. 422)
- Kenya Revenue Act (Cap 469)
- Public Procurement and Disposals Act

⁵ Old constitution of Kenya sections 48 and 99-105



Understanding the Budget making process in Kenya

The budget process consists of a cycle with four stages as indicated in the diagram below.



The government adopted the medium term expenditure framework (MTEF) in 2000/01 as the current budgeting approach. MTEF provides for plans and budget over a longer period, usually three to five years. In the case of Kenya, it provides for a three year rolling framework. A MTEF encourages government to think ahead and that budget are linked to policy and plans for improved budget outcomes. As such, the goal is for budget to follow policy, not the reverse. These outcomes include:

- (i) Achieving fiscal discipline (spending within government's means)
- (ii) Allocation of resources in line with strategic priorities (allocative efficiency) and
- (iii) The efficient and effective utilization of resources to implement the strategic priorities and deliver quality services at the least cost (operational efficiency)

What is MTEF?

The MTEF consists of a top-down resource envelope, bottom-up estimation of the current and medium costs of existing policy and ultimately, the matching of these costs with available resources. in the context of the annual budget process (World Bank: Public Expenditure Management Handbook, 1998, p46)

Since MTEF was introduced in 2000, it has been continuously improving and changed a few times to incorporate an early start of the budget process and a need for a more inclusive stakeholder input and participation such as public sector hearings and wider circulation of pre-budget documents such as Budget Outlook Paper (BOPA) and Budget Strategy Paper (BSP). Furthermore, the Government of Kenya is working towards implementing performance based budgeting in order to ensure budgetary allocations are based on programmes that are linked to clearly specified objectives and targets such as Millennium Development Goals (MDGs) as well as the objectives of Vision 2030's first 5-year plan.

The budget process involves different actors/players at different phases, namely:

- **Budget planning and formulation:** budget plan put together by the executive branch of government
- **Budget proposal and adoption (enactment):** budget plan may be debated, altered and approved by the legislature
- **Budget execution:** the policies of the budget are carried out by the government
- **Auditing and oversight:** the actual expenditures of the budget are accounted for and assessed for effectiveness



Phases of budget making process

Following the promulgation of a new constitution in August 2010, the entire budget process changes significantly from a unicameral to a bicameral parliamentary system (national Assembly and County Assembly). The stage of budget process that changes significantly is the second stage of budget legislation. As such this handout should be used with this in mind, as it is mainly intended as a guide. An overarching law, Organic budget law is likely to be developed to provide a legal and institutional framework for the budget process.

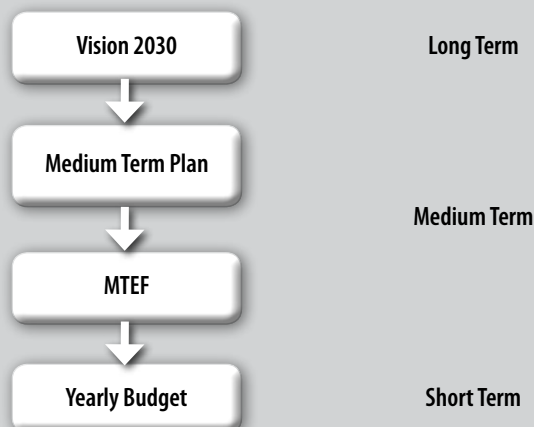
Phase 1: Budget planning and preparation/formulation

This process is normally driven by the executive, in particular the Budget supplies & Economic Affairs Departments from the Ministry of Finance. This stage involves two key approaches:

- “Top-down”**(setting macroeconomic framework) and
- “Bottom-up”** (preparing sector ministry spending proposals, resource bidding and sectoral allocations) process.

The following are some of the steps followed at this stage of budget formulation

- **National planning** - at this stage, the Ministry of Finance and its Planning and National Development counterpart alongside other players set broad policy directions for the next five years and long term macro and micro targets in terms of desired growth levels in the medium and long term. The Vision 2030 is the guiding policy document. Vision 2030 will be implemented through five year medium term rolling plans, starting with the first one which will cover the period 2008-2012.
- Preparation of the national and district development annexes. The planning process and policy environment is currently guided by the Vision 2030 and the five year Medium Term Plans.




- Setting the medium term fiscal framework that determines the overall resource envelope and setting sectoral priorities as background for preparation of the budget. This is reflected in various pre-budget documents such as the Budget Outlook Paper (BOPA) and the Budget Policy Statement that is discussed with ministries and taken to the cabinet for approval. Articles 203, 204, 205 of the new constitution provide for division of resources between national and county government.
- Sector Working Groups (SWGs) prepare MTEF budget sector reports that synthesise ministerial expenditure requirements to implement policy goals in reference to a Treasury Call Circular that provides a guide (See sample below).

Sample of a Treasury Circular Excerpt

**REPUBLIC OF KENYA
OFFICE OF THE DEPUTY PRIME MINISTER
AND MINISTRY OF FINANCE**

Telegraphic Address: 22921
FINANCE-NAIROBI
FAX NO. 330426
Telephone: 2252299
Email: psfinance@treasury.go.ke
Website: www.treasury.go.ke

When replying please quote
Ref: ES 1/03



THE TREASURY
P.O. BOX 30007
NAIROBI

August 26, 2009

TREASURY CIRCULAR NO. 17/2009

TO: ALL ACCOUNTING OFFICERS

BUDGET PREPARATION GUIDELINES FOR THE MEDIUM TERM EXPENDITURE FRAMEWORK (MTEF) PERIOD 2010/11 – 2012/13

Purpose

1. The purpose of this Budget Circular is to inform and guide Ministries, Departments and Government Agencies on the preparation of the budget for 2010/11 – 2012/13 MTEF period and the key dates for its delivery.

Context of 2010/11 Budget Preparation

1. As you are aware, our economy is still reeling from the negative impacts of the global economic crisis, prolonged drought and the 2007 post election violence. In this regard, the budget for the next MTEF period will be within the context of stimulating growth and creating jobs, reducing poverty, enhancing food security and protecting the livelihoods of the poor and the most vulnerable members of our society. Emphasis will be given to:

- Maintenance of a stable macroeconomic environment and creating an enabling environment for business;

Phases of budget making process *(continued)*

- Sector reports give the cost of all activities, projects and programmes, review expenditure of the sectors and determine key priorities for the next three years. There are currently nine sectors in total as shown in the matrix below.

S. No	MTEF Sectors prior to 2008/09	Ministries/department	Sectors (2008/09)	Revised Sectors (2009/10)
1	Agriculture & Rural Development	Regional Development, Agriculture, Livestock & Fisheries Development, Environment & Natural Resources, Cooperative Development and Marketing, Lands	Productive Sector	Agriculture & Rural Development
2	Physical Infrastructure	Local Government, Roads & Public Works, Transport, Water & Irrigation, Energy, Housing	Physical Infrastructure	Physical Infrastructure
3	Health	Health	Health	Human Resource Development
4	Education	Education, Science & Technology	Education	
5	General Economic Services	Labour & Human Resource Development, Trade & Industry, Gender, Sports, Culture and Social Services, Ministry of State for Youth Affairs, Tourism & Wildlife	Manpower and Special Programmes	Trade, Tourism & Industry
6	Public Safety Law & Order	Office of the President, State House, Vice President & Ministry of Home Affairs, Constitutional Affairs, Cabinet Office, State Law Office, Judicial Department, Kenya Anti-Corruption Commission, Ministry for Special Programmes, Ministry of State for Immigration and Registration of Persons, Ministry of State for National Heritage	Governance, Justice, Law & Order (GJLOS)	Governance, Justice, Law & Order (GJLOS)
7	Public Administration	Ministry of State for Public Service, Foreign Affairs & National Development, Finance, East African Community, Public service Commission, Kenya National Audit, National Assembly, Electoral Commission of Kenya	Public Administration	Public Administration

Phases of budget making process (continued)

8	National Security	Ministry of State for Defence, National Security Intelligence Service	National Security	National Security
9	Information, Communication & Technology	Information & Communications, Department of Government Information and Technology (Finance), Central Bureau of Statistics	Information, Communication & Technology	Research Innovation & Technology

Source: Republic of Kenya Budget Outlook Paper (BOPA) various issues

- Resource allocation to sectors based on priorities outlined in Vision 2030 and indeed the first 5 year Medium Term Plan. At this stage the sector reports are subjected to public consultation through public sector hearings that normally takes place in February.
- Ministries within their respective sectors engage in what is known as “resource bidding”, a process of negotiations where trade-offs are made between different activities in a bid to get a share of resources from their respective sector resource envelope/ceiling. Fixing ministerial ceiling is done in line with MTEF and the Treasury Circular (budget instructions)
- After negotiations, the Budget Steering Committee prepares Budget Strategy Paper (BSP) which provides an update of available resources and firm ministerial ceiling and expenditure priorities to be included in the budget which have to be approved by Cabinet.
- The ministries then prepare detailed estimates which are reviewed by Treasury for inclusion in the Printed Estimates. Both the printed Expenditure Estimates and the Revenue Budget constitute the Annual National Budget ready for tabling in Parliament.

Phase 2: Budget Proposal and Approval

- The new constitution under Article 221 stipulates that the Cabinet Secretary for Finance shall submit to the National Assembly the budget (estimates of the revenue and expenditure) of the national government at least two month before the end of each financial year. This is in departure from the past when it was to be constitutionally presented as a motion to parliament on or before 20th June every year.
- The Estimates will be discussed and reviewed by a committee of the National Assembly and consequently make recommendations to the Assembly
- The Constitution, Article 211(5) provides for a public hearing to seek presentation of the public to give their input in the Estimates that are incorporated in the final

- recommendations by the Committee
- Following debate and approval of the estimates by the National Assembly, an Appropriation Bill is developed and introduced in the House for debate and approval to authorize appropriations. Once approved, publishing of Estimates, Appropriation and Finance Act is done
- A vote on account is provided in cases where budget is not approved before the end of the year. It is a provisional approval for the government to spend no more than 50% of money in printed Estimates

Phase 3: Budget Execution

Revenues are raised and apportioned to various implementing ministries and spending agencies

- Budget implementation starts upon provisional approval to spend 50% of the proposed expenditure through a vote on account secured from Parliament by the Minister for Finance. This is accompanied by publication of a provisional collection of Taxes Order Legal Notice that enables the Minister to start collecting taxes and duties.
- Budgetary allocations are disbursed to various spending units through exchequer issues with approval from the Controller of the Budget. This will be done at both the national and county government levels. In addition, the Constitution provides for regular reporting to parliament by the Controller of Budget.
- Upon formal approval of the budget through publication and approval of the Appropriation and the Finance Bills into Acts, the whole budget is effectively authorised. As a result, revenues collected are paid into a Consolidated Fund and the authority to spend through withdrawal from the Consolidated Fund is authorised by Parliament and approved by the Controller of Budget in accordance with approved budget.
- Any planned re-allocations or adjustments of approved budgets are allowed by the approval of the Minister of Finance. However, a revised/supplementary budget has to be prepared and presented to parliament for approval as a way of capturing and legalizing these adjustments. Article 223 of the new Constitution provides for budget adjustments and a limit of not more than 10% of the budget and timing for approval of spending by Parliament should be within two months after the first withdrawal of the money
- At the close of each fiscal year, by 30th June, all the unspent funds are supposed to be surrendered to the Treasury because on 1st July a fresh vote book is opened for the new financial year.

Phase 4: Budget Audit, Monitoring and Evaluation

The Kenya National Audit Office (KENAO) and Parliament consider whether actual spending was in line with the approved budget

- After execution of budget, preparation of accounts and audit of public entities is provided for in Article 226
- Following the implementation of the budget, the Auditor-General under KENAO prepares Government annual accounts and audit report to establish the efficiency and effectiveness in which public resources have been appropriated. This is provided for under article 226 and 229 of the new Constitution.
- The Auditor is mandated to audit all account of Government and state organs and report to the National Assembly within six month after the end of each financial year.
- Upon receipt of an audit report, parliament or county assembly shall debate and consider the report and take appropriate action.



