



Notes and comments from North Rift regional meeting of key actors in the countybudget process

Kerio View hotel, January 12, 2016

Summary

The budgeting process has not been smooth in many counties in the region. There have been misunderstandings between various actors over budget priorities, lack of evidence of fairness and equity in resource distribution, uncoordinated processes of collecting public input, and lack of explanatory notes justifying major budget decisions and so on. The failure to provide compelling reasons for choices made has created mistrust and tension between all of the actors involved i.e. assembly and executive, technocrats and the political class, government and the public. While some counties have managed to address some of the issues, many counties are still struggling to find a lasting solution.

In view of this Kerio Center called for a regional meeting in the North Rift to discuss ways of improving the budget process. The regional meeting provided a platform for actors from Elgeyo Marakwet, Baringo, West Pokot and Nandi counties to share ideas, experiences and suggested solutions to issues of common concern. A number of challenges were discussed in this forum and are detailed in these notes. Some of the cross-cutting issues emerging include: the time available for various actors to perform their roles at various stages in the budget calendar, a need for greater coordination of public consultations to avoid contradictory input collected by the executive and assembly, and defining and applying the concept of equity and providing explanation for decisions taken. In this brief, we present the reactions of external actors and participants on the budget process and discuss interventions suggested to improve the budget process.

Key matters arising

- There is limited time in the budget calendar (PFMA) available to review documents, especially for the assembly.
- The production and review of key documents – ADP, CBROP, CFSP, and ESTIMATES –is time consuming while on the other hand, some of these documents and processes duplicate efforts e.g. ADP and budget estimates. Both of these documents are required to provide substantial budget detail, including lists of projects, rather than one (the ADP) providing broad guidance in the formulation of the other. How do we

streamline the set of budget documents to create understanding between actors, allow time for production and review to ensure quality outcomes, and also enable wider and meaningful participation from stakeholders?

- Defining equity and equality - how do we distribute resources fairly and equitably? What information do we need to ensure equity?
- Who is responsible for collecting data needed to define priorities and ensure well-informed choices? How do we ensure this data is used?
- Engaging with the public to strengthen and improve the quality of budget decisions - how do we engage with the public to get quality feedback and reasonable demands? How do we frame the questions and present information to the public to get the right balance between the available resources and the expectations?
- Supplementary budgets contribute to the mistrust between actors— some counties make radical changes midway through the financial year rather than using the supplementary to address unexpected events, which is its main purpose. How do we work together at the formulation stage to confine supplementary budgets to unforeseen expenditure?

Practitioner reactions to external perspectives on the budget process presented by Kerio Center

The presentation looked into the practices and processes of budget formulation and enactment across the region's counties. It assessed the causes of tension and mistrust between actors using examples from several counties. It pointed out that the lack of justification of actions taken by both the executive and assembly was one of these causes. There are many cases where the executive has not provided reasons for its budget choices, while the assembly has made huge shifts but again failed to explain why those changes were made. Other causes of tension include absence of evidence of equity and fairness in resources sharing across wards. The delay in budget approval in Uasin Gishu, Nandi and Trans Nzoia that saw the three counties without budgets at the beginning of the new financial year was due to lack of evidence of how each ward's needs were catered for in the budget. The respective executives presented budgets to the assembly without demonstrating how funded projects were distributed across wards, which forced the assembly to make huge cuts in department, vote and programs funding to create equal ward level share of the budget.

The following are some of the reactions of the participants to the presentation by Kerio Center on challenges in budgeting in the region. The presentation itself is available as an attachment.

The budget calendar does not accord the actors sufficient time to constructively engage in the budget process. For example;

- a) CFSP approval period of February 28 – March 14: the two week period during which the assembly is required to review and approve the CFSP is not enough for the committees to study the CFSP and make informed judgment on the sector ceilings. Generally, there is need for more time for stakeholders to negotiate over changes and agree to avoid tension related to unjustified actions taken at the CFSP enactment stage.

