NYAMIRA COUNTY GOVERNMENT

COUNTY TREASURY

BUDGET REVIEW AND OUTLOOK PAPER

2015-2016

SEPTEMBER 2015

FOREWORD

This is the second generation of the County Budget Review and Outlook Paper (CBROP) by Nyamira County Government, NCG. The document has been prepared in line with the Public Finance Management Act (PFMA) 2012 section 118.

In this paper, the fiscal performance for the last financial year 2014/15 against the Budget appropriation for that year is presented. It also analyses how the actual performance may have affected compliance with the fiscal responsibility principles.

The updated macroeconomic outlook therein also provides us with a reason for any deviation from the financial objectives in the County Fiscal Strategy Paper together with the proposals to address the deviations and the time estimated for doing so.

In the previous financial year, the Nyamira County Finance Bill was effected which led to an increase in local revenue collected. We closed the financial year satisfactorily, despite the teething problems and challenges faced in the process of implementing the 2014/2015 budget.

Going forward, we will continue to control spending on recurrent expenditure to achieve the 40 percent target for the county while at the same time improve efficiency in revenue collection. We will also ensure there is transparency and accountability by relaying our performance indicators to the public as well as publicizing other publications as required by the Constitution and the Public Finance Management Act, 2012.

Reuben Sinange
County Executive Committee Member- Finance and Planning

ACKNOWLEDGEMENT

This CBROP was prepared by the County Planning Unit, County Treasury, Revenue and other sectors who gave much needed support that informed the preparation of this document. It was made successful by contributions of various participants, whom should be highly recognized and appreciated for their efforts. The county treasury enabled development of the CBROP through provision of relevant information and statistics, which aided in financial analysis in the various chapters.

The county planning unit provided technical expertise in compilation of the document, with support from the various departments which provided the needed information timely. During the preparation process, the county economic and budget forum members contributed immensely and their efforts are hereby appreciated.

In particular, I wish to appreciate the County Executive Committee member for finance and planning, Mr. Reuben Sinange for playing a supervisory role through initiation and facilitation of the process. Other members who require special appreciation include the county economists Mr. Paul Onyango, Mr. Simon Mungai, Mr. Nicodemus Mutinda, Mr. Nathan Onduma, Miss Grace Obwangi and Ruth Kimori for their efforts.

Jackline Kemunto Momanyi,
County Chief Officer – Finance and Planning

LIST OF ACRONYMS AND ABBREVIATIONS

CBROP	County Budget Review and Outlook Paper
CFSP	County Fiscal Strategy Paper
CGN	County Government of Nyamira
CIDP	County Integrated Development Plan
GDP	Gross Domestic Product
IFMIS	Integrated Financial Management and Information System
KNBS	Kenya National Bureau of Statistics
KTDA	Kenya Tea Development Authority
MTEF	Medium Term Expenditure Framework
PFM	Public Finance Management
SWGs	Sector Working Group
USA	United States of America

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CHAPTER ONE

I.0 INTRODUCTION

I. 1 Background

Nyamira County is one of the 47 counties of the Republic of Kenya as provided in the new constitution that was promulgated on 27th August 2010. The County borders Homabay County to the North, Kisii County to the West, Bomet County to the South East and Kericho County to the East. The County covers an area of 899.4km^2. The county lies between latitude 00 30‘and 00 45‘South and between longitude 340 45‘and 350 00‘East. The County head quarter is in Nyamira town. The County is divided into five sub-counties namely: Nyamira North, Nyamira South, Masaba North, Borabu, and Manga. The County has four constituencies namely; West Mugirango, Kitutu Masaba, North mugirango and Borabu, and a total of twenty county assembly wards.

Nyamira County had a population of 598,252 persons of which 284,048 were males and 314,204 were females according to the 2009 housing and population census report. The population is expected to increase to 667,716 persons in the year 2015 of which 320, 377 will be male and 347,338 will be female. The county inter census population growth rate is estimated at 1.83 percent. The settlement pattern in the County is greatly influenced by the rainfall patterns, topography, infrastructural development, proximity to urban centers, the availability of natural resources and security. However, majority of the County populace is in the rural areas. The County is endowed with many resources, but has been a low producer of goods and services, hence lacking value addition, a situation that has contributed to very low prices for these goods and services.

The CBROP will be a key document in linking policy, planning and budgeting. The County Integrated Development Plan (CIDP) and the Medium Term Expenditure Framework (MTEF) will guide budgetary preparation and programming. The formation of the Sector Working Groups (SWGs) by the Executive Committee has enabled the County Treasury to formulate guidelines for the Medium Term Expenditure Framework (MTEF) focusing on developing of new programs for the next MTEF Period 2015/16–2017/18.

1.2 Objective of the CBROP

The main objective of the CBROP is to carry out a review of the previous fiscal performance in the county and its impact on the financial objectives and fiscal responsibility principles as set out in section 107 of the Public Finance Management Act 2012.

