



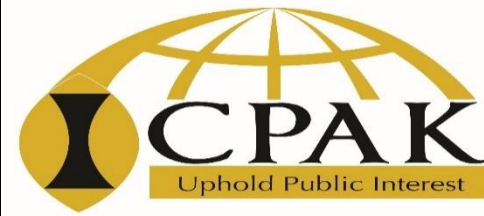
THE 4th PUBLIC SECTOR ACCOUNTANTS CONFERENCE

**Government Budgeting Cycle; Lessons & Opportunities for
Participation by Accountants**

CPA Andrew Rori

Sarova Whitesands & Beach Hotel, Mombasa County, Kenya: 10 – 12 October 2018

In this session....



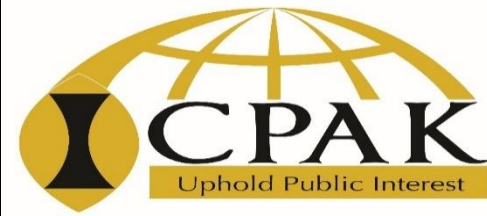
Introduction

Budget Cycle :
Lessons
learnt and
areas of
engagement

Overview and
“Big Four”
Initiatives

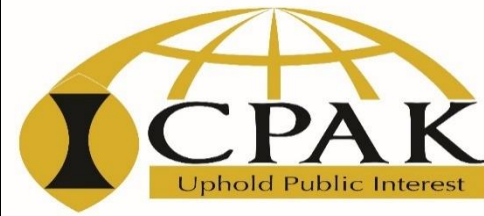
Challenges
and way
forward

Introduction



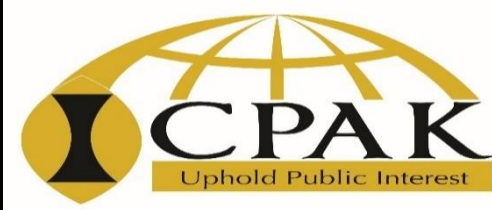
- The Constitution of Kenya, 2010 introduced the devolved system of governance with decentralized fiscal management.
- The devolved system of governance ensured that power and resources are devolved to more centers of authority which are distinct, interdependent and operate on the basis of consultation and mutual respect.
- This was necessitated by public demand for more transparency and accountability in the management of public resources.

Introduction Cont...

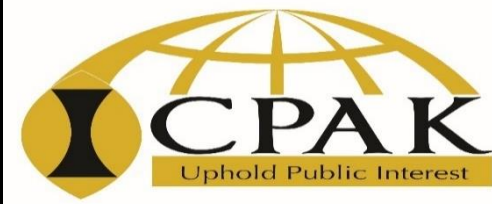


- Consequently, the Constitution of Kenya, 2010 bestowed the sovereign power to the people of Kenya and to be exercised only in accordance with the Constitution.
- To protect this sovereignty, the Constitution established among other oversight institutions, Commissions and Independent Offices ([Art. 249](#)).
- Office of the Controller of Budget established under [Article 228](#) of the Constitution.
 - Established to separate financial management functions i.e. monitoring, controlling and reporting on budget implementation and auditing which were hitherto, performed by the Treasury and Controller and Auditor General respectively.

