

**COUNTY GOVERNMENT OF SIAYA**



**DEPARTMENT OF FINANCE, PLANNING AND VISION 2030**

**BUDGET REVIEW AND OUTLOOK PAPER FOR FY 2016/2017**

**SEPTEMBER 2017**

*‘Transforming the county economy through infrastructure and socio-economic development’.*

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## **Acronyms and Abbreviations**

BROP	Budget Review and Outlook Paper
OSR	Own Source Revenue
MTEF	Medium Term Expenditure Framework
FSP	Fiscal Strategy Paper
KDSP	Kenya devolution support project
CRF	County Revenue Fund
PLDW	People Living with Disabilities
GDP	Gross Domestic Product
CBR	Central Bank Rate
SGR	Standard Gauge Railway
RMLF	Road Maintenance Levy Fund
ASDSP	Agriculture Sector Development Support Project
FY	Financial Year
ICT	Information Communication Technology
DANIDA	Danish Development Agency
PFMA	Public Finance Management Act
CEC'M	County Executive Committee Member

## **Foreword**

A review of organizational performance at the end of an operating year is a critical managerial concept. It provides an opportunity to reflect on the successes, failures and challenges experienced during the year as well as draw lessons from the challenges to inform future programming and project implementation. The Budget Review and Outlook Paper (BROP) affords such an opportunity to government entities of which the County Government of Siaya is one.

This BROP gives a detailed analysis of actual fiscal performance of the County Government of Siaya for FY 2016/17 against the estimated budgetary allocations for the said FY. From the analysis, overall absorption rate for FY 2016/17 increased by 11 percentage points as compared to FY 2015/16 which had an absorption rate of 78 percent. Absorption rate of development budget was 63 percent compared to 56.8 percent for FY 2015/16. This achievement was realised despite the resource envelope for FY 2016/17 exceeding that for FY 2015/16. The year to year comparison of Own Source Revenue (OSR) for FY 2016/17 and 2015/16 showed an increase of 27.5 percent. These achievements are testament of sustained managerial changes aimed at improving service delivery.

The 2016/17 budget was implemented on the backdrop of heightened political activities preceding the 2017 general elections. Stringent conditionalities imposed by the national treasury to access funds slowed down implementation of key programmes and projects. This notwithstanding, overall performance was satisfactory and the lessons learnt will inform managerial decisions in future.

Going forward the county government will scale down on micro green field projects in favour of modernization and operationalization of existing ones and large-scale capital investments with greater impact to the citizenry.

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**Cleophas O. Ombogo**

**CEC'M-Finance, Planning and Vision 2030**

## **Acknowledgement**

The BROP not only presents government entities with an opportunity to review performance of a fiscal year but also sets in motion the process of preparing the budget for the following year by providing an outlook for the coming year and setting departmental MTEF ceilings to guide budget making. Overall performance in OSR and expenditure for FY 2016/17 was significantly better than that of FY 2015/16. This performance is attributed to continued improvement in management of public resources and a team of officers that work tirelessly to ensure targets are met.

The preparation and subsequent submission of this document was made possible by a team of dedicated officers who traded off their invaluable time to ensure a quality production. I wish to salute all of them for a job well done.

It is my hope that lessons drawn from implementation of the 2016/17 budget will inform future programming and project implementation as we endeavor to ‘*Transform the county economy through infrastructure and socio-economic development*’.

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**Dan Okoth**  
**Chief Officer – Finance, Planning and Vision 2030**

### **Legal Basis for Budget Review and Outlook Paper**

The preparation of the Budget Review and Outlook Paper is provided for under section 118 of the Public Finance Management Act, 2012 which states that:

- (1) A County Treasury shall —
  - a) Prepare a County Budget Review and Outlook Paper in respect of the county for each financial year; and
  - b) Submit the paper to the County Executive Committee by the 30th September of that year.
- (2) In preparing its county Budget Review and Outlook Paper, the County Treasury shall specify—
  - (a) The details of the actual fiscal performance in the previous year compared to the budget appropriation for that year;
  - (b) The updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper;
  - (c) Information on—
    - (i) Any changes in the forecasts compared with the County Fiscal Strategy Paper; or
    - (ii) 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; and
  - (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 publicise the Paper

## **Chapter One**

### **Introduction**

The BROP is one among the various documents prepared by the county government in any fiscal year. These documents are outlined in the PFM Act and are instrumental in linking policy, planning, budget making and execution in respective fiscal years and the medium term.

### **Objective of Budget Review and Outlook Paper**

The objective of this Budget Review and Outlook Paper (BROP) is to provide a review of fiscal performance for FY 2016/17 and how this performance impacts on the financial objectives and fiscal responsibility principles set out in the Fiscal Strategy Paper (FSP). Further, the document provides highlights of recent economic developments and outlook and sector ceilings for the 2018/19 budget and the medium term.

### **Fiscal Responsibility Principles.**

Fiscal responsibility principles governing management of public finances are provided for under Section 107 of the Public Finance Management (PFM) Act, 2012. These principles are as listed below:

1. The County government's recurrent expenditure shall not exceed the county government's total revenue.
2. Over the medium term a minimum of thirty per cent of the County government's budget shall be allocated to the development expenditure.
3. The County government's expenditure on wages and benefits for public officers shall not exceed a percentage of the County government's total revenue as prescribed by the County Executive Member Finance regulations and approved by the County Assembly.
4. Over the medium term, the County government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure
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 the future

## Review of FY 2016/17 Fiscal Performance

### Revenue

The total resource envelope for FY 2016/17 was Ksh 7,070,326,110 comprising Ksh 270,000,000 OSR, Ksh 5,424,991,057 equitable share, Ksh 1,003,000,000 the value of projects brought forward from 2015/16 FY and Ksh 372,335,053 conditional allocations. Conditional allocations consisted of Ksh 112,559,127 Free Maternal Health care, Ksh 19,057,307 Compensation for User Fee Forgone, Ksh 95,744,681 Leasing of Medical Equipment, Ksh 82,817,177 Road Maintenance Levy Fund, Ksh 17,736,923 Universal Health Care Project, Ksh 21,697,368 DANIDA and Ksh 28,555,102 Kenya Devolution Support Project (KDSP).

### Supplementary Budgets

During the period, one supplementary budget was prepared in January 2017. This was necessitated by the need to bring down the value of projects rolled over from 2015/16 budget to Ksh 1,003,000,000 from Ksh1, 317,001,876 in line with the balances available in the County Revenue Fund (CRF) at the close of that FY. It was also intended to capture Ksh 17,736,923 and Ksh 7,932,368 conditional grants for Universal Health Care Project and DANIDA respectively. The net effect of the supplementary budget was therefore a reduction in the resource envelope from Ksh 7,329,491,327 to Ksh 7,070,326,110 as tabulated below:

**Table 1: Total Budget and Supplementary**

Vote		June Estimates	Supplementary Estimates	Deviation
001	County Assembly	691,340,796	691,340,796	-
002	County Executive	454,013,187	483,622,126	29,608,939
003	Finance, Economic Planning and Vision 2030	622,166,993	751,246,611	129,079,618
004	Agriculture, Livestock & Fisheries	508,275,339	427,602,403	- 80,672,936
005	Water, Environment & Natural Resources	426,491,532	404,497,741	- 21,993,791
006	Education, Youth Affairs, Sports, Culture & Social Services	913,352,309	810,144,439	- 103,207,870
007	County Health Services	2,002,684,637	1,944,992,428	- 57,692,209
008	Lands, Housing, Physical Planning & Development	93,808,606	73,179,608	- 20,628,998
009	Trade Development & Regulation	234,860,483	227,257,304	- 7,603,179
010	Tourism and ICT	158,552,329	108,027,335	- 50,524,994
011	Roads, Transport & Public Works	1,223,945,116	1,148,415,319	- 75,529,797

	<b>Total</b>	<b>7,329,491,327</b>	<b>7,070,326,110</b>	<b>- 259,165,217</b>
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Source: County Treasury

