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**TREASURY CIRCULAR NO. 9/2017**

**TO: ALL CABINET SECRETARIES**

**ALL ACCOUNTING OFFICERS**

**GUIDELINES FOR THE PREPARATION OF THE MEDIUM-TERM  
BUDGET FOR THE PERIOD 2018/19 – 2020/21**

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**I. PURPOSE**

1. These guidelines are prepared in accordance with the Constitution of Kenya and requirements of Section 36 of the Public Finance Management Act, 2012. The guidelines are intended to provide instructions to Ministries, Departments, Agencies, Constitutional Commissions, Independent Offices, Parliament and the Judiciary (MDAs) on the procedures to be followed in preparing the Medium-Term Budget for the period 2018/19 – 2020/21. The guidelines are meant to provide the following:



- i). The policy framework underpinning the Medium-Term Budget for the period 2018/19 – 2020/21;
- ii). Guidance on the form, content and presentation of the budget proposals to be considered for funding in the medium-term; and
- iii). The constitutional timelines and requirements towards the finalization of the Budget.

## II. BACKGROUND

2. Following the successful conclusion of the 2017 General Elections, Accounting Officers are now required to initiate the process of the preparation of the Medium-Term Budgets for their respective MDAs. The 2018/19 – 2020/21 Medium-Term Budget is being prepared against a background of global economic downturn and increased expenditure pressures. Given the limited financial resources, Accounting Officers are required to ensure that their priorities are accommodated within the Medium-Term Budget Framework and ensure that the focus is on the implementation of the strategic priorities outlined in the Medium-Term Development Plan of the Vision 2030.

3. The aim of the 2018/19 – 2020/21 Medium-Term Budget Framework is to direct resources to productive expenditures in line with the Government economic transformation agenda. Specifically, the 2018/19 and the Medium-Term Budget will aim at achieving efficiency and effectiveness of public spending.

## III. OVERVIEW OF RECENT ECONOMIC DEVELOPMENT AND OUTLOOK

4. On average, Kenya's economy has remained resilient, given the slow global economic growth witnessed in the developed economies and among Sub-Saharan economies. The economy is projected to grow at 5.5 percent in 2017 and over 6.5 percent in the medium-term. The growth rate would be slightly higher were it not for the drought that has affected growth especially in the agriculture and agro-dependent sectors.



5. With regard to inflation, after peaking at 11.7% in May 2017, decelerated to 9.2% in July 2017. The Kenya Shilling remained broadly stable against the major currencies while the short term interest rates remained low thus demonstrating continued macroeconomic stability.

6. The Medium-Term Fiscal Framework supporting the budget will in this regard, be anchored on the following key assumptions:

(i) Real GDP is projected to grow at 6.5% in 2018/19 and to a peak of 6.6% over the medium-term;

(ii) The inflation is expected to be maintained within the target range of  $\pm 2.5\%$  of 5%;

(iii) Interest rates and exchange rate stability will be safeguarded in the medium-term;

(iv) Total Revenue will be expected to improve gradually to reach 20.6% of the GDP in 2018/19 and 21.5% over the medium-term; and

(v) Total expenditures expected to decrease gradually to reach 26.2% of GDP in FY 2018/19 and remain broadly unchanged over the Medium Term.

#### IV. THE SPECIFIC GUIDELINES

7. The following will guide the preparation of 2018/19 – 2020/21 Medium-Term Budget proposals:

##### I. Medium-Term Development Strategy

8. The medium-term priorities and development strategies, and corresponding resources will be outlined in the Third Medium-Term Plan (MTP) (2018-2022) of Kenya Vision 2030, the Budget Review Outlook Paper (BROP) and the Budget Policy Statement (BPS). These documents will broadly guide the development of sector priorities, policies, plans and monitoring and evaluation processes for FY 2018/19-2020/21 MTEF Budget.





## II. Programme Performance Review

9. Programme performance review is critical in successful programme performance budgeting. MDAs are expected to undertake a detailed assessment of the achievement in the implementation of the 2014/15 - 2016/17 Medium-Term Budget before formulating the 2018/19 – 2020/2021 Medium-term Budget. The assessment will entail analysing the previous budgetary allocations, actual expenditure and achievement of actual outputs.

10. The Programme Performance Review must indicate both financial and non-financial performance indicators against the targets expected in each of the programmes/sub-programme. The review report should provide progress of both domestically and externally financed projects within a programme. The review should focus on the efficiency and effectiveness of programme expenditure and whether spending was directed to the priorities. Experiences and lessons learnt should be used to guide expenditure allocations for the medium-term.

11. Accounting Officers should note that their respective MDAs will **only be allowed to bid for resources in their respective sectors** after the finalization of the programme performance reviews. SWGs should ensure they discuss all Programme Performance Reviews before allocating resources to MDAs. The guidelines and formats for undertaking Programme Performance Reviews are provided under Annex 5, Tables 2.1 to 2.6 of this Circular.

