COUNTY GOVERNMENT OF ELGEYO MARAKWET

THE COUNTY TREASURY

COUNTY BUDGET REVIEW AND OUTLOOK PAPER

(CBROP)

SEPTEMBER 2018

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FOREWORD

The County Budget Review and Outlook Paper (CBROP) is a policy document that reviews the performance of the previous financial year. This document covers the period 2017/2018 financial year. This 2018 CBROP is the fifth after the enactment of devolved governance following the implementation of Constitution of Kenya, 2010. It presents the fiscal framework which provides a strong basis for building a common future regarding Fiscal discipline and accountability. The CBROP presents the fiscal outcome for 2017/2018 FY and shows how these outcomes affected financial objectives set out in 2017 County Fiscal Strategy Paper (CFSP). CBROP is one of the budget policy documents that enhances financial discipline and fiscal responsibilities within the county's financial management framework as provided for in the Public Finance Management Act (PFM) Act 2012.

Fiscal discipline will seek to ensure that the county's programs, sub-programs and development priorities work harmoniously towards ensuring sustainable economic growth and development. This will further lead to socio-economic wellbeing of county citizens.

The initiatives also work toward improving the residents' livelihoods by instituting mechanisms that enhances financial efficiency and effectiveness. The county is committed to maintain the trend of economic growth and development as desired by the residents.

The county is, and will always be, committed to ensuring that there is transparency and accountability by providing feedback on the county's performance indicators as required by the Constitution of Kenya, 2010, the Public Finance Management Act, 2012 and county Public Finance Management Regulations Act, 2015.

The county government is also committed to national and international plans such as Vision 2030 and attainment of Sustainable Development Goals (SDGs). The period under review saw strides and initiatives that guided the county towards realization of the vision and goals.

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ACKNOWLEDGEMENTS

This County Budget Review and Outlook Paper (CBROP) was prepared with the support and dedication of various officers. This is to appreciate their efforts, which culminated in the production of these documents

A technical team of officers from Economic Planning and Budgeting were involved in preparing this CBROP document, right from the start to the end. These officers were led by Mr. John Maritim, the Diretor of Economic Planning and Budgeting. The officers were; Accountants Mr. Samwel Kibirong and Mr. Lwamba Hezron and, Economists Mr. Felix Kipngetich, Mr. Elisha Tanui, Mr. Titus Biwott, Mr. Duncan Kiplagat, Ms. Gladys Chebet, Mr. Ernest Kiptoo, Mr. Timothy Cheboi, Chief Librarian Mr. Kipkoech Sumukwo, assisted by Mr. Nicholas Keter and Mr. Ronald Kaino

Special appreciation also goes to Mr. Isaac Kipchirchir Kamar CECM Finance and Economic Planning and Mr. Jeremiah Changwony Chief Officer Finance and Economic Planning for their spirited efforts towards successful compilation process of the CBROP.

JOHN MARITIM

DIRECTOR ECONOMIC PLANNING AND BUDGETING

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ABBREVIATIONS AND ACRONYMS

ADP	Annual Development Plan
CBROP	County Budget Review and Outlook Paper
CEC	County Executive Member
CFSP	County Fiscal Strategy Paper
CG	County Government
CIDP	County Integrated Development Plan
COB	Controller of Budget
CRA	Commission on Revenue Allocation
FY	Financial Year
MTEF	Medium-Term Expenditure Framework
PFMA	Public Financial Management Act
SDGs	Sustainable Development Goals
PPP	Public Private Partnerships
EDA	Equitable Development Act
SRC	Salaries and Remunerations Commission

CHAPTER ONE: INTRODUCTION

1.1 Background

This is the 5th Budget Review and Outlook Paper (BROP) to be prepared by the Elgeyo Marakwet County as provided for under the Public Financial Management Act, 2012 section 118. In line with the law, the BROP contains a review of the fiscal performance of the financial year 2017/18, updated macroeconomic forecast and the experiences in the implementation of the budget estimates for financial year 2017/2018.

1.2 Legal Framework for the Publication of the Budget Review and Outlook Paper

The Budget Review and Outlook Paper is prepared in accordance with Section 118 of the Public Financial Management Act, 2012. The law states that:

(1) The County Treasury shall

a) Prepare a County Budget Review and Outlook Paper in respect of the County for each of the financial year and

b) Submit the paper to the County Executive Committee by the 30th September of that year (9th September for the current year).

(2) The Budget Review and Outlook Paper shall include:

a) Actual fiscal performance in the previous year compared to the budget appropriation for that year;

b) The updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper;

c) Information on any changes in the forecasts compared with the County Fiscal Strategy Paper; and how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the County Fiscal Strategy Paper for that financial year;

d) Reasons for any deviation from the financial objectives in the County Fiscal Strategy Paper together with proposals to address the deviation and the time estimated for doing so.

3) The County Executive Committee shall consider the County Budget Review and Outlook Paper with a view to approving it, with or without amendments, within fourteen days after its submission.

4) Not later than seven days after the County Budget Review and Outlook Paper is approved by the County Executive Committee, the County Treasury shall—

   a) Arrange for the Paper to be laid before the County Assembly; and

   b) As soon as practicable after having done so, publish and publicize the Paper.

1.3 Fiscal responsibility principles in the Public Financial Management Law

In line with the constitution the Public Financial Management Act 2012 sets out the fiscal responsibility principles to ensure prudency and transparency in the management of public resources. The PFM law under Section 107 (b) states that:

1. The County government recurrent expenditure shall not exceed the county government 's total revenue.
2. Over the medium term a minimum of 30% of the county government's budget shall be allocated to development expenditure.
3. The county governments expenditure on wages and benefits to employees shall not exceed a percentage of the county government's total revenue by regulations.
4. Over the medium term, the government's borrowings shall only be used only for the purpose of financing development expenditure only; and short term borrowings shall only be restricted to management of cash flows and shall not exceed five (5%) of most recent audited county government revenue,
5. The County debt shall be maintained at a sustainable level as approved by County assembly.
6. Fiscal Risks shall be managed prudently

7. A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in future.

1.4 Objectives of CBROP

The objective of the 2018 CBROP is to provide a review of the previous fiscal performance in the financial year 2017/2018 and how this impacts the financial objectives and fiscal responsibility principles set out in the last Fiscal Strategy Paper (CFSP), 2018. This together with updated macroeconomic outlook provides a basis for revision of the current budget in the context of any supplementary estimates and the broad fiscal parameters underpinning the next budget and the medium term. The CBROP will be a key document in linking policy, planning and budgeting. PFMA 2012 has set high standards for compliance with the MTEF budgeting process.

