Second Annual National Convening of County Heads of Budget and Planning 8th-9th September, 2016 Pride Inn Rhapta Road, Nairobi.

Rapporteur’s Report
Executive Summary

IBP Kenya organized the second national convening of county Heads of Budget and Planning in Nairobi on the 8th and 9th of September, 2016. As with the first convening in 2015, this meeting identified challenges and proposed practical solutions relating to the presentation of budgets, their dissemination, and broader compliance with the public finance management laws and related guidelines.

The first day of the meeting brought together both county Heads of Budget and Heads of Planning from more than half of the 47 counties along with civil society budget organizations working in about 20 of the counties. Participants reviewed challenges brought forth in the previous year’s convening and discussed new challenges relating to county budget process. The new challenges were discussed in detail, and solutions proposed. The full list of the resolutions reviewed, the challenges raised and solutions proposed is contained in this report.

On the second day, the Heads of Budget and Planning met together with other stakeholders from national government. The Ministry of Devolution and Planning, the Office of Controller of Budget, the Public Sector Accounting Standards Board, the Salaries and Remuneration Commission, the Commission on Revenue Allocation, and the Council of Governors were all represented and were asked to respond to the progress made on the previous year’s convening resolutions, the new challenges identified and the proposed solutions raised by the Heads of Budget and Planning (HOBPs). This led to an agreement between the HOBPs and the national agencies on a set of 10 resolutions. Those resolutions are contained below. Notably there was no representation from the National Treasury (Budget Supply Department) or the Intergovernmental Technical Relations Committee, although they were both invited.

The Heads of Budget also used the opportunity presented by the meeting to augment the organizational structure of the HOBPs. Additional members were nominated to the steering committee. The additional members were John Maritim (Planning, Elgeyo Marakwet), Jane Githui (Budget and Planning, Mombasa) and Prisciah Omoit (Budget, Busia). In addition, new members were added to the WhatsApp group for the HOBP caucus.
## Table of Contents

Executive Summary ......................................................................................................................... 2

Table of Contents .............................................................................................................................. 3

1 Introduction and Background ........................................................................................................ 4

2 Looking Back: Progress from the First Convening ................................................................. 4

3 Challenges Relating to Budgeting Together with Proposals for Improvement ....................... 8

4 Unpacking Challenges and Adopting Proposals for Improvement of County Budgets ........... 14

5 Summary of Resolutions .............................................................................................................. 18

6 Implementation/Enforcement of Resolutions ........................................................................... 20

Appendices ....................................................................................................................................... 21

Appendix A: List of Participants ....................................................................................................... 21

Appendix B: Presentation by Dr. Lakin .......................................................................................... 23

Appendix C: Guidelines and Correspondence with National Government Actors .................... 28
1 Introduction and Background

The convening began with introductory remarks by Mr. Wainaina Muigai, Head of Budget Nyandarua, Dr. Jason Lakin, Country Manager, IBP Kenya and Ms. Priscillah Chebet, Head of Budget, West Pokot County. Dr. Lakin spoke about the goals of the second convening from IBP Kenya’s perspective. He expressed his hope that this meeting would help to build on to the first convening held in August, 2015. Like the first convening Heads of Budget and Planning (HOBs) met, shared their experiences and common challenges, and discussed solutions to diverse county budget issues. The various civil society organizations (CSOs) representatives actively took part in the discussions on these issues.

The first day focused on reviewing the previous year’s resolutions and the progress made over the past year. Participants identified more challenges associated with preparation, presentation and understanding of budget documents at the county level. The participants were divided into three groups where they discussed extensively a few challenges highlighted during plenary. These groups were asked to come up with practical solutions to the identified challenges. This discussion would lead into preparation of the HOBP presentation on the second day, which was intended to engage the national stakeholders in collaborating to find solutions. The national stakeholders invited included the National Treasury (NT), the Public Sector Accounting Standards Board (PSASB), the Intergovernmental Technical Relations Committee, the Ministry of Devolution and Planning the Controller of Budget (OCOB), the Commission of Revenue Allocation (CRA), the Salaries and Remuneration Commission (SRC) and the Council of Governors (COG) (See Appendix A for the List of Participants).

2 Looking Back: Progress from the First Convening

The convening began with a presentation made by Dr. Lakin and Ms. Chebet (HOB, West Pokot) highlighting the progress made since the previous year on the resolutions together with other challenges observed after the first convening. This section highlights the progress made and outstanding issues from the first convening.

<table>
<thead>
<tr>
<th>Issue raised from HOBs convening in 2015</th>
<th>What was agreed</th>
<th>Progress made</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Budget classification</strong> HOBs observed that there were no guidelines on classification of diverse budget items such as recurrent or development expenditure.</td>
<td>Three resolutions were agreed to: 1. <strong>Resolution One:</strong> HOBs to submit a list of items with unclear classification to the National Treasury (NT) and the Office of the Controller of Budget (OCOB) on 28th August, 2015 2. <strong>Resolution Two:</strong> Interim guidelines on budget classification (recurrent and development) to be issued by the OCOB by September, 2015. 3. <strong>Resolution Three:</strong> Further detailed guidelines on budget classification (recurrent and development) to be issued by</td>
<td>1. HOBs submitted a list to both the NT and OCOB on the 28th August, 2015. (See Appendix C for the list of contentious issues.) 2. The OCOB issued provisional guidelines on budget classification vide a letter dated 21st October, 2015. This was then forwarded by OCOB to the National Treasury. (See Appendix C for the OCOB provisional guideline.) 3. The NT budget department had not responded as at the time of the 2016 convening.</td>
</tr>
</tbody>
</table>
2. Economic classification
There were challenges around the limited economic classification especially on what was lumped in the ‘other recurrent’ and ‘other development’ classification.

| Resolution Eleven: The HOBs working with IBP Kenya committed to listing down all the items that currently fall under the ‘other’ classification and forwarding a memo to the National Treasury to allocate specific codes in the Standard Chart of Accounts (SCOA). The National Treasury promised to give an update on how to handle the ‘other’ classification by the end of September, 2015, as this was an issue they were grappling with at national level as well. |

3. Quarterly implementation reports
HOBs indicated that they had no guidance on how to prepare these reports therefore they were not preparing them

| Resolution Six: the OCOB will publish a circular/guidelines on the format to be used for quarterly implementation reports on the OCOB website by the end of September, 2015. |

1. Unfortunately, the HOBs did not put together the promised list
2. NT had also not taken up the issue. However, in a letter dated 25th January 2016, NT indicated that they had taken note of the concerns and they were going to address these concerns in preparation of the budget. (See Appendix C for NT’s response.)
3. There has not been any further discussion or guidance from NT, but the problem is still rampant.
4. Notably, the implementation report template issued in May, 2016 by the Public Sector Accounting Standards Board (PSASB) gives a breakdown of the economic classification for reporting. (See Appendix B for excerpts on the breakdown of economic classification.) This could offer a way of solving the challenge of further breaking down the economic classification in the original budget.
4. Public engagement

HOBs identified challenges around public participation especially at the sectoral hearings and generally in assisting the public to appreciate technical issues around budgeting. Most counties at the 2015 convening indicated that they were not producing citizens budgets.

HOBs agreed to prepare simplified budgets that will communicate better to citizens.

Since the 2015 convening, new developments on this issue were observed. For example:
1. Counties like West Pokot, Makueni and Elgeyo Marakwet had been working with the World Bank to adopt participatory budgeting models in their counties.
2. Elgeyo Marakwet in conjunction with Kerio Centre, a CSO working in the Rift region, has been part of an experiment to collect data on various approaches in public engagement.
3. Nairobi produced a citizens budget giving reasons for the choices made in the budget.
4. Homa Bay budget estimates had annexes giving public proposals together with the input of the CBEF. Homa Bay also gives specific feedback to the proposals made.
(See slide 22 and 23 of Dr. Lakin Presentation for snippets showing what Nairobi and Homa Bay are doing)
5. IBP Kenya published a paper on public deliberations to begin the conversation around more effective public participation.\(^1\)

It was observed that there is need for HOBPs to share experience of practices and what works advocating for better public engagement.

5. Planning and Budgeting Contradictions

The HOBs identified a challenge around linking the budget process to the

Resolution Eight: HOBs together with IBP Kenya committed to raise the issue of revising the CIDP guidelines with the Ministry of Devolution and Planning and give proposals

1. MODP issued revised CIDP guidelines that failed to address the confusion in the planning process.
2. IBP Kenya raised the issue on planning with the MODP and UNDP informally

planning process. It was noted in the 2015 convening that counties were unclear of the linkages between CIDP and ADP. In addition, the requirement by the PFM Act that the ADP should be detailed also begs the question of what decisions will be made in the course of the budget process if all distributional decisions are made in September.

3. The secretariat and IBPK also sent a letter to the MODP in August 2016 but there was no response at the time of the 2016 convening.

<table>
<thead>
<tr>
<th>6. Indicators and targets</th>
<th>Although there was no firm resolution, there was consensus that targets should be realistic and indicators reasonable and measurable.</th>
</tr>
</thead>
<tbody>
<tr>
<td>It was observed in the 2015 convening that county budgets had too many indicators, indicators lacked baselines, and in most cases lacked targets or provided unmeasurable targets. While the Programme Based Budgets (PBBs) focus on outcomes, these outcomes are not always immediate and there is need for information on outputs to track movement to expected outcomes.</td>
<td></td>
</tr>
<tr>
<td>Though no guideline was issued on the challenges raised, counties were increasingly adding indicators and targets in their budgets. However, these were characterized by inconsistency, difficulty in understanding and in some cases there were no changes in targets and indicators between different financial years. (See Dr. Lakin presentation below for examples).</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>7. Narrative quality.</th>
<th>Although there was no firm resolution, it was generally agreed in the 2015 convening that HOBs would improve on the quality of narrative in their budgets with a template developed on the expected narratives.</th>
</tr>
</thead>
<tbody>
<tr>
<td>It was observed that there was still lack of consistency in the narratives in the budget especially across the departments. Generally the narratives, if any, still failed to link clearly to the changes in the budget at programme level.</td>
<td></td>
</tr>
<tr>
<td>It was observed that there was still need to improve on the quality of information and counties need to give narratives in their budget documents that illuminate choices made.</td>
<td></td>
</tr>
</tbody>
</table>

Other issues that remained unresolved or pending since last year included:

8. Guidelines from the OCOB to clarify rules around Ward Development Funds;
9. Published guidelines from of the OCOB with a checklist for requisitions;
10. NT clarification on conditions attached to grants;
11. COG assisting counties in restructuring to be in line with internationally accepted Classification of Functions of Government (COFOG);
12. CRA clarification on capital projects under the assemblies;
13. Addressing concerns and challenges in implementing the car loans and mortgage policy from the SRC; and
14. HOBs efforts toward publishing public proposals that were raised during participatory forums.

3 Challenges Relating to Budgeting Together with Proposals for Improvement

The last part of the presentation made by Dr. Lakin highlighted other challenges that were not discussed in the 2015 convening but had become apparent since then. Ms. Chebet assisted in presenting these challenges to the participants. The list of challenges was expanded by the participants, with a final list of six challenges formally adopted for group discussion. Just like in the 2015 convening, participants were encouraged to share their specific experiences relating to the challenges identified and to suggest viable/honest solutions to these challenges. Participants were divided into three groups. The issues were discussed extensively in the groups and during a plenary session. Practical proposals/solutions for the challenges that were discussed were agreed upon. The following are the challenges articulated and proposals given by the participants. We begin with those six issues that were discussed extensively in the groups and plenary followed by those that were only discussed briefly in plenary.