The CBROP provides linkage between policy, planning and budgeting. The County Government prepared its first County Integrated Development Plan (CIDP) for 2013-2017 and the departmental strategic plans. These give programmes to be delivered with details for each program of the strategic priorities to which the program will contribute; the services or goods to be provided; measurable indicators of performance where feasible; and the budget allocated to the program. The two documents are anchored on the Kenya Vision 2030 and guides budgetary preparation and programming from 2013 onwards.

The PFM Act 2012 has set high standards for compliance with the MTEF budgeting process. Therefore, it is expected that the sector ceilings for the 2015/2016-2017/2018 MTEF period will be modified because of the expanded mandate of some sectors, the need to comply with instructions issued by the office of the Controller of Budget and Commission on Revenue Allocation among others and the need to direct resources to the County Strategic priority areas.

1.3 The structure of CBROP

The CBROP has five chapters. Chapter one includes introduction and objectives of CBROP. Chapter two provides a review of the fiscal performance in FY 2014/2015 and its implications on the financial objectives as set out in the CIDP. This is followed by brief highlights of the recent economic development and updated macroeconomic outlook in chapter three. Chapter four provides the resources allocation framework while chapter five concludes.

CHAPTER TWO

2.0 REVIEW OF FISCAL PERFORMANCE IN 2014/2015

2.1 Overview

The fiscal performance in 2014/15 was generally satisfactory, despite the challenges of not realizing the projected revenues and mounting expenditure pressures. The County Government anticipated collecting Kshs. 219,053,556 in FY 2014/2015 from local sources, but only Kshs. 104,206,184 was actualized as budgeted for. However, Ksh. 97,996,525 was received by the health department under Facility Improvement Fund (FIF) which was not budgeted for under the local revenue target. The total local revenue received was therefore Ksh. 202,202,709.

On the expenditure side, the County Government spend highly on personal emoluments attributed to by the large workforce seconded from the national government, former local authority and county government employees. Majority of all these employees did not have clear job descriptions, leading to increased wage bill, maintenance costs and hence budgetary constraints.

In addition, delayed release of funds from the National Government to County Government was another challenge in the implementation of the planned projects and programmes in all sectors. Thus several projects could not be completed at the end of the planning period.

2.2 Fiscal Performance for 2014/15 Financial Year

2.2.1 Revenue

Table 1 presents the revenue analysis for the FY 2014/15 as realized from local sources, equitable share from the national government, unreleased balances for the 2013/2014 FY and conditional grants.

Table 1: Revenue Analysis for 2014/15

Revenue Source	2014/2015		Deviation	% Deviation
	Budget(KShs.)	Actual (KShs.)	(Actual less Budget)	
Equitable share	3,662,608,997	3,662,608,997	0	0
Revenue from local sources	219,053,556	202,202,709	-16,850,847	-7.69
Unspent balances for FY 2013/2014	823,285,658	653,028,537	-170,257,121	-20.68
Conditional grants e.g.	21,540,000	21,540,000	0	0.00

DANIDA				
Total	**4,726,488,211**	**4,539,380,243**	**-187,107,968**	**-4**

Revenue collected from budgeted local sources amounted to Kshs. 104,206,184 against the target of Ksh. 219,053,556 reflecting an under collection of Ksh. 114,847,372 (52.4 per cent shortfall). However, we received Ksh. 97,996,525 under Facility Improvement Fund (FIF) which was not in the local revenue target. Thus the total local revenue was Kshs. 202,202,709. The county intends to collect this anomaly by revenue automation to seal revenue leakages.

The unreleased balances from 2013/2014 totaled to ksh.823, 285,658 of which an amount of Ksh. 658,028,537 were received from the exchequer. The total amount of ksh170, 257,121 was an over estimation on the projected opening balances and this should have been revised downwards.

Total actual Exchequer releases from National Government were Kshs. 3,662,608,997 as budgeted for.

Table 2 below presents total Exchequer releases from the National Government.

Table 2: Recurrent and Development Exchequer releases for the FY 2014/2015

DATE OF RELEASE	RECURRENT	DEVELOPMENT	TOTAL
	(KShs.)	(KShs.)	(KShs.)
24.07.2014	278,837,829	-	278,837,829
03.09.2014	93,615,000	-	93,615,000
05.09.2014	-	215,167,000	215,167,000
30.09.2014	260,962,000	-	260,962,000
01.10.2014	-	166,822,912	166,822,912
21.10.2014	124,000,000	-	124,000,000
31.10.2014	180,000,000	130,677,002	310,677,002
05.12.2014	196,494,000		196,494,000
23.12.2014	202,757,000		202,757,000
09.01.2015		10,770,000	10,770,000
13.01.2015	20,125,974		20,125,974
14.01.2015		100,334,912	100,334,912
30.01.2015		120,475,368	120,475,368
04.02.2015	130,800,000		130,800,000
13.02.2015	95,000,000		95,000,000
06.03.2015	220,000,000	80,000,000	300,000,000
20.03.2015	53,000,000		53,000,000

