



COUNTY GOVERNMENT OF KAJIADO

COUNTY BUDGET REVIEW AND OUTLOOK PAPER 2016

**SUSTAINABLE GROWTH AND DEVELOPMENT FOR QUALITY
LIFE**

September, 2016

Foreword

This is the fourth issue of the County Budget Review and Outlook Paper (CBROP) to be prepared by the County Government of Kajiado. It is anchored in the Public Finance Management (PFM) Act 2012, Section 118 where it is stated that this paper is supposed to be submitted to the County Executive Committee by 30th September of that year for consideration and approval.

The paper includes Review of Fiscal Performance for the 2015/16 Financial Year, Recent Economic Development and Outlook and Resource Allocation Framework. The 2015/16 FY had a total budget of Ksh.6.82Billion that adhered to the fiscal responsibility principles. The total revenue collected for 2015/16 FY was Ksh.650Million which is 52 percent of the targeted local revenue.

Meanwhile the aggregate budget absorption was 75 percent where absorption in recurrent and development was 88 percent and 57 percent respectively. There were several programs and projects that were done successfully in the pursuit of the thematic areas outlined in the CFSP 2016. The County Departments also cited some challenges in budget implementation which includes but limited to slower procurement process, insufficient departmental capacities among others.

The Gross Domestic Product grew by 5.6% in 2015 with a prospect of growing at 5.9% in 2017 with outlined risks as slower economic growth due to electioneering activities, underperformance in local revenue and growing wage bill that may deny resources to Development and other Recurrent budgets.

The total resource envelope for the 2017/18 FY is Ksh.5.9 Billion with 69 percent and 31 percent for Recurrent and Development Budget respectively. However the County Government of Kajiado needs to enhance the collection of local revenue and cut recurrent expenditure to sustain and consolidate the fiscal gains made in the previous years.

Keswe Mapena

County Executive committee member for finance

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ACRONYMS

ADP	Annual Development Plan
CBROP	County Budget Review and Outlook Paper
CFSP	County Fiscal Strategy Paper
CG	County Government
CIDP	County Integrated Development Plan
ECDE	Early Childhood Development Education
FY	Financial Year
IFMIS	Integrated Financial Management Information System
M&E	Monitoring and Evaluation
MTEF	Medium Term Expenditure Framework
PFMA	Public Financial Management Act
SBP	Single Business Permit

Legal Basis for the Preparation of County Budget Review and Outlook Paper (CBROP)

The CBROP is prepared in line with the Public Finance Management Act, 2012. The act states that:

1. The County Treasury shall prepare and submit to the County Executive Committee for approval by 30th September of each financial year, the County Budget Review and Outlook Paper shall include:
 - a) The details of the actual fiscal performance in the previous year compared to the budget appropriation for that year;
 - b) The updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper;
 - c) Information on any changes in the forecasts compared with the County Fiscal Strategy Paper; or how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the County Fiscal Strategy Paper for that financial year; and
 - d) Reasons for any deviation from the financial objectives in the County Fiscal Strategy Paper together with proposals to address the deviation and the time estimated for doing so.

2. The County Executive Committee shall consider the County Budget Review and Outlook Paper with a view to approving it, with or without amendments, within fourteen days after its submission.

3. Not later than seven days after the County Budget Review and Outlook Paper is approved by the County Executive Committee, the County Treasury shall:
 - a) Arrange for the Paper to be laid before the County Assembly; and
 - b) Publish and publicize the paper as soon as practicable

Fiscal Responsibility Principles in the Public Finance Management Act, 2012

4. The PFMA, 2012 states that a County Treasury shall manage its public finances in accordance with the principles of fiscal responsibility set out in subsection (2), and shall not exceed the limits stated in the regulations.

5. In managing the county government's public finances, the County Treasury shall enforce the following fiscal responsibility principles:
 - a) The county government's recurrent expenditure shall not exceed the county government's total revenue;
 - b) Over the medium term a minimum of 30% of the county government's budget shall be allocated to the development expenditure;
 - c) 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;
 - d) Over the medium term, the government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure;
 - e) The county debt shall be maintained at a sustainable level as approved by county assembly;
 - f) The fiscal risks shall be managed prudently; and
 - g) 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.

