



The Public Finance Management Seminar Coast Branch, Mombasa

Friday 15 September 2017

*The Professional Accountants Role
in County Development*

County Budget & Economic Forums

By FCPA Shabir Issak

Credibility

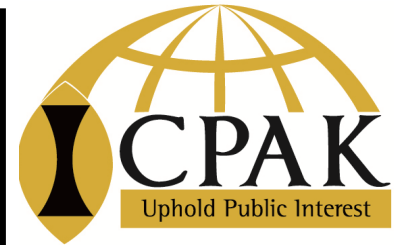
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Professionalism

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AccountAbility

Status



County Budget & Economic Forum



Agenda

Brief Look at County Budget Process

Budget Cycle

Public Participation

County Budget & Economic Forum - CBEF

CBEF Formation

CBEF Operations

Challenges

The Number Game

Successful Devolution



Meaningful citizen participation is key to
successful devolution
and good governance at the county level.

Handbook on County Planning, County Budgeting and Social Accountability
Institute of Economic Affairs



Acronyms



COK 2010 – Constitution of Kenya 2010

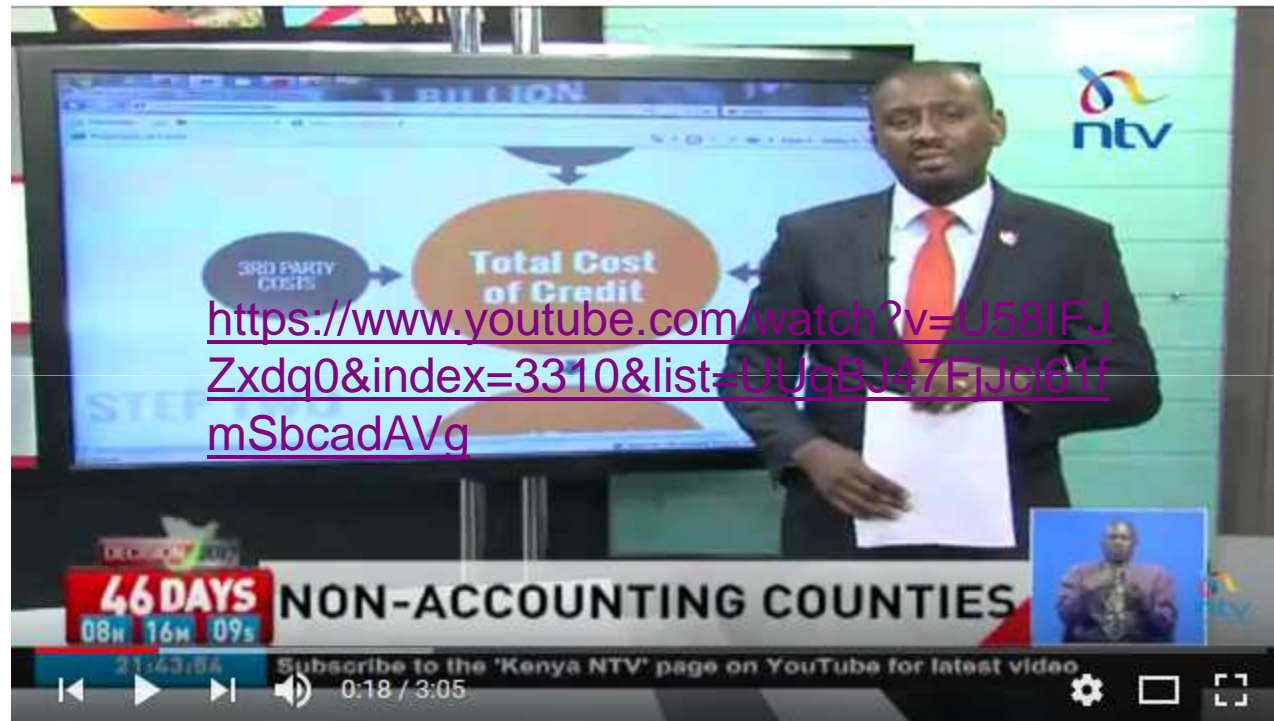
PFMA – Public Finance Management Act No. 18 of 2012

CGA – County Governments Act No. 17 of 2012

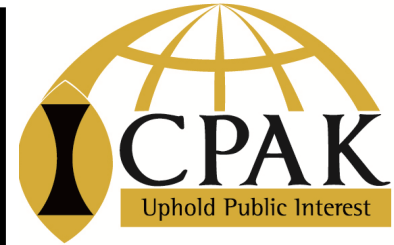
CBEF – County Budget & Economic Forum

IBP – International Budget Partnership

In the news...



