COUNTY GOVERNMENT OF KILIFI

THE TREASURY

COUNTY BUDGET REVIEW AND OUTLOOK PAPER

SEPTEMBER 2016

PRELUDE

LEGAL BASIS FOR THE PUBLICATION OF THE COUNTY BUDGET REVIEW AND OUTLOOK PAPER (CBROP)

The County Budget Review and Outlook Paper, 2016 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.

FISCAL RESPONSIBILITY PRINCIPLES IN THE PUBLIC FINANCE MANAGEMENT, ACT, 2012

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

i. The county government's recurrent expenditures shall not exceed the county's government total revenue.
ii. Over the medium term, a minimum of thirty percent of the county government budget shall be allocated to the development expenditures.
iii. The County governments' expenditures on wages and benefits for its public officers shall not exceed a percentage of the county government's total revenue as prescribed by the executive member for finance in regulations and
iv. Over the medium term government borrowing shall be used only for the purpose of financing development expenditures and not recurrent expenditure.
v. The county debt shall be maintained at sustainable level as approved by county assembly.
vi. The fiscal risks shall be maintained prudently; and
vii. A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained taking into account any reforms that may be made in the future.

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CHAPTER ONE: INTRODUCTION

Overview

1. This County Budget Review and Outlook Paper (CBROP), 2016 is prepared in line with Section 112 of the Public Finance Management (PFM) Act, 2012. The paper is a key document in the budget process, particularly the Medium Term Expenditure Framework (MTEF) within which planning, budgeting and execution of programmes is managed. It reviews recent economic developments and actual fiscal performance of the FY 2015/16 against the budget appropriations of the same year. It further provides an overview of how the actual performance of the FY 2015/16 complied with the fiscal responsibility principles under the PFM Act, 2012, as well as provides the basis for revision of the current budget in the context of Supplementary Budget and the broad fiscal parameters underpinning the next budget and the medium term.
2. This CBROP, 2016 is premised on consolidating gains made by the County in implementing the development agenda espoused by the first County Integrated Development Plan (CIDP) 2013-2017 in preparation for transition into the second phase of planning, budgeting and execution of programmes. The FY 2015/16 budget, which was implemented on the third year of the County's operations, affords an opportunity for a three year review of budget performance and projections made during the medium term 2013/14-2015/16. The lessons learnt and experience gained will improve the implementation of programmes and certainty of projections for the medium term period of 2016/17-2018/19.

Objectives of the CBROP

3. Objectives of the CBROP, 2016 are to:
    i. Review the actual fiscal performance compared to the budget appropriation for FY 2015/16;
    ii. Update economic and financial forecasts with sufficient information to show changes from the forecasts in the County Fiscal Strategy Paper (CFSP), 2016;
    iii. Provide information on how actual financial performance for the FY 2015/16 may have affected compliance with the fiscal responsibility principles, or the financial objectives in the CFSP, 2015; and

iv. Provide reasons for any deviation from the financial objectives in the CFSP, 2016 together with proposals to address the deviation and the time estimated for doing so.

Structure of the CBROP

4. The Paper is organized as follows;
    i. Chapter one states the objectives and structure of the CBROP
    ii. Chapter two presents a review of the fiscal performance in FY 2015/16 and its implications on the financial objectives set out in the CFSP,2016;
    iii. Chapter three highlights the recent economic developments and updated macroeconomic outlook.
    iv. Chapter four sets out the resource allocation framework,
    v. Chapter five concludes.

CHAPTER TWO: REVIEW OF COUNTY FISCAL PERFORMANCE

Overview

5. This chapter assesses the county's fiscal performance and deviations between actual and budgeted expenditure and revenue in the FY 2015/16 and the ways in which this performance affected the financial objectives set in the County Fiscal Strategy Paper, (CFSP) 2016.
6. Overall, there was a significant improvement in the county's fiscal performance in FY 2015/16 compared to FY 2014/15. This improvement was realised amidst challenges that slowed the implementation of programmes. These challenges include:
   a. A growing backlog of re-voted projects from previous financial years
   b. Delay in release of funds as scheduled by the national government; and
   c. Low own revenue collection.

Fiscal Performance in FY 2015/16

7. In FY 2015/16, the county's revenue grew by 33 per cent while expenditure grew by 105 per cent from FY 2013/14 the year the County government completed the first financial year of operations. Revenue growth is on account of 28 percent increase of the equitable share from national government and 8 percent growth of own revenue collection. Growth in own revenue collection has been slow due to inelasticity of tax payers to incentives offered by the County. Tax payers have responded disproportionately to incentives such as reduced fees and charges and automation of revenue collection aimed at making it cheaper and easier for them to pay. The other reason for the slower growth in revenue collection by the County has been underreporting for fees collected especially by Health Facilities, partly due to the Facility Improvement Fund (FIF) policy that allowed a proportion of these fees to be used by the facility that collected them. These fees have been traced and the report presents an impressive performance.
8. The growth in expenditure dispels an earlier notion that the county government cannot fully utilize available funds especially development funds. It is instructive that from FY 2013/14, the County has contained growth of the wage bill at no more than 51 percent while recruiting additional technical staff to fill identified gaps. Further, recurrent expenditure more than doubled from FY 2013/14 to FY 2015/16 corresponding to the seven fold increase of

development expenditure required to operationalize projects undertaken by the County. Table 1 below presents the overall fiscal performance from FY 2013/14-FY 2015/16.

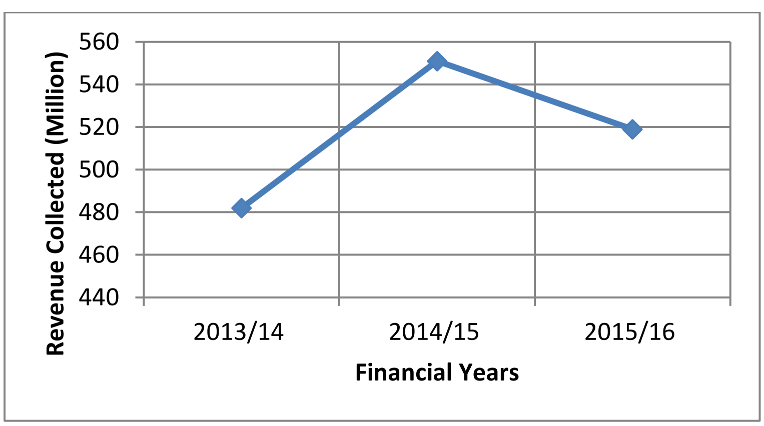
Table 1: Overall Fiscal Performance, FY 2013/14-FY 2015/16

Item Description	Performance FY 2013/14	Performance FY 2014/15	Performance FY 2015/16		
	Actual	Actual	Budget	Actual	% Growth From FY 2013/14
Revenue					
Equitable Share	5,820,419,123	6,492,284,172	7,441,216,645	7,441,216,645	28%
Conditional Grants	-	105,150,000	475,525,125	475,525,125	
Own Revenue	481,725,212	550,816,703	1,407,318,463	519,075,625	8%
Facility Improvement Fund (FIF)	-	48,512,266	91,691,863	127,795,931	
Re-voted Revenue (B/F)	144,917,631		2,104,436,232		
Total	**6,447,061,966**	**7,196,763,141**	**11,520,188,328**	**8,563,613,326**	**33%**
Expenditure					
Compensation to employees	1,683,558,893	1,771,746,404	2,635,429,189	2,547,026,468	51%
Use of goods and services	631,325,678	1,307,255,549	2,587,150,686	2,334,936,424	270%
Other recurrent	1,415,774,795	1,456,870,012	349,757,848	119,553,894	-92%
Development	448,879,706	2,976,901,139	5,947,850,606	3,585,865,230	699%
Total	**4,179,539,072**	**7,512,773,104**	**11,520,188,328**	**8,587,382,015**	**105%**

Source: County Treasury

County Own Revenue Performance

Figure 1: Own Revenue Collection Trend, 2013/14 – 2015/16 FYs



9. County own revenue collection excluding Facility Improvement Fund (FIF) grew by 23 percent between 2013/14 and 2014/15 FYs, from Ksh.481,725,214 to Ksh.550,816,703, but

dropped by about 6 percent to Ksh.519,075,625 in FY 2015/16, which is about 8 percent growth compared to 2013/14 FY collection.