INTRODUCTION

Objectives of CBROP

1. The objective of CBROP is to provide the actual fiscal performance of the previous financial year in comparison to the budget appropriation for that year. This provides a fiscal analysis of the actual performance of the budget versus the budget for that year and the impact on the financial environment of the county.
2. The significance of CBROP is to evaluate the government performance of fiscal policies set out by the county government in terms of revenue and expenditure reviews. It aims at linking County policies, planning, and budgeting. The government links development policies to the County Integrated Development Plan (CIDP) (2013-2017), the Second Medium Term Plan (MTP) (2013-2017), and the Vision 2030, which will guide budgeting and implementation.
3. The CBROP assesses how the 2015/16 FY fiscal performance impacts fiscal policies, objectives and responsibilities as per the County Fiscal Strategy Paper (CFSP) 2015. CBROP also provides macroeconomic updates, deviations, and forecasts for the medium term. These projections will firm up the next CFSP to incorporate any fiscal changes in policy, plans, and objectives.
4. CBROP 2016 is organized in the following sections: Section II covers a review of the county fiscal performance, Section III indicates the recent economic development and outlook, and Section IV covers the resource allocation framework and Section V is the conclusion.

Review of County Fiscal Performance

5. This section describes the county’s fiscal performance. It comprises of three subsections, the overview, fiscal performance and implications of fiscal performance.

Overview

6. The approved budget for the FY2015/16 was Kshs.6.8 billion comprising of Kshs.4.4 billion equitable share which was 65 percent of the total revenue, Kshs.1.2 billion local revenue which was 18 percent of the local revenue and Kshs.0.17 billion conditional grants. The balance brought forward was Kshs.0.98 billion.

7. The FY2015/16 expenditure had adhered the fiscal responsibility principles with 60 percent allocated for recurrent and 40 percent allocated to development. The growth rate between 2014/15 and 2015/16 was 0.2 percent.

8. The budget was successfully implemented with the county receiving exchequer releases amounting to Kshs.5.3 billion with a shortfall of Kshs.229 million. The actual local revenue amounted to Kshs.0.65 billion which is a 52 percent of the target indicating an underperformance by 16.2 percent from 2014/15.

9. The overall actual expenditure amounted to Kshs.5.99 billion indicating 75 percent absorption. This comprised of an actual recurrent expenditure of Kshs.3.6 billion representing 88 percent absorption rate and Kshs.1.5 billion actual development expenditure that accounts for 57 percent absorption.

Table 1: Aggregate Fiscal Performance 2014/15 – 2015/16

Revenue Summary	Approved Estimates		Actual Performance
	2014/15	2015/16	2015/16
Equitable share	3,831,672,556	4,412,625,800	4,412,625,800.00
Local Revenue	959,045,150	1,258,638,098	650,984,978.00
Conditional Grants	15,510,000	171,466,693	142,736,037.00
Bal B/F	862,269,529	984,801,767	761,338,727.00
Total	5,668,497,235	6,827,532,358	5,967,685,542.00
Expenditure Summary			
Personnel Emoluments	1,492,267,579	1,863,268,502	1,794,790,104.00
Operations and Maintenance	2,131,427,889	2,246,489,941	1,889,882,581.00
Development	1,444,801,767	1,732,972,148	1,544,660,489.00
Bal B/F	600,000,000	984,801,767	761,338,727.00
Total	5,668,497,235	6,827,532,358	5,967,685,542.00

The 2015/16 Fiscal Performance of the County

10. This subsection presents the county fiscal performance for the FY2015/16. It includes deviations between actual expenditure and the original budget.

County Own Revenue Performance

11. The actual collected local revenue totaled to Kshs.0.65 billion which is 52 percent of the FY2015/16 target reflecting an under collection of Kshs.0.61 billion. This is also a drop in performance by 16.2 percent compared to the actual revenue collected in FY2014/15. Several revenue streams recorded a negative growth. However, some revenue streams recorded significant performance; land rates posted 87 percent and limestone loyalty 92 percent.

12. The major revenue streams recorded poor performance with Single Business Permit (SBP) posting a performance of 47 percent against its 2015/16 target and also a 1.3 percent drop compared to the actual revenue collected in FY2014/15. Sand fees, recorded 44 percent performance with a drop by 6.7 percent from its actual performance in 2014/15.