Supplementary budgets have had negative effects on budget implementation. Some counties do more than one supplementary budget, altering the initially agreed set of objectives and targets in the budget. Considering that there is no public participation required to approve a supplementary, there is a concern that sometimes they are used to introduce new items into the budget in place of the priorities of the people. According to participants, there are several factors causing these revisions, some of which could be addressed to reduce the revisions while others are necessary:

- i) Unforeseeable circumstances normally necessitate budget revisions for example, failure to achieve revenue targets.
- ii) Both sides feel that no one is consulting with the experts in the departments on actual costs of goods and services and, projects while setting the budget. This in turn has led to unrealistic estimate which has seen budgets vary from bills of quantity.
- iii) Carry-over funds must be appropriated before they are spent. While counties may factor in balances in their subsequent year's budgets before approval, it is difficult to establish the size of the balance and submit the information to the assembly when the budget is reviewed because payments are being made until the last day of the year. This also necessitates supplementary budgets to appropriate the balances.
- iv) Delayed approval of supplementary budgets contributes to the previous point. Most of the time, supplementary budgets are approved around the same time when the CFSP is tabled at the assembly, which means there is only one quarter remaining in the financial year to absorb the revised budget.

Other causes of budget revisions are low absorption rates as a result of lengthy procurement processes.

Another reaction was that most assemblies have not fully utilized the technical capacity of their assembly budget offices to ease the work of the committees. As stated earlier, the budget documents are technical which demands equivalent level of technical capacity - the fiscal analysts have equivalent capacity to that of the technocrats at the executive who develop the budget documents. This observation places the analysts in a position to create an understanding between the two key actors on budget priorities from a technical perspective and thus smooth the budget process.

Cross-cutting issues - practitioner observations

The budget making process is too onerous while counties still suffer from insufficient human resource capacity. The process demands production of many documents which duplicate content of others. For example, the law requires the ADP and the budget estimates to be produced and presented in almost similar structure and also with the same content. These are two different documents serving the same purpose in the budget process in terms of content, but which are produced at different stages in the cycle. Among the challenges with the production of these documents is that it is a duplication process. There is a requirement of public participation at ADP stage, and then it is subjected through similar process at the sector hearings between December and January to inform the sector ceilings set by the CFSP and finally, production of the budget estimates which again require public participation on the same content in the ADP and which was discussed earlier during sector hearings. All these processes run concurrently with the current budget implementation. Considering counties' human resource deficiencies, the resources available to counties and time to carry out these processes require review of the processes and production of the documents constituting the budget. In addition, the processes also fatigue the

public when the discussion is over the same thing over and over. The law should be revised to allow the production of documents constituting the budget at the formulation stage to be streamlined and integrated to reduce the number and the intensity of work involved. This would allow sufficient time for quality processes. For example, the ADP could be designed to provide a more macro-perspective on the budget rather than detailing specific projects, allowing for a process of progressively refining ideas through the budget cycle.

The budget and related documents e.g. the budget estimates and BAC committee reports lack clear justifications of major decisions taken. According to budget producers i.e. head of budgets and planners, it is assumed that readers have been involved in the previous stages and therefore are aware of the genesis of those decisions. For example, the ADP makes choices on initiatives/projects which are later reflected in the budget estimates. This implies that discussions have been ongoing and everyone was part of that discussion from the onset hence there is no need for explanations of choices made in the budget estimates. However, final decisions were not always justified in earlier documents, so this is not necessarily adequate.

The absence of explanations in the budget documentation decisions taken has resulted in major budget shifts which are not justified. These shifts have resulted in mistrust between the executive and legislature hence making the process less smooth. For example, BAC is empowered by the PFMA to reduce/increase funding of items in the budget; however, in many cases, the executive has failed to justify its choices while on the other hand the budget and appropriation committee has failed to question lack of explanations or seek justification for those choices.

