Paper

HITS AND MISSES: BUDGET CREDIBILITY IN THE CONTEXT OF COVID-19 IN KENYA

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1. Summary

Budget credibility is the ability of the government to raise revenue and spend in line with the approved budget. This paper looks at how the Kenyan national government's fiscal response to COVID-19 has been implemented. In addition, it evaluates whether the government kept to the commitments that it made through the Supplementary Budgets passed in 2020, especially in response to the pandemic. In doing so, we hoped to understand whether the government's capacity to spend as planned according to the budget was undermined by the crisis, especially in sectors that are critical to addressing the crisis, such as health and social protection.

- The government was only able to raise 80 percent of its approved tax revenue targets in FY 2019/20. This is the lowest performance across the previous four years that also saw a continuous decline in tax performance. In part, this was due to tax relief measures that government put in place to cushion the public but also due to historically poor targeting especially in tax revenue.
- The government borrowing was 125 percent of the approved targets for FY 2019/20. This was driven by a significant adjustment to the borrowing targets for the year in both domestic and external borrowing after the onset of COVID-19 in Kenya.
- Kenya's Contingencies Fund was not allocated any resources in 2019/20 and neither were any funds spent out of it for that year. Was the fund resourced and was it utilized to respond to the immediate needs due to COVID-19?
- The health budget was overspent in FY 2019/20 compared to previous years**.** Health programs' spending exceeded the original approved health budget by 11 percent. This is largely on account of additional resources to the Health Policy, Standards and Regulations program, which overspent its budget by 63 percent. The COVID-19 Emergency Response was budgeted for under this programme.
- The National Safety Net Programme's budget was increased by 63 percent to expand the reach of government's social protection programmes in FY 2019/20 as a response to the pandemic. However, only 82 percent of that budget was absorbed, which is a significant underspending during a period when the economic impact of COVID-19 was at its peak with a strict lockdown in Kenya.
- Transparency and accountability challenges persist in how the government raised and spent the COVID-19 allocations. Disaggregated information on COVID-related budget allocations is limited. There is no transparency on the government's initial responses to the pandemic. For instance, detailed information on how funds from the Kenya COVID-19 Emergency Response Fund were allocated and expended is not available, particularly with regard to voluntary contributions, grants and donations to the fund. The dedicated website for this fund remains inactive. Spending information at the national level, as provided in the Controller of Budget Reports and Sector Working Group Reports, is also not comprehensive regarding spending at the very granular budget lines and the resulting impact.

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2. Acronyms

PFM – Public Finance Management

MDA – Ministries, Departments and Agencies

OCOB – Office of the Controller of Budget

OAG – Office of the Auditor General

COVID – Corona Virus Disease

KEMRI – Kenya Medical Research Institute

KEMSA – Kenya Medical Supplies Authority

SPCR – Social Protection, Culture and Recreation

FY – Financial Year

3. Introduction

Since the first case of COVID-19 was reported in Kenya, the government has used the budget as a central policy instrument to respond to the immediate and medium-term effects of the pandemic. The budgetary measures have ranged from tax reliefs, expansion of social protection programs, and economic stimulus programs, with the most crucial focus being on health measures to deal with the disease itself. As with other countries around the world, the Kenyan government had to move with speed to raise the money necessary to fund these measures in an already constrained fiscal environment. The measures applied by the Kenyan government are similar to the emergency measures taken by many other countries around the world. The National Treasury raised revenue from borrowing domestically and externally, re-allocations through supplementary budgets, and grants from donors.

Beyond the adverse health effects, the COVID-19 pandemic affected both the management of the budget and the budgeting process. With the haste in mobilizing resources and adjusting budgets while concurrently spending/utilizing COVID-19-related resources, it is possible to have the lines of transparency and accountability blurred. In Kenya, for instance, utilization of a fair amount of COVID-19 funds or resources may have been off-budget or spent without Legislative approval, contrary to Public Finance Management laws (PFM). This is evident for one of the policy measures: the Kenya COVID-19 Emergency Response Fund instituted in March 2020 after the onset of the pandemic. There is no public information on resources expended through this fund given the numerous donations toward the fund, including funding from the exchequer. Further, official budget documents, the second and third Supplementary budgets do not speak to resource allocation with regard to the fund. To this extent, the National Assembly, when deliberating on the FY 2020/21 budget estimates, put across as one of their policy resolutions that all expenditures under the COVID-19 fund be appropriated through Parliament[1].

The government's response to the pandemic has also affected budget credibility. This is the ability of the government to raise revenue and spend in line with the approved budget. Deviations from the approved budget put the credibility of budgets to question, whether the deviations are over or under budget. In FY 2019/20, the national government prepared three supplementary budgets. Two of these were prepared after the onset of COVID-19 and all within a period of three months. While swift responses to the pandemic were welcome, they should not have been at the expense of transparency, accountability, public participation and other best practices in budgeting. International Budget Partnership Kenya's analysis of the first supplementary budget after the pandemic hit shows the magnitude of resourcing the targeted programs and revealed the gaps in transparency in terms of the allocations and expected areas of spending for the funds. For example, the preventive health programme saw a significant reduction in its allocation in the second supplementary budget; however, the performance indicators remained the same, which raises questions on the accuracy of the targets and indicators during the approval of the budget.

4. What we did

This paper reviews the credibility of the national budget based on revenue and expenditure trends since the onset of COVID-19 and in relation to three prior years between 2016/17 and 2018/19. The pandemic meant that the government had to raise more revenue in order to fund responses to the COVID-19 pandemic and still implement the budget as had been initially approved. While deviation from the approved budget in FY 2019/20 was inevitable, it is still important to

[1] Page 27 - http://www.parliament.go.ke/sites/default/files/2020-06/Hansard%20Report%20-%20Tuesday%2C%209th%20June%202020%20%28A%29%20-%20Morning%20Sitting.pdf

interrogate the shifts in revenue and expenditure targets, actual revenue realized, and actual spending compared to the approved budgets as well as trends in the pre-COVID period. This is because: 1) changes made beyond the approval stage of the budget are done without the rigorous public participation and parliamentary oversight that happens during the formulation of the budget but should still respond to citizen priorities and needs, 2) budgets are a tool through which the government delivers services to citizens and adjustments could hamper delivery of certain services given the shifts in spending priorities. Revised revenue targets also have an implication on the size of the deficit and subsequent need to incur more debt to meet expenditure targets for the year.

Therefore, this paper looks at the impact and shifts in revenue and expenditure during the COVID-19 pandemic with specific focus on expenditure by select Ministries Departments & Agencies (MDAs), programs and government agencies that were central to the government's response to COVID-19. In addition, the paper looks at the level of access to information related to COVID-19 funding and expenditure in this period.

The analysis utilizes data and information from official government documents/sources. The sources of information are national government budget documents, including approved budget estimates 2016/17-2020/21, supplementary budgets in FY 2019/20, budget implementation reports FY 2019/20, special audit reports on COVID-19 and sectoral reports for 2021 with reference to Public Finance Management laws and regulations. In our context, we mainly looked at:

1. The FY 2019/20 Approved Programme Based Budget and the Supplementary II and III budgets and related books - Data on revenue and budgetary allocations to MDAs and Programs.
2. Controller of Budget (COB) reports on national government budget implementation. COB reports are a credible source of quarterly budget implementation information and, in particular financial information.
3. The Auditor General's special report on the utilization of COVID-19 funds.
4. Sectoral reports – non-financial information on expenditure.
5. KNBS survey on the Social Economic Impact of COVID 19 on households – Wave one and Wave two.

Transparency remains a challenge in the following two ways: 1) access to the particular sources of information such as budget documents or audit reports and 2) comprehensiveness of information in already accessed sources of information. The third supplementary program-based budget was unavailable. Comprehensive and accurate information within available documents remains more a challenge just as, if not more than, accessing the documents. This includes highly aggregated information and conflicting information across documents that report on similar government programmes. This was particularly evident in what was given in sectoral reports as approved allocations compared to approved allocations in program-based budgets. For instance, the final approved budget for the Health Policy programme in Supplementary III budget is Ksh50.8 billion, but according to the health sector report the approved budget was Ksh49.7 billion.

5. Revenue and Public Debt

4.1. Revenue Performance

The government's revenue collection came under significant pressure in FY 2019/20 due to the impact of COVID-19 on the economy. Revenue collection was at 86 percent of the revenue estimates approved for the year as shown in Table 1. From that overall perspective this is a large gap in the government's revenue collection. With the tax relief measures that the government put in place, it was evident that tax revenue collection would be negatively affected. However, this performance is similar to that of 2017/18 and 2018/19 but much lower than in 2016/17. Therefore, the poor performance in revenue collection was not just because of COVID-19. One notable issue is the drop in tax revenue collection against approved targets across the four years. Tax is Kenya's largest and most stable revenue source accounting for 92 percent of ordinary revenue in FY 2019/20. The revenue went down from 94, 87, 85 to 80 percent across 2016/17, 2017/18, 2018/19 and 2019/20 respectively. Therefore, the continuous decline in the collection of approved revenue cannot be attributed only to the impact of the pandemic. Unfortunately, the Quarterly Budget and Economic Review by the Treasury does not provide any reasons for this poor performance of tax revenue especially in FY 2019/20. The CoB budget implementation report explains that this was due to COVID-19 and its impact on the economy. However, historical performance indicates that this cannot be the only reason for poor revenue performance in FY 2019/20.

In addition, the government had a higher target for revenue in the final budget revision in FY 2019/20 despite all the tax relief measures announced by government and their impact on the economy's performance. The actual revenue collection was lower than the targets that had been approved at the beginning of the year. This speaks to the poor and sometimes unrealistic government's revenue projections. In addition, this contributes to the challenges around cash disbursements to different government agencies and even the county governments whose approved budgets are implicitly dependent on revenue that is likely not to be realized.

Table 1. Overall Revenue Performance remained stable driven by steep growth in non-tax revenue

FY	2016/17		2017/18		2018/19		2019/20	
Category	**Actual Receipts as a Proportion of Printed Estimates**	**Actual Receipts as a Proportion of Revised Estimates II**	**Actual Receipts as a Proportion of Printed Estimates**	**Actual Receipts as a Proportion of Revised Estimates II**	**Actual Receipts as a Proportion of Printed Estimates**	**Actual Receipts as a Proportion of Revised Estimates II**	**Actual Receipts as a Proportion of Printed Estimates**	**Actual Receipts as a Proportion of Revised Estimates II**
Total Tax Income	94%	100%	87%	93%	85%	95%	80%	99%
Total Non-Tax Income	119%	98%	107%	72%	74%	77%	175%	82%
Total Ordinary Revenue	**95%**	**100%**	**88%**	**92%**	**85%**	**94%**	**86%**	**88%**

Source: Controller of Budget Reports on National Government Budget Implementation, 2016/17 - 2019/20

Further analysis of revenue performance

The tax reliefs introduced by the government reduced the projected government revenue collection by Ksh122 billion and that led to the revision of revenue estimates downwards during the first supplementary after the pandemic started in Kenya. Estimates from the Parliamentary Budget Office shown in Figure 1 present the breakdown of projected revenue loss for each of the tax measures the government put in place in early April 2020. This may partially explain the poor performance of tax revenue in FY 2019/20.