## III. Programme-Performance Based Budgeting (PBB)

12. The Budget will continue to be presented by Vote and programme in accordance with Section 38 (3) (b) of the Public Finance Management Act, 2012. MDAs are therefore advised to enhance on programme definition, costing, programme outputs and outcomes, and performance measurement targets.

13. In designing programmes, the structure should be closely linked to main lines of service delivery in the MDAs. Programme performance indicators should mainly be focused outputs and outcomes. Programme performance targets should be specific, measurable, achievable, realistic, and time bound (SMART). Targets



should be set only for those key outputs which are considered reasonably manageable and for which baseline performance has been reliably measured. Each programme should be confined within a single MDA and all functions should fall within relevant programmes. In particular, care should be taken to ensure that:

- i). All activities or functions shall be assigned to respective programmes;
- ii). Each programme has a distinctive name that reflects its overall objective; and
- iii). There is no duplication of programme names used by other MDAs.

14. MDAs with more than one programme should include an additional programme to cater for management and administration overhead costs which cannot be attributed to only one programme. The programme should cater for common services which are not programme-specific. These include general administration, financial services, accounting, internal audit, procurement, planning services, human resource management and ICT services.

15. MDAs are required to obtain approval from the National Treasury in respect of any intended change to an existing programme, Sub- programme or introduction of new programmes so as to ensure appropriate reflection and coding in Standard Chart of Accounts. The format for presentation of PBB is indicated in Annex I.

#### **IV. Government Priorities in the Medium-Term**

16. The broad development policies of the Government provide a clear and progressive approach to stimulate inclusive growth and move the country to the next level of prosperity. The framework of economic agenda of the Government is premised on anchoring stability to sustain higher and inclusive growth that opens economic opportunities and provides a better future for all Kenyans. Among other public priorities, the Government will pay special attention to the following over the medium-term:

- i). Programmes focusing on employment creation;
- ii). Establishment of a government sponsored apprenticeship programme for all university and TVET graduates;





- iii). Double the number of vulnerable citizens supported through the cash transfer programme (Inua Jamii) and all senior citizens above the age of 70;
- iv). Provision of health insurance cover through the NHIF for all citizens above the age of 70;
- v). Enhancement of the free primary education programme to include free day public secondary schools;
- vi). Expand the free maternity programme to include NHIF cover for postnatal care for one year;
- vii). Increase connectivity to reliable and affordable electricity (on or off-grid) by 2020;
- viii). Expand food and agricultural production and increase the fertilizer subsidy initiative to reduce the cost to farmers; and
- ix). Support small-holder agricultural irrigation by constructing large-scale dams.

## V. Prioritization and Allocation of Resources

17. As outlined in the 2017 Budget Policy Statement, the Government will continue with its policy of expenditure rationalization with a view to shift resources to funding capital investment, core services, ensuring equity and minimizing costs through the elimination of duplication and inefficiencies. These decisions will have implications in the budget ceilings to be provided in the Budget Review and Outlook Paper. The following criteria will serve as a guide for allocating resources:

- i). Linkage of the programme with the Objectives of Medium-Term Plan of Vision 2030;
- ii). Degree to which a programme is specific in addressing the vulnerable members of society especially children, people living with disabilities, women and the elderly among others;
- iii). Degree to which a programme addresses core poverty interventions;



- iv). Degree to which the programme is addressing the core mandate of the MDAs, and the defined Government Priorities
- v). Expected outputs and outcomes from a programme;
- vi). Backward and forward linkages of a programme with other programmes;
- vii). Requirements for the on-going priority programmes planned for funding in the medium-term;
- viii). Donor commitment and requirement for the commensurate counterpart funding; and
- ix). Cost effectiveness and sustainability of the programme.

18. Based on the broad guidelines, each sector is expected to develop and document the criteria for resource allocation. Further, SWGs should prioritize programmes based on the following:

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





## VI. Expenditure Proposals for the Medium-Term Budget

19. MDAs are required to remain within the ceilings provided in the 2017 Budget Policy Statement. The outer years of the 2017 Budget Policy Statement will form the basis for the first two years of the Medium-Term Budget, having removed 'one-off' expenditure as stipulated in the Public Finance Management Regulations, 2015. The indicative ceilings will however, be firmed in the Budget Review and Outlook Paper (BROP), and the 2018 Budget Policy Statement.

