

COUNTY GOVERNMENT OF KILIFI



THE TREASURY

COUNTY BUDGET REVIEW AND OUTLOOK PAPER

SEPTEMBER 2015

LEGAL BASIS FOR THE PUBLICATION OF THE COUNTY BUDGET REVIEW AND OUTLOOK PAPER(CBROP)

The County Budget Review and Outlook Paper, 2015 is prepared in accordance with Section 118 of the Public Finance Management Act, 2012. The law states that:

1. A County Treasury shall —
 - a) Prepare a County Budget Review and Outlook Paper in respect of the county for each financial year; and
 - b) Submit the paper to the County Executive Committee by the 30th September of that year.
2. In preparing its county Budget Review and Outlook Paper, the County Treasury shall specify—
 - a) The details of the 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—
 - i. Any changes in the forecasts compared with the County Fiscal Strategy Paper; or
 - ii. 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; and
 - 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 publicise the Paper.

FISCAL RESPONSIBILITY PRINCIPLES IN THE PUBLIC FINANCE MANAGEMENT, ACT, 2012

The Public Finance Management (PFM) Act, 2012, sets out the following fiscal responsibility principles to ensure prudence and transparency in the management of public resources. The PFM law (Section 107) states that:

- i. The county government's recurrent expenditures shall not exceed the county's government total revenue.
- ii. Over the medium term, a minimum of thirty percent of the county government budget shall be allocated to the development expenditures.
- iii. The County governments' expenditures on wages and benefits for its public officers shall not exceed a percentage of the county government's total revenue as prescribed by the executive member for finance in regulations and
- iv. Over the medium term the government borrowing shall be used only for the purpose of financing development expenditures and not recurrent expenditure.
- v. The county debt shall be maintained at sustainable level as approved by county assembly.
- vi. The fiscal risks shall be maintained prudently; and
- vii. A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained taking into account any reforms that may be made in the future.

FOREWORD

This is the second Kilifi County Budget Review and Outlook Paper (CBROP) prepared in line with Section 118 of the Public Finance Management Act, 2012. It reviews the County's fiscal performance in FY 2014/15 and how this affects the financial objectives set out in the County Fiscal Strategy Paper of February, 2015. The updated macro-economic and fiscal forecasts therein also provides the basis to revise the FY 2015/16 budget in the context of Supplementary Estimates, as well as the indicative development budget estimates for FY 2016/17 and the medium term.

The County's remains committed to the fiscal policy strategy focusing on maintaining a strong revenue effort; containing the growth of total expenditure; shifting composition of expenditure from recurrent to development and ensuring efficiency and effectiveness in the use of public resources. In this regard, the fiscal performance improved in FY 2014/15 compared to FY 2013/14 recording revenue growth of 29 per cent and expenditure growth of 80 per cent. Development expenditure was 64 per cent of the development budget while recurrent expenditure particularly compensation to employees was contained.

In the medium term, Kenya's macroeconomic outlook remains favourable though risks remain. This has informed the resource allocation framework and sector ceilings which will be firmed up and rationalized to meet the financial objectives set in the County Fiscal Strategy Paper, 2016. Once the sector ceilings are set, departments will be called upon to adhere to these ceilings and allocate resources to programmes with least cost but highest beneficial impact to the residents of Kilifi County.

John Harold Kombe

County Executive Committee Member for Finance and Economic Planning

LIST OF ACRONYMS

ADP	Annual Development Plan
CBK	Central Bank of Kenya
CBR	Central Bank Rate
CBROP	County Budget Review Outlook Paper
CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development Plan
GDP	Gross Domestic Product
KNBS	Kenya National Bureau of Statistics
MTEF	Medium Term Expenditure Framework
MTP	Medium Term Plan
NFNF	Non-Food-Non-Fuel (Inflation)
PFM	Public Finance Management
SWG	Sector Working Groups

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CHAPER ONE: INTRODUCTION

Overview

1. This is the second Kilifi County Budget Review and Outlook Paper (CBROP) prepared in line with Section 118 of the Public Finance Management Act,2012. It is a key document in the budget preparation process, particularly the Medium Term Expenditure Framework (MTEF) within which planning, budgeting and execution of programmes is managed.

Objectives of the CBROP

2. The objectives of the CBROP, 2015 are to:
 - i. Review the actual fiscal performance compared to the budget appropriation for FY 2014/15;
 - ii. Update economic and financial forecasts with sufficient information to show changes from the forecasts in the County Fiscal Strategy Paper (CFSP), 2015;
 - iii. Provide information on how actual financial performance for the FY 2014/15 may have affected compliance with the fiscal responsibility principles, or the financial objectives in the CFSP, 2014; and
 - iv. Provide reasons for any deviation from the financial objectives in the CFSP, 2015 together with proposals to address the deviation and the time estimated for doing so.

Structure of the CBROP

3. The rest of the CBROP is organized as follows;
 - i. Chapter one states the objectives and structure of the CBROP
 - ii. Chapter two presents a review of the fiscal performance in FY 2014/15 and its implications on the financial objectives set out in the CFSP,2015;
 - iii. Chapter three highlights the recent economic developments and updated macroeconomic outlook.
 - iv. Chapter four sets out the resource allocation framework,
 - v. Chapter five concludes.

CHAPTER TWO: REVIEW OF COUNTY FISCAL PERFORMANCE

Overview

4. This chapter assesses the county's fiscal performance and deviations between actual and budgeted expenditure and revenue in the FY 2014/15 and the ways in which this performance affected the financial objectives set in the County Fiscal Strategy Paper, (CFSP) 2015.
5. In overall, there was a significant improvement in the county's fiscal performance in FY 2014/15 compared to FY 2013/14. This improvement was realised amidst challenges that slowed the implementation of programmes. These challenges include;
 - a. Delays in release of funds as scheduled by the national government;
 - b. Disbursement of funds on a vote on account basis due to the court dispute on ceilings set for the County Assembly and Executive.
 - c. Low revenue collection resulting partly from slow growth of the tourism sector, delays in updating the land valuation roll and under reporting by departments collecting revenue through user fees and charges.

Fiscal Performance in FY 2014/15

6. In FY 2014/15, the county's revenue grew by 29 per cent while expenditure grew by 80 per cent with FY 2013/14 as the base year. Development expenditure increased more than five folds with a corresponding recurrent expenditure growth in use of goods and services while the wage bill and other recurrent expenditures were contained as shown in the table below.

