



COUNTY GOVERNMENT OF NYAMIRA

**COUNTY BUDGET REVIEW AND
OUTLOOK PAPER**

2019

FORWARD

The County Budget Review and Outlook Paper (CBROP) 2019 has been prepared in line with the Constitution of Kenya 2010 and Section 107 of the PFM Act, 2012. It presents the fiscal outcome for FY 2018/2019 and the outlook in the medium-term period. The updated macroeconomic outlook provides a basis to revise the 2019/2020 budget in the context of the supplementary estimates, as well as setting out the broad fiscal parameters for the next medium-term framework budget.

In terms of resources mobilization, the county realized Kshs.6,684,626,916 against a target of Kshs.6,959,073,379 in 2018/2019. This included locally generated revenue amounting to Kshs.165 million an increase from Kshs.97 million raised in 2017/2018. Despite the good performance in local revenue generation, it still fell short of the Kshs. 255 million targets for the year. A number of measures have been put in place in order to address challenges of local revenue including automation of revenue collection as well as review of the Finance Act.

On expenditure, the County absorbed Ksh.5,624,185,110 against a target of Kshs. 6,959,073,379. The expenditure comprised of Ksh.1,142,700,781 and Ksh.4,481,484,329 as development and recurrent expenditures respectively and represented an absorption rate of 20% for development while recurrent absorption rate was 80%. This is a challenge that will be addressed by ensuring timely procurement and strengthening monitoring of progress of development projects.

The County priority in the medium-term are completion of ongoing development projects. For new projects emphasis will be alignment to the objectives of the Nyamira County “Big Four” Agenda which include infrastructure; health care; food security and agriculture; and water and environment. Emerging issues like climate change will also be mainstreamed in the activities of the various sectors.

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ABBREVIATIONS

ASDSP	Agricultural Sector Development Support Programme
CBK	Central Bank of Kenya
CBR	Central Bank Rate
CBROP	County Budget Review and Outlook Paper
CEC	County Executive Committee
CECM	County Executive Committee Member
CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development Plan
ECDE	Early Childhood Development Education
GCP	Gross County Product
GDP	Gross Domestic Product
GVA	Gross Value Added
ICT	Information Communication Technology
IFMIS	Integrated Financial Management Information System
KDSP	Kenya Devolution Support Programme
KRA	Kenya Revenue Authority
KUSP	Kenya Urban Support Programme
LPG	Liquid Petroleum Gas
LREB	Lake Region Economic Block
MTEF	Medium Term Expenditure Framework
MTP	Medium-Term Plan
NAGRIP	National Agricultural and Rural Inclusive Growth Project
NFNF	Non-Food Non-Fuel
NHIF	National Health Insurance Fund
NITA	National Industrial Training Authority
NSSF	National Social Security Fund
PFM	Public Finance Management
PFM	Public Finance Management
RMLF	Road Maintenance Levy Fund
SBP	Single Business Permit
THS-UC	Transforming Healthcare System – Universal Care
WB-UDG	World Bank – Urban Development Grant

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 CECM 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 CECM, 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 publicise 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 prudence 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

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.

CHAPTER ONE

INTRODUCTION

The County Budget Review and Outlook Paper (CBROP) for Nyamira County has been developed in compliance with the Public Financial Management (PFM) Act, 2012 Section 118. It stipulates that the County treasury shall - (a) prepare a County Budget Review and Outlook Paper in respect of the county for each financial year; and (b) submit the paper to the County Executive Committee by the 30th September of that year.

The discussion in this paper has been categorized to three thematic areas of actual performance against budget, deviation of actual performance from financial objectives and its consequences on fiscal responsibility, recent economic developments and outlook. The discussion in this paper has been categorized to three thematic areas of namely: Actual performance against budget, Deviation of actual performance from financial objectives and its consequences on fiscal responsibility, recent economic and financial developments.

1.1 Objective of CBROP

The objectives of the County Budget Review and Outlook Paper (CBROP) are to offer insight of the previous fiscal performance and provide useful guidance on how this impacts the County fiscal responsibilities principles. It reviews performance of the immediate past year against the budget for the year. This year's CBROP analyses the actual fiscal performance for 2017-2018 against the set budget for the same year. It looks at actual performance on the realization of objectives in the County Fiscal Strategy Paper (CFSP) for the same year.

CBROP seeks to establish the deviation of actual fiscal performance from set financial objectives. It outlines the reasons why actual performance has deviated from the set financial objectives included in the County Fiscal Strategy Paper for that year. In addition to establishing the deviation, it also comes up with a proposal to address the deviation and suggested time frame for bringing the tasks back to the objective path.

CBROP discusses the recent economic and financial developments at national and county level. It illustrates the updated economic and financial forecasts giving appropriate evidence to show changes in comparison with the CFSP for that particular year.

The current CBROP will continue to focus more on the sectoral priorities set out in the 2018 CFSP namely: -

- **Infrastructure development:** This will include interventions in roads, energy (street lighting) and ICT development.
- **Agriculture, rural and urban development:** Priority will be given to livestock, fisheries and agriculture, spatial planning and housing development.
- **Water and environment:** The priority will be given to spring protection, drilling of boreholes, wetlands conservation and promotion of bamboo tree planting.
- **Health:** Priorities in this sector will include funding healthcare infrastructure, communicable and non-communicable diseases and other medical supplies.
- **Social sector:** priority areas will be culture, sports, youth, security and opportunities for vulnerable members of our society.

1.2 Significance of CBROP

The CBROP ensures that the County Government reviews its previous year's performance. It also guarantees that the County Government makes forecasts based on both the County and the national economic outlook and their likely impact on the level of future revenues and prompts the County Government to set preliminary sector ceilings in light of this review of revenue.

CHAPTER TWO

REVIEW OF COUNTY FISCAL PERFORMANCE IN 2018/2019

2.1 Overview

The county resource envelope in 2018/2019 was Kshs. 6,684,626,916 including conditional grants and locally generated revenue.

Generally, the local revenue performance in the 2018/2019 financial year was good compared to the previous period, with most of the revenue streams registering positive growth. The local revenue increased from Kshs 96 million in 2017/2018 to Kshs. 165 million in 2018/2019.

Despite the good performance in local revenue generation, there were challenges facing the revenue collection process that needs to be addressed so as to meet revenue targets. The County fell short of the local revenue target by Kshs. 90 million.

The actual total expenditure during the same period was Ksh.5,624,185,110 against a target of Kshs. 6,959,073,379. The expenditure comprised of Ksh.1,142,700,781 and Ksh.4,481,484,329 as development and recurrent expenditures respectively.

2.2 Development Objectives 2017/2018

Prioritization of resource allocation was based on the County Integrated Development Plan 2017-2022, annual development plan 2017/2018 and the departmental strategic plans.

The development objectives stipulated in the CFSP for FY 2017/2018 were geared towards achieving the following:

- Infrastructure development through road opening, upgrading and generally enhanced road connectivity;
- Agriculture, rural and urban development through extension services and subsidized farm inputs;
- Water and environmental conservation: through development and promotion of water supply schemes and pro-environmental preservation initiatives;
- Health: Interventions of bring better services closer to larger population of Nyamira;
- Development of Youth polytechnics, ECDE and Sports Improvement were also part of the County big dream.

2.3 Fiscal Performance for 2018/2019

2.3.1 Revenue

The total target revenue for the financial year 2018/2019 was Ksh.6,959,073,379 against an actual revenue of Ksh. 6,684,626,916. The revenues included the unspent balances carried forward from

the financial year 2017/2018. The revenue is presented by source which includes; equitable sharable revenue, grants, levies and revenue from local sources as tabulated below.