2010/11 MTEF Budget Calendar

Activity	Responsibility	Time Frame/ Deadline
Update Ministerial Strategic Plans	MPND/Ministries/Departments	July - August 2009
Develop and issue MTEF Guidelines	Treasury/MPND	August 2009
Launch of Sector Working Groups (SWGs)	Treasury	August 2009
Undertake Ministerial Public expenditure Reviews	Ministries/departments	September 2009
Capacity building for MTEF and Programme Based Budget	Treasury/MPND	September-October 2009
Develop Budget Outlook Paper (BOPA)	Macro Working Group	September-October 2009
Finalize BOPA and present to Cabinet for approval	Treasury/Macro Working Group	October 2009
Departments in Districts to submit their inputs to relevant Ministry Headquarters	Departments in the Districts	October 2009
Circulate approved BOPA to Accounting Officers	Treasury	By end of October 2009
Issue Circular on Revised Budget	Treasury	Mid November 2009
Submission of initial Sector reports to Treasury	Sector Chairpersons	By end of October 2009
Hold Sector Hearings	Treasury/MPND	December 2009
Submit Final Sector Reports	Sector Working Groups	By Mid January 2010
Publish Final Sector Reports	Treasury	By end of January 2010
Submission of Supplementary Budget Proposals	Line Ministries	7 th January 2010
Review Supplementary Budget Proposals	Treasury	31 st January 2010
Submit Supplementary Budget Proposals to Cabinet	Treasury	1 st Week of February 2010
Submit Supplementary Budget Proposals to Parliament	Treasury	By 28 th February 2010
Prepare the Budget Strategy Paper (BSP)	Macro Working group	By Mid Feb 2010
Submit BSP to Cabinet for approval	Treasury	By End of February 2010
Submit Budget Policy Statement to parliament	Treasury	By 21 st March 2010

2010/11 MTEF Budget Calendar (continued)

Issue Treasury Circular for finalization of 2010/11 - 2012/13 MTEF Estimates and PBB	Treasury	March 2010
Circulate BSP to accounting Officers	Treasury	By End of March 2010
Finalize Ministerial itemized and Programme Based Budgets	Ministries	By 30th April 2010
Review and finalize Ministerial itemized and Programme Based Budgets	Treasury	By 15th May 2010
Submission of Budget Estimates to Cabinet for Approval	Minister for Finance	By 20th May 2010
Publish Ministerial Itemized and Programme Based Budgets	Ministries/Departments	By End of May 2010
Presentation of Budget to Parliament	Minister for Finance	By Mid June 2010

Source: Ministry of Finance Treasury Circular 2009

Exercise 2: Roles of Key Actors In Budget Process

Actors	Phase of Budget Process	Roles

4.1 Purpose

This module is intended to introduce participants to basic budget number crunching in progression to building their capacity to understand and analyse budget from various perspectives/approaches throughout the budget cycle. As much as this module focuses on national level analysis, participants should be aware that this module can largely be replicated to conduct budget analysis at other sub-national levels such as the county and constituency levels.

4.2 Objectives

By the end of this module participants should be able to:

- Understand the format of the government budget and what different parts mean.
- Crunch budget numbers and perform simple calculations using budget documents of revenue and expenditure
- Develop skills to conduct effective budget analysis and other post-budget analysis work

4.3 Module duration: 4 Hours

4.4 Overview of Module Content

- (i) Basic skills for applied budget work.
- (ii) Basic revenue and expenditure analysis
- (iii) Understanding various types of budget work
- (iv) Case studies of Civil Society Organizations involved in Budget work

4.5 Training Materials

- Public Expenditure Review (PER), Republic of Kenya
- Current Printed Estimates of Recurrent and Development Expenditure, Republic of Kenya
- Estimates of Revenue, Republic of Kenya
- Financial Statement, Republic of Kenya
- Current Economic Survey, Republic of Kenya

4.6 Methodology

Session 4.6.1 Basic Skills for Applied Budget Work (100 mins)

- As a way of gauging participants' familiarity with budget documents, introduce this session by asking them to mention budget documents and their source(s) that they have come across as the facilitator notes this down on a flip chart. Circulate **Handout 4.6.1** for reference.
- Divide the participants into groups. Provide each group with budget documents including a set of Estimates of Expenditure and Estimate of Revenue. Task each group with the following questions to test whether they know how to read the budget.
 - What type of budget classification can be identified from the budget documents?
 - How are programmes organized and what is the level of disaggregation?
 - In the presentation of the estimates of expenditure in the budget documents, how many years are indicated and what do you make of it?
 - Is there any other additional information that can be identified and noted from the budget to augment the numbers?
 - What do you understand by the titles votes, sub-votes, approved versus estimates?
 - Find the summary of total amounts voted to all ministries, departments and agencies
 - Find how much money was allocated to the Constituency Development Fund (CDF) in 2009/10 and Local Authority Transfer Fund (LATF) in the same year
 - What is the total allocation to agricultural extension services?
- In the presentation of the estimates of expenditure in the budget documents, how many years are indicated and what do you make of it.
- Conclude this sub-session by summarizing the plenary discussions and circulating **Handout 4.6.2** to each participant for reference.
- As a precursor to applied budget work, introduce participants to basic budget terminologies and calculations that are central to budget analysis work by giving a short power point presentation. Before you start the presentation pose the following questions for the participants to reflect on.
 - How can one tell whether spending in health, education, water, for instance, is sufficient?
 - From the budget document of Estimate of Revenue and Development Expenditure, which sectors are receiving commitment and accorded priority from the Government in consistent with national priorities?
 - What is the expenditure mix between Recurrent vs Development expenditure out of the total budget?
 - What percentage of the total budget is given to road sector, education, agriculture, HIV/AIDS programme and so on.
 - How much spending grows from year to year
 - Is spending by the government increasing or decreasing over the last five years
 - How to assess Budget Flexibility

- o What results can be achieved with spending in terms of improved outcomes in health status, enrollment in primary and secondary education and so on
- Sum the presentation by circulating **Handout 4.6.3** to each participant.
- Consequently, follow up this sub-session by dividing the participants into groups and ask them to do **exercise 3** and report back on their calculations and interpretations thereof. Allow for moderated plenary discussions after each group presentation by clarifying any misrepresentations.

Session 4.6.2 Basic Revenue and Expenditure Analysis (50 mins)

- Start the session by posing some questions that are frequently bundled in public and in the media for self assessment by the participants as a way of getting started with basic revenue and expenditure analysis.
 - o What proportion of Kenyan Budget is financed from local resources?
 - o Kenya Revenue Authority has performed very well in revenue collections since 2003 to date, do you agree with this statement?
 - o How big was the budget relative to the size of the Kenyan economy in 2010?
 - o What proportion of the budget is sourced from donor funds in the recent past?
 - o Has the budget on agriculture been increasing over the last 5 years?
 - o What happens when governments spends more money (expenditure) than the available resources (revenue)?
 - o What are the implications of a budget deficit?
- Using **Handout 4.6.4** and with reference to **Handout 3.6.3** and **exercise 3**, ask the participants in groups to illustrate graphically the composition of ordinary revenue for the specified period of time. In addition use the Estimate of Revenue 2009/10 to calculate composition of various taxes (direct and indirect) and interpretation thereof.
- Expose participants to calculation of the composition of both recurrent and development expenditure, trend analysis and the interpretation thereof again in reference to **Handout 4.6.3** and **exercise 3**. This is preceded by providing an exercise of identifying data from various budget documents and analysis of the identified data. See **Handout 4.6.4** and **Handout 4.6.5**

Session 4.6.3 Understanding Various Types of Budget Work (40 mins)

- Introduce this session by posing the following questions for discussion by participants in two groups.
 - o What types of budget work are being done by civil society?
 - o What are the challenges of doing this work?
 - o How is/can/should civil society budget work be linked to the national priorities?
 - o What projects might be useful and what kind of support might be needed?
- Consequently ask the leaders of the two groups to each present their insights and discussion on the above questions.

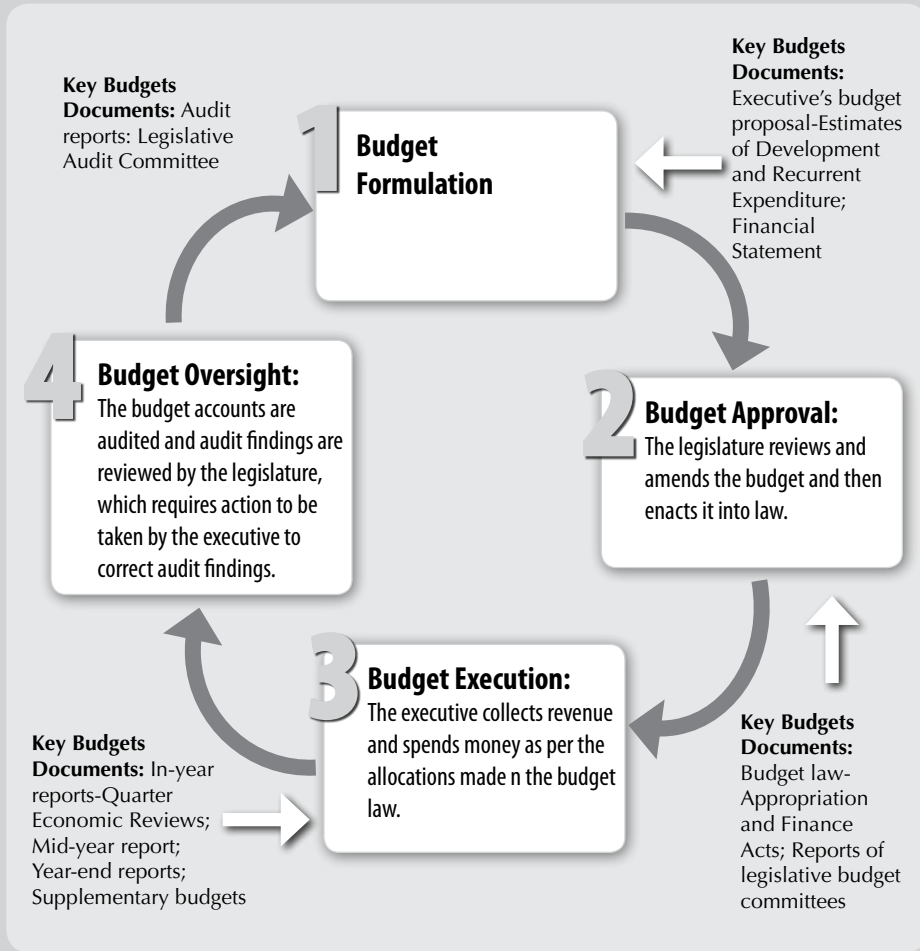
- Consolidate the views of the participants and in turn make a summary presentation of the same and conclude this discussion with **Handout 4.6.6**

Session 4.6.4 Case Studies of Civil Society Organizations Involved In Budget Work (50 mins)

- Ask the participants to read through **Handout 4.6.7** that captures select cases of budget groups and the impact of their applied budget work. Consequently, group the participants into six groups and ask each group to discuss and explain how these cases relate to their context and what lessons they can borrow.



Budget documents produced at each phase of the budget Cycle



Source: Adopted from Ramkumar V. 2008. Our Money, Our Responsibility; A Citizens' Guide to Monitoring Government Expenditures. The International Budget Project



Types of Budgeting and Budget Classification

Line Item Budgeting: This type of budgeting is structured according to “lines” that detail a particular item and its estimated cost. It specifies expenditure ceilings by particular Government Ministry, Department or Agency (MDA) or sub-units for line items (or objects of expenditure) such as personnel emoluments, travel expenses, equipments, etc. It is therefore more input than output oriented.

