

PUBLIC FINANCE MANAGEMENT

PROGRAMME BASED BUDGETS

KISUMU COUNTY

RATIONALE FOR PBB

- **The Public Finance Management Act 2013**

- Section 12 (1)

The implementation of **programme budgets** shall commence in 2013/14 financial year for the *national government* and in the 2014/15 financial year for the *county governments* constituted under **Chapter Eleven of the Constitution** (*Devolved Government*)

- **The County Governments Act 2014**

- Section 109 (2)(a)

A County department shall develop a ten year county sectoral plan as component parts of the county integrated development plan. The County sectoral plans shall be... programme based;

- **Public Finance Management (County) Regulations 2014)**

Embedded in the Interpretations preamble section of the regulations,

how it defines “**estimates of expenditure**” i.e. means -

- (a) annual estimates of expenditure *based on programmes and sub-programmes* prepared on a three-fiscal year rolling basis, specifying the resources to be allocated and the outcomes to be achieved and outputs to be delivered, the estimates for the first year of every such period of three fiscal years requiring appropriation by the National; or
- (b) supplementary estimates of expenditure appropriated by the National Assembly;

2) PART IV - PUBLIC FINANCE MANAGEMENT ACT 2012 (COUNTIES)



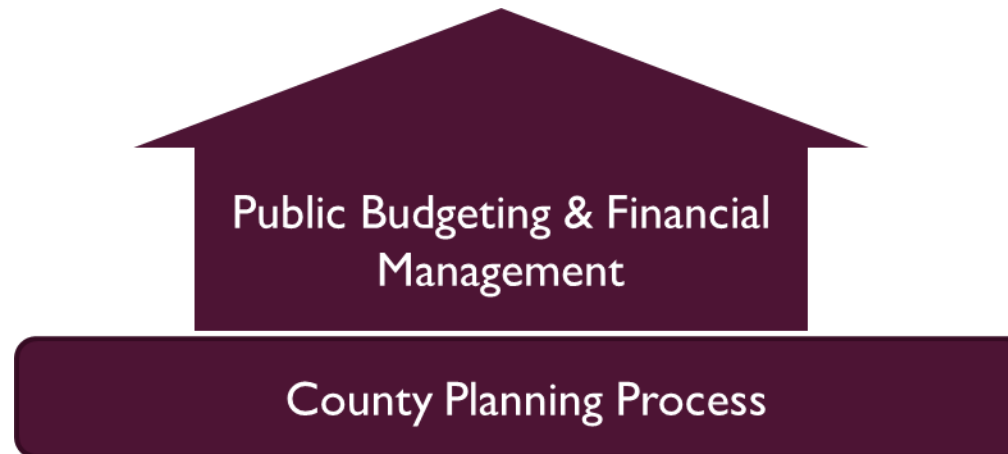
COUNTY GOVERNMENT RESPONSIBILITIES WITH RESPECT TO THE MANAGEMENT AND CONTROL OF PUBLIC FINANCE

- Covers topics from the ***County Budget Process:** (Sections 102 – 124) to treatment of lapsed unspent appropriations of money for county government purposes (Sections 125 – 136). From defining what is the *County Budget & Economic Forum* (Sections 137) to the CEC Finance's Responsibilities and the Public Finance Functions of the county government (Sections 138 – 146) et al...

*Require your team to quote chapter and verse in their advice to you and others.
Do the same in your own advisories.*

4) COUNTY GOVERNMENTS ACT 2012, - PART IX COUNTY PLANNING

1. Part XI of the CGA 2012 defines, provides and assigns **County Planning process** as the only justification for public budgeting, financing & financial management. It is therefore the **foundation of all county financial planning (Budgeting)**.



County Govt Act 2012

Section 109, (2)(a)



(Sectoral Plans must be Programme Based)