Public Finance is Legally Entrenched



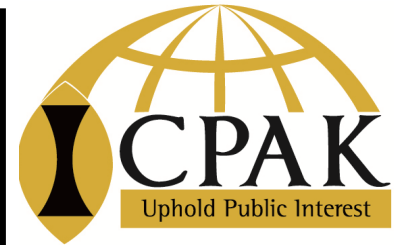
Chapter 12 of the Constitution of Kenya 2010

Public Finance Management Act 2012

County Governments Act 2012

Various related regulations and gazette notices

Extract from CBIRR



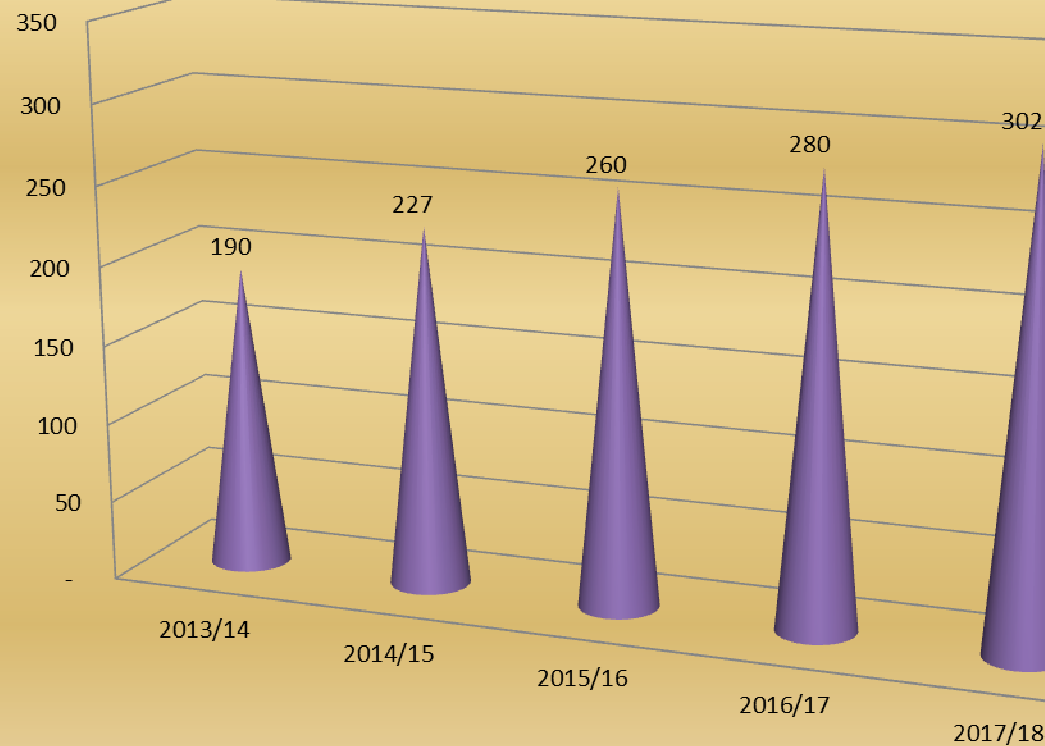
- Extract from Controller of Budget Reports 2016/17
 - Approved budget of Kes 400.25billion (Recurrent 234.73Bn and 165.51Bn for development)
 - To be financed 280.3Bn from national equitable share and 21.9Bn from donor funds (conditional grant) with 59.71Bn projected from local revenue sources
 - In the first nine months of the FY 2016/17, the aggregate revenue raised by County Governments amounted to Kshs.24.71 Bn which was 41.4 per cent of the annual local revenue target of Kshs.59.71Bn.

Source: Controller of Budget, Annual County Government Budget Implementation report May 2017

Share of Equitable Revenue

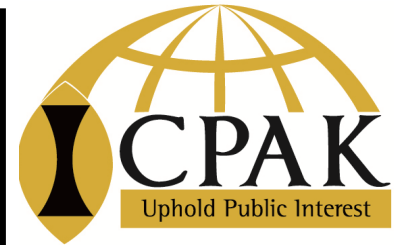


Equitable share Allocation to Counties



■ Equitable share Allocation to Counties in KES Billions.

Reminder 1



PFM Act Section 102. County government responsibilities in public finance

(1) Each county government shall ensure adherence to—

(a) the principles of public finance set out in Chapter Twelve of the Constitution;

(b) the fiscal responsibility principles provided in section 107 under this Act;

(c) national values set out in the Constitution; and

(d) any other requirements of this Act.

Reminder 2



Constitution of Kenya 2010. Article 209 - Power to impose taxes and charges.

(1) Only the national government may impose—

(a) income tax;

(b) value-added tax;

(c) customs duties and other duties on import and export goods; and

(d) excise tax.

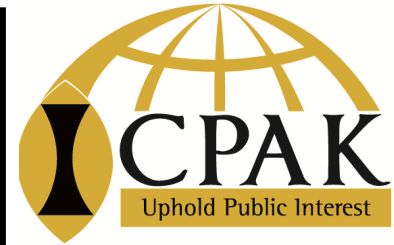
(2) An Act of Parliament may authorise the national government to impose any other tax or duty, except a tax specified in clause (3) (a) or (b).

Reminder 3



- (3) A county may impose—
 - (a) property rates; (b) entertainment taxes; and
 - (c) any other tax that it is authorised to impose by an Act of Parliament.
- (4) The national and county governments may impose charges for the services they provide.
- (5) The taxation and other revenue-raising powers of a county shall not be exercised in a way that prejudices national economic policies, economic activities across county boundaries or the national mobility of goods, services, capital or labour.

