

COUNTY GOVERNMENT OF MANDERA



THE COUNTY TREASURY

Ref No: MCG/CT/CB/2025/26

Date: 30th August, 2024

TREASURY CIRCULAR NO.1/2024

TO: COUNTY SECRETARY
ALL COUNTY EXECUTIVE COMMITTEE MEMBERS
ALL COUNTY CHIEF OFFICERS
COUNTY ATTORNEY
CHIEF OF STAFF
CEO, MADAWASCO/ELWASCO
MANAGER, MUNICIPALITIES
SECRETARY, MCPSB

RE: GUIDELINES FOR THE PREPARATION OF FY 2025/26 AND THE MEDIUM-TERM BUDGET

A. PURPOSE

1. Section 128(2) of the PFM Act 2012 requires the CECM for Finance to issue a 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 to the County Government departments and entities for the preparation of the FY 2025/26 budget and the Medium Term Expenditure Framework (MTEF) period, including the key dates for its delivery.

The guidelines are intended to:

- i. Advise on the policy framework underpinning the Budget for the FY 2025/26 and Medium-Term Budget;
- 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 for key activities in the budget preparation process as indicated in the attached budget calendar;

- iv. Emphasize compliance of the budget with relevant laws and regulations; and
- v. Prioritization process and costing of programmes, projects and activities.
- vi. Framework for public participation in the budget process.

B. BACKGROUND

- 2. The budget is a fiscal tool whose preparation and subsequent implementation are geared towards improving people's livelihoods through improved incomes and social welfare. This can only be achieved if we, as a county government, critically assess our productivity and ability to implement decisions and policies effectively. Therefore, we must demonstrate a strong commitment to providing better services across all county government departments and entities. To do this, we need to invest in comprehensive programs to drive economic growth and development in our county.
- 3. The aim of the FY 2025/26 and Medium Term 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 of Kenya 2010. Specifically, the FY 2025/26 budget will aim at achieving efficiency and improving productivity 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 FY 2025/26 budget should provide a firm foundation for achieving development objectives outlined in the Fourth Medium Term Plan of Kenya Vision 2030 and the County's annual plans. The focus of the FY 2025/26 and the Medium-Term budget will therefore be on programmes aimed at achieving high levels of investment in both economic and social infrastructure, which promote rapid economic growth, support employment, broaden economic activity, and firmly and tactfully confront emerging challenges like insecurity.
- 5. The County Budget process is defined under PFM Act section 125. All Accounting Officers are required to consider the processes highlighted in this circular and ensure proper linkage between plans and budget.

C. THE GUIDELINES

- 6. The following will guide the preparation of the FY 2025/26 and Medium-term County budget proposals.

I. Medium Term Development Strategy

- 7. The priorities outlined in the Medium Term Plan IV of Kenya Vision 2030, Bottom-Up Economic Transformation Agenda, and the County Integrated Development Plan III will guide

the development of sector priorities, policies, plans, and monitoring and evaluation processes for FY 2025/26 and Medium-Term Budget.

8. When preparing the budget proposals, County government entities are expected to focus on the County priorities contained in the County Annual Development Plan of 2025/26. All County government entities and departments should ensure that budget proposals give priority to the following:
 - a) Programmes/projects that address the county priorities as desired by the citizenry and are captured through public participation reports.
 - b) Programmes/projects that address the County priorities and objectives of the County Integrated Development Plan and the Annual Development Plan 2025/26.
 - c) Programmes/projects that invest in priority areas that support social development, economic growth, and transformation.
 - d) Adequate provision for mandatory expenditures like personnel costs.
9. County government entities and departments are expected to ensure that proposed programmes and projects are in line with the County Integrated Development plan 2023-2027. 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 Plan and annual development plan;
 - ii. Analyze cost implications of the proposed programmes, projects, and policies for the MTEF period;
 - iii. Priorities should be given to the completion of ongoing projects and operationalization of the completed projects in a way that will deliver service to the taxpayers
 - iv. Prioritize County Programmes and allocate resources appropriately in accordance with the agreed criteria and justification for the prioritization;
 - v. Coordinate activities leading to the development of County entity/departmental 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 Mandera county residents
2. Access to clean, safe, and sustainable water throughout the county.

3. Improved food Security supported by enhanced Agricultural output through comprehensive irrigation schemes.
4. Infrastructure development, particularly Road network and Airstrips.
5. Economically viable Livestock sector.
6. A performing Education Sector, especially the ECDE and vocational education.
7. Sustainable use of natural resources in our environment, particularly lands and land-based resources.
8. Trade development and MSMEs.

