

RELOOKING THE PLACE OF PUBLIC PARTICIPATION IN PUBLIC DEBT CONTRACTS

Presentation by:

CPA Elkana Kimeli

4th Debt Management Seminar

Thursday, July 4th 2019

Theme: Sustainability in Debt Management

Presentation Outline



- ❑ Basis for public participation
- ❑ Benefits and challenges of public participation
- ❑ Public debt statistics
- ❑ Public debt and public participation
- ❑ Way forward for CPAs

Quote



**THERE'S A FINE
LINE BETWEEN
PARTICIPATION
AND MOCKERY.**

Scott Adams

Basis of Public Participation



- ❑ Constitution of Kenya 2010 requires openness and accountability, including public participation in financial matters
- ❑ Specifically the articles require public participation 1(2), 10(2), 35, 69(1)(d), 118, 174(c) and (d), 184 (1)(c), 196, 201 (a), 232 (1) (d)
- ❑ Section 125 (2) of the PFM Act 2012 provides that the County Executive Committee member for finance shall ensure that there is public participation in the budget process.

Court Ruling Public Participation



- ❑ The high court in Petition 532 of 2013 and several other consolidated petitions stated that “ *‘Public participation ought to be real and not illusory and ought not to be treated as a mere formality for the purposes of fulfilment of the Constitutional dictates. It is my view that it behoves the County Assemblies in enacting legislation to ensure that the spirit of public participation is attained both quantitatively and qualitatively.....’*”

Why public participation?



BETTER
UNDERSTANDING
OF 'THE
PROBLEM'

EDUCATES PUBLIC
AND DEVELOPS
SENSE OF
'CITIZENSHIP'

MORE IDEAS
ABOUT HOW TO
ADDRESS THE
PROBLEM

BETTER
SENSE OF
PEOPLE'S
PRIORITIES

BUILDS TRUST
IN THE
AUTHORITIES

REDUCED RISK OF
'ELITE INTERESTS' OR
'SPECIAL INTEREST
GROUP' DOMINATION

CONTRIBUTES TO
FORMATION OF
RESPONSIVE AND
ACCOUNTABLE STATES

PUBLIC SUPPORT
FOR EFFECTIVE
IMPLEMENTATION

Benefits of Public Participation:



- ❑ **Increases accountability** – Ensures governments are held to account for their actions through public scrutinizes the impact of policies, laws and plans.
- ❑ **Strengthens democracy and governance** – citizens can exercise their constitutional rights in decision making
- ❑ **Improves process quality and results in better decisions** – creates robust policies through reviews and revisions

Benefits of Public Participation:



- ❑ **Manages social conflicts** – By considering the interests of all stakeholder
- ❑ **Enhances process legitimacy** - lack of public participation creates suspicion among citizens therefore legitimizes implementation.

Public Participation Challenges



- ❑ Record Keeping – poorly done making references difficult
- ❑ Access to Information and Capacity of Government Officials and the Public to engage effectively
- ❑ Outreach/*Inclusion* – *what channels to use?*

Public Participation Challenges



- ❑ **Thresholds** – what and who determines the number of people that must be reached?
- ❑ **Feedback and Feedforward** – is feedback given to the public on their input?
- ❑ **Planning and Financing for Public Participation** – mostly are ad hoc meetings which are not well planned

Public Debt



- ❑ Article 214 of the COK defines public debt as all financial obligations relating to loans raised or guarantees and securities issued or guaranteed by the national government
- ❑ Public debt is a charge on the consolidated fund
- ❑ PFMA Sec 15 (2) (d) requires public debt and related obligations must be maintained at sustainable levels as approved by parliament for both National govt & counties

Public Debt Cont'd



- ❑ National govt debt shall not exceed the limit set by parliament as per the PFMA
- ❑ In 2018 44% of Kenya's revenue was utilized in debt repayment
- ❑ Both the COK and the PFMA are silent on public participation in matters of public debt
- ❑ Globally, changes in leadership has an effect in public debt levels
- ❑ Parliament amended PFMA requirement of a ceiling on public debt