CHAPTER TWO: REVIEW OF FISCAL PERFORMANCE IN 2017/18

2.1 Overview

The 2018 CBROP is drawn based on the priorities of the County Government Administration, and emerging challenges in the county. Prioritization of resource allocation was based on the County Integrated Development Plan 2013-2017, broad development policies of the County Government short term as well as the medium-term priorities identified during the County-wide public consultative forums held across the county. In this paper, provisional indicative sector ceilings for the 2019/2020 budget have been set informed by the forecasted revenues. These Ceilings set in motion the budget preparation for the Fiscal Year 2018/19 in line with the PFM Act, 2012.

2.2 Overview of Fiscal Performance 2017/18

During the period under review, the county government had a total budget of Ksh 4,944,687,669 which comprised of Ksh.3,006,921,959 as recurrent budget and Ksh 1,937,765,710 as development budget. The fiscal performance was generally satisfactory despite shortfall in local revenue collection.

The table below present the over view of fiscal performance of the county during financial year 2017/2018.

Table 1: Fiscal outturn in FY 2017/18

No.	Revenue stream	Annual Targeted Revenue (Ksh)	Actual Revenue (Kshs)	Deviation (Kshs)
	A) REVENUES			
	EXTERNAL REVENUE			
1	Equitable Share	3,624,000,000	3,624,000,000	**-**
2	Balance b/d 2016/17	599,460,143	599,460,143	-
3	Other Loans & Grants	18,956,694	-	**18,956,694**
4	World bank -RBF	47,990,000	-	**47,990,000**
5	HSSF Danida-Universal Health care	9,442,456	9,442,456	-
6	HSSF Danida	-	5,193,351	**(5,193,351)**
7	Support-user fees	8,788,919	8,956,070	**(167,151)**
8	Lease of Medical Equipment	95,744,681	-	**95,744,681**
9	RMLF Levy Fund	139,343,420	139,343,419	**1**
10	World bank Transforming Health systems	30,279,354	18,956,694	**11,322,660**

No.	Revenue stream	Annual Targeted Revenue (Ksh)	Actual Revenue (Kshs)	Deviation (Kshs)
11	World bank RBF B/f	56,932,570	56,932,570	-
12	World bank-Development of Youth Polytechnics	37,641,245	37,641,245	-
13	Doctors, Nurses, Clinical officer & Other health workers allowances	79,812,000	-	**79,812,000**
14	World Bank-KDSP	36,005,074	36,005,074	-
		4,784,396,556	**4,535,931,022**	**248,465,534**
	INTERNAL REVENUES			
	Locally Raised Revenue	160,291,113	105,493,350	**54,797,763**
	TOTAL	**4,944,687,669**	**4,641,424,372**	**303,263,297**

2.3 Revenue Performance

2.3.1 Internal Revenue

Total actual internal revenue amounted to Ksh 105,493,350 against a target of Ksh 160,291,113. The shortfall in internal revenue in F/Y 2017/18 was Ksh 54,767,763 representing a 34.18% decrease.

In the F/Y 2016/2017 the county realized local revenue of Kshs 97,323,973 while F/Y 2017/2018 the internal revenue realised was kshs 105,493,350. This shows that there was general improvement in internal revenue collected from the previous year by Kshs 8,169,377 representing 8.4% increase.

The slight improvement in internal revenue is attributed to strict oversight and strenghtening of enforcement unit.

The table below present the breakdown of internal revenue realised during the financial year 2017/2018

Table 2: Internal Revenue Break down FY 2017/18

No.	Items	Annual Targeted Revenue (Ksh)	Actual Revenue (Kshs)	Deviation (Kshs)
1	Animal Stock auction fees	2,851,450	2,498,250	**(353,200)**
2	Produce and other cess	35,056,085	20,200,325	**(14,855,760)**
3	Single Business Permit	17,172,680	11,345,555	**(5,827,125)**
4	Lands Rates/Plot Rent	4,429,423	2,659,808	**(1,769,615)**
5	Bus park/motorcycle fees	5,160,150	3,157,990	**(2,002,160)**
6	Trade applications fees	3,346,924	2,024,600	**(1,322,324)**
7	Slaughter fees	1,561,000	1,331,190	**(229,810)**

No.	Items	Annual Targeted Revenue (Ksh)	Actual Revenue (Kshs)	Deviation (Kshs)
8	House rent/stall/ground	2,745,700	1,164,392	**(1,581,308)**
9	Conservancy fees	385,900	871,340	**485,440**
10	Plan approval fees	300,765	168,800	**(131,965)**
11	Clearance fees	231,580	36,200	**(195,380)**
12	Hide & skins	100,000	5,400	**(94,600)**
13	Promotion/advert	3,705,780	1,793,245	**(1,912,535)**
14	Tender Documents	100,000	-	**(100,000)**
15	Hire of road machinery	-	1,500	**1,500**
16	Trade	567,335	193,410	**(373,925)**
17	Fines	3,111,385	530,660	**(2,580,725)**
18	FI Funds	52,000,000	32,728,335	**(19,271,665)**
19	VSD Funds	4,223,080	2,332,930	**(1,890,150)**
20	Water Department	1,829,688	611,300	**(1,218,388)**
21	Health Services-Public Health	6,693,895	2,022,860	**(4,671,035)**
22	Youth Affairs and sports	218,230	10,000	**(208,230)**
23	Agriculture	3,260,105	1,214,425	**(2,045,680)**
24	Tourism	2,556,923	482,750	**(2,074,173)**
25	Market fees and others	4,621,360	4,940,737	**319,377**
26	County assembly recoveries (MCA'S)		7,529,909	**7,529,909**
27	Others	4,061,675	5,637,439	**1,575,764**
	TOTAL	**160,291,113**	**105,493,350**	**(54,797,763)**

2.3.2 External Revenue

For the period under review,the county was allocated equitable share amounting to Kshs 3,624,000,000 from the national government. In F/Y 2016/17 the equitable share allocated to the county was Kshs 3,528,847,275. This shows there was an increase of Kshs 95,152,725 from the previous financial year representing 2.6% increase.