Opportunities for participation - **Interface**

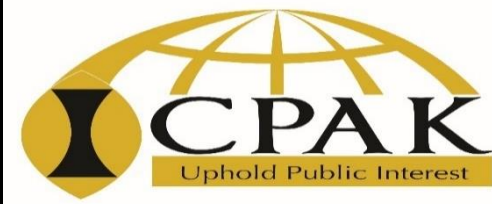


Overview of “Big Four” Initiatives



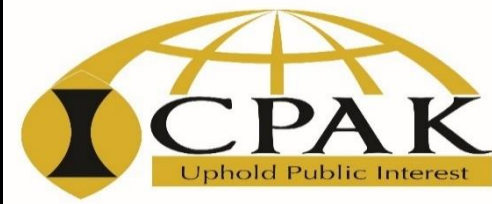
- ❑ Since independence, Kenya’s planning process has been guided by five-year development Plans
- ❑ Notable Policy documents
 - ✓ Sessional Paper No. 10 of 1965 (African socialism and its application to planning in Kenya)
 - ✓ Sessional Paper No. 1 of 1986 (Economic management for renewed growth)
 - ✓ Poverty Reduction Strategy paper (PRSP)
 - ✓ Structural Adjustment Programmes (SAPs)
 - ✓ Economic Recovery Strategy for Wealth and Employment Creation (ERSWEC) 2003–2007 to facilitate growth and economic recovery
 - ✓ Kenya Vision 2030 – MTPs, SDGs, AU Agenda 2063 etc
 - ✓ Kenya regional blocks - North Rift Economic Bloc; South Eastern Kenya Economic Bloc; Mount Kenya and Aberdere Economic Bloc; Jumuiya ya Kaunti za Pwani; Lake Region Economic Bloc; Frontier Counties Development Council

Overview of “Big Four” Initiatives



- ❑ The Third Medium Term Plan (MTP III) outlines the main policies, legal and institutional reforms as well as programmes and projects that the Government plans to implement during the period 2018-2022. It builds on the achievements of the first and second MTPs.
- ❑ It prioritizes implementation of the “Big Four” initiatives.
 - ✓ Increase the **manufacturing** share of GDP from 9.2% to 15 % and agro-processing to at least 50 % of total agricultural output;
 - ✓ Provide **affordable housing** by building 500,000 affordable houses in five years across the country;
 - ✓ Enhance **Food and Nutrition Security** (FNS) through construction of large-scale multi-purpose and smaller dams for irrigation projects, construction of food storage facilities and implementation of high impact nutritional interventions and other FNS initiatives; and
 - ✓ Achieve 100% **universal health coverage**.

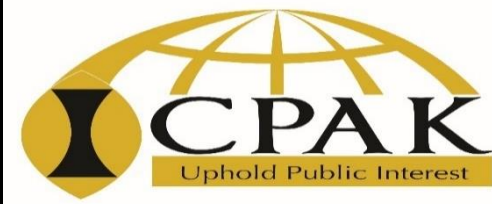
Economic Growth and Macro Targets



- ❑ The MTP III targets to:
 - ✓ Increase real GDP annual growth from 5.9 % in FY 2018/19 to 7% over the plan period
 - ✓ Increase Savings and Investments as a percentage of GDP from 18.8% to 23.2 % and 24.4 % to 27.2 % respectively by 2022
 - ✓ Increase the ratio of formal sector employment from 13% to 40% by 2022

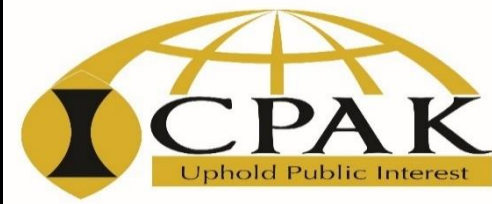
- ❑ These are meant to support higher economic growth and development, and create over 6.5 million new jobs over the plan period

Levels of Engagement



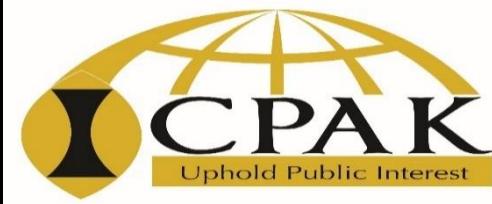
- ❑ Indirect participation citizens exercise their voice through political representatives and professional administrators working on their behalf
- ❑ Direct participation focuses on the direct role of the public in matters of the state and in making decisions that affect them.
 - ✓ As a patriotic Citizen
 - ✓ As a professional

