

Budget Garage Gears-Tuning into Regional Budget

Innovative engagement spaces.



Josephine Nyamai W.

July 2024

Public participation is a key principle envisioned in the Constitution of Kenya, 2010 and the subsequent legislations. There are milestones in the practice of public participation, since devolution, but there is more work to be done in achieving the model of public participation, both at the county and national levels. From experience, public participation in policymaking, e.g. Budgeting has been conducted as an event and not as a process. Evidence from the Budget Transparency survey by International Budget Partnership Kenya shows that public participation in the information provided in budget documents has been growing though at a very slow pace, from 6% in 2020, 8% in 2021, 10% in 2022 and 15% in CBTS 2023. Public participation in government-invited spaces has not remained without challenges, from mobilisation, timely access to information, inclusion, facilitation and feedback. In the quest to create a space for engaging on budget matters, proactively, spaces like "Budget Garage" were created!

Why Budget Garage?

"A created space for engaging in public budget discussions with policymakers, communities, CSOs, academia and like-minded partners."

A garage in its literal meaning is a place for keeping and servicing motor vehicles. The term "Garage" was inspired by a visit to **Demokrati Garage in Southwest Copenhagen, Denmark**, a small workshop where mechanics once worked, and a team of young people currently work to strengthen democracy. The term "Budget Garage" in the context of Coast Regional Budget Hub, is a created space for engaging in public budget discussions with policymakers, communities, CSOs, academia and like-minded partners. Over the years, the garage has become a space for exchange and peer learning, where candid conversations on public budgets happen.

The value of the budget garages

Since the inception of Coast Regional Budget Hubs, over 30 county-specific and 7 regional budget garages have been held. At the county level, the budget garages have provided a space for communities and budget champions to conduct pre-budget analysis, depending on key budget decisions at hand, which then inform the champions' engagement during the public budget forums organized/led by government actors. At the regional level, the budget garage has provided spaces for engaging on unique and cross-cutting budget-related issues, which need a more collective stance by actors. In the 7 garages we have held, we have engaged a total of over 500 actors drawn from different entities, where we have discussed service delivery inadequacies due to budget implementation, such as cashflow issues, late disbursements, revenue shortfalls, pending bills, bloated wage bill, budget transparency, budget changes, regional and national issues impacting service delivery within the Coast Region.



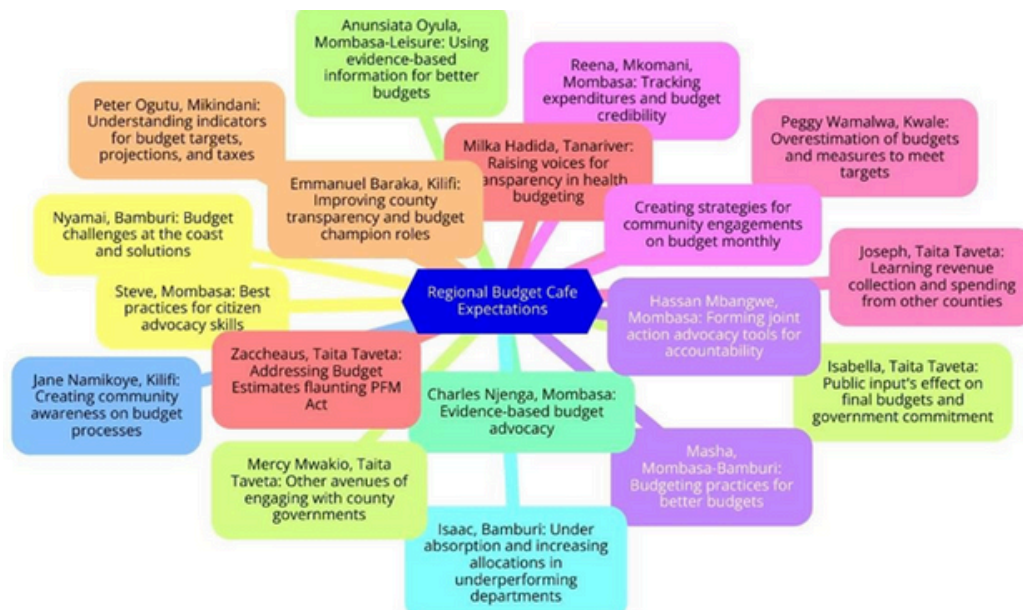
"30 county Specific & 7 regional garages have been held since 2021, online & physically, with over 500 actors engaged!"