The table below shows external revenue break down from national government and donors.

Table 3: External Revenue Performance Report F/Y 2017-18

No.	Revenue stream	Annual Targeted Revenue (Ksh)	Actual Revenue (Kshs)	Deviation (Kshs)
1	Equitable Share	3,624,000,000	3,624,000,000	-
2	Balance b/d 2016/17	599,460,143	599,460,143	-
3	Other Loans & Grants	18,956,694	-	**(18,956,694)**
4	World bank -RBF	47,990,000	-	**(47,990,000)**
5	HSSF Danida-Universal Health care	9,442,456	9,442,456	-

No.	Revenue stream	Annual Targeted Revenue (Ksh)	Actual Revenue (Kshs)	Deviation (Kshs)
6	HSSF Danida	-	5,193,351	**5,193,351**
7	Support-user fees	8,788,919	8,956,070	**167,151**
8	Lease of Medical Equipment	95,744,681	-	**(95,744,681)**
9	RMLF Levy Fund	139,343,420	139,343,419	**(1)**
10	World bank Transforming Health systems	30,279,354	18,956,694	**(11,322,660)**
11	World bank RBF B/f	56,932,570	56,932,570	-
12	World bank-Development of Youth Polytechnics	37,641,245	37,641,245	-
13	Doctors, Nurses, Clinical officer & Other health workers allowances	79,812,000	-	**(79,812,000)**
14	World Bank-KDSP	36,005,074	36,005,074	-
		4,784,396,556	**4,535,931,022**	**(248,465,534)**

2.3 Expenditure Performance

The total expenditure for the period under review amounted to Ksh 3,876,120,630 against approved budget of Ksh 4,944,687,669, representing an under spending of Kshs 1,068,567,039 which translates to 21.6%.

Table 4: Aggregate Expenditure

Departments	Recurrent F/Y 17/18	Development F/Y 17/18	Total	Actual	Deviation Kshs	Absorption %
	(Budgeted)	(Budgeted)	(Budgeted)			
County Assembly	472,435,996	12,487,427	484,923,423	482,933,002	1,990,420	100%
Office of the Governor	121,751,467	230,420	121,981,887	110,398,843	11,583,044	91%
Finance and Economic Planning	266,658,444	-	266,658,444	226,151,382	40,507,062	85%
Agriculture	182,299,216	162,297,060	344,596,276	268,902,767	75,693,509	78%
Education and Technical Training	207,025,875	338,448,356	545,474,231	339,978,726	205,495,505	62%
Health Services	1,369,494,892	441,215,961	1,810,710,853	1,576,325,948	234,384,905	87%
Water, Environment, Lands and Physical Planning	75,302,782	354,234,726	429,537,508	268,234,051	161,303,456	62%
Roads, Public works and Transport	60,837,612	369,694,037	430,531,649	250,918,584	179,613,066	58%
Trade, Tourism and Cooperative Development	52,973,170	74,296,399	127,269,569	85,360,063	41,909,505	67%
Sports, Youth Affairs, Gender and Social Services	31,419,927	124,421,765	155,841,692	88,052,805	67,788,888	57%

ICT & Public Service	94,399,821	59,959,860	154,359,681	109,028,375	45,331,306	71%
County Public Service Board	46,260,649	479,700	46,740,349	45,273,383	1,466,966	97%
Executive Administration	26,062,108	-	26,062,108	24,562,701	1,499,407	94%
TOTAL	**3,006,921,959**	**1,937,765,710**	**4,944,687,669**	**3,876,120,630**	**1,068,567,039**	

2.3.1 Recurrent Expenditure

Total Recurrent Expenditure amounted to Kshs 2,925,788,820 against an approved budget of Kshs 3,006,921,959 reflecting an absorption rate of 97%.

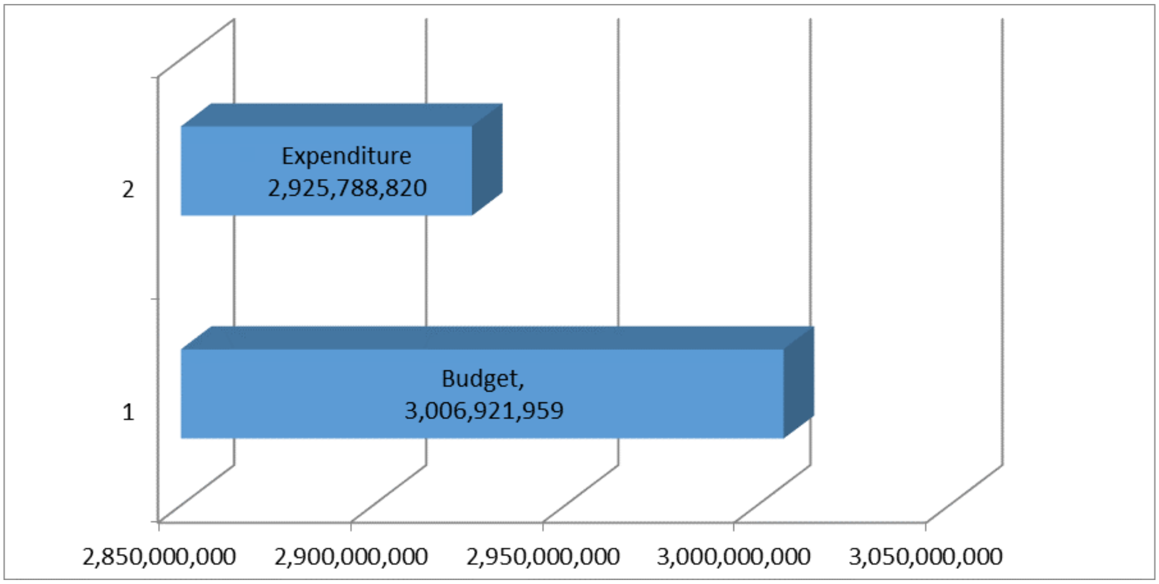
The table below shows the analysis of the recurrent expenditure

