

Linking Public Sector Planning to Budgeting

PFM Seminar, ICPAK Coast Branch

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LINKAGE –PLANNING & BUDGETING



PLANNING

BUDGETING

Introduction- Linkage between planning & budgeting



- ❑ Essential to strengthen the linkages between policy formulation, planning & budgeting at all levels;
- ❑ At the moment, the links between Vision 2030, the MTEF 3-year cycle and the annual budget are weak;
- ❑ The Vision and MTEF are not fully synchronized with each other & the annual budget;
- ❑ At County level , sometimes there's a mismatch between the CIDP/Annual Development Plan and the County Budget

Planning - Background



National and County level Planning is informed by:

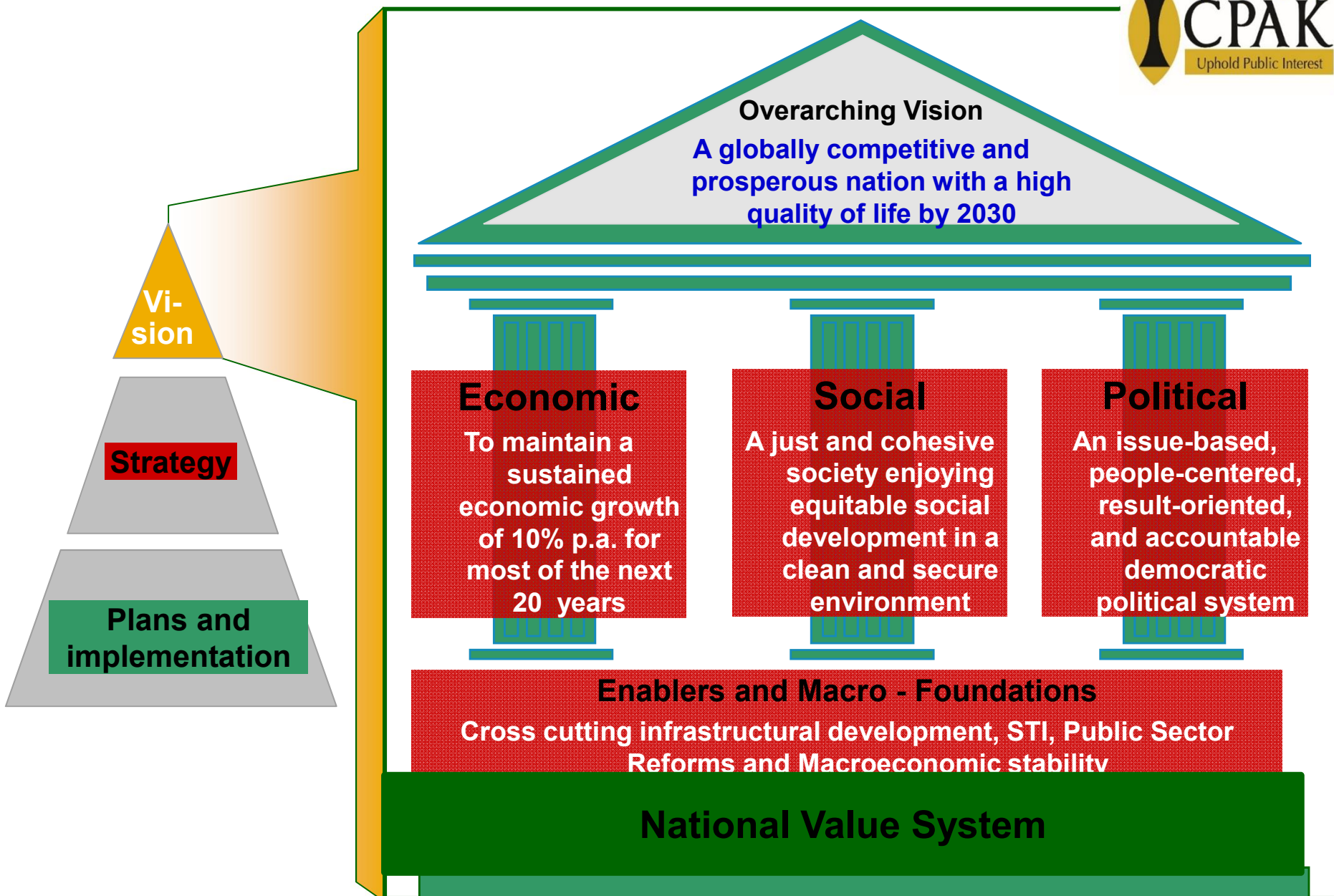
1. Agreed National Planning Framework- in Kenya, the Vision 2030
2. Planning frameworks at subnational level – County Integrated Development Plan (CIDP)
3. Continental wide agreements- African Union's Agenda 2063
4. Global Agreements- Sustainable Development Goals (SDGs)