Obligations as a Citizen



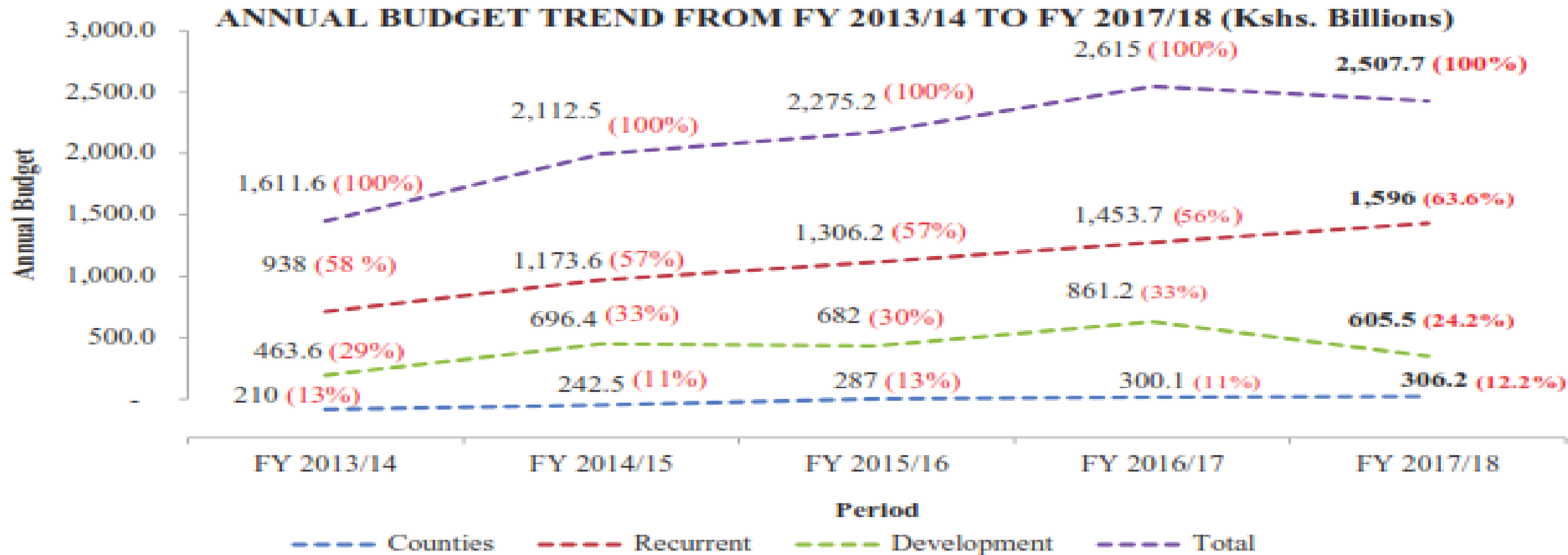
- ❑ **Article 1 (2) (4):** All sovereign power belongs to the people of Kenya and shall be exercised only in accordance with the Constitution. The people may exercise their sovereign power either directly or through their democratically elected representatives
- ❑ **Article 10 (2) (a)** National values include democracy and participation of the people
- ❑ **Article 35** The right to information is a fundamental right necessary for the enjoyment of all other rights.
- ❑ **Article 196 (1) (b)** – county assembly facilitates public participation in the legislative and other business of the assembly.
- ❑ **Article 201 (a)** – openness and accountability, including public participation in financial matters;

Key points



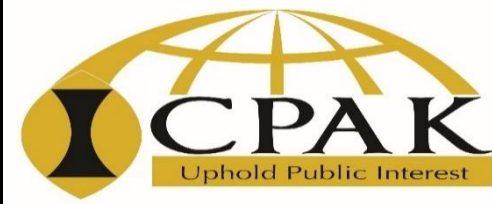
- ❑ Different decisions are made at each stage of the budget process
- ❑ You should intervene *before* the decisions you want to change are being made, not after.

