COUNTY GOVERNMENT OF ELGEYO MARAKWET

THE COUNTY TREASURY

COUNTY BUDGET REVIEW AND OUTLOOK PAPER

(CBROP)

SEPTEMBER 2019

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FOREWORD

The County Budget Review and Outlook Paper (CBROP) is a policy document that reviews the performance of the previous financial year. This document covers 2018/2019 financial year. 2019 CBROP is the sixth after the enactment of devolved governance following the implementation of Constitution of Kenya, 2010. It presents the fiscal framework which provides a strong basis for building a common future regarding Fiscal discipline and accountability.

The CBROP presents the fiscal outcome for 2018/2019 FY and shows how these outcomes affected financial objectives set out in 2018 County Fiscal Strategy Paper (CFSP). CBROP is one of the budget policy documents that enhances financial discipline and fiscal responsibilities within the county's financial management framework as provided for in the Public Finance Management Act (PFM) Act, 2012.

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

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

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

The county government is also committed to national and international plans such as Vision 2030 and attainment of Sustainable Development Goals (SDGs). The period under review 2018/2019 saw strides and initiatives that guided the county towards realization of the vision and goals.

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ACKNOWLEDGEMENTS

The development of this County Budget Review and Outlook Paper (CBROP) received valuable input from all the Departments. It was prepared with the support and dedication of various officers. This is to appreciate their efforts, which culminated in the production of this document.

Special appreciation goes to CECM Finance and Economic Planning and Director Economic Planning for their roles in leading a technical team of officers from Finance and Economic Planning Department in preparing this document.

I am confident the county will find this CBROP document a means to enhance transparency, service provision and successful implementation of programs in the remaining CIDP period, ending 2022.

JOHNKEEN MURKEU

Ag. CHIEF OFFICER, FINANCE AND ECONOMIC PLANNING

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ABBREVIATIONS AND ACRONYMS

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

CHAPTER ONE: INTRODUCTION

1.1 Background

This is the 6th Budget Review and Outlook Paper (BROP) to be prepared by the Elgeyo Marakwet County as provided for under the Public Financial Management Act, 2012 section 118. In line with the law, the BROP contains a review of the fiscal performance of the financial year 2018/19, updated macroeconomic forecast and the experiences in the implementation of the budget estimates for financial year 2018/2019.

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

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

(1) The County Treasury shall

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

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

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

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

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

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

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

3) The County Executive Committee shall consider the County Budget Review and Outlook Paper with a view to approving it, with or without amendments, within fourteen days after its submission.
4) Not later than seven days after the County Budget Review and Outlook Paper is approved by the County Executive Committee, the County Treasury shall—
    a) Arrange for the Paper to be laid before the County Assembly; and
    b) As soon as practicable after having done so, publish and publicize the Paper.

1.3 Fiscal responsibility principles in the Public Financial Management Law

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

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

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

As will be shown in the subsequent chapters of this document, the county government has laid strategies to comply with these principles and legal requirements.

1.4 Objectives of CBROP

The objective of the 2019 CBROP is to provide a review of the previous fiscal performance in the financial year 2018/2019 and how this impacts the financial objectives and fiscal responsibility principles set out in the last Fiscal Strategy Paper (CFSP), 2019. This together with updated macroeconomic outlook provides a basis for revision of the current budget in the context of any supplementary estimates and the broad fiscal parameters underpinning the next budget and the medium term. The CBROP will be a key document in linking policy, planning and budgeting. PFMA 2012 has set high standards for compliance with the MTEF budgeting process.

CHAPTER TWO: REVIEW OF FISCAL PERFORMANCE IN 2018/19

2.1 Overview

The 2019 CBROP is based on the priorities and emerging challenges in the county. Prioritization of resource allocation was based on the County Integrated Development Plan 2018-2022, broad development policies of the County Government, short term as well as the medium-term priorities identified during the County-wide public consultative forums held across the county, captured in the Annual Development Plan and eventual Programme Based Budget for FY 2018/2019. In this paper, provisional indicative sector ceilings for the 2020/2021 budget have been set informed by the forecasted revenue bases, i.e. Own Source Revenue, CRA allocation and conditional grants.

2.2 Overview of Fiscal Performance 2018/19

During the period under review, the county government had a total budget of Ksh 5,601,076,601 which comprised Ksh. 3,135,267,095 as recurrent budget and Ksh 2,465,809,506 as development budget. The fiscal performance was successful given that the county government surpassed its revenue target.

The table below presents the overview of fiscal performance of the county during financial year 2018/2019.

Table 1: Fiscal outturn in FY 2018/19

Revenue Sources	Approved Supplementary Estimates (Net)
CRA Share	3,768,000,000
Local Revenue	130,438,893
Balance b/d	675,695,692
World Bank	
Dev. Of Youth Polytechnics	79,441,245
DANIDA -Universal Health Care	12,150,000
Retention Monies	66,495,981
World Bank -Maternal Health	1,009,812
Lease of Medical Equipment	200,000,000
Kenya Climate Smart Agriculture Project	117,000,000
Agricultural Sector Dev. Support (ASDSP)	19,408,938

KDSP	60,461,883
KUSP	131,002,100
EU Water Support	80,000,000
World Bank -Transforming Health Systems	50,000,000
Support to Abolishment of User Fees in H/C & Dispensaries	8,788,919
KRB funds	
Roads Maintenance Levy Funds (RMLF)	201,183,138
Total	**5,601,076,601**

2.3 Revenue Performance

2.3.1 Internal Revenue

Total actual internal revenue realized by the county government amounted to Ksh 132,407,645 against a target of Ksh 130,000,000. The local revenue target was met in the financial year 2018/19.This represents an increase compared to previous years. For the first time, the targets were achieved. It was occasioned by intensive enforcement and introductoin of more revenue streams like parking.

