

REPUBLIC OF KENYA



COUNTY GOVERNMENT OF UASIN GISHU

COUNTY TREASURY

**COUNTY BUDGET REVIEW AND
OUTLOOK PAPER
2019**

SEPTEMBER 2019

A Prosperous and Attractive County in Kenya and Beyond

© County Budget Review and Outlook Paper (CBROP) 2019

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Foreword

County Budget Review and Outlook Paper (C-BROP) is prepared in accordance with the requirement of Section 118 of the Public Finance Management Act, 2012. The Act requires the County Treasury to prepare the C-BROP and submit it to County Executive Committee by 30th September of the year for review and approval.

C-BROP is a backward and forward looking document for it reviews previous financial year's fiscal performance of the County, updated macroeconomic developments and how they impact on fiscal performance of the current and next financial years, and sets out indicative sector ceilings for next financial year and over the medium term. The paper therefore seeks to review the County's FY 2018/2019 fiscal performance, and how the performance impacts on the financial objectives and fiscal responsibility principles articulated in the CFSP 2018. Fiscal performance review of the previous financial year, together with the updated macroeconomic developments and outlook present the basis for revision of the current budget in the context of supplementary estimates and the broad fiscal considerations defining the next budget and over the medium term.

The CBROP has been prepared against a backdrop of a resilient Kenyan economy. During the period 2018/2019 the County registered local revenue growth of about 15 percent from KSh. 801,540,123 in 2017/2018 to KSh. 918,967,412. However, this was a shortfall of about 23 percent of the revenue target (KSh. 1,200,000,000). The County received KSh. 5,934,600,000 as its equitable share, up from KSh. 5,707,800,000 in 2017/2018. The County also received grant totaling to KSh. 1,138,588,326 against a target of KSh. 1,290,427,546. Total revenue therefore amounted to KSh. 7,992,155,738 against target of KSh. 8,425,027,546. The actual expenditure during the period was KSh. 6,074,320,658, with KSh. 4,438,891,807 going to recurrent expenditure and KSh. 1,635,428,851 to development expenditure.

The County Government will pursue balanced budget in the next financial year and over the medium term. In the period 2020/21 revenue is projected to increase to KSh. 8,904 million from KSh. 8,636 million in 2019/2020. During the same period, expenditure is expected to grow by three percent.

The financial objectives in the medium will include balanced budget, public expenditure guided by County Integrated Development Plan (CIDP), shifting resources from recurrent expenditure

to development expenditure, directing resources to growth potential areas while mainstreaming expenditure productivity, and enhance local revenue performance.

CPA JULIUS RUTTO

CECM – FINANCE AND ECONOMIC PLANNING

Acknowledgement

The County Budget Review and Outlook paper (CBROP) is prepared pursuant to Section 118 of the Public Finance Management Act, 2012. The Act requires the County Treasury to prepare C-BROP to be submitted to the County Executive Committee (CEC) by 30th September of the year. The paper provides a review of the recent economic developments and actual fiscal performance of the FY 2018/2019 in comparison to the budget appropriations for the same year. In addition, it provides an overview of how the actual performance of the FY 2018/2019 affected the County compliance with the principles of fiscal responsibility and the financial objectives as provided for in the PFM Act 2012 section (118) as well as information showing changes from the projections outlined in the County Fiscal Strategy Paper (CFSP 2018) and reasons for such deviations.

The preparation of the 2019 CBROP was a concerted and consultative effort among various departments and stakeholders which provided useful information required in preparing this document. We are indebted to them. We owe special thanks to our respective County Executive Committee Members and the Chief Officers for their leadership and guidance.

We also are particularly appreciative to the team from the Economic Planning for their commitment and efforts towards ensuring that this document was completed on time.

Finally, we register our grateful appreciation to H.E. the Governor and H.E. the Deputy Governor for providing leadership in the development discourse of the County.

CPA MILLICENT OKONJO

CHIEF OFFICER - ECONOMIC PLANNING

Abbreviations and Acronyms

ASDSP	:	Agricultural Sector Development Support Program
BPS	:	Budget Policy Statement
CECM	:	County Executive Committee Member
CRA	:	Commission of Revenue Allocation
CBROP	:	County Budget Review and Outlook Paper
CFSP	:	County Fiscal Strategy Paper
CIDP	:	County Integrated Development Plan
CO	:	Chief Officer
EU	:	European Union
FY	:	Financial Year
GDP	:	Gross Domestic Product
HSSF	:	Health Sector Services Fund
ICT	:	Information and Communication Technology
IDAS	:	International Development Advisory Services
KCSAP	:	Kenya Climate Smart Agriculture Program
KDSP	:	Kenya Devolution Support Program
KUSP	:	Kenya Urban Support Program
MTEF	:	Medium Term Expenditure Framework
NOREB	:	North rift Economic Block
PFM	:	Public Finance Management
PWD	:	People with Disability
RRI	:	Rapid Result Initiative

Table of Contents

Foreword.....	iii
Acknowledgement	v
Abbreviations and Acronyms	vi
Table of Contents.....	vii
List of Tables and Figures.....	viii
Preamble	ix
1.0 INTRODUCTION	1
1.1 Objectives of CBROP	1
1.2 Significance of CBROP	1
1.3 Structure of CBROP.....	2
2.0 REVIEW OF COUNTY FISCAL PERFORMANCE IN 2018/19 FY	3
2.1 Overview	3
2.2 Fiscal Performance.....	3
2.2.1 Revenue Performance.....	4
2.2.2 Expenditure Performance	7
2.3 Implication of 2018/19 FY Fiscal Performance.....	10
3.0 RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK.....	11
3.1 Recent Economic Developments	11
3.2 County Economic Outlook and Policies	12
3.3 Medium Term Fiscal Framework.....	13
3.4 Risks to the Outlook.....	13
3.5 Proposed Interventions to the Risks	14
4.0 RESOURCE ALLOCATION FRAMEWORK.....	15
4.1 Adjustment to the FY 2019/20 Budget	15
4.2 Medium Term Fiscal Projections	15
4.3 The Proposed FY 2020/2021 Budget.....	16
4.3.1 Revenue Projections	16
4.3.2 Expenditure Forecasts.....	16
4.4 Medium Term Expenditure Framework.....	17
5.0 CONCLUSION.....	19