II. County Integrated Development Plan

10. The County Integrated Development Plan (CIDP 2023-2027) sets out the county's development priorities. Accounting Officers are expected to familiarize themselves with it appropriately and align their budgets to the approved Plan.

III. Programme -Based Budgeting (PBB)

11. The FY 2025/26 Budget will be prepared and presented by votes and programmes in accordance with Section 210 (12) of the Public Financial Management Act (PFM Act) 2012.

In view of this, all the county entities/departments are expected to define programmes with clear objectives and outcomes that are linked to outputs, performance indicators, and targets. In designing programmes, the structure should match 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).

12. Programme performance targets should be specific, measurable, achievable, realistic, and time-bound. Targets should be set only for key performances that 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.
13. 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 cross-cutting 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;
 - iii. There is no duplication of programme names used by other County entities/departments.

IV. Programme Performance Reviews

14. Programme performance review (PPR) is a critical factor in successful programme budgeting and requires continuous refinement of plans and budgets. It also helps realize the government's strategic and policy priorities and encourages accountability within county government institutions.
15. The programme performance expenditure review focuses on the efficiency and effectiveness of programme expenditures, whether spending is focused on the highest priorities, and, therefore, whether the lessons learned can be used to make future expenditure decisions.
16. 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 programs 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.
17. Programme performance expenditure review should be a continuous exercise, and performance review reports should be prepared periodically.

V. Entrenching Zero Based Budgeting (ZBB) in PBB

18. The Kenyan Government is operating under constrained fiscal environment. In view of this, the government has adopted a zero based Budgeting approach to guide the prioritization and allocation of scarce resources to projects and programmes. Under this approach, the budgeting process will focus on allocating limited resources based on program efficiency and requirements rather than incremental budgeting, which is based on history. Consequently, all expenditures on programmes to be included in the FY 2025/26 budget must be justified afresh for the forthcoming financial year and over the medium term.

VI. Prioritization and Allocation of Resources

19. 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 the County Fiscal strategy paper 2025/26.
20. The following criteria will serve as a guide for allocating resources:
 - Linkage of the programme with the objectives of Medium-Term Plan IV of Vision 2030;
 - Linkage of the programme with the objectives of the County Development Plans;

- Linkage of programmes to the Bottom-up Economic Transformation Agenda (BETA);
- Degree to which a programme addresses job creation and poverty reduction;
- Degree to which the programme is addressing the core mandate of the County entity/department;
- Expected outputs and outcomes from a programme;
- Cost effectiveness, efficiency, and sustainability of the programme;
- Immediate response to the requirements of the implementation of the constitution;
- Completion of On-going activities of the Government flagship projects, stalled projects and verified pending bills
- Programmes that support mitigation and adaptation of climate change; and
- Cabinet decisions.

21. County government entities/departments 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;

VII. Costing of Programmes

22. Accounting Officers are required to ensure that costing of activities in respective programmes is in line with the costing guidelines/tool developed by the National Treasury.

VIII. Specific Guidelines

Wages & Salaries

23. In adherence to the fiscal responsibility principles outlined in section 107 of the PFM Act 2012 and its regulations, the County's expenditure on personnel emoluments shall remain within the prescribed 35 percent threshold. It is imperative that any proposed growth in the staffing levels be promptly communicated to the County Treasury. Accounting Officers are obliged to ensure sufficient budgetary provisions for existing personnel, accurately assess the necessity for additional staffing, and anticipate the financial implications of potential promotions.

Use of Goods and Services

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

Capital Projects

25. Completion of the ongoing projects and programmes must be accorded priority. In this regard, capital expenditure must be applied toward the funding of ongoing projects and programmes that are near completion and have undergone due process to ensure that citizens benefit from such investments. County government entities/departments should provide adequate information to support the existence of ongoing projects, which should include a list of the ongoing projects with details of the total cost, start and end date, cumulative expenditure to date, balance to completion, and the amount required over the medium term.

Projects with County Counterpart Requirements

26. Co-funding for donor-funded projects must be reflected and accounted for within the appropriate programme and sub-programme structure under the department's budget. The requirement and the supporting documentation for counterpart funding for each planned project in the FY 2025/26 and the Medium-Term budget should be forwarded to the County Treasury.

Transfers to Semi-Autonomous Government Agencies

27. Transfers to SAGAs must be critically reviewed and justified, taking into account the revenue base. Where no sufficient documentation or evidence is provided, the earmarked provision should be forfeited, and the savings realized redirected to other priority programmes within or across the County sectors.
28. SAGAs are required to present their audited accounts, projected revenue levels, and the planned revenue measures to enable the SWGs to determine the required Exchequer support. They are also required to develop and implement measures that will allow diversification and increase in internally generated revenue, rationalization of payroll, reduction in administrative and operational costs, and leveraging on ICT in delivery of services among others with a view to minimizing or eliminating reliance on the Exchequer.

