



The Journey from Plan to Budget

Role of Program-Based Budgeting (PBB)

MARH 3, 2020

1 SUMMARY

Over the past five years, Elgeyo Marakwet County has put emphasis on the role of an Annual Development Plan (ADP) in its planning and budgeting. Citizens have been accorded the opportunity to shape the budget decisions through ADP public participation held annually in August every year. The participatory approach is guided by requirements of the county's law on resource distribution: Equitable Development Act (EDA) 2015.

Under EDA2015, Ksh. 813 million, representing majority share of the county's budget, is shared among the county's 20 civic wards, each receiving an average of Ksh. 41 million. In principle, the decisions taken by citizens at the ward public participation forums have been largely binding.

The county has made attempts to align the ADP with the requirements of PFMA 2012 and presented in Program-Based Budgeting (PBB) format. Traditionally, the county has begun its budget cycle in August when communities congregate to identify community projects and allocate funds from their ward budget shares. The output of the public participation forums is subsequently used as the basis from which programs are designed, program targets and indicators are set, thus, creating a reversed budget cycle that begins with budgeting then reverts back to planning in the subsequent stages.

In efforts to streamline the budgeting processes, the county shifted the process in which it prepared its ADP 2020-21. The county adopted a blended approach by preceding the traditional blank-slate approach in which citizen determined projects to be funded from scratch with technical input. The county government proposed budgets for sectors, programs and program objectives, outputs, and targets for consideration by wananchi, and subsequently serving as the basis from which wananchi would prioritize ward projects. As required by the PFMA 2012 sec. 126 (4), the ADP was submitted to the assembly on September 1, 2019, this time, with priorities at sector and program level, and no specific projects.

County assembly promptly rejected the ADP owing to failure of the executive to include projects and their respective budgetary allocations. The assembly recommended that the executive provide a list of projects to accompany the proposed programs. In complying with the assembly recommendation, the county executive convened public forums in January to identify projects to satisfy the requirement of the county assembly. However, the proposed programs were not used as basis wananchi to identify projects as original intended. This meant that the county's planning and budgeting was technically reverted back to the traditional blank-slate approach. In this brief, we will look at the pros and cons of the shift, assess the impact of the technical-led approach as well as assemblies' rejection on targets and indicators, sector and program budgets.

Three things we noticed that influenced the shift in approach and assembly's demand for specific projects

As highlighted earlier, Elgeyo Marakwet County has empowered its citizens to determine and budget for Ksh. 813 million portion of the county's budget. This budget is specifically for capital projects. The PFMA 2012 section 126 requires the county executive to prepare and submit an Annual Development Plan containing programs and measurable indicators as well as budgetary allocations for programs. By design, the ADP 2021 satisfied the requirement of PFMA 2012, however, it still got rejected by the legislature. In Our review, there are about three factors that influenced the decisions taken by respective arms of governments.

1. Executive's shift to begin the budget processes with program design, target and indicator setting presents a remarkable turning point resulting out of experience. Prior to 2020/21, the ADP has

been designed as a mini-budget with complete projects and budgets early on in the budget cycle, and follows immediately, about two months after approval of another budget (a full budget) at the end of June every year. Additionally, identification of projects is a budgeting stage function in the budget cycle thus, it is expected to follow from program design. This inverts the planning and budgeting processes to begin with budgeting. Ideally, good planning processes identify broad development and service delivery goals, set targets to be achieved over the year, identification of indicators to measure progress then follow the identification of suitable projects and interventions to achieve the set targets.

2. Apparent misconceived definition of development in Kenya to imply capital projects by most leaders and citizens weaken the value of Program-Based Budgeting (PBB) and negatively affects the county's planning and budgeting. Most Kenyans and political leaders define development as events involving identification and implementation of physically visible projects e.g. constructions of roads, buildings, purchase of equipment, etc., which while they form components of development, the emphasis put on projects takes away the essence of good planning and budgeting. Society for International Development (SID) defines development as processes that create growth, progress, positive change or the addition of physical, economic, environmental, social and demographic components. In order to develop and deliver services sustainably, the county planning and budgeting must follow from a well-designed process.
3. Inadequate or lack of shared understanding of the value of good planning and budgeting processes between assembly, executive and communities. Even as the executive attempted to shift and streamline the budgeting processes, there is very little evidence that both arms of government understood the shift, particularly the application of Program-Based Budgeting (PBB) approach and/or that executive has sufficiently caused the assembly and other stakeholders to understand its shift in approach. A quick review of the programs contained in the ADP 2020/21, their targets and indicators indicate poor program structure, poor design of targets and indicators.

