

A Popular Guide to County Planning and Budgeting

Case of Nairobi City County



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Acronyms and Abbreviations

CBROP	County Budget Review and Outlook Paper
CIC	Commission for the Implementation of the Constitution
CRA	Commission on Revenue Allocation
ECD	Early Childhood Development
FY	Financial Year
IBP	International Budget Partnership
ICT	Information Communication Technology
Kshs.	Kenyan Shillings
LATF	Local Authority Transfer Fund
PFM	Public Finance Management Act
TISA	The Institute for Social Accountability

1. Introduction

Planning and budgeting is a very important aspect of any development process. It is expected that proper planning will enable counties like Nairobi City County to better deliver services such as water and health to their residents. In order to understand the planning and budgeting process at the county level, it is important to first understand the meaning of devolution and the services the County government is expected to provide.

2. What is devolution?

Devolution is changing the way decisions are made and services delivered in Kenya. Think about the services you care about, like health, water, or security. Who decides which services to provide, who pays for these services, and who actually delivers them? The answer to these questions depends on the type of government. In a devolved system, most of these decisions are taken at the local level, most of the services are paid for at the local level, and the responsibility to deliver these services is also with the local government.

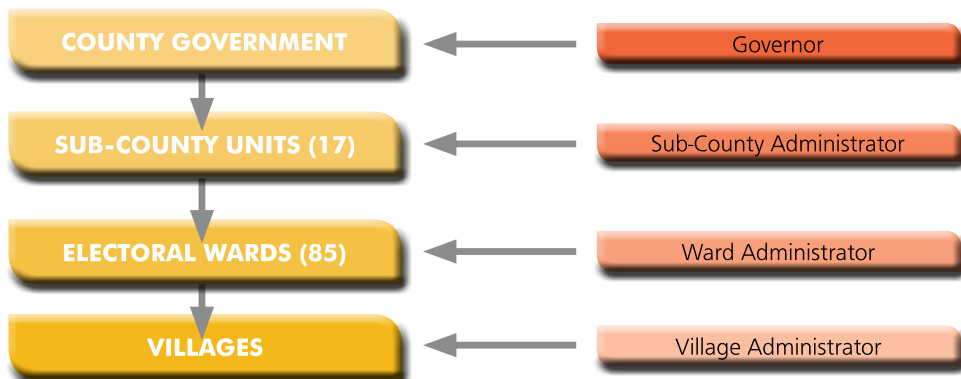
In Kenya's new devolved system, there are two levels of government- the county and the national government. These different governments have distinct responsibilities, but must work together to coordinate policy and provide services (Article 6 of the Constitution of Kenya).

The two levels of government have different roles. The county level is responsible for certain services and the national level is responsible for others. As a citizen, you have new powers under a devolved system, but also new responsibilities. Your power is to elect and provide oversight to both levels of government. You are also entitled to participate in decisions that affect your life, such as providing inputs into government plans. Your responsibility is to understand what the government is doing, and ensure that you participate actively in the decision-making process whenever possible. This is because effective devolution requires citizen participation for it to work properly.

3. Administrative units below the county

Counties are expected to set up administrative structures further below. These are the sub-counties, wards and villages. These structures are known as decentralised units and each is headed by an administrator. Each administrator has a specific role to play. For example, a village administrator is responsible for coordinating, managing and supervising the general administrative functions in the village including ensuring and coordinating the participation of the village unit in governance. **Figure 1** overleaf illustrates the decentralised units in Nairobi City County.

Figure 1: County Government Levels of Decentralisation (Nairobi City County)



The villages in Nairobi include *Deep Sea, Kaptagat* in Westlands, *Gatwekera, Laini Saba* in Kibra, *City carton, Mtumba* in Langata and *Gomongo* in Kasarani among others. Nairobi presently has about 154 villages in total.

Each village shall also have a village Council that will be made up of the village administrator and between 3-5 village elders. The village administrator, in a competitive process will appoint these elders, who will then be approved by the County Assembly.