County Budget Process



125.(1)The budget process for county governments in any financial year shall consist of the following stages—

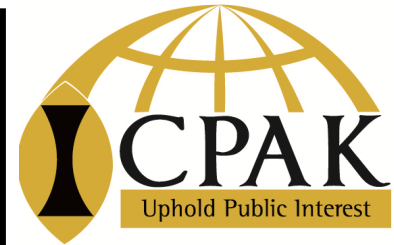
- (a) integrated development planning process which shall include both long term and medium term planning;
- (b) planning and establishing financial and economic priorities for the county over the medium term;

County Budget Process



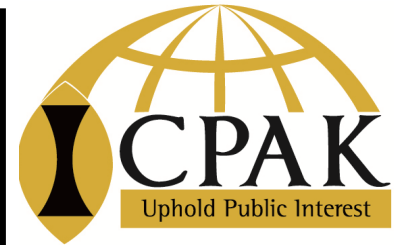
- (c) making an overall estimation of the county government's revenues and expenditures;
- (d) adoption of County Fiscal Strategy Paper;
- (e) preparing budget estimates for the county government and submitting estimates to the county assembly;
- (f) approving of the estimates by the county assembly;

County Budget Process



- (g) enacting an appropriation law and any other laws required to implement the county government's budget;
 - (h) implementing the county government's budget; and
 - (i) accounting for, and evaluating, the county government's budgeted revenues and expenditures;
- (2) The County Executive Committee member for finance shall ensure that there is public participation in the budget process.

Public Participation



Section 118 – COK 2010 (Parliament Specific)

Section 196 – COK 2010 (County Specific)

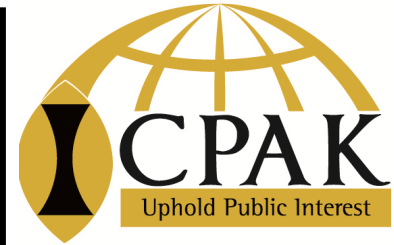
Section 201 – COK 2010 (Public Finance Specific)

Section 2017 – PFMA 2012 (Entire Article)

Section 35 (2) – PFMA 2012 (Stages in Budget)

County Public Participation Guidelines 2016

Citizen Participation

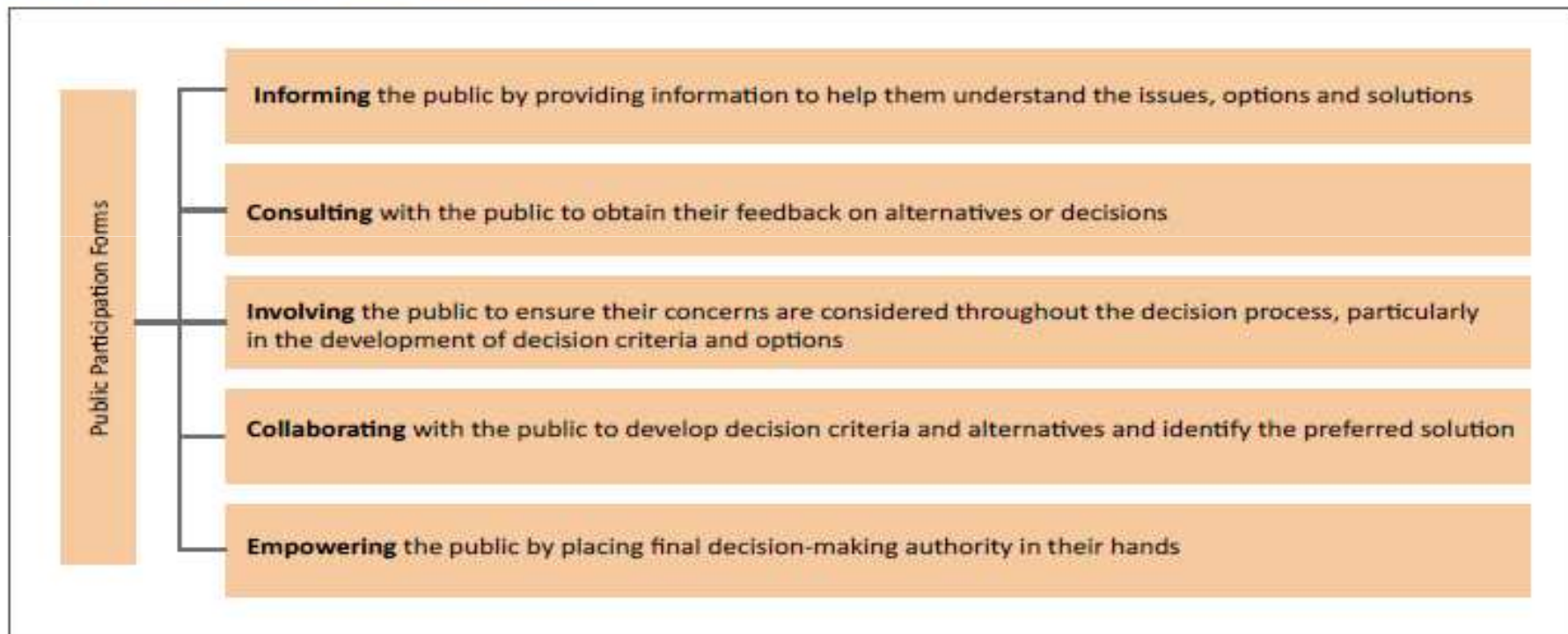


Part VIII of the County Government Act specifically provides for Citizen Participation and states it should be based upon “reasonable balance in the roles and obligations of county governments and non-state actors in decision-making processes to promote shared responsibility and partnership, and to provide complementary authority and oversight”

