

THE REPUBLIC OF KENYA

COUNTY GOVERNMENT OF KISUMU

COUNTY BUDGET REVIEW AND OUTLOOK PAPER

SEPTEMBER 2018

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FOREWORD

This County Budget Review and Outlook Paper (CBROP) 2017/2018, prepared in accordance with the Public Financial Management Act, 2012 under section 118, mark the fifth cycle of CBROP preparation since the inauguration of County Governments in April 2013.

It presents the recent economic developments and actual fiscal performance of the FY 2017/2018 and makes comparisons to the budget appropriations for the same year. It further provides updated macro-economic and financial forecasts with sufficient information to show changes from the projections outlined in the latest County Fiscal Strategy Paper (CFSP), released in April 2018. This paper also provides an overview of how the actual performance of the FY 2017/2018 affected our compliance with the fiscal responsibility principles and the financial objectives as detailed in the 2017 CFSP.

This paper details three main thematic areas: Actual performance against budget**:** - whereby this paper has reviewed the actual fiscal performance for FY 2017/2018 against the set budget for the same period and cast the effect of the actual performance on the expected compliance with fiscal responsibility principles; Deviation from financial objectives**:-** whereby this paper has outlined the reasons for any deviation from financial objectives included in the CFSP for FY 2017/2018. Proposals to address the deviations and time frame for addressing the above have also been clearly indicated; Recent economic and financial developments**:-** this paper has illustrated the updated economic and financial forecast in comparison to the CFSP for FY 2017/2018.

In spite of the several challenges we faced last financial year, some of which hindered the compliance with financial responsibility principles and the achievement of financial objectives, we closed the year satisfactorily. Going forward, the various County government departments will increasingly align their planning and expenditure to meet the objectives of the CIDP. At the same time, growing collaborative dialogue between County government, the citizen of Kisumu County, the private sector and civil society is needed to make the plan a reality. The County infrastructure program is the most immediate contribution to the goals of the CIDP. Capital investments in economic and social infrastructure will relieve serious constraints in agriculture, transport and water allowing for improved economic growth and quality of life for all citizens of Kisumu County

NERRY ACHAR OTIENO (MR)
EXECUTIVE COMMITTEE MEMBER FOR FINANCE

ABBREVIATIONS AND ACRONYMS

CBK : Central Bank of Kenya
CBR : Central Bank Rate
CBROP : County Budget Review and Outlook Paper
CEC : County Executive Committee
CFSP : County Fiscal Strategy Paper
CIDP : County Integrated Development Plan
CIT : Communication Information Technology
COB : Controller of Budget
CRA : Commission on Revenue Allocation
CRF : County Revenue Fund
DANIDA : Danish International Development Agency
ERS : Economic Recovery Strategy
GDP : Gross Domestic Product
IFMIS : Integrated Financial Management Information System
IMF : International Monetary Fund
KDSP : Kenya Devolution Support Program
MTEF : Medium Term Expenditure Framework
MTP : Medium-Term Plan
NHIF : National Hospital Insurance Fund
PBB : Program Based Budget
PFM : Public Finance Management
PPADA : Public Procurement & Asset Disposal Act
RRI : Rapid Results Initiative
TIVET : Technical and Vocational Educational Training
TTC : Teachers' Training Colleges
WDF : Ward Development Fund

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ACKNOWLEDGEMENTS

The 2018 County Budget Review and Outlook Paper is the fifth to be prepared under the inaugural County Government. Its preparation was made successful by contribution of various participants, who we highly recognize and appreciate for their efforts.

This statutory document was prepared by a joint team of County Treasury and Planning Unit with extensive inputs from Departmental Sector Working Groups which formed the adhoc budget preparation committee. We are grateful to all the spending units for their timely provision of data necessary for qualifying this review and outlook paper.

The County Planning Unit through its core team provided technical expertise in the compilation of this document with support from various departments which provided the needed information. In particular I wish to appreciate the County Executive Committee member for finance, for providing leadership throughout the preparation of this document. I further wish to recognize the Treasury staff for their hard work and commitment in successfully delivering the document in time. It is not possible to mention everyone on this list; therefore I take this opportunity to thank all County Government staff for their dedication and commitment.

Finally, I thank H.E. the Governor for his moral support, personal input and for provision of an environment suitable for accomplishment of the budget preparation process.

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CHIEF OFFICER FINANCE

PREAMBLE

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

The Budget Review and Outlook Paper (CBROP) is prepared in accordance with Section 118 of the Public Finance Management (PFM) Act 2012. The law stipulates that:

1) A county Treasury shall;

a. Prepare a CBROP in respect of the County for each year; and

b. Submit the paper to the County Executive Committee (CEC) by 30th September of that year.

2) In preparing its CBROP, the County Treasury shall specify;

a. The details of the actual fiscal performance in the previous year compared to the budget appropriation for that year

b. The updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper (CFSP)

c. Information on:

(i) Any changes in the forecasts compared with the CFSP; or
(ii) How actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or financial objectives in the CFSP for that financial year; and

d. Reasons for any deviation from the financial objectives in the CFSP together with proposals to address the deviation and the time estimated for doing so.

3) The CEC shall consider the CBROP with a view to approving it, with or without amendments, within fourteen days after its submission.

4) Not later than seven days after the CBROP is approved by the CEC, the County Treasury shall:

a. Arrange for the paper to be laid before the County Assembly; and

b. As soon as practicable after having done so, publish and publicize the paper.

Fiscal Responsibility Principles in the Public Financial Management Law

In line with the Constitution of Kenya 2010, the PFM Act, 2012 sets out the fiscal responsibility principles to ensure prudency and transparency in the management of public resources. Section 107 of the PFM Act, 2012 states that: The County Government's recurrent expenditure shall not exceed the County Government's total revenue;

1) Over the medium term, a minimum of thirty (30) per cent of the County Government's budget shall be allocated to the development expenditure;
2) The county Government's expenditure on wages 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;
3) Over the medium term, the Government's borrowing shall be used only for purpose of financing development expenditure and not for recurrent expenditure;
4) The County debt shall be maintained at a sustainable level as approved by County Assembly;
5) The fiscal risks shall be managed prudently; and
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.

CHAPTER 1

1.1 INTRODUCTION

This fifth County Budget Review and Outlook Paper (CBROP) of the County Government of Kisumu come against a backdrop of growing stabilization on the structures setup within the county. It has been prepared in conformity to the Public Finance Management (PFM) Act, 2012 and contains a review of the fiscal performance of financial year 2017/18, recent macroeconomic forecast and adjustments to be incorporated into County Fiscal Strategy Paper (CFSP) to be submitted to County assembly before February 2019 deadline.

1.2 Objective of CBROP

The objective of this CBROP 2018 is to provide a review of the previous fiscal performance and how this impacts the financial objectives and fiscal responsibility principles to be set out in the CFSP. This together with macroeconomic outlook provides a basis for revision of the current budget in the context of the broad fiscal parameters underpinning the next budget and the medium term. Details of the fiscal framework and the medium term policy priorities will be firmed in the CFSP.

This CBROP also provides the primary sector ceilings for the FY 2018/2019 budget and indicative projections for the FY 2019/2020 and 2020/2021 MTEF period. These ceilings will set off the budget preparation process for fiscal year 2018/2019.

1.3 Significance of CBROP

The significance of CBROP is that it ensures that the government reviews it previous year's performance, the county and the national economic – financial environment and its likely impact on the level of future revenues; and to set preliminary sector ceilings and the light of this review of revenue.

1.4 Structure

This paper is in four sections namely:

I. Review of county fiscal performance
II. Recent economic development and outlook
III. Resource allocation frame work
IV. Conclusion and next steps

CHAPTER 2

2.1 REVIEW OF COUNTY FISCAL PERFORMANCE IN 2017/2018

2.1.1 Revenue Outturn

During the year 2017/2018 the County received ksh7, 815,475,357 as disbursements from National treasury consisting of equitable share of revenue of Ksh 6,553,400,000 and conditional grants of Ksh 711,186,911. The County did not receive grants for leasing of medical equipment, Symbiocity grant from Sweden association of Local Authority and Regions and other allocations.

