REPUBLIC OF KENYA

COUNTY GOVERNMENT OF HOMA BAY

DEPARTMENT OF FINANCE AND ECONOMIC PLANNING

COUNTY BUDGET REVIEW AND OUTLOOK PAPER

SEPTEMBER 2019

FOREWORD

This County Budget Review and Outlook Paper (CBROP) which is prepared in accordance with the Public Financial Management Act, 2012 section 118, presents the recent economic developments and actual fiscal performance of the FY 2018/19 and makes comparisons to the budget appropriations for the same financial year. In addition, it provides information on changes in forecasts as indicated in the County Fiscal Strategy Paper (CFSP) 2019; and how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the County financial objectives for that year.

This CBROP initiates the preparation of the FY 2020/21 budget estimates. It therefore imperative for the Sector Working Groups to adhere to the tentative budget ceilings and rationalize all expenditures and ensure they are aligned to the achievement of the county development objectives. As the sectors embark on the FY 2020/21 budget preparation, sectors should adopt a zero-based budgeting framework and properly cost only the activities geared towards the realization of the strategic objectives of the county. In particular, emphasis should be put on programmes that are highly visible and with great impact on service delivery while ensuring the tax payers get value of their money. The fiscal performance of the FY 2019/20 is expected to improve greatly owing to the improved economic environment in the domestic scene and the revenue and expenditure management reforms being undertaken. The updated economic and financial outlook presented in this paper will set out the broad fiscal parameters for preparation of the next budget. It will also outline projected macroeconomic outlook based on national economic indicators as well as county-specific economic growth indicators.

Homa Bay County has witnessed significant improvements on the socio-economic and fiscal development fronts since the inception of devolution. After a slow start of devolution that was coupled with so many challenges, the County can now boast of many achievements which have aided economic growth and development. Despite the growth, poverty and unemployment still remain major challenges. However, with more disciplined and concerted effort in several areas, social and economic transformation is being realized. It is this transformation that is expected to usher in an era of accelerated, inclusive and sustainable development.

The County Government is committed to ensuring prudent management of public resources in order to ensure the citizens get value for money. Specifically, the County Treasury will continue to aggressively monitor and guide implementation of development programmes by all sectors. This will improve the absorption rate of development funds and hence improve service delivery. It is therefore my expectation that this paper will be useful in enhancing financial discipline and observing fiscal responsibilities as outlined in section 107 of the PFM Act 2012. It is only cost-effective utilization public resources of that will assure the realization of aspirations of the people of Homa Bay.

Hon. Nicholas K'Oriko
CEC Member Finance & Economic Planning
Homa Bay County Government

ACKNOWLEDGEMENT

This County Budget Review and Outlook Paper (CBROP), has been prepared in accordance with the Public Finance Management (PFM) Act, 2012. It provides a review of the recent economic developments and actual fiscal performance of the FY 2018/19 in comparison to the budget appropriations for the same year. It further provides an overview of how the actual performance of the FY 2018/2019 affected the County compliance with the Fiscal Responsibility Principles and the financial objectives as well as information showing changes from the projections outlined in the latest County Fiscal Strategy (CFSP 2019).

The preparation of this CBROP was a collaborative and consultative effort among various departments. Many officers worked tirelessly and over time to put together this document. Therefore, I wish to applaud their effort under the able leadership of members of the County Executive Committee and Chief Officers. In particular, I wish to recognize the leadership of H.E the Governor Hon. Cyprian Awiti, H.E. the Deputy Governor Hon. Hamilton Orata and the CEC Member responsible for Finance, Hon. Nicholas K'Oriko for shepherding this development to ensure a credible document has been produced.

We particularly appreciate the contribution of the technical wing especially those from the County Directorate of Budget and Economic Affairs for their tireless efforts towards ensuring that this document was completed in good time. Special thanks also go to the officers from accounts, reporting and revenue directorates who worked so hard to provide relevant information in the required formats.

Mr. Noah Otieno
Chief Officer – Finance and Economic Planning
Homa Bay County Government

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ABBREVIATIONS AND ACRONYMS

A-I-A	Appropriation in Aid
APR	Annual Percentage Rate
ARUD	Agriculture Rural and Urban Development
CBROP	County Budget Review and Outlook Paper
CBK	Central Bank of Kenya
CBR	Central Bank Rate
CECM	County Executive Committee Member
CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development Plan
CPI	Consumer Price Index
CRA	Commission on Revenue Allocation
CRF	County Revenue Fund
DANIDA	Danish Development Agency
DUAs	Departments, Units and Agencies
EAC	East African Community
ECD	Early Childhood Development
FY	Financial Year
GDP	Gross Domestic Product
HIV	Human Immuno-Deficiency Virus
ICT	Information and Communications Technology
IFMIS	Integrated Financial Management Information Systems
IPSAS	International Public Sector Accounting Standards
KBRR	Kenya Bank's Reference Rates
KNBS	Kenya National Bureau of Statistics
MDAs	Ministries, Departments and Agencies
MDG	Millennium Development Goals

MTEF	Medium Term Expenditure Framework
MTP	Medium-Term Plan
NDA	Net Domestic Asset
NFA	Net Foreign Asset
NSE	Nairobi Stock Exchange
PFM	Public Financial Management
PPP	Public Private Partnership
WASH	Water and Sanitation Hygiene
SACCO	Savings and Credit Cooperatives
SDGs	Sustainable Development Goals
SNA	System of National Accounts
SSA	Sub- Saharan Africa
TSA	Treasury Single Account
USA	United States of America
USD	United States Dollar

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LEGAL BASIS FOR THE PUBLICATION OF THE HOMA BAY COUNTY BUDGET REVIEW AND OUTLOOK PAPER

The Homa Bay County Budget Review and Outlook Paper is prepared in accordance with Section 118 (1) of the Public Financial Management Act, 2012. The law states that: 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 publicize the Paper.

FISCAL RESPONSIBILITY PRINCIPLES IN THE PUBLIC FINANCIAL MANAGEMENT LAW

The Principles and Framework of Public Finance established by chapter twelve of the Constitution of Kenya, 2010 requires a County Government to uphold openness, accountability, equity, prudence, responsibility and clear reporting in management of public finance**.**

Section 103 of the PFMA establishes the County Treasury to monitor, evaluate and oversee the management of public finances and economic affairs on behalf of a County Government. The PFM Act bestows the responsibility of enforcing fiscal responsibilities envisaged in the constitution on the County Treasuries

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

(1) A County Treasury shall manage its public finances in accordance with the principles of fiscal responsibility set out in subsection (2), and shall not exceed the limits stated in the regulations.

(2) In managing the county government's public finances, the County Treasury shall enforce the following fiscal responsibility principles:

(a) The county government's recurrent expenditure shall not exceed the county government's total revenue;

(b) Over the medium term a minimum of 30% of the county government's budget shall be allocated to the development expenditure;

(c) the county government's expenditure on wages and benefits for its public officers shall not exceed a percentage of the county government's total revenue as prescribed by the County Executive member for finance in regulations and approved by the County Assembly;

(d) Over the medium term, the government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure;

(e) The county debt shall be maintained at a sustainable level as approved by county assembly;

(f) The fiscal risks shall be managed prudently; and

(g) A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future.

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

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

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

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

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

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

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

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

(f) The approved expenditures of a county assembly shall not exceed seven per cent of the total revenue of the county government or twice the personnel emoluments of that county assembly, whichever is lower **(It is noteworthy that this requirement has been temporarily set aside and the Commission on Revenue Allocation has now been setting ceilings for the County Assembly and County Executive to be included in the County Allocation of Revenue Act);**

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

(h) if the county government does not achieve, the requirement of regulations 25(1)(f) above at the end of the financial year, the County Executive Committee member for finance shall submit a responsibility statement to the County

Assembly explaining the reasons for the deviation and provide a plan on how to ensure annual actual expenditure outturns as wells as the medium term allocation comply with the provisions of section 107(2)(a) of the Act and these regulations in the subsequent year; and

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

1.0 INTRODUCTION

1.1 Background

1. This is the County Budget Review and Outlook Paper CBROP) of the County Government of Homa Bay. Its development is in compliance with the Public Finance Management (PFM) Act, 2012 under Section 118. This is the fifth CBROP since the inauguration of the County Governments in April 2013.

2. The development of this paper comes against a backdrop of growing stabilization on the structures setup within the county departments and the discussions in it take into consideration actual performance against budget, Deviation of actual performance from financial objectives and its consequences on fiscal responsibility, recent economic and financial developments.

1.1 Objective of CBROP

3. The objectives of the County Budget Review and Outlook Paper (CBROP) are to offer insight of the previous fiscal performance and provide useful guidance on how this impacts the County fiscal responsibilities principles.

4. It reviews performance of the immediate past year against the budget for the year.

5. This year's CBROP analyses the actual fiscal performance for FY 2018/2019 against the set budget for the same year, looks at actual performance on the realization of objectives in the County Fiscal Strategy Paper (CFSP) for the same year. It also seeks to establish the deviation of actual fiscal performance from set financial objectives.

6. It outlines the reasons why actual performance has deviated from the set financial objectives included in the County Fiscal Strategy Paper for that year. In addition to establishing the deviation, it also comes up with a proposal to address the deviation and suggested time frame for bringing the tasks back to the objective path.

7. It discusses the recent economic and financial developments at national and county level, illustrates the updated economic and financial forecasts giving appropriate evidence to show changes in comparison with the CFSP for that particular year.

8. The current CBROP will continue to focus more on the sectoral priorities set out in the CFSP 2020.

1.2 Significance of CBROP

9. The worth of CBROP is that it ensures that the County Government reviews its previous year's performance. It also guarantees that the County Government makes forecasts based on both the County and the national economic outlook and their likely impact on the level of future revenues and prompts the County Government to set preliminary sector ceilings in light of this review of revenue.

1.3 The Structure of CBROP

10. The CBROP has five sections; Section 1 which provides the main introductory part of the CBROP; Section 2 which provides a review of the fiscal performance in FY 2019/20 and its implications on the financial objectives as set out in the 2019 CFSP submitted to the County Assembly on 28Th February, 2018; Section 3 in which brief highlights of the recent economic developments and the updated macroeconomic outlook are provided; Section 4 which details the resource allocation framework; and Section 5 which provides the conclusion and next steps.

2.0 REVIEW OF THE FY 2018/2019 FISCAL PERFORMANCE

2.1 Overview

11. The fiscal performance and absorption of the approved budget of FY 2018/2019 (70.8%) was significantly lower than that of FY 2017/2018 (90.4%). This was hugely due to the untimely disbursement of funds from the National Government as 12.6% of the total expected revenue was not received by the close of the financial year.

12. The County local revenue collection of KES. 151,458,569 in 2018/2019 though better than in 2017/2018, was still lower than the set target of KES. 172,996,417.

13. Revenue from the National Government consisted of KES. 6,688,200,000 in equitable share of national revenues and KES. 481,138,335.90 in conditional grants. Table 1 below provides a summary of transfers from National Government, including conditional grants.

Table 1: Summary of Receipts from the National Government FY 2018/2019

Revenue Source	Amount (KShs.)
Equitable Share	5,618,088,000
Road Maintenance Levy Fund (RMLF)	132,070,861
Universal Health Care	49,023,004.40
UN Habitat – Nyakweri	10,188,000
Rehabilitation of Youth Polytechnics	35,239,625
DANIDA	21,870,000
User Fees Forgone	22,185,345.50
Kenya Urban Support Programme (UDG)	119,361,500
National Agricultural Inclusive Growth Project	50,000,000
Total	**6,058,026,336**

Source: Homa Bay County Treasury

2.1.2 County Revenue Performance

14. As at the close of the 2018/2019 financial year, total operating income including A-I-A amounted to KES. 6,209,484,905. Against the revised estimates of KES. 8,467,339,450, this represented a revenue performance of 73.3% while against the original estimates of KES. 7,732,086,904 this represents a fairly strong revenue performance of 80.3%.

