REPUBLIC OF KENYA

COUNTY GOVERNMENT OF SIAYA

MEDIUM TERM

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FISCAL STRATEGY PAPER 2016

"*Transforming County Economy through Infrastructure and Socio-Economic Development*"

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FOREWORD

This Fiscal Strategy Paper is the third to be prepared by the county government. It has set priority programmes to be implemented during the financial year 2016/2017 and in the medium term. The framework comprises four pillars: (i) improvement of governance and administration through investment in devolution structures for effective service delivery; (ii) social transformation through investment in healthcare services, education, youth, culture and social services; (iii) agricultural transformation for improved food security through investment in crop production, fisheries and livestock production; and (iv) transformation of county infrastructure and communication through Investment in road network and ICT services.

Progress has been made in most sectors since the establishment of the County Government of Siaya in March 2013. Several projects have been implemented in agriculture, infrastructure; education, youth and culture; trade and health sectors, which have resulted in improved agricultural production, accessibility and social care amongst others. To improve on the gains made thus far and push service delivery to greater heights, the theme of the previous fiscal strategy paper: "***Transforming County Economy through Infrastructure and Socio-Economic Development"*** has been sustained.

As we are aware, the county government does not operate in isolation. The implementation of these programmes will be heavily influenced by global, regional and national economic performance. There are also challenges that abound at the local level which may impact negatively on the implementation of the envisaged programmes. Taking cognisance of these, the county government will implement measures to ensure effective institutional structures and policy framework; fiscal discipline; improved project planning, implementation, monitoring and evaluation and strengthen participatory approaches in service delivery. It is therefore expected that implementation of this strategy will propel the county to a new stage of prosperity and contribute to the realization of Vision 2030.

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CEC MEMBER, FINANCE- PLANNING AND VISION 2030

ACKNOWLEDGEMENT

The preparation of this Fiscal Strategy paper was made possible through collaborative efforts from various stakeholders. Most of the information in this report was obtained from departments and we are grateful to them for their support in making the preparation of this paper a success.

We also thank the National Treasury for the timely release of the draft Budget Policy Statement 2016 and the members of the public for presenting their views in the public participation fora held in February 2016.

A select team from the county spent a significant amount of time putting together inputs from various sources to prepare this paper. We are grateful for their tireless efforts, commitment and dedication that led to successful preparation of this paper.

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DAN O. OKOTH

CHIEF OFFICER-FINANCE, PLANNING AND VISION 2030.

ACRONYMS AND ABBREVIATIONS

CFSP	County Fiscal Strategy Paper
PFM	Public Finance Management
CBROP	County Budget Review and Outlook Paper
BROP	Budget Review and Outlook Paper
BPS	Budget Policy Statement
ICT	Information and Communication Technology
MTEF	Medium Term Expenditure Framework
CIDP	County Integrated Development Plan
CRA	Commission of Revenue Allocation
PBO	Public Benefit Organizations
FBO	Faith Based Organizations
AIE	Authority to Incur Expenditure
FY	Financial Year
A-I-A	Appropriations In Aid
ATC	Agricultural Training Centre
AMS	Agricultural Machinery Services
GDP	Gross Domestic Product
OPD	Outpatient Department
ADP	Annual Development Plan
IFMIS	Integrated Financial Management Information System
M&E	Monitoring and Evaluation
PAYE	Pay As You Earn
VAT	Value Added Tax
KEPI	Kenya Expanded Programme for Immunization
PLWD	People Living With Disabilities
KERRA	Kenya Rural Roads Authority
CDF	Constituency Development Fund

LEGAL BASIS FOR COUNTY FISCAL STRATEGY PAPER (CFSP)

The preparation of the County Fiscal Strategy Paper (CFSP) is provided for in the Public Finance Management (PFM) Act section 117. Some of the provisions in this section state that:

1) The County Treasury shall prepare and submit to County Executive Committee the County Fiscal Strategy Paper for approval and the County Treasury shall submit the approved Fiscal Strategy Paper to the County Assembly, by 28th February of each year.
2) The County Treasury shall align its County Fiscal Strategy Paper with the National objectives in the Budget Policy Statement
3) In preparing the County Fiscal Strategy Paper, the County Treasury shall specify the broad strategic priorities and policy goals that will guide the County Government in preparing its budget for the coming financial year and over the Medium Term
4) The County Treasury shall include in its Fiscal Strategy Paper, the Financial Borrowing for the Financial year and over the Medium Term
5) In preparing the Fiscal Strategy Paper , the County Treasury shall seek and take into account views of :
    i. The Commission On Revenue Allocation
    ii. The Public
    iii. Any interested persons or groups: and
    iv. Any other forum that is established by legislation
6) Not later than fourteen days after submitting the County Fiscal Strategy Paper to the County assembly, the County assembly shall consider and may adopt it with or without amendments
7) The County Treasury shall consider any recommendations made by the County Assembly in finalizing the budget proposal for the financial year concerned
8) The County Treasury shall publish and publicize the County Fiscal Strategy Paper within seven days after it has been submitted to the County Assembly

FISCAL RESPONSIBILITY PRINCIPLES

In line with the Constitution, the Public Financial Management (PFM) Act, 2012 and PFM regulations 2015, sets out fiscal responsibility principles to ensure prudency and transparency in the management of public resources. The PFM law (Section 15) states that:

(1) Over the medium term, a minimum of 30% of the county budget shall be allocated to development expenditure

(2) The county government's expenditure on wages and benefits for public officers shall not exceed a percentage of the county government's revenue as prescribed by the regulations

(3) 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

(4) Public debt and obligations shall be maintained at a sustainable level as approved by county assembly

(5) Fiscal risks shall be managed prudently

(6) 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

(7) Approved expenditure of a county assembly shall not exceed seven per cent of the total revenues of the county government or twice the personnel emoluments of that county assembly whichever is lower

CHAPTER ONE

1.0 INTRODUCTION

The budget making process starts with the issuance of the Budget Circular by the County Treasury on 30th August setting out guidelines to be followed by all county government entities in the preparation of the budget for the ensuing financial year. This culminates in the approval of the Appropriations Bill by 30th June and the Finance Bill by 28th September by the County Assembly and subsequent implementation thereof. As part of the wider budget making process is the publication of the County Fiscal Strategy Paper by 28th February.

This Fiscal Strategy paper sets priorities for FY2016/2017 budget. The document is developed in line with the provisions of PFM Act, 2012 and takes into account past performance, global, regional and national economic situation and challenges that may impact on the implementation of budget. The rationale for the preparation of the 2016 County Fiscal Strategy Paper is based on the following objectives:

- to specify mechanism for aligning it with the national objectives contained in the 2016 Budget Policy Statement before the national budget is finalized;
- to show broad strategic priorities and policy goals that will guide the county government in preparing its budget for the coming financial year;
- to indicate financial outlook with respect to county government revenues, expenditures and borrowing for the coming financial year and over the medium term;
- to give details of the sector and departmental ceilings for the Medium Term Expenditure Framework (MTEF) Period to ensure continuity in resource allocation from the last financial year consistent with the MTEF budgeting approach;
- to create a mechanism for public participation in the budgeting process thus informing priority choices for development;
- to specify the overall deficit and financing, the underlying risks, structural measures and strategic interventions for development initiatives to be undertaken in the coming Financial Year and in the medium term;

1.1 CFSP Process Overview

The responsibility of preparing the CFSP rests with County Treasury which takes into account views from various stakeholders namely: CRA, the public, and others in line with section 117 of the PFM act 2012.

Sectors and departments provide sector working group reports outlining achievement and challenges during the previous financial year and a detailed programme based budget with regard to the strategies and project priorities contained in the CIDP, the ADP and their respective sector plans.

The CRA which is established under Article 215 of the constitution makes recommendations concerning the basis for the equitable sharing of revenue raised by the national government:

a) between the National and County Governments; and
b) Among the County Governments.

In addition, it also makes recommendations on other matters concerning the financing of and financial management by county governments as required by the Constitution and national legislation. The national treasury BPS provided information on the national allocations which was used

Public participation is a crucial part of the preparation of this paper. This entails involving members of the public in identifying and vetting of projects to be included in the budget. Data was collected from the public during the month of January and February. The data obtained from the field has been analysed and used in the preparation of this CFSP. Once the CFSP has been prepared the County Treasury publishes it for comments and proposals from the public. These comments and proposals are then considered while finalizing the document to be submitted to the county assembly in compliance with the PFM Act 2012.

