THE COUNTY GOVERNMENT OF LAMU

LAMU COUNTY BUDGET REVIEW OUTLOOK PAPER

September, 2019

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Foreword

The County Budget Review and Outlook Paper (CBROP) 2019 has been prepared in line with section 118 of the Public Finance Management (PFM) Act 2012 which requires the county government to prepare a budget review and outlook paper in respect for each financial year; and submit it to the County Executive Committee by 30th September.

The paper reviews fiscal performance of the county for the 2018/19 financial year while comparing it with the budget appropriation. In addition, it provides information on changes in forecasts as indicated in the County Fiscal Strategy Paper (CFSP) 2018; and how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the county financial objectives for that year. It further gives reasons for any deviation from the county financial objectives in the fiscal strategy paper together with proposals to address the deviations.

The updated economic and financial outlook presented in this paper will set out the broad fiscal parameters for preparation of the next budget. In particular, the provisional ceilings presented are intended to act as a guide to sector working groups in preparing their budgets.

It is therefore my expectation that the policy paper will be useful in enhancing financial discipline and fiscal responsibilities outlined in section 107 of the PFM Act 2012 and thus contribute towards the realization of aspiration of the residents of Lamu county.

AHMED M. HEMED
COUNTY EXECUTIVE COMMITTEE MEMBER
FINANCE, STRATEGY & ECONOMIC PLANNING

Acknowledgement

In compliance with the Public Finance Management (PFM) Act, 2012 and its related regulations, we are pleased to present the 2019 Lamu County Budget Review and Outlook Paper (CBROP). The CBROP highlights actual financial performance for the Financial Year (FY) 2018/2019 against the budget appropriations for the same year. It equally provides a review of the recent economic developments and highlights the actual performance of the FY 2018/19 with regards to compliance with the fiscal responsibility principles and the financial objectives spelt out in the PFM Act or the financial objectives in the CFSP for that financial year; and

The preparation of the 2019 CBROP was a collective effort by various departments of the Lamu county Government. I sincerely wish to thank all the departments for providing important and timely information about the execution of their budget for the financial year 2018/19. This information was very helpful in laying out the basis upon which the projections for the next financial years was done.

Much appreciation to the Directorate of Budget headed who spearheaded the entire CBROP preparation process. We also thank all those who participated in the process of validation and gave their input to enhance this policy document.

Similarly, I acknowledge the continued partnership with USAID-AHADI. Specifically, the invaluable support and technical assistance in the preparation of this policy paper from USAID-AHADI team comprising of Gilbert Momanyi (Team Lead) and Nicodemus Kirima (PFM Consultant).

To all that were involved, receive my heartfelt appreciation.

FATMA SAID
CHIEF OFFICER, FINANCE, STRATEGY AND ECONOMIC PLANNING

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ABBREVIATIONS AND ACRONYMS

CARA	County Allocation of Revenue Act
CBK	Central Bank of Kenya
CRA	Commission of Revenue Allocation
CBROP	County Budget Review and Outlook Paper
CFSP	County Fiscal Strategy Paper
GDP	Gross Domestic Product
IBEC	Inter-Governmental Budget and Economic Council
ICT	Information and Communication Technology
IFMIS	Integrated Financial Management Information System
KNBS	Kenya National Bureau of Statistics
MTEF	Medium Term Expenditure Framework
MTP	Medium-Term Plan
PE	Personnel Emoluments
PFM	Public Finance Management
PWD	People with Disabilities
SRC	Salaries and Remuneration Commission
SWG	Sector Working Group

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Preamble

Legal Basis for Preparation of the County Budget Review and Outlook Paper

The Budget Review and Outlook Paper (CBROP) is prepared in accordance with Section 118 of the Public Finance Management (PFM) Act 2012. The law stipulates that:

1) A county Treasury shall;

a. Prepare a CBROP in respect of the County for each year; and

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

2) In preparing its CBROP, the County Treasury shall specify;

a. The details of the 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 (CFSP)

c. Information on:

(i) Any changes in the forecasts compared with the CFSP; or
(ii) How actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or financial objectives in the CFSP for that financial year; and

d. Reasons for any deviation from the financial objectives in the CFSP together with proposals to address the deviation and the time estimated for doing so.

3) The CEC shall consider the CBROP with a view to approving it, with or without amendments, within fourteen days after its submission.

4) Not later than seven days after the CBROP is approved by the CEC, 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.

Fiscal Responsibility Principles in the Public Financial Management Law

In line with the Constitution of Kenya 2010, the PFM Act, 2012 sets out the fiscal responsibility principles to ensure prudency and transparency in the management of public resources. Section 107 of the PFM Act, 2012 states that: The County Government's recurrent expenditure shall not exceed the County Government's total revenue;

1) Over the medium term, a minimum of thirty (30) per cent of the County Government's budget shall be allocated to the development expenditure;
2) The county Government's expenditure on wages shall not exceed a percentage of the County Government's total revenue as prescribed by the County Executive Member for Finance in regulations and approved by the County Assembly;
3) Over the medium term, the Government's borrowing shall be used only for purpose of financing development expenditure and not for recurrent expenditure;
4) The County debt shall be maintained at a sustainable level as approved by County Assembly;
5) The fiscal risks shall be managed prudently; and
6) 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 the future.

1.0 INTRODUCTION

This section provides a highlight of the objectives of the CBROP, its significance in the budget making process and a brief description of the structure. The CBROP is prepared in line section 118 of the Public Finance Management (PFM) Act, 2012. The paper reviews the fiscal performance of the county for the financial year 2018/2019; the updated macro-economic and financial forecasts; and deviations from the approved County Fiscal Strategy Paper (CFSP) 2019 and reasons for such deviations.

1.1 Objective of CBROP

The objective of CBROP is to provide a review of the previous fiscal performance and how this impacts the financial objectives and fiscal responsibility principles to be set out in the CFSP. This together with macroeconomic outlook provides a basis for revision of the current budget in the context of the broad fiscal parameters underpinning the next budget and the medium term. Details of the fiscal framework and the medium term policy priorities will be firmed in the CFSP.

Specifically, the CBROP provides:

- Updated economic and financial forecasts in relation to the changes from the forecasts in the most recent County Fiscal Strategy Paper (CFSP);
- Details of the actual fiscal performance in the previous year compared to the budget appropriation for that particular year;
- Any changes in the forecasts compared with the CFSP;
- Indication on how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the CFSP for that financial year; and
- Reasons for any deviation from the financial objectives in the CFSP together with proposed measures to address the deviation and the time estimated for doing so.

1.2 Significance of CBROP

The paper is a policy document and links planning with budgeting. It is significant in the budget making process within the Medium Term Expenditure Framework (MTEF) as it reviews previous fiscal performance for the year and identifies any deviations from the budget with the aim of providing realistic forecasts for the coming year. It also assesses how fiscal responsibility principles were adhered as provided in section 107 of the PFM Act 2012. In addition, the updated macroeconomic and financial outlook provides a basis for any budget revision and sets out broad fiscal parameters for the next budget. Further, the paper is expected to provide indicative departmental ceilings for the FY 2020/2021 MTEF budget and in the medium term to guide Sector Workings groups (SWGs) before being affirmed in the CFSP 2020.

1.3 Structure

This paper has four other sections. Section Two reviews the county's fiscal performance for the previous year. It is divided into three sub-sections, namely, The Overview, Fiscal Performance and Implications of Fiscal Performance. Section three reviews recent economic developments and has four subsections of Recent Economic Developments, Economic Outlook & Policies, Medium Term Fiscal Framework and Risks to the Outlook. Section four sets out how the county government intends to operate within its means. It establishes the resources envelop (total revenues) it expects then allocates these across departments by setting expenditure ceilings for each department. In addition, it has four sub-sections: adjustment to the proposed budget; the medium term expenditure framework; proposed budget framework; and projected fiscal balance and likely financing. And lastly, section five gives a conclusion of the entire paper.