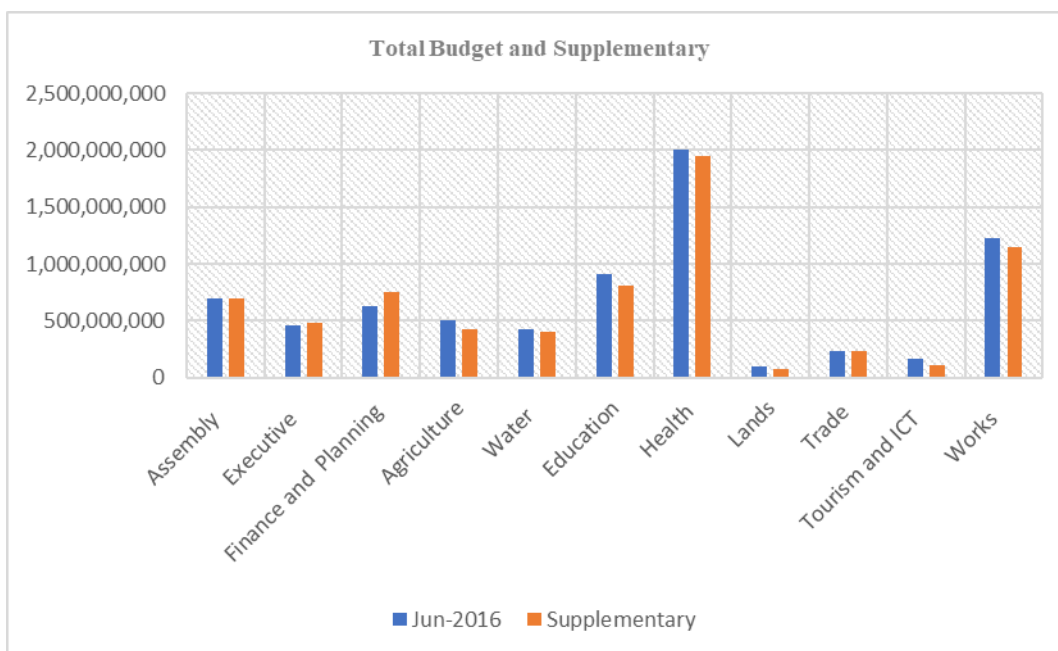


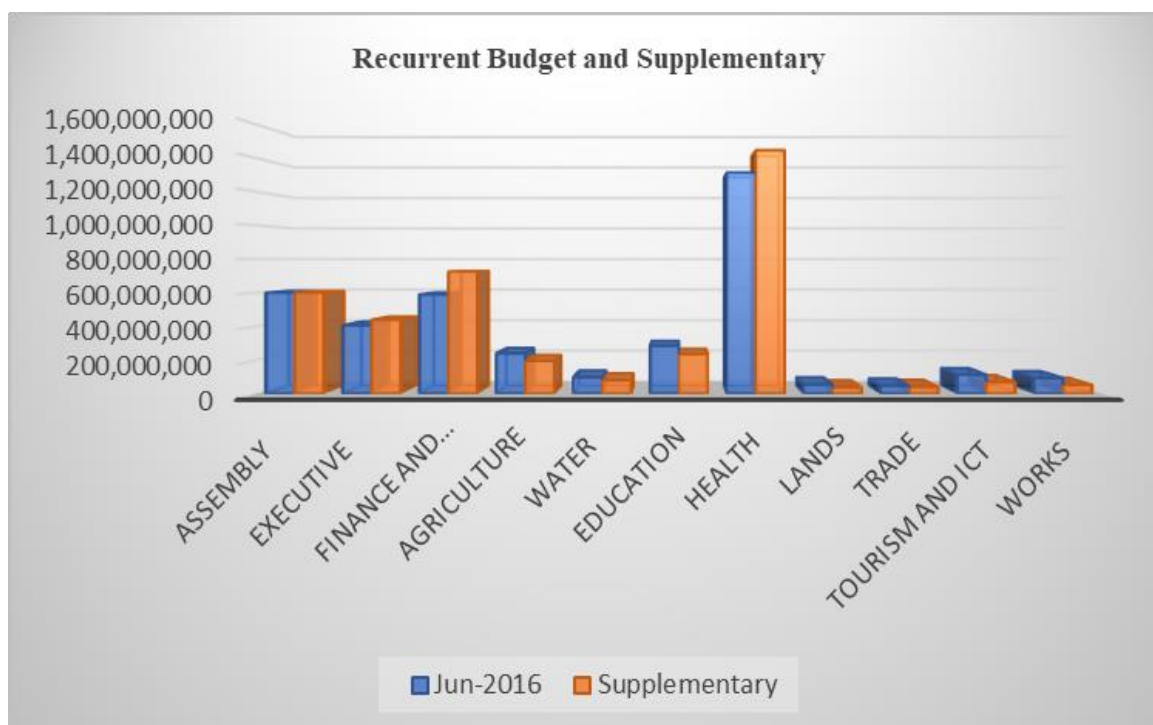
Figure 1: Total Budget and Supplementary Analysis

Recurrent budget increased by Ksh 80,253,067 as a result of the supplementary budget as tabulated below:

Table 2: Recurrent Expenditure after Supplementary

Vote	Department	June Estimates	Supplementary Estimates	Deviation
001	County Assembly	599,914,472	599,914,472	0
002	County Executive	406,007,037	438,615,976	32,608,939
003	Finance, Economic Planning and Vision 2030	589,239,793	725,319,411	136,079,618
004	Agriculture, Livestock & Fisheries	239,328,162	195,286,251	-44,041,911
005	Water, Environment & Natural Resources	96,644,646	79,977,422	-16,667,224
006	Education, Youth Affairs, Sports, Culture & Social Services	284,303,377	235,286,466	-49,016,911
007	County Health Services	1,314,749,264	1,447,375,777	132,626,513
008	Lands, Housing, Physical Planning & Development	54,504,388	36,679,608	-17,824,780
009	Trade Development & Regulation	46,590,591	38,644,604	-7,945,987
010	Tourism and ICT	112,525,207	67,990,213	-44,534,994
011	Roads, Transport & Public Works	93,017,366	51,987,170	-41,030,196
	<b>Total</b>	<b>3,836,824,303</b>	<b>3,917,077,370</b>	<b>80,253,067</b>

Source: County Treasury



**Figure 2: Recurrent Expenditure after Supplementary**

The supplementary budget reduced allocation to development projects by Ksh 339,418,284 as shown in the table and graphical illustration below:

**Table 3: Development Expenditure after Supplementary**

Vote		Gross Estimates 2016/17 (A)	Supplementary Estimates 2016/17(B)	Deviation(B-A)
001	County Assembly	91,426,324	91,426,324	-
002	County Executive	48,006,150	45,006,150	- 3,000,000
003	Finance, Economic Planning and Vision 2030	32,927,200	25,927,200	- 7,000,000
004	Agriculture, Livestock & Fisheries	268,947,177	232,316,152	- 36,631,025
005	Water, Environment & Natural Resources	329,846,886	324,520,319	- 5,326,567
006	Education, Youth Affairs, Sports, Culture & Social Services	629,048,932	574,857,973	- 54,190,959
007	County Health Services	687,935,373	497,616,651	- 190,318,722
008	Lands, Housing, Physical Planning & Development	39,304,218	36,500,000	- 2,804,218
009	Trade Development & Regulation	188,269,892	188,612,700	342,808
010	Tourism and ICT	46,027,122	40,037,122	- 5,990,000
011	Roads, Transport & Public Works	1,130,927,750	1,096,428,149	- 34,499,601
	<b>Total</b>	<b>3,492,667,024</b>	<b>3,153,248,740</b>	<b>- 339,418,284</b>