Revenue generated from local sources was Ksh 874,901,776 against a target of Kshs.1,148,819,236 This resulted in a variance of Kshs273,917,460 (23.84% of the annual local revenue target).

The total revenue collection, with a deviation of 24%, was negatively affected by performance of the departments who only managed to collect 53% of budgeted revenues i.e. Ksh 1,165,250 against annual target of Ksh. 52,755,702

Collections from the main revenue streams stood at 54.8 % of annual target (i.e. 45.2% deviation) which was above average performance. Parking fees, building plans, signboard promotion, and trade license fees generated the more than targeted revenues while revenue collections from the departments of roads, transport and public works, energy and mining and environment had deviations of more than 90%.

Prolonged electioneering period posts hindrances to revenue collection as this affected business operations, security of people and availability of resources.

Table 1: Revenue Outturn

Item	Budget Ksh	Actual Ksh	Deviation Ksh	Deviation %
Opening Balance to CRF A/C	550,888,446	550,888,446	0	0
Equitable Share	6,553,400,000	6,553,400,000	0	0
DANIDA	25,424,679	25,424,679	0	0
KDSP(World Bank)	46,361,941	46,361,941	0	0
Level 5 conditional Grant (reducing)	369,017,341	369,017,342	0	0
Conditional allocation-development of youth polytechnics	28,472,587	28,472,587	0	0
Conditional allocations for free Maternal Health care	67,364,354	0	(67,364,354)	(100)
World bank grant –for transforming health systems	21,299,489	21,051,361	(248,128)	(1.2)

Conditional allocations for leasing of medical equipment	95,744,681	21,854,292	(73,890,389)	(77.2)
Symbiocity grant from Sweden association of Local Authority and Regions	66,000,000	0	66,000,000	0
Conditional allocations for road maintenance fuel levy Fund	242,061,249	199,004,709	43,056,540	(17.8)
Total Share of National Revenue	**8,066,034,767**	**7,815,475,357**	**(250,559,410)**	**(31.1)**
Locally collected revenue				
Main Revenue Streams				
Market Fees	87,427,504	64,875,542	(22,551,962)	(25.8)
Parking Fees	87,259,106	86,895,680	(363,426)	(0.42)
Rents	40,507,040	35,844,329	(4,662,711)	(11.5)
Boda boda self-regulating fees	20,447,946	0	(20,447,946)	0
Trade license fees	109,192,352	105,897,187	(3,295,165)	(3)
Land Rates	158,984,546	102,637,380	56,347,166	(35.4)
Bus park	125,301,137	104,150,160	(21,150,977)	(16.9)
Building Plans	19,165,197	22,399,840	3,234,643	16.9
Sign board promotion etc.	62,371,330	68,597,097	6,225,767	10
Sundry revenue	50,709,768	35,440,257	(15,269,511)	(30.1)
Overpayment of Bulk Revenue	-	-		
Public Health and others	2,581,298	2,254,197	(327,101)	(12.7)
Sub-total	**763,947,224**	**628,991,669**	**(134,955,555)**	**(17.7)**
Revenue from other sources				
Health	283,099,658	195,309,850	(87,789,808)	(31)
Agriculture	12,967,028	16,470,933	3,503,905	21.3
Commerce, Tourism& Heritage	1,544,763	1,180,210	(364,553)	(27)
Industrialization/Cooperatives	60,736	126,000	65,264	107.5
Education, sports and social services	2,019,237	7,087,863	5,068,626	250.1
Land, Housing and Physical planning/public works	2,685,794	2,325,677	(360,117)	(13.4)
Liquor license	18,154,304	15,981,564	(2,172,740)	(12)
Energy and mining	2,044,795	195,000	(1,849,795)	(90.5)
Roads, transport and public	49,075,071	291,000	(48,784,071)	(99.4)

works				
Environment	1,635,836	679,250	**(956,586)**	**(58.5)**
Green energy	4,089,589	-	(4,089,589)	**(1)**
Water	7,361,261	6,262,760	(1,098,501)	(15)
Sub-total	**384,738,072**	**245,910,107**	**(138,827,965)**	**(36.1)**
Gross Locally Collected Revenue	**1,148,685,296**	**874,901,776**	**(273,783,520)**	**(23.8)**
GRAND TOTAL	**9,214,720,063**	**8,690,377,133**	**(524,342,930)**	**(5.7)**

2.1.2 Challenges

The challenges faced in generation of local revenue were:

1. The introduction of the new cashless system which myriad of challenges.

2. Lack of stiff enforcement mechanisms

3. Few verifying gadgets for compliance with the new system.

4. Lack of proper sensitization on the new system.

5. Road boundaries realignments by KENHA

6. Delayed staff facilitation

7. Unfenced markets and cattle auction rings.

8. Lack of proper sanitation and sewerage.

9. Uncollected garbage in our markets

10. Non-remittance of conditional grants such as grants for leasing of medical equipment.

Recommendations

1. **Boda boda**

This stream is used to deduct and legislation on the same is before the county assembly for discussion and passing it to law.

2. CESS

This stream is not fully tapped and plans are underway to explore other potential areas and enforce force.

3. Rates

The valuation roll is under review and it's our hope that this will increase the rates struck thus increase the overall collection rates waiver is also another strategy to be employed to capture more revenue.

4. S.B.P
Though fully automated, constant surveillance and enforcement is required for it to reach its target.

5. Agriculture, Livestock and Fisheries
Under this, the stock rings are being fenced to ensure all traders are captured and pay the needed dues.

6. Markets
There is urgent need to ensure all markets are fully fenced to enable us tap all revenues due constant enforcement is also needed.
. Enforcement by compliance officers need to be increased.

7. Bus park
Additional staff and gadgets required for collection to improve.
Enforcement by compliance officers need to be increased.

8. Town parking
Additional staff and gadgets required for collection to improve.
Enforcement by compliance officers need to be increased.

9. In overall, there is need to sensitize the populace on the importance of paying taxes and its consequences of defying.

2.1.3 Expenditure Outturn

Table 2 shows that total expenditure amounted to against Ksh **6,498,907,006** against a target of Kshs**9,214,720,063** representing an under spending of Ksh **2,774,503,832** or **30.4%** deviation from the revised budget). The shortfall was attributed to under-performance in the County own revenues, and delayed procurement processes

Table 2: Expenditure Outturn

Item	Budget	Revised budget A	Actual B	Deviation A-B=C	% Deviation
RECURRENT	**6,429,452,680**	**6,376,829,279**	**5,829,542,465**	**547,286,814**	**8.6**
Compensation to employees	3,184,144,500	3,758,023,180	2,865,766,011	892,257,169	23.7
Use of Goods and Services	2,582,566,788	2,018,314,589	1,155,578,406	1,463,227,693	55.9
Current transfers and Grants	424,199,303	388,176,321	159,721,583	159,721,583	100
Transfer to other government units			1,589,785,691	1,589,785,691	100
Security Benefits	238,542,089	212,315,189	58,690,774		
DEVELOPMENT	**3,037,095,482**	**2,837,890,785**	**669,364,541**	**2,168,526,244**	**76.4**
Acquisition of Assets	1,995,637,661	2,259,691,583	210,835,645	2,048,855,938	90.7
Other Expenses	1,041,457,821	578,199,201	458,528,896	119,670,305	20.7
Total Expenditure	**9,658,109,102**	**9,214,720,064**	**6,498,907,006**	**2,774,503,832**	**30.4**

A total of Ksh **5.8** billion was spent on recurrent expenditure against a target of Ksh **9.2** billion resulting to an under-spending of Ksh **547,286,814** (or **8.6** per cent deviation from the revised recurrent budget). The highest under-spending was on acquisition of assets with a deviation of Ksh **2.0** billion (or 90.7 per cent deviation from the revised estimates) while overspending was on other expenses with a deviation of Ksh **119,670,305** (or 20.7per cent deviation from the revised estimates). The overspending on other expenses was occasioned by the payment of accumulated development pending bills for the previous years (FY 2013-2016).

