development initiatives

March 2017

a summary of Kenya's budget 2017/18 from a pro-poor perspective

factsheet

Overview

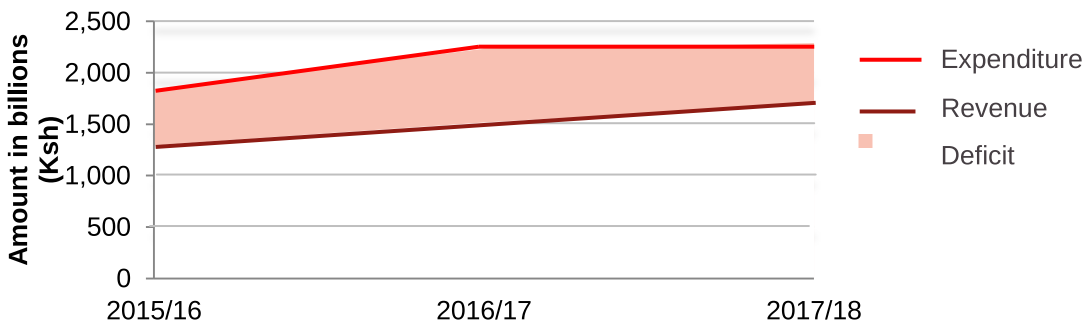
Kenya's budget 2017/18 is an opportunity to address the country's high levels of poverty and inequality. Over 45% of the country's population live below the national poverty line,[1] and the poorest fifth of the population share only 4.8% of the country's income.[2] Kenya also experiences inequalities at the sub-national level. In Turkana County, for example, an individual is 15 times less likely to have access to a secondary education, compared to an individual in Nairobi County. Even within counties, inequality persists. In a ward in Kilifi County, 84.5% of the population live below the poverty line, yet within another ward the figure is 39%.[3]

It's vital that resource allocations are interrogated in order to ensure they address poverty and inequalities.

Here are some of the facts we know so far about Kenya's national budget for 2017/18.

- The government plans to spend Ksh 2.29 trillion. It aims to raise Ksh 1.7 trillion in revenues, while projects grants are expected to increase by 14.3%. The overall budget deficit will amount to Ksh 0.52 billion.
- The country will be in a contractionary fiscal policy phase, as the government plans to reduce fiscal deficit by 21.3% (resulting from a cut in development expenditure and an increase in estimated revenue).
- Development expenditure will amount to 27.9% of the overall estimated budget of Ksh 2.29 trillion; this is less than the minimum 30% threshold provided by law.
- Domestic sources will play a bigger role in 2017/18. They will finance 60.7% of the overall budget deficit and 58.7% of the development expenditure. Moreover, the government plans to increase net domestic borrowing by 12.4% (which is likely to put pressure on the domestic market).
- Pressure to repay loans from commercial financing is greater in fiscal year 2017/18, when foreign repayment will jump by 242%, in line with an earlier IMF warning.

Budgets 2015/16–2017/18: Expenditure, revenue and deficit



Source: DI based on figures in budget documents for financial years 2015/16–2017/18

Redistribution of revenue to the sub-national governments

- National government has allocated more than twice the constitutional requirement (15%) in equitable share to county governments for 2017/18. However, the huge variations in the last audited revenues – the basis for the share – and projected revenues of respective years between 2015/16 and 2017/18 leave the equitable share well below 20%.
- Conditional grants to counties, provided to support implementation of the devolved system, have increased by close to 50% in 2017/18 compared to the previous year. The biggest increase (97.5 % compared to 2016/17) is the Ksh 7.9 billion conditional grant that allows counties to maintain roads.
- Although indicated in budget statements 2015/16 and 2016/17, no disbursement of the Equalization Fund (launched 11 March 2016) has been made so far because the disbursement framework has not been finalised.

