

COUNTY GOVERNMENT OF KISUMU



FINANCE, ECONOMIC PLANNING & ICT SERVICES

Circular NO. **FIN/BUDGET/2025/2026/1**

August 20, 2024

TO: County Executive Committee Members

Chief Officers

Accounting Officers

Budget Officers

Financial Analysts

City Manager

Secretary CPSB

Clerk of County Assembly of Kisumu

RE: GUIDELINES FOR PREPARATION OF THE FY2025/26 AND THE MEDIUM-TERM BUDGET

I. INTRODUCTION

● **Purpose**

1. This Circular is issued in accordance with Section 128 of the Public Finance Management Act, 2012. The Act requires the County Executive Committee Member for Finance, Economic Planning & ICT services to issue a Circular outlining the guidelines to be followed by all County Government entities on the budget process, not later than the 30th August each year.

2. The purpose of the Circular is to provide guidance on the processes, procedures and timelines to be followed by Departments when preparing the FY 2025/26 and Medium-Term Budget Estimates. The Circular outlines the following:

- I. Background to the FY 2025/26 and Medium-Term Budget;
- II. Policy Priorities for the FY 2025/26 and Medium-Term Budget;
- III. Timelines and requirements for key activities in the budget preparation process;
- IV. Institutional framework to guide the budget preparation process;
- V. Form and content of the budget;
- VI. Programme Performance Reviews (PPRs);
- VII. Prioritization process and costing of programmes and projects; and
- VIII. Framework outlining procedures and the manner in which stakeholders and the public will participate in providing inputs to the budget process.

3. The Circular becomes effective from the date of issuance and applies to all County Government entities .

Background

4. Real Gross Domestic Product (GDP) expanded by 5.6 percent in 2023, surpassing the revised growth of 4.9 percent in 2022. This positive growth was evident across various sectors of the economy. The Agriculture, Forestry, and Fishing sector experienced a notable recovery, growing by 6.5 percent in 2023 after a 1.5 percent contraction in the previous year. Favorable weather conditions throughout most of the year contributed significantly to this recovery. Other key drivers of the growth included Information and Communication (9.3%), Transportation and Storage (6.2%), Financial and Insurance (10.1%), Real Estate (7.3%), and Accommodation and Food service activities (33.6%) sectors. However, the Mining and Quarrying sector faced a setback, recording a 6.5 percent contraction primarily due to a decline in production of minerals like titanium and soda ash.

5. Nominal GDP expanded by 12.0 percent in 2023, reaching KSh 15,108.8 billion from KSh 13,489.6 billion in 2022. Gross National Disposable Income also increased to KSh 15,882.5 billion in 2023 from KSh 14,051.0 billion in 2022. Consequently, the Gross Domestic Product (GDP) per capita at current prices improved to KSh 293,229 in 2023 from KSh 266,473 in 2022. Private final consumption expenditure rose to KSh 11,517.1 billion from KSh 10,106.6 billion recorded in 2022, representing slightly over three-quarters of the total GDP. In addition, County Government final consumption expenditure increased from KSh 1,647.5 billion in 2022 to KSh 1,800.2 billion in 2023.

6. The Central Bank Rate (CBR) was raised to 10.50 percent in June 2023 and further increased to 12.50 percent in December 2023, compared to 8.75 percent in December 2022. This adjustment was necessary to address inflationary pressures caused by the Kenyan Shilling's depreciation against major currencies and high global prices during the review period. As a result, overall interest rates rose during this time. The 91-Day Treasury bill interest rate increased to 15.70 percent in December 2023 from 9.33 percent in December 2022. The Inter-bank rate rose to 11.65 percent in December 2023 from 5.39 percent. Average commercial bank interest rates for loans and advances also increased to 14.63 percent in December 2023 from 12.67 percent in December 2022. The annual inflation rate, as measured by the Consumer Price Index (CPI), remained at 7.7 percent in 2023, similar to the previous year. This inflation was primarily driven by increases in the prices of Transport (12.2%), Food and Non-Alcoholic Beverages (9.7%), and Housing, Water, Electricity, Gas, and Other Fuels (8.1%).

7. The FY 2025/26 budget is being prepared in the context of a slowed growth considering the debt distress the country is facing and a lean fiscal space amid rising discontent among the general public. Particularly, the National County Government revenues, including grants are expected to grow by 30.2 per cent to KSh 3,025.7 billion while expenditure is estimated to grow by 26.6 per cent to KSh 3,983.0 billion in 2023/24. The gross operating balance is projected to worsen from a deficit of KSh 771.5 billion in 2022/23 to a deficit KSh 778.0 billion in 2023/24. The stock of public sector debt increased by 19.3 per cent to KSh 9,623.9 billion as at end of June 2023.

8. At the County level, the 2025/2026 budget is being prepared in the context of slow growth in own source revenues occasioned by the general economic slowdown in the country as described above. Yet the County government costs of human resources remain quite high as a proportion of total revenues. And the stock of pending bills, although substantively reduced in the last couple of years, remain quite high.

