REPUBLIC OF KENYA

COUNTY GOVERNMENT OF NYAMIRA

COUNTY BUDGET REVIEW AND OUTLOOK PAPER 2016-2017

COUNTY TREASURY

SEPTEMBER 2017

FOREWORD

The County Budget Review and Outlook Paper (CBROP) 2017 is prepared in accordance with Public Financial Management Act, 2012 section 118(1). It is the fourth to be prepared under the devolved system of Government. It presents the fiscal outcome for FY 2016/17 and how this affects the financial objectives set out in the 2017/18 budget. It also discusses the implications of the current and past fiscal position on the MTEF period from 2018/19-2020/2021. The updated macroeconomic outlook therein provides a basis to review the 2017/18 budget in the context of the Supplementary Estimates, as well as setting out the broad fiscal parameters for the next medium term framework budget.

The CBROP 2017 comes at a time when the conclusion of MTP 11 and the first CIDP 2013-2017 is taking place. This is ushering in a new era of MTP 111 and CIDP 2018-2022 which forms a new basis for future county planning for the next five years. In the MTEF period, the county planning would take a sectoral approach, where 10 sector plans would be developed to inform the MTP 111 and CIDP 2018-2022 thematic areas.

In addition, the CBROP 2017 came at a time of national general elections which were held in August 8th 2017. During the compilation of this document, the country was still in campaigning mood because the general elections prompted a fresh presidential election. In the new political re-alignments, The Governors re-election manifesto, inaugural speech and priority shift are expected to take precedence in the MTEF period.

Going forward, the county would continue to embrace prudent financial management practices and compliance to statutory requirements governing county planning and budgeting. Public participation would be a critical prerequisite in planning, geared towards an all-inclusive development destiny. Measures to enhance revenue collection, tame wage bill, minimize recurrent spending, compliance to financial reporting, transparency and accountability will be put in place.

Given the available resources, it is my hope that this document would serve a key role in spearheading this county's development agenda forward.

JACKLINE KEMUNTO,

COUNTY EXECUTIVE COMMITTEE MEMBER,

FINANCE AND PLANNING

ACKNOWLEDGEMENT

The CBROP 2017 was made successful by selfless commitment and contributions from various participants from the Finance and Planning docket. Reference information used in compilation of this document was obtained from financial year budgets of 2015/2016, 2016/2017 and 2017/2018. The documents have been used for future planning as well as forecasting the MTEF fiscal framework of the County. In this context I feel indebted to appreciate the entities that came up with the above publications.

I also momentarily recognize the leadership of the County Executive Committee Members for Finance and Planning; outgoing Ach. Kepha Osoro and the incoming Jackline Kemunto for their dedication and technical support during the process. Participation and insights from the director of Finance Mr. Philip Machuki, Head of Treasury Mr. Lawrene Nyangena, director of revenue M/S Lilian Onsomu and director of planning and budget Mr. Robins Achoki. With profound gratitude, I underscore the fundamental role played by the County Planning Unit in sourcing, analysing and interpreting the statistical information contained in different documents. This team of economists include Mr. Paul Onyango, Mr. Nicodemus Mutinda, Mr. Denis Muthuri and Mr. Jaspher Ouma.

I look forward for fruitful implementation of the guidelines provided herein this document for achievement of the County vision and mission.

CPA. LAWRENCE NYANGENA,

Ag. COUNTY CHIEF OFFICER,

FINANCE AND PLANNING

LIST OF ACRONYMS AND ABBREVIATIONS

CBROP	County Budget Review and Outlook Paper
CFSP	County Fiscal Strategy Paper
CGN	County Government of Nyamira
CIDP	County Integrated Development Plan
GDP	Gross Domestic Product
IFMIS	Integrated Financial Management and Information System
MTEF	Medium Term Expenditure Framework
PFM	Public Finance Management
SWGs	Sector Working Group
ADP	Annual Development Plan
CDMS	County Debt Management strategy
CFSP	County Fiscal Strategy paper
CPU	County Planning Unit
CG	County Government
COB	Controller of Budget
CRA	Commission of Revenue Allocation
DAs	Department and Agencies
DANIDA	Danish International Development Agency
ECDE	Early Childhood Development
FIF	Facility Improvement Fund
FY	Financial Year
ICT	Information Communication Technology
NGOS	Non-Governmental Organization
PBB	Program Based Budget
PFMA	Public finance management act
THSUC	Transforming Health Systems For Universal Care

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CHAPTER ONE

I.0 INTRODUCTION

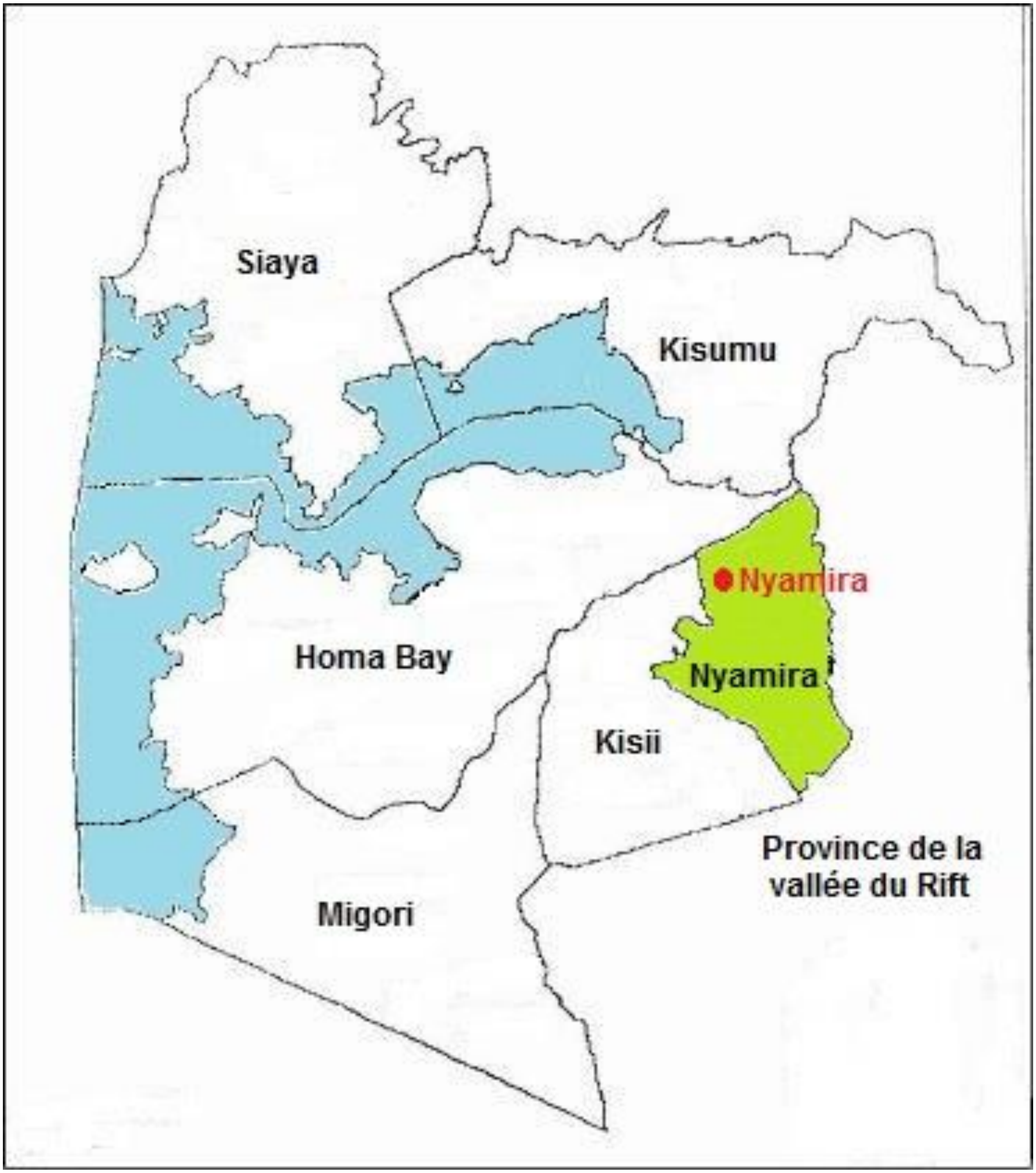
I. 1 Background of Nyamira County

Nyamira County is one of the 47 counties of the Republic of Kenya as provided in the new constitution that was promulgated on 27th August 2010. The County borders Homabay County to the North, Kisii County to the West, Bomet County to the South East and Kericho County to the East. The County covers an area of 899.4km^2. The county lies between latitude 00 30‘and 00 45‘South and between longitude 340 45‘and 350 00‘East. The County head quarter is in Nyamira town. The County is divided into five sub-counties namely: Nyamira North, Nyamira South, Masaba North, Borabu, and Manga. The County has four constituencies namely; West Mugirango, Kitutu Masaba, North mugirango and Borabu, and a total of twenty county assembly wards.