The role of the village Council will include ensuring and coordinating the participation of the village unit in governance; monitoring the implementation of policies at the village unit and advising the ward administrator and sub-county administrator on matters pertaining to the village. For a person to qualify to be a member of the village Council one must:

- ◆ Be a Kenyan resident,
- ◆ Have been a resident or owner of a property in that particular village for not less than 5 years,
- ◆ Be a person of integrity with no criminal record.

It is important to note that the council of elders will be paid allowances determined by the County Assembly.

Knowing these decentralised units is very important for you as a citizen since you will be able to understand where and how you can participate better in your county matters.

4. Which services do national and county governments provide?

The list of services to be provided by each level of government is described in the Fourth Schedule of the Constitution.

It may be of help to think of areas where national government has most responsibility, and areas where counties have most responsibility. **Table 1** outlines various functions of National and County governments. National government is responsible for setting policy in areas like agriculture, health, education, water, housing and roads. National government is also responsible for most education services, including primary, secondary and university education. As we have mentioned above, national government must provide security and manage the economy, while also continuing to manage and fund large infrastructure projects, like railways, pipelines and national roads.

The counties are responsible for service delivery in many areas. They must run county hospitals and clinics, offer agricultural services, ensure adequate water and sanitation, support housing development and finance and maintain county roads. They also have a role in education, supporting mainly Early Childhood Development and technical training.

There are also areas of clear overlap, such as energy and electricity, where both national and county governments are given a role by the Constitution. The Constitution says that counties should take up these functions within three years from March 2013, but there is continued discussion about exactly when this should happen.

Table 1: **Some Key National and County Responsibilities under the Constitution of Kenya, 2010**

National Responsibilities	County Responsibilities
Policymaking (agriculture, health, education, water, housing, roads)	County health facilities, agricultural services, water and sanitation, housing development
Education (primary, secondary, tertiary)	Early Childhood Development (ECD) and polytechnics
Security	Ensuring community participation in local government
Management of the economy	Markets, licenses and control of pollution
Railways, pipelines, trunk roads	County roads and transport
Both levels are responsible for energy	

6. County budget process

A budget is a spending plan for the year that is based on the priorities identified in the county's development plans mentioned earlier. In general, every budget process is similar. The budget process happens every year and has **four steps**.

- ◆ First, the Executive proposes a spending plan.
- ◆ Second, this proposal is debated and approved by the Legislature.
- ◆ Third, the budget is then implemented by the Executive.
- ◆ Finally, there is a process of review and audit to check to make sure the budget was properly implemented. This is done by the Legislature, the Controller of Budget and the Auditor General as explained under section 9 of this publication.

This happens at both national and county level and the key dates are indicated in **Table 2** overleaf.

Table 2: **Key Dates in the County Budget Process**

Timeline	Activity
August 30th	<p>The County Treasury releases a circular to all departments informing them that the budget process is beginning, so that they prepare their requests for funding.</p> <p>This circular is also important for the public and it should contain some details of how the public can participate in the budget process prior to the tabling of the budget to the County Assembly.</p>
September 1st	Counties prepare and table a County Development Plan to the County Assembly for approval. The plan must be made public within seven days.
September 1st to February 15th	County government departments undertake consultation with the public and other stakeholders. Views from the public should feed into the preparation of the County Budget Review and Outlook paper (CBROP).
January 1st	The Commission on Revenue Allocation (CRA) submits its recommendations for the division of revenue between national and county governments to Parliament, national and county governments.
February 15th	The Division of Revenue and County Allocation of Revenue Bills go to Parliament.
February 28th	Deadline for the County Fiscal Strategy Paper to be tabled in each County Assembly.
March 16th	Deadline for passing the Division of Revenue and County Allocation of Revenue Bills by Parliament.
30th April	The County Executive (the Governor and the people he has appointed to the County Executive Committee) prepares and submits budget estimates (proposed spending plan) to the County assembly for discussion, amendment and approval. The County Assembly can then debate and change the budget proposal anytime between April 30 and June 30.
May	This is the period when the County budget committee is likely to hold public hearings on the budget.
June	A County Finance Bill is tabled in the County Assembly.
June 30th	This is the end of the financial year, and the deadline for the County Appropriations Bill to be passed by the County Assemblies to authorize spending for the new budget year.
October 30th	County governments publish an implementation report on the first quarter of budget implementation (July-September) not more than 30 days after the end of the first quarter. The national government has until November 15th to do the same.