9. The implication is that the County government has to integrate a strategy for fiscal discipline aimed specifically at cutting down recurrent spending, stabilizing if not reducing expenditure on wages and prioritizing the payment of development pending bills over initiation of new development projects in the medium-term.

10. Consequently, with limited resources, the county departments must prioritize and focus on implementing the priority programmes in the Governor's Manifesto, CIDP III and BETA.

Assumptions underpinning FY2024/25 and Medium-Term Fiscal Framework

11. The Medium-Term Fiscal Framework supporting the budget will be anchored on the following assumptions:

- I. Kenya's economic outlook remains promising, with a projected growth of about 5.5 percent in 2024 and the medium term;
- II. Inflation is expected to be maintained within the target range of 5 ± 2.5
- III. Interest and exchange rates are expected to remain stable and this will be safeguarded over the medium term;
- IV. Total Revenue will be expected to improve gradually to reach at least 20% of the GDP by the end of the financial year 2026/27 and over the medium-term; and
- V. Slow growth in Own Source Revenues at the County level.

II. SPECIFIC GUIDELINES

9. The following are the specific guidelines to be followed in the preparation of FY 2025/26 and the Medium-Term Budget proposals.

(i) Timelines and requirements for key activities in the budget process

10. As outlined in the Public Finance Management Act, 2012 and its attendant regulations, the budget process involves preparation of key policy documents for approval by the Cabinet and the County Assembly. In this regard, the following policy documents will require to be prepared and approved within stipulated timeframes:

- The County Budget Review and Outlook Paper (CBROP);
- Sector Working Group Budget Proposals;
- The County Fiscal Strategy Paper (CFSP);
- Finance Bill;
- County Annual Development Plans (CADP)

- Debt Management Strategy Paper;
- Programme Based Budgets and supporting details;

11. To facilitate finalization and approval of the above policy documents and Bills within the stipulated timelines, Accounting Officers are required to strictly undertake the outlined activities in the Budget Calendar within the set timeframes.

(ii) Institutional framework to guide the budget process

12. Departments performing closely related functions have been mapped to form a Sector Working Group (SWG).

13. The mapping of Departments into Sectors is provided in Annex 2 of this Circular. As noted in Para 12, departments will be regrouped and mapped into the relevant sectors in line with the reorganization of the County Government. Respective Sector Working Groups (SWGs) shall be responsible for prioritization and formulation of sector budget proposals, The structure and composition of SWGs is provided in Annex 3(A) and the terms of reference are provided in Annex 3 (B) of this Circular.

(iii) Form and content of the Budget

- Programme-Based Budget (PBB)

14. 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. SWGs are therefore required to review programmes and align them to the mandates of the respective departments. Where a new programme is proposed, approval must be obtained from the County Treasury.

15. The structure of existing and new programmes should match the main lines of service delivery in the departments. During the review of programmes, SWGs should ensure that:

- (i) Outcomes and Outputs, are Specific, Measurable, Achievable, Realistic, and Time bound and derived from County Government Strategies;
- (ii) Performance indicators and targets are for outcomes and outputs; and are results oriented, Clear, Relevant, Economic, Adequate, and Monitorable (CREAM);
- (iii) Programme Performance Indicators and targets are those that departments can be held responsible for their achievement;
- (iv) Delivery units with no clear outputs, performance indicators and targets are consolidated under the main delivery unit; and
- (v) Crosscutting functions are assigned to respective programmes in departments.

16. Further, each programme should be confined to a single department and all functions should fall within respective programmes. There should be no duplication of programmes or names across departments. In the event a department has more than one programme, an additional programme should be created to cater for the costs of management, administration, planning, ICT and support

services which cannot be attributed to a single programme. The format for presentation of the PBB is provided in Annex 5A of this Circular.

It is important for County Government entities to recognize the meaning and implications of PBB, in the sense that county government entities will be required to formulate projects and programmes before costing them. This is different from the approach where such entities expect to receive ceilings from the County Treasury before formulating projects and programmes.

- ***Estimates for the FY 2025/26 and the Medium-Term Budget***

17. The County Government will continue to pursue a fiscal consolidation policy with the overall aim of completing all initiated development projects, reducing the fiscal deficit and debt accumulation. The consolidation policy will be supported by enhanced revenue mobilization, reprioritization and rationalization of expenditures. This will ultimately reduce public debt and create fiscal space over the medium term to finance priority capital projects. SWGs are required to prepare Medium-Term Budgets that are consistent with the Medium-term Fiscal Framework provided in the CBROP 2024.

- ***Developing 'Rolling' Three-year Medium-Term Budget Estimates***

19. 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 the ceilings for Personnel Emolument and Development in the outer years will remain binding in accordance to the Public Finance Management Regulations, 2015. SWGs should therefore align the FY 2025/26 and Medium Term resource allocation to this requirement.

