Mainstreaming Social Budgeting into the Budgetary Process in Kenya

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Abstract

This study analyses the current MTEF budgetary process in Kenya with the aim of examining the extent to which it addresses the concerns of the social sector. It reveals that the MTEF budget process is not efficient in meeting the human development needs and requires to be strengthened. For instance, the MTEF process does not adequately target and budget for the social sector needs, or identify with the people at the grassroots. The MTEF process has focused more on achieving macroeconomic targets, emphasising the supply side of the budget. The demand side of the budget, where consumer needs are taken into account, has not been adequately addressed. As such, there is minimal participation of the communities in the budgeting process. One way of strengthening the MTEF budgetary process and mitigate the weaknesses identified is to mainstream social budgeting. Lessons from countries that have mainstreamed social budgeting show that it can help address shortcomings of the current budgeting process in Kenya. Given the dismal performance of some of the social indicators, it would be difficult for Kenya, under the current budgetary process, to meet some of the social commitments, such as those ratified in the international conventions of the rights of children, the MDGs, and those outlined in the Children Act of 2001.

Abbreviations and Acronyms

AIE	-	Authority to Incur Expenditure
ASAL	-	Arid and Semi Arid Lands
BCG	-	Bacilli Calmette Guering
BOPA	-	Budget Outlook Paper
CACC	-	Constituency Aids Control Council
CBF	-	Constituency Bursary Fund
CBO	-	Community Based Organisation
CDF	-	Constituency Development Fund
CSO	-	Civil Society Organisation
DDC	-	District Development Committee
DDO	-	District Development Officer
DDP	-	District Development Plan
DEC	-	District Executive Committee
DFRD	-	District Focus for Rural Development
DPT	-	Diptheria, Pertussis and Tetanus
ERSWEC	-	Economic Recovery Strategy
FBO	-	Faith Based Organisation
FPE	-	Free Primary Education
GDP	-	Gross Domestic Product
GER	-	Gross Enrolment Ratio
GoK	-	Government of Kenya
GPA	-	General Purpose Account
ITNs	-	Insecticide Treated Nets
KEPI	-	Kenya Expanded Programme for Immunisation
KLGRP	-	Kenya Local Government Reform Programme
LA	-	Local Authority
LASDAP	-	Local Authority Service Delivery Action Plan
LATF	-	Local Government Transfer Fund
MDG	-	Millennium Development Goals
MoEST	-	Ministry of Education, Science and Technology
MoH	-	Ministry of Health
MPERS	-	Ministerial Public Expenditure Reviews Medium-
MTEF	-	term Expenditure Framework Macroeconomic
MWG	-	Working Group
NER	-	Net Enrolment Ratio
NGO	-	Non-Governmental Organisation
NRDC	-	National Rural Development Committee Public
PEM	-	Expenditure Management
PER	-	Public Expenditure Review
PMG	-	Paymaster General
PRSP	-	Poverty Reduction Strategy Paper
RA	-	Regional Authority
RMFL	-	Road Maintenance Fuel Levy
SIMBA	-	School Instructional Materials Bank Account
SRDP	-	Special Rural Development Programme
SWAP	-	Sector-Wide Approaches
SWG	-	Sector Working Groups
SWOT	-	Strengths Weaknesses Opportunities and Threats
UPE	-	Universal Primary Education
WHO	-	World Health Organisation
WSSD	-	World Summit for Social Development

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1. Introduction

1.1 Definition of Concepts

A *budget* is a policy instrument that once legislated (in case of a national budget) gives authority to the government to raise revenue, incur debts and effect expenditure in order to achieve certain predetermined goals. As a policy instrument, it enhances governments' service delivery and fulfilment of its functions. Budgeting is a cyclical process that involves formulation, analyses, expenditure tracking and performance monitoring of the budget. The basic budgeting problem has been on what basis to decide how the scarce resources are to be allocated to various activities (Fozzard, 2001).

There are four approaches that could be used to tackle the problem of allocation of scarce resources. The first relies on the comparative advantage of the state in identifying the underlying rationale for public interventions through an analysis of supply and demand conditions for public and private goods. The second approach relies on the prioritisation of alternative applications of public funds by applying the principle of marginal utility using measures of cost-effectiveness. The third option is based upon the recognition of the primacy of the people's expenditure preferences and seeking to develop mechanisms of collective decision-making. Lastly, the problem can be seen as one of resource redistribution in order to address social equity and poverty concerns.

Social budgeting is a process of identifying and mainstreaming spending at the local level by local institutions (e.g. local authorities, CBOs, regional authorities, CACCs and CDF committees) and subsequent use and domestication of information to develop and deliver social services that a community needs. It is a process through which budget as a policy instrument and a tool of development is initiated and sustained by the people themselves. Specifically, social budgeting attempts to safeguard the interests of vulnerable groups, especially children and women, in the budget. This is done through locally-based partnership structures and on principles of community engagement, social inclusion, equality and participation. A *social budget* therefore encompasses social expenditure and income (earmarked to cover social expenditure) of different institutions, as well as the government and (to a lesser extent) the private sector. The outcome of the budget as an effective policy instrument and a tool of development depends on the participatory preparation and spending of available resources. This is the insight that guides social budgeting. Its importance lies in its emphasis on the inclusion and prioritisation of social issues in the budget.

Participatory budgeting refers to the involvement of the citizens' direct choice and decision-making power in determining allocations within a budget. Citizen involvement could be direct and/or through representation at local level and/or civil society engagement. It differs from social budgeting in that it is not limited to social issues, but includes other issues that impact in one way or the other on people's welfare. Participatory budgeting can take different forms of community participation in budget formulation. However, this is done through shared control of budget decisions and resources (Heimans, 2002). In this approach, the government cedes some degree of control as citizens are organised by civil society organisations (CSOs) who act as intermediaries between the people and the government at some levels. Another approach is for the government to consult communities on the content of the budget, using a variety of mechanisms, without giving them formal control over budget resources. This is possible through government-controlled institutions. In each of these approaches, the focus is at the local level, for instance, a district, division, municipality or constituency due to the complexities associated with creating avenues for mass participation at national level.

Participatory budgeting relies on several premises. First, participation by citizens in public expenditure management promises to improve social and economic outcomes while increasing confidence in public institutions. Secondly, participatory budget programmes depend on the effective recognition and engagement of three key domestic stakeholders: the government, civil society and legislatures, such that participatory budgeting is not imposed. Finally, citizen-led participation in budget policy has the potential to improve the effectiveness of nationally driven development strategies such as Poverty Reduction Strategy Papers (PRSPs).

For a long time in Kenya, the budget has focused more on achieving macroeconomic targets. In addition, the budgetary process is practically non-participatory in the sense that most decisions, including prioritisation, are made at the top with little input from the implementers and beneficiaries on the ground. It is important to mainstream social indicators in budgeting so that when targeting inflation, monetary policy and fiscal policy, reduction in mortality levels, increase in net enrolment rates, access to safe drinking water, and reduction in HIV prevalence, among others, are also targeted. This calls for a dual budgeting framework where the macroeconomic framework (supply or growth side) is harmonised and negotiated with the human development and rights framework (i.e. the demand or development side) for an effective and equitable budget. It is, therefore, imperative that planning and budgeting should focus on achieving both macroeconomic and social targets.

1.2 Social Budgeting vs Participatory Budgeting

Social budgeting and participatory budgeting are closely linked. Both ensure community participation on budgetary decision-making at the local level. Both envisage devolved decision-making on budgetary issues and abhor centralised budgeting processes. Whereas social budgeting supports mainstreaming social issues into the budgetary process as prioritised by communities, participatory budgeting strongly advocates people participation in budgetary decision-making, not only for social sector issues, but also for all sectors and as prioritised by communities. In both processes, the government has to cede some degree of control by allowing the people to make expenditure decisions based on how they want to develop upon prioritised activities. In addition, both budgetary approaches focus on the enhancement of human development. Both are processes to achieve reduction in poverty, people empowerment, social equity, confidence in public institutions and a more effective and efficient budget policy formulation and delivery system.

1.3 Objectives of the Study

The main purpose of this study is to analyse the budgetary process in Kenya with respect to social budgeting and people involvement. Specifically, the objectives of the study are to examine the budgetary process as practised at local level and its linkage to the national budget; assess the extent to which social issues have been mainstreamed into the budgetary process and the extent of participation in the process; examine and compare budgetary allocations to the social sector at district and national levels with outcomes/output in these sectors; and analyse institutional capacity at district level and fiscal decentralisation with a view to linking them to the budget process.

1.4 Rationale for Social Budgeting

The rationale for social budgeting in Kenya is anchored on three facets: the government and global goals on social provision as spelt out in the Economic Recovery Strategy (ERS) and United Nations (UN) Millenium Develpment Goals (MDGs); international conventions, most of which Kenya is a signatory; and, the human rights approach to development. The ERS equity and socio-economic agenda is basically aimed at narrowing the inequality gap by creating opportunities for employment and providing access to social services for as many people as possible (Government of Kenya, 2003). On the other hand, the MDGs address social issues and strive to improve the welfare of the world's poor by the year 2015. Among the areas earmarked for improvement of social provision are education and healthcare services. Most social services are public goods and their benefits are not always quantifiable. However, they improve the welfare and living standards of the entire population and not necessarily of the individual beneficiaries. Furthermore, public resources available for social provision have to contend with competing needs from various groups. Some social groups are more vulnerable than others and require deliberate efforts or targeting to improve well-being.

Kenya ascribes to international conventions, some of which call for concerted efforts to ensure that children are protected and given access to social services, especially education and healthcare. In 1924, the League of Nations adopted the Geneva Declaration of the Rights of the Child, drafted by the International Union for Child Welfare (Bellamy, 2004). The Declaration established children's rights to the means for: material, moral and spiritual development; special help when hungry, sick, disabled or orphaned; first call on relief when in distress; freedom from economic exploitation; and an upbringing that instils a sense of social responsibility. In 1948, the UN General Assembly passed the Universal Declaration of Human Rights, whose article 25 entitles children to special care and assistance. The UN General Assembly has also adopted the Declaration of the Rights of the Child, which recognises rights such as freedom from discrimination and the right to a name and a nationality. It also specifically enshrines children's rights to education, healthcare and special protection. More recently, in 2002, the UN General Assembly held a Special Session on Children for the first time to specifically discuss children's issues. World leaders committed themselves to building 'a world fit for children'. They reaffirmed that the family holds the primary responsibility for the protection, upbringing and development of children and is entitled to receive comprehensive protection and support. The role of social budgeting in this regard is to ensure that public budgets deliberately allocate resources to improve the well-being and protection of children and especially the disabled, those in worst forms of labour, orphans and those from households that live well below the poverty line.

The human rights approach to development appears to be a refined form of the human development approach. Economic growth does not guarantee development as it fails to redistribute income to the poor. However, when economic growth is tied to human development, sustainability is maintained; for instance, available literature shows that countries such as Egypt, Mexico and Brazil had achieved high levels of growth, but they did little to promote human development and hence were unable to sustain this growth (Johnson, 2003). Countries such as Tanzania had achieved high levels of human development but they failed to grow economically, resulting in breakdown of social service provision. However, countries that combined investment in human development through public services and investment in production, as in Japan, Malaysia and South Korea, were able to achieve both high levels of economic growth and accelerated human development (Johnson, 2003).

UNDP has defined human development to comprise capability to be well nourished and healthy, capability for healthy reproduction, and capability to be educated and knowledgeable (Johnson, 2003). Human development approaches go beyond the basic needs approaches by focusing on enlarging peoples' choices (i.e., the poor should also be seen as drivers of their own development rather than simply beneficiaries of transfers).

From the foregoing, the human development approach focuses more on social and economic development as an outcome of development efforts. The human rights approach to development, while anchored on similar principles like human development approaches, places more emphasis on the duties and obligations, and focuses more on accountability and the process. Human rights approach recognises that those whose development is at stake must achieve human rights. Human rights approach focus on accountability and identifying the duty-bearers, whose capacities to meet their responsibilities must be strengthened. In view of this, and recognising that outcomes are as important as the process of achieving them, the social budgeting mechanism provides an avenue of evaluating the process and to ensure the rights of all.

1.5 Methodology

This report provides experiences and documents the status of social indicators based on discussions and social budgeting workshops carried out in Isiolo, Kwale and Turkana districts of Kenya. Secondary data was collected and analysed to inform the recent trends in social indicators and allocations, while qualitative primary data was availed during workshops and personal interactions with district departmental heads, representatives of local development committees, CBOs and NGOs. Group discussions were used to provide insight into the social environment at the districts. Triangulation was used to validate information gathered from different groups. This necessitated further group discussions and personal interactions with social and macroeconomic experts at parent ministries with a view to understanding how funds are disbursed to the districts and the processes involved.

In the process of compiling data for 1999-2004, data gaps were encountered, which led to the use of different sources even for the same social indicator. Despite the importance of data in planning, districts did not have any systematic and comprehensive databanks, thereby compounding the problem of data gaps. Finally, complete financial data, and especially on resources going to the districts from the parent ministries and/or development partners werehard to come by. However, attempts have been made to close data gaps as much as possible. In view of this, certain sections of this report have relied on few data points and/or data based on the 1989 and 1999 national census with the apparent implication of missing the current trend and/or not computing the expected indicator. Furthermore, data on children and women protection was not available by the time of compiling this report.

1.6 Conceptual Framework for Social Budgeting

One of the main responsibilities of governments is to provide social services. Social services are public goods whose benefits are external to an individual. In their provision, therefore, some minimum threshold is usually set so that each individual enjoys some level of benefits. Some of these minimum thresholds have been set up as rights to individuals.