The table below present the breakdown of internal revenue realised during the financial year 2018/2019

Table 2: Internal Revenue Break down FY 2018/19

Revenue Sources	Approved Estimates (Net)	Actuals	Deviation
Penalties/Fines	810,150	310,573	-499,577
Market fees	5,303,713	7,925,735	2,622,022
Bus park/Parking fees	2,836,350	4,080,690	1,244,340
Produce/ Cess	25,789,204	23,588,964	-2,200,240
Single Business Permits	15,932,050	12,494,450	-3,437,600
Health (A-I.A)-FIF	42,800,250	61,722,483	18,922,233
House/Stall Rent	1,730,500	1,430,485	-300,015
Lands Rates/Plot Rent	2,399,092	1,879,620	-519,472
Promotion & Advertising	1,103,580	2,866,950	1,763,370
Other Departments	22,794,861	12,103,701	10,691,160
County assembly recoveries	-	-	0
Others	8,500,250	4,003,994	-4,496,256
TOTALS	**130,000,000**	**132,407,645**	**2,407,645**

2.3.2 External Revenue

For the period under review, the county was allocated equitable share amounting to Kshs 3,768,000,000 from the national government. In F/Y 2017/18 the equitable share allocated to the county was Kshs 3,624,000,000. This shows there was an increase of Kshs 144,000,000 from the previous financial year representing a 3.9% increase.

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

Table 3: External Revenue Performance Report F/Y 2018-19

Revenue Sources	Approved Supplementary Estimates (Net)	Actual Disbursement (KSH)	Percent of total (%)
CRA Share	3,768,000,000	3,768,000,000	100%
Local Revenue	130,438,893	132,407,645	102%
Balance b/d	675,695,692	464,710,745	69%
World Bank			
Dev. Of Youth Polytechnics	79,441,245	31,559,000	40%
DANIDA -Universal Health Care	12,150,000	12,150,000	100%
Retention Monies	66,495,981	66,495,981	100%
World Bank -Maternal Health	1,009,812	-	0%
Lease of Medical Equipment	200,000,000	-	0%
Kenya Climate Smart Agriculture Project	117,000,000	31,698,328	27%
Agricultural Sector Dev. Support (ASDSP)	19,408,938	7,066,361	36%
KDSP	60,461,883	-	0%
KUSP	131,002,100	131,002,100	100%
EU Water Support	80,000,000	-	0%
World Bank -Transforming Health Systems	50,000,000	22,067,993	44%
Support to Abolishment of User Fees in H/C & Dispensaries	8,788,919	8,788,919	100%
KRB funds		99,208,159	49%
Roads Maintenance Levy Funds (RMLF)	201,183,138	99,208,159	49%
Total	**5,601,076,601**	**4,784,356,726**	**85%**

2.3 Expenditure Performance

The total expenditure for the period under review amounted to Ksh 5,083,637,961 against approved supplementary budget of Ksh 5,601,076,601, representing an under spending of Kshs 517,438,640 which translates to 90.76%.

Table 4: Aggregate Expenditure

DEPARTMENT	Recurent budget 2018/19	Developmen t budget 2018/19	Total	Actual expenditure	Deviation	%
County Assembly	566,844,007	1,126,826	567,970,833	567,682,878	287,955	99.95%
Governor's Office	161,590,330	-	161,590,330	160,743,975	846,355	99.48%
Finance and Economic Planning	243,241,589	-	243,241,589	238,259,993	4,981,596	97.95%
Agriculture and Irrigation	96,763,394	277,928,650	374,692,044	277,862,422	96,829,622	74.16%
Education & Technical Training	212,627,608	384,989,769	597,617,377	575,174,912	22,442,465	96.24%
Health and Sanitation Services	1,384,063,72 8	478,889,876	1,862,953,60 4	1,646,437,446	216,516,15 8	88.38%
Water, Lands and Physical Planning	73,790,588	553,569,918	627,360,506	496,012,202	131,348,30 4	79.06%
Roads, Transport & Public Works	65,284,108	478,048,627	543,332,735	534,041,274	9,291,461	98.29%
Trade, Tourism & Industrialization	36,933,765	54,624,222	91,557,987	83,680,781	7,877,206	91.40%
Youth, Sports, ICT and Gender	36,765,205	117,758,353	154,523,558	142,102,079	12,421,479	91.96%
Public Service Management	108,494,083	76,672,693	185,166,776	173,492,307	11,674,469	93.70%
County Public Service Board	55,437,733	479,000	55,916,733	55,919,706	- 2,973	100.01 %
Livestock, Fisheries and Co-operatives	93,430,957	41,721,572	135,152,529	132,227,986	2,924,543	97.84%
TOTAL	**3,135,267,09 5**	**2,465,809,50 6**	**5,601,076,60 1**	**5,083,637,961**	**517,438,64 0**	**90.76%**