- ***Policy Priorities for the FY 2025/26 and the Medium-Term Budget***

20. The preparation of the FY 2025/26 and the Medium-Term Budget will focus on targeted intervention of economic recovery programme that aims to reposition the economy on an inclusive and sustainable growth path. These will be mainstreamed into the regular programmes of the County Government to ensure smooth transition and continuous implementation of programmes.

- ***Medium-Term Development Strategy***

21. The FY 2025/26 and the Medium-Term Budget will be built on the progress made in the previous financial years. The County Government will continue to address the policy, legal, regulatory, and governance issues as a matter of priority to ensure that we attain our full potential,

- ***The Governor's Manifesto***

22. In preparing the FY 2025/26 and the Medium-Term Budget, departments will be required to prioritize allocations towards the achievement of the on-going intervention supporting the

implementation of the Governor's Manifesto. This will build on the progress made in the previous financial years.

23.To create fiscal space and guarantee appropriate phasing out of expenditure programmes, SWGs are required to undertake a thorough review of proposed departmental Budgets for the FY 2025/26 and the Medium Term. SWGs should ensure that Budgets are directed towards improving productivity and aligned to the achievement of the County Government objectives. The exercise should involve the following:

- Prioritizing the County Government Programmes and Projects in the Sector Budget proposals;
- Establishing the resources required for individual programmes and projects and the level of provision within the ceilings provided; and
- Justifying each proposed programme funding with supporting documentation.

(v) Programme Performance Reviews (PPRs)

23.Accounting Officers are required to undertake PPRs in line with the guidelines. In undertaking PPRs,departments are expected to undertake a detailed assessment of the progress achieved towards realization of the targeted outcomes and outputs after the implementation of the FY 2022/23 to FY 2023/24 Budgets. The assessment should entail analysing the previous budgetary allocations, actual expenditure and achievement of actual outputs and outcomes.

24.The PPRs reports should indicate both financial and non-financial indicators of performance for each programme. The report should provide progress of both domestically and externally financed projects within a programme. In addition, the review should focus on efficiency and effectiveness towards the achievement of programme outcomes. Previous Programme Performance, outstanding commitment, implementation experiences and lessons learnt should form the basis for guiding expenditure allocations in the Medium-Term Budget.

25.Departments will only be allowed to bid for resources in their respective sectors after finalization of the PPRs.Departments will be required to present PPR reports prior to the funding requirements. The guidelines and formats for undertaking Programme Performance Reviews are provided in Annex 4 (A-E) of this Circular.

(vi) *Prioritization and Allocation of Resources*

26.The County Government will continue to pursue priorities which are aimed at safeguarding livelihoods, creating jobs, reviving businesses and economic recovery. In addition, provision of core services, ensuring equity and minimizing costs through the elimination of duplication and inefficiencies will be prioritized. Realization of these objectives will have implications in the budget ceilings to be provided in the CBROP 2024. The following will serve as the criteria to guide prioritization and final allocation of resources:

- (i) Linkage of Programmes that support Economic Recovery;

- (ii) Linkage of programmes that support completion of ongoing intervention under the Governor's Manifesto either as drivers or enablers;
- (iii) Linkage of the programme with the priorities of CIDP III, Medium-Term Plan IV of the Vision 2030;
- (iv) Degree to which a programme addresses job creation and poverty reduction;
- (v) Degree to which a programme addresses the core mandate of the departments, Expected outputs and outcomes from a programme;
- (vi) Cost effectiveness and sustainability of the programme;
- (vii) Extent to which the Programme seeks to address viable stalled projects and verified pending bills; and
- (viii) Requirements for furtherance and implementation of the Constitution.

27. Based on the above broad guidelines, SWGs are expected to develop and document a criteria for resource allocation and prioritize sector requirements within the resource envelope provided.

(vii) Costing of Programmes

28. Accounting Officers are required to ensure that costing of activities in respective programmes is in line with the guidelines and the ceilings issued by the County Treasury. The various costing methodologies to be used for this purpose are provided in Annex 5B of this circular. (a) Recurrent Budget Estimates

- **Personnel Emolument**

29. The County Government expenditure on compensation to employees is not expected to exceed 35 percent of the County Government share of revenue in line with fiscal responsibility principles. To ensure the wage bill remains within the medium-term targets, SWGs should not allocate resources for new recruitment unless there is prior approval from the County Treasury. Departments should however provide adequate resources to cater for movement from one salary scale to another. Allocation for personnel emolument must be supported by Integrated Personnel Payroll Data (IPPD). Each department will therefore be required to provide this information to support personnel cost.

30. SWGs should also note that adjustments of remuneration and benefits for staff in departments, should only be done after receiving advice from the Salaries and Remuneration Commission (SRC). Departments are reminded to first obtain written approval on availability of funds for any proposed adjustment, from the County Treasury before seeking SRC's advice. This approval should be provided to the SWGs as supporting documentation.

