REPUBLIC OF KENYA

HOMA BAY COUNTY GOVERNMENT

DEPARTMENT OF

FINANCE, ECONOMIC PLANNING AND SERVICE DELIVERY

MEDIUM TERM EXPENDITURE FRAMEWORK

FISCAL STRATEGY PAPER

2019

Bolstering Investment for Shared Prosperity

February 2019

Foreword

The preparation of the County Fiscal Strategy Paper (CFSP) 2019 is provided for under section 117 of PFM Act of 2012. The paper therefore reviews the previous year's fiscal performance and sets out the county priority programmes to be implemented during the financial year 2019/20 and over the MTEF period within the resource envelop projected to be available. The paper also looks at current economic developments and their implication on the fiscal framework and, explores how changes brought about by those developments can be managed.

The CFSP 2019 has been prepared through collaborated effort that is meant to ensure the varying needs of the people of Homa Bay County are provided for therein. The document has been aligned to the key National and County Policy documents which include Kenya Vision 2030, the MTP 2018-2022, the Budget Policy Statement 2019, the Homa Bay County Integrated Development Plan (CIDP) 2018-2022 and, the Homa Bay County Annual Development Plan (CADP) 2019/20.

The county remains focused on realizing the County Vision and Mission. This means making investments that have long term impact of job creation and income generation for the vast majority of the people in the county. Specifically, the county will focus on five core areas which are aligned to the 'Big 4 Agenda' outlined as; developing, expanding and maintaining the county infrastructure including opening of road networks and housing units; achieving universal health care and improving county education; increasing water reticulation, distribution and environmental protection as well as access to clean and safe water for all; enhancing the protection and mainstreaming of the disadvantaged populations such the aged, youth, women and persons with disability; and promotion of trade development, industrial growth and investment in the County.

The Fiscal Strategy Paper 2019 will therefore continue to emphasize a shift of resources towards development programmes that enhance growth and job creation. Support to private sector investment in pursuit of new opportunities in a changing economic environment will therefore be enhanced. Again, the County Government will pursue a synergistic strategy where its programmes for the Medium-Term are aligned with the National Government priority programs and policies.

As the CEC Member for Finance, Economic Planning and Service Delivery, I take this opportunity to sincerely appreciate the inputs and participation of all stakeholders in the development of this document. We undertake to support all initiatives geared towards the realization of the objectives and priorities highlighted in this document. I urge all my fellow duty bearers to observe reasonable fidelity towards delivering on commitments made in this Fiscal Strategy Paper. It is indeed my sincere hope that we will reach the necessary milestones set towards the realization of our county's development agenda for the financial year 2019/20.

Hon. Nicholas K'Oriko
CEC Member - Finance, Economic Planning& Service Delivery
<u>Homa Bay County Government</u>

Acknowledgements

The development of the Homa Bay County Fiscal Strategy Paper (CFSP) 2019 has been a collaborative effort of the County Government under the able leadership of His Excellency the Governor, Hon. Cyprian Awiti, H.E. the Deputy Governor, Hon Hamilton Orata, the County Executive Committee Members and particularly, Mr. Nicholas K'Oriko the CEC member in charge of Finance, Economic Planning and Service Delivery. Valuable contributions also came from Members of the County Assembly, especially members of the Budget and Appropriations Committee led by CPA Hon. Nicholas Ayietta.

The Paper sets out the broad strategic priorities and policy goals that will guide the County Government of Homa Bay in preparing its budget for the coming Financial Year 2019/20, and over the medium term. It's also specifying the framework for raising revenue, estimating expenditure and dealing with fiscal balances as and when they occur. It envisions that all these occur within a fiscal framework that is affordable and sustainable over the medium term, in compliance with the fiscal responsibility principles set out in the Public Finance Management Act, 2012 and its operationalizing Regulations of 2015.

In my capacity as the Chief Officer in charge of Finance, Economic Planning and Service Delivery, I wish to sincerely thank all my colleagues (County Chief Officers) for their full cooperation and efforts in the preparation of this document. In particular, I would like to acknowledge the tireless work of our directors and technical Officers, led by Mr. Willys Bolo (our Director of Budget), for their invaluable contributions and technical inputs in the preparation of this paper.

In addition, I would like to acknowledge and appreciate the efforts and inputs of the members of the public, the Commission on Revenue Allocation (CRA), the National Treasury, the County Treasury, the Controller of Budget (COB), the County Budget and Economic forum (CBEF) members and many other stakeholder groups who were involved in the preparation of this document. Many more provided important and the much-needed information in the form of documents and advisories.

Lastly, special thanks go to the Budget and Economic Affairs team including the Economic Advisor, Ms. Ruth Aloo and the County Economists; Kelly Owillah, Handel Nyangaya, Emmanuel Kamboga, Christine Amondi, Steve Owino, Mohamed Ramadhan, Ken Oyier and Anne Muga for their tireless endeavors to ensure the 2019 CFSP came to fruition.

Mr. Noah Otieno
Ag. Chief Officer – Finance, Economic Planning & Service Delivery
Homa Bay County

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Abbreviations and Acronyms

AIDS	Acquired Immuno-Deficiency Syndrome
CADP	County Annual Development Plan
CECM	County Executive Committee Member
CBEF	County Budget and Economic Forum
CBR	Central Bank Rate
CBROP	County Budget Review and Outlook Paper
CIDP	County Integrated Development Plan
CIMES	County Monitoring and Evaluation System
CFSP	County Fiscal Strategy Paper
CRA	Commission on Revenue Allocation
COB	Controller of Budget
EAC	East Africa Community
ECD	Early Childhood Development
EIA	Environmental Impact Assessment
EYE	Early Years Education
FY	Financial Year
FDI	Foreign Direct Investment
GCP	Gross County Product
GDP	Gross Domestic Product
HIV	Human Immuno-Deficiency Virus
ICT	Information and Communication Technology
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
IPD	In-Patient Department
KMRC	Kenya Mortgage Refinance Corporation
KNBS	Kenya National Bureau of Statistics
MCH	Maternal and Child Health
MSEs	Micro and Small Enterprises
MTEF	Medium Term Expenditure Framework
MTP	Medium-Term Plan
NBPS	National Budget Policy Statement
NDA	Net Domestic Assets
NEMA	National Environmental Management Authority
NFA	Net Foreign Assets
NIMES	National Integrated Management Information Systems
PBB	Programme Based Budget
PERs	Public Expenditure Review
PFM	Public Financial Management
PFMA	Public Finance Management Act
PPP	Public Private Partnership
PWDs	Persons with Disability
SSA	Sub-Saharan Africa
SDG	Sustainable Development Goals
SMEs	Small and Medium Enterprises
UHAI	Universal Health Access Initiative
VTCs	Vocational Training Centers

Legal Basis for the Publication of the Homa Bay County Fiscal Strategy Paper (CFSP) 2019

The Homa Bay County **Fiscal Strategy Paper** is prepared in accordance with Section 117 (1) of the Public Financial Management Act, 2012 which states that:

(1) The County, Treasury shall prepare and submit to the County Executive Committee the County Fiscal Strategy Paper for approval and the County Treasury shall submit the approved Fiscal Strategy Paper to the county assembly, by the 28th February of each year.

(2) The County Treasury shall align its County Fiscal Strategy Paper with the national objectives in the Budget Policy Statement.

(3) In preparing the County Fiscal Strategy Paper, the County Treasury shall specify the broad strategic priorities and policy goals that will guide the county government in preparing its budget for the coming financial year and over the medium term.

(4) The County Treasury shall include in its County Fiscal Strategy Paper the financial outlook with respect to county government revenues, expenditures and borrowing for the coming financial year and over the medium term.

(5) In preparing the County Fiscal Strategy Paper, the County Treasury shall seek and take into account the views of:

a) The Commission on Revenue Allocation;
b) The public;
c) Any interested persons or groups; and
d) Any other forum that is established by legislation.

(6) Not later than fourteen days after submitting the County Fiscal Strategy Paper to the county assembly, the county assembly shall consider and may adopt it with or without amendments.

(7) The County Treasury shall consider any recommendations made by the county assembly when finalizing the budget proposal for the financial year concerned.

(8) The County Treasury shall publish and publicize the County Fiscal Strategy

Fiscal Responsibility Principles in the Public Financial Management Law

In line with the Constitution, the Public Finance Management (PFM) Act, 2012, sets out the fiscal responsibility principles to ensure prudence and transparency in the management of public resources. The PFM law (Section 107) states that:

(1) 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.

(2) 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 thirty percent (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 (35%) 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.

(3) For the purposes of subsection (2) (d), short term borrowing shall be restricted to management of cash flows and shall not exceed five percent of the most recent audited county government revenue.

(4) Every county government shall ensure that its level of debt at any particular time does not exceed a percentage of its annual revenue specified in respect of each financial year by a resolution of the county assembly.

(5) The regulations may add to the list of fiscal responsibility principles set out in subsection (2). Specifically, the PFM Regulations provides further that:

(a) the County Executive Committee member with the approval of the County Assembly shall set a limit on the County Government's expenditure on wages and benefits for its public officers pursuant to Section 107(2) of the PFM Act;

(b) the limit set under paragraph (a) above, shall not exceed thirty-five (35) percent of the County Government's total revenue at any one time;

(c) for the avoidance of doubt, the revenue referred to in paragraph (b) shall not include revenue that accrue from extractive natural resources including oil and coal;

(d) the county public debt shall never exceed twenty (20%) percent of the county government total revenue at any one time;

(e) the county annual fiscal primary balance shall be consistent with the debt target in paragraph (d);

(f) the approved expenditures of a county assembly shall not exceed seven percent (7%) of the total revenue of the county government or twice the personnel emoluments of that county assembly, whichever is lower;

(g) pursuant to section 107(5) of the PFM Act 2012, the county government actual expenditure on development shall be at least thirty (30) percent in conformity with the requirement under section 107(2)(a) of the Act;

(h) if the county government does not achieve, the requirement of regulations 25(1)(f) above at the end of the financial year, the County Executive Committee member for finance shall submit a responsibility statement to the County Assembly explaining the reasons for the deviation and provide a plan on how to ensure annual actual expenditure outturns as wells as the medium-term allocation comply with the provisions of section 107(2)(a) of the Act and these regulations in the subsequent year; and

(i) the compliance plan above shall be binding and the County Executive Committee member for finance shall ensure implementation.

CHAPTER ONE: OVERVIEW OF THE 2019 FISCAL STRATEGY PAPER

1.1 Introduction

The 2019 Homa Bay County Fiscal Strategy Paper is the sixth to be prepared under the devolved system of government. Its policy proposals for shared prosperity continue in line with the National Budget Policy Statement (NBPS), 2019. It's economic transformation agenda includes; (i) creating a conducive business environment for job creation; (ii) investing in sectoral transformation to ensure broad based and sustainable economic growth with a major focus on agricultural transformation to ensure farmers get better returns for their produce; (iii) investing in infrastructure in areas such as roads, energy and water; (iv) investing in quality and accessible health care services and quality EYE and VET education as well as strengthening the social safety net to reduce the burden on households and promote shared prosperity.

The implementation of the economic transformation agenda will be focused on raising efficiency and productivity in the economy, thereby sustainably supporting inclusive growth. This CFSP, therefore, is focused on supporting the county's ongoing priority programmes while deepening the structural reform measures to increase their impact. One of the measures to ensure fairness was to set criteria and use it to apportion the available public resources among the sectors for various programmes, projects and activities of the County Government of Homa Bay that are competing for the inadequate resources.

This Fiscal Strategy Paper 2019 is entrenched on the National Government's second MTP priorities, Kenya Vision 2030, Sustainable Development Goals (SDGs), Homa Bay County's Integrated Development Plan (CIDP) 2018-2022, as well as the National Medium-Term

Expenditure Framework (MTEF) 2019/2020 – 2020/2021 as captured in the Budget Policy Statement of 2019.

1.2 Fiscal Strategy Objectives

The first and foremost objective of this fiscal strategy is to achieve and maintain full employment in the county economy. Therefore, the focus of this CFSP 2019 is to reduce unemployment and under-employment, by spending sufficiently on social and economic overheads. These expenditures would help to create more employment opportunities and increase the productive efficiency of the economy. We believe that properly planned investments will not only expand income, output and employment but will also step up effective demand through multiplier process and the economy will march automatically towards full employment. Besides public investment, we are also focused on encouraging private investment through tax holidays, concessions, cheap loans and subsidies among other measures. In the rural settings, attempts are already being made to encourage domestic industries by providing them training, cheap finance, equipment and marketing facilities.

The Second objective of this fiscal strategy is to stimulate economic growth. Therefore, the paper is focused on using our fiscal measures such as taxation; public borrowing and deficit financing properly to ensure production, consumption and distribution are maintained at required levels. Linked with that is ensuring optimum allocation of resources. Here, public expenditure, subsidies and incentives are used to influence the flow of resources in the desired channels and towards the favored industries while curtailing consumption and socially unproductive investment. Use is made of a saving ratio to finance developmental schemes through direct physical controls, tax variations, public borrowing of non-inflationary nature and deficit financing.

The third objective of this fiscal strategy is to bridge the gap between the incomes of the different sections of the society. To reduce inequalities and to do distributive justice, the

County Government is focused on investing in those productive channels which incur benefit to low income groups and are helpful in raising their productivity and technology. Thus, our fiscal programmes are meant to help the development of human capital which in turn possesses positive effects on income distribution. Regional disparities will be removed by providing incentives to backward regions.

The fourth objective of this fiscal strategy is to accelerate capital formation. Capital assumes a central place in development activity of any county and therefore, this fiscal strategy paper becomes a crucial tool for the promotion of the highest possible rate of capital formation. Our developing economy is encompassed by a 'vicious circle of poverty'. Therefore, a balanced growth is needed to breakdown the vicious circle which is only feasible with higher rate of capital formation. Once we come out of the clutches of backwardness, we can stimulate investment and encourage capital formation.

This fiscal strategy paper is therefore focused on attaining rapid economic growth through (i) raising the ratio of saving (s) to Income (y) by controlling consumption (c);(ii) raising the rate of investment:(iii) encouraging the flow of spending into productive way; and (iv) reducing glaring inequalities of income and wealth. Therefore, we have structured our fiscal framework to perform in two ways-by expanding investment in public and private enterprises and by diverting resources from socially less desirable to more desirable investment channels. Ultimately, the strategy is to help to raise the level of aggregate savings in the economy and create capital for bringing about a qualitative improvement in it.

The fifth and final objective of this fiscal strategy is to accelerate the rate of investment in the public as well as in private sectors of the county economy. While working at rapid economic development, this paper is also focused on encouraging investment in those channels which are considered most desirable from the point of view of the county's stakeholders. Here, we are focused on curtailing conspicuous consumption and investment in unproductive channels. Attempt is made to build up economic and social overheads such like transport and communication, irrigation, flood control, power, ports, technical training, education, hospital and school facilities, so that they may provide external economies to induce investment in industrial and agricultural sectors of the economy.

These economies will be helpful for widening the size of the market, reducing the cost of production and increasing the social marginal productivity of investment. Here it must be remembered that projects of social marginal productivity should wisely be selected keeping in view its practical implication.

1.3 Theme for the FY 2019/20: '*Bolstering Investment for Shared Prosperity*'

The focus of the County Government is to steer the county forward towards wealth creation and building an economically prosperous county. This will be done within a properly sustainable fiscal framework that emphasizes value addition, financial reengineering and the blue economy. Riding on the enormous resources and potential that the county has in Agriculture, Tourism, Sports, Energy, Minerals, Forestry, and favorable weather conditions, investment will be mobilized to target high impact growth areas. The approach to shared prosperity will be three-fold:

(a) Investing in the social pillar, particularly universal health coverage; affordable housing; education and training; sports, culture and the arts; environmental protection, water and sanitation; empowerment of women, youth and the vulnerable populations; strengthening frameworks for devolution of services; enhanced governance and the rule of law as well as improving HIV/AIDS and climate change responses.

(b) Investing in the economic pillar, particularly agricultural transformation; tourism and entertainment; trade and Business Processes Outsourcing; financial services and the blue economy.

(c) Compensating for deficiencies in private investment through public investment in industrial parks and manufacturing as well as improving the competitiveness of the county economy.

Addressing Priority Concerns

The 2018-2022 medium term priority of the County Government of Homa Bay remains to address the major challenges inherited from the 2013-2017 MTP period. These challenges remain, inter alia; low productivity and value addition in agriculture, inadequate energy and infrastructure, weak entrepreneurial culture and inadequate support to local businesses, inadequate access to portable water and essential health services, inadequate quality and equality in education, inadequate financial and human resources, and inadequate social facilities. Following the review of the County Integrated Development Plan, 2013-2017 and incorporation of Sustainable Development Goals as well as recent economic developments by Homa Bay County Government, it has become imperative that more resources are dedicated to completion of on-going capital projects.

The county remains focused on encouraging investments that have long term impact on job creation and income generation for the vast majority of the people in the county, especially the youth. Specifically, the county will focus on five core areas which are aligned to the 'Big 4 Agenda' outlined as; (i) developing, expanding and maintaining the county infrastructure including opening of road networks and housing units; (ii) achieving universal health care and improving county education; (iii) increasing water reticulation and distribution as well as environmental protection and access to clean and safe water for all; (iv) enhancing the protection and mainstreaming of the disadvantaged populations such the aged, youth, women and persons with disability; and (v) promotion of trade development, industrial growth and investment in the County.