1.2 Outline of the County Fiscal Strategy Paper (CFSP)

1.2.1 Introduction

This section contains the basic contextual back ground within which the preparation of this Fiscal Strategy Paper 2016 has been done. It gives the theme that will guide the budgeting process for the FY 2016/17 and a brief overview of the CFSP preparation process with a special focus on the public participation requirement. The section is concluded with an outline of the CFSP 2016.

1.2.2 Recent Economic and Fiscal Developments

The section contains a description of the recent economic and fiscal developments at the national level. The description contains the assessment of the performance of selected economic indicators in comparison to the previous financial years' projections as well as a brief overview of the national revenue and expenditure. It also contains the recent economic and fiscal developments at the county level, gives an overview of the revenues and expenditure of various county government departments for the previous financial.

1.2.3 Forward Economic and Fiscal Outlook

The section contains a description of the projected economic and fiscal performance at the national level. The description contains the projected performance of selected economic indicators and a projection of the national revenue and expenditure for the FY2016/27. It also contains an assessment of the anticipated productivity of the county's economy and a projection of county's revenue for the FY2017.

1.2.4 Strategic priorities and interventions

This section contains descriptions of strategic priorities and interventions to be implemented in the medium term. These priorities are listed in major categories aligned with the four pillars namely: (i) improvement of governance and administration through investment in devolution structures for effective service delivery; (ii) social transformation through investment in healthcare services, education, youth, culture and social services; (iii) agricultural transformation for improved food security through investment in fisheries, crop and livestock production; and (iv) transformation of county infrastructure and communication through Investment in road network and ICT services. The presentation is done in regard to the strategic priorities resident in the County Integrated Development Plan (CIDP) 2013-2018 and the County Annual Development Plan (CADP) 2016/2017.

1.2.5 Fiscal policy and Budget Framework

The chapter describes the fiscal policy and budget framework within which the budgeting for FY2016/17 is done. The chapter presents a summary statement on fiscal policy framework which: demonstrates adherence to fiscal responsibility principles; outlines ongoing fiscal and PFM reform (revenue, expenditure); presents a summary of budget framework; details the medium-term revenue projections by source; provides aggregates of medium-term expenditure forecast, and the break down between recurrent and development; and provides a risk management summary.

1.2.6 Medium Term Expenditure Framework (MTEF)

The chapter focuses on the medium-term expenditure. It outlines the resource envelope - based on revenue opportunities available to the county. It also outlines spend priorities, based on earlier strategic priorities. A presentation of the medium-term baseline ceilings is done in a table format by sector/department and an explanation of the "baseline" and other prioritization "criteria" is also given in this chapter.

CHAPTER TWO

2.0 RECENT ECONOMIC AND FISCAL DEVELOPMENT

2.1 National Economic and Fiscal Overview

Kenya's economic growth has been robust supported by significant infrastructure investments, construction, mining and lower energy prices as well as improvement in agricultural production following favourable weather conditions. The economy grew by 5.3 per cent in 2014 and is projected to grow at 5.6 percent in 2015, 6.0 per cent in 2016 and 6.5 per cent in the medium term.

Macroeconomic stability has been preserved with inflation remaining on average within target. Overall month on month inflation was at 8.0 percent in December 2015 from 6.0 percent in December 2014. This was attributed to the increase in prices of several food items which outweighed the decreases as well as increase in the Alcoholic Beverages, Tobacco & Narcotics index.

The Kenya Shilling exchange rate has stabilized following increased foreign exchange inflows in the money market. The current level of foreign exchange reserves, backstopped by the precautionary program with the IMF, continues to provide an adequate cushion against exogenous shocks. Furthermore, the current account deficit narrowed, mainly due to a lower oil import bill, and a slowdown in consumer imports.

Short term interest rates have declined following improved monetary conditions that led to increased liquidity in the money market. The interbank rate was at 6.2 percent as of 21st January 2016 while the 91 day Treasury bill rate was 11.4 percent as of 22nd January 2016.

The economy grew by 5.3 percent in 2014 supported by strong performance in most sectors of the economy which offset the contraction in the tourism sector. Kenya's economic growth remained resilient in 2015. The first three quarters of 2015 recorded an average of 5.5 percent growth compared to 5.3 percent growth in a similar period in 2014.

In Quarter three of 2015, the economy grew by 5.8 percent, an improvement from a growth of 5.0 percent and 5.6 percent in quarter one and two of 2015 respectively. The growth in the third quarter was supported by improved performance in agriculture, forestry and fishing (7.1 percent), construction (14.1 percent), wholesale and retail trade (6.5 percent), transport and storage (8.7 percent) and electricity and water supply (11.0 percent). The accommodation and restaurant sector improved during the third quarter of 2015 with a contraction of 2.3 percent from a contraction of 16.0 percent during the same period 2014. This improvement is as a result of the withdrawal of the travel advisories by some key tourist source countries.

The implementation of the budget for FY 2015/16 has progressed well despite challenges in the first quarter. Revenues collection has lagged behind significantly and domestic securities market grossly underperformed in the first quarter. These two combined effects disrupted smooth flow of funds for development and general government operations in the first quarter and slowed down expenditures. Budget implementation is back on course after appropriate and well-timed mitigating measures by the Government.

By the end of December 2015, total cumulative revenue including A-I-A amounted to Ksh 575.2 billion against a target of Ksh 642.9 billion implying a shortfall of Ksh 67.7 billion. Ordinary revenue collection was below the target by Ksh 47.6 billion while A-I-A collection recorded a shortfall of Ksh 20.0 billion. The underperformance in ordinary revenue was mainly on account of significant shortfalls recorded in PAYE (Ksh 26.0 billion) and VAT imports (Ksh 15.9 billion).

Net domestic financing by end December 2015 amounted to Ksh 26.3 billion against a target of Ksh 106.6 billion, an under performance of Ksh 80.3 billion. The net domestic borrowing of Ksh 26.3 billion comprised borrowing through government securities of Ksh 139.7 billion and net repayment of other domestic borrowing of Ksh 87.6 less accumulation of government deposits of Ksh 25.8 billion.

The combined effect of the revenue and borrowing shortfalls implied cumulative expenditures were below target by end December 2015. The total cumulative expenditures for the first half of the financial year amounted to Ksh 769.2 billion against a target of Ksh 997.2 billion. The shortfall of Ksh 228.1 billion was attributed to lower spending by National Government of Ksh 35.8 billion and Ksh 139.2 billion in recurrent and development expenditures categories respectively as well as Ksh 50.5 billion shortfalls in transfer to the devolved units.

The cumulative overall fiscal balance, on a commitment basis (including grants), amounted to a cash deficit of Ksh 164.76 billion (equivalent to 2.5 percent of GDP), as at end-December 2015, compared with a deficit of Ksh 103.2 billion (equivalent to 1.8 percent of GDP) in the period ending 31st December 2014.

As indicated above, budget implementation has faced two main challenges; weaker than expected revenue collections and underperformance in the government securities market, especially in the first quarter. As such, the Government has reviewed revenue projections for the financial year downwards on account of the weaker than expected performance to December 2015 and in line with the revised macroeconomic projections. In addition, the revised projections take into account the impact of the delay in enactment of the Excise Duty Act 2015 that came into effect on 1st December 2015.

Revenue inclusive of A-I-A are projected to fall short of the previous estimates by Ksh 46.9 billion, reflecting projected reduction in ordinary revenues by Ksh 52.9 billion and increase in A-I-A by Ksh 5.9 billion. The downward revision in ordinary revenues is on account of projected shortfalls in Income tax (Ksh 37.5 billion) largely on account of PAYE and VAT (Ksh 14.1 billion).

As the FY 2015/16 is progressing, requests for additional funding amounting to about Ksh 69.0 billion have been made to the National Treasury by various national government agencies. The National Treasury has recommended for funding requests deemed to be critical amounting to Ksh 39.5 billion. However, in view of revenue shortfalls and little scope in domestic borrowing, these critical expenditures will be funded solely through expenditure rationalization and commitments from development partners.

In addition, the Government has instituted various measures aimed at aligning the expenditures with the revised resource envelope. These include; measures to curb non-priority expenditures and to free resources for more productive purposes as well as expenditures cuts on slow and delayed projects.

