



Sector Hearings: What Role in the Budget Process?

26 January 2015

This document provides a brief overview of the budget process and the role of sector hearings, which have just begun at county level. These are also sometimes called "MTEF," meaning "Medium Term Expenditure Framework." This simply means that we are looking not only at this year, but the next two years. We are required by law to budget provisionally for the medium term, though we can always revise future years during the next budget cycle.

Sector hearings are basically designed to meet the requirement that the government consult with the public prior to releasing the County Fiscal Strategy Paper in February. That paper sets the final distribution of money across sectors/ministries, such as how much for agriculture versus education. (Although we speak of "sector" hearings at national level, that is because there are many ministries and agencies at national level grouped into 10 sectors. But at county level, there are no more than 10 ministries so it may not be necessary to create sectors on top of this.)

The hearings should ask the public whether they agree with the distribution of funds across the sectors that was proposed in the County Budget Review and Outlook Paper before it is finalized in the County Fiscal Strategy Paper. It is also an opportunity to look at sector plans and the new money each sector will get under the proposed distribution of funds, and to give views on whether this is how that new money should be used or not.

The Budget Calendar Leading up to the Sector Hearings

Circular (August)

The circular provides general guidance to sectors, which can start collecting information and determining priority areas from September each year. The guidance includes criteria for defining priority areas and what the County Treasury will be looking at when deciding what to fund. For example (from August 2013 National Treasury Circular):

23. The Government will continue with expenditure rationalization policy with a view to shift resources from non-core areas to capital investments and core priority services. This will be done by ensuring equity and minimization of costs through the elimination of duplication and inefficiencies. The following criteria will serve as a guide in allocating resources²:

- i). Linkage of the programme with the Objectives of Medium Term Plan of Vision 2030 (2013 – 2017);
- ii). Degree to which a programme addresses core poverty interventions;
- iii). Degree to which the programme is addressing the core mandate of the MDAs;
- iv). Expected outputs and outcomes from a programme;
- v). Backward and forward Linkage of a programme with other Programmes;

This provides information about how ministries should go about prioritizing and, equally importantly, justifying their prioritization of programmes. For example, a programme must be justified in terms of its contribution to poverty reduction or its contribution to other core programmes.

County Budget Review and Outlook Paper (CBROP) (November)

The CBROP in November provides provisional ceilings. These ceilings are used by the sectors to make their bids to the County Treasury. The example below is from the national level. The proposed ceiling for this year is what is under the column "Ceiling 2015/16." A bid is the request by the sector/ministry for money for the coming year. It has two parts as described below.

Table 10: Medium Term Sector Ceilings, FY 2015/16-2017/18, Ksh Million

SECTOR		% SHARE OF TOTAL EXPENDITURE													
		ESTIMATES	REVISED BASELINE	BPS CEILING	ESTIMATES	CEILING	PROJECTIONS			ESTIMATES	REVISED BASELINE	ESTIMATES	BROP CEILINGS	PROJECTIONS	
		2013/14	2013/14	2014/15	2014/15	2015/16	2016/17	2017/18	2013/14	2013/14	2014/15	2015/16	2016/17	2017/18	
AGRICULTURE, RURAL & URBAN DEVELOPMENT	SUB-TOTAL	53,343	64,638	55,559	60,224	61,237	62,424	61,608	5.0%	5.8%	5.1%	5.1%	5.0%	4.6%	
	Rec. Gross	15,022	17,216	15,965	15,957	16,430	16,889	17,974	1.4%	1.5%	1.3%	1.4%	1.3%	1.3%	
	Dev. Gross	38,321	47,421	39,594	44,266	44,807	45,535	43,634	3.6%	4.3%	3.7%	3.7%	3.6%	3.3%	
ENERGY, INFRASTRUCTURE AND ICT	SUB-TOTAL	216,532	213,158	250,048	256,894	262,981	271,681	278,904	20.5%	19.1%	21.7%	22.0%	21.5%	20.9%	
	Rec. Gross	27,534	36,700	41,440	35,593	36,216	36,333	36,492	2.6%	3.3%	3.0%	3.0%	2.9%	2.7%	
	Dev. Gross	188,998	176,458	208,608	221,301	226,766	235,348	242,412	17.9%	15.8%	18.7%	19.0%	18.7%	18.1%	
GENERAL ECONOMIC AND COMMERCIAL AFFAIRS	SUB-TOTAL	12,930	12,338	13,815	16,248	14,795	15,216	15,546	1.2%	1.1%	1.4%	1.2%	1.2%	1.2%	
	Rec. Gross	7,941	7,885	8,382	6,654	6,841	7,062	7,292	0.8%	0.7%	0.6%	0.6%	0.6%	0.5%	
	Dev. Gross	4,989	4,453	5,433	9,594	7,954	8,154	8,254	0.5%	0.4%	0.8%	0.7%	0.6%	0.6%	
HEALTH	SUB-TOTAL	36,218	46,755	37,923	47,362	48,407	49,841	51,627	3.4%	4.2%	4.0%	4.0%	4.0%	3.9%	
	Rec. Gross	20,325	22,622	23,455	26,061	28,011	28,758	29,576	1.9%	2.0%	2.2%	2.3%	2.3%	2.2%	
	Dev. Gross	15,893	24,132	14,469	21,301	20,396	21,083	22,051	1.5%	2.2%	1.8%	1.7%	1.7%	1.7%	