Public Participation Guidelines



Figure 1.1: What public participation entails



Source: County Public Participation Guidelines
Ministry of Devolution & Council of Governors
January 2016

County Plans



The County Governments (CG) Act 17 of 2012 outlines the planning process that is required at County level by summarizing “The County plans shall be the basis for all budgeting and spending in a county” Section 107(b) which details these plans as being:-

- (a) county integrated development plan;
- (b) county sectoral plans;
- (c) county spatial plan; and
- (d) cities and urban areas plans as provided for under the Urban Areas and Cities Act (No. 13 of 2011)

Stages	Timelines (deadlines)	Activities	Mechanism for public participation / Remarks
FORMULATION <i>This involves identification of sector priorities, preparation and consolidation of the budget estimates.</i>	August 30 th <i>Signals the start of the budgeting process and sets guidelines & schedule for preparation of budgets by county depts. Also details how public can participate.</i>	<ul style="list-style-type: none"> • County treasury Medium Term Expenditure Framework guidelines / Call circular to all departments 	<i>Participate through the Department Working Groups (DWGs)/ County Budget & Economic Forum (CBEF) and at forums organized by the admins at the Sub County, Ward and Village levels</i>
	September 1st	<ul style="list-style-type: none"> • Preparation and tabling of annual development plan to the County Assembly for approval <i>This plan must be made public within 7 days of approval</i> 	<ul style="list-style-type: none"> • <i>The public can participate in the preparation of the plan through the CBEF and or Members of County Assembly (MCA)</i>



Stages	Timelines (deadlines)	Activities	Mechanism for public participation / Remarks
	<p>September 30th</p> <p><i>CBOP must be approved by both the CEC and the County Assembly. Must be published by November.</i></p>	<ul style="list-style-type: none"> • Preparation of the County Budget Review and Outlook Paper (CBROP). CBROP sets preliminary budget sector ceilings over 3 years 	<ul style="list-style-type: none"> • <i>Through Public Consultations during formulation of CBROP</i> • <i>Through CBEF</i>
	<p>February 28th</p> <p><i>The CFSP must be aligned with the national objectives in the Budget Policy Statement (BPS)</i></p> <p><i>The CFSP must be approved by March 14th (two weeks after submission to the county assembly)</i></p>	<ul style="list-style-type: none"> • Deliberations on the inputs for the upcoming budget estimates. • Submission of the County Fiscal Strategy Paper (CFSP) to the County Assembly for Approval. 	<ul style="list-style-type: none"> • <i>Pre-budget public consultative forums</i> • <i>The CBEF during formulation of CFSP</i> • <i>Through the MCAs.</i> • <i>Forum held by the Village, Ward and subcounty administrators.</i>



Stages	Timelines (deadlines)	Activities	Mechanism for public participation / Remarks
	February 28th	<ul style="list-style-type: none"> The County Debt Management Strategy (CDMS) submitted ASAP Thereafter then published and publicized. 	<i>This is entirely an executive affair</i>
	April 30th	<ul style="list-style-type: none"> Submission of county budget estimates together with supporting documents by the CEC member, Finance to the county assembly 	<i>Citizen can participate through Sector Working Groups (SWGs) during preparation stage.</i> <i>Through CBEF</i> <i>Through the MCAs.</i>



APPROVAL <i>This involves debating, amending the budget estimates.</i>	May-June	<ul style="list-style-type: none"> • The Budget and Appropriation Committee of the County Assembly conducts public hearings on the budget estimates. 	<i>Citizen can participate through public hearings conducted by the Budget and Appropriation Committee</i>
	April 30th-June 30th	<ul style="list-style-type: none"> • The county Assembly discusses amends and/ or approves the budget estimates. 	<i>Through the MCAs</i>
	June	<ul style="list-style-type: none"> • Submission of the County Appropriation Bill to the County Assembly 	<i>Through the MCAs Citizen can also participate through public hearings conducted by the Budget and Appropriation Committee</i>





	<p>June 15th</p> <p><i>The CCFP must be submitted to the Controller of Budget with copies to the Intergovernmental Budget and Economic Council and the National Treasury</i></p>	<ul style="list-style-type: none"> • Preparation of annual County government Cash Flow Projections (CCFP) for the next financial year 	<p><i>This is entirely an executive affair.</i></p>
	<p>June 30th</p>	<ul style="list-style-type: none"> • This is the deadline for the enactment of the County Appropriation Bill in order to authorize spending for the new financial year 	<p><i>Citizen can participate through public hearings conducted by the Budget and Appropriation Committee Through the MCAs.</i></p>
	<p>June - September</p> <p><i>The Finance Act is the legal instrument that allows the county government to collect revenues.</i></p>	<ul style="list-style-type: none"> • The Finance Bill is introduced to the county Assembly, debated and approved. The Finance Bill should be passed within 90 days from June 30th 	<p><i>Citizen can participate through public hearings conducted by the Finance Committee of the county assembly</i></p>