- **Use of Goods and Services**

31. SWGs are required to critically review departmental requirements to curtail growth of recurrent budget especially in respect of use of goods and services. All requirements for use of goods and services should be accurately costed. Each allocation should be supported by service

providers' agreements, demand notes, and any documentary evidence of past trends. In addition, SWGs are also required to make adequate budgetary provision for the payment of utilities under respective departments.

Transfers to Semi-Autonomous County Government Agencies (SAGAs)

32. Transfers to SAGAs must be critically reviewed and justified. Where no sufficient documentation or evidence is provided, the earmarked provision should be eliminated and the savings realized redirected to other priority programmes within or across within the Sector. Any additional requirement by a SAGA should be scrutinized and justified, while taking into account its revenue base.

33. SAGAs are therefore required to present their audited accounts, projected revenue levels, and the planned revenue raising measures to enable the SWGs to determine the required Exchequer support. Any revenue over and above what is agreed upon during the SWGs and confirmed by the County Treasury will require fresh review and approval before spending.

34. Taking into account the observed effects of COVID-19 Pandemic on the operational performance of SAGAs, there is urgent need for consideration and implementation of measures that would improve financial performance and efficiency. In this regard, SAGAs will be required to develop and implement measures that will allow diversification and increase in internally generated revenue, rationalization of payroll, operational and administrative costs and leveraging on ICT in delivery of services among other measures with a view to minimizing or eliminating dependence on Exchequer.

- ***Preparation, Appraisal and Approval of New Projects***

35. Specifically, SWGs should ensure that before a new project is considered for resource allocation for its implementation, the following requirements have been fulfilled;

- (i) All conditions precedent are fulfilled, including land acquisition, compensation, Public/stakeholder participation and management, and other development partners' requirements;
- (ii) Detailed designs are completed and relevant approvals obtained where applicable;
- (iii) Project has received necessary regulatory approvals;
- (iv) Detailed resource requirements including funding sources and personnel to operationalize the project are planned for; and
- (v) Project details are captured in the relevant Public Investment Management Information System.

- ***Ongoing and Stalled Projects***

36. The FY 2025/26 and Medium Budget **will put more emphasis on completion of ongoing and stalled projects**. In particular, projects nearing completion should be funded adequately to ensure that citizens benefit from such public investments. Capital projects to be factored in the budget should include both domestically and foreign financed projects. Further, projects that seek to implement/facilitate the realization of the Economic Recovery and the completion of ongoing interventions under the Governor's Manifesto should receive the highest priority.

37. SWGs are required to critically review the ongoing/stalled projects to justify continued existence and funding. To support allocation of funds to ongoing or stalled projects, departments should provide details on total cost, start and end date, cumulative expenditure to date, balance to completion, and amount required over the medium term, among others.

38. In order to have uniform and comparable information on projects, SWGs are required to adopt the following operational definition of projects as per the Guidelines:

- I. **On-going project** - A project whose implementation is underway with implementation works having commenced or contractual commitments entered into;
- II. **Stalled project** — a project which has stopped being implemented for whatever reason or has been receiving inadequate budget allocations which cannot facilitate meaningful progress over the medium term;
- III. **New project** — a pipeline project that has been prioritised for financing, but implementation works are yet to commence and no commitments entered into; and
- IV. **Pipeline Project**; a project that has been appraised and granted necessary approvals and uploaded in the Public Investment Management System ready for prioritisation and budget allocation.

39. SWGs are required to provide details of the approved new projects, ongoing projects and stalled projects in the format indicated in Annex 7 of this Circular.

- ***Projects with CGK Counterpart Requirement***

40. SWGs should ensure that externally financed projects are in line with overall departments priorities, and have adequate provision for CGK counterpart funding in accordance with the financing agreement. The SWGs should also ensure that performance for results projects as well as programmes with Disbursement Linked Indicators (DLIs) are properly identified with supporting financing agreement. Departments are required to provide supporting documents for allocation of counterpart funding. 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.

- ***Conditional Grants to County Departments***

41. Conditional grants to departments must be reflected and accounted for within the appropriate programme and sub-programme structure under the departmental Budgets. This applies to both locally and externally funded programmes from which the activities to be undertaken in the departments are targeted to be funded from.

(viii) Public Participation and Stakeholder Involvement

42. Public participation and involvement of other stakeholders in the medium-term budget process is essential and a constitutional requirement. SWGs should identify their critical stakeholders including development partners, private sector, community-based organization, local community leaders, among others and engage them in programme prioritization. All engagements of stakeholders should be documented. SWGs should confirm the extent to which departmental Budget Proposals have inputs from stakeholders.

43. Accounting Officers are reminded that the SWGs remain central in guiding the prioritization and resource allocation for planned programmes/projects. Departments are therefore required to fully participate in the relevant Sector Working Group and bid for resources within the available ceilings.

IV. PREPARATION AND SUBMISSION OF BUDGET PROPOSALS

44. Sector Chairpersons are requested to ensure that all activities of SWGs including the drafting of Sector Budget Proposals are completed on scheduled timelines. The proposals should be ready for submission to the County Treasury not later than **27th November 2024** in line with the format indicated in Annex 8.