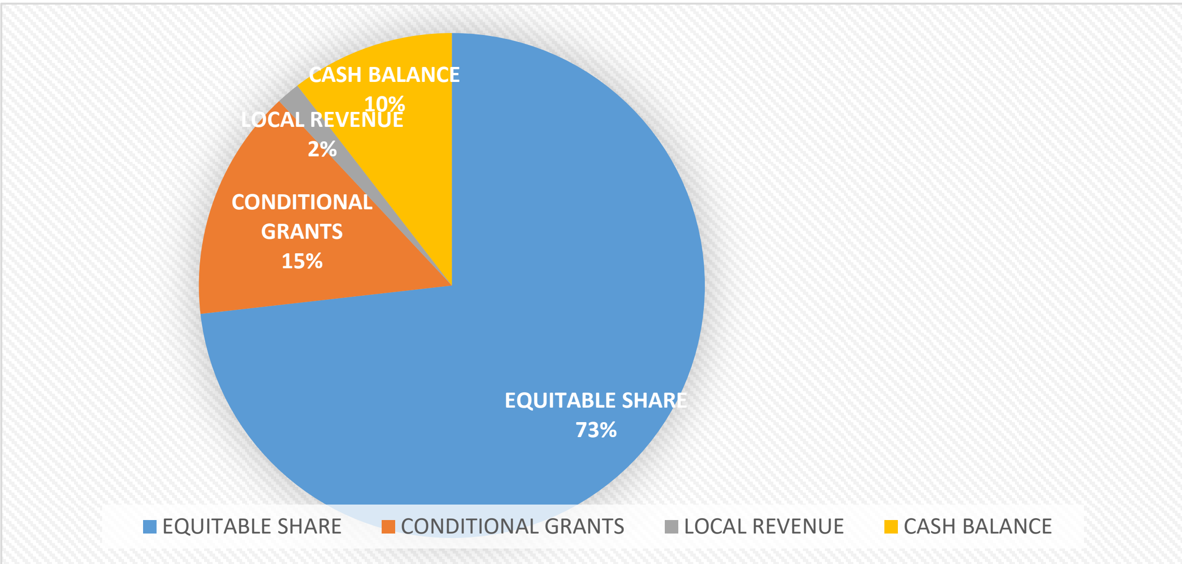
2.0 REVIEW OF COUNTY FISCAL PERFORMANCE IN 2018/19 FY

2.1 Overview

The County's FY 2018/19 Approved Supplementary Budget was Kshs. 4.85 Billion, comprising of KShs.2.56 Billion (54.0 per cent) and KShs.2.2 billion (46.0 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs. 3.54 billion (73.1 per cent) as equitable share of revenue raised nationally and Kshs. 718.5 million (14.8 per cent) as total conditional grants. The county also targeted to generate Kshs. 72.95 million (1.5 per cent) from own source revenue, and had made a Kshs. 507 million (10.4 per cent) cash balance brought forward from FY 2017/18. The County expected sources of budget financing are shown in Figure 1.

Figure 1: Expected Sources to budget financing FY 2018/19



Source- Lamu County Treasury

The conditional grants contained in the CARA, 2018 comprised of,Kshs. 93,421,016 (13 per cent) from the Road Maintenance Fuel Levy Fund, Kshs. 2,451,034 (0.3 per cent) as Compensation for User Fee Foregone, Kshs.8,302,500 (1 per cent) from DANIDA, Kshs.50,000,000 (7 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.33,793,559 (5 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.31,210,000 (4 per cent) for Development of Youth Polytechnics, Kshs.41,200,000 (6 per cent) as Kenya Urban support programme, Kshs.242,000,000 (24 per cent) as Supplement for construction of county headquarters and Kshs.16,158,635 (2 per cent) Agriculture sector Development Support Program.

The County also expected to receive Kshs. 150,000,000 (21 per cent) from World Bank for Kenya Climate Smart Agriculture Project (KCSAP).

2.2 Fiscal Performance

Overall revenues increased by 9% as per table 1 below on summary of County Fiscal Performance

Table 1: Summary of County Fiscal Performance

	2017/18 FY					
	Actual	Actual	Approved 2018/19	Actual 2018/19	% Deviation	Growth %
TOTAL REVENUE & GRANTS	2,487,257,691	2,706,716,201	4,846,739,676	4,427,642,911	-8.65%	78.01%
Unspent Bal from Previous FY	577,396,692	102,495,349	507,052,932	507,052,932	0.00%	-12.18%
REVENUE (Total)	3,064,654,383	2,809,211,550	4,339,686,744	3,920,589,979	-9.66%	27.93%
Equitable Share Allocation	2,214,008,743	2,476,400,000	3,548,200,000	3,548,200,000	0.00%	60.26%
Local Revenue	65,109,972	63,437,305	72,950,000	73,222,437[1]	0.37%	12.46%
Grants (Total)	203,606,915	175,422,899	718,536,744	299,167,542	-58.36%	46.93%
TOTAL EXPENDITURE	2,954,595,656	2,305,394,917	4,846,739,676	2,922,011,807	-39.71%	-1.10%
Recurrent	2,006,946,763	1,901,384,937	2,562,138,403	2,212,425,202	-13.65%	10.24%
Development	947,648,894	404,009,980	2,284,601,273	709,586,605	-68.94%	-25.12%
Unspent Bal Current FY	110,058,727	401,321		1,505,631,104		

2.2.1 Conditional Grants

The Table 1 below shows an analysis of conditional grants received in the FY 2017/18.

Table 2: Analysis of conditional grants received in the FY 2017/18

No.	Grants	Annual CARA 2018 Allocation (in KShs)	Actual Receipts in the FY 2018/19 (in KShs)	Actual Receipts as Percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	93,421,016	93,421,016	100%
3	World Bank loan to supplement financing of County Health facilities	50,000,000	20,540,204	41%
4	Kenya Devolution Support Programme (KDSP)	33,793,559	0[2]	0%
5	Compensation for User Fee Foregone	2,451,034	2,451,034	100%
6	DANIDA Grant	8,302,500	8,302,500	100%
8	Supplement for Construction of County Headquarters	242,000,000	0	0%
9	Development of Youth Polytechnic	31,210,000	23,563,550	76%
	Kenya Urban Support Program (KUSP)-World bank	50,000,000	50,000,000	100%

[1] This money included kshs 1.35 Million which was donation towards promotion of lamu culture week.
[2] No money was released to all counties and the ministry requested the money to be rebudgeted again in FY 2019-20

10	Agriculture Sector Development Program	16,158,635	5,882,997	36%
11	Kenya Urban Support Program	41,200,000	41,200,000	100%
12	Kenya Climate Smart Development Program	150,000,000	53,806,243	36%
Grand Total		**718,536,744**	**299,167,544**	**42%**

Source: *Lamu County Treasury*

Analysis of the conditional grants released during the period under review indicates that, the County received 100% all the allocated grants from Road Maintenance Fuel Levy, DANIDA, User fees foregone and Kenya Urban Support Programme. Significant allocation (76%) for Development of youth polytechnics was also received.

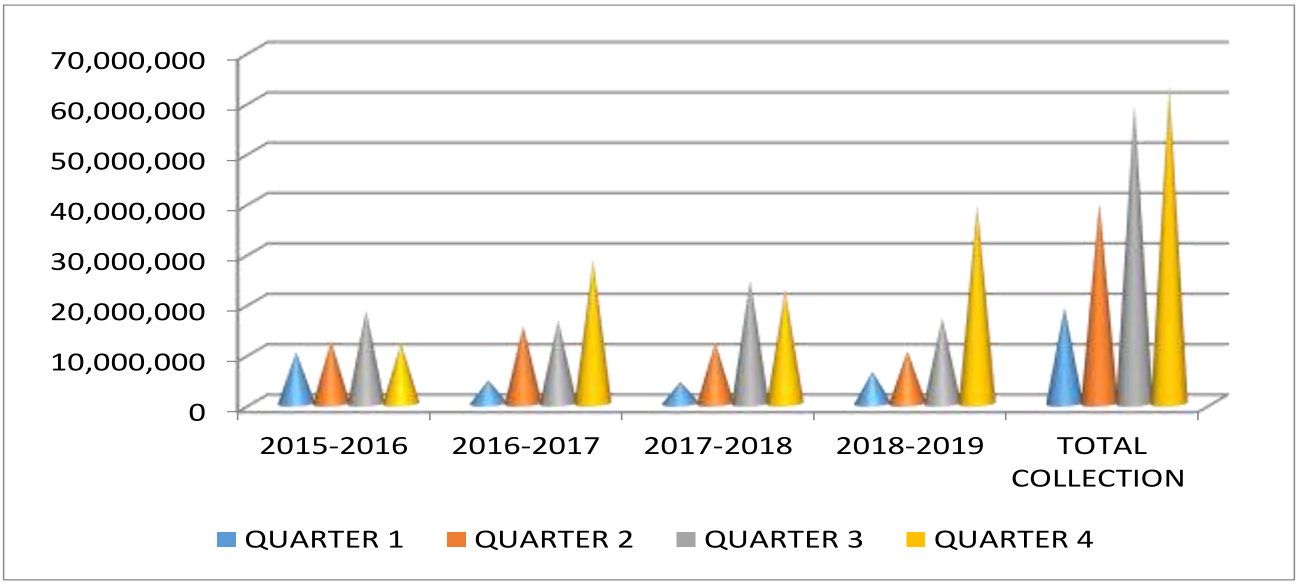
No allocations were received from Kenya Devolution Support Programme and the Supplement for the construction of County Headquarters. We also noted low levels for Kenya Climate Smart Development Program (36%), Agriculture Sector Development Program (36%) and World Bank loan to supplement financing of County Health Facilities (41%).

