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**BARINGO COUNTY GOVERNMENT**



**THE COUNTY BUDGET REVIEW AND OUTLOOK PAPER (CBROP)**

**30<sup>TH</sup> SEPTEMBER 2015**

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## Foreword

This County Budget Review and Outlook Paper (CBROP), prepared in accordance with the Public Finance Management Act, 2012 is the second to be prepared by the County Government

It presents the recent economic developments and actual fiscal performance of the FY 2014/2015 and makes comparisons to the budget appropriations for the same year. It further provides updated economic and financial forecasts with sufficient information to show changes from the projections outlined in the latest county Fiscal Strategy Paper (CFSP), released in 28<sup>TH</sup> Feb. 2015.

This Paper will also provide an overview of how the actual performance of the FY 2014/2015 affected compliance with the fiscal responsibility principles and the financial objectives and the way forward.

The County has implemented a sound financial management and economic reforms which have delivered huge pay-offs. We are committed to maintain the trend of stable socio-economic performance and ensure transparency by relaying our performance indicators to the public through this, and other publications, as required by the Constitution and the PFM Act, 2012.

It provides the link between policy, planning and budgeting, as such, CBROP will continue to play a critical role in the preparation of budgets and management of public resources in the county. To strengthen the budget preparation process, the County government will continue to embrace programme based budgeting and deepen public financial reforms to increase efficiency and effectiveness in service delivery and value for money for citizens.

**Hon. Geoffrey K. Bartenge**  
**County Executive Member**  
**Finance and Economic Planning**

### **Acronyms and Abbreviations**

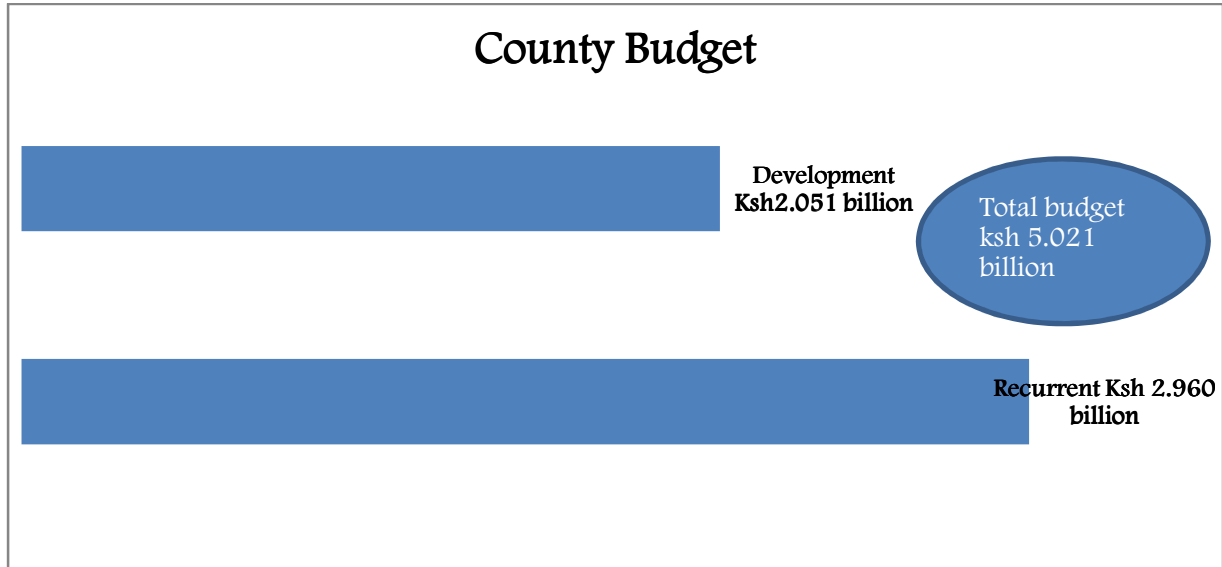
AMS	Agricultural Mechanization Services
BEC	Broad Economic Category
CBROP	County Budget Review and Outlook Paper
CFSP	County Fiscal Strategy Paper
CG	County Government
CHMT	County Health Management Team
CIDP	County Integrated Development Plan
DINIDA	Danish International Development Agency
ECD	Early Childhood Development
ESP	Economic Stimulus Programme
FY	Financial Year
HSSF	Health Sector Service Fund
ICT	Information Communication Technology
Kshs	Kenya Shillings
SRC	Salaries and Remuneration Commission
WHO	World Health Organization