V. CONCLUSION

45. Finally, Accounting Officers are required to ensure strict adherence to the FY 2025/26 and the Medium-Term Budget Guidelines and the content of this Circular is brought to the attention of all Officers working under them and other Semi-Autonomous County Government Agencies (SACGAs).

The County treasury will issue further guidelines on specific matters from time to time, during the budget-making process as may be necessary.

GEORGE OMONDI OKONG'O

Executive Committee Member – Finance, Economic Planning and ICT Services

Copy to:

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Kisumu County Government

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2. The Hon. Speaker

Kisumu County Assembly

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3. The County Budget Co-ordinator

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**ANNEX 1: BUDGET PREPARATION CALENDAR FOR THE FINANCIAL YEAR
2025/2026**

Activity	Responsibility	FY2024/25
		Timeline
1. Develop and issue MTEF guidelines	County Treasury	30 th -Aug24 th
2. Launch of Sector Working Groups	County Treasury	18 th -Sept -24 th
3. Programme Performance & Strategic Reviews	Departments	19 th -Sept -24 th
3.1 Review and update of strategic plans		"
3.2 Review of rogramme out uts and outcomes		"
3.3 Review of Expenditure		"
3.4 Review And approval of projects for FY2025/26	Project Committees	"
3.5 Progres report on MTP implementation		"
3.6 Preparation of annual plans		"
4. Development of Medium-Term Budget Framework	Adhoc Committee	23 rd -Sept -24 th
4.1 Estimation of Resource Envelope		"
4.2 Determination of priorities		"
4.3 Draft County Budget Review and Outlook Paper (CBROP)		"
4.4 Submission And Approval of CBROP to Cabinet		27 th -Sept-24 th
4.5 Submission Of Approved CBROP to County Assembly		4 th -Oct-24 th
5. Preparation of MTEF budget proposals	Line departments	12 th -Nov-15 th 24
5.1 Retreats to draft Sector Reports	Sector Workingg Groups	14 th -18 th Oct
5.2 Public Sector Hearing	County Treasury	27 th Nov- 24
5.3 Review and incorporation of stakeholder proposals inputs	Sector Workin Grou	29 th -Nov-24
5.4 Submission of Sector Report to Treasury	Sector Chair persons	2 nd -Dec-24
5.5 Consultative meeting with CECMs/Chief officers on Sector Budget proposals	County Treasury	5 th -Dec-24
6. Draft Budget County Fiscal Strategic Paper (CFSP)	Adhoc Committee	14 th Feb-25
8. Preparation of Final departmental Budgets		11 th -April-25
7.1 Develop and issue final guidelines on Preparation of FY 2025-2026	County Treasury	6 th -Mar-25
7.2 Submission of Budget Proposals to Treasury	County Treasury	13 th -Mar-25

7.3 Consolidation of the Draft Budget Estimates	County Treasury	1 st -April-25
7.4 Submission of draft County Treasury Approval	County Treasury	15 th -April-25
7.5 Submission of Draft Budget Estimates to County Assembly	County Treasury	30 th -April-25
7.6 Submission of the Finance Bill	County Treasury	30 th -August-25
7.7 Review of Draft Budget Estimates by the County Assembly	County Assembly	15 th -May -25
7.8 Report on Draft Budget Estimates from County Assembly	County Assembly	30 th -May -25
7.9 Consolidation of the Final Budget Estimates	County Treasury	4 th -Jun-25
7.10 Submission Of appropriation Bill to County Assembly	County Treasury	12 th -Jun-25
8. Budget Statement	County Treasury	12 th -Jun-25
9. Apropriation Bill Passed	County Treasury	26 th -Jun-25
10. Finance Bill Passed	County Assembly	1 st -OCT-25

ANNEX 2: SECTOR WORKING GROUPS FOR THE FY 2025/26 MEDIUM-TERM BUDGET

S/No.	NAME OF SECTOR	SUB-SECTOR
1.	Agriculture, Rural and Urban Development	<ul style="list-style-type: none"> • Department of Lands and Physical Planning • Department of livestock • Department of Crop Development • Department of Fisheries, Aquaculture and the Blue Economy • Department of Irrigation • Department of Agriculture.
2.	Energy, Infrastructure and ICT	<ul style="list-style-type: none"> • Department of Transport • Department of Housing & Urban Development • Department of Roads and Public Works • Department of Information Communication and Technology • Department of Energy

		<ul style="list-style-type: none"> • Department of Petroleum
3.	General Economics and Commercial Affairs (GECA)	<ul style="list-style-type: none"> • Department of Cooperatives • Department of Trade & Enterprise development • Department of Industrialization • Department of Tourism
4.	Health	<ul style="list-style-type: none"> • Department of Health
5.	Education	<ul style="list-style-type: none"> • Department of Vocational and Technical Training • Department of Early Childhood Education
6.	Governance, Public Administration and Inter-County Governmental Relations	<ul style="list-style-type: none"> • Office of the Governor • City of Kisumu • Department of Planning and Economics • County Treasury • Department of Youth • Public Service Board • County Attorney
7.	Social Protection, Culture and Recreation	<ul style="list-style-type: none"> • Department of Sports • Department of Heritage • Department of Social Protection and senior Citizens Affairs • Department of Gender
8.	Environmental Protection, Water and Natural Resources	<ul style="list-style-type: none"> • Department of Water, Sanitation and sewerage systems • Department of Environment and Forestry • Department of mining • Department of wildlife • Department of climate change