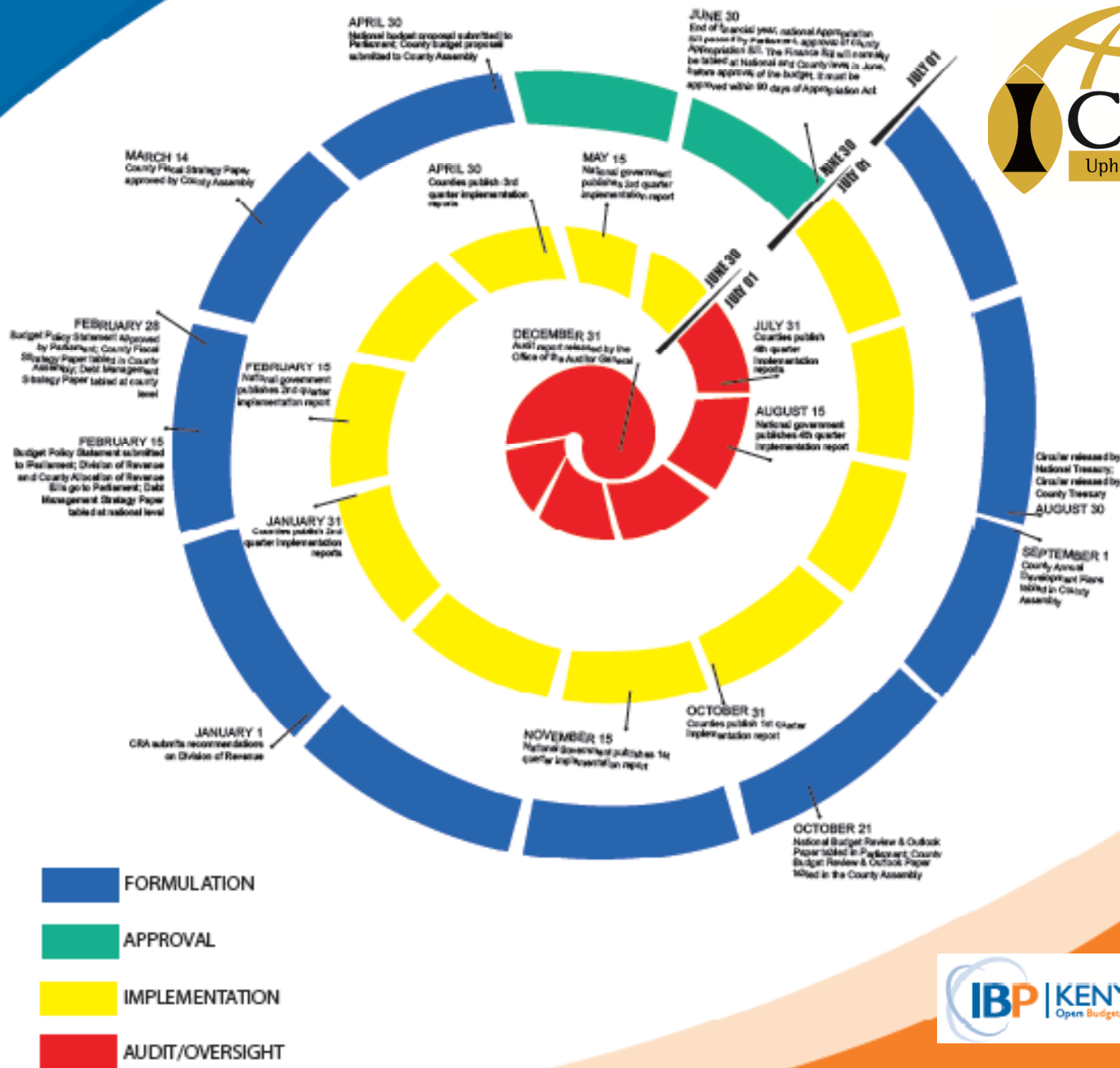
IMPLEMENTATION <i>The government raises revenue and allocates it to the spending units. Every 3 months, the County treasury prepares a report on implementation of the budget to be submitted to the county assembly. These reports are produced to help the MCAs provide oversight of the budget process. These reports are produced as the budget is implemented, so that problems with spending are not only identified but also corrected before the fiscal year is over</i>	October 30 th	<ul style="list-style-type: none"> • The county Treasury submits to the county assembly a report on both financial and non-financial performance of all its depts one month at the end of every quarter 	<i>The key players involved in this are the County entities, County Treasury, The Office of the Controller of Budget, The National Treasury and the Public. The Controller of Budget reviews spending and issues reports on budget implementation at least every 4 months</i>
	January 31 st	<ul style="list-style-type: none"> • The public can review and provide inputs on quarterly implementation reports produced by the office of Controller of Budget 	<i>These reports should be public and should provide an opportunity for the public to raise questions about the budget implementation.</i>
	April 30 th	This is meant to facilitate implementation of activities, projects and programmes as per the approved budget before authorizing spending	
	July 31 st		