Public Debt Cont'd



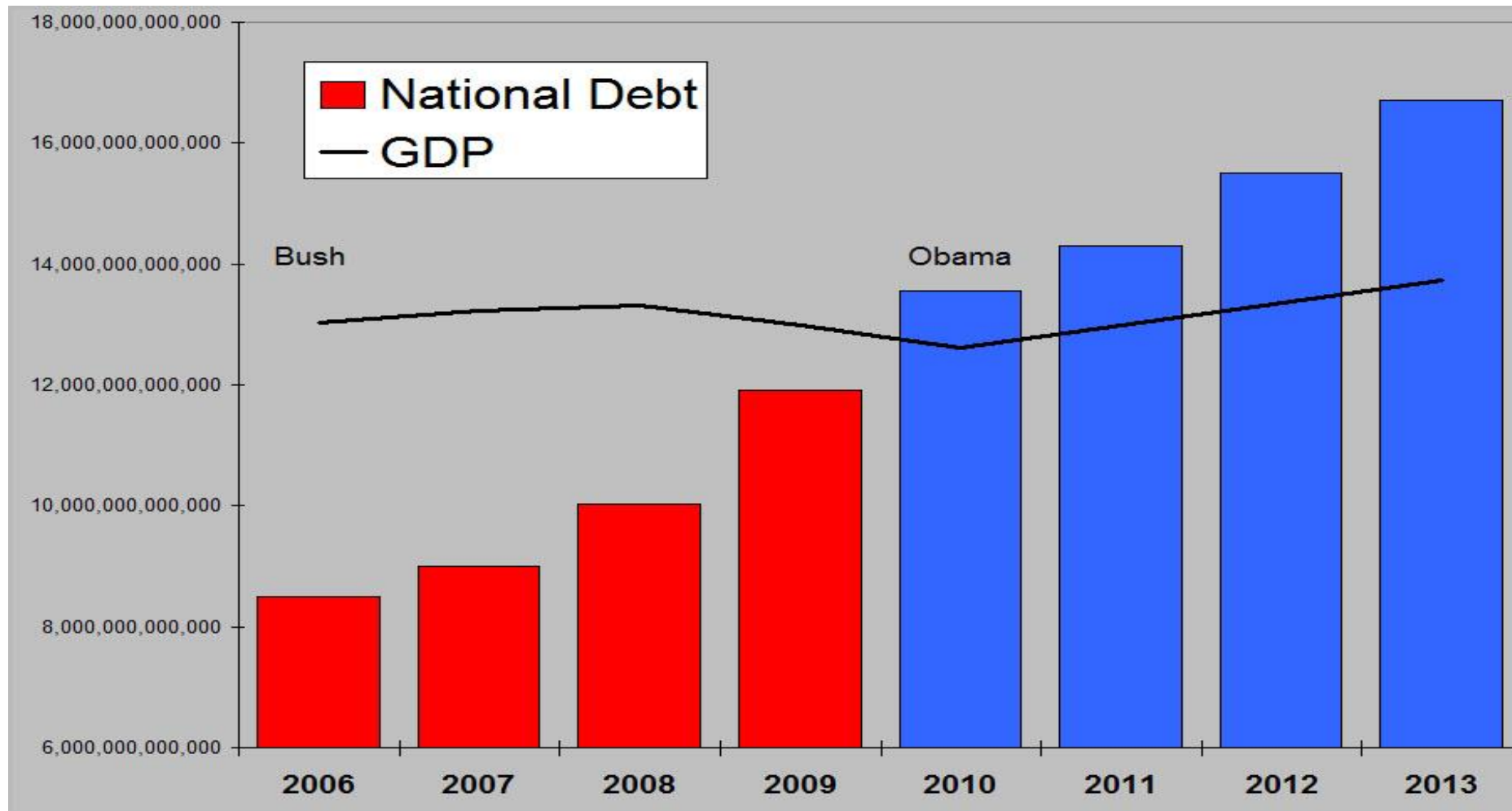
- ❑ The ceiling has since been set as a percentage of the country's GDP (60%)
- ❑ Being a charge on the CFS public debt effectively reduces the amount available for the government to spend
- ❑ In 2018/2019 Ksh 856.6 billion was set aside for public debt payments against a tax revenue of KSh 1,621.7 billion which is about 53%