ANNUAL BUDGET TREND

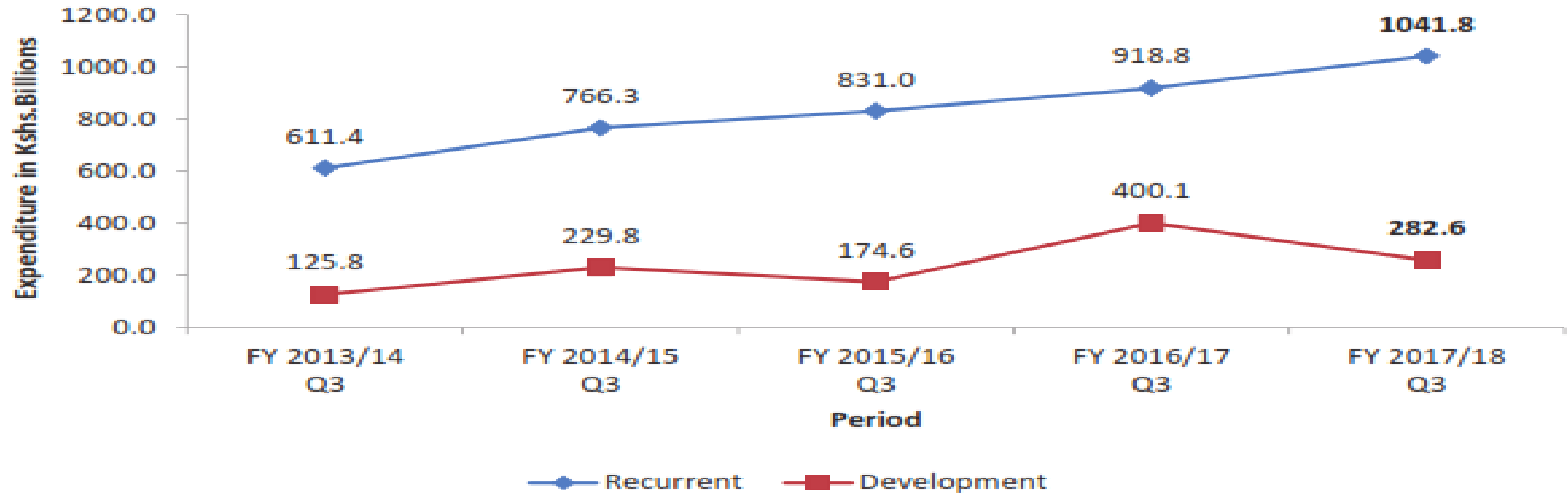


Source: COB – National Government budget Implementation Review Report
For The First Nine Months of FY 2017/18

