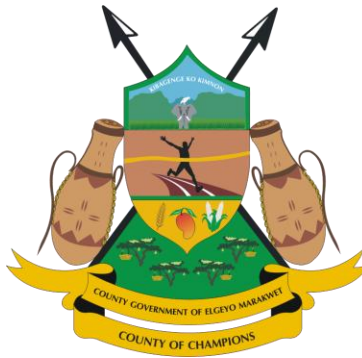




COUNTY GOVERNMENT OF ELGEYO MARAKWET

THE COUNTY TREASURY

COUNTY BUDGET REVIEW AND OUTLOOK PAPER (CBROP)

SEPTEMBER 2017

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FOREWORD

The County Budget Review and Outlook Paper (CBROP) is one of the budget policy documents that enhance financial discipline and fiscal responsibilities within the county's financial management framework as provided for in the Public Finance Management (PFM) Act 2012. The CBROP presents the fiscal outcome for the most previous Financial Year and how these outcomes affect financial objectives set out in that year's County Fiscal Strategy Paper (CFSP).

Consequently, this 2017 CBROP being the 5th after the enactment of devolved governance presents the fiscal framework which provides a strong basis for building a common future under the new constitutional dispensation regarding Fiscal discipline and accountability.

Fiscal discipline will seek to ensure that the county's development entities are able to work towards improving the residents' livelihoods by instituting mechanisms that enhances financial efficiency, effectiveness and be economical. The county is committed to maintain the trend of economic growth and development as desired by the residents. Towards this end, the county will always strive to ensure that there is transparency and accountability by providing feedback on the county's performance indicators as required by the Constitution and the Public Finance Management Act, 2012 and county Public Finance Management Regulations Act, 2015.

Based on this backdrop, this CBROP has been prepared so as to present a review of the fiscal performance for 2016/17 Financial Year.

This document is organized into five chapters. Chapter one highlights the legal justification and objectives of CBROP. Chapter two reviews the fiscal performance for 2016/17 financial year. Chapter three explains the recent economic developments and outlook. Chapter four details the resource allocation framework for 2016/17 financial year. Chapter five is the conclusion and recommendations

STEPHEN BIWOTT
CEC, FINANCE AND ECONOMIC PLANNING

ACKNOWLEDGEMENTS

This County Budget Review and Outlook Paper (CBROP) was prepared with the support and generous contribution of many individuals and entities. The county would thus like to appreciate the role played by these individuals and institutions

A core team of officers comprising mainly of the staff at the Budget Unit undertook the process of preparing this CBROP document. These officers led by Mr. John Keen, the Director of

Budget supported by Accountants based at the Budget Unit; Mr. Hezron Kipsang and Kipkorir Kibirong spent a significant time preparing this document.

This core team undertook the preparation task with the guidance of Mr. Stephen Biwott and Mr. Jeremiah Changwony who are the Finance and Economic Planning Executive Committee member (CECM) and Chief Officer respectively, not forgetting Mr. Oscar K. Lomunan, who is the County Budget Co-ordinator from the Office of the Controller of Budget for his inputs and advise from the previous analysis of all the Budget documents that culminated into this very important document. This is therefore to extend the county's gratitude to them and all others who were involved in the CBROP preparation process

JEREMIAH CHANGWONY
CHIEF OFFICER, FINANCE AND ECONOMIC PLANNING

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	Fiscal Year
GDP	Gross Domestic Product
MTEF	Medium-Term Expenditure Framework
PFMA	Public Financial Management Act

CHAPTER ONE

: INTRODUCTION

1.1 Background

This County Budget Review and Outlook Paper (CBROP) is the 5th 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 CBROP contains a review of the fiscal performance of the financial year 2016/17, updated macroeconomic forecast, and the experiences in the implementation of the budget estimates for financial year 2016/2017.

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

The County 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 prudence and transparency in the management of public resources. The PFM law under Section 107 (b) states that:

1. The County government recurrent expenditure shall not exceed the county government's total revenue.
2. Over the medium term a minimum of 30% of the county government's budget shall be allocated to development expenditure.
3. The county governments expenditure on wages and benefits to employees shall not exceed a percentage of the county government's total revenue by regulations.
4. Over the medium term, the government's borrowings shall only be used only for the purpose of financing development expenditure only; and short term borrowings shall only be restricted to management of cash flows and shall not exceed five (5%) of most recent audited county government revenue,
5. The County debt shall be maintained at a sustainable level as approved by County assembly.
6. Fiscal Risks shall be managed prudently
7. A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in future.

1.4 Objectives of CBROP

The objective of the 2017 CBROP is to provide a review of the previous fiscal performance in the financial year 2016/2017 and how this impacts the financial objectives and fiscal responsibility principles set out in the last Fiscal Strategy Paper (CFSP 2017). 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. PFM Act 2012 has set high standard for compliance with the MTEF budgeting process.

CHAPTER TWO:

REVIEW OF FISCAL PERFORMANCE IN 2016/17

2.0 OVERVIEW

The 2017 CBROP is drawn based on the priorities of the County Government Administration, and emerging challenges in the county. Prioritization of resource allocation was based on the County Integrated Development Plan 2013-2017, broad development policies of the County Government short term as well as the medium term priorities identified during the County-wide public consultative forums held across the county. In this paper, provisional indicative sector ceilings for the 2018/19 budget have been set informed by the forecasted revenues. These Ceilings set in motion the budget preparation for the Fiscal Year 2017/18 in line with the PFM Act, 2012.