2.3.1 Recurrent Expenditure

Total Recurrent Expenditure amounted to Kshs 3,125,150,927 against an approved budget of Kshs 3,135,267,095 reflecting an under-absorption percentage of 0.32%

The table below shows the analysis of the recurrent expenditure

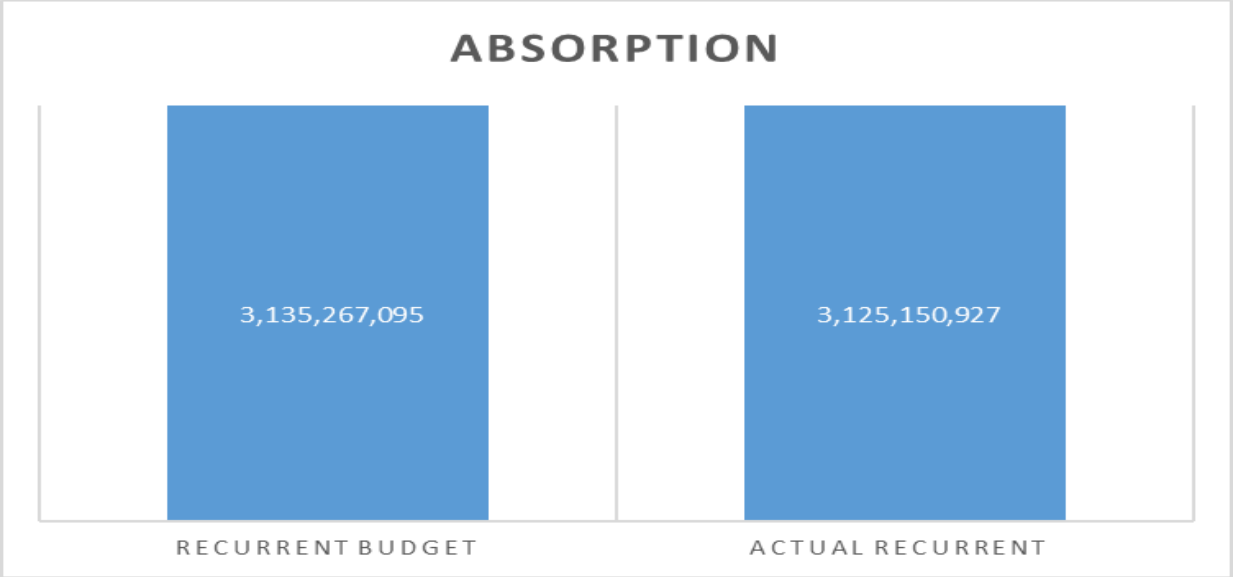
Table 5: Analysis of the Recurrent Expenditure

Department	Budgeted Recurrent FY 2018/19	Actual	Deviation Kshs	Deviation %
County Assembly	566,844,007	566,556,052	287,955	0.05%
Governor's Office	161,590,330	160,743,975	846,355	0.52%
Finance and Economic Planning	243,241,589	238,259,993	4,981,596	2.05%
Agriculture and Irrigation	96,763,394	96,689,915	73,479	0.08%
Education & Technical Training	212,627,608	212,407,187	220,421	0.10%
Health and Sanitation Services	1,384,063,728	1,382,369,52 9	1,694,199	0.12%

Water, Lands and Physical Planning	73,790,588	73,583,957	206,631	0.28%
Roads, Transport & Public Works	65,284,108	65,172,621	111,487	0.17%
Trade, Tourism & Industrialization	36,933,765	36,769,732	164,033	0.44%
Youth, Sports, ICT and Gender	36,765,205	36,479,111	286,094	0.78%
Public Service Management	108,494,083	107,770,152	723,931	0.67%
County Public Service Board	55,437,733	55,440,706	(2,973)	-0.01%
Livestock, Fisheries and Co-operatives	93,430,957	92,907,997	522,960	0.56%
TOTAL	**3,135,267,095**	**3,125,150,927**	**10,116,168**	**0.32%**

Figure 1: Absorption on recurrent Vote F/Y 2018/2019

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



2.3.2 Development Expenditure

Total cumulative development expenditure for the period under review amounts to Ksh 1,958,487,034 against an approved supplementary budget of Ksh 2,465,809,506.