Table 5: Analysis of the Recurrent Expenditure

Departments	Recurrent f/y 17/18 (Budgeted)	Actual (kshs)	Deviation kshs	Deviation %
County Assembly	472,435,996	471,572,402	863,594	0%
Office of the Governor	121,751,467	110,168,423	11,583,044	10%
Finance and Economic Planning	266,658,444	226,151,382	40,507,062	15%
Agriculture	182,299,216	179,796,628	2,502,588	1%
Education and Technical Training	207,025,875	206,607,305	418,570	0%
Health Services	1,369,494,892	1,374,046,368	(4,551,476)	0%
Water,Environment, Lands and Physical Planning	75,302,782	73,231,041	2,071,741	3%
Roads, Public works and Transport	60,837,612	58,827,476	2,010,136	3%
Trade, Tourism and Cooperative Development	52,973,170	48,725,333	4,247,837	8%
Sports, Youth Affairs, Gender and Social Services	31,419,927	27,274,956	4,144,971	13%
ICT & Public Service	94,399,821	79,551,423	14,848,399	16%
County Public Service Board	46,260,649	45,273,383	987,266	2%
Executive Adminstration	26,062,108	24,562,701	1,499,407	6%
TOTAL	**3,006,921,959**	**2,925,788,820**	**81,133,140**	

Figure 1: Absorption on recurrent Vote F/Y 2017/2018

The chart below shows at a glance the absorption rate of the recurrent vote



2.3.2 Development Expenditure

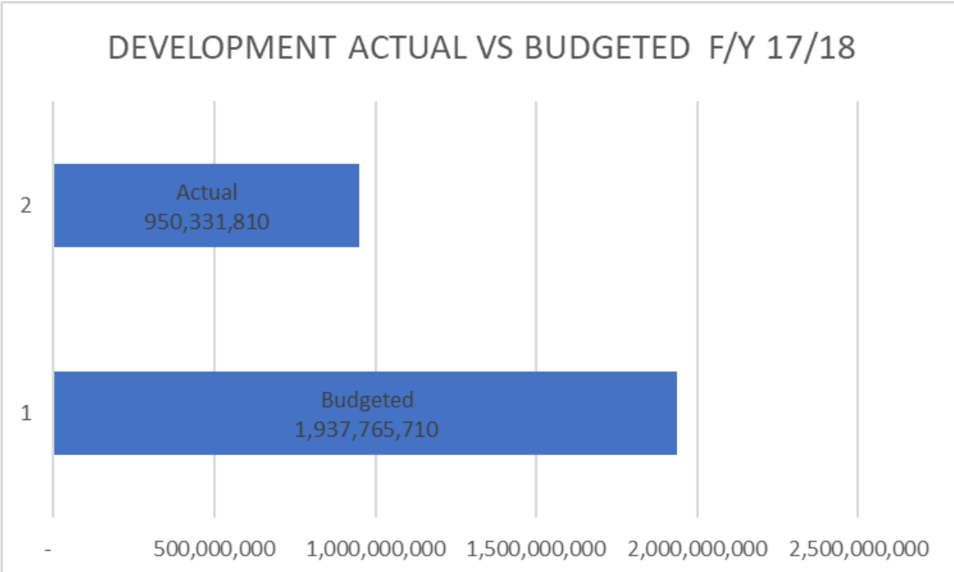
Total cumulative development expenditure for the period under review amounts to 950,331,810 against an approved budget Ksh 1,937,765,710
This reflects an absorption rate of 49%. The table below shows the breakdown of Development expenditure by departments

Table 6: Development Expenditures

Departments	DEVELOPMENT F/Y 17/18 (BUDGETED)	ACTUAL (KSHS)	DEVIATION KSHS	ABSORPTION %
County Assembly	12,487,427	11,360,601	1,126,826	9%
Office of the Governor	230,420	230,420	-	0%
Finance and Economic Planning	-	-	-	0%
Agriculture	162,297,060	89,106,139	73,190,921	45%
Education and Technical Training	338,448,356	133,371,421	205,076,935	61%
Health Services	441,215,961	202,279,580	238,936,381	54%
Water, Environment, Lands and Physical Planning	354,234,726	195,003,010	159,231,715	45%
Roads, Public works and Transport	369,694,037	192,091,108	177,602,929	48%
Trade, Tourism and Cooperative Development	74,296,399	36,634,730	37,661,669	51%
Sports, Youth Affairs, Gender and Social Services	124,421,765	60,777,849	63,643,916	51%
ICT & Public Service	59,959,860	29,476,952	30,482,908	51%
County Public Service Board	479,700	-	479,700	100%
Executive Administration	-	-	-	0%
TOTAL	**1,937,765,710**	**950,331,810**	**987,433,900**	

The chart below shows at a glance the absorption rate of the development vote

Figure 2: Absorption on Development Vote F/Y 2017/2018



2.4 2016/17 Financing and Balance

From the analysis in Table 1, its shows that in financial year 2017/2018 the county`s projects were under financed by kshs 303,263,297.10. This translates to 6.13% of the total expected revenue both from internal and external sources.

2.5 Implication of 2016/17 Fiscal Performance on Fiscal Responsibility Principles and Financial Objectives Contained in the 2017 County Fiscal Strategy Paper

2.5.1 Implications on the financial objectives

The performance in the FY 2016/17 affected the financial objectives set out in the 2017 County Fiscal Strategy Paper and the Budget for FY 2017/2018 in the following ways;

- Revenue projections and expenditure need slight adjustments to reduce chance of generating pending bills at the end of the period.
- Program and projects initially projected for the period FY 2018/2019 will be affected by pending bills being accommodated in FY 2017/2018

The main reasons for the deviations, as explained above, from the financial objectives include: unmet internal revenue targets especially from own sources; and under funding from national government and donors.