Table 1: Revenue Outturn for 2018/2019

No	Revenue Stream	Revised Target 2017/2018	Actual Revenue 2017/2018	Target 2018/2019	Actual Revenue 2018/2019	Deviation
9910201	Unspent Balance	834,304,744	834,304,744	1,314,910,281	1,314,910,281	0%
9910201	Equitable share	4,620,600,000	4,620,600,000	4,772,800,000	4,772,800,000	0%
1540701	Danida	11,995,032	18,592,300	15,491,250	15,491,250	0%
1320101	World Bank Grant-KDSP	39,582,751	39,582,751	42,383,765	0	-100%
1330404	Compensation User Fee Forgone	13,175,221	11,578,459	13,175,221	13,175,221	0%
3111504	Road maintenance fuel levy fund	177,012,086	117,012,086	125,663,667	125,663,668	0%
1320101	World Bank Grant - THS-UC	28,452,981	12,933,173	50,000,000	23,985,548	-52%
1330301	Development of Youth Polytechnics	83,704,140	83,704,140	52,915,000	39,950,825	-25%
1320101	World Bank Grant for National and Rural Inclusive Growth-Agriculture (NAGRIP)	50,000,000	50,609,855	140,435,163	50,078,476	-64%
1320101	World Bank (KUSP) UDG	0	0	114,705,300	114,705,300	0%
1320101	World Bank (KUSP) UIG	0	0	41,200,000	41,200,000	0%
1320101	ASDSP	0	0	19827574	7,218,777	-64%
	Local Revenue	253,112,676	97,881,577	255,566,158	165,447,570	-35%
	Total Revenue	6,111,939,631	5,886,799,085	6,959,073,379	6,684,626,916	-4%

The overall deviation of the actual revenue from the revised budget amounted to Ksh. -274,446,463 or -4% of the budget. The highest deviation was witnessed in the locally collected revenue which had a negative deviation of Kshs.90,118,588 or 35% of the entire budget target. Other significant deviations were noted in grants such as KDSP (100%), THS-UC (52%), NAGRIP (64%) and ASDSP (64%). This definitely leads to difficulties in budget execution as well as unsettled obligations. This led to budget deficits and hence non implementation of the intended programs.

2.3.2 Performance of Local Revenue

The total local revenue realized in the 2018/2019 financial year was Ksh.165,447,570 against a target of Ksh. 255,566,158, representing a 64% performance rate.

Local Revenue Analysis 2018/2019

Table 2 provides the performance of County departments with regards to local revenue generation. Actual total locally generated revenue rose from Kshs. 97,881,577 in 2017/2018

to Kshs. 165,447,570 in 2018/2019, indicating an improvement of 69%. Although this marked a great improvement in revenue collections, the process still fell below the targets for both years which were 253,112,676 and 255,566,158 respectively.

Table 2: Local Revenue Analysis 2018/2019

Revenue Stream	Estimate 2017/2018	Actual 2017/2018	Estimate 2018/2019	Actual 2018/2019	Deviation	% Deviation
Market Dues	18,377,890	6,756,750	8,939,821	7,526,990	-1,412,831	-19
Cattle Fee	815,572	1,476,300	1,739,406	1,297,520	-441,886	-34
Slaughter Fee	842,969	49,390	66,396	60,220	-6,176	-10
Cattle Move	236,429	574,840	465,487	445,000	-20,487	-5
Agricultural Cess	8,917,687	4,764,340	465,487	6,093,720	5,628,233	92
Matatu Park & Registration Fee	9,838,871	9,689,340	12,179,079	8,697,590	-3,481,489	-40
Daily Parking	311,969	2,161,000	2,347,774	2,382,550	34,776	1
Motorbike Stickers	6,919,565	955,400	119,570	1,612,140	1,492,570	93
Matatu Stickers	1,338,308	-	-	611,850	611,850	100
Stall /Kiosk Rent	391,714	-	1,448,480	1,737,335	288,855	17
Isolated Plot Rent	578,386	373,730	457,622	373,040	-84,582	-23
Plot Rent	732,315	842,304	669,185	1,224,648	555,463	45
Land Rates	23,530,911	16,949,828	14,038,469	17,000,421	2,961,952	17
Single Business Permit (SBP)	36,390,652	12,751,717	18,388,067	14,799,875	-3,588,192	-24
SBP Application Fees	1,371,649	892,850	6,127,808	1,214,400	-4,913,408	-405
Liquor Licensing	7,428,696	3,964,560	29,985,700	3,485,120	-26,500,580	-760
Build Plan & Approval	1,938,393	248,000	788,425	1,185,118	396,693	33
Advertisement	552,528	-	13,891,767	10,975,603	-2,916,164	-27
Penalties &Fines	9,143	-	-	119,181	119,181	100
Storage & Impounding Charges	422,141	1,108,040	54,079	4,899,980	4,845,901	99
Imprest Surrender	-	1,994,112	2,568,578	2,020,934	-547,644	-27
Public Health	13,344,574	23,297,311	98,774,960	3,404,152	-95,370,808	-2,802
Veterinary	4,240,365	944,000	2,502,280	368,510	-2,133,770	-579
Trade, Weights & Measures	-	323,360	515,918	608,670	92,752	15
Public Works & Roads	274,296	-	-	699,218	699,218	100
Water	1,363,067	18,000	8,000,000	78,010	-7,921,990	-10,155
Hire of Mac & Equipment	6,114,913	1,848,075	15,000,000	72,995	-14,927,005	-20,449
Lands & Survey	321,471	431,035	105,402	520,062	414,660	80
Phys Planning	1,201,000	517,710	6,010,216	1,153,875	-4,856,341	-421
Medical Services	84,117,339	-	-	68,468,955	68,468,955	100
Others	21,189,863	4,949,585	9,916,182	2,309,887	-7,606,295	-329
Total	253,112,676	97,881,577	255,566,158	165,447,570	-90,118,588	-54

As shown in the table 2 above, the major revenue streams in the county include the following: -

Market Dues: In the 2018/2019 financial year, this revue stream fell below the target by 19%. This was after realizing Ksh. 7,526,990 against a target of Ksh.8,939,821. However, compared to

the previous financial year 2017/2018, the revenue stream registered an improvement of 11.3%, moving from Ksh.6,756,750 to Ksh.7,526,990. Due to the county's commitment in improving the market infrastructure, this is a potential stream that should be targeted for further improvement.

Medical services and public health fees: This revenue stream registered the highest amount of revenue contributing 41% of the total revenue of the year. The stream includes all revenues generated in the department of health services. In the financial year 2017/2018, the department collected a total of Ksh.26,159,918 and thus indicates an improvement of 162% since 2017/2018. This is a very potential area which should be focused for further progress.

Land Rates: Under this stream, a lot of improvement was realized in the 2018. Out of the targeted amount (Ksh.14,038,469), Ksh. 17,000,421 was obtained, representing 121% achievement. Even in the previous financial year of 2017/2018, the revenue stream performed well achieving Ksh.16,949,828. Thus comparatively, land rates had an improvement index of 0.3%. Also, this is the stream that has remained steady and thus a possible success area.

Single Business Permit (SBP): Under this stream, the county managed to garner Ksh. 14,799,875 against a target of Ksh.18,388,067, representing a performance of 80%. However, compared with the 2017/2018 financial year, the revenue stream registered a slight improvement of 16%. With the expansion of the market infrastructure across the county, a lot more is expected from this revenue stream.

Generally, the revenue performance in the 2018/2019 financial year was good compared to the previous period, with most of the revenue streams registering positive growth. With the synergy of revenue automation and mapping of revenue streams, the performance is expected to grow higher.