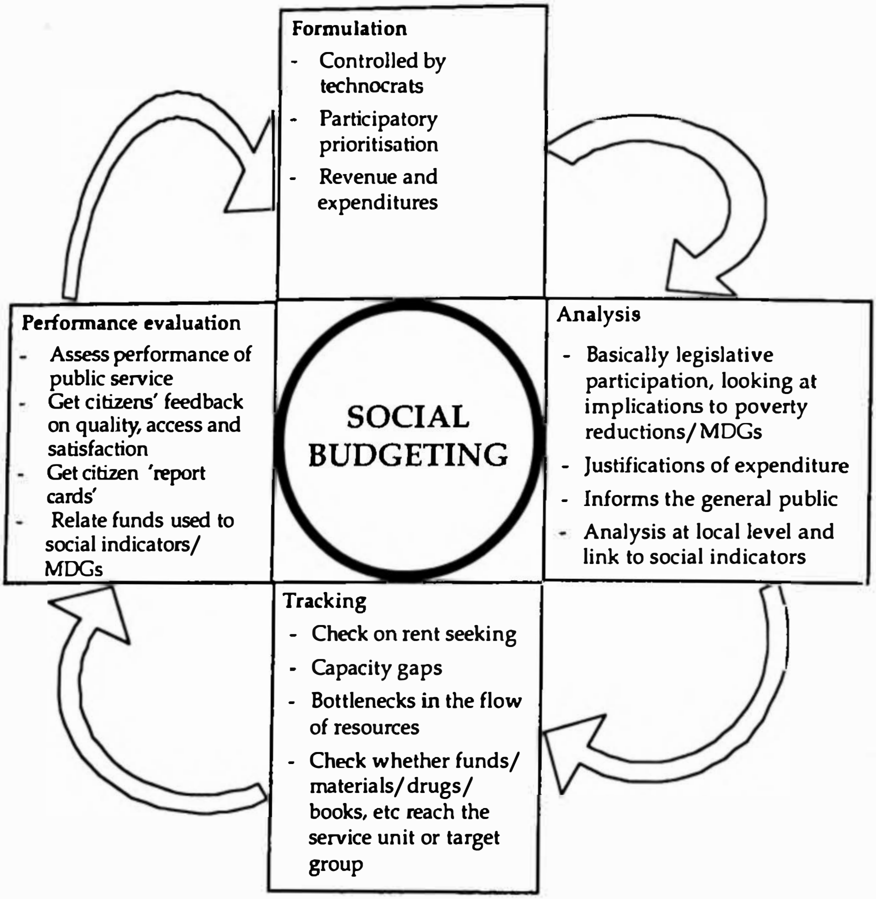
Social budgeting is meant to facilitate the attainment by individuals of at least the set minimum thresholds of social services. However, this does not limit individuals with the ability to enjoy more benefits from the social services as long as they are able to individually contribute additional financial resources or otherwise for the extra benefit that is over and above the minimum thresholds. Social provision by governments does not therefore infringe upon personal initiatives aimed at going beyond the minimum threshold in a manner that best suits the individual.

The chart below (Chart 1) shows the basic steps in a social budgeting process. Four basic steps, which are participatory in nature, are essentially involved – formulation, analysis, tracking and evaluation. The process begins by recognising revealed preferences of economically rational citizens through a process of participation and consultations at the community level. Participation ensures that development needs, which include social needs, have been considered and budgeted for. Social budgeting therefore recognises and focuses on human needs and ensures that people's rights to basic social services are considered and budgeted for. However, this realisation can only be brought on board through a process of budget negotiation and harmonisation.

The negotiation and harmonisation framework is necessary because most countries peg their budgets mainly on macroeconomic fundamentals; for example inflation, economic growth, exchange rate, fiscal deficit, public debt, unemployment, etc. This framework determines the resource outlays but largely ignores the human development needs. The process of negotiation is supposed, therefore, to equilibrate a dual budgeting process, which brings together the macroeconomic framework (supply side) and the human development needs framework (demand side). The stakeholders in the negotiations can then be brought to the realisation that provision of social services benefits everyone due to the nature of their externalities. Progress in their provision facilitates progress in all the other sectors. With this realisation, an opportunity is created whereby some sectors may also want to contribute more resources to the social sector. The negotiation framework harmonises resource allocations to all sectors, including the social sector, with adequate knowledge of the status of progress or decline in all sectors. The universal contribution towards the social sector by all the sectors has, therefore, a straightforward intention of dealing with the minimum average social need.

The conceptual framework and the impetus of social budgeting, therefore, is its ability to bring to the fore the social needs of the people. It emphasises that social development indicators of a community or region are given

Chart 1: Basic steps in social budgeting



Source: Authors' conceptualisation

just as much attention as the macroeconomic indicators. Doing otherwise is detrimental to the development of the social sector to which all sectors and people in an economy are dependent for individual and collective overall socio-economic development.

Role of government and markets in social provision

In recent years there has been increased private sector participation in service delivery. Advocates of market-driven provisioning argue that governments all over the world are less efficient in supplying goods and services—popularly known as 'government failure'. On the other hand, markets fail in some aspects to cater for all groups in the society—what is referred to as 'market failure'.

The view that more state involvement in provisioning is necessary emanate from real and perceived market failures while those calling for an increased role of markets in provision do so because of government failure to provide services to the people. Market failure has focused on three types of failures (UN, 1999, Baumol *et al*, 1982; Chang, 1994; Lin & Nugent, 1995); first is the provision of public goods, that is, goods that are non-rivalry and non-excludability. Possessing such goods does not prevent others from enjoying them. In this case, markets would not be enthusiastic to venture into such undertakings. Advocates of markets in provision are of the view that they would compensate for the deficiencies of the state. Second, existence of information assymetry allows one side of the market to exploit the other. Finally, markets do have positive and negative externalities as in pollution.

Role of civil society organisations (CSOs)

Civil society organisations or non-state organisations can be seen in two broad groupings. On one side are formal CSOs that constitute registered organisations such as NGOs, FBOs, CBOs, private sector organisations, trade unions and farmer's organisations, among others. These institutions are governed by codified rules and regulations and are legally recognised by state authorities. On the other side are informal organisations that comprise individuals or groups of individuals that cooperate to provide social services to themselves or their community based on reciprocal exchange. Examples include user groups organised for collective action, merry-go-rounds and micro-credit groups, among others. Relative to state institutions, CSOs are perceived to be more participatory, less bureaucratic, more flexible, cost-effective and have an increased ability to reach the vulnerable groups in the society (Robinson & White, 2001). Such attributes are important for quality social service provision. However, this is a generalisation; there exists many CSOs that are inefficient and hardly file their returns, an indication that their outputs could be questionable.

2. Budgetary Process in Kenya

2.1 MTEF Budgetary Process

Until the 2000/01 financial year, public budgeting in Kenya was largely incremental. Ministerial budgets were largely a reflection of a mark-up or a mark-down of the previous financial year's budget. As established in the 1997 Public Expenditure Review (PER), this culminated into serious weakness in the budgetary process and called for reform measures to strengthen expenditure management. These measures included: the adoption in 2000/01 of the Medium-Term Expenditure Framework (MTEF) approach to budget formulation; establishment of Budget Monitoring Unit; and introduction of the Integrated Financial Management Information System (IFMIS).

The Public Expenditure Review of 1997 saw the starting point of the Medium-Term Expenditure Framework in Kenya. However, the first MTEF budget was not published until June 2000. Several weaknesses of the pre-2000 budget and planning process led to the introduction of MTEF. The major weaknesses included failure of the budget system to define strategic priorities, a bloated government that was being financed by public budget, failure to achieve aggregate fiscal discipline, and poor quality of public expenditure (Kiringai & West, 2002).

The MTEF budgetary process is a three-year rolling process repeated every financial year whose main aim is to reduce the imbalance between the demands of government spending agents and what is affordable. The MTEF process provides the framework that allows expenditures to be driven by policy priorities and disciplined by budget realities. It achieves this by bringing together policy making, planning and budgeting early enough in the budget cycle with adjustments taking place through policy changes. Further, the MTEF process not only facilitates expenditure prioritisation across policies, programmes and projects, but also encourages better use of resources to achieve desired outcomes at the lowest cost.

The MTEF budgetary process is anchored on three pillars:

(i) The top-down multi-year projections of resource envelope targets, which defines what is affordable, and this approach consists of defining aggregate resources available, establishing sectoral spending limits that fit government priorities and communicating the spending ceilings to ministries/departments. This is informed by the Public Expenditure Review (PER) reports;

(ii) The bottom-up multi-year cost estimates of sector programmes – defining what has to be financed. This involves formulation and costing of the sectoral spending ceilings; and

(iii) The reconciliation mechanism for overall consistency between aims and availability. Such a reconciliatory mechanism is expected to provide a budget negotiation framework through the sector bidding process. This is the institutional decision-making process integrating resources and programmes.

Top-down macroeconomic approach

The determination of the overall resource envelope as spelt in the Budget Outlook Paper (previously known as the Fiscal Strategy Paper) is based on macroeconomic fundamentals, which are analysed and projected using the KIPPRA/Treasury Macro Model (KTMM). The macro framework is prepared by the Macroeconomic Working Group (MWG), which draws membership from various departments of the Ministries of Finance and Planning and National Development, Central Bank of Kenya, Kenya Revenue Authority, Central Bureau of Statistics and KIPPRA. The top-down approach does not take into account the performance of social indicators when determining the resources envelope.

Bottom-up sector hearings and bidding approach

The allocation of resources envelope derived from the MTEF process is based on the discussions in the Sector Working Groups (SWGs), which are centred on the objectives and priorities of the ERS. Though the assumption made is that districts send their proposals to the respective ministries for inclusion in the ministerial budget report, this rarely happens and when it does the proposals are always time-barred. Budget circulars and ceilings come out late, therefore shutting out districts from the budgetary process. Currently, there are eight SWGs:

(i) Agriculture and rural development sector comprising the Ministries of: Agriculture, Livestock Development and Fisheries, Cooperative, Environment and Natural Resources, and Lands and Housing.

(ii) Public safety law and order sector comprising the Office of the President, State House, State Law Office, Office of the Vice President, Ministry of Home Affairs, and Justice and Constitutional Affairs and the Judiciary.

(iii) The health sector comprising the Ministry of Health and the National Aids Control Council.

(iv) Physical infrastructure sector covering the ministries of: Local Government, Public works, Transport, Water, Energy and Information and Communication.

(v) General economic services sector, which is composed of the Ministries of Trade and Industry, Tourism and Wildlife, Labour and Human and Resources Development and Gender, Sports Culture and Social Services.

(vi) Public administrative sector, comprising all operations relating to fulfilment of public policy and including government departments such as the Directorate of Personnel Management, Public Service Commission, Ministry of Finance, Ministry of Planning and National Development, Ministry of Foreign Affairs, Ministry of Regional Development Authorities, Ministry of East African and Regional Cooperation, Electoral Commission of Kenya, and the National Assembly.

(vii) Education sector consisting of only the Ministry of Education.

(viii) National security sector comprising the Department of Defence and the National Security Intelligence Service.

Individual ministries and departments identify their strategic priorities for the forthcoming year and the medium term, drawn exclusively from the ERS and the interventions related to achieving the MDGs. In turn, the SWGs review and rank these priorities in terms of their contribution to achieving overall ERS objectives and sets the inter-ministerial ceilings. However, the MTEF sector reports are just indicative ceilings and targets and do not ensure that ministries allocate resources in line with these priorities and targets. To ensure that the priorities are reflected in the intra-ministerial resource allocation, the Ministry of Finance in the Treasury circular calling for the draft/annual estimates provides guidelines to be followed.

Though the prioritisations of programmes by SWGs are based primarily on a resource envelope derived from domestic sources, it is important to acknowledge that financing of budget relies on both the domestic and external resources. The main sources of external resources are: development partners (programme and project support); rescheduling of debt service; the International Monetary Fund (IMF); and private capital inflows. Programme support can either be general budgetary support or sectoral budget support. In line with the SWGs of the MTEF process, the development partners are currently adopting the Sector Wide Approaches (SWAPs) to the release of external funding. SWAP is an aid delivery mechanism that allows all development partners to pool their resources together in one-basket and fund common goals in a given sector. The general characteristics of SWAPs are that all the significant funding for a given sector supports a sector-wide policy and expenditure programme under the government leadership, adopting common approaches across the sector, and progressing towards relying on government procedures to disburse and account for all funds. This ensures speedy absorption and disbursement of resources. Currently, there are two SWAPs—one in public safety law and order and the other in the education sector.

Budget negotiation framework

The reconciliation mechanism for overall consistency between aims and availability is expected to provide a budget negotiation framework through the sector bidding process. Once the line ministries and agencies prepare a detailed line itemised budget estimates and submit them to the budget supplies department, the drafting process begins. The final draft is then presented to the Cabinet for review and approval. Thereafter, budget execution commences with the tabling of the budget as a motion in Parliament by the Minister for Finance. Every Minister presents the detailed itemised budget motion for his/her ministry for debate and approval, sometimes with amendments. Once the ministerial expenditures are approved by Parliament, the implementation, supervision and audit follows. The release of funds to the line ministries and agencies follow the exchequer procedures of issuing Authority to Incur Expenditure (AIE) to the authorised officers.

2.2 Current Budget Calendar

To understand the current budgetary process, this study provides a quick run-through of the ideal budget cycle in Kenya. It is important to note that this is the ideal situation and may differ significantly with the practical budget calendar followed year in year out. The ideal process of prioritising community needs by local based committees starts by calling a *baraza* where community development issues and agenda are discussed. The constituent committees (e.g. CDF) act as facilitators and conveners. The people from a sub-location or a location enumerate their development needs. Once the needs have been identified and enumerated, the facilitators take the people through a ranking process. The needs are ranked according to the one that is most pressing. During ranking, decisions are made either by acclamation or consensus or voting by those present. This exercise is repeated in other sub-locations or locations within the constituency (or district) depending on the smallest development unit chosen and then submitted to the District Executive Committee (DEC). The DEC prepares a technical report to the District Development Committee (DDC) that comes up with the overall district prioritisation projects and programmes. The DDC draws an action plan upon which resources are distributed. This approach, though clearly documented under the District Focus for Rural Development (DFRD), is never followed.

The MTEF process starts in September to December with the PER activities starting with the issuance of Treasury guidelines to the ministries/departments and the district department for guidance in the preparations of ministerial budgets. The district budgets are assumed to have benefitted from input from the community through location and divisional prioritisation process done from January to March. The ministries/departments submit initial drafts of the Ministerial Public Expenditure Reports, after which the Macroeconomic Working Group develops a macroeconomic and fiscal framework in relation to government priorities. This is followed by meetings of the Sector Working Groups and finalisation of sector reports, then sector hearings on policies, expenditure proposals and targets for the next financial year, review of sector ceilings, and approval and communication of sector ceilings to ministries/departments.[1] Between April and June, several activities take

1. It is important to note of that whereas the process provides for a Macroeconomic Working Group, a counterpart on the social sector-working group is conspicuously lacking. Though the district MTEF is meant to provide the bottom-up component for identifying the social needs, it only exists on paper and does not offer any human rights approach to district budgeting and prioritisation. No sector hearings are done at the district level.

place. These include: sector resource bidding, consolidation and compilation of the ministerial allocations, preparation and submission of the itemised budgets of the ministries/departments, presentation of the draft estimates to Minister of Finance for approval, presentation of the draft estimates to the Cabinet by the Minister of Finance for approval, tabling of the draft estimates in Parliament, and finally, the budget is tabled before Parliament by the Minister of Finance. Chart 2 is a flow chart that details the linkages and coordination of these activities.

