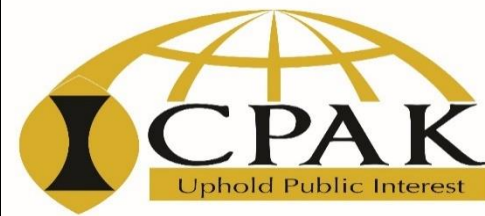


PUBLIC FINANCE MANAGEMENT SEMINAR

Linking Public Sector Planning to Budgeting

Kerio View Hotel – Iten , 21st - 22nd September 2017

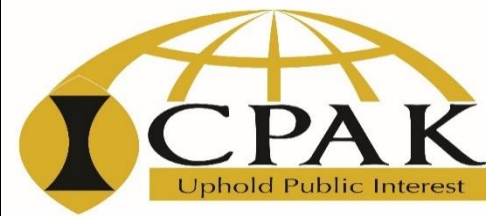
Session Content



Linking Public Sector Planning to Budgeting with a focus on:

- *Medium Term Plan*
- *County Integrated Development Plan (CIDP)*
- *The Budgeting Process as provided for by the PMF Act in both the National (Includes State Agencies) & County Governments*

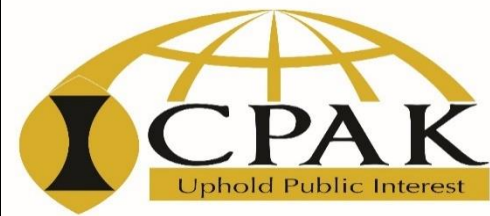
Session Objectives



By the end of the session, the participants should be able to:

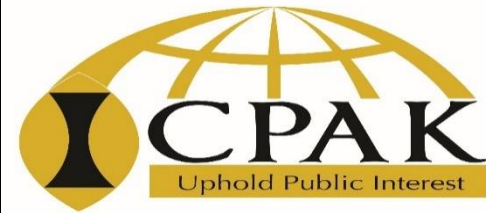
- ☐ Discuss the Government planning process;
- ☐ Discuss contemporary issues in the planning
- ☐ Explain the relationship between planning and budgeting

Planning Process in Kenya



- Since independence, Kenya's planning process has been guided by five-year development Plans
- Due to global and domestic setbacks, Kenya's GDP per capita growth started declining in the 1990s
- In 2003, the government developed the Economic Recovery Strategy for Wealth and Employment Creation (ERSWEC) 2003–2007 to facilitate growth and economic recovery
- In 2008, the government adopted the Vision 2030

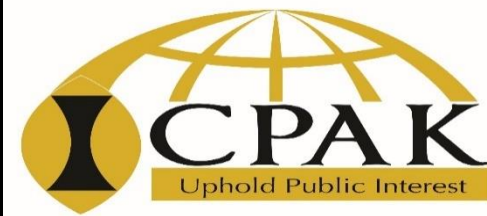
Planning Process in Kenya



National and County level Planning is informed by:

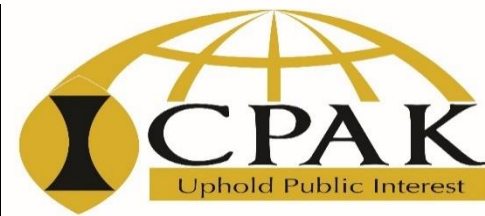
1. Agreed National Planning Framework- in Kenya, the Vision 2030
2. Planning frameworks at subnational level – County Integrated Development Plan (CIDP)
3. Continental wide agreements- African Union's Agenda 2063
4. Global Agreements- Sustainable Development Goals (SDGs)

Sustainable Development Goals (SDGs)



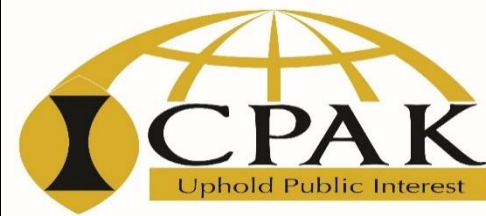
National and county planning

Relevant Legislation



- The Constitution of Kenya 2010, unlike its preceding legislation, recognised the importance of planning.
- At the national level, planning has been taken up by the State Department of Planning and Statistics
- Article 220 (2) of the Constitution states that “national legislation shall prescribe the structure of development plans and budgets”.

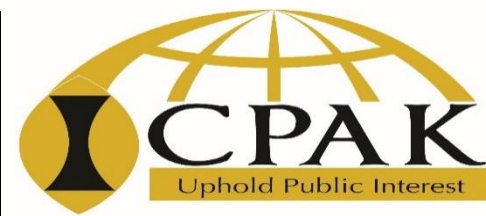
Relevant Legislation...



The County Government Act 2012,

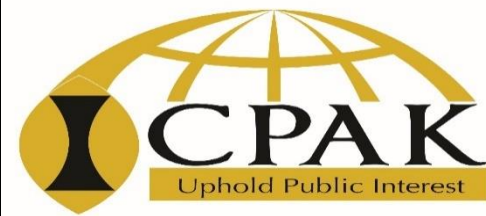
- Section 102 (h) – the county planning is expected to “to provide a platform for unifying planning, budgeting, financing programme, implementation, and performance review”
- Section 104.(1) states that “A county government shall plan for the county and no public funds shall be appropriated outside a planning framework developed by the county executive committee and approved by the county assembly”

Relevant Legislation...



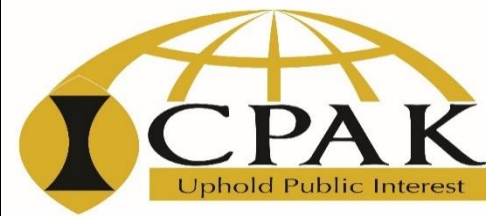
- Public Finance Management Act, 2012 Section 125 and 126 of the provides that “each county will prepare an integrated development plan which will include both medium term and long term priorities to be achieved by the county”.
- Similarly, the Urban Areas and Cities Act 2011 Section 38 provides that “a city or urban area shall prepare an integrated city or urban area municipal development plan in accordance with the Third Schedule of the Act”

Relevant Legislation...