Table 1: Overall Fiscal Performance, FY 2014/15,(Actual)

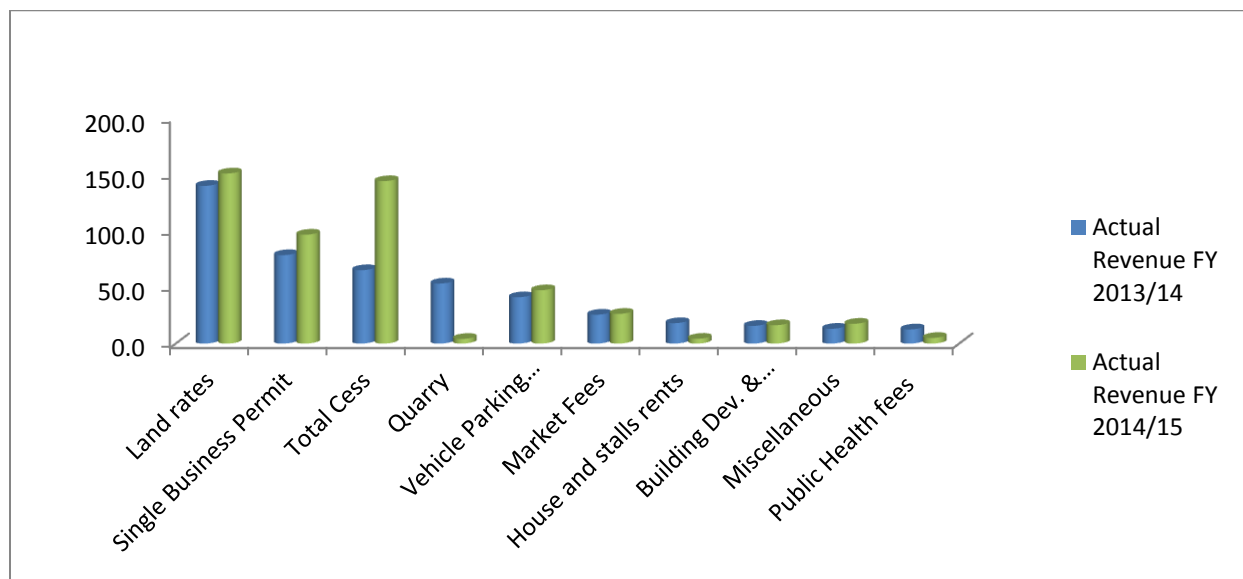
Item Description	Performance FY 2013/14	Performance FY 2014/15		
	Actual	Budget	Actual	% Growth
Revenue				
Equitable Share	5,820,419,123	6,492,284,172	6,492,284,172	12%
Conditional Grants	-	105,150,000	105,150,000	
Local Revenue	481,725,212	1,000,000,000	550,816,703	14%
Facility Improvement Fund (FIF)	-	409,200,000	48,512,266	
Re-voted Revenue (B/F)	144,917,631	1,876,195,152	1,099,393,861	659%
Total	6,447,061,966	9,882,829,324	8,296,157,002	29%
Expenditure				
Compensation to employees	1,683,558,893	1,815,600,341	1,771,746,404	5%
Use of goods and services	631,325,678	1,748,911,146	1,307,255,549	107%
Other recurrent	1,415,774,795	1,742,483,764	1,456,870,012	3%
Development	448,879,706	4,599,357,242	2,976,901,139	563%
Total	4,179,539,072	9,906,352,493	7,512,773,104	80%

Source: County Treasury

County Own Revenue Performance

7. While noting the overall under performance between actual and targeted own revenue collection, Ksh.550,816,703 was raised in FY 2014/15 compared to Ksh.481,725,212 in FY 2013/14 representing a 14 per cent growth. Total cess recorded a higher marginal growth of Ksh.78,890,602, followed by single business permit and land rates at Ksh.18,123,847 and 10,985,948 respectively. On the other hand, there was a significant drop of Ksh.49,061,742 in quarry income. House and stall rents; and public health fees also declined by Ksh.13,862,650 and Ksh.7,578,452 respectively.

Table 2: Performance of Major Sources of Own Revenue Collection, FY 2013/14 and FY 2014/15



Source: County Treasury

- The performance was below target due to slow growth of the tourism sector which affected revenue collected in Malindi; delays in updating land valuation roll; and under reporting by departments collecting revenue through user fees and other charges.

County Expenditure Performance

- The county's actual expenditure amounted to Ksh.7,522,315,167 against a target of Ksh.9,882,829,324 representing an absorption rate of 76 per cent. The Department of Information, Communication, Technology and e-Government had an over expenditure of Ksh.17,472,951 where Ksh.228,159,767 was spent against a budget of Ksh.210,686,816. The County Executive and Health Services recorded an under expenditure of Ksh.75,260,084 and Ksh.283,062,329 recording absorption rates of 92 per cent and 87 per cent respectively. The Departments of Trade, Cooperatives, Industrialization, Wildlife and Tourism; and Roads, Transport and Public Works had the lowest absorption rates at 54 per cent and 57 per cent having spent Ksh.149,997,677 out of Ksh.278,155,235 and Ksh.853,832,040 out of Ksh.1,492,719,160 respectively.
- The performance of the development budget was also impressive. Specifically, the actual development expenditure was Ksh.2,986,443,202 representing 64 per cent of the

development budget. The Departments that contributed more to this performance were County Executive which absorbed 101 per cent of its development budget; Trade, Cooperatives, Industrialization, Tourism and Wildlife absorbed 99 per cent; and Lands, Housing, Physical Planning and Energy absorbed 76 per cent.