1. Engaging with county assemblies: HOBPs observed that they had many difficulties working with the county assemblies (CAs). The following are some of the areas of concern:
   
   a. Improving on the ceiling process. HOBPs indicated there was confusion on the ceiling allocation to county assemblies. The participants were divided on this issue. One school of thought was that HOBPs should heed the 7% ceiling set by the regulations under the Public Finance Management Act, 2012 while other participants were of the opinion that the ceilings recommended by the CRA and approved by the Senate in the passing of the County Allocation of Revenue Act (CARA), 2016 should be the operating recurrent expenditure ceiling. Participants from both camps agreed that the CA ceiling by CRA was too high and counties could not afford the rising cost of running CAs. It was observed that the OCOB had rejected budgets on the ground that the regulations under the PFM, 2012 had been violated by some counties. The substantive discussion related to the impact the two ceilings have in the funds that remain for the county executive to distribute across departments. All participants agreed

---

2 Public Finance Management (County Governments) Regulations, 2015- Regulation 25 stipulates that the approved expenditures of a county assembly shall not exceed seven per cent of the total revenues of the county government or twice the personnel emoluments of that county assembly, whichever is lower. The Fourth Schedule of CARA, 2016 gives the ceilings on recurrent expenditure budgets for both the county assemblies and county executives of each county.
that if the legal position was for CRA to issue ceilings, then CRA should be advised to give this early enough to allow for county executives to prepare realistic budget proposals.

Proposal: there was need for:

A. CRA to address the following queries:
   i. Whether CRA has the mandate to still give ceilings and will they continue to issue the ceilings?
   ii. If they do, what is the reasoning behind the ceilings?
   iii. If they do, can these ceilings be published early enough to guide the counties on drafting realistic proposals?
B. The National Treasury should amend the PFM regulations as needed to match the correct legal position on county assembly ceilings.

b. Equitable distribution across wards: It was noted that unlike the national government equitable share, where there is a formula to distribute resources across counties, there is not a mandatory set of criteria for distributing resources within counties. On this issue, it was observed that some counties such as EMC have made remarkable attempts to ensure equitable distribution by coming up with a set of criteria embedded in legislation. Though this legislation is imperfect, it is a solid foundation for further discussions.

c. Ward Development Funds: It was observed that the issue of WDF was still rampant in the counties with the OCOB rejecting some county budgets for having unconstitutional WDFs. A large number of counties have reinvented the concept of WDFs by either adopting new names or including them in the budget with alterations that meet the constitutional/OCOB requirements. Other counties were adamant that their WDFs are legal as they are currently constituted, and were ready to negotiate with the OCOB. An emerging concern on the issue of WDFs is the ballooning amount of revenue that the MCAs were setting apart for these funds and other funds of a similar nature. The HOBPs expressed their fear that emphasis on these funds will lead to limited funds for flagship/county wide projects that would ultimately have more impact. Another concern was that the funds were distributed equally in most cases, disregarding inequalities among county subunits, an issue which related to the question of equitable distribution mentioned earlier. It was also observed that the public had formed a habit of proposing too many projects. This spreads resources too thinly, compromising on project completion, but also introduces delays in the implementation of projects due to voluminous procurement procedures.

Proposal:
A. HOBPs needed to advocate for legislation to cap ward development funds (in whichever form or name) to limit them to a certain share of the budget.
B. There is need to strengthen consultation between the departments and relevant sector committees in the CAs to offer technical support to the assembly in understanding the intricacies of the budgeting processes.
d. **General challenges in engagement with county assemblies:** it was observed that county assemblies continue to ‘mutilate’ budget proposals without sound justifications. Related to the issues mentioned with respect to WDFs, MCAs fail to look at distribution at a sector level and are obsessed with ward level distribution. They also prefer and thus demand for only itemized or line item budgets as opposed to PBBs. CAs were observed to be interfering with the tendering processes and in many cases delaying in approval of statutory budget documents.

2. **Linking the planning and budgeting process:** in addition to the concerns that were raised in the first convening, the following specific issues were raised concerning the planning and budgeting process.

a. **CIDP and ADP content and public engagement:** A number of HOBPs believed the ADPs were only excerpts of the CIDPs and thus questioned the need for public participation at the ADP level. Others felt that because priorities change over time, it was paramount to engage the public in preparation of ADPs. A section of those HOBPs who thought that engagement was important were from counties where they felt there was inadequate participation in the initial preparation of the CIDP. It was noted that the time between annual planning and the annual budget documents was not long enough to warrant multiple public participation events in between.

b. **Format and structure of CIDPs and ADPs:** Echoing the first convening, HOBPs expressed concern over the level of detail in both planning documents. While the law requires details of capital projects in the planning documents, it is illogical to have plans with this level of detail and then require further participation at the CFSP level around sector ceilings and the budget estimates where actual allocation is done. The HOBPs strongly felt that it would be more logical if these planning documents only provided for sector provisions. As was discussed last year, it was noted that it is difficult to implement sector hearings after the ADP, as the ADP preempts what should form part of the sector discussions.

c. **2018-2023 CIDP:** since the relevant period for the first CIDPs was coming to an end, it was observed that there was need to have a way forward in terms of structure and format of the CIDPs before the next batch is prepared and approved.

**Proposal:**

A. Need for MODP to revise the CIDP guidelines to ensure CIDPs provide information at a sector level with project details limited to major flagship/ countywide projects.

B. Need for MODP to provide guidelines for ADP format and structure.

d. **Spatial and sectoral planning:** HOBPs identified one of the challenges in the planning process as lack of spatial plans as required under the CGA, 2012. This was blamed on lack of technical and financial capacity within the county governments and even beyond the county government in the case of technical capacity. Those counties that had spent tremendous resources on development of these spatial plans had no substantive results. In addition, nearly all counties had failed in preparing ten year sectoral plans as required under the CGA, 2012.
In addition, since the ADP comes before the sector working groups, the role of these working groups is unclear.

Proposal: Need for MODP to issue further guidance on spatial plans and sector plans.

e. Building synergies at the planning stage: HOBPs observed that there was poor coordination of programmes by the county governments, the national governments and non-governmental organizations. HOBPs pointed out that without proper planning documents some NGOs shied away from undertaking projects within a county. HOBPs identified need for intergovernmental consultation at the county level. The planning framework, the HOBPs proposed, should contain all programmes with probable costs and clear responsibilities for development partners. It was observed that the Senate had made a flawed attempt to coordinate the planning process by establishing County Development Boards (the provision on these boards under the County Government (Amendment) Act, 2014 was declared unconstitutional by the High Court of Kenya in July, 2015).

Proposal: Need for COG working with Intergovernmental Relations Technical Committee (IGTRC) to work together in developing a platform for coordinated planning between the two levels of government.

f. Approval of ADPs by county assemblies: It was observed that the PFM Act, 2012 does not provide for an approval date of ADPs and as such the planning process could stall if MCAs refused to approve budget documents other than CFSPs and the budget estimates. Some counties had experienced late passage of ADPs, which undermined the rest of the budget process.

Proposals: Need for NT to pursue an amendment of the PFM Act to provide for an approval date for ADPs by CAs.

3. Budgeting in an election year: The National Treasury budget calendar gives an indication that budget documents will be provided much earlier than normal, with the budget being approved by March 2017 due to the upcoming elections. It was observed that counties must adopt compressed budget calendars in this election year as well, though there hasn’t been official communication from the NT regarding this.

Proposal: Need for NT to clarify the dates to prepare and approve CFSPs and budget estimates during the election year to ensure consensus between county executives and assemblies.

4. Hidden deficits and pending bills: it was observed that though the counties produced balanced budgets, they contained “hidden” deficits. This was in the form of pending bills. A pending bill was defined as a ‘commitment made by a county that hasn’t been honored though budgeted for in the

3 Council of Governors & 3 others v Senate & 53 others [2015] eKLR. Available at http://kenyalaw.org/caselaw/cases/view/111616/
4 The Public Finance Management (Amendment) Bill, 2015 provides for an approval date for the ADP as 31st October.
proposed financial year(s'). (This is somewhat different from the Auditor General's definition of a pending bill, which may or may not have been budgeted for). Some of the causes of pending bills include late invoices raised by contractors (e.g., 28th of June), under-collection of revenues, unrealistic revenues in the budgets, many projects are in progress at the end of the year (work in progress), change in priorities by counties during the budget year (e.g., refurbishment of stadium for public holiday celebrations that were not budgeted for), late disbursement from the national government, challenges using the Integrated Finance Management Information System (IFMIS) and fiscal indiscipline from the departments where Local Service Orders are issued for projects outside the budget or in excess of available cash.

Proposals. Some of the solutions identified include:

A. For HOBPs:
   i. Prioritizing procurement plans so that departments only undertake projects the county can afford at any particular time based on the counties’ cash flows.
   ii. Enforcing e-procurement to that there is transparency in the process.
   iii. Regularization of pending bills by inputting/proposing the projects unplanned for in the supplementary budget.
   iv. Ensuring realistic revenue projections are in the budget estimates and avoid caving in to political pressure.
   v. Restrict spending on recurrent expenditure so that they can make ‘savings’ to foot pending bills and reduce the risk of accumulating more pending bills.
   vi. Ensuring the balance in the bank is not appropriated for new projects by either entering pending bills directly in the budget as a line for payment of creditors, or excluding the roll-over funds in the budget proposal and only including them in a supplementary budget together with the relevant projects.

B. Tasking NT to introduce commitment controls in IFMIS. The argument here was that IFMIS allows control of spending using the budget as a cap, but the budget may be too high where revenues are unrealistic or cash flow is otherwise lower than expected. Thus IFMIS should be able to cap expenditure commitments at a lower level than the budget.

5. **Tax deductions and other statutory deductions:** related to the pending bills issue above, HOBPs identified a challenge around paying statutory deductions. Some HOBPs indicated that they had unsettled KRA invoices that they were unaware of. For some counties KRA had issued a warning that if counties failed to settle their bills, KRA would deduct the amounts due at source (from the equitable share). There was also a concern that the unpaid amounts due to KRA were accruing huge interests that counties may be unable to settle. Further, some items such as allowances hadn’t been factored by counties as taxable and thus had created unanticipated arrears. It was also observed that some counties paid their staff their net pay but then did not remit statutory deduction to the relevant national bodies. HOBPs indicated they do not remit these deductions because they have urgent commitments to cater for. HOBPs indicated that they had two different approaches towards paying for the statutory deductions. Some counties paid all the amounts due in the first quarter of the financial year, while others paid this in the last quarter as a lump sum as opposed to monthly payments.
6. **Hyperion Planning and Budgeting:** HOBPs pointed out that they have had challenges using and understanding the Hyperion system. Those who had used the system successfully pointed out that it allows for HOBPs to easily report (this system allowed for copy pasting information from Excel and Word documents). The HOBPs agreed that though there was a training by Kenya School of Government, it was not sufficiently practical to help them use the system.

**Proposal:** HOBPs to organize a session where they can learn from each other how to use the Hyperion system. Mr. Njenga (HOB, Samburu) volunteered to assist those HOBPs who had a challenge in using this system.

7. **Allowances, car loans and mortgages:** the issue of car loans and mortgages was highlighted in the first convening but HOBPs observed that there were still no guidelines issued by SRC to address the numerous challenges around how to roll out these benefits. HOBPs were concerned about the following issues:
   a. If the SRC circulars were implemented fully, then counties would not be able to afford the costs associated with them. In addition, HOBPs noticed that the source of funds for these benefits was unclear. It was observed that if counties were to ask commercial banks to give car loans and mortgages to county staff it would be too expensive for counties as the government would have to pay the difference in interest rates between commercial banks and the subsidized rate (3%).
   b. Secondly, HOBPs foresaw that they would be unable to recoup the mortgages. This is because in the case of the members of county executive and MCAs that are politically appointed and/or elected, it will be impossible to track them down to pay their long-term (20 year) loans once they leave government.
   c. Thirdly, HOBPs observed that the structure of allowances was illogical, with chief officers entitled to more allowances than those higher in the hierarchy, such as members of the county executive.

**Proposals:**

A. HOBPs should task SRC to specify where counties should get funds for all these allowances, car loans and mortgages.
B. SRC should also be requested to issue circulars early enough in the budget process to allow funds to be set aside.

8. **Civic engagement and public participation guidelines:** echoing challenges highlighted in the first convening and recognizing that the MODP had already issued guidelines, HOBPs emphasized that there was need for better guidelines on the issue of public engagement. It was observed that there were extensive inconsistencies in how engagement was carried out across counties, with some HOBPs claiming that their own systems work well in their context (but may or may not work well elsewhere).