- A county planning unit will be responsible for “coordinated integrated development planning”
- Integrated development planning under the law will in turn guide annual budgets of counties and cities/urban areas as well as those of lower level units.
- In addition to an integrated development plan, each county is expected to have; **a county sectoral plan, county spatial plan, a city and urban areas plan and a bankable County Investment Profile**

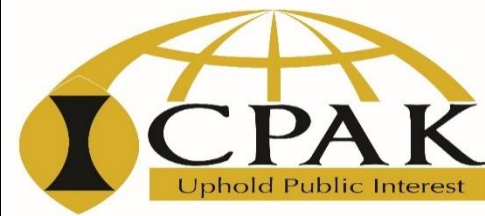
Relevant Legislation...



- These county plans “shall be the basis for all budgeting and planning in a county”
- The County Government Act 2012
 - Section 103 obligates County Governments to “ensure harmony between national, county and sub-county spatial planning requirements”
 - Section 106, the Plan will thereby provide a mechanism for linking the County and national planning processes with the MTEF budgetary system.

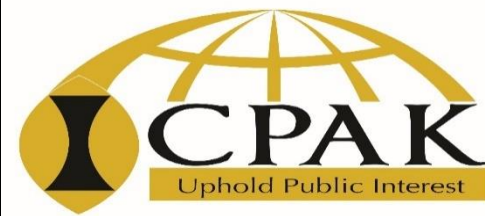
NATIONAL AND COUNTY LEVEL PLANNING

Integrated Development Planning



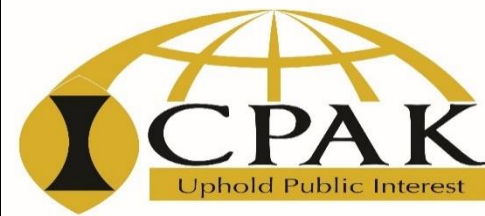
- Integrated Development Planning – covers the following areas
 - Economic development
 - Social development
 - Governance and public service
 - Spatial plans
 - Urban areas
 - Participation by relevant stakeholders

Principles of Planning (Sec 102 of CGA)



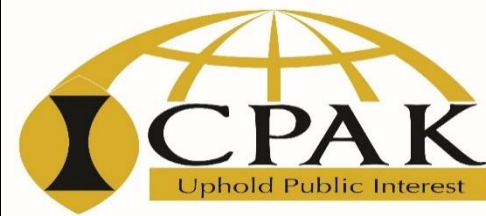
- ☐ Integrate national values in all processes & concepts;
- ☐ Protect the right to self-fulfillment within the county communities & with responsibility to future generations;
- ☐ Protect and integrate rights and interest of minorities and marginalized groups and communities;
- ☐ Protect and develop 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

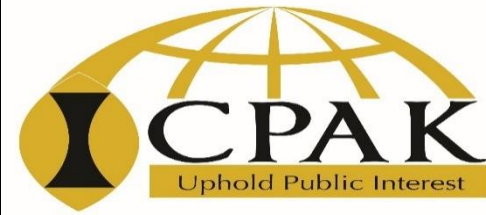
Planning Unit (Sec 105 of CGA)



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.

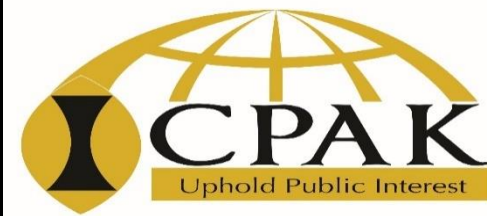
1. Kenya Vision 2030 Implementation



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

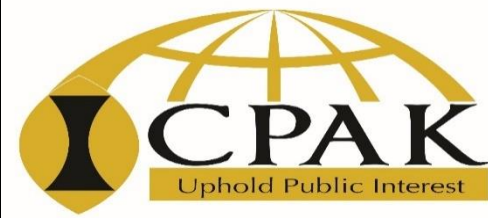
- ❖ MTP I (2008 - 2012): Kenya Vision 2030
- ❖ MTP II (2013-2017): Transforming Kenya: Pathway to Devolution, Socio-Economic Development, Equity and National Unity
- ❖ MTP III (2018-2022)- **Drafting process ongoing**
- **MTP Sector Plans - Devolution, Financial Services, Infrastructure ...,e.t.c**

MTP I (2008 - 2012): Kenya Vision 2030



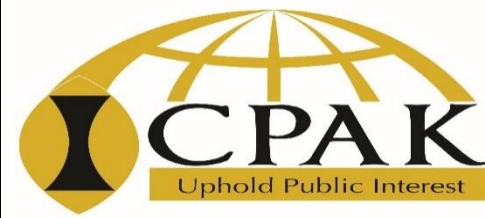
- ❑ Succeeded the Economic Recovery Strategy for Wealth and Employment Creation, 2003-2007
- ❑ Incorporated interventions underscored in the National Accord
- ❑ Flagship Projects under MTP 1:
 - ❖ Increase GDP growth from 7% in 2007 to 10% by 2012
 - ❖ Tourism- increasing international arrivals from 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 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

Bottlenecks to Implementation of Vision 2030



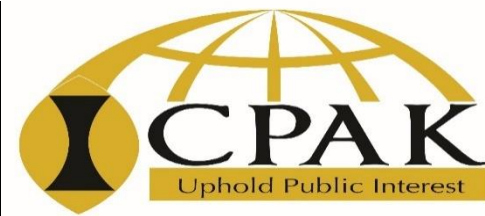
☐ External economic shocks

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

☐ Internal economic shocks

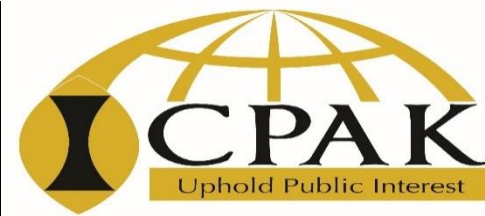
- ❖ Drought/famine
- ❖ Getting to grips with the new/devolved system of governance
- ❖ The Youth bulge

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?