In case there is a city or urban area in your county, it will be treated in one of the following two ways during the budget process;

- ◆ For the cities, like Nairobi or Mombasa, that are city counties, they will simply function as counties.
- ◆ For those cities or urban areas that are within a larger county, they will have a board. The board is required to propose a budget for the urban area and submit it to the County Treasury, which will include it in the county budget submitted to the County Assembly. In this way, an urban area is treated similarly to a department of the county. The board of an urban area is responsible for ensuring that citizens can participate in the development of the urban area's budget before it is approved.

7. What are some of the questions that a resident of Nairobi City County can ask about the county budget?

When county governments table their budgets, it is important for citizens to ask certain questions, to ensure that the budget is in line with citizen priorities. The following are five questions that citizens can ask on the budget when it is released in April.

a) Does the budget follow the approved annual development plan?

Remember that the County Assembly approves an annual plan in September. The budget is supposed to follow this plan by law, meaning that whatever the main priorities in the plan are, these should also be the main priorities in the budget.

b) Does the budget have reasonable estimates of county revenue?

Remember that counties get money mainly from two sources: their own revenues and central government transfers. We can estimate the size of these two sources based on last year's figures, and based on the County Allocation of Revenue Bill (or Act, if it has been passed on time). County's own revenues (from taxes and fees) have been estimated by the Parliamentary Budget Office. By adding the estimates for own revenues to the estimate for the transfer, one can get a sense of how much revenue a county will have.

c) Does the budget have enough money to at least maintain basic services at current levels?

We all want to avoid a situation where counties suddenly cannot provide health or water. This means counties must put at least as much money into these services as they did in the previous year.

d) Are the estimates of economic growth and inflation reasonable?

Budgets everywhere depend on estimating how much it will cost to deliver services in the coming year. They also depend on how much money will be available. These two things are

determined in part by economic growth (more growth means more resources available) and by inflation (higher inflation means higher costs to provide services).

e) How much of the budget is for administrative costs versus core service delivery costs?

Every government has administrative costs. You should worry if your government does not budget for administration or salaries. However, you should also worry if too much money seems to be going to administration. This would be the case if a large proportion of the budget is going to fund the Governor's Office, the County Assembly, and other government buildings. All these require money, but are not as important as delivering health, water and other vital services. When you look at the budgets allocations for health, water and other services, you should also make sure that there are funds for salaries and not only buildings and infrastructure. You should bear in mind that there are government workers who have to run these services and the county has to pay them.

8. Role of political leaders in the budget county process

Under the Constitution of Kenya 2010, Kenyans elect a number of leaders. Each has a different role to play in the government, and particularly in the planning and budgeting process.

a) President.

The President and the Cabinet he or she appoints to manage all national government departments, is responsible for proposing a direction for the country, including national plans and budgets. Once these plans and budgets have been approved by Parliament, the President and Cabinet are responsible for implementing them.

b) Members of Parliament (National Assembly).

The Parliament currently consists of two houses namely; the National Assembly and the Senate. The National Assembly is responsible for debating, amending and approving the national budget every year after the President and the Cabinet presents it. This is the budget for the national government, the Judiciary and Parliament. The MPs also play a role in deciding the total amount of money available for counties, but not how counties spend that money. After the President and the Cabinet have begun to implement national plans and budgets, MPs must also oversee implementation and investigate any misuse of funds.

c) Members of Parliament (Senate).

The Senate represents the counties and is designed to protect their interests within Parliament. Unlike members of the National Assembly, who are elected from constituencies, the Senators are elected from counties. The role of the Senate in the budget process is to make decisions about the total amount of funds that counties receive each year. The Senate is also required to oversee national revenue allocated to county governments.



must approve all spending by government, and if a county government is trying to spend money inappropriately, then the Controller can freeze its accounts. The Controller also reviews spending and issues reports on budget implementation at least every four months. These reports are important for citizens and others to monitor the budget implementation process.

