REPUBLIC OF KENYA

COUNTY GOVERNMENT OF KERICHO

DEPARTMENT OF FINANCE AND ECONOMIC PLANNING

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KERICHO
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Ref: KEC/FIN/2/8(34)
Date: 29th August, 2024

Mr. Martin Epus,
Clerk to the Assembly.
Kericho County Assembly.

COUNTY TREASURY CIRCULAR NO 4 OF 2024

RE: GUIDELINES FOR THE PREPARATION OF THE MEDIUM-TERM EXPENDITURE FRAMEWORK (MTEF) BUDGET FOR THE PERIOD 2025/26 – 2027/28

A. PURPOSE

(1) The purpose of this Circular is to inform and give a roadmap to the County Departments and spending units on the process and procedure for preparation of the Medium-Term Expenditure Framework (MTEF) Budget Estimates for the Financial Year 2025/26 – 2027/28. This will include the key timelines culminating to its submission to the County Assembly on or before 30th April, 2025.

(2) These guidelines are issued as per the requirements of section 128 of the Public Finance Management Act, 2012. The budget estimates for each department/County entity, should be based on relevant proposals as submitted and contained in the County Integrated Development Plan (CIDP III) 2023-2028, Annual Development Plan, (ADP) 2025/2026 and outcomes of various public

participation forums. These guidelines are intended to provide the following information: -

a) Key policy issues to guide the preparation of the Medium-Term Budget;

b) Guide the county departments and entities on the form and content of the Budget;

c) Describe the programmes under which funding will be provided;

d) Provide the constitutional timelines and requirement as outlined in the budget calendar for the critical activities relating to the FY 2025/26 – 2027/28 MTEF budget process until its presentation to the County Assembly.

e) The relevant documents to guide the budget formulation and the required resources.

B. LEGAL BASIS FOR ISSUING BUDGET CIRCULAR

(3) Section 128, Public Finance Management Act 2012 states as follows:

(i) The County Executive Committee Member for Finance shall manage the budget process for the County.

(ii) Not later than the 30th August in each year, the County Executive Member for Finance shall issue a circular setting out guidelines to be followed by all of the County Government`s entities in the budget process.

(iii) The County Executive Committee Member for Finance shall include in the circular;-

(a) Schedule for preparation of the budget, specifying the key dates by which the various processes are to be completed;

(b) The methodology for the review and projection of revenues and expenditures;

(c) Key policy areas and issues to be taken into consideration when preparing the budget;

(d) The procedures to be followed by members of the public who wish to participate in the budget process;

(e) The format in which information and documents relating to the budget are to be submitted;

(f) The information to be in conformity with standard budget classification systems as prescribed by regulations; and

(g) Any other information relevant to the budget process.

(4) A county Government entity shall comply with the guidelines and, in particular, shall adhere to the key dates specified in the schedule referred to in subsection (3)(a).

C. BACKGROUND

(5) According to section 104 of the Public Finance Management Act, 2012, the County Treasury has the responsibility of monitoring, evaluating and overseeing the management of public finances and economic affairs of the County Government and specifically has the following responsibilities: -

- Developing and implementing financial and economic policies;
- Preparing the annual budget and coordinating the preparation of estimates of revenue and expenditure;
- Coordinating the implementation of budget;
- Mobilizing resources for funding the budgetary requirements and putting in place mechanisms to raise revenue and other resources;
- Managing county public debt and other obligations and developing a framework of debt control;
- Consolidating the Annual Appropriation accounts and other financial statements;
- Ensuring proper management, control, and accounting of the county finances;
- Strengthening financial and fiscal relations between the national and county governments;

- Reporting regularly and specifically quarterly to the County Assembly, Office of the Controller of the Budget, National Treasury and Commission of Revenue allocation on the budget implementation;
- Issuing circulars with respect to financial matters relating to county government entities;
- Ensuring compliance with the Constitution, PFM Act, 2012 and its Regulations (County Government), 2015, provisions on public finance management.

D. OVERVIEW

(6) The 2025/26 – 2027/28 MTEF budget circular is prepared with an objective of achieving the County vision of becoming a prosperous county where residents enjoy a high quality of life in a sustainable environment. This will be achieved by transforming lives through harnessing the diverse natural resources, rich culture and emerging opportunities in the county in an environment of equity, inclusiveness, efficiency, accountability, integrity for sustainability.