TREND IN DEVELOPMENT AND RECURRENT EXPENDITURE

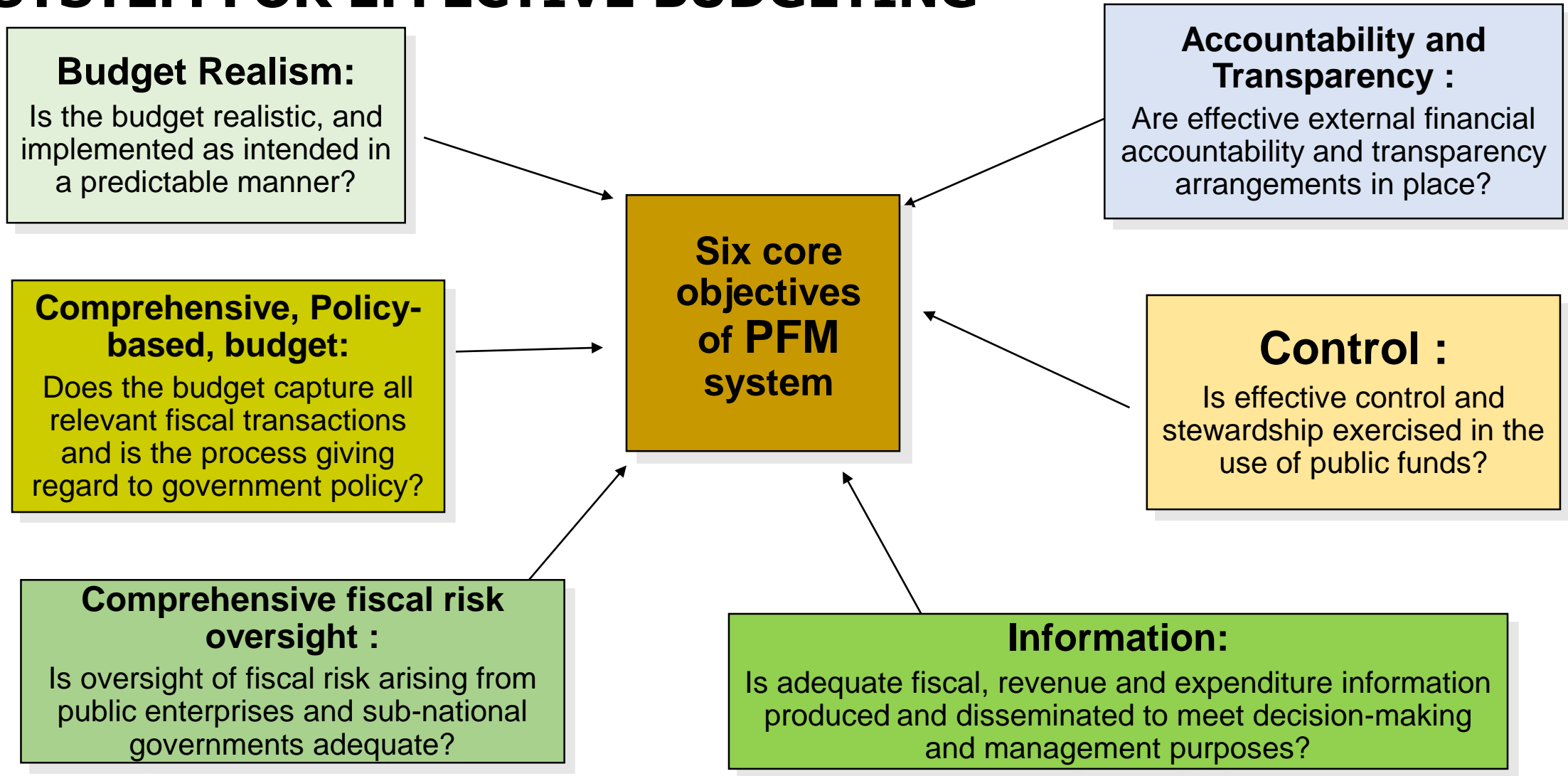


TREND IN DEVELOPMENT AND RECURRENT EXPENDITURE IN THE FIRST NINE MONTHS OF FY 2013/14 TO FY 2017/18

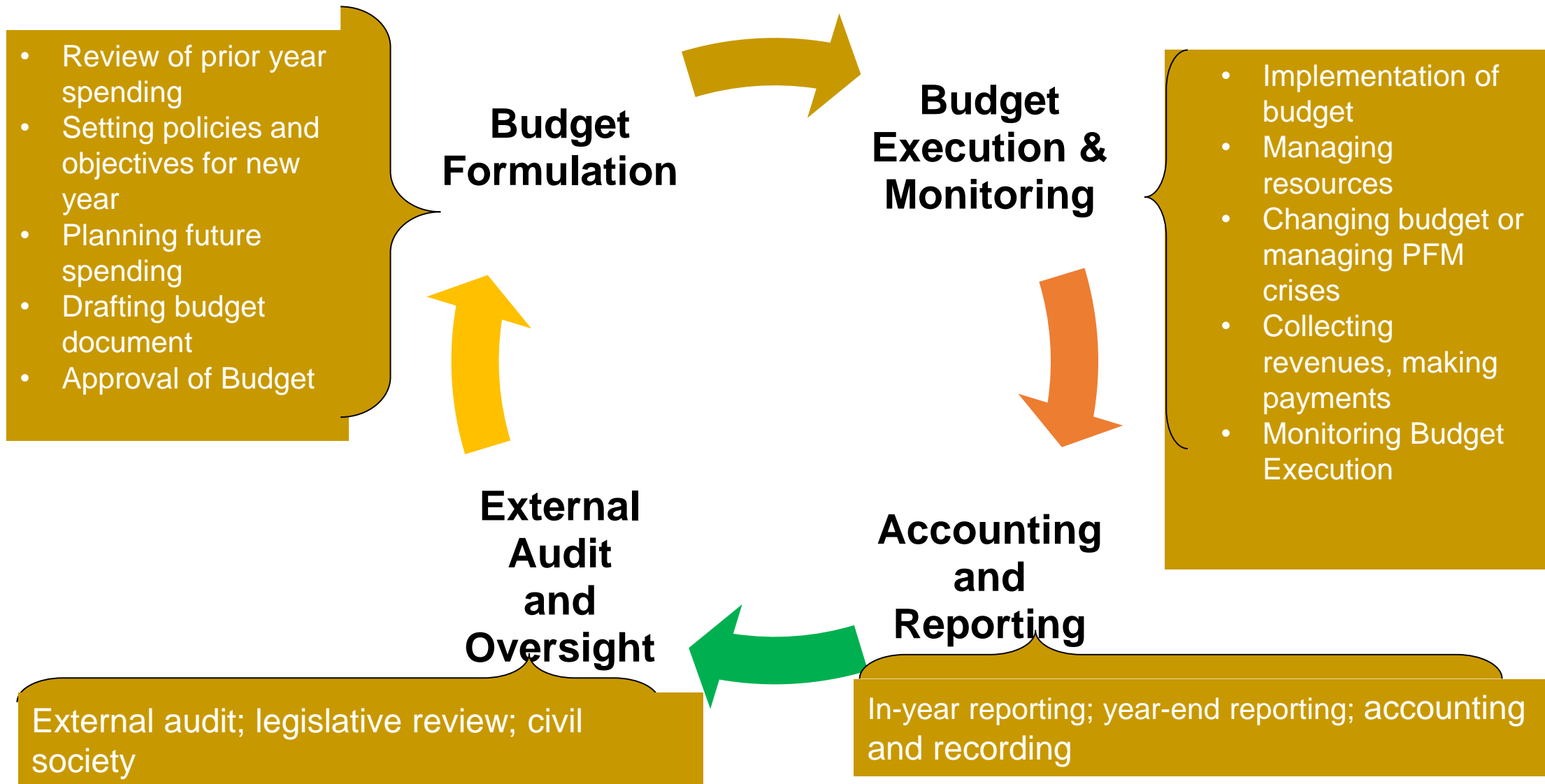


Source: COB – National Government budget Implementation Review Report
For The First Nine Months of FY 2017/18

PFM SYSTEM FOR EFFECTIVE BUDGETING



BASIC BUDGET MAKING CYCLE



Let's Reflect

What are
some of the
best
observations
so far?

Government
Budget Cycle –
Accountants
role?

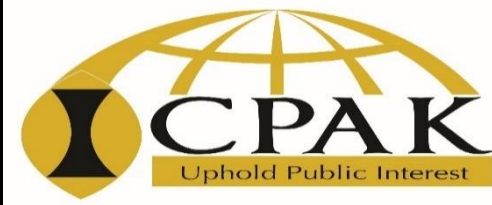
What are
the key
challenges
witnessed?



Lessons & Opportunities



Budget Management and Expenditure Controls



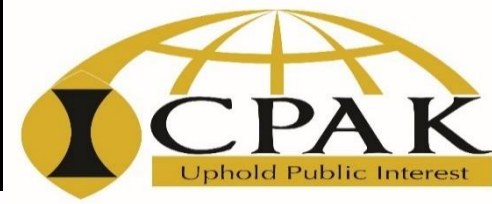
The Public Finance Management framework requires effective management of budgets.

IFMIS should be used to process and track effective resource utilization (Section 12 of the Public Financial Management Act, 2012).