Public Debt Trillion Milestones



- ❑ Kenya's public debt have been significantly growing over time. The historical figures in KSH:
 - ❖ December 2002 - 629,558,060,000
 - ❖ April 2009 - 1,009,431,750,000.00
 - ❖ August 2013 - 2,004,236,220,000.00
 - ❖ November 2015 - 3,078,889,040,000.00
 - ❖ March 2017 - 4,104,322,210,000.00
 - ❖ May 2018 - 5,020,707,440,000.00
 - ❖ March 2019 - 5,425,581,900,000.00

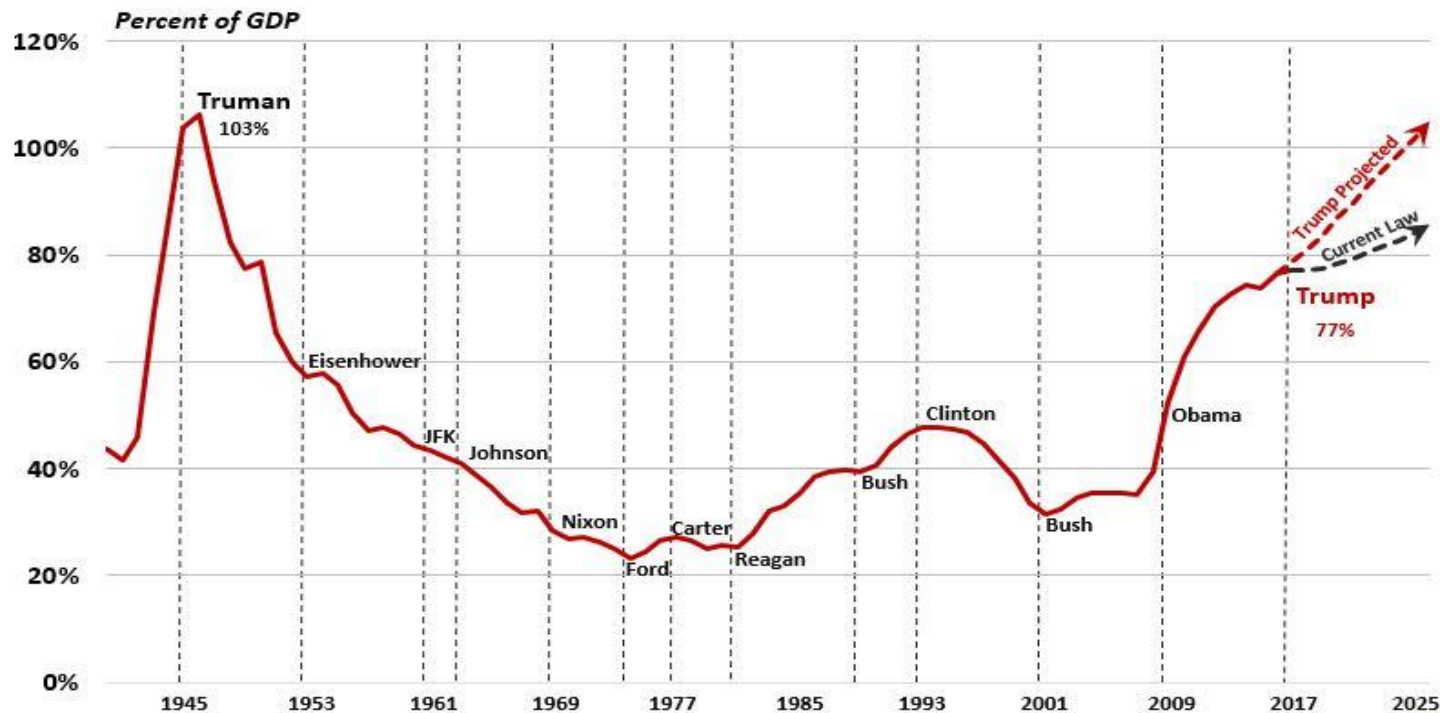
Public Debt and Leadership



Public Debt and Leadership



Debt-to-GDP For New Presidents



Sources: CBO and OMB Budget Data

CRFB.org



Revenue Collection & Public Debt



WILL KENYA SPEND **45% OF REVENUE COLLECTED** IN 2018 ON DEBT REPAYMENT?