ANNEX 3(A): STRUCTURE AND COMPOSITION OF SECTOR WORKING GROUPS

1. SWGs shall comprise the following:

- ia Chairperson — One Accounting Officer chosen by consensus by other Accounting Officers within the Sector;
- ii. Sector Convener — Appointed by the County Treasury;
- iii. Sector Co-Convener — Appointed by the County Treasury;
- iv. Technical Working Group — Appointed by the SWG;
- v. A SWG Secretariat — Appointed by the individual Accounting Officers to assist in the coordination of Sector activities;
- vi. Representatives from Development Partners; and
- vii. Representatives from the Private Sector.

ANNEX 3 (B): TERMS OF REFERENCE FOR SECTOR WORKING GROUPS

2. SWGs are expected to ensure that proposed programmes and projects are in line with the priorities of the Vision 2030, Medium Term Plan IV and the County Government priorities. Specifically, the terms of reference for SWGs will be to:

2.1 Review sector strategies in line with the overall goals outlined in the Vision 2030, MTP IV, the ongoing Big Four Projects and Economic recovery;

2.2 Identify the programmes and the necessary policy, legal and institutional reforms required to be undertaken;

2.3 Approve list of projects to be included in the budget and level of funding;

2.4 Analyze cost implications of the proposed programmes, projects and policies for the Medium-Term;

2.5 Prioritize Sector Programmes and allocate resources as appropriate in accordance with agreed criteria;

2.6 Identify programmes and projects to be funded under Public Private Partnerships (PPP) framework;

2.7 Analyze the baseline funding and remove all the one off expenditure for the previous years;

2.8 Identify activities, projects and programmes that are of low priority in order to realize savings which should be directed to the County Government priority projects;

2.9 Allocate resources to projects that have been fully processed (i.e. feasibility studies done, with detailed designs, necessary approvals and land secured);

2.10 Provide a detailed explanation for the rescheduling of projects which should include savings and financial implications of rescheduling projects and activities;

2.11 Coordinate activities leading to the development of sector reports and indicative Sector Budget proposals; and

2.12 Identify critical stakeholders and engage them in the budget process.

ANNEX 3: PROGRAMME PERFORMANCE REVIEW FY 2021/22 - 2023/24

ANNEX 4A: REVIEW OF PROGRAMME PERFORMANCE FOR FY 2021/22 - 2023/24

TABLE 2.1: ANALYSIS OF PROGRAMME TARGETS AND ACTUAL TARGETS

`1Q	Key Output	Key Performance Indicators	Planned			Achieved			Remarks
			2021/22	2022/23	2023/24	2021/22	2022/23	2023/24	
Sub-Programme									
XX I									
XX2									

ANNEX 4B: ANALYSIS OF EXPENDITURE TRENDS FOR THE FY 2020/21 - 2022/23

TABLE 2.2: ANALYSIS BY CATEGORY OF EXPENDITURE: RECURRENT (KSH. MILLION)

Sector

Vote and Vote Detail g	Economic Classification	Approved Budget Allocation			Actual Expenditure		
		2021/22	2022/23	2023/24	2021/22	2022/23	2023/24
	Gross						
	AIA						
	NET						
	Compensation to Employees						
	Transfers						
	Other Recurrent						
	Utilities						
	Rent						
	Insurance						
	Subsidies						
	Gratuity						

	Others specify.						
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NB : Briefly explain reasons for the deviations between approved and actual expenditure

TABLE 2.3: ANALYSIS BY CATEGORY OF EXPENDITURE: DEVELOPMENT (KSH. MILLION)

Sector Name							
Vote and Vote Details	Description	Approved Budget Allocation			Actual Expenditure		
		2021/22	2022/23	2023/24	2021/22	2022/23	2023/24
DEPARTMENT	Gross						
	CGK						
	Loans						
	Grants						
	Local AIA						

NB: Briefly explain reasons for the deviations between approved and actual expenditure

TABLE 2.4: ANALYSIS BY CATEGORY OF EXPENDITURE: PROGRAMMES (KSH. MILLION)

PROGRAMME DETAILS	APPROVED BUDGET			ACTUAL EXPNDITURE		
	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24
PROGRAMME 1 :						
Sub- Programme : 1						
Sub- Programme : 2						
TOTAL PROGRA>NE						
Repeat as above for Programme 2, 3 e. t. c:						
TOTAL VOTE						

TABLE 2.5: ANALYSIS BY CATEGORY OF EXPENDITURE: ECONOMIC CLASSIFICATION 1<SH. MILLION]

