Growing tomorrow's economy
The budget and the Constitution

National Budget 2012/2013

Budget process

Unlike in the past, the budget process has become more consultative as provided for in the new Constitution, Fiscal Management Act 2009 and Parliamentary standing order

There has been more involvement of Parliament through the Parliamentary Budget Committee and better consultations with stakeholders and the public through the Sector Working Groups (SWGs)

The new budget process involves three main stages:

Stage 1: Budget planning and preparation

The planning process is supposed to benefit from broad-based participation by the citizens. The districts' (in the old system) or Counties' (new system) aspirations are collated into a National Development Plan, which also spells out macro policies and programmes to be implemented in a five-year period. The medium term expenditure framework (MTEF), the budgetary system in Kenya, links policymaking with planning and implementation of budgeted projects in a three-year rolling framework.

The actual budget preparation begins with a Treasury circular defining the broad parameters of the budget and sets expenditure ceilings. The Circular defines the budget finalisation calendar, which includes public hearings as one of the activities. At this stage, citizens have an opportunity to generate and contribute issues of interest in the budget.

The proposals from the districts / counties are then consolidated with those of the line ministries and thereafter sector negotiations for allocation of resources commences. Apart from public hearings, the Minister for Finance receives presentations from professional associations or groups. These presentations give both expenditure and tax proposals, some of which the Minister takes on board in drafting the Finance and Appropriations Bills.

Stage 2: Presentations to Parliament and the approval stage

The Minister for Finance presents the Budget Speech to Parliament. The budget is presented as a motion to Parliament, debated and approved, sometimes with amendments. Upon approval and the passing of the Finance and Appropriations Bills, the government is effectively authorised to raise revenue through taxes and to spend them in accordance with the approved estimates.

Other mandatory events before the budget presentation and approval, and the specific dates when the milestones were achieved during the 2012 process, include:

- Treasury prepares and submits the Budget Policy Statement (BPS) to parliament - 17 April 2012
- Parliamentary Budget Committee scrutinizes the BPS and provides recommendations - 25 April 2012
- The Treasury submits the estimates of revenue and expenditure to Parliament - 26 April 2012
- Parliamentary Budget Committee scrutinizes the Estimates and conducts consultation meetings and issues a report thereon to Parliament and Treasury - 6 June 2012
- Treasury incorporates the recommendations and submits revised Estimates to Parliament
- Finally, The Minister presents the Budget to Parliament on Thursday 14 June 2012.

Stage 3: Budget execution

This final stage involves implementation, supervision and audit, and follows Parliamentary approval. It entails the final disbursement of funds to Ministries, Departments and Agencies (MDAs). Budgetary resources are disbursed to line ministries and departments through exchequer issues. The Permanent Secretaries are then allowed to grant Authority to Incur Expenditure (AIE) to various MDA heads to implement the government programmes.

At the execution stage, the process should allow for effective commitment, control and accountability. There should be active and effective internal audit supplemented by expenditure tracking surveys.