Identification and prioritisation procedures

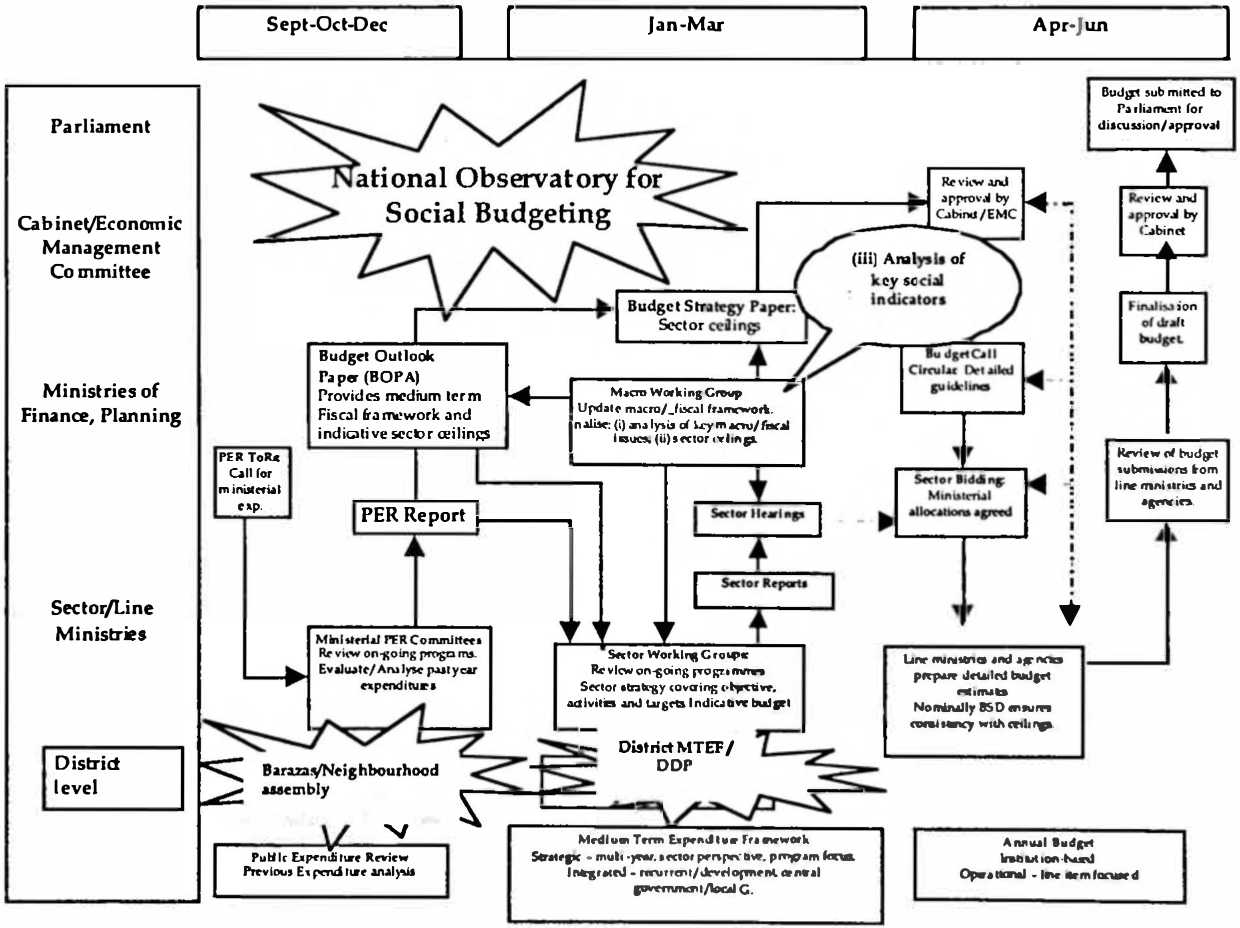
The ideal identification and prioritisation of the district priorities should follow the district PRSPs procedure. During the PRSP consultative forums, the district prioritisation process is conducted as follows:

1. The villages at the sub-location level identify their felt needs. This is done through the development of Community Action Plans or other forums organised at that level.
2. The ranked proposals are forwarded to the locational forum for debate and locational ranking.
3. The proposals are then discussed at the divisional stage. The government's technical officers representing various ministries, combined with the civil society and non-governmental organisations as well as community representatives shape the proposals with details on resource requirements.
4. At the district level, the proposals are discussed first and ranked at the sectoral MTEF committees before the district ranking by the District MTEF Committee.[2]
5. The proposals are then approved by the District Executive Committee or, in some ASAL districts, the District Steering Group.
6. The District Development Committee gives the final endorsement and the priorities are forwarded to the national committee.

In case of the budget, similar procedures ought to be followed and every head of department at the district level then sends the relevant priority

2. Most of the MTEF committees introduced at the district level have not been operational and the only common thing between them may be the joint sector account that finances the individual department's AIEs.

Chart 2: The PER, MTEF and budget preparation cycle in Kenya



Source: Adapted and modified from the Public Expenditure Review 2004 (Government of Kenya, 2004) projects to the respective ministry headquarters from where the proposals are included in the ministerial reports for the Sector Working Group Reports and the MTEF budget. Although the MTEF process is cemented on the bottom-up approach of identifying and prioritising peoples' needs, the district MTEF committees are non-operational. Instead, public resources are budgeted for centrally by the government then disbursed to the spending units in the districts.

The MTEF budgetary process limits discussions on priorities and needs of districts. Ministerial allocations are therefore done with minimal consideration for the needs of individual districts. Prioritisation is done at the ministerial level and not the district level.

Further, since public resources are allocated to the ministries for expenditures at the districts, it is the ministries that develop the strategic plans that take into account the needs of all districts. Therefore, once the heads of departments submit their requests, the rest of the prioritisation is left to the ministerial representatives at the sector working groups. Prioritisation at the district level can only be possible for those resources that are transferred directly to the district treasury, such as Constituency Development Fund (CDF), Local Authority Transfer Fund (LATF), Road Maintenance Fuel levy (RMFL), bursary fund, etc. These funds are spent on district priority needs as identified by the organisations singly or jointly with the participation of the people, as now seems to be the practice under CDF, although this is regulated by an Act of Parliament. The other budgeting processes involve resources that come in through NGOs, FBOs, CBOs, the private sector, individuals and district *harambees*.[3] These budgeting processes reflect expenditures that accommodate people's needs at the district level but only under the assumption that they are able to identify their needs correctly. However, it is possible that the people may not prioritise their needs accurately.

2.3 Process of releasing funds to the district

The amount of funds allocated at the district will depend on how the individual ministries allocate funds to their district offices for execution of the respective programmes. The only exception is in the integrated donor-funded projects involving several ministries where the donor

3. This is a local term meaning "pooling together".

demands a coordinating ministry that compiles and harmonises the departmental budgets to achieve a joint objective. When departments budget individually, community benefits from the allocations are minimal. The ministerial allocations in turn depend on the amount of resources given to the sector.

The process of releasing money to the district is structured and bureaucratic. It puts checks and balances to ensure accountability and transparency. However, the process as cumbersome and time consuming. Ideally, before funds are released for a particular activity in the district that had been budgeted for in the national budget, such funds go through several stages, which include:

1. Parliament approves the budget (statement of sources of revenue and proposals of expenditure by the government in the following fiscal year).
2. Voted funds are moved from the Consolidated Fund to the Exchequer Account.
3. Funds are moved from the Exchequer Account to the Paymaster General (PMG) Account.
4. Funds are moved to the Accounting Officers' Accounts at the PMG.
5. Authority to Incur Expenditure (AIE) is issued to those who have delegated authority from the Accounting Officer.
6. Expenditure is incurred.
7. Returns are made to the Accounting Officers who prepare final accounts for the Ministry or Department and hand over to the Treasury for onward passing to Parliament.
8. Audit of the expenditures is done by the National Audit Office.
9. Audit report is made to Parliament.

The allocations involved here include the non-salary expenditures as individual line ministries at the headquarters in Nairobi handle the salary expenditures. While releasing the AIE to the district depends on central government resource availability for the quarter in question and the previous accounting of funds released, field experience from three districts (Isiolo, Kwale and Turkana) indicates that funds are often released late, and the procurement process is too cumbersome.

Evidence at the district levels show that districts receive less allocations than budgeted for and, therefore, it is common for the budget to be inflated to accommodate the anticipated slashing at the ministry. The district departmental heads have to readjust their work-plans after the release of AIEs to conform to what the ministry has allocated them. No explanation is given from the ministry as to why allocations are less and also no explanation is given to community stakeholders as to the reason why they cannot complete the planned activity. This becomes more tricky if the community had been asked to contribute to the implementation of a project. The result is that activities are delayed and/or not started altogether and this has reduced the effectiveness of the budget.

More conspicuous is the tendency to release a considerable amount of money towards the end of the last quarter with only a few weeks, and sometimes days, to the closure of the financial year at which time returns must be made. In some departments, funds are returned to the Treasury because the time available (i.e., between when it was released and when it was supposed to be accounted for) is not adequate for effective absorption. Previously, failure to spend funds allocated meant that the department's allocation in a subsequent year would be slashed. The fear of having lesser budgetary allocations in the coming years always led to 'mop-up' expenditures towards the end of financial years.

Despite the procedures described above, the government has implemented a decentralised fund structure that is used to improve the flow of funds from the central government to the service units at the local level. Such funds include the Constituency Development Fund, School Bursary Fund, HIV/AIDS Fund, and the Local Authority Transfer Fund, among others. Box 1 illustrates how some decentralised funds flow within the education sector.

2.4 A SWOT of the Current Budgetary Process

The following are some of the strengths of the MTEF budget process:

(a) It links policy, planning and budgeting, as it allows expenditure to be driven by policy priorities and disciplined by budget realities.

(b) It helps implement the investment programme for the Economic Recovery Strategy for Wealth and Employment Creation (ERSWEC), which translates the nationwide Poverty Reduction

Box 1: Disbursement of resources - Case for Ministry of Education, Science & Technology

The education sector is financed through a combined effort of the central and local government, the private sector, the NGOs, households, communities and development partners. The average government spending on education and training has been on the increase, rising from 6.05 percent of GDP in 2000/01 to 7.42 percent in 2004/5 (about 23% growth). The greatest proportion of these resources is utilized for recurrent spending. The total Ministry's recurrent expenditure as a percentage of total government recurrent expenditure increased from 31 percent in 2000/01 to 36 percent in 2004/05. Over the five-year period, the average total recurrent expenditure as a percentage of total Ministry expenditure has been 96.9 percent with the highest proportion going to payment of wage and salaries for primary and secondary schools.

Resources at the ministries are disbursed at different levels: Head office, agencies/institutions within the ministry, district departments, constituency committees, and direct beneficiaries—individuals in terms of salaries and institutions such as primary schools. Previously, most of the resources were disbursed through the district treasury; but with the introduction of the Free Primary Education (FPE) programme, the Ministry disburses funds directly to the schools. Every school is required to open two bank accounts with the local banks—the 'SIMBA account' for learning and teaching materials, and the GPA account for school maintenance and operations. There are plans for school to open a third account for Kenya School Equipment Fund. These accounts are managed by the school management committee, whose members have been trained on funds handling but with close supervision from the District Education Office. The Ministry has entered into an understanding with local banks and sends one block cheque for all the schools with a schedule of payments to individual schools. The amount of money sent to the schools depends on the total enrolment in the respective school multiplied by the standard unit cost of Ksh 1,020 per child.

The school-feeding programme is funded by the World Food Programme, which supplies all the food while the Ministry provides funds for transportation from the port to the depots at the nearest administrative unit or to the Area Education Office. The transportation is sub-contracted to private operators.

The bursary funds are sent directly to the Constituency Bursary Committee, which maintains accounts with the local banks, and thereafter to the school of the student qualifying for award. The chairman of the committee, the District Education Officer and the District Accountant manage the accounts. The individual schools nominate the beneficiaries with priority being given to orphans.

Strategy Paper (PRSP) consultative process priorities and the mandate of the new government as expressed in the manifesto of the National Rainbow Coalition (NARC) government.

(c) The MTEF budget process implementing institutions have been established up to the district level.

(d) The process has full political support.

(e) As a component of good governance, the MTEF is performance-oriented and a results-focused process.

Though the government has committed itself to the MTEF process, practically the MTEF and annual budgeting remain two separate processes. According to the 2003/04 review of the MTEF process, for most part, it is started too late in the fiscal year and, as a result, indicative sector ceilings derived from the MTEF came after the Ministerial Public Expenditure Reviews (MPERs) had been concluded. This means that expenditure plans from line ministries are not firmly anchored in a consistent financial framework with hard budget constraints. Other weaknesses include:

- *Legal framework*: The MTEF budget process does not have strong legal and political frameworks. The existing legal framework for budgeting does not cover the MTEF budgeting process.
- *Watertight budget timetable*: The budget preparation is constrained by a tight budget timetable that does not allow for adequate sequencing, analysis and reviews. Though well intentioned, sequencing of PERs and SWGs reports does not allow for local participation that would lead to active negotiations and harmonisation of the budgets to cater for the social needs.
- *Effectiveness*: Emerging evidence indicates that though the overall resource envelope ceiling is adhered to, the objective of the process (to improve inter- and intra-sectoral resource allocation based on careful costing of target priority outputs) has been undermined by lack of reliable information on outputs and proper budget costing at the district level.
- *Lack of medium-term focus*: Fiscal framework expenditure and revenue forecasts have in most cases been subjected to significant revisions at the start of each new budget cycle. At the start of each cycle, ministries do not routinely refer to their forward estimates

in preparing new budgets, rendering the two outer years of the MTEF budget redundant. Consequently, there is no adherence to a budget resource constraint at the beginning of the budget preparation process.

- *Weak link*: There is a weak link between the national priority programmes funded and community priority programmes that are supposed to be funded. The current national and district development plans are not fully integrated in the budgetary process.
- *Does not focus on social sector*: The MTEF budgetary process fails to focus on the social sector and is overwhelmingly based on the macroeconomic fundamentals at the expense of the former.

Opportunities and threats

The current budgetary process provides great opportunities of strengthening the public-private sector partnerships in the budget formulation and implementation process, thus improve the focus on the needs of all the stakeholders, including the community, by enhancing their participation. For a long time, the Kenyan people have been willing to participate in their own development as long as they are accorded proper facilitation.

In addition, the PER and Public Expenditures Tracking Systems provide the opportunity of linking the changing trends of the key social indicators on the allocation and utilisation of the funds. This would help not only in shaping the future identification and prioritisation of the communities needs but also in service delivery to the community. The shifting of attention from what the government buys to what the government delivers means better resource utilisation even in the social sector. The SWGs also provide an opportunity for one to focus more on the social sector. The government has budgetary institutions established to the grassroots level and it has authority, given by the citizens, to collect revenue and share out the resources among the claim holders.

The main threats of the current budgetary process is the weak institutional framework manifested in poor governance, lack of capacity at the district level, and conflicting interest between sustaining of the old and new systems. To effectively operationalise the MTEF, there is need to strengthen the existing institutional framework and allow for partnership among the public, private, civil and community in the prioritisation of needs and allocation of resources; strengthen the capacity at the districts and provide adequate resources; improve on the systems of accountability and transparency; and provide the necessary political commitment for the decentralised process.