15. The actual revenue growth from 2017/18 to 2018/19 was a negative of KES. 880,173,918 representing a decrease of 12.4%. This was an improvement compared to the growth rate of 12% registered between 2016/17 and 2017/18.

Figure 1 below gives a summary of revenue performance by source for FY 2018/2019

Figure 1: Revenue Performance by Source – 2018/2019

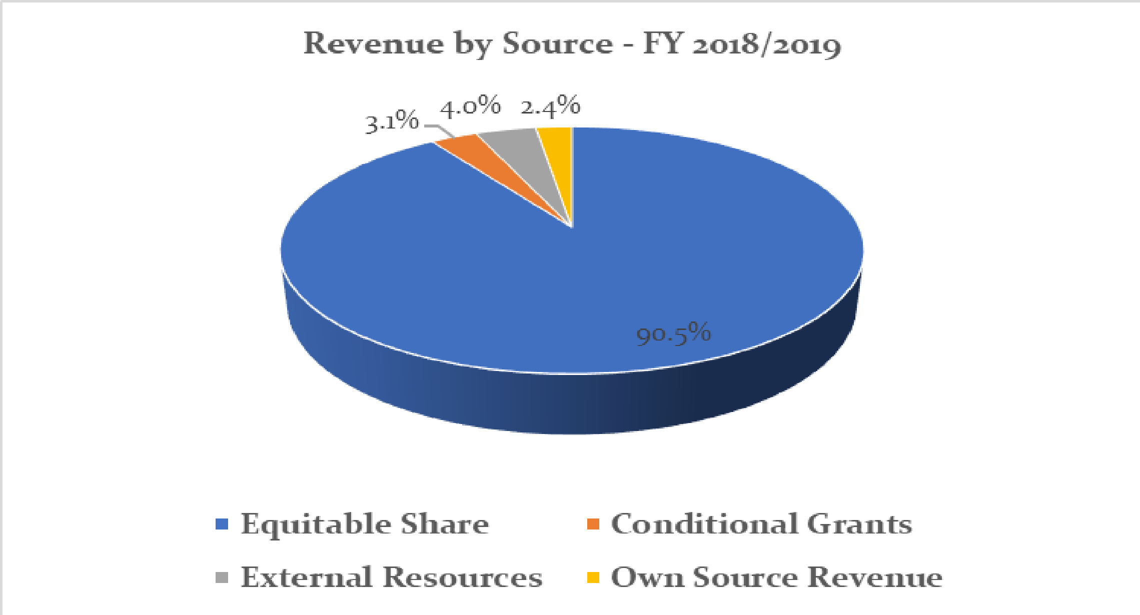


Table 2: Revenue Growth from 2017/2018 to 2018/2019

	2017/18		2018/19			Deviation as a % of Budget
	Actual	**Budget**	**Actual**	**Revised Budget**	**Deviation**	
Exchequer releases	6,523,200,000	6,523,200,000	5,618,088,000	6,688,200,000	(1,070,112,000)	16%
Conditional Grants	101,919,410	118,664,278	189,495,832	444,954,827	(255,458,995)	57.4%
External Resources	224,451,098	367,659,083	250,442,504	416,987,531	(166,545,027)	40%
Local Revenue	240,088,315	315,249,601	151,458,569	172,996,417	(21,537,848)	12.4%
Returned CRF Issues	244,218,293	244,218,293	-	744,200,675	(744,200,675)	100%
Total	**7,333,877,116**	**7,568,991,255**	**6,209,484,905**	**8,467,339,450**	**(2,257,854,545)**	**26.7%**

Source: Homa Bay County Treasury

2.1.2.1 Equitable Share of County Revenue

16. The County Government of Homa Bay was allocated a total of KES. 6,688,200,000 by the Commission on Revenue Allocation for the financial year 2018/19. This represented an increase of KES. 165,000,000 (2.5%) over the allocations of KES. 6,523,200,000 for the previous financial year 2017/18.

17. Monthly exchequer releases were relatively more predictable in the financial year 2018/2019 despite earlier delays witnessed in quarter one arising from the delays by the Homa Bay County Assembly in considering the annual budget estimates. By the end of June 2019, the county had received KES. 5,618,088,000 from the National Treasury as part of the equitable share due the County Government. This represented 84% of the total amount due as equitable share for the FY 2018/2019, and a 13.9% decrease from the 2017/18 financial year, when KES. 6.523 billion of the total sharable revenue expected from the National Treasury was received. The balance of KES. 1,070,112,000 was received at the start of the FY 2019/2020 on 05.07.2019
Table 3 below captures exchequer releases from the National Treasury as part of Equitable Share.

Table 3: Exchequer Releases during the Twelve Months of FY 2018/2019

Quarter of Release	July 2018	Aug 2018	Sep 2018	Oct 2018	Nov 2018	Dec 2018	First Half Total 2018/19
Date	-	-	11.09.2018	09.10.2018	07.11.2018	06.12.2018	**Total**
Amount	-	-	334,410,000	468,174,000	601,938,000	668,820,000	**2,073,342,000**

Quarter of Release	Jan 2019	Feb 2019	Mar 2019	Apr 2019	May 2019	June 2019	July 2019	Second Half Total 2018/19
Date	23.01.2019	26.02.2019	14.03.2019	26.04.2019	20.05.2019	25.06.2019	05.07.2019	**Total**
Amount	**668,820,000**	**535,056,000**	**635,379,000**	**601,938,000**	**535,056,000**	**568,497,000**	**1,070,112,000**	**3,544,746,000**

18. Equitable share of revenue accounted for over 66.4% of the total approved supplementary budget for the FY 2018/19 while own source revenue accounted for only 1.8% of the approved supplementary budget. This trend calls for a paradigm shift in the County's revenue framework to avert over-reliance on disbursements by the exchequer.

2.1.2.2 Collection of County Internal Revenue

19. The County Government of Homa Bay collected a total of KES. 151,458,569 of local revenue for the FY 2018/19. This represented a 48.6% growth in revenue collections from the previous KES. 101,919,410 for the FY 2017/18. This growth in local revenue was as a result of revenue collection automation across the sub-counties.

20. Compared to the set target of KES. 172,996,417, the total local revenue collections in FY 2018/19 was below target by KES. 21,537,848, representing a 12.4% variance, compared to 14.1% variance in 2017/18 implying a slight improvement in local revenue collection.

21. The County Government of Homa Bay continues to embrace modern and technologically enhanced methods of revenue collection. Some of such measures include; the formation of an inspectorate that will ensure enforcement on collections – this will also be augmented by the recruitment of more than 300 enforcement officers across the entire County; ensuring that revenue collectors bank directly all revenues collected to avoid occurrence of leakages. Tables 4 below shows the trend of local revenue collection by category for FY 2018/19 as compared with FY 2017/2018.

Table 4: Own Source Revenue Collections during the FY 2018/2019 by Category

RECEIPTS	2018/2019	2017/2018
	KES.	KES.
Land Rates	1,619,211	-
Lease Transfers/Extension/Change of Use	147,925	9,000
Lease Charges (Consent/Transfers)	10,000	1,594,348
Stall/Plot/Ground Rents	365,899	637,656
Business Permits	20,825,411	13,128,503
Market /trade center fees	24,692,523	20,121,227
Approval of plans/transfers/certificates	737,675	-
Housing Fees	140,000	-
Fish Cess	4,071,105	13,031,141
Other Cess Income	5,863,688	-
Motorbike Fees	1,005,545	-
Site Value Rates	14,106	-
Kiosk Rent	3,511,665	3,220,010
Slaughter House Fees	1,040,860	953,260
Stock Auction Fees (Cattle/Goat/Sheep)	3,708,785	-
Stock Movement Fees	291,950	-
Veterinary Charges	248,000	-
Advertising/Bill Boards	196,000	-

Landing Fees (Boats, Planes, etc.)	27,500	-
Bus Park Fees/Parking Fees	17,691,410	13,378,905
Administration Fees (Search/Beaconing)	40,350	1,235,140
Sanitation Fees	303,240	217,020
Fire Inspection Fees	27,000	-
Sewerage bill	-	326,580
Hire of Machinery & Equipment	16,610	-
Sale of Tender Documents	2,000	-
Conservancy Fees/Wildlife Grants	3,300	348,000
Nursery School Fees	-	15,200
Water Charges (Application/Survey)	50,770	-
Registration of Groups/Schools/Renewal	6,400	-
Fines and Penalties	36,575	800,465
Weights and Measures Fee	-	1,210,050
Bricks/Sand/Murram/Stones	2,555,115	-
Miscellenious Incomes	5,642,468	400,120
Other Receipts Not Classified Elsewhere	-	1,650,000
Other Miscellenious Receipts	-	2,358,235
Health Sector Charges (A-I-A)	56,565,483	27,284,550
TOTAL	**151,458,569**	**101,919,410**

Source: Homa Bay County Treasury

22. The Health sector continues to be the largest contributor towards own source revenue, account for 37.3% of total local revenue. This is a significant growth compared to last year when the Health sector contributed 26.7% of the total local revenue figure. In second place is the department of Trade and Industries that contributed 16.3% compared to 19.7% in the FY 2017/2018 thereby recording a slight decline in collections. Revenue from business permits recorded an impressive growth of KES. 7,696,908 compared to FY 2017/18. This represented a contribution of 13.7% towards the total local revenue collected. Stock auction fees from cattle sales recorded a remarkable growth to register KES. 3,708,785 compared to nil collections in the FY 2017/2018. Other significant contributors included rental income from County-Owned kiosks – KES. 3,511,665 while collections from fish cess also contributed significantly at KES. 4,071,105, although this was a drop of 68.7% compared to the collections in FY 2017/18.

23. Internal revenue collection improved significantly in the FY 2018/19 compared to the previous year (46.8% growth) largely due to enhanced enforcement efforts as well as automation of revenue collection within the county.