<p>AUDITING/ OVERSIGHT- <i>The Auditor-General and county Assembly reviews whether actual spending was in line with the approved budget.</i></p>	<p>December 31st</p>	<ul style="list-style-type: none"> • The Auditor-General should audit and report on the previous financial year within 6 months after the end of each financial year. <i>Within three months after receiving an audit report, the county assembly shall debate and consider the report and take appropriate action</i> 	<p><i>Application of social accountability tools and mechanism. (Citizen and non-state actors)</i></p>
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Source: Handbook on County Planning, County Budgeting and Social Accountability - IEA

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Openness and Accountability



Chapter 12 of the Kenya Constitution 2010 states “there shall be openness and accountability, including public participation in financial matters.”

“The CBEF assists the county to analyse and identify its priorities as they budget for programs, improve coordination between the citizens and government and improve harmonization of project implementation and funding.”

– Commission of Revenue Allocation March 2015

PFMA 137. Establishment of CBEF for county budget consultation process

(1) As soon as practicable after the commencement of this Act, a county government shall establish a forum to be known as the (Name of the County)

County Budget and Economic Forum.

(2) The County Budget and Economic Forum shall consist of—

(a) the Governor of the county who shall be the chairperson;

County Budget & Economic Forum



PFMA **137. 2**

(b) other members of the county executive committee;

(c) a number of representatives, not being county public officers, equal to the number of executive committee members appointed by the Governor from persons nominated by organisations representing professionals, business, labour issues, women, persons with disabilities, the elderly and faith based groups at the county level.

County Budget & Economic Forum



PFM 137 (3) The purpose of the Forum is to provide a means for consultation by the county government on—

(a) preparation of county plans, the County Fiscal Strategy Paper and the Budget Review and Outlook Paper for the county; and

(b) matters relating to budgeting, the economy and financial management at the county level.

(4) In addition to the above, consultations shall be in accordance with the consultation process provided in the law relating to county governments.

CRA Guidelines on Nomination



1. Upon taking office, and within 30 days after the appointment of the county executive members, the Governor shall release a call for nominations to the CBEF. The call shall clarify the type of information that must be submitted with each name, such as information about the degree to which the nominee represents a broad constituency in the county.
2. The call shall provide nominating organizations 21 days to submit their nominees in writing to the Governor.
3. Once the Governor has received the nominations, he shall have 30 days to make the final