Despite the good performance, there are challenges facing the revenue collection process that needs to be addressed as follows:

- Purchase of motor vehicles in-order to enhance mobility for collection, supervision and enforcement
- Provision of adequate budgetary allocations for operations, instruments, uniforms and documentation

2.4 Expenditure Analysis for Financial Year 2018/2019

2.4.1 Expenditure Performance

The target expenditure for 2018/19 financial year was Ksh.6,959,073,379, comprised of Ksh. 4,828,595,107 (70%) and Ksh.2,130,478,272(30%) of recurrent and development expenditures respectively. The actual total expenditure during the same period was Ksh. 5,624,185,110 comprised of Ksh.1,142,700,781 and Ksh.4,481,484,329 as development and recurrent expenditures respectively. Recurrent expenditures represented an absorption rate of 80% whereas

development expenditures reported an absorption rate of 20%. The absorption rate of the entire budget was 81%. The table below presents departmental expenditure performance for the 2018/2019 financial year

Table 3: Departmental Expenditure Performance for the Period July 2018

Department	Details	Baseline	Printed Estimates	Actual Expenditures	Deviations	Deviations %
		2017/18	2018/2019	2018/2019	2018/2019	2018/2019
County Assembly	Recurrent	574,386,712	587,432,863	587,129,493	-303,370	-0.05%
	Development	65,991,388	80,000,000	65,888,937	-14,111,063	-17.64%
	Sub-total	640,378,100	667,432,863	653,018,430	-14,414,433	-2.16%
Executive	Recurrent	297,758,143	477,208,914	417,413,446	-59,795,468	-12.53%
	Development	0	0	0	0	0.00%
	Sub-total	297,758,143	477,208,914	417,413,446	-59,795,468	-12.53%
Finance and Economic Planning	Recurrent	310,404,359	457,025,616	380,453,464	-76,572,152	-16.75%
	Development	2,237,800	50,330,000	17,033,616	-33,296,384	-66.16%
	Sub-total	312,642,159	507,355,616	397,487,080	-109,868,536	-21.66%
Agriculture Livestock and Fisheries	Recurrent	157,326,487	188,953,685	208,150,139	19,196,454	10.16%
	Development	23,587,000	260,170,707	79,922,745	-180,247,962	-69.28%
	Sub-total	180,913,487	449,124,392	288,072,884	-161,051,508	-35.86%
Environment Water Energy & Mineral Resources	Recurrent	101,008,335	135,048,876	104,675,073	-30,373,803	-22.49%
	Development	66,546,329	223,520,000	142,779,413	-80,740,587	-36.12%
	Sub-total	167,554,664	358,568,876	247,454,486	-111,114,390	-30.99%
Education and Vocational Training	Recurrent	426,475,390	506,273,479	499,114,640	-7,158,839	-1.41%
	Development	50,638,054	296,827,284	132,620,740	-164,206,544	-55.32%
	Sub-total	477,113,444	803,100,763	631,735,380	-171,365,383	-21.34%
Health Services	Recurrent	1,313,730,785	1,718,474,604	1,634,319,828	-84,154,776	-4.90%
	Development	101,011,819	267,497,955	148,306,025	-119,191,930	-44.56%
	Sub-total	1,414,742,604	1,985,972,559	1,782,625,853	-203,346,706	-10.24%
Lands Housing and Physical Planning	Recurrent	54,492,482	152,767,299	103,822,852	-48,944,447	-32.04%
	Development	19,956,778	197,610,482	58,039,393	-139,571,089	-70.63%
	Sub-total	74,449,260	350,377,781	161,862,245	-188,515,536	-53.80%
Roads Transport and Public Works	Recurrent	104,688,137	129,167,169	115,969,825	-13,197,344	-10.22%
	Development	172,717,728	606,470,996	433,229,260	-173,241,736	-28.57%
	Sub-total	277,405,865	735,638,165	549,199,085	-186,439,080	-25.34%
Trade, Tourism and Cooperative development	Recurrent	36,754,411	59,782,558	51,377,750	-8,404,808	-14.06%
	Development	7,421,549	87,000,000	34,292,075	-52,707,925	-60.58%
	Sub-total	44,175,960	146,782,558	85,669,825	-61,112,733	-41.63%
Gender Youth and Social services	Recurrent	40,327,686	76,684,043	48,967,700	-27,716,343	-36.14%
	Development	11,393,446	57,850,006	29,387,745	-28,462,261	-49.20%
	Sub-total	51,721,132	134,534,049	78,355,445	-56,178,604	-41.76%
Public Service Board	Recurrent	55,219,417	59,228,340	55,379,163	-3,849,177	-6.50%
	Development	0	0	0	0	0.00%

Department	Details	Baseline	Printed Estimates	Actual Expenditures	Deviations	Deviations %
		2017/18	2018/2019	2018/2019	2018/2019	2018/2019
	Sub-total	55,219,417	59,228,340	55,379,163	-3,849,177	-6.50%
Public Service Management	Recurrent	230,050,134	280,547,661	274,710,956	-5,836,705	-2.08%
	Development	6,162,609	3,200,842	1,200,832	-2,000,010	-62.48%
	Sub-total	236,212,743	283,748,503	275,911,788	-7,836,715	-2.76%
Nyamira County	Recurrent	3,702,622,478	4,828,595,107	4,481,484,329	-347,110,778	-7.19%
	Development	527,664,500	2,130,478,272	1,142,700,781	-987,777,491	-46.36%
	TOTAL	4,230,286,978	6,959,073,379	5,624,185,110	-1,334,888,269	-19.18%

Source: County Treasury

The low absorption rate in development expenditure was associated with the following:

- Late disbursement of monies from the treasury especially the grants from the national government and other international organizations
- Delays in the preparation of procurement processes
- Automation of procurement processes
- Instability of IFMIS networks

CHAPTER THREE

RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

3.1 Overview

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 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 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.

3.2 Medium Term Economic Outlook

Global Growth Outlook

Global growth is expected to slow down to 3.2 percent in 2019 down from 3.6 percent in 2018 as a result of the continued trade sanctions on certain imports between the United States and China and subdued investment and demand for consumer durables in emerging markets. Other causes of the sluggish growth include and rising energy prices and the continued Brexit-related uncertainties. Growth is however expected to increase to 3.5 percent in 2020 on account of expected stabilization of the stressed emerging markets and developing economies.

Growth in the advanced economies is projected at 1.9 percent in 2019 and down to 1.7 percent in 2020. This reflects weaker prospects in the United States as its fiscal stimulus fades and in Japan due to its forthcoming increase in the consumption tax rate. Growth in the Euro area is expected to rise from 1.3 percent in 2019 to 1.6 percent in 2020 as external demand recovers and temporary factors unwind.

The emerging markets and developing economies expect a slug in their growth in 2019 of 4.1 percent down from 4.5 percent in 2018. Better prospects are however expected in 2020 with growth forecasted at 4.7 percent.

Growth in Sub-Saharan Africa is expected to remain relatively robust with the economy expanding by 3.4 percent in 2019 compared to 3.1 percent recorded in 2018; projected growth for 2020 improves further to 3.6 percent. Higher oil prices have supported the outlook for oil-exporting countries; however, South Africa's expectations are subdued by the impact of strike activity and energy supply issues in mining and weak agricultural production. At the sub region, the East African Community economies continue to record relatively higher economic growth supported by a stable macroeconomic environment, on-going infrastructure investments and strong private consumption.

Domestic Growth Outlook

On the domestic scene, economic growth is easing as a result of the erratic weather conditions which will weigh down agricultural output and consequently constrain private consumption growth. The economy grew by 5.6 percent in the first quarter of 2019 compared to a growth of 6.5 percent in the first quarter of 2018. Growth in the second quarter is expected to pick up owing to stronger non-agricultural performance despite a depressed agricultural output. However, the economic growth outlook will continue to be supported by large-scale public infrastructure projects under the "Big Four" Plan, continual in payment of pending bills, a pickup in agricultural and manufacturing activities due to improved weather conditions as well as the stable macroeconomic environment.

