

## **PFM & Taxation Seminar**

Strategic planning and budget formulation; Need to improve quality of planning at the counties.

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**Date: Wednesday,19th August 2021.**

# Session Objectives



- ☐ Provide a brief historical background of planning in Kenya
- ☐ Draw a the link between planning –budgets – performance
- ☐ Examine the components of performance reviews
- ☐ Identify where to find budget performance analysis/reports

# Presentation outline



- ❑ Planning in Kenya –Historical context
- ❑ Drawing the link between plans –budgets - performance
- ❑ Mechanisms of performance reviews
- ❑ Where to find performance review reports
- ❑ Some concluding thoughts

# Introduction



- ❑ It is a primary responsibility of any government to design plans, policies & provide a conducive environment to drive economic development
- ❑ Thus government plans & policies ultimately get translated into their monetary equivalents through budgets
- ❑ The implementation of such plans & budgets have to demonstrate some impact at the Macro (national) and micro (household/firm) levels

# Introduction-What a sector working groups at county level?



1. Agriculture and Rural Development (ARUD)
2. Energy, ICT and Infrastructure
3. General Economic and Commercial Affairs
4. Health
5. Education
6. Public Administration & International Relations
7. Social Protection, Culture and Recreation
8. Environmental Protection, Water and Natural Resources

# Planning: Reflections



- ❑ Kenya has had ambitious plans since the early years after independence
- ❑ However, 3 main plans stand out
  1. Sessional paper No. 10 of 1965 – African Socialism & it's application to planning in Kenya
  2. Sessional Paper No. 1 of 1986 – Economic Management for Renewed Growth in Kenya
  3. Economic Recovery Strategy for Wealth and Employment Creation, 2003
    - ERSWE evolved into the Vision 2030, 2008

# Appraising the plans



❑ Sessional Paper No. 10 of 1965 – primary goal was that ‘let the young African nation find unique solutions to their unique challenges then

- **These were: Poverty; Illiteracy; and Diseases**

❑ Sessional Paper No. 1 of 1986 – primary goal was to align planning & budgeting for renewed economic growth

- **But lacked the legal instruments to implement it**

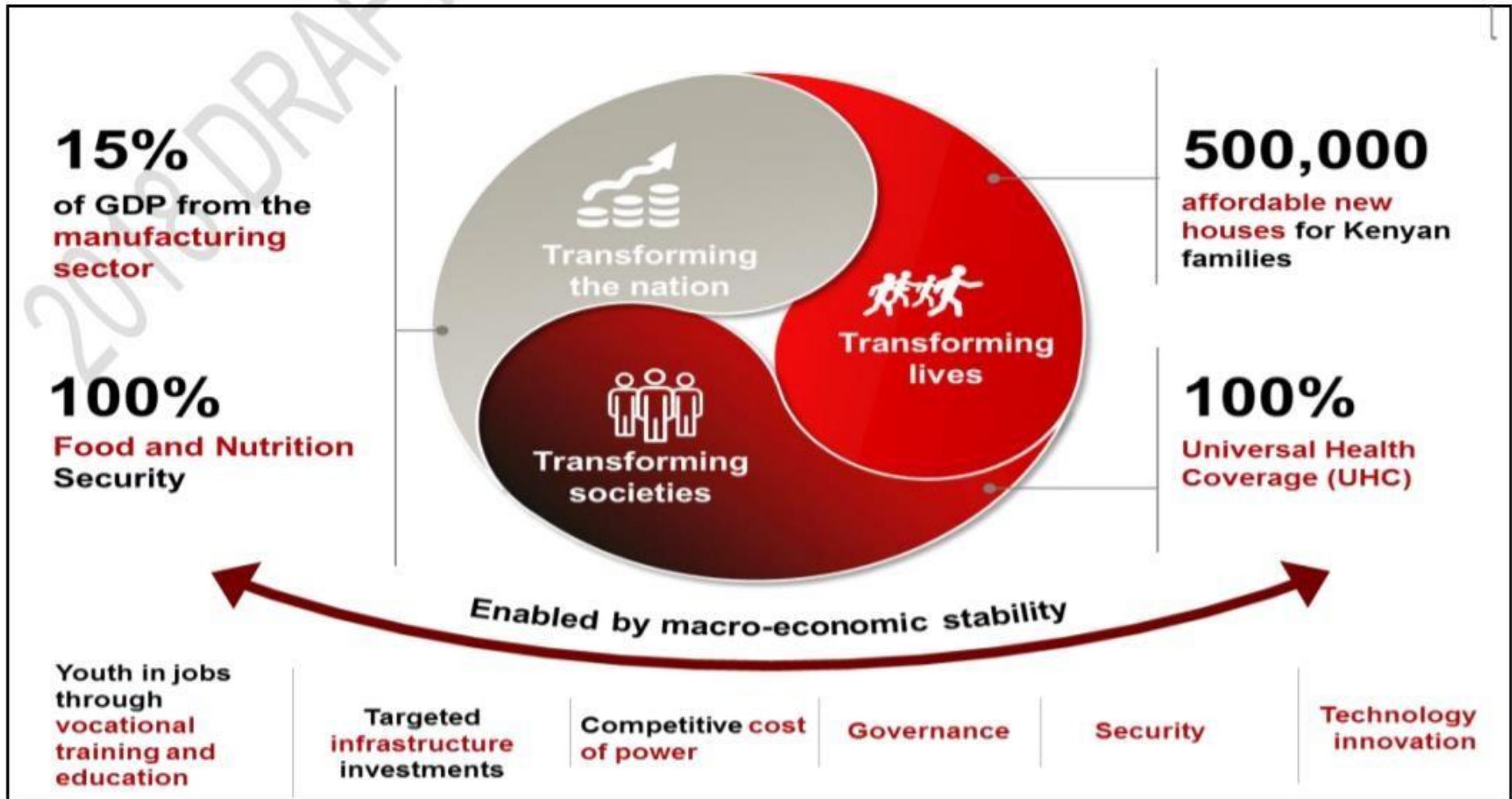
❑ ERSWE creation – placed emphasis on employment & wealth creation