2.5 Entry Point of Social Budgeting

The MTEF budget process alone cannot be a panacea to all public expenditure management weaknesses. Indeed, it has to be supplemented with reforms in procurement and planning, review of several regulations, and introduction of new initiatives such as the social budgeting initiative. Most heads of departments of various ministries argue that the Diatrict Developmen Plan is usually an output of the Ministry of Planning and National Development. This attitude is partly due to non-involvement of district heads in the formulation of the guidelines for the preparation of the District Development Plan. This leaves the District Development Officer, who is only supposed to coordinate and compile submissions district heads, to sometimes even formulate programmes for inclusion in the DDP on behalf of the heads of departments, especially when proposals are not forthcoming and deadlines for submission of the drafts of the plans to headquarters are not met. Often, the proposals from departments are mere lists of projects, with budgets running into millions of shillings and with no justification or relation to the district core development priorities.

Moreover, when fine-tuning the drafts of district plans, the Ministry of Planning does not involve district heads but only call DDOs. There are no forums to evaluate the plan formulation process at the district level after the DDPs have been published, yet these are official documents that spell out the district priorities, and which form the basis of the national budget. Further, the current district plans were formulated before the ERS for Wealth and Employment Creation, but the proposals in the plans have not been harmonised and mainstreamed into the ERS, which the government has given priority for implementation.

In the absence of an all inclusive and widely accepted document, the district heads of departments submit their sectoral proposals annually to their respective ministry without taking into account the proposals in the district plans. District development plans are therefore seen as routine documents produced in the line of duty of the DDO. The District Planning Unit, which is supposed to scrutinise the draft before the District Executive Committee looks at it, is not operational in most districts. Also, District Development Committees are too bloated and lack capacity to scrutinise and give credible comments to improve proposals made by technical officers. Members of Parliament, chairmen of local authorities and other non-governmental organisations are the only community representatives who attend the meetings of District Development Committees. This means that the social agenda may not be receiving adequate attention during the budgetary process, and therefore the need to embed social budgeting into the budgetary process.

3. Budget Allocations and Selected Outcomes

3.1 Introduction

The national priorities in the social sector are clearly outlined in the Economic Recovery Strategy for Wealth and Employment Creation (ERSWEC) 2003-07. To reduce poverty (one of the pillars of ERSWEC), the strategy focuses on the provision of universal primary education, improvement of access to basic health, development of the arid and semi arid areas, and upgrading of the living conditions of the urban poor. These strategies are in line with the Millennium Development Goals (MDGs), which aim to reduce by half extreme poverty, halt the spread of HIV/AIDS, and ensure education for all by 2015. Kenya is among the 189 countries that have acceded to the United Nations declarations on MDGs.

This section focuses on health and education indicators as outcomes of the government budgetary allocations. Besides the national picture of the indicators, district level indicators and comparisons based on case studies for Isiolo, Kwale, and Turkana districts are provided.

3.2 Health

The health and nutrition sub-sector plays a major role in ensuring a healthy workforce. Besides, the sector plays a key role in controlling epidemics that threaten humanity. To achieve the MDG on health, which seeks to reduce child mortality, improve maternal health, and combat HIV/AIDS, malaria and other diseases, there is need to ensure adequate access to healthcare. Health accessibility and delivery system are important determinants of health outcomes and well-being of the people. This, however, depends on the number and distribution of health facilities within a particular region. For instance, Isiolo District has only one district hospital and one sub-district hospital, with the others being dispensaries and health clinics. Access to health facilities is a major problem in Turkana District. The doctor to population ratio is 1:75,000 (SID, 2004). The ratio for health facility to population is 1:5,600 with the majority being dispensaries (61) and private clinics (13) and only six hospitals where the government, missions and NGOs own two each. Kwale District has a doctor-patient ratio of 1:82,690.

Due to limited budgetary provisions for expansion of health infrastructure in Kenya, health facilities are distantly placed, with some people having to walk for an average of 20-30 km to reach the nearest health facility in Kwale, and an average 50 km in Turkana District. This, coupled with low incomes and cultural beliefs, has led most of the people to depend on traditional healers/herbalists for treatment, as they are closer to them. Lack of adequate health facilities negatively impacts on the efforts to improve the social welfare of the people.

Allocation of public resources to the health sector constitutes on average 1.5 percent of GDP and 8 percent of total government expenditure. This is almost 50 percent less than the 15 percent agreed upon in the Abuja Declaration (Government of Kenya, 2004) (see also Table 1).[4] The Public Expenditure Review (PER) 2004 also notes the mismatch between policy and resource allocation as a long-running concern in health spending in Kenya, and especially the high share of spending in curative medical services. Diseases such as malaria, diarrhoea and malnutrition end up being curative diseases, yet they can be prevented at lower costs. Recurrent and curative health takes the largest proportions of the Ministry of Health budgetary allocations.

Table 1: Share of Ministry of Health expenditure versus total government expenditure and GDP

	2000/01	2001/02	2002/03	2003/04	2004/05
Total Ministry as a % of GDP	1.44	1.65	1.49	1.51	1.91
Total Ministry as a % of Government total expenditure	7.23	9.01	8.33	6.99	7.67
Total Ministry recurrent as a % of government total recurrent	7.67	8.23	8.69	7.76	7.22
Ministry development as a % of government development	4.49	17.18	5.12	2.77	8.83
Ministry recurrent as a % of Ministry expenditure	91.5	83.5	93.8	93.9	67.6
Ministry development as a % of Ministry expenditure	8.5	16.5	6.2	6.1	32.4

4. The public per capita expenditure on health is about US$ 6.2 which is far below the targeted per capita of US$ 34.

Nationally, the leading outpatient morbidity diseases are malaria, respiratory diseases, skin diseases, diarrhoeal, anaemia and pneumonia. In the study districts of Isiolo, Kwale and Turkana, malaria is the highest direct cause of death among children and also the cause of severe anaemia in pregnant women, and is therefore a major contributor to maternal mortality. At the national level, several factors have been attributed to the high rates of childhood mortality. These include problems arising from budgetary constraints, high levels of poverty, poor economic performance, and the effects of HIV/AIDS. Lack of basic immunisation for children has also contributed to high child mortality levels, especially due to lack of prioritisation of immunisation programmes in budgetary allocations. The government faces a high budget of curative services, although its policy is focusing more on preventive care. On average, curative services take almost 50 percent of all Ministry of Health budgetary expenditures as opposed to preventive and promotive services, which only take about 6 percent (Table 2).

The low budgetary allocations may explain the low levels of immunisation, high infant and under-five mortality rates, and increased cases of malaria—one of the major causes of morbidity in Kenya.

Immunisation

In Kenya, the Child Health Immunisation Programme is administered through the Kenya Expanded Programme on Immunisation (KEPI). KEPI was established as a unit within the Ministry of Health in 1980, with the

Table 2: Ministry of Health percentage proportion of expenditure by main components

	2000/01	2001/02	2002/03	2003/04	2004/5
Total GAP as % of total Ministry	5.9	11.7	7.5	5.8	7.0
Total CHS as % of total Ministry	51.2	48.5	50.8	48.5	49.6
Total PPHS as % of total Ministry	10.4	5.2	5.3	5.8	4.6
Total RHS as % of total Ministry	11.3	11.7	10.6	13.0	11.7
Total HT&R as % of total Ministry	9.7	8.0	7.6	9.3	8.4
Total KNH as % of total Ministry	11.2	12.2	15.2	14.7	15.3
Total MoiRH as % of total Ministry	0.0	2.3	2.7	2.8	2.6

GAP = General Administration & Planning ; CHS = Curative Health Services; PPHS = Preventive and Promotive Health Services; RHS = Rural Health Services ; HT&R = Health Training & Research ; KNH = Kenyatta National Hospital; Moi RH = Moi Referal Hospital

Figure 1: Proportion of children fully immunised in the study districts

	2002	2003	2004
Isiolo	28	61	58
Kwale	44	61	65
Turkana [mean for DPT3, Polio3 & Measles]	74	76	67
National	47	60	59

Years

goal of providing immunisation against six preventable diseases—diphtheria, whooping cough (pertussis), tetanus, poliomyelitis, tuberculosis and measles—to all children in Kenya. It has since been expanded to include tetanus vaccination for women and vaccinations against hepatitis B. Immunisation against measles, DPT (diphtheria, pertussis and tetanus) and polio has in the past been taken as part of the basic health package, where the government has subsidised the cost. However, this has not enabled the government to reach the WHO preferred immunisation level of 90 percent. As Figure 1 shows, the national immunisation coverage is even below that of the ASAL districts of Turkana and Kwale.

Immunisation coverage in Turkana District between 2002 and 2004 was well over 70 per cent save, for measles. However, this declined from 78 percent to 71 percent for DPT and 86 percent to 68 percent for polio in 2002 and 2004, respectively. BCG immunisation, however, rose from 102 percent in 2002 to 105 percent in 2004. The over 100 percent figures show that some over-age children were being immunised, implying failure of earlier immunisations, or that more resources were taken to the region, especially by UNICEF and Action Aid, during immunisation campaigns.

The low immunisation coverage in the districts may be explained by the trend at the national level. In 2003, full immunisation coverage in Kenya declined to under 60 percent (from 78% in 1993 and 65% in 1998) with the percentage of children receiving no vaccinations increasing from 3 percent in 1998 to 6 percent in 2003.[5] Although Kwale and Turkana per capita allocations for preventive care remained low between 2000/2001 and 2004/2005 financial years, the allocations for Isiolo dropped drastically from 4.7 to 1.3 in the same period. In about the same period, immunisation levels increased slightly between 2002 and 2003, but afterwards declined for Turkana and stabilised for others. As noted earlier, the presence of NGOs in these regions may have contributed more to the stabilised immunisation levels even when government allocations were declining. For instance, the immunisation coverage in Kwale District recorded an impressive rate in 2003 and 2004, surpassing the national average, and this was due to the rigorous efforts by UNICEF in the district.[6]

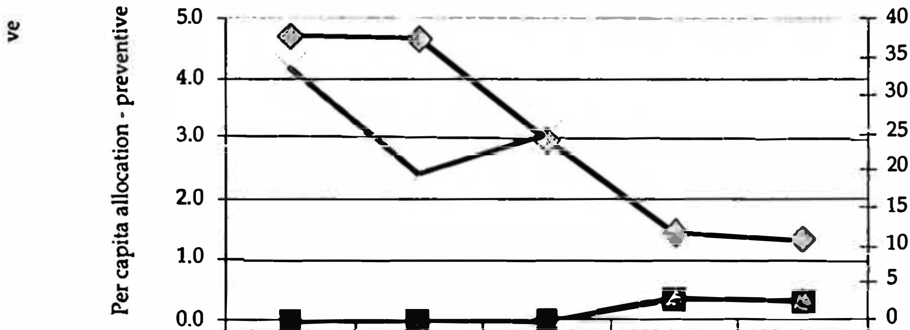
The major causes of the decline in immunisation coverage are related to the declining availability and access to and quality of public health services. However, the main underlying external factor is the increasing level of poverty. A WHO report showed that in 1998, about 30 million children worldwide were not receiving basic immunisation, of which 27 million were living in developing countries with GNP per capita that was lower than US$ 1,200.[7] Therefore, although some indicators reflect a worsening situation in the health sector, some reflect an improvement, which may be partly attributed to increased budgetary allocations but also to other efforts by NGOs, FBOs, and development partners such as UNICEF.

Infant and under-five mortality

Infant mortality rate (IMR) is the number of infants dying before celebrating their first birthday per 1000 live births a year. The under-five mortality rate measures the number of children dying before attaining the age 5 years per 1,000 live births in a year. Therefore, infant mortality reflects the social, economic and environmental conditions in which children (and others in society) live, the effectiveness of preventive care and the attention paid to maternal and child healthcare. Like the infant mortality rate, under-five mortality rate can proxy the socio-

5. See the Public Expenditure Review report for the Ministry of Health (2005).
6. Kwale is one of the districts that have benefitted from the UNICEF volunteers.
7. See Report of the WHO Commission on Macroeconomics and Health (WHO, 2002).

Figure 2: Percentage per capita allocation for preventive care



Fiscal year	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005
Isiolo Preventive	4.7	4.7	3.0	1.5	1.3
Kwale Preventive	0	0	0	0.38	0.32
Turkana Preventive	0	0	0	0.33	0.34
National Preventive	33	19	25	not available	not available

economic and health status of a community. MDGs in health include reduction of infant and child mortality by two-thirds by 2015.

As noted earlier, and as demonstrated by Figures 1 and 2, low levels of budgetary allocation may have resulted in low immunisation levels against diseases like measles.[8] Among the vaccine-preventable diseases of childhood, measles is the leading cause of child mortality. Therefore, low levels of preventive care allocations translate to high levels of curative health expenditures. On average, the Ministry of Health allocates about 50 percent of its resources to curative health as compared to about 6 percent to preventive and promotive healthcare. This may explain why the infant mortality rates have not declined nationally, or have even maintained an increasing trend in the arid districts of Isiolo, Turkana and Kwale as shown in Figure 3.

In Turkana District, infant mortality stood at 170 per 1,000 live births in 2003, which is an increase from 66 per 1000 live births in 1999.[9] This is an increase of nearly three times within a period of five years and very

[8] According to WHO, vaccination coverage for measles needs to be above 90 percent to stop transmission of the virus because measles is contagious and some children fail to develop immunity.

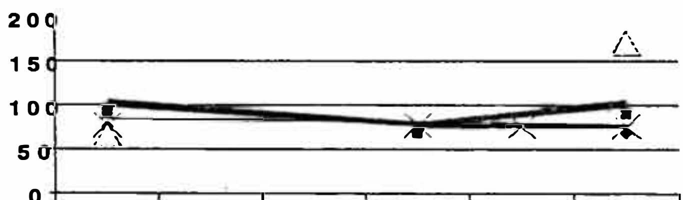
[9] These mortality figures should be read cautiously as they come from different sources and also there has not been consistent collection of data on mortality, resulting in projections being used where information lacks.

high compared to the national average of about 78 percent. This means that a child born in Turkana has a higher likelihood of dying before attaining the age of one year than a child born elsewhere in the country. In other districts such as Isiolo, the trend shows very minimal improvement. The modest improvement in Isiolo could be attributed to the activities of NGOs, which have been undertaking health programmes. This is evident because about 99 percent of budgetary allocations to the District on curative expenditure go to operations and maintenance (Table 3).

Although available statistics have not been reliable, data shows that under-five mortality rate in Kenya has been over 100, and averaging at 115. For instance, between the intercensal years 1979-89 and 1989-99, the national under-five mortality increased from 113 to 116 as shown in Figure 4. In some districts such as Turkana, the number of children dying before the fifth birthday reached 220 by the year 2004.