Table 3: County Expenditure Performance, FY 2014/15

DEPARTMENT	RECURRENT		DEVELOPMENT		TOTAL		ABSORPTION RATE
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	
COUNTY ASSEMBLY	630,715,933	533,595,500	247,453,518	145,575,858	878,169,451	679,171,358	77%
COUNTY EXECUTIVE	713,121,806	636,173,303	176,710,207	178,398,626	889,832,013	814,571,929	92%
FINANCE & ECONOMIC PLANNING	604,765,258	380,575,227	35,500,000	-	640,265,258	380,575,227	59%
AGRICULTURE, LIVESTOCK AND FISHERIES	215,056,672	186,156,977	389,925,837	240,932,190	604,982,509	427,089,167	71%
WATER AND ENVIRONMENT	76,345,008	63,131,863	394,194,119	238,204,733	470,539,128	301,336,597	64%
EDUCATION AND YOUTH AFFAIRS AND SPORTS	712,357,741	656,019,232	651,650,000	447,274,523	1,364,007,741	1,103,293,755	81%
HEALTH SERVICES	1,594,071,175	1,549,416,614	611,830,296	373,422,528	2,205,901,471	1,922,839,142	87%
LANDS HOUSING, PHYSICAL PLANNING AND ENERGY	114,405,316	108,223,453	625,069,483	476,989,387	739,474,799	585,212,840	79%
ROADS, TRANSPORT AND PUBLIC WORKS	329,219,160	186,974,840	1,163,500,000	666,857,200	1,492,719,160	853,832,040	57%
ICT & E-GOVERNMENT, CULTURE AND SOCIAL SERVICES	87,824,610	106,707,480	122,862,206	121,452,287	210,686,816	228,159,767	108%
TRADE, COOPERATIVES, INDUSTRIALIZATION TOURISM AND WILDLIFE	97,493,659	52,661,808	180,661,576	97,335,868	278,155,235	149,997,677	54%
COUNTY PUBLIC SERVICE BOARD	108,095,743	76,235,669	-	-	108,095,743	76,235,669	71%
TOTAL	5,283,472,081	4,535,871,966	4,599,357,242	2,986,443,202	9,882,829,324	7,522,315,167	76%

Source: County Treasury

11. Outstanding commitments in FY 2014/15 were Ksh.1,173,055,755 representing 12 per cent of the total budget. Development budget commitments were Ksh.721,203,859 whereas recurrent budget commitments were Ksh.451,851,896. The Department of Roads, Transport and Public Works had outstanding commitments of Ksh.373,258,606 which was 25 per cent of the budget for this department. The other departments with higher commitments were Trade, Cooperatives, Industrialization, Wildlife and Tourism at 19 per cent and Information, Communication, Technology and E-Government at 18 per cent. The County Assembly had

outstanding commitments of 2 per cent of its budget; Health Services, 5 per cent; County Public Service Board, 6 per cent and County Executive 9 per cent as shown below.

Table 4: Departmental Outstanding Commitments, FY 2014/15

DEPT.	FY 2014/15 BUDGET			FY 2014/15 COMMITMENTS			% OF BUDGET		
	REC.	DEV.	TOTAL	REC.	DEV.	TOTAL	REC	DEV	TOTAL
COUNTY ASSEMBLY	630,715,933	247,453,518	878,169,451	18,191,900		18,191,900	3%	0%	2%
COUNTY EXECUTIVE	713,121,806	176,710,207	889,832,013	79,785,409	1,382,312	81,167,721	11%	1%	9%
FINANCE AND ECONOMIC PLANNING	604,765,258	35,500,000	640,265,258	88,767,282		88,767,282	15%	0%	14%
AGRICULTURE	215,056,672	389,925,837	604,982,509	23,656,254	70,561,363	94,217,617	11%	18%	16%
WATER AND ENVIRONMENT	76,345,008	394,194,119	470,539,128	12,411,824	55,427,207	67,839,031	16%	14%	14%
EDUCATION AND YOUTH	712,357,741	651,650,000	1,364,007,741	38,950,777	100,202,006	139,152,783	5%	15%	10%
HEALTH SERVICES	1,594,071,175	611,830,296	2,205,901,471	49,932,796	62,680,799	112,613,595	3%	10%	5%
LANDS ENERGY AND HOUSING	114,405,316	625,069,483	739,474,799	14,303,644	87,467,571	101,771,215	13%	14%	14%
PUBLIC WORKS	329,219,160	1,163,500,000	1,492,719,160	80,809,199	292,449,407	373,258,606	25%	25%	25%
ICT & E-GOVERNMENT	87,824,610	122,862,206	210,686,816	23,946,134	12,995,000	36,941,134	27%	11%	18%
TRADE DEVELOPMENT AND REGULATION	97,493,659	180,661,576	278,155,235	15,050,337	38,038,194	53,088,531	15%	21%	19%
COUNTY PSB	108,095,743		108,095,743	6,046,340		6,046,340	6%		6%
TOTAL	5,283,472,081	4,599,357,242	9,882,829,324	451,851,896	721,203,859	1,173,055,755	9%	16%	12%

Source: County Treasury

Overall Balance and Financing

12. Arising from the analysis of performance in revenue and expenditure, the overall fiscal balance amounted to Ksh.773,841,835. Specifically, the County's revenue stood at Ksh.8,296,157,002 against expenditure of Ksh.7,522,315,167 as shown in the table below.

Table 5: Fiscal Balance, FY 2014/15

Item Description	Performance FY 2013/14	Performance FY 2014/15	
	Actual	Budget	Actual
Revenue			
Equitable Share	5,820,419,123	6,492,284,172	6,492,284,172
Conditional Grants	-	105,150,000	105,150,000
Local Revenue	481,725,212	1,000,000,000	550,816,703
Facility Improvement Fund (FIF)	-	409,200,000	48,512,266
Re-voted Revenue (B/F)	144,917,631	1,876,195,152	1,099,393,861
Total	6,447,061,966	9,882,829,324	8,296,157,002
Expenditure			
Recurrent	3,730,659,366	5,283,472,082	4,535,871,966
Development	448,879,706	4,599,357,242	2,976,901,139
Total	4,179,539,072	9,882,829,324	7,512,773,105
Balance	2,267,522,894		783,383,897

Source: County Treasury

Performance of Fiscal Developments for FY 2014/15 against Financial Objectives and Fiscal Responsibility Principles

13. The fiscal performance in the FY 2014/15 has affected the financial objectives set out in the February 2015 CFSP and the budget for FY 2015/16 in the following ways:

- i. There will be no adjustments to the fiscal aggregates for the current budget except for re-voted revenue and medium term revenue estimates to reflect the balance brought forward from FY 2014/15 and revisions to the base of own revenue collection taking into account current trends.
- ii. Corrective revisions on expenditure categories will be undertaken through the supplementary budget FY 2015/16 and projected expenditure in FY 2016/17. The revisions will reflect under execution of projects in FY 2014/15 with a view to implement the Medium Term Expenditure Framework (MTEF) where budgeting for development projects will be spread to outer years while taking into account development priorities presented in the Annual Development Plan, 2015. The

baseline expenditure ceilings for departments will be firmed up in the next County Fiscal Strategy Paper in February, 2016.