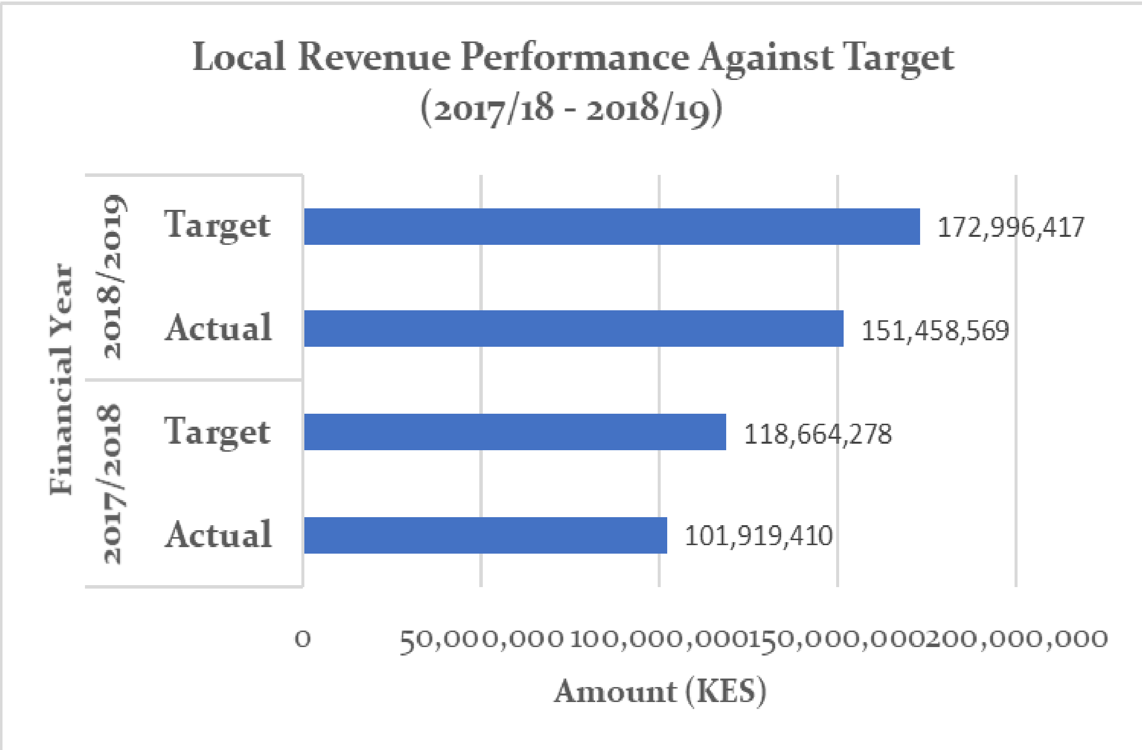
24. The main administrative challenge for the division of revenue is the inability to collect all the revenues due to the County Government. In many

cases, there are huge gaps between reported and projected revenues. This has been largely attributed to: (1) poor administrative capacity to assess the revenue base; (2) poor administrative capacity to enforce the taxes; (3) explicit and intentional tax evasion and resistance from some taxpayers; (4) embezzlement of revenues; (5) fiscal pressure on the finance department to provide optimistic projections; and (6) political pressure on the local tax administration to relax on revenue collection.

25. Fundamental issues to be addressed in the context of county government revenue reforms involve mostly the need to redesign the current revenue structure and to strengthen financial management. Moreover, measures are required to enhance taxpayers' compliance and to improve the accountability of revenue collectors and receivers. There is need for greater emphasis on the cost-effectiveness of revenue collection, taking into account not only the direct costs of tax administration, but also the overall costs to the county economy, including the compliance costs to the taxpayers. In addition, losses through corruption and tax evasion need to be reduced. Such improvements may take a long time to achieve, although automation and additional simplification of the local revenue system should provide a positive contribution towards these aims.

Figure 2 below shows a summary of local revenue performance between 2017/18 and 2018/19.

Figure 2: Local Revenue Performance Against Target (2017/18 – 2018/19)



2.1.2.3 Mobilization of External Resources

26. Mobilization of external financial and in-kind resources to undertake development efforts of the County Government of Homa Bay continues to be an area for consideration. The County Government recognizes the importance of the issue of resource mobilization and the challenge faced by many DUAs in developing and implementing an effective strategy.

27. Strengthening of the Resource Mobilization unit is a key strategy in attracting external resources through improved grant seeking and Public Private Partnerships. Measures are being instituted to improve grant support from foreign governments and international institutions. This implies application of relevant principles such as effectively communicating gratitude and work done with support previously provided to enhance cause and organization visibility and credibility; highlighting the uniqueness of our organization by emphasizing our USP (Unique Selling Proposition); ensuring transparency in our work and use of funds received; and making it easy for our donors to contribute.

28. The County Government is focused on strengthening follow-ups and using modern methods to engage prospective development partners.

2.1.3 County Expenditure Performance

29. The actual expenditure during the FY 2018/19 amounted to KES. 5,998,719,258 which represented 96.6% of the total funds released for operations. Out of this total, the County spent KES. 5,031,250,564 (83.9%) on recurrent activities and a further KES. 967,468,694 (16.1%) on development activities. The low absorption rate especially on development expenditure is attributable to delayed remittances by the exchequer. A total of KES. 1,070,112,000 in equitable share having been received at the start of the new financial year, 2019/2020.

30. Recurrent expenditure as a proportion of the total expenditure (83.9%) even though higher than the 70% prescribed by the PFM Act 2012, was still below the revised budget estimates by KES. 323,181,525.

2.1.3.1 County Expenditure by Broad Economic Classification

31. The recurrent expenditure for the FY 2018/19 represented an absorption rate of 94% of the revised recurrent budget, while development expenditure represented an absorption rate of 31% of the revised development budget. Table 4 below provides a summary of the actual spending against revised estimates for both recurrent and development votes for the FY 2018/2019.

Table 5: County Government Total Expenditure

	2017/18	2018/19			
	Actual	Actual	Revised Budget	Deviation	Percentage Absorption
Recurrent Expenditure	4,791,703,988	5,031,250,564	5,354,432,089	323,181,525	94%
Development Expenditure	2,053,587,423	967,468,694	3,112,907,361	2,145,438,667	31%
Total	**6,845,291,411**	**5,998,719,258**	**8,467,339,450**	**2,468,620,192**	**70.8%**

32. In the FY 2018/19, the County Government of Homa Bay had a budget absorption rate of 70.8% against the revised total budget. This represents a decline from the FY 2017/18 when 90.4% of the budget was absorbed. The low absorption rate was attributable to the delays by the National Government in releasing funds provided for as part of equitable share provided in the revised estimates of the County Government of Homa Bay for the FY 2018/19. The delays were mainly as a result of the delay to approve the annual budget estimates by the County Assembly.

33. It is noteworthy that actual compensation to employees (wage bill) constituted 52.3% of the total expenditure. A total of KES 3,136,349,023 was paid to employees compared to KES. 2,437,524,927 paid to employees in the FY 2017/2018. KES. 1,894,901,541 was used up to procure current goods and services, out of which KES. 857,921,126 was spent by the County Assembly of Homa Bay. Table 5 below provides the breakdown of recurrent expenditure by broad economic classification.

Table 6: Breakdown of Current Expenditure by Economic Classification

	Actual Expenditure 2017/2018	Initial Estimates 2018/2019	Revised Estimates 2018/2019	Cumulative Expenditure 2018/2019	Exp.% of the Revised Recurrent Budget
Compensation to Employees	2,437,524,927	3,276,320,224	3,283,337,941	3,136,349,023	95.5%
Recurrent operations & Maintenance Services	1,908,231,685	1,703,835,293	2,168,101,402	1,894,901,541	87.4%
Total Recurrent	**4,399,369,696**	**4,980,155,517**	**5,451,439,343**	**5,031,250,564**	**92.3%**

Source: Homa Bay County Treasury

2.1.3.2 Resource Consumption by Spending Entities

34. Actual expenditure returns for the FY 2018/2019 indicate that the departments of health and the County Assembly were the biggest spenders accounting for 31.6% and 14.9% of the actual total spending respectively. This was consistent with spending patterns for FY 2017/2018. The Office of the Governor accounted for 11.1% of total actual expenditure while the Department of Education and ICT and the Department of Finance and Economic Planning accounted for 9.2% and 7.5% of the actual total recurrent spending in the county respectively. The lowest spenders included the Department of Energy and Natural Resources (0.76%) followed by the Public Service Board at 1.2%.

35. In terms of absorption, the department of Finance, Economic Planning and Service Delivery (104.8%) and the Office of the Governor (101.8%) had an absorption rate above 100% of their recurrent allocations for the FY 2018/2019. This however, was a decline from their absorption levels registered in FY 2017/2018. The County Assembly (100%), the department of Transport and Infrastructure (100.4%) were the other high spenders of their recurrent budgets. The Public Service Board (97.0%) had the highest absorption rates of above 90% of their development allocations, while Tourism, Sports, Culture and Cultural Services (1.5%) was the lowest spender of their development budget. Table 6 below provides a synopsis of the absorption of expenditure by broad economic classifications (votes) of recurrent and development. Overall, spending entities absorbed 94% of their recurrent budgets while only 31.1% of the development budget was absorbed mainly due to late remittances of development funds by the National Treasury.

Table 7: Absorption of Recurrent and Development Expenditure by Spending Entities

VOTE HEAD	Analysis of the FY 2018/2019 Recurrent Expenditure			Analysis of the FY 2018/2019 Development Expenditure		
	Actual Expenditure	Revised Budget Estimates	Rate of Absorp.	Actual Expenditure	Revised Budget Estimates	Rate of Absorp.
Agriculture, Livestock and Fisheries	189,667,502	195,125,611	97.2%	62,056,518	371,575,341	16.7%
Tourism, Culture and Sports	85,666,808	88,201,767	97.1%	2,999,750	203,141,836	1.5%
Transport and Infrastructure	73,913,699	73,590,416	100.4%	362,319,523	580,647,794	62.4%
Energy and Natural Resources	34,224,237	34,740,345	98.5%	11,159,603	72,458,987	15.4%

Education and ICT	504,565,752	517,709,183	97.5%	47,028,799	172,559,276	27.3%
Health	1,804,039,189	2,097,473,955	86.0%	94,253,983	480,270,000	19.6%
Lands, Housing and Physical Planning	72,026,438	77,674,955	92.7%	72,976,481	226,129,631	32.3%
Trade, Industry, Investments and Cooperatives	181,359,450	184,108,488	98.5%	75,825,709	222,150,000	34.1%
Water and Environment	158,611,271	163,774,861	96.8%	88,956,343	326,990,879	27.2%
Finance and Economic Planning	356,718,772	340,253,841	104.8%	93,093,941	267,102,945	34.9%
Office of the Governor	645,138,306	633,456,873	101.8%	22,155,897	85,000,000	26.1%
Public Service Board	67,398,014	90,432,884	74.5%	1,940,000	1,999,321	97.0%
County Assembly Service Board	857,921,126	857,888,910	100.0%	32,702,147	102,881,351	31.8%
County Total	**5,031,250,564**	**5,354,432,089**	**94.0%**	**967,468,694**	**3,112,907,361**	**31.1%**

Source: County Treasury of Homa Bay

2.1.4 Budget Outturn for the FY 2018/19

36. An analysis of the budget outturn indicates that during the FY 2018/2019 the resources made available for spending by the various entities fell short of the revised budget allocation by KES. 1,187,742,545 representing a 14% of the total planned spending. As table 8 below further indicates, the total actual expenditure is below total budgetary allocation for the FY 2018/2019 by KES. 2,468,620,192, representing an overall budget outturn of 70.8%.