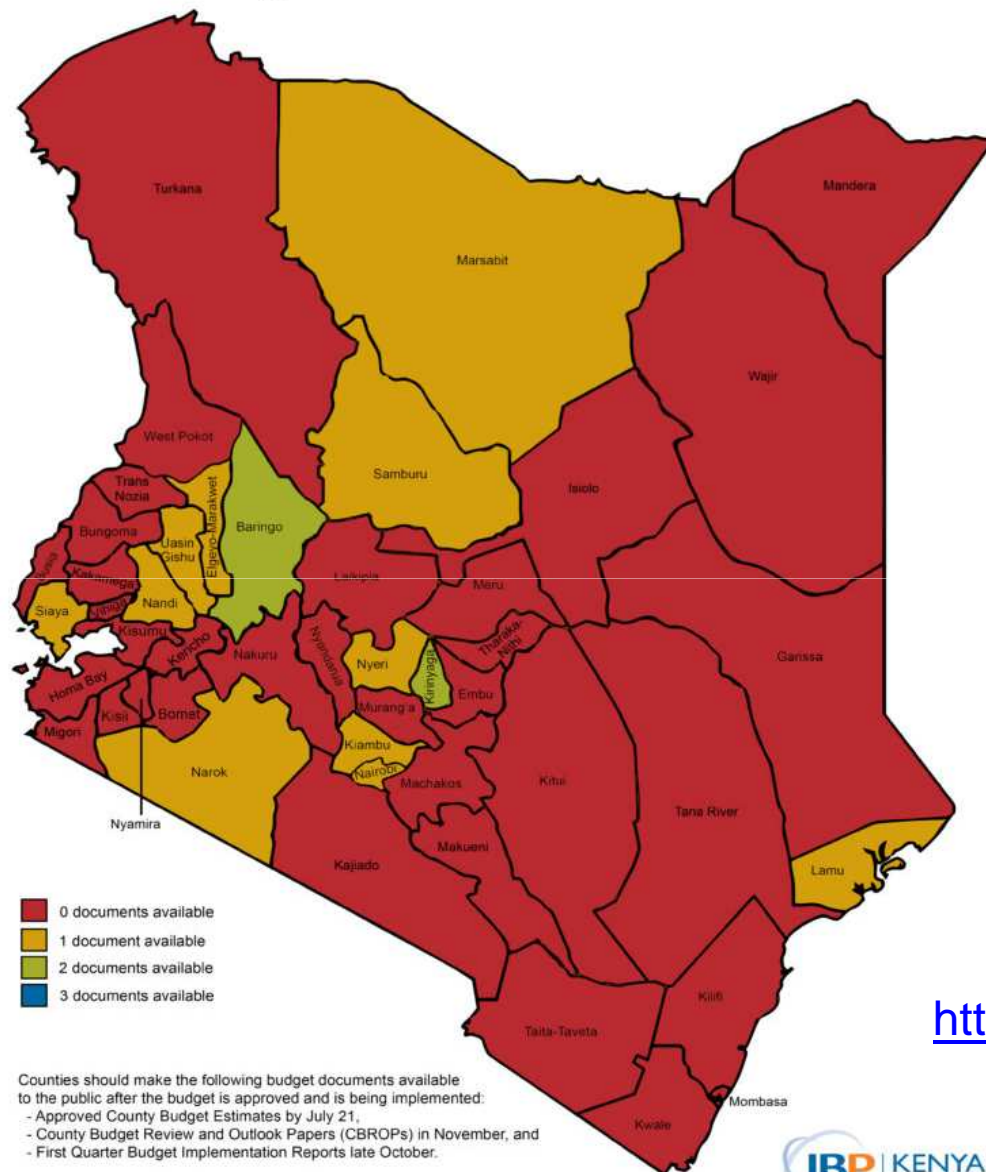
CRA Guidelines on Nomination



appointments. 4. Once the appointments have been made, the Governor shall have 7 days to publish and publicize the names of the appointments along with a basic description of the roles of the CBEF and its members, as well as the date of the Forum's first meeting. This information shall be published using print media, radio, public notices in religious institutions and markets and other available means.

5. Nominees and final appointees shall have at least a diploma and basic knowledge of budget and economic affairs.

How much budget implementation data are counties making available online? March 2017



CIDP
CFSP
C-BROP
Budget Estimates
C-Finance Bill
Appropriation Bill
Quarterly Reports

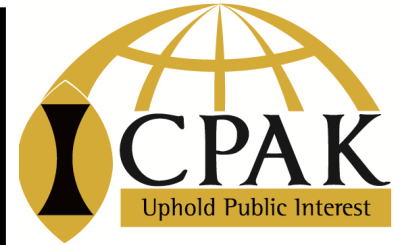
<http://www.bomet.go.ke/budget-plans/>

Challenges



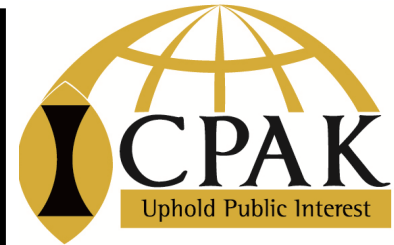
- Inaugural Teams / Legislative framework
- Nomination to CBEF
- Operationalization of CBEF
- Sacrifice by non-State actors
- Calendar is spread out over the year
- CBEF Secretariat
- Budget / Resources for CBEF
- Feedback to Nominating public
- Lack of Citizen involvement
- Lack of trust / goodwill by stakeholders

Action Plan



- ✓ Need to form a think tank to help County Governments
- ✓ Review / develop legislation to strengthen CBEF
- ✓ Numbers and analysis requires accountants input
- ✓ Volunteer - Patriotic Duty
- ✓ Develop trust with stakeholders
- ✓ Better budgeting means better taxation and efficient service delivery which translates into development

A Case for CBEF's



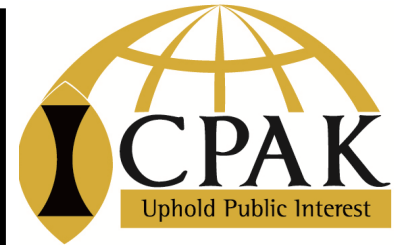
CBEFs are the only specific, legally required mechanism for public participation in the budget. While there has been a surge in the formation and operationalization of CBEFs across the country in the past 18 months, the evidence suggests that they are barely functional.

(IBP, 2015)

The Office recommends that Counties should establish the County Budget and Economic Forums, liaise with the National Treasury to address the IFMIS connectivity challenges and also operationalize the Internal Audit Committees.

(OCOB, 2017)

Way forward



- *Successful public participation coupled with greater input by the Accounting professionals will result in an effective implementation of the budget process.*
- *This will lead to enhancing County Governance and thereby improve service delivery.*
- *Accountants need to take lead role in guiding the public in the budgeting process.*
- *47 Counties ---> Keep yourself informed...*

Your Role



Ensure that your branch / institute nominates a member /s to the County Budget & economic Forum.

Are you registered with your branch?

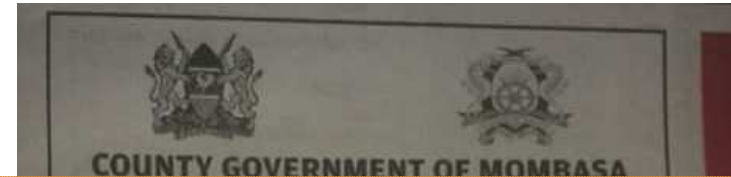
Nominate the right person – dedicated, willing to give time and commitment to process

Effective communication with CBEF's and provide constructive input

Help public to understand and analyse the numbers

Identify and Support your area CBEF. Inform YOUR public. Read the OCOB and County reports...