The County spent Ksh **669,364,541** on development expenditure compared to a target of Ksh. **2.8 billion.** This accounted for an under-spending of Ksh **2.2** billion (or 76.4 per cent deviation from the revised development expenditure estimates). This was attributed to late disbursements of funds and lengthy procurement procedures.

The new government in place also had an effect on expenditure outturn due to the transition period.

2.1.4 Fiscal Outturn

The table below presents the fiscal outturn for the 2017/2018 financial year. The actual fiscal performance for the FY 2017/18 is compared by way of deviations to the revised budget estimates for the financial year

Table 3: Fiscal Outturn

Revenue	**Original Budget**	**Revised Budget(A)**	**Actual (B)**	**Deviation (A-B=C)**
Opening Balance to CRF A/C	747,840,670	550,888,446	550,888,446	0
Total Share of National Revenue	8,262,853,052	8,066,034,767	7,815,475,357	250,559,410
Gross Locally Collected Revenue	1,395,256,050	1,148,685,296	874,901,776	273,783,520
Total Revenue	**9,658,109,102**	**9,214,720,063**	**9,241,265,579**	**(26,545,516)**
Expenditure				
Recurrent	**6,429,452,680**	**6,376,829,279**	**5,829,542,465**	**547,286,814**
Compensation to employees	3,184,144,500	3,758,023,180	2,865,766,011	892,257,169
Use of Goods and Services	2,582,566,788	2,018,314,589	1,155,578,406	(1,155,578,406)
Current transfers and Grants	424,199,303	388,176,321	159,721,583	(159,721,583)
Transfer to other government units			1,589,785,691	(1,589,785,691)
Security Benefits	238,542,089	212,315,189	58,690,774	(58,690,774)
Development	**3,037,095,482**	**2,837,890,785**	**669,364,541**	2,168,526,244
Acquisition of Assets	1,995,637,661	2,259,691,583	210,835,645	2,048,855,938
Other Expenses	1,041,457,821	578,199,201	458,528,896	119,670305
Total Expenditure	**9,658,109,102**	**9,214,720,064**	**6,498,907,006**	**2,715,813,058**

The FY 2017/18 financing as reflected shows a performance in revised revenue target of Ksh.9.2 Billion against the actual expenditure of KSh. 6.5 billion. This then means in actual terms the budget was under financed by Ksh.2.7 billion (29.3 per cent).

Based on this analogy, the subsequent budget of 2018/19 FY might be underfinanced by a similar magnitude since the revenue projection base used in establishing the resource envelope for the period might be overstated.

Similarly, as shown in table 1 of the Revenue Outturn against Expenditure Outturn, the huge difference was contributed by late disbursement of fund by the National Government leading to a closing balance at the end of the financial year.

2.2 IMPLICATIONS OF 2017/18 FISCAL PERFORMANCE ON FISCAL RESPONSIBILITY PRINCIPLES AND FINANCIAL OBJECTIVES CONTAINED IN THE 2017 COUNTY FISCAL STRATEGY PAPER

The performance in the FY 2017/18 affected the financial objectives set out in the 2016 County Fiscal Strategy Paper and the Budget for FY 2018/2019 in the following ways: -

The projections for revenue and expenditure though in line with the outcome might need carryovers and pending bills at the end of the period. Similarly, the pending bills and carryovers were not included in the FY 2018-19 Budget Estimate due to lack of clear amount of closing balance as at the time the Budget was being presented to the County Assembly,

This therefore implies that a supplementary budget should be prepared to accommodate the opening balance. It will be prudent to slightly adjust the 2018/19 Resource Envelope upwards to reflect the true position given the expected revenue flows.

The fiscal outlook will broadly remain as indicated in the County Fiscal Strategy Paper 2017/18.

The under-spending in both recurrent and development budget for the FY 2017/18 additionally has implications on the base used to project expenditures in the FY 2018/19 and the medium term. Appropriate revisions have been undertaken in the context of this CBROP, taking into account the budget out-turn for 2017/18. The County Treasury will work closely with the implementing departments to improve resource absorption especially through the budget implementation committees and at the same time work out to achieve the revenue targets with revenue generating departments to ensure that the revenues are collected as projected. The revenue projection base has been revised downwards to reflect the challenges in revenue base for the county.

The allocation for development budget was well within the set minimum requirement of 30 percent with Ksh 2.8 billion allocated to development against a total budget of Ksh 9.2 billion. However, the execution rate for development expenditure was below average at only about 23.6 percent performance amounting to Ksh. 669 Million. It is clear that the larger amount on actual development expenditure incurred was on pending bill at 16.2 percent.

The County expenditure on wages and salaries remained largely unchanged with a marginal growth of 4 percent. Although the proportion of wage bill as a percentage of total budget is average at 30 percent

The County Government has continued in its commitment of reducing its debt though observing fiscal discipline and expenditure management. During the period under review the County settled Ksh 0.459 billion worth of debt representing 20.7% of the targeted expenditure.

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. Based on the lesson learnt in significant underperformance in local revenues in the first year of devolution the County Government has continued to adopt a more rational approach in revenues and expenditure forecasts based on acute environment and potential of the County to expand its revenue base

CHAPTER 3

3.1 RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

3.1.1 Recent Economic Development

Kenya's Gross Domestic Product (GDP) was 4.9 per cent in 2017 compared to a revised growth of 5.9 per cent in 2016. The slowdown in the performance of the economy was partly attributable to uncertainty associated with a prolonged electioneering period coupled with adverse effects of weather conditions. Performance across the various sectors of the economy varied widely, with Accommodation and Food services; Information and Communication Technology; Education; Wholesale and Retail trade; and Public Administration registering accelerated growths in 2017 compared to 2016. On the other hand, growths in Manufacturing, Agriculture, Forestry, Fishing, and Financial and Insurance decelerated significantly over the same period. This dampened the overall growth in 2017.

Table 4: Key Economic Indicators, 2013-2017

DESCRIPTION	**Unit**	**2013**	**2014**	**2015**	**2016**	**2017**
Population	(Million)	41.8	43	44.2	45.4	46.6
Growth of GDP at Constant Prices	(Per cent)	5.9	5.4	5.7	5.8	4.9
GDP at Market Prices	(KSh Mn)	4,745,143.40	5,402,410.00	6,260,646.30	7,158,695.00	7,749,400
Total value of petroleum products	(KSh Mn)	291,622.60	335,671.30	226,125.70	197,528.30	265,253.6
Trade balance	(KSh Mn)	-911,029.20	-1,081,085.30	-996,511.70	-853,678.00	-1,131,494.1
Money Supply (M3)	(KSh Mn)	1,996,242.00	2,329,978.60	2,658,165.50	2,753,528.00	3,010.9
Total domestic credit	(KSh Mn)	1,767,745.50	2,045,912.00	2,375,288.90	2,830,471.90	3,198.3
Balance of Payments (current account balance)	(KSh Mn)	-417,019.60	-527,535.7-	-424,610.20	-362,121.80	-518,943.6
Coffee-Marketed Production	('000 tons)	38.40	42.5	32.20	39.70	33.7
Tea-Marketed production	('000 tons)	432.40	445.1	399.20	473.00	439.9
Fresh Horticulture Produce exports	('000 tons)	213.80	220.2	238.70	261.20	304.1
Maize marketed production	('000 tons)	316.40	289.4	295.30	265.80	239.2