10. The improved performance on revenue collection in FY 2014/15 resulted from deliberate efforts by the County to concentrate collection on five major revenue streams namely Land Rates and Other Land Revenue, Cess on Natural Resources, Business Permits, Parking Fees and Bill Boards and Signage. Arising from this improvement, the County will revamp efforts targeting to collect more revenue from these major sources and employ other strategies aimed at increasing contact between tax payers and the county government. It has come to the attention of the County that rate payers have minimal contact with the county government which is a prerequisite for more revenue collection. The County's incentives on revenue collection such as reduced fees and charges have been supply side oriented but there is need to stimulate the demand side as well. For instance, rate payers' response to reduced fees and charges has been inelastic contrary to the assumption that this would attract more rate payers and increase revenue collection. This requires the County to shift focus and stimulate the demand side by among others; advertising and conducting awareness campaigns to provide tax payers with information on their tax obligation and enhance the enforcement unit to ensure compliance with revenue raising laws.

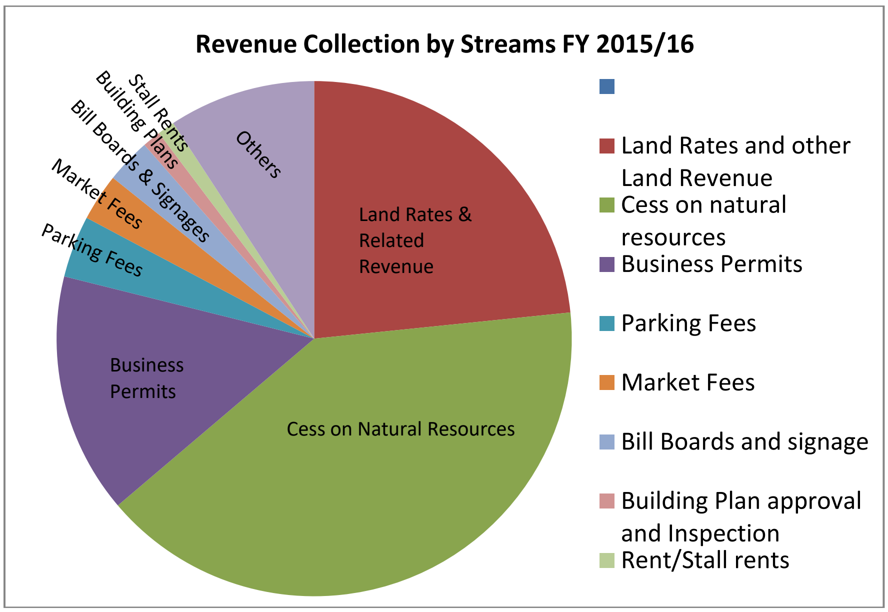
Table 2: County Own Revenue Collection by Revenue Streams, 2013/14- 2015/16 FYs

Revenue Stream	Actual Revenue Collection		Annual Revenue Estimates FY 2015/16	Actual Revenue Collection FY 2015/16	% Growth From FY 2013/14
	FY 2013/14	FY 2014/15			
Land Rates and other Land Revenue	139,742,612	150,728,560	421,012,611	118,874,085	-15%
Cess on natural resources	118,274,099	148,724,039	165,753,979	205,501,826	74%
Business Permits	78,350,225	96,474,071	155,441,695	76,760,496	-2%
Parking Fees	41,050,741	47,255,581	237,885,561	19,740,023	-52%
Market Fees	25,579,120	26,352,393	100,139,093	15,059,945	-41%
Bill Boards and signage	11,224,982	20,128,072	76,486,673	14,333,944	28%
Building Plan approval and Inspection	15,673,847	16,290,903	61,905,431	5,874,115	-63%
Rent/Stall rents			25,829,842	5,480,380	
Survey fees and plot rents			23,589,887	72,000	
Sale of Tender Documents	2,260,400	4,788,000	18,194,400	631,500	-72%
Plot ground rent	418,315	4,541,843	17,259,003	4,903,549	1072%
House rent	18,130,818	4,268,168	16,219,038	1,500,100	-92%

Refuse Collection	2,249,239		15,648,297	836,243	-63%
Food Hygiene Fees	12,563,877	4,985,425	11,096,950	1,704,700	-86%
Slaughter House and Livestock sale Yards			7,847,665	932,215	
Others	16,206,939	26,279,648	53,008,337	46,870,505	189%
Total	**481,725,214**	**550,816,703**	**1,407,318,463**	**519,075,625**	**8%**

Source: County Treasury

Figure 2: Revenue Stream Performance 2015/16

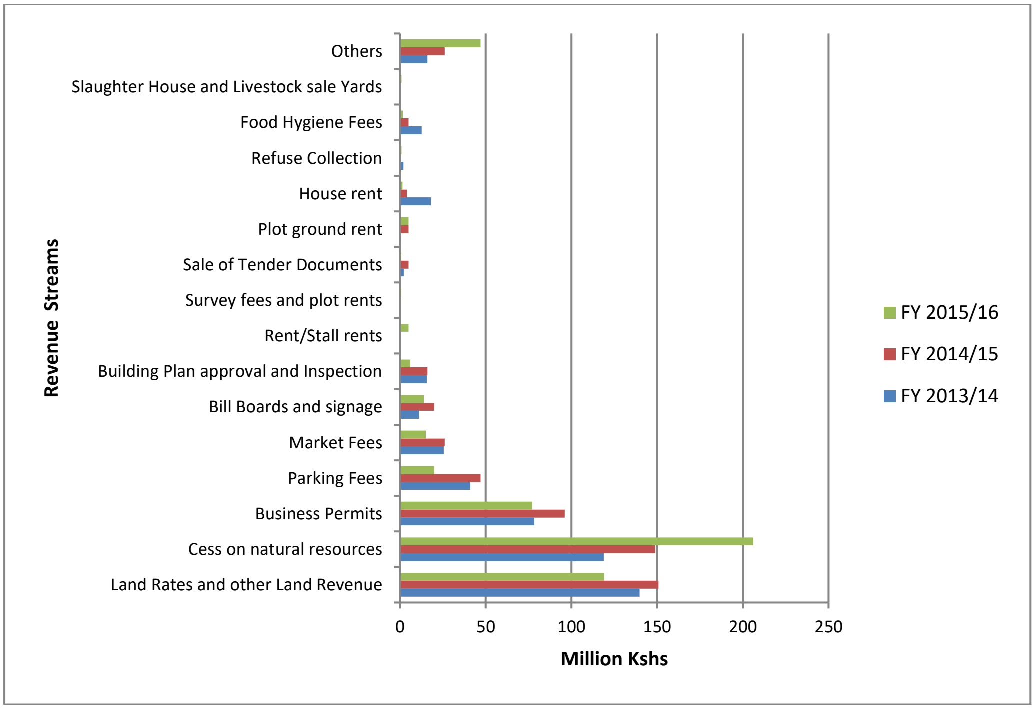


Source: County Treasury

11. Analysis of own revenue collection by stream shows immense potential on cess from natural resources exploitation, which consistently grew from Ksh. 118,274,099 in FY 2013/14 to Ksh.148,724,039 in FY 2014/15 and Ksh. 205,501,826 in FY 2015/16. However, revenue collection from Bill Boards and signage fluctuated from a 28 percent growth between FY 2013/14 (Ksh.11,224,982) and FY 2014/15 (Ksh.20,128,072) to about 28 percent (Ksh.14,333,944) in FY 2015/16 compared to FY 2013/14 collection. Other revenue streams show similar fluctuations: peaked in FY 2014/15 but some dropping to lower than FY 2013/14 levels in FY 2015/16. These include Land rates and other Land Revenue that rose to Ksh.150,728,560 in FY 2014/15 from Ksh.139,742,612 in FY 2013/14 before dropping to Ksh.118,874,085 in FY 2015/16; Business Permits raised Ksh.78,350,225 in FY 2013/14, increased to Ksh.96,474,071 in FY 2014/15 but fell to Ksh.76,760,496 in FY 2015/16;

Parking Fees collected amounted to Ksh.41,050,741 in FY 2013/14 and rose to Ksh.47,255,581 in FY 2014/15 before dropping to Ksh.19,740,023 in FY 2015/16.

Figure 3: Revenue Streams Performance 2013/14 -2015/16



Source: County Treasury

12. Implementation of revenue administration measures will also be fast tracked and results monitored closely so that remedial measures can be instituted in case of deviations from intended results. These measures include formation of a taskforce dedicated to monitor and evaluate revenue collection; implementation of the Integrated Revenue Collection Automation and Agency Banking to bring about systems efficiencies; restructuring revenue collection by deploying revenue clerks to departments that generate revenue to not only collect but address underreporting of revenue collection by departments; conduct regular audits to ensure compliance with laid down procedures to eliminate the risk of revenue leakages; and create a database of tax payers to facilitate tracking of payments and minimize defaulting.