14. In FY 2014/15, the fiscal responsibility principles set out in the PFM. Act 2012, were adhered to the extent that:

- i. The development budget allocation over the medium term is above the 30 per cent minimum set out in the law. In FY 2014/15, the County allocated 47 per cent of the total budget to development projects and actual development expenditure was 40 per cent the total expenditure. Over the medium term, the county will shift the composition of actual expenditure towards implementation of development projects.
- ii. The county government expenditure on wages and benefits was at 18 per cent of the total budget for FY 2014/15 and is projected at 32 per cent in FY 2015/16. The county government commits to adhere to the principle on the ratio of revenue used for wages and benefits that will be prescribed in the PFM regulations.
- iii. The County has maintained a reasonable degree of predictability with respect to the level of tax rates and bases by focussing on automation and ease the process of making payments to promote compliance.

CHAPTER THREE: RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

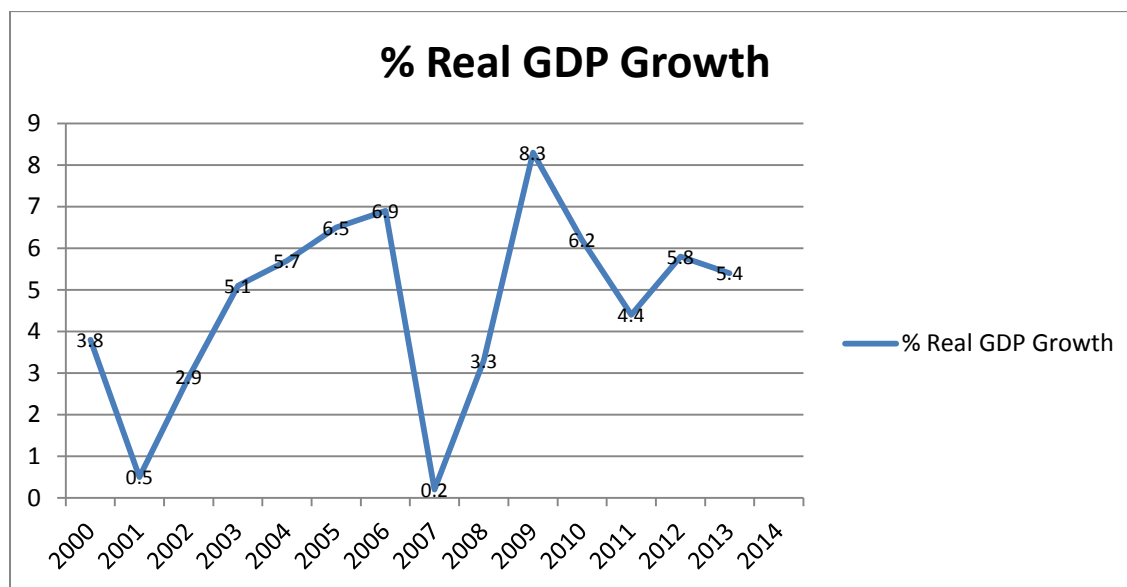
Overview

15. In FY 2014/15, the macroeconomic fundamentals such as real Gross Domestic Product (GDP), inflation and money remained sound and strong. While the macroeconomic outlook remains favourable, challenges related to security, weather, export market and fiscal pressures on expenditures particularly salary increments poses risks.

Recent Economic Developments

16. The country's economic performance improved to 4.9 per cent during the first quarter of 2015 compared to a growth of 4.7 per cent realized in the same quarter of 2014. All the sectors of the economy recorded positive growths of varying magnitudes except the Hotels and Restaurant whose growth contracted due to low hotel occupancy rates arising from insecurity concerns mainly by international visitors. Hotels and Restaurants operating in the County have resorted to hosting conferences and workshops mostly organized by the County to mitigate the full effects of dwindling international tourist arrivals.

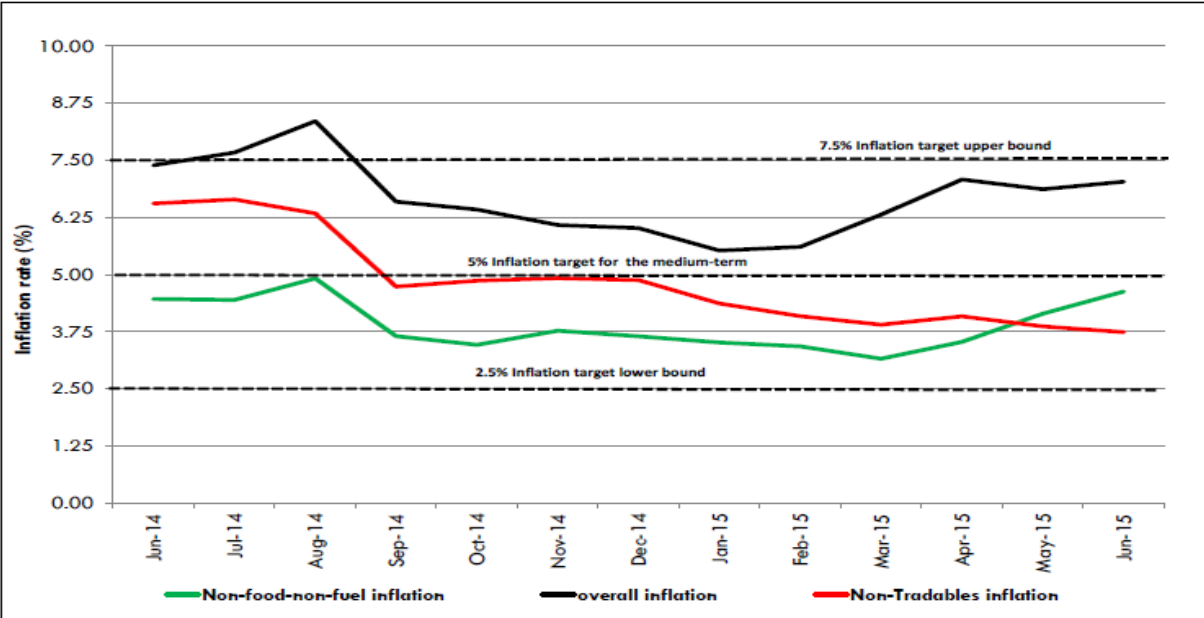
Figure 1: Real GDP Growth, 2000-2014 (5%)