2. The Act lays out principles and objectives of the county's planning function and defines its output.



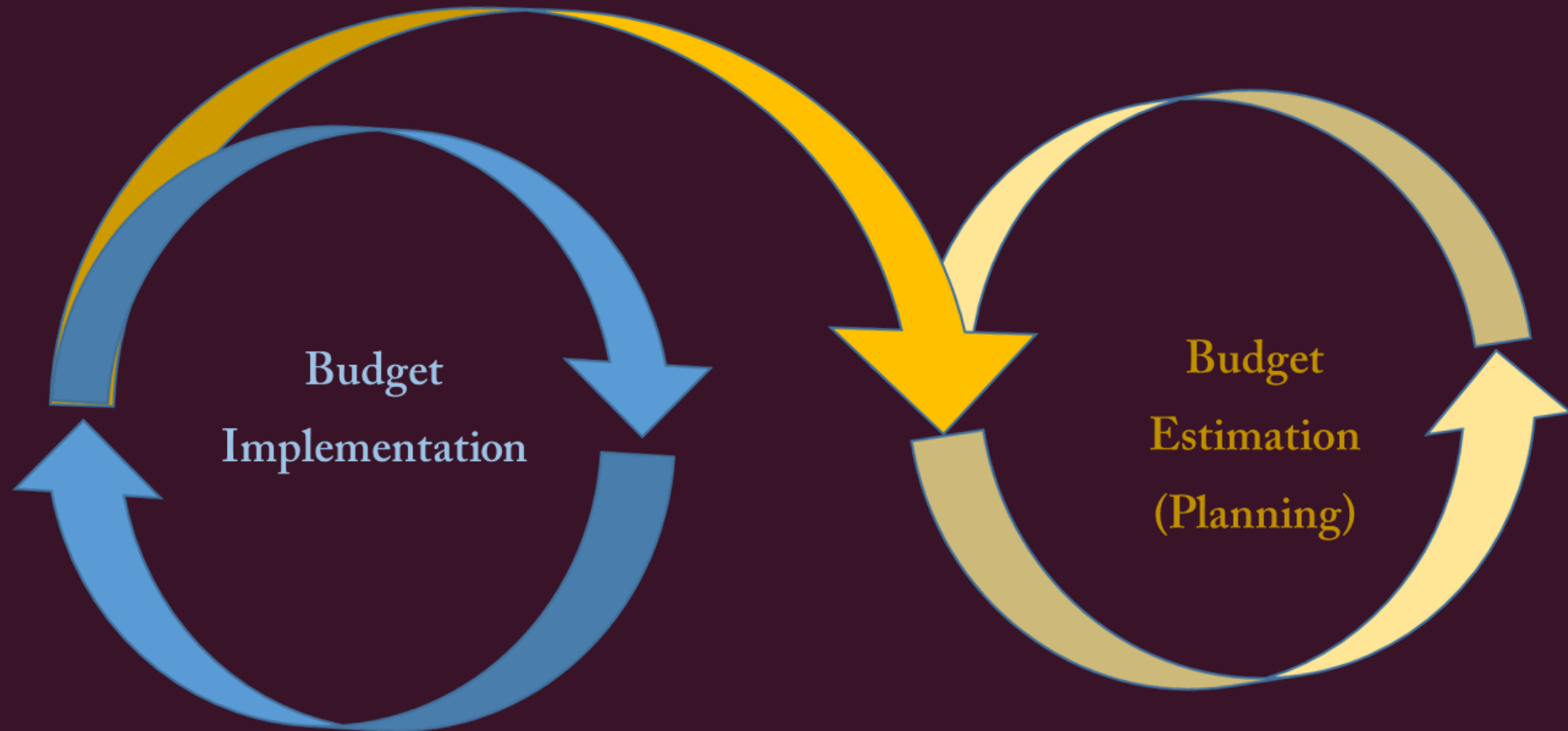
2) THE PUBLIC FINANCE MANAGEMENT ACT 2012 (PFMA)



- Gives practical effect to the Financial Management Principles and maxims set out in the Constitution by:
 - setting up structures, institutions and tools to govern the financial conduct of Government individually and collectively;
 - assigning legislative authority for these structures, institutions and tools to carry out their mandates;

PROGRAM BASED BUDGETING

The Budget Process: a Perpetual Motion Loop of Implementation and Estimation (Planning)



Programme Based Budgeting

Budgeting that breaks down the planned expenditures of an entity into a hierarchy of costed programmes rather than a list of inputs and often, weakly linked activities.