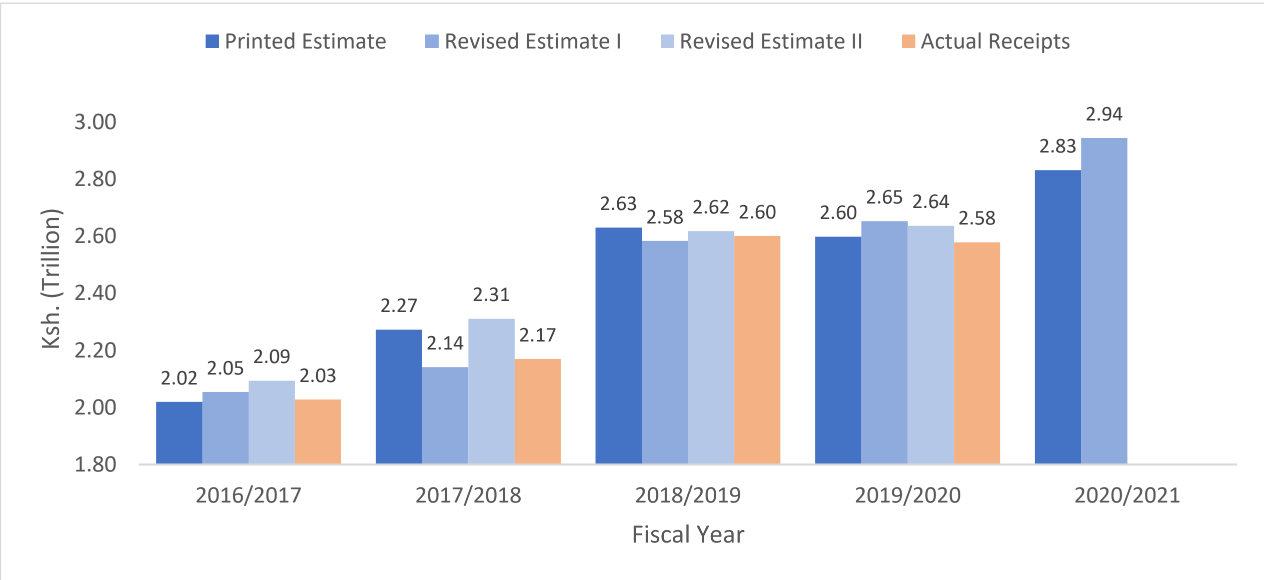
Figure 2 shows the revenue performance across a period of four years between FYs 2016/17 and 2019/20. In addition to the approved revenue targets and actual collection, it also shows the changes that are made to the approved revenue estimates within the financial year. Across all four years, actual revenue receipts were lower than the approved revenue estimates. In addition, the revenue targets for each year have been revised and often revised upwards with the exception of 2018/19 where the government adjusted the revenue targets downwards by a slight margin.

Figure 1: Summary of Government's Tax Measures in Response to COVID-19 in FY 2019/20

S.N.	Tax Measure	Revenue Loss (KSh. millions)
1	100% PAYE tax relief for earnings below KSh. 24,000	19,840
2	Reduction of PAYE top band from 30% to 25%	7,080
3	Reduction of Corporate Income Tax from 30% to 25%	45,691
4	Reduction of Turnover Tax from 3% to 1% for MSMEs	50
5	Reduction of VAT from 16% to 14%	49,598
	Total	**122,259**

Source: Special Bulletin on COVID-19, Parliamentary Budget Office

Figure 2: Revised Revenue Estimates in Supplementary II Budgets Went Up Except for FY 2019/20 (Ksh Billion)



Source: Controller of Budget Reports on National Government Budget Implementation, 2016/17 - 2019/20.

4.2. Revenue Mobilization in Response to COVID-19 through borrowing

Like many countries around the world, Kenya mobilized significant resources that went into the response to COVID-19. In addition, Kenya, as a developing country, does not have much fiscal space and continues to fund about one-third of its budget through loans. Even before COVID-19 hit, the Kenyan government's revenue sources were under immense pressure due to a large debt repayment bill and pension payouts coupled with ordinary revenue underperformance.

Therefore, Kenya's response to the pandemic was heavily dependent on how it could raise resources, especially from non-priority areas in its budget and through borrowing.

4.2.1. External and Domestic Borrowing

According to the Office of the Auditor General, the government of Kenya raised Ksh215 billion in the first 4 months of the pandemic in 2020 to deal with the health emergency. Majority of these resources were in the form of loan facilities. The government raised 125 percent of its approved target for the year 2019/20. This was driven by additional borrowing to fill in budget funding gaps especially with the closure of the economy and the tax reliefs issued by government. However, a closer look at the previous years shows that the government has overshot its borrowing target each year under review. This overshooting of borrowing against approved targets has been growing gradually across the years as shown in Table 2. Therefore, as COVID-19 forced the government to review its targets upwards, this had been a way of operating on matters of debt even before the pandemic.

Table 2: Government actual borrowing is always above approved borrowing

FY	2016/17		2017/18		2018/19		2019/20	
Category	Actual Receipts as a Proportion of Printed Estimates	Actual Receipts as a Proportion of Revised Estimates II	Actual Receipts as a Proportion of Printed Estimates	Actual Receipts as a Proportion of Revised Estimates II	Actual Receipts as a Proportion of Printed Estimates	Actual Receipts as a Proportion of Revised Estimates II	Actual Receipts as a Proportion of Printed Estimates	Actual Receipts as a Proportion of Revised Estimates II
Net Domestic Borrowing	102%	80%	90%	92%	100%	96%	130%	84%
Domestic Lending and On-Lending	45%	86%	68%	65%	72%	72%	1053%	83%
External Loans and Grants	100%	97%	90%	93%	92%	100%	105%	99%
Total Debt Performance	**102%**	**84%**	**108%**	**95%**	**115%**	**96%**	**125%**	**89%**

Source: Controller of Budget Reports on National Government Budget Implementation, 2016/17 - 2019/20

Loans and grants were at the center of financing the responses to COVID-19. 73 percent of all the public debt that Kenya incurred in FY 2019/20 was borrowed in the second half of the year which corresponds with the onset of the pandemic in the country. Nonetheless, this is not unique to FY 2019/20; in the previous three years, over 70 percent of total borrowing has happened in the second half of the financial year. The slight difference in FY 2019/20 was the high overshoot of the borrowing in the name of COVID-19.

Public borrowing and how these resources are used plays a part in the credibility of revenue and financing estimates. However, public debt also has future implications to service delivery. Borrowing, for instance, affects service delivery in the long run when the debt has to be repaid. In Kenya, debt repayment[2] is continually taking up more of the ordinary revenue collected leaving less revenue to meet other expenditure needs. In FY 2019/20, debt repayment took up 41 percent of the ordinary revenue raised. With less revenue to meet other expenditure needs, the already existing deficit can only widen, prompting more borrowing or more stringent measures to raise revenue, e.g., increased taxation. The government reversing tax relief measures that had been instituted to cushion Kenyans and the subsequent introduction of new tax bases in the current

[2] Public debt is repaid from ordinary revenue collected

financial year, 2020/21, is further evidence of this. This augments the need to hold the government accountable on how resources raised, particularly through loans, are spent, because the ripple effects of debt accumulation amidst a narrowing fiscal space, cannot be understated.

4.2.2. Contingencies Fund

The PFM Act created a Contingencies Fund, which is meant to operate as a first call when emergencies come up that could not have been budgeted for during the formulation and approval of the budget. The annual budget implementation report from the National Treasury for the year 2019/20 shows that the fund was not allocated any resources for the year and therefore, there was no spending from it as well. It is not clear whether the lack of allocation was because the fund was already at its Ksh10 billion limit at the end of 2018/19. However, the lack of spending out of the fund in a year when Kenya faced a serious emergency raises concerns about the existence and utility of the fund. In addition, this scenario was not unique for 2019/20; in three previous years, between 2016/17 and 2018/19, the same is reported in the budget implementation reports. This raises a general question of the role of emergency policies and their utilization, especially if recommendations on how Kenya can be better prepared for future emergencies will lean in this direction.

5. Expenditure Performance

This second part of the analysis is focused on the government's execution of the budget for FY 2019/20 in relation to years before the COVID-19 pandemic. In addition, the analysis will also focus on two key sectors that the government placed at the centre of its response to the COVID-19 pandemic. These include:

1. Health
2. Social protection

5.1. The Overall Sector Budget Execution

The COVID-19 pandemic was a curveball to the country's economy and health systems. With the urgent need for quick responses to the pandemic, implementation of the FY 2019/20 budget was disrupted toward the end of the third quarter. From mobilizing resources to budgeting for additional resources and expenditure rationalization, a shift in expenditure performance by MDAs would be expected. However, performance across is not very distinct from previous years.

The budget absorption in FY 2019/20 was 89 percent of the approved budget for the year. This performance was not significantly different from the three previous years and is slightly above the average of 88 percent. However, the picture is a bit mixed at the individual sector level. The health sector had an expenditure rate that was over 100 percent with the lowest absorption being in the public administration and international relations sector with just over three quarters of its approved budget executed. In addition, performance across the years for all the sectors has been erratic with no improving or decreasing trends in performance between 2016/17 to 2019/20 financial years. Only the social protection, culture and recreation sector shows a pattern of constant decrease in absorption across the four years analyzed in Table 3**.**

Table 3: Sector budget absorption between 2016/17 and 2019/20

		2016/17	2017/18	2018/19	2019/20	AVERAGE
	Sector	**Total Budget Absorption**	**Total Budget Absorption**	**Total Budget Absorption**	**Total Budget Absorption**	**Average Budget Absorption**
1	**Health**	**95%**	**77%**	**85%**	**114%**	**93%**
2	Energy, Infrastructure and ICT	81%	70%	94%	97%	85%
3	Governance, Justice, Law and Order (GJLOS)	91%	91%	104%	94%	95%
4	National Security	105%	111%	100%	92%	102%
5	Education	96%	104%	99%	87%	96%
6	Agriculture, Rural and Urban Development	82%	111%	97%	87%	94%
7	**Social Protection, Culture and Recreation**	**114%**	**111%**	**96%**	**85%**	**101%**
8	General Economics and Commercial Affairs (GECA)	82%	57%	53%	81%	68%
9	Environment Protection, Water and Natural Resources	69%	72%	69%	80%	72%
10	Public Administration and International Relations	78%	64%	75%	76%	73%
	Total	**87%**	**85%**	**92%**	**89%**	**88%**

Source: Quarterly Budget Implementation Review Reports 2016/17- 2019/20, OCoB

5.2. Overall Budget Implementation by National Government MDAs

A closer look below the sector level, that is, budget execution at the MDA level, shows a wide range in terms of performance for FY 2019/20. Performance at the MDA level differs considerably from overall sectoral performance. Whereas Health is the only sector that overspent its budget in FY 2019/20 at the sector level, the number is higher at MDAs level. The Presidency, which falls under the Public Administration and International Relations (PAIR) sector, was the highest over spender in FY 2019/20 while at the sector level, PAIR was the most underspent. MDAs overspending raises questions about their credibility.

The FY 2019/20 annual COB report and the 4th quarter QEBR report largely attribute the underspending to COVID-19. However, it is not clear the extent to which COVID-19 affected spending within MDAs compared to other factors such as supplementary budgets and the resulting budget cuts, delays in exchequer releases, pending bills and underreporting by MDAs. Implementation reports point out that the underspending, particularly for recurrent budgets, is because of COVID-19 and the resultant containment measures.

Table 4: MDAs Budget Absorption Between 2016/17 – 2019/20[3]

[3] The MDAs are ranked based on their budget execution rate in FY 2019/20
The composition/structure of some MDAs has been changed in certain years, therefore, the performance data in Table 4 is after matching MDAs to their initial parent ministries e.g., Labour and Social Protection. Currently, these are two separate MDAs.