Overall the County received 42% of the total County allocation.

2.2.2 Revenue Performance

The total own source revenue for the FY 2016/2017, FY 2017/2018 and 2018/2019 was approximately KShs 200.42 million. The respective revenue for each year is provided in Table 3. While the total revenue has been steadily increasing, the data shows that more revenue was collected during the 3rd and 4th quarters. The 1st and 2nd quarters had comparatively lower collections. Some of the reasons for the decline include the prolonged electioneering period during the 1st and 2nd quarter of the year and insecurity incidences which mostly affected businesses. However, there was more revenue realized during 4th quarter than any other quarter. It is also noteworthy that revenues increase as the quarters progress due to constant supervision and deployment of staffs and better strategies to improve revenue collection as shown in figure 2 below on revenue performance trends per quarter.

Figure 2: Quarterly revenue performance trends FY 2015/16 to FY 2018/19

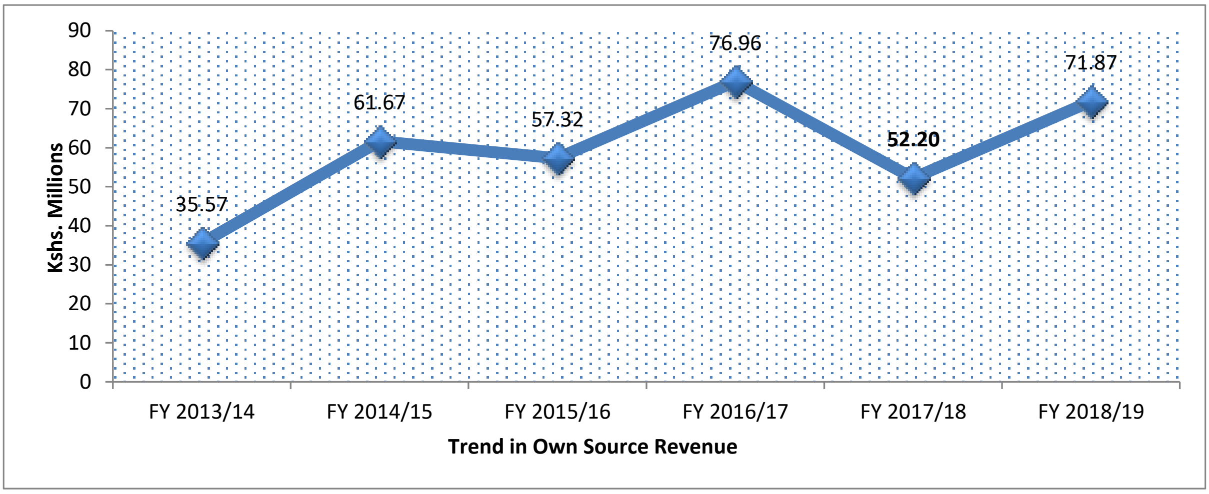


The analysis of the revenue performance per year from FY 2013/14 to FY 2018/19 does indicate a general trend in increment. However, this is erratic and clearer strategies should be put in place to ensure more sustained growth.

Table 3: Revenue Performance

YEAR	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4	TOTAL
2015-2016	10,192,829	12,400,163	18,519,597	12,030,828	53,143,417
2016-2017	4,658,554	15,425,210	16,470,702	28,555,506	65,109,972
2017-2018	4,308,450	12,077,394	24,505,766	22,545,695	63,437,305
2018-2019	6,327,478	10,450,611	15,683,693	39,610,655	71,872,437
TOTAL COLLECTION	**19,159,833**	**39,902,766**	**59,496,065**	**63,132,028**	**181,690,692**

Figure 3: Revenue performance over a period of four fiscal years



An analysis of the revenue performance per stream from FY 2016/17 to FY 2018/19 also indicates erratic but sustained growth. The analysis below indicates the need to better revenue raising and management processes in County.

Table 4: Revenue Performance per Stream from FY 2016/17 to FY 2018/19

REVENUE SOURCE	2016-2017	2017-2018	2018-19
REVENUE FROM HOSPITALS	24,759,606.90	12,773,559	18,190,159
OPEN AIR MARKET	999,958.00	741,254	689,690
REVENUE FROM PUBLIC HEALTH	1,454,595.00	499,530	409,170
FISHERIES REVENUE	704,800.00	479,851	552,480
PARKING FEEES	931,150.00	494,960	1,162,775
REVENUE FROM AGRICULTURE	3,394,956.00	4,868,659	3,852,000
SINGLE BUSINESS PERMIT	8,313,586.50	20,007,916	14,287,065
STALL REVENUE	1,124,000.00	1,068,600	1,356,700
CESS	4,699,536.00	2,409,877	4,591,792
MISCELLANEOUS	6,382,700.00	1,032,245	3,142,650
LAND RENT/PROPERTY RATES	12,163,158.30	5,328,894	13,386,860
REVENUE FROM VETERINARY SERV	181,925.00	1,144,076	1,061,302
INSURANCE COMPENSATION(MV)		8,950,000	
ADVERTISEMENT		957,762	1,214,100
TRAINING/LEARNING CENTRES			910,850
SAND,GRAVEL,AND BALLAST EXTRACTION FEES			3,674,709
LAND REVENUE			3,390,136
COMMISSION EARNED		2,680,121	
	65,109,971.70	**63,437,304**	**71,872,437**

As shown in Table 4aove, the total own source revenue collected in the FY 2018/19 amounted to approximately KShs.71.9 million. This represented 103 per cent of the annual own source revenue target of KShs 70 million. As compared to the FY 2017/18, the collected amount represents an overall increase in revenue collection of about 13.3 per cent. There were also some significant variations in collection among the various revenue streams, which is explained below.

REVENUE FROM HOSPITAL

The above table shows that the hospital revenue increased between FY 2017/18 and FY 2018/19 by 42.4%. The comparative increase was due to increase in remittance from NHIF.

OPEN AIR MARKET

The collection from open air market reduced by 7% in FY 2018/19 mainly due to staff shortage as a result of the discontinuation of casual revenue collectors in the third quarter of FY 2017/18.

REVENUE FROM PUBLIC HEALTH

The revenue from public health reduced by 18% was due to shortage of staff during the second and third quarter when casual collectors were discontinued.

FISHERIES REVENUE

There was an increase in fisheries revenue by 15% due to better tracking and accounting of fisheries revenue.

PARKING FEES

There was significant increase in parking fee due strict enforcement on parking fee as result of decentalizing enforcement officers in major town in the county .

REVENUE FROM AGRICULTURE

Decreased collection of revenue from agriculture by 21% was due to reduced revenue from the reclassification of the revenue from the agricultural Training and accommodation institution in FY 2018/19 as compared to FY 2017/2018. This revenue is now recognized separately from FY 2018/19.

SINGLE BUSINESS PERMIT

The collection of SBP decreased by 28.6% between FY 2017/18 and FY 2018/19. In FY 2017/18, there was a significant increase compared to FY 2016/17 of 141% was due to enhanced enforcement, payment of SBP by all contractors during prequalification in 2017/2018 and growth in business registration. This actions were not as intense in FY 2018/19 and this resulted in the significant drop in this revenue stream.

CESS

Cess increased by 90.5% between FY 2017/18 and FY 2018/19. This increment can be explained by the reversal of the effects of the extended electioneering period and the drought experience in FY 2017/2018.