## VII. Current Expenditure

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

- **Personnel emolument;** SWGs should provide adequate funding to cater for salaries, allowances, and other approved benefits for the in-post staff. SWGs should not allocate resources for new recruitment and upgrading unless they have prior approval for funding from The National Treasury. Allocation for personnel emolument must be supported by Integrated Personnel Payroll Data (IPPD) for the current and last financial years. It is mandatory that each MDA provides this information to support their requirement. This should include payroll for SAGAs that receive any funding from the exchequer.
- **Utilities and Other Mandatory Obligations;** SWGs should ensure that priority is given to these spending needs. Each allocation should be supported by service provision agreements, demand notes, and documentary evidence of past expenditure trend.
- **Transfers to Semi- Autonomous Government Agencies;** Allocations to these entities should be critically evaluated and properly justified. All the State Corporation/SAGAs will be required to provide detailed budgets to their respective SWGs in the format provided Table 4.1 of Annex of this circular.





## VIII. Capital Projects

21. The Government is committed to implementing capital projects that meet the national objectives outlined in Vision 2030 and its Medium-Term Development Plan. The preparation and presentation of the FY 2018/19 and the Medium-Term Itemized Development Budget will remain project specific. As outlined in Paragraph 17, the proposed capital projects will have to be evaluated in the context of the following:

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

22. Capital projects should include both domestically and foreign financed projects. Completion of the on-going projects and programmes must be accorded priority. MDAs should provide adequate information to support the existence, status of implementation, and required funding for on-going projects in the format provided in Annex II & III. Projects funding requirement should therefore be based on a comprehensive needs assessment, and must have a time frame for completion and realization of the desired results. Allocations for externally funded projects should be based on the recent levels of absorption and not necessarily on total donor commitments.

## IX. Public and Stakeholder Participation

23. Public participation and involvement of other stakeholders in the Budget process is essential and a constitutional requirement. Sectors should identify their critical stakeholders outside the Government Ministries, Departments and Agencies, and engage them in programme prioritization. Public Participation process should be documented for necessary action. The Technical Working Groups of Sectors should ensure that the Cabinet Secretaries, Chairpersons and Heads of Agencies are briefed collectively before the approval of the sector budget proposal.



## X. Organization of Sectors

24. Organization of MDAs into sectors is done within the context of Classification of the Functions of Government (COFOG) which an international best practice. COFOG classification allows sector wide approach to planning, and budgeting, as well as comparison of similar sectors across countries.

25. In line with COFOG, the organization of MDAs into Sectors is as indicated in Annex IV. The functions of government have been mapped into ten sectors<sup>1</sup>, namely:

- i). Agriculture, Rural and Urban Development (ARUD);
- ii). Energy, Infrastructure and ICT;
- iii). General Economic and Commercial Affairs;
- iv). Health;
- v). Education;
- vi). Governance, Justice, Law & Order (GJLOS);
- vii). Public Administration & International Relations;
- viii). National Security;
- ix). Social Protection, Culture and Recreation; and
- x). Environmental Protection, Water and Natural Resources

## XI. Composition and Terms of Reference for Sector Working Groups (SWGs)

26. SWGs shall be responsible for formulating sector budget proposals and developing sectoral policies. SWGs shall comprise the following:

- i). Chairperson – One Accounting Officer chosen by consensus by other Accounting Officers within the Sector
- ii). Sector Convener – Appointed by the National Treasury
- iii). Sector Co-Convener – Appointed by the Ministry responsible for Planning;
- iv). Technical Working Group – Appointed by the Sector Working Group;

<sup>1</sup> Details of clusters of Ministries, Departments and Agencies under each Sector are indicated in Annex II.





- v). SWG Secretariat – Appointed by the individual Accounting Officers to assist the Chairperson in coordinating the activities of the SWG; and
- vi). Other stakeholders (e.g. Development Partners and Kenya Private Sector Alliance).

27. SWGs are expected to ensure that proposed programmes and projects are in line with the objectives of Vision 2030. Specifically, the terms of reference for SWGs will be to:

- i). Review all the Programme Performance of MDAs and use the findings to guide resource allocation;
- ii). Identify the Sector policy, legal and institutional reforms requirement;
- iii). Identify all policies, programmes, and projects proposed for implementation over the Medium-Term Budget;
- iv). Estimate the cost implications of the planned projects;
- v). Prioritize Sector Programmes/Projects and allocate resources appropriately in accordance with an agreed criteria;
- vi). Identify programmes and projects to be funded under Public Private Partnerships (PPP); and
- vii). Coordinate activities leading to the development of sector reports and Sector Budget proposals.

28. Accounting Officers are reminded that the Sector Working Groups will remain the only framework for bidding for resources. In particular, it has been noted that some MDAs have been engaging directly with Parliament for additional resources even after their ceilings have been approved by Cabinet. Such engagements outside the SWG process are not consistent with the requirements of collective responsibility. The National Treasury will not consider such requests outside the framework approved by Cabinet. MDAs are therefore required to fully participate in the relevant Sector and bid for resources within the available ceilings.