The economic outlook takes into account the subdued performance in the agriculture and manufacturing sectors following the unfavorable weather conditions experienced in the first quarter of 2019 and depressed credit to the private sector. As a result, the economy is projected to expand by 6.0 percent in 2019 from a growth of 6.3 percent in 2018.

Over the medium term, due improved production in agriculture, expected growth in tourism, resilient exports and benefits from ongoing regional integration efforts, the economy is expected to pick up. The strong consumer demand and private sector investment as well as a stable macroeconomic environment in the country will help reinforce this growth.

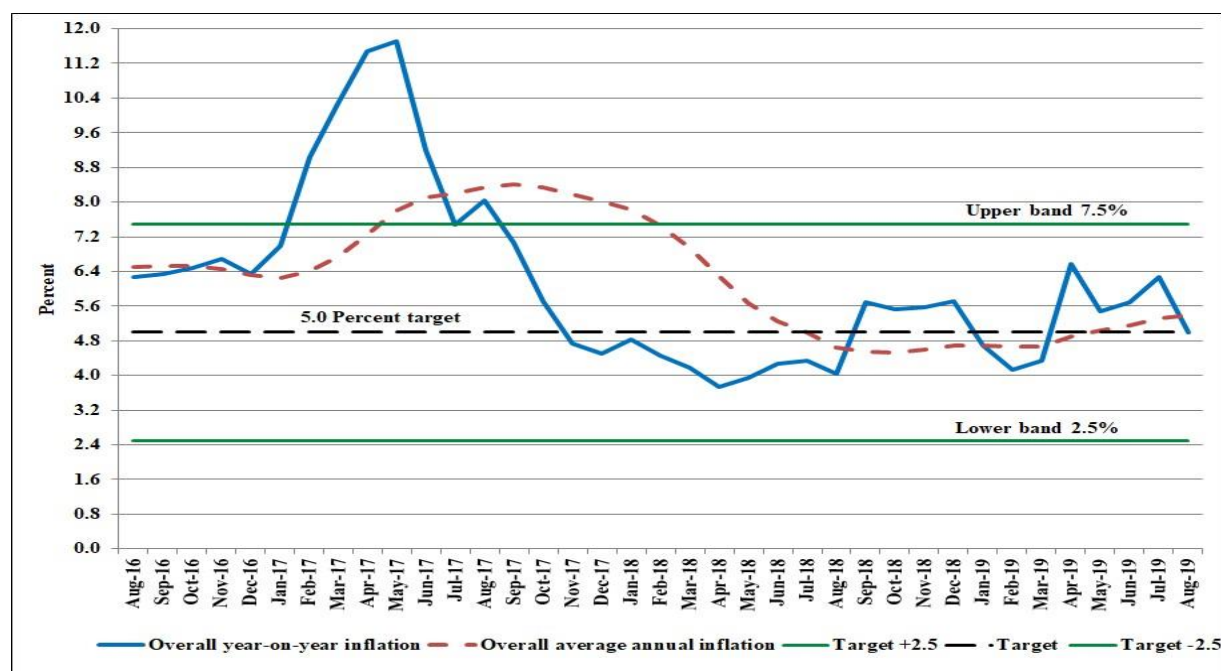
The economic growth is projected at 6.1 percent in the FY 2019/20 and 7.0 percent over the medium term due to investments in strategic areas under the "Big Four" Plan that aim to increase job creation through the manufacturing sector, ensure food security and improved nutrition, expand universal health coverage and provide affordable houses to Kenyans. The growth projections over the medium term are aligned to those of the Medium-Term Plan III (2018-2022) that are implementing Vision 2030

Macroeconomic Indicators

Inflation Rate

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

Figure 1: Inflation Rate



Source: Kenya National Bureau of Statistics

In August 2019, food and non-alcoholic drinks' index decreased by 1.89 per cent following a decline of 1.04 per cent that was recorded in July 2019. This decline was mainly attributed to favourable weather conditions and follows a trend that has been observed over the last five months. The prices of significant food items including *sukuma wiki* (kales), potatoes, cabbages, carrots, tomatoes and maize grain loose decreased by 8.01, 7.81, 6.78, 6.01, 4.89 and 2.80 per cent, respectively. Decrease in prices of these commodities outweighed observed increase in the cost of other food stuffs, thereby causing a decrease in the food index.

During the same period, housing, water, electricity, gas and other fuels' index, decreased by 0.10 per cent. This was mainly as a result of decrease in prices of some cooking fuels. The cost of a 13 kg cylinder of Liquefied Petroleum Gas (LPG) for instance, decreased by 0.98 percent from KSh 2,171.47 in July 2019 to KSh 2,150.27 in August 2019.

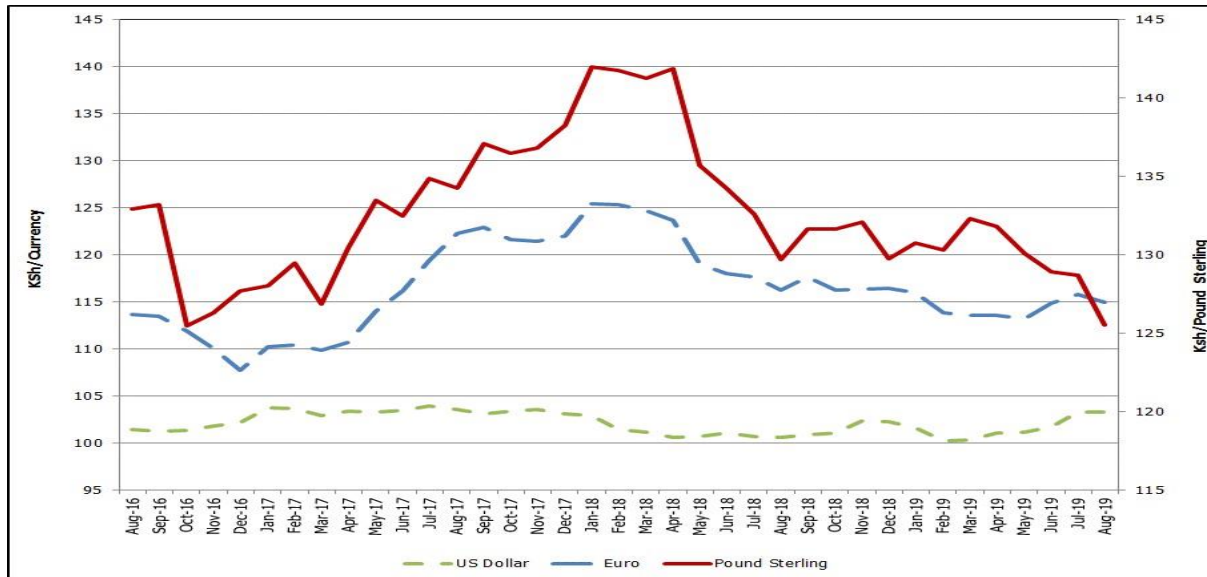
The Transport Index decreased by 0.03 per cent mainly due to the reduction in pump prices of diesel and petrol by 3.14 and 2.45 per cent respectively.

