COUNTY GOVERNMENT OF ELGEYO MARAKWET

THE COUNTY TREASURY

COUNTY BUDGET REVIEW AND OUTLOOK PAPER

(CBROP)

SEPTEMBER 2016

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FOREWORD

The County Budget Review and Outlook Paper (CBROP) is one of the budget policy documents that enhance financial discipline and fiscal responsibilities within the county's financial management framework as provided for in the Public Finance Management Act (PFM) Act 2012. The CBROP presents the fiscal outcome for the most previous Financial Year and how these outcomes affect financial objectives set out in that year's County Fiscal Strategy Paper (CFSP).

Consequently, this 2016 CBROP being the fourth after the enactment of devolved governance presents the fiscal framework which provides a strong basis for building a common future under the new constitutional dispensation regarding Fiscal discipline and accountability.

Fiscal discipline will seek to ensure that the county's development entities are able work towards improving the residents' livelihoods by instituting mechanisms that enhances financial efficiency, effectiveness and economy. The county is committed to maintain the trend of economic growth and development as desired by the residents. Towards this end, the county will always strive to ensure that there is transparency and accountability by providing feedback on the county's performance indicators as required by the Constitution and the Public Finance Management Act, 2012 and county Public Finance Management Regulations Act, 2015.

Based on this backdrop, this CBROP has been prepared so as to present a review of the fiscal performance for 2015/16 Financial Year.

This document is organized into five chapters. Chapter one highlights the legal justification and objectives of CBROP. Chapter two reviews the fiscal performance for 2015/16 financial year. Chapter three explains the recent economic developments and outlook. Chapter four details the resource allocation framework for 2015/16 financial year. Chapter five is the conclusion and recommendations

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This County Budget Review and Outlook Paper (CBROP) was prepared with the support and generous contribution of many individuals and entities. The county would thus like to appreciate the role played by these individuals and institutions

A core team of officers comprising mainly of the staff at the Budget Unit undertook the process of preparing this CBROP document. These officers led by Mr. Mr. John Keen, the Head of Budget supported by Accountants based at the Budget Unit; Mr. David Michoti, Samwel Kibirong and Amos Kiptum spent a significant time preparing this document.

This core team undertook the preparation task with the guidance of Mr. Stephen Biwott and Mr. Jeremiah Changwony who are the Finance and Economic Planning Executive Committee member (ECM) and Chief Officer respectively. This is therefore to extend the county's gratitude to them and all others who were involved in the CBROP preparation process

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ABBREVIATIONS AND ACRONYMS

CBROP	County Budget Review and Outlook Paper
CEC	County Executive Member
CFSP	County Fiscal strategy Paper
CG	County Government
CIDP	County Integrated Development Plan
COB	Controller of Budget
CRA	Commission on Revenue Allocation
FY	Fiscal Year
GDP	Gross Domestic Product
LATF	Local Authority Transfer Fund
MTEF	Medium-Term Expenditure Framework
PFMA	Public Financial Management Act
TA	Transition Authority

CHAPTER ONE: INTRODUCTION

1.1 Background

This Budget Review and Outlook Paper (BROP) is the 4th to be prepared by the Elgeyo Marakwet County as provided for under the Public Financial Management Act, 2012 section 118. In line with the law, the BROP contains a review of the fiscal performance of the financial year 2015/16, updated macroeconomic forecast, and the experiences in the implementation of the budget estimates for financial year 2015/2016.

1.2 Legal Framework for the Publication of the Budget Review and Outlook Paper

The Budget Review and Outlook Paper is prepared in accordance with Section 118 of the Public Financial Management Act, 2012. The law states that:

(1) The County Treasury shall

a) Prepare a County Budget Review and Outlook Paper in respect of the County for each of the financial year and

b) Submit the paper to the County Executive Committee by the 30th September of that year.

(2) The Budget Review and Outlook Paper shall include:

a) Actual fiscal performance in the previous year compared to the budget appropriation for that year;

b) The updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper;

c) Information on any changes in the forecasts compared with the County Fiscal Strategy Paper; and how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the County Fiscal Strategy Paper for that financial year;

d) Reasons for any deviation from the financial objectives in the County Fiscal Strategy Paper together with proposals to address the deviation and the time estimated for doing so.

3) The County Executive Committee shall consider the County Budget Review and Outlook Paper with a view to approving it, with or without amendments, within fourteen days after its submission.
4) Not later than seven days after the County Budget Review and Outlook Paper is approved by the County Executive Committee, the County Treasury shall—
   a) Arrange for the Paper to be laid before the County Assembly; and
   b) As soon as practicable after having done so, publish and publicize the Paper.

1.3 Fiscal responsibility principles in the Public Financial Management Law

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

1. The County government recurrent expenditure shall not exceed the county government‘s total revenue.
2. Over the medium term a minimum of 30% of the county government‘s budget shall be allocated to development expenditure.
3. The county governments expenditure on wages and benefits to employees shall not exceed a percentage of the county government‘s total revenue by regulations.
4. Over the medium term, the government’s borrowings shall only be used only for the purpose of financing development expenditure only; and short term borrowings shall only be restricted to management of cash flows and shall not exceed five (5%) of most recent audited county government revenue,
5. The County debt shall be maintained at a sustainable level as approved by County assembly.
6. Fiscal Risks shall be managed prudently
7. 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 future.

1.4 Objectives of CBROP

The objective of the 2016 CBROP is to provide a review of the previous fiscal performance in the financial year 2015/2016 and how this impacts the financial objectives and fiscal responsibility principles set out in the last Fiscal Strategy Paper (CFSP 2016). This together with updated macroeconomic outlook provides a basis for revision of the current budget in the context of any supplementary estimates and the broad fiscal parameters underpinning the next budget and the medium term. The CBROP will be a key document in linking policy, planning and budgeting. PFMA 2012 has set high standards for compliance with the MTEF budgeting process.

The 2016 CBROP is drawn based on the priorities of the County Government Administration, and emerging challenges in the county. Prioritization of resource allocation was based on the County Integrated Development Plan 2013-2017, broad development policies of the County Government in term as well as the medium term priorities identified during the County-wide public consultative forums held across the county. In this paper, provisional indicative sector ceilings for the 2017/18 budget have been set informed by the forecasted revenues. These Ceilings set in motion the budget preparation for the Fiscal Year 2017/18 in line with the PFM Act, 2012.