Table 2: Revenue Analysis

COLLECTION STREAM	Revenue Type	Actual Performance 2014/15	Estimates 2015/16	Actual Performance 2015/16	% Performance 2015/16	Deviation 2015/16 Estimates	Growth
TRADE & INDUSTRIALIZATION	S.B.P	133,625,978	259,907,711	123,219,886	47.41	(136,687,825)	-1.34
	S.B.P Application fee	1,201,300	1,200,000	0	0.00	(1,200,000)	-0.15
	Penalties/ surrender	2,679,097	742,098	0	0.00	(742,098)	-0.35
	Barter Market	17,580,989	77,002,142	15,085,706	19.59	(61,916,436)	-0.32
	Occupancy Fee	1,472,330	3,000,000	0	0.00	(3,000,000)	-0.19
	weight and measures	1,169,670	9,647,010	1,956,310	20.28	(7,690,700)	0.10
	Market Stall	1,768,009	2,500,000	1,112,423	44.50	(1,387,577)	-0.08
	Co-operative& marketing	195,080	0	0	0.00	-	-0.03
	Miscellaneous	0	0	4,541,330	0.00	4,541,330	0.58
	Subtotal	159,692,453	353,998,961	145,915,655	131.78	(208,083,306)	(1.77)
LAND & NATURAL RESOURCES	Quarry Chips	6,731,755	19,956,581	0	0.00	(19,956,581)	-0.87
	Plot Rent	23,307,431	28,050,616	0	0.00	(28,050,616)	-3.00
	Sewerage	611,560	500,000	1,282,550	256.51	782,550	0.09
	Sand Fees	138,165,185	196,253,516	85,795,520	43.72	(110,457,996)	-6.74
	Burial Fees/Noise Pollution	27,900	25,000	0	0.00	(25,000)	0.00
	Land Penalty	173,594	700,000	0	0.00	(700,000)	-0.02
	Mortuary fee	10,000	1,042,657	0	0.00	(1,042,657)	0.00
	land rates	97,987,727	104,166,737	90,548,917	86.93	(13,617,820)	-0.96
	Survey Fees	1,093,810	500,000	0	0.00	(500,000)	-0.14

COLLECTI ON STREAM	Revenue Type	Actual Performanc e 2014/15	Estimates 2015/16	Actual Performanc e 2015/16	% Perform ance 2015/1 6	Deviation 2015/16 Estimates	Growth
	Ballast Cess	6,936,250	19,800,000	7,650,400	38.64	(12,149,600)	0.09
	Pozzolana Cess	5,916,330	17,538,518	0	0.00	(17,538,518)	-0.76
	Dumping fee	13,070	30,000	0	0.00	(30,000)	0.00
	Limestone/royalties	27,988,434	37,319,615	34,618,766	92.76	(2,700,849)	0.85
	Other property charges	8,746,463	2,727,686	0	0.00	(2,727,686)	-1.13
	Miscellaneous	0	0	5,515,514	0.00	5,515,514	0.71
	Subtotal	317,709,509	428,610,926	225,411,667	518.55	(203,199,259)	(11.89)
ROADS	Car Park	6,054,310	15,279,332	47,630,392	311.73	32,351,060	5.35
	Motorcycle Sticker	310,000	300,000	0	0.00	(300,000)	-0.04
	Impounding Fee	445,895	600,000	242,890	40.48	(357,110)	-0.03
	Transit	24,563,050	53,000,000	0	0.00	(53,000,000)	-3.16
	Table	137,700	500,000	0	0.00	(500,000)	-0.02
	Delivery	195,740	350,000	0	0.00	(350,000)	-0.03
	Taxi	185,000	450,000	0	0.00	(450,000)	-0.02
	Subtotal	31,891,695	70,479,332	47,873,282	352.21	(22,606,050)	2.06
COOPERA TIVES	Bus Park	23,857,780	30,810,301	0	0.00	(30,810,301)	-3.07
	marketing/ cooperative	94,290	250,000	0	0.00	(250,000)	-0.01
	Subtotal	23,952,070	31,060,301	0	0	(31,060,301)	(3.08)
PUBLIC WORKS	Building Plan Approval	66,311,862	135,000,000	61,349,069	45.44	(73,650,931)	-0.64
	Change of user	251,000	500,000	0	0.00	(500,000)	-0.03
	Subtotal	66,562,862	135,500,000	61,349,069	45.44	(74,150,931)	(0.67)
COMMUNI CATION & ICT	Promotion	10,866,273	15,000,000	0	0.00	(15,000,000)	-1.40
	Sign Post Fee	15,146,567	16,000,000	47,389,106	296.18	31,389,106	4.15
	Film and TV documentary	145,800	250,000	0	0.00	(250,000)	-0.02
	flyers Fee	891,600	1,200,000	0	0.00	(1,200,000)	-0.11
	Liquor License	31,332,675	58,000,000	15,964,500	0.00	(42,035,500)	-1.98
	Miscellaneous	0	0	188,300	0.00	188,300	0.02
	Subtotal	58,382,915	90,450,000	63,541,906	296.18	(26,908,094)	0.66
AGRCULT URE AND LIVESTOC K	Agricultural Produce	18,328,404	19,000,000	11,457,546	60.30	(7,542,454)	-0.88
	Livestock Vaccination	3,315,552	5,500,000	0	0.00	(5,500,000)	-0.43
	Sheep/Goat Cess	4,013,285	4,500,000	0	0.00	(4,500,000)	-0.52
	Hides & Skin	445,040	850,000	0	0.00	(850,000)	-0.06
	ATC	572,090	700,000	0	0.00	(700,000)	-0.07
	poultry cess	116,256	250,000	0	0.00	(250,000)	-0.01
	manure cess	190,575	350,000	0	0.00	(350,000)	-0.02
	AMS	1,423,478	1,300,000	0	0.00	(1,300,000)	-0.18
	slaughter Fee	10,289,069	10,000,000	10,634,982	106.35	634,982	0.04
	Cattle Cess	5,612,027	4,500,000	0	0.00	(4,500,000)	-0.72
	Tender document sale	627,615	700,000	0	0.00	(700,000)	-0.08
	livestock Cess	0	0	15,306,673	0.00	15,306,673	1.97
	Miscellaneous	0	0	1,185,469	0.00	1,185,469	0.15
	Subtotal	44,933,391	47,650,000	38,584,670	166.65	(9,065,330)	(0.82)
PUBLIC HEALTH	Food Hygiene License	14,507,830	29,000,000	0	0.00	(29,000,000)	-1.87
	Health Clearance	7,495,975	7,000,000	30,634,553	437.64	23,634,553	2.98
	Sanitary Inspection Fee	4,934,265	4,100,000	0	0.00	(4,100,000)	-0.64
	General Hospital fee	40,077,124	46,408,578	35,015,154	75.45	(11,393,424)	-0.65
	occupation certificate	2,512,500	3,800,000	0	0.00	(3,800,000)	-0.32
	Medical Certificate	2,857,399	4,980,000	0	0.00	(4,980,000)	-0.37
	Miscellaneous	0	0	2,296,122	0.00	2,296,122	0.30