2. CIDP

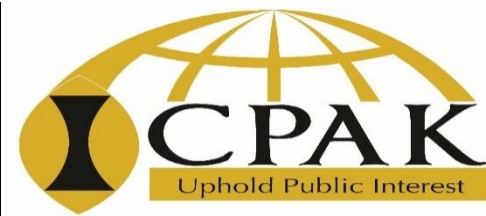


CGA, 2012

108.(1) There shall be a five year county integrated development plan for each county which shall have—

- ❖ clear goals and objectives;
- ❖ an implementation plan with clear outcomes;
- ❖ provisions for monitoring and evaluation; and
- ❖ clear reporting mechanisms.

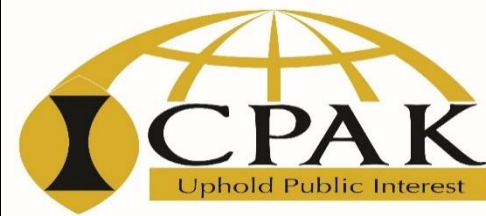
3. SECTORAL PLANS



COUNTY GOVERNMENT ACT, 2012

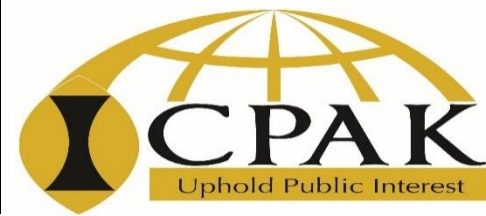
- ❖ 109. County sectoral plans
- ❖ (1) A County department shall develop a ten year county sectoral plan as component parts of the county integrated development plan
- ❖ (2) The County sectoral plans shall be—
 - (a) programme based;
 - (b) the basis for budgeting and performance management; and
 - (c) reviewed every five years by the county executive and approved by the county assembly, but updated annually.

4. SPATIAL PLANS



- CGA 110.(1) There shall be a ten year county GIS based database system spatial plan for each county, which shall be a component part of the county integrated development plan providing —
- a spatial depiction of the social and economic development programme of the county as articulated in the integrated county development plan;
- clear statements of how the spatial plan is linked to the regional, national and other county plans; and
- clear clarifications on the anticipated sustainable development outcomes of the spatial plan.

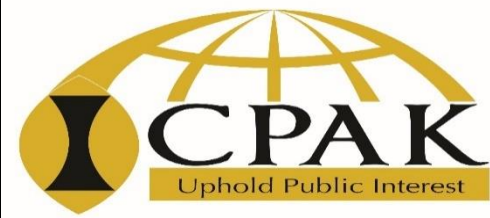
5. CITY AND MUNICIPAL PLANS



111.(1) For each city and municipality there shall be the following plans:

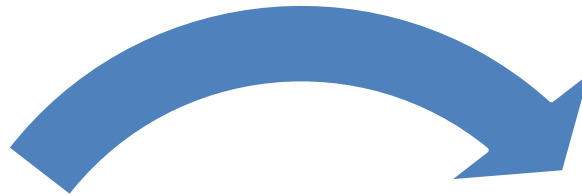
- (a) City or municipal land use plans;
- (b) City or municipal building and zoning plans;
- (c) City or urban area building and zoning plans;
- (d) location of recreational areas and public facilities.

Linkage – Planning & Budgeting

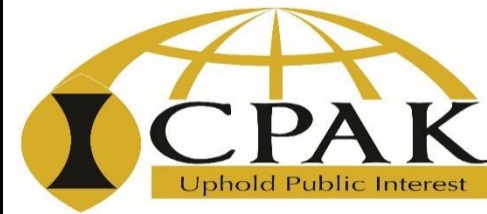


BUDGETING

PLANNING



Interaction between planning & budgeting



Kenya VISION 2030
(Long Term Development intent for Kenya)



MEDIUM TERM PLAN
(5 year National Development targets)
(flagship)



COUNTY INTEGRATED DEVELOPMENT PLAN (CIDP)
(5 year County Development targets)



COUNTY PRIORITIES

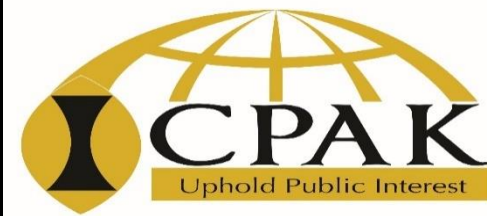


BUDGET
Distribution of known or potential resources



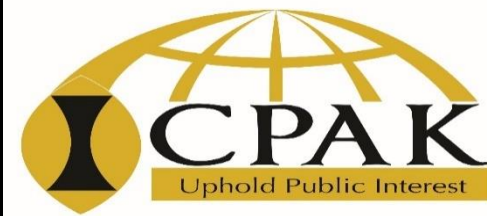
ANNUAL WORK PLAN/ OPERATIONAL PLAN
Annual targets and activities for implementation with available funds

Medium Term Expenditure Framework (MTEF)



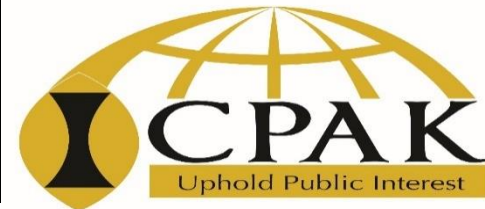
- MTEF budget process is part of the major reforms in the Public Service that the Kenya Government embarked on in the 2000/01 Financial Year.
- Other reforms introduced include:
 - Programme Review and Forward budget
 - Budget Rationalization Programme
 - Public Investment Programme
 - Medium Term Expenditure Framework
 - Programme Based Budgeting

Medium Term Expenditure Framework (MTEF)



- MTEF budget is a 3 year rolling revenue and expenditure budget plans for the government both at the national and the county level
- The concept of the “three year rolling ” timeline consists of:
 - I. The current budget year (N) – the budget for the current year was finalized last year and is being implemented;
 - II. The next budget year (N+1), the target period of the current budget process i.e. the year the current budget process is being prepared for; and
 - III. The following two outer years (N + 2) and (N+3) – this are estimates of the likely expenditures to provide services beyond the next budget year

Medium Term Expenditure Framework (MTEF)



N is the financial year we are currently in. This budget is currently being executed.