MISCELLANEOUS

This revenue stream recognized the highest increase of 204.5% in FY 2018/19. The increment was due to new revenue streams which had not been identified in FY 2017/18 and include was recoverly from revenue staff who had collected some money and not remitted to county revenue account and also recoverly through pay roll for county staff staying in government houses

LAND RENT/PROPERTY RATES

There was an increase in land rates by 151.2% compared to FY 2017/2018.This was due to the declaration of a waiver of interest on rates in FY 2018/19. However, the stream still faces challenges encountered during automation process e.g. incorrect balances hence lack of payment of amount due by rates payers. There was also no system breakdown in FY 2018/19 compared to the significant breakdown of three months in the third quarter of FY 2017/18.

REVENUE FROM VETERINARY SERVICES

Revenue from veterinary services decreased by 43.3% due to decline in the level of supervision in veterinary services.

ADVERTISEMENT

Revenue from Advertisement increased by 26.8% due to the re-classification from miscellaneous revenue and increased supervision of the revenue stream in the year.

TRAINING AND LEARNING CENTRES

This was a new revenue classification in FY 2018/19 and this was previously captured as Agricultural revenue. The reclassification was to enhance supervision and focus on this source of revenue.

Key challenges noted in own source revenue collection include

- Lack enforcement legistarative framework for enforcement officers .
- Poorly maintained rate payer's **databases for rates and single business permits**
- Inadequate **human capacity and staffs are employed on contracts which lowers their motivation**
- Ineffective **enforcement**
- High cost of revenue collection
- Poorly structured/implemented **revenue systems**
- Loopholes and leakages
- Lack of rate payer **education**
- Challenges to match to match fees & Charges to **service provision**.

Strategies to be employed by the department to enhance revenue and service delivery

1. Fully automate revenue operations (to integrate with county bank account)
2. Enact and implement revenue collection legislation bills i.e. quarry act and liquor license act
3. Develop a service chatter for the revenue

4. Identify new revenue sources
5. Do valuation for areas that are not currently covered by valuation roll
6. More engagement of the enforcement officers to ensure compliance
7. Clear defined roles and responsibility for the revenue staff
8. Develop remuneration policy for the revenue staff
9. Training of revenue staff (capacity building)
10. Tax payer civic education
11. Develop an internal control system
12. Involvement and sensitization of key stakeholders e.g. other department
13. Develop profile (bio data) for all land rate and single business rates payers
14. Consider employment of revenue staff on permanenet basis
15. Consider a rewarding system for surpusing of targets by the county revenue staff.

2.2.3 Expenditure Performance

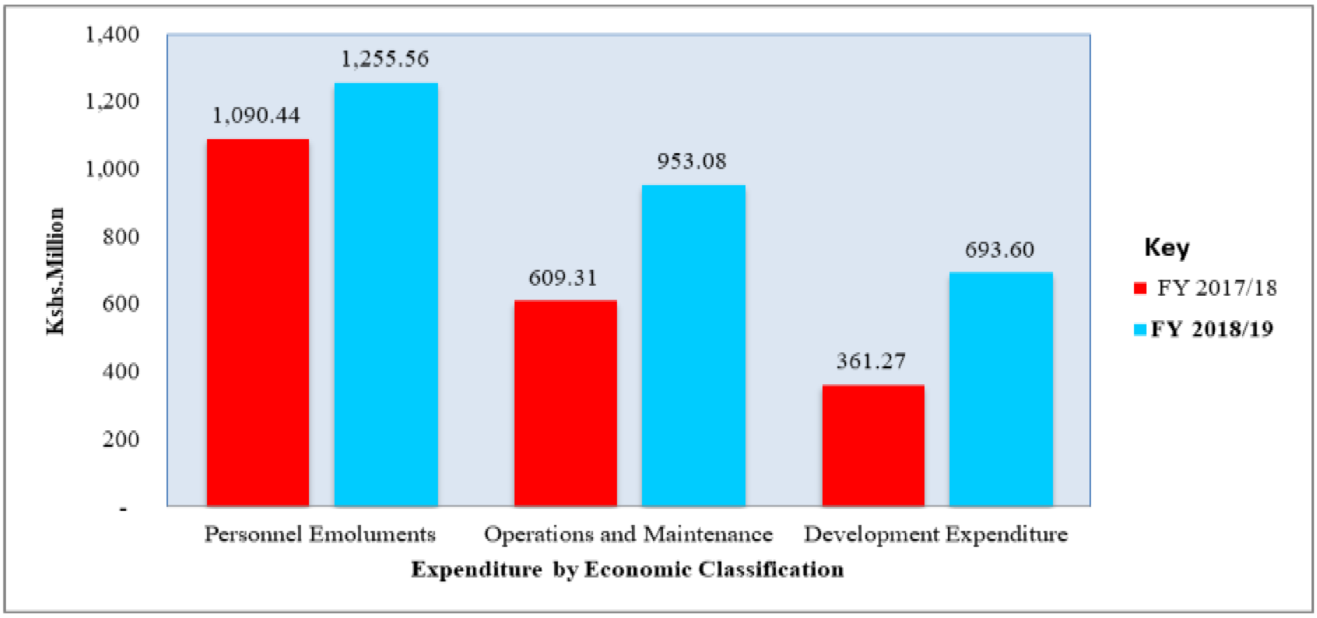
Overall expenditure review

A total of **Kshs.2.90 billion** was spent on both development and recurrent activities. This expenditure represented **97.8** per cent of the total funds released from the CRF account, and was an increase of **40.8** per cent from Kshs.**2.06** billion spent in FY 2017/18.

Development expenditure recorded an absorption rate of 30.4 per cent, which was a decrease From 35.8 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 86.2 per cent of the annual recurrent budget, an increase from 84.2 per cent recorded in FY 2017/18.

Figure 4 presents a comparison between the total expenditure as per economic classification in FY 2018/19 and FY 2017/18.

Figure 4: Lamu County expenditure by economic classification



Development expenditure

The total development expenditure of Kshs.693.60 million represented 30.4 per cent of the annual development expenditure estimates of Kshs. 2.28 billion.

Table 5 provides a summary of development projects with the highest expenditure in the financial year.

Table 5: Lamu County, List of Development Projects with the Highest Expenditure in FY 2018/19

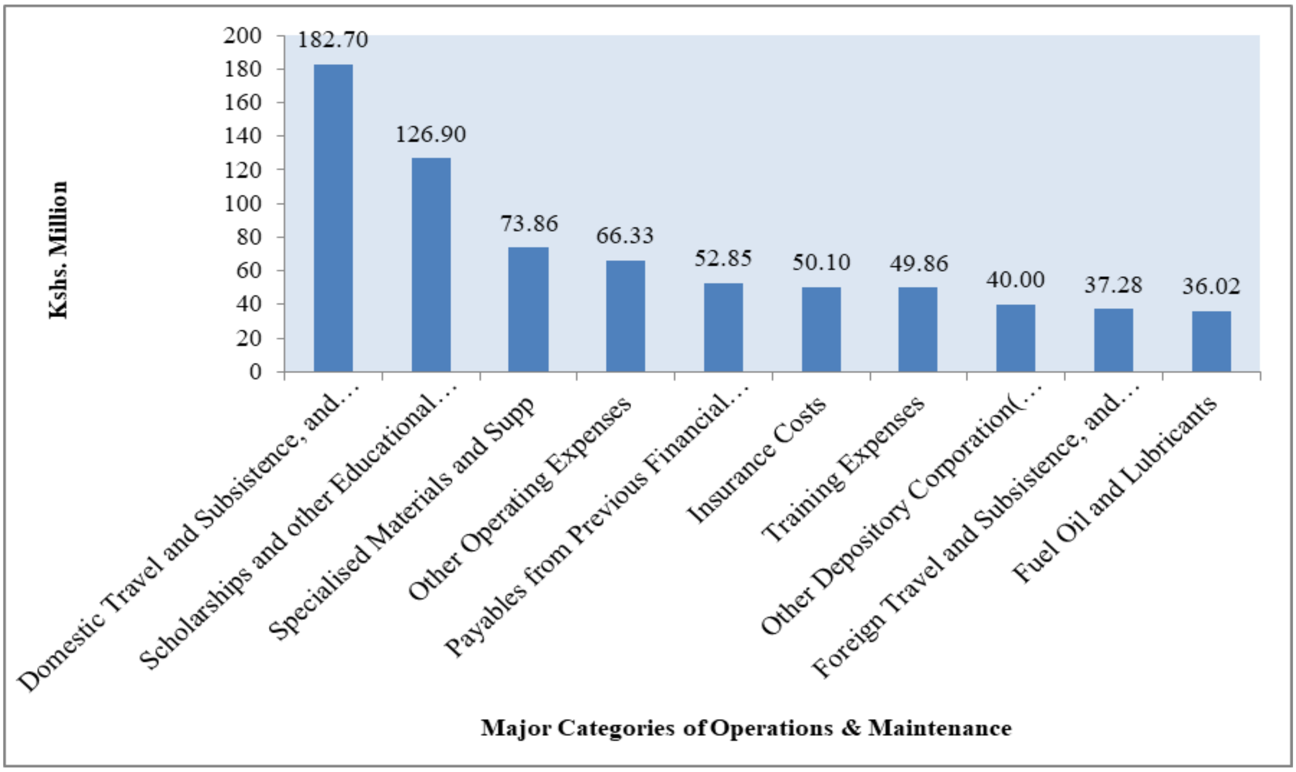
S/No.	Project Name	Project location	Project budget (Kshs.)	FY2018/19 Project Expenditure (Kshs.)	Absorption rate (%)
1	Project on street lighting	Lamu county	162,000,000	124,071,835	77%
2	Universal health care	Lamu county	120,000,000	113,627,100	95%
3	County Assembly HQ	Mokowe -Hindi ward	245,000,000	67,102,000	27%
4	Speaker's residence	Shella/Manda ward	160,000,000	49,427,000	31%
5	Supply and delivery of certified seeds	Lamu county	32,636,000	32,636,000	100%
6	Transfers of vocational training village polytechnic	Lamu county	31,780,441	31,780,441	100%
7	Maintenance of road A7 junction Mokowe	Mokowe village	16,977,673	16,977,673	100%
8	Routine maintenance of bangure - kizuke junction	Mpeketoni	15,945,682	15,945,682	100%
9	Road maintenance Mpeketoni - Ndambwe	Mpeketoni	14,888,151	14,888,151	100%
10	Routine maintenance works at Ras Kitau	Shella ward	14,605,792	14,605,792	100%
Total			**845,043,739**	**481,061,674**	**57%**