Source: County Treasury

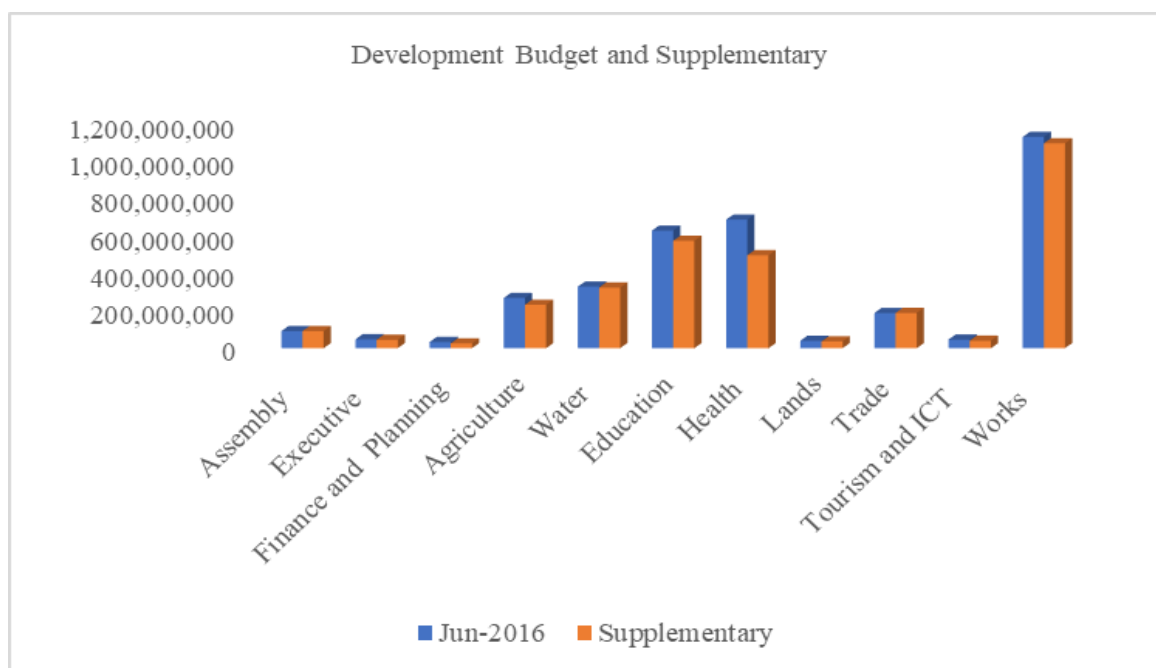


Figure 3: Development Expenditure after Supplementary

## Receipts

### Equitable Share and Conditional Allocations

Equitable share of Ksh 5,424,991,057 was received in full. Included in the equitable share was an allocation of Ksh 35 million for Collective Bargaining Agreement signed with nurses. All conditional allocations were received in full except Ksh 95,744,681 for Leasing of Medical Equipment, Ksh 17,736,923 for Universal Health Care Project, Ksh 28,555,102 for Kenya Devolution Support Project (KDSP) and Ksh Ksh 7,932,368 for DANIDA.

### Own source revenue (OSR)

Ksh 172,822,681 was raised from local sources against a target of Ksh 270,000,000 representing an under performance of Ksh 97,177,319 or 36%. A breakdown of the local revenue performance and comparative figures with the preceding fiscal year is as tabulated below:

Table 4: Local Revenue Projections and Actual Performance

Revenue Items	Projected Estimates	Actual performance	Deviation	% of Deviation
Single Business Permit	40,500,000	32,899,734	- 7,600,266	-19%
Market Fee	54,000,000	25,212,879	- 28,787,121	-53%
Bus Park Fee	16,200,000	15,713,913	- 486,087	-3%
Parking Fees	6,750,000		- 6,750,000	-100%

Revenue Items	Projected Estimates	Actual performance	Deviation	% of Deviation
Fish Cess Fee	8,775,000	4,916,775	- 3,858,225	-44%
Plan Approval Fees-Lands	2,025,000	4,239,840	2,214,840	109%
Plan Approval fees-Hosp	675,000		- 675,000	-100%
Plan Approval Fee-Works	675,000	1,924,113	1,249,113	185%
Transfer Fees	1,350,000	93,700	- 1,256,300	-93%
Miscellaneous Fee	4,374,000	1,366,965	- 3,007,035	-69%
Plot Rates	21,802,500	3,533,177	- 18,269,323	-84%
Plot Rents	7,965,000	6,808,691	- 1,156,309	-15%
School Fees	337,500	50,100	- 287,400	-85%
Slaughter Fees	1,210,275	456,072	- 754,203	-62%
Ground/Stall Rent	7,073,730	4,470,832	- 2,602,898	-37%
Burial Fees	41,580	13,200	- 28,380	-68%
Sand Cess	1,620,000	511,192	- 1,108,808	-68%
Cilor	51,165		- 51,165	-100%
Sugar Cess	6,075,000	100,000	- 5,975,000	-98%
Boda Boda Fee	4,725,000		- 4,725,000	-100%
Health Department	61,425,000	60,547,082	- 877,918	-1%
Agriculture	11,475,000	9,602,356	- 1,872,644	-16%
Trade	749,250	362,060	- 387,190	-52%
Liquor License	10,125,000		- 10,125,000	-100%
<b>Total</b>	<b>270,000,000</b>	<b>172,822,681</b>	<b>- 97,177,319</b>	<b>-36%</b>

Source: County Treasury

**Table 5: Local Revenue Comparative Analysis**

Revenue Item	Actual 2015-16 (A)	Actual 2016-17(B)	Deviation (B-A)
SBP	26,097,518	32,899,734	6,802,216
Market Fee	22,646,625	25,212,879	2,566,254
Bus Park/ parking Fee	11,858,870	15,713,913	3,855,043
Fish Cess Fee	4,316,150	4,916,775	600,625
Tender Fee			-
Plan Approval Fee	1,823,696	4,239,840	2,416,144
Transfer Fees	158,100	93,700	- 64,400
Miscellaneous Fee	1,465,980	1,366,965	- 99,015
Plot Rates	2,419,683	3,533,177	1,113,494
Plot Rents	2,770,781	6,808,691	4,037,910
School Fees	79,050	50,100	- 28,950
Slaughter Fees	636,840	456,072	- 180,768
Ground/Stall Rent	2,346,445	4,470,832	2,124,387
Burial Fees	10,500	13,200	2,700
Sand Cess	384,760	511,192	126,432
CILOR			-
Sugar Cess		100,000	100,000
Boda Boda Fee			-
Health Department	44,564,351	60,547,082	15,982,731
Lands Department	2,875,234		- 2,875,234
Agriculture	10,159,982	9,602,356	- 557,626
Trade	623,755	362,060	- 261,695
Roads, Public Works	345,344	1,924,113	1,578,769
Liquor license			-
Education, Youth Affairs			-
<b>Total</b>	<b>135,583,664</b>	<b>172,822,681</b>	<b>37,239,017</b>

From the analysis in tables 4 and 5 above, the health department recorded the highest revenue collection of Ksh 60,547,082 falling short of its projected target by Ksh 877,918. This revenue stream registered improved performance compared to FY 2015/16 where

Ksh 44,564,351 was raised. Other streams that registered significant improvement in performance included single business permit, market fees, plan approval fees, plot rent and ground/stall rent. In general, local revenue collection for FY 2016/17 was in excess of that collected in FY 2015/16 by Ksh 37,239,017.

The underperformance of OSR for FY 2016/17 against the projected target as analysed in table 4 is attributed to:

1. High charges leading to low levels of compliance
2. Inadequacy in county legislations hindered collection of revenue from public health, fisheries and liquor licensing
3. Weak enforcement capacity
4. Inadequate operational vehicles
5. Poor infrastructure limiting provision of utility services in some markets

However, comparative analysis of FY 2015/16 and 2016/17 in table 5 shows a significant improvement in performance of own source revenue. This improvement is attributed to improvement in OSR administration and broadening of the revenue base.