2.2 County Economic and Fiscal Overview

The implementation of the budget for FY 2015/16 has progressed well despite challenges in the first quarter where expected transfers from national government delayed and revenue collection also lagged behind significantly. These two combined effects disrupted smooth flow of funds for development and general government operations in the first quarter and slowed down expenditures. Budget implementation is back on course as appropriate and well-timed mitigating measures are being put in place by the County Government.

By the end of December 2015, total cumulative local revenue amounted to Kshs.51, 546, 208 (a decline in collection of Kshs.9, 466,057 in the same period 2014/15) against a target of

Kshs 115,000,000 accounting for 45.2 percent of the target. The underperformance in local revenue was mainly on account of significant shortfalls recorded in the main sources of revenue, namely single business permit, market fees, bus parks, plot rents and hospital revenues.

The effect of the revenue shortfall implied cumulative expenditures were below target by end of December 2015. The total cumulative expenditures for the first half of the financial year amounted to Kshs 1,739,159,124 against a target of Ksh 3,128,987,383. The shortfall of Ksh 1,389,828,259 was attributed to lower spending by county government (due to stringent cash release rules enforced by controller of Budget) of Kshs 610,480,246 and Kshs 779,348,012 in recurrent and development expenditure respectively.

As indicated above, budget implementation has faced two main challenges; weaker than expected revenue collection and delay in disbursement of funds from national government especially in the first quarter. Additional resources made available to the county government necessitated the revision of budget estimates through a supplementary budget. The revised estimates for second half of fiscal year 2015/16 is Kshs. 6,946,327,312 comprising of Kshs. 230,000,000 local revenue, Kshs. 4,995,298,722 billion from National Government transfers, Balances Brought Forward from FY 2014/15, Ksh. 113,309,926 Facility Improvement Fund, Ksh. 19,634,077 User Fees Forgone, Ksh 128,080,400 for Maternal Health Care, Ksh 95,744,681 for Leasing of Medical Equipment, Ksh 63,456,905 Fuel Levy Fund, Ksh. 91,500,000 being HSSF from the World Bank and 93,617,021 County Emergency Fund.

To ensure prudent management of resources, the County Government has instituted measures aimed at aligning her expenditure with the revised resource envelope. These include; measures to curb non priority expenditures and to free resources for more productive purposes as well as expenditures cuts on slow and delayed projects.

2.3 Summary/Conclusion

In summary, the revised fiscal framework reflects overall reduction in national revenues by Ksh 46.9 billion from Kshs 1,358.0 billion to Kshs 1,311.1 billion. Reduction in total expenditures and net lending by Kshs 93.8 billion from Kshs 2,000.6 billion to Kshs 1,906.8 billion. The deficit therefore declines from Kshs 569.2 billion (equivalent to 8.7 per cent of GDP) to Ksh 522.3 billion (equivalent to 8.1 per cent of GDP. Borrowing from the domestic market has been revised down to Kshs 168.2 billion from Kshs 221.5 billion in the budget while external commercial borrowing has been raised to substitute for the lower domestic borrowing.

The county fiscal framework reflects overall reduction in revenues by Kshs 61,585,871from Ksh 114,000,000 to Ksh 52,414,129 in the first half of financial year 2015/16. Besides reduction in total expenditures by Ksh 1,389,828,259 from Ksh 3,128,987,383 to Ksh 1,739,159,124 in the same period

In the revised fiscal framework for FY 2015/16, the total estimates for fiscal year 2015/16 is Kshs. 6,946,327,312 comprising local revenue, National Government transfers, balances Brought Forward from FY 2014/15, Facility Improvement Fund, User Fees Forgone, Maternal Health Care fund, Lease fund of Medical Equipment, Fuel Levy Fund, HSSF from the World Bank and County Emergency Fund.

CHAPTER THREE

3.0 FORWARD ECONOMIC AND FISCAL OUTLOOK

3.1 National Economic and Fiscal Outlook

The national economic growth prospects for FY 2016/17 and the medium term takes into account developments in the global environment and internal risks while accommodating the government's national strategic objectives as outlined in the second Medium Term Plan (MTP) for the period 2013-2017 of Vision 2030 and the broad development policies of the Jubilee administration.

Real GDP is estimated to have expanded by 5.9 per cent in FY 2014/2015, 6.3 per cent in FY 2015/2016 and 6.4 per cent by FY 2018/19. These growth prospects will be supported by increased production in agriculture, completion of infrastructural projects to boost economic activity while continuing with other infrastructural investment projects and recovery of Tourism. The national economy will also benefit from increased investments and domestic demand, following enhanced investor confidence and the on-going initiatives to deepen regional integration.

The projected growth assumes normal weather pattern in 2016 and the medium term. Inflation is expected to decline to 5.0 per cent or below. In addition, interest rates and exchange rate are expected to be stable.

3.2 County Economic and Fiscal Outlook

3.2.1 County Economic Outlook

Growth in economic productivity in Siaya County is expected to be driven by a range of interventions captured in the CIDP which include: improving productivity and competitiveness; supporting SMEs through financial and skill development; continued investment in key infrastructure projects in the roads and irrigation sub-sectors; boosting food security through enhanced provision of farm inputs; sealing leakages in revenue collection and strengthening of devolution structures.

In addition, growth will be underpinned in the continued good performance in agriculture, fishing, wholesale, trade and the intensive investment in infrastructure development. These interventions are expected to improve the socioeconomic potential of the county in the medium term.

3.2.2 County Fiscal Outlook

A number of measures have been instituted by the county government with the aim of broadening the revenue base. Additionally, the county government has incorporated the following measures to mitigate against risk to the fiscal plan:

i. Adoption of a conservative approach in projecting expected revenues and cash receipts
ii. Promotion of accountability and transparency in delivery of public goods and services through public participation as enshrined in the Constitution, in the fiscal plan.
iii. Rationalization of the county wage bill to reduce redundancies and enhance employee productivity.

Equitable share is expected to grow in tandem with the projected national economic growth rates. The county government collected a total of Kshs 148 million in the FY 2014/2015 against a target of Kshs.301 million. Local revenue targets for FY 2015/2016 is Kshs. 230,000,000 out of which Kshs. 51, 546, 208 was collected in the first half of the year. Automation of revenue collection together with other measures put in place by the county government are expected to improve revenue collection in the medium term

The 2016/2017 equitable share for the county government according to the draft national treasury budget policy statement is Kshs. 5,487,335,321. Local revenue target for the year is estimated at Kshs. 200 million. The disaggregation of the CRA allocations to county governments (Kshs Million) for FY2016/2017 is as shown in table 1 below:

Table 1: CRA Allocation to County Governments

Revenue Items	**2015/16**	**2016/17**
County equitable share	259,774.5	285,362.3
Additional allocations, of which:		
Free maternal healthcare	4,298.0	4,300.0
Leasing of Medical Equipment	4,500.0	4,500.0
Compensation for user fees forgone	900.0	900.0
Level 5 hospitals	3,600.5	4,000.0
Special Purpose Grant supporting access to emergency medical services		200.0
Allocation from Fuel Levy Fund	3,300.0	4,306.8
Conditional allocations (Loans & grants)	10,671.2	3,870.7
Total County Allocations	287,044.2	307,439.8

Source (Draft Budget Policy Statement 2016)

The disaggregation of the CRA allocations to the County Government of Siaya for the FY2016/2017 is as shown in table 2 below:

Table 2: CRA Allocations to County Government of Siaya

Type of allocation	**Amount in (Kshs)**
Equitable Share	5,487,335,321
Free Maternal Health Care	128, 140,000
Compensation for user fees foregone	19,634,077
Leasing of Medical equipment	95,744,681
Road Maintenance fund	82,817, 177
Loans and grants	13,765,000
Total allocations	5,827,436,255
Per capita allocation	6,918

Source (Draft Budget Policy Statement 2016)

Modest CRA allocations, weakness in local revenue are offset by on-going expenditure management reforms enabling the county government to provide additional funding for health care, social programs, and economic development.