	National MDAs	2016/17	2017/18	2018/19	2019/20	AVERAGE
1	The Presidency	115%	73%	101%	139%	**107%**
2	National Land Commission	97%	51%	92%	123%	**91%**
3	Ministry of Transport and Infrastructure Development	88%	78%	98%	112%	**94%**
4	**Ministry of Health**	**94%**	**85%**	**85%**	**111%**	**94%**
5	Directorate of Public Prosecutions	82%	74%	90%	103%	**87%**
6	Ethics and Anti-Corruption Commission	121%	108%	109%	103%	**110%**
7	Industrialisation and Enterprise Development	81%	59%	75%	102%	**79%**
8	National Intelligence Service	115%	120%	108%	102%	**111%**
9	Public Service, Youth and Gender Affairs	103%	97%	119%	101%	**105%**
10	Teachers Service Commission	98%	108%	106%	101%	**103%**
33	Ministry of Education	92%	99%	91%	70%	**88%**
34	The National Treasury	72%	57%	51%	67%	**62%**
35	Parliament	83%	71%	80%	65%	**75%**
36	Ministry of Environment and Forestry	83%	60%	75%	64%	**71%**
37	Ministry of Energy, mining and Petroleum	56%	85%	85%	63%	**72%**
38	Ministry of Sports and Heritage	102%	127%	114%	52%	**99%**
39	**Labour and Social Protection**	**91%**	**106%**	**96%**	**48%**	**85%**
40	Ministry of Devolution and Arid and Semi-Arid Lands (ASALs)	173%	116%	94%	39%	**105%**
41	Ministry of Tourism and Wildlife	67%	37%	48%	37%	**47%**
42	Public Service Commission	108%	108%	92%	13%	**80%**

Source: Quarterly Budget Implementation Review Reports 2016/17- 2019/20, OCoB

Five of the top ten MDAs that overspent their budgets had previously never spent beyond their initially approved budgets. The five MDAs are the National Land Commission, Ministry of Transport and Infrastructure Development, Ministry of Health, Industrialization and Enterprise Development and the Directorate of Public Prosecutions.

Table 5: Overspending in FY 2019/20 By MDAs That Had Previously Never Overspent Their Budgets as Initially Approved

	MDA	2018/19	2019/20	Change Between 18/19 & 19/20
1	The Presidency	101%	139%	38%
2	Ministry of East African Community and Northern Corridor Development	61%	93%	33%
3	National Land Commission	92%	123%	31%
4	Industrialisation and Enterprise Development	75%	102%	27%
5	Ministry of Health	85%	111%	26%
6	Ministry of Information, Communications and Technology	48%	73%	26%

7	Ministry of Water and Irrigation	66%	91%	25%
8	Witness Protection Agency	80%	100%	20%
9	The National Treasury	51%	67%	16%
10	Ministry of Transport and Infrastructure Development	98%	112%	14%
11	Directorate of Public Prosecutions	90%	103%	14%
12	Ministry of Interior and Coordination of National Government	92%	95%	3%
13	Controller of Budget	83%	86%	2%
14	Kenya National Commission of Human Rights	100%	100%	0%

Source: Controller of Budget Implementation Reports, 2018/19 & 2019/20

The Presidency, beyond being the highest over spender in FY 2019/20, also had the highest positive change in budget absorption rates, comparing FYs 2018/19 and 2019/20. In 2019/20, the Nairobi Metropolitan Service was constituted and allocated for under The Presidency through the Supplementary II budget. The impact that this has had on expenditure performance for The Presidency is evident from the 139 percent budget absorption rate even though this MDA has consistently overspent. In the context of COVID-19, the changes in MDAs such as National Land Commission, Industrialization and Enterprise Development and Transport and Infrastructure are quite significant, comparing FY 2018/19 and 2019/20. These were majorly non-COVID-related expenditure areas ranging from road construction, flood control and administrative expenditures, which included pending bills within the National Land Commission.

Table 6: Underspending is Higher for Revised Budgets

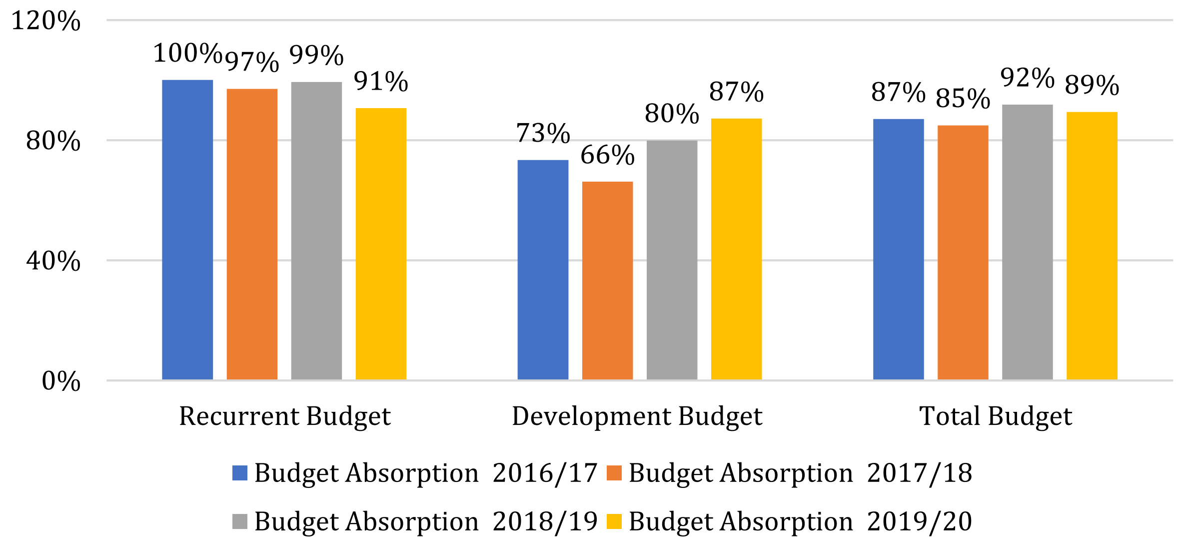
	Total MDAs' Budget Allocations			Actual Expenditure	Expenditure Performance (Original Budget)		Expenditure Performance (Revised Budget)	
	Original Budget	Revised Budget III	Difference		Underspend	Deviation	Underspend	Deviation
Recurrent Budget	1224.6	1265.4	40.82	1110.7	-113.9	-9%	-154.7	-12%
Development Budget	704.2	712.6	8.42	614.3	-89.9	-13%	-98.3	-14%
Total Budget	**1928.8**	**1978.1**	**49.24**	**1725.0**	**-203.8**	**-11%**	**-253.0**	**-13%**

Source: Controller of Budget Implementation Reports, 2019/20

In FY 2019/20, expenditure by national government MDAs deviated from the revised budget allocation by 13 percent with a 12 percent and 14 percent deviation from revised recurrent and development budget allocation, respectively. Deviation from the revised budget estimates is higher than the deviation from the original budget estimates **(Table 6).** This is after a 3 percent overall increase to the total budget for MDAs through the supplementary budgets for the year. The increase is also reflected in the current and capital budgets with 3 and 1 percent increases, respectively. Not only was the overall spending below the initially approved budget, given the 11 percent underspend, but it was also way below the revised estimates implying that additional budgetary allocation may not have been spent. At the compositional level, however, the deviations vary with some MDAs overspending whereas others underspent their budgets. This raises questions about the role of supplementary budgets in achieving a certain level of realism in budgets. An argument fronted has been on the need to adjust budgets based on revenue and expenditure performance so that they are more realistic. The lower performance in budget execution after the revisions shows that this objective was not achieved in this case and of more concern is that resources reallocated to deal with the pandemic may have been underspent.

In comparison to previous financial years, 2019/20 recorded the highest development budget absorption rate and the lowest recurrent budget absorption rate, as shown in **Figure 3**.

Figure 3: Budget Absorption by National Government MDAs



The budget credibility of some of the MDAs prioritized in the response to the COVID-19 pandemic declined significantly in FY 2019/20 (**Table 7**). One way to put this performance in context is to group performance into bands, as shown in Table 7. The first band is within a plus or minus five percent of 100 percent spending rate and then moving five bands for each next category. This approach borrows from what is done more in-depth by the Public Expenditure and Financial Analysis (PEFA). From that approach, the MDA hosting Social Protection moved from the top tier to the bottom one. This means that the department's expenditure moved from a deviation of less than 5 percent from the approved budget, in 2018/19 to a deviation of more than 15 percent in 2019/20. The credibility score for the Ministry of Health remained constant between 2018/19 and 2019/20, including 2017/18.

Overall, 19 out of 44 MDAs, that is 43 percent, recorded a decline in budget credibility - taking to account expenditure outturn - in FY 2019/20 compared to the previous year, 2018/19. Notably, 8 out of the 10 MDAs whose scores remained constant were MDAs with the lowest tier. Generally, majority of MDAs have budget credibility scores in the bottom tier.

Compared to 2018/19, the number of MDAs with the least score went up after significantly declining between FYs 2017/18 and 2018/19 from 36 percent to 48 percent while the category of good performance saw a decline from 36 percent to 24 percent. While some of this can clearly be attributed to budget challenges due to COVID-19 historical performance going back to 2014/15 shows that there are other issues that have been affecting budget implementation even before the pandemic.

Table 7: The Proportion of MDAs with the Least Scores Went Up in FY 2019/20

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Absorption between 95% and 105%	17%	26%	26%	7%	36%	24%
Absorption between 90% and 110%	19%	10%	19%	17%	19%	12%
Absorption between 85% and 115%	10%	21%	10%	7%	10%	17%
Absorption below 85% and above 115%	55%	43%	45%	69%	36%	48%

With the performance of 14 MDAs declining and 8 other MDAs stagnating at the bottom between FYs 2018/19 and 2019/20, the COVID-19 pandemic has only further exacerbated poor budget credibility. Even then, 13 MDAs showed improved budget credibility. These include the Ministry of Water and Irrigation, Teachers Service Commission, Industrialization and Enterprise Development.

Supplementary budgets made changes to approved budgets.

The overall performance discussed in the previous section happened in a context where the national government made budgetary adjustments through three supplementary budgets in FY 2019/20. The first supplementary was prepared before the COVID-19 pandemic hit Kenya. The second one was prepared barely two weeks after the onset of the pandemic and, therefore, made the most significant adjustments to the budget in response to the pandemic. The third supplementary budget was tabled in Parliament barely two weeks to the end of the financial year and made very few adjustments to the budget. In this analysis, closer attention is paid to the changes that were made in the second supplementary budget to get a better understanding of the changes that the government made and eventually how that reflected on budget execution.

The government, through the supplementary II budget, created fiscal space for COVID spending by revising expenditure estimates for MDAs. Essentially, reallocating resources from non-priority areas to MDAs and programmes that were frontline in the health response as well as in cushioning vulnerable households. For instance, resources allocated to the State Department of Public Works under the Big Four Agenda were substantially decreased. Funds for the Universal Health Coverage programme were also decreased to cater to the recruitment of health workers[4]. Re-allocations through the Supplementary II budget were characterized by budget cuts for most MDAs, with others significantly gaining.

An interesting gain is in the State Department of Crop Development with an overall increase of 57 percent and a 251 percent increase in the department's recurrent budget. The justification provided for supplementary funding in this department, and particularly for the Ksh10.47 billion is:

[4] http://www.parliament.go.ke/COVID-19-mixed-bag-realization-uhc

> The Approved Estimates have been adjusted to a gross allocation of KSh.35.25 billion under Supplementary Estimates No.2 of which current expenditure is KSh.14.64 billion and capital expenditure is KSh.20.61 billion. The overall change reflects an increase of KSh.12.74 billion consisting of additional KSh.10.47 billion in the current expenditure and additional KSh.2.27 billion in the capital expenditure. The additional KSh.10.47 billion in the current expenditure is on account of job evaluation for staff of Bukura Agricultural College, additional funds for combating infestation and spread of desert locusts and additional funds for the Strategic Food Reserve. The additional KSh.2.27 billion in the capital expenditure is on account of additional donor funds for implementation of Kenya Climate Smart Agriculture Project and National Agricultural & Rural Inclusive Project, and rationalization of expenditure.