County Expenditure Performance, FY 2015/16

Table 3: County Expenditure Performance, FY 2015/16

DEPARTMENT	RECURRENT		DEVELOPMENT		TOTAL		ABSORPTION RATE
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	
COUNTY ASSEMBLY	802,824,932	632,599,428	276,817,114	126,174,994	1,079,642,046	758,774,421	70%
COUNTY EXECUTIVE	411,188,126	381,232,066	0	1,192,312	411,188,126	382,424,378	93%
FINANCE & ECONOMIC PLANNING	450,451,724	328,511,203	55,000,000	16,996,274	505,451,724	345,507,477	68%
AGRICULTURE, LIVESTOCK AND FISHERIES	283,475,510	312,278,589	508,177,073	297,360,739	791,652,583	609,639,327	77%
WATER, ENVIRONMENT AND SOLID WASTER MANAGEMENT	154,419,563	162,947,031	812,259,669	586,791,375	966,679,232	749,738,405	78%
EDUCATION AND YOUTH AFFAIRS AND SPORTS	581,198,697	481,648,234	1,211,222,553	559,821,844	1,792,421,250	1,041,470,079	58%
HEALTH SERVICES	1,895,837,877	1,765,844,132	802,519,278	502,066,315	2,698,357,155	2,267,910,446	84%
LANDS, ENERGY, HOUSING,PHYSICAL PLANNING AND URBAN DEVELOPMENT	92,017,162	84,588,636	294,460,000	157,080,922	386,477,162	241,669,559	63%
ROADS, TRANSPORT AND PUBLIC WORKS	229,879,119	270,430,523	1,535,649,389	1,105,035,770	1,765,528,508	1,375,466,293	78%
ICT, CULTURE AND SOCIAL SERVICES	101,993,420	96,580,316	104,790,862	93,495,027	206,784,282	190,075,343	92%
TRADE, COOPERATIVES, INDUSTIRALIZATION TOURISM AND WILDLIFE	125,284,890	109,978,446	249,754,668	70,090,755	375,039,558	180,069,201	48%
COUNTY PUBLIC SERVICE BOARD	44,940,000	26,378,074	0	0	44,940,000	26,378,074	59%
DEVOLUTION PUBLIC SERVICE AND DISASTER MANAGEMENT	398,826,702	348,500,109	97,200,000	69,758,903	496,026,702	418,259,013	84%
TOTAL	**5,572,337,722**	**5,001,516,786**	**5,947,850,606**	**3,585,865,230**	**11,520,188,328**	**8,587,382,015**	**75%**

Source: County Treasury

9. In FY 2015/16, the County's actual expenditure amounted to Ksh.8,587,382,015 against a target of Ksh.11,520,188,328 representing an absorption rate of 75 percent. The County Executive had the highest absorption at 93 percent having spent Ksh.382,424,378; followed by Department of ICT, Culture and Social Services at 92 percent having spent Ksh.190,075,343. County Health Services and Devolution, Public Service and Disaster Management absorbed 84 percent of their budgets having spent Ksh.2,267,910,446 and Ksh.418,259,013, respectively. The Departments of Trade, Cooperatives, Industrialization,

Wildlife and Tourism; and Education, Youth Affairs and Sports had the lowest absorption rates at 48 percent and 58 percent, having spent Ksh.180,069,201 out of Ksh.375,039,558 and Ksh.1,041,470,079 out of Ksh.1,792,421,250, respectively. The County Public Service Board and Lands, Energy, Housing, Physical Planning and Urban Development were the third and fourth lowest spenders, recording absorption rates of 59 and 63 percent having spent Ksh.26,378,074 and Ksh.241,669,559, respectively. Roads, Transport and Public Works and the department of Water, Environment and Solid Waste Management had a similar absorption rate of 78 percent, each spending Ksh.1,375,466,293 and Ksh.749,738,405, respectively.

10. In FY 2015/16, recurrent expenditure was Ksh.5,001,516,786 representing a 90 percent uptake of the total recurrent budget of Ksh.5,572,337,722. A detailed analysis of recurrent expenditure in FY 2015/16 shows the Department of Roads, Transport and Public Works overshot her recurrent budget by 18 percent; followed by Agriculture, Livestock and Fisheries by 10 percent; and Water, Environment and Solid Waste Management by 8 percent. The Department of Roads, Transport and Public Works spent Ksh.270,430,523 against a recurrent budget of Ksh.229,879,119; Agriculture, Livestock and Fisheries spent Ksh.312,278,589 against Ksh.283,475,510 while Water, Environment and Solid Waste Management spent Ksh.162,947,031 against Ksh.154,419,563. The Department of Finance and Economic Planning spent Ksh.328,511,203 equivalent to 73 percent of its budget while the County Assembly spent 79 percent of its Ksh.802,824,932 budget.
11. In FY 2015/16, actual development expenditure was Ksh.3,585,865,230 representing 60 percent of the development budget of Ksh.5,947,850,606. The County Executive spent Ksh.1,192,312 without a development budget allocation. The Department of ICT, Culture and Social Services had the highest development budget absorption at 89 percent, having spent Ksh.93,495,027 out of Ksh.104,790,862. Three departments - Roads, Transport and Public Works; Water, Environment and Solid Waste Management; and Devolution, Public Service and Disaster Management – each absorbed 72 percent of their development budgets, having spent Ksh.1,105,035,770; Ksh.586,791,375 and Ksh.69,758,903, respectively. The Departments of Trade, Industrialization, Cooperatives, Tourism and Wildlife; Finance and Economic Planning; and the County Assembly recorded the lowest development budget absorption rates of 28 percent; 31 percent and 46 percent, respectively.

12. The Integrated Financial Management Information System (IFMIS) had postings that overshoot both recurrent and development expenditures. This was attributed to attempts to reconcile electronic payments with physical vouchers by voiding transactions that were not actually paid for. Personnel making such transactions must exercise utmost caution because the system seemingly picks these wrong entries as expenditure on budget lines that do not have funds. The County Treasury will continue to liaise with the IFMIS Directorate of the National Treasury for capacity building as well as call for institution of more control measures to prevent the system from picking such transactions.
13. Outstanding commitments in FY 2015/15 were Ksh.1,610,620,460 representing 14 percent of the total budget. Development budget commitments were Ksh.1,175,452,502 representing 20 percent development budget whereas recurrent budget commitments were Ksh.435,167,958 representing 8 percent of recurrent budget. The County Public Service Board made more commitments at 67 percent of the budget followed by the departments of Education, Youth Affairs and Sports and Finance and Economic Planning at 21 percent and 19 percent respectively. Department of Agriculture, Livestock and Fisheries had the lowest commitments to total budget at 5 percent, followed by Lands, Energy, Housing, Physical Planning and Urban Development at 8 percent while the commitment levels for the departments of Roads, Transport and Public Works and Devolution, Public Service and Disaster Management were at 10 percent. Analysis of recurrent expenditure commitments shows that the department of Agriculture, Livestock and Fisheries had the lowest commitments of Ksh.451,249 representing 0.2 percent of the recurrent budget while the County Public Service Board had the highest commitments to recurrent budget at 67 percent. The department of Finance and Economic Planning had the highest commitment to the development budget at 60 percent whereas the department of ICT, Culture and Social Services had the lowest commitments at 7 percent.