02.04.2015	158,000,000		158,000,000
09.04.2015		10,770,000	10,770,000
05.05.2015	180,000,000	100,000,000	280,000,000
29.05.2015	180,000,000	52,000,000	232,000,000
12.06.2015	190,000,000		190,000,000
23.06.2015		70,000,000	70,000,000
26.06.2015	42,000,000		42,000,000
TOTALS	**2,605,591,803**	**1,057,017,194**	**3,662,608,997**

During the period under review, the actual revenue from local sources collection did not match the set out targets. The deviations between the targets and actual collections are illustrated in table 3 below.

Table 3: Revenue Outturns for FY 2014/15

Revenue Source	Target (Kshs)	Actual (Kshs)	Deviation (Kshs)	Deviation %
Market Dues	40,297,703	11,082,090	-29,215,613	-72.5
Matatu Parking	33,982,965	13,021,860	-20,961,105	-61.7
Private Parking	1,247,350	1,279,560	32,210	2.6
Agriculture Cess/Toll Fee	18,706,920	2,205,110	-16,501,810	-88.2
Motor Bike Stickers	6,173,784	4,048,960	-2,124,824	-34.4
Cattle Movement charges	1,086,819	0	-1,086,819	-100.0
Cattle fees	1,736,068	1,530,560	-205,508	-11.8
Slaughter charges	441,218	123,080	-318,138	-72.1
Isolated Plot rent	803,700	1,813,255	1,009,555	125.6
Plot Rent	1,182,026	2,053,385	871,359	73.7
Shop Rent	3,113,940	383,060	-2,730,880	-87.7
Market Stall Rent	1,459,713	1,039,950	-419,763	-28.8
Advertisement charges	1,050,039	1,429,365	379,326	36.1
Single Business Permit (S.B.P)	43,246,506	27,330,010	-15,916,496	-36.8

S.B.P Application fees	6,434,750	2,265,590	-4,169,160	-64.8
School Registration fees	1,776,440	30,000	-1,746,440	-98.3
Development application fees	1,491,766	0	-1,491,766	-100.0
Building Plan application fees	2,463,428	2,360,005	-103,423	-4.2
Structural Approval fees	912,027	0	-912,027	-100.0
Tender fees	729,619	708,500	-21,119	-2.9
Storage charges	216,600	14,510	-202,090	-93.3
Kiosk fees	189,525	193,010	3,485	1.8
Impounding Charges	252,261	454,670	202,409	80.2
Land application fees	274,968	3,916	-271,052	-98.6
Land Rates	3,527,922	17,995,599	14,467,677	410.1
Administration Charges	323,631	219,550	-104,081	-32.2
Survey fees	125,286	6,000	-119,286	-95.2
Land Control Board fees	787,890	0	-787,890	-100.0
Change of User	58,235	5,000	-53,235	-91.4
Land Transfer Charges	82,460	6,000	-76,460	-92.7
Weights and Measures	295,203	444,920	149,717	50.7
Physical Planning	1,093,840	299,920	-793,920	-72.6
Public Health Services	36,855,362	8,722,887	-28,132,475	-76.3
Veterinary Services	6,633,592	1,083,785	-5,549,807	-83.7
Matatu reg. fee	0	66,790	66,790	
Matatu stickers	0	1,136,130	1,136,130	
Club registration	0	73,500	73,500	
Land fees	0	32,000	32,000	
Minute extract	0	4,000	4,000	
Cess – coffee	0	24,157	24,157	
Surrender fees	0	3,000	3,000	

Miscellaneous	0	572,550	572,550	
Hall hire	0	9,000	9,000	
Others	0	40,400	40,400	
Water, san and irrigation	0	90,550	90,550	
FIF funds		97,996,525		
TOTAL	**219,053,556**	**202,202,709**	**-16,850,847**	**-7.7**

In the table above, The County Government was not able to collect targeted revenue in the FY 2014/15 because of administrative challenges in revenue mobilization. Key factors behind the revenue shortfall include leakages as result of inadequate enforcement and compliant mechanisms and low revenue base.

2.3 Recurrent & Development Expenditures

The table below represents recurrent expenditure analysis for the period under review.