Synergy in sessions: a look into the Regional Budget Garage on Budget Estimates, June 2024.

The Regional Budget Garage aimed to achieve several objectives, including sharing and exchanging ideas through learning from peer county governments on effective budgeting practices, creating a collective regional voice to represent budget issues at both county and national levels—including topics like budget transparency, budget financing, health reforms, division of revenue, public debt, and climate financing—and deliberating solutions to improve budget implementation and service delivery in the Coastal counties. The Regional Budget Garage attracted a total of 75 participants, including Budget champions, representatives from county governments across six coastal counties, a representative from the Commission on Revenue Allocation, Budget facilitators, representatives from Peer Hubs, and a CSO member from Uganda.

What were the anticipations of the participants?

“This garage came, during a season where the nation was undergoing anti-finance bill 2024 protests by youths.”



What were the key topic discussed during the garage?



Kenya's public debt and how its impacting on delivery of basic services, eg, health & water.



Cross cutting budget issues in the Coast; budget transparency, pending bills, public participation, health financing by counties



systemic issues the national government level and their impact on budget implementation at the county level, including policies on health reforms, division of revenue, and disbursements.



Cross-border learning, linking public debt and climate financing with service delivery at the local level, with a case study from Uganda.



Budget financing through County Own source revenue(OSR), exploring how the national government can optimize and support counties in revenue collection.

Key concerns

Budget Transparency

While Coastal Counties have shown considerable improvements in budget transparency, there is need on what this means to service delivery. Improved budget transparency should ideally correlate with better public services, yet the actual outcomes may vary based on numerous factors including efficiency in funds allocation and execution of projects."

"Section 107 of the Public Finance Management (PFM) Act, county treasuries are mandated to adhere to fiscal responsibility principles. Despite adherence to these principles at the planning stage, implementation remains a challenge, with only Kwale and Kilifi counties fully complying in terms of expenditure controls."

Coastal counties in Budget transparency score, has improved from 23/100 in 2021 to 52/100 in 2022 and 63/100 in 2023." CBTS 2023.

Fiscal responsibilities

- A significant disparity exists between planning and actual expenditure, especially concerning the caps on wages and benefits for public officers, which should not exceed 35% of total revenue.
- The approved expenditures for county assemblies are also a point of concern, with some counties exceeding the stipulated limits, which impacts the overall fiscal discipline of the county governments.
- Manual Processing Challenges: The manual processing of wages has been identified as a bottleneck that not only slows down operations but also increases the risk of errors and non-compliance.



Public debt & impact on service delivery

As of January 1, 2024, Kenya's public debt has reached a staggering Kshs. 10.4 trillion, which accounts for approximately 64.6% of the Gross Domestic Product (GDP). This debt is almost evenly split between external (49.6%) and domestic (50.4%) sources. A concerning aspect of this debt is that it now consumes over 69% of the country's ordinary revenue, significantly constricting the fiscal space needed for other crucial government services.

- The high debt repayment burden has direct and profound implications for service delivery at the county level. With such a large portion of revenue dedicated to debt servicing, the National Treasury faces challenges in disbursing funds to county governments as per the schedules approved by the Senate under the County Allocation of Revenue Act. This delay or reduction in disbursements severely impacts the ability of counties to deliver essential services to their constituents.
- There has been a noticeable downward trend in the equitable share allocated to counties as a percentage of ordinary revenue over the years. From 22% in the fiscal year 2017/18, it has gradually declined to an anticipated 15% by 2024/25. This reduction further strains the counties' budgets, especially in critical areas such as health, education, water access, and social protection programs. These sectors are already under pressure from the adverse effects of climate change, which have become increasingly evident and impactful.

Budget financing -County Own Source Revenue (OSR)

Article 175 of the Constitution of Kenya, requires counties to have reliable sources of revenue to finance budgets and provide services. Equitable share, Conditional grants(from national government & development partners) and Own source revenue are the key sources of income through which counties finance their budgets, to provide services to the citizens.

Key Concerns:

- Setting Revenue Targets: The rationale behind the setting of revenue targets by counties needs scrutiny to ensure they are realistic and achievable.
- Impact of Unmet Revenue Targets: Failure to meet revenue targets can severely hamper a county's ability to deliver essential services, necessitating urgent strategies to mitigate this risk.
- Enhancement Strategies: County Governments must develop robust strategies to enhance their revenue collection to support more sustainable public budgets.

