

**REPUBLIC OF KENYA**



**COUNTY GOVERNMENT OF BOMET**

**THE COUNTY TREASURY**

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**COUNTY BUDGET REVIEW  
AND OUTLOOK PAPER**

**SEPTEMBER 2019**

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To obtain copies of the document, please contact;

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BOMET, KENYA

## Table of Contents

Table of Contents.....	3
ABBREVIATIONS AND ACRONYMS.....	5
FOREWORD.....	6
ACKNOWLEDGEMENTS.....	7
Legal Basis for the Publication of the County Budget Review and Outlook Paper .....	8
County Government Fiscal Responsibility Principles.....	<b>Error! Bookmark not defined.</b>
I. INTRODUCTION.....	9
Objectives of the County Budget Review and Outlook Paper (C-BROP) 2019.....	9
II. REVIEW OF FISCAL PERFORMANCE IN FY 2018/2019 .....	10
A. Overview.....	10
B. Fiscal Performance FY 2018/2019 .....	10
Figure I: County Total Receipts by Source .....	11
Table 1: County Government Total Revenues FY 2018/2019 (Kshs.).....	12
Table 2: County Own Revenue .....	13
Figure II: Local Revenue Performance by Stream (Kshs. ).....	14
Table 3: Exchequer Releases .....	15
Expenditure Performances.....	16
Table 4: Expenditure performance by Economic Classification .....	17
Figure III: Composition of Recurrent Expenses.....	18
Table 5: Departments’ Expenditure Performance for Period ending 30th June 2019 (Kshs.) .....	18
B. Fiscal Performance for FY 2018/2019 in Relation to Fiscal Responsibility Principles and Financial Objective.....	21
Continuing in Fiscal Discipline and Responsibility Principles.....	<b>Error! Bookmark not defined.</b>
C. Macroeconomic Outlook and Policies.....	<b>Error! Bookmark not defined.</b>
Risks to the Domestic Economic outlook.....	<b>Error! Bookmark not defined.</b>
III. RECENT ECONOMIC DEVELOPMENTS AND FISCAL OUTLOOK .....	23
A. Recent Economic Developments.....	23
Real Sector Developments .....	23
Inflation Rate .....	<b>Error! Bookmark not defined.</b>
Banking Act amendment and interest rates .....	24

Monetary Policy Outlook.....	25
Medium Term fiscal Framework.....	<b>Error! Bookmark not defined.</b>
IV. RESOURCE ALLOCATION FRAMEWORK.....	26
A. Amendment to the 2019/2020 MTEF Budget.....	26
B. Medium Term Expenditure Framework.....	26
Industrial Development and Support: .....	27
Development of Strategic Framework for Jua Kali/SME Sector.....	27
Annex I: County Government total revenue ceilings FY 2020/2021-2022/2023.....	28
Annex II: Trend in Growth of Equitable share of Revenue.....	29
Annex III: Total Expenditure Sector Ceilings for the Period 2020/2021-2022/2023 .....	30
Annex IV: Bomet County Budget Calendar for the FY 2019/2020 .....	<b>Error! Bookmark not defined.</b>

## **ABBREVIATIONS AND ACRONYMS.**

ADP - Annual Development Plan

AIA - Appropriation in Aid

CARPS - Capacity Assessment and Rationalization Programme

CBROP - County Budget Review and Outlook Paper

CDMS- County Debt Management strategy

CFSP - County Fiscal Strategy paper

CG - County Government

CIDP - County Integrated Development Plan

COB - Controller of Budget

COFOG- Classification of Functions of Government

CRA - Commission of Revenue Allocation

DAs - Department and Agencies

DANIDA - Danish International Development Agency

FIF - Facility Improvement Fund

FMD - Foot and Mouth Disease

FY - Financial Year

IFMIS - Integrated Financial Management Information Systems

MLND - Maize Lethal Necrosis Disease

MTEF - Medium Term Expenditure Framework

PBB - Program Based Budget

PFM - Public Finance Management

RMFLF - Road Maintenance Fuel Levy Fund

SMEs - Small Microenterprises

SRC - Salaries and Remuneration Commission

SWGs - Sector Working Groups

## **FOREWORD**

This County Budget Review and Outlook Paper (CBROP) 2019 was prepared in accordance with section 118 of the Public Financial Management Act, 2012. The PFM law envisages production of a CBROP by the end of September each year. This review document covered the fiscal year ending 30<sup>th</sup> June 2019 and has focused on the progress made compared to similar review period in FY 2017/2018.

The CBROP also reviews the fiscal outcome for FY 2018/19 and its effects on the financial objectives set out in the 2019/20 budget estimates submitted to the County Assembly on April 30, 2019. It provides a basis upon which to revise the 2019/20 budget in the context of the supplementary budget and set out the broad fiscal parameters for the next medium-term budget.

Fiscal discipline will seek to ensure that each spending agency in the county can keep and support sustainable economic growth. The implementation of the County budget will focus on reducing poverty levels by improving access to health care, public infrastructure, enterprise development, and agricultural productivity.

The County Government remains committed to maintaining the trend of economic growth and development in line with high priority and strategic service delivery programmes that aid the achievement of the “Big Four” Plan and the third Medium Term Plan (MTP III) of the Vision 2030.

The County Government will ensure that there is transparency and accountability by engaging stakeholders in development planning, implementation, and monitoring as required by the Constitution and the Public Finance Management Act, 2012.

Hon. Andrew Sigei  
**CECM- Finance & Economic Planning**  
**County Government of Bomet**

## **ACKNOWLEDGEMENTS**

The 2019 County Budget Review and Outlook Paper is the seventh to be prepared since the inception of the county government. Its preparation was made successful by contributions of various participants, whom we highly recognized and appreciated for their efforts.

This statutory document was prepared by a joint team of County Treasury and Economic Planning Unit with extensive inputs from Departments. We are grateful to all the spending units and their respective heads for their timely provision of data necessary for qualifying this review and outlook paper. A core team of the county planning unit provided technical expertise in compilation of the document, with support from the various departments which provided the needed information on time.

I wish to appreciate the County Executive Committee member for Finance and Economic Planning, for providing leadership throughout the preparation of this document. I further wish to recognise staff of the Department of Economic Planning for their hard work and commitment in successfully delivering the document on time. It may not be possible to mention everyone on this list and I therefore take this opportunity to thank all County Treasury staff for their dedication and commitment to duty.

MILCAH C. RONO,  
**CHIEF OFFICER- ECONOMIC PLANNING**

### **Legal Basis for the Publication of the County Budget Review and Outlook Paper**

The Budget Review and Outlook Paper is prepared in accordance with Section 118 of the Public Finance Management Act, 2012. The law states that:

(1) A County Treasury shall—

(a) prepare a County Budget Review and Outlook Paper in respect of the county for each financial year; and

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

(2) In preparing its county Budget Review and Outlook Paper, the County Treasury shall specify—

(a) the details of the actual fiscal performance in the previous year compared to the budget appropriation for that year;

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

(c) information on—

(i) any changes in the forecasts compared with the County Fiscal Strategy Paper; or

(ii) how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the County Fiscal Strategy Paper for that financial year; and

(d) reasons for any deviation from the financial objectives in the County Fiscal Strategy Paper together with proposals to address the deviation and the time estimated for doing so.