CHAPTER TWO: REVIEW OF FISCAL PERFORMANCE IN 2014/15

2.0 OVERVIEW

The 2016 CBROP is drawn based on the priorities of the County Government Administration, and emerging challenges in the county. Prioritization of resource allocation was based on the County Integrated Development Plan 2013-2017, broad development policies of the County Government in term as well as the medium term priorities identified during the County-wide public consultative forums held across the county. In this paper, provisional indicative sector ceilings for the 2017/18 budget have been set informed by the forecasted revenues. These Ceilings set in motion the budget preparation for the Fiscal Year 2017/18 in line with the PFM Act, 2012.

2.1 OVERVIEW OF FISCAL PERFOMANCE 2014/15

During the period under review, the county government had a total budget of 3,850,303,971 which comprised of Ksh. 2,417,068,541 as recurrent budget and Ksh 1,433,235,430 as development budget. The fiscal performance was generally satisfactory despite shortfall in local revenue collection. The fiscal performance for the year 2015/2016 is as tabulated here below:

Table 1: Fiscal outturn in FY 2015/16

Fiscal outturn in FY 2015/16			
ITEM	**Approved Budget**	**Actual** 2014/2015 **(A)**	**% Performance**
A) REVENUES			
EXTERNAL REVENUES			
Central Government Transfers (CRA Share)	3,270,440,729	3,270,440,729	100%
WORLD BANK	20,179,116	20,179,116	100%
RMLF (ROADS)	41,545,473	41,545,473	100%
C.A.MAT.H/CARE	43,409,840	43,409,800	100%
C.A.USER FEES	8,624,640	7,194,840	83%
DANIDA HSSF	20,800,000	20,800,000	100%
ROLL OVER FUNDS	295,324,173	295,324,173	100%
INTERNAL SOURCES			
Locally Raised Revenue	149,980,000	128,187,072	85.47%
TOTAL REVENUE	3,850,303,971	3,827,081,203	99.40%
B) EXPENDITURES			
RECURRENT EXPENDITURES	2,417,068,541	2,292,242,767	94.84%
DEVELOPMENT EXPENDITURES	1,433,235,430	700,803,206	48.90%
TOTAL EXPENDITURES	3,850,303,971	2,993,045,973	77.74%

2.2 REVENUE PERFOMANCE

By the end of June 2016, total cumulative revenue including National Government transfers amounted to Ksh 3,827,081,203 against an approved budget of Ksh 3,850,303,971 representing 99.40 percent achievement. This represented a deviation of Ksh 23,222,768. This shortfall was mainly on account of deviation in local revenues. The County local revenue collection was impressive but still below expectations, with only 85.47 per cent of the approved budget target being met.

2.2.1 Internal Revenue

Total actual local revenues amounted to Ksh 128,187,072 against a budget of Ksh 149,980,000. The shortfall in internal revenue in 2015/16 was Ksh 21,792,928. High default rates among rate

payers coupled with lack of an updated business register and low uptake of e-payment platform in largely contributed to the shortfall experienced.

2.2.2 External Revenue

By end of the Fiscal period 2015/16, the national government had released a total of Ksh 3,698,894,131 billion including Ksh 20,800,000 being grant from DANIDA in support of health facilities support and rollover funds of Ksh. 2956,324,173.

2.3 COUNTY EXPENDITURE PERFORMANCES

The total expenditure amounted to Ksh 2,993,045,973 against an approved budget of Ksh 3,850,303,971, representing an under spending of Ksh 857,257,998. This is attributed to low absorption rates of development expenditures by the various sectors. Absorption rate for development was 49% while that of recurrent vote stood at 95%. The aggregate absorption rate of the 2015/16 resource outlay stood at 78%. Detailed analyses of these expenditures are tabulated in table 2 below.

Table 2: Total Expenditure

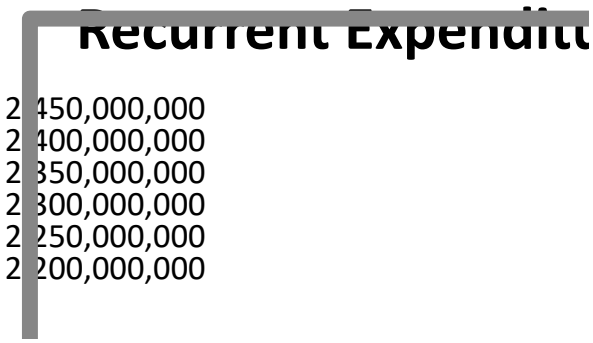
DEPARTMENT	RECURRENT EXPENDITURE				DEVELOPMENT EXPENDITURE			
	APPROVED BUDGET	ACTUAL EXPENDITURE	DEVIATION	DEVIATION AS A % OF APPROVED BUDGET	APPROVED BUDGET	ACTUAL EXPENDITURE	DEVIATION	DEVIATION AS A % OF APPROVED BUDGET
OFFICE OF THE GOVERNOR/DG	81,468,807	75,844,942	5,623,865	6.90%	31,692,496	25,081,514	6,610,982	21%
ADMINISTRATION	23,352,343	21,311,296	2,041,047	8.74%	0	0	0	0%
COUNTY ASSEMBLY	426,069,363	406,772,275	19,297,088	4.53%	44,964,113	30,612,078	14,352,035	32%
FINANCE & ECONOMIC PLANNING	164,736,480	159,324,679	5,411,801	3.29%	28,637,874	12,002,407	16,635,467	58%
ROADS, PUBLIC WORKS & TRANSPORT	77,630,646	63,785,820	13,844,826	17.83%	268,577,349	144,823,003	123,754,346	46%
YOUTH, SPORTS, CULTURE, GENDER	25,430,485	24,046,482	1,384,003	5.44%	120,385,846	82,997,916	37,387,930	31%
EDUCATION & T.TRAINING	138,864,570	132,446,214	6,418,356	4.62%	241,274,353	64,599,535	176,674,818	73%
HEALTH SERVICES	1,088,525,205	1,033,034,606	55,490,599	5.10%	201,634,519	111,604,628	90,029,891	45%
TRADE, TOURISM, CO-	47,747,087	44,013,374	3,733,713	7.82%	55,993,164	24,921,114	31,072,050	55%