To remedy these variances the County Government will focus on:

- Enhancing local revenues collection capacity and sealing of revenue loopholes.

- Reforms to improve public resources utilization and budget execution.
- Capitalizing in County infrastructure and social welfare services in order to unlock the county's potential and improve competitiveness.
- Strengthening capacity building in public financial management to ensure good governance and effective service delivery.
- Embedding program budget and implementing development budget as planned

2.5.2 Implication on the Fiscal Responsibility Principles

The implication of the FY2016/17Fiscal Performance on the Fiscal Responsibility Principles was as follows: -

- The County's total expenditure on employees' wages and benefits was higher than the required 30 percent as required by the act. The County Government is committed into bringing the proportion of the expenditure on wages down in the long term.
- The County Government will implement measures to increase revenue collections that will enhance spending on development projects hence lowering the percent of wages to the required levels
- The principles further require that 30 percent of total expenditure should be development. The county will work towards attaining the required levels by reducing recurrent and improving revenue collection to increase fiscal space for spending on development.

CHAPTER THREE: RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

3.1 Macroeconomic Outlook

The Country's economy was projected to grow by 6% in 2017 and by an average of 6.5% in the medium term. However, the GDP growth registered 4.9 %, which was slightly lower than expected. The growth was supported by strong output in agriculture with a predictable and reliable rainfall and climatic conditions, continued recovery of tourism and completion of key public projects and infrastructure such as roads, rail and energy generation. In addition, strong consumer demand and private sector investment as well as stable macroeconomic environment helped reinforce this growth. There were challenges, majorly due to the electioneering period that fell in this financial year. Despite of the challenges countered, growth was realized.

The overall inflation declined from 6.4 percent in December 2016 to 4.5 percent in December 2017. This was due to the fall in the prices of potatoes, kale, oranges and mangoes which was caused by favorable climatic conditions at end of 2017 and Government measures on prices of maize, powdered milk and sugar.

The Kenya Shilling exchange rate stabilized following increased foreign exchange inflows in the money market. The current level of foreign exchange reserves, backstopped by the precautionary program with the IMF, continues to provide an adequate cushion against exogenous shocks. The foreign exchange market remained relatively stable supported by resilient tea and horticultural exports, strong diaspora remittances, and a continued recovery in tourism. The favorable weather conditions were expected to support food production and agricultural exports. Furthermore, the current account deficit narrowed, mainly due to a lower oil import bill, and a slowdown in consumer imports. The 12-month deficit stabilized at 7.0% of GDP in November and September 2017.

3.1.1 Growth Prospects

Kenya's economy grew by 4.9% for the year 2017, despite a growth projection of 6%. The growth is projected to grow by an average of 6.1% between 2016 and 2020. This can be realized, supported by strong public investments in infrastructure, a dynamic services sector and favorable demographics.

Growth will be augmented by production in agriculture following receipt of adequate rains and favourable climatic conditions, value addition in agriculture, completion of key infrastructure projects and other initiatives geared towards exports promotion.

Over the medium term, growth is projected to increase by more than 7.0 percent due to investments in strategic areas under "The Big Four" Plan, namely: increasing the share of manufacturing sector to GDP; ensuring all citizens enjoy food security and improved nutrition by 2022; expanding universal health coverage; and delivering at least five hundred thousand (500,000) affordable housing units. These efforts will support the business environment, create jobs and ultimately promote broad based inclusive growth.

Growth and stability in macroeconomic variables will also impact the county. They ensure that county operates in a stable economic environment and realize sustainable economic growth.

3.2 Implementation of 2017/2018 Budget

Revenue collection for the FY 2017/18 was Ksh 105,493,350. This was lower than the targeted amount of Ksh 160,291,113. Revenue collected for the first half of financial year 2017/18 was Ksh 43,879,672. This figure is higher than the figure collected in the same period in the previous financial year, which shows an improvement. The amount collected was Ksh. 36,961,877 in the previous year.

The total amount of actual expenditure was Ksh. 4,699,490,238 out of which Ksh. 1,730,975,720 was development. Low absorption rates were majorly as a result of delayed release of funds by the national government. The delays in release of funds often leads to disruption of the activities of county and compromises service delivery. This period was also an electioneering period, this greatly affected release of funds from CRA and it went a long way in delay of implementation.

3.3 Medium Term Fiscal Framework

The county pursued prudent fiscal policy to ensure economic stability. This was guided by Public Finance Management Act, 2012, amongst other legislations such as Equitable Development Act, 2015. The CG adhered to national and international policies and plans, e.g., Kenya Vision 2030 and Sustainable Development Goals, SDGs. The 17 SDGs and respective 169 targets and 230 indicators were mainstreamed into the MTP III and County Integrated Development Plans (CIDPs). SDGs were mainstreamed based on key thematic areas that included advocacy and awareness creation; domestication and localizing SDGs; capacity building; stakeholder mapping and engagement; monitoring and reporting and resource mobilization.

With respect to revenue, the County Government hoped to improve revenue collections estimated to be Ksh 160,021,113 but it could not meet this target. Measures to achieve this effort included enhanced compliance of finance bill with enhanced administrative measures and sealing of revenue loopholes and leakages. The county further widened the tax base and reviewed most of the levies and charges in the proposed 2017 finance bill.

3.4 Fiscal Risks to the Outlook

The economic performance of the county has a spill-over effect on the county's economic performance. The risks to the outlook for 2017/18 and the medium-term include continued weak growth in advanced economies that will impact negatively on our exports and tourism activities. Policy priorities to address the risks to economic growth are; support demand through tax reforms and spending reprioritization and; adopt structural reforms to raise production and remove production bottlenecks.

The main risk to the county outlook remains the challenges associated with the timely release of resources from the National Government to the Counties. The observed delays in effecting the transfer of funds to the County will definitely affect the performance if they recur. However, the county shall engage the concerned institutions for timely release of funds.