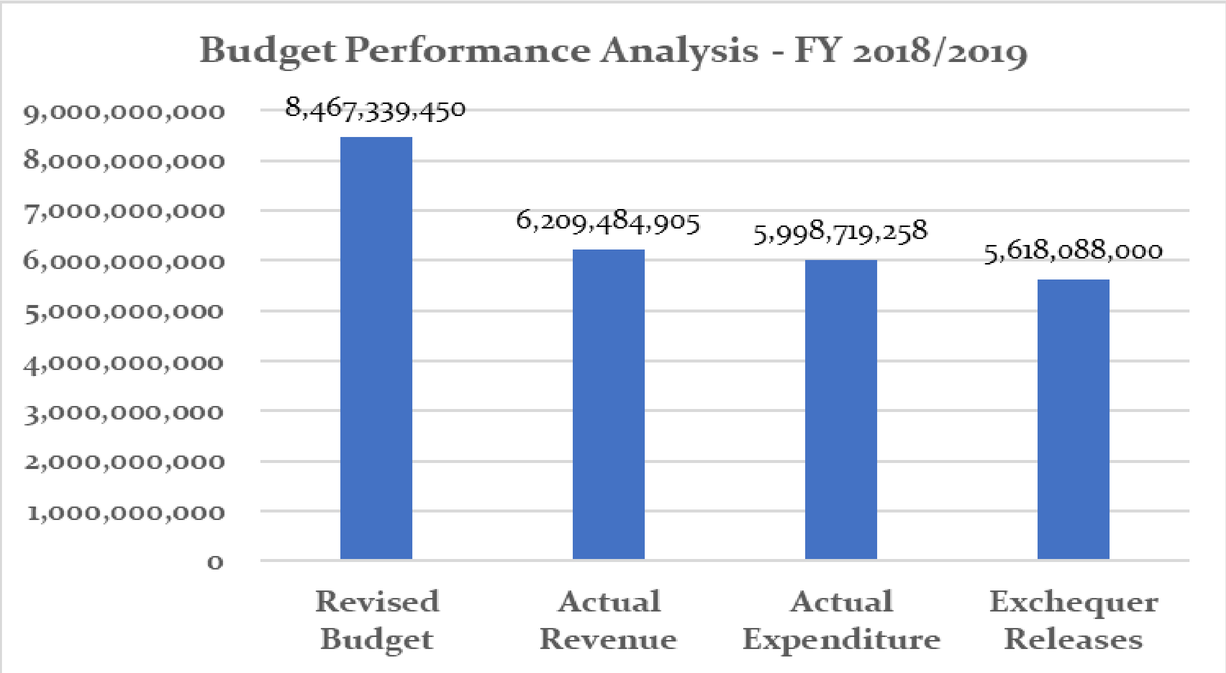
Table 8: Budget Outturn for the FY 2018/19

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	A	B	C= A+B	D	E= C-D	F= D/C %
RECEIPTS						
Exchequer Releases	6,688,200,000	0	6,688,200,000	5,618,088,000	0	84%
Local Revenue	172,996,417	0	172,996,417	151,458,569	21,537,848	87.6%
Loans and Grants	425,935,827	(8,948,296)	416,987,531	189,495,832	227,491,699	45.4%
Other Receipts	444,954,827	0	444,954,827	250,442,504	194,512,323	56.3%

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	A	B	C= A+B	D	E= C-D	F= D/C %
Returned CRF Issues	-	744,200,675	744,200,675	0	744,200,675	100%
Total Receipts	**7,732,087,071**	**735,252,379**	**8,467,339,450**	**6,209,484,905**	**1,187,742,545**	**73.3%**
PAYMENTS						
Compensation of Employees	2,646,071,899	637,266,042	3,283,337,941	3,136,349,023	146,988,918	95.5%
Other Operations	1,423,554,795	744,546,607	2,168,101,402	1,894,901,541	273,199,861	87.4%
Recurrent Payments	**4,069,626,694**	**1,381,812,649**	**5,354,432,089**	**5,031,250,564**	**323,181,525**	**94%**
Development Payments	**2,755,195,848**	**370,711,513**	**3,112,907,361**	**934,766,547**	**2,178,140,814**	**30%**
Total Payments	**6,824,822,542**	**1,752,524,162**	**8,467,339,450**	**5,998,719,258**	**2,468,620,192**	**70.8%**

Source: County Treasury of Homa Bay

Figure 3: Budget Performance Analysis FY 2018/2019



2.1.5 Fiscal Pressure, Debts and Deficits

Fiscal Pressures

37. **For** the FY 2018/2019, the County Government of Homa Bay continued to operate within a tight fiscal space. In particular, the ever-growing compensation to employees continues to put pressure on fiscal diligence as well as recurrent expenditure. A number of issues also continued to undermine efforts to enhance the fiscal space and exerted unforeseen fiscal pressure. First, the persistently high incidence of poverty and the dependency burden meant there was more demand for public services especially social protection for orphaned and vulnerable children, the aged, the disabled and the unemployed youth. Whereas social protection is largely the domain of the National Government, the small number of households covered implies many locals are turning to the County Government for relief. Secondly, delayed exchequer releases could sometime force the county treasury to secure liability and strain relations with contractors whose bills fell due for settlement during such delays. Finally, expanded commitments in health, education, water and sanitation made it difficult to create fiscal space to cover other emerging priority needs in human resource development, disaster management and development of productive clusters.

38. As a way forward, the County Government of Homa Bay has considered a number of options to significantly expand fiscal space during the MTEF period 2017/18-2019/20 and generate resources for priority social investments. Some of the options will include: (i) re-allocating public expenditures; (ii) increasing revenues; (iii) expanding contributory revenues; (iv) lobbying for aid and transfers; (v) eliminating revenue leakages flows and; (vi) adopting a more accommodative macroeconomic framework.

39. Overall, the County Government of Homa Bay adopted for low rate of taxation so that there is low pressure on taxpayers. This has meant relatively low receipts for the county government budget. However, it is estimated that this low taxation rate is likely to boost the overall effort to achieve stability of the county economy and make more disposable income available at household level for accelerating economic growth and therefore leading to an increase in tax revenues to the MTEF budget for FY 2017/18-2019/20.

Debts

40. The total volume of debts of Homa Bay County Government consists of debts that were inherited from the then 7 defunct local authorities at the advent of devolution, and pending bills incurred by the county government to end of FY 2018/2019. The County Government of Homa Bay inherited from the 7 defunct local authorities a debt obligation of KES 188,934,228. The debt was domestic in nature and was made up of 3 distinct components, namely; statutory deductions, unpaid emoluments, and pending bills from other creditors. Table 9 below gives a summary.

Table 9: Debts from Defunct Local Authorities

Name of Local Authority	Unpaid Emoluments (KES)	Statutory Deductions (KES)	Other Creditors (KES)	Total Liabilities (KES)
Homa Bay County Council	10,005,175	5,201,175	8,145,791	23,352,141
Homa Bay Municipal Council	18,154,543	35,181,078	24,854,915	78,190,536
Kendu Bay Town Council	6,562,309	1,686,093	2,595,979	10,844,381
Mbita Town Council		7,038,702	5,569,703	12,608,405
Oyugis Town Council	24,550,042	7,556,216	3,905,453	36,011,711
Rachuonyo County Council		6,332,167	2,118,114	8,450,281
Suba County Council	7,040,578	5,814,399	6,621,796	19,476,773
Total Liabilities	**66,312,647**	**68,809,830**	**53,811,751**	**188,934,228**

Source: HBC Debt Management Strategy Paper

41. The stock of pending bills for the County Government also continues to remain a challenge. A task force was therefore constituted to validate the authenticity of all bills. The report from the Task Force is expected to submit its findings soon. However, as of 30th June 2019, the stock of pending bills submitted amounted to KES. 314,867,512.03 as shown in Table 10 below.

Table 10: Summary of Pending Bills as at 30th June 2019.

	DEPARTMENT	RECURRENT	DEVELOPMENT	TOTAL
1	Executive Services	-	-	-
2	Finance and Economic Planning	-	3,828,773.13	3,828,773.13
3	Tourism, Culture and Sports	-		-
4	Water and Environment	-	44,972,818.00	44,972,818.00
5	Health Services	-	88,731,946.00	88,731,946.00
6	Transport and Infrastructure	-	16,963,771.20	16,963,771.20

7	Energy and Mining	-	16,550,897.00	16,550,897.00
8	Public Service Board	21,897,674.00	-	21,897,674.00
9	Agriculture, Livestock and Fisheries	-	-	-
10	Trade and Industrialization	-	113,372,001.70	113,372,001.70
11	Education and ICT	9,433,627.00	10,656,861.00	20,090,488.00
12	Department of Lands, Housing and Physical Planning		-	-
	TOTAL	**31,331,301.00**	**283,536,211.03**	**314,867,512.03**

Source: County Treasury of Homa Bay

Deficits

42. For the FY 2018/19, the County Government of Homa Bay was able to formulate and operationalize a balanced budget in line with policy positions adopted by the National Treasury and Constitutional Offices such as the CRA and the Controller of Budget. However, the County Government of Homa Bay revised the budget to match expected receipts with potential payments throughout the financial year 2017/2018.

43. Based on an analysis of the budget outturn for the FY 2018/2019, 26.7% of the money that was expected to be received was not realized. Against a final (revised) budget of KSh. 8,467,339,450 only KSh. 6,209,484,905 (73.3%) was realized. The balance of KSh. 1,187,742,545 was not received by the close of the financial year as projected. Out of this balance, KSh. 21,537,848 was OSR that was not collected. The rest are exchequer and other releases that had not materialized by close of the financial year.

44. In line with good Public Finance Management practice, the County Government of Homa Bay is advocating for a leaner government sector with a number of productive activities out-sourced or privatized to the private sector to supply.

2.3 Analysis of Sectoral Performance

2.3.1 Agriculture, Rural and Urban Development Sector

45. Agriculture, Rural and Urban Development Sector is one of the key sectors for the county's sustained economic growth. The sector consists of two sub sectors namely: Agriculture, Livestock and Fisheries Development sub sector and Lands, Housing and Physical Planning sub sector. The goal of the sector is to attain food security, sustainable land management and affordable housing.

2.3.1.1 Agriculture, Livestock and Fisheries Development;

46. Some of the medium-term priority programs /projects included, procurement and distribution of seed and fertilizers to farmers, provision of technical support for improved crop husbandry to farmers through technology transfer based at model farms, conducting annual county agricultural show, exhibition and Field day, identifying and supporting agricultural entrepreneurs to start commercial fruit tree nurseries, completion of grain storage facility at Kigoto, up-scaling of rice production, establishment of traditional high value crops bulking sites, tractor hire services, community mobilization and formation of common interest groups based on banana and cotton value chains training of BMUs, purchase of patrol boats for surveillance and control of illegal fishing; construction, rehabilitation and stocking of fish ponds with fingerlings and fish feeds, construction of toilets at fish landing sites, purchase and distribution of food grade cooler boxes

47. **Achievements**; the department identified and supplied 100kg maize, 80g sorghum, 40kg sunflower and 5kg water melon to 40 model farm host farmers, provided 4tons of upland rice seeds to 2000 rice farmers, provided 3.5 tons of beans under the traditional high value crops bulking project to 1758 farmers, distributed 15.9 tons maize seeds to 7950 farmers, 7.9 tons of sorghum to 3960 farmers, 960kg of sunflower to 960 farmers, 29.3kg of assorted vegetables to Kimira-Oluch farmers under the farm inputs project, completed 42% of planned works on the post-harvest facility at Kigoto, completed construction of the Homa-Bay slaughterhouse, installed electricity at the Kabondo milk cooling plant, mass-treated 400 heads of cattle, inseminated 683 in collaboration with ILRI, held 2 field days in collaboration with Send A Cow; undertook livestock screening and

treatment for trypanosomiasis in Lambwe valley (Suba North, South and Ndhiwa) in collaboration with KENTTEC, facilitated tsetse fly surveillance in the Ruma National Park and the adjacent areas; developed the agriculture sector strategic plan, constructed 20 toilets and carried out regular lake patrols in collaboration with the BMUs.

2.3.1.2 Lands, Housing and Physical Planning

48. The Department of Lands, Housing and Physical Planning is charged with the responsibility of ensuring efficient and effective administration and management of land resources, developing and maintaining cost effective government buildings and other public works, facilitating development of quality and affordable housing, improving the livelihoods of people living and working in informal settlements and, enhancing Infrastructure connectivity and accessibility within urban areas.