OPERAT. DEVELOP.								
WATER, IRRIGATION, & ENVIRONMENT	66,586,942	63,154,271	3,432,671	5.16%	261,464,816	98,192,430	163,272,386	62%
AGRICULTURE	173,634,860	169,404,527	4,230,333	2.44%	131,162,557	58,520,238	72,642,319	55%
COUNTY PUBLIC SERVICE BOARD	34,095,934	33,330,552	765,382	2.24%	0	0	0	0%
I.C.T. & PUBLIC SERVICE	68,925,819	65,773,729	3,152,090	4.57%	47,448,343	47,448,343	0	0%
TOTALS	**2,417,068,541**	**2,292,242,767**	**124,825,774**	5.16%	**1,433,235,430**	**700,803,206**	**732,432,224**	51%

2.3.1 RECURRENT EXPENDITURE

Total Recurrent Expenditure amounted to Ksh 2,292,242,767 against a revised budget of Ksh 2,417,068,541 reflecting an absorption rate of 94.84%.

Figure 1: Recurrent expenditures

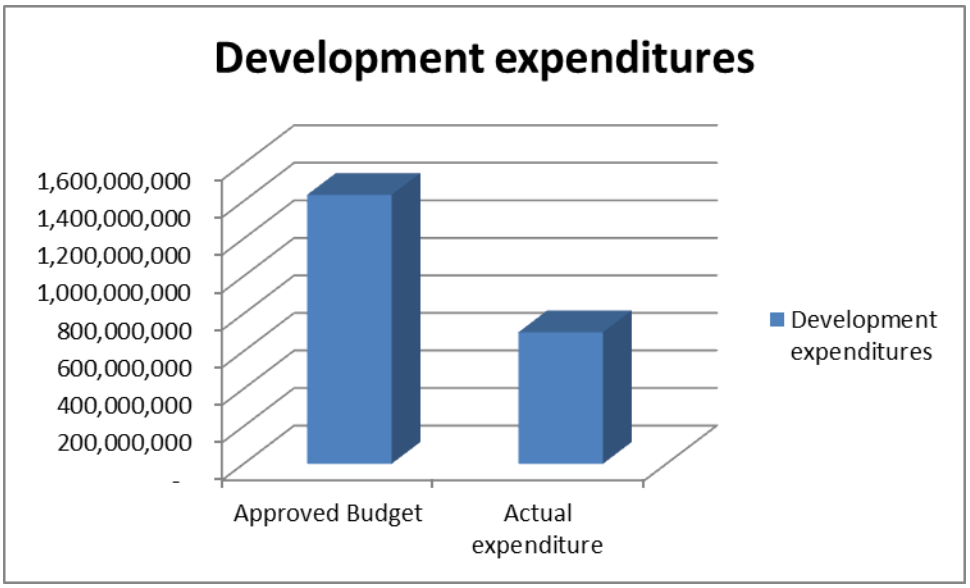


Out of the total recurrent expenditure, Ksh 1,792,751,823 was in respect of compensation to employees, representing 78% of total expenditure. Total cumulative operational and maintenance expenditures amounted to Ksh 499,490,944 including the County Assembly, representing only 22% of total recurrent expenditures.

2.3.2 DEVELOPMENT EXPENDITURE

Total cumulative development expenditure by the end of financial year 2015/16 amounted to Ksh 700,803,206 against an approved budget Ksh. 1,433,235,430. This reflects an absorption rate of about 49%. This poor performance is attributed to lack of clear implementation plans across all sectors.

Figure 2: Development expenditures



2.4 2015/16 FINANCING AND BALANCE

The FY 2015/16 financing as reflected shows a performance in revenue of Ksh. 3,827,081,203 against a revised budgeted expenditure of Ksh. 3,850,303,971. This then means in actual terms the budget was under financed by Ksh. 23,222,768. (0.6 per cent). The Fiscal deficit amounted to Ksh 21,792,928 shortfall in local revenues was controlled through suspending of planned expenditures to the next Financial Year 2016/2017.

2.5 IMPLICATION OF 2015/16 FISCAL PERFORMANCE ON FISCAL RESPONSIBILITY PRINCIPLES AND FINANCIAL OBJECTIVES CONTAINED IN THE 2016 COUNTY FISCAL STRATEGY PAPER

The performance in the FY 2015/16 affected the financial objectives set out in the 2016 County Fiscal Strategy Paper and the Budget for FY 2016/2017 in the following ways; The projections for revenue and expenditure though in line with the outcome might need slight adjustments to revenue projections as necessary to reduce chances of generating more rollovers and pending bills at the end of the period. Similarly, the pending bills and rollovers are being accommodated in the FY2016/17 may affect the programs and projects that were initially budgeted for in the period. This then calls for a balance in revenue and expenditure budget in supplementary estimates. It will be prudent to slightly adjust the 2016/17 budgets downwards and by rearranging activities and programs of the FY to reflect the true position given the expected

revenue flows. In the same breath, the baseline ceilings for the formulation of the CFSP 2017 will be at a lower rate than previously set out in the CFSP 2016. The fiscal outlook will broadly remain as indicated in the County Fiscal Strategy Paper 2016.

The under-spending in both recurrent and development budget for the FY 2015/16 additionally has implications on the base used to project expenditures in the FY 2016/17 and the medium term. Appropriate revisions have been undertaken in the context of this CBROP, taking into account the budget out-turn for 2016/17. The County Treasury will work closely with the implementing departments to improve resource absorption especially through the budget implementation committees and at the same time work out revenue targets with revenue generating departments to ensure that the revenues are collected as projected.

Table 3 below provides comparison between the updated fiscal projections in the CBROP 2016 and the County Fiscal Strategy Paper 2016, and the Approved estimates for the FY 2016/17 and in the medium term.