Secondly, the county revenue projections are subject to a number of general risks that can affect collections. These include resistance that may arise from County Finance Bill, 2016, tax evasion and avoidance, weak revenue administrative structures and significant fluctuations in major revenue sources due to changes in the economic environment. These challenges may result in a significant deviation from revenue projections and consequently lead to huge unfunded budget deficits.

Other fiscal risks also include potential natural disasters due to unfavorable weather conditions, crop failure due to maize lethal necrosis, terrorist threats causing decline in tourist arrivals and the uncertainties in the release of county funds. Such occurrences have in the past resulted in unexpected increases in expenses which disrupt the planned execution of the budget. Should these risks materialize; the County government in consultation with the National government will undertake appropriate measures to safeguard macroeconomic stability.

3.5 Summary of Sectoral Priorities

Development initiatives that will be implemented in the coming Fiscal Years are contained in the 2nd generation County Integrated Development Plan (CIDP) whose development proposals were identified by stakeholders through a consultative process. All the sectors in the county had priority development proposals identified through ADP public participation process. These proposals will drive budget process for the county in the respective sectors.

However, in striving to fill the resource gaps for the achievement of strategic priorities the county has put emphasis on mechanisms that encourages Public Private Partnerships (PPP) and donor cooperation and collaboration in the county's development approaches

CHAPTER FOUR: RESOURCE ALLOCATION FRAMEWORK

4.1 Adjustment to 2018/19 Budget

The FY 2018/19 budget adjustments will consider the actual performance of expenditure and absorption capacity in the remainder of the financial year in order to ensure all departments utilize the budgeted funds. Concerning recurrent expenditure pressures, the Government will rationalize by cutting non-priority expenditures. Resources allocated for development purposes will be utilized in the said projects and none, whatsoever, can be expended as recurrent.

The County Treasury will ensure the full implementation of the Finance Bill to broaden revenue collection and strengthen revenue collection systems to plug leakages.

4.2 Medium-Term Expenditure Framework

The 2018/19 budget will be based on the 2018-2022 County Integrated development plan (CIDP), third Medium Term Plan together with the Governments' strategic priorities contained in the 'Big Four' Agenda. Relevant policies, strategies and projects have been incorporated into the Annual Development plan for 2018/19. The Equitable Development Act, 2015 and developed policy documents including the CIDP and ADP will guide resource allocation, going forward. The medium term budget framework for 2018/19- 2020/21 will ensure continuity in resource allocation based on prioritized interventions as identified by the public during the project/ programme identification and prioritization process.

4.3 2018/19 Budget Framework

4.3.1 Revenue projections

The cumulative revenue forecasts for FY 2018/19 including Appropriation in Aids will rise marginally by approximately 8%. The national transfers i.e. equitable share of revenue and conditional grants increased by approximately 4% and 62% respectively. Equitable share of revenue continues to constitute the largest share of total county receipts.

The County Government is expected to generate revenue amounting to Ksh 130 million from own local sources which is a decrease of Kshs 30 Million from the projected local revenue for FY 2017/18. The reduction is based on the reassessment of the County revenue potential and the current restructuring in local revenue mobilization being undertaken by the County Treasury. The County Treasury is in the process of amending the Finance Act to broaden the local revenue base and streams.

4.3.2 Expenditure Forecasts

In pursuing a balanced budget requirement, the County Government has projected that overall expenditure will equal the forecasted County receipts for FY 2018/2019. In this regard the county government total expenditure will reach Ksh 4.5 billion in the FY 2018/2019 (excluding balances carried forward) approximately growth of 8 percent.

Compensation to employees will account for 53 percent of the total County budget approximately Ksh 2.4 billion. Although, this proportion of the County wage bill is still way above the envisaged level of 35 percent of total revenues as recommended in section 25 of the PFM (County Government Regulations) 2015. The marginal growth in County allocation for salaries and wages is mainly on account of natural rise in annual increments and harmonization of wages across the public service by the Salaries and Remuneration Commission (SRC). Further, allocation for other recurrent expenditures shall decrease despite the marginal increase in County revenues.

CHAPTER FIVE: CONCLUSION AND WAY FORWARD

5.1 Conclusion and Way Forward

The set of policies outlined in this County Budget Review and Outlook Paper reflects the changed fiscal circumstances and are broadly in line with the with the fiscal responsibility principles outlined in the PFM law. They are also consistent with the 2018/2022 County Integrated Development Plan (CIDP) and national strategic objectives perused by the county government as the basis of allocating public resources.

The fiscal outcome for FY 2017/18 had implication of the financial objectives elaborated in the last county fiscal strategy paper approved by County Assembly in March 2018. The county government continued to struggle with high wage bill, low local revenue collection and lots of service delivery demands. This occurrences subdued the county government fiscal policy initiatives and responsibilities.

Going forward, the cumulative revenue forecast for FY 2019/20 will rise marginally while county own source revenues are expected to remain unchanged. The reforms in local revenue administration as well as legislative reviews of the current revenue related laws through the Finance bill, 2018 are expected to strengthen local revenue performance.

The policies and provisional departmental ceilings annexed herewith will guide the county sectors and sub sectors in preparation of the 2019/20 budget. These ceilings will form inputs into the next CFSP which will be finalized by end February 2019.