List of Tables and Figures

LIST OF TABLES

TABLE 2.1 SUMMARY OF COUNTY FISCAL PERFORMANCE.....	4
TABLE 2.2 SUMMARY OF OWN SOURCE REVENUE PERFORMANCE FOR FY 2018/2019.....	5
TABLE 2.3 SHOWING ABSORPTION RATES BY SECTORS AND COMPARISON WITH CFSP 2018.....	8
TABLE 4.1: SUMMARY OF EXPENDITURE PROJECTIONS FOR FY 2020/21 AND MTEF.....	17
TABLE 4.2: SUMMARY OF INDICATIVE SECTOR CEILINGS FOR THE 2020/2021 – 2022/2023 MTEF.....	18

LIST OF FIGURES

FIGURE 2.1: SHOWING ABSORPTION LEVELS BY RECURRENT AND DEVELOPMENT VOTES	9
FIGURE 2.2 SHOWING EXPENDITURE BY ECONOMIC CLASSIFICATION	10

Preamble

The County Budget Review and Outlook paper (C-BROP) is prepared pursuant to Section 118 of the Public Finance Management Act, 2012. The Act requires the County Treasury to prepare C-BROP to be submitted to the County Executive Committee (CEC) by 30th September of the year. Section 118 (1) of the PFMA 2012 states that the County Treasury shall;

- Prepare a County Budget Review and Outlook Paper in respect of the county for each financial year; and
- Submit the paper to the County Executive Committee by 30th September of that year.

Within fourteen days after submission, the CEC shall in turn consider the CBROP with a view to approving it, with or without amendments. Not later than seven days after the CEC has approved the paper, the county treasury shall submit the paper to the County Assembly, thereafter publish and publicize the same.

Section 118 (2) of the Act provides details of issues presented in the County Budget Review and Outlook Paper, thus:

- i. The details of the actual fiscal performance in the previous year compared to the budget appropriation for that year;
- ii. The updated economic and financial forecasts in relation to the changes from the forecasts in the most recent County Fiscal Strategy Paper (CFSP);
- iii. Any changes in the forecasts compared with the CFSP;
- iv. How actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the CFSP for that financial year; and
- v. Reasons for any deviation from the financial objectives in the CFSP together with proposed measures to address the deviation and the time estimated for doing so.

The county government is required by Section 107 of PFMA 2012 to manage public finances in line with the principles of fiscal responsibility. The section states that:

- 1) The 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 adhere to 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 plan a minimum of Thirty percent 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).

1.0 INTRODUCTION

The section highlights the objectives of CBROP, its significance in the budget making process and structure of the paper.

The CBROP reviews the County's fiscal performance in 2018/2019, the updated macroeconomic and financial forecasts, and deviations from the approved County Fiscal Strategy Paper (CFSP) 2018 while accounting for the deviations.

1.1 Objectives of CBROP

The CBROP seeks to review fiscal performance of the County during 2018/2019 financial year, and how the performance impacts on the financial objectives and fiscal responsibility principles articulated in the CFSP 2018. The paper therefore presents:

- Updated economic and financial forecasts in relation to the changes from the forecasts in the most recent County Fiscal Strategy Paper (CFSP);
- Details of the actual fiscal performance in the previous year compared to the budget appropriation for that particular year;
- Any changes in the forecasts compared with the CFSP; or
- How actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the CFSP for that financial year; and
- Reasons for any deviation from the financial objectives in the CFSP together with proposed measures to address the deviation and the time estimated for doing so.

1.2 Significance of CBROP

CBROP links policy, planning and budgeting. It is a forward- and backward-looking paper as it reviews fiscal performance of the previous financial year, and updated macroeconomic developments and outlook with implications for the fiscal performance in the current and next financial years. Therefore, the fiscal performance review of the previous financial year, together with the updated macroeconomic developments and outlook present the basis for revision of the current budget in the context of supplementary estimates and the broad fiscal considerations defining the next budget and over the medium term. Further, CBROP proposes sector ceilings informed by the macroeconomic and fiscal outlook to guide FY 2020/2021 budget and over the medium term. The fiscal framework and medium term priorities are affirmed in the CFSP 2020.

1.3 Structure of CBROP

The CBROP has four other sections. Section Two reviews the county's fiscal performance for the previous year under the sub-sections; The Overview, Fiscal Performance and Implications of Fiscal Performance. Section Three reviews recent economic developments and has subsections; Recent Economic Developments, Economic Outlook & Policies, Medium Term Fiscal Framework and Risks to the Outlook. Section Four presents resource allocation framework where expenditure ceilings are set for each department. It has four sub-sections; Adjustment to the Proposed Budget, the Medium-Term Expenditure Framework, Proposed Budget Framework, and Projected Fiscal Balance. Finally, Section Five concludes the entire paper while highlighting the purpose and value of the CBROP.

2.0 REVIEW OF COUNTY FISCAL PERFORMANCE IN 2018/19 FY

This chapter presents County's fiscal performance for the financial year 2018/19 in relation to the budget appropriation; and its implication arising from the fiscal performance for the period under review.

2.1 Overview

Throughout the period under review, the financial objects set out in the CFSP 2018 pursued to support growth prospects in the County through increased activities in the productive sectors. To realize this, interventions aimed at expanding revenue collections and expenditures guided by sector objectives and priorities as outlined in the County's development plan were sought. The capacity of staff on various modules such as e-procurement, financial report and budget formulation was built to enhance budget absorption, revenue administration was tightened to enhance efficiency in revenue collection and fiscal responsibilities principles stipulated in section 107 of Public Finance Management (PFM) Act 2012 was adhered for prudent use and management of public resources.

In the FY 2018/19 budget, actual development expenditure stood at KSh. 1,635,428,851 against an approved budget of KSh. 4,488,541,862 representing 36 percent absorption rate while recurrent expenditure was KSh. 4,438,891,807 compared to an agreed budget of KSh. 5,469,521,715 translating to 81 percent absorption. All fiscal risk to the budget that arose such as unmet revenue targets and mounting expenditure pressures were taken into consideration and managed prudently.