Nyamira County had a population of 598,252 persons of which 284,048 were males and 314,204 were females according to the 2009 housing and population census report. The population is projected to increase to 875,840 persons in the year 2017 of which 415,846 will be male and 459,995 will be female. The county inter census population growth rate is estimated at 1.83 percent. The settlement pattern in the County is greatly influenced by the rainfall patterns, topography, infrastructural development, proximity to urban centers, the availability of natural resources and security. However, majority of the County populace is in the rural areas. The County is endowed with many resources, but has been a low producer of goods and services, hence lacking value addition, a situation that has contributed to very low prices for these goods and services.

The CBROP will be a key document in linking policy, planning and budgeting. The County Integrated Development Plan (CIDP) and the Medium Term Expenditure Framework (MTEF) will guide budgetary preparation and programming. The formation of the Sector Working Groups (SWGs) by the Executive Committee has enabled the County Treasury to formulate guidelines for the Medium Term Expenditure Framework (MTEF) focusing on developing of new programs for the next MTEF Period 2017/18–2019/2020. The Map 1 below shows Nyamira County and its neighboring counties.

Map 1: Nyamira county and its Neighboring counties



1.2 Legal Basis for the Preparation and 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:

The County Treasury shall prepare and submit to County Executive committee for approval, by 30th September in each financial year.

A County Budget Review and Outlook Paper which shall include:

a) Actual fiscal performance in the previous financial year compared to the budget Appropriation for that year

b) 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 how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles or the financial objectives in the latest County Fiscal strategy paper

d) The reasons for any deviation from the financial objectives together with proposals to address the deviation and the time estimated to do so.

County Executive committee shall consider the County Budget Review and outlook Paper with a view to approving it with or without amendments, not later than fourteen days after its submission.

Not later than seven days after the CBROP has been approved by Executive Committee, the County Treasury shall:

a) Submit the paper to the Budget and appropriation Committee of the County Assembly to be laid before the County assembly; and

b) Publish and publicize the paper not later than fifteen days after laying the Paper before County Assembly.

1.3 County Government Fiscal Responsibility Principles

In line with chapter twelve of the Constitution, Section 107 of the Public Financial Management (PFM) Act, 2012

1. The county government's recurrent expenditure shall not exceed the county government's total revenue

2. Over the medium term, a minimum of 30% of the County budget shall be allocated to development expenditure

3. The County government's expenditure on wages and benefits for public officers shall not exceed a percentage of the County government revenue as prescribed by the regulations.

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. Public debt and obligations shall be maintained at a sustainable level as approved by County Government (CG)

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.

1.4 Objective of the CBROP

The objectives of the 2017 C-BROP is to offer insight of the previous fiscal performance and provide useful guidance on how this impact the County fiscal responsibilities principles set out in the County Fiscal Strategy Paper (CFSP 2017), Section 104 of the PFM Act 2012 in this budget year. Insight in to this budget projection of the current CFSP 2017 will guide the County in preparing the Supplementary budget estimates for the current appropriations.

The current C-BROP will continue to focus more on the sectoral priorities set out in the current 2017 CFSP namely;

- Infrastructure development: This will include interventions in roads, energy (street lighting) and ICT development.
- Agriculture, rural and urban development: Priority will be given to livestock, fisheries and agriculture, spatial planning and housing development.

- Water and environment: The priority will be given to spring protection, drilling of boreholes, wetlands conservation and promotion of bamboo tree planting.
- Health: Priorities in this sector will include funding healthcare infrastructure, communicable and non-communicable diseases and other medical supplies.
- Social sector: priority areas will be Culture, sports, youth, security and opportunities for vulnerable members of our society.

The C-BROP is further expected to capture sector ceilings for the FY 2018/2019 budget and indicative projections for the FY 2019/2020 and 2020/2021 Medium term expenditure period. These ceilings will offer the primary reference for the Sector Workings groups (SWGs) before being firmed up in the CFSP 2018.

Further the paper includes a review of FY 2016/2017, a brief delve into the recent County and National Economic Developments and how these affects the County fiscal outlook going forward given the prevailing Macroeconomic environment for the Country.

The PFM Act 2012 has set high standards for compliance with the MTEF budgeting process. Therefore, it is expected that the sector ceilings for the 2018/2019-2020/2021 MTEF period will be modified moving into 2018/2019 FY because of the expanded mandate of some sectors, the need to comply with instructions issued by the office of the Controller of Budget and Commission on Revenue Allocation among others and the need to direct resources to the County Strategic priority areas.

The CBROP provides linkage between policy, planning and budgeting. Soon after its establishment, the County Government prepared its first County Integrated Development Plan (CIDP) for 2013-2017 and the departmental strategic plans for the same period. These highlighted programmes, projects, strategic priorities, the services or goods to be provided, measurable indicators of performance and the budget allocated to each of the programs. The two documents were anchored on the Kenya Vision 2030 as well as the Medium Term Plan 11 (MTP11), guiding budgetary preparation and programming from 2013 to date. Implementation of both the first CIDP 2013-17 and the MTP11 are coming to an end by December 2017, paving way for a new era of CIDP 2018-2022 and MTP111. As a result, the National Government, the

County Government, various stakeholders and relevant institutions are working hard to produce these documents and hence ensure smooth transition of the integrated planning process.

1.5 The structure of CBROP

The County Budget Review and Outlook Paper (CBROP) have five chapters namely;

Chapter one: Includes introduction and objectives of CBROP.

Chapter two: Provides a review of the fiscal performance in FY 2016/2017 and its implications on the financial objectives as set out in the 2017/2018 budgetary framework.

Chapter three: This outlines brief highlights of the recent economic development and updated macroeconomic outlook.

Chapter four: Provides the resources allocation framework.

Chapter five: Conclusion.

CHAPTER TWO

2.0 REVIEW OF FISCAL PERFORMANCE IN FY 2016/2017

2.1 DEVELOPMENT OBJECTIVES 2016/2017

Prioritization of resource allocation was based on the County Integrated Development Plan 2013-2017, annual development plan 2016 and the departmental strategic plans.

The development objectives stipulated in the CFSP for FY 2016 were geared towards achieving the following:

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

2.2 Overview

The fiscal performance in 2016/17 was fairly satisfactory, despite the challenges of not realizing the projected revenues and mounting expenditure pressures. The County Government experienced revenue shortfalls amounting to Ksh. 112,304,815 as shown in the table 1 below;

On the expenditure side, the County Government spent highly on personal emoluments attributed to by the large workforce seconded from the national government, defunct local authority and county government employees. Majority of all these employees did not have clear job descriptions, leading to increased wage bill, maintenance costs and hence budgetary constraints. During the F/Y 2016/2017 the wage bill stood at 40% which is an increase of 3% as compared to F/Y 2015/2016, the county government needs to expand its revenue base so that the wage bill reverts to 35% as stipulated in the public finance management regulation 2016.

In addition, delayed release of funds from the National Government to County Government was another challenge in the implementation of the planned projects and programmes in all sectors. The 2017 National Elections contributed to delays in Exchequer releases thus several projects could not be completed at the end of the planning period.

2.3 Fiscal Performance for 2016/17 Financial Year

2.3.1. Revenue

Table 2 presents the revenue analysis for the FY 2016/17 as realized from local sources, equitable share from the national government, unspent balances for the 2015/2016 FY, the conditional grants and other Revenue sources.