## Expenditure

Total projected expenditure for the period under review was Ksh 7,070,326,110 which was to be incurred by all sectors in line with the programmes and sub programmes as tabulated below:

**Table 6: Sectoral Programmes and Allocations**

Sector	Programme	Estimates
County assembly	P. 1 Legislation and Representation	418,418,760
	P. 2 Legislative Oversight	55,255,200
	P. 3 General Administration,	217,666,836
Governance and public service	Programme 1: County Executive Administration	231,003,510
	Programme 2: Office of the Governor and Deputy Governor	84,565,422
	Programme 3: County Public Service Board	75,965,716
	Programme 4: Coordination of devolved units	49,100,970
	Programme 5: Human Capital Management	42,986,508
	Programme 6: Disaster Management (Fire fight)	-
Finance, Planning and vision 2030	P1: Financial services	717,353,862
	P2: Economic planning services	33,892,749
	General Administration	
Agriculture, livestock and	Cp.1 General Administration, Planning and	69,847,293

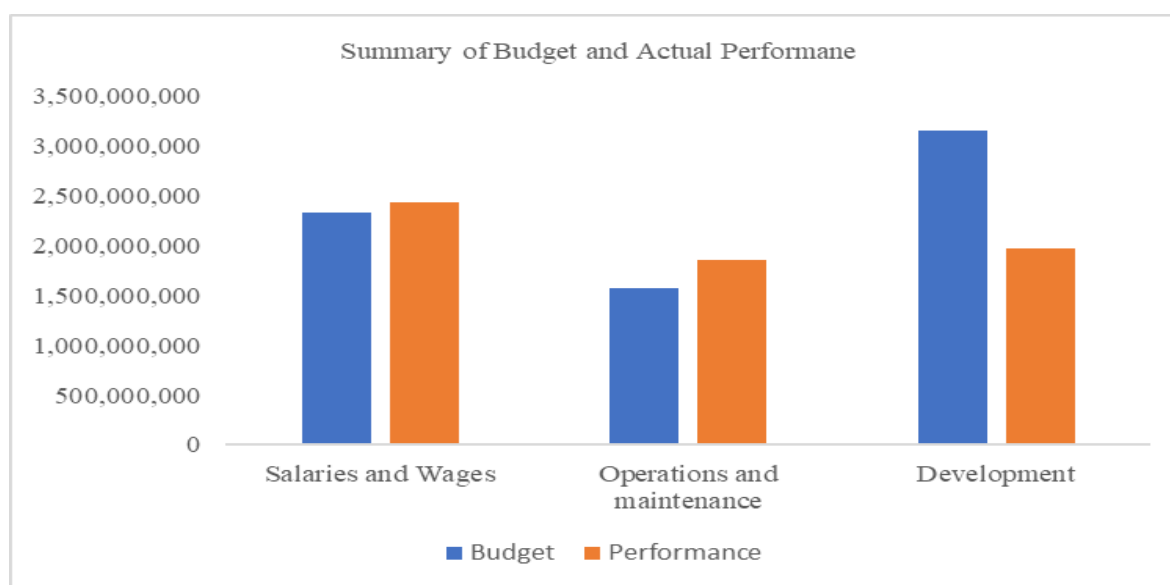
Sector	Programme	Estimates
fisheries	Support Services	
	Cp 2: Livestock Development and Management	113,039,312
	Cp 3: Crop Management	165,020,713
	Cp 4: Fisheries Management & Development	43,413,641
	Cp 5: Veterinary Services	36,281,444
<b>Water, environment and natural resources</b>	Water Resources Development and Management	357,764,988
	Environmental and Natural Resources Conservation and Management	34,666,702
	General Administration, planning and support services	12,066,051
<b>Education, youth affairs, gender and social services</b>	CP 1: General Administration, planning and support services	135,406,436
	CP 2: County pre-primary education	491,753,125
	CP 3: Vocational Education and Training development	88,079,605
	CP 4: County social security and services	62,496,769
	CP 5: Sports and Talents Development	32,408,504
<b>Health services</b>	Programme 1: General Administration	1,269,998,557
	Programme 2: Curative Services	206,098,887
	Programme Preventive and Promotive	436,603,134
	Programme 4: waste Management	32,291,850
<b>Lands, physical planning and housing</b>	C P 1: General Administration, Planning and Support Services	19,804,673
	CP 2: Physical planning	26,504,680
	CP. 3. Land surveying and mapping	21,278,079
	Cp 4. Housing Development	5,592,176
<b>Trade, industry and cooperative development</b>	Programme 1: - Trade Development and Promotion	150,511,798
	Programme 2: - Fair Trade Practices and Consumer Protection Services	4,719,439
	Programme 3: - Co-Operative Development & Management	44,366,474
	Programme:4: - General Administration, Planning and Support Services	27,659,593
<b>ICT and Tourism</b>	Programme 1: General Administration, planning and support services	39,252,288
	Programme 2: Information & Communication Services	41,363,198
	Programme 3: Tourism development and promotion	27,411,849
<b>Works</b>	Programme 1: Transport Infrastructure Development	940,937,815
	Programme 2: Fire Fighting	113,614,091
	Programme 3: Street Lighting	39,078,882
	Programme 4: County Government Buildings Services	29,895,730
	Programme 5: General Administration, Planning & Support Service	24,888,801
<b>Total</b>		<b>7,070,326,110</b>

Total expenditure for the period under review amounted to Ksh 6,272,943,630 against a planned budget of Ksh 7,070,326,110 translating to an absorption rate of 89 percent of the total budget. Actual budget and expenditure of the various economic classifications is as analysed in the table and figure below:

**Table 7: Total Expenditure Analysis**

	<b>Budgeted Estimates</b>	<b>Actual Expenditure</b>	<b>Deviations</b>	<b>% Absorption</b>
Compensation to employees	2,338,487,720	2,435,368,992	-96,881,272	104%
Operations and maintenance	1,578,589,650	1,862,105,855	-283,516,205	118%
<b>Total Recurrent</b>	<b>3,917,077,370</b>	<b>4,297,474,847</b>	<b>-380,397,477</b>	<b>110%</b>
Development	3,153,248,740	1,975,468,783	1,177,779,957	63%
<b>Total</b>	<b>7,070,326,110</b>	<b>6,272,943,630</b>	<b>797,382,480</b>	<b>89%</b>

Source: County Treasury



**Figure 4: Total Expenditure Analysis**

### Departmental Expenditure Analysis

Total expenditure for the period under review was Ksh 6,272,943,631 against a planned budget of Ksh 7,070,326,110 translating to an absorption rate of 89 percent of the total budget. This is an improvement over 2015/16 FY where the absorption rate was 78.1 percent. Departmental approved budgets and expenditure are as shown in the table and figure below:

**Table 8: Approved Vs Actual Expenditure**

<b>Sector</b>	<b>Approved Estimates</b>	<b>Actual Expenditure</b>	<b>Deviation</b>	<b>% Deviation</b>
County Assembly	691,340,796	608,636,645	82,704,151	88%
County Executive	483,622,126	469,381,648	14,240,478	97%
Finance, Economic Planning and Vision 2030	751,246,611	832,799,296	-81,552,685	111%
Agriculture, Livestock & Fisheries	427,602,403	336,589,465	91,012,938	79%



Water, Environment & Natural Resources	404,497,741	292,875,846	111,621,895	72%
Education, Youth Affairs, Sports, Culture & Social Services	810,144,439	570,983,608	239,160,831	70%
County Health Services	1,944,992,428	1,825,379,527	119,612,901	94%
Lands, Housing, Physical Planning & Development	73,179,608	65,853,800	7,325,808	90%
Trade Development & Regulation	227,257,304	74,405,542	152,851,762	33%
Tourism and ICT	108,027,335	124,775,726	-16,748,391	116%
Roads, Transport & Public Works	1,148,415,319	1,071,262,528	77,152,791	93%
<b>Total</b>	<b>7,070,326,110</b>	<b>6,272,943,631</b>	<b>797,382,479</b>	<b>89%</b>

