REPUBLIC OF KENYA

GARISSA COUNTY BUDGET REVIEW AND OUTLOOK PAPER (CBROP)

2014/2015 FINANCIAL YEAR

Forward

This is the second County Budget Review and Outlook Paper (CBROP) prepared under the new devolved governance structures. The Public Financial Management (PFM) Act, 2012 ushered in a paradigm shift in budget making process. It introduced reforms in the public finance management system and entrenched the Medium Term Expenditure Framework (MTEF) budgeting.

The CBROP is an important document in the budget making process. It provides a review of the fiscal performance for the Financial Year 2013/14 and how it impacts on the Financial Objectives and Fiscal Responsibility Principles as set out in the PFM Act, 2012. It highlights recent economic development and outlook; economic outlook and policies; and resource allocation framework.

The CBROP is a key document in linking up of policy, planning and budgeting. It is embedded on the Kenya's Vision 2030 through the Second Medium Term Plan (MTP) and the Garissa County Integrated Development Plan (CIDP). As such, the CBROP will continue to play a critical role in the preparation of budgets and management of public resources in a devolved system. To strengthen the budget preparation process, the County government will continue to embrace performance budgeting and deepen public financial reforms to increase efficiency and effectiveness in service delivery and value for money.

The County Budget Review and Outlook Paper (CBROP) provides basis to revise the 2013/14 budget in the context of the Supplementary Estimates, as well as set out the broad fiscal parameters for the next budget and the medium term.

Mr. Abdihakim Sheikh Dayib

Executive Member / Finance and Economic Planning

Acknowledgement

The County Budget Review and Outlook Paper mark the journey of preparing the 2015/16 budget. It is one of the documents required to be prepared by the PFM Act. It reviews the fiscal performance in the previous financial year and gives an outlook for the coming year.

The preparation of this document was a collaborative effort by staff of the directorate of Finance and Economic Planning under the leadership of the County Executive member.

A core team of the directorate headed by the budget officer was then tasked to fine tune the document. I take this opportunity to sincerely thank all for their dedication, sacrifice and commitment to public service.

Mr. Mohamed H. Mohamed

Chief Officer/ Finance and Economic Planning

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Abbreviations and Acronyms

CA	County Assembly
CBR	Central Bank Rate
CBROP	County Budget Review and Outlook Paper
CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development Plan
CPI	Consumer Price Index
FY	Financial Year
GDP	Gross Domestic Product
IFMIS	Integrated Financial Management Information System
MTEF	Medium Term Expenditure Framework

Preamble

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

The Garissa County Budget Review and Outlook Paper was prepared in accordance with section 118 of the Public Finance Management Act, 2012 which states that:

1. A County Treasury shall prepare and submit a County Budget Review and Outlook Paper (CBROP) to the County executive committee for approval by 30th September each financial year. The CBROP shall include;

a) Details of actual fiscal performance in the previous financial year compared to the budget appropriation for that year;
b) Updated financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper (CFSP);
c) Information on any changes in the forecasts compared with the CFSP or 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 year; and
d) The reasons for any deviation from the financial objectives in the CFSP together with proposals to address the deviations and the time estimated for doing so.

2. The County Executive Committee shall consider the CBROP with a view to approving it, with or without amendments within fourteen days after its submission.

3. Not later than seven days after the CBROP has been approved by County Executive Committee, the County Treasury shall:

a) Arrange for the CBROP to be laid before the County Assembly; and
b) Publish and publicize the paper as soon as practicable.

Fiscal Responsibility Principles in the Public Financial Management Act

Section 107 of the Public Finance Management (PFM) Act 2012 sets out the fiscal responsibility principles to ensure prudent and transparent management of county resources. The PFM Act states that:

i. The county government's recurrent expenditure shall not exceed the county government's total revenue;
ii. Over the medium term a minimum of thirty percent of the county government's budget shall be allocated to the development expenditure;
iii. The county government's expenditures on wages and benefits shall not exceed a percentage of the county government's total revenue as prescribed by the County Executive Member for finance in regulations approved by the County Assembly;
iv. Over the medium term, the county government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure;
v. The county debt shall be maintained at a sustainable level as approved by the County Assembly (CA);
vi. Fiscal risks shall be managed prudently; and
vii. A reasonable degree of the 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.