2.1 OVERVIEW OF FISCAL PERFORMANCE 2016/17

During the period under review, the county government had a total budget of Ksh 4,739,167,911 which comprised of Ksh. 2,886,759,632 as recurrent budget and Ksh 1,852,408,279 as development budget. The fiscal performance was generally satisfactory despite shortfall in local revenue collection. The fiscal performance for the year 2016/2017 is as tabulated here below:

Table 1: Fiscal outturn in FY 2016/17

<u>FISCAL OUTTURN IN FY 2016/17</u>				
<u>ITEM</u>				
<u>A) REVENUES</u>				
<u>EXTERNAL REVENUES</u>	<u>Approved Budget</u>	<u>Actual 2016/2017</u>	<u>Deviation</u>	<u>% Performance</u>
Central Government Transfers (CRA Share)	3,528,847,275	3,528,847,275	0	100%
WORLD BANK	56,932,570	56,932,570	0	100%
RMLF (ROADS)	54,220,715	54,220,715	0	100%
C.A.MAT.H/CARE	50,228,374	43,897,500	6,330,874	87%
C.A.USER FEES	8,956,070	8,956,070	0	100%
DANIDA HSSF	10,400,000	10,400,000	0	100%

WORLD BANK KDSP	23,875,566	0	23,875,566	0%
ROLLED OVER FUNDS	845,686,228	845,686,228	0	100%
National Treasury Reimbursements	0	79,812,000	-79,812,000	0%
Retention Monies held in trust	0	53,393,848.55	-53,393,849	0%
INTERNAL SOURCES				
Locally Raised Revenue	160,021,113	97,323,973	62,697,140	61%
TOTAL REVENUE	4,739,167,911	4,779,470,180	-46,633,143	101%
B) EXPENDITURES				
RECURRENT EXPENDITURES	2,886,759,632	2,796,988,503	89,771,129	97%
DEVELOPMENT EXPENDITURES	1,852,408,279	1,167,667,198	684,741,081	63%
TOTAL EXPENDITURES	4,739,167,911	3,964,655,701	774,512,210	84%

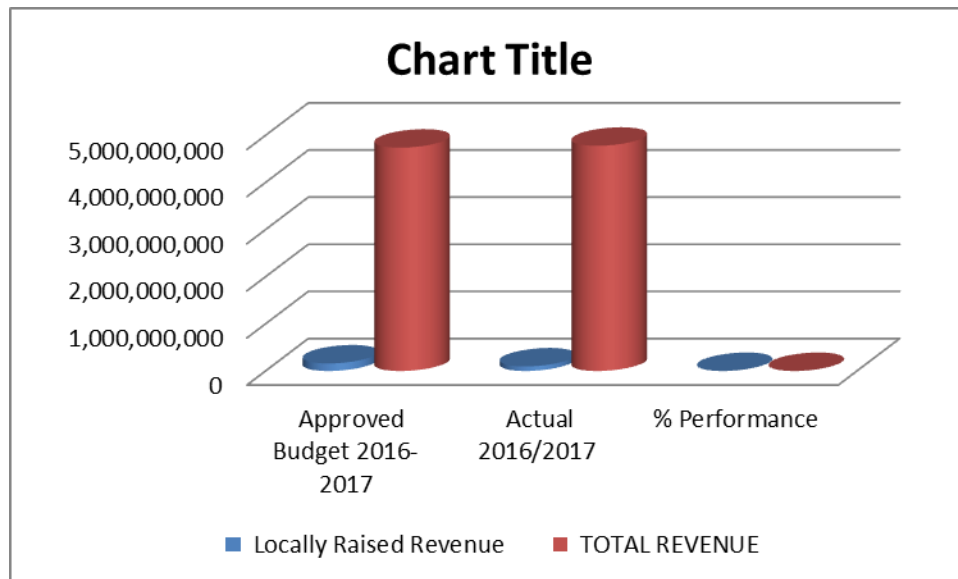
2.2 Revenue Performance

By the end of June 2017, total cumulative revenue including National Government transfers amounted to Ksh 4,536,478,191 against an approved budget of Ksh 4,739,167,911 representing 77.88 percent achievement. This represented a deviation of Ksh 69,028,014. This shortfall was mainly on account of deviation in local revenues amounting to Ksh 62,697,140 and un-received conditional grants amounting to Ksh 6,330,874. The County local revenue collection was below par.

2.2.1 Internal Revenue

Total actual local revenues amounted to Ksh 97,323,973 against a budget of Ksh 160,021,113. The shortfall in internal revenue in 2016/17 was Ksh 62,697,140. Tax evasion from the rate payers and Insecurity along Kerio valley region of the County contributed to the low performance in local revenues.

Figure 1: Revenue Performance



2.2.2 External Revenue

By end of the Fiscal period 2016/17, the national government had released a total of Ksh 4,536,478,191 including Ksh 139,992,580 being conditional grants and rolled over funds of Ksh.845, 686,228

2.3 COUNTY EXPENDITURE PERFORMANCES

The total expenditure amounted to Ksh 3,964,655,702 against an approved budget of Ksh 4,739,167,911, representing an under spending of Ksh 774,512,210. This is attributed to low absorption rates of development expenditures by the sectors. Absorption rate for development was 48% while that of recurrent vote stood at 96%. The aggregate absorption rate of the 2016/17 resource outlay stood at 78%. Detailed analyses of these expenditures are tabulated in table 2 below.