2.2 Fiscal Performance

The fiscal performance for the FY 2018/19 budget was generally satisfactory with own source revenue growing from KSh. 801,540,123 in previous year to KSh. 918,967,412 representing a growth rate of 15 percent, but below the years' target of KSh. 1,200,000,000 translating into a negative variance of 23.42 percent while in similar period actual expenditure fell from KSh. 6,282,644,613 to KSh. 6,074,320,657 translating to 3 per cent as indicated in table 2.1

Table 2.1 Summary of County Fiscal Performance

	2017/2018FY	2018/19FY			Growth %
	Actual	Approved	Actual	% Deviation	
TOTAL REVENUE & GRANTS	6,828,248,920	9,958,063,577	7,992,155,738	-20%	17%
Unspent Bal from Previous FY		1,533,036,031		-100%	
Revenue (Total)	6,828,248,920	8,425,027,546	7,992,155,738	-5%	17%
Equitable Share Allocation	5,707,800,000	5,934,600,000	5,934,600,000	0%	4%
Local Revenue	801,540,123	1,200,000,000	918,967,412	-23%	15%
Grants (Total)	318,908,797	1,290,427,546	1,138,588,326	-12%	257%
Total Expenditure	6,282,644,613	9,958,063,577	6,074,320,658	-39%	-3%
Recurrent	4,725,604,817	5,469,521,715	4,438,891,807	-19%	-6%
Development	1,606,858,195	4,488,541,862	1,635,428,851	-64%	2%
Unspent Bal Current FY	495,785,909		2,963,518,784		

2.2.1 Revenue Performance

During the period under review, the County's allocation of equitable share of revenue was KSh. 5,934,600,000 while own source revenue stood at KSh. 918,967,412 against a target of KSh. 1,200,000,000 representing a negative variance of 281,057,748 or 23.42 percent short fall. Similarly, external grants in form of Maternal Health Care fee, HSSF Danida, World Bank Transforming Health Systems, World Bank KDSP Level 2 funding, EU Grants IDAS, Rehabilitation of Village Polytechnics, World Bank KUSP and Kenya Climate Smart Agriculture amounted to KSh. 1,138,588,326 against a target of 1,290,427,546 representing an underperformance of KSh. 151,839,220 equivalent to 12 percent decline.

The rise in equitable shareable revenue was attributed to increased allocations to Counties by Commission of Revenue Allocation (CRA) ascribed to enhanced revenue performance and stable economic conditions at the national level while the underperformance of own source revenue was as a result of over-optimistic projections, automation challenges, amongst others.

On revenue performance per ministry, Finance and Economic Planning and Trade, Cooperatives, Tourism and ICT were the leading ministries with 39 and 22 percent respectively while Public Service Management and Education recorded the lowest performance with 1and 0.5 percent in that order as shown in table 2.2

Table 2.2 Summary of Own Source Revenue Performance for FY 2018/2019

Cost Centre	Account Description	Revised Estimate 2018-19 FY	Actual 2018/19 FY	Actual 2017/18 FY	Variance = Budget - Actuals July-June 2018/19
Public Service Management					
Law court	Court Fines	30,000,000	11,500,362	8,760,734	(18,499,638)
Total		30,000,000	11,500,362	8,760,734	(18,499,638)
Finance and Economic Planning					
	All Admin/ miscellaneous fees	12,120,000	19,227,705	7,058,279	7,107,705
	Street Parking Fee	134,250,000	107,295,101	66,992,665	(26,954,899)
	Enclosed Bus Parks	161,436,000	111,921,132	98,139,158	(49,514,868)
	Clamping Fee	6,040,000	12,384,687	6,529,898	6,344,687
	Motor Bike Stickers	20,300,000	11,735,201	6,541,500	(8,564,799)
Cess Management Unit	Sand, Quarry, Ballast and Tree	2,540,000	10,775,965	5,944,931	8,235,965
	Sugarcane Cess	2,000,000	1,374,358	2,485,719	(625,642)
	Wheat Maize, Milk, and other Produce fees	49,000,000	40,448,560	36,968,873	(8,551,440)
	Log/Bark Cess	612,000	1,542,050	107,437	930,050
	Slaughtering Fee	15,200,000	17,788,862	14,165,166	2,588,862
	Market Fees	72,200,000	22,425,904	17,990,463	(49,774,096)
Total		475,698,000	356,919,524	262,924,089	(118,778,476)
Trade, Cooperatives and Tourism and ICT					
	Business Permits Current Year & Penalties	193,600,000	195,976,114	198,600,118	2,376,114
	Coop societies Audit and supervision	2,020,000	2,501,000	1,906,040	481,000
	ICT & E-government Led Screen	20,400,000	696,000	-	(19,704,000)
	Betting Control	5,050,000	1,695,740	2,534,310	(3,354,260)
	Weight and measures	4,040,000	1,208,370	1,654,840	(2,831,630)
Total		225,110,000	202,077,224	204,695,308	(23,032,776)
Roads					
	Right-of-Way / Way-Leave Fee (KPLN, Telkom, etc.)	10,100,000	7,409,052	1,462,823	(2,690,948)
	Sign Boards & Advertisement Fee	80,400,000	62,302,407	59,088,617	(18,097,593)
	Fire-Fighting Services	2,020,000	6,325,141	4,707,050	4,305,141
Total		92,520,000	76,036,600	65,258,490	(16,483,400)
Lands Housing and Physical Planning					