COLLECTI ON STREAM	Revenue Type	Actual Performanc e 2014/15	Estimates 2015/16	Actual Performanc e 2015/16	% Perform ance 2015/1 6	Deviation 2015/16 Estimates	Growth
	Subtotal	72,385,093	95,288,578	67,945,829	513.09	(27,342,749)	(0.57)
WATER & IRRIGATI ON	water	476,700	5,000,000	0	0.00	(5,000,000)	-0.06
	Subtotal	476,700	5,000,000	0	-	(5,000,000)	(0.06)
EDUC, YOUTH & CULTURE	Registration of institutions	497,900	600,000	362,900	60.48	(237,100)	-0.02
	Subtotal	497,900	600,000	362,900	60.48	(237,100)	(0.02)
	GRAND TOTAL	776,484,588	1,258,638,098	650,984,978	51.72	(607,653,120)	(16.16)

Common causes for revenue underperformance

- i. Pilferage of revenue and fraud
- ii. Laxity in compliance among the taxpayers
- iii. Overreliance on the manual system of revenue collection
- iv. Lack of full exploitation of key revenue sources
- v. Weak enforcement of the Finance Act by the revenue personnel
- vi. Inadequate capacity in terms of personnel, equipment and funds
- vii. Structural inefficiencies in revenue administration

County Expenditure performance

13. The actual aggregate expenditure amounted to Kshs.5.96 billion against a target of Kshs.6.82 billion reflecting an absorption rate of 75 percent.

14. This is explained by most county departments' achieving an overall absorption of 60 percent. However, analysis show that there were deviations between the 2015/16 final approved estimates and the 2015 CFSP ceilings. The County Assembly and Office of the Governor were allocated Kshs.183 million and Kshs.14 million respectively above the ceilings.

15. The County Public Service Board, Public service, administration and Citizen Participation as well as the Agriculture had allocations that were less than CFSP ceilings. The remaining departments were allocated resources that were slightly enhanced.

16. These deviations are explained by emerging priorities and expenditure rationalization that enables the county to operate within its means. Table 3 below indicates expenditure analysis based on the CFSP ceilings, the final approved estimates and actual performance.