1 INTRODUCTION

Background

1. The Garissa County Budget Review and Outlook Paper (CBROP) is prepared under the provisions of the Public Financial Management Act, 2012. In line with this Act, the CBROP contains a review of the fiscal performance of the financial year 2013/2014, updated macroeconomic forecasts and information on the changes in the forecasts compared with the financial year 2013/2014 county budget. The paper also contains actual financial performance for the previous financial year 2013/2014.

Objectives of CBROP

2. It provides a review of the previous fiscal performance and how it impacts on the financial objectives and fiscal responsibility principles as set out in the PFM Act, 2012. This together with an updated macroeconomic outlook provides a basis for revision of the current budget in the context of Supplementary Estimates and the broad fiscal parameters underpinning the next budget and the medium term. Details of the fiscal framework and the medium term policy priorities will be firmed up in the County Fiscal Strategy Paper 2015.

3. The CBROP is a key document in linking up of policy, planning and budgeting. It is embedded on the Kenya’s Vision 2030 through the Second Medium Term Plan (MTP) and the Garissa County Integrated Development Plan (CIDP). The CBROP will be firmed up in the County Fiscal Strategy Paper (CFSP), 2015 to reflect any changes in the economic and financial conditions.

4. The CBROP is organized into the following sections: review of the fiscal performance in the Financial Year 2013/2014 and its implications on the financial objectives set out in the County Fiscal Strategy Paper, CFSP; highlights on recent economic developments and outlook; resource allocation framework; and the conclusion.

II REVIEW OF FISCAL PERFORMANCE IN 2013/2014

A. Overview

5. The fiscal performance in 2013/2014 was satisfactory in that less expenditure has been incurred in recurrent expenditure compared with revised budgeted .

6. On the expenditure side, the County Government had to incur less expenditure on salaries than originally budgeted. This is a result of the fact that many offices had not been operationalized.

7. In terms of revenue the county government received less money than was initially anticipated. This implied that the government had to re-prioritize some activities..

B. 2013/14 Fiscal Performance

8. Table 1 presents the fiscal performance for the Financial Year 2013/14 and the deviation from the revised budget estimates.

Table 1: Fiscal Performance

	Approved Appropriation	Actual Performance	Deviation
REVENUE	**2013/14(Ksh)**	**2013/14(Ksh)**	**2013/14(Ksh)**
Equitable Share	4,513,661,289.00	4,239,755,364.00	273,905,925.00
Local Resources	50,000,000.00	81,410,099.07	**(31,410,099.07)**
Total Revenue	**4,563,661,289.00**	**4,321,165,463.07**	**242,495,825.93**
Salaries & Wages	1,294,235,050.00	1,141,028,368.80	153,206,682.00
O &M/ Others	1,181,526,239.00	787,743,614.72	393,782,624.30
Development	2,087,900,000.00	467,203,525.75	1,620,696,474.00
Total Expenditure	**4,563,661,289.00**	**2,395,975,508.00**	**2,167,685,780.00**
Surplus/Deficit	**NIL**	**1,825,189,955.07**	

Source: County Treasury

Local Revenue Performance

9. The County government received ksh. 4,321,165,463.07 compared to the budgeted amount of ksh. 4,513,661,289.00.

10. This represents a shortfall in revenue of ksh. 242,495,825.93. Revenue from local sources amounted to ksh. 81,410,099.07 against the target of Ksh.50,000,000.00 representing an over-collection of Ksh.31,410,099.07. The over-collection was attributed to receipts for cost sharing totaling to ksh. 39,000.000 from the Garissa Provincial General Hospital. Cost sharing funds was not considered during the projection for local revenue.

11. In overall the underperformance in revenue are caused by;

i. The inability of the county government to implement the 2013/2014 finance bill;

ii. Capacity challenges such as inadequate collection systems and protocols such as poor monitoring; theft and corruption.

iii. Under-spending on development projects by the county government due to late release of development funds from the equitable share led to depressed aggregate demand leading to a downturn in the county economy.

Table 2 shows the various local revenue sources and estimated and actual performance in local revenue collection.