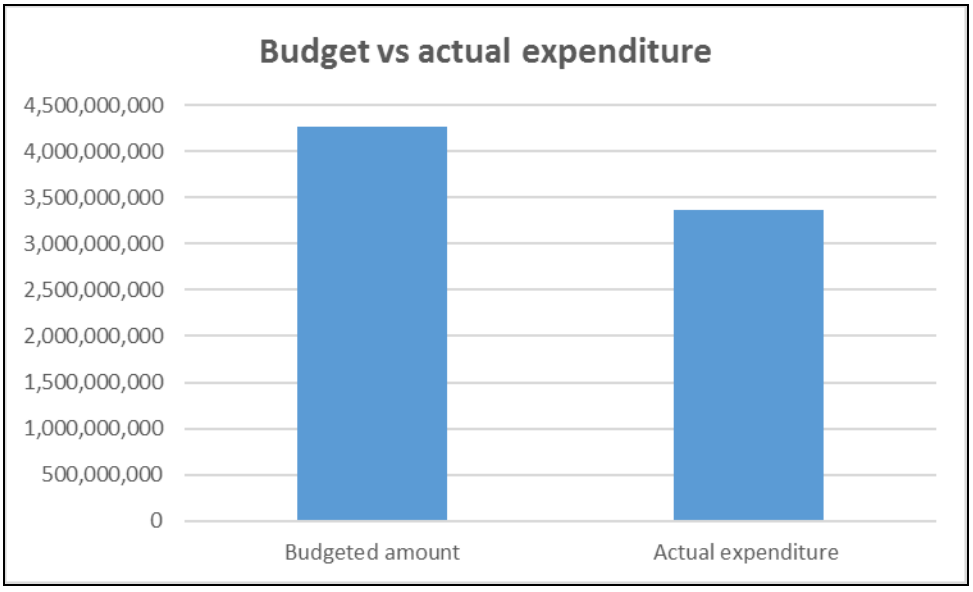
This reflects an absorption rate of 79.43%, which is an improvement from 49% absorption rate in development. The table below shows the breakdown of Development expenditure by departments.

Table 6: Development Expenditures

DEPARTMENT	DEVELOPMENT F/Y 18/19	ACTUAL (KSHS)	DEVIATION KSHS	ABSORPTION %
County Assembly	1,126,826	1,126,826	0	**100.00%**
Governor's Office	0	0	0	**0.00%**
Finance and Economic Planning	0	0	0	**0.00%**
Agriculture and Irrigation	277,928,650	181,172,507	96,756,143	**65.19%**
Education & Technical Training	384,989,769	362,767,725	22,222,044	**94.23%**
Health and Sanitation Services	478,889,876	264,067,917	214,821,959	**55.14%**
Water, Lands and Physical Planning	553,569,918	422,428,245	131,141,673	**76.31%**
Roads, Transport & Public Works	478,048,627	468,868,653	9,179,974	**98.08%**
Trade, Tourism & Industrialization	54,624,222	46,911,049	7,713,173	**85.88%**
Youth, Sports, ICT and Gender	117,758,353	105,622,968	12,135,385	**89.69%**
Public Service Management	76,672,693	65,722,155	10,950,538	**85.72%**
County Public Service Board	479,000	479,000	0	**100.00%**
Livestock, Fisheries and Co-operatives	41,721,572	39,319,989	2,401,583	**94.24%**
TOTAL	**2,465,809,506**	**1,958,487,034**	**507,322,472**	**79.43%**

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

Figure 2: Absorption on Development Vote F/Y 2018/2019



2.4 2018/19 Financing and Balance

From the analysis in Table 6, it shows that Ksh. 507,322,472 for development was not absorbed in financial year 2018/2019. This translates to 9.06% of the total capital allocation.

2.5 Implication of 2017/18 Fiscal Performance on Fiscal Responsibility Principles and Financial Objectives Contained in the 2018 County Fiscal Strategy Paper

2.5.1 Implications on the financial objectives

The performance in the FY 2017/18 affected the financial objectives set out in the 2018 County Fiscal Strategy Paper and the Budget for FY 2018/2019. Program and projects initially projected for the period FY 2019/2020 were affected by pending bills being accommodated in FY 2018/2019. Also, revenue projections and expenditure needed slight adjustments to reduce chances of generating pending bills at the end of the period.

The main reasons for the deviations mentioned above were delayed disbursement of funds from national treasury and conditional grants.

To remedy these variances, the County Government will focus on:

- Capitalizing in County infrastructure and social welfare services in order to unlock the county's potential and improve competitiveness.
- Strengthening capacity building in public financial management to ensure good governance and effective service delivery.

2.5.2 Implication on the Fiscal Responsibility Principles

The implication of the FY 2017/18 Fiscal Performance on the Fiscal Responsibility Principles was as follows: -

- The County Government will continue to put in place measures to ensure increased revenue collections
- The principles further require that 30% of total expenditure should be development. The county will continue to work and ensure that this minimum threshold is met.

CHAPTER THREE: RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

3.1 Macroeconomic Outlook

The Kenyan economy remained resilient and grew by 5.8 %, 6.2 % and 6.0 % in the first, second and third quarters of 2018 respectively. This was an increase from 4.7 % in similar quarters in 2017. Growth for the first three quarters of 2018 averaged 6.0 % which was a growth compared to 4.9 % in 2017 for the same period under review.

Low and stable interest rates and a competitive exchange rate that supported exports continued to ensure a stable macro economy. Month-on-month overall inflation remained stable and within the 5 % target in 2018 largely due to lower food prices following favourable weather conditions, reduction in electricity tariffs and a decline in fuel prices. Overall inflation declined to 4.7 % in January 2019 from 5.7 % in December 2018.

Economic growth is expected to rise gradually to 7.0 % per annum over the medium term, due to investments in strategic areas under the "Big Four" Agenda that aim to increase job creation through the manufacturing sector, ensure food security and improved nutrition, achieve universal health coverage and provide affordable houses to Kenyans. In the field of ease of doing business and as a top investment destination, Kenya continues to be ranked favorably. In the 2019 World Bank's Doing Business Report, Kenya was ranked position 61 in 2018, an indicator that the economy is on the right track towards good performance.