Table 4: Recurrent Expenditure Analysis FY 2014/15

Sector	Target (Kshs)	Payments (Kshs)	Commitments	Actual expenditure	Deviation	% Deviation
County Assembly	250,085,650	250,085,650	-	250,085,650	0	0
Administration and Public Service	696,577,720	658,245,953	-	658,245,953	38,331,767	6
Finance and Economic Planning	96,391,517	77,203,023	-	77,203,023	19,188,494	20
Agriculture, Livestock and Fisheries	161,838,928	135,729,569	-	135,729,569	26,109,359	16
Environment, Energy, Natural Resources and Mining	27,373,638	19,144,794	-	19,144,794	8,228,844	30
Education and ICT	162,070,000	103,256,352		103,256,352	58,813,648	36
Health Services	1,053,212,523	939,008,759		939,008,759	114,203,764	11
Lands, Housing and	44,362,322	27,380,497		27,380,497	16,981,825	38

Physical Planning						
Water, Sanitation and Irrigation	67,787,806	56,637,871		56,637,871	11,149,935	16
Roads, Transport and Public Works	46,991,436	25,470,128		25,470,128	21,521,308	46
Trade, Tourism, Industrialization and Cooperative Development	53,673,998	40,570,534		40,570,534	13,103,464	24
Youths, Sports, Gender, Culture and Social Services	58,987,296	49,479,337		49,479,337	9,507,959	16
Total	2,719,352,834	2,382,212,467	-	2,382,212,467	337,140,367	12

During the period under review, the recurrent expenditure for the County Government was Ksh. **2,382,212,467** against a target of Ksh. **2,719,352,834** representing an under spending of Ksh. 337,140,367 (12%).

The table below represent development expenditure in the period under review.

Table 5: Development Expenditure Analysis FY 2014/15

Sector	Target (Kshs)	Payments (Kshs)	Commitments	Actual expenditure	Deviation	% Deviation
County Assembly	107,224,000	107,224,000	-	107,224,000	-	-
Administration and Public Service	190,000,000	157,150,380	-	157,150,380	32,849,620	18
Finance and	18,092,000	18,092,000	-	18,092,000	0	0

Economic Planning						
Agriculture, Livestock and Fisheries	74,006,005	63,227,701	-	63,227,701	10,778,304	15
Environment, Energy, Natural Resources and Mining	71,769,570	61,414,250	-	61,414,250	10,355,320	14
Education and ICT	117,757,445	52,613,349	-	52,613,349	65,144,096	55
Health Services	345,062,113	204,065,820	-	204,065,820	140,996,293	41
Lands, Housing and Physical Planning	32,170,000	29,242,695	-	29,242,695	2,927,305	9
Water, Sanitation and Irrigation	184,642,265	104,589,686	-	104,589,686	80,052,579	43
Roads, Transport and Public Works	667,010,352	477,236,178	-	477,236,178	189,774,174	28
Trade, Tourism, Industrialization and Cooperative Development	114,652,368	94,303,576	-	94,303,576	20,348,792	18
Youths, Sports, Gender, Culture and Social Services	36,527,324	4,923,380	-	4,923,380	31,603,944	87
Total	**1,958,913,442**	**1,374,083,015**	**-**	**1,374,083,015**	**584,830,427**	**30**

During the period under review, development expenditure incurred amounted to Ksh. 1,374,083,015 compared to a target of Ksh, 1,958,913,442. This represented an under absorption of Ksh. 584,830,427 (30%).

CHAPTER THREE

3.0 RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

The macroeconomic environment of our County operated under a relatively stable environment similar to that of our country although downside risks still remain.

3.1 RECENT ECONOMIC DEVELOPMENTS

The prospects for the Kenyan economy remain bright. According to Central Bank of Kenya Monthly Economic Review, The economy grew by 5.3 percent in 2014 compared with growth of 5.7 percent registered in 2013. Quarterly growth estimates indicate that the economy, which slowed in the last half of 2013 gained some momentum particularly after the first quarter of 2014. The economy grew by 4.8 percent in the first quarter, 6.1 percent in the second quarter, 5.4 percent in the third quarter and 5.1 percent in the fourth quarter of 2014 compared with growth of 6.0 percent, 7.0 percent, 6.8 percent and 3.0 percent in comparable quarters of 2013. Growth in 2014 was largely supported by improved performance in construction; transport and storage; education; financial and insurance activities; real estate; and information and communication. In the first quarter of 2015, the economy expanded by 4.9 percent compared with 4.7 percent in the first quarter of 2014, and most sectors of the economy recorded positive Real GDP Growth.

The overall 12-month inflation declined from 7.1 percent in April 2015 to 6.9 percent in May 2015 largely reflecting a decline in fuel and food inflation. The decline in inflation was mainly driven by a significant drop in oil prices during the review period. Increased generation of geothermal electricity coupled with a reduction in thermal generation also contributed to lower cost of electricity during the review period. The decrease in oil prices also contributed to lower costs of electricity and transport services which had a direct impact on the county economy. This momentum of growth is expected to be sustained by a stable macroeconomic environment, continued investment in infrastructure, improved business environment, exports and regional integration.