Table 2: Revenue 2013/2014

Revenue From Local Sources	Estimated 2013/2014	Actual 2013/2014
House rent	598,740.20	974,870.00
Other property income	830,572.63	1,352,340.00
Receipts from administrative fees and charges	20,788,015.40	33,847,087.87
A.I.A	26,941,981.70	43,866,988.00
Other receipts	9,159,309.93	1,368,813.20
Total	**50,000,000.00**	**81,410,099.07**

Source: County Treasury

Expenditure Performance

12. In the Financial Year 2013/2014, total expenditure amounted to Ksh. 2,395,975,508.00 against an estimated budget of Ksh. 4,563,661,289.00 representing an under-spending of ksh. 2,167,685,781.00. Recurrent expenditure amounted to Ksh. 1,928,771,983.00 compared with a revised estimate of ksh. 2,475,761,289.00 representing an under-spending of Ksh. 546,989.00.

Expenditure on development amounted to Ksh. 467,203,525.75 compared to a revised estimate of Ksh. 2,087,900,000.00.

The under-spending is attributed to low absorption of development expenditure caused by tedious procurement procedures coupled with delays in the release of development funds from the National Treasury.

The under-spending in recurrent expenditures was due to the delay in operationalising certain county offices such those of the sub-county administrators among others.

Fiscal Balance/Net Position

The county government had an overall positive deviation of Ksh. **1,825,189,955.07**. This is largely due to late release of development funds.

C. Implication of 2013/14 Fiscal Performance on Fiscal Responsibility Principle and Financial Objectives Contained in the 2013 CFSP

1. The performance in the FY 2012/13 has affected the financial objectives set out in the Budget for FY 2013/2014 in the following ways:

i. The macroeconomic assumptions underpinning the 2013/2014 budget and medium term will need to be modified in light of the slower-than-envisaged real GDP growth and the significant deceleration in inflation;

ii. The base for revenue and expenditure projections has changed implying the need for adjustment in the fiscal aggregates for the current budget and the medium-term; and

iii. Taking into account the slower pace of execution of the budget by the departments resulting from the uncertainty surrounding release of funds by the National Treasury, the baseline ceilings for spending agencies will be adjusted.

2. Given the above deviations, the revision in revenues and expenditures will be based on the revised macroeconomic assumptions which will be firmed up in the context of the County Fiscal Strategy Paper. The County Government will not deviate from the fiscal responsibility principles, but will make appropriate modification to the financial objectives to be contained in the CFSP to reflect the changed circumstances.

II. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

13. The macroeconomic environment has continued to improve. The macroeconomic outlook remains favorable although risks remain.

A. Recent Economic Developments

14. Recent developments in key macroeconomic variables are encouraging. The country's Gross Domestic Product (GDP) expanded by 4.7% in 2013 compared to 4.6% in 2012. This performance was supported by:-

i. The stable macroeconomic environment;
ii. Low and stable inflation supported by improved supply of basic foods, lower international oil prices and lower costs of electricity;
iii. Infrastructural development;
iv. Development in real estate.

15. Overall inflation declined from 9.4% in 2012 up to 5.7% in 2013. This was largely attributed to improved supply of basic foodstuffs and stable domestic prices of petroleum products as well as the Consumer Price Index (CPI) base effects. However, the shilling exchange has firmed up against major international currencies and the official foreign exchange reserves are at a comfortable level.

16. Short term interest rates declined consistent with the easing of monetary policy stance. Central Bank Rate (CBR) reduced from 11.0% in 2012 to 8.50% in 2013. The overdraft and maximum lending interest rates dropped by 1.28 and 1.16 percentage points to 16.51% and 16.99%, respectively in December 2013, largely due to the lower inflationary pressure and the CBR reduction.

17. These national recent economic development have great impact on the county economic developments since greater percentage of the county's resources are drawn from the National Resources. Additionally stable national macroeconomic effect has a direct bearing on the performance of the county's economy.

B. Overview of Recent Developments

18. The decrease in inflation rate meant that consumers and businesses are better able to make long-range plans because they know that the purchasing power of their money will hold and will not be steadily eroded year after year. Additionally, low inflation also means lower nominal and real (inflation-adjusted) interest rates. Lower real interest rates reduce the cost of

borrowing. This in turn has led to expansion in real estate and other investment opportunities. It has also encouraged businesses to invest in order to improve productivity so that they can stay competitive and prosper without steadily having to raise prices.

19. The reduced interest rate has seen more development geared towards commerce with the recent establishment of the Naivas chain of supermarkets in the county.