Recurrent expenditure

The total recurrent expenditure of Kshs.**2.21** billion comprised of Kshs.**1.26** billion (43.3 per cent) incurred on personnel emoluments and Kshs.953.08 million (32.8 per cent) on operations and maintenance.

Expenditure on personnel emoluments represented an increase of **15.1** per cent compared to a similar period of FY 2017/18 when the County spent Kshs.**1.09** billion and was **52.9** per cent of the total expenditure in FY 2018/19. **Error! Reference source not found.** shows a summary of operations and maintenance expenditure by major categories.

Figure 5: Lamu County FY 2018/19 operations and maintenance expenditure by major categories



Source: Lamu County *Treasury*

Expenditure on domestic and foreign travel amounted to Kshs.**219.98** million, and comprised of Kshs.**96.02** million spent by the County Assembly and Kshs.**123.96** million by the County Executive. This expenditure represented 8.6 per cent of total recurrent expenditure and was an increase of **65.2** per cent compared to Kshs.**133.14** million spent in FY 2017/18.

Budget performance by County department

Table six . shows a summary of the approved budget allocation and performance by department in FY 2018/19.

Department	CFSP 2018			Budget Allocation (Kshs. Million)			Exchequer Issues in the FY 2018/19 (Kshs. Million)		Expenditure in The FY 2018/19 (Kshs. Million)		FY 2018/19 Expenditure to Exchequer Issues (%)		FY 2018/19 Absorption rate (%)		Deviation (%)
	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	CFSP - BUDGET
County Assembly	385	150	535	404	250	654	388.92	116.53	353.69	116.53	90.94	100.00	87.55	46.61	22%
County Executive And Public Service Management	381	121	502	484	404	888	398.51	17.00	373.65	17.00	93.76	100.00	77.28	4.21	77%
Finance And Economic Planning	148	50	198	195	4	200	159.01	-	160.91	-	101.19	-	82.34	-	1%
Agriculture And Irrigation	90	300	390	130	339	470	124.38	101.89	71.04	36.61	57.12	35.93	54.47	10.79	20%
Land, Physical Planning,	62	220	282	79	680	759	71.32	314.00	72.54	321.05	101.71	102.25	92.36	47.20	169%
Education, Gender, Youth Affairs, Sports	199	110	309	234	171	405	228.52	28.78	223.75	45.87	97.91	159.38	95.27	26.87	31%
Health, Environment And Sanitation	878	150	1,028	895	340	1,235	747.98	112.79	829.20	133.23	110.86	118.12	92.63	39.21	20%
Fisheries, Livestock, Veterinary Services And Co-Operatives	82	70	152	68	61	129	21.47	3.50	19.44	4.39	90.54	125.43	79.22	12.37	-15%
Trade, Investment, Tourism And Resources	27	30	57	25	36	60	62.97	24.13	61.79	18.92	98.13	78.41	90.15	31.07	5%
Sanitation	-	100	100	1.51	-	1.51		5.59		-				-	-99%
County Public Service Board	56	-	56	46	-	46	39.96 -		42.61 -	-	106.63	-	93.53	-	-19%
TOTAL	**2,308**	**1,301**	**3,609**	**2,561**	**2,284**	**4,845**	2,243.04	724.21	2,208	693.60	98.47	95.77	86.20	30.36	**34%**

Budget Absorption: There was generally low absorption in development expenditure which stood at 31% while recurrent expenditure utilization was at 86%. The county assembly has been the most efficient in the absorption of its budget. High rates of utilization in recurrent expenditure were attributed to Education, Gender, Youth Affairs, Sports and Social Services department (96%); Land, Physical Planning, Infrastructure Water and Urban Development (93%); and health and sanitation (93%). It is also noted that Land, Physical Planning, Infrastructure Water and Urban Development had the highest development utilization at 49% followed by Health, Environment and Sanitation at 39%. All other departments recorded below 30% absorption of the development budget.

The overall low absorption was as a result of failure by the various departments to put in place effective financial management systems to ensure full absorption of the budgets. However, for the department of agriculture the absorption was largely hampered by the fact that a huge chuck of its development budget (150million for climate smart agriculture program) was never released to the county. Whereas the department of Public service management low absorption was due to the fact that the construction of county headquarters project (120million) did not take off. The department of ICT was dissolved and merged with the department of Public Service Management.

Deviation from CFSP: The budget deviated from the CFSP by an average factor of 34 percent. This deviation was caused by the balance brought forward (506 million) from the previous financial year and increased allocations from the equitable shares and conditional grants (700million) that were not captured as at the time the strategy paper was published.

b. Recurrent and development expenditure

The bulk of the expenditure for the financial year 2018/2019 was recurrent in nature. This resulted in a recurrent to development expenditure ratio of 76:24.

Table 7: Ratio of recurrent to development expenditure

	2016/17		2017/18		2018/19		2019/20	
	Projected	Actual	Projected	Actual	Projected	Actual	Projected	Actual
Ration of recurrent to development	65:35	68:32	67:33	82:18	58:42	**76:24**	66:34	

2.1.6 Implications for the FY 2018/19 performance

The fiscal performance in the FY 2018/19 has affected the financial objectives set out in the 2018 CFSP and the Budget for FY 2019/20 in the following ways:

- The better than budgeted performance of Own Source Revenue (OSR) will result in an increment in the OSR target to Kshs 100 million in FY 2019/20. This adjustment in revenues is expected to translate to a mix of an upward adjustment in expenditure projections and upward adjustment in financing for the FY 2019/20. In addition, adjustments will be made to to the budget to revote the unspent balance of Kshs 1.5 billion from FY 2018/19 which will accommodate more programs in FY 2019/20.
- The baseline ceilings for spending agencies will be adjusted in line with the revised resource envelope under the updated macroeconomic framework in the national government 2019 Budget Review and Outlook paper and the expected Budget Policy Statement 2020. In addition the revisions will take into account the performance in project execution in the FY 2019/20 budget by MDAs and any identified one-off expenditures; and,
- The under-spending development budget for the FY 2018/19 additionally has implications on the base used to project expenditures in the FY 2019/20 and the medium term. Appropriate revisions have been undertaken in the context of this BROP taking into account the budget outturn for the FY 2018/19. As highlighted above, the reasons for the deviations from the financial objectives include: lower than projected revenue collection; under-spending development

To remedy these deviations, the fiscal outlook will focus on completing the OSR reforms contained in the 2019 CFSP. Further, ongoing projects will be prioritized and any new projects will be evaluated in the context of their contribution to the achievement of the Big Four plan, importance in line with the medium and long term development agenda; their impact on poverty; promotion of growth and job creation; and the viability and sustainability of the project.