Economic Classification	Approved Budget			Actual Expenditure			
	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24	2021/22
PROGRAMME 1:							

Current Expenditure						
Compensation Of Employees						
Use Of Goods And Services						
Grants And Other Transfers						
Other Recurrent						
Capital Expenditure						
Acquisition Of Non-Financial Assets						
Capital Grants to County Government Agencies						
Other Development						
TOTAL PROGRAMME *****						
Repeat as above for Programme 2, 3 etc.:						
TOTAL VOTE..... *****						

ANNEX 41): REVIEW OF PENDING BILLS

Table 2.8: Summa of Pendingg Bills

Type/nature	Due to lack of Exchequer			Due to lack of provision		
	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24
1. Recurrent						
Compensation of employees						
Use of goods and services e.g utilities, domestic or foreign travel						
Social benefits e.g NHIF, NSSF						
Other expense						
2 . Development						
Acquisition of non financial assets						
Use of goods and services						
Others -Specify						
Total Pending Bills						

ANNEX 5A: FORMAT FOR PRESENTATION OF PROGRAMME PERFORMANCE BASED BUDGETS (PBB)

	<i>P0202: Programme</i>						
	<i>SP020206: Sub-Programme</i>						
		Approved Budget	Actual Expenditure	Baseline	Approved Estimates	Projected	Estimates
	Economic Classification	2023/2024	2023/2024	2024/2025	2025/2026	2026/2027	2027/2028
	Goods and Services						
	Total Expenditure						

Vote No: Vote Title

Part A: Vision

Part B: Mission

Part C: Performance Overview and Rationale Funding

This section is supposed to discuss the following

- Brief description of mandate;
- expenditure trends — approved budget against the actual expenditure for the 2021/22- 2023/24 Budget;
- Major achievements based on the planned outputs/services for 2021/22 —2023/24 Budget;
- Constraints and challenges in budget implementation and how they will be addressed; and
- Major services/outputs to be provided in the 2025/26 — 2027/28 Medium-term Budget

Part D: Strategic Objectives

In this part, list all the programmes and their strategic objectives. Please note that each programme must have only one strategic objective/outcome which must be linked with Strategic Plan and Vision 2030.

ANNEX 5B: COSTING TECHNIQUES

All resource requirements should be accurately costed; Departments will be requested to select the technique providing the most plausible calculation results from the following:

- i. Quantity multiplied by Price; ii. Trend; iii. Lump sum; and iv. Ad hoc.

i. Quantity Multiplied by Price

This method requires identifying the Quantities involved as well as the different Prices that are associated with the items. Whenever possible, departments are required to use this calculation method and justification should be provided if this method is not used.

ii. Trend

- This might be used if quantity multiplied by price cannot be applied and extrapolates past trends based on an item's expenditure pattern of most recent years. The average past annual rate of increase or decrease is applied to outer years if there is no indication that future developments would substantially deviate from the past.

- For very small items and to avoid calculation overload, the lump sum method may be used. This involves taking the cost for the item in the current year and keeping it nominally constant in the medium term. The second case where lump sum can be helpful is if there is no reliable indication that the current amount will increase or decrease.

iv. Ad Hoc

Expenditures undertaken to address specific interventions and not usually intended to address other activities or ongoing projects. These activities/projects should be costed by use of quantity multiplied by price.

ANNEX 6: PROJECT CONCEPT NOTE

SECTION 1: PROJECT PROFILE			
Project Name:			
Project Reference Number:			
Ministry / County Department:			
Implementing Department			
Initiating Department / Division / Section / Unit:			
Budget Vote (where applicable):			
Estimated Project Cost:			
MTEF Sector:			
Accounting Officer:			
Official Contact Details (Provide email, telephone number, postal and physical address) :			
Project Threshold:			
Project Geographic Location (Provide GPS Coordinates here)			
County:	Sub-County:	Ward:	Village:
Planned Start Date:			
Planned End Date:			
Date of Submission:			
SECTION 2: PROJECT BACKGROUND			
1. Situation Anal sis			
Provide a background to the project idea:			
a) Briefly describe the current situation that rationalizes the project b) Briefly describe past and on-going interventions to address the situation; quote official statistics including past trends to support your narrative, where applicable.			

2. Problem Statement

Provide details of the problem to be addressed in terms of challenges, constraints and gaps:

1. Nature of the problem
2. Scope of the problem (How widespread or the magnitude of the problem)
3. State the likely causes and effects of the problem both direct and indirect.
4. Provide any alternative options that may be available to address the problem.

3. Relevance of the Project Idea

Justify the need for the proposed project by:

- a) Linking the project to the National / County Development Plan strategic goals and objectives that the proposed project is expected to contribute to;
- b) Linking the proposed project to Sector strategic objectives and strategies by describing the sector outcomes that the project is expected to contribute to;
- c) Show the need for the project by analysing and describing the quantitative indicators of demand for the services or goods to be delivered by project using readily available information.
- d) Describe the rationale for the County Government to intervene through the project, whether or not the private sector can deliver the project objectives and the consequences of not implementing the project.