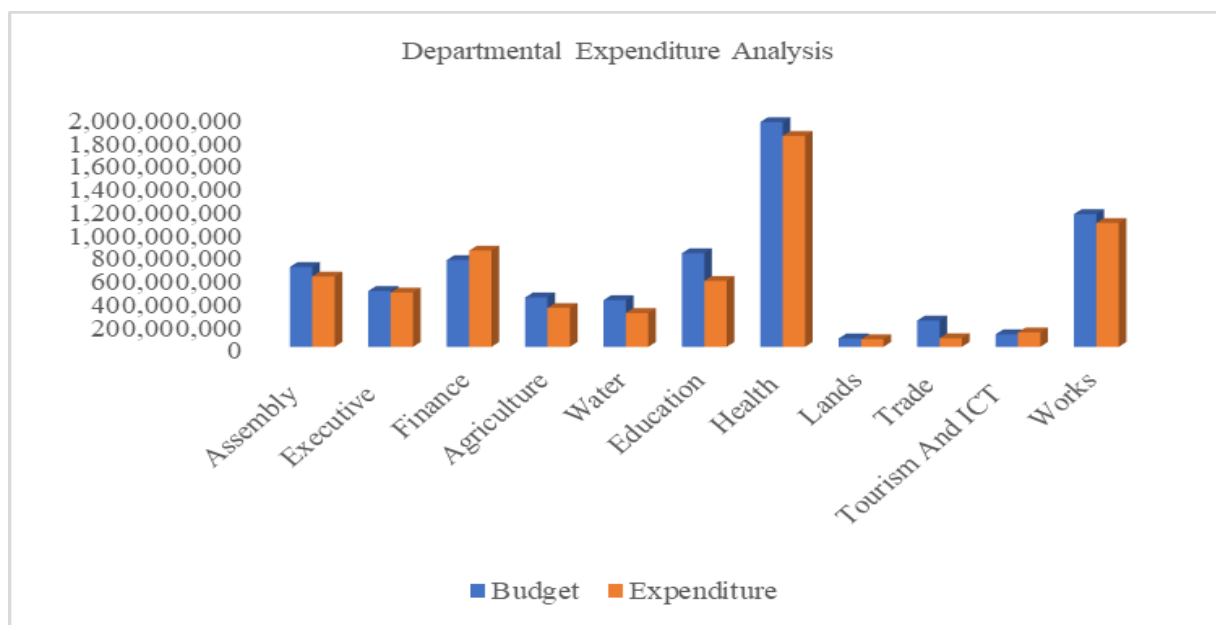


Figure 5: Approved Vs Actual Expenditure

### Recurrent Expenditure

Actual expenditure on recurrent stood at Ksh 4,297,474,847 against a planned budget of Ksh 3,917,077,370 representing an absorption rate of 110%. Departmental approved budgets and expenditure are as illustrated in the table and Figure below:

Table 9: Summary of Recurrent Expenditure

Department	Approved Budget	Actual Expenditure	Deviation	% Deviation
County Assembly	599,914,472	599,914,472	0	100.00%
County Executive	438,615,976	455,449,540	-16,833,564	103.84%
Finance, Economic Planning and Vision 2030	725,319,411	831,800,083	-106,480,672	114.68%
Agriculture, Livestock & Fisheries	195,286,251	218,246,408	-22,960,157	111.76%
Water, Environment & Natural Resources	79,977,422	82,198,916	-2,221,494	102.78%
Education, Youth Affairs, Sports & Social Services	235,286,466	261,904,902	-26,618,436	111.31%
County Health Services	1,447,375,777	1,628,577,064	-181,201,287	112.52%
Lands, Physical Planning, Survey & Housing	36,679,608	36,977,380	-297,772	100.81%
Trade, Industry & Co-operative Development	38,644,604	36,866,692	1,777,912	95.40%
Tourism and ICT	67,990,213	84,599,404	-16,609,191	124.43%
Roads, Transport & Public Works	51,987,170	60,939,986	-8,952,816	117.22%
<b>Total</b>	<b>3,917,077,370</b>	<b>4,297,474,847</b>	<b>-380,397,477</b>	<b>110%</b>

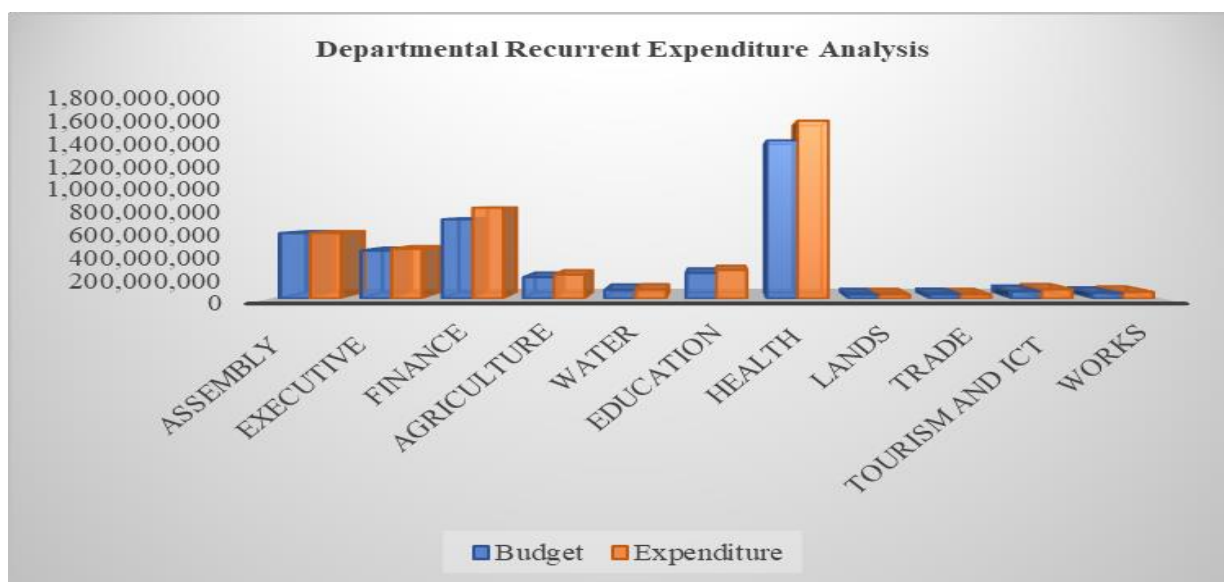


Figure 6: Summary of Recurrent Expenditure

### Development Expenditure

The total development budget for the period under review amounted to Ksh 3,153,248,741. Actual expenditure for the period amounted to Ksh 1,975,468,784 translating to an absorption rate of 62.65 percent. This is an improvement over the FY 2015/16 absorption rate that stood at 56.82%. A summary of departmental development allocations, areas of resource application and expenditure is as summarised below:

Table 10: Sectoral Development Functions and Allocation

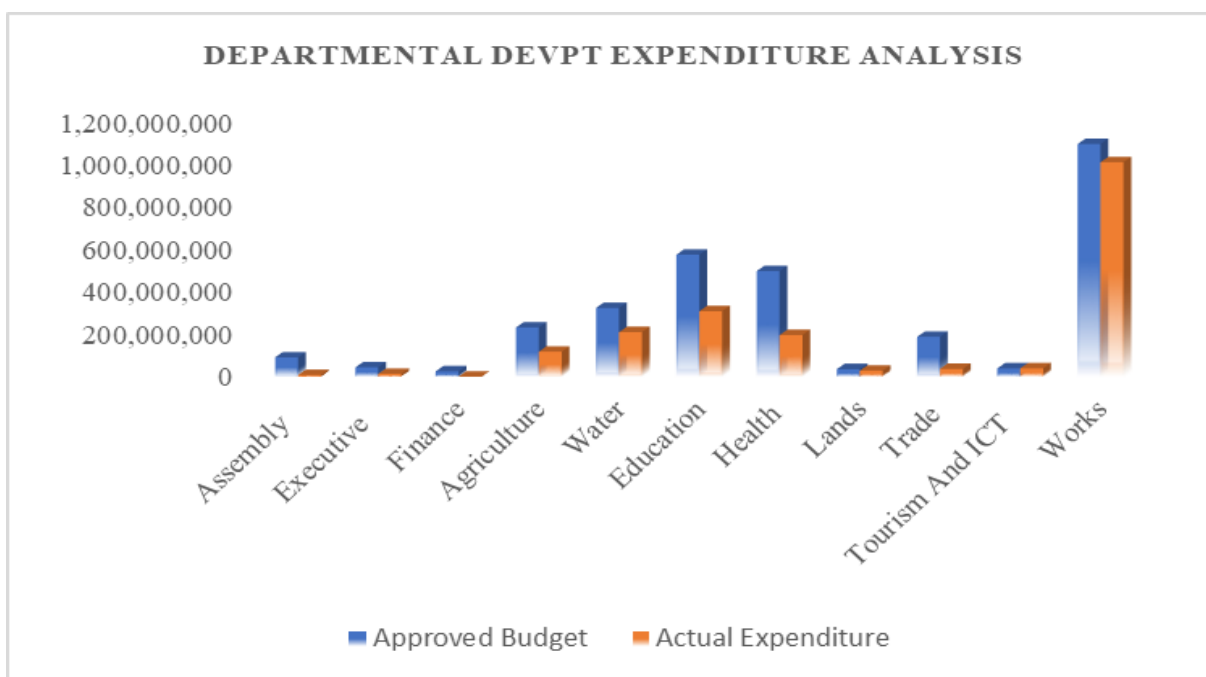
Sector	Function	Budgeted Amount
Agriculture, Livestock and Fisheries	Crop Management	110,984,659
	Fisheries	34,842,657
	Livestock	69,244,698
	Veterinary Services	17,244,139
	<b>Sub Total</b>	<b>232,316,153</b>
County Assembly	Assembly	91,426,324
	<b>Sub Total</b>	<b>91,426,324</b>
Education, Youth Affairs and Social Services	ECD	417,604,756
	Polytechnic	56,386,831
	Social Services	59,340,234
	Sports	41,526,153
	<b>Sub Total</b>	<b>574,857,974</b>
Finance, Planning and Vision 2030	Revenue	25,927,200
	<b>Total</b>	<b>25,927,200</b>
Governance and Public Service	Governance	45,006,150
	<b>Sub Total</b>	<b>45,006,150</b>

Sector	Function	Budgeted Amount
Health	Construction/Renovation of Dispensary/Health Centres	119,236,538
	Construction/Renovation of Maternity Block	55,110,793
	Construction of Pit Latrine in Health Facilities	10,663,591
	Staff Houses	50,110,793
	Wards	18,578,063
	Referral/ Sub-County Hospitals and Purchase of Health Equipment	243,836,230
	<b>Sub Total</b>	<b>497,616,651</b>
ICT & Tourism	ICT	33,000,000
	Tourism	7,037,122
	<b>Sub Total</b>	<b>40,037,122</b>
Lands and Physical Planning	Lands	2,200,000
	Physical Planning and Development	34,300,000
	<b>Sub Total</b>	<b>36,500,000</b>
Trade and Cooperatives	Trade	56,259,143
	Co-Operatives	41,000,000
	Markets	81,353,557
	Solar Light	10,000,000
	<b>Sub Total</b>	<b>188,612,700</b>
Water, Environment and Natural Resources	Environment	15,503,083
	Water	309,017,236
	<b>Sub Total</b>	<b>324,520,319</b>
Works	Fire Fighting	113,614,091
	Roads	932,635,175
	Street Lighting	29,178,882
	Works	21,000,000
	<b>Sub Totals</b>	<b>1,096,428,148</b>
<b>Total</b>		<b>3,153,248,741</b>

Table 11: Development Expenditure Analysis

Vote Title	Approved Budget	Actual Expenditure	Deviation	% Deviation
County Assembly	91,426,324	8,722,173	82,704,151	9.54%
County Executive	45,006,150	13,932,108	31,074,042	30.96%
Finance, Economic Planning and Vision 2030	25,927,200	999,213	24,927,987	3.85%
Agriculture, Livestock & Fisheries	232,316,152	118,343,057	113,973,095	50.94%
Water, Environment & Natural Resources	324,520,319	210,676,930	113,843,389	64.92%
Education, Youth Affairs, Sports, Culture & Social Services	574,857,973	309,078,706	265,779,267	53.77%
County Health Services	497,616,651	196,802,463	300,814,188	39.55%
Lands, Housing, Physical Planning & Development	36,500,000	28,876,420	7,623,580	79.11%
Trade Development & Regulation	188,612,700	37,538,850	151,073,850	19.90%
Tourism and ICT	40,037,122	40,176,322	-139,200	100.35%
Roads, Transport & Public Works	1,096,428,149	1,010,322,542	86,105,607	92.15%
<b>Total</b>	<b>3,153,248,740</b>	<b>1,975,468,784</b>	<b>1,177,779,956</b>	<b>62.65%</b>

Source: County Treasury



**Figure 7: Development Expenditure Analysis**

The low absorption of funds was as a result of;

1. Delayed release of funds by the National Treasury
2. Restricted release of funds by the office of the controller of budget due to incomplete roll over of projects in the June budget
3. Systemic bottlenecks resulting from end to end procurement process and internet banking
4. Limited capacity of contracted service providers

## **Chapter Two**

### **Recent Economic Developments and Outlook**

#### **Recent Economic Development**

The global economy is estimated to have expanded by 2.9 per cent in 2016 compared to a revised growth of 3.1 per cent in 2015. Growth in advanced economies expanded by 2.1 per cent in 2016 compared to 1.9 per cent in 2015. The United States of America recorded a growth of 1.5 per cent in 2016 compared to 2.6 per cent in 2015, mainly due to weak exports, subdued investments and uncertainty surrounding the 2016 elections. Growth in China decelerated on account of slowed investment as the economy rebalanced towards services and consumption. In Japan, growth was boosted by private consumer spending, signalling improved consumer purchasing power after two years of contraction. (Economic Survey 2017)

The Sub-Saharan Africa's real gross domestic product is estimated to have grown by 1.5 per cent in 2016 compared to 3.8 per cent growth registered in 2015. In emerging markets and developing economies, headline inflation remained steady as currencies remained broadly stable, or appreciated in some cases (Economic Survey 2017)

Kenya's Gross Domestic Product (GDP) is estimated to have expanded by 5.8 per cent in 2016 compared to a revised growth of 5.7 per cent in 2015. Accommodation and food services recorded improved growth of 13.3 per cent in the year under review compared to a contraction of 1.3 per cent in 2015. The other sectors that registered significant improved performance in economic activities were information and communication; real estate; and transport and storage. Persistent drought hampered growth in the fourth quarter of 2016 impacting negatively on agriculture and electricity supply. From the demand side, growth was buoyed by consumption in both public and private sectors. Annual average inflation eased to 6.3 per cent in 2016 compared to an average of 6.6 per cent in 2015. This was mainly due to decline in prices of transportation; housing and utilities; and communication. The capping of interest rates to a maximum of 4.0 per cent above the Central Bank Rate (CBR) resulted in a significant decline in interest rates during the month of September to 13.84 per cent compared to 16.75 in a similar month in

2015.

Whereas there are no official statistics on county specific economic performance, the year 2016 witnessed increased investment in infrastructure projects by both national and county governments as well as private investors. The national government was active in improvement of major high ways traversing the county, completion of siaya-bondo water and sanitation project and installation of street lights in urban centres among other projects. The county government was engaged in improvement of rural access roads, construction of new and upgrading of existing health facilities, development of early childhood education infrastructure among other projects. Increased demand for accommodation resulted in an upsurge in construction of commercial and residential houses across the various sub counties.

On the demand side, increased inflow of resources into the county coupled with decision to award most county government projects to local contractors has improved the purchasing power of the citizenry. This is evidenced by the many retail outlets setting up shop in various parts of the county.