Table 8 County Government Fiscal Projections in the Medium Term

	FY 2018/19	2019/20 FY			2020/21 FY	2021/22 FY	2022/23 FY
	Actual	Budget	CBROP 2018	CFSP 2019	CBROP 2019	CBROP 2019	CBROP 2019
TOTAL REVENUE & GRANTS	3,920,589,979	3,239,885,402	3,304,455,177	3,201,847,691	3,273,329,672	3,436,996,156	3,608,845,963
Unspent Bal b/f \Previous FY	507,052,932	1,509,424,962					
Revenue (Total)	4,427,642,911	4,749,310,364	3,304,455,177	3,201,847,691	3,273,329,672	3,436,996,156	3,608,845,963
Equitable Share Allocation	3,548,200,000	2,595,300,000	2,800,000,000	2,542,000,000	2,725,065,000	2,861,318,250	3,004,384,163
Local Revenue	73,222,437[3]	100,000,000	68,604,360	100,000,000	105,000,000	110,250,000	115,762,500
Grant (Total)	299,167,542	544,585,402	435,850,817	559,847,691	443,264,672	465,427,906	488,699,301
Total Expenditure	3,920,589,979	2,335,514,481	3,304,455,177	3,201,847,691	3,273,329,672	3,436,996,156	3,608,845,963
Recurrent	2,208,631,344	2,318,735,354	2,242,700,000	2,213,000,000	2,300,000,000	2,397,000,000	2,516,850,000
Recurrent as % of CG Total Revenue	50%	72%	68%	69%	70%	70%	70%
Personnel Emolument	1,255,555,520	1,366,696,186	1,342,700,000	1,347,679,526	1,400,000,000	1,470,000,000	1,543,500,000
Operations & Maintenance	953,075,824	952,039,168	900,000,000	865,320,474	900,000,000	927,000,000	973,350,000
Personnel Emoluments as % of CG Revenue	28%	29%	41%	42%	27%	27%	27%
Development	709,586,605	1,222,843,607	1,061,755,177	988,847,691	973,329,672	1,039,996,156	1,226,280,000
Development as % of CG Total Revenue	16%	38%	32%	31%	30%	30%	34%
Unspent Bal Current FY	1,509,424,962						

3.0 RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

3.1 Overview

The global economic growth slowed down to 3.6 percent in 2018 compared to 3.8 percent in 2017 owing to increased trade tensions and tariff hikes between China and United States, weakening of consumer and business confidence in the Euro area and tightening of financial conditions for emerging markets. These conditions are expected to ease as markets became more optimistic about trade tensions following the G20 Summit in June. Growth in Sub-Saharan Africa region remained strong at 3.1 percent in 2018 up from 2.9 percent in 2017.

Despite the global economic challenges, Kenya's economy continues to register strong economic performance. The economy expanded by 6.3 percent in 2018 up from a growth of 4.9 percent in 2017. This growth was supported by strong agricultural and manufacturing activities, vibrant service sector, stable macroeconomic environment, ongoing public infrastructural investments and sustained business confidence. The outlook for Kenya's economy is strong, projected at 6.0 percent in 2019. In the first quarter of 2019, the economy expanded by 5.6 percent compared to a growth of 6.5 percent in the same quarter of 2018 supported by strong growth in the service sector industries despite contraction in agricultural activities due to delayed rains.

The economy continues to register macroeconomic stability with low and stable interest rates and competitive exchange rate to support exports. The overall year on year inflation remained within target at 5.0 percent in August 2019 compared to 4.0 percent in August 2018.

The foreign exchange market remains stable supported by a narrower current account deficit. The current account deficit narrowed to 3.8 percent of GDP in June 2019, from 5.4 percent in June 2018, reflecting strong growth of agricultural exports particularly horticulture and coffee, resilient diaspora remittances, and improved tourism receipts. The international reserves accumulation stood at US$ 9,656 million equivalent to 6.0 months of import cover.

Year-on-year overall inflation remained within the government target range at 5.0 percent in August 2019 up from 4.0 percent in August 2018. This increase reflected higher prices of key food items such as carrots, potatoes, sifted maize flour, cabbages, and fresh packed milk, due to delayed long rain. Electricity cost, kerosene price and house rent also increased during the same period

The Kenya Shilling has been relatively stable supported by continued narrowing of the current account deficit and adequate reserve buffer. The Shilling appreciated against the Euro and the Sterling pound exchanging at Ksh 114.9 and Ksh 125.5 in August 2019 from Ksh 116.2 and Ksh 129.7 in August 2018, respectively. However, against the US Dollar, the Shilling weakened in August 2019 exchanging at 103.3 compared to the same period in 2018 where Ksh 100.6 were required to buy one Dollar. The depreciation of shilling is attributed to increased demand for import and excess liquidity in the money market

Short-term interest rates have remained fairly low and stable. The Monetary Policy Committee in July 2019 retained the Central Bank Rate at 9.0 percent. The interbank rate remained low at 3.6 percent in August 2019 from 6.52 percent in August 2018 due to ample liquidity in the money market (Chart 5a). The 91-day Treasury bill rate declined to 6.4 percent in August 2019 compared to 7.6 percent over the same period in August 2018.

3.2 County Economic Outlook and Policies

The county will also reverage on the major projects that the national government is undertaking in the county including the mokowe garsen road which is expected to improbe movement of both people and goods making the cost of business cheaper hence improvement of services.

The other major project that is expected a major impact in the county econonomy is the Lappset which is expected to be commisioned in the month of october.The project is expected to stimulate county economy by provision of jobs directly and indirectly in the port and other port related industries.

The county is at an advanced stage in cementing its economic collaboration with other counties through the FCDC (Frontier Counties Development Council) and the Jumuia ya Kaunti za Pwani (JKP). This will enable the county leverage on its comparative advantage and strengthen its ability to pool resources as well as attract development partners. For the financial year 2019-2020, the county has emphasized programs aligned to the agenda of the Big 4.

On healthcare, these include an initiative to provide healthcare coverage for all households in the county and an expansion of the county medical workforce In the area of food production, the county is implementing the Kenya climate smart agriculture program at a cost of 150 million. This is expected to improve food production and resilience against drought. In addition to these, Ksh.100 million is budgeted for the provision of clean portable water to households in the eastern part of the county.

In order to ensure efficient utilization of resources, the county will adopt the CIMES (County Integrated Monitoring and Evaluation System) as the preferred monitoring tool. This will we be aided by the development of the county Indicator handbook. In addition, a monitoring and evaluation committee will be set up and a designated M&E officer deployed.

The county will continue engaging the national government MDAs with the aim of improving the ongoing capacity building initiatives. Also in line for improvement is the engagement with development partners (USAID-AHADI, UNDP, WWF and World Bank).

Finally, on revenue maximization the county intends to enact key legislations regulating liquor licensing, hotel levies & charges and quarrying. In addition to this, there will be civic education workshops targeting rate payers across the county as well as integrating the revenue collection system to the county's collections account.

3.3 Medium Term Expenditure Framework

To strengthen its fiscal responsibility, the county will put in place the following measures to enhance revenue collection, expenditure management and budget control.

3.3.1 Revenue enhancing measures:

The County government will put in place measures to meet its revenue target as this will enable the County to implement its development programmes. The County has so far implemented various reforms aimed at sealing revenue leakage loopholes. This will be facilitated through automation of remaining revenue streams. By so doing, all payments in the County will be made electronically and in return administrative costs are expected to significantly reduce. Also, this will minimize leakages and expand access to payment points, which will improve on accountability.

The County Government will adopt other key strategies amongst them; mobilization of additional revenue by strengthening enforcement and completion of administrative reforms including the automation of systems and expansion of the revenue base. This will continue to remain the key focus in the next FY. The County will focus on land and property tax as the most appropriate and equitable source of revenue to finance development and provision of essential services. To this effect, the County will should develop valuation roll for other major towns to widen the tax base.

The county is also in the process of devolving responsibility of revenue collection to various county departments in order to enhance efficiency and responsibility. Towards this end each department will have a target which will be a part of departmental performance contract.

Ward administrators will also be involved in the revenue collection in their respective wards to ensure maximum revenue collection.

