

## **IPSAS & PFM WORKSHOP**

**Policy Space for Developing Appropriate Reforms; A  
Thorough Understanding of the Context, A Focus on  
the Functionality of the PFM System**

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# Presentation agenda



1. What is PFM?
2. Overview of PFM cycle
3. Government policy and the economy

# 1.What is PFM?

- ❑ PFM refers to the set of laws, rules, systems and processes used by sovereign nations (and sub-national governments), to mobilise revenue, allocate **public** funds, undertake **public** spending, account for funds and audit results.

# What is PFM?

- ❑ In kenya-PFM is governed by the PFM Act 2012 and the related regulations.

# What is PFM?

- ❑ The PFM Act underscores the importance of a good PFM management in creating a conducive environment for investments, job creation and poverty reduction at both levels of government.
- ❑ Without a good PFM system in place, the success of the a nation is to be curtailed if not de-railed.

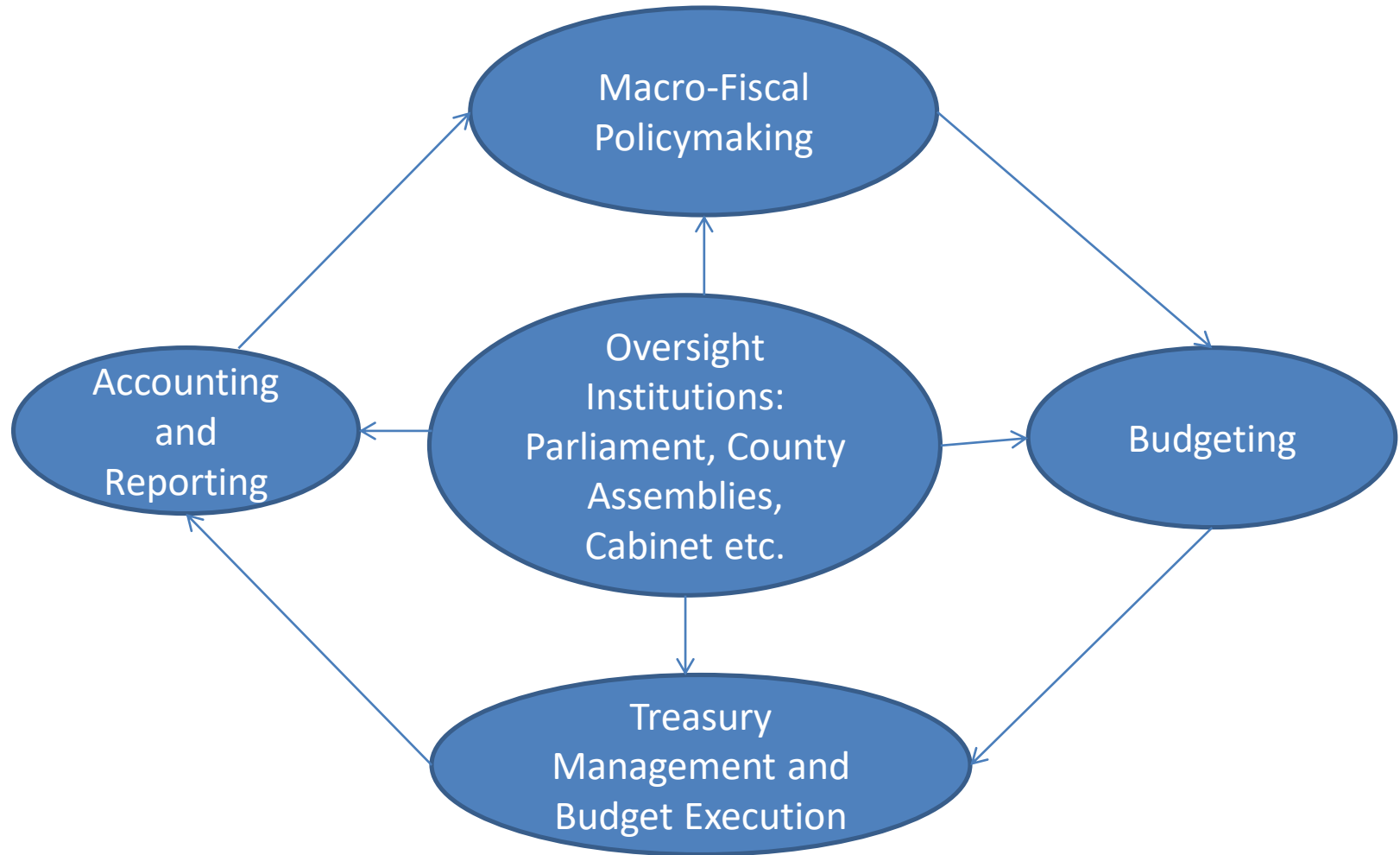
## Key objectives of PFM Act (2012)