Source: Supplementary II PBB 2019/20, Page 449

Kenya was already facing the most serious locust infestation in nearly a century before COVID-19 and that was already a threat to food security in the country. Therefore, more than Ksh10 billion of the Ksh10.47 increase in recurrent allocation was being directed toward strategic food reserves under the newly introduced delivery unit: National Food Security. The Ksh10 billion of the amounts being reallocated was appropriation in aid from the sale of strategic food reserves. What remains unclear is the sale of strategic reserve stocks and the subsequent budget allocation for acquisition of strategic food reserves at Ksh7.8 billion with the remainder of the fund covering administrative costs.

These changes are indicative of the second supplementary budget not being just a policy response to COVID-19. Whereas some of the changes were in response to other crises which could arguably be exacerbated by the pandemic, for instance, food shortage, the budget also brought about other changes unrelated to COVID.

Some of these changes are evident in MDAs such as The Presidency, which has a Ksh4 billion allocation for the Nairobi Metropolitan Service (NMS). The NMS, instituted in March 2020, was another emerging issue around the time of preparation of the second supplementary budget. The Ksh4 billion allocation was allocated for administrative support and coordination of functions with no clarity/specificity on projects or outcomes.

Among the top 10 MDAs that got additional funding is the State Department of Social Protection: critical in the response to COVID-19. Gains in the departments of Trade, Tourism and Youth were on account of the trade development programme, introduction of the tourism promotion fund and settlement of pending bills, respectively. On the other hand, the National Treasury is among the ten MDAs with the greatest decrease in allocations. Budget lines under the National Treasury all had allocations decreased with the exception of three, one being funding to the Kenya Revenue Authority (KRA). KRA was allocated an additional Ksh10 billion for payment of tax refunds. The State Department of Devolution was the most decreased, despite a 23 percent increase in the recurrent budget meant for coordination of the emergency response to COVID-19. Decrease in the department's capital budget is attributed to low absorption of donor funds. Poor absorption of donor funds has been cited as a key reason for slashed capital budgets in other MDAs as well. As for the Health budget, the ministry was among those with decreased allocation despite the health crisis. The stated department of Social Protection, having the highest increase in allocation, could only spend 57 percent of the total revised budget allocation, with others like Tourism being unable to spend more than three-quarters of the department's budget. Such performance depicts poor budget credibility and raises questions on the very serious underspending. Beyond COVID-19, the Controller of Budget reports, partially attribute the underspending to budget revisions – supplementary budgets. Supplementary budgets affect budget execution depending on whether the changes increased or decreased approved budgets. Increased allocation means there is more to spend and therefore, when spending does not match revised allocation, then the implication is poor budget credibility. On the other hand, decreased budgetary allocations mean that what is available for spending is less than initially approved and as such actual spending is lower.

Key to this issue is the timing of when supplementary budgets are approved. For example, the third supplementary budget in 2019/20 was approved on the 30th of June 2020, which was the last day of the financial year. Would an MDA be able to spend resources allocated on the last day of a financial year? The implication is an underspending tag, and the resources are not used for service delivery as expected. That is even more complex in a year when every coin was needed to support efforts to deal with the pandemic.

Table 8: Supplementary II Budget Reallocations – The Contrast in MDAs that Gained and MDAs that Lost on Budgetary Allocations and their Performance

		Approved Estimates 2019/2020 - KSHS Billion			Supplementary II Estimates 2019/2020 - KSHS Billion			CHANGE BETWEEN SUPP. I AND SUPP. II ESTIMATES			ABSORPTION RATE			ABSORPTION RATE (SUPP. II BUDGET)		
	MDA	GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES	GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES	% CHANGE IN GROSS CURRENT ESTIMATES	% CHANGE IN GROSS CAPITAL ESTIMATES	% CHANGE IN GROSS TOTAL ESTIMATES	GROSS CURRENT	GROSS CAPITAL	GROSS TOTAL	GROSS CURRENT	GROSS CAPITAL	GROSS TOTAL
1	1165 State Department for Crop Development	4.18	18.05	**22.23**	14.64	20.61	**35.26**	251%	12%	**57%**	107%	87%	**91%**	31%	76%	**57%**
2	2021 National Land Commission	1.31	-	**1.31**	1.66	-	**1.66**	40%	-	**40%**	123%	-	**171%**	97%	-	**134%**
3	1011 The Presidency	8.98	2.34	**11.32**	12.30	3.41	**15.71**	31%	52%	**35%**	118%	114%	**117%**	86%	78%	**84%**
4	1174 State Department for Trade	1.69	0.46	**2.15**	1.68	1.12	**2.80**	2%	143%	**33%**	91%	207%	**116%**	92%	85%	**89%**
5	1214 State Department for Youth	11.44	5.96	**17.40**	14.17	7.95	**22.12**	28%	33%	**30%**	111%	132%	**118%**	90%	99%	**93%**
6	1202 State Department for Tourism	6.35	1.53	**7.88**	7.44	1.41	**8.85**	19%	131%	**29%**	24%	40%	**27%**	20%	43%	**24%**
7	1173 State Department for Cooperatives	0.73	3.73	**4.46**	0.65	4.57	**5.22**	0%	31%	**26%**	97%	121%	**117%**	110%	99%	**100%**
8	1185 State Department for Social Protection,	19.83	14.49	**34.31**	29.36	14.02	**43.38**	52%	-9%	**25%**	116%	87%	**104%**	78%	90%	**82%**

	Pensions & Senior Citizens Affairs															
9	1091 State Department for Infrastructure	61.45	124.97	**186.42**	61.16	176.75	**237.91**	0%	33%	**23%**	90%	127%	**115 %**	91%	90%	**90%**
10	1023 State Department for Correctional Services	26.11	0.96	**27.06**	33.12	0.23	**33.35**	26%	-76%	**22%**	106%	3%	**103 %**	84%	13%	**83%**
62	1024 State Department for Immigration and Citizen Services	2.12	1.39	**3.51**	2.03	0.65	**2.68**	-9%	-47%	**-23%**	87%	41%	**69%**	90%	88%	**90%**
63	2043 Parliamentary Joint Services	-	-	**-**	2.82	1.67	**4.49**	-9%	-41%	**-24%**	-	-	**-**	77%	98%	**85%**
64	1152 Ministry of Energy	5.75	71.67	**77.42**	6.71	55.76	**62.47**	6%	-28%	**-26%**	40%	66%	**64%**	34%	85%	**79%**
65	1122 State Department for Information Communication Technology	3.04	25.19	**28.23**	2.61	18.64	**21.25**	1%	-30%	**-27%**	82%	68%	**69%**	96%	92%	**92%**
66	1184 State Department for Labour	2.94	3.29	**6.23**	2.65	1.44	**4.09**	-1%	-55%	**-30%**	63%	36%	**48%**	70%	82%	**74%**
67	1071 The National Treasury	78.64	37.27	**115.91**	57.64	20.33	**77.97**	-25%	-45%	**-31%**	71%	47%	**63%**	97%	86%	**94%**

68	1166 State Department for Fisheries, Aquaculture & the Blue Economy	1.77	4.89	**6.67**	1.73	2.42	**4.16**	5%	-50%	**-37%**	94%	41%	**55%**	96%	84%	**89%**
69	1095 State Department for Public Works	2.33	2.10	**4.43**	2.17	1.39	**3.55**	-5%	-62%	**-41%**	92%	51%	**73%**	99%	78%	**91%**
70	1193 State Department for Petroleum	0.27	5.44	**5.71**	0.23	3.04	**3.28**	-1%	-44%	**-42%**	83%	43%	**45%**	95%	78%	**79%**
71	1032 State Department for Devolution	0.99	7.40	**8.39**	2.43	2.82	**5.25**	23%	-62%	**-44%**	239%	13%	**39%**	97%	33%	**63%**

Source: 2nd Supplementary Programme Based Budget, 2019/20

5.3. Health Sector

1) **Absorption of the health budget grew significantly during the COVID-19 period.**

Information on the utilization of COVID-19 funds in the health sector is limited. Implementation reports by the Controller of Budget provide top-level financial information, that is, absorption of funds at the Sector/Ministry level and programme level. Sector reports help bridge the gap in information by further providing non-financial information but challenges with presentation of granular information persist.

The health sector saw a significant rise in its budget execution in FY 2019/20 as shown in Table 9. This was mainly driven by additional resources that were allocated to respond to COVID-19, as discussed later in this section. The sector's absorption rate at 114 percent was driven by increased expenditure in both recurrent and development budgets. This is different from the underspending that has been witnessed in the sector in the three years before COVID-19. Therefore, this may not necessarily be an indication of improved budget absorption rather just a sector that had more resources to spend for the year. In addition, the cash flow numbers also raise some questions. The exchequer issues for the year were only 79 percent of what was spent for FY 2019/20. This means that there were funds that were spent outside the consolidated fund releases, an issue that has often been raised by the Controller of Budget as a challenge in budget implementation at the national government level.

Table 9: Health budget execution rates in the past four years

Sector	Recurrent Absorption	Development Absorption	Total Budget Absorption
2016/17	103%	87%	95%
2017/18	91%	64%	77%
2018/19	103%	63%	85%
2019/20	115%	112%	114%
Average for the Health Sector	**105%**	**81%**	**94%**
Average Overall Budget	**100%**	**73%**	**87%**

Source: Source: Quarterly Budget Implementation Review Reports 2016/17- 2019/20, OCoB

Even though the total health budget was overspent, budget performance at programme level shows that there was still underspending in some of the programs.

Table 10: The Health Policy Programme is the only Programme that Overspent on both Recurrent and Capital Expenditure

		2016/17			2017/18			2018/19			2019/20		
		Recurrent Absorption	**Development Absorption**	**Total Absorption**	**Recurrent Absorption**	**Development Absorption**	**Total Absorption**	**Recurrent Absorption**	**Development Absorption**	**Total Absorption**	**Recurrent Absorption**	**Development Absorption**	**Total Absorption**
Ministry of Health	Preventive, Promotive & RMNCAH*	127%	67%	**79%**	88%	52%	**59%**	44%	48%	**46%**	247%	44%	**81%**
	National Referral & Specialized Services	88%	154%	**107%**	89%	83%	**87%**	141%	70%	**105%**	92%	95%	**93%**
	Health Research and Development	83%	150%	**86%**	102%	500%	**109%**	70%	10%	**41%**	80%	114%	**82%**
	General Administration, Planning & Support Services	164%	57%	**95%**	85%	37%	**71%**	119%	3%	**72%**	93%	40%	**87%**
	Health Policy, Standards and Regulations	80%	74%	**73%**	335%	62%	**99%**	126%	188%	**148%**	191%	144%	**163%**
Total		**103%**	**87%**	**95%**	**104%**	**66%**	**85%**	**103%**	**63%**	**85%**	**114%**	**105%**	**111%**
recalculated[5]		103%	86%	**94%**	104%	66%	**85%**	103%	63%	**85%**	114%	105%	**111%**

Source: Controller of Budget Implementation Reports

[5] Expenditure numbers as provided in the ~~Contoller~~Controller of Budget Reports have been recalculated to verify what is provided as the total expenditure for recurrent and development budgets.