As earlier noted, most of the diseases affecting the under-five children in Kenya and especially in the ASAL districts are preventable as they arise from malnutrition, lack of access to water (hence poor hygiene), and vulnerability to mosquito bites due to lack of access to treated nets. Therefore, if more resources were devoted to these areas, a lot of improvement would be realised in terms of child mortality levels.[10]

Figure 3: Infant mortality rate (IMR)

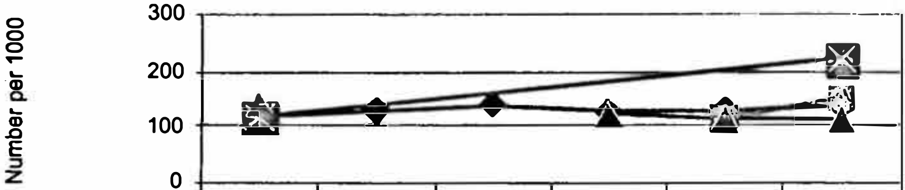


	1999	2000	2001	2002	2003	2004
Isiolo	75.1			73		70
Kwale	91.5			70		91.5
Turkana	66					170
Nationa	77.3			78	77	76

Year

10 ASAL districts are characterised by harsh climatic conditions, which lead to adverse water problems. Lack of water supply can lead to poor methods of waste disposal, which may become a health hazard. This situation is evident from annex Tables 1 and 2.

Figure 4: Under-five mortality rate



	1999	2000	2001	2002	2003	2004
Isiolo	118	129	140	124	130	136
Kwale	122				114	149
Turkana	117					220
National	141			122	115	114

Year

Table 3: Percentage shares of the recurrent curative and preventive expenditure, Isiolo District

Percentage shares of the recurrent curative expenditures

Fiscal year	2000-01	2001-02	2002-03	2003-04	2004-05 with Garbatula
P&A	0.46	0.46	0.47	0.62	0.19
O&M	99.38	99.38	99.38	98.78	99.50
P&PE	0.14	0.14	0.12	0.57	0.27
A-in-A	0.03	0.03	0.03	0.04	0.04
	100.00	100.00	100.00	100.00	100.00

Percentage shares of the recurrent preventive & promotive expenditures

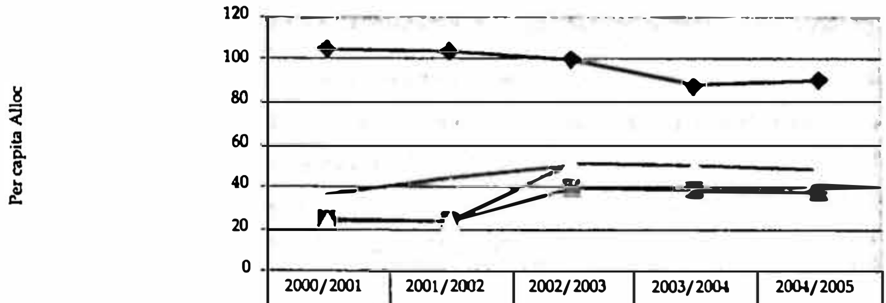
Fiscal year	2000-01	2001-02	2002-03	2003-04	2004-05 with Garbatula
P&A	0	0	0	0	0
O&M	100	100	100	100	100
P&PE	0	0	0	0	0
A-in-A	0	0	0	0	0
	100	100	100	100	100

P&A = Personnel & Management; O&M = Operations and Maintenance; P&PE = Purchase of Plant and Equipment; A-in-A = Appropriation in Aid

Isiolo District has a higher number of households (43%) with piped water as opposed to Turkana (10%) and Kwale (24%) Districts. Nationally, the number of households with piped water is about 30 percent. Most households use rivers and wells as sources of water. Due to lack of piped water, most households use the bush as the main method of human waste disposal. This may explain the high rate of diarrhoea infections, especially among children. Poor hygiene contributes to most of the children's infections and diseases.

In the Ministry of Health, the promotion and sensitisation of the community about proper hygiene is under rural and public health. However, rural health services received on average about 11 percent of the Ministry's budgetary allocations (Table 2) and only 16 per cent when combined with allocation for preventive care. The per capita budgetary allocation for rural health is an average of Ksh 42 nationally, but increases to Ksh 97 for Isiolo District, Ksh 39 for Turkana and Ksh 33 for Kwale. This allocation is supposed to go into the promotion of rural healthcare, which includes health centres and public health services, which are supposed to promote public hygiene. Reduced resources for the healthcare service delivery may lead to worsening of the health indicators such as under-five mortality rate. This means that diseases that may have been prevented through preventive and promotive services end up being ailments that have to be treated at higher curative costs.

Figure 5: Per capita allocations for rural health



	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005
Isiolo IRural Health	105	103	100	87	90
Kwale Rural Health	25	24	39	38	37
Turkana Rural Health	24	24	51	50	48
National Rural Health	36	43	49		

FY

Malaria

Africa carries about 90 percent of the world's malaria cases, killing 1-2 million people every year, most of them under-five years old. It is responsible for 30-50 percent of all hospital admissions in Africa. The Malaria Foundation notes that malaria causes almost as many deaths per annum as the AIDS death total, yet it has not been recognised in developing countries as a disaster like HIV/AIDS or Ebola.[11] The main causes of the malaria epidemic have been, among others: the growing drug and insecticide resistance; the deteriorating health systems; changes in weather patterns; and deteriorating hygienic conditions. In Turkana District, evidence derived from 2002 and 2003 shows that malaria cases increased from about 52,500 in 2002 to about 73,500 in 2003. This translates to about 4,375 and 6,125 cases per month in the two years, respectively.

Efforts to reduce mortality rates have not been quite fruitful. Due to limited resources allocated to preventive and promotive health services, the Ministry of Health has been working with development partners like UNICEF to distribute insecticide treated nets (ITNs) for free to newly born babies and at affordable rates to the rest of the communities, especially in the three ASAL districts. NGOs have also initiated their own independent programmes for the prevention of malaria. In 2005, UNICEF and some corporate partners embarked on building a Malaria Fund for the prevention of malaria in the Northern Frontier districts. This effort should be supported by the government allocating more resources and providing some of the basic infrastructure such as health facilities to improve access to healthcare.

3.3 Education

Education is a basic right for all children as outlined in the UN Convention on Children's Rights, which 95 percent of countries, including Kenya, have ratified. However, governments—especially those in developing countries—have been experiencing various problems in provision of education due to budgetary constraints. Where governments have tried cost sharing, this has only worsened the situation

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11. See http://www.msf.org.au/stories/twfeature/2004/037twf.shtml; see also the Malaria Foundation International Fact Pack 12 August 1997.

leading to declining enrolment rates and rising drop-out rates. Prior to the year 2000, net enrolment ratio (NER) for primary schools in Kenya was around 65 percent. After the year 2003 when Free Primary Education was introduced, the NER increased to 77 percent.

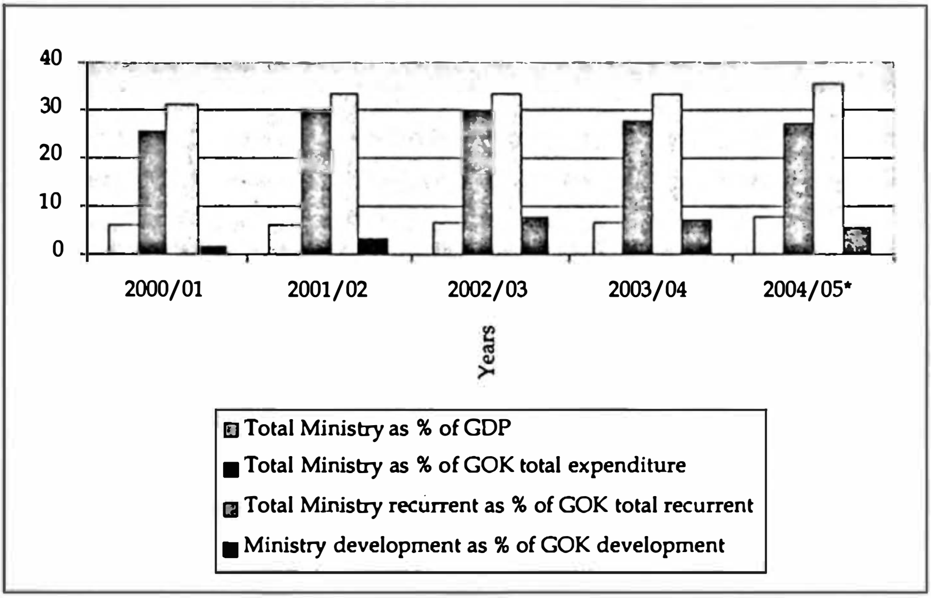
However, even with the increase in enrolment and the government's commitment of a 100 percent NER by 2015, the total government allocation to education as a proportion of GDP has been about 6.5 percent for the last five years (Table 4). About 90 percent of these resources go to paying teachers salaries, with only about 5 percent going to development expenditure.

Investing more resources in school feeding programmes, in the creation of more capacity in the district's boarding schools, and in financing educational bursaries would raise the impact of the government's Free Primary Education policy, especially in the ASAL districts. However, as Figure 6 shows, development expenditure for the Ministry of Education as a percentage of government development expenditure has been about 6 percent, with the likely consequence that education targets for the year 2015 may not be met unless development expenditure allocations are increased.

Table 4: Share of Ministry of Education expenditure to total Government expenditure and GDP

	2000/01	2001/02	2002/03	2003/04	2004/05
Total Ministry as a % of GDP	6.05	6.08	6.59	6.62	7.42
Total Ministry as a % of GoK total expenditure	25.44	29.41	29.61	27.43	27.11
Total Ministry recurrent as a % of GoK total recurrent	31.01	33.41	33.41	33.46	35.59
Ministry development as a % of GoK development	1.45	3.41	7.95	6.83	5.5
Ministry recurrent as a % of Ministry expenditure	98.92	98.46	96.98	94.36	94.28
Ministry development as a % of Ministry expenditure	1.08	1.54	4.02	5.64	5.72

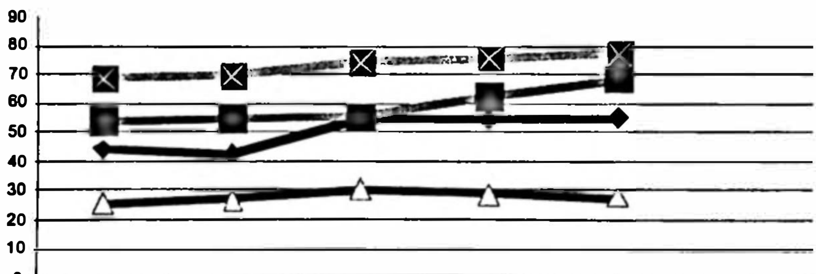
Figure 6: Proportion of Ministry of Education allocations



Net enrolment

Primary education is a basic right of every child, and is considered essential in the achievement of the Millenium Development Goals. The key indicators for assessing the status of primary education are Net (primary) Enrolment Ratio (NER) and Gross Enrolment Ratio (GER). By the year 2003, the national NER was about 77 percent. However, for a district like Turkana, NER by that time was about 28 percent (Figure 7).

Figure 7: Net enrolment rates, 1999-2003



	1999	2000	2001	2002	2003	2004
Isiolo	44.2	42.5	54.7	54.9	55.2	
Kwale	53.9	55	56	62	69	
Turkana	25.9	27.1	29.8	29	27.9	
National	68.7	69.8	74.6	76.1	77	

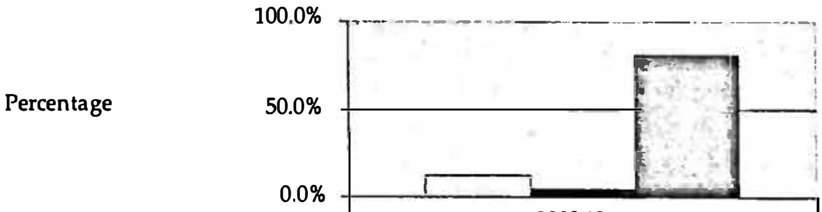
Years

Kwale and Isiolo districts had much lower NER than the national average.

As indicated earlier, most budgetary allocations to education go to recurrent expenditure where more than 80 percent goes to teachers' salaries (Table 4). Even after the introduction of FPE in year 2003, the scenario has not changed as less than 15 percent is allocated to capitation.[12] In Isiolo District, for instance, capitation grants were about 13 percent (Figure 8) during the 2003/4 fiscal year. It is apparent that over 80 percent of the district recurrent expenditure goes to staff salaries, and this is good reflection of the trend nationally. If such a trend continues, then fewer resources (less than 20%) will be available for direct learning and teaching resources that could equally make a positive impact on pupil achievement. In addition, ASAL districts need resources for the school feeding programme if they have to remain on course in the achievement of Universal Primary Education (UPE) by the year 2015.

In Isiolo, as in many other ASAL districts, the school feeding programme and primary school boarding facilities are major items that significantly impact on enrolment and school attendance. In addition, a good road transport is needed in such areas because schools are wide apart. The high expenditure on district administrative services (Figure 9) are partly explained by the increased activities that ensure smooth implementation

Figure 8: Salary and non-salary education expenditures in Isiolo District

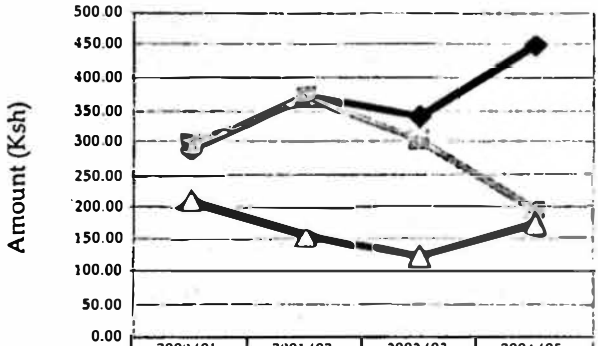


	2003/04
Capitation for FPE	12.9%
other expenditure	6.3%
Salary expenditure	80.9%

Year

[12] Capitation grants are supposed to cater for children's writing and reading books and other stationery.

Figure 9: Per capita expenditure on various budget items in education



	2000/01	2001/02	2002/03	2004/05
Per Capita on Total Expenditure (Distr. Admin Services - Prv & Sec.)	290.71	372.63	341.29	452.49
Per Capita Expenditure on total Primary sch. Exp.(Excl. direct allocation to schools)	298.85	369.37	304.42	196.19
Per Capita Expenditure on SFP	212.80	156.02	123.75	173.99

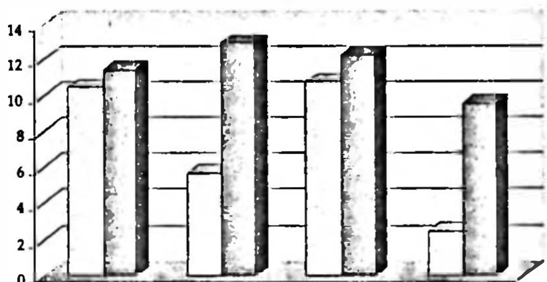
Year

of Free Primary Education (FPE). Unfortunately, increasing administrative costs may not necessarily translate to increased net enrolment, as is evident from a comparison of enrolments and expenditure for Isiolo District.