However, increased prices of vegetables and some key food products, in the first two months of the year, worked against the cost of living and led to a moderate level of inflation during the quarter. All these economic developments at the national level have implications on the development at the county. This is because they affect and determine how the county's strategic priorities are implemented.

3.2 Medium Term Fiscal Framework

According to the KNBS first quarter report of 2015, the agriculture, forestry and fishing sector expanded by 4.4 per cent during the quarter under review compared to 2.2 per cent in 2014 first quarter. This growth was reflected in the increased use of agricultural inputs during the quarter. Increased demand for fertilizer, a key input for agriculture sector, was the most notable as reflected by its import which grew by 18.4 per cent from 224.6 thousand metric tonnes in first quarter 2014 to 265.9 thousand metric tonnes during the first quarter 2015. During the review quarter, tea production and coffee sales declined by 27.2 per cent and 8.6 per cent, respectively. The fall in tea production is attributed to inadequate rains and frost that was reported in some tea zones. However, export of tea increased by 7.2 per cent to 117.8 thousand metric tonnes during the first quarter of 2015 compared with the same quarter of 2014. Tea and coffee generated an estimated value of KSh 31.3 billion from exports during the review quarter compared to KSh 27.7 billion during the same period in 2014. The high tea prices that prevailed led to high export earnings during the first quarter of 2015 driven by increased demand and low global production of the crop. This has been reflected in the release of this year's tea bonus released this month by KTDA mostly boosted by the depreciating local currency against the US dollar. Inflows from secondary income expanded by 14.2 per cent from KSh 76.0 billion during the first quarter of 2014 to KSh 86.8 billion in the first quarter of 2015. During the quarter under review, diaspora remittances increased by 13.2 per cent to stand at KSh 33.3 billion and this had a great bearing on the Nyamira County considering the large number of Nyamira residents in the diaspora who remits money regularly to their kin back home.

The global economy has an impact on the County economy and this need to be taken into consideration when developing county‘s economic policies. The performance of the economies of Kenya‘s trading partners affects the county economy directly through demand for goods and services produced in the county and indirectly through increased investments in the national economy. The growth of major trading partners may also positively affect the county economy if that affords them to invest directly in the county. Europe, USA, Middle East and Egypt are the major consumers of some of the products produced in the county, mainly tea and coffee. The price of tea in the global market has been falling despite increasing production which has affected the county economy. On the other hand, coffee production has declined greatly due to mismanagement of cooperatives. Improvement in the global economy will therefore increase demand for exports originating from the county.

Review of the global and national economic performance indicates good prospects for growth which bode well for the county as demand for its products is likely to rise. The global economy is expected to grow by 3.8 percent, 5.75 percent in Sub-Saharan Africa while the National economy is expected to grow by 6.9 percent in 2015. The County Government is in the process of developing its own statistical abstract. However, the county can only benefit from these prospects if its products are competitive. Growth of the national economy is directly linked to the counties. An expanding national economy will lead to higher revenues and ultimately higher allocations to the county governments to finance development and provision of social services. Higher growth also raises household disposable incomes thus generally raising demand for goods and services.

The falling prices of crude oil will positively affect the county economy due to reduction of production costs in the tea and coffee industries thus making products more competitive in the international market. Further, the reduction in crude oil prices will lead to reduced transportation costs and through the multiplier effect, enhance the purchasing power of the county residents and their general well-being.

At the County level, the CGN shall continue to ensure prudent macroeconomic stability within sustainable public finances by providing support to economic activities and allowing for the full implementation of the devolved systems of government by ensuring that sectors receive adequate resources to fund their functions.

On the Revenue front, the County Government will expand the revenue base through increased efficiency in tax collection and the sealing of leakages in our revenue collection system, simplification and modernization of revenue collection measures in line with international best practices and improving on enforcement and compliance with enhanced administrative measures.

On the expenditure side, the County Government will continue with optimization of expenditures to improve efficiency and increase absorption. Expenditure management will be enhanced within the Integrated Financial Management Information System (IFMIS) platform which is up and running.

The County Human Resource Management directorate is in the process of complying with recent policy changes on staff allowances increment as indicated in the circular NO. SRC/ADM/CIR/1/13VOL. 111 (126) dated 19th December, 2014 of the Salaries and Remuneration Commission.

3.3 Risks to the Outlook

National Level	**County Level**
➢ Weakening of the local currency against the US dollar that will make our imports costly hence raising the cost of goods and services; ➢ Public expenditure pressures, especially recurrent expenditures, pose a fiscal risk. Wage pressures and implementation of the new Constitution and the devolved government may limit continued funding for development expenditure; ➢ The high current account deficit will continue to pose a risk and vulnerability to Kenya's macroeconomic stability. Kenya's large and persistent current account deficit of over 10 percent of GDP in the last three years raises a major concern for sustained economic growth. ➢ The expected oncoming of El nino	➢ Weakening of the local currency against the US dollar will make our agricultural inputs costly hence reduced earnings to the farmers; ➢ Wage pressure from staff inherited from local authorities and pending bills and debt from unpaid salary arrears from the defunct local authorities. These will continue to limit funding for development in the next MTEF budgets; ➢ The high current account deficit at the National level will be felt at the County government by the way it affects the equitable share and the delays in exchequer releases to the Counties; ➢ The expected oncoming of El nino

rains which will put a strain on the existing infrastructure hence diverting funds to their rehabilitation.	rains which will put a strain on the existing infrastructure thereby leading to wastage and raising the cost of transporting agricultural goods.