Cost Centre	Account Description	Revised Estimate 2018-19 FY	Actual 2018/19 FY	Actual 2017/18 FY	Variance = Budget - Actuals July-June 2018/19
	Land Rates Current Year & Penalties	202,000,000	120,882,919	105,523,394	(81,117,081)
	Housing Estates Monthly Rent	20,400,000	20,037,341	29,389,722	(362,659)
	Buildings Plan Approval Fee	29,770,000	17,315,821	8,364,562	(12,454,179)
	Document search Fees	606,000	-	1,000	(606,000)
	Transfer Fees	404,000	30,000	565,400	(374,000)
	Upgrading fees	1,212,000	-	-	(1,212,000)
Total		254,392,000	158,266,081	143,844,078	(96,125,919)
Education, Culture and Social Services					
	Council Premises Occasional Hire (Offices, etc.)	1,010,000	397,301	147,300	(612,699)
	Nursery Schools Fee/Training/Learning Fee	1,010,000	-	-	(1,010,000)
Total		2,020,000	397,301	147,300	(1,622,699)
Health Services					
	Inoculation Fee	6,120,000	8,141,661	4,722,102	2,021,661
	Medical Examination (public health)	10,100,000	8,371,015	8,107,595	(1,728,985)
	Burial Fees	2,020,000	815,360	510,000	(1,204,640)
	Food Quality Inspection Fee	6,060,000	4,476,549	4,855,858	(1,583,451)
	Health Centres Services Fee	45,000,000	37,923,111	35,285,599	(7,076,889)
Total		69,300,000	59,727,696	53,481,154	(9,572,304)
Environment, Water and Natural Resources					
	Refuse Collection Fee	28,800,000	24,926,897	21,287,105	(3,873,103)
	Public Toilets	2,400,000	934,500	1,671,100	(1,465,500)
	Cleansing Fees (ELDOWAS)	5,600,000	18,345,144	25,700,000	12,745,144
	Water Kiosks sales	2,020,000	598,860	1,055,100	(1,421,140)
Total		38,820,000	44,805,401	49,713,305	5,985,401
Agriculture, Fisheries and Livestock					
	Veterinary Services	8,100,000	6,038,640	6,381,960	(2,061,360)
	AMS	4,040,000	1,856,728	1,049,340	(2,183,272)
Total		12,140,000	7,895,368	7,431,300	(4,244,632)
	Direct Banking		1,341,854	5,284,365	
Total Local Revenue		1,200,000,000	918,967,412	801,540,123	(281,032,588)

As indicated in table 2.2 above, the ministry of finance and economic planning was leading with a total collection of KSh. 356,919,524 followed by ministry of Trade, Cooperatives, Tourism and ICT with KSh. 202,077,224. Ministry of Education lagged behind with a collection of KSh. 397,301. The unmet revenue targets were attributed to delay in approval of finance bill, lack of sufficient legislations to guide in revenue collection, over ambitious projections among others.

2.2.2 Expenditure Performance

During the period under review, actual expenditure stood at KSh. 6,074,320,658 against projected amount of KSh. 9,958,063,577 translating to 61 percent absorption rate. The under spending was occasioned by low absorption of both recurrent and development expenditures by the line departments partly due to delays in release of funds by National Treasury and delayed procurement processes.

On budget execution for 2018/19 financial year, County spending went high on recurrent expenditure accounting for 73 percent of total expenditure while development stood at 27 percent.

2.2.2.1 Budget Absorption and Comparison between CFSP 2018 ceilings and FY 2018/19 budget

Respective sectors absorption rates compared to their respective budget allocations in Table 2.3 indicates that; Education sector recorded the highest absorption rate of 76 percent followed by Health Services. Similarly, Public Administration and Infrastructure had an equal absorption rate of 72 percent with Agriculture and Rural Development recording the lowest absorption of 28 percent. The sluggish absorption by respective sectors can be attributed to slow procurement processes, delay in disbursements of funds and challenges in department's staff capacities