Table 1: Revenue analysis 2016/2017

	Target		Actual	Deviation	Current Budget 2017/2018	2018/19 Revenue Outlook
External Revenue Source	**Approved budget 2016/2017**	**Revised budget 2016/2017**	**Actual 2016/2017**	**Deviation on 2016/2017 budget.**		
Unspent balances	880,722,791	637,020,419	633,781,433	(3,238,986)	834,304,744	477,655,719
Equitable Shareable Revenue	4,482,799,531	4,482,799,531	4,482,799,531	0	4,620,600,000	5,082,660,000
Donor Grants/DANIDA	11,960,000	18,557,268	17,480,000	(1,077,268)	18,592,300	13,194,535
Free Maternity Health Care	82,174,925	82,174,925	77,047,500	(5,127,425)	0	0
Compensation For User Fees Forgone	11,578,458	11,578,458	11,578,458	0	0	14,492,743
Leasing of Medical Equipment	95,744,681	0	0	0	0	0
Road Maintenance Levy Fund	68,878,185	68,878,185	68,878,185	0	177,012,086	194,713,295
world bank devolution support programme	0	26,275,445	-	(26,275,445)	39,582,751	43,541,026
Tea and coffee cess	0	34,610,871	34,610,871	0	0	0
world bank – THSUC	0	12,933,173	-	(12,933,173)	41,386,154	0
Nursing service allowance	0	36,000,000	76,842,000	40,842,000		0
Development of Youth Polytechnics					83,704,140	92,074,554
Total Budgeted Local Revenue	274,983,797	198,230,100	93,735,582	(104,494,518)	253,112,676	299,702,691
World Bank Loan for National and Rural inclusive growth project					50,000,000	
Grand total	**5,908,842,368**	**5,609,058,375**	**5,496,753,560**	**(112,304,815)**	**6,118,294,851**	**6,218,034,563**

2.3.2. Unspent balances

As per the approved budget 2016/2017, the closing balance for 2015/2016 was Ksh. 637,020,419. However, the actual unspent balances at the end of the financial year 2016/2017 were Ksh.633, 781,433. This indicates that the county government needs to strategize more on absorption of public funds through expeditious implementation of the programme based budget.

In the 2017/2018FY estimates, the unspent balances were Ksh.434,232,472. However, the actual unspent balances turned out to be Ksh.633,781,433. Thus, this serves as a critical concern for consideration during the supplementary estimates for 2017/2018.

2.3.3 Equitable Shareable Revenue

Total actual Exchequer releases from National Government were Kshs. 4,482,799,531 as per County Revenue Allocation Act 2016. The equitable share revenue has been increasing over the years since 2013 to date based on the formula determined by the Commission on Revenue Allocation and approved by National Assembly. This trend has enabled the County Government efficiently deliver its services and mandates.

2.3.4 Conditional grants

The county anticipated to receive the following conditional grants;

- ✓ DANIDA,
- ✓ Free maternity health care,
- ✓ Compensation for user fees forgone,
- ✓ Roads maintenance levy fund,
- ✓ World Bank devolution support programme,
- ✓ Tea and coffee cess,
- ✓ World Bank – Transformative Health Systems for Universal Care
- ✓ Nursing service allowance.

The county government received in full Ksh.11, 578, 458 from Compensation for User Fees Forgone as anticipated in the revised F/Y 2016/2017. A similar scenario was also witnessed for the Road Maintenance Levy Fund and Tea and coffee cess which were received in full as anticipated at ksh.68, 878,185 and Ksh.34, 610,871 respectively.

On the other hand, the following grants were partially received as compared to the appropriations revised in F/Y 2016/2017; Donor Grants/DANIDA and Free Maternity Health Care had a shortfall of Ksh 1,077,268 and Ksh 5,127,425 respectively as indicated in the table above. We have The county government needs to communicate to the national government ministry concerned on these two grants to ensure that the remaining balances are released to the county for appropriation and by extension through the revised budget F/Y 2017/2018 as a source of revenue.

The county anticipated receiving Ksh 36,000,000 as nursing service allowance but the actual amount received was Ksh 76,842,000 which was an increase of Ksh 40,842,000. This compared against the target of Ksh. 5,609,058,375 represents 6.3% in the budget execution. The surplus amount was never appropriated in the financial year 2016/2017 thus should be appropriated in the revised F/Y 2017/2018 as additional source of revenue. This increment is attributed to the allowances due for nurses as stipulated by the Salaries and Remuneration Commission.

Regarding the Kenya Devolution and Support Program (KDSP), no funds were received in the 2016/2017 FY.

2.3.5 Internal Revenue

Total actual local revenues collected amounted to Kshs 93,735,582 against a budget of Kshs.198, 230,100. This implies that the short fall of Ksh104, 494,518 in F/Y 2016/2017 affected the budget execution as appropriated. The low revenue collection was attributed to high default rates, weak enforcement mechanism, inadequate county laws, un-automated revenue system, political interference and resistance from the community that led to low rates collection.

Revenue Shortfall per Revenue Source

The major revenue streams in the county are land rates, agricultural produce cess, single business permits, plot rents, and parking fee.

Land Rates

High default rates and weak enforcement mechanism led to reduction of collections in F/Y 2016/2017 at Ksh 8,173,390 as compared to Ksh 10,242,154 of F/Y 2015/2016 representing a decrease of Ksh 2,068,764.The future implementation of the proposed Rating Bill 2017 will strengthen enforcement on rate collection while review of the Valuation Roll will widen the ratable properties. A high percentage of county residents who own land and are ratable are defaulters and this poses a risk to revenue collection. To encourage rate defaulters to pay land rates, the county will waive penalties.

Parking Fees

Lack of designated parking points coupled with weak enforcement made it difficult to enforce and collect parking fees. However, the construction of parking bays in Nyamira Town and enforcement personnel employed has seen revenue improve by Ksh 3,268,785 from Ksh 7,607,755 as anticipated in the revised budget F/Y 2016/2017.

Building Permits

Non-disclosure and adherence of county building regulations, poor enforcement of building standards and regulations have led to low revenue collection from building development approval permits. There exist huge potential in this revenue stream. In order to realize this potential, mechanisms have now been put in place to ensure that revenue in this area is maximized.

Single Business Permit (SBP)

During the period 2016/17, collection from this stream was below target due to the following;

- Non- implementation of devolved functions collection laws e.g. Liquor
- Lack of updated business register

Reasons for zero collection

It was realized that some revenue streams recorded zero collection. This was due to the following reasons:

- Some of the targeted revenue streams are functions which are not county core mandate, with these appearing much in the department of lands
- Efforts meant in earlier years to collect revenue from some streams have since then vanished
- No attempts have ever been made to collect revenue from some streams
- Poor recording of revenue proceeds across departments

2.3.6 Expenditure Performance

The total target expenditure for the FY 2016/2017 as per the estimates was Ksh 5,609,058,375. However, the actual expenditure for the entire financial year totaled to Ksh. 5,064,435,803, representing an underperformance of Ksh.544, 622,572 or a score of 90 percent. This was due to revenue shortfalls.

In terms of economic classification, compensation to employee expenditure represented the highest performance at 94 percent while Development expenditure performed lowest at 77 percent. Table 2 below shows the total County Expenditures by economic classifications.

Notably, the actual development expenditure for the year under review stood at Ksh.1,300, 789,260 against a revised target of Ksh.1,670,901,327. This represented an absorption rate of 77.8%.

Table 2 Expenditure Performance by Economic classification

	Actual baseline 2015/2016	**Target 2016/2017**	**Actual 2016/2017**	**Variance**	**% budget execution**
	a	**b**	**c**	**d=b-c**	**g=actual/total budget**
Current Expenditure					
Compensation Of Employees	1,670,345,596.75	2,379,825,616.70	2,256,760,972.70	123,064,644.00	94.83
Use Of Goods And Services	1,252,660,160.25	1,826,566,885.00	1,920,690,296.30	-94,123,411.30	105.15
Other Grants and transfers	0.00	135,954,584	113,473,860	22,480,724	83.46
Social security Benefits	0	146,935,328	80,698,200	66,237,128	54.92
Sub-total	**2,923,005,757.00**	**4,489,282,413.70**	**4,371,623,329.00**	**117,659,085**	**97.38**
Capital Expenditure					
Acquisition of Non-financial Assets	1,572,243,093.00	1,445,685,404.00	1,237,285,046.00	208,400,358.00	85.58
other payments	0	150,000	150,000	0	100
Sub-total	**1,572,243,093**	**1,445,835,404**	**1,237,435,046**	**208,400,358.00**	**85.59**
Grand Total	**4,495,248,850**	**5,935,117,818**	**5,609,058,375**	**326,059,443**	**94.51**

The actual expenditure during the F/Y 2016/2017 was Ksh. 5,064,435,803 against the target of Ksh. 5,609,058,375. This represents an underperformance of 9.7 percent. During the year under review the development expenditure was Ksh. 1,300,789,260 against the target of Ksh.1, 670,901,327 this represents a 33 percent under-spending. Recurrent expenditure incurred amounted to Ksh.3,763,646,543 against a target of Ksh. 3,938,157,048 presenting 4.4 percent under spending. Most departments reported an under spending of the development budgets with a cumulative deviation of Ksh 370,112,067 billion or 22 percent underperformance.