49. Some of the medium-term priority projects sequenced in the FY 2018/19 included preparation of the county spatial plan; establishment, approval and presentation of local physical development plans for major towns, renovation of county government houses, equipping of Ndhiwa appropriate building technology center, preparation of land inventory, site surveys as well as completion of random checks for various adjudication sections to facilitate land registration processes.

50. **Achievements**: The Department was able to establish and operationalize the Homa-Bay Municipal Board; complete preliminary work on the affordable housing project; complete the Symbio-City Quick win project; survey, demarcate and fence 12 market centers, and initiate construction of Homa Bay Municipal market which is well on course.

2.3.2 Energy, Infrastructure and ICT

2.3.2.1 Energy and Mineral Resources Sub-Sector

51. The energy sub-sector was mandated to optimize power supply in Homa Bay County, so as to improve on its sufficiency and reliability; to promote alternative sources of energy and; to regulate and control the construction minerals industry.

52. Some of the medium-term priority projects in the FY 2018/19 included installation of solar lights in rural markets & other public institutions; installation of street lights in the major sub county headquarters in collaboration with KPLC, setting up of green energy power generation

projects and off-grid mini power plants in areas not accessible to grid electricity, formulation of renewable energy & mineral exploitation policies and laws.

53. **Achievements**; The Department installed solar lights in 16 markets, installed street lights in 4 urban centers, developed renewable energy policy yet to be operationalized. The sub-sector has managed to carry out a routine maintenance on the already installed solar lights both at the headquarters and at the ward levels

2.3.2.2 Transport and Infrastructure Sub-Sector

54. The Department of Transport and Infrastructure was mandated to provide efficient, safe, affordable and reliable infrastructure for sustainable economic growth and development through construction, modernization, rehabilitation and effective management of all infrastructure facilities.

55. Some of the medium-term priority projects in the FY 2018/19 included gravelling of road networks across the county, opening of new roads, construction of new single span bridges and routine maintenance of county of roads.

56. **Achievements**: The department constructed 3 bridges, opened 20 km of new ward roads, maintained 1500 km of ward roads, and graded and graveled 90 km of road across the county.

2.3.2.3 Information and Communication Technology Sub-Sector

57. Some of the medium-term priority projects Under the ICT sub-sector, the Education and ICT department in the FY 2018/19 included establishing and improving ICT hubs in 3 sub counties, develop an ICT Policy in collaboration with ICT authority, conduct information technology trainings across the county through Ajira program and enhance internet connectivity and ICT network infrastructure in the county;

58. **Achievements**: The department initiated the process of formulating an ICT Policy, supported the maintenance POS (Point of Sale) systems for the department of finance economic planning and service delivery, supported the Integrated Financial Management Information System (IFMIS); supported the management of Revenue Automation System; supported the Integrated Payroll and Personnel Database (IPPD) system and, trained a total of 700 students/ youths on Ajira digital program in close partnership with Tom –Mboya University.

2.3.3 General Economic and Commercial Affairs Sector

59. The General Economics and Commercial Affairs Sector comprises of the Department of Trade, Industry, Investments and Cooperatives; and the Tourism sub-sector. The sector aims at strengthening cooperatives, growth and development of commerce, tourism promotion and development, savings and investment mobilization, employment creation, and industrial and entrepreneurship development.

60. Some of the medium-term priority projects included registration of new cooperatives, capacity building of cooperatives societies, reviving and strengthening dormant cooperatives; auditing and routine inspection and investigations of cooperative societies; supporting traders and the public in promoting fair trade practices, developing and up grading markets, construction of mill house and two go downs and installation of machinery for maize processing plant, acquisition of land and machinery for the establishment of an agro-processing industry, facilitating formation of new, more vibrant cooperative societies along the value chain, mobilization and sensitization of farmers and investors mobilization.

61. **Achievements:** The department was able to facilitate registration of 20 new co-operatives; revival and strengthening of 5 dormant co-operatives; audit and inspect books of accounts of 30 registered co-operatives; construct and fence 42 markets; fence and gravel 24 markets; construct 4 market sheds; construct 65 toilets across markets in the county; complete 65% of planned works on the Animal feeds factory; complete 40% of planned works on Kigoto maize processing plant; complete 15% of planned works on the cassava processing plant and follow-up on the 32 MOUs signed with different investors.

2.3.4 Health Sector

62. The health sector is mandated to build a progressive, responsive and sustainable technology-driven, evidence-based and client-centered health system for accelerated attainment of the highest standards of health to the people of Homa Bay County. The sector is charged with confronting and overcoming the high disease burden in the county which is well highlighted in Kenya's epidemiological profile.

63. Some of the medium-term priority projects included operationalization of community units; promotion of environmental health and sanitation services; control of HIV, TB, Malaria, and other vector borne diseases; improvement of immunization; intensifying disease surveillance; promotion of reproductive, maternal, newborn child and adolescence health; improving nutritional services; promotion of positive health seeking behaviors; establishment of a health information management system; ensuring regular supply of drugs, non-pharms, reagents, medical equipment, plants & machinery; equipping land and water ambulances; construction and renovation of theatres, general wards, outpatient blocks, administration blocks, maternity wards and stores; construction and equipping of a cancer unit; supporting establishment of additional KMTC campuses; upgrading th County referral hospital to a level V health facility; completion and operationalization of the oxygen plant and blood bank; acquisition of title deeds for all government health facilities; recruitment and capacity development of the work force as well as improving investment on health research.

64. **Achievements:** The county has been able to realize reduced HIV prevalence from 25% to 21%; 88% TB treatment success rate; improved latrine coverage from 71% to 74%; increased ANC visits from 33% to 45%; improved family planning coverage at 44%; full immunization of children at 69%; fully distributed nets to both infants (under one) and pregnant mothers respectively; procure and distribute essential commodities; draft and enact the community health strategy and health services bills; recruit and post additional 160 technical health staff; purchase and distribute medical equipment and other supplies including bedding and linen to Miriu, Malela, Rachar and Nyang'iela health facilities; construct three toilets at Kobuya, Omiro and Oridi health facilities; purchase 2 utility vehicles; complete construction of the blood bank and oxygen center; construct the county health administration block and store for drugs which is now at 48%; complete the morgue at Suba hospital; refurbish the residential houses for Cuban doctors; fence Ndhiwa hospital; construct theatres at Sena and Ramula health facilities; construct the health Headquarters and 20 new facilities county wide while upgrading 10 centers of excellence.

2.3.5 Education Sector

65. The sector vision is to deliver a 'globally competitive education, training and innovation for sustainable development. Medium-term projects included

improving the quality of delivery and infrastructure facilities for EYE learning and vocational training, strengthening quality education standards in all institutions, establishing and improving vocational training centers, strengthening of the County Bursary; establishing and improving of EYE centers, and provision of learning materials, tools and equipment to EYE and vocational training centers.

66. **Achievements:** The department was able to distribute bursary worth 100m to 20,250 beneficiaries with each ward allocated 2.5m; procure and delivered Curriculum design to 877 EYE Centers; conduct successful CBC trainings of teachers county wide; develop and deliver education and learning materials to 80 EYE Centres; complete construction of Ogenga EYE Centre in West Kasipul ward; renovate 8no. VTCs (Sindo,Langi,Nyandiwa,Katieno,Ndiru,Oriwo,Nyakongo,Omiro); construct twin workshop at Jwelu VTC; construct 6-doors pit latrine, fence and erect a gate at Sila Mbani VTC; constructed 4-doors pit latrine, fence and erect a gate at Nyang'iela VTC; purchase and distribute tools and equipment to 21 VTCs in the county; and provide capitation to all learners within the VTCs.

2.3.6 Public Administration and Government Relations Sector

67. The sector comprised of the Governor's Office (including the Office of the Deputy Governor and the County Secretary), the County Treasury, the County Planning Unit, the County Public Service Board and the County Assembly.

1.3.6.1 County Executive Services (Office of the Governor)

68. The Office of the Governor is responsible for providing leadership, coordination and results tracking for purposes of ensuring effective service delivery to enhance inclusive and sustainable development of Homa Bay County.

69. Some of the medium-term projects included improving office accommodation for staff, operationalizing devolved units; modernizing the Office of the Governor and completing networking mains, training of relevant staff on performance contracting, develop a better public engagement strategy, establish a robust inspection and enforcement unit to enhance compliance within the existing legal regime.

70. **Achievements:** The county executive office was able to construct 8 ward offices and complete 2 sub county administration offices.

1.3.6.2 Finance and Economic Planning Sub-Sector

71. The Sub-Sector was focused on providing leadership and coordination in planning, resource allocation and results tracking; improving accountability and prudence in the management of the county's financial resources; and mobilizing development assistance and ensuring optimum and equitable collection of revenue.

72. Medium-term projects included support towards the Lake Region Economic Block particularly the Lake Region Bank, Completion and equipping of the county treasury, Construction of Revenue Stores and reconstruction of the Mbita Planning Office ongoing automation of revenue collection and construction of ticketing shades.

73. **Achievements:** The Department was able to complete and equip the county treasury block; provide support towards establishment of Lake regional bank, automation of revenue collection and development of relevant policies, plans and budget documents for/within the various spending entities.

2.3.6.3 County Public Service Board

74. The County Public Service Board provides overall leadership and coordination in the management of the County's human resources for effective service delivery. During 2018/19, the department was focused on strengthening the county policy framework for managing the county public service; promotion of national values and principles; enhancing staff productivity and morale, and attracting and retaining the best talent in the County Public Service.

75. Some of the medium-term programs /projects included developing critical HR policies, deployment, development, promotions and disciplinary control, reviewing boards strategic plan, construction of an office block to improve accommodation for board functions, develop Integrated human resource information System (IHRIS), recruit staffs requisitioned with approval of the CEC and the Central HRM Committee and improve staff motivation and training in critical skill areas.

76. **Achievements**: the Board was able to undertake 5% planned works towards the construction of an administration block; develop the county road map for the implementation of performance management; initiate the formulation of training, induction, recruitment and selection policies; confirm 360 staffs (261 in health, 45 in education & 3 in finance; upgrade 23 staffs from health and agriculture departments and re-designated 82 staffs majorly from health and agriculture.

2.3.6.4 County Assembly Services

77. The County Assembly focused on developing and sustaining its own institutional capacity to better discharge its constitutional mandate; improving the legislative process; improving the capacity to provide effective oversight to the County Government and fully developing the representation and outreach work of the members of county assembly.

78. Medium-term programs /projects included construction of MCA offices, construction of the ablution block and refurbishment of committee rooms.

79. **Achievements**: The Board completed construction of committee offices, refurbishment of the clerk's office; 5% of construction of MCA ward offices, refurbishment of MCAs offices, 70% of construction of the library.

2.3.7 Social Protection, Culture and Recreation Sector

80. The department of Culture, Sports and social protection was mandated to develop and promote our culture and heritage, developing and managing our sports and sports facilities. It was also assigned with complementing the abilities of poor and vulnerable groups to participate fully in county's development process through social protection measures.

81. Medium-term programs /projects included construction of the Homa Bay County stadium, developing a strategic plan for tourism, Promoting local investors, hosting of Homa Bay county cultural festival and the tourism Expo, purchase and distribution of assorted cultural artifacts ,purchase and distribution of sports kits and equipment to clubs in the county, purchase

and distribution of assorted assertive devices, gender and disability mainstreaming, gender and youth empowerment, construction of cultural center, development of social and sports master plan ,establishment of support funds for vulnerable groups.

82. **Achievements:** 60% of completion of the on-going construction of the pavilion; 14% construction of Homa-Bay stadium completed; assorted sports equipment procured and distributed to different sport clubs in the county; and ward tournaments conducted across the county.

