

BUDGET REVIEW & EMERGING TAX ISSUES WORKSHOP

BUDGET IMPLEMENTATION GAPS -
The Journey Towards Fiscal Prudence

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Public Policy & Research – ICPAK

PRESENTATION OUTLINE



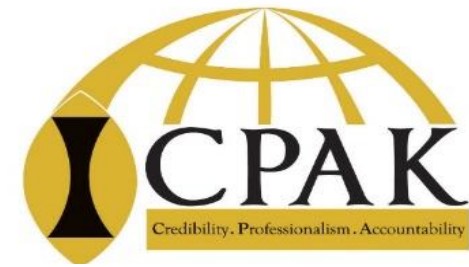
FY 18/19
BUDGET &
POLICY
PRIORITIES

IMPLEMENTATION
GAPS



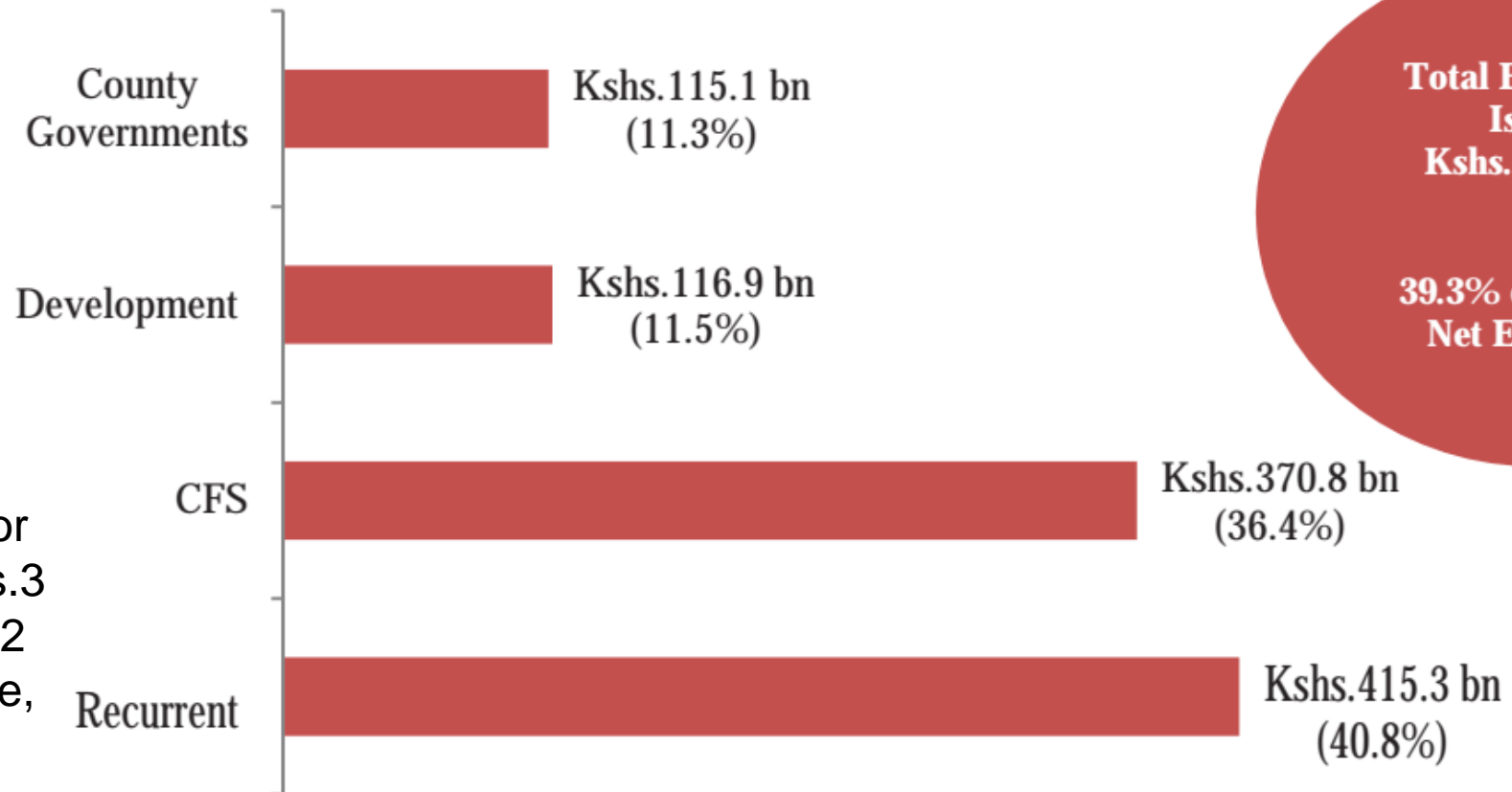
IMPROVING FISCAL PRUDENCE

FY 2018/19 BUDGET – HALF YR REPORT



The revised gross estimates for FY 2018/19 amounted to Kshs.3 trillion and comprised of Kshs.2 trillion for recurrent expenditure, Kshs.650.6 billion for devpt expenditure and Kshs.314 billion to County Governments.

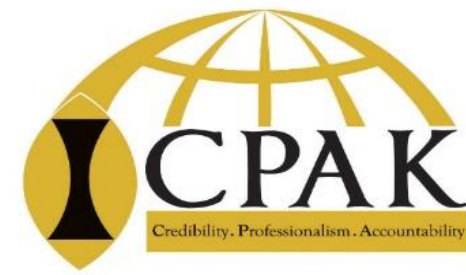
EXCHEQUER ISSUES IN THE FIRST HALF OF FY 2018/19



**Total Exchequer Issues
Kshs.1 trillion**

**39.3% of Revised
Net Estimates**

FY 2018/19 BUDGET – HALF YR REPORT



VOTE	First Half FY 2018/19						First Half FY 2017/18					
	Revised Gross Estimates	Revised Net Estimates	Cumulative Exch. Issues	Cumulative Expenditure	% of Exch. to Rev. Net Estimates	Absorption Rate (%)	Revised Gross Estimates	Revised Net Estimates	Cumulative Exch. Issues	Cumulative Expenditure	% of Exch. to Rev. Net Estimates	Absorption Rate (%)