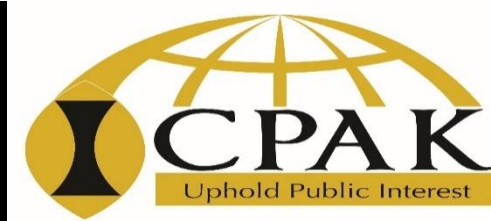
We are currently preparing our budget for the year 'N+1'. The expenditure figures in this budget will be based on known revenue allocations.

An MTEF is prepared for 2018/19 through to 2020/21.

N	N+1	N+2	N+3
2017/18	2018/19	2019/20	2020/21

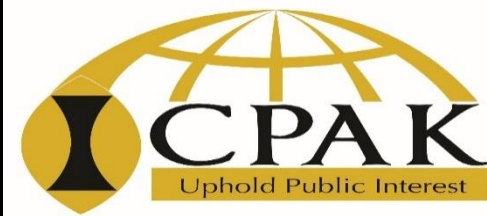
The years N+2 and N+3 are known as the 'outer years'. These will contain indicative figures (known as 'forward estimates'), based on estimated revenue.

Medium Term Expenditure Framework (MTEF)



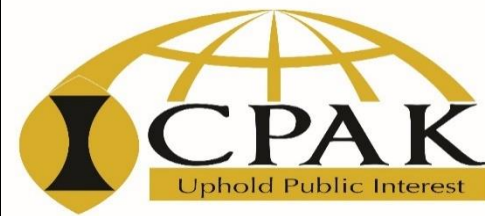
- ✓ The N+2 and N+3 are forward estimate of likely expenditure
- ✓ The expenditures are based on the programmes arising from intended policy outcomes
- ✓ Includes multi-year programmes that are spread from previous years and the next budget
- ✓ They are adjusted for inflation because of time horizon
- ✓ Due to uncertainty the estimates are likely to change

Medium Term Expenditure Framework (MTEF)



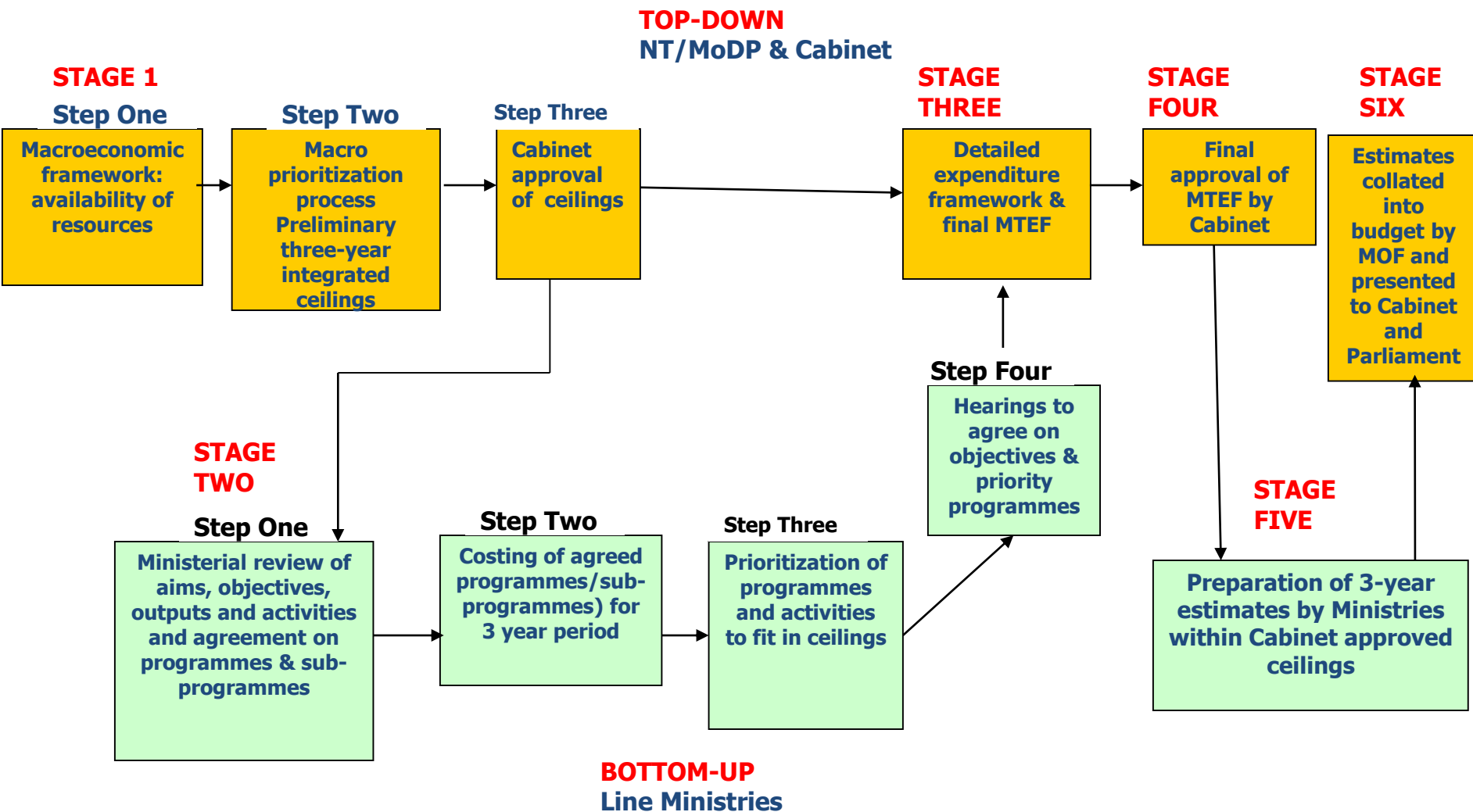
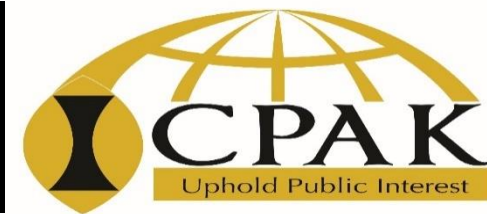
- ❑ A 3-year rolling **planning** and **budgeting process** that aims at:
 - **Imposing discipline** in planning and management of national resources
 - **Integrating policy reform**, budgeting and expenditure management and
 - **Restoring credibility** in the planning and budgetary process.