Wheat marketed production	('000 tons)	184.90	218	227.30	215.90	156.9
Sugar-cane production	('000 tons)	6,673.70	6,410.00	7,164.80	7,160.80	4751.6
Milk sold centrally	(Mn liters)	523.00	541.30	615.90	650.30	536.7
Manufacturing output	(KSh Mn)	1,737,699.00	1,820,369.00	1,976,793.00	2,132,259.00	535.7
Construction output	(KSh Mn)	582,896.00	683,376.00	805,703.00	819,448.00	2204.8
Cement Consumption	('000 tons)	4,266.50	5,196.70	5,708.80	6,303.00	1031.5
Petroleum Consumption	('000 tons)	3,707.90	3,937.90	4,738.50	5,044.20	5788.9
Electricity consumption	(G Wh)	6,928.10	7,415.40	7,826.40	8,053.20	5170.6
Tourism earnings	(KSh Mn)	93,970.00	87,080.00	84,600.00	99,690.00	119,900
New registration of motor vehicles and cycles	Number	222,178.00	218,057.00	247,181.00	213,715.00	282,672.0
Rail freight	('000 tons)	1,214.00	1,509.00	1,575.00	1,429.00	1,147.0
Air passengers handled	('000) No.	8,231.60	8,882.00	8,993.20	10,043.80	10,112.5
Mobile Subscriptions	('000) No.	31,309.00	33,632.60	37,716.00	38,982.00	42,815.1
Estimated Internet Users	('000) No.	21,273.70	26,163.60	35,550.00	39,351.00	3,638.0
Wage employment	('000) No.	2,283.10	2,370.20	2,478.00	2,554.30	2,656.6
Education primary enrolment	('000) No.	9,857.60	9,951.00	10,090.80	10,269.40	10,403.7
Education secondary enrolment	('000) No.	2,104.30	2,331.70	2,559.00	2,720.60	2830.8
Education University Enrolment (TIVET+TTC)	('000) No.	148.00	147.80	153.30	202.60	520.9
Registered doctors and dentists	(Number)	9,727.00	10,239.00	10,699.00	11,525.00	12,127
GDP Per capita (Current):	(KSh)	113,520.20	125,637.40	141,644.00	157,681.00	166,314.4

GDP Per capita (Constant):	(KSh)	87,105.40	89,240.40	91,890.10	94,757.30	96,799.8
Net lending/borrowing (% of GDP) at Current Market Prices	(Per cent)	-10.2	-11.5	-10.2	-6.8	-8.4
Net lending/borrowing	(KSh Mn)	-484,395.60	-618,615.90	-641,572.20	-484,672.20	-679,382
Recurrent Revenue and Grants	(KSh Mn)	1,001,374.80	1,140,407.50	1,262,720.30	1,566,459.30	1,710,200
Total Expenditure	(KSh Mn)	1,532,993.00	1,953,509.40	2,047,351.80	2,496,107.90	2,777,800
External Debt Service Charge as % of GDP2	(Per cent)	1	1.8	1.8	1.1	1.4
External Debt Service as % of Exports of Goods & Services	(Per cent)	4.8	10.3	10.8	7.5	9.9

Source: Economic Survey 2017

Consequently, inflation rose from 6.3 per cent in 2016 to 8.0 per cent in 2017 thereby overshooting the Central Bank's upper limit of 7.5 per cent.

3.1.2 Economic Environment

Generally, key macroeconomic indicators largely remained stable and therefore supportive of growth in 2017. Weighted interest rates on commercial banks loans and advances declined to 13.64 per cent in December 2017 from 13.69 per cent in December 2016. The Central Bank Rate (CBR) was maintained at 10.00 per cent throughout the year. In the money market, the Kenyan Shilling strengthened against most of the major trading currencies but weakened against the Euro and the US Dollar in 2017. There was a moderate buildup in inflationary pressures mainly due to significant increase in oil and food prices during the year under review.

Other macroeconomic indicators are projected to remain stable and supportive of growth in 2018. Overall, factors favorable to growth are likely to offset impacts of those against and result in a better economic growth in 2018 compared to that of 2017.

3.1.3 Inflation

The annual inflation as measured by the Consumer Price Index (CPI) increased from 6.3 per cent in 2016 to 8.0 per cent in 2017. The increase in inflation was mainly due to higher food prices as a result of drought experienced during the first half of the year. The increase in the prices of petrol, kerosene, diesel and electricity led to a rise in the cost of transport and manufactured goods during the review period. Further, the uncertainties brought about by the long electioneering period caused an increase in some retail prices of food items which included capsicums, onions, tomatoes, carrots and cabbages. However, the Government subsidized the cost of maize flour in the second half of 2017, in order to cushion the public from high food prices.

3.1.4 Exchange Rates

The Kenya Shilling remained resilient against the currencies of major trading partners in 2017. The overall Trade Weighted Index reduced by 1.5 per cent to 116.5 in 2017 from 114.8 in 2016, as presented in Table above. This was mainly due to slight weakening of the Kenya Shilling against currencies of Kenya's key trading partners during the period under review.

The Kenya Shilling depreciated against the US Dollar, Chinese Yuan and Euro by 1.9, 3.9 and 0.1 per cent, respectively, in 2017. Other currencies which gained against the Kenya Shilling during the review period were Indian Rupee, SA Rand, UAE Dirham and Saudi Riyal. However, the Kenya Shilling gained against the Sterling Pound and Japanese Yen by 3.2 per cent and 1.4 Per cent, respectively, in 2017. The Kenya Shilling strengthened against the Rwandese Francs, Ugandan Shilling and Tanzanian Shilling by 7.7, 3.7 and 0.4 per cent during the review period.

3.1.5 Interest Rates

The Central Bank Rate (CBR) was retained at 10.0 per cent to continue anchoring inflation expectations in 2017. The maximum lending rate is capped at no more than 4.0 per cent above the CBR. Interest rates on average deposits increased to 8.22 per cent in December 2017 from 7.33 per cent in December 2016. On the other hand, commercial banks' average lending interest rates charged on loans and advances remained stable at 13.64 per cent in December 2017 owing to the prevailing monetary policy stance and interest rate capping requirements. The increase on average interest rates on deposits narrowed the loan-deposit interest spread to 5.41 per cent in December 2017.

3.2 MACROECONOMIC OUTLOOK

In Kenya, the expected political stability and favorable macroeconomic environment are likely to be conducive for acceleration in growth in 2018. The on-going investments in infrastructure, improved business confidence, and strong private consumption are likely to support growth in 2018. Weather forecast points to a possibility of sufficient and well spread long rains in 2018 which is likely to be a major boost for activities in agriculture and electricity and water supply

sectors. This will in turn be favorable for the manufacturing sector. However, rising oil prices and slow credit uptake by the private sector are likely to dampen growth in 2018.

During the review period, the Government launched a National Trade Policy, aimed at spurring economic growth. The policy targets to enhance export growth through value addition in export oriented manufacturing and in the services sector. It also pursues diversification to fully exploit the export opportunities in the emerging markets.

3.3 COUNTY SPECIFIC OUTLOOK

The economy of Kisumu County for the FY 2018/2019 is likely to take an upward trend. The county will focus on the following to steer economic growth; good governance, revitalizing agriculture for food security and agribusiness, ensuring healthy population ,conservation of the environment, building modern physical infrastructure, improving housing, harnessing talents through promotion of sports, culture and arts, promoting tourism and strengthening the devolved structures.

3.3 Finance

The department's main agenda will be to improve management and general administration to other departments. It will ensure that socio-economic crisis is avoided by taming or minimizing corruption and economic mismanagement. The department has centralized the procurement department for efficiency, better services and cost reduction due to price regulation

3.3.2 Economic Planning and Development

The Department took adequate time in the preparation of the County Integrated Development Plan CIDP II (2018-2022) which will be used to guide development plans in the county over the next five years. A considerable part of the budget was used in the implementation of grass-root projects which are aimed at bridging the development gaps across wards of the county. The construction of Huduma documentation centers in the seven Sub-counties continued at slower pace than planned and none has been completed to date.

The Department is focusing to implement monitoring and evaluation policy and there by nurture efficiency in tracking and reporting on development projects being implemented in the County.

3.3.*3* Agriculture Food, Livestock and Fisheries

In Kisumu County, the agriculture sector output has been negatively affected by the poor performance in the sugar and rice industry. In a bid to improve food security sorghum through signing contracts with Kenya Breweries Limited, cassava and sweet potato production has been promoted. Rice production has received a major boost through provision of certified seed and fertilizer by the county government. The efforts in the rice sector have been supplemented by the provision of fertilizer to farmers by the national government through its National Accelerated

Agriculture Inputs Access Program. The strategy to promote the gains so far realized by the County in agriculture will include agricultural mechanization to increase acreage under production, making available high yielding seeds, zoning and earmarking specific crops for high yield regions and forging partnerships with the National Government to ensure availability of subsidized fertilizer.

