MANDERA COUNTY GOVERNMENT

COUNTY TREASURY

Ref No: MCG/CT/CB/2018/2019 **Date: 30th August, 2017**

TREASURY CIRCULAR NO.1/2017

TO: ALL COUNTY ACCOUNTING OFFICERS

GUIDELINES FOR PREPARATION OF FY 2018/2019 BUDGET

A. PURPOSE

1. Section 128(2) of PFM Act 2012 requires CEC finance to issue circular setting out guidelines to be followed by all county government entities in the budget making process by 30th August of every year. This Circular therefore provides guidance for the County Government Ministries and departments for the preparation of the 2018/2019 budgets and Medium Term Expenditure Framework (MTEF) for **2018/19 – 2020/21** MTEF period and the key dates for its delivery. The guidelines are intended to:

i. Advise on the policy framework underpinning the Budget for the 2018/19 – 2020/21MTEF period;

ii. Provide guidance on the form and content of the budget proposals and the cost of the programmes to be funded

iii. Emphasize the statutory timelines and requirements indicated in the attached budget calendar.

iv. Emphasize compliance of the budget with relevant laws and regulations

v. Provide a checklist for an ideal county budget which is compliant with the relevant regulations, standards and public expectations

B. BACKGROUND

2. Budget is a fiscal tool whose preparation and subsequent implementation is geared towards improving the livelihood of the people through improved incomes and social welfare. This is only possible if we reflect on our productivity as county government and our

ability to implement decisions and policies more effectively. As a county government, we have to show greater commitment to ensuring that the citizenry receive better services from all the County government entities. This is only possible if we invest in broad based programmes that are aimed at increasing economic growth and development of the county.

3. The aim of the 2018/19– 2019/2020 Medium Term Expenditure Framework Budget for the County is to strike an appropriate balance between support for growth and Fiscal discipline while providing room for the implementation of devolution as enshrined in the constitution. Specifically, the 2018/19 budget will aim at achieving efficiency and improving the productivity of expenditure while at the same time ensuring that adequate resources are available for operations, maintenance and implementation of our development agenda.

4. In this regard, The 2018/2019 budget should provide a firm foundation for achieving development objectives outlined in the Second Medium Term Plan of Kenya Vision 2030 and the County's annual plans. The focus of the 2018/19 – 2019/2020 budget will therefore be on programmes aimed at achieving high levels of investment in economic and social infrastructure which promote rapid economic growth, support employment, broaden economic activity and firmly and tactfully confront emerging challenges like insecurity.

C. THE GUIDELINES

5. The following will guide the preparation of 2018/19– 2019/20 MTEF County budget proposals.

I. Medium Term Development Strategy

6. The priorities outlined in the Medium Term Plan of Kenya Vision 2030 and the County Integrated Development Plan will guide the development of sector priorities, policies, plans and monitoring and evaluation processes for FY 2018/19 -2019/2020 County MTEF budget.

7. When preparing the budget proposals, County government entities are expected to focus on the County priorities contained in the County Annual Development Plans. County government entities should ensure that budget proposals give priority to the following:

a) Programmes/projects that address the county priorities as desired by citizenry and captured through public participation notes.

b) Programmes/projects that address the County priorities and objectives of the County Integrated Development Plans and the Annual Development Plans.

c) Programmes/projects that invest in priority areas that support social development and economic growth and transformation

d) Adequate provision for mandatory expenditures like personnel costs

8. County government entities are expected to ensure that proposed programmes and projects are in line with the County Integrated Development plan. Specifically, the County government entities will be expected to:

i. Review County objectives and strategies in line with the overall goals outlined in the County Integrated Development Plans and annual development plans;

ii. Analyze cost implications of the proposed programmes, projects and policies for the MTEF period;

iii. Priorities should be given to completion of on-going projects and operationalization of the completed projects in a way that will deliver service to the tax payers

iv. Prioritize County Programmes and allocate resources appropriately in accordance with an agreed criteria and justification for the prioritization;

v. Coordinate activities leading to the development of County entity reports and indicative County Budget proposals

In the medium, the following have been identified as priorities for the county.

1. Effective, efficient and functioning Health Sector that is accessible to all county residents
2. Water Security throughout the county
3. Improved food Security supported by enhanced Agriculture output through comprehensive irrigation schemes
4. Infrastructure development particularly Roads and Airports
5. Economically viable livestock sector
6. Build revenue raising capacity in order to be able to finance 10% of recurrent Expenditure of the county government in next three years and effective management of those resources
7. A performing Education Sector especially ECD sector
8. Sustainable use of natural resources in our environment particularly lands and land based resources

II. County Integrated Development Plan

9. The county government has already developed its County Integrated Development Plan (CIDP) which sets out the development priorities for the county. Accounting Officers are expected to familiarize themselves with it and align their budgets to the approved County Integrated Development Plan.

III. Programme -Based Budgeting (PBB)

10. It is expected that the 2018/19 Budget will be presented and approved in programmes in accordance with Section 210 (12) of the Public Financial Management Act (PFM Act) 2012.

In view of this, county entities are expected to define programmes with clear objectives (which usually refer to outcomes), and linked to outputs, performance indicators and targets. In designing programmes, the structure should match up to the main lines of service delivery in the County entities. Programme performance indicators should mainly be indicators of programme outputs (services provided) and outcomes (effectiveness),

11. Programme performance targets should be specific, measurable, achievable, realistic, and time bound. Targets should be set only for those key performances which are considered reasonably controllable and for which baseline performance has been reliably measured. It is emphasized that each programme should be confined within a single Ministry or department and all functions should fall within programmes.