Improving the Medium-Term Expenditure Process

As part of an effort to improve the MTEF process, the County will be focused on full adoption of results-based management through program-based budgeting, strengthening of budget execution and monitoring structures, cascading of IFMIS to all spending entities and promoting social accountability. Entrenching performance-based systems in the county will remain a priority of the current administration and therefore, budgetary allocations for the financial year 2019/20 shall be based on efficacy of proposed programmes, projects and activities. The proposed programmes, projects and activities will strictly be those that are linked to clearly specified objectives and targets set out in the CIDP 2018-2022 as well the as the national objectives captured in Kenya Vision 2030 and the draft Budget Policy Statement 2019.

Within the fiscal space provided, the County Government of Homa Bay will still strive to be more efficient in its investment decisions Greater fiscal discipline and careful alignment of resources towards key result areas will be emphasized. In particular, there will be a clear focus on better control of expenditure as well as operating within the core mandates of the County Government.

1.4 Linkage with BPS

The 2019 County Fiscal Strategy borrows from the National Government's 2019 Budget Policy Statement whose theme is 'Harnessing "The Big Four" Plan for Job Creation and Shared Prosperity'. The National Government has implemented various policies and structural reforms under the Economic Transformation Agenda to foster rapid social-economic transformation. The Transformation Agenda has been focused on five key pillars including: (i) creating conducive business environment; (ii) investing in sectoral transformation; (iii)infrastructure expansion; (iv) investing in quality and accessible social services; and (v) consolidating gains made in devolution. Significant achievements have been realized on all the five pillars.

The National Government has also identified four key strategic areas of focus over the next five years that will accelerate broad based economic growth. This will help in transforming the lives of the Kenyans. The strategic areas under '**The big Four**' Plan includes: (i) **Supporting value addition and raise the manufacturing sector's share of GDP to 15 percent by 2022.** This will accelerate economic growth, create jobs and reduce poverty index. (ii) **Focusing on initiatives that guarantee food security and improve nutrition to all Kenyans by 2022 through**; expansion of food production and supply, reduction of food prices to ensure affordability and support value addition in the food processing value chain; (iii) **Providing Universal Health Coverage** thereby guaranteeing quality and affordable healthcare to all Kenyans; and (iv) **Providing at least five hundred thousand (500,000) affordable housing to Kenyans by 2022,** hence improving living conditions for Kenyans.

The national development trends, together with renewed investors' confidence in the country, will accelerate growth prospects in the county by creating more jobs and investment opportunities. This will be made possible by downward trend in interest rates, continued stability of exchange rates and inflation, being contained at single digit, and with the continued fall of fuel prices globally. This will lead to creation of more assets hence sustainable growth and development from the national to the county level.

Despite the national macro-economic performance remaining strong in the face of headwinds from the global economic slowdown, the county is still experiencing development challenges which may derail the overall growth and development. Continued consumption of second-generation brews, inadequate and high cost of energy, inappropriate agricultural practices, undeveloped and poorly maintained road network and numerous litigations on the revenue administration laws continue to be the key obstacles to sustainable development in the county. In addition, the high and unsustainable recurrent expenditure, weak budget implementation and fiscal related challenges surrounding devolution, continue to constrain the county economy from achieving its full potential.

As part of the county effort to consolidate gains and unlock potential for shared Prosperity from devolution, public investments in the financial 2019/20 will be focused more on (1) Revitalize Agriculture sector and ensure food security and value; (2) Development of key infrastructure including construction of road networks to spur economic growth; (3) Promotion of health care through investing in quality and accessible health services; (4) Provision of safe, adequate and affordable water; (5) Improvement and upgrading education standards;(6) Improvement of County Governance;(7) Improvement of Information, Communication and Technology infrastructure and (8) Creating an enabling environment for trade, tourism & business activities.

1.5 Structure of the County Fiscal Strategy Paper 2019

The County Fiscal Strategy paper is structured in five chapters outlining the overview of the CFSP 2019, the fiscal and macro-economic framework, medium term expenditure Framework policies, budget priorities for the financial year 2019/20 and the fiscal responsibility of the Homa Bay County Government.

Chapter One: Overview of the Fiscal Strategy Paper

This chapter provides the rationale for preparation of the CFSP 2019, the theme of the CFSP 2019 highlighting the key focus area and strategies of the Homa Bay County Government and the linkage of the CFSP 2019 to the 2019 BPS outlining how the county Government priorities are in line with the National Governments theme of Harnessing "The Big Four" Plan for Job Creation and Shared Prosperity'.

Chapter Two: The Fiscal and Macro-Economic Framework

This chapter explains the recent global, regional, national and county economic development trends; the County fiscal performance outlining the overall County revenue and expenditure performance and sector based performance; Economic Outlook and Fiscal Prospects describing Kenya's and Homa Bay County's economic growth prospects for the FY 2019/20 and over the medium term; Risks to the economic outlook and measures the county government has put in place to deal with the risks; and Implications of the fiscal and macro-economic framework on the current budget going forward.

Chapter Three: Medium Term Expenditure Framework Policies

This chapter outlines the fiscal, economic development, social development, environmental health and safety, and governance and public administration policies that the Homa Bay County Government will use to guide investment decision to ensure achievement of the CFSP thematic areas.

Chapter Four: Budget Priorities for the Financial Year 2019/20

This chapter provides the expected Homa Bay County Government resource envelope and the priorities for each sector for the financial year 2019/20,

Chapter Five: Fiscal Responsibility Principles

This chapter outlines the County Government Fiscal responsibility principles as set out in the Public Finance Management (PFM) Act, the specific fiscal risks for the Homa Bay County Government and measures outlined to manage the risks.

CHAPTER TWO: THE FISCAL AND MACRO-ECONOMIC FRAMEWORK

2.1 Introduction

This chapter provides the discussions on economic performance and emerging issue likely to affect the outcome of national and county development goals. The County's performance is largely dependent on the formulation and implementation of prudent policies both nationally and county level with an aim to enhance service delivery. The county's performance will also depend highly on the country's economic performance.

2.2 Recent Economic Developments

Global and Regional Economic Developments

Global growth is projected to remain steady at 3.7 percent in 2018 and 2019 (Table 1.1). This leveling-off is driven by the recently announced trade measures, including the tariffs imposed on $200 billion of US imports from China, closure of output gaps in advanced economies, moderation in trade and investment, and a gradual tightening of financing conditions due to ongoing withdrawal of accommodative monetary policy in advanced economies. Global growth optimism is therefore constrained by rising trade tensions likely to have a negative impact on confidence, asset prices, global trade and investments.

Table 1: Global Economic Growth, Percent

Region/Country	Actual	Estimated	Projected
	2017	2018	2019
World	3.7	3.7	3.7
Advance Economies	2.3	2.4	2.1
Of which: USA	2.2	2.9	2.5
Emerging and Developing Economies	4.7	4.7	4.7
Of which: China	6.9	6.6	6.2

India	6.7	7.3	7.4
Sub-Saharan Africa	2.7	3.1	3.8
Of which: South Africa	1.3	0.8	1.4
Nigeria	0.8	1.9	2.3
EAC-5	5.3	5.9	6.3
Of which: Kenya	4.9	6.0*	6.2*

Source: October 2018 WEO; *Projections by the National Treasury

In advanced economies, growth is expected to pick up to 2.4 percent in 2018 up from 2.3 percent in 2017 mainly supported by strong fiscal stimulus in the USA. This growth is however constrained by a slowdown in economic growth in the Euro area and the United Kingdom due to declining global trade and industrial production. Growth is projected to ease to 2.1 percent in 2019 reflecting consequence of the trade war.

Among emerging markets and developing economies, growth is expected to stabilize at 4.7 percent in 2018 and 2019 reflecting offsetting developments as growth moderates to a sustainable pace in China, while it improves in India reflecting increased domestic demand. Higher oil prices have also lifted growth among fuel-exporting economies in sub-Saharan Africa and the Middle East.

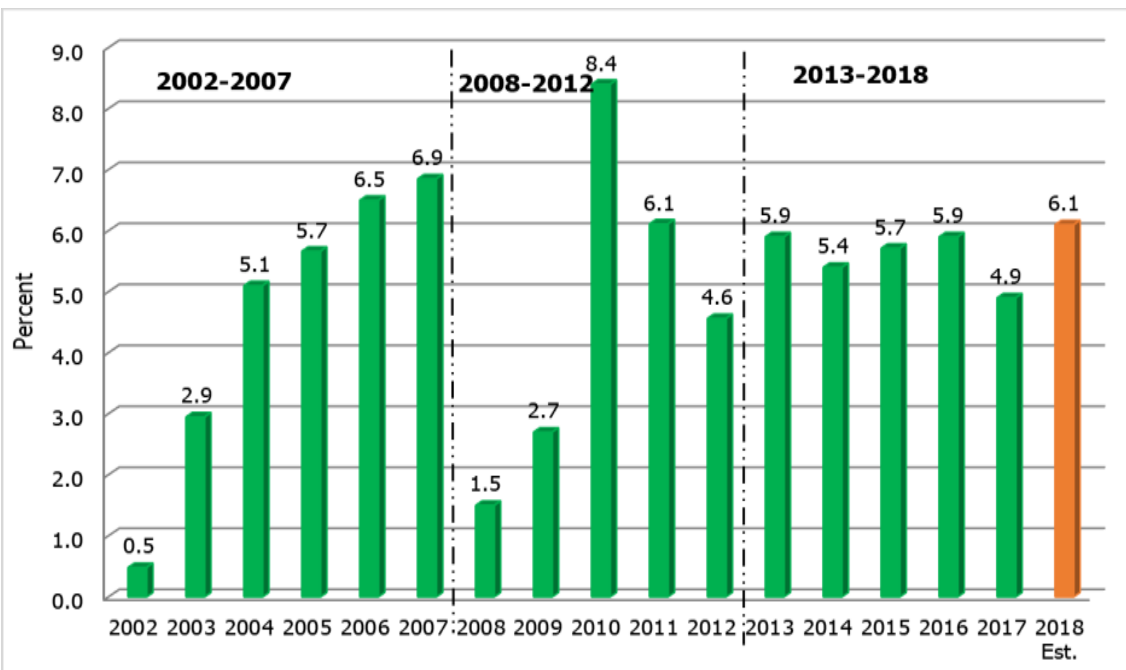
Growth prospects for sub-Saharan Africa continue to strengthen. Growth is expected to improve from 2.7 percent in 2017 to 3.1 percent in 2018 and further to 3.8 percent in 2019, supported by a stronger global growth, higher commodity prices, improved capital market access and contained fiscal imbalances in many countries. However, downside risks may arise from uncertainties in the run up to the 2019 general elections in South Africa.

Growth in the East African Community (EAC) region is estimated to rise to 5.9 percent in 2018 from 5.3 percent in 2017. This growth is driven by a rebound in agricultural activity on the backdrop of favorable weather conditions and a pickup in private sector credit growth. In 2019, economic growth is projected to increase to 6.3 percent supported by a stable macroeconomic environment, ongoing infrastructure investments, and strong private consumption.

Kenya's Economic Developments

Kenya's economic growth has remained strong and resilient even under emerging global challenges, supported by strong public and private sector investment and appropriate economic and financial policies. The broad-based economic growth has averaged 5.6 percent for the last five years outperforming the average growth rate of 4.7 percent in the period 2008 to 2012 and 4.6 percent in the period 2002 to 2007.

Table 2: Trends in Kenya's Economic Growth Rates



Source of data: Kenya National Bureau of Statistics

The economy grew by 6.0 percent in the third quarter of 2018 and 6.2 percent in the second quarter of 2018 up from 5.8 percent in the first quarter of 2018, averaging 6.0 percent in the first three quarters of 2018. Growth is projected at 6.0 percent in 2018 up from 4.9 percent in 2017, which is in line with the 2018 National Budget Review and Outlook Paper (BROP) projection.

The economy is estimated to grow by 6.0 percent in 2018 up from 4.9 percent in 2017 and further to 6.2 percent in 2019. Growth continues to be supported by strong agricultural and manufacturing activities underpinned by favorable weather conditions, strong service sector, stable macroeconomic environment, ongoing public infrastructural investments and sustained business confidence.

The value of goods and services produced raised Per Capita Income from KSh. 113,539 in 2013 to an estimated KSh, 190,521 in 2018, a 67.8 percent increase. This enabled generation of around 840,000 new jobs per year in the period 2013-2018 up from 656,500 new jobs per year in the period 2008-2012.

Homa Bay County's Economic Developments

Homa Bay County operates within the global and national economic framework with the economic dynamics at the global and national level impacting directly and indirectly on the county's economic development. The county depends heavily on national government transfers to grow its economy thus any exogenous shocks greatly affect the county economy. Positive correlation between economic growth and national revenue implies transfers from national government to counties are directly affected by economic parameters. This is the same at the county level where economic growth also affects the internal revenue generated by the county.

The broad-based economic growth of Homa Bay County has averaged 5.6 percent for the last five years (2013 to 2017) with the County contributing 1.4 percent to Kenya's aggregate expansion over the period. Table 3 below captures the growth trajectory for Homa Bay over the last 5 years.

Table 3: County Share of Gross County Product, 2013-2017

County Share of GCP 2013-2017	2013	2014	2015	2016	2017	Average 2013-2017
County Share of GCP (% of National)	1.4	1.4	1.4	1.5	1.5	1.4
Gross County Product (in KSh. Million)	42,127	44,836	46,557	49,630	51,811	46,992
Per Capita GCP in Current Prices	56,040	65,008	74,007	85,930	99,227	76,042
Per Capita GCP in Constant Prices	39,989	41,609	42,252	44,066	45,019	42,587

Over the period, the greatest contribution to growth in the Gross County Product came from agriculture, education and health while the least contribution came from professional, technical and support services, manufacturing, electricity supply, accommodation and food supplies, and construction. Table 4 below illustrates the contribution by activity to the Gross County Product of 2017.

Table 4: Contribution to Gross County Product by Economic Activity, 2017

Economic Activity (Contributing in given Prices (P))	GCP (2017) Current P	GCP (2017) Constant P	Percentage Contribution
Agriculture, forestry and fishing	68,247	21,187	2.4
Mining and quarrying	426	354	0.7
Manufacturing	532	381	0.1
Electricity supply	486	277	0.3
Water supply and waste collection	764	434	1.4
Construction	1,818	1,004	0.4
Wholesale and retail trade; motor vehicles repair	3,934	2,148	0.6
Transport and storage	5,708	2,557	1.0
Accommodation and food supplies	161	110	0.3

Information and communication	719	1,293	0.7
Financial and insurance services	4,779	2,090	0.8
Real estate activities	4,584	3,067	0.8
Professional, technical and support services	4	3	0.0
Public administration and defense	6,844	3,592	2.1
Education	10,744	10,490	3.4
Human health and social work activities	2,783	1,682	2.2
Other service activities	2,289	1,414	2.5
FISIM1	(624)	(272)	0.3
Total	**114,198**	**51,811**	**1.5**

During the year 2018, Homa Bay county's GCP expansion was slowed down by the uncertainty surrounding the pending court case on gubernatorial election and repeated industrial unrest by health practitioners. However, the situation is expected to improve over the medium term as the country's political stability begins to yield fruits in the light of the Supreme Court ruling that upheld the victory of the incumbent Governor, H. E. Hon. Cyprian Awiti. The Governor has moved with speed to forestall the persistent industrial unrests and trigger implementation of the framework for improved service delivery.

The expected level of growth in Homa Bay County will be supported by increased production in agriculture and infrastructure, especially roads, water and energy. The improved investment climate is being brought about by promotion and marketing of the county through investment forums. On-going investments in trade, education, health services and social protection are also expected to contribute to the county's growth. In collaboration with a number of development partners, the county is keen on enhancing contract farming, clustered rural enterprises and value addition with a view to reaching all potential markets.

The county government has also aligned its programs and projects with both international and national plans. This will help attract investments from both the Development Partners and National Government through the implementation of Sustainable Development Goals and the National Government's Big Four Agenda.

Inflation Rate

Inflation has been low, stable and within the Government target range of 5+/-2.5 percent in the period 2013 to 2018 (averaging 6.4 percent) as a result of prudent monetary and fiscal policies (Chart 1.3). The inflationary pressure witnessed in 2017 due to drought that affected food prices eased in 2018 supported by improved weather conditions that resulted in lower food prices.

Month-on-month overall inflation remained stable and within target at 5.7 percent in December 2018 from 5.6 percent in November 2018, owing to a decline in food prices particularly maize, onions and tomatoes following improved weather conditions and a decline in energy prices following lower costs in prices of electricity and diesel. However, overall Inflation increased from 4.5 percent in December 2017 to 5.7 percent in December 2018 on account of an increase in international oil prices.

Kenya Shilling Exchange Rate

The Kenya Shilling exchange rate remained broadly stable and competitive against major international currencies. Against the dollar, the exchange rate has been relatively less volatile exchanging at Kshs. 102.3 in December 2018 from Kshs. 103.1 in December 2017. Against the Euro and the Sterling pound, the Shilling also strengthened to Kshs. 116.4 and Kshs. 129.7 in December 2018 from Kshs. 122.0 and Kshs. 138.2 in December 2017, respectively.

Implication of National Economic Fundamentals on the County Aggregates

The broad national parameters outlined in the National Budget Policy Statement have implications on the development process of the county. The prevailing macroeconomic stability in the country is necessary to create conducive environment for private sector investments as a basis for sustained economic growth, and ultimately, expanded economic opportunities and poverty reduction in the county.

Exchange rate fluctuations also affect the county processes with currency devaluation making imports more expensive. Interest rates affect the cost of local borrowing while inflation changes the costs of goods and services and may affect their affordability as per existing plans.