(7) The County Government aims to foster equitable and sustained socio-economic development through implementation of the CIDP III, the Annual Development Plans and the Governors manifesto which are aligned to the Bottom-Up Approach, Kenya Vision 2030 and the Sustainable Development Goals (SDGs)

(8) Further, broad development policies outlined in the above documents will continue to form the basis for prioritizing expenditures over the medium term within a sustainable fiscal framework. Priority will be given to programmes and projects aimed at improving the wellbeing of the community especially in production and marketing of locally produced products so as to stimulate economic growth and employment creation.

E. THE SPECIFIC GUIDELINES

a) Medium Term Development Strategy

(9) 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 2025/26 – 2027/28 County MTEF budget.

(10) When preparing the budget proposals, County government entities are expected to focus on the County priorities contained in the Annual Development Plan 2025/2026. 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

(11) 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.

b) Timeframe

(12) Accounting Officers are required to strictly adhere to the timelines provided in the Budget Calendar in order to ensure timely preparation, approval and implementation of the budget. The Budget Calendar which is provided in Annex I outlines the timelines for the budget process in accordance to the requirements of the Public Finance Management Act, 2012.

c) Performance Review

(13) Performance evaluation is the process of analyzing and assessing the extent to which a programme achieves the identified needs or policy objectives. With the adoption of Programme Based Budgeting, Accounting Officers will be required to report on both financial and non-financial programme performance. Performance evaluations will focus on the progress being made towards the achievement of programme outcomes.

(14) Programme performance review is essential in establishing and determining the performance of the previous budgets and setting targets for the next Medium-Term Budgets. It entails undertaking a detailed appraisal of previous budget allocations, disbursement of funds and outcomes/outputs achieved.

(15) Performance review is a critical factor in successful programme budgeting as programmes require constant refinements. It helps in managing the realization of the government's strategic and policy priorities, it also promotes accountability within the Government entities. The review will focus on the efficiency and effectiveness of programme expenditure and whether spending is directed to the highest priorities. The lessons learnt should be used as basis of making decisions in the coming years.

(16) The programme performance expenditure review process will continue to be a basis for determining MTEF budgetary allocations at the County. A detailed analysis of previously funded programmes is done to determine whether value for money has been realized and assess impact of the programmes in terms of addressing the County goal of improving citizen livelihood. This is expected to contribute towards an efficient and effective way of allocating resources towards the realization of the goals encapsulated in the County Integrated Development Plan III (CIDP III).

(17) In preparing the Programme Performance Review, all the County entities through respective Accounting Officers must indicate both financial and non-financial performance against the targets related to each of the programmes/Sub-programme. The report should also provide implementation details, and progress of all projects within a programme.

(18) The Programme Performance Reviews report will be the Key document in determining the resources to be allocated to the sector and subsequently the allocation of resources to sub-sectors therein.

d. Sector Working Groups

(19) Sector Working Groups' (SWG's) shall be responsible for formulating sector budget proposals and developing sectoral policies. SWG's are expected to ensure

that proposed programmes and projects are in line with the objectives of County Integrated Development Plan III.

(20) Accounting Officers are reminded that the Sector Working Groups are the main avenue for bidding for resources. Departments are therefore required to fully participate in the relevant Sector and bid for resources within the available ceilings.

e) Programme Based Budgeting (PBB)

(21) The submission of the budget to the County Assembly and its subsequent approval shall be programme based in accordance with Section 12 of the Second Schedule of the Public Finance Management Act (PFMA) 2012. Departments shall be required to prepare their budget estimates in the programme-based budget (PBB) format. The PBB shall be prepared and submitted to the County Treasury by the **4th of April 2024**. **The standard format for the preparation and presentation of the Programme Based Budget is as indicated in Annex V.**

(22) In the preparation of the Programme based budgets, departments are expected to define programmes with clear objectives and link those programmes to specific output, programme indicators and targets.

(23) Departments will normally have more than one programme. To cater for common services and administrative costs which cannot be attributed to only programme, an additional programme known as General Administration, Planning and support services must be added. Such a programme would cater for salaries, general administration, ICT services, planning services, human resource management which are not programme specific.

f) IFMIS Plan to Budget System and Standard Chart of Accounts

(24) The County Government will fully implement all modules of IFMIS financial system. All accounting officers should note that no transactions will be processed

unless they are captured in the system. The budget will be prepared in the IFMIS system to;

(i) Ensure consistency between budget allocations and IFMIS codes;

(ii) Ensure uniformity in accounting practice throughout government;

(iii) Facilitate performance accounting by aggregation of costs on the basis of cost centers, programmes and functions of government;

g) Annual Work, Cash Procurement Plans

(25) Annual Work, Cash and Procurement Plans are essential instruments for timely implementation of planned programmes. To ensure that departments commence implementation of the planned activities with effect from 1st July 2024, and avoid carry overs to the ensuing Financial Year, Accounting Officers should have by now finalized and submitted their Annual Work plans, Cash and Procurement Plans, to the County Treasury with a copy to the Office of the Governor. These documents should have personal signature of the Accounting/Chief Officer after being approved by the respective County Executive Committee Member.

h) Prioritization and Allocation of Resources

(26) 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 and geared towards achieving the transformative development agenda.