The absorption rates in four out of the five programmes, with the exception of Health Policy, Standards and Regulations, is quite erratic across the years with no particular trend on increases or declines. The same patterns follow across all the four programmes even in FY 2019/20. However, all of the four programmes spent less than what had been approved for their budgets.

The only programme with an overspend is the Health Policy, Standards and Regulations. Compared to the overall credibility of the health sector's budget – with a variance of less than 15 percent - expenditure performance of the health policy programme is poorer with variance that is way more than 15 percent. The overspend is evident for both capital and recurrent expenditures. As shown in **Table 12**, the relatively high-budget COVID-19 interventions in the Ministry of Health were housed under this program. The sudden influx in resources would, therefore, explain the significantly high rates of budget absorption by this program. Even though we see high absorption rates by this program, this is not an isolated case for the Health Policy, Standards and Regulations program. In 2018/19, the programme overspent its budget - both capital and recurrent – and in 2017/18, the program's recurrent expenditure was over the initial approved budget by 35 percent. Budgetary allocations to the programme have often been revised upward; over the last three years for the recurrent budget and two last years for the capital budget including 2019/20. However, performance in 2016/17 stands out with the least total budget absorption rate. This is also the year the programme was introduced. The overspend in subsequent years is indicative of the programme not receiving adequate allocation during budget approval hence the need for enhanced allocations within-year which then drives absorption rates of originally approved low budget allocations, higher. Poor projections, unforeseen circumstances aside, undermine the credibility of budgets. As a matter of transparency, it should be clear why COVID-related expenditures were allocated for through this program.

Absorption of the Health Policy, Standards and Regulations program's 2019/20 revised budget is 92 percent implying an 8 percent underspend of the revised budget. An 8 percent variance seems considerable in terms of budget credibility but what stands is that budget re-allocations occurred resulting to the 63 percent deviation of the programme's expenditure from the original budget. Despite not spending 8 percent of the revised budget allocation, the program's capital expenditure was still above the capital budget by 11 percent with recurrent expenditure taking up only 77 percent of the revised recurrent budget. The recurrent budget had been increased by 147 percent whereas the capital budget was only increased by 30 percent through the supplementary budgets. Therefore, the programme struggled to absorb all the additional resources allocated to it after the onset of COVID-19.

Spending in all the other health programs was below the original budget with Preventive, Promotive & RMNCAH recording the poorest overall performance in FY 2019/20. What is so conspicuous for the Preventive, Promotive & RMNCAH programme is the 247 percent recurrent budget absorption, which is also the highest. The difference in absorption of the recurrent and development budget under this programme is striking. Development budget absorption is the lowest it has been over the last four years, whereas the recurrent budget absorption is the highest it has been over the same period.

Detailed information on utilization of COVID-19 funds is lacking. That means tracking of these funds and in particular funds such as those allocated to KEMSA becomes quite difficult because functions that should be handled by the agencies are funded through one vague programme within the Ministry of Health. This is in addition to a lack of clarity on what these funds were meant for.

The Health Sector Working Group Report is also silent on the utilization of any COVID-19 funds allocated to KEMSA.

Budget Changes related to the performance on the health sector expenditure.

In FY 2019/20, within-year budget changes to the Ministry of Health's budget resulted in an overall increase to the Ministry's budget allocation by 29 percent – from an approved budget of Ksh92.7 billion to Ksh115.9 billion in the final (third) Supplementary budget (Table 11). The budget increase in the health sector was mainly driven by an 84 percent increase in the budget for the Health Policy, Stands and Regulations programme. As shown in Table 11, the programme accounts for almost all the additional resources that came to the Ministry of Health. It is quite odd that the resources were not spent under the preventive health care programme or the curative one under the National Referral Hospitals programme. Generally, all the programmes saw an increase in their approved budget with the exception of the Preventive, Promotive and RMNCAH programme whose budget was reduced by 33 percent.

Despite an overall increase, the second supplementary budget, characterized by the onset of the COVID-19 pandemic, decreased the Ministry's overall budget from what was initially allocated in the Supplementary I budget. However, the Supplementary II budget estimate, Ksh103 billion, is still higher than the approved budget estimate.

The second supplementary budget was among the first of Kenya's policy responses to the pandemic and as such, the budget cuts are glaring. The cuts are, however, not surprising given the contracting fiscal space, which could only be exacerbated with the unexpected COVID-related expenditure needs, prompting the government to cut 'non-priority' expenditures. The Supplementary II budget cuts were attributed to rationalization of the budget by the Ministry of Health, evident in the reduced number of delivery units across various sub-programmes. For instance, delivery units within the 'Reproductive Maternal Neo-natal Child and Adolescent Health' sub-programme went down from 6 units to only 3 in the revised budget. The cuts are also evident in the capital budget.

Table 11: Supplementary Budget Changes to Health Programmes (Ksh Billion)

1081 Ministry of Health	APPROVED ESTIMATES -JUNE 2019			SUPPLEMENTARY III			CHANGE FROM APPROVED BUDGET TO SUPPL III			% CHANGE FROM APPROVED BUDGET TO SUPPL III		
VOTE, PROGRAMME CODES & TITLE	GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES	GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES	CHANGE IN GROSS CURRENT ESTIMATES	CHANGE IN GROSS CAPITAL ESTIMATES	**CHANGE IN GROSS TOTAL ESTIMATES**	CHANGE IN GROSS CURRENT ESTIMATES	CHANGE IN GROSS CAPITAL ESTIMATES	**CHANGE IN GROSS TOTAL ESTIMATES**
0401000 Preventive, Promotive & RMNCAH	1.73	7.70	**9.43**	2.06	4.29	**6.35**	0.33	-3.42	**-3.09**	19%	-44%	**-33%**
0402000 National Referral & Specialized Services	27.93	9.06	**37.00**	30.32	9.24	**39.56**	2.39	0.18	**2.56**	9%	2%	**7%**
0403000 Health Research and Development	9.04	0.70	**9.74**	9.30	0.77	**10.07**	0.26	0.07	**0.33**	3%	10%	**3%**
0404000 General Administration, Planning & Support Services	7.98	0.98	**8.96**	8.63	0.48	**9.11**	0.65	-0.50	**0.15**	8%	-51%	**2%**
0405000 Health Policy, Standards and Regulations	11.40	16.19	**27.59**	22.36	28.42	**50.78**	10.96	12.22	**23.18**	96%	75%	**84%**
Total Programmes	**58.08**	**34.64**	**92.72**	**72.66**	**43.20**	**115.86**	**14.58**	**8.56**	**23.14**	**25%**	**25%**	**25%**

Sources: FY 2019/20 Approved PBB & Supplementary III, National Treasury

2) COVID-19 Allocations

The budget for the Ministry of Health increased by Ksh23 billion. This is despite the budget cuts in the Supplementary II budget on budget lines that were related to Universal Health Coverage. The Ministry's narrative section in the Supplementary II Program-based budget highlights that Ksh3.9 billion was allocated to address and mitigate the effects of COVID-19 with a breakdown of Ksh1 billion for recruitment of health workers, Ksh300 million for operations and Ksh2.6 billion under development expenditure. Apart from the Ksh2.6 billion allocated under the Kenya COVID-19 Emergency Response Project, budget lines for the other two expenditure areas are not easily identifiable both in the program-based budget and the itemized budgets. This is a transparency issue that shows a significant addition in resources to a key ministry that was responsible for the response to the pandemic but on an opaque budgeting platform which should have shown the allocations for the rest of the Ksh23 billion. There was a better breakdown of the allocation for COVID-19 related budget lines to a tune of Ksh14.7 billion.

Notably, majority of the COVID budget lines have been allocated under one program, the Health Policy, Standards & Regulations program.

In Summary:

Table 12: COVID-19 Allocations in the Health Sector

	SUPPLEMENTARY II BUDGET					SUPPLEMENTARY III BUDGET			
Sub-Programme	**Head/Vote**	**Title**	**Allocation (Supp. II)**		**Output/Purpose**	**Head/Vote**	**Title**	**Allocation (Supp. III)**	
			Recurrent	**Capital**				**Recurrent**	**Capital**
Health Policy, Planning and Financing	**Kenya COVID-19 Emergency Response Project**	2640200 Emergency Relief and Refugee Assistance		**2,660,000,000**	Increased access to testing and treatment	**Kenya COVID-19 Emergency Response Project**	2630100 Current Grants to Government Agencies and other Levels of Government	**9,350,000,000**	**5,350,000,000**
						Support to County Governments to Mitigate COVID-19		5,850,000,000	
						Administration of Quarantine Facilities		700,000,000	
						Supply of Facemasks to Vulnerable Groups		300,000,000	
						Procurement of Test Kits and Reagents		1,500,000,000	
						Referral Hospitals		1,000,000,000	

Health Policy, Planning and Financing	Transforming Health Systems for Universal Care Project	2640200 Emergency Relief and Refugee Assistance		**1,000,000,000**	Recruitment of health workers*					**1,000,000,000**
Human Resource Management and Development	Headquarters Administrative and Technical Services	2640200 Emergency Relief and Refugee Assistance	**300,000,000**		Operations*				**300,000,000**	
						Conversion of Daycare Center to a Ward for COVID-19 Patients - KNH				**140,000,000**
						Operationalization of 300 bed Capacity for COVID-19 Cases - KUTRRH				**526,500,000**

Performance information disconnected from the budget

Through the Kenya COVID-19 Emergency Response Project, the Ministry of Health targeted to have 100,000 people tested and treated for COVID-19 by the end of June 2020. In one of the official press briefings, however, the Ministry had the target at 250,000.[6] This is one example of several instances where public pronouncements by the government and what was in the budget differed either with regard to allocation or purpose of the allocation. In another instance, the Ministry of Health indicates the intent to hire additional health workers. Allocations made for this purpose do not come out clearly and directly in the Supplementary II budget, even though the budget lines can be traced. During the first few months of the pandemic, public statements from the Office of the President and the Ministry of Health were seen as policy directives as they were often Gazetted as executive orders according to Kenyan law. Notably, the Kenya COVID-19 Emergency Response Project is the only budget line in the 2019/20 Supplementary II budget estimates that directly states it is targeted toward addressing COVID-19.

In late June 2020, at the tail-end of the financial year, the National Treasury tabled a third supplementary budget. Public Finance Management Laws and Regulations allow for spending outside approved budgets provided that the National Treasury tables the revised estimates within a period of two months after initial spending. Therefore, the tabling of the third supplementary budget coming at the end of the financial year seemed to serve that purpose. This creates challenges on transparency as these allocation shifts are made in the budget. For example, according to the Supplementary III budget, the Kenya COVID-19 Emergency Response Project had initially (Supplementary II budget) been allocated Ksh3 billion for recurrent expenditure but there is no evidence of this in the Supplementary II budget. This is unless funds meant for other expenditure lines were utilized for the emergency response project.

This third budget revision affected only a handful of MDAs and the Ministry of Health was one of them. The overall Health budget was adjusted upward. Two additional COVID-19 related budget lines were also introduced in the budget under capital expenditure. Also notable is the increased allocation for the 'Kenya COVID-19 Emergency Response Project' of Ksh2.69 billion.

Budgets for State corporations responsible for Covid Response did not change

The Kenya Medical Supplies Authority (KEMSA) was the key agency responsible for the procurement of test kits, personal protective equipment, face masks and other supplies necessary for the health response to the pandemic. In the health budget, however, allocations to KEMSA remained unchanged from the approved budget to the final (third) supplementary budget.

KEMSA was originally allocated Ksh3.1 billion for recurrent expenditure and also received Ksh262 million for capital expenditure (for completion of a warehouse); these remained unchanged. There is no disaggregation of the agency's budget in the national health budget, as is the case for other government agencies that receive grants.