3.1.1 Growth Prospects

Global growth was estimated at 3.7 % in 2018**.** This was a slowdown from 2017, hugely as a result of weakening growth rate in both the advanced and emerging market economies mainly due to the negative effects of trade tensions between the United States and China.

Growth prospects for sub-Saharan Africa continue to strengthen. Growth is expected to improve from 2.9 % in 2018 to 3.5 % by end of 2019, supported by higher commodity prices, improved capital market access and contained fiscal imbalances in many countries.

Growth in the East African Community (EAC) region is expected to improve from 5.9 % in 2018 to 6.3 % by end of 2019 supported by a stable macroeconomic environment, rebound in agricultural activities on the backdrop of favorable weather conditions, ongoing infrastructure investments, and strong private consumption.

Kenya's economic growth projections take into account global growth outlook and the emerging challenges. The projections also take into account the policies and strategies outlined in "The Big Four" plan as prioritized in the Third Medium Term Plan (2018-2022) of Vision 2030. Economic growth is projected to expand by 6.1 % in FY 2018/2019, 6.2 % in FY 2019/2020, 6.4 % in FY 2020/21 and 7.0 % by FY 2022/23. This growth will be supported by a pickup in agricultural and manufacturing activities underpinned by improved weather conditions, strong service sector, stable macroeconomic environment, ongoing public infrastructural investments and sustained business and consumer confidence.

Also, measures being undertaken by the Government under "The Big Four" Plan to boost the manufacturing sector; enhance food security and nutrition; build affordable housing; and achieve Universal Health Coverage are expected to enhance growth, create jobs and promote inclusive growth.

Kenya's external position is projected to strengthen over the medium term supported by a narrower current account deficit. The narrowing of the current account deficit is largely due to increased exports of tea and horticulture, increased diaspora remittances, strong receipts from tourism, increased foreign direct investment in infrastructure and lower imports of food and SGR-related equipment. The current account deficit is estimated at 5.2 % of GDP in 2018 from 6.3 % of GDP in 2017, and is expected to narrow further in the medium-term.

The Government policies aim at supporting the fiscal consolidation agenda which will bolster debt sustainability position and give flexibility for counter cyclical fiscal policy interventions whenever appropriate. The targets are to achieve a fiscal deficit including grants of 3.1 % of GDP by FY 2022/23 down from 6.3 % of GDP in 2017.

3.2 Medium Term Fiscal Framework

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

With respect to revenue, the County Government aimed to improve revenue collections estimated to be Ksh 130,000,000. This target was met. Measures to continue achieving this target include enhanced compliance of finance bill with enhanced administrative measures such as strengthening of the enforcement team and further sealing of revenue loopholes and leakages.

3.3 Fiscal Risks to the Outlook

This macroeconomic outlook is not without risks. Risks from the global economies relate to:

(i) Trade tensions among major advanced economies regarding imposition of tariffs on selected imports by the United States from its main trading partners particularly China, and likely retaliatory measures;

(ii) Noneconomic factors such as political uncertainties and geopolitics in the Middle East and some countries in the sub-Saharan Africa region.

Domestically, the economy continued to be exposed to risks as shown below. The economic performance of the country has a spill-over effect on the county's economic performance. The risks to the outlook for 2018/19 and the medium-term include continued weak growth in advanced economies that will impact negatively on our exports and tourism activities. Policy priorities to address the risks to economic growth are; support demand through tax reforms and spending reprioritization and; adopt structural reforms to raise production and remove production bottlenecks.

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

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

Other fiscal risks also include potential natural disasters due to unfavorable weather conditions i.e., long heavy rains. Other risks include insecurity associated with prolonged tensioins emanating from cattle rustling practices along Kerio Valley between the Pokot and Marakwet. Should these insecurity risks materialize; the County government in consultation with the National government will undertake appropriate measures to safeguard macroeconomic stability.

3.4 Summary of Sectoral Priorities

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

In order to fill the resource gaps for the achievement of strategic priorities, the county has continued to put emphasis on mechanisms that encourage Public Private Partnerships (PPP) and donor collaborations in line with SDG 17 that emphasizes integration and collaboration within and between nations.

CHAPTER FOUR: RESOURCE ALLOCATION FRAMEWORK

4.1 Adjustment to 2019/20 Budget

The Medium-Term Fiscal Framework (MTFF) for the FY 2019/20 emphasizes on efficiency and effectiveness of public spending and improving revenue collection while at the same time supporting rapid and inclusive economic growth and continued fiscal discipline. The FY 2019/20 budget adjustments will take into consideration the actual performance of expenditure and absorption capacity in the remainder of the financial year in order to ensure all departments utilize the budgeted funds.

On recurrent expenditure, pressures emanating from implementation of Collective Bargaining Agreements (CBAs), SRC circulars and provision of staff medical cover shall be addressed through these adjustments by rationalizing non-priority expenditures and surplus in own-source revenue performance for 2018/2019 FY.

4.2 Medium-Term Expenditure Framework

Medium-Term Fiscal Framework for the County is geared towards supporting socio-economic empowerment, expansion of infrastructure as a development enabler. In this regard, therefore, the 2019/20 budget will be based on the 2018-2022 County Integrated development plan (CIDP), third Medium Term Plan together with the Governments' strategic priorities contained in the 'Big Four' Agenda. Relevant policies, strategies, and projects have been incorporated into the Annual Development Plan for 2019/20.

