Budget implementation set-backs

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01 Prior year Budget review

Highlight of prior year Budget

- FY17 budget emphasized on the need to support the sectors with a high potential for creating jobs for our youth such as manufacturing and agriculture
- The total proposed expenditure in 2017/18 was estimated at KES 2.286 trillion

Highlight of prior year Budget

Strategies employed by FY17 budget

- Supporting domestic production and value-chains
- Boosting exports
- Encouraging entrepreneurship
- Continuing with business climate reforms
- Completing on-going infrastructure programmes
- Modernizing agriculture and agro-processing
- Protecting the vulnerable and supporting emerging growth sectors

02 Budget implementation set-backs

Budget implementation set-backs

Extended electioneering period

- Led to subdued consumption, investments, business activity, non-performing loans
- This negatively affected the budget, revenue collection & economic growth

Budget implementation set-backs

Drought

- Led to overall decline in agricultural sector
- The drought has pushed up inflation
- The drought has led to higher electricity prices due to Kenya's reliance on hydropower
- Consequently, the decline in economic growth

Budget implementation set-backs

Interest rate capping

- Interest rates declined due to the impact of the capping that became effective in September 2016
- Led to slowed private sector credit growth esp. on SME’s which had an impact of contraction of business activity

Budget implementation set-backs

Delay in implementing Excise Duty Act

- Court cases have led to the partial implementation through the use of Excise Goods Management System (EGMS)
- This led to a miss in revenues collection

Budget implementation set-backs

Corruption

- Misuse/stealing of public funds which ought to have been used for development activities

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Budget implementation set-backs

Delay in deployment of iCMS

- There was a delay in the deployment of Integrated Customs Management Systems (iCMS) which led to leakages in revenue collection due to manual interventions on Simba System

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Budget implementation set-backs

Failure to align budgetary reallocation to actual expenditure

- Failure to align budgetary reallocations with actual expenditure thereby leading to higher expenditure than budgeted amounts for some items

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03 The Budget Process in Kenya

Stages of the Budget process in Kenya

Four Stages

- Formulation
- Approval
- Implementation
- Audit

Stages of the Budget process in Kenya

Formulation

- The Executive arms of both the national and the county governments are in charge of the formulation stage. Some of the processes in this stage include:
- Integrated development planning process which shall include both long-term and medium-term planning
- Planning and determining financial and economic policies and priorities over the medium term
- Preparing overall estimates in the form of the Budget Policy Statement of national government revenues and expenditures, and overall estimates in the form of the County Fiscal Strategy Paper for the county governments
- Preparing the budget estimates
- N/B – There is also public participation

Stages of the Budget process in Kenya

Approval

- Parliament and the 47 County Assemblies are in charge of the approval stage at the national and county level. Key events include:
- Parliament adopting the Budget Policy Statement and the County Assemblies adopting their respective County Fiscal Strategy Paper, as a basis for future deliberations
- Amending and approving the budget estimates after the national or county Executive (specifically the Treasury) tables them before Parliament or the County Assembly
- Enacting the Appropriation Bill and any other Bills required to implement the budgetary proposals

Stages of the Budget process in Kenya

Implementation

- The Executive at the national and the county level is in charge of the implementation stage. At this stage, the Executive implements the budget proposals passed by Parliament or the County Assemblies
- (Parliamentary) Oversight also takes place at this stage. It involves:
- evaluating and accounting for, the national and county governments' budgeted revenues and expenditures
- reviewing and reporting on those budgeted revenues and expenditures every three months

Stages of the Budget process in Kenya

Audit

- This is usually the last stage of the budget process. At this stage, the Kenya National Audit Office (KENAO, or the Office of the Auditor General) audits and reports on the accounts of both the national and the county governments
- The audit report should confirm whether (or not) both levels of government spent public money lawfully and in an effective way
- KENAO should table the reports before Parliament or the relevant county assembly. Within three months after receiving an audit report, Parliament or the county assembly should debate and consider the report and take appropriate action

Budget implementation set-backs

Q & A

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