Public Participation and Stakeholder Involvement

29. The FY 2025/26 and the medium term budget will be prepared in a consultative manner, taking into consideration input from key stakeholders, development partners, private sector, community based organization, local communities among others.

Budgeting and Reporting on Climate Change

30. Climate change has been identified as one of the fiscal risks that can adversely affect the macro-economic outlook in Kenya. Considering the country's vulnerability to climate risks, therefore, it is imperative to prioritize climate actions at both levels of county. To ensure climate change is mainstreamed in our county, the climate change unit should be strengthened.

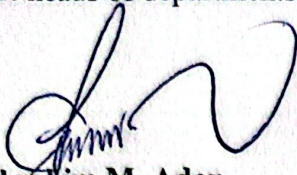
Gender Responsive Budgeting and Child Sensitive Budgeting

31. The County Government of Mandera is committed to protecting and promoting gender equity and equality. As such, mainstreaming of gender consideration in the budget process is critical in ensuring that gender equalities and equity programmes are factored in development policies and plans and resources are allocated towards addressing these inequalities. Thus, the FY 2025/26 and the medium term budget will be designed to be both gender and child-sensitive.

D. CONCLUSION

32. The following characteristics of the budget should be used as a checklist by all ministries:
- (a) **Program-based.** Sectoral budgets should finance projects and activities with clear outcomes that enable the entity to achieve/ deliver on its core mandate. Departments should never allocate funds to programmes whose output and impact cannot be quantified.
 - (b) **Balanced.** Proposed expenditures should be equal to the revenues. There should be no budget deficit or surplus.
 - (c) **Value for money.** County projects should yield results or outputs commensurate to the resources invested in them.
 - (d) **Clearly itemized.** The items in the budget and their costs should be clearly stated. The location of development projects in terms of sub-counties, wards, towns, etc., should be stated.
 - (e) **Public-driven.** The PFM Act 2012 and its regulations require the County Government to subject its budget process to public scrutiny. Therefore, the public should be given adequate time and opportunity to provide input into the budgets.
 - (f) **Compliance with the law.** The budget should comply with all relevant regulations and laws, especially PFM Act 2012.
 - (g) **Use of planning information.** Planning precedes budgeting. Thus, Information from planning activities and documents must be used to make budgetary decisions.

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



Ibrahim M. Adan

CECM – FINANCE AND ECONOMIC PLANNING

Copy to:

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**H. E. Dr. Ali Mohamud
Deputy Governor, Mandera County**

**Ahmed Surow
Clerk, Mandera County Assembly
MANDERA**

Annex 1
BUDGET CALENDAR FOR FINALIZATION OF FY 2025/26 MTEF BUDGET PROCESS

S/No	Major Activities	Responsibility	Deadline
1.	Preparation and submission of budgetCircular	County Treasury	30 th August 2024
2.	Familiarization of Programme Based Budget	Departments/sectors/entitiefs	Continuous
3.	Submission of Annual Development Plan	County Treasury	1 st September 2024
4.	Identification of key programs in eachministry	Each ministry	September 2024
5.	Preparation and Submission of County Budget Review and Outlook Paper (CBROP) to the Cabinet	County Treasury	By 30 th September, 2024
6.	Submission of Approved County Budget Review and Outlook Paper (CBROP) to the County Assembly	County Treasury	By 11 th October, 2024
7.	Stakeholders/Public Participation Programs	Treasury/Departments	November 2024
8.	Preparation of CFSP and Submission to the County Assembly	County Treasury	By 28th February 2025
9.	Preparation of DMSP and Submission to the County Assembly	County Treasury	By 28th February 2025
10.	Submission of draft departmental programs and detailed budget to the County Treasury (The budget must adhere to the ceiling given in CFSP)	Each Departments	By 15 th March 2025
11.	County Treasury to compile, consolidate, rationalize, allocate resources, and finalize the budget for submission to the cabinet.	County Treasury	29 th March 2025
12.	Approval of the budget by the Cabinet	The cabinet	By 15th April 2025
13.	Submission of the budget to the County Assembly	County Treasury	By 30th April 2025
14.	Submission of finance bill 2025 to the County Assembly	County Treasury	By 30th April 2025
15.	Preparation of Appropriation bill, Gazettement, the approval and assent of the bill, Gazettement of the Act, General Warrant, and sign-off	County Assemblyand County Treasury	By 30th June 2025
16.	Approval of the Finance Bill	County Assembly	By 30th June 2025
17.	Preparation of procurement plan based on the Budget	Each Departments	By 15th July 2025