REPUBLIC OF KENYA

GARISSA COUNTY BUDGET REVIEW AND OUTLOOK PAPER (CBROP)

2015/2016 FINANCIAL YEAR

SEPTEMBER 2015

Forward

The County Budget Review and Outlook Paper (CBROP) is prepared in line with section 118 of the Public Finance Management Act, 2012. It reviews the actual fiscal performance of the Financial Year 2014/2015. It also provides the recent economic developments and the updated economic and financial forecast. It ensures the review of previous year's budget performance, the county and national economic financial environment and its likely impact on the level of future revenues; and to set preliminary sector ceilings in the light of this review of revenue.

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 2015/16 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

County Executive Committee Member

Finance, Economic Planning, Revenue Management and County Affairs

Acknowledgement

The County Budget Review and Outlook Paper marks the beginning of the journey of preparing the 2016/17 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, Economic Planning, Revenue Management and County Affairs 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 2014/2015, updated macroeconomic forecasts and information on the changes in the forecasts compared with the financial year 2014/2015 county budget. The paper also contains actual financial performance for the previous financial year 2014/2015.

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

3. It links up 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), 2016 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 2014/2015 and its implications on the financial objectives set out in the CFSP; highlights on recent economic developments and outlook; resource allocation framework; and the conclusion.

II REVIEW OF FISCAL PERFORMANCE IN 2014/2015

A. Overview

5. The fiscal performance in 2014/2015 was satisfactory with an absorption rate of 93%. Out of this 27% of total actual expenditure was spent on salaries, 25% operations & maintenance and 47% of the total expenditure was spent on development. However the county had huge shortfall of local collection in which the county realized 19% of the estimates.

B. 2014/15 Fiscal Performance

6. Table 1 presents the fiscal performance for the Financial Year 2014/15 and the deviation from the revised budget estimates.

Table 1: Fiscal Performance

	Budgeted	**Actual Performance**	**Deviation**
REVENUE	**2014/15(Ksh)**	**2014/15(Ksh)**	**2014/15(Ksh)**
Equitable Share	5,150,128,134.00	5,148,254,626.00	1,873,508.00
Local Resources	700,000,000.00	130,483,519.00	569,516,481.00
Grants-Danida	15,560,000.00	15,560,000.00	0
Balance B/F	1,817,006,387.88	1,817,006,387.88	0
Rural Electrification	162,503,003.00	0.00	162,503,003.00
Total Revenue	**7,845,197,524.88**	**7,111,304,533.00**	**733,892,992.00**
Salary	1,791,008,808	1,824,572,167.00	-33,563,359.00
O&M/ Others	2,028,401,075.00	1,693,817,449.00	334,583,626.00
Development	4,025,787,640.88	3,073,786,139.00	952,001,502.00
Total Expenditure	**7,845,197,524.00**	**6,592,175,755.00**	**1,253,021,769.00**
Surplus/deficit	**Nil**	**519,128,778.00**	

Source: County Treasury

Revenue Performance

7. During the financial year 2014/15, the county government received funds mainly from three sources. These were the equitable share from the National Government, rural electrification funds and the county's own local collection. In addition there was also balances carried forward from the 2013/14 financial year. The County government received an equitable share of ksh. 5,148,254,626 compared to the budgeted amount of ksh. 5,165,688,133.00 showing an adverse deviation of 0.34%. This was in addition to ksh. 1,817,006,387.88 that was the balance from the financial year 2013/14. Revenue from local sources amounted to ksh. 130,483,519.00 against the target of ksh.700,000,000.00 representing an under-collection of ksh. 569,516,481.00. The under-collection was attributed to, among other things:

i. The inability of the county government to implement the 2014/2015 finance bill due to legal challenges;
ii. Non automation or revenue collection
iii. Inadequate and ineffective enforcement officers
iv. Lack of enough vehicles for supervision
v. Corruption among a number of revenue officers.

These challenges are currently being addressed and this is expected to bring effectiveness and efficiency in revenue collection in the coming year.