9. **County Budget and Economic Forums (CBEF):** there was an indication that HOBPs had no clear guidelines on the involvement of the CBEFs in budget process. While some HOBPs involved CBEF members only in the public participation exercises, other CBEFs took an extensive role where they
were involved in all stages of the budgeting process. It was also unclear how CBEF members should be compensated. While for some counties they gave them a flat rate for all the meetings members attended, in other counties they were not paid consistently. Mombasa county issued a circular providing guidance on CBEF allowances in the county. Notably some counties did not have a CBEF in place. It was observed that counties could learn more from each other on how to manage their CBEFs. Guidelines on CBEF were also released last year by the CRA and are available here.

4 Unpacking Challenges and Adopting Proposals for Improvement of County Budgets

The second day began with welcoming remarks from Mr. Wainaina (HOB, Nyandarua). There was representation from diverse governmental and non-governmental agencies. These included representatives from the Ministry of Devolution and Planning, Office of Controller of Budget, Public Sector Accounting Standards Board, Council of Governors, Salaries and Remuneration Commission. There was no representation from the National Treasury or the Intergovernmental Technical Relations Committee.

Presentations were made by Ms. Chebet (HOB, West Pokot), who presented the outstanding issues from the 2015 convening, and Mr. John Maritim (HOP, Elgeyo Marakwet), who presented the new issues pointed out on the first day. All the proposals were discussed and deliberated upon extensively. Resolutions were then made on the way forward on specific issues. The session was moderated by Kamotho Waiganjo, former Commissioner of the Commission for the Implementation of the Constitution. The following are the responses and resolutions made.

1. Budget and economic classification: There is a continuing need for clarification of which items are recurrent and development in nature. This includes items such as funds (such as bursary, women’s funds, etc.), drugs, and so on. Ideally these issues should have been resolved by the Budget Supply Department of NT as they had committed in the 2015 convening. A presentation was made by the OCOB in reference to the provisional guidelines attempting to clarify classification of items on the list of contentious items provided last year (See Appendix C for OCOB provisional guidelines). Nevertheless, even these provisional guidelines remained contentious. In the end, it was decided that the only institution that could answer questions on budget classification was the NT.

Resolution One: COG promised to bring up the issue on lack of clear formal guidance from the National Treasury on budget classification of recurrent and development expenditure, and limited breakdown of the economic classification in the program budget, at the next IBEC meeting on the 28th September, 2016.

Resolution Two: the representatives from the PSASB would raise specific issues from the 2016 convening with the Budget Supply Department of the NT. These issues are the need for clear guidelines on budget classification of recurrent and development expenditure and expansion of economic classification in the program budget.

2. Harmonization of the county government structures: here the issue that was highlighted last year was reemphasized. COG indicated that the HOBPs’ concerns were already discussed by the Council and a resolution passed in this regard. The COG indicated that there had been difficulties in pushing for restructuring in this current regime as this meant that some executive members (e.g., CECs) would
lose their jobs among other political obstacles. In that Council’s meeting, it was then decided that the COG secretariat would take up the issue with the next set of governors. While orienting them to their new posts, they would advise them to structure their respective governments according to an internationally accepted sectoral classification (COFOG).

Resolution Three: COG promised to share its own resolution on uniform classification of departments/sectors by standard (internationally recognized) sectors in counties by 19th September, 2016. This resolution was addressed by COG vide a letter dated 6th October, 2016 (See Appendix C for this letter).

3. **Appropriation in Aid**: Resolution Four from the 2015 convening required both the OCOB and NT to issue guidelines on Appropriations-in-Aid including the format of presentation in the budgets by the end of September, 2015. Even though NT indicated that they already had a circular giving guidance on this issue, they had not published this circular at the time of the 2016 convening. The OCOB in plenary indicated that AIA can only be spent on approval from county assembly and that the OCOB will then require this approval together with a breakdown of how this funds will be utilized.

Resolution Four: HOBPs to request OCOB to publish formal guidelines on how to properly budget and account for AIA.

4. **Ward Development Funds**: OCOB indicated that there was no illegality in the formation of WDF as long as the executive would be in charge of implementation and the assemblies only perform their legislative and oversight role. The key issue is that counties have to heed the separation of powers principle.

5. **Salaries, allowances, car loans and mortgages**: As pointed out above, many of the issues raised here were related to the fact that SRC requirements were too expensive for counties to comply with and the confusion created by multiple circulars. Participants felt that the SRC needed to perform a cost analysis on the implication of their policies. Below is the SRC response to the various issues raised:

   a. **Terms of car loans and mortgages**: SRC indicated that officers who are only guaranteed a five-year term can only take loans and mortgages for the time they are in office. The SRC also indicated that circulars speaking to this were in the SRC website. While none of the HOBPs had gotten these circulars at the time of the 2016 convening, we did find that the circulars on the term of loans for the county assembly members and county executive committee members can be found in the SRC website. These circulars limit the repayment period to five years, or before the end of their term of office for the county assembly members, and to the term of contract for CEC members. See Appendix C for the circulars.

   b. **Source of funds for car loans and mortgages**: SRC indicated that counties ought to create funds within their budgets that would provide for county staff benefits and refrain from financing through commercial banks. The circulars mentioned above, available on the SRC website, provide that loans to county assembly members and those to CEC members should be financed by cash backed funds. The circulars do not clarify exactly what is meant by this, but the implication appears to be that the county should set up a revolving fund that would

---

5 Dated 27th November, 2013 and 30th September, 2014 respectively.
make loans directly and receive repayments. SRC released a subsequent circular, dated 17th December, 2014, which expanded the car and mortgage benefit to all state and public officers. This circular indicates, in section 4 on financing, that “financing may be arranged through agreements between Financial Institutions and the individual government agency/organ.” The same section indicates that each agency will “administer and manager the schemes internally.” These two statements seem contradictory. SRC has separately stated via e-mail communication that their intent was to allow counties to engage banks to manage/administer, but not to finance the schemes, and that this is what a number of counties are doing. This is not obvious from the circulars, which also create a potential distinction between the “cash-backed fund” for CECs and MCAs and the approach used for all other officers. A subsequent circular dated 25th January, 2015, relevant to loans to all state offices and other public officers, only indicates that financing should be from budget allocations. This however, does not clarify if counties can use budgeted funds to subsidize bank loans. See Appendix C for the circulars.

c. **Illogical allowances to county executives:** On the issue of categorization of state officers and their allowances, particularly on allowances to county executive committee members and chief officers, SRC indicated that there was a subsequent corrigendum issued in December, 2014 resolving this issue (see Appendix C). SRC indicated that the corrigendum was sent to relevant county government officials. In the corrigendum, CECs and COs are in the same job group so Chief Officers do not receive higher allowances than CECs.

d. **Harmonization of remuneration:** the challenge of different salaries for similar workers was pointed out in the context of local authority workers that had been absorbed into the county governments’ workforce as opposed to those workers that were directly employed by the county governments. The former enjoy higher salaries and allowances because the terms they had before devolution are no longer offered (and are not deemed affordable today). HOBPs indicated that counties had been unable to correct the issue. Another contention related to inequity in payment of similar staff working with the executive and the assembly. While officers in the assembly have just one unit (department) to work with, their counterparts in the executive have several units to work with and a heavier load, yet the officers in the assembly have more perks than those in the executive. For example, the scope of work of budget officials in the county executive is much larger than that of budget officials in the county assembly. SRC indicated that they were finalizing the job evaluation exercise which was going to resolve this completely.

e. **Allowances:** this issue related to counties that have been labeled by MODP as ‘hardship areas’ in a circular dated 7th December and thus require county governments to pay hardship allowance that they cannot afford. SRC intimated that it was moving towards harmonizing remuneration and then proposing other allowances that would be inherent to specific jobs. (See appendix C for MODP’s circular).

f. **Payment of ‘new’ categories of workers.** HOBPs pointed out that there was no guideline on the earnings of ward administrators and sub county administrators. In the meeting, SRC said this issue would be resolved. However, a circular dated 29th October, 2013 available on
the SRC website gives gross remuneration for ward administrators and other public servants serving in the county government, so this matter has already been resolved. See Appendix C for the circular.

After the forum, SRC indicated that SRC, CRA, Office of the Auditor General (OAG) and OCOB were in a collaboration framework and had signed an MOU to that effect.

**Resolution Five:** CRA, OCOB and SRC will collaboratively work toward investigating the feasibility and affordability of remuneration and benefits to county government public officers as prescribed in SRC circulars. They will then jointly issue guidelines on this.

**Resolution Six:** SRC circulars relating to the budget process should be issued at the beginning of the budget process to ensure adequate funds are set aside early on. All circulars should be clear and should be prominently posted on the SRC website.

**Resolution Seven:** SRC promised to harmonize job grading as soon as the job evaluation exercise is completed. SRC was hopeful that this will be before the end of the year 2016.

6. **Engagement with the county assembly:** While the HOBPs maintained that the CRA ceilings issued in 2015/16 ceilings were realistic, they complained that the most recent ceilings (2016/17) were unrealistic. CRA indicated that they had a right to issue recommendations and that the PFM 2012 amended clause (section 107(2A)) allowed them to give recommendations to the Senate. The Senate adopts recommendations by approving them while passing the annual County Allocation of Revenue Act. CRA argued that their recommendations were arrived at by looking at the following items:
   a. Salaries, allowances, mileage insurance and gratuity for speakers and MCAs;
   b. Salaries, allowances, insurance and pension for county assembly staff;
   c. Allowances for the county assembly service board assembly staff;
   d. Salaries and allowances for staff for all the MCAs;
   e. Provision for operations and maintenance; and
   f. Provisions for oversight and public participation.
   Similar parameters were also considered in the case of the county executive without an allocation to ‘oversight and public participation.’ CRA maintained that this was done in a consultative process and in the end they had to take into consideration the demands of county assemblies, the Senate and compliance with the SRC guidelines on remuneration. Further the numbers clearly showed that had they recommended for lower ceilings, some counties would have been unable to meet their statutory obligations on remunerating MCAs.

**Resolution Eight:** CRA will continue issuing the recommendations on ceilings. CRA will issue this early enough to allow counties to prepare realistic budgets. For the 2017/18 election year the ceilings will be issued by November. CRA will issue the ceilings together with information relied on in recommending the ceilings.

7. **Challenges around the planning process:** HOBPs raised the issues discussed on day one of the 2016 convening. A representative from the MODP indicated she was present only to take notes and report back to the Cabinet Secretary.

**Resolution Nine:** MODP will issue a response on the challenges facing HOBPs in the planning process among them:
a. Need for revision of the CIDP guidelines to ensure that the CIDP focuses on strategic
direction and priorities at the sector level rather than a comprehensive review of projects.
b. Need for guidance on preparation of sector plans and spatial plans.
c. Need for guidelines on ADPs and a format that would ensure consistency across counties.
   Need for guidelines on the linkage of the planning documents to the budgeting process,
   including sector hearings.

8. IFMIS commitment control: since there was no representation from the Budget Department of the
   NT, the representatives from the PSASB indicated that they were going to forward this issue to the
department.

Resolution Ten: NT to respond to the request of incorporating commitment controls based on cash flows
in IFMIS. The Steering Committee to write directly to NT on this.

9. Quarterly implementation reports: This session ended with a presentation by PSASB on their new
template for quarterly budget implementation reports. It was highlighted that counties were to begin
using the templates from the 1\textsuperscript{st} of July 2016. It was also mentioned that the public sector system should
move from cash basis to accrual basis in the coming years.

10. Other issues that came up included:
   a. Need for guidance on the fate of pensions for devolved staff.
      HOBPs were advised to take up the issue with the Public Service Commission. SRC indicated that it had no
      mandate on the same. COG indicated they were working towards a county pension scheme but this had not
      been finalized.
   b. Need for NT to reevaluate the distribution of grants and to ensure equitable distribution
      especially for the Level 5 conditional grants. IBP Kenya highlighted that they had done
      research on Level 5 conditional grants and the same shows that resources are not distributed
equitably. These materials are on the IBP Kenya website.\footnote{\texttt{http://www.internationalbudget.org/wp-content/uploads/ibp-kenya-memorandum-division-of-revenue-bill-2016.pdf} also at
      OCOB and CRA promised to collaborate with the NT to ensure equity in distribution and transparency of
      conditions attached to conditional grants.