Table 3: Comparison of Fiscal projections

	2016-2017 Approved Estimates	**2016-2017 CFSP Ceilings**	**Deviations**
	(a)	**(b)**	**(a-b)**
Total revenues	**4,716,495,046**	**4,064,462,224**	**652,032,822**
Own revenue	160,021,113	202,530,690	**(42,509,577)**
Receipts from National Government	4,556,473,933	3,861,931,534	**694,542,399**
Total expenditure	**3,886,351,878**	**4,064,762,224**	**(178,410,346)**
County Assembly	467,089,372	265,678,673	**201,410,699**
County Executive	3,419,262,506	3,799,083,551	**(379,821,045)**

The Approved budget for FY 2016/17 incorporates an estimated revenue projection of Ksh. 160,021,113 compared to Ksh 202,530,690 in the initial 2016 CFSP projection. This is Ksh 42,509,577 deviation occasioned by previous year actual collection which was far below the target thus necessitated reduction in the approved revenue target.

The county shall continue to focus policies on the following priorities so as to enhance social service delivery and support growth of the economy:

● Maintaining a prudent fiscal stance and improving the quality and efficiency of public spending remains priorities to create fiscal space for well-targeted social programs and increasing infrastructure investment.

● investing in social welfare services and county infrastructure to improve competitiveness and unlock the county's potential.

● Enhancing efforts to mobilize local revenues.

● Strengthening capacity-building in public financial management to ensure that the high expectations linked to devolution are met.

● Entrenching program budget and enforce execution of the development budget as planned.

CHAPTER THREE

3 RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

3.2 Macroeconomic Outlook

The county's performance is largely dependent on the formulation and implementation of prudent policies to guide service delivery and the country's economic performance. Recent developments in the key macroeconomic variables are encouraging. Growth in real GDP remains resilient but downside risks remain. Overall inflation reduced to 5.3% in April 2016 from 7.1% in April 2015 due to lower food prices and reduced motoring expenses caused by low fuel prices. The lending rates in the country increased from 15.5% in February 2015 to 17.9% in February 2016 while deposit rates increased from 6.7% to 7.5% in the same period perhaps due to a move by Kenyan banks to maintain their interest spreads following the increase in the base lending rate by CBK by 300 basis points to 11.5% in July 2015. This has been attributed to lack of competitiveness in the banking sector and the high cost of financial intermediation. The Kenya Shilling depreciated against major world currencies between April 2015 and April 2016. This has been attributed to reduction in foreign currency denominated capital inflows, declining of tourism receipts and interventions by the CBK to smooth the foreign exchange market.

3.2.1 Growth Prospects

The Country's economy is projected to grow by 6% in 2016 and by an average of 6.1% between 2016 and 2020 supported by strong public investment in infrastructure, a dynamic services sector and favourable demographics.

Growth will be augmented by production in agriculture following receipt of adequate rains, value addition in agriculture, completion of key infrastructure projects (such as roads and energy), and other initiatives geared towards exports promotion.

Domestic demand is expected to be robust following increased investor confidence. Reduction in overall inflation to 5.3% in April 2016 from 7.1% in April 2015 due to lower food prices and reduced motoring expenses caused by low fuel prices. Stability in interest rates and exchange rates is expected to promote access to credit for private sector and boost investments and consumption to stimulate growth. Continued improvements and stability in the macroeconomic variables will ensure the county operates in a stable economic environment.

3.3 Implementation of 2016/2017 Budget

The departments have commenced the implementation of the FY 2016/17 Budget. Revenue collection for the FY 2016/17 is broadly on course and therefore we expect the outturn to be within the target. The Exchequer returns as at the 15th August 2016 shows that local revenue amounted to Ksh 20,558,928, while the receipts from the National Government were Ksh 282,307,782. Thus, the total local revenue collection was below target by Ksh 6.1 Million in the first two months of the year. The revenues are expected to improve with the enactment of relevant laws.

Total expenditure by August 2016 was Ksh 335,072,084. This is purely on recurrent expenditures. Development projects are yet to be implemented awaiting approval of supplementary budget. Higher absorption rates are expected in the coming months with the approval of supplementary budget and ease of pressures in liquidity.

Low absorption rates are as a result of delayed release of funds by the national government and challenges with revenue collections. The delays in release of funds often leads to disruption of the activities of county and compromises service delivery. At the same time, the bulk of the non-discretionary county expenditures like personnel emoluments are of recurrent nature and thus any delays in release of funds serves to delay development spending as these expenditures take precedence.

3.4 Medium Term Fiscal Framework

The county will continue to pursue prudent fiscal policy to ensure economic stability which support economic activities while allowing for implementation of programmes within sustainable public financial management.

With respect to revenue, the County Government hopes to improve revenue collections estimated to be Ksh 160,021,113 in the first and second half of 2016/2017 fiscal year. Measures to achieve this effort include enhanced compliance of finance bill with enhanced administrative measures and sealing of revenue leakages. The county will also widen the tax base and review all levies and charges in the proposed 2016 finance bill in order to simplify and modernize them.

The county Government will develop a comprehensive policy and legislative framework covering licensing, revenue sharing, taxation and sustainable use of the natural resources and tourism endowments. This will ensure that we derive maximum benefit from county parks, mining activities, sports tourism (training and paragliding) and heritage sites including conservancies, Rimoi game reserve among others

On the expenditure side, the County Government will continue with rationalization of expenditure and expediting of requisite procurement processes to improve efficiency and reduce wastage. Expenditure management will be strengthened with adoption of the Integrated Financial Management Information System (IFMIS) across the county level. Going forward, implementation pace in the spending units will be monitored. These will inform appropriate measures to be taken in the context of the next budget process.

3.5 Fiscal Risks to the Outlook

The macroeconomic management and performance of most of the sectors at the National level have a ripple effect on how some sectors in the county will perform. The risks to the outlook for 2016/17 and the medium-term include continued weak growth in advanced economies that will impact negatively on our exports and tourism activities. Further, geopolitical uncertainty

on the international oil market will slow down the productive sectors of the economy and may increase inflation.

The county revenue projections are subject to a number of general risks that can affect collections. These include resistance that may arise from County Finance Bill, 2016, tax evasion and avoidance, weak revenue administrative structures and significant fluctuations in major revenue sources due to changes in the economic environment. These challenges may result in a significant deviation from revenue projections and consequently lead to huge unfunded budget deficits.