Recurrent	2,027.6	1,895.4	786.1	854.0	41.5	42.1	1,788.0	1,675.8	656.6	729.9	39.2	40.8
<i>MDAs</i>	<i>1,063.9</i>	<i>931.7</i>	<i>415.3</i>	<i>465.0</i>	<i>44.6</i>	<i>43.8</i>	<i>1,052.3</i>	<i>940.1</i>	<i>413.0</i>	<i>485.2</i>	<i>43.9</i>	<i>46.1</i>
<i>CFS</i>	<i>963.7</i>	<i>963.7</i>	<i>370.8</i>	<i>388.6</i>	<i>38.5</i>	<i>40.3</i>	<i>735.7</i>	<i>735.7</i>	<i>243.5</i>	<i>244.7</i>	<i>33.1</i>	<i>33.3</i>
Development	650.6	382.4	116.9	252.7	30.6	38.8	605.5	351.0	94.2	185.3	26.8	30.6
County Governments	314.0	314.0	115.1*	137.0**	36.6	43.6	306.2	306.2	84.7	104.4	27.7	26.1
Total	2,992.2	2,591.8	1,018.2	1,243.7	39.3	41.6	2,699.7	2,333.1	835.5	1,019.6	35.8	37.8

Source: NT, OCOB, MDAs & County Treasuries



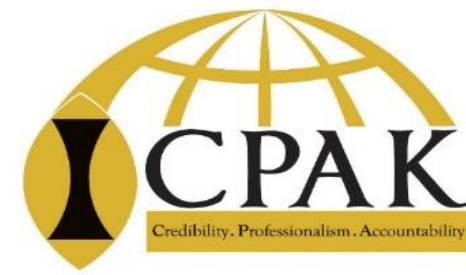
Uphold

Public



Interest

FY 2018/19 BUDGET – HALF YR REPORT



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Uphold

Public

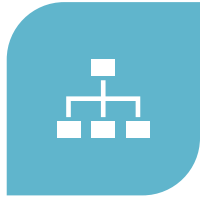
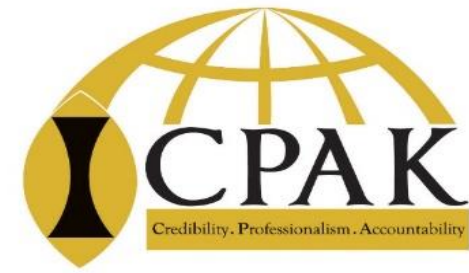
Interest



