

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA

PUBLIC FINANCE MANAGEMENT CONFERENCE FOR AFRICA

Demystifying Budget Implementation & Monitoring

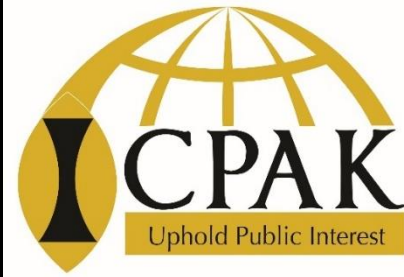
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@Pride Inn Paradise Hotel – Mombasa County

OUTLINE



1. —————> Kenya's PFM Landscape
2. —————> Institutional Strengthening
3. —————> Budget Implementation as an Institution
4. —————> Learning from the Management Accountant
5. —————> Suggestions on Institutional Strengthening
6. —————> Closing Thoughts

KENYA'S PFM LANDSCAPE

Importance of Public Finance



- Public finance is critical to relations between the governed and the governors.
- Finance gives meaning to power and lies at the heart of the political and institutional structures of every nation.
- Efficient and effective use of public funds improves the capability of governments to utilize resources in order to meet their development agenda (Vision 2030)

PFM Challenges – Pre 2010



- What lead to the Clamer for constitutional reform PFM?
 - Centralization – ‘overcentralization’
 - Allocations
 - Planning – Priorities determined by the executive
 - Vast inequality in regions (Development)
 - Alignment with the regime determined outcomes
 - Limited participation by the citizens
 - Lack of transparency
 - Limited accountability

Principles of PFM



- Openness and Accountability
- Equity in society
- Prudence and responsibility in spending
- Clarity is fiscal reporting

What changed?



- Kenya's 2010 Constitution introduced **fundamental changes** in the management of public finance.
- PFM Reform Agenda
 - Transform management of Public Resources
 - Effected through institutional Strengthening

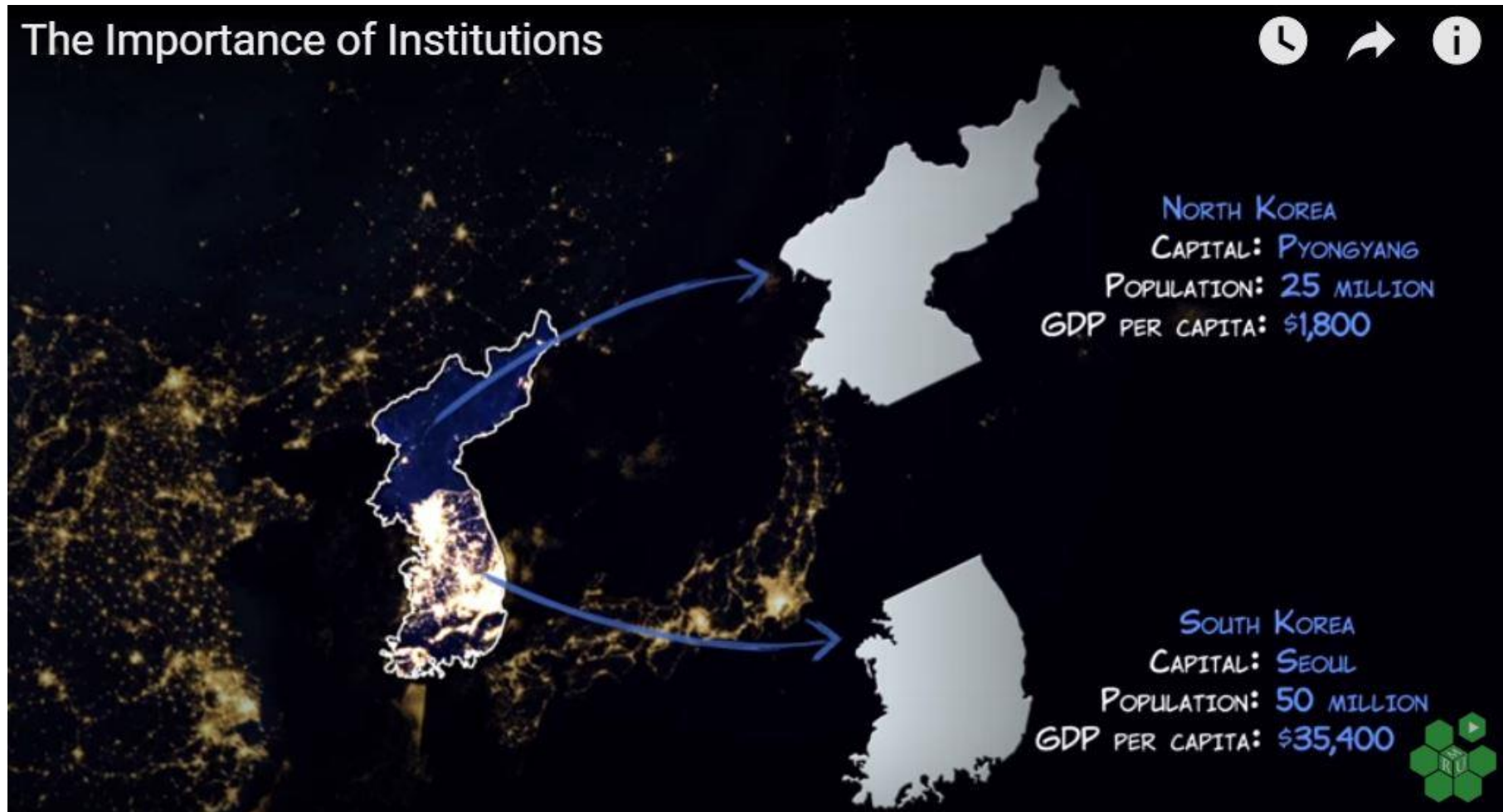
INSTITUTIONAL STRENGTHENING- WHY THE FUSS?

