



**COUNTY GOVERNMENT OF BUSIA**  
**P.O. BOX PRIVATE BAG – 50400**  
**BUSIA, KENYA**  
**COUNTY TREASURY**



REF: BSA/CT/CIR/VOL.II/010

Date: 29<sup>th</sup> August, 2022

TO: ALL COUNTY EXECUTIVE COMMITTEE MEMBERS

ALL CHIEF OFFICERS/ACCOUNTING OFFICERS

SECRETARY/CEO OF COUNTY PUBLIC SERVICE BOARD

CLERK OF THE COUNTY ASSEMBLY

THE MANAGING DIRECTOR BUWASCO

MUNICIPALITY ADMINISTRATORS/MANAGERS



**GUIDELINES FOR THE PREPARATION OF THE 2023/24-2025/26 MEDIUM TERM BUDGET ESTIMATES**

**1. INTRODUCTION**

**A. PURPOSE**

1. The Purpose of this Circular is to provide guidelines to all Departments and Boards established by the County on the process and procedures for preparing the Financial Year 2023/24-2025/26 Medium Term Budget. These guidelines are issued as per the requirements of section 128 (2), (3) and (4) of the Public Finance Management Act (PFMA), 2012.

According to subsection (2), Not later than the 30<sup>th</sup> August in each year, the County Executive Committee 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.

According to subsection (3), The County Executive Committee Member for finance shall include in the circular;

- a) 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;

Further according to subsection (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)

## **B. BACKGROUND**

3. The economic recovery projected in 2021 and the medium term has been shadowed by increasingly gloomy developments in 2022. Economic shocks have indeed affected most countries which were already reeling from the negative effects of the COVID-19 pandemic. The Ukraine- Russia war and the resultant economic damage have largely contributed to the slowdown in economic activities, higher inflation worldwide and weakening of major global currencies.

4. The Sub-Saharan Africa region economic growth is expected to slow down from 4.2 per cent in 2021 to 3.7 per cent in 2022 while the Kenyan economic growth is expected to be 6.0 per cent in 2022 from an estimated growth of 6.6 per cent in 2021.
5. Global inflation has been revised upwards to reflect the rising food and energy prices due to disruption in supply chains. The main driver of food price inflation has been the Ukraine-Russia war and imposition of export restrictions by a number of countries. Kenya which relies on food imports mostly cereals like maize and wheat is likely to be affected by the impact of global inflation and weakening currencies. Advanced economies inflation is projected to reach 6.0 per cent while in emerging markets and developing economies at 9.5 per cent.
6. The framework of the County Government's economic agenda is aligned to that of the National Government especially The Big Four Agenda and Medium-Term Plan IV, and will continue being premised on anchoring stability to sustain higher and inclusive growth that opens economic opportunities and provides a better future for all residents of Busia County. The broad economic policies and development agenda as envisaged in the 2<sup>nd</sup> Generation CIDP (2018-2022) therefore will reflect the development aspirations of the Busia County residents.
7. The development agenda is also aligned to the long-term development objectives of the National Government and continue to be the same as those outlined in the Budget policy statement (BPS) 2022 and the County Fiscal Strategy Paper (CFSP) 2022 under the five-pillar transformation programme covering:
  - i. Creation of conducive business environment;
  - ii. Investing in agricultural transformation and food security
  - iii. Investing in infrastructure, transport and logistics
  - iv. Investing in quality and accessible healthcare services and quality education
  - v. Supporting better service delivery and enhanced economic development for successful devolution
8. The focus of the Medium-Term Fiscal budget will therefore be on investment in economic and social sectors, support for employment creation and accelerating economic growth and development. Planned public spending will be prioritized in programmes aimed at



achieving the development objectives outlined in the Forth Medium-Term Plan of the vision 2030 and the County Integrated Development Plan (CIDP 2018-2022). Focus will also be in line with National Government's "The Big Four Agenda."

9. The economic policy to be undertaken by the County in the FY 2023/24 Budget and the Medium Term continues to focus on the implementation of County Integrated Development Plan (CIDP 2018-2022) which has been reviewed to cover the outer years, economic policies and structural reforms under Performance Contracting and the County Fiscal Strategy Paper (2022/23). These policies and reforms aim to consolidate the significant gains already made in the priority areas within a sustainable fiscal framework.

### **C. THE SPECIFIC GUIDELINES.**

10. The following broad areas will guide the preparation of the Medium-Term Budget Proposals:

#### **I. Transition to new Government**

11. At the time of issuing this circular the transition to the new Government had not been concluded. The County Treasury may be required to revise the budget as a result of new policies or reorganization of Government that may occur. In the event of such reorganization, the County Treasury will give guidance to County Entities and departments on the necessary changes which will be required in both the financial year 2022/2023 budget and preparation of FY 2023/2024 and medium-term budget.