3.3 Risks to the outlook

The following are the major risks that may affect realization of the outlook:

1) Failure to meet local revenue target
2) Exchange rate fluctuations
3) Inflation
4) Political activities surrounding the august 2017 general elections
5) Delay in release of funds from the national treasury

3.3 Summary and Conclusions

The projected revenues for the county government of siaya for the 2016//17 financial year is Kshs 6,027,436,255 which comprises of transfers from national treasury amounting to kshs5,827,436,255 and locally generated revenue amounting to kshs.200,000,000. This revenue forms the resource envelope for county government of siaya to implement interventions aimed at improving welfare of county residents. Many programs are however affected by inadequate resources coupled with delayed funding posing a major setback to the implementation of projects as outlined in the sector plans.

Several risks to the outlook exist that pose a challenge to realization of the envisioned socioeconomic targets. These set of risks comprise of high inflation, macroeconomic instability, public spending pressures, fiscal indiscipline occasioned by spending outside the prescribed budgetary allocations and the incoherence between the county fiscal strategy and the approved budgetary estimates, bureaucracy in release of county funds from the national treasury amongst others.

CHAPTER FOUR

4.0 STRATEGIC PRIORITIES AND INTERVENTION

4.1 OVERVIEW

Strategic priorities for the 2016/2017 fiscal year have been developed based on policy interventions and development priorities as set out in the 2016 Annual Development Plan and intend to build on the successes of the previous fiscal year. These priorities have been aligned with the four pillars of the 2015/2016 fiscal strategy which have been sustained in the current financial year.

4.2 Improvement of Governance and Administration through Investment in Devolution Structures for Effective Service Delivery

Good governance and effective service delivery requires proper coordination of devolved services, effective legislative framework, prudent management of resources, coordinated land use policies and market infrastructure development to improve the business environment. The following priorities have been lined up for implementation in the 2016/2017 fiscal year:

- To provide a conducive working environment for officers at the ward level and ensure proper interphase between the county government and the citizenry, construction of ward offices and establishment of citizen information centers has been prioritized.
- Enforcement of county by-laws, disaster management as well as drug and substance abuse control have also been prioritized in this fiscal year. The enforcement capacity will be improved by reviewing existing laws and regulations as well as recruitment and training of enforcement officers and providing the necessary equipment to the enforcement unit. Procurement of fire engine, development of disaster risk reduction strategies and improving the capacity of staff to manage disasters will be implemented to improve the government's disaster preparedness and management strategies.
- To ensure quality production of county documents, effective management of the human resource function and proper management of the transport function, the government has prioritized the establishment of a county printing press, electronic human resource management system and card fuelling system.
- Revenue streams for the county government have largely remained limited leading to underperformance in the local revenue function. Diversification of revenue streams through construction of modern bus parks, vehicle parking areas and renovation of existing bus parks will be prioritized in the medium term. Further, the county government

generates a lot of records that require proper and secure custody. In this regard, construction of county treasury archive to improve the security of government records will be prioritized.

- Inadequacy of public land, absence of spatial plans and lack of valuation rolls have been a major hindrance to the development efforts of the county government. To address this challenge, the government will sustain its efforts aimed at establishment of a land bank and preparation of spatial plans as well as valuation rolls. To address the shortage of housing units in the county, the government intends to Construct new housing units, renovate existing ones and promote the use of ABMT.
- To sustain the efforts made in improving the business environment, the government will continue to develop market infrastructure, establish a county micro and small enterprises initiative, cooperative revolving fund and promote fair trade practices. Finally, to ensure effective monitoring and evaluation of all the development efforts, the government will put in place an integrated monitoring and evaluation system.
- To improve the legislative and oversight role of the county assembly the following programmes have been prioritized for the 2016/17 to 2018/19 MTEF period: general administration, planning and support services, legislation and representation and legislative oversight.
- Flagship projects to be undertaken in the medium term in this pillar are; implementation of Lake Basin Economic Blue Print (Regional Bank); construction of: ward offices, modern bus parks, parking bays, three market hubs and establishment of SMEs and Cooperative Revolving Funds.

4.3 Social Transformation through Investment in Healthcare Services, Education, Youth, Culture and Social Services

Sustainable development requires a healthy and educated citizenry with access to quality water for domestic and industrial use. Significant progress has been made in improving the infrastructure in the above sectors. To sustain the gains made so far, the following have been prioritized;

Priority 1: **Improved healthcare services**

Interventions:

- **Promotion of preventive healthcare:** During the financial year, the county will develop health sector master plan to inform developments in the county. In addition, the sector will procure utility vehicles; stand by generators and KEPI fridges.

- **Strengthening curative medical services:** The County will invest heavily in medical; supplies to ensure drugs are available in all the health facilities. In addition, it will boost service delivery by continuing with the on-going refurbishment of the Siaya County Referral Hospital, supply of X-Ray machines, and construction of a theatre.
- **Health sector infrastructure development:** Health sector infrastructure will be improved to ensure access and quality of health services. The key issue will be Operationalization of facilities that have been constructed in the past. In addition, the county will also do constructions where necessary. On constructions, the following will be considered: administration blocks, inpatient wards, medical supplies storage facilities, children ward, functional outpatient unit (pharmacy, Lab (MCH), a laundry unit, a kitchen, mortuary and staff houses.
- **Strengthen health sector through provision of support services:** This consists of human resource development and management and provision of support facilities compounded in operations and maintenance to support in-patients.

Priority 2: Access to Quality Early Childhood Education

Interventions

- **Strengthen public early childhood education facilities:** The County will strive to improve quality of early childhood education by posting more ECDE teachers; provision of equipment and other relevant facilities.
- **Development of early childhood education infrastructure:** This includes construction of ECD Resource complex, classrooms, provision of equipment and installation of modern children play facilities.
- **Provide support services:** Supplies of consumable such as chalk, instruction materials and other services incidental to education of children.

Priority 3: Strengthen Vocational Education and Training

Interventions

- **Modernise training through application of ICT**: The county has a focus in making youth polytechnics an appealing alternative to students by modernising instruction system. In this regard, the county will establish computer laboratories, provide computers, and install wide area network and mainstream ICT in the curriculum. Construct computer laboratories Purchase ICT equipment and tools(PHASED) Improve

Youth Polytechnic workshops Improve Youth Polytechnic hostels Improve Youth Polytechnic classrooms

- **Improve youth polytechnic facilities:** Majority of youth polytechnics have dilapidated facilities such as old workshops, poor instruction materials, and classrooms. The county will strive to improve workshops and classrooms to make learning environment conducive. In addition, it will provide tools used in training the students to ensure top-notch pedagogy.
- **Strengthen support services:** The County will ensure that polytechnic instructors are well equipped to discharge their duties. This includes providing teaching equipment, recruitment of instructors and skill upgrading amongst others.

Priority 4: Social Protection and Preservation of National Heritage

Interventions:

- **Bursaries to students:** The County will provide bursaries to students in post-primary education institutions to ensure they complete their studies.
- **Protection of children:** The County will establish child protection centre consisting of dormitories for boys and girls
- **Empowerment of women, youth and PLWDs:** Towards this, the County will construct gender rescue centres, and establish revolving fund for youth, PLWD and women entrepreneurs. In addition, the count will operationalize older person's cash transfer, and equip PWDs rehabilitation centres.
- **Promotion of sports and talent development:** Sports is a very important for youth development. To ensure that this is promoted in the county, focus will be on modernisation of Siaya stadium as a flagship project and Migwena Sports ground. To ensure that talent is developed early enough, sports will be encouraged in schools through provision of equipment and promotion of ward tournaments, constituting sub-county sports committees and county sports council.
- **Promotion of cultural activities and preservation of national heritage:** Siaya County is rich in culture and heritage. To ensure that future generations are accessible to these, the county will promote indigenous culture, improve Siaya County Cultural Centre, construct Siaya Museum, Arts & Talent Theatre and conduct research and documentation of folk lore and item

- **Strengthen support services:** Provision of facilities aimed at ensuring efficient administration and provision of quality services. This includes vehicles, working environment, and working tools.

Priority 5: Improved Access to Quality Water and Sewerage System

Interventions

- **Water infrastructure development:** The sector will undertake one flagship project; construct and equip of new shallow wells, dams and pans. The county will also encourage rain water harvesting in public schools by installing gutters. In addition, the county will install solar powered pumps to replace the electric submersible pumps.
- **Rehabilitation and support to existing water facilities:** The County will evaluate the condition of existing shallow wells, dams and pans for purposes of rehabilitation. Further, Siaya County enjoys water supply from SIBO Water and Sewerage Company Ltd and other community managed water sources. The County will provide subsidy to these to ensure they are operating fully and providing quality service to the community.