2.3.8 Environment Protection, Water and Natural Resources Sector

83. The department of water and environment policy direction was to ensure adequate and reliable supply of water, clean environment and sewerage services.

84. Medium-term programs /projects included drilling of new boreholes, equipping of capped boreholes with either hand pump or solar pumps, installation of roof catchment in schools, rehabilitation of water pans, protection of springs, construction of drainage systems, rehabilitation of urban and rural water supplies, undertake surveys and feasibility studies, improving waste management services, purchase of a skip loader, school greening progrmmes, hill top reforestation with the aim of achieving at least 10% forest cover and formulation of water and climate change policy and law.

85. **Achievements:** Rehabilitated 2 urban water supply schemes in Mbita and Homa-Bay Town sewerage system, upgraded 7 rural water supply schemes, Drilled and equipped 11 boreholes, Protected 17 water springs, Developed water and climate change policies ,Procured 50 water tanks for roof catchment to be distributed to public institutions, purchase and distributed 100 litter bins across the county, Developed 2 dumpsites, Established 1 tree nursery and Supply 20 schools with assorted tree seedlings for re-greening purpose.

86. Table 10 and 11 below summarize sectoral performance analysis for the all the sectors, including their rates of absorption for both recurrent and development.

Table 11: Sectoral Budget Performance Analysis – 2018/19 - Recurrent

Recurrent Budget				
Departments	**Original Estimates FY 2018/19 KSH**	**Revised Estimates FY 2018/19 KSH**	**Actual Expenditure FY 2018/19**	**% Absorption Rate**
Agriculture, Rural and Urban Development Sector	193,117,789	195,125,611	189,667,502	97.2%
Lands, Housing and Physical Planning	68,119,793	77,031,408	72,026,438	92.7%
Energy and Mineral Resources	34,740,345	34,740,345	34,224,237	98.5%
Transport and Infrastructure	72,736,698.00	593,647,794	73,913,699	100.4%
Trade, Industry, Investments and Cooperatives	192,183,688	184,108,488	181,359,450	98.5%
Health	2,073,692,084	2,097,473,955	1,804,039,189	86.0%
Education & ICT	534,204,183	517,709,183	504,565,752	97.5%
Office of the Governor	533,918,029.00	633,456,873	645,138,306	101.8%
Finance and Economic Planning	111,150,243	340,253,841	356,718,772	104.8%
County Public Service Board	33,432,205	90,432,884	67,398,014	74.5%
County Assembly Service Board	907,264,362	858,770,261	857,921,126	100.0%
Social Protection, Culture and Recreation	69,496,766	88,201,767	85,666,808	97.1%
Environment Protection, Water and Natural Resources	152,774,859	163,774,861	158,611,271	96.8%
TOTAL	**4,976,831,044**	**5,874,727,271**	**5,031,250,564**	**94.0%**

Table 12: Sectoral Budget Performance Analysis – 2018/19 - Development

Development Budget				
Departments	**Original Estimates FY 2018/19 KSH**	**Revised Estimates FY 2018/19 KSH**	**Actual Expenditure FY 2018/19**	**% Absorption Rate**
Agriculture, Rural and Urban Development Sector	202,543,550	371,575,341	62,056,518	16.7%
Lands, Housing and Physical Planning	204,859,269	226,129,631	72,976,481	32.3%
Energy and Mineral Resources	75,458,987	72,458,987	11,159,603	15.4%
Transport and Infrastructure	501,795,905	593,647,794	362,319,523	62.4%
Trade, Industry, Investments and Cooperatives	150,414,670	222,150,000	75,825,709	34.1%
Health	440,385,996	480,270,000	94,253,983	19.6%
Education & ICT	119,600,334	172,559,276	47,028,799	27.3%
Office of the Governor	78,000,000.	85,000,000	22,155,897	26.1%
Finance and Economic Planning	503,123,355	247,102,945	93,093,941	34.9%
County Public Service Board	1,000,000	1,999,321	1,940,000	97.0%
County Assembly Service Board	59,317,904	102,000,000	32,702,147	31.8%
Social Protection, Culture and Recreation	106,750,000	203,141,836	2,999,750	**1.5%**
Environment Protection, Water and Natural Resources	311,990,879	326990,879	88,956,343	27.2%
TOTAL	**2,755,240,849**	**3,105,026,010**	**967,468,694**	**31.1%**

3.0. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

87. The County's performance is dependent on the National economic performance as well formulation and implementation of sound policies in the County Government.

3.1 Macroeconomic Outlook

88. The global economy continues to expand, but the outlook is less positive than it was a year ago. Then, a synchronous upswing had emerged for the first time since the global financial crisis. Over the course of 2018, however, the momentum of key economies began to diverge. The US and Indian economies continued to accelerate, but economic growth slowed in China, the European Union, and Japan. Last year also marked the beginning of a new deceleration trend. In 2019 and beyond, all major economies except India will experience slowing growth rates. As a result, the Global Business Policy Council forecasts that global economic growth will fall to a moderate 2.9 percent in 2019 and will continue to slowly decelerate over the next few years.

89. The economic recovery in Sub-Saharan Africa continues. Regional growth is set to pick up from 3 percent in 2018 to 3.5 percent in 2019, before stabilizing at close to 4 percent over the medium term. These region-wide numbers mask considerable differences in the growth performance and prospects of countries across the region. About half of the region's countries— mostly non-resource-intensive countries—are expected to grow at 5 percent or more, which would see per capita incomes rise faster than the rest of the world on average over the medium term. For all other countries, mostly resource-intensive countries, improvements in living standards will be slower. Notwithstanding these different economic prospects and policy priorities, countries share the challenge of strengthening resilience and creating higher, more inclusive and durable growth. Addressing these challenges requires building fiscal space and enhancing resilience to shocks by stepping up actions to mobilize revenues, alongside policies to boost productivity and private investment.

90. East Africa comprises 13 countries that are diverse in many aspects. In 2018, real GDP in the region grew by an estimated 5.7 percent, slightly less than the 5.9 percent in 2017 and the highest among African regions. Economic growth is projected to remain strong, at 5.9 percent in 2019 and 6.1 percent in 2020. The regional average masks substantial variation across countries. Estimated GDP growth in 2018 ranged from –3.8 percent (contraction) in South Sudan to 7.2 percent in Rwanda and 7.7 percent in Ethiopia. Within the region, Ethiopia has the fastest growing economy with a predicted 8.2 percent growth for 2019, followed by Rwanda (7.8%), Tanzania (6.6%), Kenya (6%), Djibouti (5.9%) and Uganda (5.3%).

3.2 Recent Economic Developments and Outlook

91. Kenya's economy is rebounding after the slowdown in activity in 2017. Reflecting improved rains, better business sentiment, a reasonably well educated labor force, easing political uncertainty, a vital port that serves as an entry point for goods destined for countries in the East African and Central Africa interior, abundant wildlife and kilometers of attractive coastline and above all, a government that is committed to implementing business reforms. Amid threats of prolonged drought, the country's economy is projected to be 5.7 percent in 2019 a slight decrease from 5.8 percent experienced in 2018 according to the World Bank Kenya Economic update.

Recent Sector developments

92. The growth was mostly supported by growth in the service sector industries such as wholesale and retail trade, transportation, accommodation and food services, financial and insurance activities.

93. The quarter was characterized by slowdown in agricultural activities following delay in the onset of long rains, leading to reduced production of key food crops and livestock products such as coffee, sugarcane, carrots, potatoes, maize, cabbages and milk. The sector grew by 5.3 percent in the first quarter of 2019 down from a growth of 7.5 percent over the same period in 2018. Nevertheless, the sector's performance was supported by growth of tea and horticultural production. The contribution of Agricultural sector to the overall GDP growth was at 1.4 percentage points in the first quarter of 2019, a drop from 2.0 percentage points in the same quarter of 2018

94. The non-agricultural sector (service and industry) remained resilient and grew by 5.7 percent in the first quarter of 2019, down from 6.3 percent in the same quarter of 2018. The service and industry sector contributed 3.6 percentage points to real GDP growth in the first quarter of 2019 mainly supported by service sector.

95. The performance of Industry sector fell to a growth of 4.3 percent in the first quarter of 2019 compared to a growth of 5.0 percent in the same quarter in 2018, and accounted for 0.7 percentage points to real GDP growth in the quarter. This was occasioned by the slowdown in agricultural sector growth, which curtailed agro-processing and consequently led to slowed manufacturing activities during the review period. Growth in construction remained vibrant and was mainly supported by the second phase of the Standard Gauge Railway (SGR) and other public infrastructural developments especially road construction. Electricity and Water supply growth was driven by increased consumption of hydro and wind electricity, which are cheaper to produce relative to non-renewable sources.

96. Services remained the main source of growth and expanded by 5.8 percent in the first quarter of 2019 compared to a growth of 6.5 percent in the same quarter in 2018. Growth of activities in information and communication (10.5 percent), accommodation and food service activities (10.1 percent), financial and insurance (5.0 percent), transport and storage (6.7 percent), wholesale and retail trade (5.3 percent), and real estate (4.2 percent) remained vibrant despite the slowdown relative to the same quarter in 2018.
97. ervices sector contributed 2.8 percentage points to real GDP growth in the first quarter of 2019 largely supported by wholesale and retail trade (0.4 percentage points), Information and Communication (0.4 percentage points) and Transport and storage (0.4 percentage points).