Example

Vote R31 Ministry of Education . . (Cont'd.) in KShs.							
Recurrent Expenditure Estimates 2009/10 and Projected Estimates for 2010/2011 - 2011/2012							
Heads and Items under which this Vote will be accounted for by the Ministry of Education							
Head	Sub head	Item	Title	Approved Estimates 2008/09	Estimates 2009/10	Projected Estimates	
						2010/2011	2011/2012
844	0061		311 Basic Education				
			844 Directorate of Basic Education				
			0061 Free Primary Education				
		2210500	Printing, Advertising and Information Supplies & Services	7,000,000	4,000,000	5,000,000	6,000,000
		2210700	Training Expenses	9,900,000	9,900,000	11,000,000	13,700,000
		2210800	Hospital supplies and services	12,600,000	20,880,000	23,600,000	249,000,000
		2211000	Specialized Materials and Supplies	2,000,000	2,000,000	2,000,000	2,000,000
		2211100	Office and General Supplies and services	13,500,000	7,700,000	11,000,000	17,000,000
		2211200	Fuel Oil and Lubricants	5,000,000	5,000,000	5,010,000	5,020,000
		2211300	Other operating Expenses	25,000,000	14,000,000	17,000,000	20,000,000
		2220100	Routine Maintenance -vehicle & other transport equipment	5,000,000	5,500,000	6,000,000	6,500,000

Types of Budgeting and Budget Classification

		2220200	Routine Maintenance - Other Assets	4,500,000	3,800,000	3,800,000	3,800,000
		2630100	Current grants to government agencies and other levels of govt.	6,405,961,471	7,207,961,471	7,531,580,000	7,664,612,000
		3111100	Purchase of specialized plant, equipment and machinery	180,000,000	180,000,000	19,000,000	25,000,000
			Net Expend. Sub-head	6,545,886,471	7,334,011,471	7,670,185,000	7,823,947,000

Source: Republic of Kenya 2009/2010 Estimates of Recurrent Expenditure of the GoK for 30th June 2010 Volume II (Votes R18-R31) June 2009

Performance based budgeting: It is based on output and enables analysis of various inputs vs expected outputs. In particular, it bases the budget decision on the relationship between what government did and how much it cost. The performance budgeting divides proposed expenditure into activities within each department and a set of workload measures that relate activity performed to cost. It is overdue for Kenya and the Kenyan budget structure as it does not allow for trade-offs and negotiations

Example

Vote 31: Ministry of Education

A. Vision

To attain a globally competitive quality education, training and research for Kenya's sustainable development

B. Mission

To provide, promote, coordinate quality education, training and research for empowerment of individuals to become caring, competent and responsible citizens who value education as a lifelong process.

C. Context of Budget Intervention

The Budget intervention will finance increased access, equity, quality and relevance of basic, secondary and tertiary education in line with Education for All and Millennium Development Goals.

Types of Budgeting and Budget Classification

The Key priority areas to be funded include the Free Primary Education and others

	Programme Name	Program objective	Program Output	Key Performance Indicators
P.1	Education Policy Planning and Administration	Improve coordination of education policy formulation and implementation	Clear implementation guidelines and programming	Revised policy guidelines and programmes
P.2	Basic Education	To expand access to basic quality education for all children aged 4-13 years and ensure their retention to the last grade	Increase enrolment and completion levels	Gross enrolment rate completion rate
P.3	Adult and continuing Education	Improve and expand ACE so as to benefit out of school youth acquire lifelong education	More facilities providing ACE	Reduction in illiteracy levels
P.4	Secondary and Tertiary Education	Promote transition from primary education and reduce wastage	Well equipped secondary schools with adequate teaching capacity	Increased transition by pupils from primary to secondary level education
P.5	Quality Assurance and standards	Improve quality of education offered to pupils at primary and secondary schools	Revision of curriculum and learning materials	Relevant and updated curricula

Other Budgeting Approaches

Programme Budgeting: This is a resource allocation system and not a management system as performance budgeting was. Attempts to link the programme costs with the results of public programmes. It is concerned with the budgetary choices among competing policies. The budget is classified into programmes rather than along organizational lines. This type of budget is a process that involves making allocations on the basis of inputs vs expected outputs. This way, such a budget has estimates that are based on output unit cost e.g. school funding estimates by cost per student year. Kenya is moving towards this type of budgeting because it links inputs to targets and facilitates monitoring and budgets.

Programme Review and Forward Budgeting: This is based on budgeting for programmes for a period of three years. It is aimed at increasing efficiency in Programmes

Zero-based Budgeting: It involves budgeting without taking into account historical facts. It requires an analysis of alternatives in order to find the most efficient option

Balanced Base Budgeting: This budget sets ceilings for expenditure. It is also output based was introduced in Botswana several years ago.

Budget classification

Classification of expenditure according to Government Financial Statistics framework that was adopted worldwide in 2001 shows three main ways in which expenditure is classified:

- **Administrative/institutional classification** – identifies who spends the money. This indicates which government entity is responsible for spending the funds and ultimately held accountable for the use of the funds
- **Functional classification** – what is money spend on. This indicates the programmatic purpose or objective for which the funds will be used such as in education, health or agriculture and are useful in terms of identifying government priorities.
- **Economic classification** – nature of expenditure. This classification is based on the economic characteristics of transactions on which resources are spent, for instance on wages and salaries, development projects and so on. Example as below:

Source: MTEF Human Resource Decvelopment Sector Report 2010

2.6. Analysis of Original Budget Estimates versus Actual Expenditures

This section provides an analysis of the trends and composition of the Sector's total expenditure in the last five financial years. Specifically, the tables and commentaries below compare original budget estimates to actual recurrent and development and reviews expenditure, both by economic classification and as per the functions of the Ministry.

As shown in Table 2.23 (a) and (b) below, the Education sector was allocated Kshs.95,605.73 million of total government budget during 2006/07 Financial Year as compared to Kshs.86,197.51 in 2005/06 (11 percent growth).

Table 2.23(a): Analysis of Recurrent Expenditure by Economic Classification (Kshs Millions)

Title	2005/06		2006/07		2007/08
	Approved	Actual	Approved	Actual	Approved
EDUCATION					
Compensation of Employees	63,745.34	61,834.45	70,329.12	69,412.67	78,658.91
Use of Goods and Services	2,458.15	2,339.50	2,755.74	2,171.10	2,117.34
Subsidies, Grants and Other Transfers	19,343.33	19,643.67	21,051.34	20,754.00	25,362.85
Acquisition of Non-Financial Assets	671.00	602.38	822.54	776.66	305.02
TOTAL	86,217.83	84,420.00	94,958.75	93,114.43	106,444.12
SCIENCE AND TECHNOLOGY					
Compensation of Employees	1,406.65	1,202.32	1,792.00	1,785.12	2,214.00

Types of Budgeting and Budget Classification

Use of Goods and Services	144.82	113.15	283.00	100.39	405.00
Subsidies, Grants and Other Transfers	445.58	437.59	626.00	548.50	952.00
Acquisition of Non-Financial Assets	36.83	24.45	105.00	57.28	37.00
TOTAL	2,033.88	1,777.51	2,806.00	2,491.30	3,610.00
GRAND TOTAL	88,251.71	86,197.51	97,764.75	95,605.73	110,054.12

This classification seeks to harmonize presentation, accounting and reporting of government budget at international level.

Other additional budget classifications⁷:

- Line item (expenditure by payments for example, salaries, travel, equipment, buildings etc)
- Programme (expenditures according to programmes, considered as a set of activities undertaken to meet the same objectives)
- Territorial (revenues and expenditures by geographical area of impact)

The line item, functional, and administrative classifications are primarily designed for purpose of control, to keep expenditures within the legal bounds enacted in the budget legislation. The economic classification is designed to facilitate analysis of the impact on the macro economy. The programme and territorial classifications are particularly appropriate points of departure for inequality analysis, but in some countries they are not available, or are underdeveloped.

Source: Various-IEA-Kenya and Abantu for Development (2005) Budget Analysis, Monitoring and Impact Assessment from a Gender Perspective: A Training Report for a Workshop , Naivasha-Kenya; Republic of Kenya (2008) Indicative Programme Based Budget 2008/09



Basic Budget Terminologies and Calculations

Calculation A: Converting nominal into real value formulae

Nominal vs Real figures

Budgets figures are presented in nominal amounts. This means that the figures are based on actual monetary value in terms or prices payable during the budget period.

Real terms - are amounts or terms that have been adjusted for inflation over time. When comparing real budget figures, you are looking at changes in what you can purchase with these amounts over time.

Steps to follow when converting nominal budget allocations into real budget allocations

1. Choose a base year
 - This is the year for which you assume there is no inflation
 - The easiest approach is to use the first year for which no data is available
2. Identify inflation rates for the conversion
 - Commonly used inflation rates are either Consumer Price Index(CPI) or Gross Domestic Product (GDP)
3. Calculate a price index and price deflators

The price index is a set of index numbers showing how the average price of a bundle of goods and services has changed over time. See the example below

	2004/05 (Base Year)	2005/06	2006/07
Inflation	9.8	11.6	10.3
CPI	100	$100 + 100 * (11.6/100) = 111.6$	$111.6 + 111.6 * (10.3/100) = 123.1$
Deflator	$100/100 = 1$	$111.6/100 = 1.11$	$123.1/100 = 1.23$

Real value = nominal value/deflator

Calculation B: Share of the total budget

This calculation is used to assess the extent to which government prioritizes issues or the importance it attaches to issues as reflected in the budget. One can use percentages by expressing total spending on education sector as a share of total budget, for instance.

Similarly, one can also express a programme, say spending on Early Childhood Development Education as a share of total budget or spending on a certain issues such as food security.

Calculation C: Trend analysis

In progression from calculation B, this technique enables one to determine if the share allocated to a particular ministry, department or agency are increasing or decreasing over time. This technique can further be applied to any disaggregated level such as a programme or sub-programme. As such, it informs the extent to which government is prioritizing, consistency in prioritization or whether there are shifts

Calculation D: Real growth rate

This calculation is important for interpreting percentage growth of allocation from one year to another. Real growth rate takes inflation into account as the nominal amounts have to firstly be converted into real figures as explained in calculation A. Thereafter, one can use the following formulae to calculate real growth rate.

$$\text{Real growth rate} = \left\{ \frac{\text{Real spending in Year 2} - \text{Real spending in Year 1}}{\text{Real spending in Year 1}} \right\} * 100$$

This formula is important for budget analysis in the sense that it goes the extra mile beyond merely looking at trends but ascertaining whether there has been a real growth in the allocation over time. Such growth implies that government is fulfilling obligations to administer programmes in a progressive manner over the medium term subject to available resources.

Real growth rates can be classified into two, namely, year on year growth and annual averages. Annual average growth rate usual over the medium term (three years) gives a big picture of what is happening in the medium term. The formula is indicate below:

$$\text{Annual average real growth over medium term} = \frac{\text{Real growth rate for Year 1} + \text{real growth rate for Year 2} + \text{real growth rate for Year 3}}{3}$$

Exercise 4:

Basic Budget Analysis

Actual Expenditure Trends for Health & Education Sectors for 2004/05-2007/08 (Kshs. Million)

Items	2004/05	2005/06	2006/07	2007/08
Education sector	81,041.72	92,601.12	102,646.06	123,131.15
Health sector	19,158.35	23,143.42	27,496.22	34,244.00
Total MTEF Sectoral expenditure	256,584.44	311,463.24	349,344.92	559,114.21
Total GoK Recurrent	339,689	368,363	392,958	512,322
Total GoK Development	40,141	62,382	85831	201,666
Total GoK Expenditure outlay	379,830	430,745	478,789	713,998
GDP at market price	1,346,023	1,519,402	1,717,488	1,814,243
GDP deflator	1.148	1.208	1.298	1.358
Population (millions)	34.2	35.1	36.1	37.2
Share in total Gok Expenditure (%)				
Education sector				
Health sector				
Total GoK Development				
Share in GDP (%)				
Education sector				
Health sector				
Total GoK Expenditure outlay				
Converting Nominal into Real				
Education				
Total GoK Expenditure outlay				
Real Growth Rates				
Education				
Total GoK Expenditure outlay				
Per capita expenditure				
Education				
Health				

Source: Various Public Expenditure Review (PER) , Various Ministerial PERs, Printed Estimates, Economic Survey 2008/09



