



REPUBLIC OF KENYA

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RE NO: ES 1/03 'J' (37)

13th August 2015

TREASURY CIRCULAR NO 15/2015

TO: ALL CABINET SECRETARIES

ALL ACCOUNTING OFFICERS

GUIDELINES FOR PREPARATION OF THE 2016/17 – 2018/19 MEDIUM TERM BUDGET

I. PURPOSE

1. The purpose of this Circular is to provide guidance on the processes and procedures to be followed when preparing the Medium Term Budget for 2016/17 – 2018/19. The guidelines are issued in accordance with Section 36 (2) of the Public Finance Management Act, 2012 and apply to all Ministries, Departments, and Agencies (MDAs). The guidelines provide the following information:

- i. Key policies guiding the preparation of the Medium Term Budget;



- ii. Process of undertaking Programme Performance Reviews (PPRs);
- iii. Documents, form and content of the Budget
- iv. Guidance on programmes and projects to be funded;
- v. Guidance on public participation in the budget process; and
- vi. Key timelines and deadlines for activities in the budget process

II. BACKGROUND

2. The framework of the Government's economic agenda will continue to be premised on anchoring stability to sustain higher and inclusive growth that opens economic opportunities and provides a better future for all Kenyans. The broad economic policies and development agenda will therefore continue to be the same as that outlined in the 2015 Budget Policy Statement (BPS), under a five pillar transformation program covering:

- (i) creation of a conducive business environment;
- (ii) investing in agricultural transformation and food security;
- (iii) investing in first-class transport and logistics;
- (iv) investing in quality and accessible healthcare services and quality education as well as strengthening the social safety net to reduce the burden on the households; and
- (v) Supporting devolution for better service delivery and enhanced economic development.

3. The Medium Term Fiscal Framework supporting the budget aims at striking an appropriate balance between fiscal consolidations and supporting devolution, within a sustainable fiscal framework. The focus of the Medium Term Budget will



therefore be on investments in economic and social sectors, support for employment creation and accelerating economic growth and development. Planned public spending will be prioritized in programmes aimed at achieving the development objectives outlined in the Second Medium Term Plan of the Vision 2030 under a five pillar transformation program. The following are the key assumptions underpinning the Medium Term Budget Framework:

- (i) Real GDP is projected to grow to reach 7% over the medium term
- (ii) Inflation is expected to be maintained within the target of 5%
- (iii) Interest and exchange rates stability will be safeguarded in the medium-term;
- (iv) Total Revenue will be expected to improve gradually to reach 21.8% of the GDP over the medium term;
- (v) Total expenditures expected to decrease gradually to reach 26.6% of GDP over the medium term; and
- (vi) Net domestic borrowing expected to decrease to 2.0% of GDP in the medium term.

III. SPECIFIC GUIDELINES

4. The following will guide the preparation of the 2016/17 – 2018/19 Medium Term Budget proposals:

A. Medium Term Development Strategy

5. The priorities outlined in the Second Medium Term Plan of Vision 2030, and explained at length under a five pillar transformation program in the 2015 Budget Policy Statement (BPS) will continue to guide the development of sector priorities. Accounting Officers are therefore expected to focus on these priorities which cover the five broad pillars summarized in Para 2 above.