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

(4) Not later than seven days after the County Budget Review and Outlook Paper is approved by the County Executive Committee, the County Treasury shall—

(a) arrange for the Paper to be laid before the County Assembly; and

(b) as soon as practicable after having done so, publish and publicise the Paper.



## INTRODUCTION

The County Budget Review and Outlook Paper (CBROP) was prepared by the County Treasury pursuant to the provisions of section 118 of the Public Finance Management (PFM) Act 2012. This paper analyses the fiscal outcome of 2018/2019 indicating deviation from the approved budget and how it affects the financial objectives set out in the 2019/2020 County Fiscal Strategy Paper.

### **Objectives of the County Budget Review and Outlook Paper (C-BROP) 2019**

The objective of the CBROP is to provide an assessment of the fiscal performance for the FY 2018/2019 and how the outcomes impact on the County fiscal responsibility principles outlined in the County Fiscal Strategy paper 2019 as envisaged in the PFM Act 2012. This information alongside other emerging issues on the current budget year will provide the background for revising the current budget via a supplementary budget proposal. Details of the fiscal framework and the medium term policy priorities will be firmed up in the next CFSP.

The CBROP will be a key document in linking policy, planning and budgeting. The Sector Working Groups have been reviewing programmes for the last Medium Term Expenditure Framework (MTEF) focusing on updating and developing new programmes for the next **MTEF 2020/21-2022/23**

To set the primary sector ceilings for the FY 2020/2021 budget and indicative projections for the FY 2021/2022 and 2022/2023 MTEF period. These ceilings will set off budget preparation process for the fiscal year 2020/2021.

The rest of the paper is organised as follows: section II provides a review of fiscal performance in FY 2018/2019 and its implication to the 2019 CFSP financial objectives; Section III observes the recent economic developments and the updated National macroeconomic outlook; Section IV and V contains the proposed sector budget ceilings and the Conclusion respectively.

## II. REVIEW OF FISCAL PERFORMANCE IN FY 2018/2019

### A. Overview

The fiscal year 2018/19 marked the fifth year of Programme Based Budgeting (PBB) for all County Government entities as per section 12 of the second schedule of the PFM Act 2012. During the financial year 2018/19 there was a visible increase in local revenue collection and absorption of both development and recurrent expenditure as compared to similar period in FY 2017/18.

During the year under review total county revenue amounted to Ksh 7.712 billion against a revised target of Ksh 8.161 billion. Total receipts from Equitable share of revenue comprised of Ksh 5.935 billion (76.9%) of the total receipts), Ksh 448.4 million (5.8%) being proceeds from conditional Grants, Ksh 53.0 million (0.7%) being Transfers from Other Government Entities, Ksh 212 million (2.8%) being local revenue collection, and Kshs. 1.064 billion (13.8%) being balance carried forward.

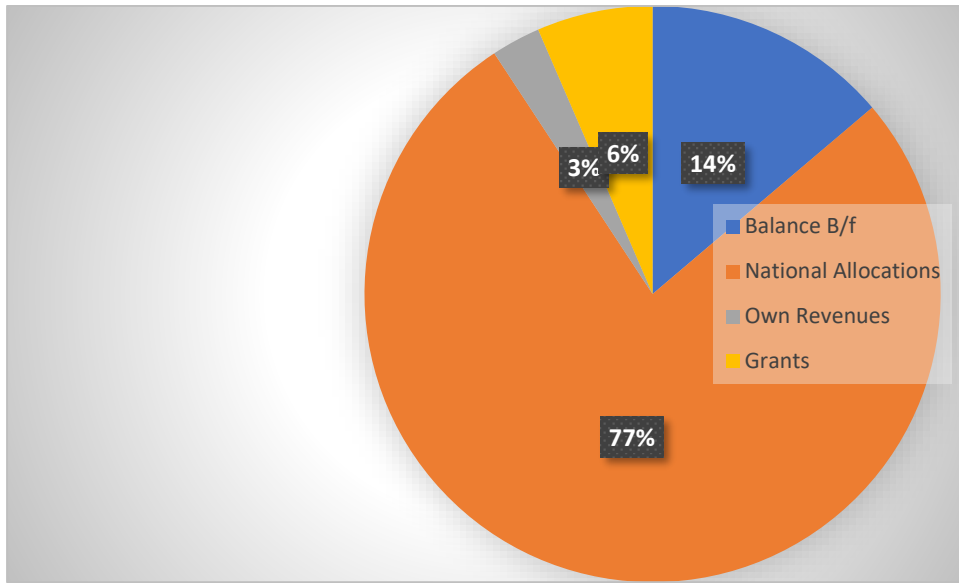
In the reporting period the execution of both development and recurrent budget revealed a considerable increase as compared to financial year 2017/18. The county spent a total of Ksh 6.88 billion during financial year 2018/19 against a revised target of Ksh 8.161 billion representing an execution rate of 84 percent. Recurrent expenditure for the period under review represents 95 percent of the annual recurrent budget while development expenditure represents 70 percent of the annual development budget. The absorption of development expenditure was hampered mainly by lengthy procurement process and late disbursement of funds from national treasury.

### B. Fiscal Performance FY 2018/2019

#### Revenue performance

Total county revenue including exchequer receipts and local revenue collection amounted to Ksh 7,711,911,598 against a target of Ksh 8,160,600,014 representing a performance of 95 per cent. Despite a deviation of Ksh 449 million from the planned target there was a growth in revenue by 27% in the year under review compared to actual receipt in financial year 2017/18. *Figure 1* below demonstrate the total County Receipts by source. As projected during the period under review the County received the highest revenues from exchequer transfers.

**Figure I: County Total Receipts by Source**



**Table 1: County Government Total Revenues FY 2018/2019 (Kshs.)**

COUNTY REVENUE	ACTUAL RECEIVED FY2017/2018	BUDGETED FY2018/2019	ACTUAL RECEIVED FY2018/2019	BALANCE	% Collection
Balance B/f	276,777,185	1,064,227,340	1,064,227,340	-	100%
National Allocations	5,254,800,000	5,934,600,000	5,934,600,000	-	100%
Own Revenues	181,675,343	245,000,000	211,712,644	32,314,238	86%
HSSF-Danida	13,589,799	17,617,500	17,617,500	-	100%
Universal Health care(World Bank)	34,476,134	86,405,581	21,807,642	64,597,939	25%
CA- Fuel Levy Fund	200,546,244	156,252,849	156,252,849	-	100%
IDA(Word Bank) Kenya Climate Smart		117,000,000	35,841,567	81,158,433	31%
CA-User Fees foregone	14,191,766	16,713,356	16,713,356	-	100%
CA- Leasing of Medical Equipment		200,000,000	-	200,000,000	0%
Kenya Urban support programme(KUSP)		209,534,800	209,534,800	-	100%
CA- Development of Youth polytechnics	45,149,112	47,875,000	36,145,625	11,729,375	76%
ASDSP		20,485,395	7,458,275	13,027,120	36%
CA - KDSP (level 1 + FY2016/17 allocation)	41,921,669	44,888,193	-	44,888,193	0%
<b>GRAND TOTAL</b>	<b>6,063,127,252</b>	<b>8,160,600,014</b>	<b>7,711,911,598</b>	<b>448,688,416</b>	<b>95%</b>

