



## **Memorandum on the Budget Review and Outlook Paper 2019**

**To:**

**Dr. Julius Muia**

**Principal Secretary,**

**The National Treasury,**

**Treasury Building, Harambee Avenue,**

**P.O. Box 30007-00100, Nairobi**

*Thursday 24<sup>th</sup> September 2019*

### **About TISA**

The Institute for Social Accountability (TISA) is a civil society organization committed towards the achievement of sound policy and good governance in local development, to uplift livelihoods of, especially, the poor and marginalized in Kenya. TISA has been operational since March 2008, and is a locally registered Trust that has engaged with various relevant state and non-state actors in the quest to promote effective local governance in Kenya

### **Introduction**

The Budget Review and Outlook Paper (BROP) is an annual document that the National Treasury shall prepare and table before the Cabinet not later than 30<sup>th</sup> September of each financial year as provided in section 26 of the Public Finance Management Act. In preparing the Budget Review and Outlook Paper, the National Treasury shall review actual fiscal performance of the previous financial year compared to budget appropriations for that year.

In preparing the Budget Review and Outlook Paper (BROP), the National Treasury is mandated to seek and take into account the views of several stakeholders including the public and any other interested persons or groups. In the exercise of the right to participate in the budget process, The Institute for Social Accountability makes the following submissions to the draft BROP.

Firstly, we commend the National Treasury in providing a budget calendar in the published budget circular. This is a commendable development and will greatly assist stakeholder engagement in the national budget process.

Nonetheless, TISA identifies transparency gaps in the BROP that if not addressed undermine accountability and public participation.

### **Budget Transparency**

Budget Transparency is the extent and ease with which citizens can access information about and provide feedback on government revenues, allocations, and expenditures. Transparency democratizes the budget process and gives citizens a say in policy formulation and resource allocation. It is also a prerequisite for public participation and accountability.

A budget that is not transparent, accessible, and accurate cannot be properly analysed. Its implementation cannot be thoroughly monitored, nor its outcomes evaluated. Transparent budgets require that the information contained in budgets is presented in full as well as in simplified form, and in a timely manner.

Article 10 of the Constitution states that the *national values and principles of governance apply to all State organs, State officers, public officers and all persons and include (c) good governance, integrity, transparency and accountability*. Article 201 on the principle *(a) of openness and accountability including public participation in financial matters*. Article 201 also requires *(e) that fiscal reporting shall be clear*.

### **Transparency Gaps in the BROP and Recommendations**

#### **1. Citizen Budget Review**

The review of budgets is vital as it enables public representatives and officials be accountable for the effectiveness and efficiency of public funds. Government has a responsibility to make budget information accessible to the public and citizen budgets provide a simple way to this.

We recommend the use of a citizen BROP (simplified and visualised BROP) as an annex to the BROP to enable the engagement of a wider array of public stakeholders.

#### **2. Data vs Information**

The BROP presents mainly data and very little information and most of it is too aggregated to address performance issues. We propose that the BROP address the following information gaps through the provision of disaggregated data and relevant policy information.

- Provide explanatory notes on the BROP with respect to the Budget Policy Statement and Budget Appropriation Committee recommendations.
- Provide a schedule of national government projects by economic classification
- Provide a list of Public Private Partnerships (PPPs) providing amount, date, county, funder etc.
- Provide a breakdown of functional spending by economic classification.

- Provide a breakdown of functional spending by national and county government.
  - Provide information on intergovernmental projects such as NAMATA, and the city regeneration initiatives (e.g. Nairobi Regeneration) which benefit from joint funding.
  - Provide information on community investments e.g. community policing, civic education, etc.
  - Provide information on spending by social funds such as NGCDF, women's funds and so forth.
  - Provide information on the actual proposed taxation proposals and amounts anticipated from each.
  - Provide information on inclusion – numbers reached through the preferential procurement (AGPO).
3. The BROP provides inadequate information on the Big Four Agenda. We propose a full chapter on the Big Four that would address; allocations and expenditure thus far, fiscal gap, national vs county spending, intergovernmental institutions, policy gaps.
  4. The BROP should dedicate a full chapter on the Division of Revenue (DOR) given its centrality to service delivery. It would address- DOR policy statements and costing criteria, national priority criteria, emerging conflicts and mitigation, fiscal gap.
  5. The BROP should dedicate a chapter on revenue and taxation; It would include the revenue measures and tax proposals. The BROP glosses over the shrinking income-tax and PAYE which indicates rising formal unemployment due to government borrowing. The BROP should address the reality of the impact of external borrowing and state policy measures on how to deal with burgeoning debt.
  6. The BROP should dedicate a chapter to debt, liabilities, pending bills of both by the national and county government.
  7. The BROP should dedicate a chapter on wages and provide more information on the structure of national and county wages. It should make realistic proposals on planned rationalizations and identify targeted institutions.
  8. Reporting on Conditional Grants. The BROP should report on the performance of conditional grants including socio economic and outcome indicators attained.

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