Priority 6: Environmental Conservation and Management

Interventions

- **Expansion of tree cover:** This will entail promotion of tree nurseries and expansion of tree cover. The activity provides avenue for participation by youth groups, women groups and people living with disability. To realise this, the Department will also undertake environmental campaign awareness and promote agroforestry and rehabilitation of degraded areas.
- **Facelift of selected towns:** It is important that Siaya County improve its image by beautifying selected towns.
- **Improvement of meteorological services in the County:** The County will establish observation network and downscale seasonal, monthly and weekly weather forecast
- **Improved county sanitation:** This will entail solid waste management and connectivity to the new sewerage systems
- **Institutional development and capacity building:** The Department will put in place working tools, human resource development and supply of necessary support services to ensure service provision is not disrupted.
- **The flagship projects under this pillar are: construction of siaya stadium, irrigation infrastructure development, construction of sheltered workshops for PLWDs in**

Ugunja and Ugenya and construction and equipping of Rarieda sub county disabled basic rehabilitation and resource centre facility

4.4 Agricultural Transformation for Improved Food Security through Investment in Crop, Fisheries and Livestock Production

Transformation of the agricultural sector is a necessary prerequisite for economic growth, employment creation and industrial development in the county. To sustain the gains made thus far, the county has prioritized the following intervention:

Livestock Improvement Project. Activities under this project include; artificial insemination, purchase of; improved dairy cow breeds, feed conservation equipment and establishment of fodder material, purchase of grade chicks, incubators, establishment of: poultry demonstration units and community abattoirs, conduct vaccination campaigns, improvement of poultry houses and establishment of revolving fund for value chain enterprise development for income generation

Crop Production Improvement Project: activities under this project are refurbishment of siaya agricultural show ground as well as procurement of certified assorted seeds and fertilizers

Fisheries Development: activities in this project include provision of; subsidized fishing gear, fish farming inputs and restocking of dams as well as natural water bodies.

4.5 Transformation of County Infrastructure and Communication through Investment in Road Network and ICT Services.

The county government recognized the need for anchoring its development agenda on solid foundation if it has to effectively drive, influence and realize socio-economic and political transformation. These foundations included; Improvement and expansion of transport infrastructure and development of ICT infrastructure.

Roads and Infrastructure

Overview

To unlock the socio-economic potential of the county the government embarked on infrastructure development especially roads and ICT as catalysts and foundations for faster economic growth.

At the beginning of the plan period there were 283.2 Km of bitumen standard roads, 741.3Km of gravel and 1,161.8 Km of earth roads. The CIDP targets on physical infrastructure included construction, modernization, rehabilitation and effective management of roads and related infrastructure. In the period under review the County has witnessed an improvement in the road network with a number of roads being opened, rehabilitated and maintained

(i) Rehabilitation and maintenance of roads

The county government has opened and graded 600 Kms of road and gravelled approximately 100 Kms of road in the last two years. KERRA and CDF also gravelled several roads in the county.

Over the medium term, the aim of the county government is to construct, rehabilitate, maintain and improve conditions of road in order to have an effective, efficient and secure road network. Step-up the development and implementation of county policies and guidelines for transport safety and continue conducting road safety and awareness programmes for an efficient, effective and safe transport system.

To this end, the Government has earmarked to construct 30km of low volume seal roads across the county to open up rural areas. In a bid to increase connectivity the Government will invest in the construction of 10 KMs of roads and gravelling and maintenance of 700 km of major roads in the county

(ii) Street-lighting

In order to provide a secure business environment and extend business hours in major towns and markets, the government has installed 140 solar street lights in urban areas and markets.

Over the medium term the government aims to step-up provision of lighting to major urban centres through continued installation of solar powered street lights

To this end the government will install 400 units of solar lights in urban and market centres and strategic installations and continue maintaining 150 already installed units in the county

(iii) Reducing the Cost of Doing Business through ICT

Access to ICT is critical for the county's productivity and competitiveness in a knowledge based economy. The government is therefore committed to investing resources as well as providing a conducive environment for the ICT sector to thrive. To this end, the government has put in place initiatives such as;

Strengthening ICT platform to support tourism: This will be achieved through the following strategies;

1. Developing ICT software to support and market tourism
2. Information security
3. Human resource capacity building.

ICT Infrastructure development: to be achieved through;

Rolling-out high speed broad- band infrastructure in all sub-counties

Procuring and installing infrastructure to facilitate voice/video communication such as video conferencing

(iv) Tourism Development

Going forward and building on the progress made in the sector the government will continue to promote and develop tourism, and conserve national heritage; Attention will be drawn towards: Facilitating tourism promotion and marketing to increase arrivals and tourism revenue, to position siaya as premier tourism destination as well as re-organize the sector through; the development of key tourism sites, county branding, develop and equip new cultural centres and promotion of wildlife conservation activities.

Flagship projects for this pillar are: street lighting and construction of bridges

CHAPTER FIVE

FISCAL POLICY AND BUDGET FRAMEWORK

5.1 Overview

In the previous fiscal years, priority was given to the implementation of projects at the micro level to unlock the economic potential in the wards. Going forward, and in order to create a bigger impact, the county will put greater emphasis on mega projects while completing the micro projects started in the previous years.

5.2 Fiscal Policy Framework

The 2016 Fiscal Strategy aims at supporting continued investment in infrastructure and socio-economic development. Additionally, the government will ensure an optimal balance between infrastructure development and delivery of public goods and services using the existing infrastructure. The policy will also aim at improving local revenue collection.

The fiscal strategy will be geared towards enabling the county government to work within its available resources. In the medium term, the county government will continue to prepare a balanced budget.

5.2.1 Fiscal Responsibility Principles

The county government recognizes the importance of public participation in the management of its fiscal responsibilities. To this end and in compliance with the constitution and the PFM Act 2012, the principle of openness and accountability, including public participation in financial matters is emphasized especially during the budget process. The county government will observe fiscal rules as set out in the PFM Act, 2012 to entrench fiscal discipline.

In line with the Constitution and the PFM Act, 2012 and in keeping with prudent and transparent management of public resources, the government has adhered to the fiscal responsibility principles as follows:

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

County government total revenue in FY 2015/16 was Ksh. 6.946 billion, with grants from the National Government of Kshs. 4.995 billion and local revenues of Ksh. 230 million. The recurrent expenditure during the same period was Ksh. 3.494 billion thus adhering to this fiscal responsibility.

ii. *Over the medium term, a minimum of 30% of the county government's budget shall be allocated to development expenditure.*

The county government allocated 30% of its budget in FY 2014/15 and 31% in the FY 2015/16 to development expenditure.

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

During the FY 2014/15, the county government budgeted to spend Ksh. 1.090 billion on salaries and benefits to its public officers against a total budget of Ksh. 4.601billion. This resulted in 41% expenditure on salaries and wages. In FY 2015/16, salaries budget was Ksh. 2.137 billion against a total budget of Ksh. 5.858 billion translating to 36%. While the County Executive member for finance did not prescribe the percentage of the county's revenue beyond which the expenditure on wages should not exceed, the county government's wage bill is expected to stabilize in the medium term to around 35%.

iv. *Over the medium term, the government's borrowings shall be used only for purpose of financing development expenditure and not for recurrent expenditure*.

In both FY 2013/14 and 2014/15, the county government did not make any borrowings. In the future, the government commits that any borrowings shall be used only to finance development expenditure

v. *The county debt shall be maintained at a sustainable level as approved by the county assembly*.

The county government does not hold any debt. However, any of its future debts shall be maintained at a sustainable level as approved by the county assembly.

vi. *The fiscal risks shall be managed prudently*.

The government continues to identify its fiscal risks for future management. For example, non-approval of disbursement of funds by the Controller of Budget to the counties put the county government in an awkward position out of which the county treasury has learnt its lesson to in future manage its finance efficiently.

vii. *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*.