Table 13: KEMSA's Budget Allocation was Unchanged in 2019/20

	Approved Budget	Supplementary I Budget	Supplementary II Budget	Supplementary III Budget
Recurrent	3,102,264,595	3,102,264,595	3,102,264,595	3,102,264,595

[6] https://www.health.go.ke/wp-content/uploads/2020/04/CamScanner-04-22-2020-15.50.11.pdf

Capital	262,500,000	262,500,000	262,500,000	262,500,000
Total KEMSA Budget	**3,364,764,595**	**3,364,764,595**	**3,364,764,595**	**3,364,764,595**

Source: Approved and Supplementary Budget Estimates 2019/20, National Treasury

However, two budget lines under the Kenya COVID-19 Emergency Response Project in Supplementary III budget, fall within the mandate of KEMSA. The two cover the supply of face masks and procurement of test kits and reagents (**Table 14**). According to the Auditor General's special audit report on the utilization of COVID-19 funds by KEMSA, the agency was also allocated funds from the World Bank for procurement of COVID-19 related items on behalf of the Ministry of Health. This is quite strange as the budget shows that KEMSA did not receive any additional funds during the first few months of the pandemic.

Table 14: KEMSA Received Full Allocation of the Government's Funds despite Non-Expenditure

Source of Funds	Sub-Head	Allocation to KEMSA	Amount Received
World Bank	CERC - Transforming Health Systems Project (THS)	758,690,583	304,160,118
World Bank	Kenya COVID-19 Emergency Response Project (CHERP)	454,840,000	77,774,400
Government of Kenya	Procurement of Test Kits and Reagents	1,500,000,000	1,500,000,000
Government of Kenya	Supply of Facemasks to vulnerable groups	300,000,000	300,000,000
TOTAL		**3,013,530,583**	**2,181,934,518**

Source: OAG Special Audit Report on Utilization of COVID-19 Funds by KEMSA

The audit report also noted that there was re-allocation of funds within the Agency. This was such that funds meant for other programmes, e.g., Universal Health Coverage (UHC) and the Agency's capital budget were used to fund COVID-19 related procurements, amounted to Ksh7.6 billion. The audit report states that these budgets were not at all approved for COVID-19. Interestingly the budgets that had been approved for COVID-19 were not fully utilized. The Ksh1.8 billion funding from Government had not been utilized at all despite funds receipt by KEMSA. This would mean that test kits and reagents were not procured and supply of masks to vulnerable persons was not done

Important to note that the Auditor General's special audit report on KEMSA came in light of alarm raised by the media, further echoed by the Senate and public outcry over misappropriation of funds in the agency, coupled with violation of procurement laws. The audit report substantiated these allegations noting that KEMSA violated procurement laws and PFM laws on capital budgets on top of which value for money was never attained, seeing as 97 percent of supplies were still in warehouses as at the time of the audit.

The Kenya Medical Research Institute (KEMRI) was also at the forefront in the response to the pandemic. KEMRI is a government agency with the mandate to carry out research on human health and it serves as the governments research arm on all matters of health research in Kenya. In the response to COVID-19, the institution bore the responsibility for carrying out tests across the country. In FY 2019/20, KEMRI's budget remained unchanged apart from allocations in the Supplementary II budget, where current transfers to KEMRI were increased by Ksh142 million. Therefore, this minimal adjustment in its budget raises questions on how its operations in carrying out tests were funded if not from its budget.

Table 15: KEMRI's Recurrent Budget was Revised Upward in Supplementary II Budget

	Recurrent Budget						
	Approved Budget	Supp. I Budget	Change	Supp. II Budget	Change	Supp. III Budget	Change
1081007500 Kenya Medical Research Institute	2,241,374,271	2,241,374,271	-	2,383,624,271	142,250,000	2,383,624,271	-
	Capital Budget						
1081110800 Research and Development - KEMRI	171,600,000	171,600,000	-	171,600,000	-	171,600,000	-

The general assumption is that most of the funding to the health response to COVID-19 was funded and run under the Health Policy, Standards and Regulations, which had a significant increase in its budget during this period. However, this raises challenges in terms of accountability. For example, the programme spent 92 percent of its budget including additional resources for COVID-19, but it is not clear whether the underspending is by the implementing unit or the budget holder programme.

Performance of non-financial targets

The budget implementation reports from the Office of the Controller of Budget provide quarterly information on budget execution but that does not include performance of the non-financial aspects of the budget. The sector reports from the line ministries and the National Treasury provide annual reporting, which go further to give details of what was achieved against the targets that were set for each programme for the year. Therefore, a review of the health sector report covering the implementation of the 2019/20 budget provides a snapshot of the targets and their performance:

- The conversion of a daycare center to a ward for COVID-19 patients at KNH. This, according to the sector report was achieved in full, with allocated funds being fully absorbed.
- The operationalization of 300 beds for COVID-19 cases at KUTRRH. It is noted, in the report, that 400 beds for COVID-19 cases were operationalized, surpassing the target.
- The Kenya COVID-19 Emergency Response Project. This project aimed to increase access to testing and treatment of COVID-19 but had not been fully implemented as of June 2020; budget absorption stood at 32 percent. Target, in supplementary II budget, for number of persons tested and treated for COVID-19 was 100,000. Does this mean that this target was not attained? Statistics by the Ministry of Health indicate that as of 30th June 2020, 169,836 samples had been tested.

Table 16: Budget Absorption by The Kenya COVID-19 Emergency Response Project is Well Below 50 Percent

	Ksh Million				
	Approved Allocation	Actual Expenditure	Absorption	Target	Actual

Conversion of a daycare center to a ward for COVID-19 patients at KNH	140	140	**100%**			
Operationalization of 300 beds for COVID-19 cases at KUTRRH	526.5	526.5	**100%**	Number of beds operationalized	300	400
Kenya COVID-19 Emergency Response Project	5,350	1727.12	**32%**	Persons tested and treated for COVID-19	100,000	

Source: Health Sector Working Group Report 2020

Non-financial information is imperative to understanding budget implementation beyond the budgetary allocations, especially in assessing the impact of government budget interventions. Whilst the COVID-19 Emergency Response Project and the intended outcome has been presented in the PBB, no further information, apart from budget absorption, indicated above, has been presented in documents on budget implementation, such as Sector Reports or the Controller of Budget Reports to directly link access to testing and treatment of COVID-19 patients back to this project. However, spread across various sections of the Health SWG Report are bits of information on diagnosed and/or treated cases of COVID-19.

According to the Health Sector Working Group Report, both KEMRI and KEMSA underspent their recurrent approved (revised) budget allocations[7].

	Recurrent Expenditure		
	Approved Budget (Ksh. Million)	Actual Expenditure (Ksh. Million)	Absorption
KEMRI	3,323	2,876	87%
KEMSA	3,102	3,038	98%

The narrative information in the sector report points to 'over-achievement' in the response to the COVID-19 pandemic by the agencies. Regarding KEMRI, targets on diagnostic kits were surpassed as shown below

	Planned targets			**Achieved targets**			
	2017/18	**2018/19**	**2019/20**	**2017/18**	**2018/19**	**2019/20**	**Remarks**
Number of Diagnostic kits produced and distributed	60,014	66,105	251,790	42,814	126,086	651,220	The target was surpassed due to increased supplies used for COVID 19 testing

Source: Health Sector Working Group Report 2020

Generally, the sector reports do provide reasons and justifications in cases where targets were surpassed and where the Ministry of Health missed its targets. This has been a significant challenge

[7] There are discrepancies between the approved recurrent allocation in the sector report and the recurrent allocation in the supplementary budget

at national and county level budgets in Kenya and a key area that needs improvement by both the national and county governments.

Looking Forward: FY 2020/21

The budget for 2020/21 was prepared in part during the COVID-19 period and therefore it is the first full budget that was implemented during the pandemic. This section looks at changes in terms of allocations that have happened between the 2019/20 and the 2020/21 budget. The total health budget decreased in the approved budget for FY 2020/21 compared to the 2019/20 Supplementary III budget – from Ksh115.9 billion in FY 2019/20 to Ksh111.7 billion in 2020/21: a 4 percent decrease. The Preventive, Promotive & RMNCAH programme gained significantly in 2020/21, coming from reduced allocations in FY 2019/20 (**Table 15**). On the other hand, the budget for the Health Policy programme has been reduced by 23 percent with the recurrent budget being cut by almost 50 percent. Changes in allocation for these two programmes can partially be attributed to the movement of the COVID-19 Emergency Response Project from the health policy programme to the Preventive and Promotive program. This raises a concern on the structure of programmes within the health sector and what determines their composition and funding. The Health Policy programmes spending trends over the years indicates a programme that significantly changes in terms of its sub-programmes and its budgetary allocations. In addition, its constant overspending is indicative of a programme that almost operates as a special purpose vehicle for health spending that is either not included in the budget at the point of approval or handles emergent issues during the year of implementation. This does not augur well in the credibility of the health budget.

Table 15: Significant Shifts in Programme Allocations Compared to the 2019/20 Revised Estimates

	SUPPLEMENTARY III- JUNE 2020			APPROVED EST. 2020/21			CHANGE			% CHANGE		
VOTE, PROGRAMME CODES & TITLE	GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES	GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES	GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES	GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES
0401000 Preventive, Promotive & RMNCAH	2.06	4.29	**6.35**	3.97	7.61	**11.59**	1.91	3.33	**5.24**	93%	78%	**83%**
0402000 National Referral & Specialized Services	30.32	9.24	**39.56**	31.57	10.84	**42.41**	1.25	1.60	**2.85**	4%	17%	**7%**
0403000 Health Research and Development	9.30	0.77	**10.07**	9.34	0.59	**9.93**	0.04	-0.19	**-0.14**	0%	-24%	**-1%**
0404000 General Administration, Planning & Support Services	8.63	0.48	**9.11**	7.29	1.25	**8.53**	-1.34	0.76	**-0.57**	-16%	158%	**-6%**
0405000 Health Policy, Standards and Regulations	22.36	28.42	**50.78**	12.28	26.96	**39.25**	-10.08	-1.45	**-11.53**	-45%	-5%	**-23%**
Total Programmes	**72.66**	**43.20**	**115.86**	**64.45**	**47.25**	**111.70**	**-8.21**	**4.05**	**-4.16**	**-11%**	**9%**	**-4%**

Even then, formulation and approval of the budget for FY 2020/21 was largely informed by the need for economic recovery, hence, the Economic Stimulus Programme (ESP), which was in response to the COVID-19 pandemic aimed at mitigating and alleviating effects of the pandemic. There were programmes under ESP that were incorporated in the Health Sector as shown in Table 16.

Table 16: Significant Cuts in the Budget for the COVID-19 Emergency Response Project Included the Target

Sub-Programme	Head/Vote	Output/Purpose	Indicators	Target/Reach		
				2019/20 - Target	**2019/20 - Actual**	**2020/21 - Target**
Disease Surveillance and Response	Kenya COVID-19 Emergency Response Project	Rapid response and treatment of COVID-19 patients	Number of cases tested	100,000	-	32,000
Health Policy, Planning & Financing	Supply of Locally Sourced Beds and Beddings to Public Hospitals	Increased access to health services	No. of locally sourced beds and beddings to public hospitals	-	-	20,000
Health Policy, Planning & Financing	Establish Walkthroug h Sanitizers at Border Points and Hospitals	Increased access to health services	No. of modern walkthrou gh sanitizers at boarder points and hospitals	-	-	50
Human Resource Managemen t and Developmen t	Recruitment of 5000 Health Interns	Increased access to health services	No of diploma and certificate level health interns recruited	-	-	5,000

Source: Approved Estimates of Development Expenditure Book and Recurrent Expenditure Book, 2020/21

An observation is that budget for the COVID-19 Emergency response project was slashed even as other budget lines are introduced. FY 2019/20 budget implementation information, as provided in the Health Sector Working Group report highlights that only 32 percent of the project's budget had been utilized. The project was also moved from the Health Policy, Planning & Financing sub-programme to the Disease Surveillance and Response sub-programme, which is under the General Administration programme.