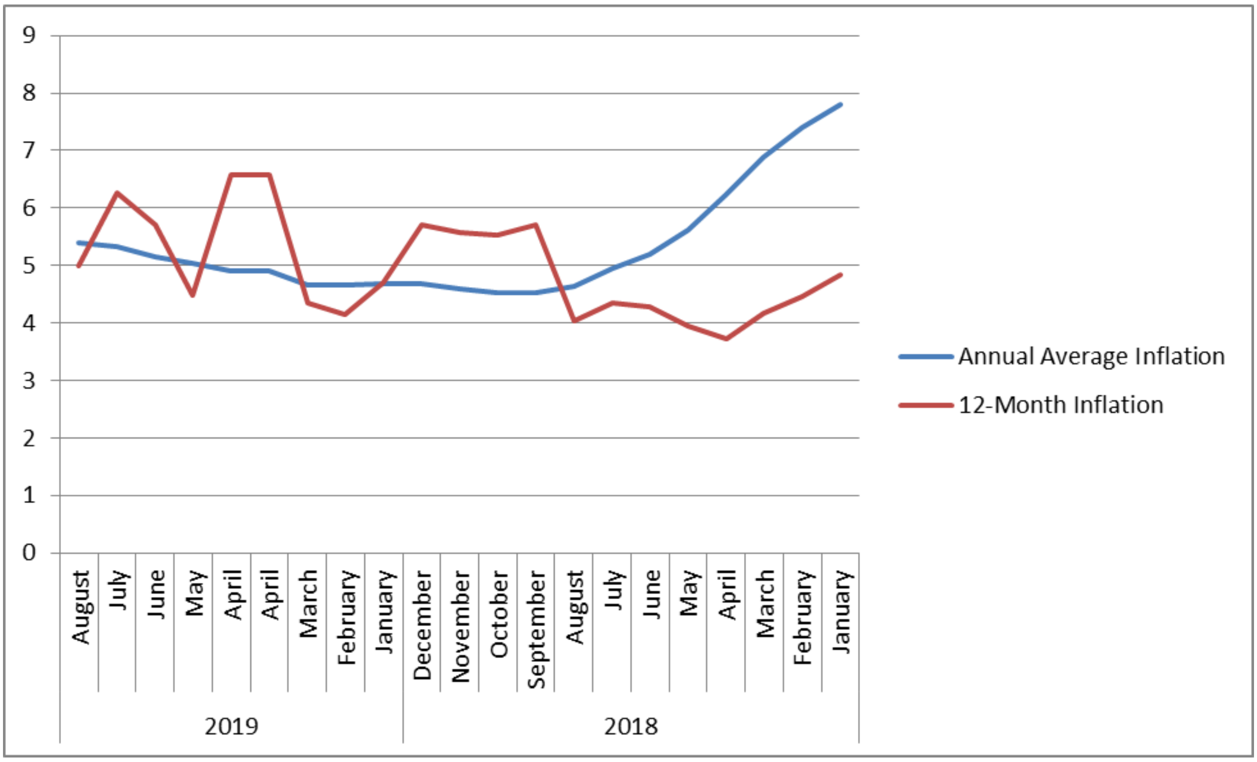
Measures of reducing cost of living

98. The National Government provide measures to reduce cost of living to include: Pensions coverage for those who are 70 years and above - cash transfer in the form of a monthly stipend and NHIF cover; Expansion of lower tax bracket - expand the tax bands by 10% and increase the relief by another 10%; Cash transfers to orphans and vulnerable children; the elderly; and to persons with disability; Education: Waiver of exam fees; Free Primary Education; Free Day Secondary Education; budget support to Technical Training Institutes; Universities; and to the Higher Education Loans Board; Health: Free Maternal Health Care (Free NHIF Cover for all mothers for one year); Free Primary Healthcare; purchase of medical equipment under the MES; The Central Bank Rate was reduced to 9.0% on 30th July 2018 from 9.5% in order to support economic activity; The interbank rate remained low at 6.8% in August 2018 from 8.1% in August 2017 due to ample liquidity in the money market while The 91-day Treasury bill rate declined to 7.6% compared to 8.2% over the same period and The stability of the Shilling reflects strong capital inflows from tea and horticulture exports, strong diaspora remittances and tourism receipts.

3.3 Macroeconomic stability

Inflation rate

99. The annual inflation rate in Kenya decreased to 5.0 percent in August 2019 from 6.3 percent in the previous month. This is the softest inflation rate since March, mainly reflecting weaker food price growth. Inflation Rate in Kenya averaged 9.50 percent from 2005 until 2019, reaching an all-time high of 31.50 percent in May of 2008 and a record low of 3.18 percent in October of 2010.



Source: CBK

Interest rates

100. Both interest rate and spread have significantly decreased after the cap. The interest rate for commercial banks loans and advances fell from 17.66% in August 2016 to an average of 13.7% between September 2016 and December 2017, which was 3.7% above the CBR of 10%. Further, with the CBR lowered to 9% in July 2018, the interest rate dropped slightly to an average of 12.8% in August 2018. The cap has resulted in lower interest rate spread from 11.2% in August 2016 to 4.9% in August 2018. This is evidenced in lower lending rates and increase in deposit rates from 6.4% in August 2016 to 7.9% in August 2018.

Exchange rate

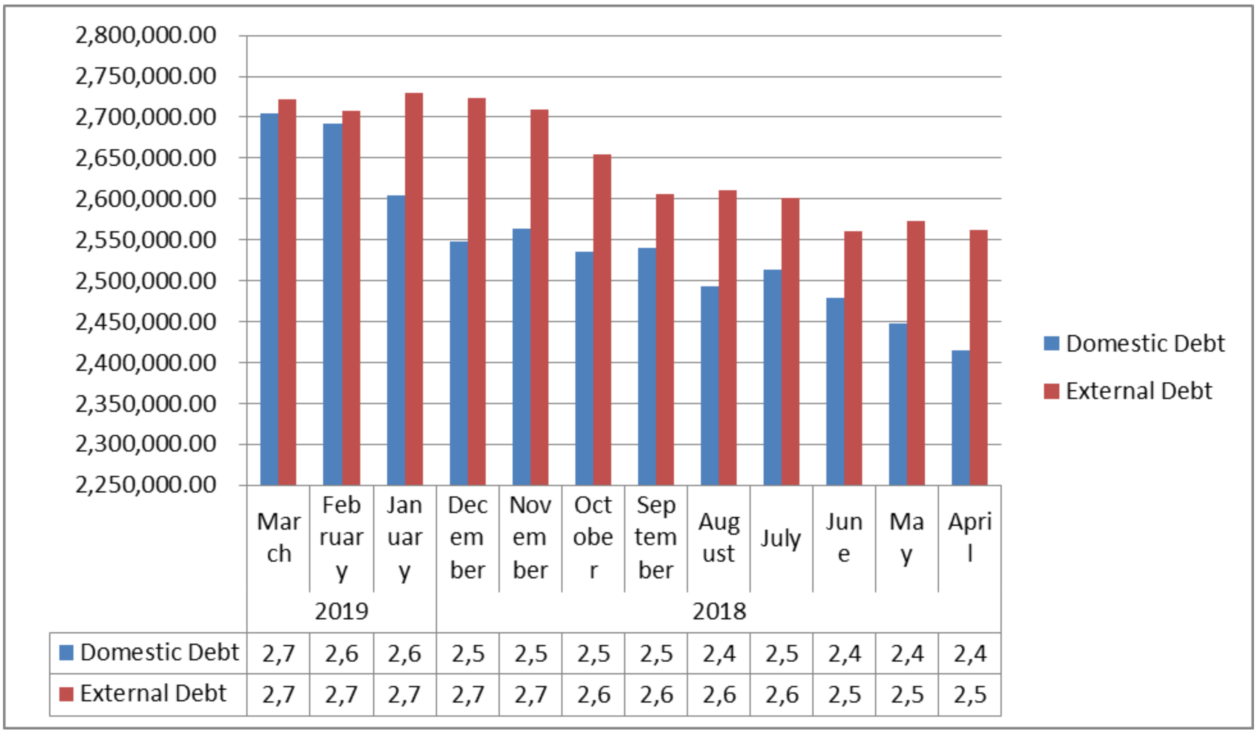
101. The Kenyan shilling (KES) shot up in value against the U.S. dollar amid renewed political stability, which has led to resurgence in strong capital inflows. On 20 April, the shilling closed the day at 100.1 KES per USD, which represented a 0.7% appreciation over the same day of the previous month and marked the highest value since July 2015. As of that date, the shilling had gained 2.6% of its value year-to-date and had risen 2.8% compared to the same day last year.

Political stability

102. A return to political stability following a drawn-out election saga set in motion by 2017 disputed election, along with the end of a crippling drought, has spurred upbeat economic data and improved sentiment, leading in turn to a greater inflow of capital and propelling the shilling up. The pact signed in February between President Uhuru Kenyatta and election runner-up Raila Odinga seems to be helping improve the marred business climate and reassuring investors. Furthermore, the government's commitment to modify or even entirely scrap the cap on commercial bank lending rates introduced in 2016, which has led to private credit growth tumbling to all-time lows and stymied credit to small- and medium-sized enterprises, is also pushing the growth outlook to the upside, strengthening confidence among investors.

Public debt

103. As at March 2019, Kenya's public debt stood at approximately KSh. 5,425,581.9 million (consisting of 50% domestic and 50% external) or 61.8% of the country's gross domestic product. This is up from 42.8% in 2008. In other words, the country owes more than half the value of its economic output (GDP). The International Monetary Fund recommends that ratios of public debt to GDP should not be higher than 40% for developing countries. To be fair, this level of debt is comparable to that of other developing economies however the country's economy is still small compared to other middle-income nations such as South Africa and Nigeria. Kenya has a population of 51 million, implying that every Kenyan owes about USD962 – and produces USD$1169 a year. In comparison, each South African owes about USD$1434 and produces USD$12,295.



Source: CBK

Balance of Payments

104. Kenya's current account deficit improved during Q3'2018, coming in at Kshs 116.0 bn from Kshs 150.9 bn in Q3'2017, a decline of 23.1%, equivalent to 9.9% of GDP from 13.6% recorded in Q3'2017. This was mainly due to the 19.4% increase in the services trade balance to Kshs 40.3 bn from Kshs 33.8 bn, coupled with a 10.6% decline in the merchandise trade deficit to Kshs 254.3 bn from Kshs 284.4 bn in Q3'2017.

3.4 Implementation of the FY 2019/20 Budget of Homa Bay County

105. Implementation of the 2019/20 budget is progressing well despite initial challenges encountered at the beginning of the financial year arising from the stalemate between the National Assembly and The Senate in passing the ***Division of Revenue Bill 2019***. This has consequently resulted into delayed funds flow for quarter one by the National Treasury. The County Treasury has prepared and dispatched guidelines to all Departments/Units/Agencies (DUAs) on budget implementation to ensure priority programmes are implemented as identified in the approved budget and other policy documents and plans. Further, to reduce unnecessary pressure on expenditures, the county government will institute measures aimed at reducing unnecessary expenses and introduce controls which will ensure adherence to the approved budget allocations.

106. Some of the measures include directing DUAs to prepare and submit their annual work plans, cash flow plans, and procurement plans to the

County Treasury for control purposes and for onward transmission to the National Treasury to facilitate release of exchequer. Implementation of priority programmes will be tracked and feedback given periodically. Expenditures outside the planning framework are also being rejected in line with requirements of the County Government Act, 2012.

3.5 Medium Term Economic Outlook

107. Kenya's economic growth is easing as a result of the erratic weather conditions which will weigh down agricultural output and consequently constrain private consumption growth. The economy grew by 5.6 percent in the first quarter of 2019 compared to a growth of 6.5 percent in the first quarter of 2018. Growth in the second quarter is expected to pick up owing to stronger non-agricultural performance despite a depressed agricultural output. However, the economic growth outlook will continue to be supported by large-scale public infrastructure projects under the "Big Four" Plan, continual in payment of pending bills, a pickup in agricultural and manufacturing activities due to improved weather conditions as well as the stable macroeconomic environment.

108. The economic outlook takes into account the subdued performance in the agriculture and manufacturing sectors following the unfavorable weather conditions experienced in the first quarter of 2019 and depressed credit to the private sector. As a result, the economy is projected to expand by 6.0 percent in 2019 from a growth of 6.3 percent in 2018.

109. Going forward, growth is expected to rise over the medium term supported by improved production in agriculture, expected growth in tourism, resilient exports and benefits from ongoing regional integration efforts. In addition, the strong consumer demand and private sector investment as well as a stable macroeconomic environment in the country will help reinforce this growth.

110. Furthermore, in terms of fiscal years, the economic growth is projected at 6.1 percent in the FY 2019/20 and 7.0 percent over the medium term due to investments in strategic areas under the "Big Four" Plan that aim to increase job creation through the manufacturing sector, ensure food security and improved nutrition, expand universal health coverage and provide affordable houses to Kenyans. These efforts will support the business environment, create jobs and ultimately promote broad based inclusive growth.

3.6 Medium Term Fiscal Framework

111. The fiscal policy objective of the County Government of Homa Bay is focused on enhancing rapid economic growth and development and ensuring effective delivery of public goods and services in a sustainable

manner. Specifically, the Fiscal Policy underpinning the FY 2019/20 budget and MTEF is aimed at a revenue growth of 3 percent and 5 percent for recurrent and development respectively over the medium term and containing growth of total expenditure. Further, the policy aims at shifting more public resources from recurrent to capital investment so as to promote sustainable and inclusive growth.