At the end of the year, the Auditor General will audit every county. This is a national institution that checks to make sure that the government is spending money properly and has kept good records of its spending. The Auditor General's findings are also sent to the County Assembly to review. The Assembly is then required to make recommendations for resolving any problems identified in the audit reports.

10. Mechanisms available for citizen participation in the county planning and budget process

Citizen participation is critical in the devolved system, and is a requirement by the law. There are many ways that citizens can participate in planning and budgeting. Some of these are formal mechanisms, while others require creativity on the part of citizens. A County Governor has the responsibility of ensuring citizens participate in the development of policies and plans and the delivery of services. The governor is actually required to give an annual report to the County Assembly on citizen participation.

a) County Budget and Economic Forum

This forum is meant to help citizens participate in the planning and budgeting process in the county (Public Finance Management Act, 2012). The forum is chaired by the Governor, for instance in Nairobi, it would be chaired by His. Excellency Dr. Evans Kidero. The forum consists of other County executive members; representatives from professional bodies, business, women, persons with disabilities and faith-based groups at the County. The forum is supposed to give citizens an opportunity to make their views known during the preparation of all county plans e.g. integrated development plan and budget documents such as The County Fiscal Strategy Paper and the Budget Review and Outlook Paper.



b) County Budget Committee Hearings

The Budget Committee may organize hearings where citizens can discuss their priorities.

This is the main opportunity for citizens to try to influence the final budget before it is approved.

c) Citizen Fora

This is a place where citizens have an opportunity to communicate the ideas they have either on the planning or the budget for their County.

The County government is supposed to ensure these fora are established at the County and the decentralised units namely; the sub-county, ward and village level.



d) County Planning Units

A County is supposed to set up County planning units at all the administrative levels i.e. at the County, Sub-County, Ward and the village, and these planning units are meant to ensure citizens participate meaningfully in the process.

e) County Communication Platform and Strategy

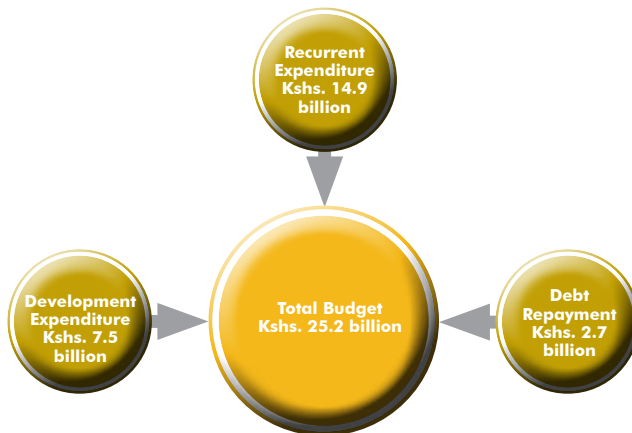
A county government has to ensure that residents in the county get the information they need about their County. The County government can make information accessible to residents either through public meetings or the media, which may include media like television stations; community radio stations and Information Communication Technology Centres (ICTs).

11. Nairobi City County budget: Overall analysis of the FY 2013/14 budget

i) What is my county's Budget?

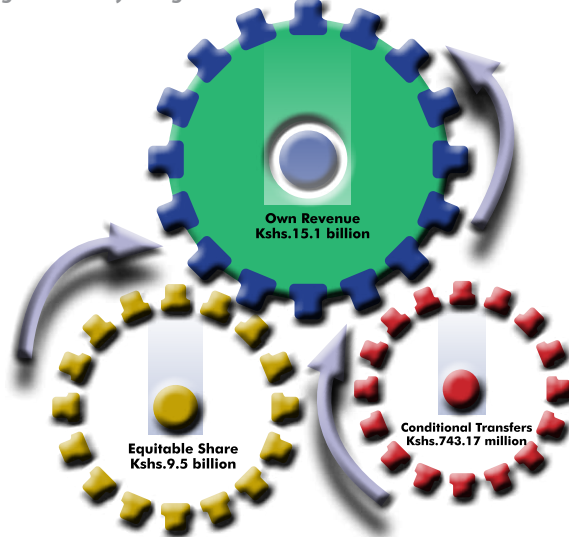
The total general budget of Nairobi City County stands at **Kshs. 25.2 billion** of which, 59 per cent (14.9 billion) is financing recurrent expenditure and 7.5 billion (30 per cent) is Developmental and 2.7 billion (11 per cent) going towards debt repayment as illustrated in **Figure 2**.