Basic Revenue and Expenditure Analysis

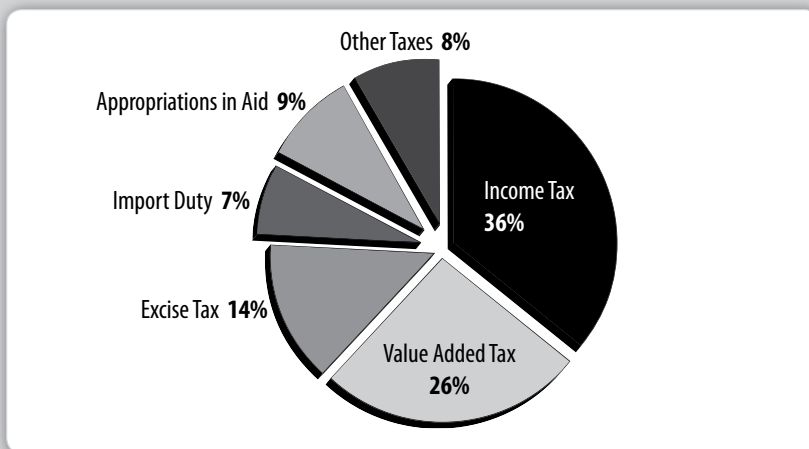
ANNEX I FISCAL RESULTS, 2001/02 – 2008/09 (Kshs. Millions)								
	2001/2002	2002/2003	2003/2004	2004/2005	2005/06	2006/07	2007/08	2008/09*
A. TOTAL REVENUE	196,613	210,750	254,681	289,802	311,251	373,030	432,220	487,892
1. Revenue	175,746	190,591	226,478	265,715	283,427	340,010	396,489	455,779
Income Tax	55,862	66,744	77,410	94,085	108,897	124,855	156,832	184,447
VAT	50,871	56,135	61,725	75,989	76,263	96,270	111,939	126,854
Import Duty	21,584	18,477	22,324	23,532	20,511	27,510	32,944	36,181
Excise Duty	32,077	35,643	40,085	44,151	50,309	56,406	61,858	69,872
Other Revenue	15,552	12,592	24,924	27,948	27,447	34,970	32,916	38,426
2. Appropriation-in-Aid	20,867	20,159	28,203	24,087	27,824	33,020	35,731	32,113
B. EXPENDITURE & NET LENDING	225,760	264,144	282,187	303,373	382,818	419,570	534,842	595,719
1. Recurrent	200,807	220,818	244,476	255,746	306,515	306,847	405,368	435,542
Wages and Salaries	77,638	85,087	95,850	105,812	112,277	127,258	145,996	155,220
Interest Payments	30,384	36,026	29,700	30,470	41,247	42,537	47,877	52,058
Domestic Interest	23,744	27,587	23,281	23,375	31,445	36,880	42,181	45,649
Foreign Interest Due	6,640	8,439	6,419	7,095	9,802	5,657	5,696	6,409
Pensions, etc.	8,995	9,450	13,612	12,568	19,759	20,440	24,069	27,191
Chill Service Refund	1,665	957	973	-	1,300	1,392	800	121
Operations & maintenance/ Others	82,125	89,098	105,041	107,086	131,932	115,211	184,606	200,951
Of which Appropriation-in-Aid	17,733	18,221	23,443	20,990	23,891	28,701	32,343	29,761
2. Development & Net Lending	24,953	43,326	37,711	47,627	47,692	89,354	131,473	160,176
Development Projects	11,727	16,825	25,943	28,824	48,637	62,123	86,213	111,962
Appropriation-in-Aid	14,526	17,894	12,341	18,929	18,697	16,750	42,932	45,842
Payment of guaranteed loans	1,682	1,799	1,388	860	4,000	-	2,328	2,373
3. Drought Development Expenditure	-	-	-	2,000	1,048	1,481	-	-
D. DEFICIT EXCL. GRANTS (Commitment Basis)	(29,147)	(53,394)	(27,506)	(13,571)	(71,567)	(46,540)	(102,622)	(107,826)
E. GRANTS	6,823	14,942	16,224	14,905	20,070	15,494	25,440	27,518
F. DEFICIT INCL. GRANTS (Commitment basis)	(22,324)	(38,452)	(11,282)	1,334	(51,497)	(30,697)	(77,173)	(80,308)
G. ADJUSTMENT TO CASH BASIS	(5,685)	2,683	11,282	5,964	15,630	(5,571)	84,738	(36,712)
H. DEFICIT INCL. GRANTS (cash basis)	(27,409)	(34,769)	-	7,298	(36,467)	(36,269)	7,566	(117,020)
I. FINANCING	27,406	34,779	-	(7,298)	36,467	36,269	(7,566)	117,020
Foreign Financing	(13,314)	(12,143)	(8,809)	(825)	1,216	(2,392)	4,326	41,143
Domestic Financing	40,723	46,922	8,809	(6,673)	35,251	38,661	(13,891)	69,427
Of which Domestic Borrowing	40,723	46,922	8,809	(6,673)	7,009	4,000	-	50,851
Others	-	-	-	-	-	-	-	-

Source: Quarterly Economic and Budgetary Review 4th Quarter 2008/09 pp. Annex I

Ordinary revenue refers to revenue that is raised within the borders of a country and in Kenya this comprises of the taxes and Appropriation-in-Aid as shown in the pie chart above. In Budget 2008/09 the total estimated expenditure was KShs.759.8 billion whereas the ordinary revenue was KShs.512 billion. This means that the total expenditure/budget was financed 67% from local revenues.

From the pie chart above, income tax at 36% is the major contributor of ordinary revenue followed by Value Added Tax at 26% with the import duty at 7% being the least contributor to ordinary revenue.

Composition of Ordinary revenue for 2008/09



Expenditure analysis: In order to understand government priorities or choices, one needs to analyse expenditure. In addition, spending also provides an indication of government’s commitment to implementing different policies. For instance, from the Budget documents one can assess whether the Government of Kenya is on track in meeting the Abuja Declaration that was signed in 2001 of committing 15% of its budget to the health sector or on Free Primary Education and so on. However, for one to analyse expenditure, they have to understand how government expenditure is classified and presented in the Expenditure books as indicated in **Handout 3.6.2**.

The following blank matrices can be used to identify and analyse classification of expenditure shares as a proportion of total expenditure

Table 1: Central Government Economic Analysis of Expenditure 2007/08 & 2008/09

	2007/08		2008/09	
	KShs	Share (%)	KShs	Share (%)
Compensation of Employees				
Use of Goods and Services				
Subsidies				
Domestic Interest				
Foreign Interest				

Basic Revenue and Expenditure Analysis (continued)

.....				
Social benefits				
Public debt redemption				
Total Expenditure				

Table 2: Classification of Government Economic Analysis of Expenditure 2007/08 & 2008/09

	2007/08		2008/09	
	KShs	Share (%)	KShs	Share (%)
Education				
Health				
Economic Affairs				
Defense				
Public Order and safety				
.....				
Housing and community amenities				
Inter-government transfers				
General public service				
Total Outlay				



A Summary of the Estimates of Expenditure 2006/07-2007/08 (Kshs Millions)

Vote Nos	Details of Vote	Recurrent		Development		Total		% Share of Total Expend g2007/08
		Approved Expenditure 2006/07 - (A)	Gross Estimates 2007/08 - (C)	Approved Development Expenditure 2006/07-(B)	Gross Estimates 2007/08 - (D)	Total Expend. (Approved) 2006/07-(A+B)	Gross Estimates 2007/08 (C+D)	
1	Min. of Education	94,858.75	106,444.12	10,492.47	9,350.29	105,351.22	115,794.41	16.69%
2	Min of Roads and Public Works	16,233.02	20,264.21	26,318.46	41,871.51	42,551.48	62,135.72	8.95%
3	Min of Defense	27,540.00	38,909.49	0	0	27,540.00	38,909.49	5.61%
4	Min. of Finance	9,648.79	18,802.69	35,818.51	59,697.62	45,467.30	78,500.31	11.31%
5	Min. of Health	22,334.92	22,745.03	11,029.08	11,608.89	33,364.00	34,353.92	4.95%
6	Min. of state for Provincial Admin. & Int. Security	26,587.13	26,578.81	3,186.75	3,279.20	29,773.88	29,858.01	4.30%
7	Min. of Energy	322.1	327.54	10,231.11	19,529.78	10,553.21	19,857.32	2.86%
8	Min. of Water & Irrigation	3,013.82	3,874.20	8,524.34	11,418.14	11,538.16	15,292.34	2.20%
9	Min. of Local Government	7,336.20	9,965.35	2,419.55	2,735.44	9,755.75	12,700.79	1.83%
10	Min. of Agriculture	6,413.40	7,068.06	5,036.81	5,225.74	11,450.22	12,293.80	1.77%
11	Min. of Transport	3,558.25	4,006.83	7,444.37	4,731.68	11,002.62	8,738.51	1.26%
12	OVP and Min. of Home Affairs	7,580.97	6,867.94	1,326.86	1,695.83	8,907.83	8,563.77	1.23%
13	Min. of Foreign Affairs	6,834.71	7,198.51	735	1,100.00	7,569.71	8,298.51	1.20%

A Summary of the Estimates of Expenditure 2006/07-2007/08
(Kshs Millions) (continued)

14	Electoral Commission	4,878.14	7,322.41	0	0	4,878.14	7,322.41	1.06%
15	National Assembly	4,534.94	6,973.59	0	0	4,534.94	6,973.59	1.00%
16	National Security Intelligence Service	6,025.00	6,820.62	0	0	6,025.00	6,820.62	0.98%
17	Min. of State for Special Programmes	4,306.27	3,093.14	2,540.91	3,419.35	6,847.17	6,512.49	0.94%
18	Min. of Environment & Natural Res.	3,122.68	3,234.43	1,178.71	2,402.96	4,301.39	5,637.39	0.81%
19	Min. of Livestock & Fisheries	3,240.44	3,148.76	1,774.70	1,984.99	5,015.13	5,133.75	0.74%
20	Min. of State for Youth Affairs	2,916.65	2,559.86	1,484.20	1,758.93	4,400.85	4,318.79	0.62%
21	Min. of Planning & National Devt.	1,260.39	1,961.36	1,187.82	2,132.44	2,448.21	4,093.80	0.59%
22	Min. of Information & Comm.	802.41	854.03	2,070.00	3,187.91	2,872.41	4,041.94	0.58%
23	Min. of Science and Technology	2,808.31	3,610.00	100.8	316	2,909.11	3,926.00	0.57%
24	Min. of Gender, Sports, Culture & S. S.	2,116.58	1,877.76	574.34	1,910.29	2,690.92	3,788.05	0.55%

A Summary of the Estimates of Expenditure 2006/07-2007/08
(Kshs Millions) (continued)

25	Min. of Tourism & Wildlife	1,882.64	1,882.32	1,653.73	1,722.69	3,536.37	3,605.01	0.52%
26	Min. of Lands and Settlement	1,885.19	1,473.36	208.89	1,898.50	2,094.08	3,371.86	0.49%
27	Min. of State for Immigration & Registration of Persons	2,522.15	2,306.61	982.51	950.18	3,504.66	3,256.79	0.47%
28	Min. of Housing	1,377.10	1,743.87	615	1,314.00	1,992.10	3,057.87	0.44%
29	Min. of Trade and Industry	3,109.09	2,110.35	775.24	593.29	3,884.33	2,703.64	0.39%
30	Min. of Regional Development Authorities	591.92	659.16	584.91	1,961.00	1,176.82	2,620.16	0.38%
31	Min. of State for Public Service	2,362.48	1,819.84	215	417	2,577.48	2,236.84	0.32%
32	Judicial Department	1,764.33	1,816.80	401.79	405	2,166.11	2,221.80	0.32%
33	Min. of Justice & Constitutional Affairs	737.12	669.56	1,762.63	1,488.70	2,499.75	2,158.26	0.31%
34	Cabinet Office	1,421.09	1,160.46	387.12	288.17	1,808.21	1,448.63	0.21%
35	Min. of Labour & Human Resource Devt.	1,009.73	936.98	259.8	449.8	1,269.53	1,386.78	0.20%
36	Kenya Anti Corruption Commission	1,486.11	1,272.54	0	100	1,486.11	1,372.54	0.20%

A Summary of the Estimates of Expenditure 2006/07-2007/08
(Kshs Millions) (continued)

37	Office of the C&AG	1,120.43	1,236.66	0	0	1,120.43	1,236.66	0.18%
38	Min. of National Heritage	805.9	932.59	536.58	170.72	1,342.47	1,103.31	0.16%
39	Min. of Co-operative Devt. & Mktng	773.56	850.75	188.56	210	962.12	1,060.75	0.15%
40	State House	971.97	808.23	348	194	1,319.97	1,002.23	0.14%
41	The State Law Office	765.1	837.01	147.5	130.8	912.6	967.81	0.14%
42	Min. of East African Community	774.55	420.9	0	0	774.55	420.90	0.06%
43	Public Service Commission	248.28	317.24	0	0	248.28	317.24	0.05%
	Discretionary Expenditure	293,882.58	337,763.99	142,542.03	201,650.82	436,424.61	539,414.81	77.73%
Add Consolidated Fund Services (CFS)								
	(1) Public Debt	116,008.76	128,482.55			116,008.76	128,482.55	18.51%
	(2) Pensions and Gratuities	22,245.00	23,340.81			22,245.00	23,340.81	3.36%
	(3) Salaries, Allowances	751.65	902.39			751.65	902.39	0.13%
	(4) Subscriptions to Int'l Org	133.02	133.02			133.02	133.02	0.02%
	(5) Miscellaneous Debts	1,534.16	1,296.87			1,534.16	1,296.87	0.19%
	TOTAL CFS	140,672.58	154,155.63			140,672.58	154,555.63	22.27%
	TOTAL EXPENDITURE OUTLAYS	434,555.16	491,919.63	142,542.03	201,650.82	577,097.19	693,970.44	100.00%

Source: Republic of Kenya Printed Estimates of Recurrent and Development Expenditure 2006/07



Types of Budget Work

There are a number of ways in which budget work can be carried out depending on what perspective one is interested in. The main types of budget work include budget analysis, budget monitoring and budget tracking.

