



IEA-Kenya Alternative budgeting for transparency and inclusivity

The *Institute of Economic Affairs* (IEA-Kenya) created a *Citizen Alternative Budget* to get people involved in Kenya's national budgeting process.

SETTING THE SCENE —Government budgets are essential tools for ensuring the delivery of critical services like basic education, maternal health, and roads. They are also valued by citizens who want to know that their taxes are being efficiently invested in these services. Unless there is transparency in budgeting, the government will struggle to convince citizens that it is striking the right balance between spending and taxation. Unfortunately, public budgets often fail to serve everyone's best interests, especially those of marginalized groups, such as women and the poor.

In 2010, Kenya's declaration of a new constitution ushered in a fresh financial landscape in the country. The principles of public finance management enshrined in the 2010 Constitution aimed to foster openness and accountability, public participation in the budget process, promotion of an equitable society, and transparent financial reporting. With the support of the Think Tank Initiative, the Institute of Economic Affairs (IEA-Kenya) seized this opportunity to effectively engage citizens in the budget process

in a more participatory way than had been possible in the past.

WHAT IEA-KENYA DID —For 20 years, IEA-Kenya has worked to promote the pluralism of ideas in Kenya through open, active, and informed debate on public policy issues. In 2002, the think tank began an annual process to develop a *Citizen Alternative Budget* as an avenue for citizens to participate in the budget process. Several months before the release of the national budget each year, IEA-Kenya holds annual pre-budget hearings and receives proposals from key stakeholders within the public and private sectors (both corporate and social). Representatives from think tanks, civil society organizations, non-governmental organizations, women's health, education, and other sectors unite to hash out alternatives. These ideas must, of course, be consistent with the government's overall objectives, as the *Citizen Alternative Budget* seeks to influence government decisions by developing alternatives to government policy. IEA-Kenya synthesizes these suggestions into a memorandum that it shares



with the National Treasury for inclusion in the national budget.

Once the government's budget for the fiscal year is released, IEA-Kenya reviews it to identify any proposals that have been overlooked. The think tank's feedback is sent to the Treasury and a simplified format is shared in a public forum where key stakeholders in the private and public sectors, members of the media, and the public are invited to attend and participate in the discussion. IEA-Kenya also produces a *Budget Guide* to help members of Parliament, the public, and the media understand and discuss national budget allocations.

IEA-Kenya has proven effective in getting its proposals into the national budget and Think Tank Initiative funds have been used to dedicate specific research to this process. One example of how IEA-Kenya influenced the government budget involves a proposal for the taxation of tobacco products. In line with Kenya's obligations related to the Convention on Tobacco Control (FCTC), Kenya committed to implementing a number of tobacco control measures, including

favourable tax and price policies targeted at reducing demand for tobacco products. IEA-Kenya's argument was based on research that indicated excise-induced increases in tobacco prices cause tobacco consumption to decrease and in the process, increase tobacco taxes and government revenue. This proposal was successfully included in the 2013–2014 federal budget.

THE OUTCOME —IEA-Kenya has become a household name in Kenya with its *Citizen Alternative Budgets*. While high-profile international financial agencies also draft alternative budgets, they tend to focus on specific areas of interest, whereas IEA-Kenya's budget is nation-wide and more cohesive. The Ministry of Finance is currently developing a public finance reform strategy and has invited IEA-Kenya as the only non-government institution to participate. Similarly, the Treasury recently asked the think tank to make an alternative proposal on tax brackets. IEA-Kenya is also expanding its reach: while until recently the think tank worked on the alternative budget at the national and provincial levels, it is now growing to reach Kenya's 47 counties and will assist these counties in formulating their own alternative budgets.

For more information on the Institute of Economic Affairs in Kenya visit www.ieakenya.or.ke

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