Table 2: Total Expenditure

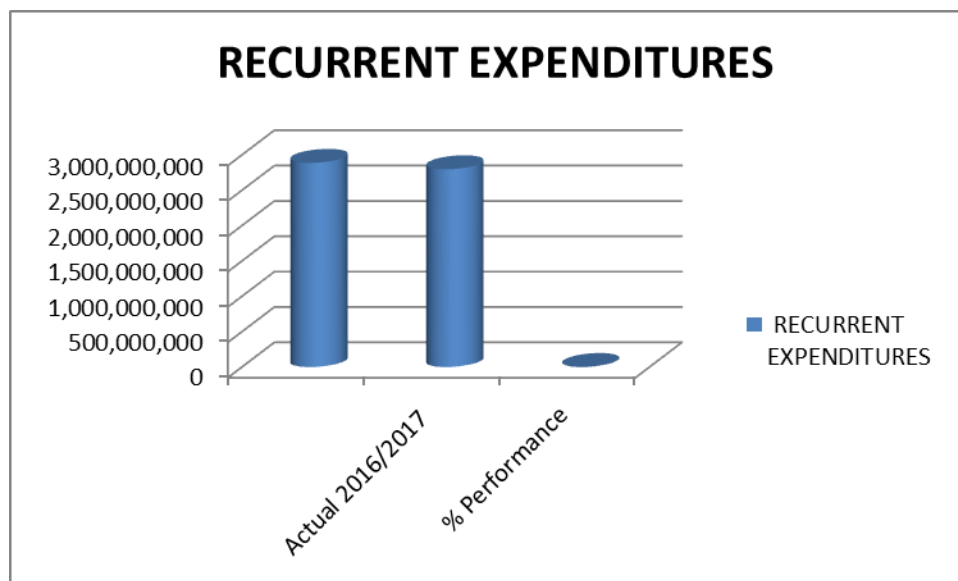
	DEPARTMENT	RECU RRENT F/Y 16/17	DEVELO PMENT F/Y 16/17	TOTAL	ACTU AL	DEVIA TION (SAVI NGS) IN KSHS	DEVIA TION IN %	ACTUAL 16/17	ACTUAL 16/17	
		(BUDG ETED)	(BUDGE TED)	(BUDG ETED)				DEVELO PMENT	RECUR RENT	

1	OFFICE OF THE GOVERNOR/DG	171,535,232	36,370,695	207,905,927	157,979,816	49,926,111	24	3,181,021	154,798,794	157,979,816
2	ADMINISTRATION	29,885,805	-	29,885,805	25,140,836	4,744,969	16	-	25,140,836	25,140,836
3	COUNTY ASSEMBLY	467,089,372	17,496,769	484,586,141	468,510,357	16,075,784	3	8,169,701	460,340,656	468,510,357
4	FINANCE & ECONOMIC PLANNING	212,362,913	1,929,330	214,292,243	186,766,381	27,525,862	13	1,421,778	185,344,603	186,766,381
5	ROADS, PUBLIC WORKS & TRANSPORT	70,078,895	377,612,402	447,691,297	381,670,497	66,020,800	15	313,834,653	67,835,844	381,670,497
6	YOUTH, SPORTS, CULTURE, GENDER	19,804,110	116,735,465	136,539,575	88,002,723	48,536,852	36	69,227,790	18,774,934	88,002,723
7	EDUCATION & T.TRAINING	177,821,943	340,269,198	518,091,141	396,193,626	121,897,515	24	220,919,198	175,274,429	396,193,626
8	HEALTH SERVICES	1,281,690,199	235,750,428	1,517,440,627	1,391,262,646	126,177,981	8	125,094,168	1,266,168,479	1,391,262,646
9	TRADE, TOURISM, CO-OPERAT. DEVELOP.	56,107,183	110,347,310	166,454,493	122,403,607	44,050,886	26	68,431,095	53,972,512	122,403,607
10	WATER, IRRIGATION, & ENVIRONMENT	77,009,539	344,808,850	421,818,389	278,091,827	143,726,562	34	203,889,269	74,202,559	278,091,828
11	AGRICULTURE	182,597,590	199,957,354	382,554,944	303,087,621	79,467,324	21	124,089,977	178,997,644	303,087,621
12	COUNTY PUBLIC SERVICE BOARD	34,848,857	1,512,445	36,361,302	34,812,706	1,548,596	4	1,020,300	33,792,406	34,812,706
13	I.C.T. & PUBLIC SERVICE	105,927,994	69,618,033	175,546,027	130,733,058	44,812,970	26	28,388,249	102,344,808	130,733,058
	TOTALS	2,886,759,632	1,852,408,279	4,739,167,911	3,964,655,701	774,512,210		1,167,667,198	2,796,988,504	3,964,655,702

2.3.1 RECURRENT EXPENDITURE

Total Recurrent Expenditure amounted to Ksh 2,796,988,503 against an approved budget of Ksh 2,886,759,632 reflecting an absorption rate of 96.89%.

Figure 2: Recurrent Expenditures

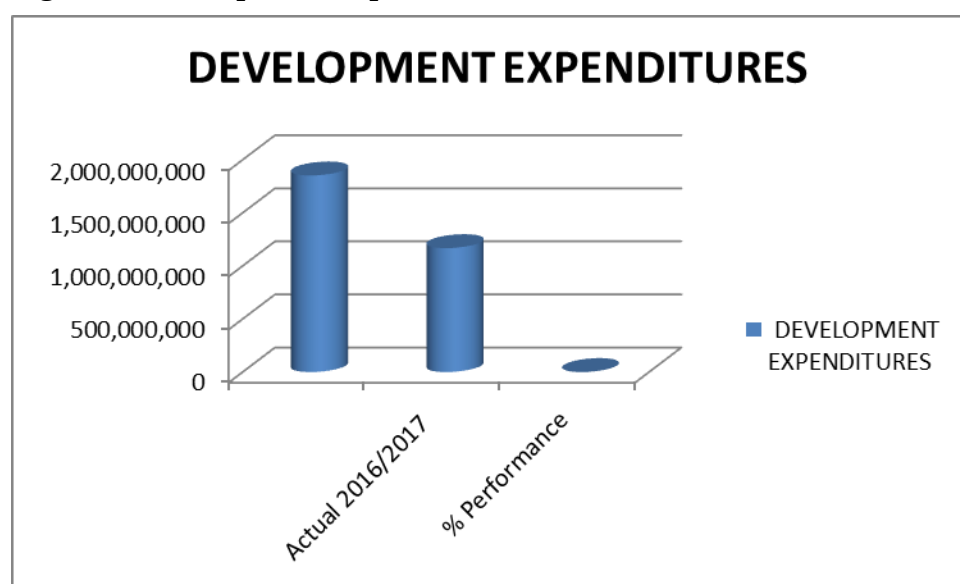


Out of the total recurrent expenditure, Ksh 1,992,785,268 was in respect of compensation to employees, representing 71% of total expenditure. Total cumulative operational and maintenance expenditures amounted to Ksh 804,203,234 including that of County Assembly, representing only 29% of total recurrent expenditures.