The mistrust between actors is also caused by the two levels of consultations – executive-led public participation and public hearings held by the assembly. Public participation is not structured to allow harmonized views and input collected at the two levels. In many cases, the executive and legislature consult a different set of public actors, hence resulting in different input, which fuels the tension between the two actors. For example, if the input collected by the assembly contradicts the executive budget proposals, this will be viewed as evidence that the executive did not consult the public, and this becomes an excuse for the assembly to make major shifts in the budget.

The absence of evidence of equitable resource distribution at ward level is also a cause of mistrust. While some counties managed to demonstrate fairness in resource sharing in the budget documents through explanatory notes and laws, many counties have failed to show a plan to equitably distribute resources across wards based on their different needs. In addition to counties failing to demonstrate evidence of equity, it was also observed that there is lack of clear understanding of the term equity and its difference with equality across county assemblies. A clear definition of this subject is crucial to ensure fairness and equity.

The structure and operations of assembly committees is also a source of mistrust and tension within the assembly committees which spills over to the executive in some cases. Participants observed that the independence of the sectoral committees at the assembly to summon and consult with the respective departments is interfered with by other powerful committees. For example, there were several concerns across the represented counties that there are instances where a sector committee agreed with the respective department on justifications given on decisions taken on the budget only for BAC report to recommend changes which were contrary to that agreement without justifications or explanation. When the department inquired from the respective sector committee on why the agreement reached earlier had been broken, the committee shifted the blame to the BAC. To ensure

optimum performance of the assembly, sector committees which have provided explanations for choices made deserve sound reasons from the BAC if their agreements with departments are not respected.

Participants also observed that, counties are having difficulty finding funding for new projects while catering for ongoing initiatives. County assembly committees tend to ignore the costs of ongoing initiatives, especially flagship projects at the expense of new projects. This is despite the fact that they approved these initiatives in the previous budget. Take for example a phased construction of county referral hospital in Trans Nzoia, which was started in 2014/15 while in 2015/16, the second phase allocation was cut by about -200%. There are several possible scenarios here:

- i) The assembly could be right in its decisions to cut the funding. But lack of explanatory notes to justify the funding reduction decision undermines the legitimacy of that decision.
- ii) For example, it could also mean that the assembly made this decision based on absorption capacity of the project funds. If according to the progress report, the previous phase of the project was implemented in a slow phase, the assembly may have decided to shift funds to other areas of services delivery of more immediate need.

In this, case, without written notes to support assembly actions, however, these remain speculations, hence fueling the mistrust between the assembly and executive.

County assembly oversight of the budget is critical for improved service delivery. County assemblies are still struggling to play this role effectively. Currently, assemblies are faced with a number of challenges:

- i) Timely submission of quarterly implementation reports. There is delay in submission of quarterly implementation reports in some counties while many others do not submit these reports at all to the assembly (or the public).
- ii) Budget committee accessibility to funds requisitions documents. It emerged from this meeting that, committees in charge of finance do not access funds requisition documents in order to tell which specific budget items are lined up for expenditure in a given quarter. This makes oversight difficult as it is not easy to compare implementation reports against planned spending at a detailed level.
- iii) Absence of budget implementation work plans. The oversight of the budget largely depends on a plan of budget implementation which divides the budget into four parts in line with the quarterly reporting periods. This will enable committee to review quarterly progress against a plan and targets.

Practitioner suggestions: interventions and possible solutions

Budget producers and assembly committee should provide budget notes to explain decisions taken at the respective stages of the budget decision making process to promote understanding and informed decisions by all actors. West Pokot assembly budget and appropriation committee reports provide indicative notes on areas affected by the changes made and the chairperson has pledged that BAC to add reasons why those changes were made in future reports.

There is a need to streamline the budget process. For example, the process of formulating and producing ADPs and budget estimates should not be a duplicate in both structure and content but rather a continuous fine tuning and strengthening process. This also applies to CIDPs.