## V. PREPARATION AND SUBMISSION OF BUDGET PROPOSALS.

29. Sector Chairpersons are requested to ensure that all activities of Sector Working Groups are completed on scheduled timelines, including the drafting Sector Budget proposal. The proposals should be ready for submission to the National Treasury not later than **30<sup>th</sup> November, 2017** in line with the format indicated in Annex V.

## VI. BUDGET CALENDER

30. The attached budget calendar (**Annex VI**) outlines the timelines for the budget process in accordance to the requirements of the Public Finance Management Act, 2012.

## VII. CONCLUSION

31. Accounting Officers are required to ensure strict adherence to these guidelines and to bring the contents of this Circular to the attention of all Officers working under them, including the Heads of Parastatals and other Semi-Autonomous Government Agencies (SAGAs).



**HENRY K. ROTICH, EGH**  
**CABINET SECRETARY/NATIONAL TREASURY**

**Copy to: Dr. Joseph K. Kinyua, EGH**  
Chief of Staff and Head of Public Service  
State House  
**NAIROBI**

**Members of the Intergovernmental Budget and Economic Council**



## ANNEX I: FORMAT FOR PRESENTATION OF PROGRAMME-PERFORMANCE BASED BUDGETS (PBB)

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Vote No. : Vote Title

**Part A: Vision**

**Part B: Mission**

**Part C: Performance Overview and Background for Programme Funding**

This section is supposed to discuss the following

- Brief description of mandate;
- expenditure trends – approved budget against the actual expenditure for the 2014/15 – 2016/17 Budget;
- Major achievements based on the planned outputs/services for 2014/15 – 2016/17 Budget;
- Constraints and challenges in budget implementation and how they are being addressed; and
- Major services/outputs to be provided in the 2018/19 – 2020/21 Budget

**Part D: Strategic Objectives**

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



**Part E: Summary of the Programme Key Outputs, Performance Indicators and Targets for FY 2016/17- 2020/21**

Programme	Delivery Unit	Key Outputs	Key Performance Indicators	Target 2016/17	Actual Achievement 2016/17	Target (Baseline) 2017/18	Target 2018/19	Target 2019/20	Target 2020/21
Name of Programme Outcome									
SP1.1									
SP1.2									
... etc.									

**Part F: Summary of Expenditure by Programmes and Sub -Programmes 2015/16 - 2019/20 (KSh. Millions)**

Programme	Approved Budget 2016/17	Actual Expenditure 2016/17	Baseline Estimates 2017/18	Estimates 2018/19	Projected Estimates	
					2019/20	2020/21
Programme 1: <i>(State the name of the programme here)</i> <sup>2</sup>						
Sub Programme (SP)						
SP 1. 1						
SP 1. 2.						
... N						
Total Expenditure of Programme 1						
Programme 2: <i>(State the name of the programme here)</i>						
			Baseline Estimates 2017/18	Estimates 2018/19	Projected Estimates	
					2019/20	2020/21
SP 2. 1						
SP 2. 2.						
... N						
Total Expenditure of Programme 2						
Total Expenditure of Vote -----						

<sup>2</sup>NB. Repeat as shown in the Table under section E and F above for all Programmes. Provide total expenditure for each programme and their summation must equal the total expenditure of the vote.





Part G. Summary of Expenditure by Vote and Economic Classification (KSh. millions)

Code	Expenditure Classification	Approved Budget 2016/17	Actual Expenditure 2016/17	Baseline Estimates 2017/18	Estimates 2018/19	Projected Estimates	
						2019/20	2020/21
	Current Expenditure						
2100000	Compensation to Employees						
2200000	Use of goods and services						
2400000	Interest						
2500000	Subsidies						
2600000	Current Transfers Govt. Agencies						
2700000	Social Benefits						
	Other Recurrent Expense						
	Capital Expenditure						
2600000	Capital Transfers to Govt. Agencies						
3100000	Acquisition of Non-Financial Assets						
3200000	Acquisition of Financial Assets						
	Other Development						
	Total Expenditure of Vote .....						



**Part H. Summary of Expenditure by Programme, Sub-Programme and Economic Classification (KSh. Millions)**

	Expenditure Classification	Approved Budget 2016/17	Actual Expenditure 2016/17	Baseline Estimates 2017/18	Estimates 2018/19	Projected Estimates	
						2019/20	2020/21
<b>Programme I: (State the name of the programme here)</b>							
<b>Code</b>	<b>Current Expenditure</b>						
2100000	Compensation to Employees						
2200000	Use of goods and services						
2400000	Interest						
2500000	Subsidies						
2600000	Current Transfers Govt. Agencies						
2700000	Social Benefits						
	Other Recurrent Expense						
	<b>Capital Expenditure</b>						
2600000	Capital Transfers Govt. Agencies						
3100000	Acquisition of Non-Financial Assets						
3200000	Acquisition of Financial Assets						
	Other Development						
<b>Sub-Programme I: (State the name of the Sub-Programme here)</b>							
	<b>Current Expenditure</b>						
2100000	Compensation to Employees						
2200000	Use of goods and services						
2400000	Interest						
2500000	Subsidies						
2600000	Current Transfers Govt. Agencies						
2700000	Social Benefits						
	Other Recurrent Expense						
	<b>Capital Expenditure</b>						
2600000	Capital Transfers Govt.						