Figure 2: Overall Expenditure FY 2013/14



ii) Where is the money coming from?

Figure 3: Financing the County Budget FY 2013/14



As indicated in **Figure 3** above, Nairobi County's FY 2013/14 budget will be largely financed through own revenue raising measures¹ at Kshs. 15.1 billion. To fund the gap between resources that county governments are able to generate through their own revenue raising capabilities, and resources required to carry out the assigned responsibilities as spelled out in the Fourth Schedule, the national government will transfer Kshs. 9.5 billion and Kshs. 743.1 million respectively in the form of the equitable government share and additional transfers in conditional grants.

¹ The county's own revenue raising measures will stem from Rates, Single business permits, Building permits, Car parking fees and other revenue sources

With the aforementioned resource outlay, the budget for FY 2013/14 has a financing surplus of Kshs. 119.1 million

However, last year the county only managed to collect Kshs. 6.8 billion². The 115 per cent jump in revenue may not be realistic given the already existing constraints of revenue collection made even harder with the removal of local authorities³. The county budget has no donor funding or transfers from the LAFT for the financial year 2013/14.



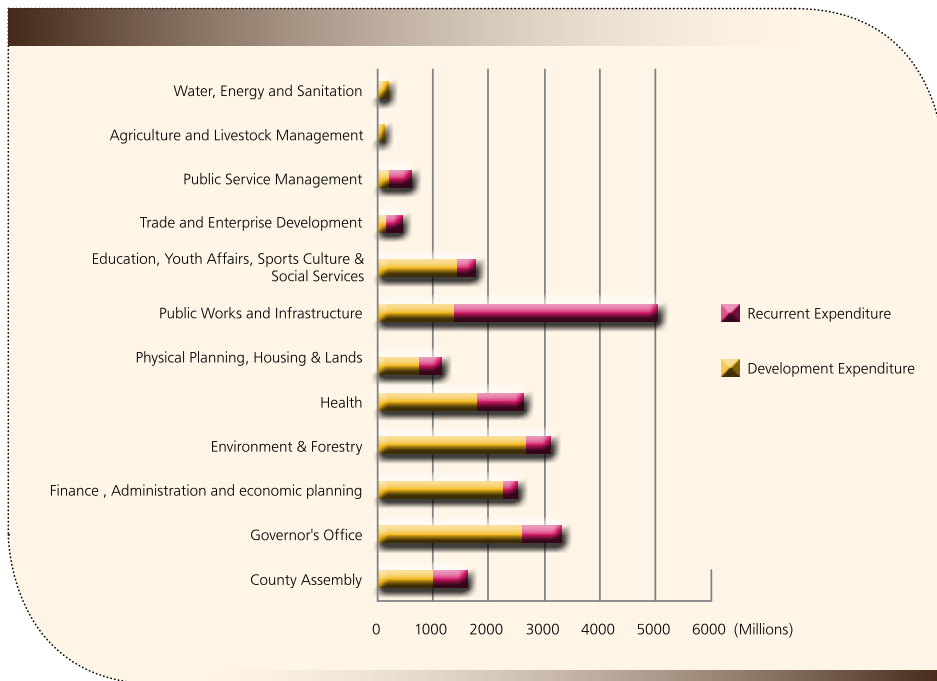
² 2012/2013 PBO report

³ These are estimates based on local authority figures, since counties did not exist last year as a county to collect county revenues.

iii) Where is the money going?

Nairobi county government is structured around the main 11 sectors⁴ of service delivery as indicated in **Figure 4** below⁵.