20. The County Government is committed to sustain economic growth by deepening and widening the agricultural base in Garissa. This will mainly be done along the River Tana through expansion of the irrigation infrastructure. It is the belief of the County's political leadership that this is the path to the revitalization of the county's economy and consequently to sustainable employment creation and empowerment of the county's citizens. The County Government has expanded agricultural growth through the supply of certified seeds and fertilizers for improved productivity.

Livestock development continues to thrive due to improved access to livestock markets through construction and repairs of existing livestock sale yards, availability of livestock feeds through production and conservation of pasture and fodder, improved animal health and general disease control.

To further spur economic growth and propel the county to higher levels of development, the county government intends to promote investment opportunities and trade. To improve on trade, industrialization, cooperatives development and tourism there are plans to hold the Garissa County Investment Forum.

21. The roads sub sector is one of the least developed in the county with only 21.5 km under bitumen; 304 km under gravel and 1,479 km of earth surface. The county government has in the recent past continued to upgrade/rehabilitate roads within the Garissa town and its environs. In the coming year a large percentage of the county's funds will be committed in the road sub sector.

22. In the energy sub sector high mast floodlights have been installed in Garissa town. This has led to reduced crime rate in the county. The business working hours in the town has increased leading to higher levels of income thus enhancing economic development.

23. Garissa is a water scarce county. It heavily relies on river-based water supply schemes, water pans and boreholes. Approximately 76.2% of the population is water insecure. The county government will continue to invest in water infrastructure especially by constructing both medium and mega dams in strategic places. In addition the county plans to purchase the drilling rig and accessories.

24. Health has been given attention and this will continue over the medium term. The referral hospital is being modernized by the construction of a modern maternity. Further additional health personnel have been recruited. There has also been expansion of health infrastructure by constructing new dispensaries.

25. Conservation of the environment has also been undertaken through planting of more trees and beautification of the towns in the county.

C. Progress Report on Budget Implementation

26 The county is in the process of implementing the 2014/15 budget. The county treasury has partly adopted the Integrated Financial Management Information System (IFMIS). Challenges exist with respect to trained personnel for its operation. There are plans to recruit additional personnel to the county treasury in order to augment the existing staff. Continuous training in IFMIS has also been going on.

27 Delayed release of funds from the National Government has resulted to delayed implementation of the 2014/15 budget. This has been addressed after the County received its first disbursement of ksh. 559,435,030.76 for recurrent expenditure and ksh. 1,281,505,357.00 for development expenditure. Revenue collected for the first two months of the year was Ksh. 18,873,503.00 against an annual target of Ksh. 83,333,333.30 from the local sources. This is an indication that with enhanced administrative measures to seal revenue leakages, coupled with the implementation of the 2014/15 Finance Bill, the county's revenue projection will be met.

28. In terms of expenditure the county has so far expended a total of all the funds released so far both for development and recurrent. There is a likelihood of the actual expenditures surpassing the budget. Development budget for the FY 2014/15 has not been released and this will have a rolling over effect in terms of project implementation.

D. Economic Outlook and Policies

Growth prospects

29. The National GDP rate which is at 4.7% is expected to rise to 6.1% over the medium term. The economy of the county is expected to grow within the same range over the medium term.

30. Growth will be based on increased acreage under irrigated agriculture and massive investment in infrastructure especially in opening up rural access roads. Inter-county trade will be enhanced through the development of business friendly policies. Investment in the water sector will also have a positive impact on the county's economy both in the short and in the long run. Finally, domestic demand is expected to be robust following increased investor confidence as witnessed in the construction of Naivas shopping centre in Garissa town.

Inflation outlook

31. Nationally, despite the increase in inflation in the recent past, inflation is expected to revert back to a target of 5% with a 2.5% band in the medium term.

E. Medium Term Fiscal Framework

32. The County's fiscal policy objective will be to focus government spending in the coming year and in the medium term on efforts to expand the county's four key sectors of Infrastructure, Agriculture, Health and Water. To ensure sustainable resource usage, other sector allocations will be reduced to appropriate level. Prudent fiscal policy is the key to maintaining economic stability in the county. The County Government is committed to operating within the approved fiscal framework. The county will continue maintaining a strong revenue mobilization effort. The economic agenda will continue being premised on inclusive and sustainable growth that opens economic opportunities and provide a better future for all residents of the county.