The arid nature of the districts of Isiolo, Kwale and Turkana also contributes to low enrolment rates. In Turkana, for example, some schools serve as feeding centres for children and run up to class three. Children often drop out after class three if they fail to join the few boarding primary schools. The government needs to increase development expenditure in ASAL areas in order to expand the school system.

District administrative services are currently allocated more funds than other items such as school feeding that have direct impact on school enrolment and attendance in the ASAL districts. However, given the poor road infrastructure and distances between schools, it is possible that most of the district administrative funds go to logistics, especially in transporting school supplies. With the introduction of Free Primary Education, about 10 percent of funds are disbursed directly to primary schools. Since the Ministry of Education is not involved in the

Figure 10: Repetition and drop-out rates



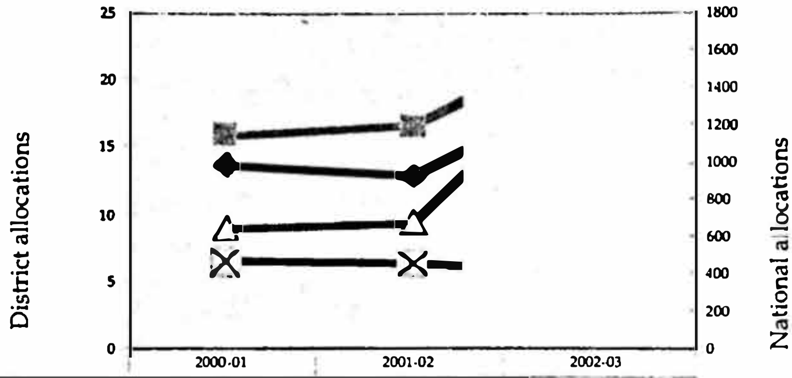
	Isiolo	Kwale	Turkana	National
Drop out rates (2004)	10.5	5.8	10.8	2.52
Repetition rates	11.47	13.0	12.35	9.62

construction of schools, development expenditure is low, meaning that only a small proportion of the ministerial allocations eventually reach the districts.

If resources for the school feeding programme are constant or reduced, for whatever reason, while school age population continues to increase, the net effect will be to reduce enrolment, and in effect the gross enrolment ratio. In general, it is evident that net enrolment rate (despite the Free Primary Education) has been constant (Figure 7), while completion rates have declined, which is as a result of high drop-out rates, despite the increasing gross enrolment rate. This shows a low internal efficiency of primary schools. For instance, the primary school completion rate was below 60 percent in 2004 nationally. This is an indication that drop-out and repetition rates are generally high, especially in the ASAL districts as witnessed by the case studies of the three districts (Figure 10).

In general, the internal efficiency of primary school education in these districts is low, and observed increases in gross enrolment do not benefit the age bracket of 6-13 years, which partly explains why the net enrolments are almost constant. The children benefitting from Free Primary Education are those of advanced age, implying that the non-schooling gap of age 6-13 years old is widening despite the Free Primary Education. These trends are explained by the people's nomadic way of life due to persistent droughts, shortage of food, harsh terrain and long

Figure 11: Recurrent expenditure allocations (Ksh millions)



	2000-01	2001-02	2002-03
Turkana Educ. Recurrent Exp.	13.8	12.9	19.9
Kwale Educ. Recurrent Exp.	9	9.4	22.9
Isiolo Educ. Recurrent Exp.	6.6	6.3	5.7
National Educ. Recurrent Exp.	1144	1203	1698

distances between schools, insecurity, child labour, cultural practices (such as early marriages), understaffing, and ignorance on the part of the parents. This may explain why the net enrolment rate has stagnated, even with an increase in budgetary allocations in the three districts. Figure 11 shows that there was a significant increase in recurrent expenditure allocations at the national level, as well as for Turkana and Kwale districts. However, enrolments do not increase with a similar or near similar magnitude if one compares Figures 7 and 11.

3.4 Conclusion

Most of the residents of Isiolo, Kwale and Turkana districts are pastoralists. With lack of good marketing systems of pastoralism products in Kenya, ASAL districts experience both income and food/ nutrition poverty at very high levels, which requires a lot of effort if the districts are to be in line with the other parts of the country in terms of meeting the MDGs. All development efforts focusing on the districts need to be reprogrammed to ensure that priority areas, especially those that provide more synergies to other sectors are given immediate attention. For instance, the statement "water is life" is more meaningful in these districts than in the 'White Highland' districts of Kenya. More mileage in both the education and health sectors would be gained if government budgetary allocations to the ASAL areas were to be channeled towards provision of water.

Currently, resource allocation in Kenya is done through the central and local governments. These bodies are empowered by law to collect revenues and expend them on behalf of the people. The focus of the government has also been the stabilisation of macroeconomic variables. However, since the 1995 World Summit on Social Development and the ratification of the 20/20 initiative, campaign is picking up for governments to give an equal focus to social sectors and make them targets in their annual budgeting.[13]

Different geographical regions require different amounts of resources. However, for their needs to be well-recognised, these regions would be required to plan, prioritise their needs and budget accordingly given the resources at their disposal. For instance, the situational analysis on the trends in the health and education indicators in the districts of Isiolo, Kwale and Turkana reveals a mixed scenario. Except for immunisation, which recorded better coverage rates than the national averages, most of the other indicators performed poorly. Infant mortality rates and under-five mortality remained higher than the national averages, threatening the chances of meeting the MDGs. Malaria prevalence continues to threaten the lives of the under five, and pregnant women.

Education indicators show an improvement in most of the trends except for drop-out and repetition rates for the districts. GER and NER for primary education benefited immensely from the introduction of free primary education. The budgetary allocations towards these activities were inadequate and disbursement was often delayed. The districts' health recurrent allocations per capita have been far below the US$ 34 recommended by the World Health Organisation. The direct allocations to the districts are far below the required financial needs to fulfil the policy requirements. However, the allocations towards primary education have been increased significantly after the introduction of Free Primary Education in line with the policy of universal primary education of increasing enrolment and sustaining children in schools.

13. The 20/20 initiative means that countries should set aside 20 percent of the budget and 20 percent of the overseas development aid for basic social services.

4. Assessment of Capacity and Fiscal Decentralisation

4.1 Institutional Capacity

Local and district-based agencies play a crucial role in budgeting and implementation and are also expected to be principal actors in the social budgeting process. Consequently, using the district workshops held in Isiolo, Turkana and Kwale, the stakeholders did a qualitative assessment of the capacity of various agencies and their functions in projects and programme implementation in the district. The agencies and the identified functions are shown in Table 5. The agencies include government departments, constituency committees, local authorities and regional authorities. Their abilities to perform the listed tasks was ranked from 1 = very weak, 2 = weak, 3 = satisfactory, and 4 = strong. The closer the score to 1 the bigger is the capacity gap in performing the function in question, while the higher the score the higher the comparative advantage in performing the identified functions.

A score of 3 and above was considered to be satisfactory. Those institutions that had a score of 3 and above were deemed to have a comparative advantage in performing the identified functions over the other institutions.

From the Table, it can be observed that:

- Government departments have a comparative advantage in all the functions. Although this may be attributed to the high representation of government departments in the workshops, it is likely that government departments in the districts are relatively well staffed with personnel than most of the other agencies in the district.
- Constituency committees such as CDF and CACCs had a comparative advantage in identification/preparation, implementation, and evaluation of the social needs. This may be attributed to various factors. For instance:

    Constituency committees are constituted by community members and are close to the communities. They are therefore more likely to be conversant with the community needs at the local level.

- Constituency committees are close to the communities, and therefore implementation and evaluation of projects and programmes could be enhanced by constant monitoring throughout the project cycle.
- These committees use local resources such as labour and are therefore likely to be more effective in the implementation.

• Local authorities have a comparative advantage in the identification, approval and handling of funds at the district level. They have technical structures, just like the government, and are therefore likely to have technical experts and an elaborate fund management framework. However, financial management is weak within local authorities, given their poor rating in service delivery.

• Similarly, due to an elaborate cash management framework, regional authorities have a comparative advantage in handling funds. Further, regional authorities have a comparative advantage in the appraisal and approval of projects and programmes. The assumption is that these institutions are well-staffed with trained technical experts.

• The workshop participants identified government departments as the lead agency in majority of the stated functions. This may be attributed to availability of technical experts and the elaborate structure in projects and programmes implementation. Other institutions that were highly rated were the constituency committees and local authorities. Local and regional authorities were also highly rated as lead agencies in handling funds. Constituency committees were rated together with government departments as lead agencies in implementation.

The last row of Table 5 presents the score under the various functions. A lower score indicates that the capacity gap is high. As such, capacity gaps were observed to exist in various functions undertaken by the agencies in the districts. It is evident from the table that capacity gaps at the district level exist in formulation of policies/strategies, implementation, supervision, fund handling and evaluation. This is likely to be the case in other districts in Kenya and can be one of the reasons for the poor projects completion rates in the country.

The institutional analysis was not exhaustive and did not consider private institutions, CBOs, FBOs and NGOs, all of which have a role to play in

Table 5: Districts institutional analysis

Agencies – linked to DDC	Strategy/ policies (I)	Id/prep (II)	App & app (III)	Imple. (IV)	Super. (V)	Fund handling (VI)	Eval. (VII)	Comparative advantage	High score
Government depts.	4	3	4	3	4	3	3	All	24
CCs	2	3	2	3	2	1	3	II, IV, VII	16
Local authority	2	3	3	2	2	3	2	II, III & VI	17
Regional authority	2	2	3	2	2	3	2	III & VI	16
Lead agency	- GoK	- GoK - CC - LA	- GoK	- GoK - CC	- GoK	- GoK - LA - RA	- GoK - CC - DO		
Low score	10	11	12	10	10	10	10		

NB: Max column score=16; Max row score=28

KEY

A high score = Higher capacity in the institution
A low score = Low capacity exists in the function
CCs - Constituency committees
LA - Local authority
RA - Regional authority
Id/prep - Identification/preparation
App&App - Appraisal & approval
Imp. - Implementation
Eval - Evaluation
Super - Supervision
GoK - Government of Kenya
DO - District Observatory

social budgeting. However, it was recognised that the private sector, NGOs and the community mobilise a lot of resources at the district level. Further, during the discussions of institutional capacities it emerged that some members of local-based committees, such as those responsible for CDF, have certain weaknesses despite them being well placed and close to the people. It was observed that local-based committees:

- Seemed to suffer from illegitimate representation in that not all their members were elected through a democratic process.
- Are vulnerable to 'elite capture' whereby they are used by influential interest groups and/or individuals to push for their political and development agenda.
- Have capacity gaps especially in certain areas of project design and implementation.
- Seem to be working in isolation, without necessarily contributing to the achievement of the District Development Plan and at times fail to consult with the technocrats at the government departments, except for the District Development Officer. The District Development Officer is often a passive member of constituency committees and the services of this office are limited to processing payments and facilitating accounting.
- In an attempt to distribute funds to more communities in their jurisdiction, end up allocating insufficient funds and therefore extending the duration of projects.

However, constituency-based committees are fully appreciated as a way of empowering the communities in achieving the development agenda. Apart from being handpicked and having capacity gaps in technical matters, it was generally felt that constituency committees or their equivalence are better forms of providing opportunities for participatory budgeting in Kenya.

Table 6 shows the composition and functions of some participating district-based institutions. The main observation is that district-based institutions, as currently structured, do not allow people's participation in their basic operations and most of them are answerable to higher offices.

Table 6: Composition and capacity of local-based institutions

Participating institutions	Composition	Comments
Government departments; Local authority (LA)	Are structured institutions with clear mandate as provided in the constitution; LA is able to raise revenue although they get budgetary allocation from the central government like LATF, LASDAP, etc. Members are GoK/LA employers.	They carry out their functions through line ministries as outlined in law. Government departments follow the central government policies, while local authorities, whereas independent of central government, are also linked to the line ministry but have own budget. LAs are guided by by-laws. Communities rarely participate in budgeting or implementation. They have some kind of technical capacity but are very bureaucratic.
Regional Authority (RA)	Are structured government institutions whose mandate is specific as spelt out in the constitution. However, their activities are limited to specific areas and projects. Members are employees of RAs.	They have independent budget, but initially allocated by the central government. They carry out their functions as per the constitution and/or project implementation plan; they do not involve communities in setting priorities or identifying their needs. They cut across communities and have knowledge of technical issues.
Constituency Committees- CDF, CBF, CACC	The constituency-based committees are legally mandated to comprise all representative groups in the constituency, such as government, local authority, women, youth and other interest groups. Members are elected, nominated or picked to represent various groups, while others are seconded from government departments.	Constituency-based committees get funds from the government and are supposed to involve the people in identifying their needs and therefore fund programmes as prioritised by members of the communities. Most have little knowledge of technical issues.

NGOs	Most NGOs are classified as private entities from both the legal perspective and their functions. They may have a fully-structured office and handle projects as per their work programmes. Members are employees of the specific NGOs.	Most NGOs embark on community programmes that are in their line of interest. They are usually specific and do not necessarily involve the community in identification or budgeting. Their budgetary items are very specific. They do work with local people but mostly rely on consultants for technical capacity.
CBOs	Most CBOs are members' organisations. Individual community members come together and form these organisations to champion for their needs. They usually solicit for funds by writing proposals to NGOs, CACCs, international bodies or even individuals. Otherwise, members also make contributions for their own projects. Members elect their leadership.	Members are the ones who propose the activities they want to undertake. However, CBOs are usually local—the locations of operations are limited, sometimes through their legislation. Capacity is limited and they rely on the government and NGOs for support.
FBOs	These are usually religious organisations involved in charity or non-profit making activities. FBOs are run by committees chosen by members, if not by a council of elders. The committees are answerable to the congregations. However, some branches get mandate and support from their headquarters. FBOs have their own budgets, but usually get resources from members' contributions. Leaders are elected or nominated by the congregation or mother church.	Some FBOs are not usually registered or are registered differently from their religious organisations. In many cases, it is a church or a particular mosque that would be undertaking a certain project in a certain locality. Another church or mosque could also be involved in a different project in the same locality and working independently. This sometimes depicts some element of competition and disharmony with the same religious institutions that share a mother institution. They have limited technical capacity but work closely with the people.

Community	Community members sometimes come together to undertake some activities, which to them are of immediate importance and of public interest. They contribute the required resources, after estimates of the cost requirement have been done. Sometimes they raise funds through *harambees*. After the task is accomplished or stalls, the community would only come together again when another public need arises, which they think they can address. They elect their own leaders for a purpose.	Sometimes local leaders mobilise the community to address their own problems like security, building bridges, etc. When community members come together and identify a project, they estimate the budget and try to raise funds equivalent to their budget. They engage in activity(s) within their capacity, however limited. Therefore, people are heavily involved.