ANNEXES

Annex 1: County Government Operations 2016/17 - 2019/20

Sub Sector / Department	2016/17			2017/18			2018/19			2019/20 Projections		
	Recurrent	Development	Totals	Recurrent	Development	Totals	Recurrent	Development	Totals	Recurrent	Development	Totals
Office of the Governor & Executive Administration	124,396,026	63,000,000	**187,396,026**	120,890,975	-	**120,890,975**	158,230,280	0	**158,230,280**	166,141,794	-	**166,141,794**
County Assembly	467,089,372	-	**467,089,372**	467,059,372	-	**467,059,372**	566,844,007	0	**566,844,007**	595,186,207	-	**595,186,207**
Finance & Economic Planning	210,123,287	-	**210,123,287**	196,023,234	-	**196,023,234**	212,433,531	0	**212,433,531**	223,055,208	-	**223,055,208**
Public Service Management and County Administration							114,801,571	52,266,184	**167,067,755**	120,541,650	16,853,693	**137,395,343**
Roads, Transport, Public Works and Energy	64,350,606	273,438,424	**337,789,030**	61,235,496	271,622,926	**332,858,422**	64,495,007	333,796,322	**398,291,329**	67,719,757	262,330,469	**330,050,226**
Sports, Youth affairs, ICT and Social Services	123,625,373	125,035,602	**248,660,975**	116,147,959	127,698,551	**243,846,510**	34,910,518	90,630,005	**125,540,523**	36,656,044	88,853,184	**125,509,228**
Education and Technical Training	174,847,458	156,530,336	**331,377,794**	197,819,802	186,505,000	**384,324,802**	213,669,037	276,635,132	**490,304,169**	224,352,489	185,722,128	**410,074,617**
Health and Sanitation	1,107,297,130	263,252,958	**1,370,550,088**	1,110,085,926	388,911,133	**1,498,997,059**	1,356,073,746	496,877,929	**1,852,951,675**	1,423,877,433	169,060,481	**1,592,937,914**
Water, Lands, Environment and Climate Change Management	74,422,613	189,974,356	**264,396,969**	70,769,262	234,712,442	**305,481,704**	73,716,831	371,732,200	**445,449,031**	77,402,673	227,817,991	**305,220,664**
Tourism, Culture, Wildlife, Trade and Industry	54,554,311	79,091,275	**133,645,586**	55,255,590	54,191,178	**109,446,768**	34,000,486	28,464,302	**62,464,788**	35,700,510	10,700,734	**46,401,244**
Agriculture and irrigation	178,995,686	120,705,190	**299,700,876**	197,806,710	97,623,138	**295,429,848**	108,932,587	231,873,608	**340,806,195**	114,379,216	197,197,605	**311,576,821**
Livestock Production, Fisheries and Cooperatives Development							98,382,203	41,721,572	**140,103,775**	103,301,313	82,383,120	**185,684,433**
County Public Service Board	34,121,876	1,500,000	**35,621,876**	42,685,124	-	**42,685,124**	59,525,783	0	**59,525,783**	62,502,072	-	**62,502,072**
TOTALS	**2,613,823,738**	**1,272,528,141**	**3,886,351,879**	**2,635,779,450**	**1,361,264,368**	**3,997,043,818**	**3,096,015,587**	**1,923,997,254**	**5,020,012,841**	**3,250,816,366**	**1,240,919,405**	**4,491,735,771**

Annex 2: Total Sector Ceilings for the MTEF Period 2017/18 - 2019/20

SECTOR	Sub Sector /Department	2017/18	2018/19	2019/20 projections
Public Service Administration & Governance	Office of the Governor & Executive Administration	120,890,975	158,230,280	166,141,794
	County Assembly	467,059,372	566,844,007	595,186,207
	Finance & Economic Planning	196,023,234	212,433,531	223,055,208
	Public Service Management and County Administration	0	167,067,755	137,395,343
	County Public Service Board	42,685,124	59,525,783	62,502,072
Infrastructure	Roads, Transport, Public Works and Energy	332,858,422	398,291,329	330,050,226
Social Protection and Empowerment	Sports, Youth affairs, ICT and Social Services	243,846,510	125,540,523	125,509,228
	Education and Technical Training	384,324,802	490,304,169	410,074,617
Health ,Water and Sanitation	Health and Sanitation	1,498,997,059	1,852,951,675	1,592,937,914
	Water, Lands, Environment and Climate Change Management	305,481,704	445,449,031	305,220,664
Productive and Economic Sector	Tourism, Culture, Wildlife, Trade and Industry	109,446,768	62,464,788	46,401,244
	Agriculture and irrigation	295,429,848	340,806,195	311,576,821
	Livestock Production, Fisheries and Cooperatives Development	0	140,103,775	185,684,433
TOTALS		**3,997,043,818**	**5,020,012,841**	**4,491,735,771**

Annex 3: Recurrent Sector Ceilings for the MTEF Period 2017/18 - 2019/20

Sector	Sub Sector / Department	Recurrent Estimates		
		2017/18	**2018/19**	**2019/20**
Public Service Administration & Governance	Office of the Governor & Executive Administration	120,890,975	158,230,280	166,141,794
	County Assembly	467,059,372	566,844,007	595,186,207
	Finance & Economic Planning	196,023,234	212,433,531	223,055,208
	Public Service Management and County Administration	0	114,801,571	120,541,650
	County Public Service Board	42,685,124	59,525,783	62,502,072
Infrastructure	Roads, Transport, Public Works and Energy	61,235,496	64,495,007	67,719,757
Social Protection and Empowerment	Sports, Youth affairs, ICT and Social Services	116,147,959	34,910,518	36,656,044
	Education and Technical Training	197,819,802	213,669,037	224,352,489
Health ,Water and Sanitation	Health and Sanitation	1,110,085,926	1,356,073,746	1,423,877,433
	Water, Lands, Environment and Climate Change Management	70,769,262	73,716,831	77,402,673
Productive and Economic Sector	Tourism, Culture, Wildlife, Trade and Industry	55,255,590	34,000,486	35,700,510
	Agriculture and irrigation	197,806,710	108,932,587	114,379,216
	Livestock Production, Fisheries and Cooperatives Development	0	98,382,203	103,301,313
TOTALS		**2,635,779,450**	**3,096,015,587**	**3,250,816,366**

Annex 4: Development Sector Ceilings for the MTEF Period 2017/18 - 2019/20

SECTOR	DEPARTMENT/ SUB SECTOR	APPROVED	ESTIMATES	PROJECTIONS
		2017/18	2018/19	2019/20
Public Service Administration & Governance	Office of the Governor & Executive Administration	-	-	-
	COUNTY ASSEMBLY	-	-	-
	Finance & Economic Planning	-	-	-
	Public Service Management and County Administration	-	52,266,184	16,853,693
	County Public Service Board	-	-	-
Infrastructure	Roads, Transport, Public Works and Energy	271,622,926	333,796,322	262,330,469
Social Protection and Empowerment	Sports, Youth affairs, ICT and Social Services	127,698,551	90,630,005	88,853,184
	Education and Technical Training	186,505,000	276,635,132	185,722,128
Health ,Water and Sanitation	Health and Sanitation	388,911,133	496,877,929	169,060,481
	Water, Lands, Environment and Climate Change Management	234,712,442	371,732,200	227,817,991
Productive and Economic Sector	Tourism, Culture, Wildlife, Trade and Industry	54,191,178	28,464,302	10,700,734
	Agriculture and irrigation	97,623,138	231,873,608	197,197,605
	Livestock Production, Fisheries and Cooperatives Development	-	41,721,572	82,383,120
TOTALS	**TOTALS**	**1,361,264,368**	**1,923,997,254**	**1,240,919,405**

