



COUNCIL OF GOVERNORS

GUIDELINES FOR THE PREPARATION OF **THE 'MWANANCHI'** **BUDGET**

(2018/19 - 2020/21)



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Preparation of the ‘*Mwanachi*’ Budget Guidelines has been a success, because of the concerted efforts and collaboration between many actors.



FOREWORD

Democracy and Participation of the People is a commitment that the forty seven (47) County Governments have prioritized and aligned in their programmes, projects and County development plans.

Although many County budget documents are available on their websites, the question remains whether the information presented and language used, allow citizens to understand the budget process and content. More often than not, County budget documents are dense, overly technical, and its implications not fully understood by citizens.

These Guidelines advocate for the use of locally-spoken languages, more accessible forms of communication including tailored communication for persons with disabilities, and limiting technical jargon in order to improve budget transparency as a requirement of Section 131 (6) of the Public Finance Management Act, 2012.

They help to describe to *Wanjiku* how revenue is raised; the spending priorities of the County; and description of the capital projects at the sub-county and ward levels. This is to ensure that all *Mwananchi*, at all levels have a better understanding of the contents of the Budget.

The preparation of the 'Mwananchi' budget Guidelines has been a success, which is attributable to the concerted efforts of good collaboration between many actors. I take this opportunity to gratefully acknowledge their roles and contribution towards the completion of this important document. Of special mention is the Council of Governors Citizen Engagement Unit and Finance, Planning and Economic Affairs Committee for taking leadership in the development of this document.

Immeasurable appreciation and deepest gratitude to our development partners for their support in developing this guideline. In this regard, we sincerely acknowledge the support of World Bank and the Kenya Accountable Devolution Program (KADP) for ensuring that adequate resources and finance were availed for the intervention.



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Chairman
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I. PURPOSE

These guidelines are prepared in accordance with the Constitution of Kenya and a requirement of Section 131 (6) of the Public Finance Management Act, 2012. The guidelines are intended to provide instructions to the County Executive Committee member for Finance and the officer in charge of public participation and civic education, on the procedures to follow in preparing and publishing the approved budget estimates for members of the public for the period 2018/19 -2020/21. The guidelines provide the following:

- a. Format and content for the brief and simplified budget estimates; and
- b. Communication and access to public information

II. BACKGROUND

The Constitution through function 14 (Schedule 4 part 2), assigns county governments the responsibility to ensure, facilitate and build the capacity of the public to participate in governance.

As such, county governments are required to:

- a. Create mechanisms of engagement by ensuring and coordinating the participation of communities and locations in governance; and
- b. Build capacity by assisting communities and locations to develop the administrative capacity for the effective exercise of the functions and powers.

These guidelines interpret the 2018/19 - 2020/21 Medium Term Framework and the constitutional and legal foundations for public participation in county governments. The aim is to achieve effectiveness in public participation in the government processes by presenting the budget estimates in a clear, easily understandable, and readily accessible format to members of the public.

A Citizens Budget is a brief and simplified version of the budget and guide for the general public. It explains the contents of the Budget in simplified language. This is to ensure that *Mwananchi* at all levels, have a better understanding of the contents of the Budget.

III. THE SPECIFIC GUIDELINES

The following will guide the preparation of the 2018/19 – 2020/21 approved budget presentation and publication for members of the public:

1. Economic Assumptions underlying the 2018/19 – 2020/21 budget

These are the county government's projections about:

- a. Growth in the economy/GDP;
- b. Inflation;
- c. Revenue projections including conditional grants;
- d. Budget surplus' or deficits;
- e. Envisioned borrowing; and
- f. Funding from development partners.

2. Revenue: Money that the county government raises for its activities

Counties should record all revenues received to finance their activities including allocations from the National equitable share, conditional grants, as well as grants from Development Partners.

2.1 Local Revenue

The Constitution allows Counties to impose¹:

- a. Property rates;
- b. Entertainment taxes;
- c. Charges for services they provide; and
- d. Any other tax or licensing fee authorized by an Act of Parliament, including: -
 - i. Property related revenue
 - ii. Administrative fees & Charges
 - iii. Business permits
 - iv. Vehicle Parking fees
 - v. Natural Resources, exploitation & Conservancy
 - vi. Public Health Services
 - vii. Markets, trade licenses & slaughter houses
 - viii. Cess
 - ix. Water & Sewage Services
 - x. All other revenue² (see Box 1)

¹ Tax is a compulsory government levy for which nothing is received directly in return. A tax does not necessarily involve the use or derivation of direct benefits from services, regulation or goods. Rather, a tax is an unrequited transfer intended primarily to generate revenue for the government. Examples are property rates and entertainment tax. User fee/charge are payment for publicly-provided services, or charge for using a public facility such as vehicle parking lot, market, health facility or park. User fees/charges may correspond to usage of services provided, or may be for the bulk or time-limited use of services such as water. The main economic rationale of user fees/charges is not to produce revenue but to promote economic efficiency.

A License is a charge in respect of authorization granted to an entity to undertake a certain action and is mainly issued for regulatory purposes. Examples include business and outdoor advertising licenses.