Kenya Shilling Exchange Rate

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

Figure 2: Kenya Shilling Exchange Rate



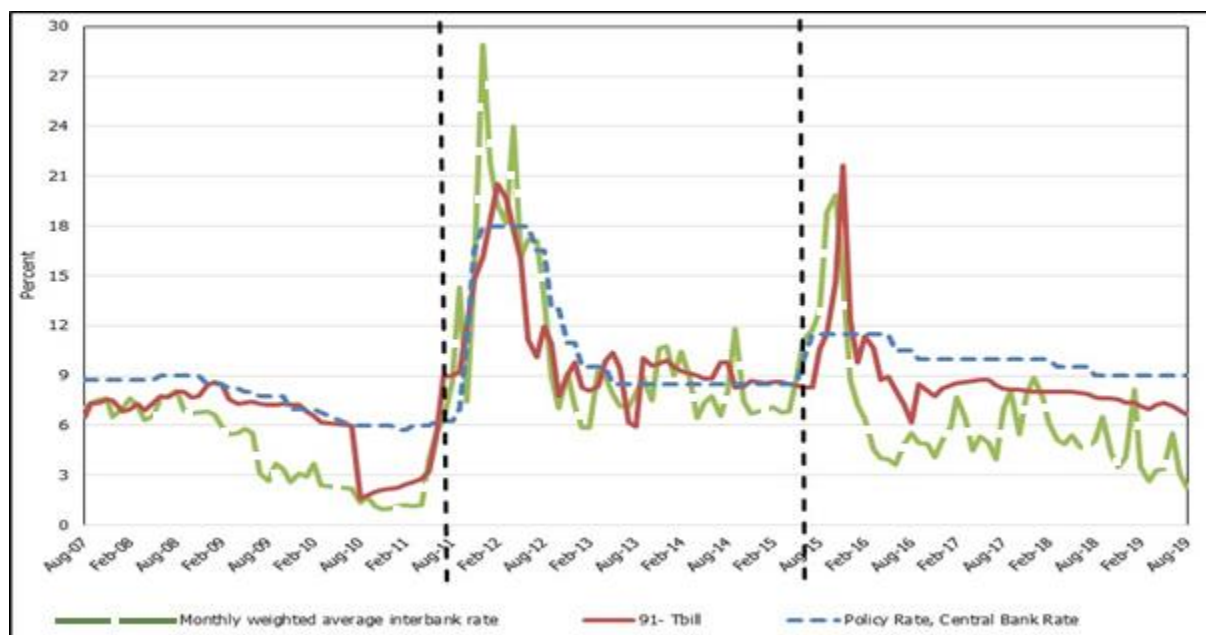
Source: Kenya National Bureau of Statistics

Interest Rates

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. 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.

The improved liquidity in the money market has resulted in stable commercial bank rates. The average lending rate declined from 13.2 percent in August 2018 to 12.5 percent in August 2019. However, the average interest rates spread increased from 5.2 to 5.3 percent in the same period on account of a decline in the average deposit rates from 8.0 to 7.2 percent over the review period

Figure 3: Short-Term Interest Rates



Source: Central Bank of Kenya

3.3 Overall Economic Growth in Nyamira County

According to the Gross County Product (GCP) survey undertaken by KNBS and the pilot report shows that the average contribution per county to Gross Value Added (GVA) over the period 2013-2017 is approximately 2.1 percent. Nairobi takes the lead, contributing approximately 21.7 percent of GDP over the period, followed by Nakuru (6.1%), Kiambu (5.5%) and Mombasa (4.7%).

3.3.1 Contribution to GDP

Nyamira County Government contributes 1.4 percent to the National GDP. This ranks Nyamira County the fourth contributor to the National GDP in the Nyanza region with Kisumu being the biggest contributor with 2.9% followed by Kisii and Homa Bay at 2.1 and 1.4 percent respectively as shown in table below.

Table 4: Contribution of Nyanza Region Counties to National GDP (2013-2017)

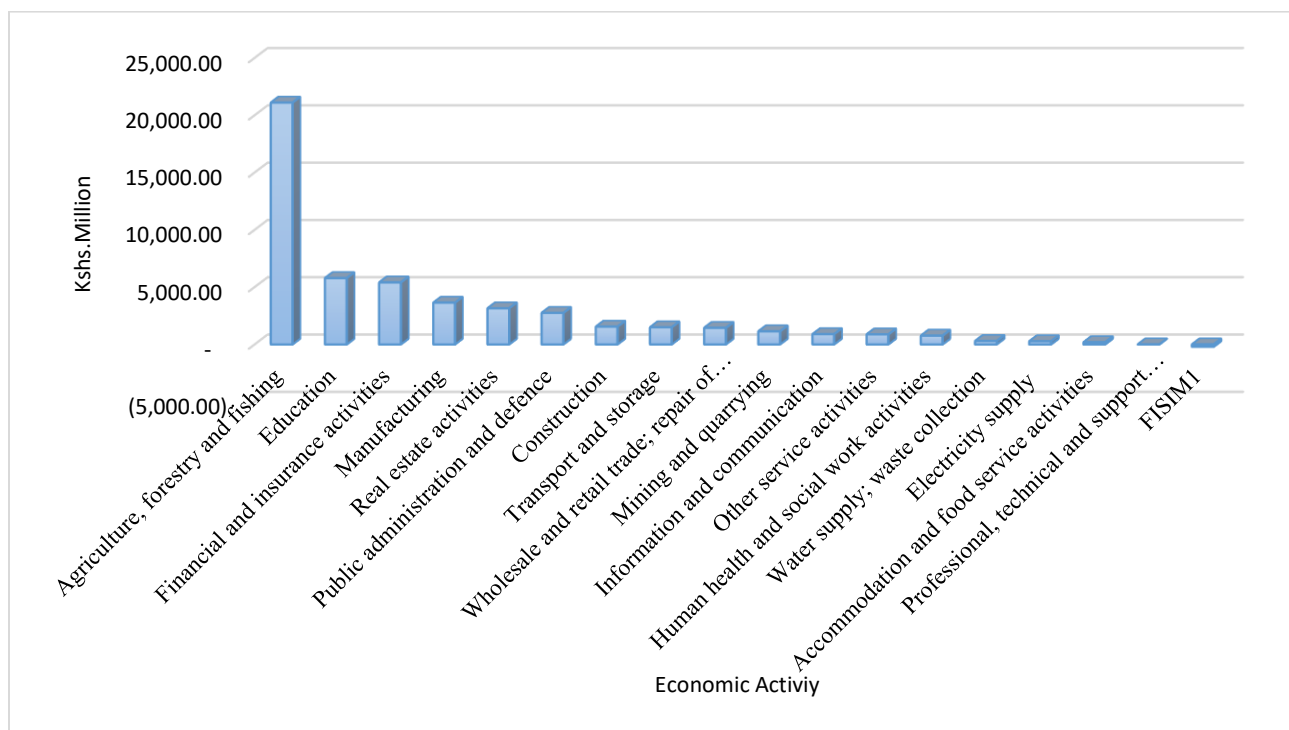
Rank	Counties	% Share of Counties in GDP
1	Kisumu	2.9
2	Kisii	2.1
3	Homabay	1.4
4	Nyamira	1.4
5	Migori	1.2
6	Siaya	1.2

Source: Kenya National Bureau of Statistics

3.3.2 Economic Activities performance

According to the KNBS report, agriculture, forestry and fishing economic activities and was the highest contributor to Nyamira Gross county Product (GCP) and national Gross value added (GVA) at Kshs.21.10 billion of Kshs. 957.58 billion contributed by all counties to the national GDP representing 2.2 percent.

Figure 4: Nyamira Gross County Product by Economic Activities, 2017



Source: Kenya National Bureau of Statistics

From this data, it is evident that the investment that the county has done in agriculture is paying off. However, other economic activities require more attention to improve the people's wellbeing.

3.4 Nyamira Growth Outlook

Nyamira County is currently implementing the County Integrated Development Plan (CIDP) 2018-2022 with the objective to address the “Big Four” agenda. The outlook for the County is envisaged to invest in strategic areas over the medium term so as to maintain this socio-economic growth. These include health, agriculture and food security, infrastructure and environment. Other key areas that County will invest in are provision of water, trade, education and vocational training.