It is designed to effectively define financial performance by identifying upfront the designed and desired outcomes right from the planning stage by tracking expenditure to the achievement of those same outcomes in order to ensure and achieve:

1) Value for money; 2) an efficient and effective return on the budget investment, and 3) allow for strong stakeholder engagement and so 4) manage for results

Element	Program	Line/Incremental
Intuitive Organisational structures (...what it lends itself to...)	Flat - collegiate, focus on team achievements not team hierarchy.	Hierarchical command-&-control structures with rigid structures and accountability reporting lines.
Orientation	Bottom-Up	Top-Down
Focus	Outcomes/Results	Functions/Activities
Responsibility	Team leaders - distributed leadership paradigm	Executive Management - centralised & hierarchical
Complexity:		
HR Management	High: Cascading aggregation of Team units from grassroots upwards	Low: Hierarchical structure long established, functional separations based around related activities.
Staff performance & Motivation	Easier to measure performance and sustain motivation, however, higher relationship-management skills required to sustain both.	
Accountability	High: Team leaders directly answerable for specific, pre-defined results. Being many and with each assigned specific results/outcomes, monitoring and evaluation are a constant management challenge and good M&E systems essential. Also need for programme based budgeting-management	Low: Hierarchy diffuses granularity of responsibility for results. Few or no responsibility for specific outcomes at grassroots. Tendency is to manage for activities rather than results. Emphasis on compliance to rules rather than final impacts makes for poor management

Programme Based Budgeting

Expenditure Structure under Programme Based Budgeting

Example: County Department of Health

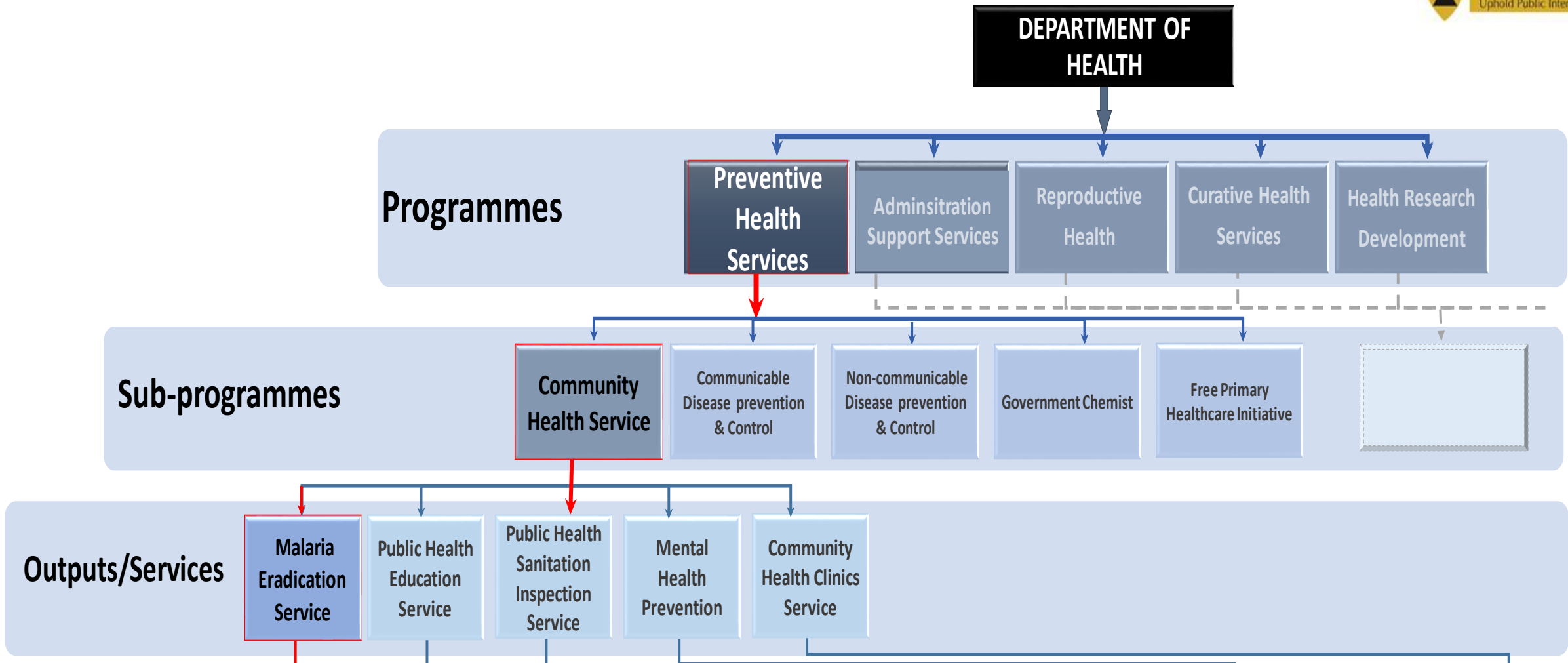
PBB Programme Logic	Example
Programme [1:0]	Preventive Health Services
Sub-programme [1:1]	Community Health
Output(Service) [1:1:1]	Malaria Eradication
Activity [1:1:1:1]	Distribution of Treated Nets
Activity [1:1:1:2]	Larvae eradication - Treatment of breeding grounds
Activity [1:1:1:3]	Public Education on preventive measures
Activity [1:1:1:4]	Prophylactic Medicine
Activity [1:1:1:5]	Early detection and response service