As a source of external funding at the National level, remittance inflows into the country impact the economy of a nation from an individual level by augmenting the recipient's income which will in turn lead to reduced poverty levels. The remittances also increase the credit worthiness of a country to the international markets for financing which alleviates credit constraints and also act as a substitute for financial development. These remittances trickle down to Homa Bay County due to a number of its residents in the diaspora who have continued to maintain strong ties and bonds with family members.

2.3 County Fiscal Performance

Budget execution started on a slow note in the first quarter of the FY 2018/19 due to delay in approval of the budget by the Homa Bay County Assembly and subsequent delay in release of approved funds from the exchequer. Thus, although implementation of the FY 2018/19 budget is on course, performance is lagging behind targets. In the first six months of the year i.e. Q1 and Q2, revenues collection was below target as occasioned by heightened political pressures due to uncertainty on the outcome of the ongoing gubernatorial election court case. Now that the court case has been determined and the incumbent has retained his seat, business and consumer confidence is on the rebound.

2.3.1 Revenue Performance

The FY 2018/19 fiscal framework assumed a timely exchequer release of Equitable Share from the National Treasury as well as achievement of revenue collection targets from the local sources.

Total cumulative revenue including A-I-A for the first half of the FY 2018/19 amounted to KSh. 2,387,970,065.35 against a revenue target of KShs. 3,866,043,452.50. This translated to a 38.2% shortfall in projected revenue. Local revenue collection for the first half of the 2018/19 FY stood at KSh.67,833,942 against a target of KSh.86,498,209, representing a shortfall of KShs.18,664,267(21.6%) in local revenue collection. The shortfall in own source revenue collection was as a result of the under-performance in all revenue streams especially rates, cess and parking fees.

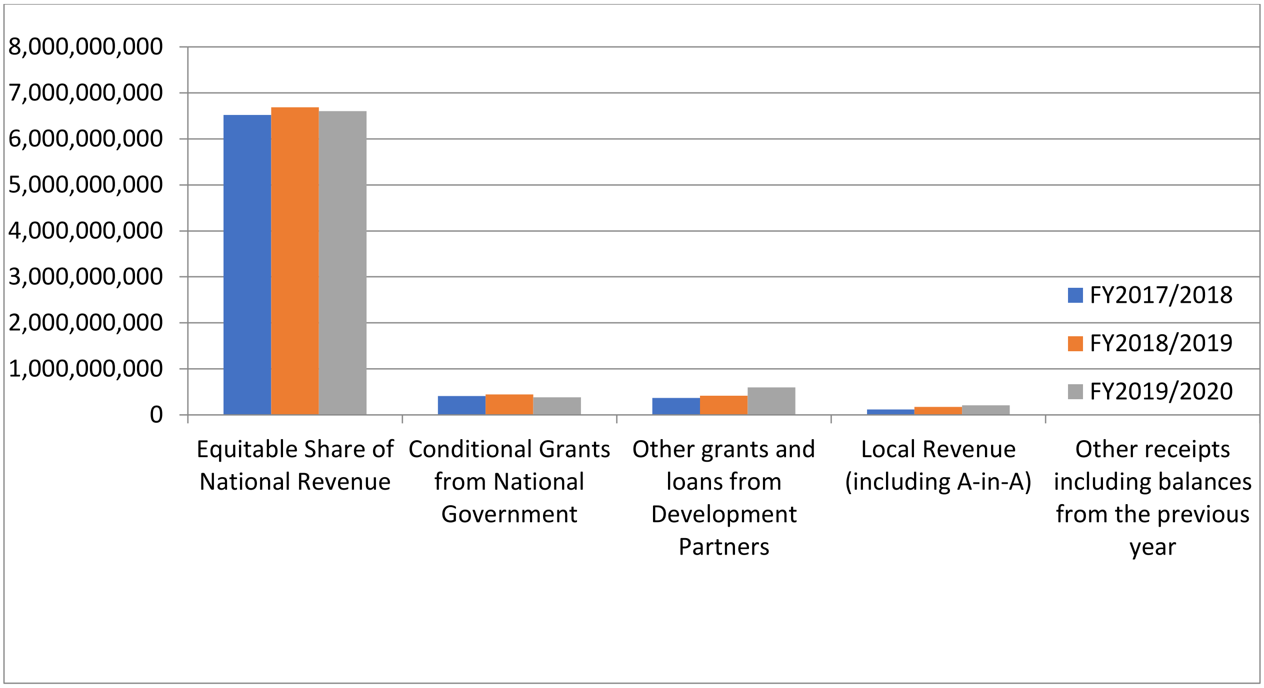
The County has continued to experience delayed release of funds from the exchequer, with only KShs.2,320,136,1233.35 having been received against a target of KSh.3,779,545,243.50 as at end of December 2018. This translated into a shortfall of KSh. 1,459,409,120 both for equitable share funds and grants (38.6%).

Table 5: Trends in Revenue for FYs 2017/18, 2018/19 and 2019/20

Nature of Revenue	**FY2017/2018**	**FY2018/2019**	**FY2019/2020**
Equitable Share of National Revenue	6,523,200,000	6,688,200,000	6,603,000,000
Conditional Grants from National Government	410,994,282	444,854,827	380,624,069
Other grants and loans from Development Partners	367,659,083	416,987,531	599,711,663
Local Revenue (including A-in-A)	118,664,278	172,996,417	207,501,524
Other receipts including balances from the previous years	188,67,027	-	-
Total Revenue	**7,513,427,989**	**7,723,038,775**	**7,790,927,256**

Source: County Treasury

Figure 1: Revenue Trends



Source: County Treasury

The Figure above depicts revenue trends for FYs 2017/18 to 2019/20 for the various revenue sources.

2.3.2 Expenditure Performance

The financial objectives were aimed at containing non-priority and unproductive recurrent expenditure and focusing more on capital expenditure so as to achieve fiscal balance over the medium term.

Total expenditure in the first half of the FY 2018/19 amounted to KShs. 2,130,309,911.90 against a revised target for the year of KShs. 3,254,010,621.00 representing an under spending of KShs.1,123,700,709.10 for the period. Recurrent expenditure in the first half of the financial year amounted to KShs.1,827,564,574.90 against a target of KShs.2,034,813,317.00 for the period. This represented a KShs.207,248,742.10 shortfall compared to the projections for the period. Development expenditure in the same period was only KShs.302,745,337.00 compared to a target of KShs.1,219,197,304.00 for the same period. This represented an under-spending of KShs.916,451,967.00 for the period.

The Treasury proposes to revise the 2018/19 budget upwards to KShs. 8,467,339,450 through a supplementary paper in order to accommodate unspent balances from FY 2017/18 that were carried forward, in addition to additional funds provided for in the County Revenue Allocation Act, 2018.

Table 6: Projected Expenditure by Classification, 2018/2019-2020/2021 (in Kenya Shillings)

Nature of Expenditure	Approved FY2017/2018	Approved FY2018/2019	Revised FY2018/2019	Projected FY2019/2020	Projected FY2020/2021
Recurrent	5,059,555,517	5,298,004,600	5,341,432,089	5,192,457,322	5,778,512,087
Development	2,453,872,472	2,425,034,175	3,125,907,361	2,598,469,934	2,950,358,135
Total Expenditure	**7,513,427,989**	**7,723,038,775**	**8,467,339450**	**7,790,927,256**	**8,728,870,222**

Source: County Treasury

2.4 Economic Outlook and Fiscal Prospects

Kenya's economic growth prospects for the FY 2019/20 and over the medium term take into account the global and sub-Saharan Africa growth prospects, the emerging global challenges and the domestic risks. The projections accommodate the strategic objectives of the Government as outlined in the Third Medium Term Plan (2018-2022) of Vision 2030.

Real GDP is projected to expand by 6.1 percent in FY 2018/2019, 6.2 percent in FY 2019/2020, 6.4 percent in FY 2020/21 and 7.0 percent by FY 2022/23. This growth will be supported by a pickup in agricultural and manufacturing activities underpinned by improved weather conditions, strong service sector, stable macroeconomic environment, ongoing public infrastructural investments and sustained business and consumer confidence.

The outlook, therefore points to a continued coordination of monetary and fiscal policies for overall macroeconomic stability which will support robust growth, lower fiscal deficits, contain inflation within the target range and a gradual improvement in the current account balance. 61. In addition, measures being undertaken by the Government under “The Big Four” Plan to boost the manufacturing sector; enhance food security and nutrition; build affordable housing; and achieve Universal Health Coverage are expected to enhance growth, create jobs and promote inclusive growth.

Inflation is currently within the Government’s target range largely due to lower food prices and muted demand-driven inflationary pressures. It is expected to remain within target in the medium term mainly due to expected lower food prices reflecting favorable weather conditions, the decline in international oil prices, and the recent downward revision in electricity tariffs. The recent excise tax adjustment on voice calls and internet services is expected to have a marginal impact on inflation. Interest rates are expected to remain low and stable over the medium term supported by improved liquidity conditions, and the proposed fiscal consolidation.

Kenya’s external position is projected to strengthen over the medium term supported by a narrower current account deficit. The narrowing of the current account deficit is largely due to increased exports of tea and horticulture, increased diaspora remittances, strong receipts from tourism, increased foreign direct investment in infrastructure and lower imports of food and SGR-related equipment relative to 2017. It is expected to narrow further to 5.2 percent of GDP in 2018 from 6.3 percent in 2017.

The Government policies aim at supporting the fiscal consolidation agenda which will bolster debt sustainability position and give flexibility for counter cyclical fiscal policy interventions whenever appropriate. The programme targets to achieve a fiscal deficit including grants of 3.0 percent of GDP by FY 2022/23 down from the projected 6.3 percent of GDP in FY 2018/19. This is in line with the EAC convergence ceiling of 3.0 percent of GDP.

2.5 Risks to the Economic Outlook

This macroeconomic outlook is not without risks. Risks from the global economies relates to: (i) Trade tensions among major advanced economies regarding imposition of tariffs on selected imports by the United States from its main trading partners particularly China, and likely retaliatory measures; (ii) The prolonged uncertainty regarding Brexit negotiations and financial market volatility resulting from uncoordinated and abrupt monetary policy normalization; and (iii) Noneconomic factors such as political uncertainties and geopolitics in the Middle East and some countries in the sub-Saharan Africa region.

Domestically, the national economy will continue to be exposed to risks arising from adverse weather conditions until the mitigating measures of food security under "The Big Four" Plan are put in place. Additional risks could emanate from public expenditure pressures especially recurrent expenditures.

At the county level, the economy is exposed to risks including public expenditure pressures especially recurrent expenditures including wages and personnel benefits which have continued to limit funding for development expenditure. Occurrence of adverse weather conditions could also affect agricultural production and infrastructural developments thus undermining the growth outlook.

The County Government is also subject to general developments and specific events outside its control that may cause its fiscal outturns to differ from its forecasts in this fiscal strategy paper. First, estimates and projections of revenue are subject to a number of general risks that can affect revenue collections both at national and county levels. These risks include failure of the tax system to keep pace with changes in the business environment, tax avoidance, court decisions, KRA rulings and the outcome of compliance programmes. These pressures may undermine revenue collection and exchequer releases to the County Government. Major inflation, high import commodity prices, high exchange rates and limited grants from the national government and overseas development partners could also undermine the purchasing power of the county government.

There are also a number of fiscal risks that may affect the expenditure estimates and projections of the County Government. In particular, demand driven programmes, which form the bulk of the County Government's expenses, can fluctuate significantly with economic and social conditions. Such unforeseen expenses include a huge increase in contingent liabilities such as the requirement to settle liabilities inherited from the local authorities (legal claims) and potential natural disasters.

The County Government of Homa Bay however remains focused on putting in place preventive measures to ensure the fiscal outturn is as desired and, revenue and expenditure returns are as planned. The County government will monitor the above risks and undertake appropriate measures to safeguard against these risks should they materialize.

2.6 Key Achievements and Budget Implications

From the FY 2018/19 onwards, implementation of the county budget is expected to progress well. Requisite measures have been taken to ensure the county focuses more on development projects so that on-going priority programmes are fully implemented before new capital projects are initiated. Implementation of such priority programmes will be better tracked and fed back periodically through the County Integrated Monitoring and Evaluation System (CIMES).

Over the MTEF period 2015/16 to 2017/18, a number of programmes and sub-programmes have been implemented with reasonable success. These achievements have impacted and will continue to impact economic growth and overall progress of the county. Some will have impact on the budget choices being made per sector as follows:

Agriculture and Rural Development

Some of the key achievements by Agriculture, Livestock and Fisheries sub sector included; established 100 acres sorghum model farms, established 100 acres maize model farms, established 50 acres watermelon model farms, established 20 acres of tissue culture banana and 50 acres ground nuts and sunflower model farms established, 1 show and one exhibition held, over 7000 farmers reached with agricultural and entrepreneurial information, 40 commercial fruit tree nurseries established, 40 households harvesting runoff water in small water pans and using it for vegetable production, 1 produce storage facility constructed in Kigoto sub county, 20 engines (40 HP) procured and operational, 100 patrol missions undertaken, breeding areas demarcated and marked, 133 BMU committees trained, 250 BMU committees supervised, 200 ponds constructed, 400 fish farming inputs subsidized, 1 fisheries day held, 3 toilets constructed and operational, 1 auction center completed, 5 hectares of land banked for waste disposal and management 200 ponds constructed, 400 fish farming inputs subsidized, 57 dairy goats distributed to farmers, 60 dairy goats procured for multiplication Centre, 37 poultry procured and kept by farmers, 800 beehives kept by farmers, 6,000 doses of semen, 1200 litres of liquid nitrogen, 1 slaughter house completed, 35,000 FMD doses 27100 Blanthraxdoses, 25000 LSD, ECF vaccine 2000 doses, Rabies vaccine-2000 doses.

Under Livestock and Fisheries, poultry production and income from poultry farming has more than doubled since 320 chicken incubators were distributed to women and youth enterprise groups across the county. Construction of modern livestock slaughter house in Homa Bay town has improved hygiene conditions and quality of livestock products thus improving earnings from livestock product sales. The department has also intensified vector and animal disease control leading to improved livestock health and increased earnings from livestock sales. Furthermore, farmed fish production has expanded significantly since 160 No. fish ponds were constructed and stocked as part of strategy to promote fish farming and ease pressure on Lake Victoria. Cage fish farming has steadily grown in the County and currently there are 23 cage farms with a total of 662 cages Production of farmed fish has increased significantly thereby improving food security. Through a partnership with two private companies, the County will be able to produce fingerlings locally and roll out extensive cage fishing along high potential beaches of Homa Bay County. Improved regulation of capture fisheries through enhanced surveillance of capture fisheries and protection of fish breeding sites will improve fish production from Lake Victoria. Value addition initiatives have improved county food security and enhanced peoples' standard of living.

Under Lands, and Physical Planning, land use has been improved in the county even as preparation of the county spatial plan is ongoing. The continued investment in land banking for various investment projects such as County Headquarter, Gor Mahia Stadium, Animal Feeds and Sweet Potatoes Processing Plants has made it much easier to attract investment under PPP and enforce land use provisions. Significantly, 1055 acres of land was acquired in Riwa for the establishment of a special economic zone. Already, 5 No. parcels of public land across the county including Oriang Estate, County Headquarters and Kabondo parcels have also been fenced for land banking purposes. Equally, Rangwe market has been surveyed and partially demarcated thereby improving trade, sanitation and revenue collection. Moreover, accelerated titling of lands is being facilitated including the reparcellation of Kakelo Kamroth from which around 1,700 title deeds have been issued thereby improving the availability of land as an economic asset against which up to 16,000 locals can access credit.

Under Housing and urban development sub department, Residential and office accommodation for staff has been improved significantly since 76 county staff houses were renovated and an office for the department of trade was constructed. Local knowledge on the built environment is being improved significantly with the Appropriate Building Technology center that has be set up in Ndhiwa awaiting equipping. The Local Physical

Development Plan for Rangwe Town has been completed as well as an inventory of all public lands thereby enhancing land management in the county.

Energy, Infrastructure and ICT

Under the energy and mining, security has been enhanced and trading hours extended in 300 market centers and streets across the county with the installation of over 1,020 solar lights in 40 wards and installation of street lights in major estates of Homa Bay town including Makongeni, Shauri Yako and Sofia. Stability and reliability of power supply has been significantly improved with the help of KPL through BORESHA UMEME Programme, resulting in reduced power outages and interruptions across the Southern Nyanza Region. Power supply to about 780 additional primary schools through partnership with REA and KPL has improved learning outcomes in the schools while life chances have improved in the over 8,000 households and institutions (hospitals, beaches, boreholes etc) that have been connected to electricity, increasing connectivity from 3% in 2013 to the current 19. The county's environmental health and standard of living has also been improved what with improved uptake of alternative low-cost clean energy technologies as a substitute for fossil-based fuel with the help of Non-Governmental Organizations.

Under the department of Roads, Transport and Infrastructure, the county has been opened up significantly for business using own equipment either inherited from National Government or those acquired by the County Government. Over the las three years, the sub-sector has acquired four (4) Motor graders and received another One (1) Motor grader, three(3) Rollers and One(1)Excavator as donations. Within the FY 2017/18, the road network has been improved with four (4) Single span bridges built and up to 300km graded and graveled. In collaboration with the Kenya Airports Authority, Kabunde airport is being further upgraded including expansion of the 1.2Km runway. The airport is today fully operational with daily flights between Homabay and Nairobi thereby opening up the county for business and improving the economy of the county.