Should the above risks materialize and more so El nino, the County Government in consultation with the National government will undertake appropriate measures by putting in place a reserve fund for infrastructural rehabilitation and safeguard macroeconomic stability.

CHAPTER FOUR

4.0 RESOURCE ALLOCATION FRAMEWORK

4.1 Adjustment to 2014/2015 Budget

First and foremost, any budgetary adjustments ought to consider county resource availability through revenue collection and exchequer allocations. The process of revenue collection will be empowered through ensuring timely development of legislations that affect revenue collection as well as its enhancement and enforcement. In the concluded financial year 2014/2015, the revenue target for the county was not met because of loopholes in revenue collection as well as poor legislation and enforcement. This would be avoided in the current financial year (2015/2016) so as to ensure optimal revenue collection. Plans are underway to automate the revenue collection system as a bid to seal revenue leakages. An enforcement unit has been set to make sure compliance to revenue submission is actualized. In the mean time, the finance bill 2015/2016 is being generated and its completion and approval will spur revenue collection.

Also, 2014/2015 was faced with high recurrent expenditure going to salaries and remunerations, threatening allocations to the development expenditure. Any adjustment to the 2015/16 budget emanating from harmonization of salaries or staff rationalization in the county shall be legal and as advised by the salaries and remuneration commission of Kenya. The county also appreciates the concluded capacity assessment and rationalization of the public service exercise, conducted by the Ministry of Devolution and Planning. Adjustments to the budget emerging from this exercise will be as advised by the Ministry of Devolution and Planning through the entity carrying out the assessment exercise.

In adjusting the 2015/2016 budget, comparison between the targeted and actual expenditure performance in 2014/2015 financial year per sector will be taken into consideration, as it will establish the real funds absorption capacity of the various departments. In adjudicating this process, budgetary allocations will be based on the departmental capacity of utilization.

Further, adjustment to the budget will be guided by the County Integrated Development Plan (CIDP), annual development plan 2015/2016 and strategic plans, as this will ensure that the expenditure rationalization process (prioritization and reprioritization) is aligned to the development agenda of the county. Rationalization of expenditure will be guided by the actual/availed exchequer disbursements, local revenue collection, revised timeframes for implementation of programmes and emerging issues/concerns. However, county strategic priority areas such as flagship programmes and projects would always have higher allocation of resources.

During adjustments, legal apportionment between the recurrent and development expenditures will always be taken into consideration as spelt out in the PFM Act 2012. According to the provisions of the PFM Act Section 107(2) (a), it is stated that, "*the county government's recurrent expenditure shall not exceed the county government's total revenue*". In section 107(2) (b), it is added that, "*over the medium term a minimum of thirty percent of the county government's budget shall be allocated to the development expenditure*". Reference to the legal framework will ensure compliance to all statutory requirements in handling of public funds.

4.2 Medium-Term Expenditure Framework

In expediting the medium-term expenditure framework, county priorities will prevail in resource allocation against other allocations and more so the development projects and programs. Rationalized expenditure will ensure that there is no wastage of resources and hence improve on efficiency. Prudent expenditure management will be realized through utilization of the Integrated Financial Management Information System (IFMIS) which has already been operationalized in the county treasury. Spending will also be controlled by already generated documents such as cash flow projection plans, procurement plans and annual development plans. In this case, CBROP will link expenditure to the planned activities. The county treasury will ensure that budget and planning relate as expected, with support from other institutions such as office of the controller of budget, the commission on revenue allocation and the county assembly.

To achieve development for all, the county expenditure flows into eight sectors as indicated below;

Table 6: Sector Working Groups

No.	**AREAS TO BE ADDRESSED IN THE CORE FUNCTIONS OF THE COUNTY GOVERNMENT**	**COUNTY SECTOR WORKING GROUPs**	**SECTOR WORKING GROUP VISIONS.**	**DEPARTMENTS, SECTIONS, ENTITIES AND COMMITTEES.**
1	ECONOMIC AFFAIRS.	***Agriculture, rural and urban development***	An innovative, commercially-oriented and modern Agriculture, Rural and Urban Development.	Department of Agriculture, livestock, veterinary and fisheries, Lands, physical planning, surveys, housing and town administration.
2		***Energy, infrastructure, and ICT***	A World class provider of cost-effective physical and infrastructure facilities and services.	Roads, and Public Works, energy and ICT.
3		***General economic, commercial and***	A globally competitive economy with sustainable and	Co-operative development, marketing and investment, trade and tourism.