Medium Term Expenditure Framework (MTEF)



- ❑ It rests on three pillars:
 - i. The **top-down multiyear projections** of resource envelope
 - ii. The **bottom-up multiyear cost estimates** of sector programs
 - iii. **Reconciling** resources with priorities (trade-off)

Stages of the MTEF



(1) Sector Composition

- ✓ Sectors are defined by the sectors of the national economy under which individual government departments either operate or oversee
- ✓ The limit of the number of sector working groups should be the number of gazetted departments in the Government
- ✓ Governments are supposed to use the Classification of Functions of Government (COFOG) to generate sector working groups to ensure consistency and comparability at the county and national level

(1) Sector Composition

COFOG - MTEF Sectors and Ministries/departments

1. Public Administration And International Relations Sector
2. Health Sector
3. Environmental Protection, Water And Natural Resources
4. Social Protection, Culture And Recreation Sector
5. Agriculture And Rural Development
6. Education Sector
7. General Economic And Commercial Affairs
8. energy-infrastructure and information- communications technology sector
9. Governance Justice Law And Order

COFOG - MTEF Sectors and Ministries/departments



Classification of Functions of Government (CoFoG)	Corresponding MTEF sector	Ministries / Departments / Agencies (MDA' s)
1. Economic affairs	Agriculture & Rural development	Agriculture
		Livestock development
		Cooperative development
		Land
		Fisheries
		Forestry and wildlife
		Research and development
	Energy, infrastructure & ICT	Transport
		Roads
		Urban development
		Public works
		Information
		R & D (EII)
	General Economics, Commercial and labour affairs	Trade & Commerce
		Industrialization
		Tourism
		labour
2. Health	Health	Health
3. Education	Education	Early childhood
		Technical colleges & village polytechnics
		R & D (Education)

COFOG - MTEF Sectors cont.....

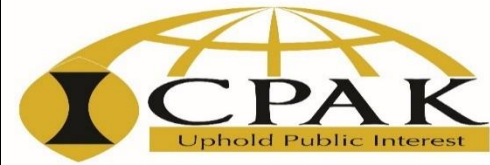


4. Public order and safety	Public order and safety	
5. General public services	Public administration and international relations	County public service board
		County assembly
		County executive committee
		Planning
		County treasury
		Office of the Governor
		Office of the Deputy Governor
6. Defence	National security	
7. Recreation, culture and social protection	Social protection, culture and recreation	Culture and recreation
		Gender, children & social
		Youth
		Sports

(2) Sector Working Groups

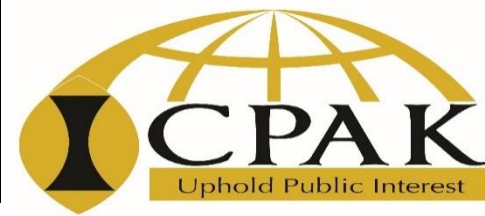
1. Chairperson – One Accounting Officer
2. Sector Convenor – NT
3. Sector Co-Convenor – MoDP
4. TWG - Representatives from relevant line Ministries making up a sector
5. Relevant sector's national/county department officials - maximum of three representatives;
6. One representative by invitation from each stakeholder group

Benefits of the MTEF



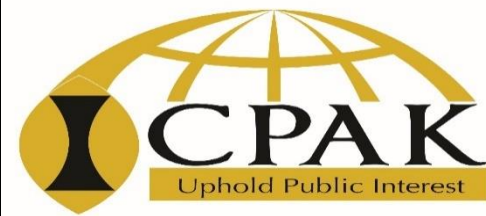
- **Stability in resource flows**
 - directed towards strategically important objectives
- **Predictability** in sector financing
 - Enhances sustainability of funding for programmes
- **Clarity of policy choices** for resource allocation where finances are limited and prioritisation is essential;
- **Opportunities to share and explain** resource allocation decisions with stakeholders at different levels;
- **Greater accountability and transparency** in implementing development programmes designed to improve equity and efficiency and provide value for money in the use of public funds.

Terms of Reference for SWGs



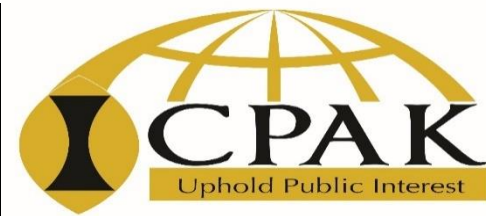
- 1) **Review sector objectives** and strategies in line with the overall national goals as outlined in the policy blueprint.
- 2) **Coordinate activities** leading to the development of sector reports.
- 3) **Identify sector priorities** and rank them accordingly.
- 4) **Analyse cost implications** of policies, activities and programmes.
- 5) **Allocate resources to ministries/depts.** within the sector in accordance with an agreed criteria.