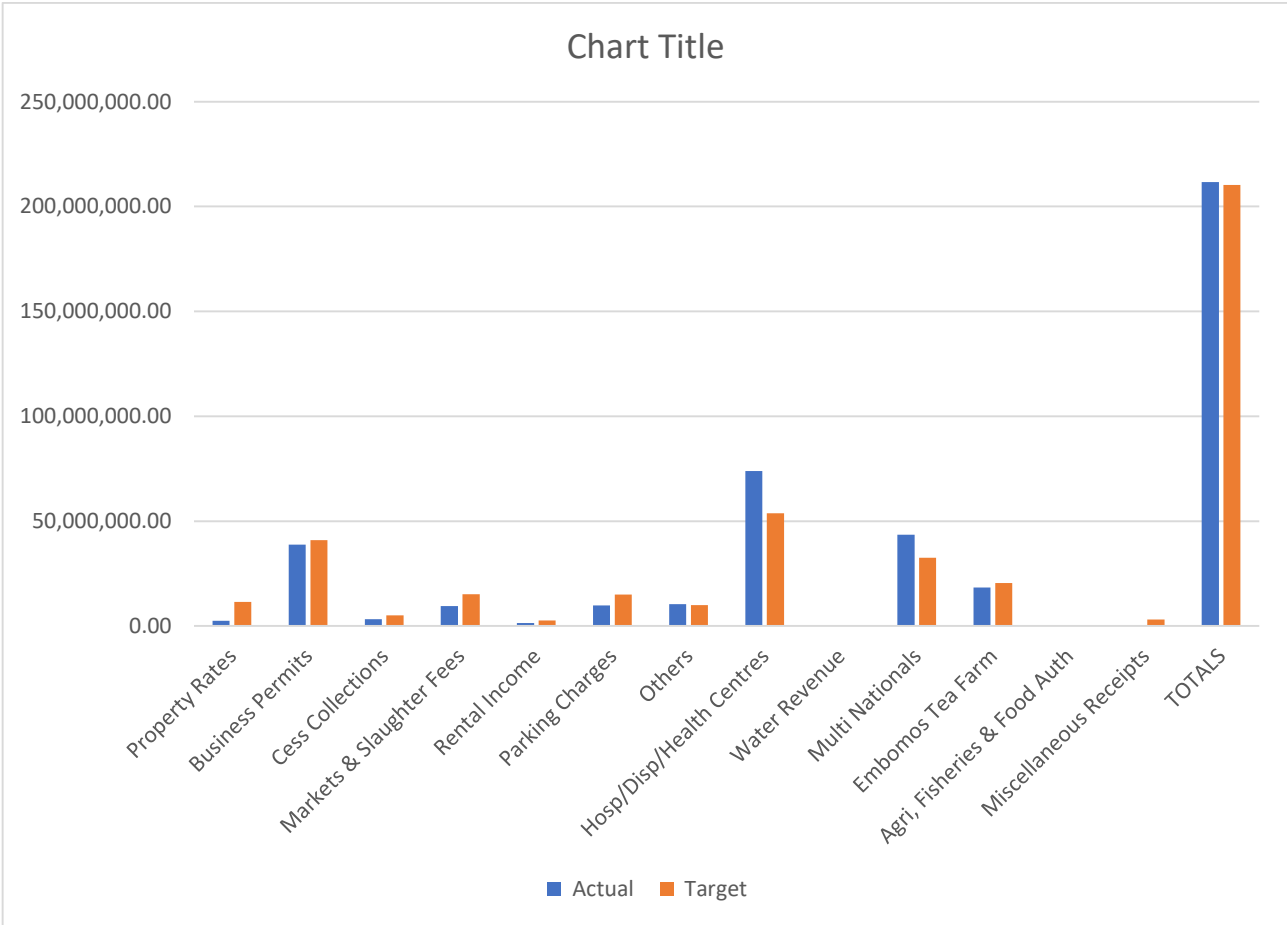
In addition to the revenue received for the year, there were unspent balances carried forward from FY 2017/18 amounting to Ksh 1.064 billion. The fund available for use in financial year 2018/19 was Ksh 8.161 billion comprising of equitable share, conditional grants, local revenue and unspent balances for financial year 2017/18. The variance between targeted revenue and actual revenue was Ksh 449 million which is mostly attributed to non-disbursement of Conditional grants and deviation in local revenue collection.

**Table 2: County Own Revenue**

		2017/2018	2017/2018	2018/2019	2018/2019	2018/2019	2018/2019		% of total revenue
	Revenue Sources	Actual	Target	Actual	Target	Variance	% Variance	% Growth	
1	Property Rates	4,828,467	10,940,335.00	2,586,394.00	12,487,351.75	-9,900,957.75	-79%	-46%	1%
2	Business Permits	32,327,387	38,998,650.00	38,759,435.00	40,948,582.50	-2,189,147.50	-5%	20%	18%
3	Cess Collections	3,958,421	4,805,550.00	3,228,470.00	5,045,827.50	-1,817,357.50	-36%	-18%	2%
4	Markets & Slaughter Fees	10,024,389	14,412,793.00	9,564,165.00	18,133,432.65	-8,569,267.65	-47%	-5%	5%
5	Rental Income	1,940,170	2,538,689.00	1,374,800.00	3,665,623.45	-2,290,823.45	-62%	-29%	1%
6	Parking Charges	8,626,090	14,347,431.00	9,883,440.00	15,064,802.55	-5,181,362.55	-34%	15%	5%
7	Others	4,748,814	9,531,680.00	10,504,536.00	10,008,264.00	496,272.00	5%	121%	5%
8	Hosp/Disp/Health Centres	64,300,097	51,143,000.00	73,845,157.00	73,700,150.00	145,007.00	0%	15%	35%
10	Multi Nationals	30,494,717	31,033,266.00	43,617,939.00	35,584,929.30	8,033,009.70	23%	43%	21%
11	Embomos Tea Farm	20,426,791	19,478,981.00	18,348,308.00	23,452,930.05	-5,104,622.05	-22%	-10%	9%
12	Agri, Fisheries & Food Auth	0	0	0.00	0	0%	0%	0%	0%
13	Miscellaneous Receipts	0	2,980,790.00	0.00	6,908,106.25	-6,908,106.25	-100%	0%	0%
	<b>TOTALS</b>	<b>181,675,343</b>	<b>200,211,165.00</b>	<b>211,712,644.00</b>	<b>245,000,000.00</b>	<b>-33,287,356.00</b>	<b>-14%</b>	<b>17%</b>	<b>100%</b>

Local revenue collections amounted to Ksh212 million against a target of 245 million in the year under review. This illustrates that there was a deviation of Ksh 33 million from the projected estimates. The analysis of revenue by sources indicates that the major sources of revenue for the financial year 2018/19 was Hospital/health centres which accounted for 35% of the total local revenue collected followed by Multinationals and Single business permits at 21% and 18% respectively. Embomos tea farm accounted for 9%, property rates 1%, cess collections 2%, markets and slaughter fees 5%, rental income 1%, parking charges 5% and others 5%. The local revenue increased by 17 per cent from 182 million in FY2017/18 fiscal year to 212 million in the period under review.