Inflation rate has inched up in the past few months due to high fuel prices (petrol sells at 114/litre while diesel goes at 105/liter in Kisumu) in most of the petrol stations. This has affected prices for most of agricultural inputs. This has therefore attributed to higher GDP growth in Agriculture.

3.3.4 Public works, Roads and Transport

The departments have also enhanced roads construction through departmental plant and equipment from the Transitional Authority, the former local authority and by acquisition of new plants. Bicycle and other boda-boda sheds have been constructed to shelter the operators from adverse weather conditions and unplanned parking. This is to ease traffic flow within the city and the County. In order to grow Kisumu County, productivity will be realized by innovation proposals and partnerships with private sector by provision of light rail, develop a mass railroad transit system around the lake, expand Kisumu International Airport runway, construct a cargo facility with cold storage facility, establish the County Roads Maintenance Board that will involve constructing and maintain of roads within the county. This will create employment to the youth.

3.3.5 Water, Environment and Natural Resources

During the 2017/2018 Financial year, the economic activities of Kisumu county was affected on the macro -economic level by the national economic performance that was largely fragile due to the two presidential elections and the campaigns. On environmental management front, refuse management remained and restoration of degraded hilltops and gazette forests remained a challenge. In the growing market centers, noise pollution, increase in waste generation and non-segregation remains a challenge. The county will improve management level of the shorelines so as to ensure quality management of the Lake Waters. As the population of Kisumu County grows, so will its urbanization both at the city and countryside. The department will therefore focus on development of green spaces such as leisure parks, open spaces, arboretums and nature walks. The department will continue to focus in bringing portable water to households by increasing the number of households connected to portable water. To create employment and promote county revenue generation, emphasis will be laid on enforcement of environmental regulations. The department will promote afforestation and biodiversity management. The county government will have to protect its water resources by developing policies that

incorporate sustainable development strategies that safeguard the lives of the rural and urban poor against effects of Climate change. The county will also ensure that Environmental and social safeguards framework is mainstreamed in the county development projects.

3.3.6 Physical planning, Lands, Housing and Urban Development

Improve the spatial, economic, social and cultural connections between the city and the lake; consider all land use demands so that potential tradeoffs between uses can be evaluated holistically for continued economic growth. Build affordable houses to be acquired at subsidized rates. Construct a ring road and mixed use facilities at the lake shore to open it up for business of tourism.

The County intends to invest in the purchase of land for development purposes. Other programs include enhanced enforcement of the building code, spatial planning, regeneration of public spaces and the finalization of the valuation roll will be addressed as a matter of priority.

3.3.7 Education, Human Resource Development, ICT, Women and Youth Affairs

Focus will be on enhanced education standards by increasing enrollment and retention in early Childhood Education, accelerating expansion and equipment of Vocational training facilities in order to empower the youth with skills and competencies for the labor market. Programs for promoting good cultural practices, sports and recreational facilities for sustainable development will be implemented.

The Department will focus on employment creation for youth by training them for successful tender bidding at county and national levels. It will also create county road maintenance teams which will comprise the county youth and women trained in road maintenance. The youth will also be recruited and trained as agriculture extension workers. The county will construct a new sports complex and community libraries at sub-county levels and social halls at ward levels.

The ICT platform holds greater potential for service transformation in the county. This is because the ICT Department has been restructuring and re-energizing to offer professional information and communication services. The county will continue investing in modern ICT infrastructure while progressively building human resource capacities for optimal outcome.

3.3.8 Business, Energy and Industry

This department aims at promotion of a 24 hour economy to be realized through access to energy and solar power. Completion and construction of modern markets across the county, Rehabilitation and operationalization of the Constituency Industrial Development Centers. Operationalization of trade fund and Co- operative Development Fund are the priorities for this sector during the plan period.

3.3.9 Governance and Administration

Strategic leadership, clear policy direction and a well thought development agenda are crucial for the achievement of socio-economic and political development of people of Kisumu County. Proper management of county affairs including the county public service, maintaining inter-governmental relations, managing communication and protocol will ensure satisfactory service delivery. Devolution of administration and governance to the lowest manageable unit, village level will ensure the local community participation in management of county affairs.

3.3.10 Tourism, Culture, Arts and Sports

The Tourism, Culture, Arts and sports sector plays an important role in the county's economic development through its contribution to the Gross Domestic Product (GDP), employment and poverty reduction. The County aims to position tourism, culture, arts and sports and related industries at the center of development. Diversification and development of tourism products will be largely pursued by the County to avoid over reliance on traditional beach and wildlife tourism that Kenya has relied on for a long time. These include cultural tourism, Sports tourism, unique tourism products / services and agro tourism.

The County also purposes to tap into the massive potential in the creative sector as well as sports talent to propel it to development. The focus in this area is to construct a modern Cultural and Art Center as well as provide requisite infrastructure to nurture these talents and to engage in focused marketing of the creative and sports sector to propel the county to development. The County will further focus in modernizing sports by providing necessary equipment and training to achieve this goal. The ministry intends to position and market Kisumu County as an entertainment and conferencing hub in this region.

3.3.11 Health Services

The department has developed a five year strategic plan known as Kisumu County Health Sector Strategic and Investment Plan 2013-2018. The County government will seek to address health related challenges through continued investment in health professionals. The sector builds the capacity of the traditional maternity specialist and pays them a monthly retainer for their services to improve the maternity sector. The county government will empower all the community health volunteers to offer basic diagnosis and treatment of pregnant mothers& young children, improve services at level four hospitals in each sub-county for easy access to x-ray units and theatre, improve access to health services by constructing new Facilities. The county will establish a universal health insurance scheme to cater for all categories of members across the county making healthcare affordable and accessible to all. It will also provide safe contraceptives and offer education on their use to prevent the spread of HIV/AIDS

CHAPTER 4

4.1. RESOURCE ALLOCATION FRAMEWORK

4.1.1 Adjustment to 2018/19 Budget

We note that the actual local revenue collection was at approximately 76.0% of the budgeted amount. It is noted that the under performance in local revenue collection was caused by prolonged electioneering period accompanied by political upheavals. The building bridges initiative fronted by the political leadership is likely to ensure political stability which is conducive to enhancement of revenue collection. Therefore, it's reasonable to anticipate that the budgeted revenue for financial year 2018/2019 will grow by 10%. This will adjust the budgeted locally collectable revenues to approximately KES 1.087B (*Ref Financial Report of 30th June, 2018).*

4.1.2 Medium-Term Expenditure Framework

In the medium term, the following reforms will be undertaken;

1) Enhancing revenue mobilization; beefing up the e-revenue, Re introduction of rapid results initiative (RRI) Develop County property Valuation Roll.
2) Expenditure rationalization; engagement of new employees specifically on revenue collection where and when necessary to cover those areas which had not been covered before.
3) Expenditure efficiency and effective implementation of budget programs by strengthening the following:
    i. All departmental IFMIS rolling outs
    ii. Enhancing implementation of E-procurement
    iii. Training of personnel on use of Hyperion module in preparation of budgets
    iv. Preparation of MTEF program based budgets through Hyperion module of IFMIS
    v. The county will post on its website the programs and projects proposed financial year 2018/2019.This will significantly reduce the cost of advertisement.
    vi. The county will enhance the functions of the directorate of revenue to ensure that all revenue is collected efficiently.
    vii. The county will ensure strict adherence to accounting standards to ensure maximum accountability.
4) Continued training roll out of and use of financial operations process manual.
5) Investing in quality and accessible healthcare services and early childhood education as well as social safety net including the strengthening of Universal Health Care rollout and food security to reduce the burden on the households and complement and sustain long term growth and Development.
6) Creation of conducive economic environment in order to encourage innovation, investment, growth and expansion of Economic and employment opportunities.
7) In line with the submissions by the public from the public participation forums the county government will:
    i. Progressively increase budget allocations to provision of water services

ii. Promote diversification of farming enterprises to increase production, value addition and profitability.

8) Promote effective cascading of devolution to the lowest level including fully established village councils for better service delivery and enhanced rural economic development.