5.4. Social Protection

The socio-economic effects of the COVID-19 pandemic have been as far reaching as the health effects. According to a survey conducted by the Kenya National Bureau of Statistics (KNBS) in May 2020, almost two months from the onset of the pandemic, 21.5 percent of households that would always pay rent on time, were unable to pay rent. This was due to reduced income/earnings. In June, the number was higher, at 30.9 percent. The national government was, therefore, more proactive in directing resources toward social protection programs to especially support vulnerable households affected by the economic impact of the pandemic; a significant proportion being the urban poor. Another report by the World Bank in November 2020 showed that the pandemic had pushed 2 million Kenyans below the poverty line barely months after the first set of lockdown measures were put in place.[8] That was about 4 percent of Kenya's population. Therefore, the need for government support on livelihoods grew significantly in 2020.

Social Protection Budget Implementation

The State Department for Social Protection, Pensions & Senior Citizens Affairs absorbed 4 percent over its originally approved budget estimate in FY 2019/20. However, when disaggregated, the overspend was only in the recurrent budget; the development budget was underspent by 13 percent.

[8] https://documents1.worldbank.org/curated/en/957121606226133134/pdf/Kenya-Economic-Update-Navigating-the-Pandemic.pdf

Table 17: Recurrent Expenditure in the Department of Social Protection was Over-Budget

	2016/17			2017/18			2018/19			2019/20		
	Recurrent Absorption	**Development Absorption**	**Total Absorption**	**Recurrent Absorption**	**Development Absorption**	**Total Absorption**	**Recurrent Absorption**	**Development Absorption**	**Total Absorption**	**Recurrent Absorption**	**Development Absorption**	**Total Absorption**
Social Development and Children Services	77%	78%	77%	128%	67%	115%	76%	67%	73%	85%	82%	84%
National Social Safety Net	92%	92%	93%	178%	83%	112%	100%	105%	102%	123%	87%	107%
General Administration, Planning and Support Services	100%	-	120%	60%	20%	40%	67%	-	67%	50%	-	50%
Total	**86%**	**91%**	**90%**	**158%**	**82%**	**111%**	**95%**	**102%**	**98%**	**116%**	**87%**	**104%**

Source: Controller of Budget Implementation Reports

Again, the overspend in the recurrent budget estimate is attributable to the overspend in the National Social Safety Net programme. The program, through the second supplementary budget saw a 29 percent increase, from the initially approved 1st supplementary budget to its overall budget with a 63 percent increase to its recurrent budget.

Absorption of the revised budget, however, was lower. At the end of the financial year, only 82 percent of the department's budget had been spent leaving Ksh7.6 billion unspent allocations. The National Social Safety Net programme, which was allocated an additional Ksh9.99 billion toward its recurrent budget did not spend Ksh5.8 billion of its recurrent allocation. This is the programme under which we have the cash transfer programmes meant to support the vulnerable in society.

Table 18: Absorption of Revised Budget Allocation

		2019/20					
		Difference Between Expenditure & Revised Estimates (Ksh Billion)			Absorption Rate		
		Recurrent Absorption	**Development Absorption**	**Total Absorption**	**Recurrent Absorption**	**Development Absorption**	**Total Absorption**
State Department for Social Protection	Social Development and Children Services	-0.5	-0.1	-0.6	85%	90%	86%
	National Social Safety Net	-5.8	-1.3	-7.0	78%	90%	82%
	General Administration, Planning and Support Services	0.0	0.0	0.0	100%	-	100%
Total		**-6.3**	**-1.4**	**-7.6**	**78%**	**90%**	**82%**

Source: Controller of Budget Implementation Reports

The underspending means that certain targets may not have been met. The sector working group report confirms this. None of the beneficiary targets for the cash transfer programmes, through which the government intended to alleviate economic effects of the pandemic on the vulnerable, were met (**Table 19**). The department, in the Supplementary II budget, highlighted that the Ksh9.99 billion was for cash transfer programme that supports older persons.

> The Supplementary Estimates No.2 for FY2019/20 reflects an increase in the recurrent budget of Kshs.10 billion for the elderly persons (above 70 years) and a reduction in the development budget of KShs.1.4 billion. The reduction in development is due to budget rationalization on account of low absorption of funds.

Even then, Ksh300 million of the additional resources was directed to the programme, 'cash transfer to orphans and vulnerable children.'

The target number of households with older persons supported had been adjusted to 1 million, yet even the initial lower target was not met, as shown by table 19. 233,576 households did not receive support as planned.

Table 19: Targeted Beneficiaries for The Cash Transfer Programmes Were Not All Reached

	Targets (Number of Beneficiaries/Households)					Achieved Targets	Deviation
	Approved Budget Estimates	Supplementary I Budget Estimates	Change	Supplementary II Budget Estimates	Change		
National Social Safety Net							
Cash Transfer to Older Persons and OVC	916,000	833,000	-83,000	1,000,000	167,000	766,424	-233,576
Cash Transfer to Orphans and Vulnerable Children	393,000	393,000	0	390,500	-2,500	295,316	-95,184
Cash Transfer to Persons with Severe Disabilities	70,030	70,030	0	70,030	0	37,104	-32,926

Source: Approved PBB 2019/20, Supplementary I and II PBB & Social Protection Culture and Recreation Sector Report, 2020

The reason given for the unmet targets is: *Target not achieved - The number of beneficiaries on Payroll went down due to incomplete finalization of the Migration of beneficiaries to the account-based payments; natural attrition; and payroll exceptions.*

In the current financial year 2020/21, the National Safety Net Programme, was allocated Ksh29.76 billion, a Ksh9.7 billion decrease from the Ksh38.83 billion allocation in FY 2019/20. The recurrent budget, which holds the bulk of the cash transfer programme's funds, was further increased by Ksh1.62 billion from the Ksh25.82 billion allocations in FY 2019/20. The overall decrease is, therefore, on account of the Ksh10.69 billion decreases in allocation for the capital budget.

Budget adjustments to the sector that explain the overspending

Through the FY 2019/20 Supplementary II budget, allocation to the State Department for Social Protection, Pensions & Senior Citizens Affairs was significantly increased. The department was amongst the top ten departments with increased allocation, having an increase of 25 percent. The increase is largely accounted for by the 52 percent increase to the department's recurrent budget. The capital budget was decreased by 9 percent. The department was allocated an additional Ksh9.99 billion for recurrent expenditure with the capital budget losing Ksh1.42 billion. Overall, the department was allocated an additional Ksh8.57 billion.

Table 20: The Recurrent Budget Allocation Went Up Significantly in Supplementary II Budget

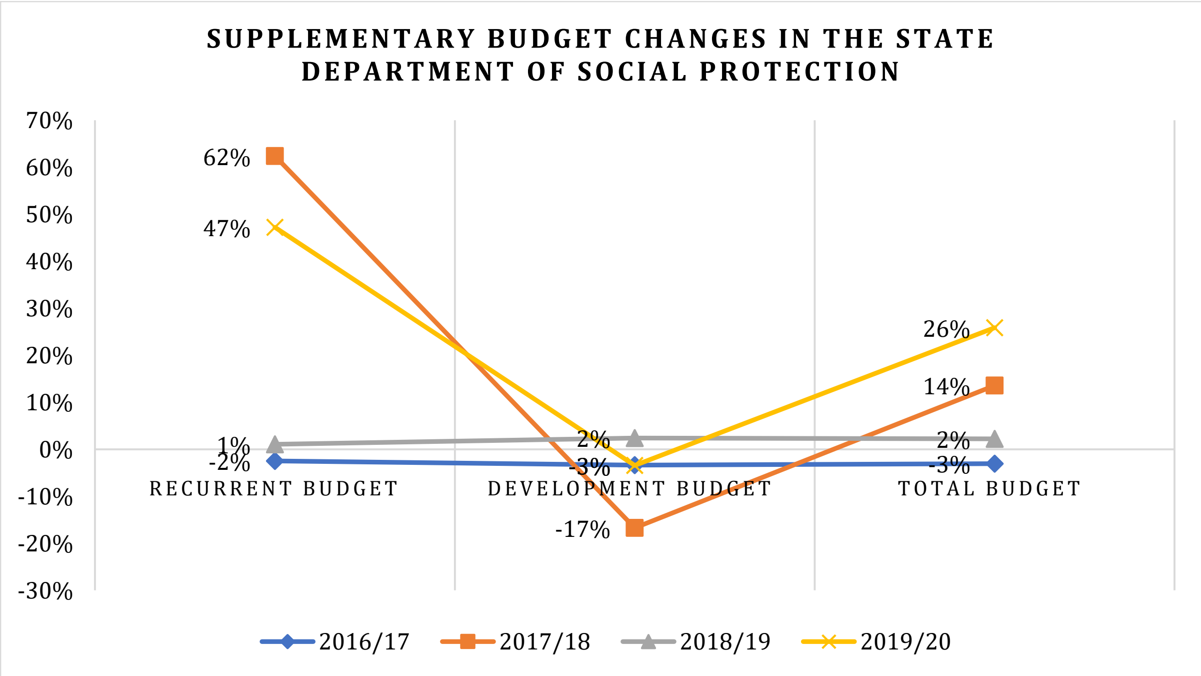
1185 State Department for Social Protection, Pensions & Senior Citizens Affairs	**Approved Estimates 2019/2020 - KSHS Billion**			**Supplementary II Estimates 2019/2020 - KSHS Billion**			**CHANGE**			**PERCENTAGE CHANGE**		
VOTE, PROGRAMME CODES & TITLE	GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES	GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES	CHANGE IN GROSS CURRENT ESTIMATES	CHANGE IN GROSS CAPITAL ESTIMATES	CHANGE IN GROSS TOTAL ESTIMATES	% CHANGE IN GROSS CURRENT ESTIMATES	% CHANGE IN GROSS CAPITAL ESTIMATES	% CHANGE IN GROSS TOTAL ESTIMATES
0908000 Social Development and Children Services	3.30	1.09	4.39	3.30	1.01	4.30	-	-0.09	-0.09	-	-8%	-2%
0909000 National Social Safety Net	15.83	14.35	30.17	25.82	13.01	38.83	9.99	-1.33	8.66	63%	-9%	29%
0914000 General Administration, Planning and Support Services	0.24	-	0.24	0.24	-	0.24	-	-	-	-	-	-
Total Programmes	**19.36**	**15.44**	**34.80**	**29.36**	**14.02**	**43.38**	**9.99**	**-1.42**	**8.57**	**52%**	**-9%**	**25%**

Sources: FY 2019/20 Supplementary I and II PBB

The Ksh9.99 billion increase in recurrent budget is solely attributable to the National Social Safety Net programme. The department noted that the capital budget reduction was a rationalization measure on account of low absorption of funds. The decrease in the capital budget for the NSSN programme was a result of the budget for the Kenya Social and Economic Inclusion Project being decreased.

Stark differences in budgetary changes to the recurrent and capital budgets in this department is not isolated to FY 2019/20. Looking at originally approved budgets and the supplementary budget at the end of the FY, there seems to be a consistent trend in the supplementary budget changes made to this department with the changes in FYs 2017/18 and 2019/20 being on the extremes.