**Figure II: Local Revenue Performance by Stream (Kshs.)**



**Table 3: Exchequer Releases**

<i>COUNTY REVENUE</i>	<i>ACTUAL RECEIVED FY2017/2018</i>	<i>BUDGETED FY2018/2019</i>	<i>ACTUAL RECEIVED FY2018/2019</i>	<i>VARIANCE</i>	<i>GROWTH IN PERCENT</i>
National Allocations	5,254,800,000	5,934,600,000	5,934,600,000	-	13%
HSSF-Danida	13,589,799	17,617,500	17,617,500	-	30%
Universal Health care(World Bank)	34,476,134	86,405,581	21,807,642	(64,597,939)	-37%
CA- Fuel Levy Fund	200,546,244	156,252,849	156,252,849	-	-22%
IDA(Word Bank) Kenya Climate Smart	0	117,000,000	35,841,567	(81,158,433)	0%
CA-User Fees foregone	14,191,766	16,713,356	16,713,356	-	18%
CA- Leasing of Medical Equipment		200,000,000	-	(200,000,000)	0%
Kenya Urban support programme(KUSP)		209,534,800	209,534,800	-	0%
CA- Development of Youth polytechnics	45,149,112	47,875,000	36,145,625	(11,729,375)	-20%
ASDSP		20,485,395	7,458,275	(13,027,120)	0%
CA - KDSP (level 1 + FY2016/17 allocation)	41,921,669	44,888,193	0	(44,888,193)	-100%
<b>GRAND TOTAL</b>	<b>5,604,674,724</b>	<b>6,851,372,674</b>	<b>6,435,971,614</b>	<b>(415,401,060)</b>	<b>15%</b>

The county received a total of Kshs. 6.436 billion as exchequer releases comprising of equitable share Kshs. 5.935 billion, conditional grants Kshs. 484 million and donor funds (DANIDA) of Kshs. 17.6 million. Fund for leasing of medical equipment were not received since they were deducted at source to pay for medical equipment delivered. The Kenya Devolution Support Program conditional grants of Kshs 44 million were not disbursed. Most of the conditional grants from donors were not disbursed as had been indicated in the County allocation of revenue act.

## **Expenditure Performances**

The total spending in the financial year 2018/19 amounted to Ksh 7,014,526,892 against a target of Ksh 8,160,600,014 indicating a performance of 86%. Recurrent expenditure recorded the highest absorption rate of 95% against the budget while development expenditure recorded an absorption rate of 70% against the budget for development.

Further analysis of expenditure in term of economic classification indicates that salaries and wages consumed a huge part of the expenditure for the period at 37% of the total expenditure. Operations and Maintenance accounted for 34% of the period expenditure while development expenditure accounted for 29% of the actual expenditure for the period. Table 4: below illustrate 2018/19 county expenditure by economic classification.

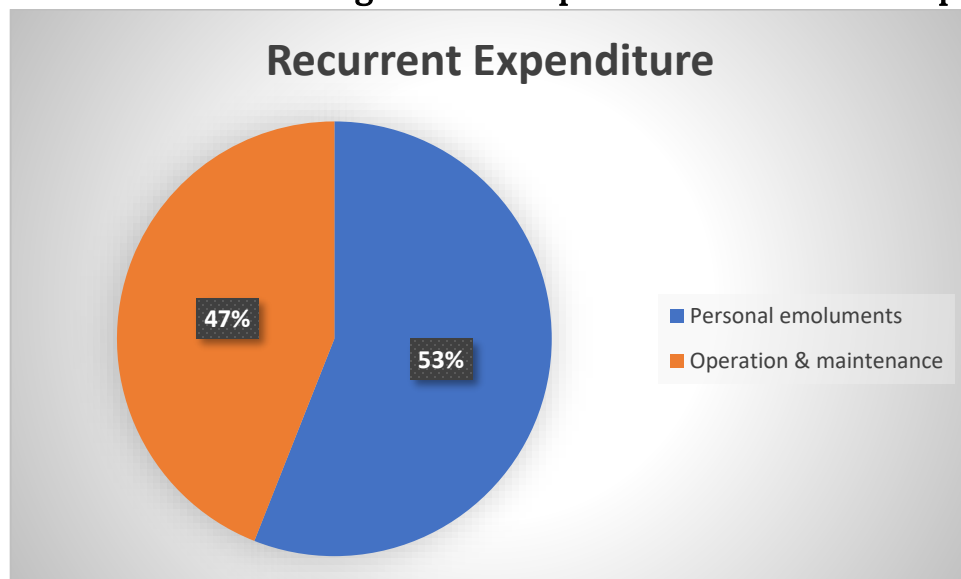


**Table 4: Expenditure performance by Economic Classification**

Expenditure	FY 2017/18 (Baseline)		FY 2018/2019		Variance(Kshs)	Variance (%)	Budget Execution Rate	% Growth
	Actual	Target	Actual	Target				
<b>Recurrent Expenditure</b>								
Salaries and Wages	2,429,986,866.83	2,532,797,051.50	2,612,177,904	2,863,945,708	251,767,804	9%	91%	7%
Operations and Maintenance	1,644,418,753.24	1,844,980,286.50	2,346,383,108	2,348,838,478	2,455,371	0.1%	99.90%	43%
<b>Sub Total</b>	<b>4,074,405,620</b>	<b>4,377,777,338</b>	4,958,561,012	<b>5,212,784,186.00</b>	<b>254,223,175</b>	<b>5%</b>	<b>95%</b>	<b>22%</b>
<b>Development Expenditure</b>	873,537,046.09	1,864,131,365.60	2,055,965,880	2,947,815,828	891,849,948	30%	70%	135%
<b>Total Expenditure</b>	<b>4,947,942,666</b>	<b>6,241,908,704</b>	<b>7,014,526,892</b>	<b>8,160,600,014</b>	<b>1,146,073,123</b>	<b>14%</b>	<b>86%</b>	<b>42%</b>

Compared to the previous financial year development expenditure increased with the highest margin of 135 % from 0.874 billion in 2017/18 to 2.056 billion in the year under review. Operations and Maintenance grew by 43% while compensation to employees had the least growth of only 7%. Additionally, as reflected in Figure III below, compensation to employees was the highest proportion of all recurrent expenditures (53%) while Operations and Maintenance accounted for only 47% of total recurrent expenditures.

**Figure III: Composition of Recurrent Expenses**



The categorization of spending by departments as illustrated by table 5 below indicates that all the departments except ICT and Economic planning departments recorded more than 80% budget execution rate. The reason why the department of Economic planning recorded a low absorption rate is a result of non-disbursement of KDSP Level funds. The Public Service Board had the highest execution at 97.5%.