IMPLEMENTATION GAPS



FY 2018/19 – IMPLEMENTATION GAPS



WEAK
ACCOUNTABIL
ITY AND BY
EXTENSION
GOVERNANCE
STRUCTURES;



UNPREDICTABILITY
OF LOCAL
REVENUES DUE TO
A LACK OF
INFORMATION,
POOR PLANNING
AND
IMPLEMENTATION
OF THE PLANS;



LACK OF
CAPACITY
SKILLS IN
COUNTIES TO
COLLECT AND
EFFECTIVELY
ACCOUNT FOR
LOCAL
REVENUES;



OVER
DEPENDENCE
ON NATIONAL
GOVERNMENT
TRANSFERS;



LACK OF
AWARENESS BY
THE SMALL
BUSINESS
ENTERPRISE ON
COUNTY
TAXATION

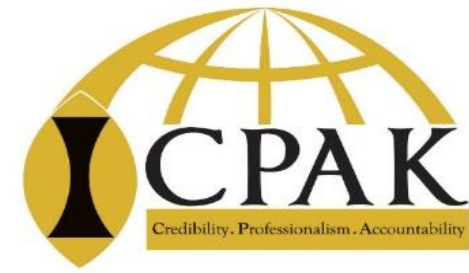


LIMITED
RESEARCH
AND
INNOVATION
ON THE NEW
TAX SOURCES



LACK OF APPRECIATION
OF VALUE BY THE TAX-
PAYING PUBLIC IN THE
SERVICES PROVIDED BY
THE COUNTY
GOVERNMENTS –
SIMPLY PUT, THE
PUBLIC IS OFTEN OF
THE VIEW THAT IT
DOES NOT GET TAX-
WORTH OF SERVICES
FROM THE COUNTY
GOVERNMENT AND
HENCE THE SENSE OF
APATHY WOULD
EASILY CROP IN.

FY 2018/19 – IMPLEMENTATION GAPS



Delay in Release of Funds to the MDAs & County Governments by the National Treasury



Delay in Submission of Budget Performance Reports to the Office of the Controller of Budget



Failure to Align Budget Reallocation to Actual Performance by the National Treasury: Didn't fully consider budget performance in the preparation of Supplementary Budget I, which resulted in reduction of some budget provisions below the level of expenditure already incurred.



Low expenditure on development activities



Frequent IFMIS downtime



Non-disclosure of appropriation in aid (A~I~A) by MDAs



Failure to report on programme and project achievements by MDAs

IMPLEMENTATION GAPS



County Budget and Economic Forum; Some counties did not establish effective Budget and Economic Forums as stipulated in Section 137 of PFM Act, 2012 to provide means for consultation on planning, budgeting and financial management at the county level.



Effective Internal Audit Departments and Committees: A number of counties did not establish effective Internal Audit Departments and Committees to strengthen internal control mechanisms as envisioned under Section 137 of PFM Act, 2012.



Project Monitoring Units; Counties are expected to establish Project Monitoring teams to monitor budget implementation in order to improve absorption of development funds.



Public Participation Frameworks; Most Counties are yet to establish effective public participation frameworks as required by the law (Section 207 of PFMA).



Revenue Collection Frameworks- A number of Counties are yet to establish effective revenue collection frameworks and mechanisms to seal loopholes leading to revenue leakages such as e-revenue.



Staff Rationalization- Counties inherited staff from the former local authorities and the National Government. They also employed new staff at different levels. This led to bloated workforce and hence high wage bill. There is need to harmonize the salaries of the three categories of staff.

IMPLEMENTATION GAPS



Delay by Fund Administrators to submit financial reports on the established County Funds contrary to Section 168 of the PFM Act, 2012. 2.

Habitual revision (supplementary) of the budget attributed to poor budget practices (weak link between plans and budgets) is a detriment to fiscal consolidation agenda.

Failure to constitute the County Budget and Economic Forum as required by Section 137 of the PFM Act, 2012 for consultation in the budget making process.