Effective planning and financial control will help in:

- ☐ Ensuring efficient and effective use of resources
- ☐ Making sound decisions
- ☐ Demonstrating accountability
- ☐ Taking remedial action where needed

Policy Formulation & Priority setting



- ❑ This sets the foundation framework for spending public resources
- ❑ Critical decisions with extremely significant implications to the welfare of society are done at this stage are
- ❑ Be on the look-out for:
 - New legislations –finance related
 - Miscellaneous amendments
 - Planning documents:
 - ✓ Medium term plans –MTPIII, CIDP, Sectoral plans etc
 - ✓ Annual development plan –Annual priorities
 - ✓ Budget & Review outlook papers (BROP; C-BROP) –Performance evaluation
 - ✓ Budget Policy Statements/ C-FSP – resource sharing
 - ✓ Debt Management Strategy

❑ MTEF Hearings –sector ceilings

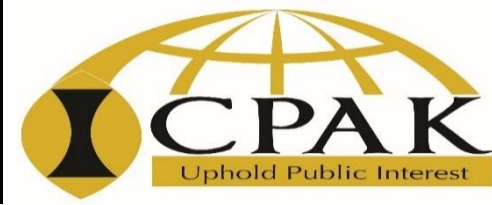
❑ Action areas

✓ Attend –awareness

✓ Engage –facilitate discussions

✓ Comparatives with previous budgets – not for conformity with law

Budget Approvals



☐ Budget Hearings –BAC

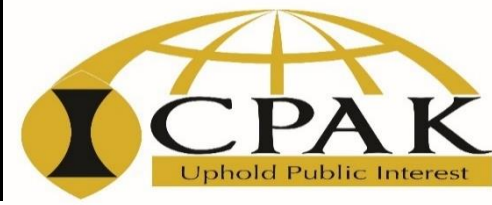
☐ Action areas

✓ Attend –awareness

✓ Engage – elected leaders/representatives if you can

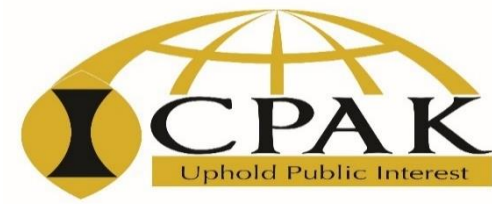
✓ Make written submissions

Budget Implementation & Reporting



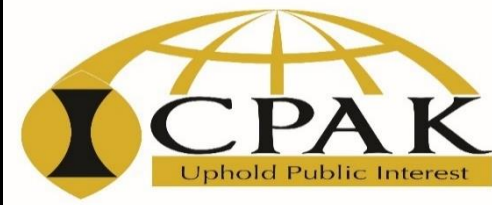
- ☐ COB reports –compliance
- ☐ Quarterly returns
- ☐ Annual returns
- ☐ External audit reports
- ☐ Value for money

Oversight & Governance roles



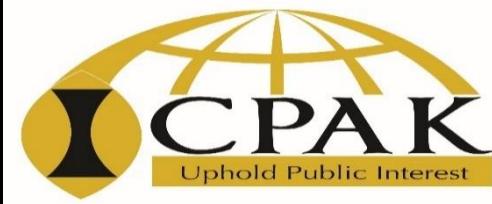
- ❑ PAC & PIC – professional inputs/advisory
- ❑ Audit Committees – apply & Join
- ❑ Make contributions through ICPAK or other platforms provided from time to time

Direct Roles



- ☐ Elective politics if you can
- ☐ Support members running for public office
- ☐ Engage through the media – print or otherwise
- ☐ Mobilize communities into town hall type of meetings –civic education & meaningful participation

Challenges Impeding Effective Budget Management and Expenditure Controls



1. Planning and Budgeting

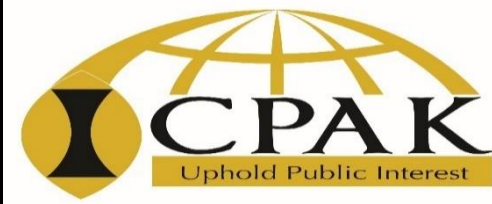
Weak linkages between planning and budgeting.