All program targets lack baseline as if they are new programs while most targets and indicators are activity outputs rather than actual changes or expected impact from program implementation. For example, when the executive provides **"No. of farmers trained"** as a performance indicator for improving agricultural productivity, it basically disregards the value and impact of the knowledge imparted to farmers on agricultural productivity and clouds accountability. In such a scenario, the county department of agriculture and irrigation can provide sign-in sheets as evidence of program performance and justification for value for money allocated to the specific program regardless of whether productivity improved or not.

2 IMPACT OF ASSEMBLY'S DECISION ON PROGRAM BUDGETS AND TARGETS FROM THE INITIAL ADP

Assembly's recommendation that ADP2020/21 include specifically costed projects and the executive's acceptance to execute that recommendation meant that programs and program budgets, targets and indicators contained in the ADP may change. A quick review of the document indicates changes in sector and sub-sector/departmental budgets and minimal effect on program targets and indicators. The ADP budget maintained at Ksh. 813,537,332, while project objectives and outcomes remained unchanged, however, budgets for specific sectors, subs-sectors/departments and programs either increased or reduced. Changes can also be seen in the values of program targets. Table four below shows the impact

of the reverted approach on program targets and indicators, sector and departmental budgets while table 3,2 & 1 shows the effect on budgets. in summary:

- a. Three of the county's five sectors had their budgets increased with infrastructure having the single highest increase of 37% from its initial proposed share in the initial ADP. Similarly, the Productive and Economic Sector had the highest reduction of 31%. The review excludes changes in donor financing and related conditional grants from the national government and other development partners.
- b. At the sub-sector/department level, three sub-sectors had their sector budgets increased while six subsectors had reductions. The big question at this point is whether changes in the sub-sector budgets reflect changes in program targets and indicators as discussed in table four. We will use Agriculture and Irrigation to demonstrate potential relationship of these changes.
- c. Overall, the share of the ward budget for Agriculture and Irrigation reduced by 16% from the initial ADP. The biggest change can be seen at the program financing level as shown in table three. In the initial ADP, the executive proposal had Crop Production program as its priority with 80% of the sub-sector budget share, however, wananchi overturned this proposal by reducing its budget are by 55%. This is a significant change.
- d. Agriculture and Irrigation sub-sector has 32 targets and indicators spread across three programs. It is important to note that program targets included targets financed through climate-smart agriculture project, a donor-supported project of the World Bank. Changes in program targets is presented in table four. About seven of the targets that maintained values are directly related to climate-smart projects.

3 WHAT IT MEANS

The reductions in budgets for sectors and sub-sectors are significant and reflect varied priorities between the arms of government and citizens. All of the county executive's proposal in the initial ADP registered changes despite the executive leading the public participation forums. This raises fundamental questions: did the public understand what the executive intended to achieve with the shift in approach? Was the decision to shift the processes made in an open and transparent manner?

Whereas priorities are subject to change and that, the county executive is desirable to shift its planning and budgeting to achieve better results from its scarce resources, the changes in priorities alongside the rejection of the initial ADP by the assembly is a wake-up call for the executive. The county executive must, therefore, review its communication strategies and structure the presentation of the budget information in a manner that is understandable by its stakeholders in order to mobilize sufficient support for its strategic shift.

The ADP is formulated in BB, however, weaknesses in program design and setting of targets and indicators signify inadequate capacity. For a budget program to make a greater sense, it must be possible to trace the program budgets to targets and indicators. However, the fact that agriculture targets and indicators include programs targets and indicators financed from climate-smart agriculture project whose budget is excluded in the ADP 2020/21 at the time of this review raise concerns over the credibility of the information presented in the budget document. Weak execution of PBB negative affects achievement of global targets such as Social Development Goals (SDGs).