2.3.2 DEVELOPMENT EXPENDITURE

Total cumulative development expenditure by the end of financial year 2016/17 amounted to Ksh 1,167,667,198 against an approved budget Ksh. 1,852,408,279 This reflects an absorption rate of 63%. This average performance is attributed to challenges in IFMIS, procurement process in the first half of the financial year and ex-chequer disbursements for the year under review.

Figure 3: Development Expenditures



2.4 2016/17 FINANCING AND BALANCE

The FY 2016/17 financing as reflected shows a performance in revenue of Ksh. 4,565,533,896 against an approved budgeted expenditure of Ksh.4,716,495,046. This then means in actual terms the budget was under financed by Ksh.150, 961,150 (3.2 per cent). The Fiscal deficit was addressed by downscaling recurrent expenditure.

2.5 IMPLICATION OF 2016/17 FISCAL PERFORMANCE ON FISCAL RESPONSIBILITY PRINCIPLES AND FINANCIAL OBJECTIVES CONTAINED IN THE 2017 COUNTY FISCAL STRATEGY PAPER

The performance in the FY 2016/17 affected the financial objectives set out in the 2017 County Fiscal Strategy Paper and the Budget for FY 2017/2018 in the following ways; The projections for revenue and expenditure though in line with the outcome might need slight adjustments to revenue projections as necessary to reduce chances of generating more rolled overs and pending bills at the end of the period. Similarly, the pending bills and rollovers are being accommodated in the FY2017/18 and will be included in the 2017/18 First supplementary budget to be expensed. The 2017/18 revenue estimates were maintained since the previous estimate targets were not achieved hence no rationale of increasing. In the same breath, the baseline ceilings for the formulation of the CFSP 2018 will be based on the adjusted CFSP 2017. The fiscal outlook will broadly remain as indicated in the County Fiscal Strategy Paper 2017.

The under-spending in both recurrent and development budget for the FY 2016/17 additionally has implications on the base used to project expenditures in the FY 2017/18 and the medium

term. Appropriate revisions have been undertaken in the context of this CBROP, taking into account the budget out-turn for 2017/18. The County Treasury will work closely with the implementing departments to improve resource absorption especially through the budget implementation committees and at the same time work out revenue targets with revenue generating departments to ensure that the revenues are collected as projected.

Table 3 below provides comparison between the updated fiscal projections in the CBROP 2016/17 and the County Fiscal Strategy Paper 2016, and the Approved estimates for the FY 2016/17 and in the medium term.

Table 3: Comparison of Fiscal projections

FISCAL OUTTURN IN FY 2016/17

ITEM

A) REVENUES

<u>EXTERNAL REVENUES</u>	<u>Approved Budget</u>	<u>Actual 2016/2017</u>	<u>Deviation</u>	<u>% Performance</u>
Central Government Transfers (CRA Share)	3,528,847,275	3,528,847,275	-	100.00
WORLD BANK	56,932,570	-	56,932,570	-
RMLF (ROADS)	54,220,715	54,220,715	-	100.00
C.A.MAT.H/CARE	50,228,374		50,228,374	-
C.A.USER FEES	8,956,070	-	8,956,070	-
DANIDA HSSF	10,400,000	10,400,000	-	100.00
WORLD BANK KDSP	23,875,566	-	23,875,566	-
ROLLED OVER FUNDS	845,686,228	845,686,228	-	
INTERNAL SOURCES	-	-	-	-
Locally Raised Revenue	160,021,113	97,323,973	62,697,140	60.82
TOTAL REVENUE	4,739,167,911	4,536,478,191	202,689,720	95.72
B) EXPENDITURES				
RECURRENT EXPENDITURES	2,886,759,632	2,796,988,503	89,771,129	96.89
DEVELOPMENT EXPENDITURES	1,852,408,279	1,167,667,198	684,741,081	63.04
TOTAL EXPENDITURES	4,739,167,911	3,964,655,701	774,512,210	83.66

The Approved budget for FY 2016/17 incorporates an estimated revenue projection of Ksh. 160,021,113, compared to Ksh 149,980,000 in FY 2015/2016 projection.

The county shall continue to focus policies on the following priorities so as to enhance social service delivery and support growth of the economy:

- Maintaining a prudent fiscal stance and improving the quality and efficiency of public spending remains priorities to create fiscal space for well-targeted social programs and increasing infrastructure investment.
- Investing in social welfare services and county infrastructure to improve competitiveness and unlock the county's potential.
- Enhancing efforts to mobilize local revenues and strengthen controls in revenue leakages.
- Strengthening capacity-building in public financial management to ensure that the high expectations linked to devolution are met.
- Entrenching program budget and enforce execution of the development budget as planned.

CHAPTER THREE:

RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

3.1 Macroeconomic Outlook

The performance of the county was largely dependent on the country's economic performance as well as formulation and implementation of prudent policies by the County Government (CG). In the F/Y 2016/2017 the country and county government operated under a stable macroeconomic environment. Improved external environment and a sustained strong internal demand favoured growths in many sectors of the economy in FY 2016/17.

3.2 Challenges

The challenges experienced in the financial year under review include; low local revenue collection, caused by insecurity in the lower part of the Kerio Valley region and Evasion by rate payers. As opposed to the previous year, the disbursement of funds by Exchequer was timely. Institutional frameworks and systems have not been fully operational thereby hindering effective service delivery.

3.1.1 Growth Prospects

The County Government of Elgeyo Marakwet is endeavored to achieve a broad-based expansion touching in all sectors of the economy. Emphasis was given to key sectors of Education development, infrastructural investment, environment and the supportive service in the agriculture.

Going forward, the county government will continue to invest in agricultural infrastructure and equipment to promote value addition. The government will continue investing in social-economic sectors of education, health and social protection. Expansion of road networks, clean and safe drinking water will also be prioritized

3.2 Implementation of 2017/2018 Budget

The departments have commenced the implementation of the FY 2017/18 Budget.

It is anticipated that there will be higher absorption by all the departments as there will be improvements in county structures to enable the departments to carry out their functions based on their strategic priorities as set out in the budget policy documents such as ADP, CIDP, and CFSP among others.