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

Table 2: Revenue 2014/2015

Revenue Stream	Amount (ksh)
Stock Auction fees	14,715,390.00
Stock Export fees	4,603,320.00
Rent	7,294,163.00
Daily Market fees	998,790.00
Miraa Cess	8,069,800.00
Single Business Permit(SBP)	15,670,490.00

loading fees	465,790.00
Entry/Exit fees	347,100.00
Building Materials	6,572,550.00
Market gate fees(fresh produce)	2,571,000.00
Misc Income	625,403.00
Cereals	261,000.00
Matatu	234,980.00
Taxi	156,960.00
Boda Boda	79,390.00
Buses/Lorries	298,920.00
Fines	82,410.00
Charcoal/Other forms of fuel	192,200.00
Cost sharing	31,218,043.00
Clearance certificate	562,700.00
Other Department revenue	548,000.00
Approval of Building Plan(Safcom)	487,960.00
Supply of firewood	515,000.00
Revenue from Hospitals	25,359,575.00
Vet Services	1,370,677.00
A.M.S	1,031,445.00
Direct Banking	5,313,463.00
Sale of tender documents	837,000.00
Total revenues	130,483,519.00

8. As indicated in table 2 the highest sources of local revenue are cost sharing, revenues from hospital and single business permits which contributed ksh. 31,218,043.00, ksh. 25,359,575.00 and 15,670,490.00 to the county revenue respectively. More need to be done in order to improve the revenue streams from all the sources.

9. The lowest source of revenue during the period under review were boda boda, fines and taxi which contributed ksh. 79,390.00, ksh. 82,410.00 and ksh. 156,960.00 to the local county revenue respectively.

Expenditure Performance

10. During the Financial Year 2014/2015, total expenditure amounted to Ksh. 6,592,175,755.00 against a budgeted amount of Ksh. 7,845,197,523.88 representing an under-performance of 16%.

Recurrent expenditure amounted to Ksh.3,518,389,666.00 compared to the budgeted estimate of Ksh. 3,819,409,883.00 representing an under-spending of 7.88%.

11. Expenditure on development amounted to Ksh. 3,073,786,139 compared to the budgeted estimate of Ksh. 4,025,787,640.88 representing an under-performance of 23.6%. This was attributed to lengthy procurement procedures.

C. Implication of 2014/15 Fiscal Performance on Fiscal Responsibility Principle and Financial Objectives Contained in the 2015 CFSP

12. The performance in the FY 2014/15 has affected the financial objectives set out in the Budget for FY 2015/2016 in the following ways:

i. The underperformance of own county revenue in the financial year 2014/15 has implications in the resource envelope and the base used to project the revenue for the tax items in the financial year 2015/16. Therefore in projecting the revenue for 2015/16 new base of the current trend of revenue has been taken into account.
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 the release of funds by the National Treasury, the baseline ceilings for spending agencies will be adjusted.

13. 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

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

A. Recent Economic Developments

15. Recent developments in key macroeconomic variables are encouraging. However there was a contraction in the country's Gross Domestic Product (GDP) which stood at 5.3% in 2014 compared to 5.7% in 2013. This performance was supported by:

i. Increased government and private final consumption;
ii. Low oil prices;
iii. Increase in exports of goods and services;
iv. Stability of the Kenya shillings against major currencies despite slight depreciation against the US dollar.

16. Overall inflation increased from 5.7% in 2003 to 6.9% in 2014. The modest increased in the rate of inflation was attributed to increases in the cost of several food and non-food items which outweighed notable falls in the cost of electricity and petroleum products including petrol, diesel and kerosene.

17. The share of the commercial banks' credit going to private sector increased from 61.2% of total domestic credit to 69.6%.

18. Although the growth of the County is promising it is prone to both macro and micro risks. The macroeconomic management and performance of the National Government has an effect on how the county performs. This is because greater percentage of the county's resources are drawn from the National government resources.

B. Overview of Recent Developments

19. The increase in inflation rate meant that consumers and businesses were worse off. As such they are not to make long-range plans because they know that the purchasing power of their money will not hold and will steadily be eroded year after year. Additionally, high inflation also means higher nominal and real (inflation-adjusted) interest rates. Higher real interest rates increases the cost of borrowing. This in turn has led to contraction in real estate and other investment opportunities. It has also discouraged businesses to invest in order to improve productivity so that they can stay competitive and prosper without steadily having to raise prices.

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.

21. Livestock development and value addition to livestock products continues through improved access to livestock markets such as 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.

22. In an endeavor to uplift the lives of the vulnerable members, the county has continued to implement the *'Ugatuzi na Kazi'* programme. The beneficiaries of the programme are paid a monthly stipend of Ksh 10,000. And over 1250 persons benefited county wide .

23. 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, street lights 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.

24. The roads sub sector is one of the least developed in the county with approximately 30 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.

25. 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 and pans in strategic places to harvest rain waters.