Sustainable Development Goals (SDGs)



NATIONAL LEVEL PLANNING

PILLARS OF VISION 2030



Kenya Vision 2030 Implementation



Kenya Vision 2030 is implemented through successive five-year Medium Term Plans (MTP)

- ❖ MTP I (2008 - 2012)
 - ❖ MTP II (2013-2017): Transforming Kenya: Pathway to Devolution, Socio-Economic Development, Equity and National Unity
 - ❖ MTP III (2018-2022)- Drafting process ongoing
- MTP Sector Plans- Devolution, Financial Services, Infrastructure ..,e.t.c

MTP I: 2008-2012



- ❑ Succeeded the Economic Recovery Strategy for Wealth and Employment Creation, 2003-2007
- ❑ Incorporated interventions underscored in the National Accord
- ❑ Flagship Projects under MTP 1:
 - ❖ Increase GDP growth from 7% in 2007 to 10% by 2012
 - ❖ Tourism- increasing international arrivals from 1.6 million to 3 million
 - ❖ Set-up two(2) Special Economic Clusters(for manufacturing purposes) in Mombasa and in Kisumu
 - ❖ Set up BPO Park & digital villages to enhance to enhance internet access

Priorities Under MTP II 2013-2017



- ☐ Constitution and devolution
- ☐ National Cohesion
- ☐ Security
- ☐ Drought emergencies and Food security
- ☐ Equity in access to opportunities & lower cost of living
- ☐ Health
- ☐ Education
- ☐ Infrastructure
- ☐ Industrialization
- ☐ Improved traded
- ☐ Social protection
- ☐ Land reforms
- ☐ Arts, Sports and Culture

Bottlenecks to Implementation of Vision 2030



❑ External economic shocks

- ❖ slow down in global economic growth
- ❖ Brexit;
- ❖ Trump effect and the advent of protectionism
- ❖ Global terrorism/ regional conflicts to Somalia/South Sudan

❑ Internal economic shocks

- ❖ Drought/famine
- ❖ Getting to grips with the new/devolved system of governance
- ❖ The Youth bulge
- ❖ The political standoff
- ❖ Weak governance systems

Opportunities for Vision 2030 implementation



- ❑ Constitution of Kenya 2010
- ❑ ICT development/Technological advancement in Kenya- internet/telephone connectivity
- ❑ Support from International Development partners- remember UNCTAD/TICAD Conferences
- ❑ Recent oil & mineral discoveries
- ❑ Growing population;
- ❑ Expanding middle class?

COUNTY LEVEL PLANNING

Planning at County Level



- ❑ County Government Act, 2012 elaborates on Planning
- ❑ Planning to be in line with Vision 2030, Macroeconomic Framework

Principles of Planning (Sec 102 of CGA)



- ❑ Integrate national values in all processes & concepts;
- ❑ Protect the right to self-fulfillment within the county communities & with responsibility to future generations;
- ❑ Protect and integrate rights and interest of minorities and marginalized groups and communities;
- ❑ Protect and develop natural resources in a manner that aligns national and county governments policies;
- ❑ Align county financial and institutional resources to agreed policy objectives and programmes;

Principles of Planning (Sec 102 of CGA)



- ❑ engender effective resource mobilization for sustainable development;
- ❑ Promote the pursuit of equity in resource allocation within the county;
- ❑ Provide a platform for unifying planning, budgeting, financing, programme implementation and performance review; and
- ❑ Serve as a basis for engagement between county government and the citizenry, other stakeholders and interest groups

Planning Unit (Sec 105 of CGA)



A county planning unit shall be responsible for—

- a) coordinating integrated development planning within the county;
- b) ensuring integrated planning within the county;
- c) ensuring linkages between county plans and the national planning framework;
- d) ensuring meaningful engagement of citizens in the planning process;
- e) ensuring the collection, collation, storage and updating of data & information suitable for the planning process; and
- f) ensuring the establishment of a GIS based database system.