Other fiscal risks also include potential natural disasters due to unfavorable weather conditions, crop failure due to maize lethal necrosis, terrorist threats causing decline in tourist arrivals and the uncertainties in the release of county funds. Such occurrences have in the past resulted in unexpected increases in expenses which disrupt the planned execution of the budget. Should these risks materialize; the County government in consultation with the National government will undertake appropriate measures to safeguard macroeconomic stability.

3.6 Summary of Sectoral Priorities

Development initiatives that will be implemented in the coming Fiscal Years are contained in the County Integrated Development Plan (CIDP) whose development proposals were identified by stakeholders through a consultative process. All the sectors in the county had priority development proposals identified. These proposals will drive budget process for the county in the respective sectors.

However, in striving to fill the resource gaps for the achievement of strategic priorities the county has put emphasis on mechanisms that encourages Public Private Partnerships (PPP) and donor cooperation and collaboration in the county's development approaches

CHAPTER FOUR

RESOURCE ALLOCATION FRAMEWORK

4.1 Adjustment to 2015/16 Budget

The fiscal framework underpinning the FY 2016/17 assumed a stable macroeconomic environment and continuation of the Government's policy of containing non-priority and unproductive expenditures within sustainable levels. In this regard, the county Government is committed to reducing the recurrent expenditures and devotion of more funds to development. Reforms in the expenditure management and revenue administration will be implemented to increase efficiency, reduce wastage and increase revenues collected and hence create fiscal space for spending on development programmes within the budget. With the tight fiscal position, departments must contain expenditures by adhering to the fiscal responsibilities outlined in the Public Finance Management Act, 2012 and giving priority to development spending.

As we consider making adjustments to the FY 2016/17 Budget, we need to contain additional/ supplementary funding to areas of emergency nature. The supplementary adjustments will generally be downwards to reflect the current scenarios in revenue performance by getting rid of one-off expenditures and expenditures in specific items that can be delayed without immediately harming the current programs.

Given the fiscal performance in FY 2015/16 and the updated macroeconomic outlook for 2016/17, there are some inherent risks to the FY 2016/17 budget framework. Expenditure pressures and in particular those of recurrent nature, pose a serious challenge. These risks will be monitored closely and appropriate measures taken in the context of the Supplementary Budget.

Challenges in revenue performance require the County Government to put up structures in place to seal leakages and widen the tax-base. Modalities to enhance collection of property rates and taxes will be explored and implemented to ensure that the budget is fully financed.

4.2 Medium-Term Expenditure Framework

As is the case for the Budget for FY 2016/17, the next budget will be based on the 2013-2018 third Medium Term Plan together with the Governments' strategic priorities. Relevant policies, strategies and projects have been incorporated into the Annual Development plan for 2017/18. The developed policy documents including the CIDP and ADP will guide resource allocation, going forward. The medium term budget framework for 2016/17- 2018/19 will ensure continuity in resource allocation based on prioritized programmes aligned to employment creation and poverty reduction. Consequently, the FY 2016/17 MTEF budget will focus on interventions to guide transformation of the County anchored on five strategic pillars enshrined in the CIDP and reiterated in the ADP. These strategic pillars are security, employment & agriculture, education, health, and urban planning.

Reflecting the above medium-term expenditure framework, Annex 3 & 4 provides the tentative projected baseline ceilings for the 2015/16 – 2018/19 MTEF period classified by departments.

4.3 2017/18 Budget Framework

The medium term fiscal framework for 2017/18 is set based on the fiscal framework outlined above and the macroeconomic environment of the National economy. Real GDP is projected to grow to reach 7 per cent over the medium term, underpinned by continued good performance across all sectors of the economy. Inflation is expected to be maintained within the target of 5 per cent, reflecting continued implementation of a prudent monetary policy and stable food and oil prices.

4.4 **Revenue projections**

The 2017/18 budget targets a revenue collection of Ksh 176, 023, 224. This reflects projected growth of 10% of the current approved local revenue target. As noted above, this performance will be underpinned by on-going reforms in revenue administration. As such, total revenues including receipts from the National Government are expected to be Ksh 4,282,829,851 in 2017/2018. These figures are indicative and will be firmed up by February 2017 in the CFSP as the macroeconomic variables take shape for a clearer projection of revenues. The CRA will have communicated the county revenue allocations.

4.5 Expenditure Forecasts

In 2017/18, overall expenditures are projected at Ksh 4,236,123,547, up from the estimated Ksh. 3,886,351,878 in the FY 2016/17 budget.

The recurrent expenditures are expected to increase from Ksh 2,613,823,737 in 2016/17 to Ksh 2,849,067,873 in the FY 2017/18 this is mainly due to increase in wage bill occasioned by annual employee salary increment and operationalization of sub county and ward administrative units.

The resources for development expenditures will increase in nominal terms to Ksh 1,387,055,674 in the FY 2017/18 from Ksh 1, 272,528,141 in 2016/17. Most of the outlays are expected to support critical county infrastructure as a part of shifting more resources to development as the county realigns to meet the fiscal responsibility requirements.

CHAPTER FIVE

5.1 CONCLUSION AND WAY FORWARD

The fiscal outcome for 2015/16 has had implication of the financial objectives elaborated in the last county fiscal strategy paper submitted to County Assembly in February 2016. Going forward, the set of policies outlined in this CBROP reflect the changed circumstances and are broadly in line with the fiscal responsibility principles outlined in the PFM law. They are also consistent with the national strategic objectives pursued by the Government as a basis of allocation of public resources.

The policies and provisional departmental ceilings annexed herewith will guide the county departments in preparation of the 2017/18 budget. These ceilings will be firmed up in the CFSP that will be finalized by November 2016. (See annex 2)

Adhere to the strict time lines of the budget calendar (see Annex 6).