Under ICT, there has been increased access to computers and reduced printing costs due to the establishment of a digital printing facility and an ICT innovation center in Homa Bay Town. Equally, government processes have been made very efficient and accurate at the County Treasury and Office of the Governor where offices have been networked and enabled to benefit from the national fiber-optic infrastructure. Largely the Internet connectivity and developed communication systems have ensured efficiency and effectiveness in service delivery to citizens and increased transparency and accountability in financial management.

General Economic and Commercial Affairs

Under Trade, Industry, Cooperatives and Enterprise Development, the knowledge base and capacity of small businesses has been expanded with over 144 small-scale traders having been trained and provided with loans. Trading has also been stimulated, income improved and poverty levels reduced through distribution of 1,014 assorted ESP equipment including water pumps, car washing machines, welding machines, brick-making machines and salon equipment among over 2,000 vulnerable women and youths.

The overall trading environment is also being improved with Oyugis market being upgraded in partnership with the National Government and Nyakwere market also being upraded through partership between the UN Habitat and the County Government. It is expected that farm incomes and rural employment will be enhanced once processing plants are completed for potatoes in Kabondo, animal feeds at Arujo, cotton at Riwa and Kendu Bay, maize at Kigoto and cassava at Oluso,Rangwe. Direct investments into the county are also expected to increase leading to greater employment and improved incomes for the local population once the 32 MoUs signed during the investment conference are executed and with the operationalization of the Homa Bay County Investments Coorperation Act. The County initiatives have improved access to better market environment, increased business hours, increased revenue sources and improved access to cheap business credit.

Under Tourism, the profile of Homa Bay County has been raised as the county has continued to hold and participate in Piny Luo Cultural and Tourism festival and other events such as the Kenya County Miss Tourism pageantries which have served to improve the image of the county thereby attracting tourists and supporting the local community. Already, various tourist attraction sites across the county have been profiled and successfully branded including the Tom Mboya Mausoleum in Rusinga Island which has been fenced and marketed as a serious cultural and tourism attraction center; the Oyugis Bird Sanctuary has been successfully mapped and fenced; Lake Simbi Nyaima has been successfully mapped and beacons placed for fencing; the Old Homa Bay Pier has been fenced and a guardhouse constructed; and 3 No. 2-door PIT latrines have been constructed at Ukoe Beach, Luore Beach and Magina Centres.

Health Services

Under health, the burden of HIV/AIDS and other diseases has been reduced as a result of investments in 309 more personnel, additional comprehensive care centers and improved public health and sanitation. In fact, HIV prevalence has decreased marginally from 27% in 2013 to 25% in 2017. The sector has also been able to procure drugs and non-pharms for all gazzetted health facilities(260), recruit 711 additional health personnel; the county constructed modern maternity wards in Ndhiwa, Rangwe and Kendu Bay sub county hospitals; renovated part of County referral hospital, establish 1 satellite MTCs in Oyugis; procure digitized medical equipment including renal and dialysis machines, x-rays, CT scan and ultra-sound machines; constructed 5 staff houses, constructed 4 general wards, purchased 7 fully equipped ambulances in collaboration with partners, purchased 2 hospital generators, established 14 WASH facilities in the county. The sector has also established green energy (solar energy) in 11 facilities with the support of partners. Delivery in health facilities has improved from 47% to 56%. Maternal mortality rate has declined from 673 to 583 per 100,000 live births while under five mortality rates has declined from 170 to 130 per 1,000 live births.

As part of promoting healthy living and preventing chronic diseases, a comprehensive County Community Health Strategy has been implemented with 2147 CHWs being recruited in the process across 243 Community Units to emphasize household health beyond clinical care. Output-based approaches in reproductive health are also being implemented and, the County Health Master Plan is being taken seriously.

Education

Under education, the county has attained a near-56 percent increase in enrolment to record 79,858 pupils at ECD centers following the recruitment of 40 ECD supervisors and 1,319 ECDE teachers who have been deployed to the 878 ECD centers in the county. The teacher-child ratio in the county's ECDE centers has reduced drastically thereby improving learning outcomes and the contact time between pupils and teachers. The County Government has also managed to recruit 120 VTC instructors to its 27 vocational Training Centers and supplied 1,800 water purifiers to ensure clean water to 409 ECDE schools across the county through partnership with the Replenish and Vestagard International Project based in the US.

The County also established 1 ECDE centre of excellence by UNICEF and WASH and Sanitation Programme carried out in 100 ECDE centers by partners. Bursary worth 190 million has also been issued to needy students of the county. In terms of infrastructure, 312 No ECDE classrooms (23 by county and 289 by partners i.e. EE, Plan International), 2 innovation centers at Homa bay and Mbita. 1 boys hostels at Sero VTC as well as 2 new classrooms at Rang'i VTC and 1 No. Twin workshop at Kotora VTC have been completed. Equally 17No VTCs have been supplied with tools and equipment worth KSh. 8 million.

The Sector has also collaborated with UNICEF to build and equip 1 model ECDE centre at Arunda ECDE Centre. Another partnership with Kenya Italian Development Programmed

(KIDDP) has led to the supply of tools and equipment to 3 Vocational Training Centers namely; Waondo, Nyagwethe and Mfangano. The same partnership has also sponsored instructors for various courses at KTTC. A partnership with Stichting Gered Gereedschap from Netherlands saw the supply of tools and equipment to Oriwo, Jwelu, Sibuor and Omiro VTCs.

Another milestone in the sector has been the establishment of Tom Mboya University College which has already opened its door to the second batch of students. Space for university education has been enhanced in the county and the college is expected to continue stimulating the economy of Homa Bay Town through employment, demand for services and linkages with the local industry.

Over-rally there has been an increased access to quality education and training. Enrollment rates in both ECDE and County polytechnics have tremendously increased as a result of the improved infrastructure, staffing and tuition fees subsidization.

Public Administration and Government Relations

Under Finance, public management of county financial resources have been improved and the necessary framework established for sustained economic growth of the county. Financial transactions are now being efficiently tracked through the full adoption of the Integrated Financial Management System (IFMIS) complete with all modules such as e-procurement. All the financial operations of the County Government are now housed at the County Treasury.

Under Planning, Budgeting and Service Delivery, all the requisite county strategic and development plan have been prepared as well as the estimates of revenue and expenditure for all the years. Office accommodation for the county planning function at Homa Bay has been enhanced with the construction of the new treasury block and the renovation of the

County Planning Unit. Tendering process is underway to construct 16No. new revenue stores and construct the Mbita Planning Office.

Under the County Executive Services, the framework for the operationalization of all government functions have been put in place and office accommodation improved since the Old Municipal Building housing the Governor's Office was renovated, re-roofed, extended, furnished and equipped with all the relevant systems. Security of county assets in the compound has been enhanced since a complete perimeter wall, a guard house and a stand-by generator were provided. At the field administration level, office accommodation has been enhanced through construction of 4 No. new sub-county offices and renovation of 3 No. old sub-county offices. Equally, government reception has been enhanced since the residences of the Governor and the Deputy Governor were renovated. and offices installed with various ICT and security equipment. Overall, service delivery has been improved significantly since all the relevant offices were created, housed and filled with able personnel including 10 CEC members; 10 Chief Officers; 7 members of the County Public Service Board, 8 Sub-County Administrators and 39 Ward Administrators.
The implemented projects above have also led to coordinated efforts and smooth implementation of county projects and programmes.

Under the County Assembly, the framework for representation, oversight and legislation has been put in place fully and all developed regulations have provided a legal framework for operationalization of respective county functions, relevant offices have been established, accommodated and operationalized with 74 staff who were recruited at the head-quarter and 120 staff placed at the wards. Already, all the 18 No. priority bills have been enacted for the complete operationalization of the County Government. On the infrastructure front alone, the main assembly hall and all its offices, conference and committee rooms have been modernized and equipped. All systems including for water and sewerage, ICT as wells burglar-proof windows and doors; and a high perimeter fencing complete with modern parking lot have been put in place.

Social Protection, Culture and Recreation

Under the department of Sports and Culture, Homa Bay County has been put on the map of cultural tourism by facilitating Kochia Kagan Dancers and other troupes for cultural exchanges to several places including to Washing DC for the Smithsonian festival. Suba and Luo cultural festivals as well as councils of elders have also been facilitated including the annual cultural festival at Rusinga.

Local sports talents are being developed and exposed through facilitation of county leagues for football (men & women), volleyball (men & women) and net ball. The 10-a-side rugby tournaments have also been facilitated to popularize the sport and tap local talents as is gymnastic sports such as Tae Kwon Do. Already, county representatives in karate and Paralympics continue to post good results in international competitions.

As part promoting sport as a professional undertaking and a source of income, over 40 community playgrounds have been upgraded across all the 40 wards. Specifically, the Homa Bay County Stadium is being upgraded with the ablution block, changing rooms and fencing almost complete. Largely the County has improved the livelihood of the disadvantaged members of the society, increased the participation of youths in development activities and nurtured already identified talents.

The county social protection policy has been developed and approved by the Assembly to guide all measures to alleviate suffering for vulnerable households. It is expected that cash transfers and other social benefits to older persons and members of other vulnerable groups will begin to flow effective 2018/19 financial year.

Environmental Protection, Water and Natural Resources

Under Water and Sanitation, many more initiatives of the Sector have led to a clean and secure environment, reduced prevalence of waterborne diseases and improved access to water hence enhanced productivity. 85 No. new boreholes have been sunk and 45 No.

equipped. 18 No. additional water pans have been rehabilitated and 20 No. springs protected to reduce water wastage and improve safety of water available to local households. 4 No water supplies are under Public Private Partnership. Ultimately, number of households with access to clean water has been increased from 68,884 to 75,772 representing 10 per cent improvement. Equally, the household average distance to water points is at 3 Km.

As part of a campaign to step up environmental conservation and improve forest cover, over 50,000 seedlings have been distributed and planted across the county especially around the known water towers. Tree planting and re-afforestation initiatives have been prioritized also as part of natural resource management as is the modernization of urban sewerage systems especially the Homa Bay Sewerage and Water Supply which is being supported through a strategic partnership with the World Bank and LVEMP II.

CHAPTER THREE: MEDIUM TERM EXPENDITURE FRAMEWORK

3.1 Introduction

This chapter is focused on the policies that underpin the annual, rolling three-year expenditure plan of the County Government. It captures the principles of action that set out the sector priorities and constraints against which sector budgets are formulated and refined.

3.2 Fiscal Policies

The County Government of Homa Bay has a duty to use government revenue collection and expenditure to influence the local macro-economic conditions, including economic growth, aggregate demand and employment in the County. For Homa Bay, the budget is focused over the medium term on achieving full employment, economic growth and price stabilization for local products even though price stabilization remains largely in the domain of the National Government through its tools of economic policy.

The County Fiscal Framework is aligned to the National Government's fiscal stance which is aimed at striking an appropriate balance between stimulating economic growth at the County and a balanced fiscal policy. It aims at supporting rapid investment and effective delivery of public goods and services in an effective and sustainable manner. It stresses prudent fiscal policy to reinforce County Government's commitment to responsible financial management practices as outlined in the Public Finance Management Act 2012. In addition, the county fiscal policy objective will provide an avenue to support economic activities while allowing for implementation of the programmes in the CIDP sustainably.

In an effort to boost local revenue mobilization, the County Government has instituted a combination of policy and administrative reforms to bolster revenue yields going forward. These efforts are expected to reverse the revenue losses experienced in the recent past where local revenues have declined from KSh. 191M FY 2015/16 to KShs. 108M in FY 2017/18. Measures are in place to automate revenue collections, enforce all fiscal policies and cover all revenue streams such as land rates and service charges. The county will continue to hire and train more staff to improve their capacity geared towards promotion of efficiency and accountability. Emphasis will continue to be put on;

i. Ensuring resources allocated are adequate and used efficiently;
ii. Improving revenue collection and funding only priority expenditures; and
iii. Scaling up external support and direct investment

Embedded in this policy is the aim to continue containing the growth of recurrent expenditures in favor of capital investment so as to promote sustainable and inclusive growth. The county will continue reorienting expenditure towards those priority programmes outlined in County's Integrated Development Plan and as identified in public consultative forums. The critical programmes to be implemented are expected to accelerate economic activities and socio-economic development.

3.2.1 Revenue Policy

The full realization of local revenue targets has continued to be hampered by weak revenue collection systems, non-optimal collection in major revenue streams, leakages in the system due to inadequate internal controls and undercharging in some areas. The County Government of Homa Bay is therefore reviewing its measures and working on a raft of approaches towards improving revenue performance. Some of the measures already considered include modernizing revenue administration to widen tax base, improving billing and collections, optimizing prices charged for services offered and using county assets to make money.

The county government remains intent on augmenting revenue collection through an automated system. A revenue entity will be created to reengineer procedures with emphasis on risk control, integrated management, and development of intelligence and simplification of payment procedures. Reforms to rationalize exemptions and incentive structures shall also be put in place through necessary objective criteria for granting waivers. The county will review the A.I.A policy to allow departments to retain part of the funds collected for internal use, in order to improve A.I.A collection. Also, a regular review of fees and charges through the finance bill will be carried out on a timely basis.

The County Government will continue directing its effort towards formulation of additional revenue laws and policies to underpin revenue measures, especially those that will further operationalize and fully enable the Finance Act, 2019. The resource mobilization unit will also be strengthened so that the County Treasury will be better able to tap into Public Private Partnerships, performance grants and CRA allocations with respect to fiscal discipline. Equally, revenue management will still be streamlined through introduction of performance contracting, redeployment, rotation and capacity building of revenue staff.

3.2.2 Expenditure Policy

The County government remains committed to ensuring prudent application of public resources for maximum returns to the public. The focus on restructuring expenditure in favor of capital improvement, especially development of infrastructure and implementation of flagship projects identified in the sectoral plans and the CIDP (2018-2022) remain priority. Recurrent expenditure will therefore be structured to decrease over time by working on reduction of the wage bill, reduction on stock of pending bills, and reduction of transfers and subsidies that undermine efficiency of county entities and the private sector.

Additional effort is being made to reign in on recurrent and non-essential spending. The County Government of Homa Bay will continue directing its efforts towards rolling out leasing across departments and, where purchases will be required, enforcing bulk purchasing to reduce costs; restricting foreign travel to essential ones with limited number of staff and controlled use of business class; restricting the use of hired cars and the number of county officials travelling around Kenya; prudently managing consultancy services; and centralizing advertising with a view to better manage cost.

As part of County effort to improve absorption of development funds, allocation to development projects has been restricted to those projects that meet the minimum preparation criteria. Development projects to be included in the budget will only those that satisfy the criteria provided. These will include, inter alia:

(i) Proof that public land already registered in the name of the county exists for the proposed project;
(ii) All the necessary approvals from NEMA, WARMA or any other government agency responsible for compliance had been obtained for the project;
(iii) A comprehensive site plan indicating where the proposed projects will be placed on the wider plan; and
(iv) Detailed designs and Bills of Quantities for the proposed project which form the basis for any costing (allocation of funds) for the project.

3.2.3 Debts and Deficit Financing Policy

The National Government policy stance is that county expenditures be limited to county estimates which should be commensurate with local revenue collections, share of the national revenue and revenue from other sources. Consequently, the County Government of Homa Bay will be seeking to operationalize a balanced budget.

If it becomes apparent that the County Government must borrow to meet some unforeseen budget obligations, such borrowing will strictly be used to finance emergency and critical expenditure whose internal rate of return is reasonable enough to justify the resultant debt position. Borrowing will be done from domestic sources and within the provisions of the fiscal responsibility principles highlighted in section 107 of the PFM Act and PFM regulation no. 25.

Borrowing would be undertaken upon careful and critical analysis of the financial position and capability of the county in repaying the incurred debt. Such a borrowing will be approved by the county assembly and guaranteed by the national government.

The borrowing plan has to be anchored in the medium-term County Government Debt Management Strategy Paper which is focused on ensuring public debt sustainability. This includes being able to make timely payment of creditors; undertake debt audit and establish a debt management unit; establishment of a savings plan; and regular reporting.

As part of the county strategy for avoiding deficit financing altogether, the immediate focus is on improving revenue collection as well as containing recurrent expenditures. This will be attained through administrative and legislative reforms aimed at enhancing resource mobilization, improving efficiency in government expenditure and reducing wastages.

3.3 Fiscal Sustainability

The County Government of Homa Bay's fiscal stance is focused on keeping its current spending, revenue raising and borrowing measures at a level that's sustainable over the long run. This means at all times, the planned expenditure will be reconciled with projected revenues so that should there be any fiscal gap, adjustment measures will be aimed at the reigning fiscal policy.

Effort will be made to continually examine the fiscal balances of the County Government of Homa Bay. This way, risks of defaults in paying what is owed may be better managed as adjustments of the right magnitude can be made in the light of early warning received. In fact, the County Government of Homa Bay will strive to ensure compliance with the fiscal responsibility principles as set out in the Public Financial Management (PFM) Act, 2012, to ensure prudency and transparency in the management of public resources.

In managing the county government's public finances, the County Treasury will continue to enforce the following fiscal responsibility principles:

f) Ensuring the county government's recurrent expenditure shall not exceed the county government's total revenue;
g) Ensuring that, over the medium term, a minimum of thirty percent (30%) of the county government's budget shall be allocated to the development expenditure;
h) Ensuring the county government's expenditure on wages and benefits for its public officers shall not exceed a percentage (35%) of the county government's total revenue (excluding revenue that accrue from extractive natural resources including oil and coal);
i) Ensuring the government's borrowings are used only for the purpose of financing development expenditure and not for recurrent expenditure;
j) Maintaining the county debt at a sustainable level as approved by county assembly, including:

- Restricting short term borrowing to the management of cash flows at a level not exceeding five percent of the most recent audited county government revenue;
- Ensuring the county public debt never exceeds twenty (20%) percent of the county government total revenue at any one time; and
- Ensuring the county annual fiscal primary balance shall be consistent with the debt target in the preceding paragraph.