The Equitable Development Act, 2015 and developed policy documents including the CIDP and ADP will guide resource allocation. The medium-term budget framework for 2019/20- 2021/22 will ensure resources are allocated based on prioritized interventions as identified by the public during the project/ programme identification and prioritization process taking into account the technical inputs from departments.

4.3 2019/20 Budget Framework

4.3.1 Revenue projections

The cumulative revenue forecasts for FY 2019/20 including Appropriation in Aids will rise marginally by approximately 7%. The national transfers i.e. equitable share of revenue increased by approximately 2.5% and conditional grants decreased by 3%. Equitable share of revenue continues to constitute the largest share of total county receipts.

The County Government is expected to generate revenue amounting to Ksh 152 million from own local sources which is an increase of Kshs 22 Million from the projected local revenue for FY 2018/19. The increase is a result of the broadening of the revenue base and enforcement measures.

4.3.2 Expenditure Forecasts

In pursuing a balanced budget requirement, the County Government has projected that overall expenditure will equal the forecasted County receipts for FY 2019/2020. In this regard, the county government's total expenditure will reach Ksh 4.6 billion in the FY 2019/2020 (excluding balances carried forward).

Compensation to employees will account for 53 percent of the total County budget approximately Ksh 2.4 billion. Although, this proportion of the County wage bill is still way above the envisaged level of 35 percent of total revenues as recommended in section 25 of the PFM (County Government Regulations) 2015. In trying to adhere to this provision, the County Government has initiated austerity measures including rationalization of staff across the public service for common cadres, freezing of new employments safe for key technical competency who will replace retiring staff at entry levels.

The marginal growth in County allocation for salaries and wages is mainly on account of natural rise in annual increments and harmonization of wages across the public service by the Salaries and Remuneration Commission (SRC). Further, allocation for other recurrent expenditures shall decrease despite the marginal increase in County revenues because of the wages increase and adherence to 30 % allocations to development expenditures.

CHAPTER FIVE: CONCLUSION AND WAY FORWARD

5.1 Conclusion and Way Forward

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

The fiscal outcome for FY 2018/19 had implication of the financial objectives elaborated in the last county fiscal strategy paper approved by County Assembly in March 2019. The county government continued to struggle with high wage bill, low local revenue collection and increase service delivery demands. This occurrence subdued the county government fiscal policy initiatives and responsibilities.

Going forward, the cumulative revenue forecast for FY 2020/21 will rise marginally while county own source revenues are expected to remain unchanged. The reforms in local revenue administration as well as legislative reviews of the current revenue related laws through the Finance bill, 2019 are expected to strengthen local revenue performance.

The policies and provisional departmental ceilings annexed herewith will guide the county sectors and sub sectors in preparation of the 2020/21 budget. These ceilings will form inputs of the next CFSP which will be finalized by end of February 2020.

ANNEXES

Annex 1: County Government Operations 2018/19 – 2020/21

Sub Sector / Department	2017/18			2018/19			2019/20			2020/21 Projections		
	Recurrent	Development	Totals	Recurrent	Development	Totals	Recurrent	Development	Totals	Recurrent	Development	Totals
Office of the Governor & Executive Administration	120,890,975	-	120,890,975	160,743,975	-	**158,230,280**	157,236,868	-	157,236,868	165,098,711	-	165,098,711
County Assembly	467,059,372	-	467,059,372	566,556,052	1,126,826	**566,844,007**	566,844,007	1,028,790	567,872,797	595,186,207	-	595,186,207
Finance & Economic Planning	196,023,234	-	196,023,234	238,259,993	-	**212,433,531**	242,064,887	-	242,064,887	254,168,131	-	254,168,131
Public Service Management and County Administration	-	-	-	107,770,152	65,722,155	**167,067,755**	92,480,618	51,629,292	144,109,910	97,104,649	32,541,493	129,646,142
Roads, Transport, Public Works and Energy	61,235,496	271,622,926	332,858,422	65,172,621	468,868,653	**398,291,329**	64,250,494	470,912,642	535,163,136	67,463,019	274,042,256	341,505,275
Sports, Youth affairs, ICT and Social Services	116,147,959	127,698,551	243,846,510	36,479,111	105,622,968	**125,540,523**	35,742,302	129,722,400	165,464,702	37,529,417	81,353,733	118,883,150
Education and Technical Training	197,819,802	186,505,000	384,324,802	212,407,187	362,767,725	**490,304,169**	216,736,544	360,017,259	576,753,803	227,573,371	127,852,778	355,426,149
Health and Sanitation	1,110,085,926	388,911,133	1,498,997,059	1,382,369,529	264,067,917	**1,852,951,675**	1,461,878,154	646,776,275	2,108,654,429	1,534,972,062	311,480,158	1,846,452,220
Water, Lands, Environment and Climate Change Management	70,769,262	234,712,442	305,481,704	73,583,957	422,428,245	**445,449,031**	73,112,006	438,798,148	511,910,154	76,767,606	256,832,700	333,600,306
Tourism, Culture, Wildlife, Trade and Industry	55,255,590	54,191,178	109,446,768	36,769,732	46,911,049	**62,464,788**	35,086,495	27,902,398	62,988,893	36,840,820	32,541,493	69,382,313
Agriculture and irrigation	197,806,710	97,623,138	295,429,848	96,689,915	181,172,507	**340,806,195**	100,653,823	342,219,054	442,872,877	105,686,514	210,275,548	315,962,062
Livestock Production, Fisheries and Cooperatives Development	-	-	-	92,907,997	39,319,989	**140,103,775**	96,058,255	83,793,128	179,851,383	100,861,168	97,624,480	198,485,648
County Public Service Board	42,685,124	-	42,685,124	55,440,706	479,000	**59,525,783**	45,650,555	-	45,650,555	47,933,083	-	47,933,083
TOTALS	**2,635,779,450**	**1,361,264,368**	**3,997,043,818**	**3,125,150,927**	**1,958,487,034**	**5,020,012,841**	**3,187,795,008**	**2,552,799,386**	**5,740,594,394**	**3,347,184,758**	**1,424,544,639**	**4,771,729,397**