**Table 5: Departments' Expenditure Performance for Period ending 30th June 2019 (Kshs.)**

SECTOR	TARGET FY2018/2019	ACTUAL EXPENDITURE FY2018/2019	VARIANCE	% Variance	% Budget execution
<b>COUNTY EXECUTIVES</b>					
Personal emoluments	234,414,568	232,252,747	2,161,821	1%	99.1%
Operation & maintenance	306,406,829	261,241,696	45,165,133	15%	85.3%
	<b>540,821,397</b>	<b>493,494,442</b>	<b>47,326,955</b>	<b>9%</b>	<b>91.2%</b>
<b>PUBLIC SERVICE BOARD</b>			0		
Personal emoluments	36,538,520	36,345,371	193,149	1%	99.5%
Operation & maintenance	19,935,490	18,831,743	1,103,748	6%	94.5%
	<b>56,474,010</b>	<b>55,177,113</b>	<b>1,296,897</b>	<b>2%</b>	<b>97.7%</b>
<b>ADMINISTRATION</b>			0		

Personal emoluments	348,545,531	346,819,599	1,725,933	0%	99.5%
Operation & maintenance	83,942,170	82,868,877	1,073,293	1%	98.7%
Development	125,189,400	41,025,698	84,163,703	67%	32.8%
	<b>557,677,101</b>	<b>470,714,173</b>	<b>86,962,929</b>	<b>16%</b>	<b>84.4%</b>
<b>ICT</b>			0		
Personal emoluments	13,538,220	13,527,844	10,376	0%	99.9%
Operation & maintenance	28,681,001	26,232,225	2,448,776	9%	91.5%
Development	16,555,897	4,750,581	11,805,316	71%	28.7%
	<b>58,775,118</b>	<b>44,510,650</b>	<b>14,264,468</b>	<b>24%</b>	<b>75.7%</b>
<b>FINANCE</b>					
Personal emoluments	177,050,769	176,425,077	625,692	0%	99.6%
Operation & maintenance	179,610,100	165,773,810	13,836,290	8%	92.3%
Development	50,927,759	16,106,861	34,820,898	68%	31.6%
	<b>407,588,628</b>	<b>358,305,748</b>	<b>49,282,880</b>	<b>12%</b>	<b>87.9%</b>
<b>ECONOMIC PLANNING &amp; DEVELOPMENT</b>			0		
Personal emoluments	32,089,607	31,875,620	213,987	1%	99.3%
Operation & maintenance	162,641,579	99,041,184	63,600,395	39%	60.9%
	<b>194,731,186</b>	<b>130,916,804</b>	<b>63,814,382</b>	<b>33%</b>	<b>67.2%</b>
<b>LANDS AND URBAN PLANNING</b>					
Personal emoluments	151,177,559	150,690,291	487,268	0%	99.7%
Operation & maintenance	54,853,004	13,600,477	41,252,527	75%	24.8%
Development	254,824,417	209,867,868	44,956,549	18%	82.4%
	<b>460,854,980</b>	<b>374,158,636</b>	<b>86,696,344</b>	<b>19%</b>	<b>81.2%</b>
<b>YOUTH, SPORTS, GENDER AND CULTURE</b>					
Personal emoluments	39,226,632	37,764,702	1,461,931	4%	96.3%
Operation & maintenance	113,355,013	111,868,998	1,486,015	1%	98.7%
Development	36,500,000	33,147,500	3,352,500	9%	90.8%
	<b>189,081,645</b>	<b>182,781,200</b>	<b>6,300,446</b>	<b>3%</b>	<b>96.7%</b>
<b>AGRICULTURE, LIVESTOCK AND COOPERATIVES</b>					

Personal emoluments	201,653,977	140,846,612	60,807,365	30%	69.8%
Operation & maintenance	62,398,539	61,575,361	823,178	1%	98.7%
Development	355,843,379	207,460,260	148,383,119	42%	58.3%
	<b>619,895,895</b>	<b>409,882,233</b>	<b>210,013,662</b>	<b>34%</b>	<b>66.1%</b>
<b>MEDICAL SERVICES AND PUBLIC HEALTH</b>					
Personal emoluments	690,176,191	681,316,855	8,859,336	1%	98.7%
Operation & maintenance	595,971,345	571,144,418	24,826,928	4%	95.8%
Development	381,909,149	144,299,243	237,609,906	62%	37.8%
	<b>1,668,056,685</b>	<b>1,396,760,515</b>	<b>271,296,170</b>	<b>16%</b>	<b>83.7%</b>
<b>WATER, SANITATION AND ENVIRONMENT</b>					
Personal emoluments	48,442,797	37,714,286	10,728,511	22%	77.9%
Operation & maintenance	111,381,448	110,572,503	808,945	1%	99.3%
Development	280,770,471	178,017,571	102,752,901	37%	63.4%
	<b>440,594,716</b>	<b>326,304,360</b>	<b>114,290,356</b>	<b>26%</b>	<b>74.1%</b>
<b>EDUCATION AND VOCATIONAL TRAINING</b>					
Personal emoluments	463,420,151	421,574,334	41,845,817	9%	91.0%
Operation & maintenance	172,715,333	168,083,062	4,632,271	3%	97.3%
Development	149,347,164	132,387,608	16,959,556	11%	88.6%
	<b>785,482,648</b>	<b>722,045,004</b>	<b>63,437,644</b>	<b>8%</b>	<b>91.9%</b>
<b>ROADS, PUBLIC WORKS AND TRANSPORT</b>					
Personal emoluments	96,512,320	61,912,195	34,600,125	36%	64.1%
Operation & maintenance	110,100,438	108,348,745	1,751,693	2%	98.4%
Development	969,038,575	959,907,133	9,131,442	1%	99.1%
	<b>1,175,651,333</b>	<b>1,130,168,073</b>	<b>45,483,260</b>	<b>4%</b>	<b>96.1%</b>
<b>TRADE, ENERGY, TOURISM AND INDUSTRY</b>					
Personal emoluments	25,787,920	15,616,026	10,171,894	39%	60.6%
Operation & maintenance	26,316,647	24,463,902	1,852,745	7%	93.0%
Development	149,260,707	90,638,929	58,621,778	39%	60.7%

	201,365,274	130,718,857	70,646,417	35%	64.9%
<b>COUNTY ASSEMBLY</b>	<b>803,549,398</b>	<b>657,933,558</b>	<b>146,116,398</b>	<b>18%</b>	<b>81.8%</b>
Personal emoluments	305,370,946	287,042,430	18,328,516	-2%	<b>94%</b>
Operation & maintenance	320,529,542	325,777,725	5,248,183	6%	<b>102%</b>
Development	177,648,910	44,612,845	133,036,065	75%	<b>25%</b>
<b>TOTAL</b>	<b>803,549,398</b>	<b>657,433,000</b>	<b>145,116,398</b>	<b>18%</b>	<b>82%</b>

Personal emoluments	2,863,945,708	2,612,177,904	251,767,804	9%	91%
Operation & maintenance	2,348,838,478	2,346,383,108	2,455,370	0.1%	99.9%
Development	2,947,815,828	2,055,965,880	891,849,948	30%	70%
<b>TOTAL</b>	<b>8,160,600,014</b>	<b>7,014,526,892</b>	<b>1,146,073,122</b>	<b>14%</b>	<b>86%</b>

Development expenditure had the highest deviation from the planned performance with a variance of 0.89 billion. This may be attributed to lengthy procurement process that lead to delays in completion of projects and programmes. Recurrent expenditure was below target by 0.254 billion (5 per cent).

## **B. Fiscal Performance for FY 2018/2019 in Relation to Fiscal Responsibility**

### **Principles and Financial Objectives**

The fiscal performance achieved in financial year 2018/19 has implication on financial objectives set out in 2019 county fiscal strategy paper (CFSP) and approved budget for FY 2019/20 in the following ways:

The compensation to employees accounted for 35% which is within fiscal responsibility set limit as outlined in section 25 of the PFM County Regulations 2015. Over the medium-term sufficient checks should be put in place to ensure that the county does not exceed 35% of the total budget. This will ensure that more funds are released to allocated to development programmes.

