

Module 2 ■ Planning and Budgeting Processes

7 HOURS

LEARNING OUTCOMES

By the end of this module, the participants will have:

- discussed the process of budget decision-making in Kenya, focusing on public participation;
- outlined the four stages of the budget process, as well as additional details of the Kenyan budget process;
- mapped the key budget documents that should be produced and published according to the legal framework in Kenya and the four stages of the budget process;
- developed a timeline of the county and national budget processes in Kenya, indicating participation opportunities throughout the budget year;
- named additional budget-related documents and sources of budget information that are available in Kenya;
- defined some key terms used in Kenya’s budget documents;
- learned to read budgets, County Fiscal Strategy Papers and County Budget Review and Outlook Papers.
- described the state of public participation in the budget process in Kenya;
- discussed key principles of public participation; and
- explored case studies of citizen participation in the budget process

Module 2 Session 1: Overview of the Budgeting Process

30 MINUTES

KEY TAKEAWAYS

- ✓ **THERE ARE FOUR STAGES OF THE BUDGET PROCESS LED BY DIFFERENT ACTORS AND IN WHICH KEY BUDGET DOCUMENTS MUST BE PRODUCED**

BUDGET STAGE	IN CHARGE	KEY BUDGET DOCUMENT(S)
FORMULATION	COUNTY EXECUTIVE	THE ANNUAL DEVELOPMENT PLAN(ADP) COUNTY BUDGET REVIEW AND OUTLOOK PAPER(CBROP) (OUTLOOK SECTIONS) COUNTY FISCAL STRATEGY PAPER (CFSP) COUNTY BUDGET PROPOSAL

APPROVAL	COUNTY ASSEMBLY	ENACTED BUDGET/ APPROPRIATION ACT
IMPLEMENTATION	COUNTY EXECUTIVE & COUNTY ASSEMBLY	QUARTERLY IMPLEMENTATION REPORTS
AUDIT AND EVALUATION	AUDITOR GENERAL	AUDIT REPORTS COUNTY BUDGET REVIEW AND OUTLOOK PAPER(CBROP) (REVIEW SECTIONS)

✓ THE PUBLIC AND THE NATIONAL ASSEMBLY PLAY AN OVERSIGHT ROLE THROUGHOUT THE FOUR STAGES OF THE BUDGET CYCLE

TASK 2.1 ■ MAPPING THE COUNTY BUDGET PROCESS AND KEY KENYAN BUDGET DOCUMENTS 45 MINUTES

TASK OBJECTIVES

- ❖ REVIEWING THE STAGES OF THE BUDGET PROCESS AND THE KEY ACTORS INVOLVED DURING EACH STAGE
- ❖ DISCUSSING KEY BUDGET DOCUMENTS AND KNOWING WHEN TO EXPECT THEM

RESOURCES NEEDED

- ✓ Hard/soft copies of Kenyan budget document name cards found in Annex
- ✓ IBP budget cycle infographic (The budget calendar) available at: http://www.internationalbudget.org/wpcontent/uploads/ibp_kenya_budget_calendar_2015.pdf
- ✓ Flip chart and marker pen

HOW TO RUN THIS TASK

1. Begin with a plenary discussion on the budget process. Introduce the four stages of the budget cycle. Ask the participants to **'List four stages of the budget process, the actors involved in each stage and the roles of each actor'** ((PM, p.56: question 1). Ensure you fill the gaps or take over the discussion where the participants are uncertain.
2. Draw a three column table highlighting the four stages of the budget cycle in the first column then the actors in the second column and label the third column 'key budget documents.'
3. Pass out to individual participants (or groups of two or three) the seven (7) name cards of key Kenyan budget documents and give them 5 minutes to answer question two (2) and three (3) of the task.
4. Let participants pin/ attach the documents to the stage they think the documents correspond to, giving their reasons.
5. Referring to the IBP graphic of the Kenyan budget timeline (Reading 2.2 in the PM, p.61), have a discussion in plenary explaining the timeline in logical order and highlighting the fact that the process is parallel between the national and county governments. As you go, be sure to highlight:
 - a. The statutory deadlines/ timelines on the calendar as per the PFM Act
 - b. The key documents and decisions at both the national and county level
 - c. The role of the public

Emphasize: There are multiple budget years happening at the same time, with one year in formulation, and another in implementation, and another in evaluation all at the same time. That is why we have shown it as an overlapping spiral.