The county's finance bill has been enacted. This will be used to give a degree of predictability with respect to the level of tax rates and tax bases. In future, finance bills will be passed in good time on 30^{th} September for implementation in the financial year.

viii. *The approved expenditure of a county assembly shall not exceed seven per cent of the total revenues of the county government or twice the personnel emolument of that county assembly, whichever is lower.*

The compliance plan above shall be binding and the county executive member for finance shall ensure implementation

5.2.2 Fiscal and Public Financial Management Reform

The Fiscal Strategy underpinning the FY 2016/17 Budget and MTEF aims at increasing the percentage of development expenditure above 30% and it also intends to reduce the percentage expenditure on salaries and wages paid to the county officers. Local revenue collections have been below the expected average collection per month. However the county is digitizing its revenue collection and it is hoped that this will eventually lead to an improvement after full roll-out in FY 2016/17. The fiscal strategy will undertake reforms in the following areas, namely;

a) Enhancing resource mobilization, including broadening revenue base; revenue collection efforts will be enhanced to ensure all potential tax, fee and rate payers make their contribution towards the county's development agenda. Revenue administration capacity will be enhanced through organization and modernization reforms including digitization program for revenue collection.
b) Expenditure rationalization will continue being a priority focusing on realignment of resources from non-productive to productive areas. Expenditure focus will be on those sectors whose goods and services are geared towards improving the social and economic condition of the residents of the county.
c) Expenditure efficiency and effective implementation of budget programs through enforcement of cost benchmarks for all consumables. Expenditure tracking and value for money audits will be done to ensure efficiency and effectiveness in the use resources. Project planning and management as well as engagement with development partners will be strengthened.
d) The accounting staff will be trained to improve their capability to use the modules of IFMIS to enhance records and reports generated from the system which will improve financial management of county resources.
e) The county executive committee member for finance has officially designated county revenue receiver who shall be fully responsible and accountable for revenue collection.

The finance bill 2015 has finally been enacted. This will enable the government to collect from a more widened tax and revenue base. The government will ensure that all the bills required for implementation of the budget are prepared and approved in good time.

Revenue targets for the FY 2016/17 and medium term will be achieved through;

1) Digitization of revenue collection. This is expected to reduce revenue leakages associated with manual collection system.
2) Ensuring compliance with PFM Act to avoid protracted challenges experienced during the FY 2014/15 which led to slow disbursement of revenue from the National Government.
3) Enhanced facilitation of the revenue office to enable the office to perform its duties effectively.
4) Enactment and implementation of finance related bills e.g. Trade License Bill, Finance Bill and Liquor License Bill.
5) Publicizing to create public awareness on the obligations of the tax payers to pay their taxes and fees.
6) Designating of revenue receiver to be fully responsible for collecting, receiving and accounting for county government revenue.
7) Capacity building of revenue collection officers to enhance their skills
8) Engagement of more revenue collection officers. This can be done either by recruitment or deployment of officers from other departments.

Regarding expenditures, the county government will continue with the policy of rationalization of expenditures to improve efficiency and reduce wastage. Current budget allocation for procurement of goods and services by the county government of Kshs. 1.587 billion constitute about 23% of the annual budget. This can still be reduced further by reduction of wastages and efficiency improvement.

5.3 Budget Framework

The medium term fiscal framework for FY 2016/17 is as set out above. The equitable share of revenue allocation to the county in FY 2016/17 is expected to be Kshs. 5,487,335,321. This is an increase of about 10% compared to the allocation in FY 2015/16.

Taking into account the local revenue of Kshs. 200 million, the total budget for the county in FY 2016/17 is expected to be Ksh. 5,687,335,321

5.3.1 Revenue Projections

The FY 2016/17 budget targets revenue receipts of Kshs. **5,687,335,321** including local revenue of Kshs. 200 million as per table 3 below;

Table 3: Detailed Income Projection per Source for FY 2016/17

Revenue Items	Total Estimates
Single Business Permit	30,000,000
Market Fee	40,000,000
Bus Park Fee	12,000,000
Parking Fees	5,000,000
Fish Cess Fee	6,500,000
Plan Approval fees-Lands	1,500,000
Plan Approval fees-Hosp	500,000
Plan Approval Fee-Works	500,000
Transfer Fees	1,000,000
Miscellaneous Fee	3,240,000
Plot Rates	16,150,000
Plot Rents	5,900,000
School Fees	250,000
Slaughter Fees	896,500
Ground/Stall Rent	5,239,800
Burial Fees	30,800
Sand Cess	1,200,000
Cilor	37,900
Sugar Cess	4,500,000
Boda Boda Fee	3,500,000
Health Department	45,500,000
Agriculture	8,500,000
Trade	555,000
Liquor License	7,500,000
Sub Total	**200,000,000**
C.R.A Equitable Share	5,487,335,321
Total	**5,687,335,321**

5.3.2 Expenditure Forecasts

In FY 2016/17, the overall government expenditure is expected to be Kshs. 5.687 billion. This will result in a balanced budget for the county government. The county government will budget Kshs. 1,984,393,166 for development expenditure, Kshs. 2,380,791,426 for salaries and wages and Kshs. 1,322,150,729 for goods and services costs.

5.3.2.1 Recurrent Expenditure

Recurrent expenditure for the medium term is as per table 4 below:

Table 4: Summary of Recurrent Expenditure

Department	Base Line Estimates	Estimates 2016/2017	Projections	Projections
	2015/16		2017/2018	2018/2019
County Assembly	594,029,051	421,920,538	464,112,592	510,523,851
County Executive	469,258,008	495,891,382	545,480,520	600,028,572
Finance And Economic Planning	456,945,974	450,024,451	495,026,896	544,529,586
Agriculture, Livestock & Fisheries	231,841,549	223,922,014	246,314,215	270,945,637
Water, Environment And Natural Resources	104,598,672	108,029,678	118,832,646	130,715,910
Education, Youth Affairs, Sports, Culture & Social Services	166,746,720	178,407,762	196,248,538	215,873,392
County Health Services	1,540,231,155	1,633,863,661	1,797,250,027	1,976,975,030
Lands, Housing, Physical Planning & Development	49,806,786	52,174,313	57,391,744	63,130,919
Roads, Transport And Works	42,890,558	45,007,658	49,508,424	54,459,266
Trade Development & Regulation	45,228,114	47,187,384	51,906,122	57,096,735
ICT, Tourism And Wildlife	44,889,436	46,513,314	51,164,645	56,281,110
TOTAL	**3,746,466,023**	**3,702,942,155**	**4,073,236,371**	**4,480,560,008**

5.3.2.2 Development Expenditure

Development expenditure for the period will be as per tables 5 and 6 below:

Table 5: Development Expenditure for 2016-17

Sector/Department	Project	Cost
County Executive	Establishment of structures to enforce County Legislations	5,000,000
	Lake Basin Economic Bloc Secretariat	54,000,000
	Completion of the County Offices at Bondo Town to house the CPSB	10,000,000
	Sub Total	**69,000,000**
County Assembly	County Assembly development projects	100,000,000
	Sub Total	**80,000,000**
Finance and Economic Planning	Construction of the Siaya Bus park	10,000,000
	Construction of Bondo Bus Park	10,000,000
	Payment of County Creditors	98,570,000
	Construction and marking of parking bays in Siaya Township	20,000,000
	Completion of Ugunja Town Hall, Construction of Sub County Headquarters in Gem and Rarieda	15,000,000
	Sub Total	**153,570,000**
Lands, Physical Planning and Housing	Preparation of the spatial plan	20,000,000
	Public land audit	6,000,000
	Automation of land records	4,000,000
	Surveying of Yala Swamp	1,500,000
	Sub Total	**31,500,000**
County Health Services	Purchase of KEPI fridges	7,500,000
	Construction works at Siaya County Referral Hospital	40,700,000
	Leasing of Medical Equipment (National Government)	95,744,681
	Construction of 2 staff houses at Ukwala and Rera Health Centres	10,000,000
	Purchase of CT Scan for Siaya Referral Hospital	35,000,000
	Solid waste Management: Purchase of 5 acre per sub county at Ksh. 200,000 per acre	6,000,000
	Sub Total	**194,944,681**
Education, Youth Affairs, Sports, Culture and Social Services	Purchase of equipment and tools to 18 newly constructed youth polytechnics	9,000,000
	Establishment for revolving fund for Youth, PWDs and women Entrepreneurs	20,000,000
	Social protection fund	20,000,000
	Construction of Siaya Stadium	12,190,000
	Establish sports talent academy at Migwena Sports Ground	10,000,000
	Social Health Insurance Scheme (NHIF for indigents)	12,000,000
	Pre-Primary school feeding programme	20,000,000
	Subsidized Youth Polytechnic Tuition (SYPT)	15,000,000
	Sub Total	**118,190,000**
Water, Environment and Natural Resources	provision of safe water filters to households in Siaya County (Programme Supported by Great Lakes Foundation, Just One Foundation, Uzima and Siaya County Partnership)	4,000,000
	Support to the Water Tower Protection and Climate Change Mitigation and Adaptation Program in Siaya County (EU Funding for Mt. Cherenganyi and Elgon Water Towers)	5,490,000
	Purchase of self-loading waste management tractor	15,000,000
	Sub Total	**24,490,000**
Agriculture, Livestock, Fisheries and Irrigation	Dairy improvement project	8,900,988
	Procure certified assorted seeds and fertilizer for the 30 wards at 1M per ward	30,000,000
	Siaya Trade Show and Exhibition	10,527,979
	Establishment of a support programme for fishers and fish farmers	5,000,000
	Policy development	1,990,000
	Animal Health Support project	9,244,139
	Tractor hire service subsidy	23,460,044
	Poultry Enterprise Development Project	5,000,000
	Sub Total	**94,123,150**
Trade, Industry and Cooperative Development	Construction of modern markets in Ramba (Siaya), Yala and Bondo	50,778,158
	Construction of business hub in Ukwala	5,000,000
	Installation of solar lights	10,000,000
	Cooperatives Revolving Fund	48,000,000
	Establishment of Trade Loans Fund	6,490,000
	Sub Total	**120,268,158**