During the year under review the county government allocated 36% towards development expenditure thereby exceeding the minimum 30% requirement set out in the PFM Act 2012. There was an increase in execution of development budget where 70% of the revised budget (2.055 billion) was absorbed in FY 2018/19 compared to 47% (1.864 billion) absorbed in FY 2017/18. This illustrates an improvement across all departments in their commitment to enhance implementation of development projects. The County Treasury will continue to improve capacity across all departments to further improve absorption of development budget which is still low compared to the absorption of the recurrent budget in the FY2018/19. The fiscal performance in FY 2018/19 in

both development and recurrent vote across all county department will inform the county treasury in making expenditure projections for the FY 2020/21 and over the medium term

### **III. RECENT ECONOMIC DEVELOPMENTS AND FISCAL OUTLOOK**

The County performance is dependent on the National economic performance as well as formulation and implementation of prudent policies by the County Government.

#### **A. Recent Economic Developments**

##### **Real Sector Developments**

The 2020/21 Budget is prepared against the background of a weakening global economy; Growth projected to slowdown from 3.6% in 2018 to 3.2% in 2019. Kenya's economic growth has remained strong and resilient supported by strong public and private sector investment and appropriate economic and financial policies. Growth is projected at 6.0% in 2019. The broad-based economic growth has averaged 5.7% for the period (2013 to 2018) outperforming the average growth rate of 4.7% in (2008 to 2012). Growth recovered in 2018 and grew by 6.3% up from 4.9% in 2017.

Agriculture sector grew by 5.3% and the non-Agriculture growth was 5.7 percent in Q1 of 2019. Increased economic growth has resulted in improved per capita income and job creation.

The value of goods and services produced raised Per Capita Income from Ksh 113,539 in 2013 to Ksh 186,297 in 2018, a 64.1% increase. The economy generated 840,000 new jobs per year in the period 2013- 2018 up from 656,500 new jobs per year in the period 2008-2012.

Inflation has largely been low, stable and within government target range of 5+/-2.5% in the period 2013 to 2019, as a result of prudent monetary and fiscal policies. Year on year Inflation declined from 6.3% in July to 5.0 in August 2019 on account of decline in prices of potatoes, cabbages and carrots following favourable weather condition throughout the month.

The MPC retained CBR at 9.0% in July 2019 as inflation expectations remained well anchored within the target range. The interbank rate dropped to 3.6% in August 2019 from 6.5% in August 2018. The 91-day Treasury bill rate also declined to 6.4% in August 2019 compared to 7.6 % over the same period in 2018. Credit extension to the private sector remains low but is gradually picking up.

The current account deficit narrowed to 3.8% of GDP in June 2019, from 5.4% in June 2018. The current account deficit is expected at 4.5 percent of GDP in 2019 from 5.0 percent in 2018.

The Kenya Shilling is expected to be stable in 2019 on account of a narrower current account deficit and resilient foreign exchange inflows. For three consecutive years (2016, 2017 and 2018), Kenya emerged at position three in the ease of doing business in sub-Saharan Africa and among the top ten most reformed countries in the world. Improving business environment will continue to attract investors into the country. Today, Kenya is a top investment destination in the world.

The National Government last mile connectivity programme in the energy sector with the aim of ensuring that all remote regions are connected to the National grid. Going forward this initiative is expected to stimulate business activities in the rural parts of Bomet County. The department of Lands, Physical Planning and Housing is preparing a County Spatial Plan which is expected to identify opportunities that will translate to investments and job creation thus leading to improved

livelihoods. In this regard the completion of a new valuation roll in the current MTEF period is expected to have a direct impact on land-based revenue sources such as land rates.

The County health services was further boosted by the supply and installation of the modern dialysis specialised machine and cancer screening equipment to Longisa Level 5 hospital. Further, the department of Lands, Physical Planning and Housing, has improved the sewerage systems which were in deplorable conditions in a bid to promote healthy environment. This alongside other sanitation initiatives have great help in mitigating the possible communicable disease such as cholera in the period under review.

### **Banking Act amendment and interest rates**

The Banking Amendment Bill has finally been tabled in the National Assembly as it seeks to seal the loopholes in the wordings of the Banking (Amendment) Act of 2015. In March 2019, the High Court suspended the Banking (Amendment) Act 2015 in a ruling that declared Section 33B (1) and (2) of the Banking Act unconstitutional. The Court gave the National Assembly one year to amend the anomalies, failure to which will mean a reversion to a free-floating interest rate regime. A Three-Judge bench determined that the wordings the Parliament used to define the terms 'credit facility' and the 'Central Bank Rate' are vague and open to multiple interpretations.

The anomalies and ambiguity arise in Section 33B (1) of the Banking Act which states that, "a bank or a financial institution shall set the maximum interest rate chargeable for a credit facility in Kenya at no more than four percent, the Central Bank Rate set and published by the Central Bank of Kenya (now at 9.0%)". The judges noted that the words "at no more than four percent, the Central Bank Rate" are vague since it is not clear if it is above or below CBR.

In September 2018, the National Assembly blocked a section of the Finance Bill 2018 that sought to repeal the cap on lending rates, and instead, the floor cap on deposit rates was scrapped off. Because of rate caps, banks have shied away from lending to the SME sector, leaving them with no options except to approach shylocks and digital lenders, who charge exploitative rates.

A proposition to repeal the law was also included in the Finance Bill 2019, where "we expected a possible review, in the form of a change in the benchmark from the Central Bank Rate (CBR), to probably the Kenya Bank Reference Rate (KBRR), and an increase in the margin from the current 4.0." As of April 2019, the private sector credit growth rate stood at 4.9 percent according to the MPC market perception survey. With the repeal of the rate cap law, analysts expect that access to credit by Micro, Small and Medium Enterprises (MSMEs) will increase as banks will have sufficient margin to compensate for risks.

Credit and economic growth are positively correlated and economists expect that with increased access to credit by MSMEs, the economy is bound to expand as MSMEs make a significant contribution to the economy. According to data from the KNBS, Micro, Small and Medium



Enterprises (MSMEs) 2016 survey, MSMEs account for approximately 28.4% of Kenya's GDP. With the repeal of the rate cap law, the Central Bank of Kenya will be free to adjust the monetary policy rate in response to economic developments such as inflation and growth.

### **Monetary Policy Outlook**

Kenya's real gross domestic product is projected to grow by 5.7% in 2019, a slight decrease from the estimated 5.8% growth experienced in 2018, according to the new World Bank Kenya Economic Update. While the medium-term growth outlook is stable, the report notes that recent threats of drought and continued subdued private sector investment could drag down growth in the near-term. The growth forecast for 2020 stands at 5.9%. Policy reforms, if pursued, could help rebuild resilience and speed-up the pace of poverty reduction. These include enhancing tax revenue mobilization to support government spending, reviving the potency of monetary policy, and recovery in growth of credit to the private sector.