ANNEXES

5.2Annex 1: County Government Operations 2014/15 - 2017/18

DEPARTMENT	RECURRENT 2014/15	DEVELOPMENT 2014/15	TOTALS 14/15	RECURRENT 2015/16	DEVELOPMENT 2015/16	TOTALS 15/16	RECURRENT 2016/17	DEVELOPMENT 2016/17	TOTALS 16/17	RECURRENT 2017/18	DEVELOPMENT 2017/18	TOTALS 17/18
OFFICE OF THE GOVERNOR	146,951,792	70,684,932	217,636,724	81,468,807	31,692,496	113,161,303	94,777,495	63,000,000	157,777,495	103,307,470	68,670,000	171,977,470
OFFICE OF THE DEPUTY GOVERNOR		-	-	-	-	-	-	-	-	-	-	-
ADMINISTRATION	66,791,057	-	66,791,057	23,352,343	-	23,352,343	29,618,531	-	29,618,531	32,284,199	-	32,284,199
COUNTY ASSEMBLY	328,372,997	55,193,265	383,566,262	426,069,363	44,964,113	471,033,476	467,089,372	-	467,089,372	509,127,415	-	509,127,415
FINANCE & ECONOMIC PLANNING	164,757,314	19,823,213	184,580,527	164,736,480	28,637,874	193,374,354	210,123,287	-	210,123,287	229,034,383	-	229,034,383
ROADS, PUBLIC WORKS & TRANSPORT	45,377,027	439,779,964	485,156,991	77,630,646	268,577,349	346,207,995	64,350,606	273,438,424	337,789,030	70,142,161	298,047,882	368,190,043
YOUTH, SPORTS, CULTURE, GENDER	27,603,325	97,107,415	124,710,740	25,430,485	120,385,846	145,816,331	19,299,110	75,461,421	94,760,531	21,036,030	82,252,949	103,288,979
EDUCATION	169,452,827	175,373,970	344,826,797	138,864,570	241,274,353	380,138,923	174,847,458	156,530,336	331,377,794	190,583,729	170,618,066	361,201,795
HEALTH SERVICES	918,454,411	209,507,473	1,127,961,884	1,088,525,205	201,634,519	1,290,159,724	1,107,297,130	263,252,958	1,370,550,088	1,206,953,872	286,945,724	1,493,899,596
WATER, LANDS, HOUSING, PHYSICAL PLANNING	17,531,094	63,200,860	80,731,954	66,586,942	261,464,816	328,051,758	74,422,613	189,974,356	264,396,969	81,120,648	207,072,048	288,192,696
WATER, IRRIGATION, & ENVIRONMENT	35,327,161	169,940,603	205,267,764	-	-	-	0	-	-	-	-	-
TRADE, TOURISM, CO-OPERATIVE DEVELOPMENT	27,754,094	56,405,090	84,159,184	47,747,087	55,993,164	103,740,251	54,554,311	79,091,275	133,645,586	59,464,199	86,209,490	145,673,689
AGRICULTURE	175,153,867	123,781,304	298,935,171	173,634,860	131,162,557	304,797,417	178,995,686	120,705,190	299,700,876	195,105,298	131,568,657	326,673,955
COUNTY PUBLIC SERVICE BOARD	42,472,677	-	42,472,677	34,095,934	-	34,095,934	34,121,876	1,500,000	35,621,876	37,192,845	1,635,000	38,827,845
I.C.T. & PUBLIC SERVICE	119,501,403	14,627,075	134,128,478	68,925,819	47,448,343	116,374,162	104,326,262	49,574,181	153,900,443	113,715,626	54,035,857	167,751,483
TOTALS	2,285,501,046	1,495,425,164	3,780,926,210	2,417,068,541	1,433,235,430	3,850,303,971	2,613,823,737	1,272,528,141	3,886,351,878	2,849,067,873	1,387,055,674	4,236,123,547

5.3Annex 2: Total Sector Ceilings for the MTEF Period 2015/16 - 2018/19

DEPARTMENT	2015/16	2016/17	2017/18	2018/19
OFFICE OF THE GOVERNOR/DEPUTY GOVERNOR	113,161,303	157,777,495	171,977,470	187,455,442
ADMINISTRATION	23,352,343	29,618,531	32,284,199	35,189,777
COUNTY ASSEMBLY	471,033,476	467,089,372	509,127,415	554,948,883
FINANCE & ECONOMIC PLANNING	193,374,354	210,123,287	229,034,383	249,647,477
ROADS, PUBLIC WORKS & TRANSPORT	346,207,995	337,789,030	368,190,043	401,327,147
YOUTH, SPORTS, CULTURE, GENDER	145,816,331	94,760,531	103,288,979	112,584,987
EDUCATION	380,138,923	331,377,794	361,201,795	393,709,957
HEALTH SERVICES	1,290,159,724	1,370,550,088	1,493,899,596	1,628,350,560
TRADE, TOURISM, CO-OPERATIVE DEVELOPMENT	103,740,251	133,645,586	145,673,689	158,784,321
WATER, IRRIGATION, & ENVIRONMENT	328,051,758	264,396,969	288,192,696	314,130,039
AGRICULTURE	304,797,417	299,700,876	326,673,955	356,074,611
COUNTY PUBLIC SERVICE BOARD	34,095,934	35,621,876	38,827,845	42,322,351
I.C.T. & PUBLIC SERVICE	116,374,162	153,900,443	167,751,483	182,849,116
TOTALS	**3,850,303,971**	**3,886,351,878**	**4,236,123,547**	**4,617,374,666**

5.4Annex 3: Recurrent Sector Ceilings for the MTEF Period 2015/16 - 2018/19

Department	Recurrent Estimates			
	2015/2016	2016/2017	2017/2018	2018/2019
Office of The Governor	81,468,807	94,777,495	103,307,470	112,605,142
Administration	23,352,343	29,618,531	32,284,199	35,189,777
County Assembly	426,069,363	467,089,372	509,127,415	554,948,883
Finance & Economic Planning	164,736,480	210,123,287	229,034,383	249,647,477
Roads, Public Works & Transport	77,630,646	64,350,606	70,142,161	76,454,955
Sports, Culture & Social Services	25,430,485	19,299,110	21,036,030	22,929,273
Education and Technical Training	138,864,570	174,847,458	190,583,729	207,736,265
Health Services	1,088,525,205	1,107,297,130	1,206,953,872	1,315,579,720
Water, Lands, Housing, and Physical Planning	66,586,942	74,422,613	81,120,648	88,421,507
Trade, Tourism, Co-op Development	47,747,087	54,554,311	59,464,199	64,815,977
Agriculture	173,634,860	178,995,686	195,105,298	212,664,775
ICT & Public Service	68,925,819	104,326,262	113,715,626	123,950,032
County Public Service Board	34,095,934	34,121,876	37,192,845	40,540,201
TOTAL	**2,417,068,541**	**2,613,823,737**	**2,849,067,873**	**3,105,483,982**