(f) Managing the fiscal risks of the County Government prudently; and
(g) Ensuring 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.

Where the county government will not be able to achieve some of the requirement, the County Executive Committee member for finance shall prepare and submit a responsibility statement to the County Assembly explaining the reasons for the deviation and provide a plan on how to ensure annual actual expenditure outturns as wells as the medium-term allocation comply with the provisions of section 107(2)(a) of the Act and these regulations in the subsequent year; and the compliance plan above shall be binding and the County Executive Committee member for finance shall ensure implementation.

3.4 Harnessing the 'Big Four' Agenda

The County Government of Homa Bay is taking steps to support the implementation of various policies and programmes aligned to each of the big four pillars with a view to accelerating and sustaining inclusive growth, creating opportunities for productive jobs, reducing poverty and income inequality and providing a better future for all citizens. The four pillars include:

(i) Supporting job creation by increasing value addition and raising the manufacturing sector's share to the Gross County Product;
(ii) Focusing on initiatives that guarantee food security and nutrition to all citizens within Homa Bay;
(iii) Providing universal health coverage thereby guaranteeing quality and affordable healthcare to all citizens within Homa Bay; and
(iv) Supporting construction of at least two thousand (2,000) affordable new houses in the County.

The County Government will strive to create an enabling environment that attracts investments in "The Big Four" programmes. Under manufacturing, the County Government will work closely with National Government on development of industrial infrastructures such as Export Processing Zones, Special Economic Zones and Industrial Parks across the country including establishment of a modern industrial park at Riwa. Under agriculture and food security, effort will be directed at increasing food production, boosting smallholder productivity, and reducing post-harvest losses and the cost of food.

Towards making universal health coverage a reality, the County Government of Homa Bay will allocate at least KSh. 30 million annually for recruiting 5,000 poorest households in the County to take up cover under NHIF. It is expected that the representative sample of 2,000 households covered today will generate the required feedback to guide the countywide rollout of the universal health programme. On housing, the County Government will leverage the benefits of Kenya Mortgage Refinance Company (KMRC) to address funding constraints hindering the growth of the primary mortgage market and reducing the funding cost of residential mortgages and availability of housing finance in the county.

The County Government of Homa Bay will seek to leverage the financing of "The Big Four" Plan programmes, by engaging the National Government as well as the private sector players and development partners. Significant progress is expected to be made in this respect, with private sector and development partners coming on board to fund Big Four projects and programmes.

3.5 Economic Development Policies

The County Government of Homa Bay is focused on instituting measures to expand Gross County Product. Consequently, investment effort will be channeled towards improving the macro-economic conditions; improving the competitiveness of local businesses and markets; and increasing spending on public goods such as education, transport and health care. Effort will also be enhanced towards export promotion and diversification from agriculture to manufacturing and services.

3.5.1 Ensuring a Conducive Business Environment

As part of measures to encourage the development of the private sector, the County Government of Homa Bay commits itself to reigning in on burdensome regulation, revenue leakages and cost of doing business. Even county enterprises will be given the profit incentive to cut costs and aim for greater efficiency. Ultimately, the objective is to promote competition and help create incentives for businesses to keep their costs down.

One challenge for the County Government has been to effectively tax and collect what it ought to collect as revenue. It is imperative that revenue generation will remain critical to meeting county needs for public spending. Therefore, steps are being taken to improve revenue collection without undermining the attractiveness of the county to investment.

In the financial year 2019/20, the County Government will continue to focus on sustaining a conducive business environment by maintaining macroeconomic stability, supporting business regulatory reforms, and enhancing security so as to attract and encourage investment and job creation.

3.5.2 Diversifying from Agriculture and Investing in Infrastructure

The County Government of Homa Bay recognizes that production of primary products limits its economic development due to the finite nature, price volatility and low-income elasticity of demand for such commodities. Therefore, the County Government is focused on encouraging new industries in different sectors, such as manufacturing, tourism and entertainment.

County efforts at diversifying from agriculture will require smart, targeted investments in infrastructure. For this reason, the County Government will continue to invest heavily in new roads, jetties, power stations, and ICT. Expanding infrastructure will support the achievement of "The Big Four" Plan and in turn ensure that Kenyans enjoy the benefits of expanded infrastructure facilities.

Access to stable, reliable and affordable energy supply is critical to uplifting the welfare of Kenyans, enhancing productivity of businesses and accelerating the realization of "The Big Four" Plan. In this regard, priority will be placed on increasing the energy mix through exploiting locally available energy sources including the vast potential of renewable energy. In addition, the Government will continue to invest in increasing access to electricity through providing matching funds for connecting institutions and poor households to electricity, especially under the rural electrification programme.

3.5.3 Leveraging Science, Technology and Innovation

As Kenya moves to the next level of a knowledge-based economy, county residents and institutions will need to further develop capabilities in the areas of science, technology and innovation. Leading in this drive, and with the goal of increasing access to and reducing cost of information by all Kenyans, the County Government will work with the National Government to spearhead major ICT investments including the expansion of Fibre Optic Network to all sub-counties to facilitate access to reliable high-speed networks and support e-Government service and innovation among local businesses.

Building on the progress made in ICT, the Government is keen on positioning the County of Homa Bay to reap the most out of the global digital revolution. To this end, the County Government will set up a mechanism to explore and invest in Blockchain and Internet of Things (IoT) technologies that will accelerate adoption of digital innovation trends.

3.6 Social Development Policies

The County Government of Homa Bay is intent on instituting measures to shape the distribution of and access to goods and resources available in the Kenyan society. Consequently, investment effort will be focused on creating an inclusive society where each individual has rights and responsibilities regardless of economic status, social status, disability, culture or religion. Use will be made of fiscal policy, wage policies and a social protection system to integrate all sections of the society into the social and economic mainstream.

In the financial year 2019/20, the County Government will allocate resources and establish structures required to properly prepare the disadvantaged populations to take their places in education, sports, culture and job creation. It will also strive to protect the rights of the disadvantaged and take additional measures to help them overcome obstacles they face in their daily lives, including recruitment into specialized social and health care services.

The County Government will continue to invest in quality and relevant education, scale up social safety nets and support initiatives that empower youth, women and persons with disabilities. In particular, they shall be equipped with the required skills for effective participation in the economy. Labor laws will also be reviewed to respond to their issues and challenges in the labor market.

3.6.1 Improving Access to Quality Education and Health Care

The County Government of Homa Bay will continue to invest in expanding access to quality early year's education and improving the outcomes of our vocational training centers. Previous investments have seen increased enrolment, improved institutional administration and teacher-development. With the free primary and day secondary education, the County Government is focused on a hundred percent transition from ECD through to secondary school. Support will therefore be fully granted to the National Government on curriculum reforms, especially in view of the transition to a competency-based curriculum effective in pre-primary I and II and Grades 1, 2 and 3. There is belief that the new curriculum will further develop the competencies and hone quality and relevant skills for the next generation of innovators, entrepreneurs and labor force in Homa Bay County.

Under the Universal Health Access Initiative (UHAI), the County Government is focused on providing health care and financial protection to all citizens of Homa Bay. Here, the idea is to make quality health care affordable to all people and this required improved health system financing and funding from the exchequer. Equally, as the first point of contact with the health system, primary health care will have to be made more affordable and accessible through: (i) using CHUs to reach patients with information on where and when to go for treatment; (ii) using a medical curriculum that places greater attention on physicians to develop holistic understanding of their service areas; (iii) making available funding; and (iv) capacity strengthening in health generally, including recruiting more physicians and clinical staff. Ultimately, UHAI will be associated with reduced morbidity, lower mortality and optimal resource utilization that lead to better health outcomes.

3.6.2 Empowering Youth, Women and Persons with Disability

Homa Bay County's gravest and most pressing challenge remains dependency and youth unemployment. It is imperative that all young people are drawn into productive employment. The County Government of Homa Bay is intent on working in partnership with businesses, organized labor and community representatives, to have young people exposed to the world of work through internships, apprenticeships, mentorship and entrepreneurship. In particular, the County Government will work on and implement an 'Inua Talanta' Programmed that provides platforms for wide exposure and recognition of local talents.

To further support National Government affirmative action Initiatives such as Uwezo Fund, Women Enterprise Fund, the County Government will set aside additional funds to support enterprises owned by the youth, women and persons with disabilities. The County Government will also continue to avail the 30 percent preferential access to Government Procurement Opportunities. Further, The Government will continue to create a conducive environment for micro, Small and Medium Size Enterprises (SMSEs) to thrive as they are the pillar to create jobs for our youth and women.

In recognition that social grants remain a vital lifeline for millions of people living in poverty, the County Government will also take additional steps to provide care for and enhance livelihood support for the disadvantaged persons to enable them enjoy the fruits of Kenya's economic success. Going forward, the County Government will invest at least 0.3 percent of its GCP on social protection through cash transfer programmes to the vulnerable groups.

3.6.3 Developing Culture, Sports and Recreational Facilities

The County Government of Homa Bay is singularly focused on supporting sports development, local culture promotion activities, nurturing of talents and arts, and preservation of national heritage and cultural identity. Great progress is being made in some areas including the KShs. 250 million allocations for the augmentation and modernization of the County Stadium. In addition, the County Government is in the process of establishing a sports development framework which will enhance sports training. Going forward, the Government will construct and rehabilitate more playing fields, promote sports tourism, increase international cooperation in sports and develop an international convention center and sports museum.

To further promote arts and culture, the County Government will establish County Heritage and Community Cultural Centers that will develop youth potential and nurture their talents in music, arts and theatres. The Government will also ensure documentation, preservation and dissemination of music and dance heritage of the local populations, promote talent in music and dance, empower artists and cultural practitioners.

3.7 Environmental Health, Safety and Sustainability Policies

The County Government of Homa Bay is committed to providing safe and healthy spaces in the County. This involves prevention of illnesses and injuries occasioned by accidents such as from fire breaks or system failures; human errors; or environmental risks, hazards and other forms of vulnerabilities.

In the financial year 2019/20, the County Government will be insistent on compliance with all applicable environmental health and safety laws and regulations. This will require creating awareness of the issues as well as the policy, legal and regulatory regimes in place at both levels of government. It will also mean identifying and using well the requisite instruments for effective environmental governance.

The County Government of Homa Bay will remain committed to the county's planned environmental management programme and work towards creating synergy among the various actors in the sub-sector. It will also develop the requisite information packages to aid good decision making with respect screening of project proposals, establishment of targets and costing of the relevant environmental safeguards. Indeed, the County's concept of economic development marries ecology with the economy.

3.7.1 Sustainable Management of Land and other Natural Resources

Sustainable management of land is vital for the attainment of the County's Blue Prints from 2018-2022. Notwithstanding, land remains susceptible to increasing population pressure, environment pollution, and climate change. For this reason, the County Government will invest in smart policies and programs covering land allocation and use. This way, the scope for enhanced food and nutrition security, growth in investments and industries and increased household incomes from agriculture will be improved.

3.7.2 Environment and Climate Change Management

The County Government of Homa Bay remains committed to the provision of a clean, secure and sustainable environment for all its citizens. To enhance environmental sustainability, the County Government will continue to implement a Green Economy Strategy. The focus will be on conservation and management of forest, wildlife resources, water catchments and management of wetlands, water resources management, increase access to water and sanitation and mitigation and adaptation of the effects of climate change. There will also be continuous monitoring, compliance enforcement and stakeholders' engagement on the total ban on use, manufacture and importation of plastic bags.

3.7.3 Disaster Prevention and Mitigation

The County Government of Homa Bay recognizes that the ultimate purpose of emergency management is to save lives, preserve the environment and protect property and the economy. The County's emergency management system therefore comprises all the four interdependent risk-based functions: prevention/mitigation, preparedness, response and recovery.

As part of disaster, a number of measures are pipelined ranging from structural to non-structural (e.g. land use zoning). Care has been taken to incorporate measurement and assessment of the evolving risk environment. In the Financial year 2019/2020, funding and efforts in risk reduction will be focused on all the key result areas including hazard mapping, adoption and enforcement of land use and zoning practices, implementing and enforcing building codes, mapping of flood plains, raising of homes in flood-prone areas, disaster mitigation public awareness programs and where possible, insurance programs.

The ultimate aim of the investments will be to eliminate or reduce the impacts and risks of hazards through proactive measures taken before emergencies or disasters occur. One of the County's signature investments in disaster mitigation will be the Floodway at Miriu. Building of that Floodway is expected to be a joint undertaking between the National and County Government to protect the people of Kobala and Kobuya and to reduce the impact of flooding in around Miriu. It is estimated to cost upwards of KSh, 280 million to build the requisite infrastructure especially.

3.8 Governance and Public Administration Policies

The County Government of Homa Bay is focused on meaningful government to public problems. It seeks to have its institutions, organizations, and the public interact within effective governance structures. This would ensure citizens, governing institutions and organized interests are benefiting sufficiently from investments made.

A number of codes and principles of action are embedded within the County Government, its activities, and the behavior of administrative agencies and officials in the conduct of county government. In the performance of County Government functions, county officials are therefore expected to abide by those codes and principles. They include being participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive, and following the rule of law.

3.8.1 Improving Governance and Integrity

Good governance means being responsive to the present and future needs of the county, exercising prudence in policy-setting and decision-making, and taking into account the best interests of all stakeholders. Whereas good governance is an ideal which is difficult to achieve in its totality, county government officials are expected to be well-intentioned enough to bring their ideas, experiences, preferences and other human strengths to positively impact the people of Homa Bay.

The County Government of Homa Bay has put in place various mechanisms for improving governance and integrity in the County. Specifically;

(i) There will be fair legal frameworks that are enforced by impartial regulatory bodies, for the full protection of all stakeholders.

(ii) Information shall be provided in easily understandable forms and media; made freely available and directly accessible to those who will be affected by governance policies and practices, as well as the outcomes resulting there from; and that any decisions taken and their enforcement are in compliance with established rules and regulations.

(iii) County organizations and their processes shall be designed to serve the best interests of stakeholders within a reasonable timeframe.

(iv) Public consultations shall be undertaken to help understand the different interests of stakeholders in order to reach a broad consensus of what is in the best interest of the entire county and how this can be achieved in a sustainable and prudent manner.

(v) All stakeholders shall be provided with the opportunity to maintain, enhance, or generally improve their well-being.

(vi) All processes implemented by the County Government shall be to produce favorable results, to meet the needs of its stakeholders, while making the best use of resources – human, technological, financial, natural and environmental – at its disposal.

(vii) The County Government shall be accountable to those who will be affected by its decisions or actions as well as the applicable rules of law.

(viii) There shall be participation by both men and women, either directly or through legitimate representatives, this participation shall be informed and organized, including freedom of expression and assiduous concern for the best interests of the County of Homa Bay.

The County Government of Homa Bay will continue supporting the National Government efforts to scale up the fight against corruption. It will do this by implementing the various legal, policy and institutional measures meant to seal the loopholes used to embezzle public funds. It will also instill good governance practices and help recover corruptly acquired assets. Going forward, the County Government will continue to support civic education, transparency and accountability and the rule of law in all county government operations.

3.8.2 Enhancing Service Delivery

The greatest challenge for the County Public Service is to provide quality government services to people living within the county jurisdiction, either directly or by financing provision of services by other organizations. Consequently, a number of measures for improvement are being attempted including employee rationalization and results-based management. Through the '*Results for Kenya'* framework, effort is being made to enhance performance efficiency in all government ministries, departments and agencies. It also means trying to reverse the negative image of the public service.

The County Government of Homa Bay recognizes that it needs transformation, particularly attitude change of civil servants especially now that the Constitution has opened space for citizens' participation in public policy process. Despite the challenges of staffing capacity, lack of the time or resources to divert efforts towards capacity building, and inadequate funding in general, the County Government must prioritize employees having tools that enable them to carry out their jobs effectively while also tracking the metrics that matter most for service delivery.

More often than not, the public know clearly want from their public services. They want their expectations met, they want government staff they deal with to be competent and to keep their promises, they want to be treated fairly and have their individual circumstances taken into account. They also want the service to be good value for money spent. Consequently, the County Government of Homa Bay has undertaken to be putting public resources where they matter most in improving service delivery. Specifically;

i) The right people will be selected for county jobs so that front line staff are people who want to help, have good people skills and are solutions focused.

ii) County staff will be adequately trained on how to deal with the publics. Training will cover how to greet and treat customers with politeness and respect, how to determine people's needs, how to deal with difficult citizens and how to treat each citizen as an individual.

iii) Accounting Officers will make certain their staff have the knowledge and experience to meet citizen needs. This means staffs are well trained across the range of service enquiries they will receive, and that adequate back up is in place when an unexpected or more complicated situation occurs.

iv) Spending entities will be expected to set and monitor service standards so that staffs know what is expected of them and the public are aware of the standards they can expect to receive.

v) Spending entities will be expected to set up a transparent and open complaints process and to ensure citizens know about it. Complaints need to be investigated promptly and customers kept fully informed of the process and when they can expect a response.

vi) Spending entities will be expected to make citizens who patronize their premises or services to feel they have been listened to and not treated like a number. What matters most is the actual service experience rather than the outcome.

vii) Spending entities will be expected to improve in the area of taking individual circumstances into account. They need to enable staff to exercise some flexibility and discretion around processes.