1. Budget Analysis – this is a thorough and detailed review of the budget. It involves the collection, study and interpretation of budget data, the correlation of budget data to the other information such as government policies and programmes and the establishment of findings and results. (Dionko M.S. 1999, Lav I. 1999). Budget analysis can be used to understand where income comes from, how it is spent and what costs are covered by the budget.

Further budget analysis can be undertaken through a number of angles. For instance:

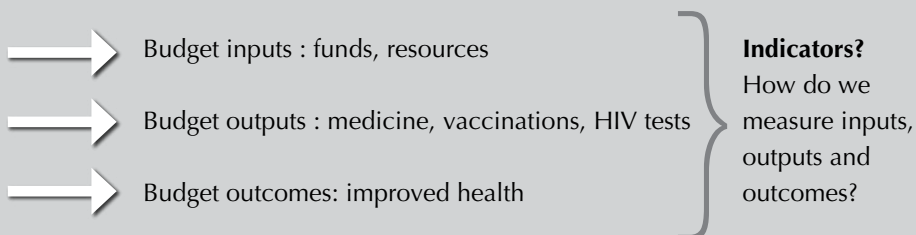
- One can assess whether the budget addresses priority areas as captured in Vision 2030 or other policy documents such as Republic of Kenya Sessional Paper No.1 of 2005 on a Policy Framework for Education, Training and Research by the Ministry of Education, Science and Technology.
- Expenditure analysis, to identify whether it is adequate, and what are the expenditure trends- increasing or decreasing and whether or not it is equitable.
- Moreover the analysis can be carried at the national or sub-national level such as the district level.
- Indeed, some groups may focus analysing the budget in terms of its effect on different population groups such as low-income groups versus the rich, vulnerable and marginalized groups, urban versus rural among others.
- Others may be interested in a specific sector, for instance education, health, or government function
- Yet other groups may be interested in examining the consistency of the budget with economic and social rights, a rights based approach. For instance, whether budget allocations is in conformity with child rights.
- One can also do budget analysis by government programme. For instance, primary education, adults education, primary health care, etc.
- Besides others undertake general economic analysis and carry out revenue analysis.

One of the common uses of budget analysis is to compare the one ministry's budget, say education ministry with other ministries budgets such as defense, agriculture or specifically with related social ministries such as health and water. This kind of comparison is an indicator of the priority or commitment the government is giving to say education vis a vis other ministries.

1.1 Example of Sector Budget Analysis Framework adopted from IDASA Budget Information Service Sector Budget Analysis Unit (Alexandra Vennekens)

Sector Approach: Frame

Policy – **Budget** – Structure and institutions for implementation - service delivery – impact of programme or policy



Sector approach: steps	Sector approach: Example
1. Concern	Lack of personnel in public health clinics
2. Identify relevant sector(s) and sphere(s) of government	Responsible department/sector: Health; Sphere: policy = national, implementation =provincial
3. Analyse relevant socio-economic status/ outcome indicators to verify concern	Analyse personnel indicators, indicators regarding quality of care at clinics and activity levels (number of patients)
4. Look at government's priorities in policy and strategic documentation: is it a budget issues? What is government doing to address the concern?	Policy/strategic documentation: National health strategic framework Provincial and Health Strategic Plans
5. Analyse sector budget(s)	Analyse provincial health budget • Personnel • Sub-programme: community health clinics • District health services programme
6. Interpret budget analysis results in relation to:- national & provincial policy and legislation-output and outcome targets and results (in Strategic plans and Annual reports)	Interpret budget analysis results in relation to, for example, targets set for different types of personnel

Advantages for Sector Approach

- Focus on getting an in-depth understanding of sector policies which enhances meaningful budget analysis and may increase credibility.

- Suitable for monitoring government commitment to policies, strategies and programmes

Limits to sector budget analysis

- Policy –basis of sector analysis may lead to omission of certain rights or services which are important to the poor, that is, assumptions that government policy is ok. Points to the need for collaboration with other approaches
- If not well integrated, sector approach may lead to neglect of importance of intersectoral collaboration in order to deliver services that adequately respond to the needs to the poor.

Other perspectives of Budget analysis

Analysing Budget policies (examining the implications of budgets)

- Analysis of Executive Budget proposals
- Thorough and broad assessment of the budget when it is released by the executive
- Provides information when it is in high demand
- Helps groups identify particularly important areas that require more work later in the budget circle e.g. CCJP/Zambia, EIDT research, Budget Information Service/ Institute for Democracy in South Africa (IDASA) and BIP/IEA-Kenya
- Accounting and auditing firms such as KPMG, Price Waterhouse Coopers (PWC), etc in Kenya

Sector Analysis

- Focuses on an important area or sector of the economy or the government
- Reviews a sector in relation to other sectors, the entire economy or its historic levels of support
- Might include cross-country comparisons or comparisons between the states of a country e.g comparison of provincial education/health/social development budgets in South Africa-BIS/IDASA

Analysis of Effects on Different Population Groups

- Effects on different income groups: examine the spending devoted to programmes and projects that assist the poor
- Effects on a particular group not defined by income: examine the impacts of the budget on a racial or ethnic minority, Gender Responsive Budgeting (GRB)-women, children, the disabled, people living with HIV/AIDS

Budget and economic and social rights

- All economic and social rights cannot be achieved immediately and at once, but they can and should be realized progressively over time
- Examine how to operationalised rights by turning policy rhetoric or legal commitments to certain rights into budget allocations
- Examine if budgets are consistent with rights conventions e.g socio-economic rights in SA and the Grootboom case, 2000

General Economic analysis

- Examine the fiscal and economic assumptions and effects of the budget
- Includes the impact on the government's annual deficit and national debt
- Looks at the effects on inflation, growth, employment, etc
- Analysis of the budget goals and targets: assesses how realistic they are

Revenue analysis

- Assesses the macroeconomic effects of tax cuts
- Examines the distributional effects of the tax system (progressive ↔ regressive)
- Examines whether the tax base is large enough to sustain support for key government programmes
- Addresses the problems related to tax administration

Budget Monitoring - This is a tool that can be used to observe the processes and activities involved in implementing a budget over a certain period of time. Budget monitoring can be conducted at national and sub-national levels. Budget monitoring examines whether funds have been disbursed at a particular point in the system, how regularly and whether spending is in line with approved budget or if there are any leakages/variances.

Budget Tracking - This involves following budget disbursement from spending units through the system down to the beneficiary



Case Studies of Impact of Applied Budget Work

Through case studies, this handout presents experiences of a selection of organizations whose applied budget work through various independent budget analysis initiatives and advocacy work has had an impact on budget processes and budget policies. In addition, these select organizations were also assessed on their contribution to fostering accountability, enhancing budget transparency and deepening participation in the budget process. These case studies will be useful in shedding light to practitioners and organizations working around budget issues (budget groups), who want to learn from successful efforts designed to influence the budget process and budget priorities. This handout heavily borrows from research conducted by Robinson (2006) and IBP's websites www.internationalbudget.org/casestudies.htm

The following organizations have been engaged in budget analysis and budget advocacy work over a period of 5-12 years and at various stages of budget making process but around common core activities centred on information, analysis, advocacy and capacity building. These organizations presented by budget work they do are as follows:

Uganda Debt Network (UDN) – is an NGO that merged out of a coalition working on debt and poverty reduction.

UDN employed expenditure tracking to monitor government budget commitments and implementation in a number of localities, in particular 35 sub-counties in 7 districts. Through the employment of trained community based monitors, UDN in tracking expenditure outcomes identified a number of shortcomings in these localities including: constructions of classrooms was not in line with specifications due to use of low quality materials, lack of drugs in health centres and teacher absenteeism. Consequently, these cases were reported to the local authorities to ensure appropriate action was taken and as a result, substantial savings generated through improved efficiency and reduced corruption.

Besides expenditure tracking, UDN has contributed to budget literacy and awareness not only through training community monitors in budget tracking in districts which it has a presence but also offering training as well to NGOs in budget analysis at the national level. It also produces newsletters with a circulation in excess of 10,000 and provides materials on government budgets for use by radio stations in Uganda. Further, UDN has had contribution towards deepening participation of the legislature and also the involvement of civil society organizations in the budget process through its regular presentations of its budget monitoring works to forums at local and national level

attended by these groups as well as through production of a simple citizen's guide to the budget.

Institute for Democracy in South Africa (IDASA) – is a leading South Africa NGO that established the Budget Information Service in 1995 to coordinate its work on budget analysis with a focus on women, children and HIV/AIDS

IDASA together with organizations advocating for child rights in South Africa used information provided by IDASA Children's Budget Unit on budget analysis to monitor federal budget allocations and programmes designed for children in low-income families to campaign for increased allocation to child support grants. This ongoing monitoring and advocacy work by IDASA and its allies led to increased level of grant commensurate to increase in inflation levels. Besides budget analysis, IDASA produces in-depth studies on gender budgeting designed for a range of policy, academic and activist audiences contributing to budget knowledge and budget advocacy efforts

Developing Initiatives for Social and Human Interaction (DISHA) - is located in the Indian State of Gujarat. It is a social movement representing unions of tribals and labourers which developed budget work in the mid 1990s as means of supporting their claims for land and labour entitlements

DISHA undertook detailed state expenditure analysis in mid 1990s and found out that reduced government spending affected a programme, Tribal Sub-Plan which received 15% of the state government budget designed for social-economic advancement of indigenous people (tribals). As a result of the under-spending, unions affiliated with DISHA organized demonstrations to publicise this information and their efforts saw modest nominal increase in allocations as percentage of total expenditure in the period 1994-1999 as well as better utilization. Further, DISHA developed a method of tracking expenditure allocation in the state budget for use in local council where information on allocations for infrastructure development was passed to elected councilors for verification of physical implementation. If however, there is no evidence of such an infrastructure either under implementation or one that was complete DISHA then wrote to the relevant minister who in turn pressurized the local council to release funds for utilization as budgeted. Indeed, DISHA conducts training for elected local government representative in Gujarat on a large scale which complements its budget tracking work.

DISHA contributed to budget transparency through providing the media and

parliamentarians with summarized reports of a thorough analysis of all the departmental reports in Gujarat. Besides, it provides state legislatures with short summary departmental reports on various aspects of budget policies and implementation to enhance their effective participation during debate and approval of the budget stage.

Institute for Public Finance (IPF) in Croatia - is a publicly funded research organization which analyses a wide range of public expenditure policy issues.