The efforts for achievements of own revenue collections target remain on track. The revenue department is currently mapping out ways of sealing revenue leakages in order to improve revenue collections. It is expected that the implementation and operationalization of the Elgeyo/ marakwet Revenue collection and the ongoing automation of the revenue collection/billing mechanisms will enhance achievement of the revenue targets. Furthermore, the revenue department is improving internal control systems to enhance revenue collection on existing streams

3.3 Medium Term Fiscal Framework

The county will continue to pursue prudent fiscal policy to ensure economic stability which support economic activities while allowing for implementation of programmes within sustainable public financial management.

The County government has put in place funds through Cooperatives revolving fund to spur growth through youth and cooperative societies. This will raise income levels and encourage saving dynamisms, which will translate to high rates of investments. The County will continue to encourage both local and international tourism by investing through tourism/investment forum so as to establish, promote and rehabilitate tourism attraction sites across the county. The county has set aside funds to support farmers with farm inputs such as subsidized fertilizers and hybrid seeds, in addition to encouraging adoption of modern farming skills by farmers.

With respect to revenue, the County Government hopes to improve revenue collections estimated to be Ksh 160,021,113 in the first and second half of 2017/2018 fiscal year. Measures to achieve this effort include enhanced compliance of finance bill with enhanced administrative measures and sealing of revenue leakages. The county will also widen the tax base and review all levies and charges in the proposed 2017 finance bill in order to simplify and modernize them.

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3.4 Fiscal Risks to the Outlook

The macroeconomic management and performance of most of the sectors at the National level have a ripple effect on how some sectors in the county will perform. The risks to the outlook for 2017/18 and the medium-term include continued weak growth in advanced economies that will impact negatively on our exports and tourism activities. Policy priorities to address the risks to economic growth are; support demand through tax reforms and spending reprioritization and; adopt structural reforms to raise production and remove production bottlenecks.

The main risk to the county outlook remains the challenges associated with the timely release of resources from the National Government to the Counties. The observed delays in effecting the transfer of funds to the County will definitely affect the performance if they recur. However, the county shall engage the concerned institutions for timely release of funds. Secondly, the county revenue projections are subject to a number of general risks that can affect collections. These include resistance that may arise from County Finance Bill, 2017, tax evasion and avoidance, weak revenue administrative structures and significant fluctuations in major revenue sources due to changes in the economic environment. These challenges may result in a significant deviation from revenue projections and consequently lead to huge unfunded budget deficits as has been observed in the past.

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

3.5 Summary of Sectoral Priorities

Development initiatives that will be implemented in the coming Fiscal Years are contained in the 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 processes for the county in the respective sectors.

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

CHAPTER FOUR:

RESOURCE ALLOCATION FRAMEWORK

4.1 Adjustment to 2017/18 Budget

Adjustments to the 2017/18 budget will take into account the actual performance of expenditure so far and absorption capacity in the remainder of the financial year. The focus will be on accelerating the absorption of available resources in the implementation of programmes and projects. Measures will also be put in place to improve the collection of local revenue which has remained relatively below the target. Resources earmarked for development purposes will be utilized for development projects and will not be expended as recurrent.

In order to ensure effective utilization of public finances, resource allocation and utilization in the coming financial years in the medium term will be guided by the following;

- i. Ongoing projects
- ii. Emerging priorities
- iii. Revised County Integrated Development Plan (CIDP 2013-2017)
- iv. PFM Act, 2012
- v. Medium Term Plan II (2013-17)

The County Public Service Board is expected to restructure the workforce. The recommendations in various staff audit reports will be applied in coming up with a new institutional management structures aimed at improving efficiency in service delivery.

4.2 Medium-Term Expenditure Framework

As is the case for the Budget for FY 2017/18, the next budget will be based on the 2013-2018 third Medium Term Plan together with the Governments' strategic priorities. Relevant policies, strategies and projects have been incorporated into the Annual Development plan for 2018/19. With the County Government's commitment in improving infrastructure countywide, the share of resources going to priority physical infrastructure sector, such as roads, street lighting and water will continue to rise over the medium term period. This will help the sector provide quality and reliable services

The priority social-economic sectors will continue to receive adequate resources to promote development. The Health, Education and social service sectors will receive significant share of resources in the budget in coming years. The sector actors are thus required to utilize the allocated resources more efficiently in order to generate fiscal space to accommodate other strategic interventions like disease outbreaks and improved agriculture productivity.

The economic sectors including agriculture and livestock will receive increasing share of resources to boost agricultural productivity with a view to promote value addition and deal with threats in food security in the country. In addition, the priority programmes under tourism, wildlife, agriculture, trade, industry and cooperatives will be allocated adequate resources based on programme based budgeting

.

4.3 2018/19 Budget Framework

The medium term fiscal framework for 2018/19 is set based on the fiscal framework outlined above and the macroeconomic environment of the National economy. Real GDP is projected to grow to reach 7 per cent over the medium term, underpinned by continued good performance across all sectors of the economy. Inflation is expected to be maintained within the target of 5 per cent, reflecting continued implementation of a prudent monetary policy and stable food and oil prices.

4.4 Revenue projections .

The 2017/18 budget targets internal revenue collections of Ksh. 160,291,113 and national government transfers amounting to over Ksh.3, 836,752,705. These projections are revenue based and will be underpinned by reforms spelt out in Finance Bill. As such, total revenues projection is Ksh. 3,997,043,818. The targets for FY 2018/19 are Kshs 4,182,060,448 central government transfers and Kshs 174,717,313 local revenue collections.

4.5 Expenditure Forecasts

In the 2017/18 budget, overall expenditure is estimated at Kshs 3,997,043,818. The recurrent expenditure is estimated at Kshs. 2,635,779,450 while developments vote will carry Kshs. 1,361,264,368. The allocation for development is 34 per cent above the minimum set out in the PFM Act 2012 and in other recommended best practices. The targets for FY 2018/19 are Kshs. 2,872,999,600.recurrent and Kshs. 1,483,778,161 development.