3.3.2 Expenditure management and budgetary control

The County will continue to use Integrated Financial Management System (IFMIS) as the system for processing payments. On implementation of projects, the County will continue to undertake capacity building initiatives to properly support other Departments. Consultations with the County Budget and Economic Forum (CBEF) will be deepened on all matters of planning, budgeting and financial management. Audit Committees will also be formed. Such consultations also ensure that there is transparency, accountability, and adherence to the PFM Act on budget making process.

The County Government will use bottom up approach on project identification. Projects will be identified at the ward level based on community needs in each ward. This will be approved by the County Assembly and implemented by the County Executive in compliance with the law. The County services are expected to be brought closer to residents which will go a long way in deepening devolution.

The County Government will continue with civic education programmes to enhance awareness and facilitate proper flow of information. Increased cooperation between the County Government and the County Assembly will ensure there is efficient running of County government thereby improving service delivery.

To complement the staff rationalization exercise, the County will adopt an ambitious policy of expenditure rationalization with a view to funding core services, ensuring equity and minimizing costs through the elimination of duplication and inefficiencies. The Government will also ensure continuous sector performance reviews as a strategy to encourage accountability by Departments.

In order to contain recurrent and non-essential spending, the County will focus on the following areas of intervention:

- Foreign and domestic travel will be limited to essential travels
- Limiting training to the need basis and essential/critical.
- Strict enforcement of cost reduction Circulars to all County Departments.
- Implement a strict commitment control system to reduce the stock of pending bills.

3.4 Risks to the Outlook

The county operates within the framework of global economy and the world scenario will affect the economy of the county through exports and tourism among others. In the event of a downturn in the Global economy of the economy of Kenya against the World Economy, then the revenues from the equitable share may not grow as projected. Further, the Counties are already facing revenue cuts due to the ongoing austerity measures. The effect of such measures can only be fully analyzed in the CFSP 2020. However, the potential for adverse impact on the projections and resultant budget ceilings is considered moderate to high.

The outlook is based on assumed normal rainfall. However, rainfall patterns have proved erratic in some seasons in the past. Erratic rainfall pattern, if experienced, is likely to affect Agriculture production.

On the county own revenue performance, it has been fluctuating and underperforming but the focus on digitizing revenue collection which will soon be rolled out are expected to improve own source revenue. Further, the expected improved revenue performance at the national level due to the growth momentum of the Kenya should result in the county equitable share increasing over the medium term. However, there are expenditure pressures due to increasing wage bill thus leaving inadequate resources for development.

Delays in the receipt of the equitable share in the county affects the absorption rate and ability of the County to make timely interventions. For the FY 2020/21 and beyond the County will seek to make accurate work plans that will inform the procurement plans. This will ensure the county has realistic cash-flow projections, to be shared with the Controller of Budget and National Treasury which will ensure better planning for resources.

4.0 RESOURCE ALLOCATION FRAMEWORK

This section establishes the resource envelope the county expects and how it will be allocated across all the sectors for 2020/20 FY and MTEF.

4.1 Adjustment to the FY 2019/20 Budget

The 2019/20 Budget sought to continue the Governor Agenda of transforming lamu county in key sectors like health, water, infrastructure amongest others even as the County continues to pursue the transformative agenda it started for inclusive economic growth.
However, even as the implementation of the budget continues, there will be need to make adjustments to the budget. Specifically;

- Reduction of development projects by approximately kshs 200M due to reduction of equitable share from kshs 2.7 Billion to kshs 2.5 Billion in the county allocation of reveneu act 2019.
- Implementation of the fourth and last phase of salary increanment effective the 1st July 2019. The increment will be factored into the personnel emoluments and if necessary adjustments passed to enable the County meet this obligation.
- An increment to budget for rollover funds of Kshs. 1.5 billion for FY 2018/19.
- The current wage bill will be reviewed by establishing the actual number of contracted and permanent staff, identifying existing staffing gaps with a view of filling the gaps in the staff establishment in the subsequent financial years. However, all county departments will be required to optimally use their existing human resources to discharge their respective mandate. The county treasury will endeavor to incorporate the development priorities of the new administration in the remaining part of the implementation of the current financial year's budget.

4.2 Medium Term Expenditure Framework

Allocation and utilization of resources in the medium term will be guided by the priorities outlined in county integrated development plan and other county plans; and in accordance with section 107 of the PFM Act 2012. For effective utilization of public finances for enhanced expenditure productivity, the county government will prioritize expenditures within the overall sector ceilings and strategic sector priorities.

Table 5 below therefore provides indicative sector ceilings for the FY 2020/2021 – 2022/23 MTEF period. The projections are inclusive of conditional allocations and grants/loans.

Table 5 Summary of Indicative Sector Ceilings for FY 2020/21 MTEF

Departments	Total Expenditure in KShs					
	ACTUAL	ACTUAL	ACTUAL	Projections		
	2017/18	2018/19	2019/20	2020/21	2021/21	2021/22
Governor's Office	564,700,215.00	277,057,578	155,625,405	146,665,915	153,999,211	161,699,171
Public Service Management		587,753,368	273,289,584	257,556,065	270,433,868	283,955,562
ICT Support Services	41,710,362	22,795,903	17,994,856	16,958,876	17,806,820	18,697,161
Finance	142,437,114	187,136,490	84,106,322	79,264,248	83,227,461	87,388,834
Economic Planning		8,280,244	21,433,802	20,199,839	21,209,831	22,270,323
County Public Service Board	47,800,000	45,559,249	43,472,773	40,970,008	43,018,508	45,169,433
County Assembly	500,000,000	654,000,000	505,000,000	475,926,711	499,723,046	524,709,198
Fisheries, Livestock Development & cooperative development	126,692,116	129,442,165	114,626,148	108,027,021	113,428,372	119,099,791
Tourism, Trade, Investment & Industrialization	46,979,189	60,042,371	33,518,306	31,588,628	33,168,059	34,826,462
Lands, infrastructure, Physical Planning & Urban Development and housing	272,760,837	667,532,206	300,103,912	282,826,669	296,968,002	311,816,402
Lamu Municipality		91,200,000	58,800,000	55,414,833	58,185,574	61,094,853
Water		158,521,031	144,816,933	136,479,696	143,303,681	150,468,865
Agriculture	122,682,750	308,501,623	264,865,460	249,616,925	262,097,771	275,202,660
Public health	936,259,064	182,638,610	103,821,750	97,844,642	102,736,874	107,873,717
Health		1,053,864,075	915,075,485	862,393,793	905,513,483	950,789,157
Education and vocation training	217,036,322	427,453,883	307,411,488	289,713,541	304,199,218	319,409,179
Youth, Gender and Sports			129,327,800	121,882,286	127,976,400	134,375,220
Total	3,019,057,969	4,861,778,796	3,473,290,024	3,273,329,696	3,436,996,180	3,608,845,989

4.3 The Proposed 2020/21 Budget Framework

Table 5: Revenue Projections

Grants	FY 2017/18	Budgeted 2018/19	Actual 2018/19	Budgeted 2019/20	Projection 2020/21	Projection 2021/22	Projection 2022/23
Equitable share	**2,476,400,000**	**3,548,200,000**	**3,548,200,000**	**2,595,300,000**	**2,725,065,000**	**2,861,318,250**	**3,004,384,163**
Local revenue	**54,690,000**	**72,950,000**	**73,222,437**	**100,000,000**	**105,000,000**	**110,250,000**	**115,762,500**
Grants Contained in the CARA					**0**	**0**	**0**
Road Maintenance Fuel Levy Fund	87,424,448	93,421,016	**93,421,016**	73,669,313	**77,352,779**	**81,220,418**	**85,281,438**
Kenya Devolution Support Programme (KDSP)	31,560,246	33,793,559	**-**	30,000,000	**30,000,000**	**-**	**-**
Compensation for User Fee Foregone	2,481,810	2,451,034	**2,451,034**	2,451,034	**2,573,586**	**2,702,265**	**2,837,378**
DANIDA Grant	9,182,547	8,302,500	**8,302,500**	10,593,750	**11,123,438**	**11,679,609**	**12,263,590**
Supplement for Construction of County Headquarters	-	121,000,000	**-**	121,000,000	**-**	**-**	**-**
Development of Youth Poly-techniques	31,780,441	31,200,000	23,563,550	41,298,298	43,363,213	45,531,374	47,807,942
World Bank Loan for Transforming Health System for universal Care Project	12,993,407	50,000,000	**20,540,204**	35,000,000	**36,750,000**	**38,587,500**	**40,516,875**
Kenya Climate Smart Agriculture project	-	150,000,000	**53,806,243**	157,507,010	**165,382,361**	**173,651,479**	**182,334,052**
Kenya Urban Support Program (KUSP)-World bank urban institutional grant	-	41,200,000	**41,200,000**	8,800,000	**9,240,000**	**9,702,000**	**10,187,100**
Agriculture Sector Development Program		16,158,635	**5,882,997**	14,265,997	**14,979,297**	**15,728,262**	**16,514,675**
Kenya Urban Support Program (KUSP)-World bank	0	50,000,000	**50,000,000**	50,000,000	**52,500,000**	**55,125,000**	**57,881,250**
	2,706,512,899	**4,218,676,744**	**3,920,589,981**	**3,239,885,402**	**3,273,329,672**	**3,405,496,156**	**3,575,770,963**

In the FY 2018/19 Lamu County met its revenue targets and is therefore expected to get a boost on its revenue as a result of fiscal discipline. However, the low absorption of funds continues to be an issue and financial management systems will be strengthened to improve this metric and ensure that the progressive increments in funds result in improved programme implementation.