	Agencies						
3100000	Acquisition of Non-Financial Assets						
3200000	Acquisition of Financial Assets						
	Other Development						

- Repeat as above in cases where a Ministry/Department has more than one programme and/or sub-programmes

### Part I: Summary of Human Resource Requirements

Programme Code	Programme Title	Designation/ Position Title	Authorized Establishment	In Post as at 30 <sup>th</sup> June, 2016	2016/17	2017/18	2018/19 projection	2019/20 Projection
					Funded Positions	Positions to be Funded	Positions to be Funded	Positions to be Funded
XX1	General Admin. & Management							
XX2								
XX3								
Total Funded Positions								







## ANNEX II: PROJECT CONCEPT NOTE

1. Project name:			
2. Project geographic location:			
3. Project Type/Category:			
4. Implementing organization (s):			
5. Counties covered:			
6. Project Purpose (Context and need for the Project): In not more than one paragraph explain the problem that the project will address, and how this relates to the Medium-Term Plan of the Vision 2030 objectives under a five pillar transformation program			
7. Brief description of the project (Project summary): In not more than one paragraph explain what the project plans to achieve and how. Also summarize the project outputs (expected results), and the main activities that support each output. Indicate any project risks and how they will be addressed. Where possible, describe proposed steps to ensure sustainability of project.			
8. Project status (see Annex 2 above):			
9. Estimated project duration (months)			
10. Estimated project cost:	FY2016/17	FY2017/18	FY2018/19
	KSh.....	KSh.....	KSh.....
11. Outline economic and social benefits:			
12. Outline sources of financing:			







## ANNEX IV: SECTOR COMPOSITION AND SECTOR WORKING GROUPS FOR THE MTEF BUDGET 2018/19 - 2020/21

CLASSIFICATION OF FUNCTIONS OF THE GOVERNMENT	MTEF SECTOR	MINISTRIES, DEPARTMENTS AND AGENCIES
Economic Affairs	Agriculture, Rural and Urban Development	1161 State Department for Agriculture.
		1162 State Department for Livestock.
		1164 State Department for Fisheries and the Blue Economy
		1112 Ministry of Lands and Physical Planning
		2021. National Land Commission
	Energy, Infrastructure and ICT	1091 State Department of Infrastructure
		1092 State Department of Transport
		1093 State Department for Maritime Affairs
		1094 State Department for Housing & Urban Development
		1095 State Department for Public Works
		1122 State Department for Information Communications and Technology & Innovation
		1123 State Department for Broadcasting & Telecommunications
		1152 State Department for Energy
		1153 State Department for Petroleum
	General Economic and Commercial Affairs	1172 State Department for Investment and Industry
		1173 State Department for Cooperatives
		1174 State Department for Trade
		1183 State Department for East African Integration
		1201 Ministry of Tourism
	Health	Health
Education	Education	1063 State Department for Basic Education
		1064 State Department for Vocational and Technical Training
		1065 State Department for University Education
		2091 Teachers Service Commission

## ANNEX IV: SECTOR COMPOSITION AND SECTOR WORKING GROUPS FOR THE MTEF BUDGET 2018/19 - 2020/21

CLASSIFICATION OF FUNCTIONS OF THE GOVERNMENT	MTEF SECTOR	MINISTRIES, DEPARTMENTS AND AGENCIES
Public Sector & Safety	Governance, Justice ,Law and Order	1021 State Department for Interior
		1023 State Department for Correctional Services
		1252 State Law Office and Department of Justice
		1261 The Judiciary
		1271 Ethics and Anti-Corruption Commission
		1291 Office of the Director of Public Prosecutions
		1311 Office of the Registrar of Political Parties
		1321 Witness Protection Agency
		2011 Kenya National Commission on Human Rights
		2031 Independent Electoral and Boundaries Commission
		2051 Judicial Service Commission
		2101 National Police Service Commission
		2141 National Gender and Equality Commission
		2151 Independent Policing Oversight Authority
General Public Service	Public Administration and International Relations	1011 The Presidency
		1032 State Department for Devolution
		1034 State Department for Planning and Statistics
		1052 Ministry of Foreign Affairs
		1071 The National Treasury
		1211 State Department for Public Service and Youth Affairs
		2041 Parliamentary Service Commission
		2042 National Assembly
		2061 The Commission on Revenue Allocation
		2071 Public Service Commission
		2081 Salaries and Remuneration Commission
		2111 Auditor General
		2121 Controller of Budget
2131 The Commission on Administrative Justice		