Over the medium-term, Nyamira County intends to support farmers by reserving funds for revamping following key strategic areas;

3.3.3 Agriculture

- Adoption of modern and appropriate technologies e.g. Green houses (a survey on performance of the previous such investments should be done to inform more interventions)
- Setting up of demonstration centres for effective land use management.
- Provision of subsidized farm inputs and certified seeds to boost production, as technological viability assessment is done on previous investments)
- Livestock improvement technologies through construction of value-addition chains.
- Management and stocking of fish ponds/dams

Additionally, through the World-Bank Grant-National Agricultural and Rural Inclusive Growth Project (NARIGP), the County will coordinate and implement these programmes to increase productivity and profitability.

3.3.4 Trade

The County will endeavor to increase access to market opportunities that will promote competitiveness of Nyamira products. In order to establishing a conducive environment for trading, the County will focus on following: -

- Construction and upgrading of new market infrastructure. Social amenities infrastructure should be revamped for the benefit of the citizens and the county government
- Advancement of revolving funds to the trader’s cooperatives,
- Protection and promotion of Tourism sites for revenue generation
- Construction and revival of coffee milling plants, milk cooler units and banana processors,
- Organizing trade fairs and exhibitions for knowledge exchange.

The medium-term outlook for tea farmers seems promising as the National Government unveils the National Export Development Promotion Strategy (NEDPS) which will seek to introduce measures that incentivize Kenyan exports.

3.3.5 Infrastructure

Infrastructure development is the key foundation to achieving economic posterity as it supports economic growth, improves the quality of life, and is necessary for county security. Sectors that are directly correlated to infrastructure development include transportation, power and communication facilities and social infrastructures. On infrastructure the County Government of Nyamira intends to implement the following programmes and activities: -

- Opening, upgrading and management of road networks,
- Construction of Golan Heights – Nyamira High School – Nyabite Market Road (WB - UDG)
- Improving drainage systems, street lighting of market centres,
- Establishing and management of mechanical asset systems,
- Establishment of disaster response and management unit,
- Strengthening of public works i.e. Completion of County Headquarters, County Assembly offices and sports facilities.
- Construction of Information, Communication Technology Resource Centres.

The County Government will further continue to open up new roads and improve the existing ones through the Roads Maintenance Levy Fund (RMLF).

3.3.6 Health

Kenya aspires to have Universal Health Care (UHC) by the year 2022. This will be done by scaling up the National Health Insurance Fund (NHIF) and increasing 100% insurance coverage to the poor. As a result, Kenyans will be guaranteed access to medical care at minimal cost. Nyamira County Government will invest in enhancing access to essential health services through;

- Provision of adequate infrastructure in the health centres,
- Deployment of qualified health professional's i.e. doctors, nurses and medical specialists,
- Establishment of at least two well-equipped specialized facilities,
- Expanded training of adequate human resources for health.

The County applied the conditional grants and other resources from the National Government to improving access to quality health care. In addition, the county will avail resources towards the completion of the Nyamira County doctor's plaza and amenity wing to attract medical specialist.

3.3.7 Other major developments in the Medium Term

The county government using conditional grants from National Government is in the process of improving the vocational training centres across the county. The County Government has also established the Nyamira Municipal Board and have plans put in place town committees where urban areas meet thresholds provided for in the urban areas and cities Act.

3.5 Financial Management

The County Government of Nyamira shall continue to ensure prudent macroeconomic stability by providing a conducive environment to economic activities. Owing to delays in project implementation due to procurement challenges and as way of improving absorption of development allocations, the county has implemented the directive to activate e-procurement.

On the revenue front, the County Government has implemented automation of revenue collection in order to seal leakages and simplify revenue collection in line with international best practices. This effort together with the implementation of the Finance Act 2019 will lead to an expanded revenue base for the county. In addition, enforcement and compliance will be enhanced.

On the expenditure side, the County Government will continue with optimization of expenditures to improve efficiency and increase absorption. Due to non-completion of projects and poor absorption of development funds, the county planning unit has proposed a programme manager-based implementation framework.

3.6 Risks to the Outlook

- (i) The budget was prepared on the basis of equitable revenue share of Kshs.335 billion for County Governments proposed by the Senate. This has now been reduced to Kshs.316.5 billion thus affecting county budgets which will reduce county budgets. For Nyamira County, the approved budget will reduce by Kshs.291,384,000.
- (ii) The wage bill ratio is currently high accounting at 45 percent of the budget against the recommended ceiling of 35 percent. The continued rise of the wage bill will have a negative impact on county operations and affect implementation of development projects.
- (iii) Effects of climate change affects agriculture which is the main driver of the county economy. Agriculture is negatively impacted by unreliable weather patterns and exposure to pest and disease as a result of climate change.
- (iv) Unmet local revenue targets leading to budget deficits. This affects county operations and project implementation.

CHAPTER FOUR

RESOURCE MOBILIZATION AND ALLOCATION FRAMEWORK

4.1 Adjustment to 2019/2020 Budget Estimates

Formulation of the Nyamira county fiscal structure was guided by the need to address various development issues affecting the County as a whole. Success of the development agenda could only be achieved through prudence in allocation and utilization of the available public resources, both external and internally generated. The budget process is linked to the County Integrated Development Plan 2018-2022, Annual Development Plan 2019/2020 and County Fiscal Strategy Paper 2019. In actualization of the articulated development objectives, there is need to augment the county resource mobilization to avoid budget deficits which in turn affect budget implementation.

In order to remain focused to the County service delivery, some emerging issues which affect the development path of the county need to be addressed. This can only take place through adjustment to the current 2019/2020 Budget Estimates, via a supplementary budget. Such issues include:

- Any salary related deficiencies
- Pending arrears for both recurrent and development expenditures
- Any foreseen or experienced revenue adjustments
- Interventions considered for other priority shifts

4.2 Development Priority

Priority would be given to:

- Clearing outstanding payments/retention towards completed development projects which were not provided for
- Payments to on-going projects to enable their completion
- Alignment of the development objectives to the Nyamira County Big Four Agenda which include: infrastructure, health, food security and agriculture and environment

For the county to achieve sustainable development, the above issues necessitate the review of the 2019/2020 budget estimates.

The PFM Act provisions guiding this planning and budgeting process are:

The PFM Act Section 107(2) (a), stating that, “the county government’s recurrent expenditure shall not exceed the county government’s total revenue”, and

Section 107(2) (b), stating that, “over the medium term a minimum of thirty percent of the county government’s budget shall be allocated to the development expenditure”.

4.3 Medium-Term Expenditure Framework

In actualizing medium-term expenditure framework, county priorities set in the CIDP 2018-2022 and the Annual Development Plan 2020/2021 shall take precedence as this form the basis of all resource allocations.

For the success of the MTEF framework, continuous improvement and up-scaling of Integrated Financial Management Information System (IFMIS) shall be done. To improve on efficiency in resource management, e-procurement shall also be widely disseminated and applied, with extreme employment of internal risk controls for checks and balances being fully observed.

As a mandatory requirement, stakeholder involvement and engagement shall duly be acknowledged. Such stakeholders include the citizenry, non-state actors, vulnerable groups, religious organizations, development partners, donors, private sector and national government among others. Collaboration with important institutions such as the national treasury, the county assembly, the office of the controller of budget, commission on revenue allocation, the council of governors, the central bank, the Kenya school of government among others shall be emphasized.

4.4 Budget framework for FY 2020/2021

The 2020/2021 budget framework is set against various policies set in the Kenya Constitution 2010, the PFM Act 2012, the County Government Act 2012 among other legislations and County planning documents.

4.5 Revenue projections 2020/2021

In the 2020/2021 financial year, the County projects to mobilize resources amounting to Kshs.6,282,031,639 as detailed below. Also notably, local revenue was revised from the current year (2019/2020) Ksh.350,000,000 to Ksh. 314,704,104 in 2020/2021. This was informed by the performance of the previous streams in the 2018/2019 financial year.