On the issues of grants, a reduction is expected as Supplement for Construction of County Headquarters which has never been received and the Kenya Devolution Support Programme (KDSP) which is expected to come to an end.

4.3.1 Expenditure Forecasts

Table 8 indicates the projections for expenditure in the FY 2019/20 and in the medium term period.

Table 6: Summary of Expenditure Projections for FY 2020/21 and MTEF in Million KShs

	Actual	Approved	Projected Expenditures		
Revenue type	2018/19	2019/20	2020/21	2021/22	2022/23
Personnel Emoluments	1,255,560,000	1,366,696,186	1,400,000,000	1,470,000,000	1,543,500,000
Operations &Maintenance	953,080,012	952,039,168	930,000,000	927,000,000	973,350,000
Development	693,600,000	1,222,843,607	943,329.672	1008,496,156	1,058,920,964
Total	2,902,240,012	3,541,578,961	3,273,329,672	3,405,496,156	3,575,770,963

4.4 Projected Fiscal Balance

The proposed FY 2019/20 county budget is balanced. In the medium term, the County projects a balanced budget, but however, any shortfall in revenue that may occur within the year will be addressed through supplementary or borrowing within the borrowing framework by sub-nationals as approved by the Intergovernmental Budget and Economic Forum (IBEC).

5.0 CONCLUSION AND RECOMMENDATION

This CBROP has reviewed the previous year's fiscal performance and how it impacted the financial objectives and fiscal responsibility principles set out in the last Fiscal Strategy Paper (FSP). The set of policies outlined in this CBROP are broadly in line with the fiscal responsibility principles outlined in the PFM law. They are also consistent with the national strategic objectives pursued by the Government as a basis of allocation of public resources.

Following the fiscal outcome of 2017/18 and the updated macroeconomic framework, the sector ceilings have been modified as indicated in the appendix of this CBROP. Therefore, this CBROP will inform the sector ceilings that will be set in the Fiscal Strategy Paper in February, 2020 to guide the sectors in preparation of the 2020/21 budget.

The CBROP will be a key document in linking policy, planning and budgeting. The document will guide Sector Working Groups in reviewing programmes for the last Medium Term Expenditure Framework (MTEF) focusing on updating and developing new programmes for the next MTEF 2020/21 - 2022/23.

Annex 1: Budget Calendar for the 2019/20 Budget

Document	Contents of the Document	Date Due in the County Assembly	Deadline for Action by the County Assembly	Rationale for Public Release	Publication Information/ Input by the Public
Budget Circular	• Timelines for various activities; • Procedures for review and projection of revenues and expenditures; • Key policy areas to be taken into consideration; • Procedures for public consultation; and • Format for budget documentation	30 August 2019	For the information of members especially in scheduling their annual calendar	The document is critical for the public to know when, where and how to participate in the budget process	To be publicized within 7 days of publication
County Annual Development Plans1	• Strategic priorities for the medium term; • Programmes to be delivered; • Significant capital expenditure; and • Grants, transfers and subsidies to be made on behalf of County Governments.	1 September 2019	No date provided but should be within 14 days Action: To debate and approve with or without amendments	The plans will go through three main stages a. Formulation by the County Planning Unit b. Approval by the County Executive c. Tabling and approval in the County Assembly In each of these stages there is need to share with the public the documents whether as draft especially in stage (a) and (b)	14 days before adoption in the County Executive and then tabling in the CA To be publicized within 7 days of tabling in the CA
County Budget Review and Outlook Paper (CBROP)	• Actual fiscal performance in the previous year; • Updated economic and financial forecasts from the recent Budget Policy Statement; • Identification of broad policy priorities to be implemented by the CG in the medium term; • Provide indicative available resources (i.e. ceilings) to fund CG priorities-in consultation with CRA and the National Treasury; and • Reasons for any deviations from the financial objectives in the CFSP	14 Oct 2019	Action: For Information of Members	The County Treasury will prepare the BROP and it is important that before they table it in the County Executive the Public be given an opportunity to comment. Thereafter when the final document is approved and tabled in the County Assembly it should also be published and publicized within 7 days	14 days before tabling in the County Executive committee (with 7 days allowed for input) To be publicized within 7 days of tabling in the CA

Document	**Contents of the Document**	**Date Due in the County Assembly**	**Deadline for Action by the County Assembly**	**Rationale for Public Release**	**Publication Information/ Input by the Public**
County Fiscal Strategy Paper (CFSP)	• Broad strategic priorities and policy goals- medium term and long term. • Outlook on expenditures, revenues and borrowing for the medium term	28 February 2020	15 March 2020 Action: To debate and approve	. There is need that before the County Executive approves it that the public be given an opportunity to input. Thereafter when it is tabled in the County Assembly it should be made public Finally what the County Assembly approves (with or without amendments) should be made public too for greater certainty	7 days before tabling in the County Executive To be publicized 7 days after tabling in the CA
Debt Management Strategy	(a) the total stock of debt as at the date of the statement; (b) the sources of loans made to the county government; (c) the principal risks associated with those loans; (d) the assumptions underlying the debt management strategy; and (e) An analysis of the sustainability of the amount of debt, both actual and potential.	28 February 2020	Action: For information of members in decision making on the liabilities of the county	It is important that the public know the debt obligations facing them and what strategies the county is taking to address them	
Budget Estimates (Revenue and Expenditure) Appropriation Bill	Details of all planned development and recurrent exepnditures of the government. Also the estimated revenues by source and explanation of strategies for deficit financing	30 April 2020	30 June Action: To debate and approve with or without ammendments To pass the appropriations bill to authorise withdrawals from the County Revenue Fund	The public need to see what is tabled in the County Assembly. This should also be complemented by clear dates (Not later than May 30) as to when the public can give feedback to the departmental committees (on sector specific matters) or to the Budget and Appropriation Committee	7 days after tabling in the CA with 14 days of public input
Budget and Appropriation Act	Same as above	By 30 June 2020		Once all has been discussed and the final budget approved it should be made public via the appropriations act and detailed programme/itemized budget documents on the day it is approved but not later than 7 days	To be publicized 7 days after approval in the County Assembly
Supplementary Budget Documents	Revised Budget Estimates	On needs basis		All supplementary budget estimates and the rationale for the same should be availed before they are tabled in the respective CA and thereafter when they are tabled in the house	14 days before tabling in the CA and 7 days after tabling in the CA

Document	Contents of the Document	Date Due in the County Assembly	Deadline for Action by the County Assembly	Rationale for Public Release	Publication Information/ Input by the Public
Finance Bill and Act	Taxation and other revenue raising measures of the county government	30 September (Within 90 Days)	Action: To debate and approve with or without amendments	There is need that the public have an opportunity to input into the Finance Bill before it is tabled at the County Assembly; Further the public should also be allowed space by the Finance Committee to contribute before the respective house approves it	14 days before tabling in the CA and 7 days after approval in the CA
Expenditure Review Reports	An in-depth analysis on specific sectors to establish the progress (or lack of it) by the county	No Specific Date	Action: For information of members		
Audit Reports	An independent opinion on the use of public funds in the county (both the County Executive and County Assembly)	31 December	2 months Action: To debate and decide on what actions should be taken		