Counties' challenges in collection and management in one picture.



Best practices in improving own source revenue collection and management by counties



Cross-border, insights- learning from Uganda’s approach to public debt, climate finance & service delivery.

Kenya like any other East African country is facing the impact of climate change. The East Africa which covers an expansive land area of 2.5 million square kilometers and hosting a population exceeding 177 million, the region relies heavily on climate-sensitive sectors for sustenance, with approximately 50 per cent of its inhabitants deriving their livelihoods from these sectors. Kenya has the largest budget, followed by Uganda and Tanzania. Similarly, in terms of domestic financing, Kenya (83.75%) will allocate the most domestic resources to finance its budget in the region, followed by Tanzania(70.13%) and then Uganda(44.3%). Moreover, the EAC region is not immune to the impacts of climate change, with climate-related crises affecting a significant portion of the population, totaling approximately 4.7 million individuals or 2.8 per cent of the total populace. The combined Gross Domestic Product (GDP) of the EAC amounts to USD 193 billion. However, it is notable that this economic performance experienced a decline from 4.7 per cent in 2021 to 4.7 per cent in 2022, as highlighted in the Economic Outlook report of 2023. Climate change stands out as a prominent factor contributing to both external and domestic downside risks that could potentially undermine the positive economic trajectory of the East African Region. Consequently, addressing climate change has become a priority for the EAC and its member states.

Impacts of climate change

Recently between April & May, Kenya and her neighboring countries experienced catastrophic floods and Cyclones, which came as wake up call for the impact of climate change. Droughts and famine continue to wreck havoc in various parts of the country, causing loss of lives, property and livelihoods.”

“If we continue treating climate change, normally, it will continue to deal with us abnormally.”



What lessons can we draw from Uganda?

ATMS strategy

As part of interventions , towards combating climate change, Uganda is implementing the ATMS strategy; that is Agro-industrialization, Tourism development , mineral development and science and technology. To achieve a tenfold growth under the ATM Strategy, the government needs to consistently double the growth rate to 12% over 15 years, increase annual funding by approximately USD 1.6 billion, maintain a 5% inflation target with a stable exchange rate, and integrate climate change risks into growth projections.

“Leveraging Fiscal Policies for Climate Action

There is need for sustainable fiscal strategies is critical in addressing both public debt and climate change challenges, as seen in the regional budgeting discussions. Countries within East africa could Explore innovative fiscal tools such as green bonds or environmental taxes to fund climate adaptation and mitigation projects, ensuring these initiatives are sustainable and financially sound.”

“The economic data from East Africa, including inflation rates and growth projections influenced by environmental factors, demonstrate the vulnerability of critical sectors to climate variations. There is need to adapt economic and fiscal policies to better accommodate and mitigate the effects of climate change on agriculture and infrastructure, thereby safeguarding economic stability.”

Health Infrastructure and Climate Adaptation

“Significant investments are being made in health infrastructure in Uganda, which is crucial given the increasing health challenges posed by climate change, such as the spread of vector-borne diseases.”

Key Lessons & Take-aways from the Regional Garage







Sustained collaboration - giving opportunities to government officials to present during the garage is leading to more ownership and more constructive engagements, helping CSOs to learn from the governments' perspective and Vice versa.

Created spaces such as Budget Garage are proving to be more effective for government-civic engagements.



There is a growing civic interest in budget matters not only in the region , but nation wide. This is an opportune moment for regional Hubs to leverage in providing the correct information, backed up by evidence.

For more information:

-  **Coast Regional Budget Hub-CRBH**
-  **@Coast_hub**
-  **Coast Regional Budget Hub**
-  **Coast Regional Budget Hub**

The Coast Regional Budget Hub is a platform for Public Finance Management (PFM) practitioners that brings together regional voices for collective efforts and synergy to enhance public budgets and services across the Coast Region of Kenya. The Hub is among the four hubs: The Nairobi Eastern and Central (NEC) Hub, The Rift Valley Hub and the Lake Region Hub, established by Bajeti Hub, formerly International Budget Partnership Kenya.

The Coast Regional Hub builds communities' collective capacity to engage effectively and mobilises participation in the county, regional, and national budget-making processes. The CRBH achieves this through continuous capacity building of budget champions and communities in budget processes, research, and budget analysis for evidence-based advocacy engagement and stakeholder network-building. The Hub has over 15 budget facilitators and over 300 budget champions across the Coast.