26. The education sector has been given special attention in the wake of the insecurity and strikes that led to the desertion of non-locals from their duties-PTA and ECD teachers were engaged to supplement the few local teachers in order to continue with the eradication of illiteracy over the medium term.

27. 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

28. The county is in the process of implementing the 2015/16 budget. The county treasury has partly adopted the Integrated Financial Management Information System (IFMIS). Continuous training for the personnel in IFMIS is going on.

29. In terms of expenditure the county has so far expended a total of ksh. 6,592,175,755. This translates to 93% absorption rate, which is an indication of proper fund utilization.

D. Economic Outlook and Policies

Growth prospects

30. Following the rebasing of the National Accounts Statistics (NAS), the revised estimates demonstrate that the economic growth has remained resilient since 2010 growing to 5.7 percent in 2013 and stood at 4.4%, 5.8% and 5.5% in the first three quarters of 2014 compared with

6.4%, 7.2% and 6.2% in comparable quarters of 2013. The economy is estimated to have grown by 5.3 percent in 2014 and is projected to reach over 7.0 percent by 2018.

31. From the national outlook, the county macroeconomic environment remains stable and going forward the macroeconomic outlook remains favorable.

Inflation Outlook

32. Consumer price index (CPI) inflation is expected to remain in the single digits, at around 5%, over the medium term to 2018. The prices of most of the commodities are expected to be stable over the year as the prices of petroleum products are on a downward trend. The enhanced rainfall expected in the October-November-December season will see increased agricultural output which is expected to further stabilise food prices over the medium term.

33. The expansion of the transport infrastructure is on course which will lead to lower cost of transporting commodities. This will lead to lower or stable commodity prices. This implies that there will be no threats to commodity prices, as the supply side shocks remain a threat to price stability.

E. Medium Term Fiscal Framework

34. The County's fiscal policy objective will be to focus on government spending in the coming year and in the medium term on efforts to expand the county's five key sectors of Infrastructure, Agriculture, Health, Water and Education. To ensure sustainable resource usage, other sector allocations will be reduced to appropriate levels. 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.

35. 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 6.6% in line with the national economy.

36. In the 2015/16 financial year, the county expects to receive ksh 6.3 billion from the National Government, 17.9 million from world bank and 15 million from DANIDA 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. Widening of the revenue base by implementing the 2015/16 finance bill;
ii. Tax incentives and relief;
iii. Measures to prevent non remittance of collected revenue;
iv. Automation of the tax collection;
v. General anti-evasion rule.

37. 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.

38. 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

39**.** The risks to the outlook for FY 2015/2016 and medium-term include further weakening of the Shilling as compared to other global major currencies and any unexpected inflation increases. These will affect the national government whose effects trickles down to the counties.

40. Unfavorable weather conditions including erratic rainfall pattern coupled with the anticipated El-Nino rains that might halt construction works or even wash away some of the recently commissioned projects is a major risk.

41. Insecurity has been a challenge especially Garissa county having faced spate of attacks claimed by Islamist group Al-Shabaab and the subsequent flight of non-locals leaving the area hence affecting critical sectors such as education and health.

IV. RESOURCE ALLOCATION FRAMEWORK

A. Adjustment to 2014/2015 Budget

42. With reference to the performance of county budget in 2014/2015 and the national macroeconomic outlook, the risks to the FY 2015/2016 budget include

- The forecasted El-Nino phenomenon expected between October and December this year;
- Slow budget implementation of the budget by departments;
- Pressures from the ever increasing wages bills as well as recurrent expenditures;
- Uncertainty of fuel prices caused by uncertainty in international oil market;

These risks will be monitored closely and the county government would take appropriate measures in the context of the next supplementary budget.

43. Adjustments to the 2015/2016 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.

44. On revenue, the county will fully implement the 2015/16 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)

45. 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 is revision has been completed (CIDP) and it be launched this financial year, together with the county department's sectoral plans priorities will guide resource allocation.

46. The priority county sectors of health, water, agriculture, education 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 the county.

47. 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, engagement of PTA/BOG and ECD teachers in the interim to fill the voids created by insecurity while working on a long solution to resolve the same and improved mobility by opening up of rural access roads, empowering youth and women through provision of jobs for the youth and the single mothers in initiatives such as ‘Ugatuzi ni Kazi’ project as well as enhancing efficiency in revenue collection and administration.