#### **II. Developing 'Rolling' three-year medium-term budget estimates**

12. In a 'Rolling' medium term budget plan, the first-year estimate forms the starting point for the next financial year's budget estimates. Under this approach, budget resources will continue to be appropriated on an annual basis but the budget planning process will include estimates of expenditure and revenue for the two forward/outer years. **Accounting officers should note that ceilings for personnel emoluments and development in the outer years will binding in accordance to the Public Finance Management Regulations, 2015.**

### **III. Capital Projects/Expenditure/Budget**

13. Massive resources are consumed by capital projects even though they might not be completed in one financial year. County departments are therefore advised to observe the following while budgeting for the capital projects in order to maximize absorption of the limited resources.

- i. Priority shall be given to the ongoing projects and preference to be given to those projects that have been identified by the communities as of high priority through participatory process.
- ii. Spending from public funds should target flagship/strategic interventions and programmes that have been identified in the County Integrated Development Plan (CIDP).

### **IV. Maintenance costs**

14. The County Government is implementing major infrastructural projects and keen on acquiring assets which require regular/routine maintenance. Departments should therefore develop maintenance plans and ensure adequate provisions for their running and operational costs.

### **V. Medium Term Development Strategy**

15. The Medium-Term Budget will focus on priorities outlined in the County Integrated Development Plan Specifically, the Medium-Term Budget will focus on five broad pillars:

- (i) Investment in Transport, Logistics and other infrastructure, including Energy to reduce cost of doing business and making our products cheaper and competitive; departments should therefore prioritize policies, programmes and projects which generate broad based inclusive economic growth and stimulate faster job creation and reduction of poverty and inequality, taking into account climate change impacts and the need to meet Sustainable Development Goals. (SDGs).
- (ii) Creation of conducive business environment by maintaining macroeconomic stability, deepening structural reforms in order to expand employment opportunities;
- (iii) Investment in Rural development and food security in order to expand food supply, reduce prices and support expansion of Agro-processing industry;

- (iv) Investment in quality and access to healthcare, education and vocational training as well as social safety net to reduce burden on the households and complement and sustain the county government's long-Term growth and development; and
- (v) Devolution for better service delivery and enhanced rural economic development through Ward based Projects.

## **VI. Programme Performance Review (PPRs)**

16. Departments are expected to undertake a detailed assessment of implementation of the 2021/22-2023/24 Medium Term Budget before formulating the FY 2023/24-2025/26 Medium Term Budget. This should entail analyzing the previous budget allocations, disbursements of funds, actual expenditure and outcomes/ outputs achieved.
17. The review should focus on the efficiency and effectiveness of programme expenditure and whether spending was directed to the highest priorities. The review will help in tracking the realization of the Government's strategic and policy priorities, and encourage accountability and transparency to the citizenry of the County. The experiences and lessons learnt should be used to make future expenditure decisions.
18. The Programme Performance Review must indicate both financial and non-financial performance against the targets related to each of the programmes / sub-programme. The Review Report should provide implementation details and progress of projects financed within a Programme.
19. Departments and Directorates will bid for resources in their respective sectors after finalization of the review of Programme performance. Departments should ensure they discuss all Programme Performance Review before allocating resources to the departments. The formats and guidelines for undertaking Programme Performance Reviews are provided in Tables 2.1 to 2.4 in chapter 2 of the sector report format of this Circular.



## **VII. Programme-Based Budgeting (PBB)**

20. The appropriation of the budget shall continue to be at Programme level in accordance with the Public Finance Management Act (PFMA), 2012. The format for the preparation and presentation of the Programme Based Budgets is provided in Annex 1 of this Circular.
21. The programmes for the Medium-Term Budget will largely remain as presented in the FY 2022/23 Budget. Proposal to include a new Programme should be submitted and approved by the County Executive and County Assembly in Annual Development Plan (2023). In designing a new Programme, the structure should match the key areas of services delivered by the respective department and in line with County Integrated Development Plan.
22. The budget will continue to be presented by vote and programme in line with section 38(3)(b) of the Public Finance Management Act 2012.
23. Programme Performance indicators and targets should only focus on key outputs and outcomes. Targets set for Programmes should be specific, measurable, achievable, and realistic and time bound (SMART). The set targets should be for key outputs that Departments can reasonably influence their achievement. The set targets should be in line with Chapter Four and Six of the County Integrated Development Plan. Each Programme should be confined within a single Department and all functions should fall within programmes. Service delivery units with no clear outputs, key performance indicators and targets should not be considered for funding.
24. Accounting officers should ensure that all functions or activities undertaken by their departments are included in relevant programmes. In particular, care should be taken to ensure that:
  - (i) Ongoing programmes are given a priority;
  - (ii) There are no crosscutting activities or functions which are not assigned to respective programmes;
  - (iii) Each Programme has a unique name that reflects its overall objectives; and
  - (iv) There is no duplication of Programme names used by other departments.

25. The Performance Overview and Background for programmes funding should include; a brief description of mandate; expenditure trends; major achievements based on planned outputs for the period under review; constraints and challenges experienced in implementing the budget, and how they are being addressed, and major services/outputs to be provided in the next Medium-Term Budget.