9) Ensure inclusive provision of socio-economic safety nets through the following:

i. Grassroots support and development program

ii. Provision of NHIF cover to the senior citizens.

Table 5: Total Expenditure Ceiling for the MTEF period 2018/19 – 2020/21

NB-All values in Ksh Millions.

TABLE 5	TOTAL EXPENDITURE CELLING FOR MTEF PERIOD 2017/18-2019/20						
				PROJECTIONS			
	Category	Approved Budget 2018/19	Proposed Revised 2018/2019	2019/2020	2020/21	CFSP CEILLING 2018/19	PROJECTIONS 2019/20 2020/21
1 Office of the Governor and County administration							
	Sub total	**642.5**	**642.5**	**687.5**	**735.7**	**826.6**	**663.2** **730.1**
	Rec Gross	442.7	442.7	473.7	506.9	300.4	330.4 363.4
	Dev Gross	199.8	199.8	213.8	228.8	302.5	332.8 366.1
2 Finance							
	Sub total	**610.0**	**610.0**	**653.2**	**698.9**	**312.5**	**263.7** **290.1**
	Rec Gross	436.4	436.4	467.4	500.1	114.2	125.6 138.1
	Dev Gross	173.6	173.6	185.8	198.8	125.6	138.1 152.0
3 Health	**Sub total**	**3145.8**	**3145.8**	**3366.0**	**3601.6**	**3012.6**	**3313.8** **3645.1**
	Rec Gross	22845.0	22845.0	3044.1	3257.2	2850.5	3135.6 3449.1
	Dev Gross	300.8	300.8	321.9	344.4	162.0	178.2 196.0

4 Tourism, Culture, arts and Sports								
	Sub total	**166.2**	**166.2**	**177.8**	**190.4**	**137.1**	**150.8**	**165.9**
	Rec Gross	89.1	89.1	95.3	102.1	56.0	61.6	67.8
	Dev Gross	77.1	77.1	82.5	88.3	81.1	89.2	98.1
5 Public Works, Roads and Transport								
	Sub total	**782.2**	**782.2**	**836.9**	**895.4**	**528.8**	**580.2**	**638.3**
	Rec Gross	182.1	182.1	194.8	208.4	182.7	201.1	221.2
	Dev Gross	600.1	600.1	642.1	687.0	344.6	379.1	417.1
6 Business, Energy and Industry				-				
	Sub total	**536.1**	**536.1**	**536.2**	**574.0**	**225.6**	**248.3**	**273.1**
	Rec Gross	119.7	119.7	128.1	137.1	83.8	92.2	101.4
	Dev Gross	381.3	381.3	408.1	436.7	141.8	156.1	171.7
7 Economic Planning								
	Sub total	**141.1**	**141.1**	**151.0**	**161.7**	**531.3**	**584.4**	**643.0**
	Rec Gross	67.0	67.0	71.7	76.8	80.7	88.8	97.7
	Dev Gross	74.1	74.1	79.3	84.9	450.6	495.6	545.2
8 Physical Planning, Lands Housing and Urban Development								
	Sub total	**161.0**	**161.0**	**177.1**	**225.6**	**200.1**	**220.0**	**242.1**
	Rec Gross	44.1	44.1	48.5	36.4	38.0	41.8	46.1
	Dev Gross	116.9	116.9	128.6	189.2	162.0	178.2	196.0
9 Agriculture, Food, Livestock and Fisheries								
	Sub total	**387.2**	**387.2**	**425.9**	**468.5**	**438.1**	**482.0**	**530.0**
	Rec Gross	282.8	282.8	311.1	342.2	284.0	312.4	343.6
	Dev Gross	104.4	104.4	114.8	126.3	154.1	169.5	186.4

10	Education, Human Resource Development and Technology							
		Sub total	**516.1**	**516.1**	**567.7**	**591.9**	**486.1**	**535.8**	**589.4**
		Rec Gross	268.3	268.3	295.1	324.2	284.1	312.5	343.8
		Dev Gross	247.8	247.8	272.6	283.7	202.1	223.3	245.6
11	Water, Environment and Natural Resources				-				
		Sub total	**387.3**	**387.3**	**412.4**	**443.3**	**360.8**	**397.1**	**436.6**
		Rec Gross	436.4	436.4	159.1	170.2	150.3	165.3	181.8
		Dev Gross	238.6	238.6	253.3	273.1	210.5	231.6	254.8
12	Kisumu City								
		Sub total	**961.1**	**961.1**	**1028.1**	**1100.1**	**815.2**	**897.2**	**985.1**
		Rec Gross	693.1	693.1	741.6	793.5	700.1	770.1	847.1
		Dev Gross	267.8	267.8	286.5	306.6	115.4	127.1	138.0
13	County Assembly								
		Sub total	**735.6**	**735.6**	**787.5**	**842.6**	**859.1**	**945.1**	**1039.6**
		Rec Gross	685.0	685.0	733.1	784.4	656.6	722.3	794.5
		Dev Gross	50.8	50.8	54.4	58.2	202.5	222.8	245.1
14	County public service Board								
		Sub total	**81.3**	**81.3**	**87.1**	**93.2**	**46.1**	**50.7**	**55.8**
		Rec Gross	81.3	81.3	87.1	93.2	46.1	50.7	55.8
		Dev Gross	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Provision for Supplementary Budget	Recurrent		239.0					
		Development		1196.8					
	TOTAL		**9,218.1**	**10,653.5**	**10,194.4**	**10623.1**	**8,779.6**	**9,332.3**	**10,264.2**

2018/19 Budget framework

The 2018/19 budget framework is set against the background of the updated medium-term fiscal framework set out above. There was a drop of GDP from 5.9 % in 2016 to 4.9 % in 2017.The

slowdown in the performance of the economy was partly attributable to uncertainty associated with a prolonged electioneering period coupled with adverse effects of weather conditions. Performance across the various sectors of the economy varied widely, with Accommodation and Food services; Information and Communication Technology; Education; Wholesale and Retail trade; and Public Administration registering accelerated growths in 2017 .Therefore in FY 2018/2019 there is an expectation of some marginal growth on the GDP.

The growth prospect is underpinned by continued good performance across all sectors of the economy. This is presumed in a situation where all factors that influence growth remain favorable. Inflation is expected to remain low and stable, reflecting continued implementation of a prudent monetary policy.

The delay in exchequer disbursement for the financial year 2017/18 resulted into an opening balance of 1.435 Billion for the financial year 2018/19 which was however not factored in the approved budget 2018/19 and has necessitated the proposed supplementary budget for FY 2018/19. Ksh. 239 million introduced in the opening balance will be factored for recurrent expenditure and 1196.8 million takes care of development expenditure.

The recent 16 % VAT increase on fuel will automatically reduce the county's expenditure in this financial year 2018/19 due to high rates of inflation which currently stands at 8.0% and this may result into formulation of further supplementary budget 2018/19 as may be deemed appropriate. The increase in inflation is mainly due to higher food prices as a result of drought experienced during the first half of the year. The increase in the prices of petrol, kerosene, diesel and electricity led to a rise in the cost of transport and manufactured goods during the review period.