Pro-poor budgetary allocations: to sectors that directly target the poor

Health

- Free primary health care: no change in the Ksh 900 million allocations from the previous two financial years.
- Health insurance for the elderly and persons with disabilities: Ksh 300 million is allocated, which is lower than the Health Sector Working Group's recommendation of Ksh 500 million.
- Free maternal health care: no change in the Ksh 4.3 billion allocations as two previous financial years. The conditional grant (now special grant) of Ksh 3.4 billion has been reduced by Ksh 900 million, compared to 2016/17.

Education

- Free primary school education: of the total Ksh 21.8 billion allocated for primary education, 87.5% is earmarked for free primary education – more than the share in total primary education budget in 2016/17.
- Free day secondary school education: a total of total of Ksh 34.7 billion allocated, of which only 3.8% (Ksh 1.3 billion) is earmarked as capital expenditure while the rest is current expenditure.
- School feeding programme: receives an allocation of Ksh 2.5 billion, which also includes resources from donors. This is less than the Ksh 4.5 billion amount requirement.

Share of free primary education, free day secondary education and school feeding programmes in total respective programme and State Department budget

	Share in respective programme budget			Share in State Department budget		
	Free primary education	Free day secondary education	School Health, Nutrition and Meals	Free primary education	Free day secondary education	School Health, Nutrition and Meals
2015/16	80%	96%	7%	27%	49%	2%
2016/17	81%	97%	7%	28%	50%	4%
2017/18	87%	97%	5%	28%	52%	2%
Average share	83%	96%	6%	28%	50%	3%

Source: Budget documents between 2015/16 and 2017/18 and Education Sector Working Group Report 2016.

Note: Free primary education and school health, nutrition and meals fall under the broader 'Primary Education' programme while free day secondary education is under 'Secondary Education' programme.

Social protection

- Ksh 24.2 billion (2% of overall 2017/18 budget) is earmarked for social protection programmes, a 6% increase from the previous financial year.
- National Safety Net Programme will receive Ksh 20 billion for state cash transfers to more than 1 million households with older persons, orphans, vulnerable children and persons with disabilities.
- National Development Fund for persons with disabilities: the fund will be allocated Ksh 400 million – higher than 2016/17 by Ksh 100 million. This is 54% more than what the Medium Term Expenditure Framework recommended for 2017/18.

Drought management

In February 2017, the government declared the current drought as a national emergency. So far, the drought has affected 2.7 million Kenyans (6.8% of the population) living in 23 of the 47 counties.

- Ksh 5.1 billion (three-quarters of the State Department for Special Programmes budget) is earmarked for drought management in 2017/18. This amount is less than that earmarked in 2016/2017 by 11%.
- The Hunger Safety Net Programme that supports 84,600 households in Mandera, Wajir, Marsabit and Turkana counties has been allocated Ksh 3.5 billion in the coming financial year.
- It is difficult to identify the exact amount allocated to 'end drought emergency' from the budget documents, since drought intervention measures are undertaken by various ministries, departments and agencies. Furthermore, there are often off-budgetary allocations and supplementary budget submissions.

The government has allocated more resources to pro-poor sectors in 2017/18 compared to the previous two financial years.[4] However, this is not an indication that allocations are adequate, since some of the programme budget estimates are lower than the required amounts stated in sectoral medium-term expenditure frameworks. What's more, greater allocations do not always amount to acceptable expenditure performance – some sectors have received adverse audit opinion in the latest Auditor General's report (2014/15).

Endnotes

[1] KNBS and SID (2013). Exploring Kenya's Inequality: Pulling apart or pooling together? Abridged Report. (page 10)

[2] Which is lower than Burundi (9%), Tanzania (7.4%), Rwanda (5.2%) and Uganda (5.8). Source: SID (2016). State of East Africa Report: Consolidating Misery? The Political Economy of Inequalities in East Africa. (page 171).

[3] KNBS and SID (2013). Exploring Kenya's Inequality: Pulling apart or pooling together? Abridged Report.

[4] See our analysis: Development Initiatives, Towards pro-poor budgeting: Analysis of Kenya's budget allocations (2016) [Accessible here: http://devinit.org/wp-content/uploads/2016/06/Towards-pro-poor-budgeting-Kenya%E2%80%99s-budget-allocations-Briefing-report-June-2016.pdf]

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