## **VIII. Prioritization and Allocation of Resources to Programmes**

26. Priority shall be in execution of capital projects that meet National Objectives outlined in Vision 2030, MTP III and the national 'Big Four Agenda'. The County Integrated Development Plan is therefore a carry forward and completes the programmes and projects initiated during Medium Term Plans (MTP's).
27. The County Government will continue with its policy of expenditure prioritization with a view to serving its Citizens in a better way. In this regard, the following criteria will serve as a guide for allocating resources;
- Programme Performance Review findings of the on-going programmes;
  - Linkage of the Programme with the Objectives of County Integrated Development Plan;
  - Degree to which a Programme addresses core poverty interventions;
  - Degree to which the Programme is addressing the core mandate of the Departments;
  - Expected outputs and outcomes from a Programme;
  - Linkage of the 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. In this regard, Departments are required to take into account funding requirements of all **ongoing, multi-year funding requirements of capital projects up to their completion before initiating any new projects.**
29. Based on the broad guidelines, each department is expected to develop and document the criteria for resource allocation. Further, departments should prioritize programmes based on the following;



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

## **IX. Expenditure Proposals for Medium Term Budget**

30. Departments will be required to remain within the ceilings that will be provided in the 2023 County Fiscal Strategy Paper. The outer years of the 2023 County Fiscal Strategy Paper will form the basis for the first two years of the Medium-Term Budget, having removed 'one-off' expenditure. The indicative ceilings will however, be firmed in the County Budget Review and Outlook Paper (CBROP) 2022/2023, and 2023/2024 County Fiscal Strategy Paper.

## **VIII. Recurrent Expenditure**

31. Departments should ensure that the necessary current expenditure required for delivery of service and implementation of capital projects is provided. The following guidelines should be adhered to while allocating resources for current expenditure:

- **Personnel emolument;** Departments should provide adequate funding to cater for salaries, allowances and other approved benefits for the in-post staff.

**N/B: Departments should not allocate resources for new recruitment, casuals, interns and upgrading unless they have prior approval for funding from the County Executive and County Assembly.** Allocation for personnel emolument must be supported by the list of staff and Integrated Personnel Payroll Data (IPPD) for the

current and last financial years. It is mandatory that each Department provides this information to support their requirement.

- Departments are advised to recruit based on the number of staffs exiting the service and this should be clearly provided to County Executive for approval.
- **Utilities and Other Mandatory Obligation;** Departments should ensure that priority is given to these spending needs. Each allocation should be supported by service provision agreements, demand notes and documentary evidence of past expenditure trend.

## **X. Project identification criteria**

32. While identifying and prioritizing projects the PCs will take the following into consideration:

- i. The strategic importance of the project in line with the medium and long term development agenda;
- ii. Impact of the project on extreme poverty
- iii. Support to strategic investments for promoting growth and job creation
- iv. Fiscal viability and sustainability

33. Completion of the ongoing projects must be accorded priority. Any proposal for allocation of resources must be accompanied by a cost benefit analysis. The proposed additional or new expenditure will have to be aligned with the Department's mandate and should be subject to the available fiscal space. The formats for reporting on capital projects are provided in **Annex I** of this circular.

## **XI. Public Participation and Stakeholder Involvement**

34. Public participation and involvement of other stakeholders in the Medium-Term Budget process is essential and a constitutional requirement. Directorates should identify their critical stakeholders outside Departments and engage them in Programme prioritization. Public participation process/consultations should be documented for reference purposes. Further, Departments should ensure that the County Executive Committee Members, County Budget and Economic Forum, Chairpersons and Heads of Sections in the departments are involved and briefed continuously to ensure collective approval of the department's budget proposal. Cases whereby other stakeholders and/or leadership of the Department disown their Budget Proposals will not be tolerated.

#### **D. PREPARATION AND SUBMISSION OF BUDGET PROPOSALS**

35. Accounting officers are to ensure that all activities of their respective departments are completed on scheduled timelines. The departmental budget proposals should be ready for submission to the County Treasury not later than **30<sup>th</sup> March, 2023** in line with the budget calendar indicated in Annex II.

#### **E. BUDGET CALENDAR**

36. The Constitution of Kenya 2010 and the PFMA, 2012 specify the timelines for the budget making process, which should be strictly adhered to. Annex II provides the timelines for specific activities, deliverables, and the responsible actors. Accounting Officers are required to strictly adhere to the timelines provided in order to ensure timely preparation and approval of the budget.

#### **F. CONCLUSION**

37. . Finally Accounting Officers are required to ensure strict adherence to the medium-term budget guidelines and to bring the contents of this Circular to the **attention of all Officers working under them**, including the Boards that have been formed in their departments.

  
**HON. PHAUSTINE A. BARASA**

**Ag. CECM- FINANCE & ECONOMIC PLANNING**

**Copy to: H E The Governor**

**H E The Deputy Governor**

**The County Secretary**

**Speaker of The County Assembly**

**The National Treasury**

**The Controller of Budget**

**Commission on Revenue Allocation**