CHAPTER FIVE:

CONCLUSION AND WAY FORWARD

5.1 CONCLUSION AND WAY FORWARD

The fiscal outcome for 2016/17 together with the updated fiscal projections has had implication of the financial objectives elaborated in the County Integrated Development Plan 2013-2017 and the fiscal responsibility principles outlined in the PFM law. The county departments are urged to identify, prioritize, and allocate resources within the available ceilings. The departments should adhere to programme based budgeting in allocating resources and adopt strategies that improves the rate of absorption going forward.

ANNEXES

Annex 1: County Government Operations 2014/15 - 2018/19

	RECUR RENT 2014/15	DEVELO PMENT 2014/15	TOTA LS 14/15	RECUR RENT 2015/16	DEVELO PMENT 2015/16	TOTA LS 15/16	RECUR RENT 2016/17	DEVELO PMENT 2016/17	TOTA LS 16/17	RECUR RENT 2017/18	DEVELO PMENT 2017/18	TOTA LS 17/18	RECUR RENT 2018/19	DEVELO PMENT 2018/19	TOTA LS 18/19
OFFICE OF THE GOVERNOR	146,951, 792	70,684,93 2	217,636 ,724	81,468,8 07	31,692,49 6	113,161 ,303	171,535, 232	36,370,69 5	207,905 ,927	90,020,9 32	0	90,020, 932	98,122,8 16	-	98,122, 816
ADMINISTRATION	66,791,0 57	-	66,791, 057	23,352,3 43	-	23,352, 343	29,885,8 05	0	29,885, 805	30,870,0 43	0	30,870, 043	33,648,3 47	-	33,648, 347
COUNTY ASSEMBLY	328,372, 997	55,193,26 5	383,566 ,262	426,069, 363	44,964,11 3	471,033 ,476	467,089, 372	17496769	484,586 ,141	467,059, 372	0	467,059 ,372	509,094, 715	-	509,094 ,715
FINANCE & ECONOMIC PLANNING	164,757, 314	19,823,21 3	184,580 ,527	164,736, 480	28,637,87 4	193,374 ,354	212,362, 913	1929330	214,292 ,243	196,023, 234	0	196,023 ,234	213,665, 325	-	213,665 ,325
ROADS, PUBLIC WORKS & TRANSPORT	45,377,0 27	439,779,9 64	485,156 ,991	77,630,6 46	268,577,3 49	346,207 ,995	70,078,8 95	377,612,4 02	447,691 ,297	61,235,4 96	271,622,9 26	332,858 ,422	66,746,6 91	296,068,9 89	362,815 ,680
YOUTH, SPORTS, CULTURE, GENDER	27,603,3 25	97,107,41 5	124,710 ,740	25,430,4 85	120,385,8 46	145,816 ,331	19,804,1 10	116,735,4 65	136,539 ,575	30,237,1 13	91,884,63 2	122,121 ,745	32,958,4 53	100,154,2 49	133,112 ,702
EDUCATION	169,452, 827	175,373,9 70	344,826 ,797	138,864, 570	241,274,3 53	380,138 ,923	177,821, 943	340,269,1 98	518,091 ,141	197,819, 802	186,505,0 00	384,324 ,802	215,623, 584	203,290,4 50	418,914 ,034
HEALTH SERVICES	918,454, 411	209,507,4 73	1,127,9 61,884	1,088,52 5,205	201,634,5 19	1,290,1 59,724	1,281,69 0,199	235,750,4 28	1,517,4 40,627	1,110,08 5,926	388,911,1 33	1,498,9 97,059	1,209,99 3,659	423,913,1 35	1,633,9 06,794
WATER, LANDS, HOUSING & PP	52,858,2 55	63,200,86 0	116,059 ,115	66,586,9 42	261,464,8 16	328,051 ,758	56,107,1 83	110,347,3 10	166,454 ,493	70,769,2 62	234,712,4 42	305,481 ,704	77,138,4 96	255,836,5 62	332,975 ,057
TRADE, TOURISM, CO- OPERATIVE DEVELOPMENT	27,754,0 94	56,405,09 0	84,159, 184	47,747,0 87	55,993,16 4	103,740 ,251	77,009,5 39	344,808,8 50	421,818 ,389	55,255,5 90	54,191,17 8	109,446 ,768	60,228,5 93	59,068,38 4	119,296 ,977
AGRICULTURE	175,153, 867	123,781,3 04	298,935 ,171	173,634, 860	131,162,5 57	304,797 ,417	182,597, 590	199,957,3 54	382,554 ,944	197,806, 710	97,623,13 8	295,429 ,848	215,609, 314	106,409,2 20	322,018 ,534
COUNTY PUBLIC SERVICE BOARD	42,472,6 77	-	42,472, 677	34,095,9 34	0	34,095, 934	34,848,8 57	1,512,445	36,361, 302	42,685,1 24	0	42,685, 124	46,526,7 85	-	46,526, 785
I.C.T. & PUBLIC SERVICE	119,501, 403	14,627,07 5	134,128 ,478	68,925,8 19	47,448,34 3	116,374 ,162	105,927, 994	69,618,03 3	175,546 ,027	85,910,8 46	35,813,91 9	121,724 ,765	93,642,8 22	39,037,17 2	132,679 ,994
TOTALS	2,285,50 1,046	1,325,484, 561	3,610,9 85,607	2,417,06 8,541	1,433,235, 430	3,850,3 03,971	2,886,75 9,632	1,852,408, 279	4,739,1 67,911	2,635,77 9,450	1,361,264, 368	3,997,0 43,818	2,872,99 9,601	1,483,778, 161	4,356,7 77,762