Revenue projections

The 2018/19 budget targets of local revenue collection of 15.1% of total revenues net of the opening balance. As noted above, this performance will be underpinned by on-going reforms in revenue administration. Therefore, total revenues including allocation from national share are expected to be ***Ksh9.217 billion*** excluding opening balances of ***Ksh1.435 billion.***

Table 6; Proposed Budget Revision and Projections for the MTEF 2018/19-2020/21

			PROJECTIONS	
REVENUE STREAMS	**APPROVED BUDGET 2018/2019**	**PROPOSED REVISED 2018/2019**	**2019/2020**	**2020/2021**
Balance b/d 1.07.17		1,435,837,076		
Equitable distribution	6,908,000,000	6,908,000,000	7,988,000,000	8,786,800,000
Level 5 Hospital	369,017,341	369,017,341	369,017,341	369,017,341
RMFL	242,061,249	242,061,249	242,061,249	242,061,249
KDSP	46,361,941	46,361,941	46,361,941	46,361,941
EU Grant for Devolution Advice	0	0	0	0
Development of Youth Polytechnic	30,000,000	30,000,000	3,000,000	3,000,000
User Fees Forgone	21,165,550	21,165,550	21,854,292	21,854,292
World Bank for transforming Health Centers	46,312,993	46,312,993	21,299,489	21,299,489
DANIDA	16,403,019	16,403,019	25,424,679	25,424,679
Locally collected revenue				
Market fees	117,263,484	117,263,484	125,471,928	13451963
Parking Fees	117,082,304	117,082,304	128,790,534	141,669,587
Bus park	157,211,827	157,211,827	172,933,001	190,226,301
Boda self-regulating	30,000,000	30,000,000	33,000,000	36,300,000
Rents	43,572,630	43,572,630	47,929,893	52,722,882
Land rates	207,354,454	207,354,454	22,807,899	25,088,689

Single business permit	135,080,342	135,080,342	148,588,376	163,447,214
Building plans	30,619,886	30,619,886	33,681,875	37,050,063
Signboard promotion etc.	72,105,480	72,105,480	79,316,028	87,247,631
Public health and others	2,777,225	2,777,225	3,054,948	3,360,443
Others	54,558,774	54,558,774	60,014,651	66,016,116
Subtotal main revenue streams	**988,158,670**	**988,158,670**	**1,086,974,537**	**1,195,671,991**
Other revenue sources				
Health	304,587,676	304,587,676	335,046,444	368,551,088
Agriculture, Food, livestock and fisheries	13,951,260	13,951,260	15,346,386	16,881,025
Business, Energy and Industry	8,327,360	8,327,360	1,828,217	2,011,039
Education, Human Resource development and Technology	2,172,502	2,172,502	2,389,752	2,628,727
Physical planning, Lands, Housing and Urban Development	2,889,652	2,889,652	3,178,617	3,496,479
Public Works, Roads and Transport	52,800,000	52,800,000	58,080,000	63,888,000
Water Environment and Natural Resources	9,680,000	9,680,000	1,936,000	2,129,600
Liquor licenses	20,532,264	20,532,264	22,585,490	24,844,039
Total revenue from other sources	**394,408,450**	**394,408,450**	**433,849,295**	**477,234,225**
Gross Locally Collected Revenue	**1,382,567,120**	**1,382,567,120**	**1,520,823,832**	**1,672,906,215**
Grand total	**9,217,889,213**	**10,653,726,289**	**11,719,098,918**	**12,891,008,810**

Table 6.Revenue projections

Note: Other in locally collected revenue includes Water, Roads Equipment, Energy & Mining, Green Energy, and Environment (Pollution, Nuisance and Administration charges).

4.1.3 Expenditure Forecasts

In view of the trend of expenditure in 2017/18 FY and adjustments in both revenue and expenditure budget of FY 2018/2019, the revised total budget for FY 2018/2019 is expected to amount to Ksh10.65Billion to be funded by opening balance of KSH 1.435 Billion and the previously approved budget of ***Ksh.9,217,889,213***

Recurrent expenditures are expected to peak at 69.27% of the total expenditure of the FY 2018/2019, hence sparing 30.73% of the total expenditure for development.

Expenditure ceilings on goods and services for ministries will adhere to the allocations in the FY 2018/2019 with cognizance of the demands and priorities of the County government as contained in the Governor's 10 point manifesto, national government agenda (The Big 4 agenda), CIDP, ADP and CFSP.
It should be noted therefore that the CFSP ceilings for the financial year 2018/19 did not include the opening balances for that financial year and it is advisable for the inclusion to be done appropriately and basing on recent economic development the CFSP requires review.

The introduction of the cashless system of revenue collection has so far boosted the amounts of revenues collected by the county government and there is high anticipation that more revenue will be generated in the year 2018/19.

CHAPTER 5

5.1 CONCLUSION AND NEXT STEPS

The set of policies outlined in this section concisely capture the purpose and value of the Budget Review and Outlook Paper reflect the changed circumstances and are broadly in line with the fiscal responsibility principles outlined in the PFM law. They are also consistent with the County Integrated Development Plan objectives pursued by the county government as a basis of allocation of public resources.

In conclusion the broad picture of this CBROP is as highlighted in the matrix below.

Sector/ subsector	**Priorities**	**Constraints**	**Strategies**
Finance	Improve budget performance for development index	• Delayed disbursements of funds from the National exchequer • Poor/ under revenue collection. • Poor management of procurement processes.	• Timely/ strict adherence to timelines as stipulated in the PFM Act. • Strengthen and follow-up on revenue collection systems in place. • Capacity building and sensitization of all departments on procurement. • Implementation of the e-procurement.
Governance /	Contain/	• High wage bill	• Freeze new

Human Resources.	reduce/manage the growing wage bill	• Hefty penalties.	recruitments unless for essential and crucial services. • Timely remittance of payroll deductions
Planning	Timely production and submission of the County Planning Documents.	• Poor tracking and reporting systems	• Capacity building and sensitization of all departments to submit reports promptly
Water, Environment and Natural Resources	Improved waste management.	• Increase in waste generation due to continued population growth and urbanization.	• Provision of skips for more skips for transportation and more bins for collection.
	Improved access to water and sewerage services to citizens	• Inadequate funding. • Dilapidated infrastructure. • High energy costs of production and distribution.	• Formulation of water policies for the water bill which will improve revenue collection. • Collaboration with development partners to overcome the

			challenge of capital.
Tourism & Culture.	Diversification and development of tourism products.	• Over reliance on wildlife and beach tourism	• Adoption of unique tourism products and services e.g. cultural tourism, sports tourism & agro tourism through involving private developers.
Arts and Sports.	Tapping into the massive potential in the creative sector	• Inadequate funds for implementation of projects	• Construct a modern cultural and arts center.
Health Services	Elimination of communicable diseases, reduction of non-communicable conditions, halting the rising burden of injuries and provision of essential health services.	• High burden of non-communicable diseases. • Inadequacy of health infrastructure, and staff to serve the growing population of the county.	• Development and implementation of the Kisumu County Health Sector Strategic and Investment Plan • Investing in health professionals and infrastructure.

Business.	Promotion of a vibrant service sector in trade through provision of a business support service.	• Inability of small firms to enjoy economies of scale • Limited access to credit facilities	• Continued disbursement of The Kisumu County Trade Fund.
Industrialization	Promotion of industrialization, cooperatives and enterprise development.	• Land, as most sectors are on private land or road reserves.	• Development of Special Economic Zones (SEZs) • Development of SMEs.
Energy	Promotion of rural electrification universal access, diversification of green energy sources and technologies and mainstreaming climate change.	• Inadequate funds for implementation of projects.	• Tapping more into solar power and other sources of renewable energy. • Mainstreaming climate change in all development sectors. • Partnership with key stakeholders in Energy and Climate Governance
Public Works, Roads & Transport	To develop, operate and sustain world class transport	• Inadequate funds limit implementation of projects.	• Investing in durable road construction techniques and

	and infrastructure.	• Low level of skilled staffing.	enhance maintenance. • Improvement of roads from gravel to all weather roads.
Agriculture, Food, Livestock and Fisheries.	Innovative, commercially oriented and modern agriculture in Kisumu county.	• Reduction of development votes • Untimely disbursement of funds. • Inadequate funding • Delayed procurement	• Improving food security through the provision of rice and sorghum seeds to mitigate challenges. • Rehabilitation& expansion of Irrigation schemes.
Education, IT and Human Capacity Development	To provide quality pre-primary services to all children including the marginalized. To empower youth with appropriate vocational skills and knowledge so as to realize their full potential.	• Inadequate resources for development of ECDE centers. •	• Advocating for more resources.