- Refer the participants to the readings in their manuals (PM, p.57) and indicate that the key budget documents (except the ADP that was discussed earlier in Module 1 session 3) will be discussed at length in future sessions.

BACKGROUND INFORMATION

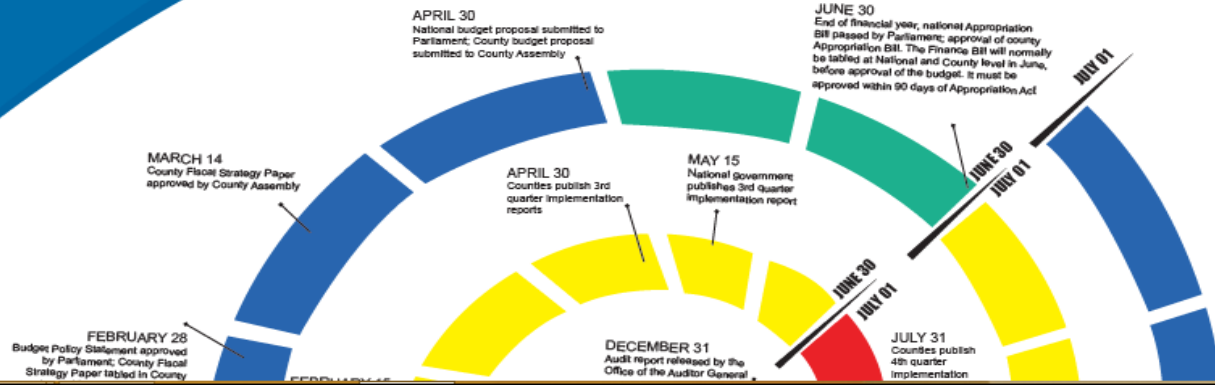
- The financial year in Kenya starts on July 1 and ends June 30 every year.
- There are four stages of the budget cycle and each stage is led by different arms of the government and independent offices. The table below shows the stages and the state organs.

Table 1: Budget Stages and Lead Actors

Stage	Lead actors
Formulation	The EXECUTIVE , through national ministries and county departments, steers this process. The national treasury and the county treasury play key roles at this stage.
Approval	The ASSEMBLY (national and county) reviews, amends and approves the proposed budget. The national and county Budget and Appropriations (BAC) committees play a key role here.
Implementation	Budget is returned to the EXECUTIVE for implementation with ASSEMBLY oversight. The CONTROLLER OF BUDGET ensures that release of funds is as per the budget, and releases quarterly and annually national and county governments' budget implementation review reports.
Audit and Evaluation	The AUDITOR GENERAL produces an annual report and tables in PARLIAMENT for review and further action. National and county Public Accounts Committees (PACs) play a key role in the oversight process.

- Indicate that oversight is undertaken by the county and national assembly as well as the public throughout the budget cycle.
- The budget process is prescribed under the Constitution, legislation and regulations enacted by Parliament, including the Public Finance Management Act, 2012 (PFM Act) and PFM regulations, as well as the County Government Act, 2012 (CGA).