So the next time you see this...

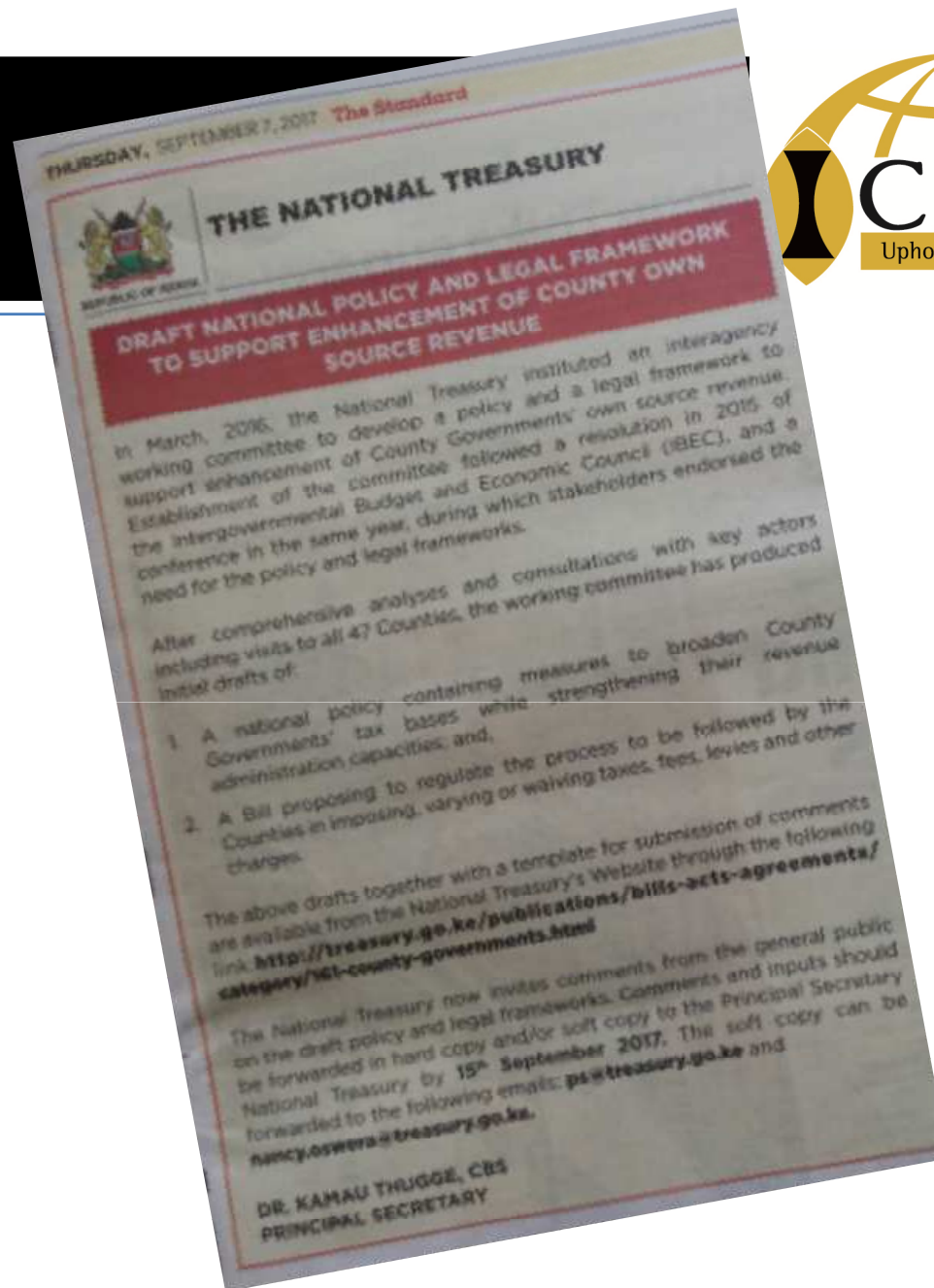


Do something...inform someone
Take part in the discussion
Identify your area CBEF members
Attend the Public sessions
Engage with Icpak...make comments
Help analyse the numbers
Inform the wider public

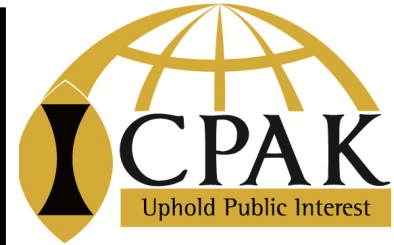
JOHN HAROLD KOMBE
COUNTY EXECUTIVE MEMBER FOR FINANCE AND ECONOMIC PLANNING



Keep informed



Patriotism



*“Every good citizen adds to the strength of
a nation.”*

Gordon B. Hinckley
American religious leader and author

Discussion



Thank You and God Bless Kenya!

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