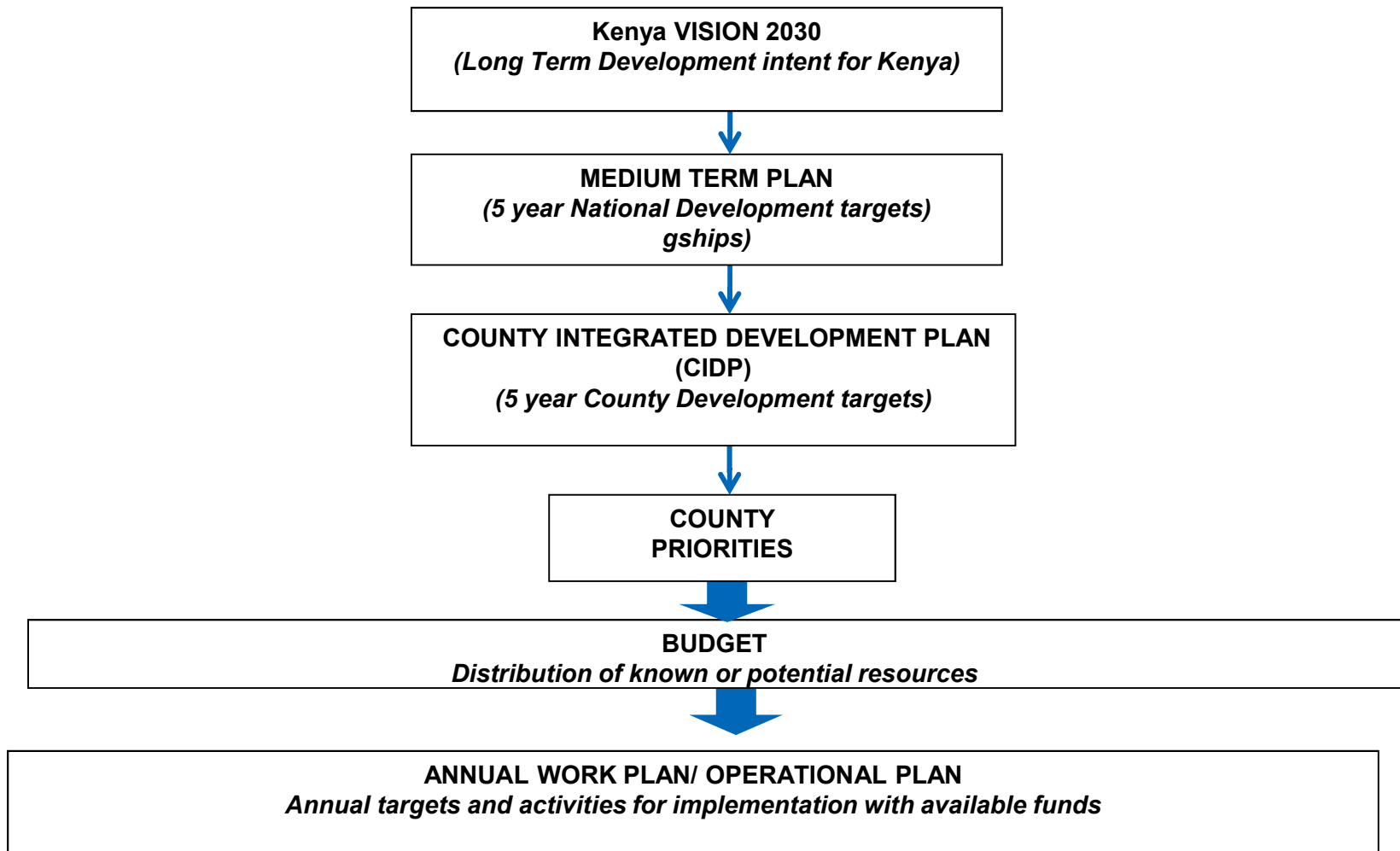
County Integrated Development Plan (Sec 108 of CGA)