48. Reflecting the above medium-term expenditure framework, the table below provides the tentative projected baseline ceilings for the 2016/17-2018/19 MTEF budget, classified by departments including ceilings as per the County Fiscal Strategy Paper (CFSP) 201

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

DEPARTMENTS	ESTIMATES	PROJECTIONS	PROJECTIONS
	2015-2016 RECRRENT	2016/17	2017/18
Agriculture, Livestock, Fisheries & Irrigation	106,362,524.00	116,998,776.40	128,698,654.04
Environment Energy &Natural Resources	30,320,000.00	33,352,000.00	36,687,200.00
Trade & Cooperative Development	76,876,310.00	84,563,941.00	93,020,335.10
Education, Youth, Sports &Polytechnic	143,408,714.00	157,749,585.40	173,524,543.94
Health	1,124,226,750.00	1,236,649,425.00	1,360,314,367.50
Culture, Social, Gender & Children	34,434,807.00	37,878,287.70	41,666,116.47
Water & Sanitation	108,650,000.00	119,515,000.00	131,466,500.00
Livestock & Veterinary	79,522,496.00	87,474,745.60	96,222,220.16
Lands, Housing & Public works	86,938,187.00	95,632,005.70	105,195,206.27
Finance & Economic Planning	1,294,769,973.00	1,424,246,970.30	1,566,671,667.33
County Assembly	684,020,851.00	752,422,936.10	827,665,229.71
county Affairs	148,191,193.00	163,010,312.30	179,311,343.53
TOTAL	**3,917,721,805.00**	**4,309,493,985.50**	**4,740,443,384.05**

Source: County treasury

Development ceilings

DEPARTMENTS	PROJECTIONS		
	2015-2016	2016/17	2017/18
Agriculture, Livestock, Fisheries & Irrigation	115,000,000.00	126500000	139,150,000.00
Environment Energy &Natural Resources	163,000,000.00	179300000	197,230,000.00
Trade & Cooperative Development	163,000,000.00	179300000	197,230,000.00
Education, Youth, Sports &Polytechnic	334,000,000.00	367400000	404,140,000.00
Health	303,000,000.00	333300000	366,630,000.00
Culture, Social, Gender & Children	70,000,000.00	77000000	84,700,000.00
Water & Sanitation	788,719,235.00	867591158.5	954,350,274.35

Livestock & Veterinary	88,570,000.00	97427000	107,169,700.00
Lands, Housing & Public works	864,232,776.00	950656053.6	1,045,721,658.96
Finance & Economic Planning	482,000,000.00	530200000	583,220,000.00
County Assembly	-	0	-
county Affairs	-	0	-
TOTAL	**3,371,522,011.00**	**3708674212**	**4,079,541,633.31**

Source: County treasury

49. The County budget for Financial Year 2015/2016 was prepared by the County Department of Finance and Economic Planning. The County Integrated Development Plan and Annual Development Plan for 2016 being finalized for publication.

C. 2015/16 Budget framework

50. The 2016/2017 budget framework is set against a background of the updated medium-term county-fiscal framework. Real national GDP is expected to increase by 6.6 percent in FY 2016/2017 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 proper measures in mitigating the anticipated El-Nino rains and the erratic weather patterns during the year and improved investor confidence in the economy by working closely with the security apparatus in curtailing the run-away insecurity levels witnessed earlier. Inflation and interest rates are both expected to slightly reduce despite the Kenyan Shilling weakening though it is expected to stabilize on its own without CBK interventions. This will be reflected by continued implementation of a prudent monetary policy and stable food prices at both the county and national levels.

Revenue Projections

51. The 2016/2017 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

52. In 2016/17, recurrent expenditures are projected at 60% of county's annual budget which is projected. Development expenditure is expected to be pegged at 40% on account of devoting more resources to development as required by the PFM Act 2012.

53. Expenditure ceilings on goods and services for departments are based on allocations in the FY 2015/16 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.

Overall Deficit and Financing

54. The overall budget for FY 2016/17 is balanced and hence fully financed, though it should be highlighted that this can fluctuate due to performance of local revenue collection as well as the grants pledged by development partners.

CONCLUSION

55. This C-BROP is prepared taking into account the challenges facing the economy of this county. There is need to maintain fiscal discipline in all directorates in order to ensure maximum return from the available public resources.

56. The departmental ceilings shown above will guide the departments in preparation of FY2016/17 Budget. The next County Fiscal Strategy Paper which will provide the final ceilings will be finalized and forwarded to the County Assembly by 28th February 2016.