

**Public Finance Management Workshop  
Program Based Budgets– Mt. Kenya Date: 8th – 9th  
August, 2019 Venue: White Rhino Hotel, Nyeri  
Presentation by:**

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# Presentation agenda



- ☐ Introduction to PBB
- ☐ Legal basis for PBB
- ☐ Key elements of PBB
- ☐ PBB process
- ☐ Required changes for PBB effectiveness
- ☐ PBB organisation structure
- ☐ PBB benefits

# Introduction to PBB



- Resource allocation based on priorities
  - Allocating budgetary resources according to government policy objectives and priorities
- Focus on organizational objectives
- Focus on outputs/outcomes
  - Allocate expenditure by program
  - Assess results based on objectives
  - Applicable for cost-benefit analysis

**“Programs are groupings of government activities in relation to specific government objectives”**

# Legal basis for PBB



- PFMA and Regulations
  - General responsibilities of the National Treasury
  - Annual reporting by accounting officers
  - Accounting officer to prepare quarterly reports for national government entity
  - Monthly reporting obligations by Accounting Officers
  - *` estimates of expenditure based on programmes and subprogrammes 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 County Assembly;*

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  - *“programme” means a group of independent, but closely-related activities designed to achieve a common outcome*

# Legal basis for PBB



## PFMA and Regulations-Quotes

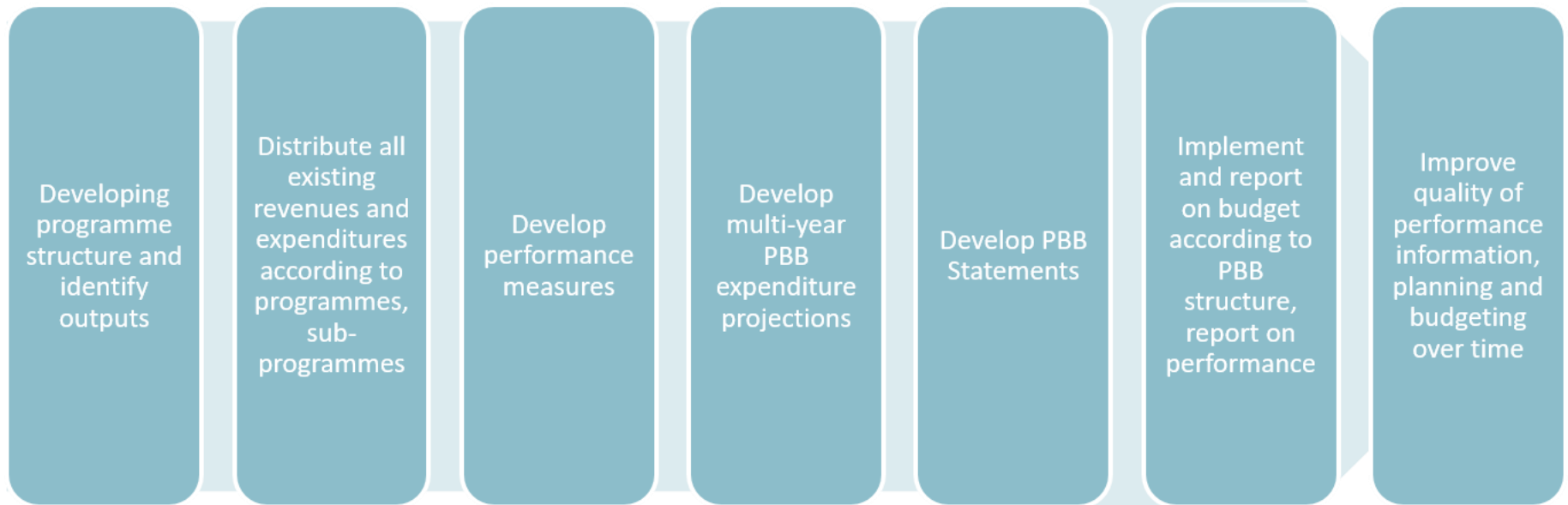
- *The implementation of programme budgets shall commence in 2013/14 financial year for the national government and in the 2014/15 financial year for the county governments constituted under Chapter eleven of the Constitution.*
- *programmes to be delivered with details for each programme of—*
- *(i) the strategic priorities to which the programme will contribute;*
- *(ii) the services or goods to be provided;*
- *(iii) measurable indicators of performance where feasible; and*
- *(iv) the budget allocated to the programme;*