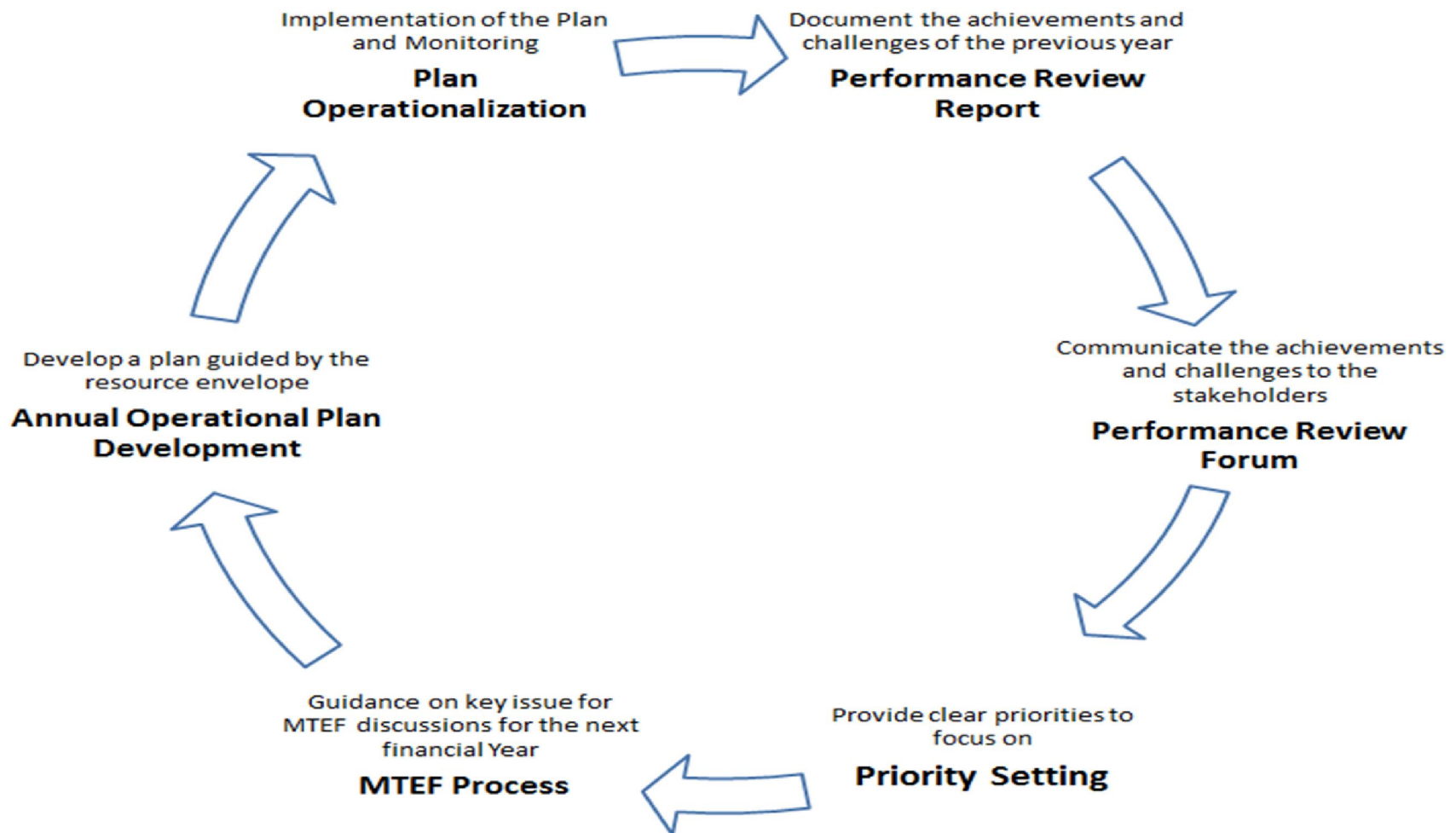
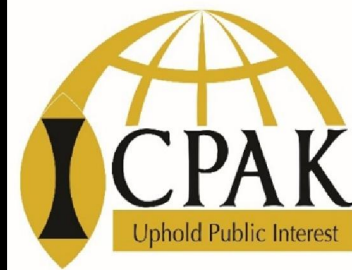
Five-year County Integrated Development Plan for each county with the following:

1. Clear goals & objectives, implementation plan; M & E ; & reporting mechanisms.
2. Institutional framework, strategies and programmes (Investment & Development initiatives, projects)
3. Maps, statistics;
4. Resource mobilization & management framework comprising of *revenue raising, asset management, capital financing; financial management; operational financing and strategies on cost effectiveness*)

Interaction between planning & budgeting



A Cyclical process



Budgeting

1. The Budget, a process of bargaining

- ❑ Different groups with competing demands
- ❑ National vs vested interests

2. Budget, a political tool

- ❑ Used by government of the day to deliver on it's agenda

Rationale for Budgets?



Fulfilment of three fundamental functions:

1. **Allocation function:-** funds to development
2. **Distribution function:-** burdens & benefits of goods throughout the economy
3. **Stabilization function-** macroeconomic stability

Constitutional Principles on Budgeting



- Guiding principles of public finance (Article 201);
 - a) openness, accountability and citizen participation in financial matters, i.e. when raising, allocating and utilizing, public finances
 - b) Promotion of equitable society in which, tax burdens fairly shared
 - c) burdens and benefits of public debt are shared equitably, and
 - d) Public funds are used prudently and responsibly, and
 - e) management of public finance is reported clearly and responsibly

Equitable Share Art. 203



- ❑ National interest;
- ❑ Respect of the public debt & other national obligations;
- ❑ Needs of the national government
- ❑ Need to ensure that county governments are able to perform their functions
- ❑ Fiscal capacity and efficiency of county governments;
- ❑ Developmental and other needs of counties;
- ❑ Economic disparities within and among counties & the need to remedy them;
- ❑ Need for affirmative action in respect of disadvantaged areas & groups;
- ❑ Need for economic optimization of each county & to provide incentives for each county to optimize its capacity to raise revenue;
- ❑ Desirability of stable & predictable allocations of revenue;

National Government

- ☐ Income tax;
- ☐ Value-added tax;
- ☐ Customs duties and other duties on import and export goods;
- ☐ Excise tax.