It has been determined that trust in public service is strongly influenced by media reports and anecdotal accounts as well as stereotypes of the public services from media influencers and local opinion leaders. This makes trust difficult to earn. However, people often trust when a good job is done and they feel they were treated fairly. To improve trust, therefore, spending entities should continue to work on strengthening performance in all areas.

Whereas the entire public may not aware that public services have to meet standards for integrity and conduct, all MDAs will be required to make these standards more visible so that the public can hold staff accountable to them. Finally, to improve levels of trust, it is important that *visible* action is taken promptly to address breaches when they are discovered

3.8.3 Entrenching Fiscal Reforms

Full implementation of the County Integrated Development Plan hinges on prudent management of the available public resources. As such, the County Government will continue to strengthen expenditure control and improve the efficiency of public spending through public financial management reforms.

In particular, the County Government will continue to curtail resources going to lower-priority areas using the criteria established in this strategy and existing legal regimes. A lot of resources will be directed to support critical sectors such as health, water, education, infrastructure, energy and industrialization.

To improve project selection, budgeting and management, project proposals will be pipelined within the new framework for public investment where only priority projects are selected and implemented on time and within budget. The pipelining process will be automated to ensure operational effectiveness of the public investment management workflow. The recently adopted PIM guidelines will be applied.

Of interest, projects that have received financing will be required to adhere to budget and timelines for delivering the expected outputs. Monitoring and evaluation of projects will therefore be key in ensuring that service delivery is improved, value for money is realized, and lessons documented to improve future policy.

The public procurement process will also be revamped, in order to effectively and efficiently manage public resources as provided for in the Constitution. Already, guidelines have been issued to all Government entities, requiring all Accounting Officers of MDAs to publish and publicize all procurement contracts on their websites, the State portal and tender notice boards.

Going forward, the County Government will continue to fast-track consideration of reports on budget implementation, audited accounts of the County Government and County Corporations; expansion of automation of public service delivery systems; digitization of all payments for public services; review of revenue frameworks to ensure predictable, fairer and transparent tax collection. These activities will go a long way in entrenching good governance in our institutions and ensuring accountability of public resources

CHAPTER FOUR: BUDGET PRIORITIES FOR THE FY 2019/2020

4.1 Introduction

This Chapter outlines what the County Government of Homa Bay expects to receive in the form of revenue and how it will be allocated among the sectors based on programmes, projects and activities that they have sequenced for investment. Programmes and projects sequenced ahead of others should be those that are:

- Captured in the CIDP and other planning documents and fall within the mandate of the County and the spending entity prioritizing it;
- Already prepared for implementation in terms of availability of land, compliance certificates, site plans, detailed designs and bills of quantities;
- Likely to make the largest possible contribution towards achieving the broad county objectives of economic growth, employment creation, eradication of poverty and hunger and capital accumulation;
- Having a proper results framework complete with clear and desired outputs, outcomes and impacts;
- Feasible and can be implemented cost-effectively within set timelines; and are
- Having benefits that can be sustained by the benefitting communities without unending reference to receiving new county government resources for their maintenance.

The Medium-Term Budget 2019/20 – 2021/22 will largely support the o-ngoing priorities for the achievement set objectives taking into account: (i) Responsible management of public resources; (ii) Building a resilient, more productive and competitive green economy; (iii) Delivering better public services within a tight fiscal environment; and (iv) The need to deepen governance, anti-corruption and public financial management reforms to guarantee transparency, accountability and efficiency in public spending.

4.1. Resource Envelope

In the FY 2019/20, revenue collection including Appropriation-in-Aid (A.I.A) is projected to increase to KSh. 7,790,927,256 up from KSh. 7,732,086,904 initially projected for the FY 2018/19. This insignificant revenue growth was attributed to decreased allocation to counties and previously poor performance in own source revenue. Equitable share is expected to decrease from KSh. 6,688,200,000 (FY 2018/19) to KSh. 6,603,000,000 for the FY 2019/20. Conditional grants from National Government are expected to decline from KSh. 444,854,827 to KSh. 380,624,069 while conditional grants and loans from development partners are expected to increase from KSh. 425,935,827 to KSh. 599,711,663. The strong emphasis on own-source revenue (OSR) in the FY 2019/20 is expected to grow it from KSh. 172,996,417 to KSh. 207,591,524.

Reflecting the medium-term expenditure framework trends, the table 8 below provides the expected revenue inflow and expenditure over the MTEF period 2018/19-2020/21.

Table 8: Expected Revenue Inflow over the Medium Term.

Nature of Revenue	FY2018/2019 Printed Estimates	FY2019/2020 Projected Estimates
Equitable Share of National Revenue	6,688,200,000	6,603,000,000
Conditional Grants from National Government	444,854,827	380,624,069
Other grants and loans (from Development Partners)	425,935,827	599,711,663
Local Revenue (including A-in-A)	172,996,417	207,591,524
Expected Gross Revenue Inflow	**7,732,086,904**	**7,790,927,256**

The Treasury proposes to revise the FY 2018/19 budget upwards to KSh. 8,467,339,450 through a supplementary paper in order to accommodate unspent balances from FY 2017/18 that were carried forward, in addition to additional funds provided for in the County Revenue Allocation Act, 2018.

4.3 Expenditure Priorities by Sector

Allocation and utilization of resources in the medium term will be guided by the priorities outlined in the County Integrated Development Plan (CIDP 2018-2022), Fiscal Strategy Paper (FSP) and other county plans; and in accordance with section 107 of the PFM Act 2012. The county government will prioritize expenditures within the overall sector ceilings and strategic sector priorities drawn from the county goals included in the CIDP 2018-2022.

The medium term expenditure framework will focus on, (1) Improving macroeconomic balance by developing a consistent and realistic resource framework; (2) Improving the allocation of resources to strategic priorities between and within sectors; (3) Increasing commitment to predictability of both policy and funding so that departments can plan ahead and programs can be sustained; and (4) Providing spending units with a hard budget constraint and increased autonomy, thereby increasing incentives for efficient and effective use of funds.

Based on the Medium-Term Framework, the County Government of Homa Bay will continue focusing on;

- Improving both health and education outcomes by focusing on accessibility, affordability and quality. This will be enhanced by construction, rehabilitation and equipping of additional facilities; operationalization of a community strategy, support towards continuous professional improvements and provision of essential supplies.
- Improving infrastructure including roads, energy, ICT and safe water for the residents of Homa Bay. The allocation to the sector is expected to continue rising over the medium term.
- Enhancing agricultural productivity and output; increasing livestock production and productivity; improving management, conservation, control and development of fisheries; urban and rural development controls; creating a conducive environment for business and investment; and promoting selected industrial clusters around key agriculture, livestock and fisheries' products.
- Improving the social welfare, particularly of the youth, women and persons with disability while at the same time investing in the promotion of local tourism, culture and sports with a view to increasing earnings from the sports, culture and the arts sector.

4.3.1 Agriculture, Rural and Urban Development Sector

The Sector plays a key role in the development agenda of the country through enhancing food and nutrition security; employment and wealth creation; foreign exchange earnings; security of land tenure and land management. In 2017, it is estimated that the Sector contributed more than 60 percent of the GCP valued added to Homa Bay through linkages with manufacturing, distribution and other service-related sectors

Agriculture and Food Security

The ARUD sector comprises of two sub-sectors of agriculture, livestock, fisheries and food security and lands, housing and urban development**.** In the FY 2019/20, the key priority areas for the sector will include; creation of an enabling environment for county specific agricultural development, increasing agricultural productivity and outputs for food security as well as improving the livelihoods of the residents of Homa Bay County. In addition, the sector seeks to promote markets, credit and input access and uptake in order to spur the culture of entrepreneurship. This subsector is expected to receive an allocation of KSh. 266,534,284 towards achieving its key priority areas.

In the FY 2019/20, the sub-sector will focus on projects including; mapping and promoting only high-potential enterprises based on the local agro-ecological conditions; continued investment in agricultural mechanization through purchases of tractors; improvement of agricultural extension services through employment of more extension officers and acquisition of motor bikes; completion of the post-harvest handling facility at Kigoto and other on farm storage facilities; continued sensitization of farmers on post-harvest handling to reduce post-harvest losses; application of contemporary science and technology including mobile platforms, lead farmers initiatives, FFSs, apprenticeships, field days & exhibitions; Promoting harvesting of run-off water.

Similarly, the sub-sector will begin initial works on the proposed Agricultural Training Center; promotion of traditional high value crops through seed multiplication/bulking sites establishment; support to commercial fruit tree nurseries establishment; construction of office blocks as well as construction of perimeter wall round the show ground.

Livestock and Fisheries Resources Development

In the medium term, the departments of Livestock and Fisheries have prioritized the following projects for allocation and utilization of resources: purchase of patrol boats for surveillance and control of illegal fishing; construction and procurement of fish landing site facilities, construction and stocking of fish ponds and fish cages and supply of farmed fish feeds and fish harvesting nets. The sub department will also prioritize, dairy development, clean milk production and marketing, sheep and goat production through breed improvement, upgrading of the local animals through provision of artificial insemination services, livestock disease and vector control, and promotion of apiculture through modern bee hives. There will also be support to extension delivery by employment of additional livestock extension personnel at the ward level.

In the next FY 2019/20, the focus of the sub-sector will be directed at promoting farmed fish production and improving capture fisheries management through having 4 lake surveillance equipment procured and operationalized, conducting 80 monitoring control and surveillance missions in conjunction with the Beach Management Units (BMUs), procuring 30 landing site assets to reduce post-harvest loss of fish, formulating 1 species management plan and sensitizing 400 fishermen with modern fishing activities on co-management; increasing farmed fish production and productivity by establishing and operationalizing 80 fish ponds, rehabilitate 80 fish ponds, establish 16 model fish farms used to transfer crop production technologies to farmers targeting 400 fish farmers.

The department of Livestock will undertake and continue with the following key priority areas over the medium term: increase livestock productivity (in terms of milk production) and production by inseminating 2,000 animals; improve goat and sheep genetic pool to ensure 200 farmers own better breeds; increase honey production by providing 1,000 modern bee hives and increasing the number of bee handling kits to 1,000 farmers from 200 farmers; promoting 4 Climate Smart Agriculture technologies and practices for adoption by the value chain actors; ensure livestock infrastructure development by improving 2 slaughter houses and improving 3 livestock auction rings and finally to improve livestock health and product qualities by reducing livestock disease burden.

Lands, Housing and Urban Development

The main objective for lands and physical planning sub-sector is to provide a spatial framework that would guide, develop, administer and manage lands and its activities within the County.

For the FY 2019/20 budget, the sub-sector expects KSh. 195,102,230 and will continue focusing on the following areas under Lands and Physical Planning: Preparation of County Spatial and Physical development plans; Preparation of part development plans; Completion of inventory of public lands; Site surveys as well as completion of random checks for various adjudication sections to facilitate land registration process; and lastly, surveying and demarcation of markets.

In the medium-term, however, the sub-sector is focused on a number of key priorities, including: Improving the living standard of the people by developing low cost housing under PPP; Promoting adoption of local, appropriate and innovative building Materials technologies (ABMTs); Continuing the implementation of the Symbio-city project at Mbita; Improving urban institutional management and development programme under Kenya Urban Support Programme; and Slum upgrading at Shauri Yako and Makongeni in Homa Bay Town.

4.3.2 Energy, Infrastructure and ICT Sector

The Sector aims to sustain and expand cost-effective public utility infrastructure facilities and services in the areas of energy, maritime, transport, petroleum, ICT in line with the priorities in the Constitution of Kenya and the CIDP. Sustaining and expanding physical infrastructure is also geared towards the realization of “The Big Four” Plan.

Energy Sub-Sector

The core mandate of the energy sub-sector is to optimize power supply in Homa Bay County, so as to improve on its sufficiency and reliability; to promote alternative sources of energy and; to regulate and control the construction minerals industry. In order to achieve this mandate, the energy sub-sector is projected to receive KSh. 79,231,936 in the FY 2019/20 which will be focused on the following priorities; expanding access to energy through rural electrification and connectivity, improving power supply stability, implementing energy efficiency programs, facilitating investment in clean energy generation and mineral resources exploitation, developing policies and regulations on mineral resource exploration, and use of clean and renewable energy sources, establishing Information Resource Base to enhance research and studies, and public awareness on energy reticulation for petroleum.

For the FY 2019/20 the sub sector will in collaboration ensure expanded energy access by increasing the number of households connected to grid power, installing more solar lights to market and health centres, maintenance of existing solar lights, promote use of low-cost energy technologies and develop policy to regulate on mineral resource exploitation.

Roads, Public Works and Transport

The key mandate of this sub-sector is to provide efficient, safe, affordable and reliable infrastructure for sustainable economic growth and development through construction, modernization, rehabilitation and effective management of all infrastructure facilities. Thanks to sub-sectoral efforts, Homa Bay County has been opened up significantly for business using own equipment either inherited from National Government or those acquired by the County Government

In the 2019/20 FY, the sub sector expects a total of KSh. 420,424,374 towards formulation and implementation of a county transport policy and regulations, roads policy and regulations, public works policy and regulations and disaster management policy and regulations. It will also focus on expansion of the road network by improvement to bitumen standard of 24Km of Marindi-Magina-Pala-Kowuonda road, routine maintenance of 6,500Km of classified and unclassified roads.

In addition, the sub-sector will carry out installation of road furniture, promotion of safety in public transport through training of three thousand (3,000) motor cyclists, establishment of eight (8) Single span bridges and box culverts, modernization and expansion of 1.7Km runway in Kabunde airstrip in collaboration with the Kenya Airports Authority, five (5) jetties and four (4) bus parks and establishment of a Roads Construction and Maintenance Agency.

The sub-sector shall also ride on collaborative work with the National Government and The African Development Bank in order to complete tarmacking of Mbita-Sindo-Magunga-Agolo Muok road, tarmack Kendu Bay-Oyugis, Suneka-Rangwe road and Olare–Imbo, Omoya-Ndiru-Kodhoch, among others

In the fiscal year 2019/20 the department of Transport and Infrastructure plans to complete bituminization of 7Km of Marindi-Magina-Pala-Kowuonda road, maintain 2,200km of classified roads, gravel 100Km of roads previously opened, build three(3) single span bridges, acquire one(1) plant and machinery, open 160km of new roads across the 40 wards within the county, Develop two(2) modern bus packs within the county, construct one (1) jetty and in collaboration with the Kenya Airports Authority improve the Kabunde airport by increasing length of the run way by 0.5Km. Further the department plans to carry out training of one thousand (1000) bodaboda riders on road safety across the county, employ two (2) experts to improve service delivery in the department.

Public Works and Maintenance Services

The ultimate goal of the Public Work and Maintenance sub-sector is to ensure that there is quality construction and maintenance of government buildings and other public works for sustainable socio-economic development. The sector faces a number of challenges that have continued to constraint its operations, including among others, inadequate resources, poor coordination between the sector and other sectors and lengthy procurement processes. However, the county government will strive to dedicate additional resources towards operationalizing and expanding mechanical and maintenance services.

In the FY 2019/20, the public works and inspection sub-sector plans to formulate safety standard policy and safety standard regulations on inspection and improve safety and standards of infrastructure to at least 35%. The public works and inspection department plans to establish three (3) safety standard policies and two (2) safety standard regulations. Further the department plans to improve safety and standard of infrastructure to 55%.

Information and Communication Technology

The County Government of Homa Bay recognizes that ICT can be leveraged to propel social and economic progress particularly in the provision of public services. In the past three years, ICT sub-sector has been able to acquire 91 computers and printers which were distributed among the various county entities; set up a digital printing facility, an ICT innovation and computer center in Homa Bay Town; and network the County Treasury and Office of the Governor to enable them benefit from the fiber-optic infrastructure.

Over the next three years, the sub-sector has applied itself to improving internet connectivity and capacity building of local businesses. For the FY 2019/20 in particular, the sub-sector seeks to improve access; establishing of ICT hubs in all sub-counties, investment in cyber security as well as formulation of ICT policy. The sub sector will be connecting sub-county information and innovation centers with internet system; building and equipping two sub county innovation hubs and improving the official county website. It will also be maintaining the existing fiber optic connectivity and training staff on ICT management and development.

4.3.3 General Economic and Commercial Affairs Sector

The Sector is mandated to promote, co-ordinate and implement integrated socio-economic policies and programmes for a rapidly industrializing economy.

Promotion of Investment, Trade and Industrialization

The core mission of this sector is to promote, co-ordinate and implement integrated socio-economic policies and programs for a rapidly industrializing economy. In order to achieve this sustainable and inclusive economic development, a stable macroeconomic environment anchored on promotion of investments, trade and industrialization is key. The trade, industrialization, cooperatives and enterprise development sub-sector contribute significantly towards industrialization, wealth generation and employment creation in the county, and has great potential for accelerating the economic growth of the county's GDP.

Over the medium term, the sub-sector is focused on strengthening mobilization of investment and creating a conducive environment for continuous investment; promoting clustered industrialization along the value chains, consolidating and strengthening cooperative societies and supporting development of micro, small and medium enterprises. It expects a total allocation of KShs. 157,935,404 in the FY 2019/20 towards achieving its development priorities.

For 2019/20 in particular, more focus will be directed on giving loans to SMEs; disbursement of loans (15m) to 3,000 traders both youth and women across the county subject to preparation of a regulatory policy paper; supporting and training of 1,000 traders (economic stimulus program) as per the formulated management policy, upgrading and operationalizing 40 markets, modernizing 1 market, registration of 10 new cooperatives; capacity building of cooperatives societies, reviving and strengthening 10 dormant cooperatives; registering 20 businesses, establishing 1 incubation centre, creating 2 master piece for Front office service operations ,complete construction of animal feeds at Arujo, maize processing plant at Kigoto and installation and commissioning of the two plants.