KENYA'S BUDGET CALENDAR: National and County



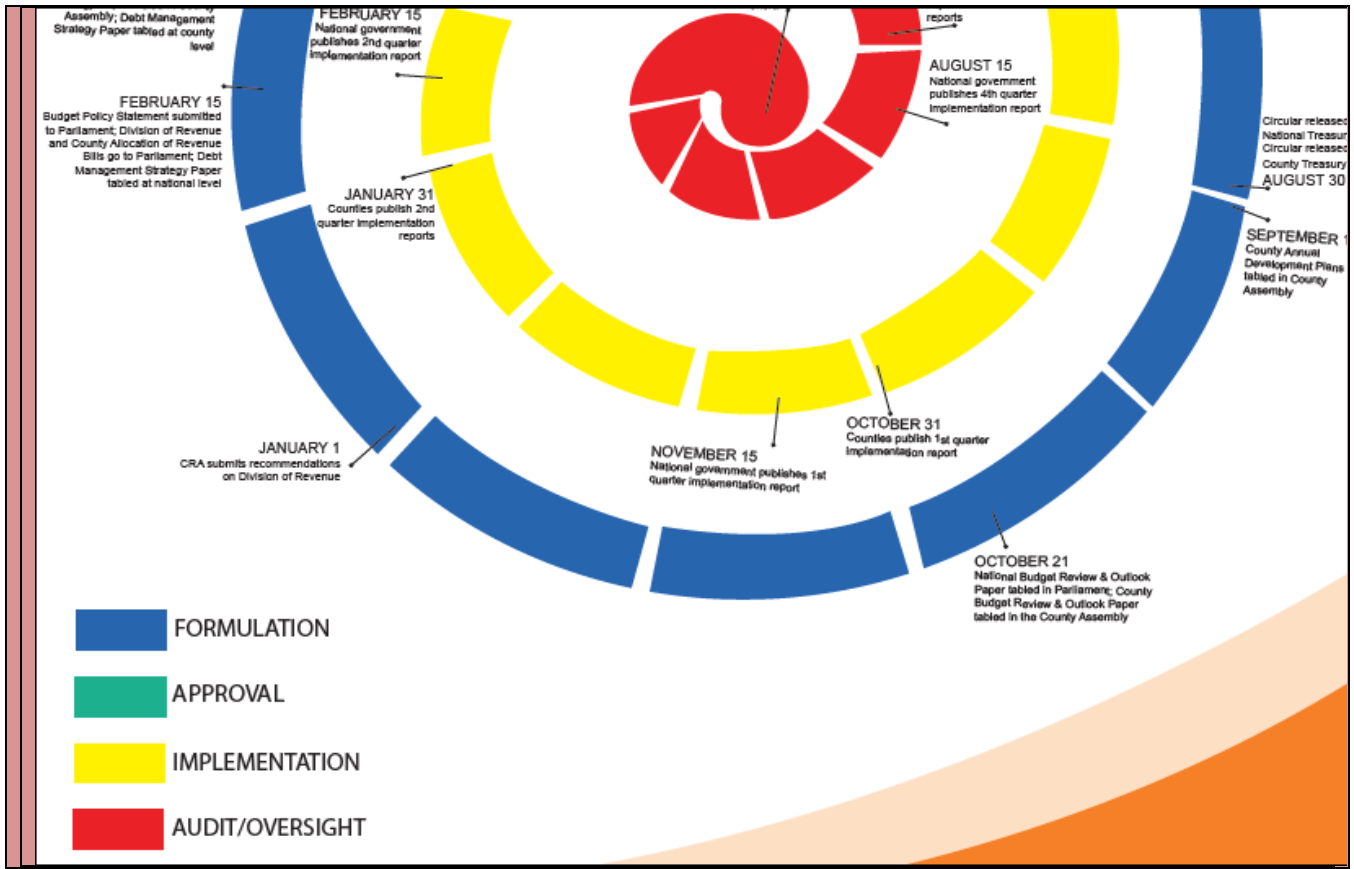


Table 2: Outline of the Key Dates in the in the Kenyan Budget Calendar

STAGE ONE: FORMULATION			
Statutory Deadline/ Timeline*	Key Budget Documents/Processes		Role of the public
	National government	County Government	
August 30	National Treasury Circular identifies “key policy areas and issues that are to be taken into consideration when preparing the budget.”	County Treasury Circular identifies “key policy areas and issues that are to be taken into consideration when preparing the budget.”	No input from the public but circular should also contain calendar for the year including participation opportunities.
September 1		Annual Development Plan (every year including the first year or a new election term) The plan must be made public within 7 days.	Public input after September 7 to the County Assembly.
September 1 to February 15. (National) September 1 to February 28. (County)	National Treasury and the various ministries and agencies undertake some consultation with the public and other stakeholders (sector hearings).	County Treasury and the various ministries/departments and agencies undertake some consultation with the public and other stakeholders (sector hearings).	Public input September 1 to Feb 28.
October 21	National Budget Review and Outlook Paper (submitted to National Assembly by the National Treasury after approval of the cabinet).	County Budget Review and Outlook Paper (submitted to County Assembly by the County Treasury after approval of the County Executive Committee).	Public review after 15 days of tabling in National Assembly (latest November, 4) and 7 days of tabling in the County. Assembly; County Budget and Economic Forum

			to review the CBROP.
February 15	Budget Policy Statement (BPS) tabled in Parliament.	County Treasury given a short window to align County Fiscal Strategy Papers with BPS.	Public input between Feb 15 and Feb 28 at national level.
February 28	Budget Policy Statement to be approved by Parliament.	County Fiscal Strategy Paper to be tabled in each County Assembly. (The CFSP has to be made public 7 days after tabling)	Public input between Feb 28 and March 14 at county level County Budget and Economic Forum to review the CFSP.
March 14		County Fiscal Strategy Paper approval.	
STAGE TWO: AMENDMENT AND APPROVAL			
Statutory Deadline/ Timeline*	Key Budget Documents/Processes		Role of the public
	National government	County Government	
April 30	National budget proposal (estimates) submitted to Parliament.	County budget proposals (estimates) submitted to County Assemblies.	The Citizens Budget should be made available around the same time as the budget proposal/estimates.