Table 4: Departmental Outstanding Commitments, FY 2015/16

DEPARTMENT	BUDGET FY 2015/16			COMMITMENTS FY 2015/16			% OF COMMITMENTS TO BUDGET		
	REC.	DEV.	TOTAL	REC.	DEV.	TOTAL	REC	DEV	TOTAL
COUNTY ASSEMBLY	802,824,932	276,817,114	1,079,642,046	54,224,584	71,138,803	125,363,387	7%	26%	12%
COUNTY EXECUTIVE	411,188,126	-	411,188,126	58,268,549	-	58,268,549	14%	0%	14%
FINANCE AND ECONOMIC PLANNING	450,451,724	55,000,000	505,451,724	65,227,595	33,231,569	98,459,164	14%	60%	19%

DEPARTMENT	BUDGET FY 2015/16			COMMITMENTS FY 2015/16			% OF COMMITMENTS TO BUDGET		
	REC.	DEV.	TOTAL	REC.	DEV.	TOTAL	REC	DEV	TOTAL
AGRICULTURE, LIVESTOCK AND FISHERIES	283,475,510	508,177,073	791,652,583	451,249	40,614,635	41,065,885	0.2%	8%	5%
WATER, ENVIRONMENT AND SOLID WASTE MANAGEMENT	154,419,563	812,259,669	966,679,232	16,303,070	158,334,559	174,637,628	11%	19%	18%
EDUCATION, YOUTH AFFAIRS AND SPORTS	581,198,697	1,211,222,553	1,792,421,250	35,116,273	341,470,533	376,586,806	6%	28%	21%
COUNTY HEALTH SERVICES	1,895,837,877	802,519,278	2,698,357,155	87,443,517	278,120,316	365,563,833	5%	35%	14%
LANDS, ENERGY, HOUSING, PHYSICAL PLANNING AND URBAN DEVELOPMENT	92,017,162	294,460,000	386,477,162	7,329,123	22,796,978	30,126,101	8%	8%	8%
ROADS TRANSPORT AND PUBLIC WORKS	229,879,119	1,535,649,389	1,765,528,508	18,346,806	158,482,610	176,829,416	8%	10%	10%
ICT,CULTURE AND SOCIAL SERVICES	101,993,420	104,790,862	206,784,282	18,910,530	7,719,132	26,629,662	19%	7%	13%
TRADE, INDUSTRIALIZATION, COOPERATIVE DEVELOPMENT, TOURISM AND WILDLIFE	125,284,890	249,754,668	375,039,558	7,375,252	49,813,810	57,189,062	6%	20%	15%
COUNTY PUBLIC SERVICE BOARD	44,940,000	-	44,940,000	30,033,725	-	30,033,725	67%	0%	67%
DEVOLUTION, PUBLIC SERVICE AND DISASTER MANAGEMENT	398,826,702	97,200,000	496,026,702	36,137,685	13,729,556	49,867,241	9%	14%	10%
TOTAL	**5,572,337,722**	**5,947,850,606**	**11,520,188,328**	**435,167,958**	**1,175,452,502**	**1,610,620,460**	**8%**	**20%**	**14%**

Source: County Treasury

Overall Balance and Financing

12. Arising from the analysis of performance in revenue and expenditure, the overall fiscal balance on a commitment basis amounted to Ksh.329,075,105 which was a fiscal surplus of 3 per cent of the total budget. Specifically, the county's revenue stood at Ksh.9,024,446,027 against expenditure of Ksh.8,695,370,922 as shown in the table below.

Table 5: Fiscal Balance on a Commitment Basis, FY 2015/16

Item Description	Performance FY 2013/14	Performance FY 2014/15	Performance FY 2015/16	
	Actual	Actual	Budget	Actual
Total Revenue	**6,447,061,966**	**9,024,446,027**	**11,520,188,328**	**8,563,613,326**
Equitable Share	5,820,419,123	6,492,284,172	7,441,216,645	7,441,216,645
Conditional Grants	-	105,150,000	475,525,125	475,525,125
Local Revenue	481,725,212	550,816,703	1,407,318,463	519,075,625
Facility Improvement	-	-	91,691,863	127,795,931

Item Description	Performance FY 2013/14	Performance FY 2014/15	Performance FY 2015/16	
	Actual	Actual	Budget	Actual
Fund (FIF)				
Re-voted Revenue	144,917,631	1,876,195,152	2,104,436,232	
Total Expenditure	**4,179,539,072**	**8,695,370,923**	**11,520,188,328**	**10,196,810,162**
Recurrent	3,730,659,366	4,987,723,862	5,572,337,722	5,436,684,743
Development	448,879,706	3,707,647,061	5,947,850,606	4,760,125,419
Fiscal Balance	**2,267,522,894**	**329,075,104**	**-**	**(1,633,196,836)**

Source: County Treasury

Performance of Fiscal Developments for FY 2015/16 against Financial Objectives and Fiscal Responsibility Principles

13. The fiscal performance in the FY 2015/16 has affected the financial objectives set out in the February 2016 CFSP and the budget for FY 2016/17 in the following ways:
    i. There will be no adjustments to the fiscal aggregates for the current budget except for re-voted revenue and medium term revenue estimates to reflect the balance brought forward from FY 2014/15 and revisions to the base of own revenue collection taking into account current trends.
    ii. Corrective revisions on expenditure categories will be undertaken through the supplementary budget FY 2015/16 and projected expenditure in FY 2016/17. The revisions will reflect under execution of projects in FY 2014/15 with a view to implement the Medium Term Expenditure Framework (MTEF) where budgeting for development projects will be spread to outer years while taking into account development priorities presented in the Annual Development Plan, 2015. The baseline expenditure ceilings for departments will be firmed up in the next County Fiscal Strategy Paper in February, 2016.
14. In FY 2015/16, the fiscal responsibility principles set out in the PFM. Act 2012, were adhered to the extent that:
    i. The development budget allocation over the medium term is above the 30 per cent minimum set out in the law. In FY 2015/16, the county allocated 52 percent of the total budget to development projects and actual development expenditure was 31

percent of the total expenditure. Over the medium term, the county will shift the composition of actual expenditure towards implementation of development projects.

ii. The county government expenditure on wages and benefits was 30 percent of the total expenditure for FY 2015/16 which was within the projected 32 percent made in the CBROP, 2015. The county government commits to adhere to the principle on the ratio of revenue used for wages and benefits that will be prescribed in the PFM regulations.

iii. The county has maintained a reasonable degree of predictability with respect to the level of tax rates and bases by focussing on automation and ease the process of making payments to promote compliance.

CHAPTER THREE: RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

Overview

15. The chapter highlights the performance of key macroeconomic variables as an indication that the performance of the County's public finance and economic affairs relies on macroeconomic management and performance of sectors in the national economy. These indicators are the Gross Domestic Product (GDP), inflation rate, interest rates and exchange rates.

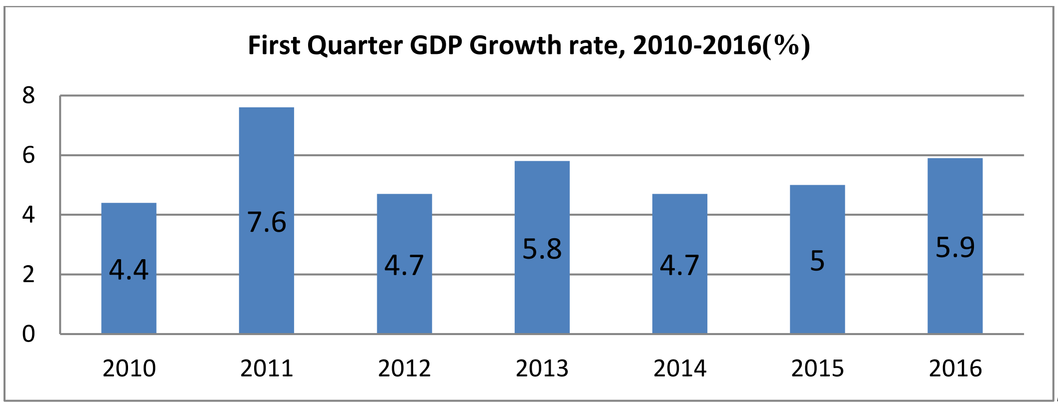
Gross Domestic Product

16. According to the International Monetary Fund (IMF) World Economic Outlook Report for October, 2016, global growth is projected to slow to 3.1 percent in 2016 before recovering to 3.4 percent in 2017 and 3.8 percent by 2021. This growth projection reflects a more subdued outlook for advanced economies following what is popularly known as Brexit and weaker than expected growth in the United States of America (USA). Brexit calls for renegotiation of institutional and trade arrangements that had ordered how businesses organized their production and hiring, sourcing of raw materials and financing, and distribution channels across borders within the European Union (EU)..
17. Slowed growth in advanced economies is expected to affect Sub-Saharan Africa through subdued global demand on commodity-exports, particularly fuel exports alongside other non macroeconomic shocks such as conflicts and difficult security situations and droughts and natural disasters. In the weakened macroeconomic conditions, Sub-Saharan Africa is projected to decline from 3.4 percent in 2015 to 1.6 percent in 2016 and recover to 2.9 percent in 2017.
18. In contrast to Sub-Saharan Africa growth projections, Kenya’s outlook remains solid because the economy is relatively diversified. The economy is projected to grow from 5.6 percent in 2015 to 6.0 percent in 2016 and 6.1 percent in 2017.This growth projection is attributed to the decline in oil prices that has eased pressure on the external account and improved the net exports position; good agriculture performance and supportive monetary policy which has contained inflation within target; ongoing innovations in the ICT sector that have provided a platform for growth in services; ongoing infrastructure investments’ stimulation of growth

and employment in the construction sector; and the completion of energy projects that resulted in cheaper retail electricity prices.