(27) The following criteria will serve as a guide for allocating resources;

- The findings of Programme Performance Review for the on-going programmes
- Linkage of the programme with the objectives of the County Integrated Development Plan III and the 2025/26 Annual Development Plan.
- Linkage of the programme to the Governor's manifesto

- Degree to which a programme addresses core poverty interventions
- Degree to which the programme is addressing the core mandate of the Department
- Expected outputs and outcomes from a programme
- Linkage of a programme with other Programmes
- Cost effectiveness and sustainability of the programme; and
- Immediate response to the requirements and furtherance of the implementation of the Constitution.

(28) Based on the broad guidelines, each SWG is expected to document the criteria for resource allocation and prioritize programmes based on the following;

- Analysis of the base line expenditure and excluding all the 'one-off' expenditure for the previous years;
- Identification of activities of low priority in order to realize savings that should be directed to high priority programmes;
- Allocation of resources to projects that have been fully processed and approved by Project Committee (i.e. feasibility study done, with detailed designs, necessary approvals, and land secured). The SWGs should also pay attention to the estimated requirements for each of the stages of the project cycle;
- Requirement for innovation/inventions to ensure efficiency savings in budgets through reduction of operating costs and elimination of non-core service delivery activities;
- Detailed explanation for rescheduling of projects which should include savings and financial implications;
- Financing of Boards and Committees domiciled within the respective County Departments.

i) Public participation.

(29) County Government Act section 115 (1) provides that public participation in the County planning processes shall be mandatory and be facilitated through provision to the public of clear and unambiguous information on any matter under consideration in the planning process, including;

- Clear strategic environmental assessments;
- Clear environmental impact assessment reports;
- Expected development outcomes; and
- Development options and their cost implications.

(30) Public participation and involvement of other stakeholders in the MTEF budget process is important and a Constitutional requirement. County government entities are required to identify and involve the stakeholders throughout the budget preparation process, and Information of their involvement documented for reference purposes.

F) CONCLUSION

(31) 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.

Hon. Jackson Rop
CECM - Finance and Economic Planning and Head of County Treasury.

Cc. H.E. Dr. Erick Mutai, PhD
Governor

Mr. Lenny Kirui
CO, Office of the Governor and Ag. County Secretary and Head of County Public Service

ANNEX I: BUDGET CALENDER FOR THE FY 2025/26 MTEF BUDGET

ECONOMIC PLANNING ACTIVITIES	RESPONSIBILITY	DEAD LINE
1.Develop and issue MTEF guidelines	County Treasury	30th – Aug – 24
1.1 Submission of Annual Development plan	Departments and Government Entities	1st - Sept – 24
2. Launch of Sector Working Groups	County Treasury	15th - Sept – 24
3. Performance Review and Strategic Plan	Departments and Government Entities	15th - Sept – 24
3.1 Review and update of strategic plans	Departments and Government Entities	15th - Sept – 24
3.2 Review of programs outputs and outcomes	Departments and Government Entities	15th - Sept – 24
3.3 Expenditure Review	Departments and Government Entities	15th - Sept – 24
3.4 Progress report on CIDP implementation	Departments and Government Entities	15th - Sept – 24
4.0 Determination of Annual Fiscal Framework	**Departments and Government Entities**	**30th - Sept – 24**
4.1 Determination of policy priorities	Departments and Government Entities	15th - Sept – 24
4.2 Preliminary resource allocation to Departments and entities	Departments and Government Entities	15th - Sept – 24
4.3 Draft Budget Review and Outlook Paper(C-BROP)	County Treasury	15th - Sept – 24
4.4 Submission and approval of C- BROP by County Executive and County Budget and Economic Forum (CBEF)	County Treasury	25th - Sept – 24
4.5 Submit Approved C- BROP to CA	County Treasury	30th - Sept – 24
5.0 Preparation of MTEF budget proposals	**Departments and entities**	
5.1 Draft sector Report	Sector Working Group	1st - Oct -24
5.2 Convene Public Sector Hearing	County Treasury	Oct 24-April – 25
5.3 Review of the proposals	County Treasury	15th - Oct – 24
5.4 Submission of Sector Reports to Treasury	Sector Working Group	30th - Nov – 24
6.0 Draft Fiscal Strategy Paper Budget (CFSP)	**County Treasury**	
6.1 Draft Fiscal Strategy Paper Budget (CFSP)	County Treasury	15th - Jan – 25
6.2 Submission of CFSP, to County Budget and Economic Forum and County Executive for approval	County Treasury/County Budget and Economic Forum	13th - Feb – 25
6.3 Submission of CFSP, to County Assembly for approval	County Treasury	20th - Feb – 25
7.0 Preparation and approval of Final Departments and government entities Programme Budgets	**All departments and government entities**	
7.1 Develop and issue final guidelines on preparation of 2024/25 Budget Proposals	County Treasury	16th - March – 25
7.2 Public hearing on budget proposals	All departments and government entities	30th - March – 25
7.3 Submission of Budget Proposals to Treasury	All departments and government entities	4th – April – 25
7.4 Review of Draft Budget Proposals	County Treasury	6th - April – 25
7.5 Consolidation of Draft Budget Estimates	County Treasury	10th – April – 25
7.6 Consideration and adaptation of Draft Budget Estimates	County Budget and Economic Forum	20th - April – 25
7.7 Consideration and approval of Draft Budget Estimates by County executive	County Treasury	20th - April – 25
7.8 Submission of Draft Budget Estimates to County Assembly	County Treasury	25th - April – 25
7.9Review of Draft Budget Estimates to County Assembly	County Assembly	15th - May – 25
8.0 Report on Draft Budget Estimates from County Assembly	County Treasury	30th - May -25
8.1 Consolidation of the final Budget Estimates	County Treasury	15th - June -25
8.2 Submission of Appropriation Bill to County Assembly	County Treasury	15th - June -25
8.3 Budget Statement	County Treasury	23rd - June – 25
8.4 Submission of vote on account to County Assembly	County Treasury	30th - June – 25
8.5 Consideration and passage of Appropriation Bill	County Treasury	30th - June – 25