May	National Budget and Appropriation Committee hold public hearings on the budget and tables a report with recommendations to full Parliament.	County Budget and Appropriation Committees hold public hearings on the budget and the committees table a report with recommendations to County Assemblies.	Public input between April 30 and June 30, primarily in May.

June 30 (End of Financial year)	National Appropriation Act enacted by Parliament.	County Appropriation Act enacted by County Assembly.	Public input between April 30 and June 30.
STAGE THREE: IMPLEMENTATION			
Statutory Deadline/ Timeline *	Key Budget Documents/Processes		Role of the public
	National government	County Government	
October 31 (County) November 15 (National)	National government publishes 1 st quarter budget implementation report.	Counties publish 1 st quarter budget implementation report.	Keep track of the Executive and give feedback to National or County Assemblies.
January 31 (County) February 15 (National)	National government publishes 2 nd quarter budget implementation report.	Counties publish 2 nd quarter budget implementation reports.	Keep track of the Executive and give feedback to National or County Assemblies.
April 30 (County) May 15 (National)	National government publishes 3 rd quarter budget implementation report.	Counties publish 3 rd quarter budget implementation reports.	Keep track of the Executive and give feedback to National or County Assemblies.
July 31 (County: Next FY) August 15 (National: Next FY)	National government publishes 4 th quarter implementation report.	Counties publish 4 th quarter implementation reports.	Keep track of the Executive and give feedback to National or County Assemblies.

STAGE FOUR: AUDIT AND EVALUATION			
Statutory Deadline/ Timeline*	Key Budget Documents/Processes		Role of the public
	National government	County Government	
October 21 (Next FY)	National Budget Review and Outlook Paper (submitted to National Assembly by the National Treasury after approval of the Cabinet).	County Budget Review and Outlook Paper (submitted to County Assembly by the County Treasury after approval of the cabinet).	Public review after 15 days of tabling in National Assembly (latest November, 4) and 7 days of tabling in the County Assembly; County Budget and Economic Forum to review the CBROP.
December 31(Next FY)	<p>Auditor produces a report on the previous financial year (tabled in the National Assembly).</p> <p>The Public Accounts Committee (PAC) reviews the audit report and makes recommendations to the Parliament.</p>	<p>Auditor produces a report on the previous financial year (tabled in the County Assembly).</p> <p>The Public Accounts Committee (PAC) reviews the audit report and makes recommendations to the County Assembly.</p>	<p>The Auditor General can receive complaints from the public throughout the year.</p> <p>The public should also follow up on the recommendations given by the AG as well as the PAC to see if they are implemented.</p>