Table 3: Expenditure Analysis

DEPARTMENT		CFSP 2015 Ceilings (a)	Final Approved Estimates 2015-16 (b)	Actual Expenditure 2015-16 (c)	Deviation from CFSP (b-a)	Deviation from Approved Estimates (c-b)	Absorption Rate (c/b*100)
COUNTY ASSEMBLY	SUB-TOTAL	486,000,000	668,637,597	453,743,869	182,637,597	-214,893,728	67.86
	Rec Gross	486,000,000	544,119,342	440,380,341	58,119,342	-103,739,001	80.93
	Dev. Gross	0	124,518,255	13,363,528	124,518,255	-111,154,727	10.73
OFFICE OF THE GOVERNOR	SUB-TOTAL	174,986,475	189,566,475	186,412,567	14,580,000	-3,153,908	98.34
	Rec Gross	174,986,475	189,566,475	186,412,567	14,580,000	-3,153,908	98.34
	Dev. Gross	0	0	0	0	0	0
PUBLIC SERVICE & ADMIN	SUB-TOTAL	576,106,500	427,968,251	370,274,202	-148,138,249	-57,694,049	86.52
	Rec Gross	576,106,500	427,968,251	370,274,202	-148,138,249	-57,694,049	86.52
	Dev. Gross	0	0	0	0	0	0
PUBLIC SERVICE BOARD	SUB-TOTAL	102,103,944	89,177,511	85,801,429	-12,926,433	-3,376,082	96.21
	Rec Gross	102,103,944	89,177,511	85,801,429	-12,926,433	-3,376,082	96.21
	Dev. Gross	0	0	0	0	0	0
FINANCE AND PLANNING	SUB-TOTAL	563,991,588	610,063,193	529,285,442	46,071,605	-80,777,751	86.76
	Rec Gross	394,657,361	526,028,415	472,654,644	131,371,054	-53,373,771	89.85
	Dev. Gross	169,334,227	84,034,778	56,630,798	-85,299,449	-27,403,980	67.39
TRADE AND ENTERPRISE DEV	SUB-TOTAL	177,094,389	366,830,927	223,725,111	189,736,538	-143,105,816	60.99
	Rec Gross	77,094,389	93,596,672	68,751,898	16,502,283	-24,844,774	73.46
	Dev. Gross	100,000,000	273,234,255	154,973,213	173,234,255	-118,261,042	56.72
AGRICULTURE	SUB-TOTAL	320,257,492	302,548,497	226,173,557	-17,708,995	-76,374,940	74.76
	Rec Gross	250,286,738	266,048,497	215,079,493	15,761,759	-50,969,004	80.84
	Dev. Gross	69,970,754	36,500,000	11,094,064	-33,470,754	-25,405,936	30.39
WATER AND IRRIGATION	SUB-TOTAL	243,725,671	480,195,895	261,472,552	236,470,224	-218,723,343	54.45
	Rec Gross	73,725,671	105,958,896	89,953,994	32,233,225	-16,004,902	84.90
	Dev. Gross	170,000,000	374,236,999	171,518,558	204,236,999	-202,718,441	45.83
EDUCATION	SUB-TOTAL	393,817,843	931,148,203	642,979,275	537,330,360	-288,168,928	69.05
	Rec Gross	213,817,843	294,307,788	264,110,023	80,489,945	-30,197,765	89.74
	Dev. Gross	180,000,000	636,840,415	378,869,252	456,840,415	-257,971,163	59.49
HEALTH	SUB-TOTAL	1,423,408,135	1,562,070,890	1,321,018,851	138,662,755	-241,052,039	84.57
	Rec Gross	1,069,408,135	1,285,636,659	1,164,115,670	216,228,524	-121,520,989	90.55
	Dev. Gross	354,000,000	276,434,231	156,903,181	-77,565,769	-119,531,050	56.76
LANDS AND PHYSICAL PLANNING	SUB-TOTAL	195,884,892	218,727,952	136,129,658	22,843,060	-82,598,294	62.24
	Rec Gross	105,884,892	145,776,902	105,694,994	39,892,010	-40,081,908	72.50
	Dev. Gross	90,000,000	72,951,050	30,434,664	-17,048,950	-42,516,386	41.72
WORKS AND HOUSING	SUB-TOTAL	472,556,908	844,816,958	572,463,418	372,260,050	-272,353,540	67.76
	Rec Gross	89,091,855	95,381,138	89,390,635	6,289,283	-5,990,503	93.72
	Dev. Gross	383,465,053	749,435,820	483,072,783	365,970,767	-266,363,037	64.46
INFORMATION COMMUNICATION	SUB-TOTAL	146,811,299	134,780,017	131,732,481	12,031,282	-3,047,536	97.74
	Rec Gross	76,811,299	45,191,905	43,932,032	31,619,394	-1,259,873	97.21
	Dev. Gross	70,000,000	89,588,112	87,800,449	-19,588,112	-1,787,663	98.00
TOTAL	TOTAL	5,276,745,136	6,826,532,365	5,141,212,412	1,549,787,229	-1,685,319,953	75.31
	Rec Gross	3,689,975,102	4,108,758,450	3,596,551,922	418,783,348	-512,206,528	87.53
	Dev. Gross	1,586,770,034	2,717,773,915	1,544,660,490	1,131,003,881	-1,173,113,425	56.84