		labour affairs	equitable socio-economic Development.	
4	HUMAN RESOURCES DEVELOPMENT.	***Education***	A globally competitive education training, research and innovation for sustainable development.	ECD and youth polytechniques.
5		***Health***	An efficient and high quality health care system that is accessible, equitable and affordable for every Kenyan.	Health services.
6	GENERAL PUBLIC SERVICES.	***Public administration and international relations***	A leading sector in public policy formulation, implementation, coordination, supervision and prudent resource management.	Governors' office, county public service board, department of finance and economic planning, county assembly, economic budget forum, disaster management, public administration, sub-county and ward administrators, county assembly service board. Human resources development and management.
7	CREATION CULTURE AND SOCIAL PROTECTION.	***Social protection, culture and recreation***	Sustainable and equitable socio-cultural and economic empowerment of all.	Sports and culture.
8	ENVIRONMENTAL PROTECTION AND COMMUNITY AMENITIES.	***Environmental protection, water and Natural resources***	Sustainable access to adequate water and natural resources in a clean and secure environment.	Environment, water, natural resources, mining.

All sector working groups have aligned their priorities towards implementation of the county development agenda which gives key emphasis on the following thematic areas.

- Developing agribusiness through commercialized farming and culture change
- Enhancing infrastructure and ensuring optimal land use
- Extending and improving the quantity and quality of basic services such as water, education, energy and health care
- Good leadership and governance
- Promotion of women and youth enterprise development
- Development and strengthening public private linkages

Under infrastructural development, health sector has received highest funding in the current financial year, with an allocation of Ksh. 1,590,436,547/=. This has been attributed to high number of staff coupled with the need for infrastructural development in the health facilities as well as provision of quality health care services. To support the county economic activities, the other infrastructural departments (transport, roads, public works, education and ICT) also received considerable allocation since they serve as the drivers of the county economy. For self sustainability of the county economy, the sector will continue receiving high attention and thus ensuring substantial allocation of resources in future.

Reflecting the above medium-term expenditure framework, the table below provides the tentative projected baseline estimates for the 2015/16 – 2017/18 MTEF period classified by department.

Table 7: Total departmental Estimates for MTEF FY 2015/16

S/N	DEPARTMENT	ESTIMATES 2015/16		PROJECTIONS 2016/17		PROJECTIONS 2017/18	
		Recurrent Expenditure Kshs.	Development Expenditure Kshs.	Recurrent	Development	Recurrent	Development
1	County Assembly	428,737,274	175,899,997	471,611,002	193,489,997	518,772,102	212,838,996
2	Executive	386,618,411	77,533,063	425,280,252	85,286,369	467,808,277	93,815,006
3	Public administration and coordination of the decentralized units	109,827,517	12,900,000	120,810,269	14,190,000	132,891,296	15,609,000
3	Finance and Economic Planning	197,217,780	33,295,000	216,939,558	36,624,500	238,633,514	40,286,950

4	Agriculture, Livestock and Fisheries	158,869,317	154,207,454	174,756,249	169,628,199	192,231,874	186,591,019
5	Water, Environment, Energy, Natural Resources and Mining	82,426,897	233,034,780	90,669,587	256,338,258	99,736,545	281,972,084
6	Education and ICT	235,950,199	160,220,049	259,545,219	176,242,054	285,499,741	193,866,259
7	Health Services	1,075,117,783	515,318,764	1,182,629,561	566,850,640	1,300,892,517	623,535,570
8	Lands, Housing and urban development	41,781,033	174,975,098	45,959,136	192,472,608	50,555,050	211,719869
10	Roads, Transport and Public Works	53,704,036	589,153,046	59,074,430	648,068,350	64,981,884	712,875,186
11	Trade, Tourism, Industrialization and Cooperative Development	39,052,850	132,173,275	42,958,135	145,390,603	47,253,949	159,929663
12	Youths, Sports, Gender, Culture and Social Services	59,703,066	7,950,000	65,673,373	8,745,000	72,240,710	9,619,500
13	County Public Service Board	35,492,170	-	39,041,387	-	42,945,526	-
	Total Budget Estimates	**2,904,498,333**	**2,266,660,526**	**3,194,948,166**	**2,493,326,579**	**3,514,442,983**	**2,742,659,237**

4.3 Budget framework for FY 2015/2016

The 2015/16 budget framework is set against the background of the updated medium-term macro-fiscal framework as set out in the constitution 2010, the PFM Act 2012 and the County Government Act 2012.