TASK 2.1
(QUESTIONS AND ANSWERS)

Question 1 & 2: The four budget stages, the actors in charge of each stage and key budget documents:

Table 3: Summary of the four budget stages, the actors in charge and the key budget documents

Budget Stage	In charge	Key budget document(s)
Formulation	County Executive	The Annual Development Plan(ADP) County Budget Review and Outlook Paper(CBROP) (Outlook Sections) County Fiscal Strategy Paper County Budget Proposal
Approval	County Assembly	Enacted Budget/Appropriation Act
Implementation	County Executive & County Assembly	Quarterly Implementation Reports
Audit and Evaluation	Auditor General	Audit Reports County Budget Review and Outlook Paper(CBROP) (Review Sections)

Question 3 Key county budget documents and their importance in the budget process

Table 4: Description of the Key Kenyan Budget Documents.

Card	Notes	National Government Equivalent
COUNTY ANNUAL DEVELOPMENT PLAN (ADP)	<p>These plans are tabled in the assembly by September 1 each year giving the county ‘strategic priorities’; how the county is responding to the changes in the economic environment as well as programmes and capital projects to be undertaken in the relevant FY (PFM S.126).</p> <p>Importance: The law is clear that no project should be in the budget that is not derived from county plans. The ADP is a good opportunity for the public to modify the proposals in the CIDP (5-year plan) and give specifics as to which sectors and particular programmes they want to prioritize in the upcoming FY.</p> <p>(Refer to Task 1.6 on Reflecting on your county’s Plan).</p>	
COUNTY FISCAL STRATEGY PAPER (CFSP)	<p>This is a paper giving the county’s performance for the current half year, financial projections, sector priorities and sector ceilings for the next year. It gives key economic data and assumptions (such as those</p>	BUDGET POLICY STATEMENT

	<p>related to economic growth or inflation) used in the formulation of the budget for the upcoming year. (PFM S.117).</p> <p>Importance: The CFSP reflects the government’s initial thinking about the budget for the coming year, with the understanding that the final budget may take into account new developments that emerge during the budget formulation period, as well as the feedback that the BPS itself will receive from the cabinet, the legislature, civil society, and the public. Nevertheless, the BPS should set the ceilings for sectors and these should generally not change with the budget.</p> <p>(Refer to Task 2.2 below on Reading Your County Fiscal Strategy Paper).</p>	
<p>COUNTY BUDGET PROPOSAL</p>	<p>This is a proposal that is sent to Parliament and should be made available to the public soon thereafter. It should include revenue and expenditure estimates, macroeconomic and debt information, multi-year budget data, and public policy information.</p> <p>Importance: The budget proposal is the primary document through which the government translates its key policy goals into action. In Kenya, note that the revenue collection measures are actually presented separately in the Finance Bill. However, the expenditure level is based on revenue estimates that were already presented in the CFSP (or BPS).</p> <p>Since government takes these decisions (on revenues, expenditures, and debt) on behalf of all citizens, it is essential that it provides a full explanation of its taxation, borrowing, and spending plans before the budget is enacted to allow for informed public debate and informed legislative discussion and approval, and so citizens know how their money is collected and spent.</p> <p>Note: A non-technical version of the budget that is commonly known as the CITIZENS BUDGET should be produced by the government to ease the process of public deliberation.</p> <p>(Refer to Task 2.5 below on 20 Questions About Your Budget).</p>	<p>NATIONAL BUDGET PROPOSAL</p>
<p>COUNTY APPROPRIATION ACT</p>	<p>A document which is passed into law as the budget to be implemented for the upcoming fiscal year. It is also known as the enacted budget for the coming year.</p>	<p>NATIONAL APPROPRIATION ACT</p>

