



Budgeting in the Public Sector

Budget & Budgeting Techniques

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Session Objectives



- Rationale for public sector budgets
- Distinguishing Features of public budgets
- Historical Context
- Performance Reviews

Nature of Public Budgets



**It is through that
we provide
public goods
and services to
persons we may
not necessarily
know personally**



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Rationale: Public Budgets



- ❑ **Economic** - due to its allocation of scarce resources
- ❑ **Planning** - due to its act of drawing future activities in advance of time (forecasting)
- ❑ **Political** - due to its determination of who gets how much of the available resources and when
- ❑ **Social** - due to its ability to distribute benefits and costs according to community preferences

Purpose: Budgets



- ❑ **Minimizing uncertainty** - attempts to make the future more predictable –determines what is required, how much of it is available and when it is available
- ❑ **Policy Direction** - indicates a specific policy direction for a specific period of time which requires approval
- ❑ **Resource allocation** - the budget determines how limited resources are to be divided among the competing alternatives within an organization
- ❑ **Accountability instrument** - provides a basis for budgetary control

Unique features of public budgets



- ❑ It's a constitutional & legal requirement – Article 220 to 223 (National Government) and PFM Act 2012
- ❑ Distinct roles of the Executive/spending units and the legislature
- ❑ Imposes legal obligations (authority to spend & compliance) once approved and assented to (president or Governors for counties)
- ❑ Approved budgets imposes limitations on the part of authorized officers (AO's) for re-allocations
- ❑ Express provisions for public participation (Articles 201 (1) & Article 221 (5))
- ❑ Unlike in private sector, expenditure projections drive revenues raising measures

Unique features cont...



- ❑ Prioritization during allocations are based on broader perspectives for public sector entities than profit motives – **economic, political & social considerations**

Historical Context



- ❑ There have been various approaches into budgeting within the country:
 - Line item budgets – focus on inputs not results
 - Incremental budgets – add or minus last years budget based on absorption
 - Target budgets – provides ceilings and then budgets backwards
 - Result/programme based budgets – focuses of results to justify budget requests
 - **Proposed –Project Based Budgets** - similar to Programme based, but done at project level

Process of Budgets



- **Executive preparation and formulation** - estimate preparation by CMDA including reviews by Treasury
- **Legislative authorization/approval** - approval of the budget (Parliament/CAs)
- **Execution and control** - CMDAs start spending, monitoring and control
- **Audit and evaluation** - preparation of final accounts

Performance Reviews



- ❑ Unfortunately, the performance review in the country is not well coordinated nor in the custody of a single agency
- ❑ This is caused a lot of confusion and inconsistencies in the performance reporting
- ❑ Brief Performance review reports are a requirement under the Programme Based Budgeting
- ❑ Levels of Performance reviews:
 - Controller of Budget – constitutional requirement, quarterly
 - Budget Review & Outlook Paper – annual requirement during the budget process (due Sept. 30th)
 - Public Expenditure reviews –tracking expenditures done by treasury
 - MTEF budget process – programme information requirements

Reflections on Budgets



- Budgets are an important instrument in the economic management of the country
- The budget determines which constituencies pay for public goods and services and which ones benefit from such resources
- Through the budget, governments get to divert resources from private economic units for provision of public goods and services
- Unlike private sector and natural persons, public budgets legally restrict application of public funds to specific uses

Important facts on 2022/23 budgets



- ❑ The budget calendar has been shortened to end in March 31st, 2022 due to the August elections
- ❑ Budget implementation likely to be affected due to the campaign disruptions – **it need to be the case!**
- ❑ Often, most affected is usually the development vote – **low absorption rates**
- ❑ Supplementary estimates may significantly alter the budget to reflect the priorities of the incoming regimes

Integrated Budget Performance



- ❑ Efforts to institutionalize monitoring and evaluation in planning & Budget processes started in the 1980/90s with DFRD & PRSPs
- ❑ However, prior to that there were some aspects of M&E through collection of administrative data –Gov't & Development partner projects
- ❑ Kenya National Bureau of Statistics (KNBS) was carrying out decennial censuses and *ad hoc* surveys—including periodic surveys such as the Kenya Demographic and Health Surveys (KDHS)

Budget Performance Cont...



- ❑ Until the year 2000, M&E was not a strong feature in national programmes and projects
- ❑ RM&E was formally integrated into planning through ERS in 2003
- ❑ The Monitoring and Evaluation Unit (MEU) was established in 2004 to coordinate implementation of the National Integrated Monitoring and Evaluation System (NIMES)

Budget Performance Cont...



- Primary roles of MEU were:
 - coordinate, gather, store and disseminate M&E information across all sectors
 - designing and implementing a government-wide M&E action plan
 - spur adoption of M&E across government
 - set standards & support needs assessments and
 - build the capacity of public sector institutions to undertake and institutionalize M&E

Policy & Legal Instruments



- ❑ The foundational policy and legal documents are:
 1. ERS – formally integrated M&E into planning & established MEU
 2. Master plan for the Implementation of a National Integrated Monitoring and Evaluation System (NIMES) for Kenya, 2007
 3. Constitutional provisions on Governance - transparency, integrity, access to information and accountability (Articles 10, 35, 43, 56, 174, 185, 201, 203, 225, 226, and 227)
 4. Monitoring and Evaluation framework for Kenya , 2015

Budgets Vs Developmental Goals



- ❑ While the plans and Budget techniques have changed, the main issues have remained the same:
 - political equality,
 - social justice,
 - human dignity,
 - freedom from want,
 - disease and exploitation,
 - equal opportunities, and
 - a high and growing per capita income equitably distributed

- ❑ **The Budget process must be designed to direct public resources to respond to these needs**

Finally.....



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