- ❑ To safeguard financial autonomy of both levels of government (Art's. 6(2); 189 (1)(a)).
- ❑ To anchor the Act under Article 201 of the constitution which deals with **the 'Principles of public finance'**
- ❑ To incorporate best international practices in public financial management.
- ❑ To modernize and consolidate the many PFM laws that were in place
- **NB: The PFM Act caters for all the legislations required under the 5<sup>th</sup> Schedule of the Constitution—except for the procurement law which is separate**

# Link between the Constitution & the PFM Act

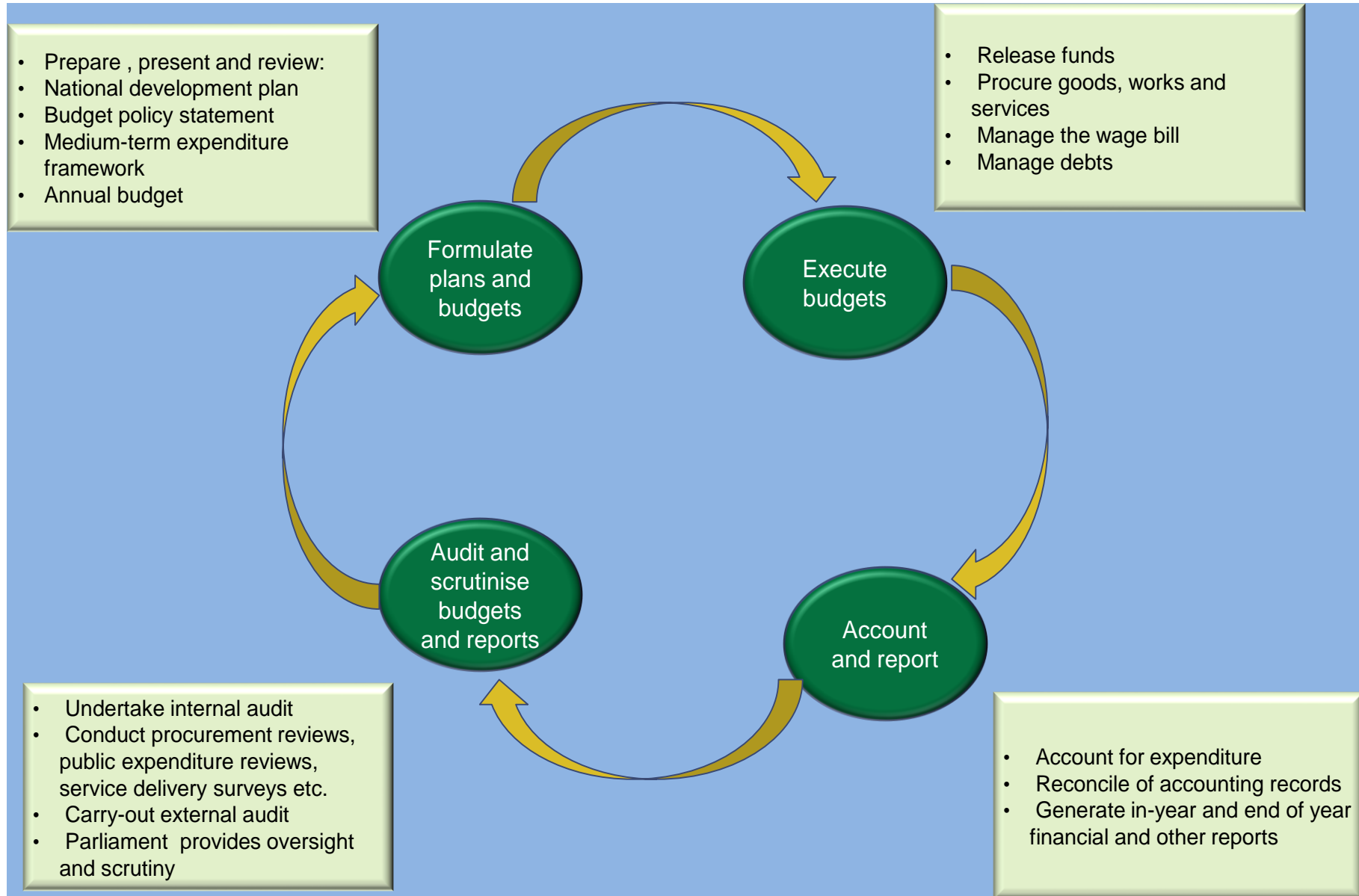
- Article 201 which provides for **principles of public finance** guides the PFM Act.
- Article 206 on the **Consolidated fund and other public funds.**
- Article 207 which establishes **County Revenue Funds** and provides for setting up of other funds at the county level.
- Article 208 on **Contingencies Fund.**
- Article 211 to 214 on **borrowing** and **guarantees.**
- Article 220 which requires national legislation to prescribe the **form, content and timing of budgets.**
- Article 225 on **financial controls** at the national & county level.
- Article 226 which requires an Act of Parliament to provide for **financial records** and **audit** of all accounts of governments;
- Article 227 on **procurement.**