Line Item list of expenditures

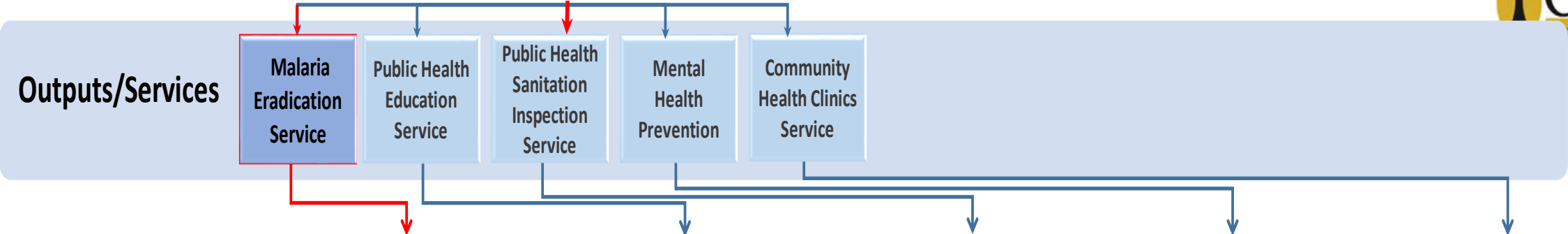
- Basic Salaries - Permanent Employees
- Basic Salaries - Temporary Employees
- Personal Allowance - Paid as Part of Salary
- Personal Allowances Paid as Reimbursements
- Etc...
- Utilities, Supplies and Services
- Foreign Travel and Related expenses
- Communication, Supplies and Services
- Domestic Travel and Subsistence, and Other Supplies and Services
- Training Expenses
- Hospitality Supplies and Services
- Specialised Materials and Suppliers
- Office and General Supplies and Services
- Fuel Oil and Lubricants
- Routine Maintenance - Vehicles and Other Transport Equipment
- Routine Maintenance - Other Assets
- Etc...
- Purchase of Officer Furniture and General Equipment
- Purchase of Specialised Plant, Equipment and Machinery
- Research, Feasibility Studis, Project Preparation and Design, Project Supervision
- Communication, Supplies and Services
- Construction of Buildings
- Construction and Civil Works
- Overhaul and Refurbishment of Construction and Civil Works
- Purchase pf Certified Seeds, Breading Strock and Live Animals
- Etc...



Programme Logic	Definition	Health Dept Example	Process Logic	Health Dept Example
<div>Programme</div> <div>↑</div>	A collection of related activities working towards a common purpose.	Preventive Health	Objective	Reduce prevalence of common diseases by 30% through pre-emptive community health interventions and appropriate educational outreach.
<div>Sub-programme</div> <div>↑</div>	A group of projects/activities under the same operational or development priority policy objective.	Community Health	Outcome(s)	<ul style="list-style-type: none"> - Reduce prevalence of malaria by 15% or 475,000 over five years based on a historic baseline average; - Target for budget year = 95,000 fewer hospital admissions directly attributable to programme interventions.
<div>Output(Services)</div> <div>↑</div>	All the services that are delivered to parties external to the ministry or department. <i>(Services delivered to a client within the same ministry are not outputs but support services.)</i>	Malaria Eradication	Output(Services)	Malaria Eradication Service
<div>Activity(ies)</div> <div>↑</div>	Work processes in the production of the Output.	Distribution of 20,000 Mosquito Nets to 9500 Homes	Activity(ies)	<ul style="list-style-type: none"> - Distribute 20,000 treated nets distributed to 9500 households this year; - Larvae eradication - Treatment of breeding grounds; - Public Education on preventive measures; - Prophylactic Medicine; - Early detection and response service
			Inputs	<ol style="list-style-type: none"> 1) Health workers & Clinicians 2) Offices 3) Vehicles and fuel supply 4) Equipment e.g sprayers, office equipment, mobile phones, 5) Admin support staff 6) Procure medicines and treated nets etc.