High expenditure on personnel emoluments which represented 76.5 per cent of total expenditure in the reporting period. This may affect execution of other key programmes if not contained at a sustainable level.

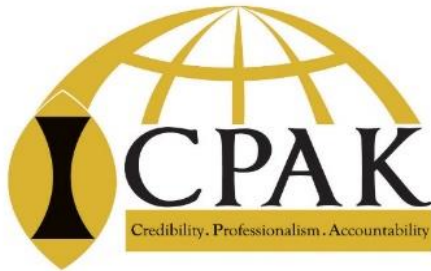
Prolonged public procurement process affects absorption capacity

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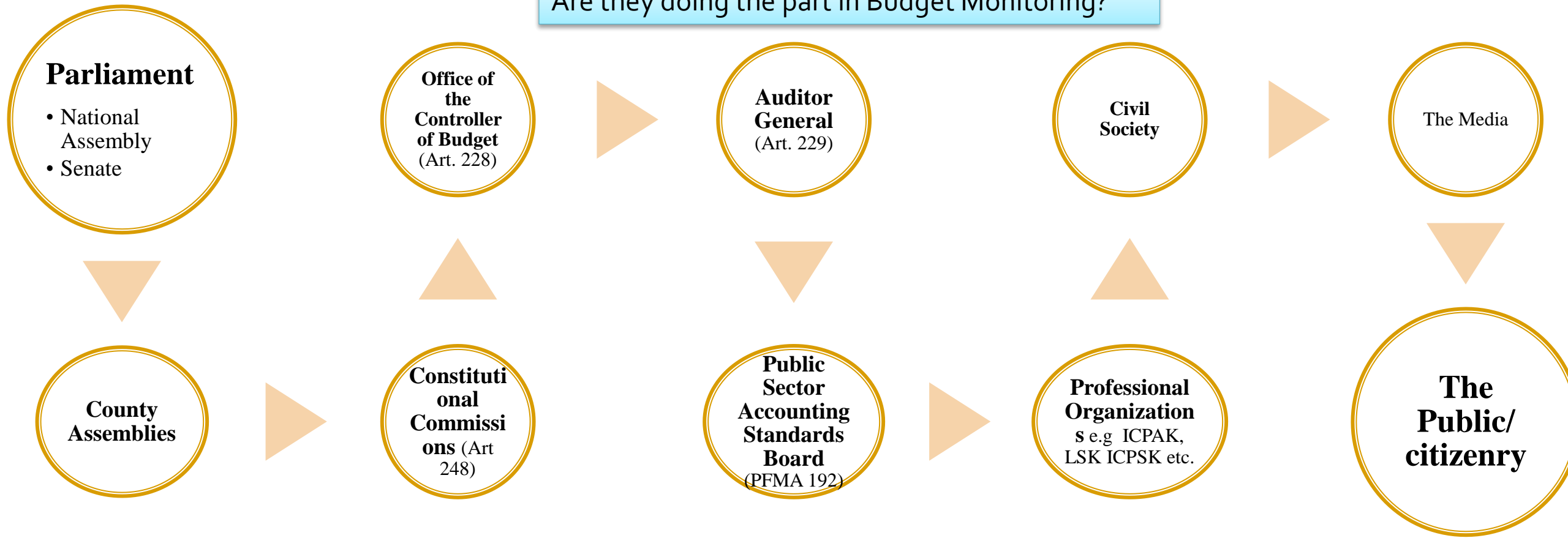
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Interest

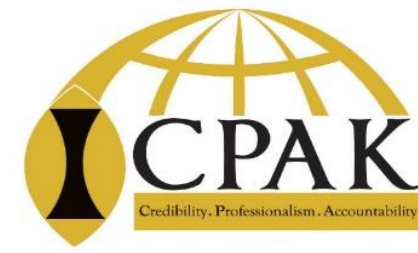
OVERSIGHT INSTITUTIONS WITHIN THE PFM SYSTEM



Are they doing the part in Budget Monitoring?



IMPLEMENTATION GAPS



HOW DO WE
PUT THE
PIECES
TOGETHER?



Uphold

Public

Interest

THANK YOU



Talk to me!



HILLARY ONAMI



PUBLIC POLICY AND RESEARCH –
ICPAK



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