

# Highlights of Joint Review of Kenya's Fiscal Transparency & Participation Reforms

CABRI meeting - Pretoria, SA.

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# Outline

- PFM context in Kenya
- Country review process
- Findings in five key areas of fiscal transparency and participation reforms



# Kenya profile and context



- Population – 40.7 million (KNBS 2012)
- GDP/capita – USD 991 (KNBS 2012)
- Open Budget Survey 2012 results – 49 out of 100
- Legal framework for PFM - new Constitution 2010 and PFM Act 2012 have ushered a new public finance management landscape in Kenya with significant changes with regard to openness, public participation and strengthened checks and balances.

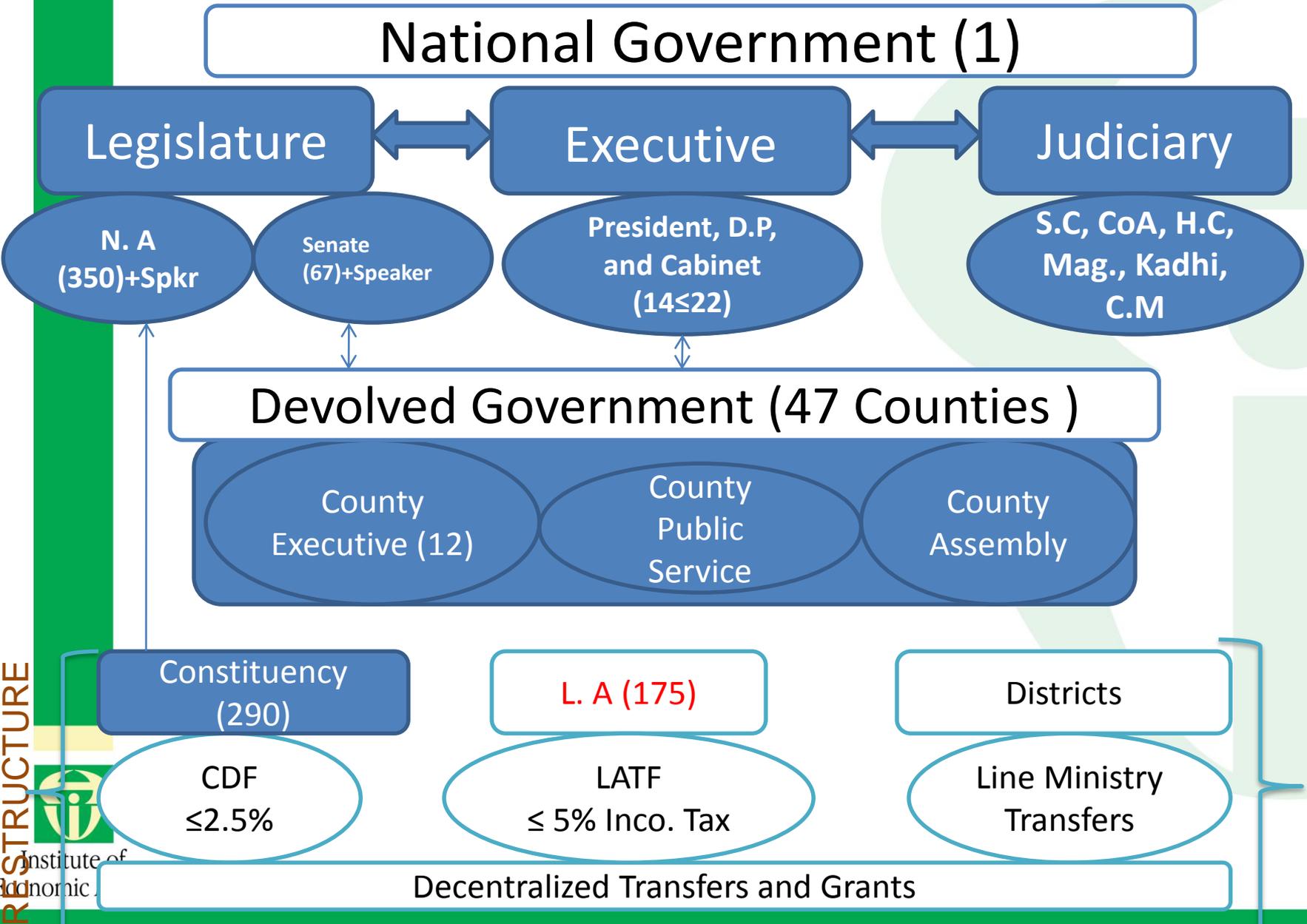


# PFM context

- ❑ Created 2 levels of government-national and 47 county governments – *see illustration*.
- ❑ Shift from unicameral to bicameral parliament (National Assembly and the Senate).
- ❑ Introduction of fiscal parity or separation of powers of the executive, parliament and the judiciary with separate budgets.
- ❑ New institutions with varying powers and responsibilities, for example:
  - Commission on Revenue Allocation (CRA) – makes recommendations on criteria for equitable sharing of nation revenue
  - Office of the Controller of Budget (CoB) – exercises control over expenditure of national and county governments
- ❑ Created special purpose public funds including Equalisation Fund and Contingencies Fun - Ksh 10 bn).