Table 5: Revenue Projections by Source

GFS Code	Revenue Stream	Target 2018/2019	Actual Revenue 2018/2019	Printed Estimate 2019/2020	Projections (Kshs)	
					2020/2021	2021/2022
9910201	Unspent Balance	1,314,910,281	1,314,910,281	189,687,298	0	0
9910201	Equitable Share	4,772,800,000	4,772,800,000	5,102,184,000	5,102,184,000	5,102,184,000
1540701	DANIDA	15,491,250	15,491,250	14,250,000	15,675,000	17,242,500
1320101	World Bank -KDSP	42,383,765	0	30,000,000	33,000,000	36,300,000
1330404	Compensation User Fee Forgone	13,175,221	13,175,221	13,175,221	14,492,743	15,942,017
3111504	Road Maintenance Fuel Levy Fund	125,663,667	125,663,668	136,557,750	150,213,525	165,234,878
1320101	World Bank - THS-UC	50,000,000	23,985,548	35,000,000	38,500,000	42,350,000
1330301	Development of Youth Polytechnics	52,915,000	39,950,825	67,068,298	73,775,128	81,152,641
1320101	World Bank (NAGRIP)	140,435,163	50,078,476	350,000,000	385,000,000	423,500,000
1320101	World Bank (KUSP) UDG	114,705,300	114,705,300	114,705,300	126,175,830	138,793,413
1320101	World Bank (KUSP) UIG	41,200,000	41,200,000	8,800,000	9,680,000	10,648,000
1320101	ASDSP	19,827,574	7,218,777	16,937,554	18,631,309	20,494,440
	Local Revenue	255,566,158	165,447,570	350,000,000	314,704,104	346,174,514
	Total Revenue	6,959,073,379	6,684,626,916	6,428,365,421	6,282,031,639	6,400,016,403

The above estimates were made on assumption that the current development partners would continue supporting the county progressively. Thus, the resource envelop of the county would be financed through exchequer, grants and locally collected revenues.

Local revenue projections 2020/2021

The County Government intends to collect a total of Ksh.314,704,104 internally as indicated below. The revenue streams performance in the 2018/2019 financial year were used to make the revenue projections.

Table 6: Summary Of Projected County Local Revenue 20120/2021

Revenue Stream	Estimate 2018/2019	Actual 2018/2019	Performance	Printed Estimates	Projections		
			2018/2019		2019/2020	2020/2021	2021/2022
Market Dues	8,939,821	7,526,990	84%	20,276,339	22,306,717	24,537,389	26,991,128
Cattle Fee	1,739,406	1,297,520	75%	1,913,347	2,100,318	2,310,350	2,541,385
Slaughter Fee	66,396	60,220	91%	69,716	150,233	165,256	181,782
Cattle Move	465,487	445,000	96%	651,682	770,181	847,199	931,919
Building Materials Cess	465,487	6,093,720	1,309%	5,000,000	8,456,789	9,302,468	10,232,715
Agricultural Cess	-	-	0%	16,754,050	3,765,490	4,142,039	4,556,243
Matatu Park & Reg Fee	12,179,079	8,697,590	71%	12,544,451	15,768,973	17,345,870	19,080,457
Daily Parking	2,347,774	2,382,550	101%	2,465,163	4,056,211	4,461,832	4,908,015
Motorbike Stickers	119,570	1,612,140	1,348%	1,050,940	40,000,000	44,000,000	48,400,000

Revenue Stream	Estimate 2018/2019	Actual 2018/2019	Performance	Printed Estimates	Projections		
			2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
Matatu Stickers	-	611,850		0	1,846,780	2,031,458	2,234,604
Stall /Kiosk Rent	1,448,480	1,737,335	120%	1,520,904	3,764,120	4,140,532	4,554,585
Isolated Plot Rent	457,622	373,040	82%	503,384	487,032	535,735	589,309
Plot Rent	669,185	1,224,648	183%	736,103	1,546,785	1,701,464	1,871,610
Land Rates	14,038,469	17,000,421	121%	26,733,586	28,000,456	30,800,502	33,880,552
Single Business Permit (SBP)	18,388,067	14,799,875	80%	31,781,378	23,678,903	26,046,793	28,651,473
SBP Application Fees	6,127,808	1,214,400	20%	1,500,000	2,000,492	2,200,541	2,420,595
Liquor Licensing	29,985,700	3,485,120	12%	40,985,405	6,743,210	7,417,531	8,159,284
Build Plan & Approval	788,425	1,185,118	150%	827,846	2,358,987	2,594,886	2,854,374
Advertisement	13,891,767	10,975,603	79%	19,624,962	18,987,654	20,886,419	22,975,061
Penalties &Fines	-	119,181		0	150,000	165,000	181,500
Impounding Charges	54,079	4,899,980	9,061%	59,487	6,574,321	7,231,753	7,954,928
Imprest Surrender	2,568,578	2,020,934	79%	0	1,275,608	1,403,169	1,543,486
Public Health fees	98,774,960	3,404,152	3%	98,273,640	6,745,321	7,419,853	8,161,838
Veterinary	2,502,280	368,510	15%	1,251,140	1,299,000	1,428,900	1,571,790
Trade, Weights & Measures	515,918	608,670	118%	1,000,000	1,290,001	1,419,001	1,560,901
Public Works & Roads	-	699,218		0	1,289,097	1,418,007	1,559,807
Water	8,000,000	78,010	1%	5,356,108	1,412,119	1,553,331	1,708,664
Hire of Mac & Equipment	15,000,000	72,995	0%	20,542,702	234,567	258,024	283,826
Lands & Survey	105,402	520,062	493%	421,608	1,034,578	1,138,036	1,251,839
Phys Planning	6,010,216	1,153,875	19%	1,001,703	2,589,087	2,847,996	3,132,795
Medical Services	-	68,468,955		37,000,000	100,456,765	110,502,442	121,552,686
Others	9,916,182	2,309,887	23%	154,356	3,564,309	3,920,740	4,312,814
Total	255,566,158	165,447,570	65%	350,000,000	314,704,104	346,174,514	380,791,966

4.6 Expenditure Forecasts

In the next MTEF period, County total expenditures for FY 2020/2021 are expected to be Ksh. 6,282,031,639.

The County wage bill is approximately 45%, which is above the recommended rate of 35%. The ongoing reforms in the human resources management are expected to stabilize the wage bill.

In 2020/2021, the overall development and recurrent expenditures are projected to Kshs.1,694,479,407 and Kshs.4,587,552,233 respectively. This translates to 27% and 73% development and recurrent expenditures respectively.