12. Accounting Officers should ensure that in designing programmes, each and every function or activity undertaken by the county is included in relevant programmes. In particular, care should be taken to ensure that:

i. There are no crosscutting activities or functions which are not assigned to respective programmes;

ii. Each programme has a distinctive name that reflects the overall objective of a programme; and

iii. There is no duplication of programme names used by other County entities.

IV. Performance Review of the Expenditure

13. Programme performance review is a critical factor in successful programme budgeting and requires continuous refinement of plans and budgets. In addition to that, it helps in realizing the governments strategic and policy priorities and it encourages accountability within the county government institutions.

14. The programme performance expenditure review focuses on the efficiency and effectiveness of programme expenditure and whether spending is focused on the highest priorities and therefore using the lessons learnt for making decision on future expenditure decisions.

15. The programme performance expenditure review process will be used to determine MTEF budgetary allocations by assessing whether value for money has been obtained in previous allocations, which programmes are to be given priority in terms of funding and whether it will be prudent to discontinue some projects or hand them over to other County government institutions. This is expected to contribute towards an efficient and effective way of allocating resources.

16. Programme performance expenditure review should be continuous exercise and performance review reports should be prepared from time to time.

V. Prioritization and Allocation of Resources

17. The County government will continue with its policy of expenditure prioritization with a view to funding core services, ensuring equity and minimizing costs through the elimination of duplication and inefficiencies. These decisions will have implications in the budget ceilings to be provided in County Fiscal strategy paper.

18. The following criteria will serve as a guide for allocating resources:

- Linkage of the programme with the Objectives of the medium term plan

- Linkage of the programme with the Objectives of the County development plans.
- Degree to which a programme addresses core poverty interventions
- Degree to which the programme is addressing the core mandate of the County entity
- Expected outputs and outcomes from a programme
- Cost effectiveness and sustainability of the programme

19. County government entities shall undertake a reprioritization exercise which must address the following:

- The County government entities should identify the programmes/projects that are of low priority and come up with savings which should be directed to high priority programmes that promote social-economic development
- The County government entities are also required to introduce mechanism of efficiency savings in their budgets. This is intended to ensure that funds are directed to service delivery, rather than non-essential spending. Efficiency savings can be achieved through reducing operating costs and non-service delivery activities and should be considered for all programmes;

VI. Specific Guidelines

Wages & Salaries

20. The County government is committed to implementing an affordable pay policy which provides for a harmonized and unified framework for determining pay while eradicating wage discrepancies. County treasury should be notified of any required increases to the number of employees in a ministry. All accounting officers are expected to make adequate personnel cost for the existing staff, carefully consider any additional staffing level as well as any anticipated promotions.

Use of Goods and Services

21. The County government will undertake such austerity measures to scale down non-core operational expenditures mainly in the use goods and services. Savings identified should be directed towards investment, maintenance and other development needs of the County.

Capital Projects

22. Completion of the on-going projects and programmes must be accorded priority. In this regard, capital expenditure must be applied towards the funding of on-going projects and programmes that are near completion and have under gone due process. County government entities should provide adequate information to support the existence of ongoing projects

which should include a list of the ongoing projects with details of total cost, start and end date, cumulative expenditure to date, balance to completion, and amount required over the medium term.

D. CONCLUSION

23. The following characteristics of the budget should be used as a checklist by all ministries:

(a) **Program based.** Ministerial budgets should be aimed at financing projects and activities with clear outcomes which enable the entity to achieve/ deliver on its core mandate. Ministries should never allocate funds to mere processes whose output and impact cannot be quantified.

(b) **Balanced.** Proposed expenditures should be equal to the revenue streams. There should be no budget deficit or surplus.

(c) **Value for money.** County projects should yield results or outputs commensurate to resources invested in them.

(d) **Clearly itemized.** The items in the budget and their costs should be clearly stated. Location of development projects in terms of sub counties, wards, towns etc. should be stated.

(e) **Public driven.** Law requires the county government to subject its budget process to public scrutiny. Public should be given adequate time and opportunity to have their inputs in the budgets

(f) **Compliance with the law.** Budget should adhere to all relevant regulations and laws especially PFM ACT 2012

(g) **Use of planning information.** Planning precedes budgeting. Information from planning activities and documents must be used to make budgetary decisions.

24. Finally, Accounting Officers are required to ensure strict adherence to these guidelines and to bring the contents of this Circular to the attention of all Officers working under them.

Ibrahim B. Hassan

COUNTY EXECUTIVE MEMBER /COUNTY TREASURY

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Annex

No	Major Activities	Responsibility	Deadline
1.	Preparation and submission of budget circular	County treasury	30th August
2.	1 familiarization of programme based budget(ministries to use relevant literature like county budget manual available in national treasury website)	Ministries	continuous
3.	Identification of key programs in each ministry	Each ministry	By January 2018
4.	Public Participation programs	Each ministry (coordinated by the County Treasury)	By february 2018
5	Preparation of CFSP	County treasury	By 20th February 2018
6	Submission of draft departmental programs and detailed budget to the county Treasury (The budget must adhere to the ceiling given in CFSP)	Each ministry	10th March 2018
7	County Treasury to compile, consolidate, rationalize, allocate resources and finalize the budget in consultation with the Governor and Deputy	County Treasury	15th March 2018
8	Approval of the budget by the Cabinet	The cabinet	30th of March 2018
9	Preparation of procurement plan based on budget	Each ministry	By 15th April 2018

12	Submission of the budget to the assembly	County Treasury	20th April 2018
13	Preparation of Appropriation bill, gazetement, passage of the bill to make it an Act, Gazetement of the Act, General Warrant and sign off	County Assembly and County Treasury	20st May to 15th June 2018
14	Uploading of approved budget in IFMIS	County treasury	By 20th July 2018

Yours Faithfully

Ibrahim B. Hassan
CEC MEMBER FOR FINANCE AND ECONOMIC PLANNING