Annex 5: Budget Process Activity Calendar for FY 2018/19 MTEF Budget

In accordance with Article 221 of the Constitution and the relevant sections of the Public Finance Management Act (PFM), 2012, there are budget timelines and accompanying outputs that must be complied with. The budget calendar is enumerated in the table below;

No.	TIMELINE	BUDGET ACTIVITY
1.	30th August	County Executive Committee member for Finance issues **budget circular** to all county entities. **S.128 of PFM Act, 2012** **The circular contains limits (ceilings) of each department/entity as recommended, key policy areas and issues to be taken into consideration when preparing the budgets**
2.	1st September	County Executive Member for Finance and Planning submits **Annual Development Plan** (ADP) to County Assembly for approval, with copy to the CRA and National Treasury as per s.126(3) **of PFM Act, 2012** The ADP contains long term and medium term plans as per **s.125(1)(a) of PFM Act, 2012**
3.	30th September	**County Budget Review and Outlook Paper** (CBROP) to be prepared by county treasury and submitted to the county executive committee. CBROP will cover: (a) Details of actual fiscal performance in the previous year compared to the budget appropriation (b) Updated fiscal and economic forecasts (c) Changes in forecasts from the county fiscal strategy paper (d) How actual fiscal performance affected compliance with fiscal responsibility principles and Budget Policy Statement. **s.118(1)-(2) of PFM Act, 2012** County Executive committee considers and approves CBROP with or without amendments **s.118(3) of PFM Act, 2012** County Treasury causes CBROP to be laid before county assembly. **s.118(4)(a) of PFM Act, 2012** County Treasury to Submit the Finance Bill to the County Assembly for Approval
4.	By 15th October	CBROP is published and publicized **s.118(4)(b) of PFM Act, 2012**

5.	28th February	County Treasury prepares and submits **County Fiscal Strategy Paper** (CFSP) to the County Assembly. The CFSP must be aligned to national objectives in the Budget Policy Statement **s. 117(1)&(2) of PFM Act, 2012** In preparing the **CFSP**, the County Treasury will seek the views of the CRA, the public, interested persons or groups and any forum that is established by legislation. **s.117(4) of PFM Act, 2012** County Treasury will submit the CFSP to the county executive committee for approval before submission to the County Assembly **s. 117(1) of PFM Act, 2012**
6.	14th March	County Treasury submits **County Debt Management Strategy** to County Assembly. **s.123(1) of PFM Act, 2012** County Executive Member for Finance submits copy of County Debt Management Strategy to CRA and Intergovernmental Budget and Economic Council. **s.123(3) of PFM Act, 2012**
7.	14th March	Within 14 days of the County Fiscal Strategy being submitted to the county assembly, the county assembly shall consider and adopt it with or without amendments. **s.117(6) of PFM Act, 2012**
8.	21st March Mid-March to Mid-April	County Fiscal Strategy Paper to be published and publicized. **s.117(8) of PFM Act, 2012** Public participation for Budget Estimates
9.	30th April	County CEC Finance submits **budget estimates** to county assembly. Must be in line with resolutions of the Assembly on the County Fiscal Strategy Paper. **s. 129(2) of PFM Act, 2012**
10.	30th April	County Assembly clerk submits **Budget Estimates for County Assembly** with a copy to the CEC Finance **s.129(3) of PFM Act, 2012**
11.	15th May	CEC Finance publishes and publicizes Budget Estimates. **s.129(6) of PFM Act, 2012**
12.	15th May	CEC Finance presents **comments on the budget estimates to the county assembly** **s.129(4) of PFM Act, 2012**

13.	15th June	County government must submit annual **Cash Flow Projection** to the Controller of Budget. **s.127(1) of PFM Act, 2012**
14.	Before County Assembly considers the estimates	Before County Assembly considers the estimates the relevant committee of the County Assembly shall meet and consider the estimates and make **recommendations** to the County Assembly, but should take into account the views of the CEC Finance. **s.131(2) of PFM Act, 2012**
15.	30th June	County assembly to consider estimates with a view to approving with or without amendments in time for the **County Appropriation Law** to be passed by 30th June. **s.131 s.131(2) of PFM Act, 2012**
16.	30th June	County Assembly may amend estimates only if a) any proposed increase is balanced with reduction in another appropriation and b) any proposed reduction is used to reduce the deficit. **s.131(3) of PFM Act, 2012**
17.	30th June	After county assembly has approved estimates, CEC for finance shall prepare and submit a **County Appropriation Bill** to the county assembly. **s.129(7) of PFM Act, 2012**
18.	30th June	Appropriation Bill to be passed by the County Assembly **s.131(1) of PFM Act, 2012**
19.	As soon as the Budget Estimates have been approved	CEC Finance makes a pronouncement on **revenue raising measures**. **s.132(1) of PFM Act, 2012** At the same time as making the pronouncement under s.132 (1) the CEC Finance must submit the **Finance Bill** to the county assembly. **s.132(2) s.131(1) of PFM Act, 2012**
20.	As soon as the Budget Estimates have been approved	County Assembly may consider the revenue measures but must (a) ensure the total amount of revenue is consistent with the fiscal framework and the County Allocation of Revenue Act, and (b) must take into account various matters including the recommendation of the CEC Finance. **s.132(3) & (4) of PFM Act, 2012**
21.	Not later than 90 days after Appropriation Act passed	County Assembly must consider the Finance Bill and approve with or without amendments. **s.133 of PFM Act, 2012**