Annex 2: Total Sector Ceilings for the MTEF Period 2015/16 - 2018/19

Annex 2: Total Sector Ceilings for the MTEF Period 2015/16 - 2018/19					
	DEPARTMENT	2015/16	2016/17	2017/18	2018/19
1	OFFICE OF THE GOVERNOR/DEPUTY GOVERNOR	113,161,303	207,905,927	90,020,932	98,122,816
2	ADMINISTRATION	23,352,343	29,885,805	30,870,043	33,648,347
3	COUNTY ASSEMBLY	471,033,476	484,586,141	467,059,372	509,094,715
4	FINANCE & ECONOMIC PLANNING	193,374,354	214,292,243	196,023,234	213,665,325
5	ROADS, PUBLIC WORKS & TRANSPORT	346,207,995	447,691,297	332,858,422	362,815,680
6	YOUTH, SPORTS, CULTURE, GENDER	145,816,331	136,539,575	122,121,745	133,112,702
7	EDUCATION	380,138,923	518,091,141	384,324,802	418,914,034
8	HEALTH SERVICES	1,290,159,724	1,517,440,627	1,498,997,059	1,633,906,794
9	TRADE, TOURISM, CO-OPERATIVE DEVELOPMENT	103,740,251	166,454,493	109,448,768	119,299,157
10	WATER, IRRIGATION, & ENVIRONMENT	328,051,758	421,818,389	305,481,704	332,975,057
11	AGRICULTURE	304,797,417	382,554,944	295,429,848	322,018,534
12	COUNTY PUBLIC SERVICE BOARD	34,095,934	36,361,302	42,685,124	46,526,785
13	I.C.T. & PUBLIC SERVICE	116,374,162	175,546,027	121,724,765	132,679,994
	TOTALS	3,850,303,971	4,739,167,911	3,997,045,818	4,356,779,942

Annex 3: Recurrent Sector Ceilings for the MTEF Period 2015/16 - 2019/2020

	Department	ESTIMATES	ESTIMATES	ESTIMATES	PROJECTIONS	PROJECTIONS
		2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
1	Office of The Governor	81,468,807	171,535,232	90,020,932	98,122,816	106,953,869
2	Administration	23,352,343	29,885,805	30,870,043	33,648,347	36,676,698
3	County Assembly	426,069,363	467,089,372	467,059,372	509,094,715	554,913,240
4	Finance & Economic Planning	164,736,480	212,362,913	196,023,234	213,665,325	232,895,204
5	Roads, Public Works & Transport	77,630,646	70,078,895	61,235,496	66,746,691	72,753,893
6	Sports, Culture & Social Services	25,430,485	19,804,111	30,237,113	32,958,453	35,924,714
7	Education and Technical Training	138,864,570	177,821,943	197,819,802	215,623,584	235,029,707
8	Health Services	1,088,525,205	1,281,690,199	1,110,085,926	1,209,993,659	1,318,893,089
9	Water, Lands, Housing, and Physical Planning	66,586,942	56,107,183	70,769,262	77,138,496	84,080,960
10	Trade, Tourism, Co-op Development	47,747,087	77,009,539	55,255,590	60,228,593	65,649,166
11	Agriculture	173,634,860	182,597,590	197,806,710	215,609,314	235,014,152
12	ICT & Public Service	68,925,819	34,848,857	42,685,124	46,526,785	50,714,196
13	County Public Service Board	34,095,934	105,927,994	85,910,846	93,642,822	102,070,676
	TOTAL	2,417,068,541	2,886,759,633	2,635,779,450	2,872,999,601	3,131,569,565

Annex 4: Development Sector Ceilings for the MTEF Period 2015/16 - 2019/2020

	DEPARTMENT	ESTIMATES 2015/2016	ESTIMATES 2016/2017	ESTIMATES 2017/2018	PROJECTIONS 2018/2019	PROJECTIONS 2019/2020
1	Office of the Governor	31,692,496	36,370,695	-	-	-
2	Administration	-	-	-	-	-
3	County Assembly	44,964,113	17,496,769	-	-	-
4	Finance and Economic Planning	28,637,874	1,929,330	-	-	-
5	Public ,Works Roads and Transport	268,577,349	377,612,402	271,622,926	296,068,989	322,715,198
6	Youth Affairs, Sports ,Culture and Social services	120,385,846	116,735,465	91,884,632	100,154,249	109,168,131
7	Education and Technical Training.	241,274,353	340,269,198	186,505,000	203,290,450	221,586,591
8	Health Services	201,634,519	235,750,428	388,911,133	423,913,135	462,065,317
9	Water, Lands, Housing and Physical Planning	261,464,816	110,347,310	234,712,442	255,836,562	278,861,852
10	Trade Tourism Wildlife, Industrialization and Co-operative Development	55,993,164	344,808,850	54,191,178	59,068,384	64,384,539
11	Agriculture, Livestock and Fisheries Development	131,162,557	199,957,354	97,623,138	106,409,220	115,986,050
12	County Public Service Board	-	1,512,445	0	-	-
13	ICT and Public Service	47,448,343	69,618,033	35,813,919	39,037,172	42,550,517
	Total	1,433,235,430	1,852,408,279	1,361,264,368	1,483,778,161	1,617,318,196

Annex 5: Summary of Strategic Interventions for the MTEF Period 2015/16 - 2018/19