4.2 Fiscal Decentralisation

Fiscal decentralisation is a complex aspect of federalism in that it does not merely mean assigning additional powers and revenues to sub-national governments, but it also involves a careful planning of political, managerial and technical aspects of the linkage between sub-national and national levels. Decentralisation of resources and/or the power to raise revenue is necessary for local authorities to meet their decentralised responsibilities and to have genuine decision-making power. The appropriate level and degree of fiscal decentralisation is not always unclear. Some countries like Ethiopia have more that 30 percent of their public expenditure executed at the sub-national level, while others like Kenya have only 4-5 percent of expenditure and about 6 percent of the national revenue.[14]

Kenya has a long history of fiscal decentralisation through local authorities. However, the autonomy of local authorities from the central government started declining after independence, and continued

[14]. See Paul Smoke (2001): Fiscal decentralisation in East and Central Southern Africa: A selective review of experience and thoughts on making progress.

through the 1970s and early 1980s. However, with the introduction of multiparty politics in the 1990s, the local government regained prominence and currently there are 175 local authorities in Kenya.[15] Their main responsibilities are provision of primary and pre-primary education, development of road infrastructure, provision of water and sanitation, and development of health services at the local community level.

During the 1980s, most local authorities experienced fiscal deficits largely because there was no clear system of flow of budgetary resources from the central government to the local government. This led to neglect of development and maintenance of vital services. The government has implemented several financial reforms leading to the introduction of the Local Authority Transfer Fund (LATF), Constituency Development Fund (CDF), and Road Maintenance Fuel Levy (RMFL), among other funds. One of the key ongoing developments is the Kenya Local Government Reform Programme started in 1996 and aimed at strengthening financial accountability using LATF as the main tool. Only local authorities that submit the required budget and accounting documents access the Local Authority Transfer Fund (LATF).

In addition to local government, other forms of decentralisation include the central government transfers to district levels through the District Focus for Rural Development programme, implemented by District Development Committees. Various constituency funds have also been introduced to enhance decentralisation to the constituencies. The constituency development fund, for example, was established under the CDF Act 2003 to support development at the constituency level. The Act requires that 2.5 percent of ordinary revenue (all government revenue except Appropriations in Aid) is allocated to the fund and disbursed to all constituencies. The Act empowers Members of Parliment to constitute constituency development committees that are responsible for overseeing the management of these resources.

Challenges to implementing an effective decentralisation system

- *Technical capacity*: Most local authorities have weak technical capacity at the policy making level. To address this challenge,

15. These include city, municipal, town, urban and county councils.

efforts must made, probably through the Kenya Local Government Reform Programme to build capacity of local authorities, particularly in developing strategic visions and management systems for local authorities.

- *Multiple accountability and duplication*: At the constituency level, there are parallel systems of decentralisation, which lead to several institutional arrangements whose activities are not coordinated. Decentralisation has been associated with the creation of various special funds controlled by Members of Parliament without harmonisation with the existing systems. In addition, central government ministries implement their projects/programmes through district heads of the respective ministries as provided for through the district treasuries, without harmonisation with the activities of local authorities.

- *Financial accountability*: Some local authorities experience difficulties in implementing capital projects either because the funds are ineffectively managed or are used for non-intended or non-authorised purposes. There is need for systematic capacity development, supervision, and technical assistance to assist local authorities in project implementation, and in ensuring prudent acconting and financial management. According to the Public Expenditure Review Second Assessment and Action Plan, many local authorities have not prepared accounts for audit purposes for many years.[16] Mostly, local authorities prepare abstracts of accounts to meet the requirements of the Local Authority Transfer Fund. By September 2004, there were 1,183 outstanding audits for local authorities. In addition, many local authorities do not pay the required statutory deductions.

- *Stakeholder participation*: The budgetary process at the local authorities has not been open to public participation and consultations. The Local Authoity Transfer Fund does not require that budgets be read and discussed by the people living in a local authority. There is therefore limited citizen involvement in the identification, design, implementation and monitoring of the projects and activities funded by local authorities.

16. See the review by World Bank, IMF and DfID (Government of Kenya, 2004).

- *Leadership quality*: Councillors and other local authority officers lack adequate understanding of the objectives, regulations and procedures of the Local Authority Transfer Fund. There is need, therefore, to build capacity of these decision-makers. Currently, most local authorities use private sector consultants when preparing submission requirements for the Local Authority Transfer Fund. The consultants may take advantage of the lack of knowledge and skills by local authority officers.

Fiscal decentralisation: The case for District Focus for Rural Development

By the time of independence in 1963, most Third World countries had adopted the state-directed planning approach. Political leaders and influential economists viewed centralised long-term planning as an essential and efficient tool for allocating scarce resources and as a symbol of progress and self-control. This view was reinforced by the experiences of Asian nations like India, Philippines, Korea and Taiwan, which used central planning to achieve their economic and political goals.

The Ministry of Planning and National Development is responsible for supervision, direction and control of economic policy, development planning, regional cooperation and national manpower planning. It coordinates and integrates into a national plan the products of five types of planning activity: Macroeconomic planning, sectoral planning through sector working groups, regional planning, district level planning through district development plans, and district level integrated planning for specific donor-supported initiatives.

The *Sessional Paper No. 10 of 1965* (Government of Kenya, 1965) was the first guiding document for planning in Kenya. It combined the principle of state direction of the development process and a decentralised planning process based on local output. The paper declared that the fundamental characteristics of African socialism were the duty of the society to plan, guide and control the use of all productive resources. Though this paper formed a strong base for planning in Kenya, the system of field administration was never designed around the concept of planning development and project management.

Opponents of decentralisation approach adopted by the government were concerned that there there was no established base for administering a decentralised planning system in Kenya. At the district and provincial level, there was a huge shortage of staff skilled in planning. The loyalty of the local government and fielf officers was largely to their authorities and respective ministries, and not to the communities where the development activities were to take place. Furthermore, there was fear of increased political interference from local politicians in technical decisions, and some politicians often viewed increased centralisation of decision making at the ministry headquarters as essential to national building. Finally, there was reluctance by ministerial officers at the centre to give up their power to determine programme content and patterns of expenditure.

Proponents of decentralisation, on the other hand, argued that local people often have superior knowledge about the development opportunities and constraints of their areas. Decentralisation, therefore, taps fully on the relevant local level knowledge and generates increased support and commitment to development interventions while mobilising resources for self-help. Decentralisation would raise the level of awareness on government resource flows promoting rational and equitable budget allocations, and allow for effective evaluation of ongoing programmes, identification of gaps and input for interventions spearheaded by the community. Decentralisation promotes improved coordination among development actors in a given region or district.

The significant demographic and historical differences between and within regions and districts make it difficult to formulate in a national plan a coherent, uniform approach for rural areas, towns and cities.Also, proponents of decentralisation argued that data on local areas needed by central planners is often unavailable and unreliable. This is aggravated by the high turnover of field technical officers who gather this data for use in the centralised system.

In 1966, the Government of Kenya set the stage for the district focus planning by launching the Special Rural Development Programme (SRDP). The programme had four specific objectives:

(i) To increase rural income and employment opportunities;

(ii) To develop methodologies for inducing self-generating rural development;

(iii) To improve the capacity of civil servants working at the rural level; and

(iv) To develop regional planning techniques.

The strategy was based on the principle that rural planning and management improvement at the local level could be institutionalised within the established administrative structure. Six regions, representing 8 percent of the population, were selected from six provinces (excluding Nairobi and North Eastern Provinces). Complete plans for these regions were to be approved by the National Rural Development Committee, cleared by District and Provincial Development Committees and then designed in sufficient detail to receive funding from the Treasury.

After presenting a rationale for decentralised planning, the 1974-78 National Development Plan stated that the district would be the basic operational unit for preparing plans and implementing selected programmes and projects. Following this statement, 40 district development plans were prepared in 1975 and district development officers posted to districts.

The preparation of District Development Plans was the first major accomplishment of the government in its commitment to decentralisation of the planning process. However, after reviewing the 40 District Development Plans, Peter Delp, an advisor in the Rural Planning Division, noted that the documents were not plans in the sense of proposing a course of action in light of local resource endowments, identified needs, problems and constraints and potential opportunities. This is because the plans were not prepared at the district level, but by provincial and headquarter staff. The sectoral programmes were too sketchy in description for actual implementation to be possible. Since project planning and evaluation units were not operational, it was not possible to give a complete and reliable breakdown of projects per district.

The project implementation rate was very low, partly because of lack of commitment by the district heads of departments, inadequate technical assistance or delays in securing self-help contributions, and more importantly due to limited number of qualified people in the field. Furthermore, sectoral ministries were not ready to accept planning information from the districts or even to respond to district priorities.

Fiscal decentralisation with respect to social and participatory budgeting

One of the main objectives of fiscal decentralisation is to ensure that resources reach the poor (Devas, 2002). Ensuring that flow of resources reach the poor at the point of service delivery involves three critical issues:

(a) *Design and allocation criteria*: In Kenya, resources are transferred from the central government to local authorities through the Local Authority Transfer Fund.[17] Whether adequate resources are allocated to finance the local services taking into account the needs of the poor is still an issue. Further, the structure of the central government is such that the main revenue sources are collected by the central government, while significant responsibilities are assigned to local governments.

(b) *Conditionality and citizen participation:* This is the assessment of whether the allocated resources are applied to the services and target groups they are intended for in the budgeting process of the local governments. In Kenya, citizen participation in the district as well as the local budgetary process has been weak, though improving with the establishment of various decentralised funds.

(c) *Local capacity, monitoring and accountability*: This is the assessment of whether resources allocated are actually used to deliver services of required standard, and particularly basic services to the poor.

Citizen participation

However fairly the resources are distributed to local governments, there is no guarantee that they will be allocated to service delivery (Devas, 2002). One way to address this problem is by increased citizen participation, and empowering local citizens to make demands on their local governments for services, and to counter the tendency to direct resources into general administration or the personal interest of the elected representatives or officials. The Local Authority Transfer Fund

17. The Local Government Development Programme (LGDP) in Uganda and the LATF in Kenya are referred to as interesting example framework programmes for ensuring resources reach the poor at the point of service delivery (Devas, 2002).

was introduced in Kenya in 1999. From the 2001/2 financial year, one of the performance conditions was the requirement for each local authority to prepare a Local Authority Service Delivery Action Plan (LASDAP) using a participatory approach. Minimum conditions were specified on publicising the plan process, calculation of the available resource envelope, holding of public meetings and publicising of the agreed plan.

In Uganda, the requirement for local governments, schools and clinics to display clearly the information on the grants received enables people to ask questions about how the money was used, and hold relevant people accountable (Devas, 2002). In Kenya, the publicity surrounding the Local Authority Transfer Fund (LATF) and the requirement for local governments to involve citizens in drawing up plans for the use of the transfer funds, have empowered citizens to start demanding some accountability.

5. Aspects of Social Budgeting in Other Countries

5.1 Introduction

In the literature reviewed, there were no cases of explicit social budgeting being practised as conceptualised in this paper. However, the best practices reviewed had aspects of social budgeting. Such practices were observed as participatory budgeting, community budgeting and women's budget initiative. One common characteristic in all these is that there is peoples participation in the budgetary process— people are given a chance to identify their needs and results are made available to them.

5.2 Experiences from other Countries

Porto Alegre Municipality in Brazil

Participatory budgeting was first implemented at municipal level of Porto Alegre, capital of Rio Grande do Sul State in Brazil, in 1989. The people, in consultation with government representatives, drew the budget, prioritised their needs and decided on when and where public investments would be made. Currently, over 240 municipalities in Brazil are practising participatory budgeting, but the one in Porto Alegre is the most famous and best practice that is borrowed by other countries. It is important to note that governments practicing participatory budgeting have a devolved form of government at various levels.

Before adoption of participatory budgeting, public budgets in Brazil were dictated by the central government, social exclusion, resource waste, politics and corruption (Lerner, 2004). In 1989, there was a big problem of citizens living in slums or shacks without clean water, sewerage system or paved streets. The income of the City Hall (originating from taxes) was hardly enough to finance not even a minimum of public works that needed to alleviate the level of misery. Participatory budgeting in Porto Alegre has evolved over time and has become best practice model.

The budgeting cycle basically starts in January of each year with various assemblies across the city to review the system and discuss the by-laws, and for people to familiarise themselves with the budgetary process. This is important for maximum community participation and friendly interaction. These assemblies are all-inclusive and democratic. Lerner (2004) conceptualised the participatory budgeting cycle in Porto Alegre as follows:

March/April:	Preparatory meetings in micro regions, first plenary assembly in regions and theme area.
April/June:	Regional and theme area plenary, selection of spending on priorities.
June:	Forum of delegates review and voting and submitting their priorities. Delegates elect councillors to the citywide Municipal Budget Council.
July:	Municipal Assembly votes for priorities, councillors analyse budget demands using a prior agreed matrix and weighted criteria (i.e. weight of region's poverty and total population).
July/Sept:	The Budget Council introduces participatory to the Mayor. The Mayor endorses budget and submits it to Chamber of Delegates. The Chamber has power to reject the budget, but community pressure ensures its approval.
Aug/Sept:	Resources voted as per the approved participatory budget, budget delegates monitor implementation of the funded projects. Budgetary cycle starts again the following year.

Participatory budgeting in Porto Alegre gives people a chance to identify projects and prioritise them in regional and thematic meetings. The meetings elect councillors who are charged with the task of overseeing the implementation of the budget during the fiscal year. During the meetings, the government sends its representatives to receive citizen demands, explain government priorities and defend government actions. All meetings are open and there is adequate consultation. This has expanded democratic space in participatory budgeting in Porto Alegre. The allocations for each investment area are divided according to a formula that takes into account regional population, regional need and the priority placed on each investment. The participatory budgeting in Porto Alegre has been rated very highly because of its positive outputs and outcomes.

Since participatory budgeting began in Porto Alegre, the quality of life and provision of public services has improved throughout the city, especially in poor neighbourhoods (Lerner, 2004). For instance, in 1989, only 49 percent of the population had basic sanitation. Priority has been given to basic sanitation, health, education, water and sewerage services (Serageldin *et al.*, undated). The people, civil society and government representatives have collaborated to make participatory budgeting a success (see Box 2). After eight years of participatory budgeting, 98 percent of households had water and 85 percent were served by sewerage system. In the same time span, half of the city's unpaved streets were paved and the number of students in elementary and secondary schools doubled (Lerner, 2004). Participatory budgeting has also made the community more active, has raised their self-esteem, and has promoted project ownership and commitment to project implementation.

Box 2: Civil society and governmental collaboration

One of the most interesting cases on civil society, civic participation and governmental collaboration is Porto Alegre in Brazil, where an innovative city government gave major decision-making power to ordinary citizens on a large scale, and managed to survive and prosper. Porto Alegre was presented at the UN Habitat Conference in Istanbul 1996 as an example of vibrant, democratic and transparent institution and a decision-making process closer to the citizens.