The underperformance in expenditure totalled to ksh. 544,622,572, this was due to the following reason;

The county experienced internal revenue shortfall of ksh.104, 494,518.

The county didn't receive conditional grant worth ksh. 39,208,618

The unspent balances were over-estimated with Ksh. 243,702,372

The actual unspent balance totalled to ksh. 637,020,419. This was due to slow procurement and cash flow constraints and the observable weak fiscal capacity across County Government entitie.

- Pending bills stood at Ksh 211,894,831 as at end of FY 2016/2017

Overall the County Public Service Board had the highest rate of budget execution at 99 percent against revised target while the County Assembly had the lowest rate of 73 percent.

2.3.7 COUNTY DEBT MANAGEMENT

The total stock of debt for the County Government including departmental pending bills stood at Ksh 211,894,831 at the end of FY 2016/2017, representing an increase of 237%. This was occasioned by, frequent breakdown of IFMIS, delayed inspection of projects, procurement planning and late approval by Controller of Budget (COB) arising from delays in timely disbursement from the exchequer releases and late approval of the Supplementary Budget. It would be noted that the same amount of worth of capital budget commitments will be rolled over to the next FY 2017/2018 budget and is expected to significantly reduce county's pending bills. Table 4 shows pending bills as at 30th June 2017.

Table 3: Pending bills

Descriptions	Balance as at 30 June 2016		Balance as at 30 June 2017
PAYE	-	-	-
LAPFUND	-	-	-
Suppliers and contractors	89,241,581	-	211,894,831
Legal creditors	-	-	-
Contingent liabilities	-	-	-
TOTAL	**89,241,581**	**-**	**211,894,831**

Table 3 Departmental expenditure performance for the period ending 30th June 2017

Vote No	Vote Title	Recurent Expenditure			Development Expenditure			Total Expenditure			% Of Budget Execution
		Target	Actual	Variance	Target	Actual	Variance	Target	Actual	Variance	
5261	**County Assembly**	488,710,625	488,674,392	36,233	180,000,000	-	180,000,000	668,710,625	448,674,392	180,036,233	67%
5262	**County Executive**	314,255,815	279,078,023	35,177,792	-	-	-	314,255,815	279,078,023	35,177,792	88.8%
5263	**Finance & Planning**	524,808,936	440,469,253	84,339,683	34,872,773	6,695,434	28,177,339	559,681,709	447,164,687	112,517,022	79
5264	**ALF**	157,557,652	152,219,324	5,338,328	142,984,409	122,788,166	20,196,243	300,542,061	275,007,490	25,534,571	91
.5265	**Environment, Energy, Mining**	89,594,167	85,172,887	4,421,280	184,257,600	124,811,154	59,446,466	273,851,767	209,984,041	63,867,726	76
5266	**Education and ICT**	355,068,150	345,329,201	9,738,949	113,054,021	109,140,919	3,913,102	468,122,171	454,470,120	13,652,051	97
5267	**Health**	1,271,708,721	1,180,642,882	91,065,839	270,921,428	204,073,585	65,847,843	1,542,630,149	1,385,716,467	156,913,682	89.8
5268	**Lands, Housing and Urban Dvt**	43,652,854	41,873,724	1,779,130	52,727,262	62,208,413	9,481,151	96,380,116	104,082,137	-7,702,021	108
5270	**Roads, Transport and Public Works**	103,787,386	91,707,525	12,079,861	498,287,985	330,327,807	167,960,178	602,075,371	422,035,332	180,040,039	70
5271	**Trade, Tourism, Cooperatives**	46,411,992	42,656,539	3,755,457	47,856,600	38,645,612	9,210,980	94,268,592	81,302,151	12,996,441	86.2
5272	**Youths, Sports, Gender,**	142,911,395	123,010,940	19,900,455	91,980,170	31,979,845	60,000,325	234,891,565	154,990,785	79,900,780	66
5273	**PACDU**	344,591,455	312,670,409	31,921,046	53,959,079	31, 042,344	22,916,735	398,550,534	343,712,753	54,837,781	86
527	**County Public**	55,097,90	53,223,26	1,864,63	0	0	0	55,097,90	53,223,26	1,864,63	96

4	**Service Board**	0	5	5				0	5	5	
Tot al		**3,938,157 ,048**	**3,636,728 ,364**	**301,418, 688**	**1,670,901 ,327**	**1,061,713 ,279**	**428,188, 060**	**5,609,058 ,375**	**4,659,441 ,643**	**544,622, 572**	**83.1%**

The actual expenditure during the F/Y 2015/2016 was Ksh. 4.5 billion against the target of Ksh. 5.5 billion. This represents an underperformance of 17 percent. During the year under review the development expenditure was Ksh. 1,572,243,093 against the target of Ksh. 2,357,299,399 this represents a 33 percent under-spending. Recurrent expenditure incurred amounted to Ksh.2.9 billion against a target of Ksh. 3.1 billion representing 5 percent under spending. Most departments reported an under-spending of the development budgets with a cumulative deviation of Ksh 0.8 billion or 33 percent underperformance.

The underperformance in expenditure totalled to ksh. 955,310,009, this was due to the following reason;

- The county experienced internal revenue shortfall of ksh.133,976,943
- The county never received conditional grant worth ksh. 32,600,300
- The over estimation of unspent balance of ksh. 135,704,229
- The actual unspent balance totalled to ksh. 653,028,537. This was due to slow procurement and cash flow constraints and the observable weak fiscal capacity across County Government entities largely explains this substantial deviation. Overall the County assembly had the highest rate of budget execution at 98 percent against revised target while the Department of Trade had the lowest rate of 51 percent.

The fiscal performance of the FY 2015/2016 has a bearing on the financial objectives adopted in the CFSP 2016 and its Subsequent budget for FY 2016/2017. The following observations have been made;

The base used to set the local revenue estimates for the FY 2016/2017 remains largely realistic given the decline in revenue performance in FY 2015/2016 at 47 percent of the target. In analysing the underperformance per revenue streams, it has been observed potential streams including Agriculture cess, liquor licence, motorbike operators fees and hotel and catering fees and charges will do well in the current budget year given the elimination of obstacles for collections. Revenue from matatu parking and public health fees have shown potential for growth.

The cash flow projection from Exchequer transfers remains largely unpredictable and this has partly caused rolling of Ksh 434,232,472 million to FY 2017/2018.

The fiscal capacity of the County Government has been improved given the 76 percent growth in development expenditure compared to 66 percent the previous FY 2015/2016.The County performance is expected to perform even better considering the extension of period for prequalification of suppliers.

The outcome of the 2017 Economic Survey has revealed a stable Macroeconomic environment for the Country and general positive performance in all sectors of the economy. Further global oil prices have remained largely subdued along with stability in cost of other energy source. The visible disparity in FY 2016/2017 budget performance for both recurrent and development votes across all County Government will have implications on the baselines used to forecast expenditures in FY 2017/2018. These observations alongside the cash flow constraints have advised the final determination of this C-BROP going forward.

In addition, the County Treasury understands the weakness in fiscal capacity of the respective County Government entities and shall progressively continue to facilitate training and capacity development to enhance efficiency.

2.3.8 Fiscal Discipline and Responsibility Principles

Over the medium term, a minimum of 30 percent of the county government's budget shall be allocated to the development expenditure. The allocation for development budget was within the set minimum requirement of 30 percent with Ksh1,670,901,327 allocated to development against a total budget of Ksh 5,609,058,375 billion. However the execution rate for development expenditure was above average at about 77 percent performance. Nonetheless, Ksh 1,300,789,260 billion reported as actual development expenditure was a significant decline in comparison with the previous FY 2015/2016 where Ksh 1,572,243,093 billion was incurred.