- TRUE
- PARTIALLY TRUE
- PLAUSIBLE
- FALSE



Revenue Collection vs. Public Debt

1.44 Trillion

Expected revenue collection

658.2 Billion

Spending on debt repayment

Total Public Debt (Trillions)

1.89

2013

4.57

2017



45 % of revenue collected is going to debt repayment

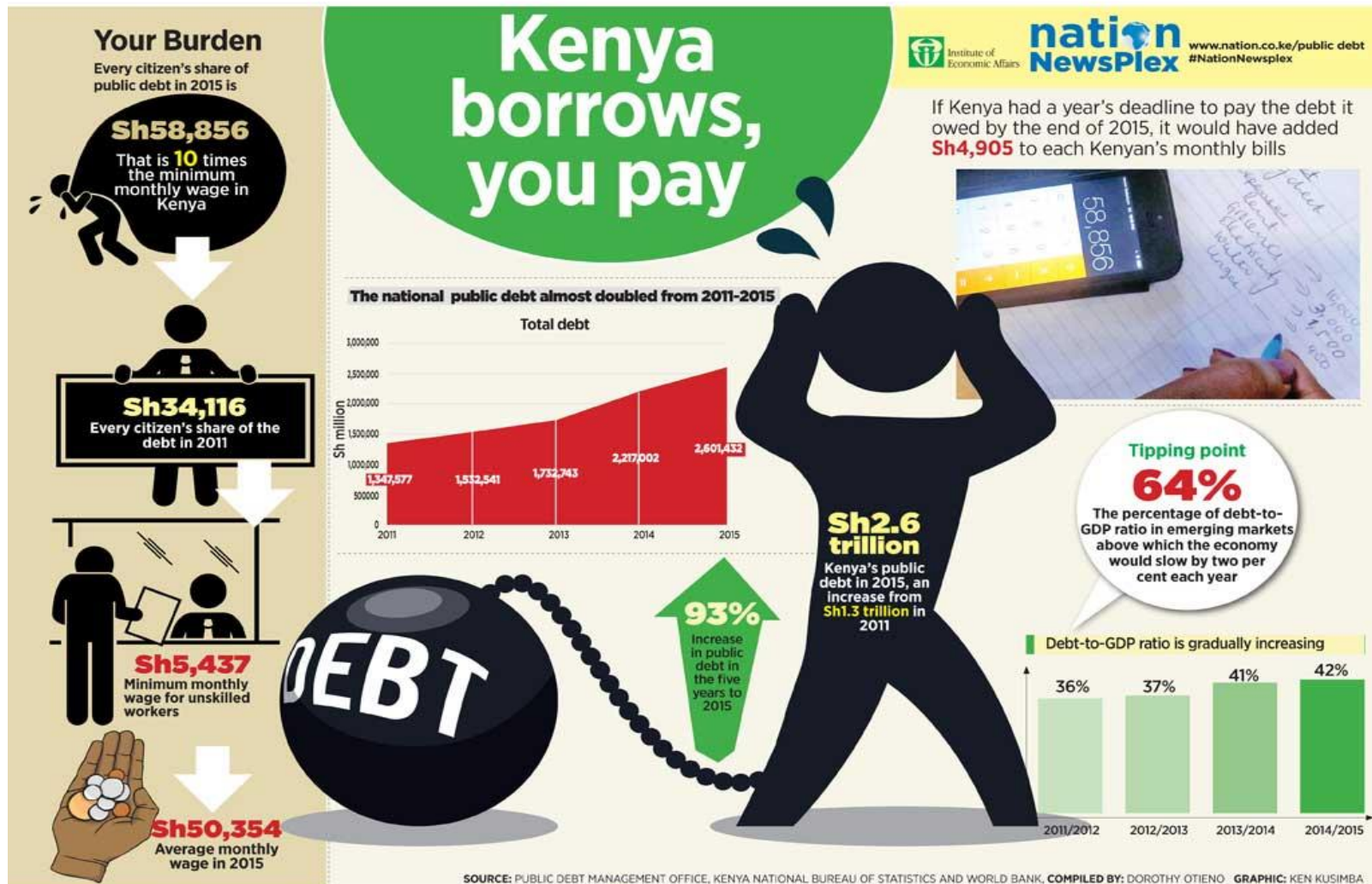
621.76 billion

spent on debt repayment in 2017, which was **41.4%** of the total.

Source: Budget Policy Statement, National Treasury exchequer gazette report

Infographic by John Githinji W | PesaCheck.org

The Debt Burden



Debt – GDP Ratio

30 Countries with the Highest and Lowest Debt-to-GDP Ratio

*Not included countries with less than 1 million inhabitants

Source:
The World Factbook,
Central Intelligence Agency (CIA)
2016

Highest

1. Japan	222.2%
2. Greece	179.4
3. Lebanon	146.6
4. Italy	132.5
5. Portugal	130.4
6. Jamaica	127.1
7. Mozambique	121.2
8. Eritrea	120.9
9. Yemen	119.1
10. Singapore	112.9
11. Egypt	111.2
12. Cyprus	107.8
13. Belgium	106.0
14. Mauritania	99.6
15. Canada	99.4
16. Spain	99.4
17. France	96.4
18. Mongolia	90.0
19. UK	89.3
20. Jordan	87.7
21. Austria	84.6
22. Croatia	83.8
23. Rep. of Congo	83.1
24. Ukraine	81.0
25. Slovenia	79.7
26. Sri Lanka	79.3
27. Ghana	78.1
28. Morocco	77.5
29. Angola	77.2
30. United States	76.5

Lowest

1. East Timor	0.0%
2. Libya	7.4
3. Afghanistan	8.3
4. Estonia	9.5
5. Russia	10.0
6. Iran	13.4
7. Nigeria	14.3
8. Uzbekistan	15.4
9. China	16.1
10. Kuwait	17.3
11. Congo, DR	17.6
12. Algeria	18.0
13. Botswana	18.1