Source: Kenya National Bureau of Statistics

17. Overall month-on-month inflation remained within the Government target range in FY 2014/15 except for July and August 2014. This relative price stability indicates that the cost of implementing budget programmes by the County remained within initial estimates because there was limited activity in the first two months of the financial year. The rise in inflation towards the upper bound, from 5.5 percent in January 2015 to 7.1 percent in April 2015 mainly reflected increases in prices of food, and pass-through effects of exchange rate depreciation. Overall inflation eased marginally thereafter to 7.0 percent in June 2015. Similarly, the 12-month non-food-non-fuel inflation (NFNF) rose to 4.6 percent in June 2015 from 3.5 percent in January 2015, indicating moderate demand pressure in the economy.

Figure 2: 12-Month Inflation, June, 2014-June, 2015(%)



Source: Kenya National Bureau of Statistics and Central Bank of Kenya

18. The Kenya Shilling exchange rate against the U.S. dollar weakened gradually during the first half of 2015. This largely reflected the global strengthening of the U.S. dollar which resulted in depreciation of most currencies against the U.S. dollar during the period. The strengthening of the U.S. dollar reflected in part, the uncertainty on the timing of the first U.S. interest rate increase since 2008 coupled with the debt crisis in Greece. In addition, domestic factors attributed mainly to a wide current account deficit on account of increased imports of capital goods and transport equipment, against lower than expected earnings from

traditional exports, exacerbated the pressure on the Shilling exchange rate. However, Diaspora remittances remained strong during the period. The Central Bank of Kenya (CBK) interventions through direct sales of foreign exchange to commercial banks dampened short-term volatility in exchange rate in the period.

19. The Central Bank Rate (CBR) which was at 8.50 per cent since May 2013, was raised to 10.0 per cent in June 2015, in order to anchor inflationary expectations which were attributed to the depreciation of the Kenya Shilling and demand driven inflation threats. Consequently, movements in short-term interest rates were aligned to the CBR during the period. Weighted average interbank rate increased to 11.2 per cent in May, 2015 from 8.8 per cent in April, 2015 consistent with the pursuit of current tightening bias stance in the money market in order to anchor inflationary expectations.

Implementation of the 2015/16 Budget

20. Implementation of the FY 2015/16 budget is progressing well despite challenges relating to budget approval which delayed the release of funds, particularly development funds, by the Controller of Budget at the start of the financial year. The County Treasury has taken measures to ensure priority programmes are fully implemented by directing that spending entities prepare and submit procurement plans which are aligned to the budget. Additional steps are being taken to ensure implementation of priority programmes is tracked and feedback provided on a quarterly basis.
21. Regarding own revenue, the Finance Bill that is before the County Assembly was, in general, received well by taxpayers and the public at large on account of the policy stance to maintain and possibly reduce taxes and rates. In the first two months of FY 2015/16, actual revenue collection was at Ksh.37,887,689. With the enactment of the Bill, it is expected that revenue collection outturn will be within the target.
22. The national government had not disbursed the equitable share for the County as at August, 2015.
23. The County's total expenditure by August, 2015 was Ksh.115,785,834 out of which recurrent expenditure was Ksh.93,509,128 and development expenditure was Ksh.22,276,706. Higher absorption rates are expected in the coming months.

Medium Term Fiscal Framework

24. The county government will continue to pursue prudent fiscal policies aimed at contributing to achieving macroeconomic stability and deliver public goods and services in a sustainable manner. The specific fiscal policy objectives underpinning the FY 2016/17 budget and MTEF aims to:

- i. Enhance resource mobilization by widening the revenue base, automation and build revenue administration capacity. These measures are aimed at reducing the cost of compliance and ensure all potential tax payers make their contribution towards financing priority development projects in the County.
- ii. Shift more financial resources from recurrent to development expenditures so as to promote sustainable and inclusive growth.
- iii. Enhance effective implementation of budget programmes by introducing departmental project implementation performance benchmark of at least 80 per cent which slightly stretches the current development expenditure performance trend in the County. Deriving from current practice and lessons learnt, project planning; budgeting and implementation will be extended to outer years in order to address delays associated with procurement procedures and tying financial resources to projects which sometimes do not take-off within the financial year.
- iv. Improve expenditure efficiency by benchmarking with best practice. The County has rolled out the implementation of electronic procurement system through Integrated Financial Management Information System (IFMIS) "Procure to Pay" module thereby bringing to an end the manual procurement challenges encountered in the past. The cost benchmarks for projects and consumables inbuilt in the system will be enforced with a view to improve efficiency, save substantial financial resources and instil public confidence that they are getting value for their money.

Risks to Economic Outlook

25. The County's outlook for 2016 and medium term is promising but risks both macro and micro remain. The performance of the County's economy is vulnerable to macroeconomic management and performance of sectors in the national economy. As such, the key risks that the County envisages with regard to the FY 2016/17 budget are:

- i. Continued weak growth in advanced economies and the negative impact this has on exports and tourism activities;
 - ii. Geopolitical uncertainty on the international oil market and the effect this has on fuel inflation;
 - iii. High current account deficit arising from continued high capital imports and high investment demand to finance infrastructure investment;
 - iv. Contracting tourist arrivals due to insecurity concerns by international visitors.
 - v. Depressed rainfall which could affect agricultural production and exports
 - vi. Recurrent expenditure pressures particularly personnel emoluments that are likely to reduce financial resources for undertaking priority development projects.
 - vii. Uncertainty in the proportion of the County allocation from national resources.
26. The County will take appropriate measures in line with guidelines issued by the National Treasury in a bid to stabilize the economy should these risks materialize.

