



Public Finance Management Seminar - ICPAK

**Challenges for Fiscal Year 2015 -2016
Budget**

White Rhino Hotel

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Session Objectives

- ✓ Review key highlights of the ended budget cycle
- ✓ Some outstanding challenges
- ✓ Some thoughts on way forward



Introduction

The budget is the major financial document in the public sector because:

- ✓ Once approved, it becomes part of the laws of the land
- ✓ It's the instrument through which we share the national cake
- ✓ It defines what the government will do or not do –no expenditure is allowed outside the budget except in emergency cases (clearly defined thresholds)
- ✓ It's manifestation of the political ideology of the government of the day



Key highlights from 2015/16 Budget

- ✓ To improve on the budget management process, we must as of necessity draw lessons from every budget cycle!
- ✓ A brief review of the 2015/16 financial year budget will help us identify some of the challenges experienced and draw some lessons to improve future budgets



Projected Expenditure Highlights

- ✓ **Total budget estimates – 2.23 trillion**
- ✓ Shared between the 3 arms of government as follows:
 - ❑ Executive – 1,473.6 (MDA's)
 - ❑ Parliament – 27.3 billion
 - ❑ Judiciary – 17.2 billions
 - ❑ County Governments – 287.04 billion



Major Spenders under Executive

The lions share among the MDA's

- ❖ Education – 336.2 billion
- ❖ Defence, public order & safety -212.7 billion
- ❖ Infrastructure & ICT -146 billion
- ❖ Transport – 164.3 billion
- ❖ Energy – 94.5 billion
- ❖ National Treasury – 93 billion



Projected Revenues

- ✓ **Total revenue projected -1,295.4 billion**
- ✓ Shared among the following sources
 - ☐ Tax income -1,141.9 billion
 - ☐ Non tax income -42.5 billion
 - ☐ Appropriation in Aid (A-I-A) – 111.0 billion
 - ✓ Other sources
 - ☐ International grants -76.6 billion
 - ☐ Loans (borrowing & repayments) -701 billion



Challenges in Fiscal Year 2015/16

☐ Fiscal discipline

- ✓ For the year under review National government was off target on projected tax revenue (1,215.3 billion) -March 2016 only 699.8 billion)
- ✓ Gross receipts amounted to 1,239.0 billion (68.4 percent) of target
- ✓ County consolidated target revenue collection was 55.16 billion. As at March 2016 total revenues collected by counties was 25.89 billion (46.9%) of target
- ✓ Only about 15 counties managed at least 50% of their target local revenues



Implications of tax & non tax revenue short fall

- ✓ Short falls on tax revenues have implications on the public debt levels
- ✓ Generally, there have been concerns about the increase in the debt levels in the country
- ✓ As at June 2015, the total debt level was 2,829.2 billion (52.8% of the GDP).
- ✓ As at March 2016, this had increased to 3,312.1 billion (53.2% of the GDP)

❑ Big Question: is there any problem with this debt increase? Let's discuss!!!



☐ **Information Management & dissemination**

- ✓ First, we must re-emphasize the right to information for citizens on matters of accountability
- ✓ In the 2015/16 fiscal year, the ghosts of Eurobond have continued to hound the government!!!
- **This implies a challenge on reporting & communication financial information**



Challenges cont...

☐ **Absorption & compliance with the budget**

- ✓ As at March 2016, only 55.4% of gross estimates had been absorbed (Development -22.9%; Recurrent -44.4%; Consolidated Fund Services (CFS) -32.6%)
- ✓ Some MDA's over-short their budgets e.g. (The presidency)
- ✓ A majority of counties recorded low absorption rates with a few absorbing more than approved exchequer by COB (Nairobi, Mombasa, Tana River, Wajir)
- **Low absorption has implications of economic growth & development**



❑ Regional Competitiveness

- ✓ In the fiscal year under review, we've canceled development of strategic infrastructures (Greenfields) and lost strategic partnerships to our good neighbour (SGR & Pipeline)
- Questions:
 - ✓ Why?
 - ✓ Does this have implications on our competitiveness as a country?

Let's discuss!!!



Challenges cont...

❑ The Ghosts of NYS & which others???

▪ **My only question is: Where were the CPA's?**



Way Forward

Let's us tease this one out!!!!



Thank You!