14. Kosovo	20.6
15. Chile	21.3
16. Saudi Arabia	22.3
17. Paraguay	22.4
18. Equat. Guinea	23.1
19. Peru	23.8
20. Turkmenistan	23.9
21. Kazakhstan	26.2
22. Bangladesh	26.9
23. Nepal	27.3
24. Swaziland	27.5
25. Cambodia	29.1
26. Guatemala	29.2
27. Turkey	29.4
28. Bulgaria	29.5
29. Mali	29.7
30. Cameroon	30.5

more maps at: [FactsMaps.com](https://www.factsmaps.com)



The Debt-to-GDP Ratio is the ratio between a country's government debt and its GDP.
A low Debt-to-GDP ratio indicates an economy that produces and sells goods and services sufficient to pay back debts without incurring further debt.
(Wikipedia)

Public Debt and Public Participation



- ☐ Is it possible to achieve public participation on matters relating to public debt?
- ☐ What nature of participation is effective on public debt contracts?
- ☐ Who should be targeted for public participation on debt contracts?

Way forward for CPAs?



- ❑ Crunching the numbers for the public, accountants are better placed to break down the numbers (**remember our credo?**)
- ❑ Nomination to the county budget & economic forums (CBEF) and to provide constructive output
- ❑ Greater input by CPAs in the public finance management to enhance promotion of governance
- ❑ Lobby for legislations to ensure public participation forums are effective

Interactive Session



□ Comments, questions, feedback.....

END



CPA Elkana Kimeli
Lecturer, School of Business and Economics
Maasai Mara University
elkanakimeli@gmail.com
0725411409