19. The country's growth projection for 2017 is, however, uncertain given the adverse climatic shocks affecting the largely rain-fed agricultural sector, unintended effects of the interest rate cap, and potential uncertainties in the run-up to the 2017 general elections which could lead to a wait-and-see attitude by investors and dampen short-term growth prospects.
20. According to data released by Kenya National Bureau of Statistics on GDP, Kenya's economy grew by 5.9 percent in the first quarter of 2016 compared to 5 percent over a similar period in 2015. The figure below shows first quarter GDP growth rates 2010-2016.

Figure 4: First Quarter GDP Growth rate, 2010-2016(%)

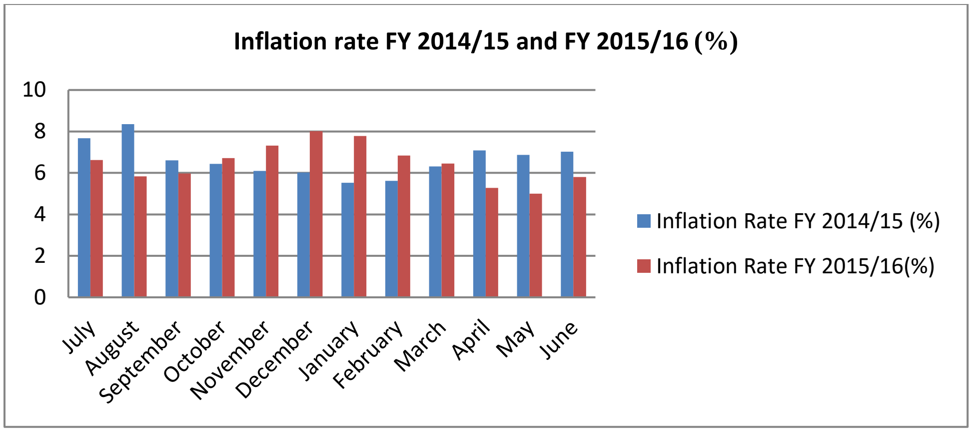


Source: Kenya National Bureau of Statistics

Inflation rate

21. During FY 2015/16, the overall inflation rate remained within a single digit supported by declining food and fuel prices arising from easing of food prices due to favourable weather conditions and effects of low international oil prices respectively as shown in Figure 5 below.

Figure 5: Overall Inflation Rate (%), Fourth Quarter FY 2014/15 and FY 2015/16

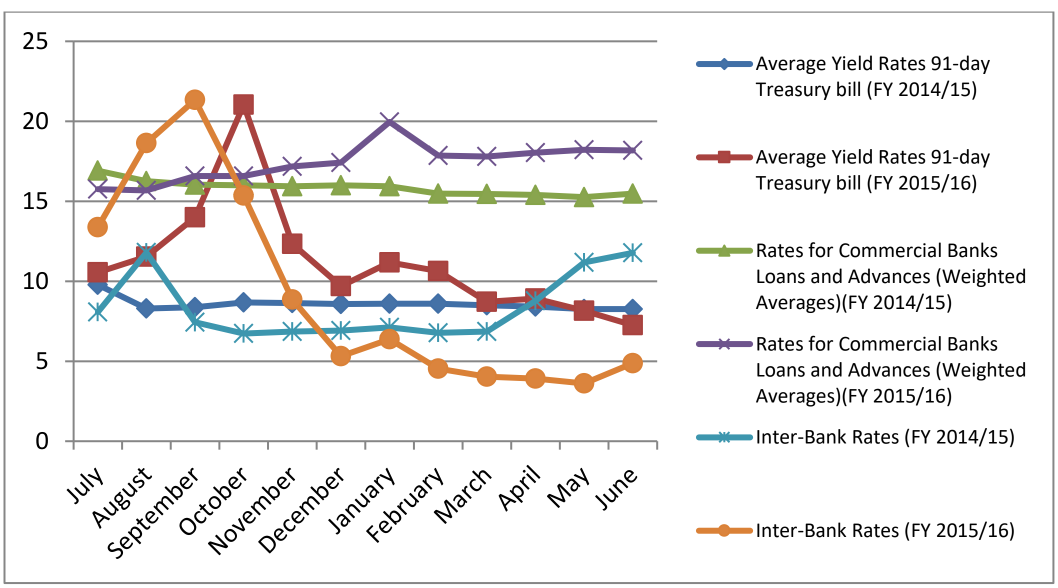


Source: Kenya National Bureau of Statistics

Interest Rates

22. The average yield rate for the 91-day Treasury bills, which is the benchmark for the general trend of interest rates, fluctuated but trended downwards from a high of 21.04 percent in October 2015 to a low of 7.25 percent in June 2016. Average yield rates were higher in FY 2015/16 than in FY 2014/15 up to May 2016. Interbank rates were higher in FY 2015/16 than in FY 2014/15 up to December 2015 when they decreased to 5.31 percent compared to 6.91 percent in December 2014. The rates for commercial banks loans and advances maintained an upward trend from September 2015 in FY 2015/2016 compared to FY 2014/2015. Figure 3 presents the interest rates for FY 2014/15 and FY 2015/2016.

Figure 6: Interest rates (%), FY 2014/15 and FY 2015/16

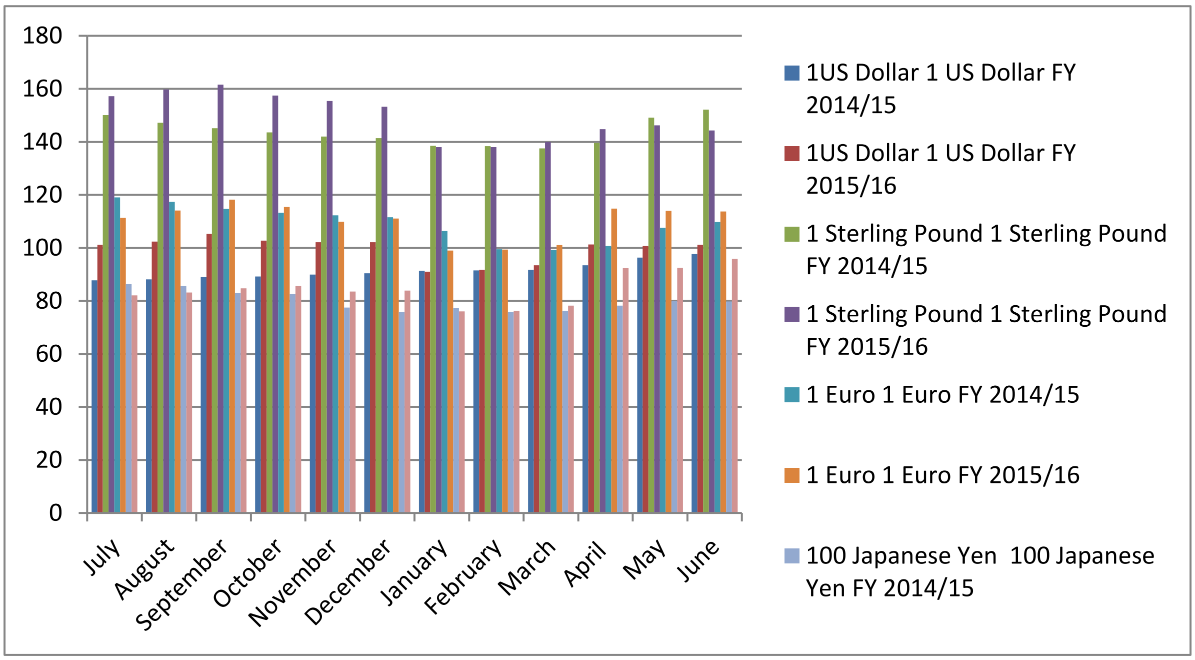


Source: Kenya National Bureau of Statistics

Exchange Rates

23. In FY 2015/16, the Kenya shilling continued to weaken against the Japanese Yen while recorded mixed results against Euro. Moreover, US dollar and Sterling pound had an unpredictable trend when compared with a similar period in the FY 2014/15 as shown in Figure 4. The US Dollar, Sterling Pound and Japanese Yen exchanged at higher rates in FY 2015/16 than FY 2014/15 except in January for US Dollar and January, February, May, June for Sterling Pound and January, August, June for Japanese Yen.