Figure 4: Supplementary Changes to the Social Protection Budget



Similarly, changes between initial and final allocations to programs are also high, varying across the programs and across the years with 2019/20 recording some of the highest changes to programme allocations. As at the end of the FY 2019/20, the National Social Safety Net programme is the only programme that had gained on its initial budget allocation by 31 percent. This is also the highest change in the department compared to the last three years as is the change, 50 percent decrease, in the General Administration programme which has initial allocations constantly decreased.

Table 21: Supplementary Changes to Originally Approved Programme Budget Allocations

	FY 2016/17		FY 2017/18		FY 2018/19		FY 2019/20	
Programme	CHANGE IN GROSS TOTAL ESTIMATES	% CHANGE IN GROSS TOTAL ESTIMATES	CHANGE IN GROSS TOTAL ESTIMATES	% CHANGE IN GROSS TOTAL ESTIMATES	CHANGE IN GROSS TOTAL ESTIMATES	% CHANGE IN GROSS TOTAL ESTIMATES	CHANGE IN GROSS TOTAL ESTIMATES	% CHANGE IN GROSS TOTAL ESTIMATES
Social Development and Children Services	-0.1	-3%	0.6	15%	-0.6	-13%	-0.1	-2%
National Social Safety Net	-0.6	-3%	2.8	14%	1.4	5%	9.2	31%
General Administration, Planning and Support Services	0.0	0%	-0.1	-33%	-0.1	-33%	-0.2	-50%
Total	**-0.7**	**-3%**	**3.3**	**14%**	**0.7**	**2%**	**8.9**	**26%**

Sources: FY 2019/20 Approved PBB & Supplementary II PBB

It is evident that resources for the department of Social Protection were directed to the National Social Safety Net programme. The programme's allocation makes up 90 percent of the department's budget in the FY 2019/20 Supplementary II budget, which is an increase from 87 percent in Supplementary I. The safety net programme is a programme through which the vulnerable in society are supported. The programme operates on a cash transfer framework with the overall aim of reducing poverty. The groups supported include the Elderly, Persons with Disability, Orphans[9]. Also, included is the Hunger Safety Net Programme[10]. With the pandemic straining the economy, the need to cushion Kenyans and particularly the vulnerable could not be overemphasized.

The government, with the increased allocation to the safety net programme, targeted to reach more beneficiaries. As such the target number of beneficiaries was also revised upward, but, for only one group: older persons. An additional 167,000 households with older persons would be reached and supported with cash transfers given the Ksh9.6 billion increases in allocation. On the other hand, the target number of households with vulnerable children supported was adjusted downward, meaning that 2,500 households would not be supported as planned. This is despite a Ksh300 million increase for supporting orphans and vulnerable children. A glaring observation is that support for other groups such as the urban poor and street families has not been factored. Despite not being included in the program-based budget, the recurrent line-item budget includes an allocation for cash transfers to Persons with Severe Disabilities.

[9] https://www.socialprotection.or.ke/social-protection-components/social-assistance/national-safety-net-program#:~:text=The%20Kenya%20National%20Safety%20Net,protection%20delivery%20in%20the%20country.

[10] https://www.socialprotection.or.ke/social-protection-components/social-assistance/national-safety-net-program/hunger-safety-net-programme-hsnp

1185001200 Cash Transfer to Older Persons and OVC	Older persons (70+) supported with cash transfers	No. of households with older persons supported with cash transfers	833,000	1,000,000
1185001300 Cash Transfer to Orphans and Vulnerable Children	Vulnerable children(OVC) supported	No. of households with vulnerable children supported with cash transfer	393,000	390,500
1185104000 Kenya Social and Economic Inclusion Project	Increased access to social inclusion interventions	No. of Households receiving nutrition sensitive cash transfers % of NSNP beneficiaries enrolled in NHIF	1,700 40	1,700 40

Allocations to social protection programs and the number of target beneficiaries were as follows:

Table 22: Supplementary II Budget Increased Allocation For Cash Transfers to Older Persons

	Recurrent Estimates (Ksh Billion)					**Targets (Number of Beneficiaries/Households)**				
	Approved Budget Estimates	Supplementary I Budget Estimates	Change in Allocation	Supplementary II Budget Estimates	Change in Allocation	Approved Budget Estimates	Supplementary I Budget Estimates	Change	Supplementary II Budget Estimates	Change
National Social Safety Net	**16.18**	**15.83**	**-0.35**	**25.82**	**9.99**					
Cash Transfer to Older Persons and OVC	12.97	12.62	-0.35	22.24	9.62	916,000	833,000	-83,000	1,000,000	167,000
Cash Transfer to Orphans and Vulnerable Children	1.76	1.76	0.00	2.06	0.30	393,000	393,000	0	390,500	-2,500
Cash Transfer to Persons with Severe Disabilities	1.19	1.19	0.00	1.19	0.00	70,030	70,030	0	70,030	0

Table 23. Cash Transfer Programmes in FY 2020/21 Budget

	FY 2019/20 (SUPP. II)		FY 2020/21 (APPROVED BUDGET)		FY 2020/21 (SUPP. I)	
	Target Number of Beneficiaries	Recurrent Allocation (Ksh Bn)	Target Number of Beneficiaries	Recurrent Allocation (Ksh Bn)	Target Number of Beneficiaries	Recurrent Allocation (Ksh Bn)
Cash Transfer to Older Persons	1,000,000	22.24	833,000	17.60	766,424	
Cash Transfer to Orphans and Vulnerable Children	390,500	2.06	390,500	7.90	293,867	
Cash Transfer to Persons with Severe Disabilities	70,030	1.19	47,000	1.60	34,032	
Total		**25.48**		**27.20**		**27.1**
Supp. I has not disaggregated the cash transfer allocation						

The COVID-19 pandemic is still here, and the economic effects also persist. It is therefore imperative for the government to not only set targets, including raising the targets as in FY 2019/20, but also ensure that resources are properly utilized and the set targets are met. It may seem unnecessary to set higher targets and increase allocations if full implementation is not attained, especially if the challenge lies on the administrative side as in FY 2019/20; in essence, proper implementation of budgets is also dependent on enabling factors such as effectiveness and competency in administration.

6. Conclusion

This analysis shows that Kenya's spending of its COVID-19 resources especially in 2019/20 was sub-par with an overall budget spending at 89 percent. However, this performance is not substantially different from the three previous years. Therefore, historical challenges that have affected Kenya's effort to execute its approved budgets could have affected the capacity of the government to fully utilize resources that were allocated to various agencies to deal with COVID-19.

The paper further demonstrates that for the first time in the last four years the health sector spent beyond its approved budget, mostly driven by additional resources that were allocated to one of its programmes through supplementary budgets. However, fundamental questions remain about the spending of one programme that appears to have been at the centre of the government response despite other agencies having provided services such as tests and procurement of PPE. The Auditor General's reports on COVID-19 spending show that some off-budget resources were spent by these agencies outside the ministry's budget. This raises the question of fiscal policy management in relation to emergencies and whether there is a gap in the use and spending of contingency funds.

There remains a challenge on the linkage between the financial and non-financial sections of programme-based budgets. This made it difficult to keep track of the expected objectives of different programmes even when the allocations were clear. Lastly, challenges on the levels of disaggregation and outright information on how resources for COVID-19 were spent by which agencies and under which budget lines. What budget lines were permanent and what spending lines had sunset clauses? The lack of full transparency raises key concerns about the oversight role that citizens and accountability actors within government can play.

Table 24: Expenditure Performance of National MDAs[11]

	National MDAs	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	AVERAGE
1	The Presidency	170%	101%	115%	73%	101%	139%	**117%**
2	National Land Commission	88%	93%	97%	51%	92%	123%	**91%**
3	Ministry of Transport and Infrastructure Development	58%	59%	88%	78%	98%	112%	**82%**
4	Ministry of Health	81%	71%	94%	85%	85%	111%	**88%**
5	Directorate of Public Prosecutions	70%	114%	82%	74%	90%	103%	**89%**
6	Ethics and Anti-Corruption Commission	93%	115%	121%	108%	109%	103%	**108%**
7	Industrialisation and Enterprise Development	82%	86%	81%	59%	75%	102%	**81%**
8	National Intelligence Service	110%	107%	115%	120%	108%	102%	**110%**
9	Public Service, Youth and Gender Affairs	n/a	n/a	103%	97%	119%	101%	**105%**
10	Teachers Service Commission	100%	102%	98%	108%	106%	101%	**103%**
11	Kenya National Commission of Human Rights	84%	100%	100%	80%	100%	100%	**94%**
12	Witness Protection Agency	120%	100%	100%	100%	80%	100%	**100%**
13	Independent Electoral and Boundaries Commission	171%	114%	102%	133%	112%	98%	**122%**
14	Ministry of Interior and Coordination of National Government	91%	107%	89%	91%	92%	95%	**94%**
15	Ministry of Foreign Affairs and International Trade	67%	58%	61%	55%	100%	93%	**72%**
16	Ministry of East African Community and Northern Corridor Development	95%	83%	94%	94%	61%	93%	**87%**
17	Auditor General	86%	88%	93%	82%	98%	93%	**90%**
18	Office of the Registrar of Political Parties	107%	100%	75%	89%	125%	92%	**98%**
19	Ministry of Water and Irrigation	59%	73%	65%	80%	66%	91%	**72%**
20	Independent Police Oversight Authority	146%	100%	80%	75%	100%	89%	**98%**
21	Ministry of Defence	107%	100%	103%	109%	97%	88%	**101%**
22	National Police Service Commission	144%	125%	100%	67%	100%	86%	**104%**
23	Controller of Budget	93%	83%	83%	67%	83%	86%	**83%**
24	The Judiciary	68%	89%	88%	71%	101%	86%	**84%**

[11] Some MDAs change in terms of their name and structure; where an MDA's name or structure has been changed, these have been matched to parent MDAs.

25	Commission on Administrative Justice	107%	80%	80%	80%	100%	83%	**88%**
26	Ministry of Land Housing and Urban Development	104%	67%	75%	85%	183%	83%	**99%**
27	Ministry of Agriculture	89%	56%	82%	122%	100%	82%	**89%**
28	National Gender and Equality Commission	103%	100%	100%	75%	100%	80%	**93%**
29	Commission on Revenue Allocation	70%	100%	75%	75%	100%	80%	**83%**
30	Salaries and Remuneration Commission	136%	114%	100%	120%	100%	80%	**108%**
31	State Law Office and Department of Justice	n/a	n/a	93%	59%	82%	74%	**77%**
32	Ministry of Information, Communications and Technology	61%	135%	91%	44%	48%	73%	**75%**
33	Ministry of Education	73%	73%	92%	99%	91%	70%	**83%**
34	The National Treasury	79%	87%	72%	57%	51%	67%	**69%**
35	Parliament	94%	79%	83%	71%	80%	65%	**79%**
36	Ministry of Environment and Forestry	80%	92%	83%	60%	75%	64%	**76%**
37	Ministry of Energy, mining and Petroleum	32%	76%	56%	85%	85%	63%	**66%**
38	Ministry of Sports and Heritage	97%	98%	102%	127%	114%	52%	**98%**
39	Labour and Social Protection	83%	82%	91%	106%	96%	48%	**84%**
40	Ministry of Devolution and Arid and Semi-Arid Lands (ASALs)	57%	87%	173%	116%	94%	39%	**94%**
41	Ministry of Tourism and Wildlife	114%	64%	67%	37%	48%	37%	**61%**
42	Public Service Commission	105%	84%	108%	108%	92%	13%	**85%**
43	Commissions for the Implementation of the Constitution	98%	100%	n/a	n/a	n/a	n/a	**99%**
44	Office of The Attorney General and Department of Justice	70%	89%	n/a	n/a	n/a	n/a	**80%**