5.5Annex 4: Development Sector Ceilings for the MTEF Period 2015/16 - 2018/19

DEPARTMENT	ESTIMATES 2015/2016	ESTIMATES 2016/2017	PROJECTIONS 2017/2018	PROJECTIONS 2018/2019
Office of the Governor	31,692,496	63,000,000	**68,670,000**	**74,850,300**
Administration	-	-	**-**	**-**
County Assembly	44,964,113	-	**-**	**-**
Finance and Economic Planning	28,637,874	-	**-**	**-**
Public ,Works Roads and Transport	268,577,349	273,438,424	**298,047,882**	**324,872,192**
Youth Affairs, Sports ,Culture and Social services	120,385,846	75,461,421	**82,252,949**	**89,655,714**
Education and Technical Training.	241,274,353	156,530,336	**170,618,066**	**185,973,692**
Health Services	201,634,519	263,252,958	**286,945,724**	**312,770,839**
Water, Lands, Housing and Physical Planning	261,464,816	189,974,356	**207,072,048**	**225,708,532**
Trade Tourism Wildlife, Industrialization and Co-operative Development	55,993,164	79,091,275	**86,209,490**	**93,968,344**
Agriculture, Livestock and Fisheries Development	131,162,557	120,705,190	**131,568,657**	**143,409,836**
County Public Service Board	-	1,500,000	**1,635,000**	**1,782,150**
ICT and Public Service	47,448,343	49,574,181	**54,035,857**	**58,899,084**
Total	**1,433,235,430**	**1,272,528,141**	**1,387,055,674**	**1,511,890,684**
GRAND TOTALS	**3,850,303,971**	**3,886,351,878**	**4,236,123,547**	**4,617,374,666**

5.6Annex 5: Summary of Strategic Interventions for the MTEF Period 2014/15 - 2017/18

DEPARTMENT	AMOUNT	APPROVED 2015-16	APPROVED BUDGET ESTIMATES 2016/17	PROJECTED BUDGET ESTIMATES 2017/18	PROJECTED BUDGET ESTIMATES 2018/19
Office of the Governor	**TOTALS**	**113,161,303**	**157,777,495**	**171,977,470**	**187,455,442**
	Recurrent	81,468,807	94,777,495	**103,307,470**	**112,605,142**
	Development	31,692,496	63,000,000	**68,670,000**	**74,850,300**
	TOTAL	**23,352,343**	**29,618,531**	**32,284,199**	**35,189,777**
	Recurrent	23,352,343			
Administration	Development	-	-	-	-
County Assembly	**TOTAL**	**471,033,476**	**467,089,372**	**509,127,415**	**554,948,883**
	Recurrent	426,069,363	467,089,372	**509,127,415**	**554,948,883**
	Development	44,964,113	-	-	-
Finance and Economic Planning	**TOTAL**	**193,374,354**	**210,123,287**	**229,034,383**	**249,647,477**
	Recurrent	164,736,480	210,123,287	**229,034,383**	**249,647,477**
	Development	28,637,874		-	-
Roads, Public Works & Transport	**TOTAL**	**346,207,995**	**337,789,030**	**368,190,043**	**401,327,147**
	Recurrent	77,630,646	64,350,606	**70,142,161**	**76,454,955**
	Development	268,577,349	273,438,424	**298,047,882**	**324,872,192**
Sports, Culture & Social Services	**TOTAL**	**145,816,331**	**94,760,531**	**103,288,979**	**112,584,987**
	Recurrent	25,430,485	19,299,110	**21,036,030**	**22,929,273**
	Development	120,385,846	75,461,421	**82,252,949**	**89,655,714**
Education and Technical Training	**TOTAL**	**380,138,923**	**331,377,794**	**361,201,795**	**393,709,957**
	Recurrent	138,864,570	174,847,458	**190,583,729**	**207,736,265**
	Development	241,274,353	156,530,336	**170,618,066**	**185,973,692**
Health Services	**TOTAL**	**1,290,159,724**	**1,370,550,088**	**1,493,899,596**	**1,628,350,560**
	Recurrent	1,088,525,205	1,107,297,130	**1,206,953,872**	**1,315,579,720**
	Development	201,634,519	263,252,958	**286,945,724**	**312,770,839**

Water, Lands, Housing and Physical Planning	**TOTAL**	**328,051,758**	**264,396,969**	**288,192,696**	**314,130,039**
	Recurrent	66,586,942	74,422,613	**81,120,648**	**88,421,507**
	Development	261,464,816	189,974,356	**207,072,048**	**225,708,532**
Trade Tourism Wildlife, Industrialization and Co-operative Development	**TOTAL**	**103,740,251**	**133,645,586**	**145,673,689**	**158,784,321**
	Recurrent	47,747,087	54,554,311	**59,464,199**	**64,815,977**
	Development	55,993,164	79,091,275	**86,209,490**	**93,968,344**
Agriculture	**TOTAL**	**304,797,417**	**299,700,876**	**326,673,955**	**356,074,611**
	Recurrent	173,634,860	178,995,686	**195,105,298**	**212,664,775**
	Development	131,162,557	120,705,190	**131,568,657**	**143,409,836**
ICT & Public Service	**TOTAL**	**116,374,162**	**153,900,443**	**167,751,483**	**182,849,116**
	Recurrent	68,925,819	104,326,262	**113,715,626**	**123,950,032**
	Development	47,448,343	49,574,181	**54,035,857**	**58,899,084**
County Public Service Board	**TOTAL**	**34,095,934**	**35,621,876**	**38,827,845**	**42,322,351**
	Recurrent	34,095,934	34,121,876	**37,192,845**	**40,540,201**
	Development		1,500,000	**1,635,000**	**1,782,150**
GRAND TOTAL	**TOTAL**	**3,850,303,971**	**3,886,351,878**	**4,236,123,547**	**4,617,374,666**
	Recurrent	**2,417,068,541**	**2,613,823,737**	**2,849,067,873**	**3,105,483,982**
	Development	**1,433,235,430**	**1,272,528,141**	**1,387,055,674**	**1,511,890,684**