Figure 4: **Nairobi County Government Structure and Sector Allocations FY 2013/14**



a. Recurrent Expenditure

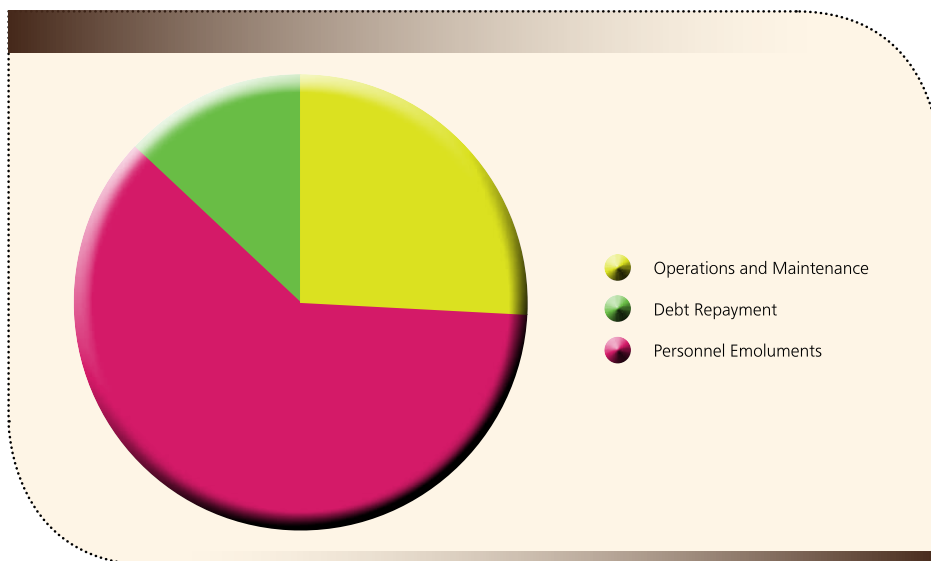
Figure 4 above shows that of the total recurrent expenditure of **Kshs. 14.9 billion**, **Kshs. 10.4 billion** or **69.9 per cent** of the recurrent expenditure is going towards compensation of employees of both the county executive and assembly. Operations and Maintenance⁶ is expected to take **18 per cent (Kshs. 4.5 billion)** while Debt Repayment is equivalent to **11 per cent** of the recurrent budget.

⁴ Governor's Office, Finance and Economic Planning, Environment and Forestry, Health, Physical Planning Housing and Lands, Public Works, Roads and Transport, Education, sports, culture and Social Services, Trade and Enterprise Development, Public Service Management, Agriculture and Livestock Development, Water, Energy and Sanitation.

⁵ Both the Agriculture and Livestock Development sector and the Water, Energy and Sanitation sector have no recurrent spending for the FY 2013/14

⁶ Include items such as travel costs, accommodation, catering services, general office supplies, expenditure on Board, committees, seminars and conferences, purchasing office furniture and fittings, exchanges & other communication equipment, computers, Printers and other IT equipment, maintenance expenses, Constituency office expenses, telephone, telex, facsimile and mobile services, subscription to newspapers, magazines and other publications, laundry expenses and emergency relief.