5 Summary of Resolutions

\begin{tabular}{|p{1\textwidth}|}
\hline
\textbf{Resolution One:} COG promised to bring up the issue on lack of clear formal guidance from the National
Treasury on budget classification of recurrent and development expenditure, and limited breakdown of the
economic classification in the program budget, at the next IBEC meeting on the 28\textsuperscript{th} September, 2016.

\textbf{Resolution Two:} the representatives from the PSASB would raise specific issues from the 2016 convening
with the Budget Supply Department of the NT. These issues are the need for clear guidelines on budget
classification of recurrent and development expenditure and expansion of economic classification in the
program budget.
\hline
\end{tabular}
Resolution Three: COG promised to share its own resolution on uniform classification of departments/sectors by standard (internationally recognized) sectors in counties by 19\textsuperscript{th} September, 2016 (DONE).

Resolution Four: HOBPs to request OCOB to publish formal guidelines on how to properly budget and account for AIA.

Resolution Five: CRA, OCOB and SRC will collaboratively work toward investigating the feasibility and affordability of remuneration and benefits to county government public officers as prescribed in SRC circulars. They will then jointly issue guidelines on this.

Resolution Six: SRC circulars relating to the budget process should be issued at the beginning of the budget process to ensure adequate funds are set aside early on. All circulars should be clear and should be prominently posted on the SRC website.

Resolution Seven: SRC promised to harmonize job grading as soon as the job evaluation exercise is completed. SRC was hopeful that this will be before the end of the year 2016.

Resolution Eight: CRA will continue issuing the recommendations on ceilings. CRA will issue this early enough to allow counties to prepare realistic budgets. For the 2017/18 election year the ceilings will be issued by November. CRA will issue the ceilings together with information relied on in recommending the ceilings.

Resolution Nine: MODP will issue a response on the challenges facing HOBPs in the planning process among them:

a. Need for revision of the CIDP guidelines to ensure that the CIDP focuses on strategic direction and priorities at the sector level rather than a comprehensive review of projects.
b. Need for guidance on preparation of sector plans and spatial plans.
c. Need for guidelines on ADPs and a format that would ensure consistency across counties.
d. Need for guidelines on the linkage of the planning documents to the budgeting process, including sector hearings.

Resolution Ten: NT to respond to the request of incorporating commitment controls based on cash flows in IFMIS. The Steering Committee to write directly to NT on this.
6 Implementation/Enforcement of Resolutions

The last agenda on the second day was strengthening the HOBP structure. It was observed that the steering committee had not achieved as much as hoped for in terms of pushing for enforcement of the 2015 convening resolutions. HOBPs saw the need to rethink the structure of the HOBPs in order to advocate more effectively for resolving challenges identified in the first two annual convenings. IBP Kenya indicated they would continue to offer secretarial services to the HOBPs. It was proposed that the old steering committee should serve for another term and three additional members be nominated to be part of the steering committee. The steering committee was tasked with the duty of communicating resolutions to all stakeholders. The following are the members of the HOBPs steering committee.

<table>
<thead>
<tr>
<th>Name</th>
<th>County</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Priscillah Chebet Mungo</td>
<td>Head of Budget, West Pokot</td>
<td>Chairperson</td>
</tr>
<tr>
<td>Muigai Wainaina</td>
<td>Head of Budget, Nyandarua</td>
<td>Secretary</td>
</tr>
<tr>
<td>Zahra Kunow</td>
<td>Head of Budget, Wajir</td>
<td>Member</td>
</tr>
<tr>
<td>Andrew Waweru</td>
<td>Director of Budget, Lamu</td>
<td>Member</td>
</tr>
<tr>
<td>John Maritim,</td>
<td>Director of Planning, Elgeyo Marakwet</td>
<td>Member</td>
</tr>
<tr>
<td>Jane Githui</td>
<td>Director Budget and Planning, Mombasa</td>
<td>Member</td>
</tr>
<tr>
<td>Priscah Omoit</td>
<td>Director of Budget, Busia</td>
<td>Member</td>
</tr>
</tbody>
</table>
### Appendices

#### Appendix A: List of Participants

<table>
<thead>
<tr>
<th>NAME</th>
<th>ORGANIZATION/ COUNTY &amp; POSITION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Victor Odanga</td>
<td>COG- SECRETARIAT</td>
</tr>
<tr>
<td>Tobias Ouvi</td>
<td>COG- SECRETARIAT</td>
</tr>
<tr>
<td>Henry Mecha</td>
<td>CRA</td>
</tr>
<tr>
<td>James Katule</td>
<td>CRA-DIRECTOR FISCAL AFFAIRS</td>
</tr>
<tr>
<td>Mark Kipkoech</td>
<td>OCOB- CHIEF FISCAL ANALYST</td>
</tr>
<tr>
<td>Feisal Mohammed</td>
<td>OCOB- FISCAL ANALYST</td>
</tr>
<tr>
<td>Martin Musau</td>
<td>OCOB- RESEARCH OFFICER</td>
</tr>
<tr>
<td>Billy Mathu</td>
<td>PSASB</td>
</tr>
<tr>
<td>Eric Munga</td>
<td>PSASB</td>
</tr>
<tr>
<td>Cleophas Wagombe</td>
<td>SRC- ASSISTANT DIRECTOR</td>
</tr>
<tr>
<td>Mukami Matemo</td>
<td>MODP- OFFICE OF THE CABINET SECRETARY</td>
</tr>
<tr>
<td>Kenneth Wanganjo</td>
<td>FMR CIC- COUNCIL</td>
</tr>
<tr>
<td>James Muraguri</td>
<td>IPF- CHIEF EXECUTIVE DIRECTOR</td>
</tr>
<tr>
<td>Daniel Ndirangu</td>
<td>IPF – RESEARCH ANALYST</td>
</tr>
<tr>
<td>Timothy Kiprono</td>
<td>KERIO CENTER- PROGRAM OFFICER</td>
</tr>
<tr>
<td>Emmanuel Kongin</td>
<td>KERIO CENTER- ASS. PROGRAM OFFICER</td>
</tr>
<tr>
<td>Onyango Deurence</td>
<td>NTA- RCO NYANZA</td>
</tr>
<tr>
<td>Annet Majoni</td>
<td>TISA</td>
</tr>
<tr>
<td>Vincent Ngywo</td>
<td>BUNGOMA- DIRECTOR OF BUDGET</td>
</tr>
<tr>
<td>Prisciah J. Omoit</td>
<td>BUSIA- HEAD OF BUDGET</td>
</tr>
<tr>
<td>Ndtua Kahi</td>
<td>KIAMBU- AG. DIRECTOR OF BUDGET</td>
</tr>
<tr>
<td>Wilberforce Mwinga</td>
<td>KILIFI- DIRECTOR, BUDGET AND ECONOMIC PLANNING</td>
</tr>
<tr>
<td>Andrew Waweru</td>
<td>LAMU- HEAD OF BUDGET</td>
</tr>
<tr>
<td>Andrew Waweru</td>
<td>LAMU- SENCON ECONOMIST</td>
</tr>
<tr>
<td>Jane Githui</td>
<td>MOMBASA- HEAD OF BUDGET AND ECONOMIC PLANNING</td>
</tr>
<tr>
<td>Dorcas Mwangi</td>
<td>NAKURU- ECONOMIST</td>
</tr>
<tr>
<td>Muigai Wainaina</td>
<td>NYANDARUA- BUDGET OFFICER</td>
</tr>
<tr>
<td>Virginiat Karanja</td>
<td>NYANDARUA- D/DIRECTOR OF BUDGET</td>
</tr>
<tr>
<td>David Njenga</td>
<td>SAMBURU- HEAD OF BUDGET</td>
</tr>
<tr>
<td>David Njenga</td>
<td>SAMBURU- HEAD OF BUDGET</td>
</tr>
<tr>
<td>Jennifer Ogola</td>
<td>SIAYA- HEAD OF BUDGET</td>
</tr>
<tr>
<td>William Kimani</td>
<td>TRANS-NZOIA –FINANCE OFFICER</td>
</tr>
<tr>
<td>Priscillah Mungo</td>
<td>WEST POKOT- HEAD OF BUDGET</td>
</tr>
<tr>
<td>Kennedy Tegeret</td>
<td>WEST POKOT- HEAD OF PLANNING</td>
</tr>
<tr>
<td>John Maritim</td>
<td>ELGEYO MARAKWET- DIRECTOR OF ECONOMIC PLANNING</td>
</tr>
<tr>
<td>Lawrence Nzioka</td>
<td>EMBU – HEAD OF BUDGET</td>
</tr>
<tr>
<td>Mohamed Musa</td>
<td>GARISSA- FINANCE OFFICER</td>
</tr>
<tr>
<td>Samson Otieno</td>
<td>KAKAMEGA- HEAD OF BUDGET</td>
</tr>
<tr>
<td>Julius King’ori</td>
<td>LAIKIPIA-BUDGET OFFICER</td>
</tr>
<tr>
<td>Wario Harsama</td>
<td>MARSABIT- HEAD OF BUDGET</td>
</tr>
<tr>
<td></td>
<td>Name</td>
</tr>
<tr>
<td>---</td>
<td>------------------------------</td>
</tr>
<tr>
<td>41</td>
<td>Andrew Njogu</td>
</tr>
<tr>
<td>42</td>
<td>Samuel Kinyanjui</td>
</tr>
<tr>
<td>43</td>
<td>James Ngunjiri</td>
</tr>
<tr>
<td>44</td>
<td>Peris Githinji</td>
</tr>
<tr>
<td>45</td>
<td>Farhiya S. Ibrahim</td>
</tr>
<tr>
<td>46</td>
<td>Henry Koech</td>
</tr>
<tr>
<td>47</td>
<td>Chris M. Gathogo</td>
</tr>
<tr>
<td>48</td>
<td>Benedict Misabili</td>
</tr>
<tr>
<td>49</td>
<td>Lennox Mbwana</td>
</tr>
<tr>
<td>50</td>
<td>Ephraim N. Giathi</td>
</tr>
<tr>
<td>51</td>
<td>Jason Lakin, PHD</td>
</tr>
<tr>
<td>52</td>
<td>John Kinuthia</td>
</tr>
<tr>
<td>53</td>
<td>Mokeira Nyagaka</td>
</tr>
<tr>
<td>54</td>
<td>Vivian Ntinyari</td>
</tr>
</tbody>
</table>
Appendix B: Presentation by Dr. Lakin

Welcome Back!
- Last year, we highlighted ten issues at the outset
- We agreed to discuss some of these
- We made resolutions on them
- Where are we today with these issues?
- And what should we discuss today?

Last year's issues:
#1: Budget Classification
- No clear guidance on recurrent versus development expenditure and/or shifting guidelines:
  - Different approaches to vehicles
  - Shifting guidelines on bursaries
  - How to treat legacy costs (Economic Stimulus Program, etc.)
  - How to treat compensation to non-employees

Resolutions 2015
1) Resolution One: HOBs to submit a list of items with unclear classification to the National Treasury (NT) and the Office of the Controller of Budget (OCOB) on 26th August, 2015 (DONE).
2) Resolution Two: Interim Guidelines on budget classification (recurrent and development) to be issued by the OCOB by September, 2015.
3) Resolution Three: Further detailed guidelines on budget classification (recurrent and development) to be issued by the OCOB and NT after wide consultations, ideally by February 2016.