What the MTEF is NOT



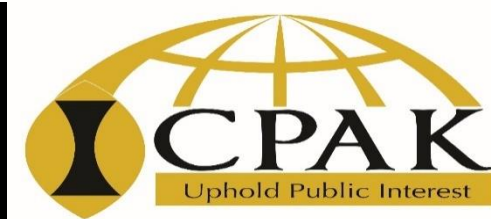
- The MTEF **does not address issues of budget execution** (PBB does)
- The MTEF on its own **does not address performance** management and reporting
- It **does not provide additional resources** but rather focuses on reprioritisation of existing resources
- It is a management tool - **not the answer to tough decisions** on resource allocation

The MTEF Operational Process

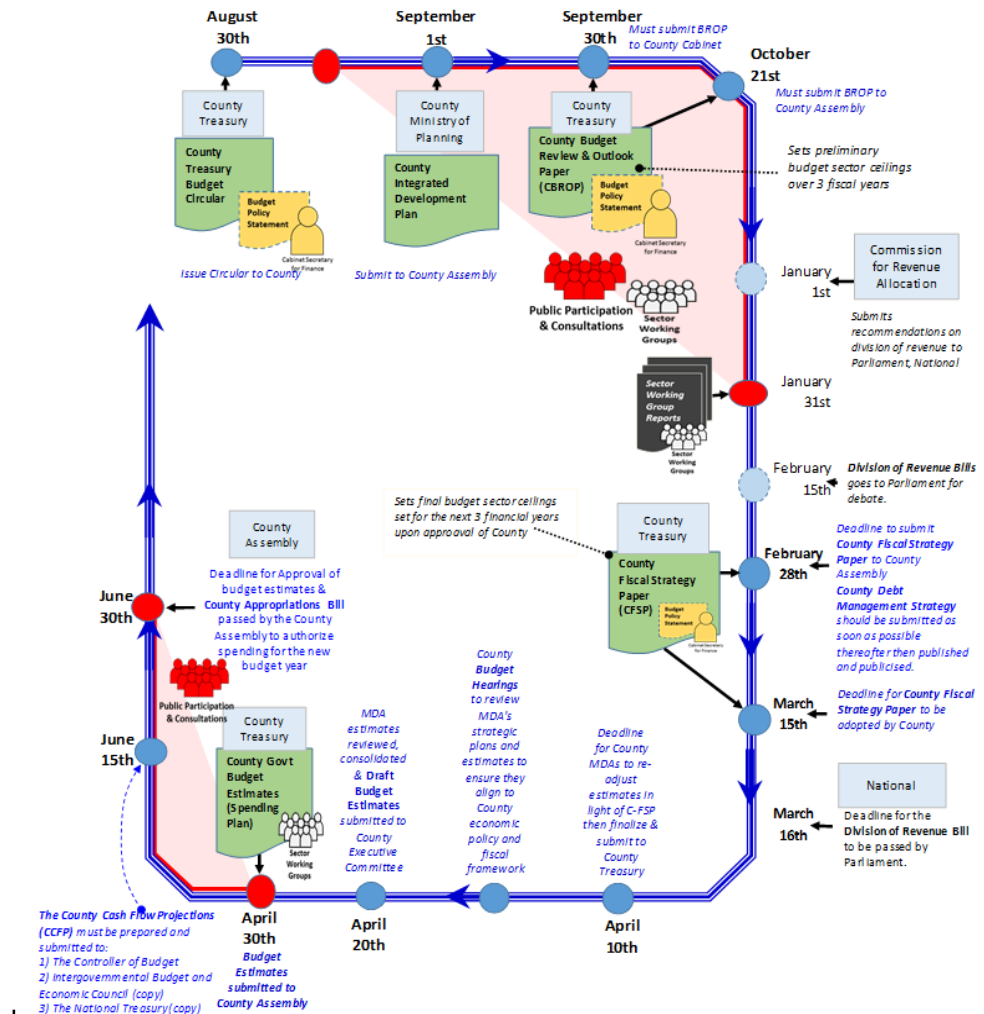


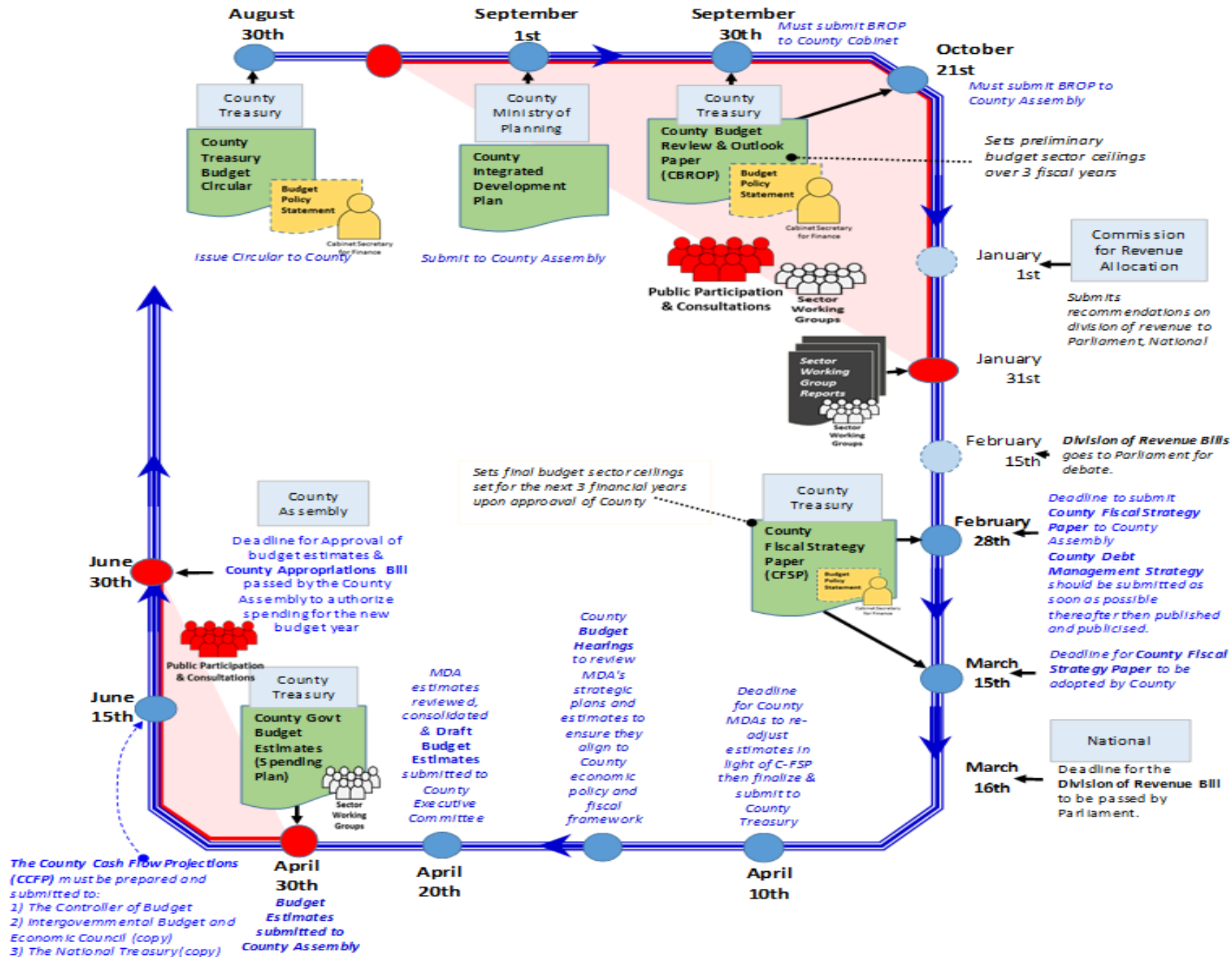
- Involves 3 broad steps
 - **Top-down multi-year projections** of resource envelope targets (working out what is affordable)
 - **Bottom-up multi-year cost estimates** of government policy and programs (working out what has to be financed, with a focus on performance)
 - Institutional decision-making **process to match resources with priorities** (making the necessary trade-offs)