The County will endeavor to ensure a sustainable and vibrant business and investment environment through:

a) Development and implementation of sound economic policies and laws like on taxation, revenue sharing and sustainable resource exploitation and use;

b) Promotion of private sector development through enterprise and entrepreneurship development for instance establishment of biashara centers and biashara fund;

c) Establishment of fresh produce and general foodstuff markets in every major town. This creates a better environment for both traders and customers;

d) Mapping all urban and areas set aside for investment and trade. This boosts investor confidence

Tourism Sub-Sector

The focus of the tourism sub-sector for the 2019/20 FY will be on tourism development and promotion services. Under this sub-programme, the sub-sector will concentrate on developing 2 beach fronts, establishing a Community-Based Tourism initiative and developing 2 potential tourism sites for the County.

4.3.4 Education Sector

The core mandate of the Education sector is to increase access to early childhood education, reduce inequality in access to education, improve access to vocational training, and exploit knowledge and skills in science, technology and innovation to achieve global competitiveness of the county and the county's huge labour force. The sector plays a crucial role in developing skilled and competent workforce to drive socio-economic growth and development in the long-term.

Key focus areas for the sector will include the need to upgrade and improve tertiary institutions especially youth polytechnics and Technical Institutions. The county will continue to improve these institutions in order to provide more opportunities to the many students graduating from primary and secondary schools.

Improvement in quality and access to Early Childhood Education as well as technical training in our vocational training centres (VTCs) form the core objectives of the Homa Bay County Education sector. For the FY 2019/20 priorities are therefore, to increase access and quality of ECDE education; establish Child Daycare centres; introduce ECDE feeding programs; improve on water system as well as sanitation infrastructure in all ECDE centres; motivate ECDE teachers and instructors by enrolling them under scheme of service; improve access to quality vocational education and training by constructing new VTCs and equipping both the new and existing VTCs; capacity building of the sector by developing policies and ensuring quality assurance and standards are maintained.

In the FY2019/20, therefore, resource allocation expected is KSh. 111,734,899 and will be focused on construction of 40 ECDE centres, 1 baby care centre and 4 model ECDE centres in 4 sub-counties. The county is also intending to construct VTC workshops and equip them.

4.3.5 Health Sector

The core mandate of the Health Services sector is to oversee a reduction in levels of high disease burden in the County, which is well highlighted in Kenya's epidemiological profile. The sector will therefore continue to implement a comprehensive health strategy anchored on the Kenya Health Policy (2014-2030) and Kenya Health Sector Strategic and Investment Plan (2014-2020) to ensure access to quality health care for all.

For 2019/20 FY, the sector expects a total of KSh. 344,320,190 for prioritization of promotion of positive health seeking behavior among the local population; the operationalization of community units; supplying alternative power and safe water to all health facilities;

Constructing and equipping maternity and medical wards in health facilities; ensure improved sanitation in all trading centers; intensify disease surveillance; promote reproductive, maternal, newborn child and adolescence health. The department will also focus on improving nutritional services, strengthening the system of referral to un-crowd higher level health facilities, and Health information management system.

To improve medical services for the same period, the sector will ensure regular supply of drugs, non-pharms, reagents, medical equipment, plants & machinery. The sector will also acquire fully equipped land and water ambulances, construct and renovate theatres, general wards, outpatient blocks, administration blocks, maternity wards, and stores. The health sector plans to construct and equip a cancer unit, KMTC, mortuary and upgrade County referral hospital to level VI.

The sector will complete oxygen plant, blood bank and acquire title deeds for all government health facilities during the period. The sector also plans to recruit, develop, compensate and maintain a skilled and motivated work force. The department will prioritize health research during implementation period.

4.3.6 Public Administration and Inter-Governmental Relations Sector

The Sector provides overall policy direction and leadership to the county, oversee the human resource function in the county public service, coordinate county policy formulation and implementation, resource mobilization, allocation and management, strengthening the devolved units, coordinating implementation of county policies and mainstreaming the disadvantaged in county development as well as oversight, monitoring, evaluation and reporting on the use of public resources and service delivery.

The key priorities for the sector include; Instituting County public service reforms to ensure efficient and effective service delivery, providing leadership and guidance in human resource management, effective management and coordination of government operations and formulation of sound public administration policies. The sector (County Assembly, Public Service Board, and County Executive) in totality expects an allocation of KSh. 216,283,799 towards achieving these set key priorities.

Effective and Efficient Service delivery

To ensure effective and efficient service delivery, the following strategies shall be implemented by the County Government:

a) Decentralization of services both administratively and technically services to sub-counties and ward levels. Establishment of village administration structures would also greatly bring services closer to the communities;

b) Capacity building of officers on technical course trainings;

c) Implementation of the Procurement and Disposal Act, 2015. This would reduce bureaucracies associated with procurement;

d) Increased funding on ICT which in turn would create a better platform for implementation of e-procurement and full utilization of IFMIS;

e) Focusing on effective communication to all stakeholders including the public on government policies, interventions and plans;

f) Enhanced peace efforts within and outside our county borders to culminate in peace accords that would bring lasting peace to the county and its neighbors.

Improved Economic Planning and Financial Management

For the sector to achieve this goal in FY 2019/20, it expects an allocation of KSh. 264,216,648 and seeks to adhere to public financial management principles. The sector will further seeks to improve public finance management in the county through efficient and effective budget formulation and control, devolve financial services, continued implementation of Integrated Financial Management Systems (IFMIS), appropriate asset management through conducting revaluation of assets and preparation of valuation roll, enhanced revenue collection through automation of revenue collection processes; update of asset register and implementation of asset management system; conduct Medium Term Expenditure Framework (MTEF) consultative forums; reduce debt inherited from defunct local authorities; increase capital financing for capital projects through Public Private Partnership (PPP); strengthen budget monitoring; and renovation/refurbishment of offices.

In addition, the sector will seek to improve economic planning and coordination through strengthening policy formulation, planning, budgeting and implementation of CIDP and The County Strategic Investment Plan 2014-2020; linking budgeting and planning; ensuring availability of county statistics by developing County Statistical Data Management System; tracking of implementation of development policies, strategies and programmes through regular monitoring and evaluation and enhancing of monitoring and evaluation system ; improving economic planning coordination through reviewing of County Integrated Development Plan (CIDP) and preparation of Annual Development Plan (ADP); ensure availability of county statistics and improve research and development in the county.

4.3.7 Social Protection, Culture and Recreation Sector

A socially cohesive society is vital for economic development of the county. The sector is mandated to formulate, mainstream and implement responsive policies through coordinated strategies for sustained and balanced socio-cultural, sports, recreation, empowerment of vulnerable, marginalized groups and areas for economic development of the County. In this regard, the sector will continue investing in strengthening the social protection programmes that largely targets youths, women, children and people with disabilities for social inclusion. Towards achieving these priorities, the sector expects an allocation of KSh. 212,040250 in the FY 2019/20.

Promotion of Youth Talents and Youth Empowerment

The sub-sector goal is to promote constructive youth participation in development processes and ensuring that county programs are youth-centered and youth-friendly. In the medium term, the establishment of a Youth Talent Academy to support the youth especially those outside school to harness their talents towards enhanced livelihoods while strengthening their contributions to the economic growth becomes a priority. Addressing the challenge of youth employment in both the formal and informal sectors remains a priority which can be achieved through capacity building.

Promotion of Social Protection

In this sub sector, aspects of social protection through mainstreaming of vulnerable and marginalized members of our society e. g elderly persons, OVCs, PWDs and women are dealt with. It prioritizes the provision of cash transfer to elderly persons, provision of assorted assistive devices to PWDs, capacity building for women and youth on alternative sources of income to reduce unemployment and extreme poverty and construction of a rescue and rehabilitation centers.

Promotion of Culture

The priority of this sub-sector is identification and promotion of cultural talents. Artists (comedian, musicians, acrobats) and other forms (both tangible and intangible) of cultural practice are promoted to generate economic benefits, enhance cohesion and peaceful coexistence among the community members, create awareness, preserve the culture of Luo community and conserve flora and fauna along the area.

It intends to construction a multiplex cultural center at Kagan/Kochia, Rusinga and Kwabwai and preserve the cultural heritage and arts at Kanam/Kanjira archaeological sites, Ojijo Oteko Homestead, Gor Mahia shrine, Riamungusi and Paul Mboya Homestead.

Development of Sports infrastructure and talents

This sub sector deals with development of Stadia, sports grounds, indoor games halls as well as identification, nurturing and promotion of hidden sports talent. Training of technical sports personnel including coaches and umpires/referees will also be covered.

The sub sector prioritizes the completion of the Homa Bay county stadium to international standards as flagship project to attract investments and promote sporting talent to the county. Further, it intends to provide basic sports equipment/kits and organize county/regional tournaments.

4.3.8 Environmental Protection, Water and Natural Resources Sector

The Sector plays a crucial role in the economy as it contributes immensely to life support systems by providing goods and services that are critical enablers for the realization of shared prosperity. Investment in this Sector also ensures the delivery of direct and indirect goods and services that are the backbone for the main productive Sectors namely agriculture, tourism, energy and manufacturing**.** To achieve its set priorities, the sector expects an allocation of KSh. 330,645,920 in the FY 2019/20.

Adequate Clean Water and Safe Sanitation

We recognize the importance of water in the health of the people. There is an increased demand for water for domestic use and consequently industrial use with plans for the construction of various industries by other sectors. The county therefore seeks to ensure that there is reliable water supply across the county. In this regard, the sub-sector prioritizes rehabilitation and expanding the existing dilapidated water infrastructure through frequent review and redevelopment to provide potable water to majority of the population, funding new distribution networks to enable more household's access clean water, restoring boreholes and wells that are broken down and solar powering those with high water yields and protecting the spring and with consideration for water bottling enterprises. For effective running operation and maintenance of our water projects, we will promote Public Private Partnership with the private sector so that they can introduce reasonable profit approach in the provision of water to the people of our county.

In promotion of proper sanitation, the existing water supply will be integrated with sewerage services to improve disposal of liquid waste. We focus on improving the sanitation coverage by enhancing integrated waste management system so that best-use options can be considered so as waste generated can be of economic value.

Over the next periods, focus will be directed on rehabilitation and extension of existing water supplies; development and maintenance of water resources; capacity building of communities on sustainable management of water resources; enforcement of regulations and standards; harnessing underground and surface water capabilities using modern technologies.

For FY 2019/20, the sub-sector will rehabilitate and extend rural water supplies (boreholes, water schemes); protect springs; sewer system; decentralize sewer treatment facilities; facilitate eco beautification of Jamawego Grounds and install roof catchment tanks in health and education facilities; and initiate a project under PPP**.** It will also renovate and expand an urban water supply scheme.

Environmental Conservation and Climate Change Adaptation

The sub-sector as part of efforts to improve environmental management and climate change adaption, will implement an integrated waste management program aimed at managing the environment more effectively by acquiring dump sites, liter bins, waste trap, skip loader and noise meters. The sub-sector for the FY 2019/20, will be committed towards establishing tree nurseries for purposes of massive afforestation and re-forestation initiatives of deforested areas and community training on attaining and promoting of national 10% tree cover. Efforts will be made to rehabilitate degraded lands and gully, conduct quarterly and improve quarterly advocacy campaigns on climate change adaptation and mitigation activities, facilitate green infrastructure project and support recycling, and promote green building and energy efficiency program.

Projects and programs which are being implemented under the county will undertake an Environmental Impact Assessment (EIA) before commencement to ensure that there are no projects/programs which have adverse effects on the environment**.** As part of natural resource management, the sub-sector will ensure the modernization of urban sewerage systems especially for Homa Bay and Oyugis Towns through modernization and expansion of sewerage and water supplies being supported through a strategic partnership with the World Bank and LVEMP

CHAPTER FIVE: FISCAL RESPONSIBILITY IN FINANCIAL MANAGEMENT

5.1 Introduction

The County Government of Homa Bay remains committed to fiscal discipline in order to promote productive sector growth and overall economic growth. In this regard, expenditure management and revenue administration reforms will be implemented to increase efficiency, reduce wastage and mobilize resources to create fiscal space for funding projects that have been prioritized within the budget.

The fiscal policy underpinning the FY 2019/20 budget and MTEF will sustain the revenue projections in line with recent mobilization trends in order to maintain fiscal predictability. In an effort to boost local revenue collection, the Government is undertaking a combination of policy and administrative reforms including revenue collection automation to bolster revenue yields going forward. These efforts are expected to reverse the downward trend in revenue collection in the recent past where ordinary revenue collections have declined.

5.2 Fiscal Responsibility Principles

In line with the Constitution, the Public Finance Management (PFM) Act, 2012, sets out the fiscal responsibility principles to ensure prudence and transparency in the management of public resources. The PFM law (Section 107) provides that:

(i) *The county government's recurrent expenditure shall not exceed the county government's total revenue.* The County Government of Homa Bay has purposed to comply with this provision by ensuring at most 63.7% is allocated to recurrent activities. Even if need arises that allocation to recurrent is enhanced the revised figure as a percentage of total revenue shall not exceed 70% at any given time.

(ii) *Over the medium term a minimum of thirty percent (30%) of the county government's budget shall be allocated to the development expenditure.* The County Government development budget allocation over the medium term has been consistently above 30 percent which is the minimum as set out in PFM Act of 2012. In the FY 2019/20 going forward, the County Government will continue to allocate for development purposes amounts upwards of 30 % of its total budget. Out of the total projected resource envelop of KSh. 7,790,927,256 for the FY 2019/20, the amount set aside for development purposes is KSh. 2,598,469,934 represented 33.4% of the total expenditure ceilings for the FY 2019/20. This means the provision of the Act will be complied with.

(iii) *The county government's expenditure on wages and benefits for its public officers shall not exceed a percentage of the county government's total revenue as prescribed by the County Executive member for finance in regulations and approved by the County Assembly*. The PFM Regulations further provided that: (1) the County Executive Committee member with the approval of the County Assembly should set a limit on the County Government’s expenditure on wages and benefits for its public officers pursuant to Section 107(2) of the PFM Act; (2) the limit set under paragraph 112 (1) above, shall not exceed thirty five (35) percent of the County Government’s total revenue at any one time; and (3) for the avoidance of doubt, the revenue referred to in paragraph 112 (2) shall not include revenue that accrue from extractive natural resources such as oil and coal.

Amounts set aside for wages and personnel benefits for the FY 2019/20 stands at KSh. 3,425,647,263. This represents 43.97% of the total county revenue (KSh. 7,790,927,256) which is above the prescribed level of 35% in the PFM ACT (2012). However, there is confidence that expenditure on wages and personnel benefits will drop to the level of 35% within the next couple of years as the revenue efforts as well as strategies to reduce the wage bill in the medium term begin to yield fruits. First, recommendations from the CARPS program will be implemented so that county public service is kept at its optimal level. Second, vacancies arising from natural attrition will not be filled unless it is absolutely necessary provided the expected level of services is maintained. Third, promotions and other personnel benefits that have implications on the wage bill will be carefully being considered through the HR Advisory Committee so that wage increases are strictly matched by productivity increases.

(iv) *Over the medium term, the government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure*. For the purposes of this provision, short term borrowing is restricted to management of cash flows and should not exceed five percent of the most recent audited county government revenue. The PFM Regulation further provided that the county public debt shall never exceed twenty (20%) percent of the county government total revenue at any one time; and that the county annual fiscal primary balance shall be consistent with the debt target in the 20% provision.

The County Government of Homa Bay does not purpose to borrow any funds in the FY 2019/20. However, should that become necessary, the borrowing shall be done in compliance with these provisions laid out in the PFM Act of 2012 and its operationalizing regulations.

(v) *The county debt shall be maintained at a sustainable level as approved by county assembly.* As indicated in the foregoing paragraph, the County Government does not intend to borrow any money in the financial year 2019/20. However, should that be necessary, short term borrowing will be restricted to management of cash flows and will not exceed five percent (5%) of the most recent audited county government revenue. Again, at any one time the county public debt shall never exceed twenty (20%) percent of the county government total revenue (including any revenue obtained from extraction activities).

(vi) *The fiscal risks shall be managed prudently.* Thankfully, the National Government has improved its macroeconomic forecasts and regularly reviews the impact of macroeconomic projections and their implications for the county budgets. The County Government of Homa Bay has carefully considered the fiscal risks arising from contingent liabilities, potential impact of the Public Private Partnership and Financial Sector Stability. Furthermore, for the FY 2019/20, a Contingency provision of KSh. 80 million will be factored in the budget to cater for urgent and unforeseen expenditure.

(vii) *A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future.* The County Government of Homa Bay has consistently ensured that revenue rates and incidences of revenue raising measures are kept at a minimum with little variation to ensure businesses can reasonable predict them. This predictability is adjudged to be good for business planning and for making the environment conducive to private sector activities.

5.3 Management of Fiscal Risks

Fiscal risks are factors that can cause a government's fiscal performance to deviate from what was forecast in the medium-term or pose a threat to sustainability over the long-term. These risks can originate from inside government (e.g. as a result of issuing a government guarantee) or from outside government (e.g. as a result of an economic downturn). Risks can materialize either as a result of a discrete event (e.g. a financial crisis) or the gradual accumulation of pressure (e.g. the accumulation of pending bills beyond a sustainable level).