	<p>Importance: This is the law of the land. It provides the baseline information for any analysis conducted during the budget year. In other words, it is the starting point for monitoring the implementation phase of the budget. It is important to understand any differences between the budget proposal and the appropriation acts, which reflect the changes made by the legislature to the executive’s budget proposal.</p> <p>(Refer to Task 2.5 below on 20 Questions About Your Budget)</p>	
<p>COUNTY BUDGET IMPLEMENTATION REPORTS</p>	<p>These are quarterly reports produced and made available by the counties and the Controller of Budget (Constitution Art. 228). These report on actual revenues and expenditures against original targets in the budget, recent economic developments (e.g., growth, inflation, etc.), financing the budget deficit, and public debt.</p> <p>Importance: These reports provide details on budget implementation during the budget year. They provide a periodic measure of the trends in revenues and expenditure totals to date, giving explanations for any significant deviations from expectations. These provide regular information to policy makers, the press, and the public, to allow for problems in budget execution to be dealt with before the year ends (PFM Act, 2012. S. 101).</p> <p>(Refer to Task 4.1 below on 7 Questions About Your County’s Implementation Reports).</p>	<p>NATIONAL BUDGET IMPLEMENTATION REPORTS</p>
<p>COUNTY BUDGET REVIEW AND OUTLOOK PAPER</p>	<p>This is a paper reviewing the actual fiscal performance of the previous financial year’ as well as ‘updating the economic and financial forecast information as compared to the CFSP’. This document falls within two stages: the formulation and evaluation stage. This is because it has a review of past performance, but also outlook for the coming year.</p> <p>Importance: Performance information allows the government, the public and other stakeholders to effectively engage in the next FY budget cycle from an informed point of view. The CBROP provides provisional (proposed) sector ceilings for each sector and allows for informed sector hearings leading to the preparation and approval of the CFSP. In this sense, it is like a draft of the CFSP which allows sectors to prepare reasonable proposals for next year’s budget (PFM S. 117).</p> <p>(Refer to Task 2.2 below Reading your CBROP)</p>	<p>NATIONAL BUDGET REVIEW AND OUTLOOK PAPER</p>

<p style="text-align: center;">COUNTY AUDIT REPORT</p>	<p>This document produced and issued by the country's Supreme Audit Institution (Auditor-General) on an annual basis assesses the government's year-end final accounts and whether public resources were utilized effectively.</p> <p>Importance: Audit Reports (AR) provide the public with an independent account of whether the government's reporting of how it raised revenue (e.g., taxes) and spent public funds during the previous year is accurate. It also indicates whether the government has complied with financial management laws.</p> <p>The AR is a critical element in closing the accountability loop. At the start of the year, the legislature approves a budget that sets out how the government intends to tax, borrow, and spend public money. Thus, at the end of the year, the legislature and public require a credible assurance that the government's account of how it actually implemented the budget can be believed, and whether it remained at all times within the law.</p>	<p style="text-align: center;">NATIONAL AUDIT REPORT</p>
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FURTHER READINGS

Refer to the following readings in the Participant Manual and visit the websites recommended:

- i. Other Sources of Budget-Related Information in Kenya
- ii. Kenya's Budget Process under the PFM Act 2012

Annex: Kenyan Budget Document Name Cards

COUNTY ANNUAL DEVELOPMENT PLAN (ADP)	COUNTY APPROPRIATION ACT
COUNTY FISCAL STRATEGY PAPER (CFSP)	COUNTY BUDGET IMPLEMENTATION REPORTS (QUARTERLY AND ANNUALLY)
COUNTY BUDGET PROPOSAL (ESTIMATES)	COUNTY BUDGET REVIEW AND OUTLOOK PAPER (OUTLOOK SECTIONS)
COUNTY AUDIT REPORT	COUNTY BUDGET REVIEW AND OUTLOOK PAPER (REVIEW SECTIONS)