# Appraising plans cont...



- ❑ Vision 2030 – successor, though overlaps with ERSWE
  - **3 pillars – Economic; Political; and Social**
  - **Target – middle income & highly industrialized country**
  - **The path – flagship projects under each pillar**
  - **Implementation strategy – 5 year Medium Term Plans**
  - **Performance review – every 5 years**
- ❑ Implemented MTP I (2008 -2012); MTP II (2013 -2017);  
Now MTP III (2018 -2022)

# But also...BIG 4 Agenda



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# Budgeting: Reforms



❑ There have been several reforms in the budgetary process since independence.

❑ The main major ones include:

- Line item budgeting
- Incremental budgeting
- Target budgeting
- Program Based Budgets

❑ In the first 3 approaches to budgeting, we lacked linkage between planning-budgeting –performance measures

# The Link –plans & budget



❑ The initial linkages between planning was achieved with the introduction of the Medium Term Expenditure Framework (MTEF) around 2000/01

- 3 year rolling budgets –medium planning
- Classification of government into sectors
- Public participation

❑ As part of the wider public reforms initiated from 2003, this was integrated with Programme Based Budgets (PBB);

❑ However, it was not until 2013/14 (for National Government) and 2014/15 (for County governments) when the country fully transitioned into PBBs

- ❑ PBB introduces performance targets into the budget process
  - **defines program goal, objectives, outcomes, outputs, activities to justify resource requests (inputs)**
- ❑ This is accompanied by performance indicators – evidence of achievement of outcomes, outputs, activity implementation & inputs (resources consumed)
- ❑ Budget performance is assessed on the basis defined targets, evidenced by relevant indicators

# Budget performance reviews



- ❑ Budget performance reviews can be done from various perspectives
  - In relation to achievement of planned objectives
  - Levels of Implementation of planned & budgeted activities
  - Distributions between development vs recurrent components of the budget
  - Absorption rates –development vs recurrent
  - Compliance levels – legal & with the budget itself
  - Variance analysis
  - Sector analysis



- ❑ Monitoring reports for MTPs –frequent
- ❑ Evaluation of MTPs – pre, mid-term & post MTP evaluation
- ❑ Annual Budget Review & Outlook Papers (BRON)
- ❑ Quarterly and Annual Controller of Budget Reports
- ❑ National statistics – various surveys
- ❑ Economic indicators – employment levels, average household income levels, stock market indices, infrastructure indices, stock market indices, wealth distribution indicators etc

# Conclusion



- ❑ The substance of public sector plans & budgets is its impact on the welfare/improvements in quality of life for the society
- ❑ When all is said and done, the taste of a good plan, and budget thereof, is at its implementation
- ❑ Reflecting on our history of planning, we seem to have been good at planning, but it is doubtful how well we've lived our plans
- ❑ What lessons can we draw from our former peers?  
Singapore, South Korea, Malaysia, Vietnam among others?

THANK YOU.



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