To achieve fairness and equity, data and information in budgeting should play a critical role. This requires that all actors understand and appreciate the concept of equity. Elgeyo Marakwet County has a law on equitable distribution of resources which applies parameters that uses data and information to allocate resources across wards while taking care of flagship projects.

Counties lack sufficient human resource capacity; scarce financial resources hinder recruitment for enough personnel to perform various functions. To ensure that the budget process benefits from the current available technical capacity across the arms of county governments, technocrats should be encouraged to work together and continuously build their capacities.

County assemblies require about 20days to review and approve the CFSPs from current period of 14 days i.e. February 28 when it is received at the assembly to deadline of approval of March 14. Participants suggested possible options for this to happen;

- i) **First option:** consult with national actors such as Parliament to revise the PFMA regulations to extend the deadline from two to three weeks i.e. setting a new deadline to be March 21 every year.
- ii) **Second option:** consult with the national actors such as Treasury and Parliament to allow the tabling of BPS to be ten days earlier i.e. February 5 every year from current date of February 15 to allow counties to prepare and table their CFSPs on February 15 then the current deadline for approval is maintained.
- iii) This was left for a subsequent meeting to explore further and make a decision on way forward.

To reduce supplementary budgets and improve delivery of services, participants suggested improvements in the following:

- i) Improved consultations at the budget formulation stage to ensure accurate estimation of cost of goods and services, and projects in line with the Bills of Quantity
- ii) Limit payments to about 10days to close of the financial to ensure carry-over funds are captured in the approved budget.

To reduce the variance in public views and proposals collected at the executive-led public participation and county assembly public hearings, it was suggested that the executive and assembly need to agree on a coordinated approach of consulting the public. Elgeyo Marakwet County is working on a structure to conduct joint and streamlined public participation.

Other suggestions to improve the quality of public participation and input included the following;

- i) Provide feedback on progress and impact of input from previous participation – what was used, what was not and why not. This will provide an incentive for sustained participation.
- ii) Give adequate notices of public forums to enable the public to prepare for attendance and participation.
- iii) Simplify and present easy-to-understand information a week prior to forums to enable informed participation. A suggestion was made on a regional template of simplifying budgets.

To achieve fairness and equity in resources distribution, participants suggested that a definition and application of equity should be established. According to participants, there is misunderstanding of the term equity by various actors which sometimes has been misconstrued to mean equal.

It was also agreed that, the region needs to establish and share the importance of balancing the development agenda in a manner that while new ward level projects in a given year is catered for, so are ongoing and flagship projects to ensure unified and sustainable economic growth.

Proposed date for next meeting and agenda

Participants agreed that the regional meeting was an important avenue for the technocrats and selected committees at the county assembly to share ideas and collectively find solutions to common challenges facing the region. It was agreed that meetings shall be held quarterly or based on merging issues, however the next meeting shall be held on Monday February 8, 2016 in Eldoret. After consultations with participants in consideration of various aspects of the subject matter, it has been agreed that the next meeting be postponed until a new date is communicated in the course of next week.

The agenda for the next meeting will be to review the CFSP and involved processes. We will look at draft CFSPs for counties who will have managed to produce this paper. We also look at examples from previous CSFP processes from across the counties and how to improve those processes in the 2016 CSFP.

Participants suggested inclusion of budget implementation chairpersons in the subsequent meetings as we collectively find solutions to budget implementation oversight issues identified earlier.

Roles and responsibilities

Mr Maritim, EMC DP and, Teresa, W/Pokot D/DP to mobilize heads of planning

Mr Michoti, EMC deputy HOB to Liaise with Chebet, W/pokot HOB to mobilize fellow HOBs

Lokemer, EMC Fiscal analyst to mobilize assembly technocrats – fiscal analysts, budget officers etc

Hon Lokor and Hon Keter, Chairperson for BAC from W/Pokot and Nandi respectively to coordinate and mobilize BAC and budget implementation committee chairs.

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