Main Stages of the Budget Calendar

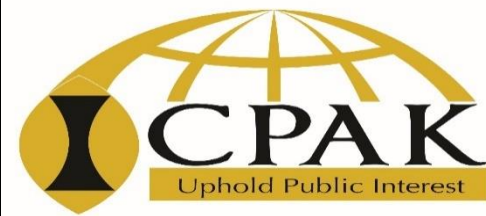


1. Prioritization and determining resource envelopes
2. Preparation of budget estimates
3. Legislative approval of budget estimates
4. Budget execution and monitoring



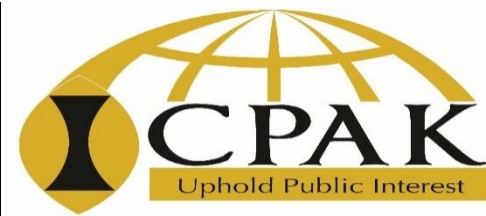


Why MTEFs tend to fail?



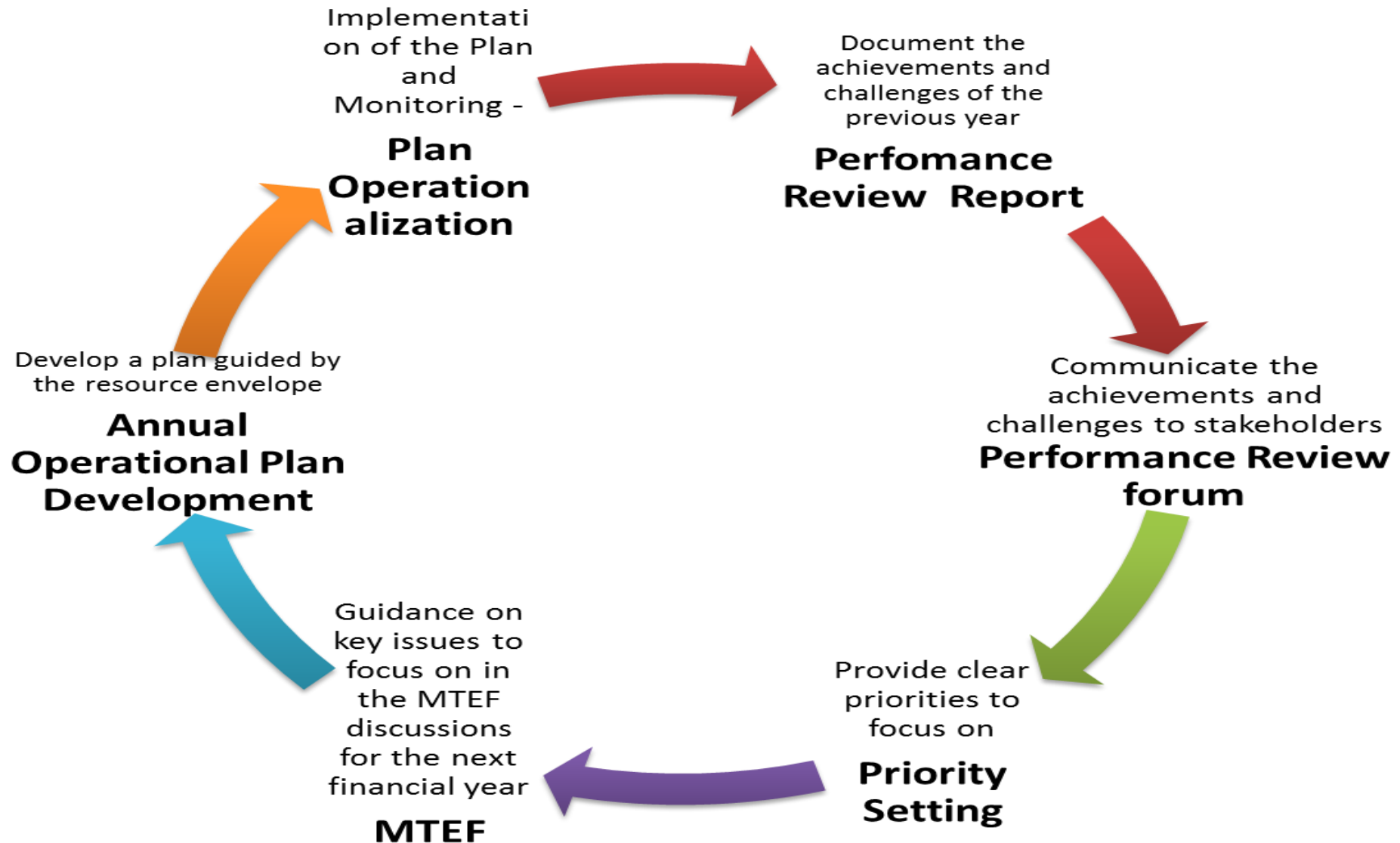
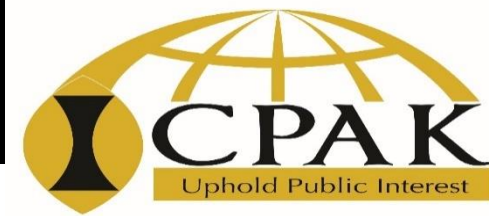
- Lack of **political commitment** and buy-in
- **MTEFs not institutionalized** – seen as separate to budget process and largely a technical exercise developed by NT
- If **line-item budgeting** is still being used it is difficult to use the MTEF effectively for policy prioritization
- **Outer years are seen as unimportant** and not relevant to the budget process
- **Incremental budgeting** still used as basis for budget formulation