# Two tier system of government



RESTRUCTURE

RESTRUCTURE

# What to know about public participation generally?

- The Constitution variously provides the **legal basis for stakeholder public access to information and participation in planning and budgeting processes** through Article 35 of the Bills of Rights; Article 118(1) a-b under the Legislature; Article 196 (1) a-b under the devolved government chapter and Article 201 (a) under the principles of public finance.
- Regulations have been developed by the National Treasury to prescribe guidelines for public participation in PFM (*PFM Act, 2012-Sec. 207*).



The main vehicle for public participation in county planning and budgeting is the **County Budget and Economic Forum**.

# Summary of improvement w.r.t. to fiscal transparency & participation

- There are expanded opportunities for public participation throughout the budget cycle in particular at the budget preparation and enactment phases.
- Since early there is significant improvement with regard to budget information and increasingly useful information (shift from line item budgeting to programme based budgeting)
- The Constitution and subsequent legislations now provide cornerstone to ensure practice improvements are sustained.



# MTEF BUDGET CYCLE

## Policy Development

Strengthened policy processes – Vision 2013 & MTP and associated public expenditure review processes

## MTEF/Budget Process

Enhanced budget formulation – pre- budget docs. eg BROP, BPS and Exec Budget Proposal with programme based budget

**Participation – SWGs, public sector hearings and public hearings by Budget Committee**

## Budget Implementation and Control

### Procurement reforms

In- year reports from CoB and National Treasury available on line

## Accounting and monitoring

IFMIS - capturing expenses in accounting system  
Recording and use of management information on outputs  
Internal audit

## Evaluation and Audit

Audit and oversight by National and County Assemblies by KENAO  
-Audit reports



# Country review process – 16 to 20<sup>th</sup> Sept 2013

- Review team comprised – senior budget officials & civil society representatives from Kenya, Liberia and South Africa; representatives from CABRI, IBP and World Bank.
- Based on a background paper the team held meetings and conducted interviews to investigate Kenya's fiscal transparency and participation reforms, with the following stakeholders:
  - National government level – PS and officers from various National Treasury depts, Ministry of Planning, PFM reforms Sec; office of CoB & Auditor General; CSOs, donor groups, Parliament Budget Office
  - County government level – visited Nyeri county government (central Kenya) and held a meeting with the County Executive members of Finance and Trade.
- Findings in five areas.....



# Area 1- Executive Budget Proposal (EBP)

- Detailed EBP was not available to the public in time for participation in statutory public hearings by Parliament.
- Need to adjust systems to enable web-based access to the complete set of budget documentation.
- To allow for a comprehensive, systematic and multi year analysis there is need to streamline, develop and link all the sets of EBP documentation.



## Area 2: Availability of outturn information

- Despite positive strides in the provision of in year report there these reports are produced on time.
- Equally, despite some investment in the development of capacity in the office of the National audit they are likely to be over-stretched with devolution further affecting timely availability of audit reports.



## Area 3: Specific inclusions

- Disclosure on specific inclusions has deteriorated over the years. For instance, information on expenditure for state corporations, extra-budgetary funds, contingent liabilities was provided in the past.
- Despite reasonable information on donor activities on the revenue side, there is need for comprehensive and compatible information on donor financing in the budget.



# Area 4: Participation

- Tremendous strides made in the expansion and institutionalization of public participation in the budget process.
- However there is a risk that meeting statutory compliance may result to mere public relations exercise.
- There is need to leverage on the PFM Act regulations in order to establish certain principles in line with best practice to govern public participation in Kenya including:
  - wide dissemination of publicity for events
  - Comprehensive articulation of agenda,
  - Incorporation of feedback mechanism
- There is need to build capacity and for the government to partner with civil society to develop good practice and document lessons learnt especially at the county government level for sharing.



## Area 5: Other stakeholders

- None state actors have a key role to play in enhancing effective fiscal transparency and participation.
- CSOs – can act as an intermediary between the state and ordinary citizen through unpacking of budget documents, training and building capacity of citizens and as a communication channel.
- CSOs can also work with the media to enhance their budget engagement and reporting skills.
- Media can play a key role in dissemination information, reporting responsibly and providing sound analysis.
- There is need to strengthen collaboration between the state and civil society actors as well as collaboration among CSOs as it was rather ad hoc as opposed to being systematic and comprehensive.



**Thank you!**