The county government's expenditure on wages and benefits for its public officers shall not exceed a percentage of the county government's total revenue as prescribed by the County Executive member for finance in regulations and approved by the County Assembly

The County expenditure on wages and salaries increased with a marginal growth of 3 percent. The proportion of wage bill as a percentage of total budget is still high at 40 percent an increase from 37 percent in FY 2015/2016.

The county debt shall be maintained at a sustainable level as approved by county assembly the county government's recurrent expenditure shall not exceed the county government's total revenue; The County Government has continued in its commitment of reducing its debt though observing fiscal discipline and expenditure management.

CHAPTER THREE

3.0 RECENT ECONOMIC DEVELOPMENTS AND FISCAL OUTLOOK

Overview

The economic recital of Nyamira County Government is highly predisposed to the national government economic performance. This is because both pecuniary successes and failures at the top organ trickle down the devolution path to the county levels. At devolved levels, it is always expected that prudent monetary and fiscal policies are made in order to serve development as opposed to posing of risk to the devolved units' economic ability. As a result, judicial policy formulation and implementation leads to stable macro and micro economic environment not only for the national government but for the economy as a whole. Vital macroeconomic indicators such as GDP, Government Expenditure, Inflation, Employment, Foreign Exchange rate, Savings, Investments and Consumption largely depend on the macroeconomic environment. When the above indicators are steady, socioeconomic development indicators such as human development index, per-capita income and the cost of capital remain affordable and thus lower the cost of living.

3.1 RECENT ECONOMIC DEVELOPMENTS

3.1.1 International Scene

According to the budget policy statement 2017 and the draft national budget and outlook paper,

- The global economy remained mollified in 2016 due to:
    - ✓ Britain's referendum results which favored leaving of the European Union (Brexit)
    - ✓ Ongoing realignments among emerging and developing economies such as adjustment of commodity exporters to a protracted decline in terms of trade; slow-moving trends such as demographics and the evolution of productivity growth; as well as non-economic factors such as geopolitical and political uncertainty.
    - ✓ Weaker than expected growth in the united states of America
    - ✓ Sharp slowdown among sub-Saharan African economies especially commodity exporters

- Though the Global growth slowed down to 3.2 percent in 2016 from 3.4 percent in 2015, it is expected to rise to 3.5 percent in 2017 and 3.6 percent in 2018. This pick up of the global activities is projected from upside developments including stronger activity, expectations of more robust global demand, reduced deflationary pressures, and optimistic financial markets.

- With potentially persistent structural changes in the global economy, Emerging and Developing economies may face a less supportive external environment going forward. The growth in these economies therefore will be supported by internal factors including strengthening institutional frameworks, protecting trade integration, permitting exchange rate flexibility, and containing vulnerabilities arising from high current account deficits and external borrowing as well as large public debt. Growth is projected to rise from 4.3 percent in 2016 to 4.6 percent in 2017 and 4.8 percent in 2018. This growth is primarily driven by stronger domestic demand, higher public spending, strong credit growth, reliance on public investment, 2017 Budget Review and Outlook Paper implementation of key reforms, loosening of supply-side bottlenecks, and appropriate fiscal and monetary policies
- Sub-Saharan African (SSA) growth declined to 1.3 percent in 2016 from 3.4 percent in 2015 driven largely by challenging macroeconomic conditions that faced the largest economies including disruptions in the oil sector coupled with foreign exchange, power, and fuel shortages, output in Nigeria; drop in commodity prices and drought in South Africa among others.
- However, this growth is expected to improve to 2.6 percent in 2017 and 3.5 percent in 2018, largely driven by improved macroeconomic conditions in the large economies including recovery in oil production, commodity prices recovery, continued growth in agriculture as drought conditions ease, better terms of trade and higher public investment.
- Growth in the East African Community (EAC) region (Kenya, Uganda, Tanzania, Rwanda and Burundi) is projected to pick up in 2017, supported by ongoing infrastructure investment efforts, strong private consumption and the lower global oil prices
- The decline in other commodity prices and currency depreciations will partly offset the gains in some of them.

3.1.2 Domestic Economy

The Budget Policy Statement 2017 and the draft National Budget and Outlook Paper indicate that;

The economic outlook takes into account the poor performance in the Agriculture and Electricity and Water Supply sectors following the unfavorable weather conditions experienced in the first quarter of 2017, subdued credit to the private sector and effects of lengthy electioneering period on economic activity. As a result, the economy is projected to expand by 5.5 percent in 2017 from a growth of 5.8 percent in 2016.

This growth momentum is expected to rise over the medium term supported by improved global conditions, improved production in agriculture, ongoing recovery of tourism and completion of key public projects in roads, rail and energy generation, resilient exports and benefits from ongoing regional integration efforts.

In addition, the strong consumer demand and private sector investment as well as a stable macroeconomic environment in the country will help reinforce this growth.

The growth estimates for the medium term in fiscal years are;5.7 percent in FY 2016/17, 5.9 percent in FY 2017/18, 6.3 percent in FY 2018/19 and 6.7 percent in FY 2020/21.

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Monetary Policy Outlook

Inflation, in July 2017 converged back to the set target of 5.0 percent with an allowable margin of 2.5 percent on either side of the target to cater for shocks and is expected to remain so in the medium term underpinned by prudent monetary policy. The monetary policy measures adopted are expected to moderate demand-driven inflationary pressures, while stability of the exchange rate moderates any possible effects of imported inflation on the price level.

The inflation rate of 8.0 percent in August 2017 resulted from depressed supply which may be attributed to elections in the month. It is projected to decline gradually to the government’s target supported by the prevailing monetary policy stance, favorable weather conditions that will lower food prices and the increasing output of geothermal generated power which will continue to moderate electricity prices and support lower consumer prices.

The main risks to inflation relate to adverse weather that affects food production and hence food prices, and potential volatility in international oil prices following the decision by the major oil producers to reduce production

The Central Bank of Kenya will continue to implement measures aimed at promoting the efficient working of the interbank market, sustainably reducing the cost of credit and improve liquidity management. In addition, the impact of interest rate capping on lending and the overall economy, as well as the implications of other developments in the domestic and global economy will continue to be monitored to ensure price stability.

External Sector Outlook

Kenya’s international trade is estimated to grow in volume terms as weather conditions have improved and thus improve earnings from tea, coffee and horticulture exports. Further, we expect low petroleum products import bill due to lower oil prices, resilient diaspora remittances, and continued recovery of tourism. These fundamental conditions will narrow the current account deficit thus strengthen the Kenya’s external position. This will be further expedited by the stable foreign exchange market and diversification of export products and external markets, which are precipitates of resilience against adverse effects of external shocks on exports.

The Kenya Shilling exchange rate is expected to remain stable supported by the improving earnings from agricultural exports, recovery in tourism and resilient diaspora remittances. In addition, the two year IMF Precautionary Arrangements (US$ 1,500 million) is expected to provide additional buffer against short term external and domestic shocks.

3.2 MEDIUM TERM FISCAL FRAMEWORK

The global economy has an impact on the County economy and this need to be taken into consideration when developing county‘s economic policies.

The outlook for Nyamira County is envisaged to provide a development oriented environment, which will ensure an improved environment for business while at the same time seeking to provide a conducive working and residential space for the population. Improvement of health services, investment in physical infrastructure, refinement of ECDE learning and provision of social amenities are strategies that will be used to achieve this favorable environment in the County.

3.2.1 Agriculture

In order to cushion farmers, the county has set aside funds to support vulnerable farmers with subsidized farm fertilizer and certified seeds to boost production, encourage cultivation of perennial and hardy food crops and vegetables, construction of green houses as well as through adoption of modern and appropriate technologies by farmers. The price of tea in the global market has been falling despite increasing production which has affected the county economy through payment of low bonuses leading to apathy and boycott in tea picking. On the other hand, coffee production has declined greatly due to mismanagement of cooperatives. Improvement in the global economy will therefore increase demand for exports originating from the county.

3.2.2 Trade

The falling prices of crude oil coupled by increased connectivity of electricity to households and market centers have positively affected the county economy due to reduction of production costs in both food and cash crops hence making our products more competitive.Further, Subdued oil prices translate to lower costs of doing business, especially in the transportation and manufacturing/ industrial sector. Inflation is also projected to ease in 2016 and remain stable going forward due to lower prices of oil and electricity.