## ANNEX IV: SECTOR COMPOSITION AND SECTOR WORKING GROUPS FOR THE MTEF BUDGET 2018/19 - 2020/21

CLASSIFICATION OF FUNCTIONS OF THE GOVERNMENT	MTEF SECTOR	MINISTRIES, DEPARTMENTS AND AGENCIES
Defence	National Security	1041 Ministry of Defence
		1231. National Intelligence Service
Recreation, Culture and Social Protection	Social Protection, Culture and Recreation	1033 State Department for Special Programmes
		1132 State Department for Sports Development
		1133 State Department for Arts and Culture
		1212 State Department for Gender
		1184 State Department for Labour
		1185 State Department for Social Protection
Community Amenities	Environment Protection, Water and Natural Resources	1103 State Department for Water Services
		1104 State Department for Irrigation
		1105 State Department for Environment
		1106 State Department for Natural Resources
		1191 Ministry of Mining
Macro Working Group	Macro Working Group	The National Treasury( M&FA, BD, RMD & DMD)
		Central Bank of Kenya
		Kenya National Bureau of Statistics(KNBS)
		Macro Economic Department ( Ministry of Devolution & Planning
		Kenya Institute for Public Policy Research and Analysis(KIPPRA)
		Kenya Revenue Authority
		Commission on Revenue Allocation

## ANNEX V: SECTOR REPORT FORMAT

### SECTOR TITLE

### TABLE OF CONTENTS

*(Please ensure that Headings and Subheadings are identical to those in the report)*

Chapters 1 – 5 should form the main body of the report and should be divided into logical sections and subsections, using appropriate headings and numbering. Its purpose is to explain the conclusions and to justify the recommendations.

### EXECUTIVE SUMMARY

*(Highlights of key findings and recommendations)*

### CHAPTER ONE:

#### 1. INTRODUCTION

1.1. Background

1.2. Sector Vision and Mission

1.3. Strategic goals/Objectives of the Sector

1.4. Sub-Sectors and their Mandates

1.5. Autonomous and Semi-Autonomous Government Agencies

1.6. Role of Sector Stakeholders

*(The introduction should briefly describe context; identify general subject; describe the problem or issue to be reported on; define the specific objective for the report; outline the scope of the report; and comment on any limitations of the report)*

## CHAPTER TWO

### 2. PROGRAMME PERFORMANCE REVIEW 2014/15 – 2016/17

#### 2.1. Review of Sector Programme Performance

**Table 2.1: Sector Programme Performance**

Programme	Key Output	Key Performance Indicators	Planned Target			Achieved Targets			Remarks
			2014/15	2015/16	2016/17	2014/15	2015/16	2016/17	
Sub-Programme									
XX 1									
XX 2									

NB: Remarks should indicate the reason for variance between the planned and achieved targets

#### 2.2. Analysis of Expenditure Trends

**Table 2.2: Analysis of Recurrent Expenditure by Sector and Vote**

ANALYSIS OF RECURRENT APPROVED BUDGET VS ACTUAL EXPENDITURE AMOUNT IN KSH MILLION

Sector Name		Approved Budget Allocation			Actual Expenditure		
Vote and Vote Details	Economic Classification	2014/15	2015/16	2016/17	2014/15	2015/16	2016/17
xxx1	Gross						
	AIA						
	NET						
	Compensation to Employees						
	Transfers						
	Other Recurrent						



Table 2.3: Analysis of Development expenditure by Sector and Vote

ANALYSIS OF DEVELOPMENT APPROVED BUDGET VS ACTUAL EXPENDITURE AMOUNT IN KSH MILLION							
		REQUIREMENT			ALLOCATION		
Sector Name							
		Approved Budget Allocation			Actual Expenditure		
Vote and Vote Details	Description	2014/15	2015/16	2016/17	2014/15	2015/16	2016/17
xxx1	Gross						
	GOK						
	Loans						
	Grants						
	Local AIA						

Table 2.4: Analysis of programme/Sub-Programme expenditure by Sector and Vote

ANALYSIS OF PROGRAMME EXPENDITURE (AMOUNT IN KSH MILLION)						
	APPROVED BUDGET			ACTUAL EXPNDITURE		
	2014/15	2015/16	2016/17	2014/15	2015/16	2016/17
PROGRAMME 1:						
Sub- Programme: 1						
Sub- Programme: 2						
TOTAL PROGRAMME.....						
Repeat as above for Programme 2, 3 e.t.c:						
TOTAL VOTE.....						