Table 7: Expenditure Projections for the Period 2021/2022-2022/2023

Department	Details	Printed Estimates	Actual Expenditures	Printed Estimates	Projections		
		2018/2019	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
County Assembly	Recurrent	587,432,863	587,129,493	616,107,510	596,107,510	655,718,261	721,290,087
	Development	80,000,000	65,888,937	197,000,000	67,000,000	73,700,000	81,070,000
	Sub-total	667,432,863	653,018,430	813,107,510	663,107,510	729,418,261	802,360,087
Executive	Recurrent	477,208,914	417,413,446	548,635,252	490,560,462	539,616,508	593,578,159
	Development	0	0	-	-	-	-
	Sub-total	477,208,914	417,413,446	548,635,252	490,560,462	539,616,508	593,578,159
Finance and Economic Planning	Recurrent	457,025,616	380,453,464	317,418,011	349,159,812	384,075,793	422,483,373
	Development	50,330,000	17,033,616	60,000,000	33,667,743	37,034,517	40,737,969
	Sub-total	507,355,616	397,487,080	377,418,011	382,827,555	421,110,311	463,221,342
Agriculture Livestock and Fisheries	Recurrent	188,953,685	208,150,139	166,458,323	183,104,155	201,414,571	221,556,028
	Development	260,170,707	79,922,745	449,052,554	423,631,309	465,994,440	512,593,884
	Sub-total	449,124,392	288,072,884	615,510,877	606,735,464	667,409,011	734,149,912
Environment Water Energy & Mineral Resources	Recurrent	135,048,876	104,675,073	72,368,870	79,605,757	87,566,333	96,322,966
	Development	223,520,000	142,779,413	182,450,000	183,000,000	201,300,000	221,430,000
	Sub-total	358,568,876	247,454,486	254,818,870	262,605,757	288,866,333	317,752,966
Education and Vocational Training	Recurrent	506,273,479	499,114,640	560,949,507	617,044,458	678,748,903	746,623,794
	Development	296,827,284	132,620,740	132,415,000	143,775,128	158,152,641	173,967,905
	Sub-total	803,100,763	631,735,380	693,364,507	760,819,586	836,901,544	920,591,699
Health Services	Recurrent	1,718,474,604	1,634,319,828	1,584,503,586	1,742,953,945	1,917,249,339	2,108,974,273
	Development	267,497,955	148,306,025	229,200,000	162,000,000	178,200,000	196,020,000
	Sub-total	1,985,972,559	1,782,625,853	1,813,703,586	1,904,953,945	2,095,449,339	2,304,994,273
Lands Housing and Physical Planning	Recurrent	152,767,299	103,822,852	76,718,132	84,389,945	92,828,940	102,111,834
	Development	197,610,482	58,039,393	318,270,300	280,191,701	308,210,871	339,031,958
	Sub-total	350,377,781	161,862,245	394,988,432	364,581,646	401,039,811	441,143,792
Roads Transport and Public Works	Recurrent	129,167,169	115,969,825	87,365,819	96,102,401	105,712,641	116,283,905
	Development	606,470,996	433,229,260	371,662,750	270,213,526	297,234,879	326,958,366
	Sub-total	735,638,165	549,199,085	459,028,569	366,315,927	402,947,520	443,242,272
Trade, Tourism and Cooperative development	Recurrent	59,782,558	51,377,750	45,100,490	49,610,539	54,571,593	60,028,752
	Development	87,000,000	34,292,075	61,250,000	66,000,000	72,600,000	79,860,000
	Sub-total	146,782,558	85,669,825	106,350,490	115,610,539	127,171,593	139,888,752
Gender Youth and Social services	Recurrent	76,684,043	48,967,700	45,998,407	50,598,248	55,658,072	61,223,880
	Development	57,850,006	29,387,745	79,700,000	65,000,000	71,500,000	78,650,000
	Sub-total	134,534,049	78,355,445	125,698,407	115,598,248	127,158,072	139,873,880
Public Service Board	Recurrent	59,228,340	55,379,163	40,650,139	44,715,153	49,186,668	54,105,335
	Development	0	0	-	-	-	-
	Sub-total	59,228,340	55,379,163	40,650,139	44,715,153	49,186,668	54,105,335
Public Service Management	Recurrent	280,547,661	274,710,956	185,090,771	203,599,848	223,959,833	246,355,816
	Development	3,200,842	1,200,832	-	-	-	-
	Sub-total	283,748,503	275,911,788	185,090,771	203,599,848	223,959,833	246,355,816
	Recurrent	4,828,595,107	3,894,354,836	4,347,364,817	4,587,552,233	5,046,307,456	5,550,938,201
	Development	2,130,478,272	1,076,811,844	2,081,000,604	1,694,479,407	1,863,927,348	2,050,320,082
	TOTAL	6,959,073,379	4,971,166,680	6,428,365,421	6,282,031,640	6,910,234,803	7,601,258,284

The expenditure framework for the 2020/2021 was made with focus on the anticipated recurrent and development grants from the national government and other development partners, where the grants for the current financial year have been projected with 10% increment.

The recurrent expenditures have been projected with 10% increment from the current financial year.

Flagship, ongoing projects and other priority areas including:

- The eighty-bed amenity wing and doctor's plaza
- Construction of county headquarters
- Construction of H.E. The Governor's and Deputy Governor's residence
- Construction of Hon. Speaker's residence
- Completion of County Assembly office blocks and parking slots
- Completion of Manga, Nyamaiya and other stadiums across the county
- Drainage management and garbage collection
- Spatial Development Planning and municipality operations
- Interventions in road networking and infrastructural development
- ECDE and Youth Polytechnic infrastructural development and management
- Development and management of market

CHAPTER FIVE

RESOURCE ALLOCATION FRAMEWORK

5.1 *Adjustment to 2019/2020 Budget*

Formulation of the Nyamira County fiscal structure was guided by the need to address various development issues affecting the County. Going forward, and in view of the limited disbursements from the county share of national revenues, MTEF budgeting will entail adjusting non-priority expenditures to cater for the priority sectors. Specifically, the county government has prioritized key strategic interventions across major sectors as a way of accelerating Nyamira County's economic and social transformation so as to improve quality of service to the population. The main areas of interventions cover infrastructure, health, food security and environment.

Expenditure Adjustments

Recurrent Allocation

Recurrent items that will need to be adjusted include: -

a) Non-discretionary budget items

- Provisions will take into account annual salary increment and any necessary recruitment of staff.
- Payment of the pending bills and obligations for previous financial years.
- Provisions for statutory deductions including comprehensive medical cover, NSSF, pensions, NITA levies among others;

b) Discretionary items

- Provision for subscription fees towards the Lake Region Development Block and the Council of Governors.

Development allocation

Priority will be directed towards completion of ongoing projects and programmes e.g. provision of funds for completion County Headquarters, County Assembly Offices and Nyamira Referral Hospital and ward-based projects among others.

Also, the adjustment would align the development objectives to the Nyamira County "Big Four" Agenda which include: - infrastructure, health, food security and environment.

5.2 *Medium-Term Expenditure Framework*

In the medium-term, resource allocation will be aligned to county priorities set out in the CIDP 2018-2022 and the Annual Development Plan 2020/2021.

The MTEF framework coupled with internal risk controls ensures efficiency in resource management. The implementation of e-procurement by the County Government will also ensure efficient and transparent management of procurement process and project implementation.

Stakeholder involvement and engagement through public participation forums, will continue to ensure that citizenry, non-state actors, vulnerable groups and religious organizations have their input in the MTEF process.

The County Government will continue to collaborate with the National Government and important institutions such as the national treasury, the County Assembly, the office of the controller of budget, commission on revenue allocation, the council of governors, the central bank of Kenya, and the Kenya school of government in the development and operationalization of the Medium Term Expenditure Framework.

CONCLUSION AND WAY FORWARD

The 2019 CBROP has been prepared at a time when it is becoming more difficult to match financial resources to the needs of the people due to low revenues both from the National Government and locally generated. The decisions made in this MTEF period 2019/2020 – 2021/2022 has largely relied on the lessons learnt in budget execution in 2018/2019. One of the lessons learnt is that expenditure on personnel emoluments is high and unsustainable in the long run. Also, it has become very clear that the absorption of development funds has been very low thus affecting the pace of development. Finally, local revenue is still low thus negatively impacting on the budget implementation.

Measures should be put in place to tame the rising cost of personnel emoluments to bring it closer to the 35 percent of total revenue as stipulated under the fiscal responsibility principles set out in the Public Finance Management Act 2012. The absorption of development funds has been low due to slow procurement process. To address this challenge, it is recommended that procurement process for development projects should begin in the first quarter and be concluded in time to give ample time for project implementation.

The County Integrated Development Plan (CIDP 2018-2022), the Annual Development Plan 2020/2021 and the sectoral strategic plans should continue to guide the priorities in resource allocation. Reference will be made to the sector ceiling outlined herein while drafting sector budget proposals for FY 2020/2021. The next County Fiscal Strategy Paper due in February 2019 further review the baseline expenditure ceilings proposed in this CBROP. The County Government should also continue to pursue prudent fiscal policy through reorienting expenditure towards priority programmes of the County Government.