CHAPTER FOUR: RESOURCE ALLOCATION FRAMEWORK

Adjustments to the FY 2015/16 Budget

27. Adjustments to the FY 2015/16 budget will be done in accordance to statutory provisions in order to accommodate emerging priorities while maintaining credibility of the budget and the process used to prepare it.
28. In making adjustment to the FY 2015/16 budget, additional funding to areas of emergency in nature will be contained while taking into account actual expenditure performance so far and the absorption capacity in the remainder of the financial year. Projects planned for implementation in FY 2015/16 will also be spread to outer years. This is intended to release financial resources to projects that have undergone due process and are ready for take-off but were not re-voted due to revenue shortfall and the tight fiscal space and stance taken during the preparation of FY 2015/16 budget.
29. On the revenue front, full automation of revenue collection system and processes will be enhance to eliminate leakages and reduce the cost of compliance. The County will also consolidate the gains made on the acceptance of the Finance Bill, once enacted, so as to boost revenue collection and meet the set target.

Medium Term Expenditure Framework

30. The medium term budget framework for 2016/17-2018/19 ensures continuity in resources allocation based on priority programmes aligned to the Second Medium Term Plan (2013-2017) of Vision 2030, the County Integrated Development Plan (2013-2017), Annual Development Plan, 2015 and strategic policy initiatives of the county government's administration. Due consideration will also be made to ensure resources are allocated to on-going projects and emerging priorities to reap expected benefits from projects and keep abreast with current trends. Consequently, the FY 2016/17 MTEF budget will focus on:

- i. Roads, Transport and Public Works**

The County's transformative agenda for economic growth is hinged on continued investment in infrastructure mainly roads, buildings, and other public works including street lights. The FY 2016/17 budget sets aside 20.5 per cent of the County's development budget towards constructing, rehabilitating and regularly maintaining infrastructure facilities so as to increase access and reduce the cost of doing business

in the County. The development budget allocation to the department is projected at 18.1 per cent and 24.7 per cent in FY 2017/18 and FY 2018/19 respectively.

ii. Education, Youth Affairs and Sports

The department of Education, Youth Affairs and Sports, will continue to receive significant amount of resources over the medium term. In FY2016/17, it is projected that the department will receive 16.9 per cent of the County's development budget. In the subsequent financial years, the development allocation to this department will increase to 19.3 per cent and 16.2 per cent. Flagship projects planned for execution are the construction of a modern stadium to enable the youth to actively develop their immense talent in sports for socio-economic development. A talent academy will also be constructed to nurture and develop sports talent in the County and feed into the International Academy of Sports set up at the Moi International Sports Centre, Kasarani. The department will also mainstream Early Childhood Development Education through the resource centre at Fumbini which aims to build capacity of ECDE caregivers in the County.

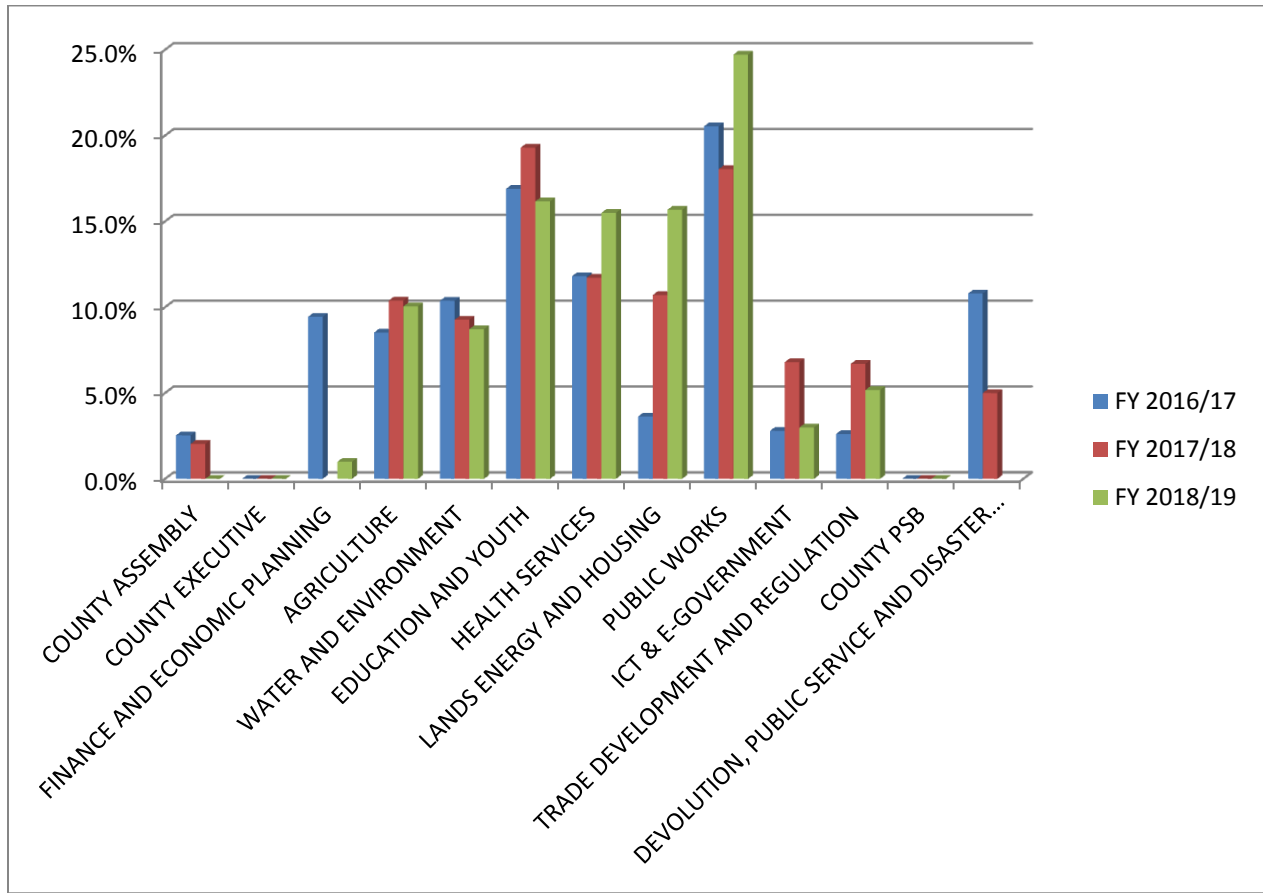
iii. County Health Services

Provision of quality health services remains a priority as attested by the County resource allocation to provide sophisticated medical equipments, construct new medical centres and improving working conditions including fairly compensating medical staff. The indicative development budget for the department will be at 11.8 per cent in FY 2016/17; 11.7 per cent in FY 2017/18 and 15.5 per cent in FY 2018/19.

iv. Water, Environment, Natural Resources and Solid Waste Management

Resource allocation to the department are indicative of the critical linkages formed between this sector and the main productive sectors namely agriculture, tourism and manufacturing. Sustainable exploitation, utilization and management of water, environment and other natural resources including waste management and pollution control are pivotal cost centres in the departments' development budget. Consequently, the development budget for the department is projected at 10.4 per cent in FY 2016/17 and 9.3 per cent and 8.7 per cent in the outer years.