COB provided suggestions to NT
- COB: "This was done from our end and we passed the same to the Budget Department of the National Treasury who have the mandate to issue the Guidelines."
- No further action from Budget Department

COB Provisional Responses
- Furniture and fittings for newly constructed building – Recurrent
- Purchase of Ambulances – Development
- Purchase of vehicles for different extension programmes – Depends on the type of funding (if it is donor funded you can use development recurrent otherwise)
- Purchase of vehicle for the governor and other executives – Recurrent
- Scholarships and bursary funds (need funding) – Recurrent
- ECD capitation – Recurrent
- Purchase of Drugs – Depends on funding for donor led or development otherwise it is Recurrent
- Training/capacity building of farmers, cooperatives and other groups – Dependent on funding development or donor funding otherwise recurrent
- Fuel for roads – depends on funding or programme based e.g. for road maintenance it is recurrent for roads construction it is development
- EU

2015:
#4: Economic Classification
- The current economic classification used by NT does not allow for sufficient detail on either recurrent or development
- Overuse of ‘other’ categories undermines transparency
- Capital budget needs additional categories/breakdown beyond assets and transfers

Resolution
- Resolution Eleventh: The HOBs working with IBP Kenya will come up with proposals on how to expand the economic classification by the end of September, 2015. HOBs also committed to listing down all the items that currently fall under the ‘other’ classification and forwarding a memo to the National Treasury to allocate specific codes in the Standard Chart of Accounts (SCOA). The National Treasury promised to give an update on how to handle the ‘other’ classification by the end of September, 2015.

What happened?
- We did not do this
- Treasury did not do the internal review promised of this issue (or did not share that)

The National Treasury acknowledges the receipt of your above-listed 8th Memo. However, we would also like to bring to your attention the following:

- It should be noted that all MOF, MOF Affiliate, and other MOF-related departments are not required to prepare the National Truth and Reconciliation Report. However, they are still required to prepare their own separate findings and recommendations relating to National Government Presidential Task Force on Truth and Reconciliation and any other national reconciliation initiatives, including those established under the National Unity and Reconciliation Act, 2011.

As our task force approaches its final phase, we will seek further clarification on the plans and recommendations for the MOF, MOF Affiliates, and other MOF-related departments. If we are able to address these concerns during the stakeholder engagement, we will seek further clarification on the MOF, MOF Affiliate, and other MOF-related departments. If we are able to address these concerns during the stakeholder engagement, we will seek further clarification on the plans and recommendations for the MOF, MOF Affiliates, and other MOF-related departments.
**Economic Classification Continued**

- No further progress?
- PSASB template for quarterly reporting does have a breakdown of economic classification...possible way forward here?

**Last year: #5 Quarterly Implementation Reports**

- These are not being produced (or at least published) regularly by counties
- Lack of guidance on preparation
- Those that are produced are not in a format that matches the approved budget estimates

**Resolution**

6) Resolution six. OCOB will publish a circular/guidelines on the format to be used for quarterly implementation reports on the OCOB website by the end of September, 2015.

Did not happen.

**COB Response**

- The format to be used for the quarterly implementation reports is not constant. The Office therefore issues guidelines to all the spending entities on what is expected in the reports. The Office cannot therefore issues standard guidelines as many times the focus of the report changes over time. Secondly, in order to allow diversity, the Office allows Counties to report on their specific issues which may not be uniform to all.

**However, PSASB did release template**

- As of May 2016, the PSASB did release a quarterly budget template for use by counties
- Comprehensive framework for reporting on inflows and outflows and against budget
- Does not provide for full non-financial information as in CSO template:

**Are counties able to use PSASB?**

- We have not yet seen any reports in this template
- Is the template easy to use?
- Does it meet demand for information from assemblies and public?
- What are continuing challenges to producing useful quarterly implementation reports?

**Last year #8/#9/#10: Public engagement challenges**

- CBEF not functional
- Not clear how to run sector hearings, or participation beyond this
- Not clear how to prepare citizen budgets/user-friendly budget documents (but now CB is required by PFM Regulations 2015)
New developments?
- Some counties (W. Pokot, etc.) are working with World Bank on participatory budgeting
- Nairobi produced a Citizen Budget
- Elgeyo has tried new approaches in ADP
- IBPK released paper on “deliberation” and importance of public justifications
- Other examples of new approaches to participation that are working or lessons learned?

Homa Bay: Responses to Public

Homa Bay Participation Report
Annex to Budget

Resolution
Resolution Eight: HOBs together with IBP Kenya committed to raise the issue of revising the CIPD guidelines with the Ministry of Devolution and Planning and give proposals on revision of the same. The intention of the revisions is to make CIPD a broader strategy document with less emphasis on specific projects, which will come later in ADP and subsequent budget documents (Mr. Muyiwa from COBIS promised to notify Mr. Mikuini from the MODP on this).

What happened?
- MODP released guidelines on revisions to CIPD, but did not take into consideration revisions to overall planning process
- Issues raised with UNDP/MODP informally by IBPK
- IBPK and secretariat worked on a letter to MODP: sent in August 2016
- No response so far

Last year:
- #4 Indicators and targets
  - Many counties have struggled to come up with useful, measurable and achievable indicator/targets
  - There are too many indicators and they often have unmeasurable targets
  - Many lack baselines for ensuring reasonableness and change over time
  - Too focused on outcomes rather than outputs?
  - PBB should focus on outcomes, but maybe not immediately.

Changes?
- Some counties, like Nakuru, have introduced better tracking of indicators over time (inc. 2014/15 targets and actuals)
- Some improvement in indicator and target quality
- But continued challenges of measurability, utility, link to budget?
- Still too many indicators?

Homa Bay: Responses to Public

Last year: Revising the planning/budgeting process
- Issue of clarifying links between CIPD/ADP/sector hearings etc. emerged
- Feeling that there are too many plans, and they are too specific/too early in process
- CIPD should be broadened; ADP cannot be a full draft budget before BROP/sector hearings

Homa Bay: Responses to Public

Homa Bay: Responses to Public

Homa Bay: Responses to Public

Homa Bay: Responses to Public

Resolution
Resolution Eight: HOBs together with IBP Kenya committed to raise the issue of revising the CIPD guidelines with the Ministry of Devolution and Planning and give proposals on revision of the same. The intention of the revisions is to make CIPD a broader strategy document with less emphasis on specific projects, which will come later in ADP and subsequent budget documents (Mr. Muyiwa from COBIS promised to notify Mr. Mikuini from the MODP on this).

What happened?
- MODP released guidelines on revisions to CIPD, but did not take into consideration revisions to overall planning process
- Issues raised with UNDP/MODP informally by IBPK
- IBPK and secretariat worked on a letter to MODP: sent in August 2016
- No response so far

Last year:
- #4 Indicators and targets
  - Many counties have struggled to come up with useful, measurable and achievable indicator/targets
  - There are too many indicators and they often have unmeasurable targets
  - Many lack baselines for ensuring reasonableness and change over time
  - Too focused on outcomes rather than outputs?
  - PBB should focus on outcomes, but maybe not immediately.

Changes?
- Some counties, like Nakuru, have introduced better tracking of indicators over time (inc. 2014/15 targets and actuals)
- Some improvement in indicator and target quality
- But continued challenges of measurability, utility, link to budget?
- Still too many indicators?
Tracking over time

<table>
<thead>
<tr>
<th>Program/Activity</th>
<th>Indicator</th>
<th>Target 2020/21</th>
<th>Actual 2020/21</th>
<th>Budget 2021/22</th>
<th>Target 2021/22</th>
<th>Target 2022/23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health care</td>
<td>% Improved health outcomes</td>
<td>70%</td>
<td>80%</td>
<td>90%</td>
<td>90%</td>
<td>90%</td>
</tr>
<tr>
<td>Education</td>
<td>% Students passing exams</td>
<td>60%</td>
<td>70%</td>
<td>80%</td>
<td>90%</td>
<td>90%</td>
</tr>
</tbody>
</table>

Targets/Indicators: not always clear

- Increased bed capacity
- % Bedused bed occupancy

Targets or Budgets?

- [Table and chart]
- [Table and chart]

Rolling Targets/Indicators?

<table>
<thead>
<tr>
<th>2015/16</th>
<th>2016/17</th>
</tr>
</thead>
</table>
| [Details]

Last year: #3 Narrative Quality

- Budget narratives are not uniform across departments; lack of quality control
- Narratives should illuminate choices, particularly at the programme level and below (choices at sector level dealt with in CFSIP)
- Narratives should also explain broad economic classification (which assets? which other recurrent/development?)

Narrative: weak (if any) link to program choices

In the FY 2016/17 the Health Department will aim at improving access to quality health care to all residents of Kandos. Specifically the budget will fund access health care, promotion of healthy behaviors, and healthy life styles in order to reduce disease burden and premature death; prevention of illness and disability enhancement of quality life.

Narratives continued

- [Details]

Other 2015 issues

- Clarifying rules around Ward Development Funds (COB)
- Publishing checklist for requisitions (COB)
- Clarity about conditions attached to grants (NT)
- Restructuring counties in line with COFOG (COG)
- Clarity on capital projects under the assemblies (CRA)
- Clarity on how to implement car and home loans policy (SRL)
- Counties to publish information about public demands from public forums (HOBs)
- Progress made?

2016 Agenda

- Improving the ceilings process: how do we avoid last minute infighting over ceilings?
- Equitable distribution across wards: equity, equality and efficiency. Balancing ward distribution with county projects
- Budgeting in an election year (Chebet)
- Budgeting in Hyperion (Chebet)
And lastly...strengthening the HOB structure

- IBPK is happy to provide secretarial services to this group
- But we need a stronger steering committee
- Whatsapp group is generating some good discussion, but we have no way of taking leadership or making decisions
- How do we address these issues?
- Need to consolidate before new governors come

Thank you

www.internationalbudget.org/kenya
www.facebook.com/internationalbudget.kenya
@IBP_Kenya
@jmlakin
Appendix C: Guidelines and Correspondence with National Government Actors

**Provisional Guidance on Classification of Expenditure from OCOB on October 21, 2016**

**List of contentious items in the classification of recurrent or development expenditure presented to the National Treasury for guidance**

**at the National convening of Heads of Budget**

**28th August 2015**

<table>
<thead>
<tr>
<th>Item</th>
<th>Classification</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Furniture and fittings for newly constructed building</td>
<td>Recurrent</td>
</tr>
<tr>
<td>2. Purchase of Ambulances</td>
<td>Development</td>
</tr>
<tr>
<td>3. Purchase of Vehciles for different extension programmes</td>
<td>Depends on the type of funding (if it is Donor funded you capture as development recurrent otherwise)</td>
</tr>
<tr>
<td>4. Purchase of Vehicle for the governor and other executives</td>
<td>Recurrent</td>
</tr>
<tr>
<td>5. Scholarships and bursary funds (school funding)</td>
<td>Recurrent</td>
</tr>
<tr>
<td>6. ECD capitation</td>
<td>Recurrent</td>
</tr>
<tr>
<td>7. Purchase of Drugs - Depends on funding for donor it is development otherwise it is Recurrent</td>
<td></td>
</tr>
<tr>
<td>8. Training/capacity building of farmers, cooperatives and other groups - Depends on funding development for donor funding otherwise recurrent</td>
<td></td>
</tr>
<tr>
<td>9. Fuel for roads. - depends on funding i.e. programme based i.e. for roads maintenance its recurrent but for roads construction its development</td>
<td></td>
</tr>
<tr>
<td>10. Monitoring and evaluation of development projects by someone in the ministry - Development as the budget for the monitoring will be part of the project funding</td>
<td></td>
</tr>
<tr>
<td>11. Donor programmes - Development</td>
<td></td>
</tr>
<tr>
<td>12. Purchase of Non pharmaceuticals - Recurrent</td>
<td></td>
</tr>
<tr>
<td>13. Maintenance of buildings, vehicles and equipment</td>
<td>Recurrent</td>
</tr>
<tr>
<td>14. Renovation and repair of buildings, vehicles and equipment</td>
<td>Recurrent</td>
</tr>
<tr>
<td>15. Emergency and disaster fund</td>
<td>These are funds hence as per regulations</td>
</tr>
<tr>
<td>16. Biashara fund</td>
<td>These are funds hence as per regulations</td>
</tr>
<tr>
<td>17. Revolving funds e.g. trade revolving funds</td>
<td>These are funds hence as per regulations</td>
</tr>
<tr>
<td>18. Research and feasibility studies - Development for feasibility studies, funding for research can either be recurrent or development depending on programme and funding</td>
<td></td>
</tr>
<tr>
<td>19. Purchase of Computer software and hardware - Recurrent unless when donor funded</td>
<td></td>
</tr>
<tr>
<td>20. Purchase of Printing equipment - Development if it is for setting up a printing press recurrent otherwise</td>
<td></td>
</tr>
<tr>
<td>21. Purchase of ICT networking and communication equipment</td>
<td>Recurrent</td>
</tr>
<tr>
<td>22. Purchase of animals and breeding stock - Development</td>
<td></td>
</tr>
<tr>
<td>23. Money for disability mainstreaming - Recurrent unless if donor funded</td>
<td></td>
</tr>
</tbody>
</table>
24. **Funds for Youth Women and people living with disability** – *These are funds so will depend on the regulations for the individual funds.*