Recent Economic Development

17. This section is divided into three subsections; Recent economic developments, Medium Term Fiscal Framework and Risks to the Outlook. It tends to turn the attention from the past to the present time and the immediate future.

Overview of Recent Development:

18. According to the Kenya National Bureau of statistics' economic survey 2016, the world real Gross Domestic Product (GDP) growth decelerated to 3.1% in 2015 from 3.4% in 2014. Global inflation rate eased from 3.5% in 2014 to 3.3% in 2015 as a result of decline in international oil and other commodity prices. The advanced economies experienced a modest economic recovery, mainly driven by stronger domestic demand as labour markets and credit conditions improved.

19. The economic growth in Sub-Saharan Africa (SSA) slowed from 5.1% in 2014 to 3.8% in 2015. Similarly there was a slowed growth of 3.4% for the East Africa Community mainly associated with political instability in Burundi and uncertainties associated with general elections in Tanzania and Uganda.

20. The Gross Domestic Product (GDP) grew by 5.6 per cent in 2015 compared to 5.3 per cent growth in 2014. This expansion was as a result of significant growth in some key sectors among them agriculture; construction; real estate; and financial and insurance. However, growths in mining and quarrying; information and communication; and wholesale and retail trade decelerated during the same period. Accommodation and food services was the only sector whose growth contracted by 1.3 percent which was however an improvement from the previous year decline of 16.7 percent.

21. Key macroeconomic indicators remained relatively stable during the review period. Overall, inflation eased from 6.9 percent in 2014 to 6.6 percent in 2015 due to lower energy and transport prices. The current account deficit as a percentage of GDP narrowed from 14.5 percent in 2014 to 11.4 percent in 2015. This was due to a substantial growth

in export of goods and services and a reduction in the import bill. The Kenyan Shilling depreciated against its major trading currencies during the review period but appreciated against the Euro, South Africa Rand and the Japanese Yen, respectively. Despite the monetary authorities adjusting the Central Bank rate (CBR), the weighted average interest rates on commercial banks loans and advances rose by 1.40 percentage points to 17.45 percent in December 2015 compared to a rise of 15.99 percent in December 2014.

22. The easing of inflation from 6.9 percent in 2014 to 6.6 in 2015 has enhanced the purchasing power of the county residents. This was also good for the business sector because the stable prices subsequently stabilizes the demand.

23. The County has also benefitted from the growth in the real estate sector especially in the major towns: Kitengela, Ongata Rongai and Ngong. The activities in the sector boosts the livelihoods of the residents because of the strong linkages between real estate and household incomes.

24. The depreciation of the Kenya shilling against major world currencies has however affected the residents. This has adversely affected farmers in Kajiado South who rely on imports such as fertilizer and assorted seeds.

Progress Report on Budget Implementation:

25. The county successfully finalized implementation of the 2015/16 budget. The overall budget absorption stood at 75 percent with 57 percent in development and 88 percent in recurrent expenditures. The following were reported as major achievements in line with the county government priority policies.

Agricultural transformation that promotes food security and sustainable income.

26. The county constructed 4 (no). sale yards, rehabilitated 3 (no). more, trained 500 (no). livestock keepers on pasture establishment and conservation and conducted various

vaccinations to enhance livestock quality production and sales. Food security initiatives undertaken in the year included distribution of 4060 500 (no). to farmers, 340 (no) bales of Traditional High Value (THV) crops distributed to farmers.

Creation of a suitable business environment.

27. The County Finance Act 2016 had undergone public participation where different proposals in the public were taken into consideration. The proposed changes were geared towards revising the county rates and charges so as to create a conducive business environment.

28. The Kitengela Bus Park is almost complete, which is meant to decongest Kitengela town and provide a good operational environment for public service transport providers. There was also construction of modern stalls which is at 98 percent completion. There was installation of street lights in Ngong and Ongata Rongai which will enhance security and increase the operational business hours.

29. The cooperative movement offers the county accessible and affordable credit for business growth. During the year 56 new cooperative societies were registered while 7 others were revived.