# Key Elements of Program Budgeting



- Sets programs as the basis for budget appropriations
  - Focus shifts from line items to programs
- Basis for facilitating a cost allocation system
- Prompts line ministries to define objectives and match activities and resources to achieving them
  - Usually tied to their legal mandate
- Tool for granting greater autonomy and responsibility
  - In line with transparency and accountability

# The PBB process





# PBB-required change



- Budgeting and reporting by programmes while taking into account performance of programmes
- Programmes: classifying expenditures into groups of similar services with similar objectives (programmes)
- Change from administrative line budgeting
- Resources allocated to policy priority areas
- Improved focus on performance/results

# PBB-required change



- Improved linkage of strategic planning to policy;
- Management and evaluation linked to PBB are in place;
- A strategic budgeting phase is part of budget preparation, giving MDA and counties more discretion at the finalisation stage of budget preparation;
- The National Parliament/county assemblies are given better information to link the budget to performance during budget approval and budget oversight;
- In-year internal and public reporting are not only on financial information, but on progress towards the achievement of the targeted results; and
- Audit practices will change over time to include an audit of performance information – value for money – efficiency and effectiveness of spending

# PBB-organisation structure



When establishing a program classification, it is important to ensure that

- (1) clear responsibility for managing the programme, and accountability for its results, are allocated to a specific unit and programme manager within the ministry or department or county concerned and
- (2) the requirements for data collection and analysis are kept within reasonable bounds.

A programmatic approach has the advantage of encouraging managers in each organization to clearly define their objectives and to consider what results have been achieved. It is thus often linked to the development of a performance-related approach to budgeting.

# PBB-organisation structure



## Program Classification

Ministry	Program	Manager	Unit	Sub- program
Ministry of Health	Program Reducing maternal death	Program manager General Director Health	Managing unit Human Resources Division	Subprogram Training traditional birth attendants.
2 characters	1 character	1 character	2 characters	1 character

# PBB-organisation structure



- The principal point is that if programme budgeting is to work, programmes must be integrated into the accounting system, the way in which the budget is structured, and the IT systems which support the budgeting process.
- If a government is going to budget by programmes, the budget documents and the accounting system must be programme friendly. In particular, it must be possible to follow budget execution in programmatic terms – that is, to monitor expenditure programme by programme during the year so as to make sure that programme expenditure authorizations are not exceeded.

# PBB-organisation structure



One question which arises in defining program structures is the relationship between the program structures of different levels of government in a country.

- Should the national and subnational governments adopt the same program structure?
- Or should the different levels of government go their own ways in developing their own structures without any regard to what other levels of government are doing?

# PBB-organisation structure



- Even if one aims for the maximum degree of harmonization, one cannot have exactly the same programs at national and subnational levels. In so far as the levels of government have different functions, they require different programs.
- A suggestion will be to harmonize programme structures across county governments since all county governments have a common set of functions that they will perform in line with the Constitution Fourth Schedule.
- This will enable a meaningful comparison to be made between County Governments with regards to service delivery performance.

# PBB-indicators



- Currently the key performance indicators are captured in the Programme Based Budget under each sub-programme and there is a budget allocated to the sub-programme.
- Capturing the key performance indicators against the sub-programme in the SCOA programme segment will allow one to track the actual expenditure by sub-programme against these key performance indicators.



# PBB-indicators



<b>Delivery Unit</b>	<b>Key Output (KO)</b>	<b>Key Performance Indicators (KPIs)</b>	<b>Targets 2019/2020</b>	<b>Targets 2020/2021</b>	<b>Targets 2021/2022</b>
1021001700 Community Policing	Community Policing Committees reactivated and trained.	No. of Community policing committees reactivated and trained	494 at Police Stations	494 at Police Stations	494 at Police Stations
1021001800 Office of the Deputy Inspector General - Kenya Police Service	Modern assorted security equipment acquired	Modern assorted security equipment acquired	Assorted Modern Security equipment	Assorted Modern Security equipment	Assorted Modern Security equipment
1021001900 County Police Services	Reduced crime index	Crime Index per population of 100,000 reduced from 180 to	170	160	150
1021002000 Kenya Police College Kiganjo	Trained police recruits	No. of police recruits trained	Replacement for Natural Attrition	Replacement for Natural Attrition	Replacement for Natural Attrition

# Benefits of Program Budgeting



- Basis for supporting enhanced fiscal discipline
- Facilitates decision-making for resource allocation
- Organizes budget around government policy priorities
- Acts as a mechanism for focusing on operational efficiency and performance
- Enhances transparency and is user friendly for legislature and general public
- Enhances control and accountability for the CBO
- Affords greater autonomy and flexibility to spending agencies

# Interactive Session