With PBB.....

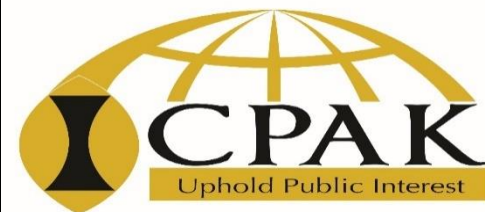


- **Policy makers**
 - gain clear information about impact of expenditure
 - the result of policy decisions becomes evident as performance is measured and trends are established
 - shift attention from process to goals
- **Program managers**
 - work within well-defined expectations
 - have the flexibility to reform processes and increase efficiency as long as goals are met
 - innovation and superior performance are rewarded
- **The public**
 - can see a clearer connection between taxes paid and services provided
 - programs become customer-focused, enhancing the prospects of government successfully meeting the needs of a diverse constituency

Cyclical Process of Reporting, Review and Planning

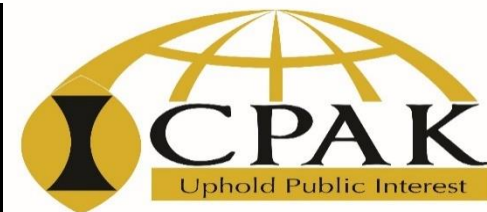


Linkage between planning & budgeting



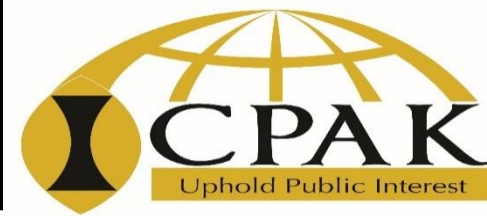
- ❑ Essential to strengthen the linkages between policy formulation, planning & budgeting at all levels;
- ❑ At the moment, the links between Vision 2030, the MTEF 3-year cycle and the annual budget are weak;
- ❑ The Vision and MTEF are not fully synchronized with each other & the annual budget;
- ❑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

Institutions in Planning & Budgeting



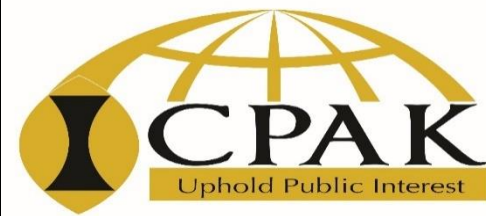
No	Institution	Role/Responsibility
1.	Parliament(NA/Senate)	Budgeting, approval, oversight
2	National Treasury	Macroeconomic Policy, stabilization, formulation
3	Ministry of Devolution & Planning	Planning and Statistics
4	Controller of Budget	Authorization; and Budget monitoring
5.	Office of the Auditor General	Public Sector Audit
6.	County Assemblies	Budgeting, approval & oversight at the County Assembly
7.	Intergovernmental Budget and Economic Council (IBEC), County Budget and Economic Forum	Platform for Consultations on budgeting the economy and financial management

Institutions in Planning & Budgeting Cont..



No	Institution	Role/Responsibility
8.	Commission on Revenue Allocation(CRA)	Revenue Allocation
9.	Professional bodies- ICPAK, LSK, ICPSK e.t.c	Input in the processes, oversight on delivery and product
10.	Kenya Revenue Authority	National Revenue collection
11.	Civil Society	Input in the processes, oversight on delivery and product
12.	The Media	Input in the processes, oversight on delivery and product
13.	Citizens/General public	Input in the processes, oversight on delivery and product

Conclusion



- Planning links policy ➡ plans ➡ budget
- Planning helps in rational allocation of scarce resources
- Planning enables coordination of socio-economic activities in different ministries and levels of government
- Planning helps a country to anticipate the future and plan for it in advance
- Combining state planning with Public Private Partnerships has been the strategy used by the Asian tigers to modernise their economies