Managing fiscal risks requires a set of comprehensive actions that County Government of Homa Bay must take to address the major risks outlined in the CFSP 2019. These include clearing the stock of pending bills and other liabilities, keeping taxes low, supporting valuable public services, and investing in the county's future so we that productivity is raised. Boosting productivity is the key to a stronger economy, a more sustainable fiscal position and, crucially, a better quality of life for everyone. That is why building a globally competitive economy through a modern industrial strategy, increasing public investment to its highest possible level and equipping our workforce for the high-skilled, high-wage jobs of the future has become a necessity.

The County Government's approach to managing risks will be following a five-stage process, modeled on international best practice. This is to: (i) identify the source, scale and likelihood of the risk; (ii) disclose the risk to raise awareness and ensure accountability; (iii) mitigate the risk where cost-effective and consistent with broader policy objectives; (iv) provision for risks that cannot be mitigated but whose size and timing are relatively certain; and (v) accommodate residual risks when setting the overall fiscal policy stance.

5.3.1 Risks to the 2019/20 Budget Framework

As the size of government and scope of its responsibilities have grown over time, so has the range of risks to which it is exposed. The risks to the fiscal framework for the FY 2019/20 include:

(i) Shocks in the Macro-economy of Kenya

Macroeconomic developments are, as in most countries, the biggest source of fiscal risks over the medium-term. Countries are typically hit by a recession once every 12 years with an average fiscal cost of 9% of GDP. Macroeconomic shocks can originate from the rest of the world or as a result of the build-up of imbalances in one or more sectors of the domestic economy. Longer-term structural trends such as low productivity growth, persistently high or low inflation, rising interest rates, or shifts in the composition of GDP can also put the public finances under sustained pressure. Luckily, the Kenya Government has reformed its monetary and fiscal policy frameworks in recent years to enable them to play a more active role in stabilizing and supporting the economy. The 2013/14 Review of the Monetary Policy Framework provided the CBK with flexibility around its inflation target to respond to persistent shocks to output. In in the same fiscal year, the Kenya Government updated its fiscal rules, taking a balanced approach to fiscal policy and enabling it to tackle public debt, while keeping taxes low, supporting public services, and investing in economic infrastructure.

(ii) **Under performance in Revenue Collection**

While the most significant risks to government revenues come from macroeconomic shocks, risks to government revenues also arise due to discretionary policy changes and economic, technological, and behavioral trends which can erode the tax base over the long term. The County Government of Homa Bay is committed to a revenue system which supports living standards and economic growth, ensures that everyone pays their fair share of tax, and continues to raise the revenues to fund county public services. This requires the government to understand emerging risks to the revenue system and take action to address them.

The County Government is taking steps to put in place structural reforms aimed at sealing loopholes, revenue collection enhancement while ensuring there are efficient and cost-effective methods of collecting local revenue e.g. simplifying the revenue codes, improving revenue compliance through enforcement; increasing efficiency in revenue collection through automation; capacity building of revenue staff; expanding the revenue bracket to include all potential streams; and ensuring transparency and accountability in revenue collection and management.

The government also continues to monitor the impact of different ways of working on revenues. Moving forwards, the government will ensure the tax system keeps pace with the rise of digital technologies and harnesses innovation to improve the administration of the revenue system.

(iii) **Ballooning Wage Bill**

The government has taken a number of steps to reduce the risks to the public finances from rising ever increasing demands for new employees, promotions and salary raises. A cross-government strategy is being developed to address these costs based on proposed recommendations under the CARPs programme and the SRC's job evaluation exercise. The lack of clear guidelines for clarity, harmony of operations and delays by the National Government in finalizing the CARPs exercise has remained a drawback, however. It is expected that once the exercise is completed, the National Treasury will allocate enough funds for implementation of the recommendations, which may include staff compensation in the event of job rationalization.

The county government will strive to achieve and maintain 35% ceiling of expenditure on salaries/wages and the following strategies will be implemented to curb unnecessary increases:

- Payroll cleansing: The County Government had engaged an external HR auditor to review the payroll and submit a final report with recommendations on how achieve and maintain a lean workforce. The draft report has been submitted and the County is intent on implementing recommendations therein.
- Adoption of technology: The County is focused on embracing technology to replace some aspects of human labor e.g. using machine to carry environmental duties like slashing and maintaining lawns in the county.
- Outsourcing cheap labor instead of employing or capacity building: It is much cheaper for Homa Bay County to outsource labor rather than employing do capacity building. Employing new employees would cost the county a lot of money rather

than outsourcing. Prepare a sendoff package to motivate early retirement of less productive staff also proper and efficient management of hiring of casual labor and consultancies

(iv) **Over-reliance on National Government Transfers**

This is another risk that has continued to undermine the County's fiscal autonomy. Grants from National Government have continued to decline over the last two fiscal years and this coupled with delayed disbursements from the exchequer have continue to pose a greater risk to the implementation of the county development agenda. Consequently, the County Government is intent on taking a number of actions to enhance collection of its Own Source Revenue (OSR) including property rates and entertainment taxes, user fees such as parking fees, market fees, game park fees, house rents, infrastructure maintenance fees, water and sewerage fees and trade licenses also known as "Single Business Permit" (SBP) fees. In seeking to generate adequate revenue, however, effort will be made to avoid compromising economic activities that generates these revenues for the County. The formulation, application, and sustainability of revenue measures will have been considered to ensure they are not viewed to be punitive, or with the potential to stifle economic activity.

In order to realize the full potential of revenue collection from property rates, the County Government of Homa Bay will look at measures to reduce complexity in property registration, transfer and valuation, and the lack of buoyancy as property rates are not adjusted for inflation and expenditure costs. Similarly, delays in passing legislation underpinning property taxes, lags in updating valuation rolls, ineffective tax administration as well as the costly and difficult legal process to prosecute property rate defaulters will be addressed. To improve efficiency in administration of property tax, the County Government of Homa Bay, working with the National Land Information Management System will draw data from the land registration process and digitized paper records within the land registries in its jurisdiction.

Collection of entertainment taxes will be expanded to include taxes on admission to theaters, movies, nightclubs, amusement parks, festivals, music shows, casinos, restaurants and hotels, television services, radio broadcasting services, and also betting and other forms of gambling. In 2017, the National Government introduced a uniform tax rate of 35 per cent for all betting and gaming categories. However, the administration these entertainment taxes in Kenya lacks a clear legislative framework to separate the role of the county and national government.

While collecting user fees, consideration will also be based on the benefit principle and the need to encourage efficient use of resources and not necessarily raising revenue. The County Government will encourage compliance by ensuring fees and charges are commensurate with services being provided. The government will develop appropriate legislative and policy frameworks that are inclusive in anchoring the taxes, fees and charges. The frameworks should be simple to induce efficiency in mapping out tax payers and revenue generating areas to ensure revenue certainty. This will be achieved through effective public participation during preparation of fiscal policies and financial bills as envisioned in the Constitution, to enhance compliance and avoid litigation. Automation of revenue collection will also be used to reduce revenue leakages and evasion.

In addition, the expertise of KRA will be engaged to lower tax administration costs, enhance tax revenue as well as ensure enforcement of uniform standards and compilation of reliable data on county tax revenues.

Ultimately, the County Government of Homa Bay will widen the tax base for property rates through digitalization of all land parcels to facilitate updating of valuation rolls to reflect current market prices. It will also explore provisioning of utilities such as clean water; refuse collection, improved health care services, and agricultural extension services as an alternative source of revenue. Moreover, with respect to natural resources, it will lobby for a fair share of royalties paid to national government as provided for in the Mining Bill of 2014. Such initiatives would increase local revenues without unduly increasing the tax burden on local businesses and residents.

5.3.2 Fiscal Structural Reforms

Revenue Mobilization

Since the FY 2016/17, the County Government's Own Source Revenue collection has been underperforming year-on-year. The adverse performance highlights the difficulty the County continues to face in preparing realistic revenue forecasts and targets as trends are becoming unpredictable. Funding gaps occasioned by unrealized revenue projections are now a major sources of fiscal constraints faced by the County while implementing their budgets. Already, grants from the National Government are on the decline and the under-performance in OSR has been cited as one of the major reasons.

To address this challenge, the county has had its officers trained on estimation techniques while the County Government is putting in place measures to improve revenue performance. A cabinet sub-committee has been constituted to look into the matter and already, they have determined that there are serious revenue pilferages resulting from use of authorized manual receipts as well as un-receipted collections. The Directorate of Revenue is already working on an updated register of all business people in the county that will be used to assess compliance. An appropriation-in-aid policy is being developed to guide the establishment of internal controls especially with respect to revenue being collected in critical service departments such as health. Already, a bill to guide recruitment, deployment and regulation of conduct of enforcement officers is in the assembly awaiting enactment.

The County government will put in place measures to meet its revenue target as this will enable the County to implement its development programmes. The County has so far implemented various reforms aimed at sealing revenue leakage loopholes. This has been facilitated through automation of revenue collection systems as well as revenue collection points. By so doing, all payments in the County will be made electronically and in return administrative costs are expected to significantly reduce. Also, this will minimize leakages and expand access to payment points, which will improve on accountability.

The County Government will adopt other key strategies amongst them; mobilization of additional resources by strengthening enforcement and completion of administrative reforms including the automation of all systems and expansion of the revenue base. This will continue to remain the key focus in the next FY. The County will focus on land and property tax as the most appropriate and equitable source of revenue to finance development and provision of essential services.

Expenditure Management

The County Government will continue to use Integrated Financial Management System (IFMIS) as the system for processing payments. On implementation of projects, the County will continue to undertake capacity building initiatives to properly support other departments. The County will also continue to deepen engagements with the County Budget and Economic Forum (CBEF) on all matters planning, budgeting and financial management. Such engagements will also ensure transparency, accountability, and adherence to the PFM Act on budget making process.

The County will use bottom up approach on priority programmes/projects identification. Projects will be identified at the Ward level based on community needs in each Ward. This will be approved by the County Assembly and implemented by the County Executive in compliance with the law. The County services are expected to be brought closer to residents which will go a long way in deepening devolution.

Public participation provides an all-inclusive avenue for identifying and prioritizing Government projects and activities under the budgeting process by key stakeholders and the general public. This process commenced early in the budget making preparation process with the launch of Sector Working Groups (SWGs) in December 2018, finalization of the 2019 CFSP and engagement in all sector activities and meetings thereafter. This process will culminate into the Public Sector Hearings in February 2019.

The Government will also ensure continuous sector performance reviews as a strategy to encourage accountability by Departments.

In order to contain recurrent and non-essential spending, the County will focus on the following areas of intervention:

- Foreign and domestic travel will be limited to essential travels
- Reducing transfers and subsidies – to units and agencies that have capacity to be self-supporting such as water and health boards or non-core public enterprises
- Reducing the wage bill – such as through closely linking wage increases to productivity increases, while harmonizing wages and consolidating allowances; implementing the voluntary early retirement schemes aimed at downsizing non-value adding cadres; and flexibly allowing for recruitment of critical personnel in order to achieve the optimum level for service delivery
- Implementation of a strict commitment control system to reduce the stock of pending bills

Management of Government Assets

The County Government shall establish a County assets and Liabilities management committee mandated to develop, through a consultative process, an overarching Assets and Liabilities Management framework. In addition, the Government will develop policies, guidelines and standards with the objective of ensuring that

i. All county departments maintain a complete and accurate register of assets and liabilities.

ii. All departments put in place consistent and seamless processes of managing Assets and Liabilities so that there is reduced misuse and underutilization of County Government Assets.

iii. There is a Rollout of standardized reporting tools on assets and liabilities management to all departments.

iv. The County Government undertakes continuous research on global trends in assets and liability guidelines, legislation and regulations for the purpose of undertaking the assets and liabilities polities and Register.

v. There is identification of user requirements in relation to acquiring an efficient and integrated assets and liabilities management information system.

vi. Risk management and mitigation register for assets and liabilities is developed.

vii. There is adequate sensitization of all County Government departments on the risks associated with acquisition of assets.

Guiding Principles in Resource Allocation

The PFM Act, 2012 and the PFM (County Regulations), 2015 set out fiscal responsibilities principles that guide Medium Term Expenditure Framework (MTEF) for the County. The guiding principles that are considered in the allocation of the available resources include:

a) The requirement that the County public debt shall never exceed twenty (20) per cent of the County government's total revenue at any one time.
b) The County Government wages shall be contained at thirty-five (35) per cent of the County government's total revenue in the medium term;
c) The approved expenditures of a County Assembly will be as per Senate's recommendations
d) The County Government actual expenditure on development shall be at least thirty (30) per cent.

Resource Sharing Guidelines

Allocation of Departmental ceilings over the medium term has been informed by the following guidelines;

a) In the recurrent expenditure category, non-discretionary expenditures take first priority. This includes payment of salaries and wages which is projected at 40.8% of the expected total revenue receipts.
b) Other recurrent expenditures that include operations and maintenance account for 25.8% of the total revenue.
c) Development expenditure takes 33.4% of the total revenue available. Development expenditures have been shared out on the basis of the CIDP (2018-2022) priorities and the strategic intervention identified in various forums.

Also included in the criteria used for apportioning the capital budget is on-going projects and intervention on investment projects in priority areas that support social development, economic growth and transformation of the County.

ANNEX I: FIRMED UP CEILINGS FOR THE FY 2019/2020 EXPENDITURE FRAMEWORK

Vote Number	Name of Spending Entity		RECURRENT		DEVELOPMENT	
			Approved 2018/2019	Ceiling 2019/2020	Approved 2018/2019	Ceiling 2019/2020
5111	Agriculture, Livestock, Fisheries and Food Security	**Gross**	**193,177,789**	**198,973,123**	**202,543,551**	**266,534,284**
		A-I-A		-		-
		Net		-		-
		Salaries	153,737,864	158,350,000		
		Grants			140,435,163	147,456,921
		Others		-		-
5112	Tourism, Sports, Youth, Gender, Culture and Social Services	**Gross**	**69,496,766**	**51,581,669**	**106,705,000**	**212,040,250**
		A-I-A		-		-
		Net		-		-
		Salaries	37,521,450	24,673,384		
		Grants		-		-
		Others		-		-
5113	Roads, Transport and Public Works	**Gross**	**72,736,698**	**84,918,799**	**501,795,905**	**420,424,374**
		A-I-A		-		-
		Net		-		-
		Salaries	54,450,062	66,686,079		
		Grants			176,094,481	191,360,531
		Others		-		-
5114	Energy and Mining	**Gross**	**34,740,345**	**35,782,555**	**75,458,987**	**79,231,936**
		A-I-A		-		-
		Net		-		-
		Salaries	17,097,144	18,471,094		-
		Grants		-		-
		Others		-		-
5115	Education and ICT	**Gross**	**534,204,183**	**550,230,308**	**119,600,334**	**111,734,899**
		A-I-A		-		-
		Net		-		-
		Salaries	327,069,303	370,896,589		-

		Grants		-	46,675,000	35,163,298
		Others		-		-
5116	Health	**Gross**	**2,073,692,084**	**2,135,902,84**	**440,385,996**	**344,320,190**
		A-I-A		-		-
		Net		-		-
		Salaries	1,441,160,805	1,640,819,532		
		Grants	138,823,817	142,988,532	200,000,000	131,914,894
		Others		-		-
5117	Lands, Housing, Urban Development& Physical Planning	**Gross**	**68,119,805**	**60,163,399**	**204,859,267**	**195,102,230**
		A-I-A		-		-
		Net		-		-
		Salaries	38,123,069	33,768,440		-
		Grants			119,361,500	119,361,500
		Others		-		-
5118	Trade, Industrialization Cooperatives &Enterprise Development	**Gross**	**192,183,688**	**217,949,199**	**150,414,670**	**157,935,404**
		A-I-A		-		-
		Net		-		-
		Salaries	168,826,059	191,448,751		-
		Grants		-		-
		Others		-		-
5119	Water, Environment & Natural Resources	**Gross**	**152,774,859**	**157,358,105**	**311,990,879**	**330,645,920**
		A-I-A		-		-
		Net		-		-
		Salaries	89,332,510	101,303,067		-
		Grants		-		-
		Others		-		-
5120	Finance, Economic Planning & Service Delivery	**Gross**	**111,150,243**	**224,484,750**	**503,123,355**	**264,216,648**
		A-I-A		-		-
		Net		-		-
		Salaries	79,506,348	126,984,876		-
		Grants		-	49,500,526	51,975,552
		Others		-		-
5121	County Executive/ Office of the Governor	**Gross**	**533,918,029**	**549,935,570**	**78,000,000**	**88,000,000**
		A-I-A		-		-

		Net		-		-
		Salaries	236,427,286	295,528,191		-
		Grants		-		-
		Others		-		-
5122	County Public Service Board	**Gross**	**33,432,205**	**90,694,705**	**1,000,000**	**6,000,000**
		A-I-A		-		-
		Net		-		-
		Salaries	25,334,304	46,262,192		-
		Grants		-		-
		Others		-		-
5123	County, Assembly Service Board	**Gross**	**907,264,362**	**834,482,293**	**59,317,904**	**122,283,799**
		A-I-A		-		-
		Net		-		-
		Salaries	398,500,066	410,455,068		-
		Grants		-		-
		Others		-		-
EXPENDITURE BY ECONOMIC CLASSIFICATION			**4,976,891,056**	**5,192,457,322**	**2,755,195,848**	**2,598,469,934**
PROJECTED EXPENDITURE			**7,790,927,256**			
APPROVED EXPENDITURE 2018/19			**7,732,086,904**			
EXPECTED GROWTH			**(0.76%)58,840,352**			