25. **Consultancy services** – *Recurrent unless if donor funded or relate to a specific development project*

26. **Business incubations** - *Development*

27. **Purchase of Food and rations** - *Recurrent*

28. **Support to SACCOs** - *Recurrent*

29. **Contribution to regional bodies (banks/ Jumuia ya kaunti za Pwani) including monies for the secretariat** - *Recurrent*

30. **Car loans and mortgages for staff** – *These are revolving funds so for seed money these will be under recurrent*

31. **Governor sponsored events: sports tournament** – *These activities should be defined to facilitate classification and they should also be in the CIDP.*

32. **Tourism promotion e.g. miss tourism events** - *Recurrent*

33. **Sports activities by MCAs at ward level** - *Recurrent*

34. **Spatial Planning** - *Development*

35. **County investment forums expenses** – *Recurrent unless donor funded*

36. **Agricultural show expenses** – *Recurrent*
CONTROLLER OF BUDGET  
OFFICE OF THE CONTROLLER OF BUDGET  
NAIROBI, KENYA  

Dear Madam Odhiambo,  

RE: FURTHER QUERIES AND REQUESTS IN RESPONSE TO OCOB RESPONSE TO RESOLUTIONS  

This letter responds to your email correspondence of October 21. In that correspondence, you provided responses to a number of resolutions agreed on in our prior meeting with county Heads of Budget on August 28, and officially shared with your office on September 10. We thank you for those responses and for your continued collaboration.  

Nevertheless, we wish to bring to your attention additional considerations. Below, please find your responses followed by our comments:  

Response from OCOB on Resolution Two:  

The Office together with NT was to give budget classification (Recurrent and Development) on a list forwarded to us. This was done from our end and we passed the same to the Budget Department of the National Treasury who have the mandate to issue the Guidelines.  

Our comments:  

The Heads of Budget and IBPK would like to thank the OCOB for this initiative and for sharing the preliminary list of suggested classifications. We note, however, that this does not seem to have been acted upon by National Treasury. What does OCOB recommend as next steps to ensure that the NT takes the necessary steps to codify this information in a circular or other guidelines?  

The preliminary list has answered a number of questions, but one issue arising is why the source of funding should continue to affect whether an item is listed as recurrent or development. The PFM Act 2012 in its definitions section defines “development expenditure” as “expenditure for the creation or renewal of assets,” which does not seem to allow for the use of the criteria of funding source to create distinctions between assets. Could OCOB clarify the basis for the position that certain expenditure is to be classified as “development” if it is funded from donor sources as opposed to local sources?
We also note that the OCOB guidance suggests that public funds can be either recurrent or development depending on the regulations that guide the funds. In the event that public funds are used to pay for items that would normally be considered recurrent and development in nature, how will a transfer to the fund be classified at the time it is made?

Response from OCOB to Resolution Five:

The OCOB maintains that any money raised or received on behalf of the County Government should be deposited in the County Revenue Fund in line with Article 207 of the Constitution. However, if one wishes to pay through the MPesa Pay Bill, this cost will be borne by the person making the transaction. However, the cost of the service provider (Safaricom or any other provider) should be factored in the budget as the cost of doing the business and not deducted at source.

Our comments:

Thank you for this clarification.

Response from OCOB on Resolution Six:

The format to be used for the quarterly implementation reports is not constant. The Office therefore issues guidelines to all the spending entities on what is expected in the reports. The Office cannot therefore issues standard guidelines as many times the focus of the report changes over time. Secondly, in order to allow diversity, the Office allows Counties to report on their specific issues which may not be uniform to all.

Our comments:

It is our view that while quarterly implementation reports may vary from county to county, this does not mean that there is no core structure that all of them can and should follow. The guidance to be provided by the office could still allow for flexibility, as long as certain minimal standards were covered. For example, the international Open Budget Survey sets certain minimal standards for an In-Year Report. These standards include:

- In-Year Reports should provide information on expenditure using administrative, functional and economic classifications
- In-Year Reports should provide information on actual expenditure against budget disaggregated at least to the program level
- In-Year Reports should provide information on actual revenues collected against budget by individual source of revenue
• In-Year Reports should provide information about changes in debt and interest payments, including the composition and maturity profile of debt

It is clear that these standards are minimalist and leave considerable flexibility to country governments to decide how to present information in their In-Year Reports. Nevertheless, most counties in Kenya have not produce In-Year Reports that meet these minimal standards, in part because they have not been provided with any standards.

In addition to these global minimums, there are some other practices that are worth considering. In-Year Reports from many countries include historical data to allow for a comparison of spending trends over time and to allow for contextual factors, such as seasonal variation, to be taken into consideration.

Beyond the global standards, there are certain common sense requirements that might help. For example, the IYR should be in a format that matches the approved budget. Where there are major variances against target, there should be some narrative explanation of these. IYRs should also indicate if there are changes since the budget was approved that are expected to result in a supplementary budget, or have already resulted in a supplementary.

We believe that the OCOB could start with a set of minimal requirements for quarterly reports that counties could then adapt to their own needs.

Response from OCOB on Resolution Seven:

The Circular on Ward Development Fund issued by the Controller of Budget in 2014 still stands and therefore no need to issue a new circular. If the County Assemblies follow the circular to the letter, then there will be no issue in accessing the funds. Many of the Counties have revised their Ward Development Funds in line with the circular and left out one clause as articulated in Article 174 (i) which calls for the separation of powers between the arms of the government. Most MCAs retain the role of the patron in the Ward Development Fund which goes against this part of the Constitution.

Our comments:

The circular issued by the COB in 2014 makes clear that there must be a separation of powers and suggests that the role of the assembly members is to mobilize county residents “for purposes of identifying priority projects.” The circular also provides other guidance indicating that the WDF can be created as a public fund following the requirements for such a fund under the PFM Act. Section 5(d) indicates that projects should be included in the program-based budget estimates.

Subsequent to the release of the circular, many counties have proceeded to create WDFs. Many counties have attempted to follow the guidelines in the 2014 circular. However, when their budgets have been forwarded to the OCOB, questions have been raised. In particular, in the guidance provided to specific counties, the main request from the OCOB is that the projects identified for funding under WDF be included in the departmental budgets (“should be
allocated to specific programs under the development budget for respective departments”).
Related to this, there is guidance suggesting that WDF cannot be treated as a separate vote.

This guidance has created confusion in many counties. No justification has been provided by OCOB for the specific requirement that the projects funded by this Fund should be distributed among the departmental budgets. In general, it is not clear why projects that are funded by a specific funding source should not be separated out in the budget from other projects. The question has arisen as to whether the intention of this requirement is cosmetic, in order to make it appear that the ward projects are like all of the other projects in the budget. It is not clear why OCOB is insisting on a cosmetic change. Alternatively, there is a suspicion, among county officials and MCAs, that the intention of this requirement is effectively to make it impossible to have a WDF, since the projects funded by WDF should be selected in a different manner and accounted for separately from the projects funded through the rest of the budget. For this reason, some MCAs in some counties have rejected budgets that do not show WDF projects as a separate part of the budget.

We believe that it is essential for the OCOB to explain the requirement to distribute these projects across the departmental budgets. With written guidance from OCOB explaining why this should be done, it would be possible to push back against MCAs who refuse to condone it. Moreover, if the intention of OCOB is to make it impossible for WDF to function as a separate fund, then that should also be clear. We understand that in some counties, MCAs are able to push for certain projects to be funded through the main budget and are satisfied when these projects are funded and listed in the budget estimates. However, this approach to project funding is not the same as a WDF, in which there are funds set aside in a fund that can collect over time and where the rules for distributing these funds may be very different from the rules for distributing other project funding. In counties where MCAs insist on WDF, there must be clarity about what exactly is allowed.

Moreover, the position of OCOB on related funds, such as bursary and other economic development funds, should also be further clarified in a new circular, since the 2014 circular only relates to WDF.

Response from OCOB on Resolution Eight:

I followed up the issue with Mr. Mukui. The Guidelines on revising the CIDP were issued by the Ministry on Devolution and Planning. A copy of the same was given to our Office.

Our comments:

OCOB has not shared a copy of these guidelines with us nor indicated what the process of revising the CIDP would be. How can HOBs and other stakeholders participate in this process and who should we contact to ensure that this happens? Is there any timeline for this review?

The guidelines should clarify whether CIDP should capture all projects in detail, or whether it should mainly capture flagship projects and the broad approach to development in particular sectors. The detailed projects would then be provided each year in the Annual Development
Plan. There should also be clarity about whether projects included should be limited to those that are feasible with projected funding over the medium term. Finally, there is a need for clarity on whether the CIDP should include national projects or only county projects consistent with county functions.

Response from OCOB on Resolution Nine:

The Office has undertaken to publish a checklist on the OCOB website on the documents required by the office for exchequer release to the Counties.

Our comments:

We are grateful for this. Please advise what the timeline is for the posting of this checklist.

Response from OCOB on Resolution Fourteen:

The Controller of Budget wrote to Salaries and Remuneration Commission on the clarification on the implementation of the Car loans and Mortgage Scheme for the County Government. The SRC has promised to address the issue.

Our comments:

We are grateful for this. However, what is the timeline for a response from SRC? How will this response be communicated and who is the main contact person to ensure follow-up?

The IBP Kenya on behalf of the county Heads of Budget wishes to recognize the efforts of the OCOB to address our concerns and looks forward to further engagement.

Kind regards,

Jason Lakin, Ph.D.
Country Manager
IBP Kenya

Cc:

Mr. Stephen Masha
Deputy Controller of Budget

Mr. Joshua Musyimi
Director, Research and Planning
Ref.No. ES 1/32 ‘C’ (128)

Date: 25th January, 2016

Jason Lakin, Ph.D.
Country Director
IBP Kenya
Timau Plaza, Argwings Kodhek Road
NAIROBI

Dear [Dr. Lakin],

RE: FOLLOW UP ON RESOLUTIONS NATIONAL TREASURY COMMITTED AT THE NATIONAL MEETING FOR COUNTY HEADS OF BUDGET

The National Treasury acknowledges the receipt of your letter dated 5th October, 2015 following up on the resolutions of the national meeting for County heads of budget regarding publishing of specific conditions relating to National Government conditional grants/allocations and expanding economic classification in the budget.

The National Treasury has taken note of these resolutions. Going forward, we will seek to address these concerns during the preparation of the budget. These resolutions will further entrench the principles of transparency and accountability in the management of public resources as required by the Constitution.

Yours Sincerely

GEoffrey Mwaau, CBS
DG/BUDGET, FISCAL AND ECONOMIC AFFAIRS/NATIONAL TREASURY
UPDATE ON THE COUNCIL OF GOVERNORS RESOLUTION ON COUNTY DEPARTMENT REORGANIZATION

The Council of Governors appreciates the efforts that International Budget Partnership Kenya have made in so far as Public Finance Management is concerned. In your recent meeting held on 9th September 2016 attended by the County Governments Heads of Budgets, the Council committed to provide feedback on the status of Counties’ department reorganization.

In regards to this, the Council would like to highlight the following:

1) Through a Council meeting, it was resolved that County Governments need to have uniform and related departments across board to necessitate effective service delivery. This was informed by the fact that there are a number of overlapping departments in many of the Counties.

2) On how the restructuring is to be done, the resolution made is that this restructuring or reorganization can only be effected in the next administration after the 2017 general elections.