**Table 2.5: Programme Expenditure Analysis by Economic Classification  
(Amount in KSh Million)**

ANALYSIS OF PROGRAMME EXPENDITURE BY ECONOMIC CLASSIFICATION						
Economic Classification	APPROVED BUDGET			ACTUAL EXPNDITURE		
	2014/15	2015/16	2016/17	2014/15	2015/16	2016/17
<b>PROGRAMME 1:</b>						
<b>Current Expenditure</b>						
Compensation Of Employees						
Use Of Goods And Services						
Grants And Other Transfers						
Other Recurrent						
<b>Capital Expenditure</b>						
Acquisition Of Non-Financial Assets						
Capital Grants to Government Agencies						
Other Development						
Repeat as above for Programme 2, 3 e.t.c:						
<b>TOTAL PROGRAMME.....</b>						
<b>TOTAL VOTE.....</b>						









### 2.3. Review of Pending Bills

- I. Analyze the trends in stock of pending bills according to type (recurrent and development)
- II. Provide the nature of pending bills e.g. utility, personal claim etc.
- III. Analyze the stock in pending bills as a proportion of total ministry expenditure over the period of review.
- IV. Discuss any measures undertaken or proposed to settle these pending bills.

Table 2.6: Summary of Pending Bills by nature and Type (KShs. Million)

Type/nature	Due to lack of Exchequer			Due to lack of provision		
	2014/15	2015/16	2016/17	2014/15	2015/16	2016/17
<b>1. Recurrent</b>						
Compensation of employees						
Use of goods and services e.g utilities, domestic or foreign travel etc.						
Social benefits e.g NHIF, NSSF						
Other expense						
<b>2. Development</b>						
Acquisition of non financial assets						
Use of goods and services e.g utilities, domestic or foreign travel etc.						
Others-Specify						
<b>Total Pending Bills</b>						



**CHAPTER THREE**

**3. MEDIUM-TERM PRIORITIES AND FINANCIAL PLAN – 2018/19–2020/21**

3.1. Prioritization of Programmes and Sub-Programmes

3.1.1. Programmes and their Objectives

3.1.2. Programmes, Sub-Programmes, Expected Outcomes, Outputs, and Key Performance Indicators (KPIs) for the Sector

Table 3.1: Programme/Sub-Programme, Outcome, Outputs and KIPs

Program me	Deliver y Unit	Key Output s	Key Perform ance Indicator s	Targe t2016/ 17	Actual Achieve ment 2016/17	Target (Baseline ) 2017/18	Target 2018/1 9	Target 2019/2 0	Target 2020/21
Name of Programme Outcome									
SP1.1									
SP1.2									
... etc.									

NB: Where applicable, KPIs and target should be gender disaggregated

3.1.3. Programmes by Order of Ranking

**3.2. Analysis of Resource Requirement versus allocation by Sector/Sub-sector**

Table 3.2: Recurrent Requirements/Allocations (Amount KSh Million)

ANALYSIS OF RECURRENT RESOURCE REQUIREMENT VS ALLOCATION

Sector Name	Economic Classification	2017/18 Estimates	REQUIREMENT			ALLOCATION		
			2018/19	2019/20	2020/21	2018/19	2019/20	2020/21
Vote and Vote Details								
xxx1	Gross							
	AIA							
	NET							
	Compensation to Employees							
	Transfers							
	Other Recurrent							

Table 3.3: Development Resource Requirement/Allocations (Amount KSh Million)











### 3.2.2. Programmes and sub-programmes by economic classification Economic classification

Table 3.6: Programmes and sub-programmes by economic classification Economic classification (Amount KSh Million)

ANALYSIS OF PROGRAMME EXPENDITURE BY ECONOMIC CLASSIFICATION						
Economic Classification	RESOURCE REQUIREMENT			RESOURCE ALLOCATION		
	2018/19	2019/20	2020/21	2018/19	2019/20	2020/21
PROGRAMME 1:						
Current Expenditure						
Compensation Of Employees						
Use Of Goods And Services						
Grants And Other Transfers						
Other Recurrent						
Capital Expenditure						
Acquisition Of Non-Financial Assets						
Capital Grants to Government Agencies						
Other Development						
TOTAL PROGRAMME.....						
Repeat as above for Programme 2, 3 etc.:						
TOTAL VOTE.....						