3.2.3 ICT

Uptake of ICT is set to expand in the medium term due to enhanced rural electrification programme which has increased connectivity of electricity to households, schools and market centers. The anticipated benefits of low interest rates following the enactment of interest capping will have a direct impact on the County since it will make credit available to SMEs and new business startups. All these initiatives will in turn create more job opportunities within our county both in the formal and informal sectors and enhance invention and innovation.

3.2.4 Infrastructure

The County intends to leverage on the Standard Gauge Railway passing through our county by increasing our competitive advantage and increasing our volume of trade between the neighboring counties and countries. The County Government will further continue to open up new roads and improve the existing ones through the Mechanical Transport Fund (MTF) so as to open up interior parts of our county hence increasing ease of doing business.

3.2.5 Health

The County in collaboration with the national government, international NGOs and foundations will continue improving access to high quality health care through expansion of existing health infrastructure, investment in modern diagnostic facilities, improving of the county ambulance system and enhancing staff capacity in specialized areas of Medicare hence a better health sector.

3.2.6 Financial Management

The County Government of Nyamira shall continue to ensure prudent macroeconomic stability within sustainable public finances by providing support to economic activities and allowing for the full implementation of the Integrated Financial Management Information System (IFMIS) including e-procurement.

On the Revenue front, the County Government will expand the revenue base through increased efficiency in tax collection and the sealing of leakages in our revenue collection system, simplification and modernization of revenue collection measures in line with international best practices and improving on enforcement and compliance with enhanced administrative measures.

On the expenditure side, the County Government will continue with optimization of expenditures to improve efficiency and increase absorption.

3.3 RISKS TO THE OUTLOOK

- Although agriculture is the main driver of the country economy it is faced with unreliable weather patterns and exposure to pest and disease, therefore greater attention need to be taken and structures put in place to address overreliance of rain fed production.
- The wage bill limited the funds available to development, curtailing the ability of the county to expand its infrastructure and fulfill other development initiatives as outlined in the budget.
- Constrained physical space/land may limit expansion on investments, as the county possesses very little land for setting up of public facilities or new social amenities.
- The repeat of the presidential elections also poses risk to the growth as the resources have to be availed for the exercise and may mean foregoing some programs

- The country may also experience the possibility of slowed economic activity as investors hold-back awaiting the conclusion of the elections.
- In the event, the above risks materialize; the Macro Framework and the Medium Term Sector Ceilings shall be revised in the 2018 Budget Policy Statement.
- In the meantime, the Government continues to monitor the above risks and will undertake appropriate measures to safeguard macroeconomic stability.
- This document was prepared at a time when transition to the second county government was taking place. The absence of the County Executive Committee members to discuss and approve the document for onward transmission to the county assembly poses great challenge.

CHAPTER FOUR

4.0 RESOURCE ALLOCATION FRAMEWORK

4.1 Adjustment to 2017/2018 Budget

The premise of the County fiscal framework of the FY 2017/2018 was informed by the prerequisite requirement for good management of public financial resources. Such successful endeavor is vested on efficiency as well as observation of scheduled and well thought planning process. The resource allocation framework was also firmly based on the projected revenue basket of the county including both internal and external sources. Therefore, any adjustments to the fiscal framework for the F/Y 2017/2018 should balance between the revenue collection aptitude of the county and the expenditure framework.

One of the key tenets in actualization of the budget 2017/2018 is the need to enhance revenue collection initiatives to meet the targeted amounts. This is paramount because failure to meet revenue targets leads to budget deficits in turn compromising the development dream of the county. This was noted in the 2016/2017 budgetary framework where revenue targets were not met because of various gaps or leakages in the collection process; and poo enforcement efforts.

In order to avoid revenue collection hitches, the county through the department of finance and planning intends to automate or modernize revenue collection. In addition, the county has created an enforcement directorate to ensure that compliance to statutory submissions is done. The county also intends to widen the revenue base through enactment and implementation of various legislations which guide revenue collection in various entities of the county. This would erase the wrong perception that it is the revenue directorate in finance and planning department that is responsible for revenue collection task. By the time of compilation of this document, the finance bill 2017 is already in place and functional.

Undoubtedly, the county has in the past faced serious budgetary constraints because of high recurrent expenditures going to compensation of employees in terms of salaries and other remunerations. This has threatened the statutory requirement on county wage bill and a minimum of 30% allocation of the budget to development. However, it has to be realized that the county was at a stage of setting up structures and equipping them with the required staff. In the 2017/2018 FY, there was need to budget for the bargaining agreement by the nursing fraternity, confirmation of health staff from USaid and extension of contracts for ECD teachers. In the MTEF period, the county is not expected to do massive recruitment and thus, wage-bill will stabilize in the long-run.

Further, amendments to the 2017/2018 shall take cognizance of the actual pending bills and other contractual obligations of the year FY 2016/2017. This will create accuracy in future planning where 2017/2018 financial year is used as the baseline. Departmental funds absorption rates would also make a good basis for allocation and reallocation of resources in the expected adjustments. Given that 2017 was a general elections year, the new Governors manifesto, inaugural speech and priority shift are factors that will also necessitate the 2017/2018 fiscal policy review.

In the integrated development planning process, the linkage between policy, planning, budgeting and execution is an intertwined process. The main blueprint at the county level is the CIDP 2013-2017. In this regard, the financial year 2017/2018 is the last budget in implementing the first CIDP. As a result, adjustments to the current budget would take into consideration allocation of resources to highly prioritized development projects in concluding the CIDP 2013-2017. This implies that strategic priorities, flagship projects and priority shifts would inform the optimal allocation and reallocation of resources. The entire process would be guided by the actual exchequer disbursements, local revenue realized, revised timeframes for implementation of programmes and emerging issues.

Legal provisions guiding planning and budgeting shall not be assumed. They include;

The provisions of the PFM Act Section 107(2) (a), that, "*the county government's recurrent expenditure shall not exceed the county government's total revenue*".

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

4.2 Medium-Term Expenditure Framework

In actualizing medium term expenditure framework, county priorities set in the CIDP 2018-2022 shall take precedence as this form the roadmap to the development destiny of the county. As these take high stake in resource allocation, rationale and optimality in decision making shall be exercised. Allocation to development programs and projects shall prevail upon the recurrent expenditure.

Continued operationalization and up scaling of Integrated Financial Management Information System (IFMIS) and e-procurement would aid improve efficiency in financial management within the MTEF period. Strict adherence to documents such as annual development plans, procurement plans and cash flow projections shall also be complied with, as they serve as internal control tools, for checks and balances.

In the MTEF period, collaboration, reporting and compliance with various stakeholders and institutions shall be emphasized. Such stakeholders include the citizenry, non-state actors, vulnerable groups, religious organizations, and national government among others. Important institutions include the national treasury, the county assembly, the controller of budget, commission on revenue allocation, the council of governors, the central bank, commission on implementation of the constitution, the Kenya school of government among others.

To achieve equity among County departments, the County treasury is leading the county in coming up with eight 10-year sector plans. The sector plans would be the basis of bidding resources for implementation of county priorities. The sectors include;

S/N	Sector Working Group	Composition
1	Agriculture, rural and urban development	Agriculture, livestock, veterinary and fisheries; lands, physical planning, survey, housing and town administration
2	Energy, energy, public works, ICT	Roads, energy, public works, ICT
3	General economic, commercial and labour affairs	Cooperatives, marketing and investment, trade and tourism
4	Education	ECD, Youth Polytechnics
5	Health	Health services
6	Public administration and international relations	Governor's office, county public service board, finance and planning, county assembly, economic budget forum, disaster management, public administration, sub-county and ward administrators, county assembly public service board, human resource development
7	Social protection, culture and recreation sector	Gender, children and social development, national heritage and culture, special programmes, development of northern Kenya and other arid areas as well as youth and sports
8	Environmental protection, water and natural resources	Environment and mineral resources, water and irrigation as well as housing