33. The county will continue to maintain a balanced budget in the medium term. This will be followed by prudent financial management to ensure that all planned projects are implemented. The county's economy is also expected to grow by 6.1%.

34. In the 2014/15 financial year, the county expects to receive ksh. 4,914,082,809.00 from the National Government and Ksh. 500,000,000.00 from local revenue sources. In order to attain the target for local revenue a number of measures need to be taken. These include;

i. Full implementation of the 2014/15 Finance Bill;
ii. Widening of the tax base;
iii. Tax incentives and relief;
iv. Measures to prevent non remittance of collected revenue;
v. Automation of the tax collection;
vi. General anti-evasion rule.

The government anticipates to receive from loans and grants ksh. 91,802,418.00; ksh. 162,503,003.00 for rural electrification and donor funding from DANIDA of ksh. 15,560,000.00. The donor fund is meant to improve health infrastructure which is a key priority for the government. Additionally, the government intends to connect several urban areas within the county with electricity. This will ultimately increase business hours for the county's population.

35. On the expenditure, the county shall adopt prudent rationalization to improve efficiency and reduce wastage. The top three expenditure items include development; salaries and wages; and operations and maintenance. In the medium term the government expects to carry out austerity measures to maintain the recurrent expenditure to manageable level.

36. The full roll out of IFMIS, procurement-to-pay system along with the simplification of the procurement legislation are likely to significantly improve the County Government directorates absorption capacity with positive impacts on economic activity in the county triggered by increased county government spending. The county will continue building capacity of its personnel to enable the staff to adapt to the new systems.

F. Risks to the Fiscal Framework

37. The risks to the outlook for FY 2014/2015 and medium-term include further weakening in global economic environment and rising inflation. These will affect the national government whose effects trickles down to the counties.

38. Unfavorable weather conditions including erratic rainfall pattern, which have adverse effects on livestock/agricultural production is a major risk.

39. Expenditure growth due to high wage bills may threaten or limit development expenditure intentions to grow the private sector through investing in the county infrastructure.

IV. RESOURCE ALLOCATION FRAMEWORK

A. Adjustment to 2013/2014 Budget

40. With reference to the performance of county budget in 2013/2014 and the national macroeconomic outlook, the risks to the FY 2014/2015 budget include limited development expenditure that will impact negatively on the county's economic growth. Expenditure pressures, especially recurrent, pose a fiscal risk. Wage pressure is the main reason for inadequate allocations to development expenditure.

In addition, implementation pace in the spending units continuous to be a source of concern especially with regard to the development expenditures. These risks will be monitored closely and the county government would take appropriate measures in the context of the next supplementary budget.

41. Adjustments to the 2014/2015 budget will take into account actual performance of expenditure so far and absorption capacity in the remainder of the financial year. In the face of expenditure pressures, the county government will rationalize its operation by cutting non priority items. However, the resources for development will be utilized in the planned projects.

42. On revenue, the county will fully implement the 2014/15 Finance Bill once it is enacted into law. The government aims to expand the tax base and further seal avenues for financial leakages. Similarly, full automation of revenue collection system and processes in the county should be enhanced to eliminate existing leakages.

B. Medium-Term Expenditure Framework (MTEF)

43. Going forward, and in view of the county's economic outlook, MTEF budgeting will entail adjusting non-priority expenditures to cater for the priority sectors. The County Integrated Development Plan (CIDP) 2013-2017, to be launched this financial year, together with the county department's sectoral plans priorities will guide resource allocation.

44. The priority county sectors of health, water, agriculture and infrastructure will continue to receive adequate resources. These sectors are already receiving a significant share of county resources and are required to utilize them more efficiently to generate fiscal space to accommodate other strategic interventions in their county.

45. Specifically, the county government has prioritized key strategic interventions across all the sectors as a way of accelerating economic and social transformation to improve quality of life of its citizenly. The main areas of interventions cover food security, improved access to quality health care, and improved mobility by opening up of rural access roads, empowering youth and women as well as enhancing efficiency in revenue collection and administration. Resources required for these interventions are planned for in the CIDP. In the FY 2015/2016, Ksh 6,040,899,371.00 and in FY 2016/17 Ksh. 7,249,079,244.00 billion would be required.