Agriculture remains a key driver of growth in Kenya and a major contributor to poverty reduction. The Special Focus section of the KEU highlights a few of the many factors underlying low agriculture sector productivity and high vulnerability to climate shocks; and proposes policies that could help transform the sector to boost farmers' income-thereby contributing to the overall poverty reduction in Kenya. There is a need to reform the current fertilizer subsidy program to ensure that it is efficient, transparent and well-targeted; invest in irrigation and water management infrastructure to build resilience in the sector; and leverage disruptive technologies to deliver agricultural services, including agro-weather and market information and advisory services.

Finally, to boost farmers' incomes policy could seek to address post-harvest losses and marketing challenges by fast-tracking implementation of the national warehousing receipt system and commodities exchange, while scaling up agro-processing and value addition to increase returns on agricultural produce.

## IV. RESOURCE ALLOCATION FRAMEWORK

### A. Amendment to the 2019/2020 MTEF Budget

The budgetary framework for the 2019/20 was on the basis of better budget execution and improved fiscal management. Prompt revenue performance from local sources and national exchequer transfers was envisaged. However, amendments are expected on the following basis; Some projects executed in the year 2018/19, and whose payment was expected to have been cleared in June 2019, were actually not paid due to the following reasons:

- (i.) Harsh weather conditions i.e. heavy rainfall delayed the completion of projects.
- (ii.) Funds from the National treasury were released at the end of the financial year. This delay gave rise to pending bills that needs to be cleared.

### B. Medium Term Expenditure Framework

The Bomet County MTEF fiscal strategies contained in the planning and budgeting documents are as follows: Improved Agribusiness for all Households; Empowerment of Youth, Women and PWDs; ECDE support, Quality Education and development; Accessible Universal Healthcare; Improvement of Land and Urban Planning Services; Promotion of Water for Domestic and Irrigation Services; Transport and Infrastructure; Enhanced access to clean energy; Developing the ICT infrastructure(s) to ensure effective; Promotion of value addition for agricultural produce, food security and environmental conservation; Promotion of equitable social economic development for county stability; Enhancing governance, transparency and accountability in the delivery of public goods and service by promoting participation of the people in governance; Promoting equitable access to resources for local beneficiation; Creating an enabling environment for business and private sector participation in County Economic growth and development; Providing skilled, financial and technical human resource capacity and adequate policy development; Having an efficient and effective intergovernmental unit. All these are aimed at ensuring that inclusive socio-economic growth and development of the county is achieved.

The allocation of resources in the 2020/21-2022/23 will be geared towards the actualization of core programmes and sub-programmes contained in the CIDP (2018-2022), as well as programmes in the 2020/21 Annual Development Plan, and fiscal initiatives of the county government enumerated in the CFSP 2019. These allocations are only indicative ceilings, which will be firmed up in the Fiscal Strategy Paper and the Budgetary estimates. The Medium Term Expenditure Framework for Financial Year 2020/2021 will focus on the following key priority areas;

- Improving of livelihoods through efficient urban development, coordination, and land administration through promoting adequate and accessible housing, optimal land management and urban facilities for all County Citizen

- Promoting and participating in the provision of integrated and high quality promotive, preventive, curative and rehabilitative health care services to Bomet residents and beyond at affordable costs.
- Provision of a county government that exercises transparency and accountability in the use of public resources and ensures equitable distribution of resources, corruption-free governance and equal opportunities
- Harnessing of resources through innovation for the realization of a food secure, value adding and environmentally sustainable sector
- Developing, conserving, utilizing, protecting and sustainably managing water, environment and natural resources for improved livelihoods for the people.
- Nurturing of every learner's potential and skills within the county
- Provision of quality, safe and adequate county infrastructure and other public works for socio-economic development
- Facilitation of Conducive environment creation for sustainable trade, investment, tourism and a vibrant industrial base
- Industrial Development and Support:
- Development of Strategic Framework for Jua Kali/SME Sector
- Raising standards of living among the youth, women, children and vulnerable groups through socio-economic development

**Annex I: County Government total revenue ceilings FY 2020/2021-2022/2023**

REVENUE	Approved Estimates FY2019/2020	REVENUE PROJECTIONS		
		FY2020/2021	FY2021/2022	FY2022/2023
<b>Equitable share +Local Revenue</b>	<b>5,783,022,277</b>	<b>6,361,324,505</b>	<b>6,997,456,955</b>	<b>7,697,202,651</b>
Equitable share	5,507,100,000	6,057,810,000	6,663,591,000	7,329,950,100
Local Revenue	275,922,277	303,514,505	333,865,955	367,252,551
<b>Balance B/F</b>	<b>385,900,000</b>	<b>424,490,000</b>	<b>466,939,000</b>	<b>513,632,900</b>
<b>Conditional Grants from National Government Revenue</b>	<b>362,825,938</b>	<b>399,108,532</b>	<b>439,019,385</b>	<b>482,921,323</b>
User fees Forgone	16,713,356	18,384,692	20,223,161	22,245,477
Conditional Grant - Leasing of Medical Equipment	131,914,894	145,106,383	159,617,022	175,578,724
Road Maintenance Fuel Levy	156,322,688	171,954,957	189,150,452	208,065,498
Conditional Allocation for development of youth Polytechnics	57,875,000	63,662,500	70,028,750	77,031,625
<b>Conditional allocations to County Governments from Loans and Grants from Development Partners</b>	<b>555,870,099</b>	<b>611,457,109</b>	<b>672,602,820</b>	<b>739,863,102</b>
World Bank Loan to for transforming health systems for universal care project	35,000,000	38,500,000	42,350,000	46,585,000
Kenya Urban Support Programme	240,534,800	264,588,280	291,047,108	320,151,819
KDSP (Level 1 Grant)	30,000,000	33,000,000	36,300,000	39,930,000
HSSF Danida	17,718,750	19,490,625	21,439,688	23,583,656
IDA Kenya Climate Smart Programme (117,000,000+ 2018/2019 63,000,000)	215,200,000	236,720,000	260,392,000	286,431,200

Agriculture Sector Development Support Programme (ASDSP)	17,416,549	19,158,204	21,074,024	23,181,427
<b>TOTAL REVENUE</b>	<b>7,087,618,314</b>	<b>7,796,380,145</b>	<b>8,576,018,160</b>	<b>9,433,619,976</b>

**Annex II: Trend in Growth of Equitable share of Revenue**

<i>COUNTY REVENUE</i>	<i>ACTUAL RECEIVED FY2017/2018</i>	<i>BUDGETED FY2018/2019</i>	<i>ACTUAL RECEIVED FY2018/2019</i>	<i>VARIANCE</i>	<i>GROWTH IN PERCENT</i>
National Allocations	5,254,800,000	5,934,600,000	5,934,600,000	-	13%
HSSF-Danida	13,589,799	17,617,500	17,617,500	-	30%
Universal Health care(World Bank)	34,476,134	86,405,581	21,807,642	-64,597,939	-37%
CA- Fuel Levy Fund	200,546,244	156,252,849	156,252,849	-	-22%
IDA(Word Bank) Kenya Climate Smart	0	117,000,000	35,841,567	-81,158,433	0%
CA-User Fees foregone	14,191,766	16,713,356	16,713,356	-	18%
CA- Leasing of Medical Equipment		200,000,000	-	-200,000,000	0%