Persistent drought during the end of the year 2016 and heightened political activity surrounding the 2017 general elections made the county government to refocus its priorities towards mitigating the adverse impacts of the drought while the private sector slowed down investment awaiting the outcome of the general elections.

### **Outlook**

Economic growth in 2017 is likely to be influenced more by the domestic factors than external ones. The long rains are projected to delay and to be depressed in 2017, which is likely to have a direct negative impact on growing of crops, production of livestock and its products, electricity generation and water supply. Due to the share of agricultural contribution to the GDP, there will be a lower rural demand for goods and services. The impacts could further be experienced in sectors that have strong interlinkages with these industries.

If the deceleration in growth of credit that started in 2016 continues, it is likely to constrain growth in 2017 especially in activities that are reliant on borrowing from

commercial banks. Furthermore, sectors such as manufacturing are encountering more intensified competition in their traditional export markets which could delay the recovery in that sector. However, the expected commencement of operations of railways services on the Standard Gauge Railway (SGR) is likely to increase efficiency while other modes of transport are expected to continue in the current growth trajectory. The overall performance is therefore likely to be determined by the extent of each of these effects.

International oil prices are projected to rise in 2017 albeit gradually. If this occurs, growth in the road transport is likely to be suppressed due to rise in cost of intermediate inputs. The exchange rate is expected to remain stable due to significant level of reserves, the continued growth in emigrant remittances and sustainability of the current account deficit.

Economic activity in the county will be heavily influenced by factors influencing the growth of the national economy as discussed in the foregoing paragraphs. Locally, economic activity will be influenced by continued investment by the county government in infrastructure and livelihood improvement projects.

Additionally, economic activity will be influenced by increased private sector activity arising from the county governments continued investment in opening up of otherwise inaccessible areas and creating a conducive environment for private enterprise to thrive.

## **Chapter Three**

### **Review of Fiscal Performance Against Fiscal Strategy Paper 2016**

Preparation of the 2016/17 budget was informed by the fiscal strategy paper of the said year. As such, programmes and projects captured in the budget were drawn from the fiscal strategy paper with minimal variations across all the sectors. The fiscal strategy paper was based on four broad pillars that guided allocation of resources to various sectors. These pillars and the various sectors that constitute them as well as priority programmes and projects in each sector are discussed below:

**Pillar I:** Improvement of governance and administration through investment in devolution structures for effective service delivery. This pillar comprised the County Assembly, Public Service and Governance, Finance, Planning and Vision 2030, Lands, Physical Planning and Housing as well as Trade Industry and Co-operative development sectors.

The County Assembly was allocated Ksh 521,920,538 for recurrent and development expenditure in the FSP. The final budgetary allocation for this sector was however Ksh 682,469,589 for recurrent and development expenditure. The deviation in allocation was occasioned by increased allocation to the sector in the County Allocation of Revenue Act 2016.

Governance and Public Service sector was allocated Kshs. 564,891,382 in the FSP. Final budgetary allocation was however Ksh 483,622,126 for both recurrent and development expenditure. Flagship projects for the sector were Lake Basin Economic Blue Print, phased construction of ward offices, civic education and public participation. Construction of ward offices was however not allocated resources in the final budget due to budgetary constraints.

Finance, Planning and Vision 2030 was allocated Ksh 603,594,451 in the FSP. Final allocation in the budget was Ksh 751,246,611. The deviation was occasioned by re-allocation of funds during the supplementary budget to avail funds for mitigating the effect of drought during the year. Priority in the FSP was given to improvement of financial governance, project cycle management and construction of modern bus parks



and parking bays. Funds for construction of bus parks and parking bays were however re-allocated during the supplementary budget to complete phase one of OSR automation which had been under budgeted for in the previous FY.

Land, Physical Planning and Housing was allocated Ksh 83,674,313 in the FSP. This allocation was however reduced to Ksh 73,179,608 in the final budget to avail funds for drought mitigation. Priority projects were spatial development planning, public land banking and preparation of valuation rolls.

Trade, Industry and Cooperative Development Sector was allocated Ksh 107,503,314 in 2016/17. This allocation was increased to Ksh 227,257,304 on account of rolled over projects. Flagship projects were; construction of modern markets at Ramba (Siaya), Yala and Bondo, establish a cooperative revolving fund and small and micro enterprise fund.

**Pillar II:** Social transformation through investment in healthcare services, education, youth, culture and social services. This pillar consisted of Health, Education, Youth Affairs, Gender and Social Services and Water, Environment and Natural Resources sectors.

The Education Sector was allocated Ksh 296,597,762 in the FSP. The allocation was increased in the final budget to Ksh 810,144,439 which contains funds for projects rolled over from the previous fiscal year. Flagship projects for the sector were: construction of Siaya and Migwena stadia, construction of sheltered workshops for PLWDs in Ugunja and Ugenya as well as construction and equipping of a disabled basic rehabilitation and resource centre in Rarieda.

The Health Sector was allocated Ksh 1,828,808,342 in the FSP. This allocation was increased to Ksh 1,944,992,428 in the final budget on account of rolled over projects and conditional allocations that were incorporated during the supplementary budget. The sector focused on the completion of the Siaya County Referral Hospital, equipping and manning of the existing health facilities and procurement of drugs as well as non-pharmaceuticals.

Water, Irrigation, Energy and Natural Resources sector was allocated Ksh 132,519,678 in the FSP. This allocation was increased to Ksh 404,497,741 in the final budget on account of rolled over projects. Projects of high priority in the FY2016/17 included: rehabilitation and augmentation of existing water supplies, irrigation infrastructure development and afforestation.

**Pillar III:** Agricultural transformation for improved food security through investment in irrigation, mechanization and agro inputs.

This pillar comprised Agriculture, Livestock, Fisheries and Veterinary services sector which was allocated Ksh 318,045,164 in the FSP. This allocation was increased to Ksh 427,602,403 in the final budget on account of rolled over projects. The sector prioritized the following programmes for the 2016/17 to 2018/19 MTEF period: Veterinary services, Fisheries, Crop and Livestock development alongside agribusiness initiative establishment and development.

**Pillar IV:** Transformation of county infrastructure and communication through Investment in road network and ICT services. This sector consisted of roads, transport and public works and ICT and tourism sectors.

Roads, Transport and Public Works sector was allocated Ksh 162,324,835 in 2016/17. This allocation was however increased to Ksh 1,148,415,319 on account of rolled over projects. The sector prioritized the following programmes for the 2016/17 to 2018/19: Transport Infrastructure Development, Transport Management & Safety and Street Lighting with flagship projects being street lighting and construction of bridges.

Tourism, Wildlife Conservation and ICT sector was allocated Ksh 107,503,314 in the FSP. The final budgetary allocation was Ksh 108,027,335. The sector has prioritized the following programmes for the 2016/17 to 2018/19 MTEF period: Information & Communication Services and Tourism development and promotion with flagship projects being software management policies; mass media services; and tourism product development and diversification.

## **Chapter Four**

### **Resource Allocation Framework**

#### **Adjustments to the FY 2017/18 Budget**

The Medium Term Fiscal Framework (MTFF) for the FY 2017/18 emphasizes on efficiency and effectiveness of public spending and improving OSR collection to reduce budget deficits that result in under allocation to development projects. Implementation of the 2017/18 budget is currently ongoing. As consideration is made towards adjusting this budget to accommodate expenditure arrears carried forward from the FY 2016/17, the county treasury will ensure that supplementary funding is restricted to unforeseen areas of emergency in nature.

Given the fiscal performance in FY 2016/17 there are some inherent risks to the FY 2017/18 budget framework. Expenditure pressures and in particular those of recurrent nature, pose a serious challenge to budget implementation and may also constrain funding for capital projects. The slow implementation of projects as witnessed in FY 2016/17, continues to be a source of great concern. These risks will be closely monitored and appropriate action taken to improve implementation.

#### **Medium Term Fiscal Projections**

Over the medium term, driven by continued reforms, OSR collection is expected to rise towards the targeted 270 million. Overall development expenditure as percentage of total expenditure is expected to rise as the government undertakes expenditure rationalization to improve productivity.