ANNEX 1: BUDGET PREPARATION CALENDAR FOR THE FINANCIAL YEAR 2019/2020

ACTIVITY	RESPONSIBILITY	DEADLINE
1. Develop and Issue Budget Guidelines/Dissemination		
1.1Develop and Issue Budget Guidelines	CECM-Finance	20-August-18
1.2Hold Budget Preparation Briefing	CECM-Finance	15-Oct.-18
1.3 Hold Budget Preparation Workshop	County Treasury	30-Oct-18
2. Performance Review and Strategic Planning		
2.1 Review of strategic plans	Accounting officers/Departments	10-Sept.-18
2.2 Review of program outputs and outcomes	"	"
2.3 Expenditure review	"	"
2.4 Preparation of Annual plans	"	"
2.5 Annual Work plans Presented to C/Assembly & CB&EF	CECM-Finance	17-Sep-18
3. Determination of Fiscal Framework		
3.1 Formation of ad hoc budget preparation committee	County Treasury	24-Aug-18
3.2 Estimation of Resource Envelope	Ad hoc Committee	31-Aug-18
3.3 Determination of policy priorities in the County Budget And Economic Forum.	CBEF	"
3.4 Preliminary resource allocation to departments, County Assembly & units	County Treasury	"
3.5 Draft County Budget Review and Outlook Paper (CBROP)	County Treasury	"
3.6 Submission of CBROP to the County executive Committee for Approval	County Treasury	21-Sept.2018
3.7 Submission of CBROP to the County Assembly	County Treasury	28-Sept.2018
4. Stakeholders/ Public participation(in preparation of Draft sectorial Budgets)	County Treasury	15-Jan-2019
5.Preparation of County Budget proposals		
5.4 Public participation on County Budget proposals	CECM-Finance	15-Jan-2019
5.1 Draft Departmental proposals(Reports from Sectorial Budget Work Groups)	Treasury/ Sector Work groups	20-Dec.2018
5.2 Submission of Draft budget to the	County Treasury	8-Jan-2019

County Budget and Economic Forum (CBEF)		
5.3 Review of the Proposals	CBEF Members	8-Jan-2019
6.0 Draft Fiscal Strategy Paper (FSP)		
6.1 Draft FSP	County Treasury	08-Nov-2018
6.2 Submission of FSP to County Executive Committee for Approval	County Treasury	14-Dec-2018
6.3 Consultative discussion of FSP in the CB&EF	County Treasury	7-Dec-2018
6.4 Submission of FSP to County Assembly for Approval	County Treasury	21-Dec-2018
6.5 Adoption of FSP by County Assembly	County Assembly	18-Jan-2019
7. Preparation and approval of final budget estimates		
7.1 Submission of Final Departmental Budget proposals to Treasury	Departments	21-Dec-2018
7.2 Consolidation of the Draft budget estimates	County Treasury	11-Jan-2019
7.3 Submission of draft budget to County Executive Committee	County Treasury	15-Jan-2019
7.4 Consultative discussion of Draft budgets in the County Budget & Economic Forum(Alignment of sectorial budgets to the County economic policy and Fiscal Framework)	County Treasury/CB&EF	18-Jan-2019
7.5 Submission of draft C/ Executive &C/ Assembly budgets to County Assembly	County Treasury	20-Feb-2019
7.6 Review of Draft Budget estimates by County Assembly	County Assembly	15-Mar-2019
7.7 Report on Draft Budget estimates from County Assembly	County Assembly	22-Mar-2019
7.8 Consolidation of the final Budget Estimates	County Treasury	15-April-2019
7.9 Submission of Appropriation Bill to County Assembly	County Treasury	20-Feb-2019
7.10 Appropriation Bill passed	County Assembly	10-May-2019
7.11 Assent to Appropriation Act	H.E. The Governor	10-May-2019
8. Preparation and approval of Finance Bill		
8.1 Pronouncement of means to fund FY2016/2017 Budget	CECM-Finance	15-July.-2019
8.2 Public participation forum on the finance bill,2016	CECM-Finance	30-August.-2019

8.3Develop and submit Finance Bill to County Assembly for Approval	CECM-Finance	**13-Sept.-2019**
8.4 Finance Bill passed	County Assembly	30-Sept.-2019
8.5 Assent on Finance Act,2016	H.E. The Governor	07-OCt.-2019

COUNTY GOVERNMENT OF KISUMU

PUBLIC NOTICE

INVITATION TO PUBLIC SECTOR CONSULTATIVE FORUMS FOR COUNTY BUDGET REVIEW AND OUTLOOK PAPER FOR FY 2017/2018

The County government of Kisumu invites members of the public, civil society organizations, special interest groups, CBOs and private sector representatives to citizens' consultative forums to deliberate on County Budget Review and Outlook Paper for the FY 20172018. The meetings are scheduled to take place from the 10th September, 2018 to 20th September, 2018 in all the thirty five wards of Kisumu County at the venues and dates indicated below:

Sub County	Ward	Date	Venue	Time
Seme	West Seme	10/09/2018	Manyuanda Chief's Camp	9AM-2PM
	North Seme	10/09/2018	Bar Korwa Market	9AM-2PM
	Central Seme	10/09/2018	Kombewa CDF Hall	9AM-2PM
	East Seme	10/09/2018	Kit Mikayi Social Hall	9AM-2PM
Kisumu West	West Kisumu	11/09/2018	Huma Chief's Camp	9AM-2PM
	South West Kisumu	11/09/2018	Obambo Chief's Camp	9AM-2PM
	North West Kisumu	11/09/2018	Lela Resource Centre	9AM-2PM
	North Kisumu	11/09/2018	Nyahera Chief's Camp	9AM-2PM
Nyando	Kobura	12/09/2018	Rabuor Chief's Camp	9AM-2PM
	Ahero	12/09/2018	PLD Hall	9AM-2PM
	Kabonyo/Kanyagwal	12/09/2018	Nyang'ande Market	9AM-2PM
	Awasi Onjiko	12/09/2018	Othoo Market	9AM-2PM
Kisumu East	Kolwa East	13/09/2018	Chiga Catholic Compound	9AM-2PM
	Kolwa Central	13/09/2018	Ragumo Chief's Camp	9AM-2PM

	Kajulu	**13/09/2018**	**Gita Chief's Camp**	**9AM-2PM**
	Manyatta B	**13/09/2018**	**Kouyo Dispensary**	**9AM-2PM**
Muhoroni	**Masogo Nyang'oma**	**14/09/2018**	**Nyang'oma Chief's Camp**	**9AM-2PM**
	Miwani	**14/09/2018**	**Kasongo Market**	**9AM-2PM**
	Muhoroni/Koru	**14/09/2018**	**Menara SDA Church Compound**	**9AM-2PM**
	Chemelil	**14/09/2018**	**Chemelil Round About**	**9AM-2PM**
Nyakach	**Central Nyakach**	**17/09/2018**	**Pap Onditi Hall**	**9AM-2PM**
	West Nyakach	**17/09/2018**	**Kodingo Hall**	**9AM-2PM**
	North Nyakach	**17/09/2018**	**Kowir e Catholic Church, Katito**	**9AM-2PM**
Muhoroni	**Ombeyi**	**17/09/2018**	**Ombeyi Catholic Church**	**9AM-2PM**
Kisumu Central	**Migosi**	**18/09/2018**	**Ezra Gumbe Community Hall**	**9AM-2PM**
	Nyalenda B	**18/09/2018**	**Ward Admins office**	**9AM-2PM**
	Shauri Moyo	**18/09/2018**	**Kaloleni Hall**	**9AM-2PM**
Kisumu West	**Central Kisumu**	**18/09/2018**	**Rainbow Chief's Camp**	**9AM-2PM**
Nyakach	**South West Nyakach**	**19/09/2018**	**Nyamarimba Chief's Camp**	**9AM-2PM**
	South East Nyakach	**19/09/2018**	**Kodong'a Hall**	**9AM-2PM**
Nyando	**East Kano Wawidhi**	**19/09/2018**	**Kodete Chief's Camp**	**9AM-2PM**
Kisumu East	**Nyalenda A**	**19/09/2018**	**Community Hall Capital Market**	**9AM-2PM**
Kisumu Central	**Kondele**	**20/09/2018**	**Kosao Hall**	**9AM-2PM**
	Market Milimani	**20/09/2018**	**Social Centre**	**9AM-2PM**
	Railways	**20/09/2018**	**Public Works Yard**	**9AM-2PM**

You are all urged to attend and participate actively.

Nerry Achar Otieno
CEC Member for Finance