Table 5: Total Expenditure Ceilings for the Period 2018/2019-2020/2021

DEPARTMENT	DETAILS	PRINTED ESTIMATE	C-BROP	PROJECTIONS	
		2017/2018	2018/2019	2019/2020	2020/2021
County Assembly	Sub-total	944,428,541	1,038,871,395	1,142,758,535	1,257,034,388
	Recurrent	485,084,189	533,592,608	586,951,869	645,647,056
	Development	459,344,352	505,278,787	555,806,666	611,387,333
Executive	Sub-total	510,855,124	561,940,636	618,134,700	679,948,170
	Recurrent	440,855,124	484,940,636	533,434,700	586,778,170
	Development	70,000,000	77,000,000	84,700,000	93,170,000
Public Administration and Co-ordination of the Decentralized Units	Sub-total	218,840,872	240,724,959	264,797,455	291,277,201
	Recurrent	213,840,872	235,224,959	258,747,455	284,622,201
	Development	5,000,000	5,500,000	6,050,000	6,655,000
Finance and economic planning	Sub-total	284,985,246	313,483,771	344,832,148	379,315,362
	Recurrent	269,777,246	296,754,971	326,430,468	359,073,514
	Development	15,208,000	16,728,800	18,401,680	20,241,848
County Public Service Board	Sub-total	71,569,734	78,726,707	86,599,378	95,259,316
	Recurrent	71,569,734	78,726,707	86,599,378	95,259,316
	Development	Nil	Nil	Nil	Nil
Gender Youth and Social services	Sub-total	151,848,869	167,033,756	183,737,131	202,110,845
	Recurrent	48,715,871	53,587,458	58,946,204	64,840,824
	Development	103,132,998	113,446,298	124,790,928	137,270,020

Trade,Tourism and Cooperative development	Sub-total	84,246,131	92,670,744	101,937,819	112,131,600
	Recurrent	41,266,769	45,393,446	49,932,790	54,926,070
	Development	42,979,362	47,277,298	52,005,028	57,205,531
	Recurrent	**1,571,109,805**	**1,728,220,786**	**1,901,042,864**	**2,091,147,150**
	Development	**695,664,712**	**765,231,183**	**841,754,302**	**925,929,732**
	Sub-total	**2,266,774,517**	**2,493,451,969**	**2,742,797,166**	**3,017,076,882**
Lands Housing and Urban Development	Sub-total	158,276,826	174,104,509	191,514,959	210,666,455
	Recurrent	70,133,807	77,147,188	84,861,906	93,348,097
	Development	88,143,019	96,957,321	106,653,053	117,318,358
Agriculture, Livestock and Fisheries development	Sub-total	286,370,071	315,007,078	346,507,786	381,158,565
	Recurrent	167,099,679	183,809,647	202,190,612	222,409,673
	Development	119,270,392	131,197,431	144,317,174	158,748,892
Environment Water Energy &Mineral Resources	Sub-total	325,607,322	358,168,054	393,984,860	433,383,346
	Recurrent	142,826,935	157,109,629	172,820,591	190,102,650
	Development	182,780,387	201,058,426	221,164,268	243,280,695
	Recurrent	**380,060,421**	**418,066,463**	**459,873,109**	**505,860,420**
	Development	**390,193,798**	**429,213,178**	**472,134,496**	**519,347,945**
	Sub-total	**817,320,323**	**899,052,355**	**988,957,591**	**1,087,853,350**
Education & ICT	Sub-total	643,367,897	707,704,687	778,475,155	856,322,671
	Recurrent	307,466,832	338,213,515	372,034,867	409,238,353
	Development	335,901,065	369,491,172	406,440,289	447,084,318
Transport Roards and Public Works	Sub-total	479,654,521	527,619,973	580,381,970	638,420,167
	Recurrent	131,982,635	145,180,899	159,698,988	175,668,887
	Development	347,671,886	382,439,075	420,682,982	462,751,280
Health	Sub-total	1,714,035,314	1,885,438,845	2,073,982,730	2,281,381,003
	Recurrent	1,346,133,114	1,480,746,425	1,628,821,068	1,791,703,175
	Development	367,902,200	404,692,420	445,161,662	489,677,828
	Recurrent	**1,785,582,581**	1,964,140,839	2,160,554,923	2,376,610,415
	Development	**1,051,475,151**	1,156,622,666	1,272,284,933	1,399,513,426
	Sub-total	**2,905,372,619**	3,195,909,881	3,515,500,869	3,867,050,956
	Recurrent	**3,736,752,807**	**4,110,428,088**	**4,521,470,896**	**4,973,617,986**
	Development	**2,137,333,661**	**2,351,067,027**	**2,586,173,730**	**2,844,791,103**
	Sub-total	**5,874,086,468**	**6,461,495,115**	**7,107,644,626**	**7,818,409,089**

4.3 Budget framework for FY 2018/2019

The 2018/19 budget framework is set against the background of the updated medium-term macro-fiscal framework as set out in the constitution 2010, the PFM Act 2012 and the County Government Act 2012.

Therefore, preparation of the 2018/2019 budget shall be informed by County Integrated Development Plan, Annual Development Plan, departmental strategic plans, County Fiscal Strategy Paper and other circulars originating from the controller of budget, commission on revenue allocation and the county assembly.

4.4 Revenue projections

The County Government has projected to raise revenue from various local sources of Kshs. 299,702,691**.** To achieve this target, the county intends to modernize the revenue collection systems, build staff capacity and move towards sealing revenue leakages. Further 5,082,660,000/= (Five Billion, eighty two Million, six hundred and sixty thousand) will be received as equitable share from the National Government.

The county will also receive Ksh. 120,976,299, Ksh. 14,492,743, and Ksh. 194,713,295 from Danida, compensation for user fees forgone and Roads maintenance Levy Fund respectively.

The total opening balance being Ksh.477,655,719. Thus the county government expects a total revenue of **Ksh.6, 325,816, 328**/= (Six billion, three hundred twenty five million, eight hundred and sixteen thousand, three hundred and twenty eight).

Table 6: Revenue Projections by Source

GFS CODE	Revenue Sources	Printed estimate (Kshs)	C-BROP (Kshs)	Projections (Kshs)	
		2017/2018	2018/2019	2019/2020	2020/2021
9910201	**Unspent Balances**	434,232,472	477,655,719	525,421,291	577,963,420
9910201	**Equitable Sharable Revenue**	4,620,600,000	5,082,660,000	5,590,926,000	6,150,018,600
1540701	**DANIDA**	109,978,454	120,976,299	133,073,929	146,381,322
	Grant from world Bank	39,582,751	43,541,026	47,895,129	52,684,642
1330404	**Compensation user fees forgone**	13,175,221	14,492,743	15,942,017	17,536,219
1580212	**Free Maternal Health Care**	0	0	0	0
3111504	**Roads Maintenance Levy Funds**	177,012,086	194,713,295	214,184,624	235,603,086
	Development of Youth Polytechnics	83,704,140	92,074,554	101,282,009	111,410,210

	Compensation to MCAs (8 months)	123,344,352	0	0	0
	Total External Sources	5,601,629,476	6,026,113,636	6,628,725,000	7,291,597,500
	Local Revenue	272,456,992	299,702,691	329,672,960	362,640,256
TOTAL BUDGTED REVENUE		**5,874,086,468**	**6,325,816,328**	**6,958,397,960**	**7,654,237,756**

Table 7: Summary of Projected County Internal Revenue

GFC Codes	Local Revenue Sources	Baseline	Printed estimates	C-BROP	Projections	
		2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
DEPARTMENT OF PACDU						
1530204	Minute Extract	0	0	0	0	0
1420220	Land Transfer Charges	0	0	0	0	0
1420299	Administrative charges	0	0	0	0	0
DEPARTMENT OF FINANCE AND ECONOMIC PLANNING						
1420405	Market Dues	14,100,088	20,100,088	22,110,097	24,321,106	26,753,217
1420404	Matatu Parking Charges	7,607,755	10,607,755	11,668,531	12,835,384	14,118,922
1420404	Matatu reg.	140,000	340,000	374,000	411,400	452,540
1530205	Sale of tender documents	112,000	112,000	123,200	135,520	149,072
1420404	Matatu Stickers	1,263,721	1,463,721	1,610,093	1,771,102	1,948,213
1550211	Private Parking Charges	341,205	341,204	375,324	412,857	454,143
1550227	Storage Charges	146,768	346,768	381,445	419,589	461,548
1420404	Motor Bike Stickers	7,168,000	7,568,000	8,324,800	9,157,280	10,073,008
1530203	Impounding Charges	114,932	114,932	126,425	139,068	152,974
1450101	Penalty for bounced cheques	10,000	10,000	11,000	12,100	13,310
1530401	Sale of boarded and obsolete assets	100,000	100,000	110,000	121,000	133,100
1550105	Market stall Rent	1,066,253	1,266,253	1,392,878	1,532,166	1,685,383
DEPARTMENT OF LANDS, HOUSING AND URBAN DEVELOPMENT						
1590111	Development Application fees	1,010,821	1,010,821	1,111,903	1,223,093	1,345,403
1590111	Building plan Application fees	1,109,219	1,109,219	1,220,141	1,342,155	1,476,370
1590112	Structural Approval Charges	617,989	817,989	899,788	989,767	1,088,743
1550102	Isolated Plot Rent	432,587	632,587	695,846	765,430	841,973
1550102	Plot Rent	800,941	800,941	881,035	969,139	1,066,052
1590102	Survey fees	151,596	351,596	386,756	425,431	467,974
1420299	Land Transfer Charges	99,777	199,777	219,755	241,730	265,903
1420299	Administrative charges					