46. Reflecting the above medium-term expenditure framework, the table below provides the tentative projected baseline ceilings for the 2014/15-2017/18 MTEF budget, classified by departments including ceilings as per the County Fiscal Strategy Paper (CFSP) 201

DEPARTMENT	ESTIMATES		PROJECTIONS		ESTIMATES	CEILINGS	PROJECTIONS	
	2014/2015 Recurrent	2015/16	2016/17	2017/18	2014/2015 Development	2015/16	2016/17	2017/2018
County Affairs	838,090,000.00	750,000,000.00	900,000,000.00	1,080,000,000.00	473,000,000.00	250,000,000	300,000,000.00	360,000,000.00
County Assembly	363,000,000.00	400,000,000.00	480,000,000.00	576,000,000.00			-	-
Finance and Economic Planning	442,969,196.88	345,000,000.00	414,000,000.00	496,800,000.00	201,802,418.00	40,000,000	48,000,000.00	57,600,000.00
Agriculture, Livestock, Fisheries and Irrigation	155,610,000.00	250,000,000.00	300,000,000.00	360,000,000.00	294,000,000.00	500,000,000	600,000,000.00	720,000,000.00
Energy, Environment and Natural Resources	100,610,000.00	95,000,000.00	114,000,000.00	136,800,000.00	477,503,003.00	350,000,000	420,000,000.00	504,000,000.00
Education, Youth Polytechnic and Sport	70,050,000.00	150,000,000.00	180,000,000.00	216,000,000.00	100,000,000.00	100,000,000	120,000,000.00	144,000,000.00
Health	770,060,000.00	800,000,000.00	960,000,000.00	1,152,000,000.00	518,000,000.00	700,000,000	840,000,000.00	1,008,000,000.00
Water and Sanitation	118,600,000.00	280,000,000.00	336,000,000.00	403,200,000.00	1,010,000,000.00	800,000,000	960,000,000.00	1,152,000,000.00
Lands, Housing and Urban Development	89,140,000.00	75,000,000.00	90,000,000.00	108,000,000.00	206,000,000.00	250,000,000	300,000,000.00	360,000,000.00
Transport and Infrastructure	63,460,000.00	55,000,000.00	66,000,000.00	79,200,000.00	1,000,000,000.00	400,000,000	480,000,000.00	576,000,000.00
Culture, Social, Gender and Children	57,060,000.00	57,060,000.00	68,472,000.00	82,166,400.00	62,000,000.00	53,000,000	63,600,000.00	76,320,000.00
Commerce and Cooperative Development	60,000,000.00	60,677,876.00	72,813,451.20	87,376,141.44	30,000,000.00	60,000,000	72,000,000.00	86,400,000.00
TOTAL BUDGET	3,128,649,196.88	3,317,737,876	3,981,285,451	4,777,542,541	4,372,305,421	3,503,000,000	4,203,600,000.00	**5,044,320,000.0**

Table 3: Total Sector Ceilings for the MTEF Period 2014/15-2016/2017 source :county treasury

47. The County budget for Financial Year 2014/2015 was prepared by the County Department of Finance and Economic Planning. The County Integrated Development Plan and Annual Development Plan are being finalized for publication.

C. 2015/16 Budget framework

48. The 2015/2016 budget framework is set against a background of the updated medium-term county-fiscal framework. Real national GDP is expected to increase by 6.3 percent in FY 2015/2016 underpinned by continued good performance across all sectors of the economy. This is expected to bear a direct effect on the county's performance. The projected growth assumes normal weather pattern during the year and improved investor confidence in the economy. Inflation is expected to remain low and stable, reflecting continued implementation of a prudent monetary policy and stable food prices at both the county and national levels, as well as stable interest rates.

Revenue Projections

49. The 2015/2016 budget targets local revenue collection of Ksh. 500,000,000.00. As noted above, this performance will be underpinned by improvement in revenue collection system and processes to eliminate existing leakages.

Expenditure Forecasts

50. In 2015/16, recurrent expenditures are projected at 66% of county's annual budget which is projected at ksh. 6,040,899,371.00. Development expenditure is expected to be pegged at 35% on account of devoting more resources to development as required by the PFM Act 2012.

51. Expenditure ceilings on goods and services for departments are based on allocations in the FY 2014/15 budget as the starting point. Stringent measures need to be put in place to ensure more resources are allocated to development expenditure over the medium term for attainment of the PFM Act, 2012 minimum requirement of thirty percent. Most of the outlays are expected to support critical infrastructure.