Figure 7: Exchange rates fourth Quarter FY 2014/2015 and FY 2015/2016



Source: Kenya National Bureau of Statistics

Risks to Economic Outlook

23. The County's outlook for 2017 and medium term is promising but risks both macro and microeconomic levels remain. The performance of the county's economy is vulnerable to macroeconomic management and performance of sectors in the national economy. As such, the key risks that the County envisages with regard to the FY 2016/17 budget are:

   i. Continued weak growth in advanced economies and the negative impact this has on exports and tourism activities;

   ii. Geopolitical uncertainty on the international oil market and the effect this has on fuel inflation;

iii. High current account deficit arising from continued high capital imports and high investment demand to finance infrastructure investment;
iv. Contracting tourist arrivals due to insecurity concerns by international visitors.
v. Depressed rainfall which could affect agricultural production and exports
vi. Recurrent expenditure pressures particularly personnel emoluments that are likely to reduce financial resources for undertaking priority development projects.
vii. Uncertainty in the proportion of the county allocation from national resources.

24. The county will take appropriate measures in line with guidelines issued by the National Treasury in a bid to stabilize the economy should these risks materialize.

CHAPTER FOUR: RESOURCE ALLOCATION FRAMEWORK

Implementation of the 2016/17 Budget

25. The County operated on vote on account till August 30, 2016 when FY 2016/17 budget was approved by the County Assembly and subsequently assented to by the Governor on September 02, 2016. This has significantly delayed implementation of the budget especially development budget. The vote on account permitted use of funds on essential services excluding development projects. As a result, the County paid salaries for July and August with minimal amount going to operational and maintenance costs.
26. Expenditure on development projects is going to pick very fast because of pending payments on projects that were completed in the previous financial year. There are also other development projects that have since been completed and are due for payment which are going to boost development expenditure in the first quarter of FY 2016/17. The momentum on implementation of development projects will remain high on account of ongoing projects expected to be completed during the second quarter of FY 2016/17. This trend will continue in the third and fourth quarters of FY 2016/17 when completion of new projects is expected to pick. The County will keep an eye on this projection to identify potential project implementation risks and take appropriate action to mitigate them.

Adjustments to the FY 2016/17 Budget

27. The risk for FY 2016/17 budget framework remains spilled implementation of development projects to the next financial year while recurrent expenditure pressures continue to constrain availability of funding. This risk is fuelled by delays related to procurement processes and inadequate financial capacity of contractors that stretches project implementation period beyond the six months' contract. This is further aggravated by high uptake of recurrent budget that constrains funding of projects when they are due. Thus, the slow implementation of projects by departments continues to be a major concern and is defying re-voting as a remedial measure. Re-voting presupposes availability of resources that were not utilized in a given financial year and are then surrendered to the County Treasury for re-voting in the next financial year. Funding for re-voted projects is guaranteed to the extent that they will be ready for payment before new projects are completed. Projects are re-voted on the basis that they are a commitment made by the County through the previous year's budget and are yet to

be implemented in full. Re-voting these projects secures their implementation to completion in the coming financial year. The challenge arises on estimation of how much of a project will not be complete by the close of the financial year to accord them the on-going project status and give them priority for funding in the next financial year. As a result, re-voting is done just before the budget is approved by the County Assembly when project completion status has been confirmed with a higher degree of certainty. While this is a sure approach that all budgeted projects in the previous financial years will be implemented to completion, it bloats the budget; constrains availability of funds for new projects and must be contained. This is because the tendency to allocate funds to new projects results to accumulation of re-voted projects when they are not paid for within the budgeted year and creates a budget deficit.

28. Arising from the above, and the stance to consolidate gains on project implementation, FY 2016/17 budget will focus on completion of re-voted projects and on-going activities of the county government flagship projects. Adjustment of the FY 2016/17 budget will be guided by reviewing the project implementation cycle of new projects as informed by the delayed approval of the budget, experiences and lessons learnt to allocate funds that will be utilized by the close of the financial year and roll over the balance to the next financial year and the medium term. The rolled-over projects will be accorded priority in allocation on funds in FY 2017/18 together with county government flagship projects and Ward Development Projects in a bid to ensure continuity and equitable allocation of resources respectively. Rolling-over allocation of funds to outer years is distinct from pending of spending in the current financial year and should not be construed as savings but an attempt to address the issue of re-voting and entrenching MTEF.
29. On the revenue front, full automation of revenue collection system and processes will be enhanced to eliminate leakages and reduce the cost of compliance. The County will also consolidate the gains made on the acceptance of the Finance Bill, once enacted, so as to boost revenue collection and meet the set target.

Medium Term Expenditure Framework

Trade, Industrialization, Co-operative Development, Tourism and Wildlife

30. During the FYs 2013/14-2015/16, the trade sub-sector experienced improved business, especially during the festive seasons. The hotel industry enjoyed a commendable hotel occupancy which was attributed to the lift of travel advisories by various foreign countries and numerous marketing campaigns by both stakeholders and the department. The process of setting up a Micro and Small Entrepreneurship Fund also known as 'Mbegu Fund' is at advanced stages and trainings have been conducted to facilitate access to credit facilities and promote trade. The performance of the Co-operative Development sub-sector continued to improve with new co-operative and Saccos registered during the year under review. However, more efforts need to be put for the agro marketing co-operatives to enhance their institutional capacity and to facilitate the marketing and value addition of small-holder goods and services. The department also coordinated the hosting of the Kilifi County International Investment Conference (KIICO) to promote investments.
31. The medium term priorities, FY 2017/18-2019/20, will be implemented under four programmes namely; General Administration, Planning and Support Services; Trade Development and Promotion; Cooperative Development and Management; and Tourism Development and Promotion.
32. These programmes will seek to deepen business regulatory reforms, enhance access to credit, facilitate capacity building and simplify and modernize regime for MSEs in order to amplify their multiplier effect on employment opportunities and accelerating growth. Further, the sector will proceed with the shift in focus to industries that are labor intensive, with the potential to export and increase market opportunities for small and medium industries.
33. Strategic efforts will be made to diversify markets by providing an environment conducive for business and ensuring that there is investor confidence. This will be achieved through development of policy, legal and institutional reforms for the development of the sector, fair trading practices, support entrepreneurship and industrial development and promote exports. In addition, specific measures will be undertaken to provide incentives to both local and international investors in order to position Kilifi County as a premier investment hub in the country.
34. Local businesses will be promoted through promotion of agro-based industries, training of entrepreneurs and enhanced licensing of businesses. Other measures will include vigorous

promotion of cooperatives as a model for marketing of produce and encourage collective price bargaining.

35. It is a key sector in the promotion of tourism attraction facilities and creating awareness, partnerships and in marketing Kilifi as a premier destination of choice for tourists. Towards this end, the sector has embarked on institutionalization of the legal framework, policy development, marketing campaigns and proposed construction of information centers for the dissemination of information to potential visitors.

Agriculture, Livestock and Fisheries Development

36. This sector, directly and indirectly, contributes about 80% of the county's household incomes. Over 50% of the county's labour force is employed in agriculture, fishing, forestry and mining, while about 30% earn their living in rural self-employment activities associated the sector's forward and backward linkages. This sector, therefore, holds the key to the county's food security and poverty reduction strategies.
37. However, this sector is the most susceptible to the vagaries of frequent and unpredictable weather changes that have currently destroyed livelihoods of the county's largely subsistence farming community. Many parts of the county have suffered crop failure in the last three or so seasons and the latest prolonged drought have resulted in the death of livestock and threaten the very survival of people in parts of Kaloleni, Bamba and Magarini.
38. The county has a huge marine fisheries industry potential availed by it's a 300 km Indian Ocean shoreline with its 200 nautical mile exclusive economic zone (EEZ), but this resource remains grossly under-exploited. This industry can be a source of food security, wealth creation and employment for large proportion of county residents.
39. Efforts to secure the livelihoods of the population dependent on this sector have so far involved programmes targeting increased food crop yields, adoption of new farming techniques, value-addition, marketing and strengthened extension services. The county has invested in several minor irrigation projects, tractors and farming equipment, distribution of farm inputs, revival of cash crops, milk storage facilities, improvement of livestock breeds, animal husbandry and marketing infrastructure and development of capture fish landing infrastructure such as cold storage depots, flake ice plants, modern fishing boats and chest freezers.
40. In 2017/18 more resources will channeled to agricultural extension services to assist with agri-business development and adoption of climate smart agriculture, while continuing with investments in water harvesting infrastructure, revival and introduction of new cash crops, value-

addition facilities and farmer training. This will be done in collaboration with other sector actors like trade, industry and cooperative development; water and environmental management; the National Drought Management Authority (NDMA) and other partners involved in combating effects of global warming. Also, in this fiscal year partnerships will to be sought and a plan for establishment of irrigation schemes fed by dammed major rivers in the county developed.

41. More resources will also be dedicated increasing capture of fish and development of fish products marketing systems as well as value addition initiatives to fish and fishery products.