Table 2.3 Showing absorption rates by sectors and comparison with CFSP 2018

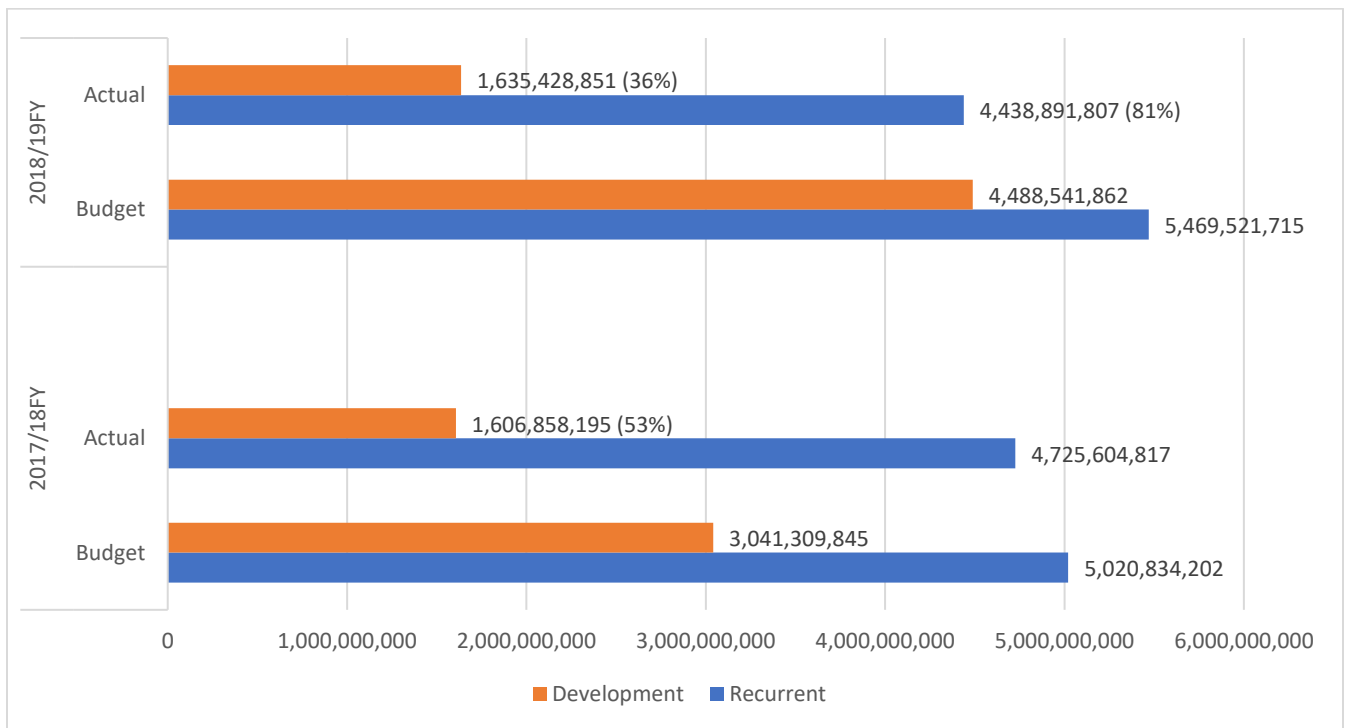
Sector	Department	C-FSP 2018 Ceilings			Budget Allocation FY 2018/19			Cumulative Expenditure FY 2018/19			Absorption (%)	Deviation (%) CFSP-Budget)
		Rec	Dev	Total	Rec	Dev	Total	Recurrent	Dev	Total		
Public Admin	Office of the Governor	143,549,472	0	143,549,472	115,936,611	-	115,936,611	100,761,281	0	100,761,281	87%	-19%
	Finance	391,902,817	0	391,902,817	407,638,809	-	407,638,809	341,363,734	0	341,363,734	84%	4%
	County Public Service Board	67,426,580	0	67,426,580	32,850,007	-	32,850,007	27,521,819	0	27,521,819	84%	-51%
	Public Administration	182,630,284	162,224,890	344,855,175	38,374,791	192,847,759	231,222,550	27,381,878	92,566,633	119,948,511	52%	-33%
	Economic Planning	103,496,507	0	103,496,507	82,693,339	-	82,693,339	56,361,662	0	56,361,662	68%	-20%
	Public Service Management	312,383,916	32,444,978	344,828,894	579,574,339	20,274,454	599,848,793	969,827,243	2,387,859	972,215,102	162%	74%
	County Assebmly	572,000,000	100,000,000	672,000,000	671,972,798	100,798,650	772,771,448	0	0	0	0%	15%
	Sub-total	1,773,389,576	294,669,868	2,068,059,445	1,929,040,694	313,920,863	2,242,961,557	1,523,217,617	94,954,492	1,618,172,109	72%	8%
ARD	ICT & E-Government	54,247,698	38,933,974	93,181,672	36,961,559	47,135,789	84,097,348	35,393,309	13,152,262	48,545,571	58%	-10%
	Agriculture	258,361,619	410,969,723	669,331,342	247,403,500	349,292,025	596,695,525	216,367,747	78,062,233	294,429,980	49%	-11%
	Livestock Devt and Fisheries	0	0	0	13,932,706	195,187,540	209,120,246	11,602,974	75,730,097	87,333,071	42%	0%
	Trade, Investment and Ind.	116,503,944	183,854,876	300,358,820	38,696,257	222,636,367	261,332,624	36,610,852	54,281,584	90,892,436	35%	-13%
	Lands & Housing	105,395,722	173,039,883	278,435,605	59,505,411	519,968,759	579,474,170	41,468,612	41,324,480	82,793,092	14%	108%
	Physical Planning	0	0	0	57,394,054	750,052,453	807,446,507	13,887,414	41,109,746	54,997,160	7%	0%
	Co-op & Enterprise Devt	0	0	0	72,123,337	10,670,537	82,793,874	54,292,522	9,085,941	63,378,463	77%	0%
	ELDORET MUNICIPALITY				0					0	0%	0%
	Sub-total	534,508,983	806,798,456	1,341,307,439	526,016,824	2,094,943,470	2,620,960,294	409,623,430	312,746,343	722,369,773	28%	95%
Infrastructure	Roads & Public Works	440,943,153	410,570,829	851,513,983	438,310,157	643,928,393	1,082,238,550	403,957,134	374,233,922	778,191,056	72%	27%
	Water, Environ & Natural Resources, Tourism & Wildlife	132,938,353	346,079,766	479,018,120	138,088,773	888,492,165	1,026,580,938	87,488,418	649,776,108	737,264,526	72%	114%
	Sub-total	573,881,506	756,650,595	1,330,532,103	576,398,930	1,532,420,558	2,108,819,488	491,445,552	1,024,010,030	1,515,455,582	72%	58%
Health Services	Health Services	1,664,809,906	205,484,861	1,870,294,767	1,966,366,375	258,526,735	2,224,893,110	1,631,280,800	46,487,072	1,677,767,872	75%	19%
Education	Education, Social & Culture	390,008,166	118,964,920	508,973,085	382,117,587	110,212,048	492,329,635	332,133,630	92,863,540	424,997,170	86%	-3%
	Youth and Sports	142,687,071	237,929,839	380,616,911	89,581,305	178,518,188	268,099,493	88,772,790	64,367,374	153,140,164	57%	-30%
	Sub-total	532,695,237	356,894,759	889,589,996	471,698,892	288,730,236	760,429,128	420,906,420	157,230,914	578,137,334	76%	-15%
	Total	5,079,285,208	2,420,498,539	7,499,783,750	5,469,521,715	4,488,541,862	9,958,063,577	4,476,473,819	1,635,428,851	6,111,902,670	61%	33%

Comparison between CFSP 2018 ceilings and 2018/18 FY budget allocation showed a general growth in budget allocations occasioned by increase in equitable share of county revenue. Sector ceilings were revised upwards by 95 per cent in agriculture and rural development attributed to strategic interventions towards promotion of crop diversification among others. Similarly, allocations for infrastructure, health services and public administration stood at 58 percent, 19 percent and 18 percent respectively. Allocation for education sector was revised downwards as a result of realignment of programs and projects within the departments.

2.2.2.2 Recurrent and Development Expenditure

As shown in figure 2.1, absorption rates for recurrent and development votes for the period under review stood at 81 and 36 percent respectively. Development expenditure absorption decreased by 17 percent compared to the 2017/18FY attributed to unspent balances of KSh. 2,963,518,784.