Annex 2: Total Sector Ceilings for the MTEF Period 2018/19 – 2020/21

SECTOR	Sub Sector /Department	APPROVED 2018/19	APPROVED 2019/20	PROJECTIONS 2020/21
Public Service Administration & Governance	Office of the Governor & Executive Administration	161,590,330	567,872,797	165,098,711
	County Assembly	567,970,833	157,236,868	595,186,207
	Finance & Economic Planning	243,241,589	242,064,887	254,168,131
	Public Service Management and County Administration	185,166,776	144,109,910	129,646,142
	County Public Service Board	55,916,733	45,650,555	47,933,083
Infrastructure	Roads, Transport, Public Works and Energy	543,332,735	535,163,136	341,505,275
Social Protection and Empowerment	Sports, Youth affairs, ICT and Social Services	154,523,558	165,464,702	118,883,150
	Education and Technical Training	597,617,377	576,753,803	355,426,149
Health ,Water and Sanitation	Health and Sanitation	1,862,953,604	2,108,654,429	1,846,452,220
	Water, Lands, Environment and Climate Change Management	627,360,506	511,910,154	333,600,306
Productive and Economic Sector	Tourism, Culture, Wildlife, Trade and Industry	91,557,987	62,988,893	69,382,313
	Agriculture and irrigation	374,692,044	442,872,877	315,962,062
	Livestock Production, Fisheries and Cooperatives Development	135,152,529	179,851,383	198,485,648
TOTALS		**5,601,076,601**	**5,740,594,394**	**4,771,729,397**

Annex 3: Recurrent Sector Ceilings for the MTEF Period 2018/19 – 2020/21

Sector	Sub Sector / Department	RECURRENT APPROVED ESTIMATES		PROJECTIONS
		2018/19	2019/20	2020/21
Public Service Administration & Governance	Office of the Governor & Executive Administration	161,590,330	157,236,868	165,098,711
	County Assembly	566,844,007	566,844,007	595,186,207
	Finance & Economic Planning	243,241,589	242,064,887	254,168,131
	Public Service Management and County Administration	108,494,083	92,480,618	97,104,649
	County Public Service Board	55,437,733	45,650,555	47,933,083
Infrastructure	Roads, Transport, Public Works and Energy	65,284,108	64,250,494	67,463,019
Social Protection and Empowerment	Sports, Youth affairs, ICT and Social Services	36,765,205	35,742,302	37,529,417
	Education and Technical Training	212,627,608	216,736,544	227,573,371
Health ,Water and Sanitation	Health and Sanitation	1,384,063,728	1,461,878,154	1,534,972,062
	Water, Lands, Environment and Climate Change Management	73,790,588	73,112,006	76,767,606
Productive and Economic Sector	Tourism, Culture, Wildlife, Trade and Industry	36,933,765	35,086,495	36,840,820
	Agriculture and irrigation	96,763,394	100,653,823	105,686,514
	Livestock Production, Fisheries and Cooperatives Development	93,430,957	96,058,255	100,861,168
TOTALS		**3,135,267,095**	**3,187,795,008**	**3,347,184,758**

Annex 4: Development Sector Ceilings for the MTEF Period 2018/19 – 2020/21

SECTOR	DEPARTMENT/ SUB SECTOR	APPROVED	ESTIMATES	PROJECTIONS
		2018/19	2019/20	2020/21
Public Service Administration & Governance	Office of the Governor & Executive Administration			
	County Assembly	1,126,826	1,028,790	
	Finance & Economic Planning			
	Public Service Management and County Administration	76,672,693	1,629,292	32,541,493
	County Public Service Board	479,000		0
Infrastructure	Roads, Transport, Public Works and Energy	478,048,627	470,912,642	274,042,256
Social Protection and Empowerment	Sports, Youth affairs, ICT and Social Services	117,758,353	129,722,400	81,353,733
	Education and Technical Training	384,989,769	360,017,259	127,852,778
Health ,Water and Sanitation	Health and Sanitation	478,889,876	646,776,275	311,480,158
	Water, Lands, Environment and Climate Change Management	553,569,918	438,798,148	256,832,700
Productive and Economic Sector	Tourism, Culture, Wildlife, Trade and Industry	54,624,222	27,902,398	32,541,493
	Agriculture and irrigation	277,928,650	342,219,054	210,275,548
	Livestock Production, Fisheries and Cooperatives Development	41,721,572	83,793,128	97,624,480
TOTALS		**2,465,809,506**	**2,552,799,386**	**1,424,544,639**