Unlike the above mentioned organization, it engages both tax and expenditure analysis and it does not have face to face engagement with legislators. However, through the information it provides, it has managed to influence political debate on budget priorities as the information through the credibility it has gained as an independent source of budget information. IPF also produces regular newsletters on tax and expenditure issues that have a circulation of 2,000, primarily targeting politicians, government officials and the media. The newsletters go further to explain the significance of the budget to local politicians and activist in Gujarat.

Fundar in Mexico - is an NGO with a broader mandate for promoting human rights and government accountability on the one hand and citizen education and empowerment on the other within a broader project of democratization.

Through its gender budget analysis and lobbying efforts, Fundar managed to achieve a ten-fold increase in the 2003 budgetary allocation for a national programme designed to combat maternal mortality through emergency health care provision. Over time, this translated to reduced maternal mortality rates. Fundar also conducts orientation sessions for legislators on various aspects of the federal budget and provides members of the congressional budget committee with a steady supply of information and analysis as a way of empowering legislators. Further, it also works with local organizations in several southern states in Mexico to strengthen skills in budget analysis and policy advocacy. In regard to contributing to budget transparency efforts, it produces regular quarterly bulletin for a wide range of stakeholders. And publishes government data on its website as resource for use by legislators, the media and civil society actors.

Brazilian Institute for Social and Economic Analysis (IBASE) - is an NGOs with a broader mandate for promoting human rights and government accountability on the one hand and citizen education and empowerment on the other within a broader project of democratization

It focuses on long term public education on budget issues through various training packages including distance learning for the general public and citizen leaders and has contributed to promotion of awareness and strengthening their capacity for budget monitoring in Rio de Janeiro and beyond to other municipalities. Additionally, it had been publishing quarterly Budget and Democracy bulletin over 10 year period from 1991 for dissemination to 1,500 organizations in order to increase the general awareness and understanding of budget issues. It likewise uses its training and information activities for general public and civil leaders in Rio de Janeiro as a way of widening citizen engagement in the budget process

Source: Robinson M. (2006) Budget Analysis and Policy Advocacy: The Role of Non-Governmental Public Action. IDS Working Paper 279. Institute of Development Studies at the University of Sussex Brighton BN1 9RE UK

5.1 Purpose

To help participants understand what budget transparency is, how it is measured and why they should participate in the promotion of budget transparency. In addition, participants should be aware of the various benchmarks that have been developed to measure and assess budget transparency, interpret the results thereof in reference to their country and use the results to develop advocacy strategy if need be. Participants should also be aware of the legal framework in Kenya and whether it articulates budget transparency and the openness of the budget process

5.2 Objective of the Module

By the end of this module, participants should be able to:

- Explain the meaning of budget transparency and how it is measured,
- Be aware of the various benchmarks developed to measure budget transparency,
- Explain why they should be involved in promoting budget transparency,
- Describe relevance of these benchmarks to the context of Kenya budgeting

5.3 Module Duration: 1.5 hours

5.4 Overview of Module

- (i) What budget transparency is and benchmarks used for assessing budget transparency
- (ii) Budgetary controls for enhancing budget transparency and accountability
- (iii) Legal provisions and whether they hinder or advance budget transparency

5.5 Training Materials

- Constitution of Kenya
- Open Budget Surveys produced by the International Budget Partnership
- Public Expenditure and Financial Accountability reports
- Shapiro I (ed) 2001. Assessing the Budget Process and Budget Systems in A Guide to Budget Work for NGOs, the International Budget Partnership

5.6 Methodology

Session 5.6.1 International Benchmarks for measuring budget transparency and accountability (45 mins)

- Ask each participant to explain the following two terms by writing what they understand about these terms on a card and pasting them on the wall:
 - o Budget transparency
 - o Budget accountability
- Take participants through various benchmarks for measuring budget transparency using **Handout 5.6.1** by reviewing the four stages of budget process and the extent to which each stage is transparent in terms of availing budget information to the public, comprehensiveness of the budget information produced at each stage. In addition, assess the interaction and strength of institutions of accountability in the entire budget cycle.

Session 5.6.2 Budgetary controls for enhancing transparency and accountability (45 mins)

- Using **Handout 5.6.2**, review how the budget is controlled by various stakeholders for enhancing transparency and accountability.
- Allow the participants to work in groups in order to discuss the role that civil society can play to enhance budget transparency and accountability.

Session 5.6.3 Legal framework to advance Budget Transparency

- Assign participants homework to research Kenya's new Constitution, other existing laws and policies to assess the extent to which they promote or limit budget transparency. What laws should be formulated to advance budget transparency and accountability?



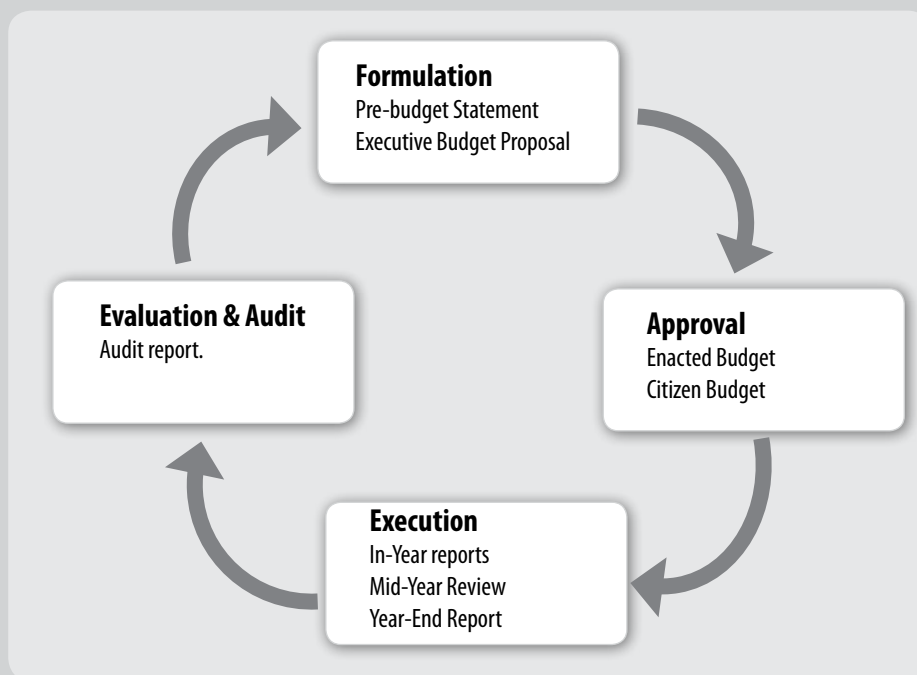
Assessing the budget process and budget systems

How good a country's budget process and budget systems is probably dependent on a number of indicators but it is documented that budget transparency is a significant indicator of how good a budget process and budget system is. However, why is budget transparency so important? The Open Budget Survey 2008 compiled by the International Budget Partnership (IBP) enumerates various studies (Islam 2003, Hameed 2005, Glennerster and Shin 2008) that show that budget transparency impacts positively to good governance and poverty reduction. In addition, research by Jenkins and Goetz (1999), Reinikka and Svensson (2004) and Brautigam (2004) indicate that increased participation in the budget process by civil society promotes transparency and better governance.

From the foregoing, the IBP initiated the Open Budget Survey in 2006 to assist civil society, researchers and journalists to advocate for greater government budget transparency and accountability in their respective countries. The Survey is based on a rigorous questionnaire that reflects generally accepted good practices related to public financial management. Moreover, there are other initiatives to promote good practices in budget transparency including the OECD Best Practices for Budget Transparency, the IMF code of Good practices, the IMF reports on the Observations of Standards and Codes of fiscal transparency (Fiscal ROSCs) and Public Expenditure and Financial Accountability (PEFA) framework developed by a group of donors to assess the overall quality of budget systems.

This manual restricts its expose on international benchmarks for Budget transparency to the content of Open Budget Survey and OECD Best Practices for Budget Transparency. Participants interested in the other aforementioned benchmarks can visit their website. The Open Budget Survey uses an Open Budget Index to score countries from zero to 100, based on a subset of 91 questionnaires. These questions focus on two key issues:

- Public availability of eight key budget documents, with a particular emphasis on the Executives Budget Proposal (see diagram below) and
- On the information they contain



Further, the table compares the eight budget documents that Treasury should produce as per the standards of IBP's open budget index and the one actually produced and availed to the public. The second column indicates equivalent copies which Treasury produces and anything otherwise is stated as so.

How does Kenya fair in terms of availability of key budget documents?

Budget Document	Kenyan Equivalent Document	What it is?
Pre-Budget Statement	Budget Policy Statement	Should be issued at least one month before the executive submits the budget proposal to the legislature. It should present the assumptions used in developing the budget, expected revenue, expenditure and debt levels and broad allocations between sectors
Budget Summary	Budget Speech	Summary of broad policy changes and major tax and expenditure highlights for the ensuing fiscal year

Assessing the budget process and budget systems *(continued)*

Executives Budget Proposal	Appropriations and Finance Bills	It is the result of the formulation stage. It presents the government's detailed declaration of the policies and priorities it wants to pursue in the upcoming budget year, including specific allocation to each ministry and agency. It should be submitted to the legislature at least 3 months prior to the start of the fiscal year to allow for proper review.
Supporting Budget Documents	Estimate of Revenue, Financial statement, Statistical Annex to the Budget Speech	Accompanies the tabling of the Budget Speech containing information on specific sources of revenues, analysis of various economic indicators such as economic growth, inflation and public debt, etc.
Enacted Budget	Appropriation and Finance Acts	The budget should be enacted prior to the start of the fiscal year. It should then be made publicly available, as it is the legal document that authorizes the executive to implement the policy measures the budget contains
Citizen Budget	Not Produced	Since the budget is a lengthy and a technical document, the government should publish a simplified summary of the budget in different languages and through media that are widely accessible to the public
In-Year Reports	Monthly Economic Reviews and Quarter Economic and Budgetary Reviews	These documents are produced during the course of budget execution. The Executive should issue month or quarter In-Year Reports on revenues collected, expenditure made, and debt incurred. These allows citizens to monitor whether the government is spending as much as promised on key sectors as well as whether these funds are reaching the targeted institutions and beneficiaries.
Mid- Year Review	Not available to the public	This report discusses any changes in economic assumptions that affect approved budget policies. For example, an unexpected change in the price of oil and gas can lead to huge revenue windfalls or shortfalls in resource-rich countries
Year-End Report	Not Produced	It summarizes the situation at the end of the fiscal year. The Year-End report should include an update on the progress in achieving the policy goals in the Enacted Budget

Audit Report	Report of the Controller and Auditor General on the Appropriation Accounts	An independent body should report its findings to the legislature as well as to the general public covering all activities undertaken by the executive. The audit report should be issued within 12 months of the end of the fiscal year.
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Source: via www.openbudgetindex.org and Author's generation

Note: all the above documents are produced by the Ministry of Finance with the exception of Report of the Controller and Auditor General on the Appropriation Accounts that is produced by Kenya National Audit Office and the Monthly Economic Reviews that are produced by the Central Bank of Kenya. These documents can be sourced from the Ministry of Finance library and websites, Central Bank of Kenya library and website, Government Printers, public libraries and other from District Documentation Information Centres at the District levels.

Further, a score of 81-100 indicates a given country provides extensive information in its budget documents, a score of 61-80 indicates significant information, 41-60 some information, 21-40 indicates minimal information and zero-20 indicates scant or no information.