Investing in environmental conservation

30. In pursuit of this objective, the county department is in the process of making the spatial plan and a GIS software has been purchased for the survey office. These programs will enhance environmental management. Planning of six trading centres and zoning particularly along the Kitengela/Namanga corridor was done. This exercise will forestall the encroachment of human populations in other land uses. Meanwhile 2No. Damping sites have been rehabilitated in Ngong and Kitengela to improve on solid waste management. 30,000 seedlings have been distributed in 4 sub counties for afforestation.

Promotion of basic education and retention of learners throughout school.

31. More than 80No. ECDE centres were at different levels of completion across the county to enhance accessibility. The bursary allocations to needy students has ensured that learners are retained in learning institutions.

Investing in quality and accessible healthcare services.

32. The county has leveraged service delivery in the major health facilities such as the county referral hospital; Oloitokitok and Ngong sub county hospitals; Ongata Rongai and Matasia health centres by investing in various infrastructural developments. Construction and rehabilitation of various dispensaries like Imeshinani and Eluanata dispensary. Outpatient Departments (OPD) were constructed in Musenke, Kumpa, Enkoireroi, Ipartimoi dispensaries. Njukini Health centre has a newly constructed maternity and OPD. There are many civil works projects ongoing in in different health facilities that will boost the county health infrastructure. Equipping of various health facilities will go a long way in provision of services.

33. The department conducted 320 outreaches and 5 community health units. Through the mobile clinics 129 outreaches were constructed.

Investing in Infrastructure including roads, water, energy, and ICT to support other sectors.

34. Through the department of Roads and Public Works, over 1000Km of roads were graded while 255Km of roads were graveled. Installation of high mast flood lights in Sholinke town, Ilbissil, Entumoto Drive, Rongai Njambi, Ngong Town, Kajjado County urban estate, Kimana town, Embulmbul, Kerarapon and 3 floodlight in Nkaimurunya ward. Construction of bridges at Olgumi, Iseuri and Olkatetemai footbridge while a box culvert was done at Olgumi.

35. The different County departments have cited challenges in the course of implementing the 2015/16 budget which include but not limited to:

- a) Inadequate recurrent budget that is commensurate with the infrastructure developments in the financial year. The health and education departments are mostly affected with health facilities and ECDE centres not having adequate staff and other recurrent costs to operationalize the new facilities.
- b) Delays in the procurement process which leads to slow project implementation.
- c) The County lacks a well-coordinated monitoring and evaluation framework to track results.

County Economic Outlook and Policies:

36. The county has partnered with other counties in the implementation of the Nairobi Metropolitan Service Improvement Programme (NaMSIP) with the objective of improving the livelihoods of the Kajiado County residents. The programme shall invest in major infrastructure projects such as street lighting, markets parking bays & lots and modern bus park in Kitengela, Ongata Rongai and Ngong. The programme also encompasses construction of jua kaji shades in Ngong town.

37. The County intends to partner with the Kenya Devolution Support Programme (KDSP) and United Nations Development Programme to respond to gaps that are evident in the implementation of Public Finance Management cycle within the County Treasury. This is meant to increase efficiency in revenue collection, strengthen the tracking of development results which ultimately will enhance the county's capacity to absorb its budget.

38. The Standard Gauge Railway (SGR) offers the county varying investment opportunities which will subsequently enhance the living standards. The Namanga boarder post is a gateway to the east and the larger South African region.

Medium Term Fiscal Framework:

39. In light of the analysis done above the county's fiscal policy objective will be to focus government spending in the coming year on key sectors such as infrastructure,

water, health and education for sustainable growth and development to promote quality life. Other sectors shall also be allocated resources appropriately.

40. To firmly secure the fiscal gains made in the past three years, the County a modest revenue growth of 0.0076 percent. The county does not intend to revise the local revenue ceilings and will rather broaden it's local revenue base. The reforms being done in the land sector will enhance the collection of land rates.

41. The equitable share will account for 76 percent of the total resource envelope indicating a 1 percent growth from FY 2015/16 budget. Local revenue is estimated at 20 percent of the total resource envelope, while 4 percent is expected from conditional grants.

42. The projected expenditure for the FY2017/18 is constituted of 35 percent wage bill, 34 percent operations and maintenance and 31 percent development. For the past three years, the county has constantly had an increasing demand for infrastructural development in the social sectors health and education. This has subsequently exerted pressure on the wage bill and operational costs to finance operationalization of the said facilities.