# CORE AREAS COVERED BY THE PFM ACT, 2012

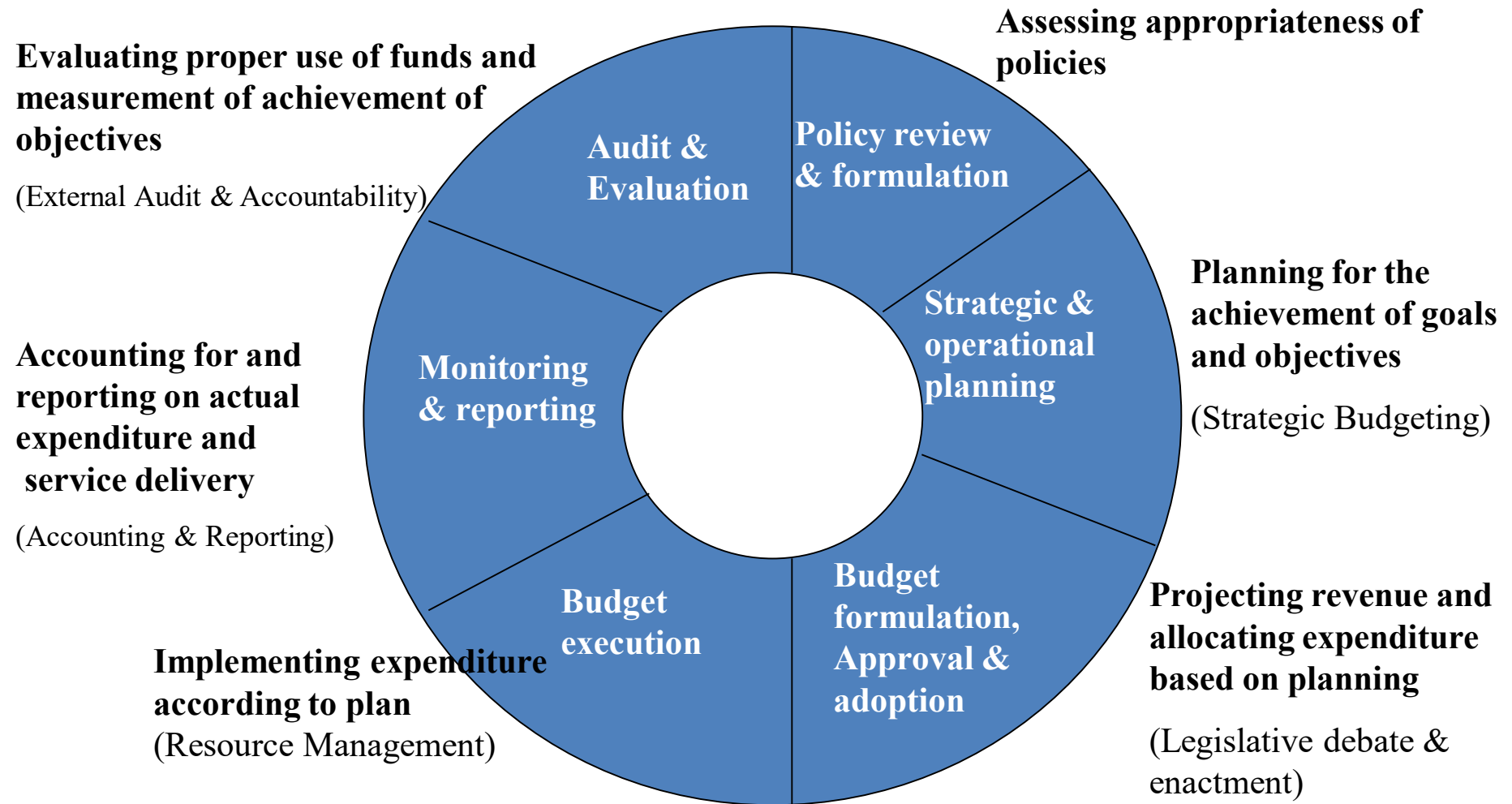




# 2. Overview of PFM cycle



# Conceptual Overview of PFM Processes



# 3. Government policy and the economy

## What is government policy?

- ❑ A line of argument rationalizing the course of action of a government.
- ❑ A plan or course of action, as of a government, political party, or business, intended to influence and determine decisions, actions, and other matters
- ❑ Public policy is a course of government action or inaction in response to public problems. It is associated with formally approved policy goals and means, as well as the regulations and practices of agencies that implement programs

# 3. Government policy and the economy

## Role of government in managing the economy

- ☐ Provides the legal and social framework within which the economy operates.
- ☐ Maintains competition in the marketplace.
- ☐ Provides public goods and services.
- ☐ Redistributes income.
- ☐ Corrects externalities, and
- ☐ Takes certain actions to stabilize the economy.

THANK YOU.

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