



# PFM REFORMS IN KENYA

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# Presentation outline



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# Introduction



□ What is PFM?



# Introduction



- PFM refers to the set of laws, rules, systems and processes used by national governments (and sub-national governments), to mobilize revenue, allocate public funds, undertake public spending, account for funds and audit results.

# Introduction



- ❑ Sound PFM systems are aimed at improving service delivery and achievement of Dev't agenda
- ❑ Therefore, as the Government, we are obliged to maintain an effective system of accountability to the people of Kenya as they look upon the executive to be accountable for collection of revenue, management of expenditure and public debt in implementing public programs for delivery of goods and services
- ❑ In the past it was donor driven/foreign agenda in most developing Countries
- ❑ Now in most African Countries like Kenya its now a deliberate home grown policy

# PFM Legal Framework



- ❑ The Constitution of Kenya 2010 provides a clear set of principles that spell out the role of public finances in promoting an equitable society, public participation in the budget process and transparent financial reporting.
- ❑ The PFM is firmly anchored in Chapter 12 of the Constitution

# PFM Legal Framework



- ❑ The Public Finance Management Act, 2012 gives effect to article 201
- ❑ To operationalize the PFMA, PFM regulations have been developed for both National and County Governments. (Legal notice no. 34 & 35)
- ❑ Other relevant legislations enacted.

# History of PFM reforms in Kenya



- ❑ Reforms have been a key policy issue
- ❑ Started with Sessional paper No 10 of 1965 on (African socialism and application to planning in Kenya)
- ❑ The SAPs period introduced in 1980/81 FY but entrenched through Sessional Paper No. 1 of 1986



# History of PFM reforms in Kenya



- ❑ More recently PFM reforms initiated through ERS-WEC 2003-2007
- ❑ The Strategy for the revitalization of PFM systems in Kenya 2006 - 2011
- ❑ Establishment of institutional arrangements-PFM Reforms secretariat and DP coordination

# Situational analysis



- Roll out of IFMIS/G-Pay/IPPD/PMIS, e-ProMIS in MDAs
- Entrenchment of MTEF
- Modernization of tax administration
- Programme Based Budgeting
- Reforms in mobilization of External Resources/  
KERP
- Medium term debt strategy
- Strengthening of audit and oversight

# Impetus for further reforms



- ❑ Mid-term Review 2009 & end term review 2012
- ❑ PEFA Assessments (2006, 2008 & 2012)
- ❑ Draft PEFA assessment 2016
- ❑ Public Expenditure Reviews

# Strategic Direction



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# Strategic Direction



The PFM Reforms strategy 2013-2018

**Purpose:** To provide a framework to accelerate reforms in public financial management

**Scope:** Overarching strategy for all PFM reforms and addresses all aspects of the PFM system countrywide

**Vision:** “a public financial management system that is efficient, effective, and equitable for transparency, accountability and improved service delivery”

# Strategic Direction



- ❑ A thematic approach have been adopted with definition of objectives and results within a broader area.
- ❑ It has Linkage with implementation of the Constitution 2010 and the PFM Act 2012
- ❑ It is Consistent with the Kenya Vision 2030 and overall development objectives.
- ❑ The first 4 Themes are Based on the budget Cycle while the other3 are Cross-cutting issues

# Strategic Direction



- Macroeconomic Management and Resource Mobilisation
- Strategic Planning and Resource Allocation
- Budget Execution, Accounting & Reporting and Review
- Independent Audit and Oversight
- Fiscal Decentralization and Intergovernmental Fiscal Relations
- Legal and Institutional Framework
- IFMIS and other PFM systems

# Managing the Reforms



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# Managing the Reforms



- ❑ Governance & Co-ordination
  - PFM Sector Working Group
  - PFM Reforms Steering Committee
  - PFM Reforms Technical Committee
  - PFM Reforms Secretariat
  
- ❑ Cost Implication
  - Projected to cost Kshs 12.8B
  - Funding from DPs-also GoK contribution

# Results Framework



# Results Framework



- PFM legislation is fully established, observed and enforced
- Alignment of MDAs and County budgets to national objectives
- Efficiency in collection of revenues
- Credibility of the budget improves
- Accelerated and sustainable economic growth

# Results Framework



- Improved Budget execution
- Improved capacity of Counties for budget formulation and implementation
- Improved capacity for audit & oversight
- PFM systems fully integrated.

# Implementation risks



# Implementation risks



- Sustaining political will and commitment to the reforms
- Capacity to coordinate and implement the reforms /
- Changes in governance structure
- Inadequate financing for PFM reforms
- Procurement delays
- Resistance to change

# Lessons learnt & Way forward



- ❑ First PFM can only succeed in a conducive environment. Political and Long term commitment
- ❑ Reforms must start with sound policy formulation at macro level -making clear the governments' role and the roles of different levels of government and stakeholders
- ❑ Institutions should be empowered with clear rules of engagement - there should be clarity of mandate

# Parting shot



- PARTNERS, who support your agenda;
- ALLIES, who will support you, given encouragement;
- FELLOW TRAVELLERS, passive supporters, committed to the agenda, but not to you;
- FENCE-SITTERS, whose allegiances are not clear;
- LOOSE CANNONS, dangerous because they can vote against agendas in which they have no direct interest;
- OPPONENTS, players who oppose you and your agenda;
- BEDFELLOWS, who support the agenda, but may not trust you;
- VOICELESS, who will be affected, but have little power to promote or oppose, and who lacks advocates.