DEPARTMENT	AMOUNT	APPROVED 2015-16	APPROVED BUDGET 2016/2017	APPROVED BUDGET ESTIMATES 2017/18	PROJECTED BUDGET ESTIMATES 2018/19
Office of the Governor	TOTALS	113,161,303	207,905,927	90,020,932	98,122,816
	Recurrent	81,468,807	171,535,232	90,020,932	98,122,816
	Development	31,692,496	36,370,695		-
Administration	TOTAL	23,352,343	29,885,805	30,870,043	33,648,347
	Recurrent	23,352,343	29,885,805	30,870,043	33,648,347
	Development	-	-	-	-
County Assembly	TOTAL	471,033,476	484,586,141	467,059,372	509,094,715
	Recurrent	426,069,363	467,089,372	467,059,372	509,094,715
	Development	44,964,113	17,496,769	-	-
Finance and Economic Planning	TOTAL	193,374,354	214,292,243	196,023,234	213,665,325
	Recurrent	164,736,480	212,362,913	196,023,234	213,665,325
	Development	28,637,874	1,929,330	-	-
Roads, Public Works & Transport	TOTAL	346,207,995	447,691,297	332,858,422	362,815,680
	Recurrent	77,630,646	70,078,895	61,235,496	66,746,691
	Development	268,577,349	377,612,402	271,622,926	296,068,989
Sports, Culture & Social Services	TOTAL	145,816,331	136,539,575	122,121,745	133,112,702
	Recurrent	25,430,485	19,804,110	30,237,113	32,958,453
	Development	120,385,846	116,735,465	91,884,632	100,154,249
Education and Technical Training	TOTAL	380,138,923	518,091,141	384,324,802	418,914,034
	Recurrent	138,864,570	177,821,943	197,819,802	215,623,584
	Development	241,274,353	340,269,198	186,505,000	203,290,450
Health Services	TOTAL	1,290,159,724	1,517,440,627	1,498,997,059	1,633,906,794
	Recurrent	1,088,525,205	1,281,690,199	1,110,085,926	1,209,993,659
	Development	201,634,519	235,750,428	388,911,133	423,913,135
	TOTAL	328,051,758	166,454,493	305,481,704	332,975,057

Water, Lands, Housing and Physical Planning					
	Recurrent	66,586,942	56,107,183	70,769,262	77,138,496
	Development	261,464,816	110,347,310	234,712,442	255,836,562
Trade Tourism Wildlife, Industrialization and Co-operative Development	TOTAL	103,740,251	421,818,389	109,446,768	119,296,977
	Recurrent	47,747,087	77,009,539	55,255,590	60,228,593
	Development	55,993,164	344,808,850	54,191,178	59,068,384
Agriculture	TOTAL	304,797,417	382,554,944	295,429,848	322,018,534
	Recurrent	173,634,860	182,597,590	197,806,710	215,609,314
	Development	131,162,557	199,957,354	97,623,138	106,409,220
ICT & Public Service	TOTAL	116,374,162	175,546,027	121,724,765	132,679,994
	Recurrent	68,925,819	105,927,994	85,910,846	93,642,822
	Development	47,448,343	69,618,033	35,813,919	39,037,172
County Public Service Board	TOTAL	34,095,934	36,361,302	42,685,124	46,526,785
	Recurrent	34,095,934	34,848,857	42,685,124	46,526,785
	Development		1,512,445	-	
GRAND TOTAL	TOTAL	3,850,303,971	4,739,167,911	3,997,043,818	4,356,777,762
	Recurrent	2,417,068,541	2,886,759,632	2,635,779,450	2,872,999,601
	Development	1,433,235,430	1,852,408,279	1,361,264,368	1,483,778,161

Annex 6: Budget Calendar for FY 2017/18 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.	30 th August 2017	County Executive Committee member for Finance issues <u>budget circular</u> 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.	1 st September 2017	County Executive Member for Planning will submit <u>Annual Development Plan</u> (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.	30 th September 2017	<u>County Budget Review and Outlook Paper (CBROP)</u> will 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 will consider and approve CBROP with or without amendments s.118(3) of PFM Act, 2012 and Treasury circular on preparation of budget for 2017/18 FY County Treasury causes CBROP to be laid before county assembly. s.118(4)(a) of PFM Act, 2012
4.	By 15 th October 2016	CBROP will be published and publicized s.118(4)(b) of PFM Act, 2012 and Treasury circular on preparation of budget for 2017/18 FY
5.	31 st November 2016	County Treasury will prepare and submit 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 and Treasury circular on preparation of budget for 2017/18 FY 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 and Treasury circular on preparation of budget for 2017/18 FY 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 and Treasury circular on preparation of budget for 2017/18 FY
6.	14 th December 2017	County Treasury will submit County Debt Management Strategy to County Assembly. s.123(1) of PFM Act, 2012 and Treasury circular on preparation of budget for 2017/18 FY County Executive Member for Finance will submit copy of County Debt Management Strategy to CRA and Intergovernmental Budget and Economic Council. s.123(3) of PFM Act, 2012
7.	14 th December, 2017	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 and National Treasury circular on preparation of budget for 2017/18 FY
8.	21 st December, 2017	County Fiscal Strategy Paper to be published and publicized. s.117(8) of PFM Act, 2012 and National Treasury circular on preparation of budget for 2017/18 FY
9.	30 th April 2018	County CEC Finance will submit budget estimates to county assembly. This Must be in line with resolutions of the Assembly on the County Fiscal Strategy Paper. s. 129(2) of PFM Act, 2012
10.	31 st January 2018	County Assembly clerk will submit Budget Estimates for County Assembly with a copy to the CEC Finance s.129(3) of PFM Act, 2012 and National Treasury circular on preparation of budget for 2017/18 FY
11.	15 th February 2018	CEC Finance will publish and publicize Budget Estimates. s.129(6) of PFM Act, 2012 and National Treasury circular on preparation of budget for 2017/18 FY
12.	15 th February 2018	CEC Finance will present comments on the budget estimates to the county assembly s.129(4) of PFM Act, 2012
13.	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
14.	31 st March 2018	County assembly will consider estimates with a view to approving with or without amendments in time for the county

		<u>appropriation law</u> to be passed by 30 th June. s.131 s.131(2) of PFM Act, 2012 and National Treasury circular on preparation of budget for 2017/18 FY
15.	31 st March 2018	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
16.	31 st March 2018	After county assembly has approved estimates, CEC for finance shall prepare and submit a <u>County Appropriation Bill</u> to the county assembly. s.129(7) of PFM Act, 2012 and National Treasury circular on preparation of budget for 2017/18 FY
17.	15 th March 2018	County government must submit annual <u>cash flow projection</u> to the Controller of Budget. s.127(1) of PFM Act, 2012 and National Treasury circular on preparation of budget for 2017/18 FY
18.	31 st March 2018	Appropriation Bill will 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 will make a pronouncement on <u>revenue raising measures</u> . 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 <u>Finance Bill</u> 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