4 REFERENCE MATERIALS

Table 1: Impact of assembly decision to reject the ADP 2020/21 on sector budgets

Sector	Initial ADP	Second ADP	variation	%change
Infrastructure	146,436,720	201,278,190	54,841,470	37%
Social Protection & Empowerment	178,978,213	192,587,060	13,608,847	8%
Health, Water & Sanitation	244,061,200	250,867,723	6,806,523	3%
Public Administration and Governance	32,541,493	23,600,000	-8,941,493	-27%
Productive and Economic	211,519,706	145,204,359	-66,315,347	-31%
Total	813,537,332	813,537,332	0	

Table 2: Impact of assembly decision to reject the ADP 2020/21 on departmental budgets

Department	Ward allocation		Variation	%change
	Initial ADP	Second ADP		
Roads, Transport, Energy & Public works	146,436,720	201,278,190	54,841,470	37%
Water, Lands, Environment and Climate Change Management	122,030,600	157,276,966	35,246,366	29%
Education and Technical Training	97,624,480	118,447,481	20,823,001	21%
Sports, Youth affairs, ICT and Social services	81,353,733	74,139,579	-7,214,154	-9%
Public Service Management and County Administration	32,541,493	23,600,000	-8,941,493	-27%
Agriculture and irrigation	81,353,733	68,165,139	-13,188,594	-16%
Tourism, culture, wildlife, trade and industry	32,541,493	13,200,550	-19,340,943	-59%
Health and Sanitation	122,030,600	93,590,757	-28,439,843	-23%
Livestock production, Fisheries and cooperative development	97,624,480	63,838,670	-33,785,810	-35%
Total	813,537,332	813,537,332	0	

Table 3: Impact assembly decision to reject the ADP 2020/21 on program budgets

Program	Initial ADP	Second ADP	variation	%change
Irrigation Development	11,171,195	36,700,000	25,528,805	229%
Soil Conservation	5,093,990	2,463,090	-2,630,900	-52%
Crop Development	65,088,548	29,002,049	-36,086,499	-55%
Total	81,353,733	68,165,139	-13,188,594	-16%

Table 4: Impact of assembly decision to reject the ADP 2020/21 on targets and indicators

Key Performance Indicators (KPIs)	Planned Targets		Variation
	Initial ADP	Second ADP	
#of subsidized planting seedlings supplied	415,300	215,366	(199,934)
#of soil conservation tree seedlings distributed	8,750	0	(8,750)
#of Farmer Organizations (FOs) formed and strengthened	745	0	(745)
#of farmers trained	550	0	(550)
#of model farms laid out	550	150	(400)
#of assorted soil conservation tools purchased and issued to farmers	11	1	(10)
#of irrigation equipment supplied	8	3	(5)
#of gender friendly and climate change resilient Technologies, Innovations and Management Practices (TIMPs) promoted	18	18	-
#of farmers (segregated by gender) exposed to TIMPs through trainings, demonstrations, field days and educational tours	2,555	2,555	-
#of assorted farm tools and equipment provided	0	0	-
#of assorted value addition facilities provided	0	0	-
#of households identified for targeted intervention	200	200	-
#of gender friendly and climate change resilient food security technologies and innovations promoted	6	6	-
#of farmers (segregated by gender) producing and consuming bio-fortified food crops	0	0	-
#of farmers (segregated by gender) exposed to improved technologies and innovations through trainings, demonstrations and field days	369	369	-
Tons of subsidized planting materials supplied	147	147	-
#of assorted storage facilities provided to beneficiaries	0	0	-
#of public awareness meetings held	80	80	-
#of gender friendly and climate change resilient Technologies, Innovations and Management Practices (TIMPs) promoted for adoption	75	75	-
#of gender friendly and climate change resilient Technologies, Innovations and Management Practices (TIMPs) promoted for upscaling	13,500	13,500	-
#of new plant clinics established and operating	7	7	-
#of technical follow ups done	100	100	-
#of farms identified for intervention as model farms	550	550	-
#of public awareness meetings held	4	4	-
#of new irrigation projects completed	0	0	-
#of existing irrigation projects rehabilitated	4	4	-
#of irrigation small dams constructed/de-silted	0	0	-
#of irrigation groups supported/ trained	8	8	-
#of Irrigation water users' Associations formed and/or strengthened	4	4	-
#of food security farms identified and developed	3	9	6
Tons of subsidized planting materials supplied	0	1,405	1,405
#of farmers (segregated by gender) reached with extension and advisory messages	900	2,980	2,080