Figure 5: Nairobi County Recurrent Expenditure FY 2013/14



b. Development Expenditure

Figure 6: Development Expenditure FY 2013/14

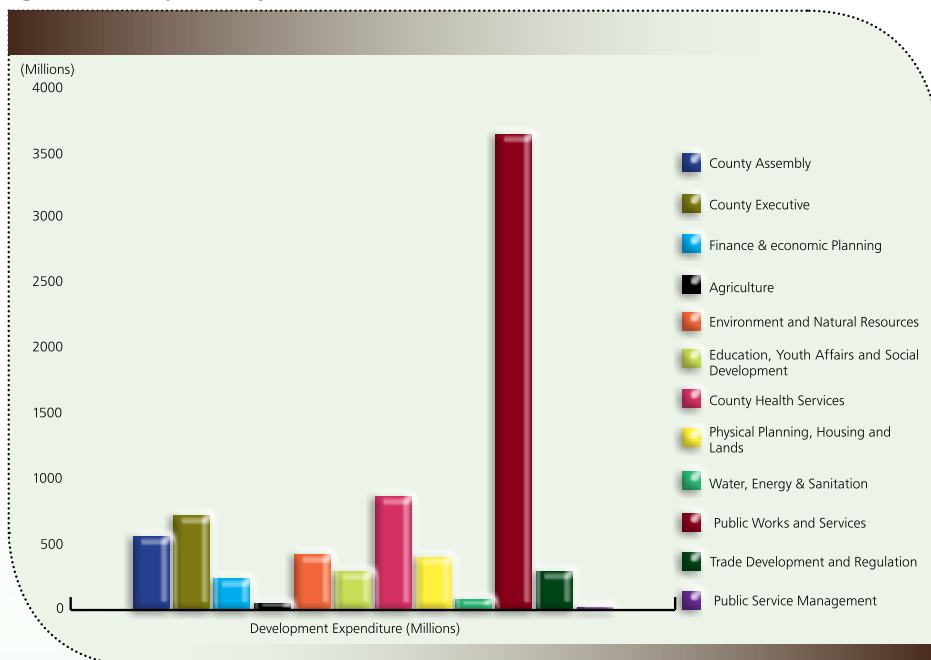


Figure 6 above indicates the development expenditure for the FY 2013/14.

- ◆ Almost half, **Kshs. 3.6 billion**, of the development budget was allocated to **Public Works and Services**. Majority of this is going towards construction of roads including major roads and access roads with an additional Kshs.50 million towards construction of bridges. Almost Kshs. 1.01 billion will go towards overhaul and refurbishment of construction and civil works. Kshs. 50 million has been directed towards purchase of fire fighting vehicles and equipment.
- ◆ **County Health Services** received the second highest allocation of **Kshs. 869.5 million** where majority will go towards civil works including Kshs. 446 million going towards refurbishment of buildings. The department will also purchase medical and dental equipment worth Kshs. 3million.
- ◆ **The County Executive** received **Kshs. 725 million** with Kshs. 300 million going towards the purchasing of software. The County Executive has also directed Kshs. 10 million to the purchasing of police and security equipment.
- ◆ **The County Assembly** received **Kshs. 562 million** with Kshs. 462 million of this to be used on refurbishment of buildings.
- ◆ **The Environment and Forestry Department** intends to spend more than half⁷ of its **Kshs. 427 million** on purchasing vehicles and other transport equipment.
- ◆ **Department of Physical Planning, Housing and Lands** has spread out its **Kshs. 405 million** allocation across conducting research and feasibility studies (Kshs. 280 million), refurbishment of buildings (Kshs. 15million) and purchasing of software (Kshs. 110 million).
- ◆ **The Trade Development and Regulation Department** will spend its **Kshs. 300 million** allocation on the acquisition of land, refurbishment of buildings and construction and civil works⁸.
- ◆ **The Education, Youth Affairs and Social Development Department** of intends to spend its **Kshs. 295 million** allocation on construction, civil works and construction and refurbishment of building⁹.
- ◆ **The Finance and Economic Planning Department** intends to spend some of its **Kshs. 242.5 million** allocation on purchasing motor vehicles (Kshs.100 million), refurbishment of buildings (Kshs.83.5 million) and purchasing of weights and measures and other office equipment (Kshs.17 million).

⁷ Kshs. 272 million

⁸ Kshs. 100 million and Kshs. 60 million respectively

⁹ Kshs. 100 million and Kshs. 60 million respectively

- ◆ **Department of Physical Planning and Development** will spend Kshs. 40million of its Kshs. **85 million** allocation on construction of water supplies and sewages and another Kshs. 40 million on other infrastructure and civil works.
- ◆ **The Agriculture Department** received an allocation of **Kshs. 50 million** on research and feasibility studies.