- Overestimation of revenue targets resulting in hidden deficits in budgets; - leading to scaling down on planned activities and increase in pending bills
- Slow implementation of development projects and programmes – as a result of delays in procurement.
- Lack of Project Management Committees and Units,
- Corruption, Mismanagement and Conflict of interest

2. Institutional Conflicts

Persistent institutional conflicts between the undermine smooth budget implementation

Challenges Impeding Effective Budget Management and Expenditure Controls...2



3. Use of locally generated revenue at source

- Counties have continued to use local revenue at source contrary to Article 207(1) of CoK, 2010; This may be attributed accountability.

4. Mismanagement of public resources

- There has been widespread mismanagement of public resources. Article 201(d) of CoK, 2010 stipulates that public money shall be used in a prudent and responsible way.

Challenges Impeding Effective Budget Management and Expenditure Controls...3



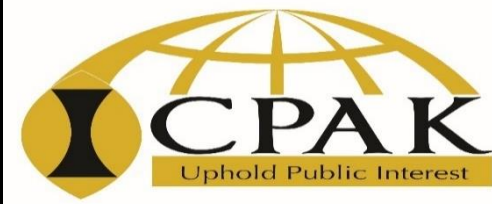
5. Huge Pending Bills:

Government entities have been accumulating huge pending bills. This affects businesses and disrupts the implementation of planned activities in the subsequent year.

6. Capacity challenges in some areas of PFM

Entities have had inadequate capacity in preparation of budgets, financial reports, etc. leading to challenges in budget execution and audit outcomes

Challenges Impeding Effective Budget Management and Expenditure Controls....4



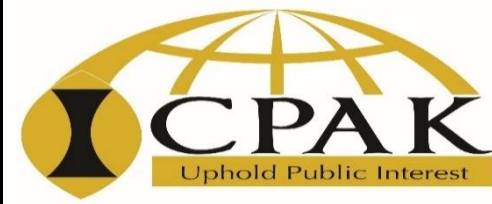
7. Effective Internal Audit Departments and Committees:

A number of entities do not have effective Internal Audit Departments and Committees to strengthen internal control mechanisms as envisioned under [Section 155 of PFM Act, 2012](#).

8. Public Participation:

Article 201(a) of the constitution requires that there shall be openness and accountability including public participation in financial matters as guiding principle of public finance. A number of entities do not effectively involve the public in budget management.

Challenges Impeding Effective Budget Management and Expenditure Controls...5



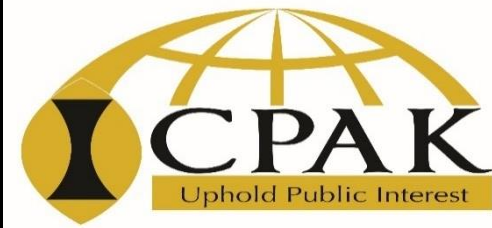
9. Delays in Submission of Financial Reports and mandatory documents to the Controller of Budget:

The Office of the Controller of Budget has noted that, a number of entities do not submit quarterly financial reports within 15 days following end of each quarter contrary to [Section 166 \(4\) and 168 \(3\) of the PFM Act, 2012](#).

In addition, some of the submitted reports and documents were incomplete and had to be returned for correction.

This resulted in delayed approvals of the exchequer requests.

Conclusion



- ❑ **First**, we want to emphasize the importance of prudent fiscal planning at both the National and County level so as to foster macroeconomic stability of the country
- ❑ **Second**, importance of meaningful sectoral strategies (e.g. for health, education, and agric. sectors) which can feed into budget prioritization
- ❑ **Third**, the issue of the scarcity of resources and the need to prioritize is key because we will not be able to fund all the things in the “wish list”.

- ❑ **Fourth**, containing expenditures (esp. recurrent – wages in particular) while at the same time re-allocating towards the key capital expenditure (social/economic) is very critical.
- ❑ **Finally**, we want to emphasize that fiscal discipline and macroeconomic stability is critical to provide the enabling environment for private sector to power growth, generate employment, and reduce poverty.

We have a responsibility – Thank you