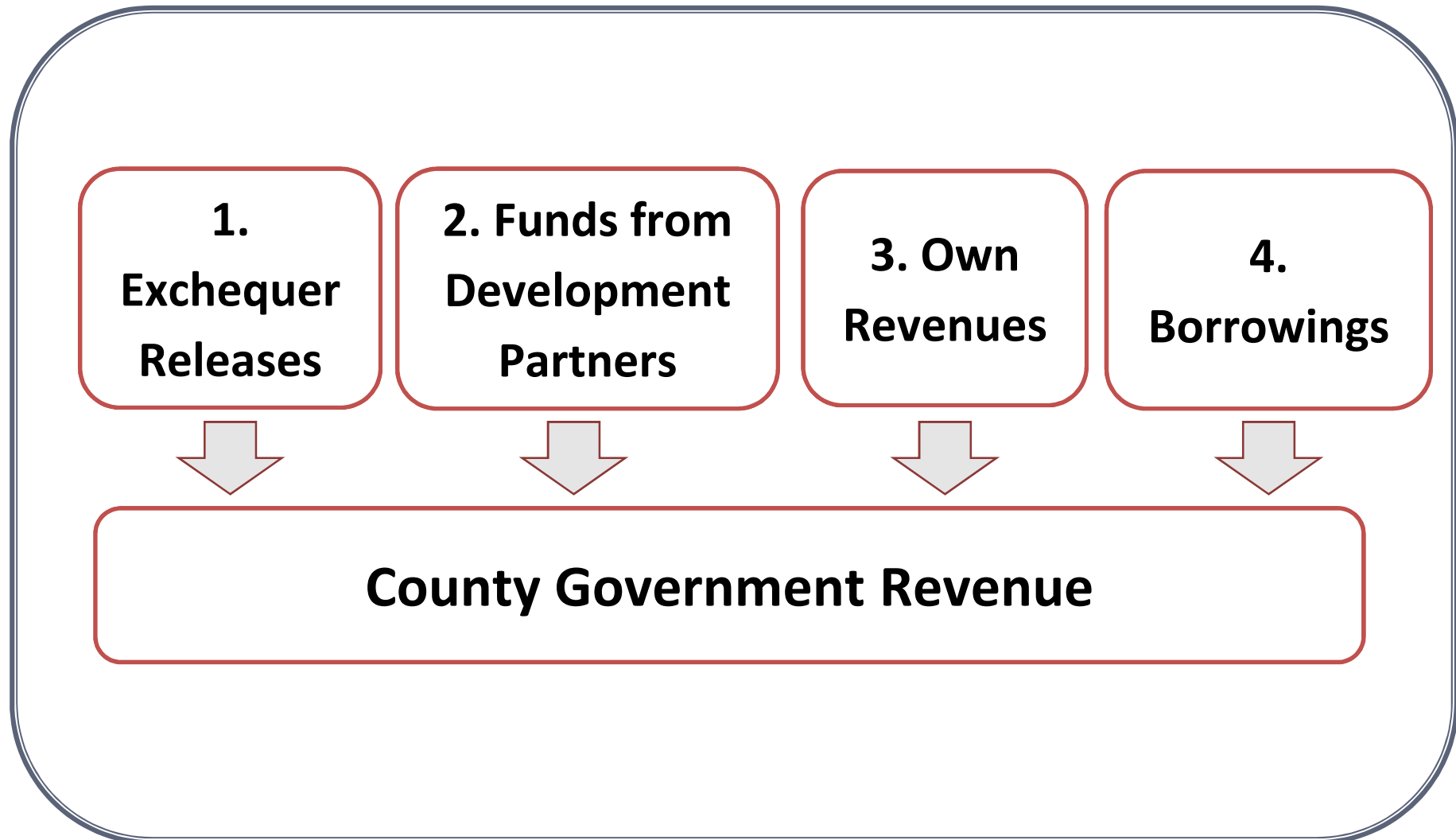
Power to Impose Taxes- Art. 209



County Government

- ❑ Property rates;
- ❑ Entertainment taxes; and
- ❑ Any other tax that it is authorized to impose by an Act of Parliament
- ❑ National & county governments may impose charges for the services they provide.
- ❑ Taxation & 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 labor.

Main Sources of Funding for Counties



Institutions in Planning & Budgeting



| No | Institution | Role/Responsibility |
|----|-----------------------------------|--|
| 1. | Parliament(NA/Senate) | Budgeting, approval, oversight |
| 2 | National Treasury | Macroeconomic Policy, stabilization, formulation |
| 3 | Ministry of Devolution & Planning | Planning and Statistics |
| 4 | Controller of Budget | Authorization; and Budget monitoring |
| 5. | Office of the Auditor General | Public Sector Audit |
| 6. | County Assemblies | Budgeting, approval & oversight at the County Assembly |
| 7. | County Budget and Economic Forum | Consultations on budgeting at County level(see Section 137 of PFM Act) |

Institutions in Planning & Budgeting (Contd)



| No | Institution | Role/Responsibility |
|----|--|---|
| 1. | Commission on Revenue Allocation(CRA) | Revenue Allocation |
| 2 | Professional bodies- ICPAK, LSK, ICPSK e.t.c | Input in the processes, oversight on delivery and product |
| 3 | Kenya Revenue Authority | National Revenue collection |
| 4 | Civil Society | Input in the processes, oversight on delivery and product |
| 5. | The Media | Input in the processes, oversight on delivery and product |
| 6. | Citizens/General public | Input in the processes, oversight on delivery and product |

Questions to Consider when Budgeting



1. What are the Priority Areas in the Budget for the fiscal year?
2. Does the Budget have the same priorities as the annual development plan?
3. Is the budget programme based?
4. Does the budget have a deficit and how will it be financed?
5. How much money will be raised from own taxes and is it reasonable?
6. Does the Budget spend money on activities/projects assigned as per Schedule 4 of the Constitution/
7. Does the budget have an allocation towards emergency?
8. Does the Budget Properly distinguish between Recurrent and development expenditure?
9. Does the budget contain estimates for the next 3 years or only for 1 year?
10. Does the budget contain funding on public participation?

Thank You!