3) Currently the Council of Governors is in the process of developing an induction framework for the incoming administration and the issue of uniform reorganization shall form part of the framework.

4) You may be aware that there are currently 10 sector working groups at the national government level and for effective intergovernmental relations between counties and the national government, counties have been able to keep in line with the national sector lines. We however understand the importance of department reorganization.

The purpose of this letter is therefore to provide you with an update on the Council’s position in the reorganization of the Counties’ departments. This process is expected to be initiated at the induction stage of the new administration of County Governments.

Sharon Makena
Director Programmes
REMUNERATION AND BENEFITS FOR STAFF SERVING IN THE COUNTY GOVERNMENT

Reference is made to the Transition Authority letters dated 18th April 2013 and 12th July 2013 on the remuneration and benefits for staff serving in the county government. The Salaries and Remuneration Commission deliberated on the remuneration package and held a consultative meeting with the stakeholders of the County Governments on the 23rd July 2013 on the subject matter. Consequently, the Commission approved and advise that the public officers serving in the County Government be paid as shown in Table 1 below.

Table 1: Remuneration and Benefits of public servants serving in the county government

<table>
<thead>
<tr>
<th>Title</th>
<th>Minimum Pay</th>
<th>Gross Remuneration Level Executive Arm</th>
<th>Maximum Pay</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Basic</td>
<td>House</td>
<td>Other</td>
</tr>
<tr>
<td>County Secretary</td>
<td>135,000</td>
<td>70,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Chief Officer/ Chief of Staff</td>
<td>120,270</td>
<td>60,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Directors, Economic Advisor, Legal Advisor</td>
<td>109,089</td>
<td>40,000</td>
<td>16,000</td>
</tr>
<tr>
<td>Advisor, City Manager</td>
<td>89,748</td>
<td>40,000</td>
<td>14,000</td>
</tr>
<tr>
<td>Sub County Administrator, Municipal Manager</td>
<td>77,527</td>
<td>40,000</td>
<td>12,000</td>
</tr>
<tr>
<td>Deputy sub county Administrator, Town Administrator</td>
<td>48,190</td>
<td>24,000</td>
<td>8,000</td>
</tr>
<tr>
<td>Personal Assistant</td>
<td>41,590</td>
<td>20,000</td>
<td>8,000</td>
</tr>
<tr>
<td>Village Administrator, Personal Secretary</td>
<td>35,910</td>
<td>20,000</td>
<td>16,000</td>
</tr>
<tr>
<td>Driver</td>
<td>19,323</td>
<td>5,000</td>
<td>4,000</td>
</tr>
<tr>
<td>Messenger/Tea Person /Cook</td>
<td>.11,370</td>
<td>3,500</td>
<td>3,000</td>
</tr>
<tr>
<td>Gardener</td>
<td>10,380</td>
<td>3,300</td>
<td>3,000</td>
</tr>
</tbody>
</table>
Notes

i) New officers shall join the salary scale at the minimum point on the date of appointment to the County Government, and progress annually to the maximum level.

ii) Any salary structure existing before the salary structure provided herein ceases to apply forthwith.

iii) For efficiency and prudence in management of the wage bill, county governments are advised to start off their structures with skeleton staff then build on gradually over time based on the volume and value of the work.

iv) For effective utilization of staff, county governments are advised to avoid duplication of functions which makes cost of employment expensive.

v) Multiskilling should be encouraged so that one officer covers a wider scope of work.

vi) The effective date of this remuneration structure is 1st May 2013.

The purpose of this letter therefore is to communicate the decision and advice of the Salaries and Remuneration Commission for implementation.

Anne R. Githu (Mrs)
For Commission Secretary

CC:
Mr. Kinuthia Mwangi
Chairman,
Transition Authority
NAIROBI

Dr. Kamau Thuge
Principal Secretary
National Treasury
NAIROBI

Mrs. Agnes Odhiambo
Controller of Budget
BIMA House
NAIROBI

Mr. Edward R. Ouko
Auditor General
Kenya National Audit Office
NAIROBI
Ref. No. SRC/TS/CGOVT/3/16

27th November, 2013

ALL COUNTY GOVERNORS

RE: REVIEWED REMUNERATION AND BENEFITS FOR MEMBERS OF COUNTY ASSEMBLY

In exercise of the powers conferred by Article 230 (4) (a) of the Constitution of Kenya, 2010, the Salaries and Remuneration Commission during its 35th Special Commission meeting held on 14th November, 2013 and 36th Special Commission meeting held on 25th November, 2013 reviewed the remuneration and benefits for Members of County Assembly, following the results of the job review as follows:

A. Mileage:- To be paid at AA Rates and clarified as follows;
   (i) Members of the County Assembly to be paid a Monthly Mileage Allowance at a standard AA Rate of Ksh.109.80 per kilometer for up to a maximum of 45 kilometers return journey (90 kilometers) to their respective areas of representation. This caters for both car maintenance and fuel. (The allowance is calculated as follows: (Ksh.109.8 *90*4)/12= Kshs.39, 528 per month).

   (ii) Members whose areas of representation are situated beyond the 45 kilometers return Journey (90 kilometers) to make a weekly reimbursable claim of the extra mileage, when they travel to their area of representation, at applicable AA rates based on the cubic capacity of the vehicle per extra kilometer, subject to a maximum of 52 weeks in a year.

Please note that with the implementation of the Mileage Allowance as provided above, the existing Transport Allowance of Kshs 20,000 ceases to be payable.

B. Sitting allowances

   Members of County Assembly shall be entitled to Sitting Allowance which shall be paid in accordance with the Standing Orders or resolution of the County Assembly at the following rates:

   (i) Chairperson: A member of County Assembly with additional responsibility as a Chairperson while chairing a meeting shall be entitled to payment of Sitting Allowance of Kenya shillings six thousand five hundred (kshs.6,500.) per sitting up to a
maximum of eight paid sittings (four plenary and four committee sessions) per week subject to a maximum of Ksh.208,000 per month.

(ii) Vice Chairperson: A member of County Assembly with additional responsibility as a Vice Chairperson while sitting as a Vice Chairperson shall be entitled to payment of Sitting Allowance of Kenya shillings five thousand two hundred (Ksh.5,200.) per sitting up to a maximum of eight paid sittings (four plenary and four committee sessions) per week subject to a maximum of Ksh.166,400 per month.

(iii) Member: A member of County Assembly shall be entitled while sitting as a Member to payment of Sitting Allowance of Kenya shillings three thousand nine hundred (Ksh.3,900.) per sitting up to a maximum of eight paid sittings (four plenary and four committee sessions) per week subject to a maximum of Ksh.124, 800 per month.

C. Special Assembly Duty Allowance

Members of County Assembly with special assembly responsibilities shall be entitled to payment of Special Assembly Duty Allowance to be apportioned by the County Assembly Service Board against the positions established by the Standing Orders or Resolutions of the Assembly subject to the following limits:

<table>
<thead>
<tr>
<th>Leadership Levels</th>
<th>Position</th>
<th>Monthly Limits (Kshs. Per Month)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Level 1</td>
<td>- Leader of Majority</td>
<td>32,000.00</td>
</tr>
<tr>
<td></td>
<td>- Leader of Minority</td>
<td></td>
</tr>
<tr>
<td>2. Level 2</td>
<td>- Chief Whip</td>
<td>29,000.00</td>
</tr>
<tr>
<td></td>
<td>- Deputy Leader of Majority</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Deputy Leader of Minority</td>
<td></td>
</tr>
<tr>
<td>3. Level 3</td>
<td>- Chairpersons of Committees</td>
<td>26,000.00</td>
</tr>
<tr>
<td></td>
<td>- Deputy Chief Whip</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Other Whips</td>
<td></td>
</tr>
<tr>
<td>4. Level 4</td>
<td>- Vice Chairpersons</td>
<td>23,000.00</td>
</tr>
<tr>
<td>5. Level 5</td>
<td>- Members of Speakers Panel</td>
<td>20,000.00</td>
</tr>
</tbody>
</table>

D. Car Loan Facility

Members of the County Assembly be entitled to a Car Loan of Ksh.2,000,000 (Two million shillings) payable with interest of 3% per annum. This is a cash backed fund subject to budgetary allocation and availability of funds. The loan is repayable within five (5) years or before the end of term of office, whichever is earlier.

E. Mortgage Facility

Members of County Assembly be entitled to a Mortgage at Ksh.3,000,000 (Three million shillings) payable with interest of 3% per annum. This is a cash backed fund subject to budgetary allocation and availability of funds. The loan is repayable within five (5) years or before the end of term of office, whichever is earlier.
The review of the above facilitative benefits (Mileage Claim Allowance, Sitting Allowance, Special Assembly Duty Allowance, Car Loan and Mortgage Facility) to take effect from the date of resumption of full operations of the respective County Assemblies.

F. Medical Cover

To be retained as per the gazetted provision with an ex-gratia arrangement as provided in the existing Government Policy Guidelines.

G. Airtime Facility

All Members of the County Assembly to retain the approved Airtime as follows:

a. The Speaker of the County Assembly worth Ksh. 10,000 per month.

b. All other Members of the County Assembly, worth Ksh. 5,000 per month

H. Reviewed Remuneration package

The reviewed monthly remuneration to be paid as follows:

<table>
<thead>
<tr>
<th>State Office</th>
<th>Remuneration Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Speaker of County Assembly</td>
<td>Kshs 262,500 x 21,875 p.a. - 284,375 x 21,875 p.a. - 306,250 x 21,875 p.a. - 350,000</td>
</tr>
<tr>
<td>Deputy Speaker of County Assembly</td>
<td>Kshs 180,000 x 15,000 p.a. - 195,000 x 15,000 p.a. - 210,000 x 15,000 p.a. - 240,000</td>
</tr>
<tr>
<td>Member of County Assembly</td>
<td>Kshs 123,750 x 13,313 p.a. - 134,063 x 10,313 p.a. - 144,375 x 10,313 p.a. - 165,000</td>
</tr>
</tbody>
</table>

For purposes of computing service gratuity, the basic salary is 60% of the set monthly remuneration package, while 40% is the consolidated allowances, unless otherwise stated separately.

The review shall be implemented as stated below:

1. Speakers, Deputy Speakers and the Members of County Assembly to enter the reviewed structure at the respective minimum point;
2. The annual incremental date is 1st April the first of which will be 1st April 2014;
3. Funding of the reviewed remuneration to be accommodated within the County budgetary provision 2013/14 and subsequent budgetary provisions;
4. The effective date of the reviewed monthly remuneration is 1st December, 2013

G. A. Otieno (Mrs.) MBS,
COMMISSION SECRETARY
C.C. Dr. Kamau Thugge, EBS
Principal Secretary
The National Treasury
NAIROBI

Mrs. Agnes Odhiambo
Controller of Budget
Office of the Controller of Budget
BIMA HOUSE
NAIROBI

Mr. Edward R. Ouko
Auditor General
Kenya National Audit Office
NAIROBI

Mr. Kinuthia Wamwangi
Chairman
Transition Authority
NAIROBI

All Speakers of County Assemblies

All County Clerks
Ref. No. SRC/CGOV/3/61

30th September 2014

All Secretaries
County Governments

REMNUNERATION AND BENEFITS FOR COUNTY EXECUTIVE COMMITTEE MEMBERS (CECs) - CAR AND MORTGAGE LOAN SCHEME

In exercise of the powers conferred by Article 230(4) of the Constitution of Kenya 2010, the Salaries and Remuneration Commission during its 76th Commission meeting held on 31st July 2014 reviewed the benefits for County Executive Committee Members as follows:

a) Car Loan Facility

The County Executive Committee Members be entitled to a car loan scheme of Kshs.2,000,000 (Two million) payable with interest rate of 3% per annum. This is a cash backed fund subject to budgetary allocation and availability of funds. The loan is repayable within the term of contract of work.

b) Mortgage Facility

The County Executive Committee Members be entitled to a Mortgage of Kshs.3,000,000 (Three million) payable with interest rate of 3% per annum. This is a cash backed fund subject to budgetary allocation and availability of funds. The loan is repayable within the term of contract of work.