Porto Alegre was for long a city dominated by patronage politics and elite rule. In 1989, the government of Porto Alegre implemented a participatory budget programme that is becoming a model for policy-makers worldwide. Each year in this regional capital of 1.3 million people, residents meet in their neighbourhoods to determine budget priorities. Tens of thousands attend the annual budget assemblies. Nearly a thousand work as delegates year-round, and a popularly elected council has the final say on all city spending. In its 11 years in practice, the participatory budget has resulted in an improvement for the whole city, particularly for the most needy communities. The subjective benefit of the project has been an increase of self-esteem among the citizens. The objective benefits have been a healthier and fairer distribution of community resources, better urban infrastructure and public services.

Based on Porto Alegre's success, other countries have developed their own versions of participatory budgeting. Lerner (2004) observes that although participatory budgeting differs significantly between countries and regions, there are common design features.

Participatory planning process in Vietnam

Participatory planning is taking root in Vietnam especially for project preparation and implementation (World Bank, 2004). The participatory planning process is done under Capacity Building for Centre Region Poverty Reduction Project (CACERP) model. The Participatory Rural Appraisal (PRA) process under CACERP assists participants to identify the problems and opportunities, develop realistic village development plans, prioritise projects and enhance a sense of ownership among local people. The problems experienced in central planning (i.e. lack of involvement of the local people, political patronage and corruption, among others) led to the agitation for participatory planning.

Women's budget initiative in South Africa

The Institute for Democracy in South Africa (IDASA), founded in the 1980s, is an independent NGO dedicated to promoting sustainable democracy in South Africa. It was founded to support democracy and address the polarisation of blacks and whites in the country. After the 1994 elections, the organisation created the Budget Information Service (BIS) to analyse how the allocation and use of public resources affects the country's poor. The BIS also addressed the issue of poor information flow between the government and citizens and sought to enhance the participation of Parliament and civil society in budget planning (Krafchik *et al.*, 2001). A particular area of concern for IDASA and the BIS was the position of women, children, and the disabled, who comprise a large proportion of the poor and vulnerable people in South Africa.

The Women's Budget Initiative set out to analyse the country's budget with regard to its differential impact on women and men. Analysing the budget through a "gender lens" is, in essence, a gender audit that examines whether public expenditure is allocated in ways that promote or hinder gender-equitable patterns of revenue and resource use (Krafchik *et al.*, 2001).

The Women's Budget Initiative began by analysing the South African budget from outside government. It examined whether the budget addressed women's needs and made adequate provision (financial and otherwise) for implementing gender-sensitive policies. It also identified indicators to measure whether resources were used effectively in reaching intended targets and goals. It looked at both revenues and expenditure, taking into account the limited financial resources available. In areas where the analysis highlighted a need for greater budgetary allocation, it identified potential savings that could be realised by reducing expenditure in areas identified as subverting gender equity.

According to Krafchik *et al.*, (2001), the contributions of stakeholders involved in the Women's Budget Initiative have been critical to its success. For instance, NGOs provide the expertise and staff time to collect information and produce analysis, parliamentarians provide access to information, maintain focus on salient political issues, and act as advocates in the government while government provides the critical link to policy.

The Women's Budget Initiative has led to a gender-sensitive budget exercise that operates within the South African government, and to the production of a gender-focused budget manual for government officials. The initiative has also inspired similar desegregation analysis on the impact of the budget on other interest groups such as rural people, the poor, people with disabilities and children. The initiative and spin-off projects have been successful in expanding their networks, and the involvement of project researchers in key budgetary public policy work testifies to its impact on national policy formulation. The success of the initiative has led to the adoption of its gender analysis and advocacy work elsewhere in Africa, notably in Uganda.

5.3 Lessons Learnt in Participatory Budgeting

Participatory budget process, regardless of what it is called, is important in all respects. Basically, it redirects budgeting to the needs of the people. It reduces wastage primarily seen in centralised budgetary systems as well as misallocation of resources, and it creates an understanding for the people when there are resource constraints. There is no empirical evidence this far of countries that have adopted such budgeting systems and failed to see improvements in social economic development.

The participatory budgeting process has influenced allocation of public resources to priority sectors in regions and countries where it is practised. Priority sectors include health, education, water and sanitation, and infrastructure. The sectors are key to meeting the Millennium Development Goals and overall poverty alleviation in developing countries. However, several factors need to be considered for participatory budgeting to succeed. These include effective legislation to accommodate participatory budgeting, an active civil society, and political will, among others.

6. Conclusion and Recommendations

6.1 Conclusion

Performance in the social sectors in Kenya is relatively poor as evident from various social indicators. However, there have been some commendable achievements in school enrolment. Resource allocations to the social sector, and especially in health, water and sanitation, though increasing, are still inadequate for meaningful impact. The budgetary process is non-participatory and puts little emphasis on outcomes that indicate human development. Consequently, Kenya may not attain the development objectives spelt out in the Economic Recovery Strategy for Wealth and Employment Creation despite its good performance in providing free primary education.

The bottom-up budgetary structures exist only theoretically and therefore miss the opportunity to involve people in the MTEF budgetary process. The MTEF budgetary process is ineffective in engaging children, women and vulnerable groups to realise their social economic rights. This situation is worsened by the absence of appropriate forums for the claim holders and duty bearers to discuss the budget, and inability of civic engagement to exploit possible linkages and or entry points into the budgetary process.

The sector-wide approach in sector planning is an effective planning tool for harmonisation and coordination of sector resources. However, the approach is only effectively used in the education sector at the national level. Even if such a tool were to be extended to other sector and administrative levels, institutions that work with communities have inadequate capacity to prioritise and prepare budgets. Public institutions that are charged with the responsibility of overseeing execution of plans have capacity gaps especially in implementation, supervision and evaluation. It is important to build stakeholders capacity with a view to improving their input into the budgetary process.

6.2 Recommendations

a) **Strengthen MTEF process by timely actions and revitalising inactive institutions**: The current MTEF framework is a participatory budgetary process by design. However, certain institutions take action late and thereby negatively affect the actions of others. Since the structure of MTEF provides a comprehensive framework for bottom-top and top-bottom interactions, MTEF district-based institutions should be revitalised and members sensitised on ways of mainstreaming social budgeting. The district MTEF should work closely with other district-based institutions, including District Executive Committees and District Development Committees. Such institutions could have a positive impact in form of lobbying for more funds for the social sector if revitalised, expanded to be more representative and their capacity improved. Social issues, especially those that affect the welfare of children, orphans, disabled and women should be brought to the fore at the district budget formulation stage.

b) **Harmonisation and coordination of district budgets and implementation activities**: Another weakness at the district level, which leads to a weak budget for the social sector, is lack of harmonisation and coordination of the various development activities within the district. This happens at the planning level and at the budgeting level. District departmental heads contribute to the district strategic plan as a formality, yet the district strategic plan is expected to spell out the district priorities. During budget formulation, departmental heads liaise with their parent ministry or sector directly and their proposed action plans are in most cases totally different from the contents of the strategic plan. This contradicts the whole essence of the Medium-Term Expenditure Framework (MTEF).

District departmental heads should harmonise their budget plans at the district level in order to have one district budget from which sector working groups could pick their respective areas. This requires a lead agency to play the role of coordination. Such an agency could be the District Executive Committee, revitalised District Development Committees, or such other body with a capacity to coordinate an exercise of such scale. In such harmonisation, the stakeholders should relate input to targeted social outcomes/outputs with a view to mainstreaming social issues into the budget.

At the implementation level, every department implements its budget almost in isolation and with little, if any, coordination. A framework needs to be put in place to enhance harmonisation of planning and budgeting activities and coordination of implementation activities at the district in order to optimise utilisation of available resources.

c) **Adherence to the MTEF process**: Certain necessary actions, such as release of the budget circular guidelines from the Ministry of Finance, sometimes come as late as four months. The implication is that the guidelines are not utilised at the lower levels (district government departments) and this waters down the outputs of the MTEF process. Sector reports that emanate from the respective ministry head offices also have little input from the districts. Since such reports are expected to feed the Budget Outlook Paper and finally the Budget Strategy Paper, it is important for them to be comprehensive enough in order to relate input to targeted output/outcome in the social sector.

d) **Entry points for social budgeting**: In order to strengthen the mainstreaming of social budgeting in MTEF, it is imperative to influence the process where it has its greatest impact. The MTEF is likely to have its greatest impact at the priority-setting and resource allocation stages. These two stages can present the most visible interaction between the MTEF and social budgeting and therefore an opportunity to prioritise and allocate more funds to the social sector. Currently, prioritisation is done at the sector level though the MTEF could be strengthened to enable prioritisation at a lower level in order to capture district-specific priorities. Resource allocation, and specifically ceilings, are set by the Ministry of Finance. This is important as the ministry is in a position to assess the resource envelop. However, given the many competing sectors, it is important to have advocates of social budgeting within the group that sets the ceilings with a view to pushing the social sector agenda.

e) **Political goodwill**: Early involvement and engagement with political institutions and decision-making processes is inevitable if mainstreaming social budgeting into the MTEF is to be realised. Available literature shows that early engagement of political leaders in the MTEF process increases its success and acceptance. In view of this, elected leaders should be involved in budget formulation and implementation at the district level, with a view to getting their support for prioritising social issues and leading the masses in asking for accountability and results during the implementation stage. Furthermore, MTEF is not only a technical instrument for allocating scarce resources to competing needs, but is also a potentially crucial instrument for building and reinforcing political legitimacy and therefore domestic accountability.

f) **Budget tracking, monitoring and evaluation**: The use of accurate and complete information in planning and budgeting at the district level should be underscored. Currently, the district planning units and the national Monitoring and Evaluation Unit do not have the kind of district-based data that can be used to reach optimal decisions. In addition, little work on budget tracking is going on at the districts. In view of this, there is need for capacity building and harmonising the national data management systems with district databanks. In addition, proper social data management systems and analysis need to be encouraged at the district level. This should be treated as a measurable performance output of the respective duty bearers. Periodic budget tracking activities, monitoring and evaluation are vital if the effectiveness of the budget is to be established, and more so in the social sector.

g) **National and district observatory for the social sector**: In order to lobby government, advocate social issues in priority setting and resource allocations, and mobilise domestic and external funds for the social sector, it is important to have observatory teams at the district and national level that could be charged with the responsibility of foreseeing that social issues are mainstreamed during the MTEF process. While there are institutions at the district that could carry out such functions, these institutions are inactive and have not brought the social sector agenda in the fore. Observatory teams should complement rather than duplicate what other institutions are doing. Specifically, these teams should monitor the achievement of the social agenda of the Economic Recovery Strategy and the UN Millenium Development Goals. They should comprise all stakeholders in the social sector, with the government acting as a facilitator.

h) **Capacity building and sensitisation**: For social budgeting to succeed, capacity building of the responsible officers at the district level should be undertaken for them to be able to provide the necessary analyses for decision-making and implementation of social budgets. In addition, there is need for awareness creation within the local communities for them to be able to demand delivery of services and accountability from those involved in budget implementation. Further, it is also important to sensitise decision-makers at other levels within the MTEF process, particularly those responsible for preparing sector reports, the Budget Outlook Paper, Budget Strategy Paper and those who set sector ceilings.

i) **Suggestions for further analyses**: In order to ascertain actual impacts of public expenditure on social sector, it is important to carry out detailed case studies to establish unit costs and perhaps determine the impact of non-public district revenue and expenditure with a view to harmonising the entire district resources. Such a study would also include budget tracking and monitoring of the Economic Recovery Strategy and the achievement of the Millenium Development Goals.

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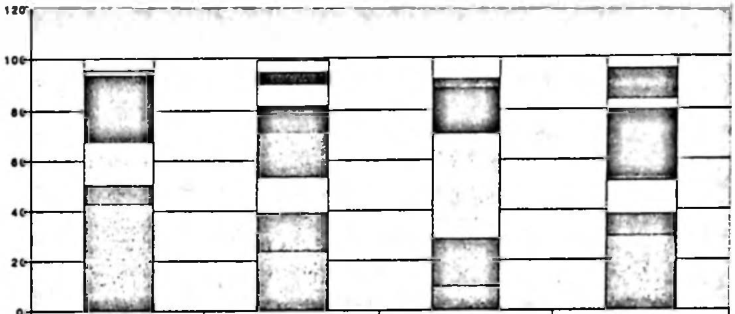
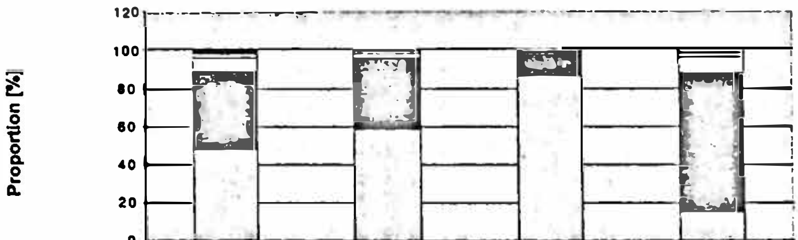
ANNEXES

Annex 1: Sources of water, 1999



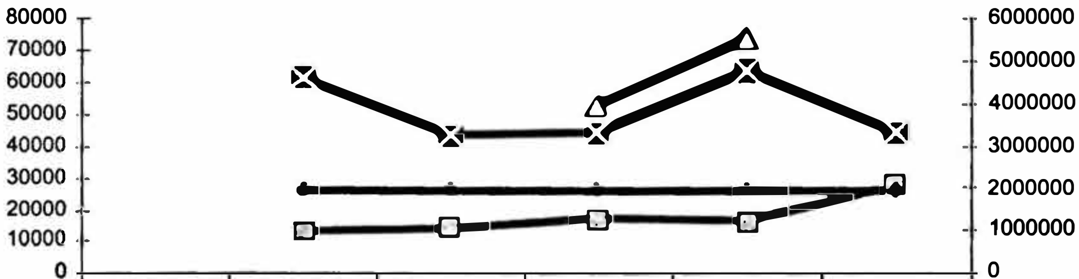
	Isiolo	Kwale	Turkana	National
Others	4	5	8	5
Spring	1	4	4	12
Pond	1	9	0	3
River	28	11	16	27
Dam	0	18	0	2
Well	18	14	42	13
Borehole	7	15	18	8
Piped	43	24	10	30

Annex 2: Human waste disposal, 1999



	Isiolo	Kwale	Turkana	National
Others	1	1	0	2
Bucket Latrine	1	1	0	0
Septic Tank	2	2	1	2
Main Sewer	7	1	0	8
Pit Latrine	41	37	12	72
Bush	48	59	87	16

Annex 3: Cases of malaria



	1999	2000	2001	2002	2003	2004
Isiolo		13220	14500	17042	16372	27731
Kwale		26,000	26,000	26,000	26,000	26,000
Turkana				52,500	73500	
National		4618556	3262931	3319399	4770301	3316540