Sector Proposals (December/January)

The purpose of the bid is to provide a justification for how a sector will use available resources, but also to argue for more resources. The bid has two components:

- A plan for using resources given available funding (as set by the ceiling in CBROP)
- Actual funding needed to realize sector commitments (as if there was no ceiling)

The public/key stakeholders from the sector should be involved in the preparation of the bid. Usually, this means preparing a proposal, getting feedback and then revising it for submission to the County Treasury. Ideally, the final sector report would be submitted in December to allow the County Treasury time to review the bids and put together the Fiscal Strategy Paper. Most counties are only going to the public in January.

Below, see the "bid" from the health sector at national level for 2015/16. The column labeled "requirement" is what the sector would like if there was no ceiling. The column labeled "allocation" is the distribution across programmes given the ceiling in the BROP (you can see that it matches the ceiling above).

Below is a snapshot of the more detailed part of the bid at the project level, showing what the sector is able to fund given available resources, the gap between that and what they would like to fund, and a justification for the additional funding.

The public should comment on the overall distribution of funds across sectors, but also this distribution of funds within sectors that are of concern to them. If a sector wants to get more funds than it has been allocated, it must have a strong bid showing how it will use the additional funds, and that should be based on public priorities. So the job of the public is to strengthen the bid by reviewing it and suggesting changes. This may or may not result in a change in the overall resources going to the sector (everyone wants more money and the supply of funds is limited), but it should result in better priorities within the sector.

Table 11: Sector resource requirements for both recurrent and development for the FY 2014/15 to 2017/18

No.	Recurrent	Requirement 2015/16	Allocation 2015/16	Requirement 2016/17	Allocation 2016/17	Requirement 2017/18	Allocation 2017/18
1	Leadership and governance (administration)	6,088	7,314	6,393	7,580	6,712	8,105
2	Preventive and Promotive Health Services	10,536	8,443	11,064	8,727	11,617	8,864
3	Clinical Services (Curative)	44,319	21,714	46,534	22,297	48,861	22,709
4	Research and Development	14,714	5,655	15,449	5,808	16,222	5,917
5	Reproductive Health	12,917	5,281	13,563	5,431	14,241	5,823
	Total	88,574	48,407	93,003	49,842	97,653	50,660

	Items	2014/15 Alloc.	2015/16 Req.	2015/ 16 Alloc.	Gap	Remarks
1	Free maternity	4.040B	6.0B	4.298	1.702B	For the reimbursement of maternity costs in the hospitals (Strategic intervention)
2	Hire of equipment	3.0B	4.5B	2.0B	2.5B	These are funds for Hire/Leasing of Medical Equipment for Hospitals to be implemented in phases under Strategic Intervention. The total capital cost of the project is Ksh. 24 billion to be implemented over a phased period of 6 years.
3	Capacity building and technical Assistance for specialized Medical care	0	200M	100M	100M	The amount is for capacity building and technical Assistance for specialized Medical care in the county Governments

County Fiscal Strategy Paper (CFSP) (February)

This paper contains the final ceilings for each sector, which are submitted to the Assembly for review and approval. Once these have been approved, the sector budgets (the bids) must be revised to accord with the final ceilings before the final estimates are tabled in the Assembly. Sectors should revise their budgets in March and resubmit to the County Treasury. The CFSP should clearly show changes in ceilings since the CBROP with an explanation of those changes in terms of the overall distribution across sectors and major within-sector priorities.

Budget Estimates (April)

Treasury will compile the budgets from the sectors into the full estimates, now with the details within each sector, and forward to the County Assembly for debate, amendment, and approval. At this point, the discussion will center on the use of funds within each sector, but there should not be further changes to the ceilings for the sector.