Sector/Department	Project	Cost
Roads, Transport and works	Mechanical transport fund	10,000,000
	Roads maintenance levy fund	82,817,177
	Contingency for roads	20,000,000
	Purchase of fire engine equipment	4,500,000
	Sub Total	**117,317,177**
ICT, Tourism and Wildlife	Development of Got Ramogi	3,990,000
	Establishment of County Data Center for provision of data both for assembly and executive	10,000,000
	Purchase of computer (Windows Operating System and Microsoft Office suite& antivirus)	4,000,000
	Tourism marketing and promotion	3,000,000
	Tourism events (Miss Tourism Kenya)	5,000,000
	Provision of internet servicing to all county offices	18,000,000
	Annual tourism, Luo Cultural Festivals and promotion of culture and heritage	17,000,000
	Sub Total	**60,990,000**
Ward Based Projects	**Ward Based Projects**	**900,000,000**
	Grand Total	**1,984,393,166**

Table 6: Summary of Development Expenditure

Department	Baseline 2015/16	2016/2017 Estimates	2017/2018 Projections	2018/2019 Projections
County Assembly	55,058,300	100,000,000	110,000,000	121,000,000
County Executive	-	69,000,000	75,900,000	83,490,000
Finance And Economic Planning	13,000,000	153,570,000	168,927,000	185,819,700
Agriculture, Livestock & Fisheries	160,834,288	94,123,150	103,535,465	113,889,012
Water, Environment And Natural Resources	144,620,000	24,490,000	26,939,000	29,632,900
Education, Youth Affairs, Sports, Culture & Social Services	500,600,000	118,190,000	130,009,000	143,009,900
County Health Services	186,930,000	194,944,681	214,439,149	235,883,064
Lands, Housing, Physical Planning & Development	60,886,817	31,500,000	34,650,000	38,115,000
Roads, Transport And Works	522,903,220	117,317,177	129,048,895	141,953,784
Trade Development & Regulation	28,840,000	120,268,158	132,294,974	145,524,471
ICT, Tourism And Wildlife	37,500,000	60,990,000	67,089,000	73,797,900
Ward Based Projects		900,000,000	990,000,000	1,089,000,000
Total	**1,711,172,625**	**1,984,393,166**	**2,182,832,483**	**2,401,115,731**

Projected Ceilings per Sector

Expenditure ceilings for departments are as shown in table 7 below:

Table 7: Summary of Projected Ceilings per Sector

Department	**Baseline 2015/16**	**Estimates 2016/2017**	**Projections 2017/2018**	**Projections 2018/2019**
County Assembly	649,087,351	421,920,538	464,112,592	510,523,851
County Executive	469,258,008	705,891,382	541,172,158	595,289,374
Finance And Economic Planning	469,945,974	890,024,451	541,928,920	596,121,812
Agriculture, Livestock & Fisheries	392,675,837	412,242,267	456,931,770	502,624,947
Water, Environment And Natural Resources	249,218,672	273,029,678	299,128,888	329,041,777
Education, Youth Affairs, Sports, Culture & Social Services	667,346,720	438,407,762	759,069,741	834,976,715
County Health Services	1,727,161,155	1,663,863,661	1,924,865,620	2,117,352,181
Lands, Housing, Physical Planning & Development	110,693,603	146,247,227	146,751,312	161,426,444
Roads, Transport And Works	565,793,778	395,007,658	647,361,505	712,097,655
Trade Development & Regulation	74,068,114	214,187,384	106,463,274	117,109,602
ICT, Tourism And Wildlife	82,389,436	126,513,314	115,616,733	127,178,406
TOTAL	**5,457,638,648**	**5,687,335,321**	**6,003,402,513**	**6,603,742,764**

CHAPTER SIX

6.0 MEDIUM-TERM EXPENDITURE FRAMEWORK

6.1 Overview

The 2016 Medium-Term Fiscal Policy aims at supporting the transformation of the county economy through infrastructure and social-economic development, ensure balanced budget, contain growth of recurrent expenditures in favour of capital investment so as to promote sustainable development and to strengthen delivery of services.

The medium term fiscal framework for the FY 2016/17 is set based on macroeconomic policy framework as set out in Chapter Two and sector priorities in Chapter Four. Expenditure ceilings on goods and services for sectors are based on funding allocation in the FY 2015/16 budget as the starting point. Most of the outlays are expected to support critical infrastructure and operationalizing the existing facilities.

6.2 Resource Envelope

The FY 2016/17 budget targets revenue receipts of Kshs. 6,027,436,255 consisting of; local revenue Kshs**.** 200 million, equitable share Ksh 5,487,335,321 and conditional grants Ksh 340, 100,935 as shown in table 8 below:

Table 8: Income Projection per Source for FY 2016/17

Revenue Items	**Total Estimates**
Local Revenue	**200,000,000**
C.R.A Equitable Share	5,487,335,321
Conditional Grants	340,100,934
TOTAL	**6,027,436,255**

6.3 Resource Allocation Criteria

Apportionment of the Baseline Ceilings

The baseline estimates reflects the current departmental spending levels in sector programmes. In the recurrent expenditure category, non-discretionary expenditures take first charge. These include payment of statutory obligations such as interest, salaries and pensions. Compensation of employees covering staff in the county government functions accounts for about 41.86 per cent of the total expenditure. Other recurrent expenditures that include operations and maintenance account for 24.18% per cent of total expenditure.

Development expenditures have been shared out on the basis of the CIDP priorities and strategic interventions. The following criteria were used in apportioning capital budget:

- Strategic policy interventions: priority has been given to policy and project interventions covering the entire county to ensure equity in social economic development.
- On-going projects: emphasis has been given to completion of on-going capital projects and in particular infrastructure projects with high impact on poverty reduction, equity and employment creation.
- Focus has also been given to operationalize the already completed projects especially in the health and education sectors
- Achievability and sustainability of programmes and projects
- Desirability of the projects as a social good

The table below provides tentative projected baseline ceilings for the 2016-18 MTEF periods, classified by sector.

