



# OPPORTUNITIES FOR REFORM IN KENYA

## *Progress and Challenges*

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# Introduction

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- The Constitution of Kenya 2010 provides a clear set of principles that spell out the role of public finances in promoting an equitable society, public participation in the budget process and transparent financial reporting.
  - Public participation on financial matters is therefore not a choice but a mandatory requirement as enshrined in our Constitution and Public Finance Management Act (PFM), 2012.
  - As the Government, we are obliged to maintain an effective system of accountability to the people of Kenya as they look upon the executive to be accountable for collection of revenue, management of expenditure and public debt in implementing public programs for delivery of goods and services
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# Legal Framework as the basis for transparency and participation

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- ❑ The PFM is anchored in Chapter 12 of the Constitution and the Public Finance Management Act, 2012
  - ❑ Section 201 of the Constitution specifically spells out the following principles to guide transparency and public participation in Kenya:
    - 1) Openness and accountability, including public participation in financial matters;
    - 2) The PFM should promote an equitable society, and in particular;
      - The burden of taxation shall be shared fairly;
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# Legal Framework as the basis for transparency and participation

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- Revenue raised nationally shall be shared equitably among national and county governments;
  - Expenditure shall promote the equitable development of the country, including by making special provision for marginalized groups and areas
- 3) The burdens and benefits of the use of resources public borrowing shall be shared equitably between present and future generations; and
  - 4) Public money shall be used in a prudent and responsible way
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# Imperatives for PFM reform

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The quality of public financial management reforms is determined by how well the following basic questions are addressed:

- 1) **What** are the objectives of Government policy and what are the strategies necessary to achieve them?
- 2) **Who** should be doing what? Is it National Govt, County Govt, or alternative service delivery mechanisms?
- 3) **How** should these activities be carried out to ensure greatest effectiveness and cost-efficiency?

# Strategy For Public Finance Management Reforms (PFMR) in Kenya

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- The Strategy addresses gaps identified following the implementation of Phase I (2006-2011) PFM strategy and the realities of the new Constitutional order, especially with regard to the devolved system of government.
  - Some of the gaps identified relate to inadequate strategic orientation, limited ownership of the lapsed strategy and organizational and management arrangement for the programme.
  - A thematic approach has been adopted for the implementation of the Phase II of the PFMR Strategy. The Strategy is structured into seven themes covering all aspects of PFM for reforms over the next five years.
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# Strategy For Public Finance Management Reforms (PFMR) in Kenya

- # Four themes relate to the annual budget cycle:
  - resource mobilization; resource allocation; budget execution, accounting and reporting, review and evaluation; independent audit and oversight
- # Three themes are cross-cutting:
  - fiscal decentralization and intergovernmental fiscal relations;
  - the legal and institutional framework; and
  - IFMIS reengineering
- # In view of the critical policy and operational decisions that the Government and key stakeholders continue to make during the transition period, the strategy is subject to periodic reviews.
- # Key findings and recommendations of “Kenya Joint Country Review on Fiscal Transparency and Participation” will be considered during the next review.

# Next Steps

- Kenya's budget was appropriated on programmatic basis for the first time in FY2013/14.
- This reform is not only a significant change to the budget formulation and appropriation process but also introduces greater transparency and accountability.
- The report has pointed out a number of useful recommendations which will be addressed in the context of ongoing PFMR.
- That notwithstanding, there is no need at the moment for NT make specific commitment on each recommendation as there is assurance that future PFMR will consider stakeholder proposals for possible inclusion during the next strategy

# Next Steps Matrix

- # However, we will undertake a critical review of the proposed recommendations and where necessary harmonize with the ongoing PFMR strategy for implementation.
- # The revised PFMR strategy will involve:
  - developing human and institutional capacity;
  - communicating with stakeholders and establishing trust through a feedback mechanism;
  - monitoring and reviewing progress; and
  - drawing on the best practices
- # We will also ensure that the reform strategy:
  - Is part of an overall PFMR strategy
  - Is home grown
  - Has taken into consideration the reality of the political economy
  - Feasible, practical and manageable

# Opportunities and Challenges in Public Participation

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- # “Who to involve” and “How to involve”?
  - # Are there opportunities for citizens/communities to influence decision-making in the budget process?
  - # Is engagement with public necessary/helpful? Or is another approach more adequate (e.g. running a public awareness campaign)?
  - # What level of engagement is necessary and/or desirable?
  - # How can the community itself provide input into deciding what level and form of engagement is appropriate?
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# Opportunities and Challenges in Public Participation (Cont.)

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- # Who will ultimately become affected by govt. policies either positively or negatively?
  - # Who has the political responsibility?
  - # Who has authority over the financial resources (public and private funds)?
  - # Who has the skills and expertise?
  - # What are the objectives of the stakeholders? Are there any possibilities of hidden agendas?
  - # What about conflicts of interests?
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# Lessons Learnt

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- First PFM can only succeed in a conducive environment. Political and Long term commitment which is actualized thro total support, appropriate legislation, oversight, good governance, and consultative approach is crucial precedent for reforms.
- Reforms must start with sound policy formulation at macro level including **the purview of the state** making clear the governments' role and the roles of different levels of government and stakeholders
- **Institutions should be empowered** with clear rules of engagement - there should be clarity of mandate

# Conclusion

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- # The report by the peer review group has pointed out a number of gaps/weaknesses in Kenya's public financial management system.
  - # We will take the report as a positive criticism and critically review the proposed recommendations with a view of addressing the issues in the context of our ongoing PFMR Programme
  - # To entrench the participation process further, we are currently developing PFM regulations that will give effect to the full implementation of the PFM Act.
  - # This will be available in due course and the concept of public participation will be developed and a framework put in place in order for public participation to be regular, predictable and systematic, and importantly, for public sector managers to clearly state how the public's recommendations have been accommodated in the management of public resources.
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# THANK YOU FOR YOUR ATTENTION

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