Figure 3: Indicative Development Budget Allocation, FY 2016/17-FY 2018/19 (%)



CHAPTER FIVE: CONCLUSION

31. The FY 2016/17 MTEF budget presented in this County Budget Review and Outlook Paper (CBROP) has been developed taking into account moderate growth in overall expenditure, the need to maintain fiscal discipline and adhere to the fiscal responsibility principles outlined in the Public Finance Management Act, 2012.
32. Allocation of resources over the medium term is set to ensure continuity in policy priorities by completing on-going projects, addressing emerging priorities while focusing on implementing priority programmes developed in accordance to the Second Medium Term Plan (2013-2017) of Vision 2030; County Integrated Development Plan (2013-2017); Annual Development Plan, 2017; and strategic policy initiatives of the county government's administration.
33. The set of policies outlined in this CBROP and the Annual Development Plan, 2015 will guide departments in their Sector Working Groups in their bid for resources and preparation of the FY 2016/17 budget. The sector ceilings will be firmed up in the next County Fiscal Strategy Paper by the February 2016 deadline.

ANNEX

County Own Revenue Collection, FY 2013/14 and FY 2014/15

REVENUE STREAM	FY 2013/14	FY 2014/15		
	Actual	Budget	Actual	Marginal Growth
Miscellaneous	13,137,948		17,584,759	4,446,811
Single Business Permit	78,350,225	180,000,000	96,474,071	18,123,847
Land rates	139,742,612	210,000,000	150,728,560	10,985,948
House and stalls rents	18,130,818	10,000,000	4,268,168	-13,862,650
Public Health fees	12,563,877	12,000,000	4,985,425	-7,578,452
Market Fees	25,579,120	80,000,000	26,352,393	773,273
Vehicle Parking Receipts	41,050,741	111,000,000	47,255,581	6,204,840
Total Cess	65,040,347	222,000,000	143,930,949	78,890,602
Building Dev. & inspection	15,673,847	50,000,000	16,290,903	617,056
Fines	18,511		426,510	407,999
Plot Rent	418,315		4,541,843	4,123,528
Auction & landing fees	123,450		305,115	181,665
Social services fees	421,710		2,815,253	2,393,543
Advertisements and Bill boards	11,224,982		20,128,072	8,903,090
General fees and charges	978,040	95,000,000	2,789,434	1,811,394
other revenues	1,527,280		2,358,577	831,297
Sale of Tender Documents	2,260,400		4,788,000	2,527,600
Quarry	53,233,752		4,172,010	-49,061,742
Water Income	2,249,239			-2,249,239
Veterinary CESS			621,080	621,080
Cillor		30,000,000		0
TOTAL	481,725,213	1,000,000,000	550,816,703	69,091,490

SUMMARY OF EXPENDITURE BY VOTE AND PROGRAMME, FY 2015/16

VOTE TITLE	PROGRAMME CODE AND TITLE	GROSS CURRENT ESTIMATES	GROSS DEVELOPMENT ESTIMATES	GROSS TOTAL ESTIMATES
		FY 2015/16		
County Assembly	Total	738,494,611	162,500,000	900,994,611
	P.1. General Administration and Support Services	316,810,185	162,500,000	479,310,185
	P.2. Legislation, Representation and Oversight	421,684,426	-	421,684,426
County Executive	Total	369,227,014	-	369,227,014
	P.1: Leadership and Coordination of County Departments	94,849,000	-	94,849,000
	P.2: General Administration, Planning and Support Services	274,378,014	-	274,378,014
Finance and Economic Planning	Total	499,610,052	546,000,000	1,045,610,052
	P. 1: Public Financial Management	110,799,724	21,000,000	131,799,724
	P.2: Economic Policy and County Fiscal Planning	24,882,828	-	24,882,828
	P.3: General Administration, Planning and Support Services	363,927,500	525,000,000	888,927,500
Agriculture, Livestock and Fisheries	Total	267,237,310	302,810,000	570,047,310
	P.1: General Administration, Planning and Support Services	243,396,056	-	243,396,056
	P.2: Crop Development and Management	6,381,144	120,403,580	126,784,724
	P.3: Agribusiness and information management	2,646,425	25,453,700	28,100,125
	P 4: Irrigation and Drainage Infrastructure	1,787,251	38,100,000	39,887,251
	P.5: Livestock Resources Management and Development	8,163,713	62,912,320	71,076,033

VOTE TITLE	PROGRAMME CODE AND TITLE	GROSS CURRENT ESTIMATES	GROSS DEVELOPMENT ESTIMATES	GROSS TOTAL ESTIMATES
		FY 2015/16		
	P.6: Fisheries Development and Management	4,862,721	55,940,400	60,803,121
Water, Environment, Natural Resources & Solid Waste Management	Total	167,616,127	631,223,261	798,839,388
	P.1: General Administration, Planning and Support Services	93,857,568	-	93,857,568
	P.2: Environment Management and Protection	59,773,479	58,655,600	118,429,079
	P. 3: Natural Resource Management and Conservation	3,975,030	9,444,400	13,419,430
	P.4: Water Supply Infrastructure	10,010,050	563,123,261	573,133,311
Education, Youth Affairs and Sports	Total	462,616,929	893,591,390	1,356,208,319
	P.1: General administration, Planning and Support services	453,614,409	801,591,390	1,255,205,799
	P.2 Education/Early Childhood Development	3,695,000	60,000,000	63,695,000
	P.3: Youth Training and Development	3,236,260	17,000,000	20,236,260
	P.4. Sports	2,071,260	15,000,000	17,071,260
County Health Services	Total	1,905,346,673	529,400,000	2,434,746,673
	P.1: Preventive & Promotive Health Services	14,600,000	-	14,600,000
	P.2: Curative Health Services	1,434,198,452	529,400,000	1,963,598,452
	P.3: General Administration, Planning & Support Services	456,548,221	-	456,548,221
Roads, Transport and Public Works	Total	213,823,652	443,003,316	656,826,968
	P. 1: Road Transport			