#### **Budget Framework for FY 2018/19**

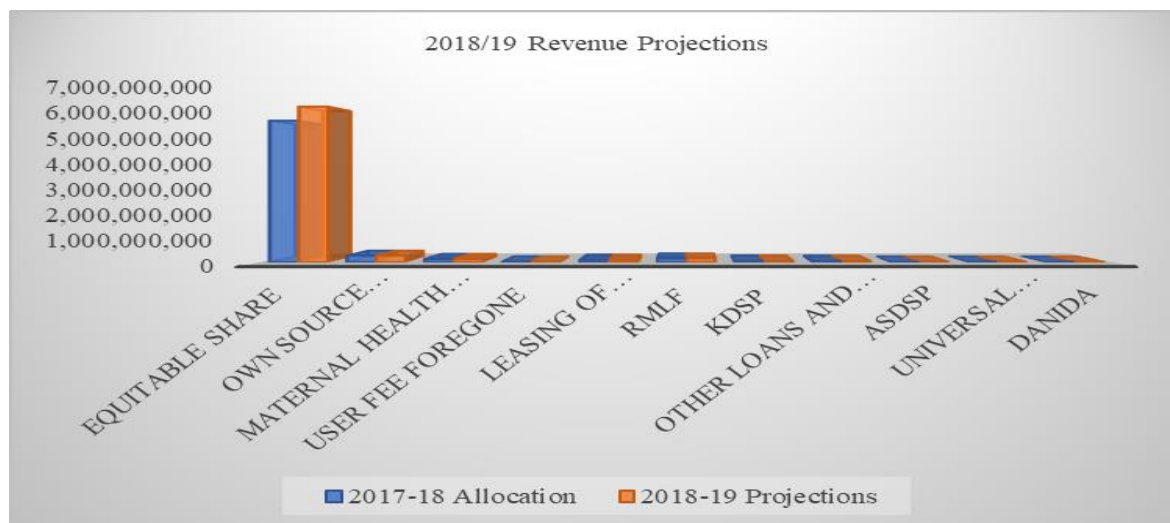
##### **Revenue Projections:**

The FY 2018/19 budget will be financed by revenue from equitable share, OSR and conditional allocations from the national treasury and/or development partners. Equitable share is expected to increase by 10 percentage points of the 2017/18 allocations while conditional allocations are projected to stabilize at the 2017/18 allocations. OSR target will be sustained at Ksh 270 million as reforms are undertaken to improve actual

performance of this stream. The 2017/18 base year revenue streams and projections for FY 2018/19 are as summarised in the table below:

**Table 12: Revenue projections**

Revenue Item	Allocation 2017/18	2018/19 Projections
Equitable Share	5,777,164,456	6,354,880,902
Own Source Revenue	270,000,000	270,000,000
Maternal health care	128,080,400	128,080,400
User Fee Foregone	19,634,077	19,634,077
Leasing of Medical Equipment	95,744,681	95,744,681
RMLF	151,200,000	151,200,000
KDSP	57,110,204	57,110,204
Other Loans and Grants	52,513,031	52,513,031
ASDSP	13,400,000	13,400,000
Universal Health Care Project	17,736,922	17,736,922
DANIDA	15,864,736	15,864,736
<b>Total</b>	<b>6,598,448,507</b>	<b>7,176,164,953</b>



**Figure 8: Revenue Projections**

### Medium-Term Expenditure Framework

Resource allocation will continue to be aligned to development programmes/projects under the four broad pillars as captured in the 2017/18 budget. The FY 2018/19 MTEF Budget will therefore be prepared based on the departmental ceilings tabulated below:

**Table 13: Baseline Ceilings for the MTEF Period**

Sector	Approved estimates 2017/18	Projected Ceiling	
		2018/2019	2019/2020
Assembly	868,619,878	955,481,866	1,051,030,052
Governance	552,102,186	607,312,405	668,043,645
Finance	734,332,267	807,765,494	888,542,043
Agriculture	397,625,222	437,387,744	481,126,519

Sector	Approved estimates 2017/18	Projected Ceiling	
		2018/2019	2019/2020
Water	290,304,111	319,334,522	351,267,974
Education	582,599,677	640,859,645	704,945,609
Health	2,070,006,772	2,194,879,044	2,414,366,949
Lands	98,966,260	108,862,886	119,749,175
Trade	110,780,764	121,858,840	134,044,724
Tourism and ICT	125,339,878	137,873,866	151,661,252
Works	767,771,492	844,548,641	929,003,505
<b>Total</b>	<b>6,598,448,507</b>	<b>7,176,164,953</b>	<b>7,893,781,448</b>

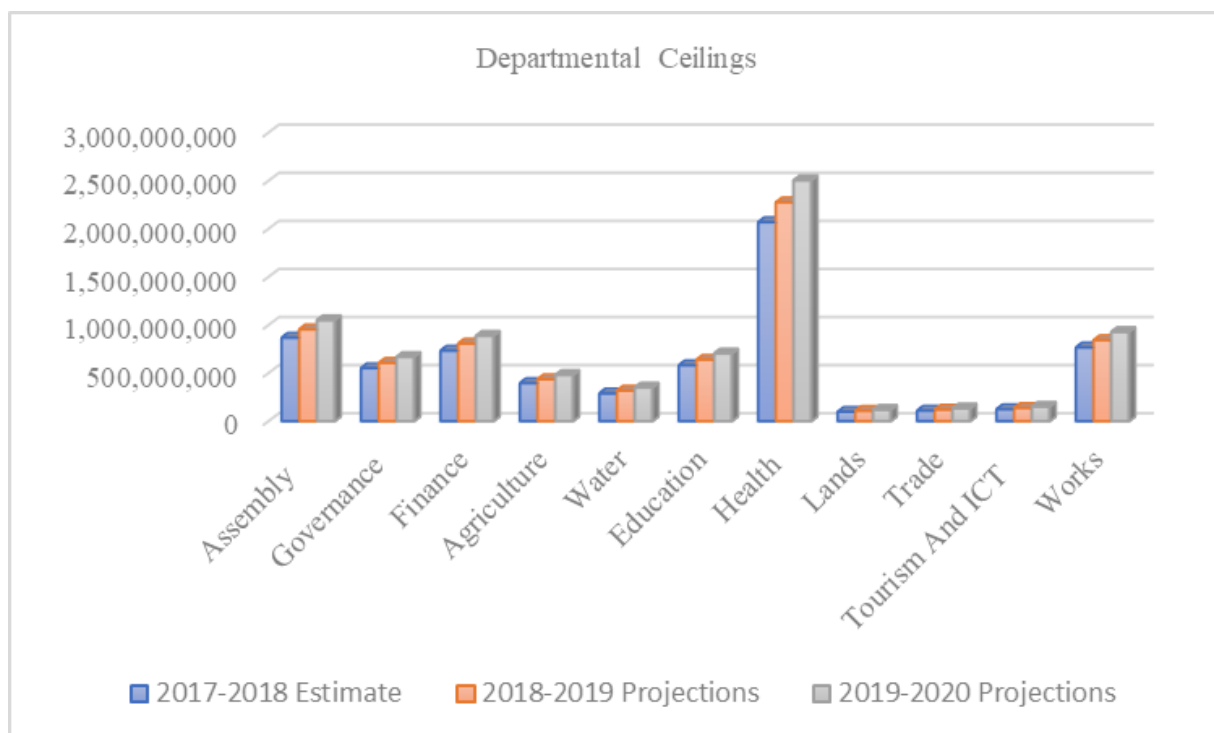


Figure 9: Baseline Ceilings for the MTEF Period

## Expenditure

Expenditure is broadly categorized into capital and recurrent. The County is projected to incur recurrent expenditure of Ksh 5,080,805,371 representing 70 percent of the total budget and a development allocation of Ksh 2,177,488,007 equivalent to 30 percent of the total budget.