Figure 2.1: Showing Absorption Levels by Recurrent and Development Votes

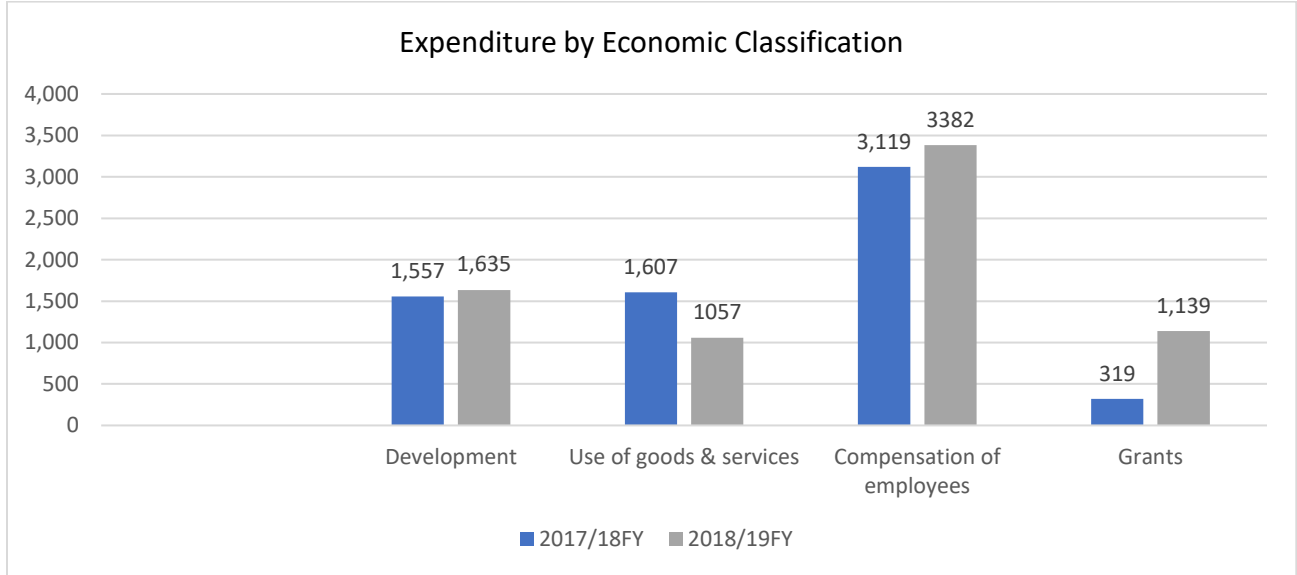


2.2.2.3 Expenditure by Economic Classification

The figure 2.2 below indicates actual expenditure by economic classification whereby personnel emoluments stood at KSh. 3,381,556,563 translating to 49 percent of the County government total revenue and had gone up by 1 percent from the previous year 2017/18. Similarly, development

expenditure increased from KSh. 1,557,039,796 in 2017/18FY to KSh.1,635,428,851 translating to 1 percent as illustrated in figure 2.2.

Figure 2.2 Showing Expenditure by Economic Classification



2.3 Implication of 2018/19 FY Fiscal Performance

The fiscal performance in the FY 2018/19 has affected financial objectives set out in the 2019 County Fiscal Strategy Paper and the Budget 2019/20 in the following ways;

- Revenue collection fell short of the targeted KSh. 1,200,000,000 by 23.42 per cent. This under collection in revenue has warranted adjustment to projected revenues for the budget and in the medium-term plan;
- The under spending in the 2018/19 FY budget has implications on the total county government revenue used to base expenditures for the 2019/20 FY. Appropriate adjustments will be undertaken considering the fiscal performance of 2018/19 FY;
- Expenditures on wages and benefits in 2018/19 FY accounted for 49 per cent (14 per cent above the prescribed limit). Adjustments are expected on this expenditure due to recommendations from Salaries and Remunerations Commission on wages and allowances of all public servants. Going forward, the county government expects to maintain wages and benefits expenditures within the prescribed limit.

3.0 RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

The section highlights the Recent Economic Developments, Medium Term Fiscal Framework, Risks to the Outlook and Proposed Interventions to the Risks. It gives an opportunity for the County to review and analyze recent economic performance for the purposes of positioning its outlook in the next financial year and over the medium term.

3.1 Recent Economic Developments

National, regional and international economic frameworks affect economic performance at County level. Thus, economic developments in the national economy affect economic activities in the County. Kenya's economy registered a strong economic growth of 6.3 percent in 2018 up from 4.9 percent in 2017. This was supported by strong agricultural and manufacturing activities, vibrant service sector, stable macroeconomic environment, ongoing public infrastructural investments and sustained business confidence. However, Kenya's economy in 2019 is projected to decline to 6.0 percent. The economy expanded by 5.6 percent in the first quarter of 2019, which is quite lower compared to a growth of 6.5 percent in the same period in 2018 supported by strong growth in the service sector industries despite contraction in agricultural activities due to delayed rains.

The economy continued to register macroeconomic stability with low and stable interest rates and competitive exchange rate to support exports. The overall year on year inflation remained within target at 5.0 percent in August 2019 compared to 4.0 percent in August 2018. This increase reflected higher prices of key food items such as carrots, potatoes, sifted maize flour, cabbages, and fresh packed milk, due to delayed long rains. Electricity cost, kerosene price and house rent also increased during the same period.

The foreign exchange market remains stable supported by a narrower current account deficit. The current account deficit narrowed to 3.8 percent of GDP in June 2019, from 5.4 percent in June 2018, reflecting strong growth of agricultural exports particularly horticulture and coffee, resilient diaspora remittances, and improved tourism receipts. The international reserves accumulation stood at US\$ 9,656 million equivalent to 6.0 months of import cover.

During the FY 2018/19, the County's local revenue performance missed the target by 23.42 percent by posting KSh. 918,967,412 against target of KSh.s.1,200,000,000. However, this was an increase in revenue collection by 14.7 per cent (KSh. 117, 402,129) compared to FY 2017/18. The increase can be attributed to automation of street parking collections, staff trainings and motivation, management support and involvement of all county staff in revenue collection matters, improved mobility and provision of tools and equipment, enhanced surveillance and supervision in all revenue collection points; citizen sensitization on importance of paying county taxes and decentralization of revenue collection to ward level.

In the period under review, the county government was to receive a total of KSh. 5,934,600,000 as its share of equitable share, KSh. 156,252,849 as Roads Maintenance Fuel Levy fund, KSh. 20,813,065 as Maternal Health Care fee, KSh. 27,379,194 as Health Sector Services Fund (HSSF) Danida-Universal Health care, KSh. 38,716,725 as World Bank Transforming Health systems, KSh. 102,342,917 as World Bank Kenya Devolution Support Program (KDSP) Level 2 funding, KSh.s.48,775,296 as EU Grants IDAS, KSh. 25,103,750 for Rehabilitation of Village Polytechnics, KSh. 671,347,800 as World Bank Kenya Urban Support Programme (KUSP), and KSh. 47,856,730 as Kenya Climate Smart Agriculture-IDA-World Bank.

During the same period, total actual expenditure stood at KSh. 6,111,902,669 of which recurrent was KSh. 4,476,473,818 representing 93 per cent absorption rate while development expenditure was KSh. 1,635,428,851 representing 37 per cent absorption rate

3.2 County Economic Outlook and Policies

The County will appropriate its resources on growth potential areas such as agriculture, infrastructure, cooperative development and management, health services, trade development, among others. This will be achieved through partnerships and collaboration with the National Government, development partners, private sector, and neighbouring counties under the framework of North Rift Economic Bloc (NOREB). The government will also continue to work with the National Government, development partners and other counties in the region and beyond in addressing development challenges facing residents of the county.