ANNEX II: SECTOR CLUSTER COMPOSITION AND SECTOR WORKING GROUPS FOR THE 2025/2026 - 2027/2028 MTEF BUDGET

SECTOR CLUSTER	DEPARTMENT AND GOVERNMENT ENTITIES
County Assembly	County Assembly
Administration and Intergovernmental Relations	Public Service Administration Governor's Office Office of the County Secretary Office of the County Attorney County Public Service Board Finance And Economic Planning
Agriculture and Livestock	Department of Agriculture, Livestock and Cooperative Management
Education, Social Protection, Culture and Recreation	Education, Libraries, Culture and Social Services
Health and Sanitation	Department of Health services
Trade, Industrialization and Tourism	Trade, Industrialization, Innovation, Wildlife and Tourism
Transport, Public Works, Infrastructure, Energy and ICT	Department of Public Works, Roads and Transport Department of Information E- Government, Youth and Sports
Environment, Water and Natural Resources	Department of Water, Environment, Forestry and Natural resources
Lands, Housing and Physical Planning	Department of Land, Housing and Physical Planning

ANNEX III: COMPOSITION OF SECTOR WORKING GROUPS AND TERMS OF REFERENCE

a) Composition

i) Chairperson – Accounting Officer within the sector
ii) Sector Convener – Accounting Officer within the sector in cases where there is more than one accounting officer
iii) Sector Co-Convener – Appointment by the County Treasury
iv) Technical Working Group – Appointed by the Sector Working Group
v) Secretariat – Appointed by the individual Accounting Officers to assist the Chairperson in Coordinating the activities of the SWG;
vi) Representatives from Development Partners; and
vii) Representatives from Kenya Private Sector Alliance

b) Terms of Reference for SWGs

i) Review sector objectives and strategies in line with the overall goals outlined in the CIDP III, Bottom-up Approach and vision 2030;
ii) Identify the programmes and the necessary policy, legal and institutional reforms required;
iii) Analyze cost implications of the proposed programmes, projects and policies for the MTEF period;
iv) Prioritize Sector Programmes and allocate resources appropriately in accordance with agreed criteria and justification for the prioritization;

v) Identify Programmes and Projects to be funded under Public Private Partnerships (PPP); and
vi) Coordinate activities leading to the development of sector reports and indicative Sector Budget proposals