Department of Land, Energy, Housing and Physical Planning

42. Land ownership is a major development issue in Kilifi County. Although administration of land affairs is largely a shared function between the national and county governments, Kilifi County government has a special interest in ensuring accelerated formalization of settlements and orderly development of all land: public, community and private. Pre- and post-independence Kenya governance injustices have contributed to low investment on land due to unsecured ownership of land on which many households live, both in rural and urban centers.

43. The government will, therefore, continue allocating resources to execution of approved squatter settlement schemes and adjudication sections, in addition to spearheading completion of the county spatial plan and development of town physical and buildings plans.

County Health Services

44. A healthy population is essential for higher productivity and sustained long term development of a nation. The aim of the health sector is to enable each county resident access to modern and well-equipped health facilities and well trained and motivated health care workers.

45. Beginning 2017/18 the county government, in conjunction with other partners, will implement a second generation health care reform strategy involving recruitment of more health workers, expansion of training facilities, and development of systems to support and expand health care services and sanitation at the community level. A program for health care infrastructure upgrade and equipment modernization, especially through leasing, will be implemented. The government will also finalize the development of a health policy and institutional and legal framework for enforcement of health care standards. In addition an efficient, effective and accountable framework for the management of public resources and medical supplies at the facility levels will be put in place.

46. The foregoing programmes will, of course, be in addition to if not part of the on-going health service rehabilitation infrastructure and construction of additional facilities and supply of equipment started in 2013/14 financial year.

Education, Youth Affairs and Sports

47. The government is committed to the achievement of universal primary and quality education, empowerment of the youth population and promotion of talent through sports activities. The county government will, therefore, continue allocating resources to increasing access to education opportunities, retention and completion rates at all levels of education. The County will continue supporting Early Childhood Development and Education (ECDE) and vocational training centers through infrastructure improvement; recruitment and training of care givers and the ECDE centre feeding programme. The functional limitation of the county government in provision of education will be overcome under the Education Support Services to students attending secondary schools, tertiary institutions and Universities through the Kilifi County Education Support Fund which will offer scholarships, bursaries and loans to needy but deserving students attending secondary school, Technical and Vocational Education Training (TVET) institutions and other higher education programmes.
48. Youth empowerment programmes will involve talent search and promotion programmes to be undertaken in collaboration with other government and non-governmental institutions, including sports organizations such as Federation of Kenyan Football (FKF). Other programmes will also be designed targeting behaviour change and youth capacity to overcome contemporary social, economic and cultural challenges, including issues of HIV/AIDS, drug abuse, unwanted pregnancies and gainful employment.
49. The government will also, in collaboration with stakeholders, diversify and strengthen training programmes offered by youth polytechnics with the aim of improving these institutions' role as skill and employment creation components in the county.

ICT, Culture & Social Services

50. The world economy today is driven by ICT and therefore the County lays great emphasis on the essence of this sector. The focus for this sector is continued establishment of ICT infrastructure for business efficiency, county government management and competitive ICT enterprises in the county. The County, in conjunction with the relevant National Government Departments and through Public Private Partnerships, will continue putting in place dynamic information and

communication infrastructure that can facilitate processing, communication and dissemination of information more efficiently and cost effectively.

51. In 2017/18 financial year, the government will put all ICT services under this department, which will be responsible for all ICT procurement specifications, installation and maintenance for efficiency and cost-effectiveness.
52. Also, the government will construct a few more social halls across the county, with priority given to equipping new and old halls with the aim of making them information and learning centers, apart from community meetings and entertainment venues. Community information and learning will be facilitated with installation of internet-based communication infrastructure, alongside other social welfare programmes that the government plans to implement in collaboration with the national government and other stakeholders, particularly those targeting child protection and other vulnerable group affairs.
53. Cultural affairs will also be given prominence within their social and economic aspects. Cultural practices like those promoting gender discrimination will be made public agenda with a view to influencing attitudes, while county heritage like cultural sites, songs, dance and artifacts will be promoted for their intrinsic educational value and economic gain.

Water, Natural Resources, Environment, Forestry and Solid Waste Management

54. Major funding support in this sector has been in water infrastructure development since 2013/14 financial year, with the initial focus being in water pipeline extensions, new water pipelines, water pans, and storage facilities. This has led to the improvement of the water provided to residents in the county from 63.3% to 75%. It has also reduced the average distance of a community member to the nearest water point from 5km to 3km in the rural areas where water is scarce. Investment in water infrastructure will be continued to not only reduce these distances further but also increase accessibility of safe and reliable water supply.
55. The need to ensure sustainability of all the programmes and projects lies in sound management of the environment and the natural resources whilst focusing on the social economic dimensions. This focus on the sustainable management of the environment is anchored within the Sustainable Development Goals making sound environmental management a key pillar in economic development. The government will, thus, continue allocating resources to environmental impact studies and related activities, which include effective solid waste management, conservation of natural resources, tree planting and promotion of sustainable mining.

56. In partnership with stakeholders at all levels, the government will continue promoting production technologies that help mitigate effects of climate change, which outcomes are deteriorating livelihood patterns for majority of county residents, particularly those dependent on agriculture.

Roads and Public Works

57. The County has undertaken major infrastructural projects including improving to bitumen standard roads in Mtwapa, Kilifi and Malindi towns. These projects have transformed the County's image in the eyes of investors, improved market access of its produce as well as improved delivery and access to County services. Going forward, the County intends to improve linkage of county government infrastructural projects to the Mariakani-Mavueni road, Mariakani-Bamba road, and Malindi-Sala Gate road so as to reap maximum benefits from agricultural and tourism related activities.
58. Routine maintenance of county roads will also continue to be adequately funded.

County Public Service Board

59. The specific mandate of the Board is derived from the County Governments Act 2012, Section 59 which empowers the Board to manage Human Resource (HR) in the County. In implementing its programmes, the sector will be guided by 3 strategic goals: strengthening institutional and operational efficiency of the Board, strengthening Human Resource practices and systems for effective service delivery and enhancing public participation, accountability and compliance with best HR practices.
60. In the FY 2017/18 and medium term, CPSB will implement two programmes namely; General Administration and Support Services; and County Public Service Transformation. CPSB will address priority areas including recruiting from diverse groups such as representation of gender, youth, religion, marginalized groups, minorities and people with disabilities as required by the Constitution; build staff capacity and harmonize schemes of services to address mismatch of skills and job requirements; improve service delivery and fill existing gaps in the staff establishment and develop policies to ensure a balance between sustainability of the wage bill and filling vacant positions

Annex1:Revenue Estimates FY 2017/18 Budget

Revenue Stream	ACTUAL FY 2015/16	ESTIMATES FY 2016/17	ESTIMATES FY 2017/18
Equitable Share	7,441,216,645	8,029,167,703	7,618,533,213
Facility Improvement Fund	132,376,177	585,881,577	208,413,053
Cess	162,021,217	353,672,278	255,086,204
Land/Property Rates	138,348,379	303,375,888	217,815,688
Business Permits & Market Fees	100,339,666	219,029,081	157,974,770
Parking Fees	26,516,192	57,881,569	41,747,093
Advertisement	14,556,452	31,774,934	22,917,678
Devolved Revenue	4,668,245	10,190,201	7,349,685
Agricultural Fees &Cess	3,934,824	8,589,233	6,194,987
Liquor Licensing	3,653,350	7,974,811	5,751,834
Public Health	3,035,932	6,627,066	4,779,771
Betting	377,200	823,381	593,864
Fines & Penalties	659,700	61,557	1,038,631
Total	**8,031,703,979**	**9,615,049,279**	**8,548,196,471**