5.7Annex 6: BUDGET CALENDAR FOR THE FY 2015/16 MTEF BUDGET

In accordance with Article 221 of the Constitution and the relevant sections of the Public Finance Management Act (PFM), 2012, there are budget timelines and accompanying outputs that must be complied with. The budget calendar is enumerated in the table below;

No.	TIMELINE	BUDGET ACTIVITY
1.	30th August 2016	County Executive Committee member for Finance issues **budget circular** to all county entities. **S.128 of PFM Act, 2012** The circular contains limits (ceilings) of each department/entity as recommended, key policy areas and issues to be taken into consideration when preparing the budgets
2.	1st September 2016	County Executive Member for Planning will submit **Annual Development Plan** (ADP) to County Assembly for approval, with copy to the CRA and National Treasury as per s.126(3) **of PFM Act, 2012** The ADP contains long term and medium term plans as per **s.125(1)(a) of PFM Act, 2012**
3.	15th September 2016	**County Budget Review and Outlook Paper** (CBROP) will be prepared by county treasury and submitted to the county executive committee. CBROP will cover: (a) Details of actual fiscal performance in the previous year compared to the budget appropriation (b) Updated fiscal and economic forecasts (c) Changes in forecasts from the county fiscal strategy paper (d) How actual fiscal performance affected compliance with fiscal responsibility principles and Budget Policy Statement. **s.118(1) -(2) of PFM Act, 2012** County Executive committee will consider and approve CBROP with or without amendments **s.118(3) of PFM Act, 2012 and Treasury circular on preparation of budget for 2017/18 FY**

		County Treasury causes CBROP to be laid before county assembly. **s.118(4)(a) of PFM Act, 2012**
4.	By 15th October 2016	CBROP will be published and publicized **s.118(4)(b) of PFM Act, 2012 and Treasury circular on preparation of budget for 2017/18 FY**
5.	31st November 2016	County Treasury will prepare and submit **County Fiscal Strategy Paper** (CFSP) to the County Assembly. The CFSP must be aligned to national objectives in the Budget Policy Statement **s. 117(1) & (2) of PFM Act, 2012 and Treasury circular on preparation of budget for 2017/18 FY** In preparing the **CFSP**, the County Treasury will seek the views of the CRA, the public, interested persons or groups and any forum that is established by legislation. **s.117(4) of PFM Act, 2012 and Treasury circular on preparation of budget for 2017/18 FY** County Treasury will submit the CFSP to the county executive committee for approval before submission to the County Assembly **s. 117(1) of PFM Act, 2012 and Treasury circular on preparation of budget for 2017/18 FY**
6.	14th December 2016	County Treasury will submit **County Debt Management Strategy** to County Assembly. **s.123(1) of PFM Act, 2012 and Treasury circular on preparation of budget for 2017/18 FY** County Executive Member for Finance will submit copy of County Debt Management Strategy to CRA and Intergovernmental Budget and Economic Council. **s.123(3) of PFM Act, 2012**
7.	14th December, 2016	Within 14 days of the County Fiscal Strategy being submitted to the county assembly, the county assembly shall consider and adopt it with or without amendments. **s.117(6) of PFM Act, 2012 and National Treasury circular on preparation of budget for 2017/18 FY**

8.	21st December, 2016	County Fiscal Strategy Paper to be published and publicized. **s.117(8) of PFM Act, 2012 and National Treasury circular on preparation of budget for 2017/18 FY**
9.	30th April	County CEC Finance will submit **budget estimates** to county assembly. This Must be in line with resolutions of the Assembly on the County Fiscal Strategy Paper. **s. 129(2) of PFM Act, 2012**
10.	31st January 2017	County Assembly clerk will submit **Budget Estimates for County Assembly** with a copy to the CEC Finance **s.129(3) of PFM Act, 2012 and National Treasury circular on preparation of budget for 2017/18 FY**
11.	15th February 2017	CEC Finance will publish and publicize Budget Estimates. **s.129(6) of PFM Act, 2012 and National Treasury circular on preparation of budget for 2017/18 FY**
12.	15th February 2017	CEC Finance will present **comments on the budget estimates to the county assembly** **s.129(4) of PFM Act, 2012**
13.	Before County Assembly considers the estimates	Before County Assembly considers the estimates the relevant committee of the County Assembly shall meet and consider the estimates and make **recommendations** to the County Assembly, but should take into account the views of the CEC Finance. **s.131(2) of PFM Act, 2012**
14.	31st March 2017	County assembly will consider estimates with a view to approving with or without amendments in time for the **county appropriation law** to be passed by 30th June. **s.131 s.131(2) of PFM Act, 2012 and National Treasury circular on preparation of budget for 2017/18 FY**
15.	31st March 2017	County Assembly may amend estimates only if a) any proposed increase is balanced with reduction in another appropriation and b) any proposed reduction is used to reduce the deficit. **s.131(3) of PFM Act, 2012**
16.	31st March 2017	After county assembly has approved estimates, CEC for finance shall prepare and submit a

		County Appropriation Bill to the county assembly. **s.129(7) of PFM Act, 2012 and National Treasury circular on preparation of budget for 2017/18 FY**
17.	15th March 2017	County government must submit annual **cash flow projection** to the Controller of Budget. **s.127(1) of PFM Act, 2012 and National Treasury circular on preparation of budget for 2017/18 FY**
18.	31st March 2017	Appropriation Bill will be passed by the County Assembly **s.131(1) of PFM Act, 2012**
19.	As soon as the Budget Estimates have been approved	CEC Finance will make a pronouncement on **revenue raising measures**. **s.132(1) of PFM Act, 2012** At the same time as making the pronouncement under s.132(1) the CEC Finance must submit the **Finance Bill** to the county assembly. **s.132(2) s.131(1) of PFM Act, 2012**
20.	As soon as the Budget Estimates have been approved	County Assembly may consider the revenue measures but must (a) ensure the total amount of revenue is consistent with the fiscal framework and the County Allocation of Revenue Act, and (b) must take into account various matters including the recommendation of the CEC Finance. **s.132(3) & (4) of PFM Act, 2012**
21.	Not later than 90 days after Appropriation Act passed	County Assembly must consider the Finance Bill and approve with or without amendments. **s.133 of PFM Act, 2012**