ANNEX IV: PROGRAMME PERFORMANCE REVIEWS (PPRs) REPORT FORMAT

VOTE NO: ……. VOTE NAME: ……			
DELIVERY OF OUTPUTS			
Summarize the major achievements in the delivery of outputs during July 2022-June 2023.Give reasons for any non-achievement of planned outputs during the period under review			
	EFFICIENCY SAVINGS		
Explain the major steps taken by the Ministry in reducing budgeted costs of its outputs and/or			
INFORMATION ON PROGRAMMES			
Programme 1: **Outcome(s):** ~~~~~~ **Budgetary provision**			
FY 2023/2024			
Staffing level:			
Managerial Staff	Technical staff		Support Staff
Output 1:	Performance		Progress and remarks
	Performance		Progress and remarks
Output 2,3, etc.	Related Performance		Progress and remarks
PROGRAMME 2,3 ETC			
PROGRAMME MONITORING			
Explain the process undertaken to monitor the progress of the programme outcomes and performance indicators of associated output Indicate data constraints if any and what steps are being taken to address data deficiency			
	PROGRAMME IMPLEMENTATION: 2023/2024		
	Budget estimates 2023/2024	**Efficiency savings (If any)**	**Revised budget 2023/2024**
PROGRAMME 1:			
Compensation to Employees			
Uses of Goods and Services			
Grants and Transfers Govt. Agencies			
Social benefits			
Capital Expenditure			
Acquisition of Non-Financial Assets			
Repeat as above for programme 2.3 etc			
CAPITAL PROJECTS IN THE DEPARTMENT/ENTITY			
Project 1		**Location:**	
Contract date:	Contract completion date	Expected completion date	
Contract Cost:	Expected final cost		
Completion stage 2023/24 (%age)	Completion stage (%age)	Completion stage (%age)	
Budget provision 2023/24	Budget provision 2022/23	Budget provision 2024/25	

Provide a brief overview of the specific needs to be addressed by the project

ANNEX V: FORMAT FOR PRESENTATION OF PROGRAMME BASED BUDGETS (PBB)

Vote No:

Vote Title:

Part A: Mission

Part B: Vision

Part C: Strategic Objectives

(List all the programmes and their strategic objectives. Please not that each programme must have only one strategic objective/outcome which must be linked with CIDP II and Vision 2030)

Part D: Context for Budget Intervention

This section is supposed to be a review of MTEF period 2023/24 – 2026/27 and should briefly discuss the following.

- Expenditure trends;
- Major achievements for the period;
- Constraints and challenges in budget implementation and how they are being addressed; and
- Major services/outputs to be provided in MTEF period 2025/26 – 2027/28

Part E: Summary of Expenditure by programmes, 2025/26 -2027/28 (Kshs. Millions)

Programme	Baseline Estimates 2024/25	Estimates 2025/26	Projections	
			2026/27	2027/28
Programme1 (State the name of the programme here)				
Sub programme (SP)				
SP 1.1				
SP 1.2				
SP 1.N				
Total Expenditure of programme 1				
Programme 2 (State the name of the programme here)				
Sub programme (SP)				
SP 2.1				

SP 2.2				
SP 2. N				
Total Expenditure of programme 2				
Total Expenditure of vote ~~~~~~~~				

Part F: Summary of Expenditure by Vote and Economic Classification (Kshs. Millions)

Expenditure Classification	Baseline Estimates 2024/25	Estimates 2025/26	Projections	
			2026/27	2026/27
Current expenditure				
Compensation to Employees				
Uses of Goods and Services				
Current Transfers Govt. Agencies				
Other Current				
Capital Expenditure				
Acquisition of Non-Financial Assets				
Capital Transfers Govt. Agencies				
Other Development				
Total Expenditure of Vote				

Part G: Summary of Expenditure by programme, Sub-Programme and Economic Classification (Kshs. Millions)

Programme	Baseline Estimates 2024/25	Estimates 2025/26	Projections	
			2026/27	2026/27
Programme1(State the name of the programme here)				
Current expenditure				
Compensation to Employees				
Uses of Goods and Services				
Current Transfers Govt. Agencies				
Other Current				
Capital Expenditure				
Acquisition of Non-Financial Assets				
Capital Transfers Govt. Agencies				
Other Development				
Total Expenditure				
Sub programme1(State the name of the sub programme here)				
Current expenditure				
Compensation to Employees				
Uses of Goods and Services				
Current Transfers Govt. Agencies				
Other Current				
Capital Expenditure				
Acquisition of Non-Financial Assets				
Capital Transfers Govt. Agencies				
Other Development				
Total Expenditure				

Note: *Repeat as above where a department or entity has more than one programme or sub programme.*

Part H: Summary of the outputs, Performance indicators and targets for FY 2025/26.

Programme	Delivery unit	Key output	Key performance Indicators	Target (Baseline 2024/25	Targets 2025/26	Targets 2026/27	Targets 2027/28
Name of the programme:							
Outcome:							
SP 1.1							
SP 1.2							
SP 1.N							