The Commission wishes to inform you that the implementation of these benefits is with immediate effect.

The Commission appreciates your continued support and is available for any clarification

Anne R. Gita (Mrs.)
AG. COMMISSION SECRETARY

C.C.: The Principal Secretary
The National Treasury
NAIROBI
The Auditor-General
Auditor General’s Office
NAIROBI

The Controller of Budget
Office of the Controller and Budget
NAIROBI

The Chairman
Transition Authority
NAIROBI

The Chairman
Council of Governors
NAIROBI
CAR LOAN AND MORTGAGE SCHEMES FOR STATE OFFICERS AND OTHER PUBLIC OFFICERS OF GOVERNMENT OF KENYA

The Salaries and Remuneration Commission (SRC) in fulfillment of its constitutional mandate and in exercise of the powers conferred to it under Article 230 of the Constitution and Section 13 the Salaries and Remuneration Commission Act, 2011 has set and advised on the Car Loan and Mortgage benefits for all State officers and other public officers in Kenya.

The approved Car Loan and Mortgage Scheme benefits are expected to facilitate State officers and other public officers to benefit from Government funded loans to purchase cars and access mortgage facilities.

It is expected that implementation of the benefits will motivate public officers and immensely contribute towards attraction and retention of requisite skills in the public service in line with the constitutional principles under Article 230(5) of the Constitution.

The approved benefits will be applied to the intended beneficiaries within the following guidelines:

1. SCOPE AND ELIGIBILITY

The scope of the Car Loan and Mortgage Scheme shall include all State officers and other Public officers who are currently not enjoying these benefits and who are employed on permanent and pensionable basis for public servants and for State officers who are either on full time or on part-time basis.

2. COMMENCEMENT DATE

The commencement date shall be 1st January 2015.
3. IMPLEMENTATION AND ADMINISTRATION OF THE BENEFITS

The Car Loan and Mortgage Scheme for State officers serving in the Executive arm of Government and the Independent Constitutional Commissions shall be administered and managed centrally by the National Treasury.

Due to management efficiency, the Car Loan and Mortgage Scheme benefits for other public officers shall be administered and managed by individual Government Institutions and Agencies such as Commissions, Independent Offices, State Corporations, County Governments, Statutory Bodies and Ministries independently for their employees.

The independent government agencies should therefore, prepare appropriate Regulations to guide the implementation of the benefits for their employees.

4. FINANCING

The National Treasury shall provide requisite funds through the MTEF budget process to operationalize the Car Loan and Mortgage Scheme for the State Officers and other public officers.

Individual state agencies employing public officers shall make request for budgetary provisions by the National Treasury to operationalize the Car Loan and Mortgage Schemes for their employees.

County Governments shall set aside the necessary funds through their budget process towards implementation of the Car Loan and Mortgage Benefits to their employees.

Financing may also be arranged through agreements between Financial Institutions and the individual government agency/organ within agreeable framework to both parties.

Each Government agency/organ will administer and manage the schemes internally and the same shall be subjected to the annual audit of Government.

5. THRESHOLDS

The following different thresholds for various cadres of State Officers and other Public officers shall apply or as reviewed by SRC

<table>
<thead>
<tr>
<th>STATE OFFICERS</th>
<th>BENEFICIARIES</th>
<th>CAR LOAN</th>
<th>MORTGAGE SCHEME</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cabinet Secretary</td>
<td>Up to Kshs.10 Million</td>
<td>Up to Kshs.40 Million</td>
<td></td>
</tr>
<tr>
<td>Attorney General</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secretary to the Cabinet</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chief of Defense Forces (CDF)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>County Governor</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auditor General</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal Secretaries</td>
<td>Up to Kshs.8 Million</td>
<td>Up to Kshs.35 Million</td>
<td></td>
</tr>
<tr>
<td>Chairs and Members of Independent Commissions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Controller of Budget</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director General of National Intelligence Service, Inspector General National Police, Vice of Chief of Defense Forces, Commander of Kenya Army, Commander of Kenya Navy, Commander of Kenya Air Force</td>
<td>Up to Kshs.6 Million</td>
<td>Up to Kshs.30 Million</td>
<td></td>
</tr>
</tbody>
</table>
6. INTEREST RATE CHARGE

The rate of interest applicable to both the Car Loan and Mortgage Scheme shall be three (3%) per annum on a reducing balance for the duration of the Loan.

7. DURATION AND TERMINATION OF THE SCHEME

The duration of the scheme shall be a maximum of twenty (20) years for mortgage schemes and five (5) years for Car Loan.

Where a State Officer or Public Officer leaves public service employment for whatever reason other than disciplinary grounds, the terms of the loan remains in force and does not change for the life of the loan unless in cases of default in which case it reverts to commercial terms.

The purpose of this Circular is to convey the approval of the Commission on the Car Loan and Mortgage Scheme for the State officers and other public officers serving in the Executive arm of the government and Independent Constitutional Commissions for your further necessary action.

Your Office is hereby requested to ensure compliance with the contents of this Circular and bring it to the attention of all employees in your organization for information.

Sarah J. C. Serem (Mrs.), EBS
CHAIRPERSON

CC:
Chief of Staff and Head of Public Service
All Cabinet Secretaries
Attorney General
Chairpersons, Constitutional Commissions
Chairperson, Council of Governors
Chairpersons County Public Service Boards
Registrar, Industrial Court of Kenya
All County Governors
All Speakers, County Assemblies
Inspector General, Inspectorate of State Corporations
Ref. No. SRC/ADM/CIR/1/13 VOL III (130)

Auditor General
Chief Executive Officers/ Accounting Officers of all State Corporations and Statutory Bodies
Clerk of the Senate and Secretary Parliamentary Service Commission
Clerk of the National Assembly
Controller of Budget
Clerks of all County Assemblies
County Secretaries, County Governments
Director of Public Prosecutions
Principal Secretaries, All Ministries
Chief Registrar of the Judiciary
Registrar, Industrial Court of Kenya
Secretaries of County Public Service Boards
Secretary, State Corporation Advisory Committee
Secretaries of Independent Constitutional Commissions
Solicitor General, State Law Office
Vice-Chancellors of all Public Universities

CAR AND MORTGAGE LOAN SCHEMES FOR STATE AND OTHER PUBLIC OFFICERS OF THE GOVERNMENT OF KENYA

Reference is made to the SRC circular Ref. No. SRC/ADM/CIR/1/13Vol.III (128) dated 17th December, 2014 regarding Car and Mortgage Loan schemes for State and other Public Officers (attached). The following clarifications and guidelines are provided to operationalize the schemes:

(i) The House Mortgage Scheme for State Officers and other Public Officers in Ministries, within the National Government will be managed by the existing Civil Servant Housing Scheme Fund under the Ministry of Land, Housing and Urban Development.

(ii) The Car Loan Scheme for State Officers and other Public Officers in Ministries, within the National Government will be managed by the National Treasury upon formulation and approval of the requisite regulations to govern it.

(iii) State Corporations, Constitutional Commissions, Independent Offices and other Government Agencies in the National Government should independently manage the House Mortgage and Car Loan Schemes for their employees.

(iv) Parliament, Judiciary and County Governments will run the schemes independently to cater for both State Officers and other Public Officers within their establishments.
Funding for the schemes in the National Government should be as follows:

(i) House Mortgage scheme for State Officers will be funded within the FY 2014/2015 Budget and operationalized upon the gazettement of the amended Civil Servant Housing Scheme Fund regulations by the Ministry of Land, Housing and Urban Development.

(ii) Car Loan scheme for both State Officers and other Public Officers will commence in the FY 2014/2015 after the establishment and approval of the Car Loan Scheme Fund and the appropriate regulations.

(iii) Parliament, Judiciary and County Governments are expected to fund their schemes within their respective budgetary allocations.

The purpose of this circular, therefore, is to communicate the position of the Commission so that your office can bring its content to the attention of all State and Public Officers in your institution.

Nicodemus O. Odongo
FOR: AG. COMMISSION SECRETARY

cc.
Chief of Staff and Head of the Public Service
All Cabinet Secretaries
Attorney General
Chairpersons of Constitutional Commissions
Chairperson, Council of Governors
Chairpersons, County Public Service Boards
All County Governors
All Speakers, County Assemblies
Inspector General, Inspectorate of State Corporations
Ref. No: SRC/ADM/CIR/1/13 Vol. III (127) 18th December, 2014

Attorney General
Controller of Budget
Auditor General
All Principal Secretaries/Accounting Officers
Chief Registrar of Judiciary
Director of Public Prosecutions
Clerk, of the Senate;
Clerk, National Assembly
Secretaries, Constitutional Commissions
Vice-Chancellors of all Public Universities
Secretaries County Public Service Boards
Secretary, State Corporation Advisory Committee
Chief Executives of All State Corporations and Statutory Bodies
Clerk, County Assembly Service Boards
County Secretaries, County Governments

CORRIGENDUM ON THE CIRCULAR FOR REVIEW OF ALLOWANCES IN THE PUBLIC SERVICE

Reference is made to the SRC Circular Ref No. SRC/ADM/CIR/1/13 Vol. III (126) dated 10th December, 2014 on the above subject.

The Salaries and Remuneration Commission would like to inform you that the attached Appendix (Table 5) on page 8 of 8 of the Circular has been replaced by the Appendix attached herein. All other items remain as per the Circular referred.

Sarah J. C. Serem (Mrs.), EBS
CHAIRPERSON

CC: All Cabinet Secretaries
Chief of Staff and Head of Public Service
Chairpersons, Constitutional Commissions
Chairperson, Council of Governors
Chairpersons County Public Service Boards
Registrar, Industrial Court of Kenya
Clerk, National Assembly
All County Governors
All Speakers, County Assemblies
Inspector General, Inspectorate of State Corporations
Secretary, State Corporations Advisory Committee
# APPENDIX

The Grading and Equivalent Job Groups of all State officers and other Designated Public officers shall be used when applying General Government Circulars as shown in Table 5.

<table>
<thead>
<tr>
<th>State Officer and Other Designated Public Officers</th>
<th>Job Grade</th>
<th>Civil Service Job Groups or Equivalent Grades in the Public Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Speaker of the National Assembly Speaker of the Senate, Chief Justice</td>
<td>F4</td>
<td>-</td>
</tr>
<tr>
<td>Deputy Chief Justice, Cabinet Secretary, Secretary to the Cabinet, Deputy Speaker of the Senate, Deputy Speaker of the National Assembly, Attorney General, Auditor General, Judge of the Supreme Court, Chairman, IEBC, Chairman, CIC</td>
<td>F2</td>
<td>V</td>
</tr>
<tr>
<td>Principal Secretary, Controller of Budget, Judge of the Court of Appeal, County Governor, Director of Public Prosecution, Vice Chair IEBC, Vice Chair CIC, Chairpersons, other Constitutional Commission</td>
<td>F1</td>
<td>U</td>
</tr>
<tr>
<td>Member of the National Assembly, Member of the Senate, Members of Independent Constitutional Commissions, Judge of the High Court, Registrar of Political parties, Secretaries of Independent Constitutional Commissions, Deputy County Governor</td>
<td>E5</td>
<td>T</td>
</tr>
<tr>
<td>Chief Magistrate</td>
<td>E4</td>
<td>-</td>
</tr>
<tr>
<td>Senior Principal Residence Magistrate, Speaker of County Assembly, County Executive Committee Member (CEC), County Secretary, Chair of County Public Service Board, Chief of Staff of County Government, Clerk of the County Assembly, Chief Officers of County Government</td>
<td>E3</td>
<td>S</td>
</tr>
<tr>
<td>Principal Residence Magistrate, Vice Chair, Member and Secretary of County Public Service Board, Deputy Speaker of County Assembly, Member of County Assembly Service Board</td>
<td>E2</td>
<td>R</td>
</tr>
<tr>
<td>Senior Resident Magistrate</td>
<td>E1</td>
<td>Q</td>
</tr>
<tr>
<td>Resident Magistrate, Member of County Assembly</td>
<td>D5</td>
<td>P</td>
</tr>
</tbody>
</table>