4. Analysis of recourse Requirement vs. Allocation for Semi- Autonomous Government Agencies

Table 4.1: Semi –Autonomous Government Agencies

ANALYSIS OF SEMI- AUTONOMUS GOVERNMENT AGENCIES(SAGA) BY ECONOMIC CLASSIFICATION AMOUNT IN MILLION							
Economic Classification	2017/18 Allocation	REQUIREMENT			ALLOCATION		
		2018/19	2019/20	2020/21	2018/19	2019/20	2020/21
NAME OF SAGA							
Current Expenditure							
Compensation Of Employees							
Use Of Goods And Services							
Other Recurrent							
Capital Expenditure							
Acquisition Of Non-Financial Assets							
Other Development							
Repeat as above for SAGA 2, 3 etc.:							
TOTAL VOTE.....							

SUMMARY OF THE EXPNDITURES AND REVENUE GENERATED

SAGA NAME							
GROSS							
AIA- Internally Generated Revenue							
Net- Exchequer							

4.1.1. Resource Allocation criteria

## CHAPTER FOUR

### 5. CROSS-SECTOR LINKAGES AND EMERGING ISSUES /CHALLENGES

## CHAPTER FIVE

### 6. CONCLUSION

*This section should summarize the key findings of the report, as outlined in the discussion under the chapters 1-5 of the report. The Conclusions should relate specifically to the report's objectives (as set out in the introduction); identify the major issues; be arranged in order of importance; be specific, and to the point; and be a list of numbered points*

## CHAPTER SIX

### 7. RECOMMENDATIONS

*This section should outline future actions. The Recommendations should be action orientated, and feasible; Relate logically to the Conclusions; be arranged in order of importance; and be to the point*

## REFERENCES

*This section should list the sources referred to in the report*

## APPENDICES

*Appendices should contain information that is too complex to include in the report. You need to direct readers to this information, as in "Appendix A provides an overview of the Budget of Ministry X".*

ANNEX VI : BUDGET CALENDAR FOR THE FY 2018/19 MTEF BUDGET		
ACTIVITY	RESPONSIBILITY	DEADLINE
1. Develop and issue MTEF guidelines	National Treasury	29-Aug-17
2. Launch of Sector Working Groups	National Treasury	07-Sep-17
3. Performance Review and Strategic Planning	MDAs	22-Sep-17
3.1 Review and update of strategic plans	"	"
3.2 Review of programme outputs and outcomes	"	"
3.3 Expenditure Review	"	"
3.4 Progress report on MTP implementation	"	"
3.5 Preparation of annual plans	"	"
4. Determination of Fiscal Framework	Macro Working Group	29-Sep-17
4.1 Estimation of Resource Envelope	"	"
4.2 Determination of policy priorities	"	"
4.3 Preliminary resource allocation to Sectors, Parliament, Judiciary & Counties	"	"
4.4 Draft Budget Review and Outlook Paper (BROP)	"	"
4.5 Submission and approval of BROP by Cabinet	"	29-Sep-17
4.6 Submit Approved BROP to Parliament	"	16-Oct-17
5. Preparation of MTEF budget proposals	Line Ministries	03-Oct-17
5.1 Draft Sector Report	Sector Working Group	"
5.2 Convene Public Sector Hearing	National Treasury	13-Nov-17
5.3 Review of the Proposals	National Treasury	20-Nov-17
5.4 Submission of Sector Report to Treasury	Sector Working Group	30-Nov-17
5.5 Consultative meeting with Cabinet Secretaries/Principal Secretaries	National Treasury	04-Dec-17
6. Draft Budget Policy Statement(BPS)	Macro Working Group	05-Dec-17
6.1 Draft BPS	Macro Working Group	05-Dec-17
6.2 Division of Revenue Bill (DORB)	National Treasury	13-Dec-17
6.3 County Allocation of Revenue Bill (CARB)	National Treasury	13-Dec-17
6.4 Submission of BPS, DORB and CARB to Cabinet for approval	National Treasury	15-Jan-18
6.5 Submission of BPS, DORB and CARB to Parliament for approval	National Treasury	15-Feb-18
7. Preparation and approval of Final MDAs Programme Budgets		
7.1 Develop and issue final guidelines on preparation of 2018/19 MTEF Budget	National Treasury	06-Mar-18
7.2 Submission of Budget Proposals to Treasury	Line Ministries	19-Mar-18
7.3 Consolidation of the Draft Budget Estimates	National Treasury	02-Apr-18
7.4 Submission of Draft Budget Estimates to Parliament	National Treasury	30-Apr-18
7.5 Review of Draft Budget Estimates by Parliament	National Assembly	15-May-18
7.6 Report on Draft Budget Estimates from Parliament	National Assembly	30-May-18
7.7 Consolidation of the Final Budget Estimates	National Treasury	15-Jun-18
7.8 Submission of Appropriation Bill to Parliament	National Treasury	15-Jun-18
7.9 Submission of Vote on Account to Parliament	National Treasury	29-Jun-18
8. Budget Statement	National Treasury	15-Jun-18
Appropriation Bill passed	National Assembly	29-Jun-18