Being largely agricultural, the County will focus on increasing agricultural production and productivity, supporting value addition and agro-processing, and strengthening cooperative movement in the County. This will be achieved through the combined support of Agricultural

Sector Development Support Program (ASDSP) and Kenya Climate Smart Agriculture Program (KCSAP) based in the County. The County will also address development needs in water, health, infrastructure, and trade and investment, women and youth empowerment and Persons with disabilities (PWDs). The County will also partner with other counties, private sector and development partners to hasten implementation of flagship programmes and projects identified in the CIDP, Vision 2030 and The Big Four plan.

3.3 Medium Term Fiscal Framework

The government's fiscal policy objective in the medium term will be to focus resources to priority and growth potential areas including water, health, infrastructure, trade and agriculture. The county government will operate within a framework of balanced budget in the medium term with occasional short term borrowing as may be necessary for cash flow management purposes.

Own revenue performance has been fluctuating over the years with the FY 2018/19 registering about 14.7 percent increase compared to 2017/18. Equitable share allocation to the County slightly decreased by about 0.7 percent in the same period. Enforcement for compliance and Rapid Results Initiative (RRI) will be adopted to improve revenue collection in revenue streams that underperformed such as business permits, betting and control, weights and measures and housing estates monthly rent.

In the medium term, the County Government intends to control expenditures by focusing on expenditure productivity. This will be achieved by ensuring that County resources are channeled to productive expenditure areas and utilized for the intended purposes. Due to increasing wage bill, personnel emoluments is anticipated to increase and thus exert pressure on county resources. The Government will also continue to empower vulnerable group including youth, women and persons with disabilities (PWDs) by implementing programmes such as *kijana na acre* and *Iniua mama na kuku* to enhance the participation in socio-economic development of the County.

3.4 Risks to the Outlook

This macroeconomic outlook may face the following risks.

- Occurrence of adverse weather conditions resulting to reduced productions and destructions of basic infrastructure like roads, bridges etc;

- Conflicting priorities between the County Assembly and the County Executive thus affecting budget absorption;
- Subdued revenue performance due to lack of capacities;
- Delay in exchequer releases hence affecting absorption levels;
- Inadequate equitable share allocation to the County; and
- Public expenditure pressure as a result of recurrent expenditures.

3.5 Proposed Interventions to the Risks

- Full automation and integration of revenue collection in partnership with local banks;
- Improve dialogue between the County Executive and the Assembly in the budget making process.
- Implementation of Rapid Results Initiative (RRI) for revenue collection;
- Retaining recurrent and development expenditures within the prescribed limit of 65 percent and 35 percent respectively;
- Formulation of adequate legislations to guide and manage revenue collection in the county

4.0 RESOURCE ALLOCATION FRAMEWORK

This section establishes the total resource envelope and expenditure ceilings for the County in 2020/21 FY and MTEF.

4.1 Adjustment to the FY 2019/20 Budget

The 2019/20 Budget sought to increase efficiency and effectiveness of public expenditure and improve revenue collection that supports rapid economic growth and continued fiscal discipline.

Adjustments to the 2019/20 Budget are necessary to take into account the changes in CARA 2019 and the fiscal performance in FY 2018/19. The improved performance in local revenue collection in FY 2018/19 and low absorption levels in expenditures has implications on financial objectives outlined in CFSP 2019 and the 2019/20 Budget. The basis for projecting these performances for FY 2019/20 will change given the outcome of the FY 2018/19.

Revenues for the 2019/20 Budget are therefore projected at KSh.8,636,918,390 with KSh.6,330,000,000 as equitable share, KSh.1,406,918,390 as conditional grants and KSh.900 Million as local revenue. Expenditures are projected at KSh.11,600,437,174 (inclusive of KSh.2,963,518,784 as balances brought forward) with recurrent and development expenditures projected at KSh.5,347,344,197 and KSh.6,253,092,977 respectively.

The 2019/20 Budget is balanced. However, any unforeseen risks that may arise will be addressed in accordance with the PFM Act of 2012 and other measures such as minimizing unnecessary expenditures and enhancing local revenue collections.

4.2 Medium Term Fiscal Projections

The objective of the County government in the medium term is to boost growth and equity. To achieve this, the County will seek to improve revenue collection and ensure public expenditure productivity. In this regard, revenue is projected to grow by 8 per cent by FY 2022/2023 and overall expenditures by similar margin.

To enhance local revenue collection in the medium-term, the following measures will be pursued by the County government:

- Decentralize revenue collection to wards and sub-counties;

- Sensitize the public on the revenue system;
- Institute revenues targets in the performance management system;
- Strengthen reporting from revenue units for timely interventions;
- Strengthen revenue collection at the wards by providing necessary equipment;
- Motivation of revenue officers through trainings, etc.;
- Installation of boots in designated areas for Cess collection;
- Ensure all revenue streams are fully automated in *UG-Pay* system;
- Expand revenue base and in particular street parking to smaller towns and estates

Overall, balanced budgets will be maintained in the medium and any deviations adjusted accordingly through supplementary.

4.3 The Proposed FY 2020/2021 Budget

4.3.1 Revenue Projections

In the FY 2020/21 revenue collection is projected to increase to KSh. 8,904,956,758 up from KSh.8,636,918,390 in the FY 2019/20. The revenue performance will be dependent on improved outturn at the national level and automation of local revenue collection. Local revenue is projected at KSh.1 billion in FY 2020/21.

4.3.2 Expenditure Forecasts

In the FY 2020/21 overall expenditures is projected to increase to KSh.8,904,956,758 up from KSh..8,636,918,390 comprising recurrent of KSh.5,437,214,794 (61 per cent) and development of 3,467,741,964 (39 per cent) and representing an increase of 3 per cent.

The personnel emolument is projected to increase to KSh.3,406,730,814 in FY 2020/21 up from KSh.3,325,505,029 in FY 2019/20 accounting for 46 per cent of the total county budget and is above the recommended limit of 35 per cent and should be managed.

The County is therefore expected to enhance expenditure productivity and adherence to fiscal responsibility principles stipulated in the section 107 of the PFM Act 2012. Table 4.1 indicates expenditure projections.