		85,593	485,593	534,152	587,568	646,324
1420299	Land Control board charges	153,347	253,347	278,682	306,550	337,205
1420299	Change of user charges	70,464	170,464	187,510	206,261	226,888
1420299	Land fees	100,000	100,000	110,000	121,000	133,100
1420220	Title deed-surrender fees	6,000	100,000	110,000	121,000	133,100
1420221	search fees	10,000	100,000	110,000	121,000	133,100
1420102	physical planning charges	1,313,546	1,313,546	1,444,901	1,589,391	1,748,330
1520101	Land rates	8,736,000	25,736,000	28,309,600	31,140,560	34,254,616
1410404	House rent charges	10,000	200,000	220,000	242,000	266,200
DEPARTMENT OF WATER ENVIR & NATURAL RESOURCES						
1590132	Advertisement Charges	504,306	604,306	664,737	731,210	804,331
1580301	Environmental Fees & Charges	2,216,250	3,416,250	3,757,875	4,133,663	4,547,029
1420403	Water, sanitation & irrigation fees	1,290,800	1,490,800	1,639,880	1,803,868	1,984,255
1530302	Building material cess	500,000	900,000	990,000	1,089,000	1,197,900
1420102	Environmental penalty fee	75,000	575,000	632,500	695,750	765,325
DEPARTMENT OF GENDER,SPORTS & CULTURE						
1560201	Hire of county Halls	127,711	427,711	470,482	517,530	569,283
1140501	Liquor License	2,250,000	3,750,000	4,125,000	4,537,500	4,991,250
1140801	Social services- clubs	73,000	573,000	630,300	693,330	762,663
1140801	Registration and fees	100,000	800,000	880,000	968,000	1,064,800
DEPARTMENT OF HEALTH SERVICES						
1580112	Public Health Fees	5,837,995	14,594,987	16,054,486	17,659,934	19,425,928
1580211	Medical services	54,300,000	92,000,000	101,200,000	111,320,000	122,452,000
1580211	NHIF	41,980,000	-	-	-	-
DEPARTMENT OF TRADE,TOURISM& COOP DEV						
1420328	Single Business Permit	22,023,832	39,800,831	43,780,914	48,159,006	52,974,906
1420328	Single Business Permit application fees	1,000,187	1,500,187	1,650,206	1,815,226	1,996,749
1530123	Weights and Measures Charges	280,000	-	-	-	-
1550103	Shop Rent	1,152,407	1,452,407	1,597,648	1,757,412	1,933,154
1550104	Kiosk fees	128,422	428,422	471,264	518,391	570,230
1420299	statutory audit fees	60,000	125,368	137,905	151,695	166,865
1530123	calibration and verification of traders weighing equipment	-	780,000	858,000	943,800	1,038,180
DEPARTMENT OF EDUCATION & ICT						
1570131	School Registration Fees	600,000	-	-	-	-
1450105	Youth polytechnics					

			1,190,000	1,309,000	1,439,900	1,583,890
1450105	ECDE Registration fee		1,724,180	1,896,598	2,086,258	2,294,884
1590132	Advertisement Charges		1,397,602	1,537,362	1,691,098	1,860,208
1450105	ICT Levies		5,721,750	6,293,925	6,923,318	7,615,649
DEPARTMENT OF TRANSPORT, ROADS& PUBLIC TRANSPORT						
1530521	Hire of machinery and Equipments	3,659,277	6,359,277	6,995,205	7,694,725	8,464,198
1590112	structural/architectural plans approval		200,000	220,000	242,000	266,200
	Motor vehicle/cycles inspection fee		100,000	110,000	121,000	133,100
DEPARTMENT OF AGRICULTURE, LIVESTOCK AND FISHERIES						
1520321	Cattle movement permit	736,429	736,430	810,073	891,080	980,188
1520321	Cattle fee	854,865	954,865	1,050,352	1,155,387	1,270,925
1450105	Slaughter fee	242,969	842,969	927,266	1,019,992	1,121,992
1450105	Veterinary Charges	3,290,362	4,990,362	5,489,398	6,038,338	6,642,172
1420345	Agricultural Cess	7,917,687	8,917,687	9,809,456	10,790,401	11,869,441
1550121	Fish Permits	150,000	350,000	385,000	423,500	465,850
Total Internal Revenue		**198,230,100**	**272,456,992**	**299,702,691**	**329,672,960**	**362,640,256**

4.5 Expenditure Forecasts

In the Next MTEF period County total expenditures for FY 2018/2019 are expected to rise to Ksh 6.5 billion up from Ksh 5.9 billion in the Approved estimates of FY 2016/2017. This reflects an overall growth of 10 percent.

County Wage bill is expected to rise percent to steady at Ksh.2,786,775 in FY 2018/2019. The wage bill is high and likely to stabilise in the long run. Health sector takes a good chunk of money inform of compensation to employees. As recruitment need lowers, the wage bill of the sector would certainly go down. The entire recurrent expenditure is expected to be KShs. 4,570,690,942, an increment of 10%.

Overall development expenditures ceilings are projected to 44% rise by 10 percent to Ksh **1,890,804,172** billion in FY 2018/2019. Further, development budget ceiling in FY 2018/20189 has maintained at 31 percent proportion of the total budget in line with the fiscal responsibility principles of PFM law.

Table 8: Expenditure forecast by economic classification

	Printed estimate	**C-BROP**	**2019/2020**	
	2017/2018	**2018/2019**		
Current Expenditure				
Compensation Of Employees	2,533,432,477	2,651,096,938	3,065,453,297	3,371,998,627
Use Of Goods And Services	1,077,673,735	1,185,441,109	1,303,985,219	1,434,383,741

Transfers to other Government entities	169,596,425	186,556,068	205,211,674	225,732,842
Other recurrent	374,470,947	411,918,042	453,109,846	498,420,830
Sub-total	**4,155,173,584.00**	**4,435,012,155.40**	**5,027,760,036.64**	**5,530,536,040.30**
Capital Expenditure				
Acquisition Of Non-Financial Assets	1,472,118,396	1,619,330,236	1,781,263,259	1,959,389,585
Other Development	246,794,488	271,473,937	298,621,330	328,483,464
Sub-total	**1,718,912,884**	**1,890,804,172**	**2,079,884,590**	**2,287,873,049**
Grand Total	**5,874,086,468**	**6,325,816,328**	**7,107,644,626**	**7,818,409,089**

CHAPTER FIVE

5.0 CONCLUSION AND WAY FOREWARD

The preparation the C-BROP document and fiscal decisions made in this MTEF period 2018/2019-2020/2021 has largely relied in the lessons learnt in budget execution in the period under review and beyond.

Going forward the County Integrated Development Plan (CIDP 2018-2022), the Annual Development Plan (ADP 2018/2019) and the sectoral departmental strategic plans shall continue to advise the priorities in resource allocation.

All Sector Working Groups are therefore required to make reference to the sector ceiling annexed herein in drafting and submission their sector budget proposals within the timelines of the budget calendar for FY 2017/2018.

The next County Fiscal Strategy Paper due in February 2018 shall firm up the baseline expenditure ceilings proposed in this C-BROP document.

Further in entrenching fiscal discipline, the following recommendations are made:

- Procurement plan be adhered to so that heavy spending projects commence in Quarter 1 by ensuring timely procurement process and professionalism are embraced
- Revenue trend in the last three years to inform revenue estimates to avoid unrealistic projections
- Policies and regulations from all departments be put in place to tap leakages which lead to underperformance
- Automation and mapping of revenue sources be carried out
- Liquor licence board be put in place