Scores according to the extent in which Budget Information is publicly available

OBI 2008 Performance	Number of Countries	Average OBI Score	Countries
Extensive (Score of 81-100)	5	86	France, New Zealand, South Africa, United Kingdom, United States
Significant (Score of 61-80)	12	68	Botswana, Brazil, Czech Republic, Germany, Norway, Peru, Poland, Slovenia, South Korea, Sri Lanka, Sweden
Some (Score of 41-60)	27	51	Argentina, Bangladesh, Bosnia and Herzegovina, Bulgaria, Colombia, Costa Rica, Croatia, Egypt, Georgia, Ghana, Guatemala, India, Indonesia, Jordan, Kenya , Macedonia, Mexico, Namibia, Papua New Guinea, Philippines, Russia, Serbia, Turkey, Uganda, Ukraine, Zambia
Minimal (Score of 21-40)	16	34	Albania, Azerbaijan, Ecuador, El Salvador, Kazakhstan, Lebanon, Malawi, Malaysia, Mongolia, Morocco, Niger, Pakistan, Tanzania, Thailand, Trinidad and Tobago, Venezuela

Scant or no information (Score of 0-20)	25	7	Afghanistan, Algeria, Bolivia, Burkina Faso, Cambodia, Cameroon, Chad, China, Democratic Republic of Congo, Dominican Republic, Equatorial Guinea, Fiji, Honduras, Kyrgyz Republic, Liberia, Nicaragua, Nigeria, Rwanda, Sao Tomé Principe, Saudi Arabia, Senegal, Sudan, Vietnam, Yemen
Overall	85	39	

Source: Adopted from Open Budget Transform Live . The Open Budget Survey 2008 via www.openbudgetindex.org

Since the OBI measures the overall commitment of the countries surveyed to transparency and allows for cross-country comparisons besides reflecting best practices in public financial management, the civil society can use it as a benchmark or yardstick to advocate and lobby for budget systems that are more transparent, accountable and responsive to the needs of the poor and low-income people.

Kenya which scored 57%, up from 48% in OBI 2006 score was ranked among countries that provide “some” budget information as shown in the table above.

Other Budget Transparency Benchmarks: Analytical Tool for National Budget Transparency Developed by OECD Member Countries

- Section 1: looks at the extent of availability to the public of budget documents (list of principal budget reports that government should produce). This is important from the perspective of civil society budget groups that examine at each stage of budget making process whether OECD classification of budget documents is matched by the existing national budget documents in Kenya. Civil society access to key budget documents throughout the budget cycle according to OECD classification of budget documents can be benchmarked to a country specific situation.
- Section 2: Specific disclosures that should be contained in the budget reports
- Section 3: Assessment of the openness of the four phases of budget process, examining both documents that should be available to the public during each of the phases and practices that the executive and legislature can adopt to make the process more inclusionary and accountable

OECD Best Practices for Budget Transparency

Budget Document	Distribution Process	Disclosures and comprehensiveness
<ul style="list-style-type: none"> • The Budget • Pre-budget report • Monthly reports • Mid Year report • Year-end report • Pre-election report • Long term report and • Supporting documents 	Libraries, internet, newspapers, conferences, government printer, Ministry of Finance	Economic assumptions; tax expenditure; financial liabilities and assets; non-financial assets; employee pension obligations and contingent liabilities; narrative and performance monitoring

Adopted from OECD, 2001

OECD Best practices for Budget Transparency – was published in 1999 to encourage OECD countries to release more comprehensive and accurate fiscal data. It was not accompanied by any process or mechanisms to monitor and enforce these processes.

Public Financial Management Performance Measurement Framework Developed by PEFA – this was released by a group of donors in 2005 as a tool to assess the overall quality of budget systems. It includes an indicator on budget transparency.

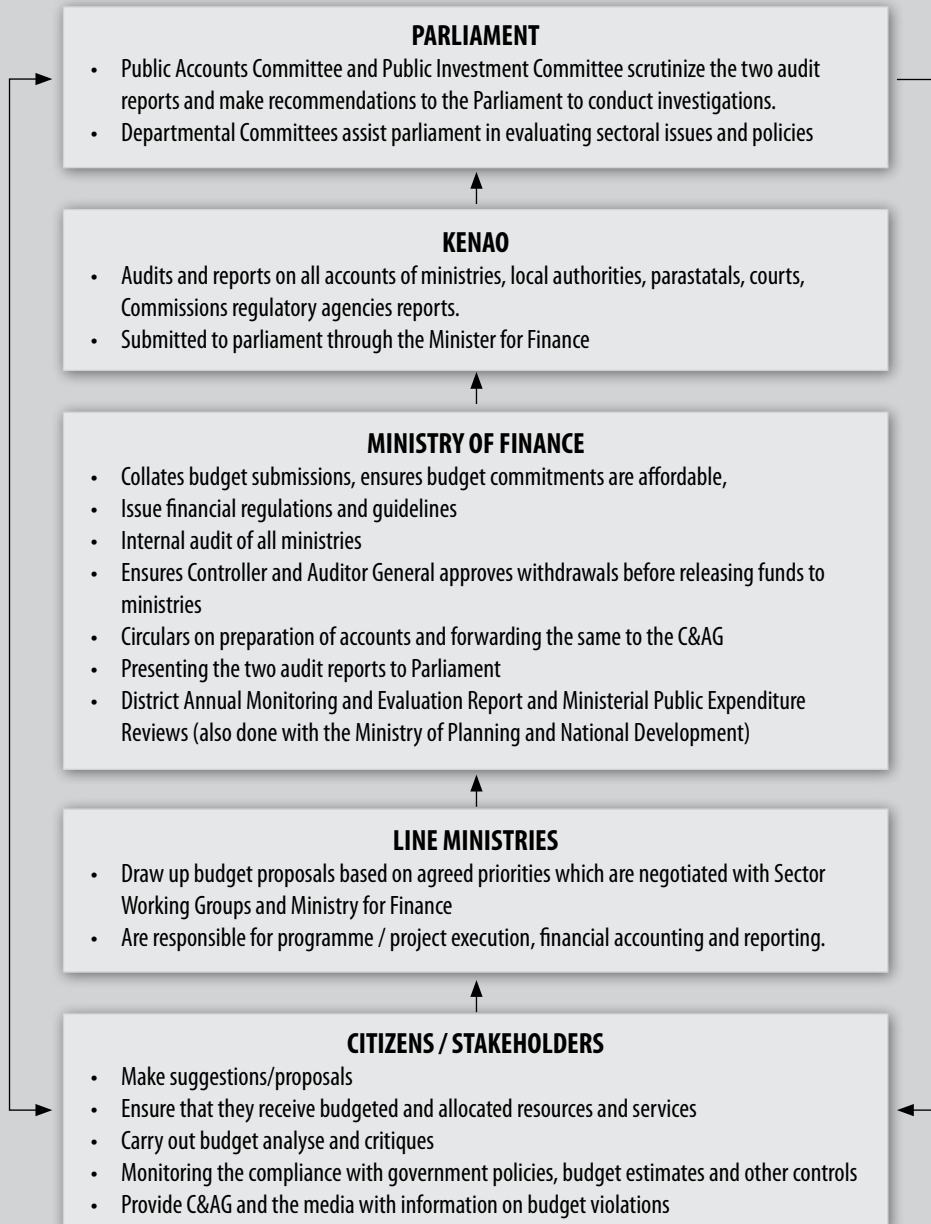
IMF Reports on the observations of standards and Codes on fiscal transparency (also known as Fiscal ROSCs) - are part of a broader surveillance framework meant to encourage fiscal discipline, ensure debt repayment and encourage foreign investment.



Summary of Budgetary Controls

The chart below summarizes the budgetary controls by various agents in the Budget process.

Budgetary Controls



6.1 Purpose

In this module, the participants are treated to the answer of what next after undertaking budget work. This module takes participants through the importance of advocacy and dissemination of budget work to intended target audience. The ultimate goal of budget advocacy and dissemination being to influence decision makers for better budget decisions and changes in budget outcomes that lead to improved well being of the populace.

6.2 Objective of the Module

By the end of this module participants should be able to:

- Have a good understanding of what advocacy and dissemination is
- Understand the importance of developing a budget advocacy strategy and a structured media strategy

6.3 Module Duration: (3 Hours)

6.4 Overview of Module Content

- (i) Understanding the concept of budget advocacy and dissemination
- (ii) How to develop a budget transparency and dissemination strategy

6.5 Training Materials

- MTEF Budget cycle
- International Budget Project Advocacy Materials via www.internationalbudget.org/casestudies.htm
- ProvidaCaseinMexico-<http://www.internationalbudget.org/files/PROVIDACASESTUDY.pdf>
- Overseas Development Institute (2007) Budget Monitoring and Policy Influence Briefing Paper 16

6.6 Methodology

Sessions 6.6.1 Understanding The Concept of Budget Advocacy and Dissemination (50 mins)

- Ask participants to explain their understanding of what advocacy is and some words like lobbying which are used interchangeably with advocacy and thereafter provide with short notes on the definitions and differences (**Handout 6.6.1**).

Session 6.6.2 How To Develop A Budget Transparency and Dissemination Strategy (130 mins)

- Ask participants to brainstorm in groups about the different objectives of advocacy and lobbying strategies with respect to budget work. In addition, participants should explain the importance of a budget advocacy and dissemination strategy
- Explain that timing is very critical when it comes to lobbying with reference to the budget calendar (see **Handout 3.6.3**) for participants to identify primary and secondary audiences at each stage of budget process.
- End this session by asking participants to participate in a role play by presenting a certain scenario and ask them to develop an advocacy and dissemination strategy using **Handout 6.6.2** preceded by reading the **Provida Case in Mexico** and also cross referencing **Handout 4.6.7**



What is advocacy?

Advocacy - is the process of influencing those who make policy decisions, write laws and regulations, and distribute resources that affect people's well being. Advocacy delivers messages intended to influence the thoughts, perspectives and action of people in authority. There are a number of advocacy strategies that are sometimes erroneously used interchangeable with the word advocacy

Lobbying – is building pressure around an issue within a certain system through strategies such as policy analysis and dialogue, negotiations and forming collaborative partnerships

Campaigning – is building public pressure around an issue through strategies such as mass action public forums and media campaigns.

Source: Common Wealth Education Fund (2009) A guide for Civil Society Organizations Working in Education



Advocacy Scenario

Scenario I

You are a non-governmental organization working on health issues including HIV/AIDS matters. You are a member of an umbrella organization that brings together health professionals, CSOs and other People Living with HIV/AIDS organizations who advocate for health as a fundamental human right in Kenya. From your situational analysis you realize that budget allocation over time is not consistent with HIV/AIDS programmes and health policy. Secondly, you also appreciate that the new Constitution of Kenya has now embraced Economic Social and Cultural Rights under the chapter on the Bill of Rights. What advocacy strategy would you develop to address these foregoing issues.

Scenario II

Your organization is a member of various consumer lobby groups including the Consumer Information Network and the newly created Consumer Federation of Kenya. There has been a raging debate in the country about the arbitrary increases in food and fuel prices in Kenya and your organization would like to contribute to the debate from an informed point of view but more importantly push for a reduction in these prices. For the fuel prices, the debate is that tax comprises a significant part, over 40 percent of the final pump fuel price. As an organization that works around budget issues as well, how would you go about this intended action plan?

Further Reading:

Provida Case in Mexico - <http://www.internationalbudget.org/files/PROVIDACASESTUDY.pdf>

Closing Session: Action Plan and Workshop Evaluation

7.1 Purpose

This Session allows the participants to conclude the training course with an overview of what they have learnt and drawing up action plans highlighting the way forward and follow-up activities after the training. The participants should be able to evaluate the course or training workshop through a structured questionnaire.

7.2 Objectives of the Session:

By the end of this Session participants should be able to:

- Discuss what they have learnt
- Prepare an action plan
- Evaluate the training course or workshop
- Participate in the closing of the workshop

7.3 Session Duration: 3 hours

7.4 Overview of Module Content

- (i) Workshop Wrap-up and Action Planning
- (ii) Workshop Evaluation
- (iii) Presentation of Certificates and Workshop Closure

7.5 Training Materials

- Action plan template
- Workshop evaluation questionnaire

7.6 Methodology

Session 7.6.1: Workshop Wrap-up and Action Planning (90 minutes)

- Make a brief presentation on overview of what has been covered, emerging issues and clarifying any issues the participants might have. Review the workshop objectives content,

methodology and outcomes through open discussions. Wrap session by re-visiting the participants' expectations from Module One and discuss how the expectations were fulfilled.