43. The county intends to halt construction of new health and education facilities and focus on making the existing ones fully operational. Further, to forestall duplication of projects and inefficient resource allocation, monitoring and evaluation framework shall be developed and operationalized.

44. The County shall also continue to operate a balanced budget in line with the guidance of the PFMA2015 regulations. To further forestall the possibility of a budget deficit, the County treasury shall employ strategies to get accurate local revenue forest and advise the county to live within her means.

Risks to the Outlook:

45. The county envisage the following risks to the outlook.

- a) External Risks: The financial year 2017/18 may experience slow growth from the electioneering period.
- b) Fiscal Risks: An unchecked growing wage bill may threaten or limit development expenditure intentions to grow private sector through investing in county infrastructure.
- c) A depressed local revenue will curtail implementation of the full budget
- d) The county should establish the level of pending bills before it becomes a hidden budget deficit.

Resource Allocation Framework

46. This section sets out how Kajiado County government intends to live within its means. It establishes the resource envelope or total revenues it expects by sector then allocates these across government departments/entities by setting expenditure limits or ceilings for each county department/entities.

Adjustment to the FY 2016/17 Budget

47. Kajiado County Treasury will make informed adjustments to the 2016/17 FY budget taking into consideration the actual expenditure performance so far as well as absorption capacity in the remaining part of the FY. Due to resource constraints, expenditures will be rationalized to cut those that are non-core.

48. Given the performance of the FY 2015/16 budget, which was characterized by underperformance in collection of local revenue where 52 percent was collected against a target of Kshs.1.25 billion. The county should advantage of the ongoing reforms in the Land sector to expand its revenue base, complemented with efficiency measures in revenue collection to increase the local revenue.

49. The general absorption capacity of the 2015/16 stood at 92 percent. This is attributed to lengthy procurement procedures and a depressed operational budget to implement.

The County Government departments in charge of implementation of development projects are required to:

- Prepare timely procurement plans and project designs for efficient project implementation;
- Rationalize their recurrent expenditure to focus on strategies that support timely project implementation;
- To issue guidelines that will aid in project identification, appraisal and costing;

- To institutionalize project monitoring and evaluation to enhance project management.

50. The county government wage bill has been increasing steadily, a factor that has been reallocating resources from operations and maintenance (O/M) and development budget. All county departments will be required to optimally use their existing human resources to discharge their respective mandate.

The Medium Term Expenditure Framework;

51. This sub section explains adjustments that will be made to the budget over the immediate and the following three years.

52. The county will continue to implement the medium term expenditure framework through policies set out in the County Integrated Development Plan (2013-2017) and the subsequent annual development plans and the fiscal strategy papers.

53. The county will county will continue to lay emphasis on investment in infrastructure, education, water, health. The county has earmarked resources in the medium term to implement priority policies, projects and programmes. The table below provides the projected baseline ceilings and the 2017/18 to 2019/20 MTEF, by sector.

Table 4: Medium Term Sector Ceilings 2016/17 2018/19 (Ksh. Million)

Revenue Summary	2016/17 Approved Estimates	2017/18 Ceiling
Equitable share	4,761,279,539.00	4,761,279,539.00
Local Revenue	1,248,371,716.00	900,722,122.00
Conditional Grants	280,726,461.00	280,726,461.00
	720,000,000.00	-
Total	7,010,377,716.00	5,942,728,122.00
Expenditure Summary		
Personnel Emoluments	2,007,274,084.00	2,107,637,788.00
Operations and Maintenance	2,347,201,364.00	1,992,844,616.00
Development	1,935,902,268.00	1,842,245,718.00
	720,000,000.00	-
	7,010,377,716.00	5,942,728,122.00

Proposed Budget Framework

54. The 2017/18 budget framework is guided by the updated medium term macro-fiscal framework outlined in the table 4 above.

55. The resource envelope will comprise of shareable revenue estimated at Kshs.4.7 billion which will be further informed by the 2017 Budget Statement Paper (BSP) and the 2017 CFSP, local revenue estimated at Kshs.0.9 billion. The county expects to receive conditional grants totaling to Kshs.0.2 billion.

56. Expenditure estimates for FY2017/18 is estimated at Kshs.5.9 billion which is slightly lower than 2016/17 approved expenditure. The county will continue to observe the fiscal responsibility principles as outlined to ensure prudence in public finance management.

57. Development expenditure shall be allocated 31 percent of the total budget while recurrent shall be capped at 69 percent. The county wage bill shall be managed prudently so as not to exceed 35 percent of the total budget.

58. Over the medium term, the county intends to leave within its means and therefore shall endeavor to operate a balanced budget.