Programme Based Budgeting In Practice



Ministry of Health Budget Summary Expenditure Structure Item Control Totals	Malaria Eradication (made up of 5 activities)				Public Health Education Service				Public Health Sanitation Inspection Service Service				Mental Health Prevention				Community Health Clinics Service			
	N	N+1	N+2	N+3	N	N+1	N+2	N+3	N	N+1	N+2	N+3	N	N+1	N+2	N+3	N	N+1	N+2	N+3
	2014 -15	2015-16	2016-17	2017-18	2014 -15	2015-16	2016-17	2017-18	2014 -15	2015-16	2016-17	2017-18	2014 -15	2015-16	2016-17	2017-18	2014 -15	2015-16	2016-17	2017-18
	Kshs (M)	Kshs (M)	Kshs (M)	Kshs (M)	Kshs (M)	Kshs (M)	Kshs (M)	Kshs (M)	Kshs (M)	Kshs (M)	Kshs (M)	Kshs (M)	Kshs (M)	Kshs (M)	Kshs (M)	Kshs (M)	Kshs (M)	Kshs (M)	Kshs (M)	Kshs (M)
BUDGET TOTALS (RECURRENT + DEVELOPMENT EXPENDITURE)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recurrent Expenditure																				
Personnel Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utilities, Supplies & Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign Travel & related Expenses																				
Other Recurrent Expenditure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Expenditure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Programme Based Budgeting In Practice



PROJECT SAMPLE BUDGET					
MALARIA ERADICATION PROJECT					
(Staff Establishment = 60: 45 permanent, 15 temporary)					
Expenditure Categories	Items	N	N+1	N+2	N+3
		2014/2015	2015/2016	2016/2017	2017-2018
		Kshs (million)	Kshs (million)	Kshs (million)	Kshs (million)
BUDGET TOTALS (RECURRENT + DEVELOPMENT EXPENDITURE)		127.72	108.37	121.23	134.26
RECURRENT EXPENDITURE (Total - Kshs Million)		96.14	104.40	113.50	123.53
Wages & Salaries (Total)		43.2	45.4	47.6	50.0
Personnel Emoluments	Basic Salaries - Permanent Employees	27.0	28.4	29.8	31.3
	Basic Salaries - Temporary Employees	4.9	5.1	5.4	5.6
	Personal Allowance - Paid as Part of Salary	8.1	8.5	8.9	9.4
	Personal Allowances Paid as Reimbursements	3.2	3.4	3.6	3.8
Other Expenses (Total)		52.1	58.2	64.9	72.5
Utilities, Supplies and Services Foreign Travel & related expenses	Utilities, Supplies and Services	2.2	2.3	2.4	2.5
	Foreign Travel and Related expenses	0.6	0.6	0.6	0.6
Other Recurrent Expenditure	Communication, Supplies and Services	12.0	13.4	15.1	16.9
	Domestic Travel and Subsistence, and Other Supplies and Services	8.4	9.4	10.5	11.8
	Training Expenses	2.3	2.6	2.9	3.2
	Hospitality Supplies and Services	4.0	4.5	5.0	5.6
	Specialised Materials and Suppliers	13.0	14.6	16.3	18.3
	Office and General Supplies and Services	4.2	4.7	5.3	5.9
	Fuel Oil and Lubricants	5.5	6.2	6.9	7.7
Maintenance Expense (Total)		0.82	0.89	0.97	1.06
	Routine Maintenance - Vehicles and Other Transport Equipment	0.59	0.66	0.74	0.83
	Routine Maintenance - Other Assets	0.23	0.23	0.23	0.23
DEVELOPMENT EXPENDITURE (Total)		31.58	3.97	7.73	10.73
	Capital Equipment installation costs	0.56	0.11	0.12	0.12
	Purchase of Office Furniture and General Equipment	0.72	0.11	0.11	0.11
	Purchase of Specialised Plant, Equipment and Machinery	15.00	3.75	7.50	10.50
	Research, Feasibility Studies, Project Prep, Design & Supervision	0.30	-	-	-
	Communication, Supplies and Services	0	0	0	0
	Construction of Buildings	15	0	0	0
	Construction and Civil Works	0	0	0	0
	Overhaul and Refurbishment of Construction and Civil Works	0	0		

END