ANNEX 2: DEPARTMENTAL 2017/18 BUDGET CEILINGS

DEPARTMENT	ECONOMIC CLASSIFICATION	APPROVED ESTIMATES FY 2016/17 (LESS RE-VOTED)	CEILING FY 2017/18(KSH.)	CEILING FY 2017/18 (%)
County Assembly	**TOTAL**	**1,025,923,317**	**779,274,214**	**9%**
	P.E.	332,851,836	320,293,928	11%
	O&M	442,071,481	343,278,629	13%
	DEVELOPMENT	251,000,000	115,701,657	4%
County Executive	**TOTAL**	**342,249,726**	**395,347,004**	**5%**
	P.E.	122,553,905	128,681,601	4%
	O&M	219,695,821	241,665,403	9%
	DEVELOPMENT	-	25,000,000	1%
Finance and Economic Planning	**TOTAL**	**493,855,510**	**466,794,620**	**5%**
	P.E.	232,928,831	235,125,273	8%
	O&M	260,926,679	181,669,347	7%
	DEVELOPMENT	-	50,000,000	2%
Agriculture, Livestock and Fisheries	**TOTAL**	**558,956,320**	**820,606,549**	**10%**
	P.E.	224,041,026	219,541,026	7%
	O&M	76,945,425	114,639,967	4%
	DEVELOPMENT	257,969,869	486,425,556	17%
Water, Environment, Natural Resources & Solid Waste Management	**TOTAL**	**827,847,558**	**737,307,090**	**9%**
	P.E.	124,808,099	94,808,099	3%
	O&M	49,550,000	49,596,250	2%
	DEVELOPMENT	653,489,459	592,902,741	20%
Education, Youth Affairs and Sports	**TOTAL**	**919,506,315**	**919,506,315**	**11%**
	P.E.	287,062,845	207,906,043	7%
	O&M	410,999,509	489,727,647	19%
	DEVELOPMENT	533,136,554	189,500,812	7%
County Health Services	**TOTAL**	**2,572,405,160**	**2,269,678,637**	**27%**
	P.E.	1,406,581,938	1,406,581,938	47%
	O&M	542,932,957	547,226,253	21%
	DEVELOPMENT	622,890,265	315,870,446	11%
Roads, Transport and Public Works	**TOTAL**	**1,438,732,269**	**765,051,981**	**9%**
	P.E.	101,474,504	94,474,504	3%
	O&M	133,857,765	179,971,729	7%
	DEVELOPMENT	1,203,400,000	490,605,748	17%
Land, Housing, Physical Planning and Energy	**TOTAL**	**367,673,818**	**251,648,504**	**3%**
	P.E.	36,974,310	34,974,310	1%
	O&M	172,999,508	80,299,459	3%
	DEVELOPMENT	157,700,000	136,374,735	5%
ICT, Culture and Social Services	**TOTAL**	**287,304,195**	**284,130,799**	**3%**
	P.E.	39,202,577	33,802,577	1%
	O&M	71,201,618	84,506,442	3%
	DEVELOPMENT	176,900,000	165,821,780	6%
Trade, Industrialization, Cooperatives, Tourism and Wildlife	**TOTAL**	**336,930,418**	**320,149,181**	**4%**
	P.E	38,505,719	35,505,720	1%
	O&M	42,074,064	46,281,470	2%
	DEVELOPMENT	256,350,635	238,361,991	8%
County Public Service Board	**TOTAL**	**60,682,261**	**83,372,018**	**1%**
	P.E	33,784,663	33,784,660	1%
	O&M	26,897,598	39,587,358	2%
	DEVELOPMENT	-	10,000,000	0%
Devolution, Public Service & Disaster Management	**TOTAL**	**656,081,133**	**455,329,559**	**5%**
	P.E.	168,148,353	156,958,353	5%
	O&M	397,346,019	217,798,770	8%
	DEVELOPMENT	90,586,761	80,572,436	3%
GRAND TOTAL	**TOTAL**	**9,888,147,999**	**8,548,196,471**	**100%**
	P.E.	3,148,918,605	3,002,438,032	35%
	O&M	2,847,498,444	2,616,248,724	31%
	DEVELOPMENT	4,203,423,543	2,897,137,902	34%

NOTES				
1. Sectoral Distribution of Ward Development Programme	Amount		Allocation Per Ward	% Allocation (Ward&Sector)
Water	262,500,000		7,500,000	30%
Agriculture	175,000,000		5,000,000	20%
Trade	131,250,000		3,750,000	15%
Roads	131,250,000		3,750,000	15%
ICT, Culture and Social Services	87,500,000		2,500,000	10%
Health Services	87,500,000		2,500,000	10%
Total	875,000,000		25,000,000	100%

2.SCHOLARSHIP/EDUCATION SUPPORT FUND KSH.350,000,000 ALLOCATION IN EDUCATION DEPARTMENT

3.MBEGU FUND KSH.35,000,000 ALLOCATION IN TRADE DEPARTMENT

4.MEDICAL INSURANCE KSH.100,000,000 ALLOCATION IN DEVOLUTION, PUBLIC SERVICE AND DISASTER MANAGEMENT

5.CASH TRANSFER TO ELDERLY AND OVC KSH.35,000,000 IN DEVOLUTION PUBLIC SERVICE AND DISASTER MANAGEMENT

ANNEX 3: BUDGET CALENDER FOR FY 2017/18 MTEF BUDGET PROCESS

Activity	Sub-Activity	Responsibility	Deadline
Launch Sector(Departmental) Working Groups	**Prioritization and formulation of budget proposals will be done through Sector(Departmental Working Groups)**	**CECM, Finance and Economic Planning**	**09-Aug-16**
Develop and Issue MTEF guidelines	**Preparation and Issuance of a budget circular setting out guidelines to be followed by all county government entities in the budget process**	**CECM, Finance and Economic Planning**	**17-Aug-16**
Programme Performance & Strategic Reviews	**Preparation and submission of Development Plan to the County Assembly for approval**	**Project Committees in County Departments**	**26-Aug-16**
	Review and update strategic plans	"	
	Review of programme outputs and outcomes	"	
	Expenditure Review	"	
	Review and approval of Projects for FY 2017/18	County Management Committee	
	Progress Report on CIDP implementation	Project Committees in County Departments	
	Preparation of annual plans	Project Committees in County Departments	
Development of Medium Term Budget Framework	**Draft County Budget Review and Outlook Paper**	**County Management Committee**	**09-Sep-16**
	Estimation of Resource Envelope	County Treasury	26-Aug-16
	Determination of Policy Priorities	County Management Committee	"
	Preliminary Resource Allocation to Departments	County Management Committee	"
	Draft Budget Review and Outlook Paper	County Treasury	"
	Submission and Approval of CBROP by Executive Committee	County Treasury	02-Sep-16
	Submission of Approved CBROP to Assembly	County Treasury	09-Sep-16

Preparation of MTEF budget proposals	**Preparation of MTEF budget proposals**	**County Departments**	**18-Oct-16**
	Retreat to draft Sector(Department) Reports	County Departments	12-16 Sept-16
	Public Sector Hearing	County Treasury	19-23 Sept-16
	Review and incorporation of stakeholder inputs in the Sector Reports	County Departments	26-Sep-16
	Submission of Reports to County Treasury	Chief Officers	27-Sep-16
	Consultative meeting with County Management Committee on Departmental Budget Proposals	County Treasury	18-Oct-16
Draft County Fiscal Strategy Plan(CFSP)	**Draft County Fiscal Strategy Paper**	**County Treasury**	**10-Nov-16**
	Draft CFSP	**County Treasury**	**24-Oct-16**
	Public Hearings on Draft CFSP	County Treasury	31 Oct-4 Nov-2016
	Review and incorporation of stakeholder inputs in the CFSP	County Departments	07-Nov-16
	Submission of CFSP to Executive Committee for Approval	County Treasury	08-Nov-16
	Submission of Approved CFSP to Assembly	County Treasury	10-Nov-16
Debt Management Strategy	**Preparation of the Debt Management Strategy of the County Government over the Medium for submission to the County Assembly**	**County Treasury**	**10-Nov-16**
Consolidated County Annual Budget Estimates	**Preparation and Approval of Final County Budget**	**County Treasury**	**15-Mar-16**
	Develop and Issue final guidelines on preparation of 2017/18 MTEF Budget	County Treasury	02-Dec-16
	Submission of Budget Proposals to Treasury	County Departments	22-Dec-16
	Consolidation of the Draft Budget Estimates	County Treasury	27-30 Dec-2016
	Public Hearing on Draft Budget Estimates	County Treasury	4-13 Jan-17
	Review and incorporation of stakeholder inputs in the Draft Budget Estimates	County Treasury	16-20 Jan-17
	Submission of Draft Budget Estimates to the Executive Committee for	County Treasury	23-26 Jan-17

	approval		
	Submission of Draft Budget Estimates to the Assembly	County Treasury	27-Jan-17
	Review of Draft Budget Estimates by Assembly	County Treasury	22-Feb-17
	Report on Draft Budget Estimates from Assembly	County Treasury	24-Feb-17
	Consolidation of the Final Budget Estimates	County Treasury	10-Mar-17
	Submission of Appropriation Bill to Assembly	County Treasury	15-Mar-17
	Submission of a Vote on Account to Assembly	County Treasury	15-Mar-17
Budget Statement	**Budget Statement**	**County Treasury**	**17-Mar-17**
Appropriation Bill passed	Appropriation Bill passed	County Assembly	31-Mar-17