² GOK (2017), Draft National Policy on County own-source Revenues, Nairobi, Kenya.

Box 1: County own Source Revenue Streams

- | | |
|--|---|
| 1. Extension of users | 29. Agriculture |
| 2. Receipts from voluntary transfers other than grants | 30. Plan approval fees |
| 3. External services fees | 31. Application fees |
| 4. Sale of tender documents | 32. Plot rents, rents & poll rates |
| 5. Feeding program | 33. Betting control |
| 6. Sales of agricultural goods | 34. Profits & dividends |
| 7. Fines, penalties & forfeitures | 35. Business permits |
| 8. Sales of County assets | 36. Public health facility operations & services |
| 9. Fund raising events | 37. Cesses |
| 10. Sales of market establishments | 38. Public works and roads |
| 11. Housing | 39. Natural resources, exploration, environment & conservancy |
| 12. School fees | 40. Receipts from incidental sales by non-market establishments |
| 13. Impounding fees | 41. Cultural & social services |
| 14. Sewerage administration | 42. Receipts from mortgage account |
| 15. Income from County entities | 43. AIA from devolved ministries |
| 16. Slaughter houses administration | 44. Receipts from sale of incident goods |
| 17. Infrastructure assets | 45. Donations |
| 18. Social premises and use charges | 46. Receipts from sales by non-market establishments |
| 19. Interest received | 47. Other education-related revenues |
| 20. Sub County veterinary services | 48. Transfers from reserve funds |
| 21. Lease/rental of County properties | 49. Other health & sanitation fees |
| 22. System required revenue accounts | 50. Vehicle parking fees |
| 23. Liquor license fee | 51. Other local levies |
| 24. Technical services fees | 52. Water supply administration |
| 25. Administrative services fees & charges | 53. Other miscellaneous revenue |
| 26. Other receipts not classified elsewhere | 54. Weight & measures |
| 27. Advertisement fees | |
| 28. Other revenue from financial assets | |

2.2 Revenue Generation Measures

These are the strategies the county government will employ to achieve local revenue targets.

2.3 External Sources

This is money that the County Government receives from National Transfers including conditional grants and; Development Partners in the form of grants.

3. Expenditure: How the County Government intends to spend the money

The *Mwananchi* guide will be presented in line with the programme performance-based budgeting in accordance with Section 38 (3) (b) of the Public Finance Management Act, 2012.

3.1 Priorities in Allocation and Spending

The broad development policies of the County Government provide a clear and progressive approach, on which public priorities will receive special attention over the medium term. Specifically, which will be the large categories of spending, and why? As well as current expenditure required for delivery of services.

3.2 Sector Specific Programmes

Government expenditure, whether in respect of salaries, goods and services or capital expenditure is to deliver services in various sectors of the economy. This should be presented in a summary table allowing easy comparison of total proposed spending for all sectors. These sectors include³:

- a. Agriculture, Rural and Urban Development;
- b. Energy, Infrastructure and ICT;
- c. Health;
- d. Education;
- e. Governance;
- f. Public Administration;
- g. Social Protection, Culture and Recreation; and
- h. Environmental Protection, Water and Natural Resources.

³ Guidelines for the preparation of the medium-term budget, GOK, National Treasury, 2017.

3.3 Capital Projects

The presentation of the FY 2018/19 and the Medium-Term Itemized Development Budget will be project and sub-county or ward specific.

The County Government should provide information on the status of on-going projects.

3.4 Expenditure Measures

These are the strategies the county government will employ for prudent management and utilization of public funds and resources.

4. Budget Highlights

County Governments should provide information on trends in:

- a. Spending changes from the previous budget estimates; and
- b. Tax and levies proposals for the current year.

5. Communication and Access To Public Information

County Governments should present the budget estimates in a language the residents understand and at the very least in English or Kiswahili.

The County should identify the most effective medium of communication in terms of cost and reach. Such mediums may include:

- a. Television;
- b. Brochures;
- c. Newsletters;
- d. Information Communication Technology;
- e. Mass Mailing;
- f. Websites;
- g. Social Media (Facebook, Twitter, LinkedIn, Instagram etc.);
- h. Community Radio Stations;
- i. Public Meetings;
- j. Traditional Media; and

- k. Notices in county, sub-county, ward and village offices, places of worship, markets, schools, libraries, county information resource centers, social clubs, medical facilities and national government offices.

Communication should be tailored to meet the needs of persons with disabilities, senior citizens, the marginalised and members of public with low levels of education. The county should consider communication in the following forms;

- a. Publications for persons with hearing impairments
- b. Braille
- c. Local language publications
- d. Large print publications

IV. BUDGET CALENDER

The county should attach the budget calendar, outlining the timelines for the budget process in accordance with the requirements of the Public Finance Management Act, 2012.

V. GLOSSARY (BUDGET TERMINOLOGIES)

It is useful for the County Government to include a glossary of commonly used budget terms. Most people in their day-to-day lives do not use the technical language often encountered in budget documents, and many users may need some simple definitions to make sense of what they are reading or hearing.

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