112. The fiscal policy over the medium term will focus on:

- Increasing county resources through enhanced resource mobilization (both internal and external resource), broadening of the tax base in order to grow revenue to finance priority development., strengthening revenue administration capacity through organizational and modernization reforms and automation of revenue collection processes in order to enhance revenue collection.
- Rationalization of expenditures in the non-productive areas to create requisite fiscal space for productive sectors. Additionally, with the on-going public service rationalization, redundancies and duplications will be eliminated in the public service.
- Full implementation of the integrated financial management system (IFMIS) as an end-to-end transaction platform and Government Payment Gateway and adoption of leasing of assets in government to ensure revenue and expenditure efficiency.
- Expenditure tracking and value for money audits to ensure efficiency and effectiveness in use of resources at all levels of government coupled with strengthening of project planning and management as well as engagement with development partners.
- Enhancement of revenue collection efforts to ensure all potential taxpayers makes their contribution towards the county's development agenda. In line with this, the County Government of Homa Bay has prepared its finance bill and all revenue collection legislations in order to simplify, modernize and reduce cost of compliance to them.

113. More specifically, the revenue targets for the FY 2019/20 and the medium term will be achieved through:
- Improving revenue intake by applying readily available data mining and analytic techniques and by billing appropriately and collecting effectively.
- Leveraging on the private sector expertise when developing pricing strategies for revenue-generating products and services to ensure optimization of pricing.

- Making county government physical and digital assets work harder for taxpayers: sell, rent or lease the assets; and offer premium, value-added services related to the asset for which customers will readily pay.

114. With regard to expenditures, the County Government will continue with the policy of rationalization of expenditures to improve efficiency and reduce wastage. The absorption capacity in capital projects will continue to be improved through e-procurement which will also ensure that public financial resources are used prudently and for intended purposes. The continued use of electronic procurement system through the IFMIS "Procure to Pay" module eliminates manual procurement challenges that the national government had experienced in the past.

115. The fiscal stance of the county only envisages non-concessional external borrowing that will be limited to capital projects and within the ceiling stated in the County Debt Management Strategy Paper. The debt management strategy aims at ensuring public debt sustainability. The strategy envisages diversification of financing sources beyond commercial sources of financing.

3.7 Risks to the Economic Outlook

116. The microeconomic outlook is prone to risks from both external and domestic sources. Risks from the global economies and at the country level have an effect on how the sectors of the county perform.

117. Risks from the global economies relate to increased volatility in the global financial markets due to tensions between the U.S. and China, the slower growth of the Chinese economy, uncertainties over the nature and timing of Brexit and the pace of normalization of monetary policy in the advanced economies. Further, the uncertainty of trade agreements including between the United Kingdom and the European Union and the free trade area encompassing Canada, Mexico, and the United States as well as uneven and sluggish growth in advanced and emerging market economies could also hamper the forecasted growth. The low commodity prices and the risk of energy prices taking an upward climb if the rising geopolitical tensions are not subdued could impact on our exports.

118. Domestically, the economy will continue to be exposed to risks arising from adverse weather conditions and subdued private sector investment could drag down growth in the near-term. This may be corrected by putting in place mitigating measures with SMART objectives under "The Big Four" Plan.

119. At the county level, additional risks could emanate from public expenditure pressures especially recurrent expenditures, under performance in revenue collection, Delays in funds flow from National Government, Over-reliance on national government transfers, bureaucracies in procurement procedures which lead to delays and inefficiencies and Poor flow of information.

120. Both Governments shall continually monitor these risks and taking appropriate monetary and fiscal policy measures to maintain macroeconomic stability, strengthen the economy's resilience and address constraints to potential economic growth.

121. On risks emanating from domestic sources, the National Government has laid foundations to enhance faster and lasting growth through the "Big Four" Plan, which will unlock better growth, and positively impact on the lives of people through jobs creation and poverty reduction. As such, the Government is expanding irrigation schemes to reduce dependence on rain-fed agriculture, diversifying exports and promoting value addition. Further, the Government is accelerating infrastructure development to support manufacturing and expand intra-regional trade by deliberately targeting

new markets for our products. Enhanced domestic resource mobilization and expenditure rationalization will significantly reduce wage related pressures and debt accumulation thus creating fiscal space necessary for economic sustainability.

122. From the County Government side, the county shall: enhance resource mobilization; ensure timely submission of reports; increase internal revenues; cost effective measures to reduce expenditure; continuous review and rationalization of public procurement procedures and regulations; and Continuous enhancement of communication channels at all levels of the department

4.0 RESOURCE ALLOCATION FRAMEWORK

4.1 Guiding Principles

123. The resource allocation framework is anchored on the principles of public finance management as specified in Article 201(b) of the Constitution. In the quest to attain the County vision of being, "a wealthy, healthy and industrialized county," as outlined in the County Integrated Development Plan, the county aligns its resource allocation criteria to meet those of the National government which are aimed at promoting equitable development of the county at large, including making special provision for marginalized groups and areas. The following are the county guiding principles in resource allocation for the MTEF period 2018/19-2020/21:

4.1.1 Equity

124. The principle will aim to ensure that basic services are provided to address disparities within the county. The previous resource allocation framework was based on a strategy of channeling resources to areas of high returns with an aim to attain rapid economic growth. In addressing marginalization of certain areas within the county, the county will aim at providing quality water, quality early childhood education, access to quality health care services and good access roads.

4.1.2 Effectiveness

125. Funds shall be spent in a way that achieves the purpose for which it was established. This implies that basic fiduciary standards will be upheld i.e. funds will be spent only when there is an approved budget, a secure process will be followed to authorize expenditure, and the process is documented. With the expenditure returns focusing more on performance outputs and outcomes realized.

4.1.3 Efficiency

126. This principle recognizes that funds shall be spent in a prudent and responsible way. The county will put in place measures to improve costing of programmes and activities; change the allocation of spending i.e. improve on health care funding; ensure proper maintenance of departmental facilities, equipment and vehicles by developing a digitalized asset registry; and lastly, improve on paperless communication through the leverage of ICT.

4.1.4 Economy

127. The principle will aim at maximizing the use of resources. Selection of projects will be based on the degree to which the programme or project will address the core challenges of poverty and unemployment; expected outputs and outcomes; and degree to which the programme or the project will accelerate equitable and sustainable growth towards transforming the county development agenda.

4.1.5 Transparency

128. The funds shall be managed in a way that will ensure openness about allocation, utilization and accounting.

4.2 Shareable Revenue

129. For the financial year 2019/20, the county government overall expenditure is projected at KES. 8,337,787,696 down from the revised estimates of KES. 8,467,339,450 in FY 2018/19. This represents a revenue drop of 1.5%. The expenditure in the FY 2019/20 will be funded by KES. 7,149,771,000 expected as equitable share of revenue from the National Government, KES. 207,591,524 as local revenue collections; and KES. 980,425,172 as other conditional grants and other external resources.

4.3 Medium-Term Expenditure Framework

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

131. The approach of the medium-term expenditure framework for FY2018/19-2020/2021 will be on increasing predictability of resource flows and the criteria by which funding decisions are made. The framework will reduce the gap between commitments and resources and have a medium-term perspective in terms of financing and planning.

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

133. Strengthening of the county sectors will provide a building block to achieving a comprehensive medium-term approach. In overall, the County Government fiscal policy will aim to maximize the potential for county own sources of revenue and continued expenditure rationalization to ensure maximum economy in resource use.

134. Reflecting the above medium-term expenditure framework, the tables below provide the expected revenue inflow and expenditure over the MTEF period 2018/19-2020/21.

Table 13: Expected Revenue Inflow over the Medium Term.

Nature of Revenue	FY2018/2019 (Actual)	FY2019/2020	FY2020/2021
Equitable Share of National Revenue	5,618,088,000	7,149,771,000	7,567,758,619
Conditional Grants from National Government	189,495,832	380,624,069	390,655,272
Other grants and loans (from Development Partners)	250,442,504	599,801,103	594,837,377
Local Revenue (including A-in-A)	151,458,569	207,591,524	248,904,024
Other receipts including balances from the previous year	0	1,070,112,000	
Total	**6,209,484,905**	**9,407,899,696**	**8,802,155,292**

Table 14: Expected Expenditure during the MTEF period 2018/19-2020/21

Entity Code	Name of Spending Entity	Actual Exp. FY 2018/2019	Actual Exp. FY 2018/2019	Estimates FY 2019/2020	Estimates FY 2020/2021
		Recurrent	Development		
5111	Agriculture, Livestock and Fisheries Development	189,667,502	62,056,518	**815,507,407**	**852,303,315**
5112	Tourism, Culture, Social Development and Sports	85,666,808	2,999,750	**263,621,919**	**271,530,576**
5113	Transport and Infrastructure	73,913,699	362,319,523	**505,343,173**	**528,911,956**
5114	Energy and Mineral Resources	34,224,237	11,159,603	**115,014,491**	**118,464,926**
5115	Education and ICT	504,565,752	47,028,799	**661,965,207**	**681,824,163**
5116	Health	1,804,039,189	94,253,983	**2,612,333,193**	**2,970,595,501**
5117	Lands, Housing and Urban Development	72,026,438	72,976,481	**232,865,629**	**124,123,815**

5118	Trade, Industry and Investment	181,359,450	75,825,709	**375,884,603**	**387,161,141**
5119	Water and Environment	158,611,271	88,956,343	**375,884,603**	**509,257,064**
5120	Finance and Economic Planning	356,718,772	93,093,941	**475,701,398**	**490,405,679**
5121	Office of the Governor	645,138,306	22,155,897	**637,935,570**	**692,055,734**
5122	County Public Service Board	67,398,014	1,940,000	**76,694,705**	**78,995,546**
5123	County Assembly	857,921,126	32,702,147	**1,054,516,376**	**1,017,613,257**
5124	Homabay Municipal Board	0	0	**22,400,000**	**23,072,000**
TOTAL EXPENDITURE		**5,031,250,564**	**967,468,694**	8,225,668,274	8,746,314,673
PROJECTED REVENUE		-	-	8,225,668,274	8,746,314,673

5.0 CONCLUSION AND NEXT STEPS

135. The fiscal strategy presented herein will be focused on achieving the objectives outlined in the PFM Act and lay ground for the financial year 2018/2019 in terms of preparing the county strategy papers. Fiscal discipline will be important in ensuring proper management of funds and delivery of expected output.

136. During the period under review, there are different challenges that have been identified some of which were identified in the previous reporting period that remains unresolved among them are: delay in exchequer releases; risks associated with project implementation; inadequate skilled human capital.

137. Going forward the set of policies outlined in this CBROP reflect the changed circumstances and are broadly in line with the fiscal responsibility principles outlined in the PFM act and regulations. They are also consistent with the national strategic objectives pursued by the National Government as a basis of allocation of public resources.

138. The county shall continue to mobilize more resources through enhanced revenue collection, private public partnership and creation of conducive environment for investor attraction.

139. Emphasis will be put on the rationalization of expenditure with a view to funding only core services and reducing recurrent expenditure as a proportion of the total expenditure. Actual outputs will be reported and specifics will be provided for all projects of location, allocations and expenditures.

140. Governance principle as envision on the Constitution of Kenya shall guide in allocating resources amongst priority programmes. First, provision will be made for mandatory expenditures including salaries, rents and utilities. Then resources will be allocated towards completing on-going projects. Finally, new projects will be considered on the basis of their linkages to existing plans; degree to which they contribute to alleviation of poverty; degree to which they address the core mandate of the spending unit; the expected output and outcome from the programme; linkage with other programmes and their cost-effectiveness and sustainability.

141. The next County Fiscal Strategy Paper (CFSP) will be finalized by the February 2020 deadline as per the PFM act.