SECTION 3: SCOPE OF THE PROJECT

Describe the scope of the project by defining the boundaries of the project in terms the outputs the project or deliverables of the project or the work that needs to be accomplished to deliver the product, service or result required.

SECTION 4: LOGICAL FRAMEWORK

This section show the result chain in a logical manner with a detailed description of the project goal, objectives, outcomes, outputs and inputs

a) Goal

State the goal in the MTP/CIDP the project intends to achieve. Also define the indicator that will be used to measure success of the project against the goal and briefly explain how information on this indicator shall be obtained.

b Project Objectives/Outcomes

Define the project objectives and the corresponding outcomes. These include the effects that will follow from the utilization of products or services (outputs) delivered by the project. These could be the eventual benefits to society that the project interventions are intended to achieve and are reflected in terms of what people will be able to do better, faster, or more efficiently, or what they could never do before.

For each project outcome identified, define at least one indicator that will be used to measure performance of the project against the relevant outcome and briefly explain how information on this indicator (s) shall be obtained

c) Proposed Project Outputs

Describe the direct outputs that the project is expected to deliver. Outputs are the immediate and concrete consequences of the implemented activities and resources used. For each project output identified, define at least one indicator that will be used to track progress and the means of verification.

d Project Activities

For each output identified describe the major activities that should be implemented together with the inputs or resources required to deliver the planned results. To obtain the results of a project a number of activities have to be implemented using various resources or inputs.

e Project Logical Framework Matrix			
Narrative	Indicators	Sources/Means of verification	Assumptions
Goal (MTP/CIDP)			
Project Objectives / Outcomes			
Key Output			
Key Activities			
NB: Add additional rows for outcomes, outputs and activities as necessary			
SECTION 5: INSTITUTIONAL ARRANGEMENTS			
1. Institutional Mandate			
Describe how the project is linked to the mandate of the institution.			
2. Management of the Project			
Demonstrate the technical, managerial and financial capacity of the implementing agency to deliver the project. This can also be better expressed by showing previous experience in handling projects of the same magnitude.			
3. Project implementation Plan			
Describe the sequence of activities overtime which should set clear benchmarks and timelines that can be used to track the overall project.			
4. Monitoringg and Evaluation			
Describe how the project will be monitored and evaluated in order to ascertain the progress towards achieving its intended objectives. Indicate the institutional framework for tracking project progress.			
5. Risk and Mitigation Measures			
Describe the potential risks that can derail the project, the likelihood of occurrence, the impact of such risks and strategies for mitigating them.			
6. Project Sustainabilityty			
Describe how the project will continue providing the intended services and benefits to the beneficiaries after the project is completed. Describe how ownership will be fostered among stakeholders. Include anticipated annual operations and maintenance costs and the source of financing.			

7. Project Stakeholders and Collaborators

Describe the stakeholders that the project has to constantly engage and their level of influence and interest among others. List all the County Government agencies, utilities or regulatory institutions that will need to be involved in the planning and implementation of the proposed project including any legal issues that will need to be addressed.

8. Project Readiness

1. Describe how prepared the implementing agency to deliver the project by providing the following information:
 - a) Has the project preliminary and detailed designs been prepared and approved?
 - b) Has land been acquired (site readiness)?
 - c) Has necessary regulatory approvals been obtained?
 - d) What County Government agencies and stakeholders will be involved in the preparation of the Project and what roles they will play in project development and approval?
 - e) Have you undertaken consultations with other County Government agencies in order to improve synergy and avoid duplication of effort?
2. If the answer is no to any of the above questions, then confirm whether this is part of the project implementation plan
3. Whether the project can be based or scaled down

9. FINANCIAL ANALYSIS

A. Capital Cost to complete the project: Estimate the capital costs associated with the project

Consultancy and fees

Land Aquisition Costs

Site Access, Preparation and Utility

Construction

Equipment

Other capital costs

B. Recurrent Costs (KSh.): Estimate the Recurrent Costs associated of the Project Labour cost.....

Operating Costs.....

Maintenance Costs.....

Others

C. Estimated Total Project Cost KSh Per Year:

	FY2	FY3	FY 4	
Total (KSh.)	Total (KSh.)	Total (KSh.)	Total (KSh.)	Total (KSh.)

D. Indicate the ro used financin o tions for the ro•ect;

- a) County Government of Kenya only
- b) Development partner only
- c) CGK and Development Partner
- d) Public-Private Partnership
- e) Private Sector

E. State all other cost implications to other related projects

Provide a breakdown of estimated cost for other projects that have to be implemented for the benefits to this project to be realised. Is land expropriation required? (Yes / No) If <YES> state the total expenses required to achieve this (compensation / legal costs etc.)

F. operational Cost after implementation

Provide estimated average annual personnel cost, annual maintenance cost, operation cost and revenues where applicable. This should be attached as an annex to this PCN