Table 3: **Key Requirements of the Public Finance Management Act, 2013 and the Constitution of Kenya, 2010.**

Key requirements	Compliance	Comments
The county government's recurrent expenditure shall not exceed the county government's total revenue	Complied	Recurrent Expenditure Kshs. 14.9 billion. County government total revenue Kshs. 25.4 billion
Over the medium term a minimum of thirty percent of the county government's budget shall be allocated to the development expenditure	Complied	Development Expenditure 30% of the county government's budget
County government's expenditure on wages and benefits for its public officers shall not exceed a percentage of the county government's total revenue as prescribed by the County Executive member for finance	Percentage not prescribed	Currently the county is spending 41.4% of the county governments expenditure on compensation of employees of both the county executive and assembly
Every county government shall ensure that its level of debt at any particular time does not exceed a percentage of its annual revenue	Percentage not prescribed	Total debt currently stands at Kshs. 33.9 billion; Kshs. 2.7 billion will be paid out this financial year leaving Kshs. 31.2 billion still outstanding.
Establishment of a County Emergency Fund	Not Complied	All counties should have an emergency fund in their budgets to provide for disasters. This can spend up to 2 per cent of the county revenue. Currently Nairobi City County no emergency fund but propose to transfer the Kshs. 119 million surplus revenue to respond to unforeseen disaster
Submission of the County Fiscal Strategy Paper	Not Complied	For the FY 2013/14 Nairobi City County did not have this plan before the drafted budget
Publishing and publicising the County Fiscal Strategy Paper within seven days after it has been submitted to the county assembly	Not Complied	Public not able to access this information
Submission of the County Budget Review and Outlook Paper	Not Complied	To be submitted by 30th September
Publishing and publicising the County Budget Review and Outlook Paper	Not Complied	To be done 'as soon as practicable' after it has been laid before the County Assembly. This is still under preparation.
Submission of the Integrated Development Plan	Not Complied	For the FY 2013/14 Nairobi City County did not have this plan before the drafted budget
Publishing and Publicising of the Development Integrated Plan	Not Complied	To be done within seven days after its submission to the County Assembly
Issue of circular	Complied	Public not able to access this information
Submission of budget estimates by the 30th April in that year	Complied	Submitted on the 24th of April
Publishing and Publicising of budget estimates	Not Complied	The process is still under review and the revised budgets are not accessible to the public
Explanation of how the budget relates to the fiscal responsibility principles and the financial objectives	Complied	Both the County Executive Member for Finance and the Governor gave highlights on the Nairobi City County Budget
Memorandum by the County Executive Committee member for finance explaining how the resolutions adopted by the county assembly on the budget estimates have been taken into account	Not Complied	This should accompany the budget
The county government budget estimates to be passed by the 30th June in each year.	Not Complied	The Nairobi City County Budget is still under review
Establishment of a forum for consultations for county governments consultative Forum of the County Budget Economic Forum	Not Complied	The County Budget Economic Forum is yet to be established

12. Materials for further reading

For more information about the topics covered in this guide, you can consult the following publications-

- a. *50 Things Every Kenyan Needs to Know About Public Finance Under the Constitution by the Commission for the Implementation of the Constitution (CIC) and the International Budget Partnership (IBP)*, available on <http://internationalbudget.org/wp-content/uploads/CIC-BKLET-Revised-July-2013.pdf>
- b. *Citizen Participation in the budget process; towards linking the budget process to specific needs of the people*, 2013 by Hakijamii
- c. *County Budgets: How Do We know if there is Enough Money to Maintain Key Services? (IBP Budget Brief, No. 19)* available on <http://internationalbudget.org/wp-content/uploads/brief19.pdf>
- d. *County Government Act, 2012*, available on http://kenyalaw.org/kenyalaw/klr_home/
- e. *Public Participation Under Kenya's New Public Finance Management Law and Beyond (Joint Policy Brief on Participation in Kenya's New PFM Law)*, available on <http://internationalbudget.org/wp-content/uploads/PFM-Brief-.pdf>
- f. *The Constitution of Kenya, 2010*, available on <http://www.kenyalaw.org:8181/exist/kenyalex/actview.xql?actid=Const2010>
- g. *Transition to Devolved Government: Keeping the Transition Honest*; by TISA, 2013, available on <http://www.tisa.or.ke/tisa-reports/>
- h. *Urban areas and Cities Act, 2011* available on http://kenyalaw.org/kenyalaw/klr_home/

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