VOTE TITLE	PROGRAMME CODE AND TITLE	GROSS CURRENT ESTIMATES	GROSS DEVELOPMENT ESTIMATES	GROSS TOTAL ESTIMATES
		FY 2015/16		
		-	443,003,316	443,003,316
	P.2: General Administration, Planning and Support Services	213,823,652	-	213,823,652
Land, Housing, Physical Planning, and Energy	Total	103,850,316	119,760,000	223,610,316
	P. 1: General Administration, Planning and Support Services	89,360,316	-	89,360,316
	P.2 : Land Policy and Planning	10,110,000	74,660,000	84,770,000
	P.3: Housing Development and Human Settlement	2,530,000	20,600,000	23,130,000
	P. 4: Government Buildings	1,400,000	15,000,000	16,400,000
	P.5: Alternative Energy Technologies	450,000	9,500,000	9,950,000
ICT, Culture and Social Services	Total	86,067,952	85,490,862	171,558,814
	P.1: General Administration, Planning and Support Services	61,547,952	7,500,000	69,047,952
	P. 2: ICT Infrastructure Development	7,150,000	25,750,862	32,900,862
	P.3: Culture	6,050,000	8,240,000	14,290,000
	P.4: Social Development	3,900,000	16,000,000	19,900,000
	P.5: Information And Communication Services	7,420,000	28,000,000	35,420,000
Trade, Industrialization, Cooperatives, Tourism and Wildlife	Total	105,009,422	202,700,900	307,710,322
	P.1: General Administration, Planning and Support Services	75,509,422	10,000,000	85,509,422
	P.2: Trade development and Promotion	10,372,500	160,500,000	170,872,500

VOTE TITLE	PROGRAMME CODE AND TITLE	GROSS CURRENT ESTIMATES	GROSS DEVELOPMENT ESTIMATES	GROSS TOTAL ESTIMATES
		FY 2015/16		
	P. 3: Cooperative Development and Promotion	8,295,000	10,000,000	18,295,000
	P.4: Tourism Development and Promotion	10,832,500	22,200,900	33,033,400
County Public Service Board	Total	48,270,000	-	48,270,000
	P.1: General Administration, Planning and Support Services	28,587,000	-	28,587,000
	P. 2: Public Service Transformation	19,683,000	-	19,683,000
Devolution, Public Service & Disaster Management	Total	424,902,310	107,200,000	532,102,310
	P. 1: Strategic Human Resource Management	49,772,504	-	49,772,504
	P. 2: Management of Sub-County Units	35,049,286	25,000,000	60,049,286
	P. 3. Disaster Management	11,987,143	38,200,000	50,187,143
	P. 4: General Administration, Planning and Support Services	328,093,377	44,000,000	372,093,377
	Grand Total	5,392,072,368	4,023,679,729	9,415,752,097

BUDGET CALENDER FOR THE FY 2016/17 MTEF BUDGET

ACTIVITY	RESPONSIBILITY	DEADLINE
1. Develop and issue MTEF Budget Circular	County Treasury	30/8/2015
2. Launch Departmental budget work groups	County Treasury	15/9/2015
3. Performance review and strategic planning		
3.1 Preparation and submission of Annual Development Plan to County Executive Committee	County Departments	1/9/2015
3.2 Review and update of strategic plans		15/9/2015
3.3 Review of programme outputs and outcomes		"
3.4 Expenditure Review		"
3.5 Progress report on MTP implementation		"
3.6 Preparation of annual plans		"
4. Determination of Fiscal Framework		
4.1 Estimation of Resource Envelope	County Treasury	10/9/2015
4.2 Determination of policy priorities		10/9/2015
4.3 Preliminary resource allocation to sectors		
4.4 Draft Budget Review Outlook Paper (BROP)		20/9/2015
4.5 Submission and approval of BROP by County Executive Committee		20/9/2015
4.6 Submit approved BROP to County Assembly		30/9/2015
5. Preparation of MTEF budget proposals		
5.1 Draft sector report Sector Working groups		1/10/2015
5.2 Convene public sector hearing County Departments		15/10/2015
5.3 Submission of sector report to treasury		22/11/2015
5.4 Submission of sector working group report to treasury	Sector Working groups	30/11/2015
6. Draft County Fiscal Strategy Paper (CFSP)		1/12/2015
6.1 Develop and issue guidelines on CFSP	County Treasury	1/12/2015
6.2 Review of draft CFSP for departmental input		15/12/2015
6.3 Present draft CFSP for public participation		15/1/2016
6.4 Submission of CFSP to County Executive Committee		20/2/2016
6.5 Submission of CFSP to County Assembly for approval		28/2/2016
7. The 2015/16 Supplementary Budget		
7.1 Develop and issue guidelines on 2015/16 supplementary budget	County Treasury	10/11/2015
8. Preparation and Approval of Final MDAs programme Budgets		
8.1 Develop and issue guidelines on preparation of 2016/17 MTEF Budget	County Treasury	15/2/2016
8.2 Submission of budget proposals to treasury	County Departments	5/3/2016
8.3 Consolidation of the draft budget estimates	County Treasury	15/3/2016

ACTIVITY	RESPONSIBILITY	DEADLINE
8.4 Present draft budget estimates for public participation	County Treasury	25/3/2016
8.5 Submission of draft budget estimates to County Assembly	County Treasury	30/4/2016
8.6 Review of draft budget estimates by County Assembly	County Assembly	15/5/2016
8.7 Report on draft estimates from County Assembly	County Assembly	30/5/2016
8.8 Consolidation of the final budget estimates	County Treasury	13/6/2016
8.9 Submission of Appropriation bill to County Assembly	County Treasury	15/6/2016
8.10 Appropriation Bill passed	County Assembly	30/6/2016
8.11 Gazetement of Appropriation Act	County Treasury	5/7/2016
8.12 Finance Bill passed	County Assembly	30/9/2016