6.4 Baseline Ceilings for the MTEF Period Ceilings per Sector

Baseline ceilings for the MTEF period are as presented in table 9 below:

Table 9: Baseline Ceilings for the MTEF Period Ceilings per Sector

Department	Base Line Estimates	Estimates 2016/2017	Projections	Projections
	2015/16		2017/2018	2018/2019
County Assembly	649,087,351	521,920,538	574,112,592	631,523,851
County Executive	469,258,008	564,891,382	621,380,520	683,518,572
Finance And Economic Planning	469,945,974	603,594,451	663,953,896	730,349,286
Agriculture, Livestock & Fisheries	392,675,837	318,045,164	349,849,680	384,834,648
Water, Environment And Natural Resources	249,218,672	132,519,678	145,771,646	160,348,810
Education, Youth Affairs, Sports, Culture & Social Services	667,346,720	296,597,762	326,257,538	358,883,292
County Health Services	1,727,161,155	1,828,808,342	2,011,689,176	2,212,858,094
Lands, Housing, Physical Planning & Development	110,693,603	83,674,313	92,041,744	101,245,919
Roads, Transport And Works	565,793,778	162,324,835	178,557,319	196,413,050
Trade Development & Regulation	74,068,114	167,455,542	184,201,096	202,621,206
ICT, Tourism And Wildlife	82,389,436	107,503,314	118,253,645	130,079,010
Ward Based projects	-	900,000,000	990,000,000	1,089,000,000
Total	**5,457,638,648**	**5,687,335,321**	**6,256,068,853**	**6,881,675,738**

6. 5 Sector/Departmental Priorities

Education Sector

The sector is mandated to provide, promote and coordinate quality education and training, integration of science technology and innovation in sustainable socio-economic development process, with focus on youth empowerment, preservation of culture, sports and talents. To meet its mandate, the sector has prioritized pre-primary education, vocational educational and training development as well as social security programmes.

Flagship projects for the sector are: construction of Siaya and Migwena stadiums, 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.

To implement the above programmes and projects, the Sector has been allocated Ksh 296,597,762, for the financial years 2016/2017 with the allocation projected to increase to Ksh 326,257,538 and Ksh 358,883,292 in 2017/18 and 2018/19 respectively.

Health Sector

The mandate of the sector is to build progressive, responsive and sustainable technologically-driven, evidence-based and client-centered health system. To achieve this mandate, the sector implements four programmes namely: curative health care services, preventive, promotive and rehabilitative health services and health infrastructure development. Focus by the sector during the FY2016/2017 will be 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.

The sector has been allocated Ksh 1,828,808,342 in the financial year 2016/17 to implement its programmes. This allocation does not factor in conditional grants estimated at Ksh 223,884,060. This allocation is projected to increase to Ksh 2,011,689,176 and Ksh 2,212,858,094 for the financial years 2017/2018 and 2018/2019 respectively.

Water, Irrigation, Energy and Natural Resources

The sector is mandated to promote environmental conservation, improve access to quality water, energy and utilization of irrigation for sustainable socio-economic development.

For the 2016/17 – 2018/19 MTEF period the sector has prioritized programmes intended to promote sustainable utilization and management of the environment and natural resources for socio-economic development. These programmes include: Improvement of water services provision, Environmental Management, Natural Resources Conservation, promotion of innovative sustainable energy solutions and irrigation development.

Projects of high priority in the FY2016/17 include: rehabilitation and augmentation of existing water supplies, irrigation infrastructure development and afforestation.

In order to implement the prioritized programmes, the Sector has been allocated Ksh 132,519,678 in the financial year 2016/17. This allocation is projected to increase to Ksh 145,771,646 and Ksh 160,348,810 for the financial years 2017/2018 and 2018/2019 respectively.

Agriculture, Livestock, Fisheries and Veterinary services

The sector's mandate is to promote and facilitate sustainable, efficient and effective agricultural production and increase income.

The sector has 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.

In order to implement the prioritized programmes, the sector has been allocated Ksh 318,045,164 in 2016/17. This allocation is projected to increase to Ksh 349,849,680 and Ksh 384,834,648 for the financial years 2017/2018 and 2018/2019 respectively.

County Assembly

The sector is mandated to Promote good governance through effective and efficient legislation, representation and oversight role

The sector has prioritized the following programmes for the 2016/17 to 2018/19 MTEF period: General Administration, Planning and Support Services, Legislation and Representation and Legislative Oversight.

In order to implement the prioritized programmes, the sector has been allocated Ksh 521,920,538 in 2016/17. This allocation is projected to increase, Ksh 574,112,592 and Ksh 631,523,851 for the financial years 2016/2017, 2017/2018 and 2018/2019 respectively.

Governance and Public Service

This sector is mandated to co-ordinate and facilitates an effective and efficient public service

The sector has prioritized the following programmes for the 2016/17 to 2018/19 MTEF period: Coordination of Devolved Services and human capital management.

The flagship projects for the sector are the Lake Basin Economic Blue Print, phased construction of ward offices, civic education and public participation

In order to implement the prioritized programmes, the sector has been allocated Kshs. 564,891,382 in FY2016/17. This allocation is projected at Kshs. 621,380,520 and Kshs. 683,518,572 for the financial years 2017/2018 and 2018/2019 respectively.

Finance, Planning and Vision 2030

This sector is mandated to provide overall leadership and policy direction in economic planning, resource mobilization and public finance management. This mandate has been broken into two programmes namely financial management and economic planning. While implementing these programmes for the period 2016/17 to 2018/19, focus will be given to improvement of financial governance, project cycle management, construction of modern bus parks and parking bays.

In order to implement the prioritized programmes, the sector has been allocated Ksh 603,594,451 in 2016/17. This allocation is projected at Ksh 663,953,896 and Ksh 730,349,286 for the financial years 2017/2018 and 2018/2019 respectively.

Land, Physical Planning, Survey and Housing

The department is mandated to facilitate administration and management of public land and access to adequate and affordable housing

The sector has prioritized the following programmes for the 2016/17 to 2018/19 MTEF period: spatial planning, public land banking and preparation of valuation rolls.

In order to implement the prioritized programmes, the sector has been allocated Ksh 83,674,313 in 2016/17. This allocation is projected to increase, Ksh 92,041,744 and Ksh 101,245,919 for the financial years 2017/2018 and 2018/2019 respectively.

Trade, Industry and Cooperative Development

The sector is mandated to facilitate trade, cooperatives and enterprise development in the county

The sector has prioritized the following programmes for the 2016/17 to 2018/19 MTEF period: Trade Development and Promotion, cooperative, fair trade practices and consumer protection.

During the period, the department will implement the following flagship projects; construction of modern markets at Ramba (Siaya), Yala and Bondo, establish a cooperative revolving fund and small and micro enterprise fund.

In order to implement the prioritized programmes, the sector has been allocated Ksh 107,503,314 in 2016/17. This allocation is projected at Ksh 118,253,645 and Ksh 130,079,010 for the financial years 2017/2018 and 2018/2019 respectively.

Roads, Transport and Public Works

The sector is mandated to provide affordable and efficient integrated transport system and other infrastructure facilities and services

The sector has prioritized the following programmes for the 2016/17 to 2018/19 MTEF period: Transport Infrastructure Development, Transport Management & Safety and Street Lighting. The flagship projects in the medium term include: street lighting and construction of bridges.

In order to implement the prioritized programmes, the sector has been allocated Ksh 162,324,835 in 2016/17. This allocation is projected to increase to Ksh 178,557,319 and Ksh 196,413,050 for the financial years 2017/2018 and 2018/2019 respectively.

Tourism, Wildlife Conservation and ICT

The sector is mandated to establish integrated socio-economic and environmentally friendly policies and programmes for hospitality, wildlife conservation and ICT for a vibrant economy

The sector has prioritized the following programmes for the 2016/17 to 2018/19 MTEF period: Information & Communication Services and Tourism development and promotion.

Flagship projects to be implemented by the sector include: software management policies; mass media services; and tourism product development and diversification.

In order to implement the prioritized programmes, the sector has been allocated Kshs. 107,503,314 in the FY2016/17. This allocation is projected at Ksh 118,253,645 and Ksh 130,079,010 for the financial years 2017/2018 and 2018/2019 respectively.

ANNEXES

Annex 1: Latest Approved Estimates versus Original Budget

Department	Revised Estimates 2015/2016	Original Estimates 2015/2016
County Assembly	655,923,777	683,089,351
County Executive	666,512,340	513,737,187
Finance And Economic Planning	497,440,178	494,945,974
Agriculture, Livestock & Fisheries	390,781,194	456,266,832
Water, Environment And Natural Resources	417,814,765	365,598,406
Education, Youth Affairs, Sports, Culture & Social Services	900,538,109	780,037,370
County Health Services	2,155,836,883	1,926,817,316
Lands, Housing, Physical Planning & Development	129,489,659	134,512,395
Roads, Transport And Works	917,508,233	713,929,706
Trade Development & Regulation	117,979,585	92,651,291
ICT, Tourism And Wildlife	96,502,589	96,389,436
TOTAL	**6,946,327,312**	**6,257,975,264**