Kenya Urban support programme(KUSP)		209,534,800	209,534,800	-	0%
CA- Development of Youth polytechnics	45,149,112	47,875,000	36,145,625	-11,729,375	-20%
ASDSP		20,485,395	7,458,275	-13,027,120	0%
CA - KDSP (level 1 + FY2016/17 allocation)	41,921,669	44,888,193	0	-44,888,193	-100%
<b>GRAND TOTAL</b>	<b>5,604,674,724</b>	<b>6,851,372,674</b>	<b>6,435,971,614</b>	<b>-415,401,060</b>	<b>15%</b>

### Annex III: Total Expenditure Sector Ceilings for the Period 2020/2021-2022/2023

SUMMARY OF BUDGET ESTIMATES FY 2019-2020				
SECTOR	APPROVED ESTIMATES	C-BROP CEILINGS	PROJECTIONS	
	FY 2019/20	FY2020/2021	FY2021/2022	FY2022/2023
<b>COUNTY EXECUTIVES</b>	<b>1,753,866,426</b>	1,771,405,090.11	1,789,119,141.01	1,807,010,332.42
Personal emoluments	1,494,638,552	1,509,584,937.37	1,524,680,786.74	1,539,927,594.61
Operation & maintenance	259,227,874	261,820,152.74	264,438,354.27	267,082,737.81
<b>PUBLIC SERVICE BOARD</b>	<b>20,034,200</b>	20,234,542.00	20,436,887.42	20,641,256.29
Personal emoluments	-	-	-	-

Operation & maintenance	20,034,200	20,234,542.00	20,436,887.42	20,641,256.29
<b>ADMINISTRATION</b>	<b>128,000,252</b>	129,280,254.93	130,573,057.48	131,878,788.06
Personal emoluments	-	-	-	-
Operation & maintenance	58,390,252	58,974,154.93	59,563,896.48	60,159,535.45
Development	69,610,000	70,306,100.00	71,009,161.00	71,719,252.61
<b>ICT</b>	<b>46,705,000</b>	47,172,050.00	47,643,770.50	48,120,208.21
Personal emoluments	-	-	-	-
Operation & maintenance	25,705,000	25,962,050.00	26,221,670.50	26,483,887.21
Development	21,000,000	21,210,000.00	21,422,100.00	21,636,321.00
<b>FINANCE</b>	<b>205,700,151</b>	207,757,152.51	209,834,724.04	211,933,071.28
Personal emoluments	-	-	-	-
Operation & maintenance	105,772,392	106,830,115.92	107,898,417.08	108,977,401.25
Development	99,927,759	100,927,036.59	101,936,306.96	102,955,670.03
<b>ECONOMIC PLANNING</b>	<b>133,868,835</b>	135,207,523.35	136,559,598.58	137,925,194.57
Personal emoluments	-	-	-	-
Operation & maintenance	133,868,835	135,207,523.35	136,559,598.58	137,925,194.57
<b>LANDS,HOUSING AND URBAN PLANNING</b>	<b>352,046,974</b>	355,567,443.61	359,123,118.04	362,714,349.23
Personal emoluments	-	-	-	-
Operation & maintenance	71,491,187	72,206,098.87	72,928,159.86	73,657,441.46
Development	280,555,787	283,361,344.74	286,194,958.19	289,056,907.77

<b>YOUTH, SPORTS, GENDER AND CULTURE</b>	<b>125,020,370</b>	126,270,573.70	127,533,279.44	128,808,612.23
Personal emoluments	-	-	-	-
Operation & maintenance	88,020,370	88,900,573.70	89,789,579.44	90,687,475.23
Development	37,000,000	37,370,000.00	37,743,700.00	38,121,137.00
<b>MEDICAL SERVICES &amp; PUBLIC HEALTH</b>	<b>1,562,827,634</b>	1,578,455,910.02	1,594,240,469.12	1,610,182,873.81
Personal emoluments	665,000,000	671,650,000.00	678,366,500.00	685,150,165.00
Operation & maintenance	523,092,740	528,323,667.08	533,606,903.75	538,942,972.79
Development	374,734,894	378,482,242.94	382,267,065.37	386,089,736.02
<b>AGRICULTURE COOPERATIVES AND MARKETING</b>	<b>424,172,095</b>	428,413,815.86	432,697,954.02	437,024,933.56
Personal emoluments	-	-	-	-
Operation & maintenance	60,972,095	61,581,815.86	62,197,634.02	62,819,610.36
Development	363,200,000	366,832,000.00	370,500,320.00	374,205,323.20
<b>WATER SANITATION AND ENVIRONMENT</b>	<b>490,860,281</b>	495,768,883.81	500,726,572.65	505,733,838.37
Personal emoluments	-	-	-	-
Operation & maintenance	11,914,199	12,033,340.99	12,153,674.40	12,275,211.14
Development	478,946,082	483,735,542.82	488,572,898.25	493,458,627.23
<b>EDUCATION AND VOCATIONAL TRAINING</b>	<b>274,645,250</b>	277,391,702.50	280,165,619.53	282,967,275.72
Personal emoluments	-	-	-	-
Operation & maintenance	146,470,250	147,934,952.50	149,414,302.03	150,908,445.05



Development	128,175,000	129,456,750.00	130,751,317.50	132,058,830.68
<b>ROADS, PUBLIC WORKS &amp; TRANSPORT</b>	<b>713,952,317</b>	<b>721,091,840.65</b>	<b>728,302,759.06</b>	<b>735,585,786.65</b>
Personal emoluments	-	-	-	-
Operation & maintenance	58,382,125	58,965,946.25	59,555,605.71	60,151,161.77
Development	655,570,192	662,125,894.40	668,747,153.35	675,434,624.88
<b>TRADE, ENERGY, TOURISM, INDUSTRY AND INVESTMENT</b>	<b>149,597,006</b>	<b>151,092,975.86</b>	<b>152,603,905.62</b>	<b>154,129,944.67</b>
Personal emoluments	-	-	-	-
Operation & maintenance	26,801,000	27,069,010.00	27,339,700.10	27,613,097.10
Development	122,796,006	124,023,965.86	125,264,205.52	126,516,847.57
<b>COUNTY ASSEMBLY</b>	<b>706,321,523</b>	<b>713,384,738.23</b>	<b>720,518,585.61</b>	<b>727,723,771.47</b>
Personal emoluments	301,586,735	304,602,602.35	307,648,628.37	310,725,114.66
Operation & maintenance	344,734,788	348,182,135.88	351,663,957.24	355,180,596.81
Development	60,000,000	60,600,000.00	61,206,000.00	61,818,060.00
<b>TOTAL</b>	<b>7,087,618,314</b>	<b>7,158,494,497.14</b>	<b>7,230,079,442.11</b>	<b>7,302,380,236.53</b>
Personal emoluments	<b>2,461,225,287</b>	2,485,837,539.72	2,510,695,915.12	2,535,802,874.27
Operation & maintenance	<b>1,934,877,307</b>	1,954,226,080.07	1,973,768,340.87	1,993,506,024.28
Development	<b>2,691,515,720</b>	2,718,430,877.35	2,745,615,186.12	2,773,071,337.98
Personal emoluments		35%	35%	36%
Operation & maintenance		27%	28%	28%
Development		38%	38%	39%