What County?



What County?

The Importance of Institutions



Variation in growth

- What are Institutions?
- Certain institutional differences between South and North Korea has affected the development outcomes;
- The substantially different economic outcomes (GDP) suggests the importance of at least certain aspects of institutions.
- However, the jury is still out on the key institutional difference between North and South Korea
 - Private property?
 - Integration?
 - Aggressive dictatorship?

Post 2010 – Formal Institutions



- Institutions introduced to improve financial management post 2010
 - ❖ Salaries and Remuneration Commission
 - ❖ Controller of Budget
 - ❖ Auditor General
 - ❖ Central Bank of Kenya
 - ❖ Commission for Revenue allocation
- Independent institutions
- Enhanced mandates in the oversight of the financial resources

BUDGET IMPLEMENTATION – AS AN INSTITUTION

The fundamentals

- The essence of budget implementation is to ensure that **intended government policy outcomes** are achieved.
 - Operational Efficiency
 - Effectiveness in service delivery
 - Transparency
 - Accountability

Cont'

- Implementation of budget primarily rests with the Executive.
- The controller of Budget reports monitors and reports on budget implementation.
 - Oversight
 - Control
 - Reporting & Advisory
- Intended to ensure compliance with the law and monitor and report on budget execution.
- ❖ is this adequate to ensure effectiveness in budget implementation?

Learning from the Management Accountant

Traditionally.....

- Focus of management accounting was on the output volume of production units.
- Separated from management
 - Preparation of reports on resource utilization to submit to management.
- Considered **number “crunchers”** and **financial historians**

Modern day Management accounting

- Role has been enhanced to execute budget **CONTROL** for efficiency
 - Reduce the **waste** of financial and human resource
 - Determine the **costs** with precision to prevent wastage of resources
 - Advise management on approaches to reform business activities that potentially cause **wastage**.
 - Provide alternatives
 - It is based not on past performance, but on current and future trends
- Nutshell : Accounting for planning, control and decision-making and performance activities in an organization

Controller of Budget Act 2016 – Sec 5

- Authorize withdrawals
 - Monitor, Evaluate, Report and make recommendations on improving budget implementation.
 - Enforce budget ceilings
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- The Essence of Budget Control is timely control of activities.
 - Limits the possible deviations from occurring
 - Prevention of recurrence

Some Thoughts

- The recommendations of the Budget Implementation Review Reports (BIRR), the recommendations are repeated year in year out.
 - Delayed exchequer releases, low absorption of development expenditure, delayed reporting of AIA,
 - Is this role purely for reporting purposes?
 - Where is the role of **influencing transformation** on budget implementation to prevent **recurrence**?

SUGGESTIONS ON INSTITUTIONAL STRENGTHENING

1. Oversight Institutions

- The role of oversight relies on the review of operations in order to uphold integrity and enhance public trust in government institutions by holding them accountable for their actions and decisions in the management of public resources.

Cont'

- The main institutions;
 - Parliament
 - County Assemblies
 - The Office of Controller of Budget
 - Office of Auditor
 - Public Procurement Regulatory Authority
- Though they have separate mandates, they all support the effective implementation of budgets through oversight.
 - Create synergies in information sharing to formulate strategies to address budget implementation challenges

2. OCoB

- Enhance the role of the OCoB in formulating the budgets.
 - Provide information for planning and controlling to ensure optimal use of resources.
 - Provide practical alternatives to address the challenges to prevent recurrence

Cont'

- Budget implementation aims to ensure that **intended government policy outcomes** are achieved.
 - Policy outcomes are contained in the Program based budget.
 - Is there any emphasis on reporting on policy outcomes for the program based budget?
- The reporting should emphasis on reporting on **policy outcomes** and not necessarily budget activities

3. Community participation

- Enhance community involvement in the monitoring of implementation – projects and programs
 - Ensure that Development and reforms reflect Citizens' priorities.
 - Best placed to provide feedback on value for money

Closing Thoughts

- ❖ Effective monitoring of budget implementation is **not** the preserve of OCoB.
- ❖ Effective budget control deters the **recurrence** in wastage of resources.
- ❖ Effective budget monitoring aims supports budget implementation for **policy outcomes**.

Q & A



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