Annex 5: Budget Process Activity Calendar for FY 2019/20 MTEF Budget

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

No.	TIMELINE	BUDGET ACTIVITY
1.	30th August	County Executive Committee member for Finance issues budget circular to all county entities. s.128 of **PFM Act, 2012** **The circular contains limits (ceilings) of each department/entity as recommended, key policy areas and issues to be taken into consideration when preparing the budgets**
2.	1st September	County Executive Member for Planning submits **Annual Development Plan** (ADP) to County Assembly for approval, with copy to the CRA and National Treasury as per s.126(3) **of PFM Act, 2012** The ADP contains long term and medium term plans as per **s.125(1)(a) of PFM Act, 2012**
3.	30th September	**County Budget Review and Outlook Paper** (CBROP) to be prepared by county treasury and submitted to the county executive committee. CBROP will cover: (a) Details of actual fiscal performance in the previous year compared to the budget appropriation (b) Updated fiscal and economic forecasts (c) Changes in forecasts from the county fiscal strategy paper (d) How actual fiscal performance affected compliance with fiscal responsibility principles and Budget Policy Statement. **s.118(1)-(2) of PFM Act, 2012** County Executive committee considers and approves CBROP with or without amendments **s.118(3) of PFM Act, 2012** County Treasury causes CBROP to be laid before county assembly. **s.118(4)(a) of PFM Act, 2012** County Treasury to Submit the **Finance Bill** to the County Assembly for Approval
4.	By 15th October	CBROP is published and publicized **s.118(4)(b) of PFM Act, 2012**
5.	28th February	County Treasury prepares and submits **County Fiscal Strategy Paper** (CFSP) to the County Assembly. The CFSP must be aligned to national objectives in the Budget Policy Statement. **s. 117(1)&(2) of PFM Act, 2012** In preparing the **CFSP**, the County Treasury will seek the views of the CRA, the public, interested persons or groups and any forum that is established by legislation.

		s.117(4) of PFM Act, 2012 County Treasury will submit the CFSP to the county executive committee for approval before submission to the County Assembly **s. 117(1) of PFM Act, 2012**
6.	14th March	County Treasury submits **County Debt Management Strategy** to County Assembly. **s.123(1) of PFM Act, 2012** County Executive Member for Finance submits copy of County Debt Management Strategy to CRA and Intergovernmental Budget and Economic Council. **s.123(3) of PFM Act, 2012**
7.	14th March	Within 14 days of the County Fiscal Strategy being submitted to the county assembly, the county assembly shall consider and adopt it with or without amendments. **s.117(6) of PFM Act, 2012**
8.	21st March Mid-March to Mid-April	County Fiscal Strategy Paper to be published and publicized. **s.117(8) of PFM Act, 2012** Public participation for Budget Estimates
9.	30th April	County CEC Finance submits **budget estimates** to county assembly. Must be in line with resolutions of the Assembly on the County Fiscal Strategy Paper. **s. 129(2) of PFM Act, 2012**
10.	30th April	County Assembly clerk submits **Budget Estimates for County Assembly** with a copy to the CEC Finance **s.129(3) of PFM Act, 2012**
11.	15th May	CEC Finance publishes and publicizes Budget Estimates. **s.129(6) of PFM Act, 2012**
12.	15th May	CEC Finance presents **comments on the budget estimates to the county assembly** **s.129(4) of PFM Act, 2012**
13.	15th June	County government must submit annual **cash flow projection** to the Controller of Budget. **s.127(1) of PFM Act, 2012**
14.	Before County Assembly considers the estimates	Before County Assembly considers the estimates the relevant committee of the County Assembly shall meet and consider the estimates and make **recommendations** to the County Assembly, but should take into account the views of the CEC Finance. **s.131(2) of PFM Act, 2012**
15.	30th June	County assembly to consider estimates with a view to approving with or without amendments in time for the **county appropriation law** to be passed by 30th June. **s.131 s.131(2) of PFM Act, 2012**
16.	30th June	County Assembly may amend estimates only if a) any proposed increase is balanced with reduction in another appropriation and

		b) any proposed reduction is used to reduce the deficit. **s.131(3) of PFM Act, 2012**
17.	30th June	After county assembly has approved estimates, CEC for finance shall prepare and submit a **County Appropriation Bill** to the county assembly. **s.129(7) of PFM Act, 2012**
18.	30th June	Appropriation Bill to be passed by the County Assembly **s.131(1) of PFM Act, 2012**
19.	As soon as the Budget Estimates have been approved	CEC Finance makes a pronouncement on **revenue raising measures**. **s.132(1) of PFM Act, 2012** At the same time as making the pronouncement under s.132 (1) the CEC Finance must submit the **Finance Bill** to the county assembly. **s.132(2) s.131(1) of PFM Act, 2012**
20.	As soon as the Budget Estimates have been approved	County Assembly may consider the revenue measures but must (a) ensure the total amount of revenue is consistent with the fiscal framework and the County Allocation of Revenue Act, and (b) must take into account various matters including the recommendation of the CEC Finance. **s.132(3) & (4) of PFM Act, 2012**
21.	Not later than 90 days after Appropriation Act passed	County Assembly must consider the Finance Bill and approve with or without amendments. **s.133 of PFM Act, 2012**