Table 4.1: Summary of Expenditure Projections for FY 2020/21 and MTEF

Item	Actual 2018/19 FY	Budget Estimates 2019/20 FY	Projections		
			2020/21 FY	2021/22 FY	2022/23FY
Personnel Emoluments	3,381,556,563	3,325,505,029	3,406,730,814	3,508,932,739	3,614,200,721
Operations & Maintenance	1,057,335,244	2,021,839,168	2,030,483,979	2,091,398,499	2,154,140,454
Development	1,635,428,851	3,289,574,193	3,467,741,964	3,571,774,223	3,678,927,450
Unspent Bals B/F		2,963,518,784	0	-	-
Total Expenditure	6,074,320,658	11,600,437,174	8,904,956,758	9,172,105,461	9,447,268,624

4.4 Medium Term Expenditure Framework

In the medium term, the County will pursue public expenditure productivity and direct resources to the priority areas set out in the county integrated development plan. While prioritizing expenditures, emphasis will be given to completion of projects and especially those of greater impacts to the local community. The *Uasin Gishu County Equitable Development Act of 2019* will also guide expenditures on targeted ward projects in the medium term.

Based on the above medium-term expenditure framework, the Table 4.2 provides indicative sector ceilings for the 2020/2021 – 2022/2023 MTEF period.

Table 4.2: Summary of indicative sector ceilings for the 2020/2021 – 2022/2023 MTEF

Sector	MDAs		Total Expenditure Kshs.				% Share of Total Expenditure			
			Estimates 2019/20	C-BROP Ceiling FY 2020/2021	Projections		Estimates 2019/2020	Ceilings 2020/2021	Projections	
					FY 2021/2022	FY 2022/2023			2021/2022	2022/2023
PUBLIC ADMIN.	Governor's Office	Sub-Totals	90,936,612	95,900,000	98,777,000	101,740,310	0.79%	1.08%	1.08%	1.08%
	Finance	Sub-Totals	302,704,823	310,696,665	320,017,565	329,618,092	2.64%	3.49%	3.49%	3.49%
	Economic Planning	Sub-Totals	54,865,380	58,000,000	59,740,000	61,532,200	0.48%	0.65%	0.65%	0.65%
	Public Service Management	Sub-Totals	594,220,447	570,000,000	587,100,000	604,713,000	5.18%	6.40%	6.40%	6.40%
	Devolution & Public Administration	Sub-Totals	258,544,818	215,000,000	221,450,000	228,093,500	2.25%	2.41%	2.41%	2.41%
	County Public Service Board	Sub-Totals	30,850,007	32,850,007	33,835,507	34,850,572	0.27%	0.37%	0.37%	0.37%
	County Assembly	Sub-Totals	780,798,650	740,000,000	762,200,000	785,066,000	6.81%	8.31%	8.31%	8.31%
ARD	Agriculture	Sub-Totals	743,836,938	453,598,999	467,206,969	481,223,178	6.48%	5.09%	5.09%	5.09%
	Livestock Development & Fisheries	Sub-Totals	232,253,748	154,000,000	158,620,000	163,378,600	2.02%	1.73%	1.73%	1.73%
	Trade, Investment & Industrialisation	Sub-Totals	324,923,040	147,500,000	151,925,000	156,482,750	2.83%	1.66%	1.66%	1.66%
	Co-op & Enterprise Dev	Sub-Totals	227,238,703	298,000,000	306,940,000	316,148,200	1.98%	3.35%	3.35%	3.35%
	ICT & e-govt.	Sub-Totals	103,595,086	75,000,000	77,250,000	79,567,500	0.90%	0.84%	0.84%	0.84%
	Physical Planning & Urban Dev	Sub-Totals	137,262,394	110,000,000	113,300,000	116,699,000	1.20%	1.24%	1.24%	1.24%
	Lands and Housing	Sub-Totals	837,725,176	240,000,000	247,200,000	254,616,000	7.30%	2.70%	2.70%	2.70%
	Eldoret Municipality	Sub-Totals	1,299,682,539	695,066,001	715,917,981	737,395,520	11.33%	7.81%	7.81%	7.81%
I&ICT	Roads, Transport, Energy & Public Works	Sub-Totals	1,317,758,794	841,000,000	866,230,000	892,216,900	11.49%	9.44%	9.44%	9.44%
	Water, Environment, Natural Resources, Tourism & Wildlife	Sub-Totals	742,155,429	479,142,965	493,517,254	508,322,772	6.47%	5.38%	5.38%	5.38%
Health	Health Services	Sub-Totals	2,483,543,599	2,541,702,120	2,617,953,184	2,696,491,780	21.65%	28.54%	28.54%	28.54%
Education	Education, Culture, & Social Services	Sub-Totals	503,370,574	560,000,000	576,800,000	594,104,000	4.39%	6.29%	6.29%	6.29%
	Youth Affairs, Gender and Sports	Sub-Totals	404,170,417	287,500,000	296,125,000	305,008,750	3.52%	3.23%	3.23%	3.23%
		Grand Total	11,470,437,174	8,904,956,758	9,172,105,461	9,447,268,624	100%	100%	100%	100%

5.0 CONCLUSION

The financial objectives set out in this paper will support economic activity in the county and address challenges faced. Implementation of a balanced budgets in the medium term, allowing public expenditures to be guided by sector objectives and enhancing local revenue collection are some of the measures expected to boost growth in the medium term.

In the FY 2018/19 total revenue grew by 17 per cent compared to the previous year attributed to increased allocations of equitable share and improved performance of local revenue. Similarly, overall actual expenditure was 61 per cent of total budget. The improved fiscal performance can be attributed to favorable macroeconomic conditions at national level and intensity of local revenue collection at the County.

Going forward, expenditures in the FY 2020/2021 will be guided by the sector priorities identified in the CIDP and aligned to the ‘Big Four’ Agenda of the national government. Targeted ward projects will also be prioritized in line with the *Uasin Gishu Equitable Development Act of 2019* that aims to bring equity in county development.

The County government will pursue balanced budget in the medium term while directing resources to productive areas with greater economic impact. It will also seek to shift resources from recurrent to capital expenditures. Local revenue collection will be also intensified through strategies mentioned. In conclusion, the resource envelop and sector ceilings presented in this paper are indicative and will guide preparation of the County Fiscal Strategy Paper 2020.