- Solicit from the participants the components of an action plan. Write the response on the flipchart. Conclude the session by reviewing the following components of an action plan.
 - o Problems identified
 - o Causes of the problems
 - o Required interventions
 - o Programmes
 - o Programme objectives
 - o Output
 - o Action by
 - o Collaborators
 - o Time frame
 - o Benchmarks
 - o Expected impact
 - o Estimated budget
- Guide the participants to draw action plans that can be monitored highlighting how they will apply the skills that they have learnt during the workshop and any follow-up activities (**Handout 7.6.1**)
- Let the individual participants prepare an action plan for their own organizations and share or discuss them and the way forward

Session 7.6.2: Workshop Evaluation (60 minutes)

- Compile the continuous evaluations (may be optional) done during the training in form of mood meter, flash evaluation, Evaluation Committee etc
- Using **Handout 7.6.2**, Guide the participants on how to do final evaluation of the training workshop/course. Let the participants fill their individual evaluations using the structured questionnaire with clear ratings or ranking of the various evaluation items. There should be provisions for participants to evaluate the following issues:
 - o Workshop objectives
 - o Content, relevance or usefulness of the training
 - o Course duration and timing
 - o Realization of participant's expectations
 - o Clarity of presentations
 - o Course/workshop methodology
 - o Quality of group discussions
 - o Character of the facilitator(s)
 - o Adequacy of training materials provided
 - o Presentation of inputs

- o Adequacy of training course facilities provided
- o Workshop coordination, organization/ administration
- o Workshop resources
- o Venue/food/accommodation
- o Any other comments
- Remind the participants to be objective as much as possible and let them understand that the purpose of the evaluation is for review and future improvement of the training. Request them also to be constructive in their criticism and propose/recommend ways to improve the course.
- The evaluation results should be analysed by the course coordinators/sponsors/organizers and shared with the facilitators. No matter what comes up in the final evaluation, you should never react as if the critique is directed at you personally. Your role is always to ask the opinions of the participants and permit a variety of ideas to be stated.

Session 7.6.3: Presentation of Certificates and Workshop Closure (30 minutes)

- Circulate a list of participants, facilitators, resource persons and organizers including their contact addresses, photo (if possible) and physical location to all participants, facilitators, resource persons and organizers before the closure of the workshop/course
- Award/present Certificates of Participation to the participants
- Closing Ceremony – observe all protocols. Get an official/guest to make closing remarks.



Components of an Action Plan

- Problems identified
- Causes of the problems
- Required interventions
- Programmes
- Programme objectives
- Output
- Action by
- Collaborators
- Time frame
- Benchmarks
- Expected impact
- Estimated budget



Questionnaire for the Evaluation of the Workshop

Adopted from University of Nairobi (1999); Gichira (2001); KIPPRA (2005); and Mackay (2007).

1. Pre-workshop Information/Preparation

1.1 Did you receive a letter of invitation to this workshop? Yes No

1.2 Did you receive it in good time? Yes No

1.3 What did you do to prepare for the workshop? (Please specify) _____

2. Workshop Facilities and Organization

Tick how you would rate the following facilities and services.

	Excellent	Good	Fair	Poor
Accommodation				
Meals				
Conference Room				
Administrative Services				
Field Trip				
Workshop Resources				
Workshop Organisation				

Comments:

Questionnaire for the Evaluation of the Workshop *(continued)*

Tick all that apply

Session Title	Useful	Not Useful	Relevant	Not Relevant	Need more information	Discard It
Introduction to the Course						
Understanding the Budgeting Process in Kenya						
Participatory Budgeting						
Consolidation and Evaluation of the Course						

3. Time

What is your feeling about the time given for the following tasks?

	Not Enough	Just right	More than enough
Total time for workshop			
Presentations			
Group work			
Field work			
Reporting back sessions			

Comments:

4. Workshop Procedures

4.1 What do you think about the day-to-day planning of the programme by the Steering Committee?

	Very Much	Much	Somewhat	Not at all
Did it contribute to the achievement of workshop objectives?				
Did it contribute to the achievement of your professional needs?				
If you made any suggestions, do you think they were taken into account by the committee?				

Comments:

4.2. In your opinion, to what extent did workshop procedures encourage active participation in learning?

- Completely
- To a great extent
- Somewhat
- Not at all

Comments: _____

Questionnaire for the Evaluation of the Workshop *(continued)*

5. All in all

	Very Well	Well	Somewhat	Not at all
How well did the workshop improve your skills in monitoring and evaluation?				
How well do you think you are now prepared to train others?				

What additional skills and knowledge do you need in monitoring and evaluation?

6. Would you recommend this course to other people? Yes No

If yes, who would you recommend?

If no, explain why

7. In what types of forums should the course be offered?

8. Any other comments?

Preparing the Training Report

After the training course, prepare a final report of the training workshop/course covering a record of what happened during the training. The evaluation information collected through the questionnaires should be analysed, interpreted and used for writing the final report on the course/workshop. This is a useful document that becomes a permanent record of the course/workshop and should be used for planning and improving similar courses/workshops in the future. It is a good idea to divide the parts of the report that need to be written amongst the members of the training team (facilitators). The course leader should put the entire report together and distribute it to the other team members, immediate superiors, headquarters staff and sponsors. This report should include:

- Cover/title page
- Acknowledgments
- Table of Contents
- List of Abbreviations
- Background information
- Training course objectives
- Summary of sessions
- Analysis of training course evaluation
(Views of participants and facilitators)
- Recommendations
- Appendices
 - o Appendix 1: Course programme/timetable
 - o Appendix 2: Opening and closing speeches
 - o Appendix 3: list of participants, facilitators, resource persons and organizers including their contact addresses, photo (if possible) and physical location

Glossary: A-Z About Budgets

Accountability: The obligation on the legislature and the executive to explain and justify their decision about the implementation of the responsibilities conferred on them by the electorate. Fiscal accountability on government to account to parliament the way public funds are collected, managed and spent.

Accounting Officer: The civil servant in a government department who is accountable to the minister and parliament for the financial management. The director general or head of the relevant department normally fulfills this role.

Allocation: Money earmarked for a particular purpose in the budget. For example, the allocation for welfare in the national budget has to be spent on welfare.

Appropriation Act: The Annual Appropriation Act authorizes the withdrawal of money from the national revenue account to be distributed between national government departments as set out in the budget. To date this Act has only contained the main totals for each department, background information to these totals contained in the Estimates of Expenditure (Also known as white books or RP2)

In terms of the Public Finance Management Act of 1999, the Appropriation Bill will in future also contain totals for each programme in a given department. This means that from the 2000/01 financial year the programme as well as the department totals will be regularly binding. See Appropriation Act: Estimate of Expenditure.

Appropriation: The approval by parliament of spending from the national revenue fund, or by the provincial legislative from the provincial revenue account. It refers to the authority conferred under a law by parliament or the provincial legislature on the executive to spend public funds for a specified purpose.

Basic Service: The national minimum standards of service in education, welfare, health care, housing and infrastructure as defined in the constitution, legislation or government policy.

Budget Forum: A consultative forum established to coordinate financial relations between national, provincial and local governments. The budget forum consists of members of the budget council and representatives of organized local government. The budget council was formalized by the intergovernmental fiscal relations Act of 1997.

Budget Review: A readable and accessible summary of the estimates of expenditure. It also includes summary tables and plain English explanations of the policy choices reflected in the budget and some of the thinking behind them.

Capital Account: The balance of payments is divided into two sections: the capital account

and the current account. The capital account deals with capital movements, consisting of short-term capital flows and movements in the country's reserves.

Capital Expenditure/Spending: Spending on the asset that lasts for more than one year is classified as capital expenditure. This includes equipment, land, buildings and legal expenses and other transfer costs associated with property. For capital projects (afforestation, water supply), all associated expenses are considered as capital spending, even wages and transport.

Cash Based Accounting: An accounting system that recognizes transactions and events only when cash is received or paid, not when the transaction is undertaken (as in accrual accounting). Assets are fully accounted for at the time that they are paid for. In such a system, the loss in value of the capital assets (such as hospitals) over time would, for example, not be recorded. The cost of the hospital would simply be recorded at the time of its purchase.

Direct Taxes: Taxes are charged on the taxable income of individuals and legal entities.

Economic Growth: Economic growth refers to the increase in the quantity of goods and services in the country. Economic growth can be measured by changes in Gross Domestic Product.

Economics of Scale: A reduction in the unit cost of a product as a result of increasing quantities produced. Diseconomies of scale refer to the opposite, when unit cost is increased the production is increased. The printing of books is usually a case where economies of scale apply.

Estimate of Expenditure: This document sets out the detailed spending plans of each of the government departments for the coming year. Also known as the 'white book' or RP2. This document serves as background to the Appropriation Act that actually makes these spending plans legally binding.

Macro-economic policy: Broad government policies to ensure economic stability. It includes monetary and fiscal policy, as well as government priorities in allocating resources.

Monetary Policy: A policy determined by the reserve bank to influence the supply and demand for money in the economy. There are a number of approaches to setting goals and defining instruments for monetary policy.

Outcomes: The ultimate impact on the broader society or economy that is pursued by particular programme of the government. for example the improvement of the nation's health or reduction in the rate of crime. In accessing government performance, outputs are defined as the goods or services produced by government agencies (e.g. teaching hours delivered, welfare benefits assessed and paid). Outcomes are defined as the impacts on social, economic, or other indicators arising from the delivery of output (e.g. student learning, social equity). Outcomes often depend on outputs more than on department.

Output Based Budgeting: Results based budgeting, as opposed to budgets reflecting inputs into the goods and services produced by the government, such as line item budgeting.

Outputs: The public services that are provided such as the number of medical operations that are performed, or the number of prisoners that are accommodated in cells.

PAYE (Pay As You Earn): The deduction of income tax from wages at source, i.e. the employer deducts income tax from salaries before they are paid out.

Performance Budgeting: A budgeting system designed to indicate the most efficient method of accomplishing a given objective. Performance budgeting requires that government not only budgets for inputs, but also explains at the same time the planned quantity and quality of public services that will be delivered. Conventional budgeting links financial resources to the inputs that will be bought. The outputs and outcomes of public spending are not quantified, and seldom stated. Performance budgeting is enhanced by a budgeting format that links inputs to outputs. It begins with the objectives or the department or organization and determines which outputs contribute to these objectives. Then the inputs into each activity are examined to see how the inputs link to the outputs and outcomes. This system shows how efficient departments are in reaching their goals, but it does not reflect on whether the goals themselves are appropriate.

Personnel Expenditure: Part of the standardized items classification of the provincial and national government budgets. Personnel expenditure refers to all expenditure relating to conditions of service of employees including salaries, wages, and overtime and employer contribution to pension and medical funds.

Privatization: When state-owned enterprises are sold to private individuals or companies. The enterprise may be sold in full or the government may retain a share in them.

Programme Budgeting: While performance budgeting tries to find the most efficient way of reaching a given policy, goal programme budgeting tries to consider the appropriateness of the policy goals or outcomes themselves. However, the system is not clear on how the policy goals are to be evaluated.

Progressive Tax: A system of taxation that collects proportionately more from the rich than from the poor. South Africa's income tax system is an example of progressive tax.

Regressive Tax: A form of tax where the poor pay proportionately more of the income in tax than the rich, even though the actual amount paid may be the same. Excise duties on cigarettes and alcohol are examples of regressive taxes, because the poor spend a higher proportion of their income on these items than the rich.

Social spending: Spending on programmes that have particular importance to the poor, such as health, education and welfare.

Supplementary Budget: An addendum to the main budget's estimates expenditure and

revenue which includes items that were not added in time for inclusion in the budget estimates.

Transfers: Part of the standardized items classification of the provincial and national government budgets. They refer to money paid over to another person or agency without an equivalent receipt or labor, for example pensions, loans and subsidies. Current transfers include grants-in-aid, financial assistance, pensions and social grants. Capital transfers are to allow the receipts to purchase capital, undertake capital projects or redeem capital debts. They includes loans, purchase of shares and ordinary.

Unauthorized Expenditure: Money that was spent for purposes other than for which it was allocated, or expenditure in excess of what was allocated. Accounting officers became criminally liable for unauthorized expenditure in terms of the public officers.

Value Added Tax (VAT): A tax on the value added (i.e the difference between the cost of production and selling price) of most products. Certain products such as bread, milk and fresh vegetables are exempt from VAT in order to alleviate the tax burden of the poor.

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