Therefore, preparation of the 2015/2016 budget is informed by County Integrated Development Plan, Annual Development Plan, departmental strategic plans, County Fiscal Strategy Paper and other circulars originating from the controller of budget, commission on revenue allocation and the county assembly.

4.4 Revenue projections

The County Government has projected to raise revenue from various local sources of Kshs. 240,958,912**.** To achieve this target, the county intends to automate the revenue collection systems, build staff capacity and move towards sealing revenue leakages. Further 4,154,538,019/= (Four Billion,One Hundred and Fifty Four Million Five Hundred Thirty Eight Thousand and Ninteen) will be received as equitable share from the National Government. The county will also receive ksh. 23,920,000, ksh. 13,945,233, ksh. 79,942,800, ksh. Ksh. 95,744,681,ksh. 52,776,448 and ksh. 93,617,021 from donor Grants/ Danida, compensation for user fees forgone, free maternity health care, leasing of medical equipment, Road maintenance fuel levy fund and county emergency fund respectively. The total opening balance being ksh. 788,732,766. Thus the county government expects a total revenue of Ksh 5,541,175,880/= (five billion, Five hundred and Forty One million, One hundred and Seventy Five thousand, Eight Hundred and Eighty).

The County Emergency Fund appropriated in 2015/16 budget (which was informed by the County Allocation of Revenue Bill, 2015) as a conditional grant was not captured in the County Allocation of Revenue Act, 2015 and therefore the fund will be removed from the next supplementary budget.

4.5 Expenditure Forecasts

The County Government will spend **Kshs.1.86 bn** on salaries and allowances out of its total allocation of **Kshs. 5.54 bn.** This comprises 33.6 per cent of the total expenditure. It is therefore apparent that salaries and allowances will take almost 60 per cent of the total recurrent expenditure estimates. Development Programmes have been allocated **Kshs. 2,266,660,526** being 43 percent of the total budget allocation for the County Executive. This leaves only 23.4 percent for administrative costs.

Wage Bill- the wage bill is high and likely to be unsustainable in the long run. Health sector alone will take **Kshs. 698.82M** of the wage bill which is **38 per cent** out of the 33.6 per cent allocation for salaries and allowances. For this reason, the County Government will take deliberate measures to contain the rising wage bill by freezing recruitment of non-essential positions, consolidate the current workforce through restructuring and staff rationalization across departments. Table 7 below is the summary of the of proposed departmental budget allocation for the financial year 2015/2016.

Table 8: Departmental expenditure allocations

S/N	Department/Entity	Recurrent Expenditure Kshs.	Development Expenditure Kshs.	Total Expenditure Kshs.
1	County Assembly	428,737,274	175,899,997	**604,637,271**
2	The executive	386,618,411	77,533,063	**464,151,474**
3	Finance and Economic Planning	197,217,780	33,295,000	**230,512,780**
4	Public administration and coordination	109,827,517	12,900,000	**122,727,517**

	of the decentralized units			
5	Agriculture, Livestock and Fisheries	158,869,317	154,207,454	**313,076,771**
6	Water, Environment, Energy, Natural Resources and Mining	82,426,897	233,034,780	**315,461,808**
7	Education and ICT	235,950,199	160,220,049	**396,170,248**
8	Health Services	1,075,117,783	515,318,764	**1,590,436,547**
9	Lands, Housing and urban development	41,781,033	174,975,098	**216,756,131**
10	Roads, Transport and Public Works	53,704,036	589,153,046	**642,857,082**
11	Trade, Tourism, Industrialization and Cooperative Development	39,052,850	132,173,275	**171,226,125**
12	Youths, Sports, Gender, Culture and Social Services	59,703,066	7,950,000	**67,653,066**
13	County Public Service Board	35,492,170	-	**35,492,170**
	Funds		373,017,021	373,017,021
	Total Budget Estimates	**2,904,498,333**	**2,639,677,547**	**5,544,175,880**

NB: The Funds specified in the Table above includes:

i. Executive car & Mortgage Fund-Ksh 65,000,000/-
ii. Ward Development Fund-Ksh 120,400,000/-
iii. Bursary Fund-Ksh 94,000,000/-
iv. Emergency Fund -Ksh 93,617,021

CHAPTER FIVE

5.0 CONCLUSION AND WAY FOREWARD

The fiscal outcome for 2014/15 together with the updated macroeconomic forecast has had implication on the financial objectives elaborated in the last CFSP. Going forward, the set of policies outlined in this CBROP reflect the changed circumstances and are broadly in line with the fiscal responsibility principles outlined in the PFM Act 2012. They are also consistent with the County strategic objectives pursued by the County Government as a basis of allocating of public resources.

The strategic objectives are provided in the CIDP, departmental SPs, ADP and CFSP developed to implement the County priority projects and programmes as envisaged in the aspirations of Vision 2030.The policies and sector estimates provided in this CBROP will guide the sectors in preparation of the 2016/17 and 2017/18 budgets.