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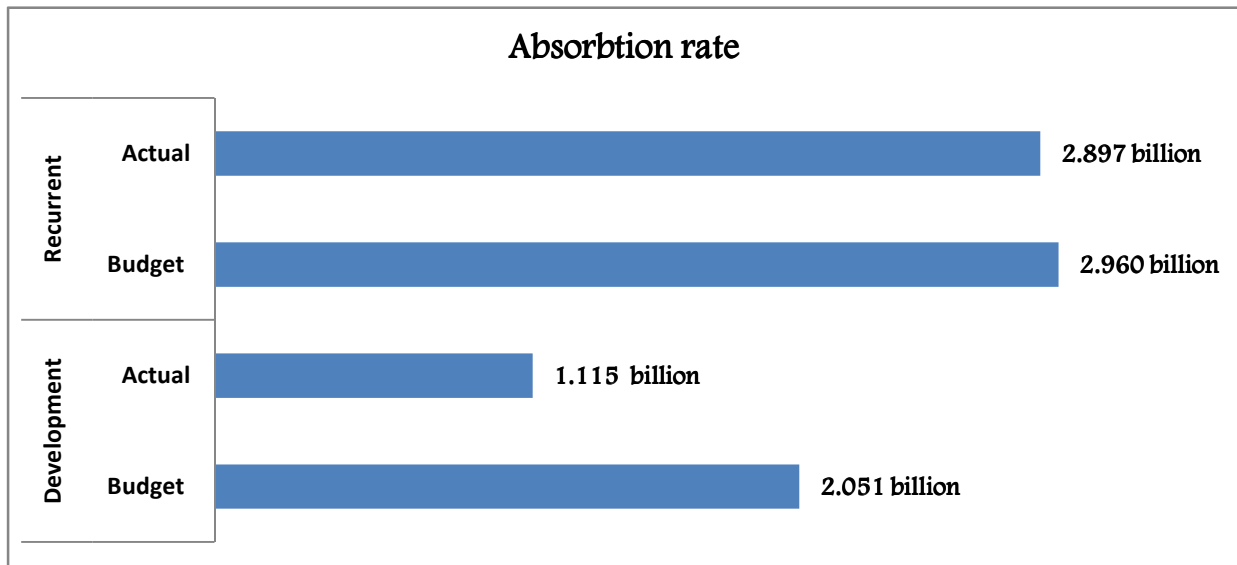
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## Key Highlights

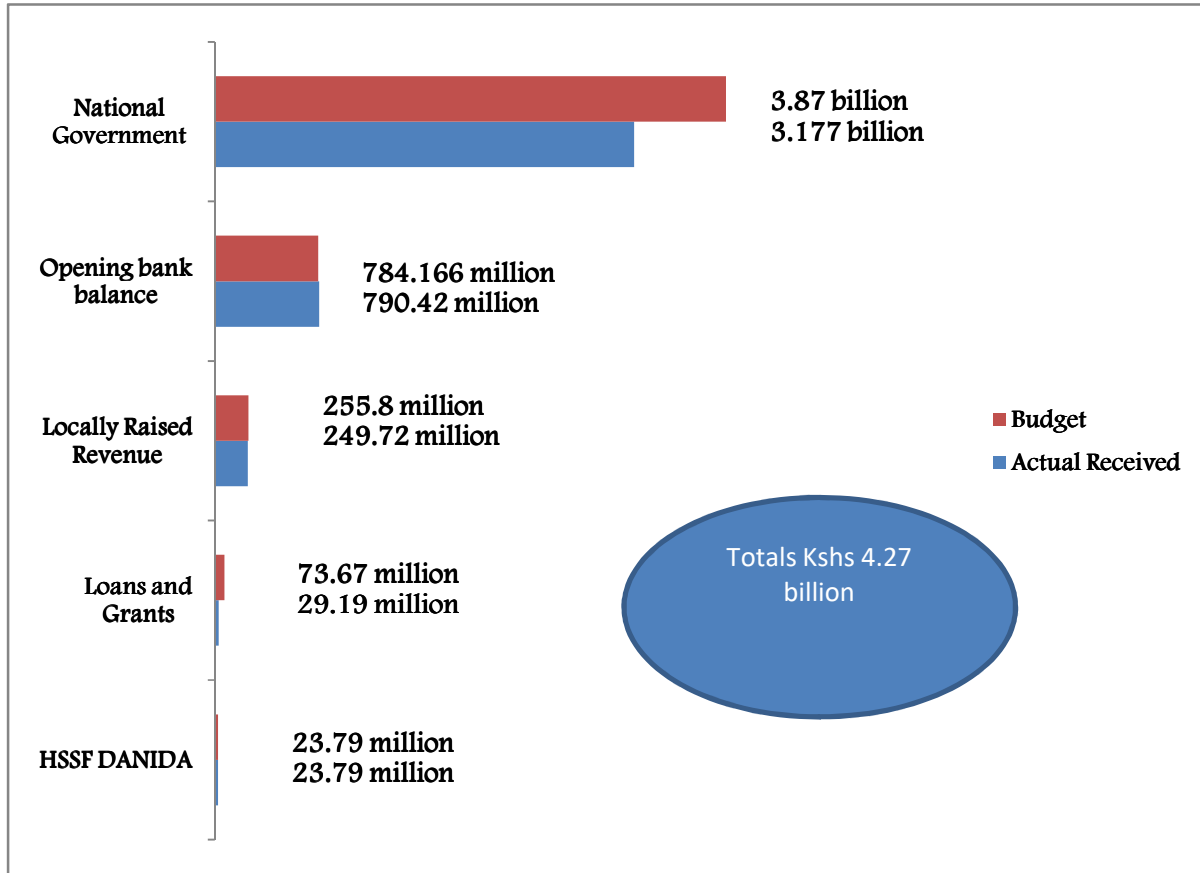
### Total 2014/15 County Government Budget



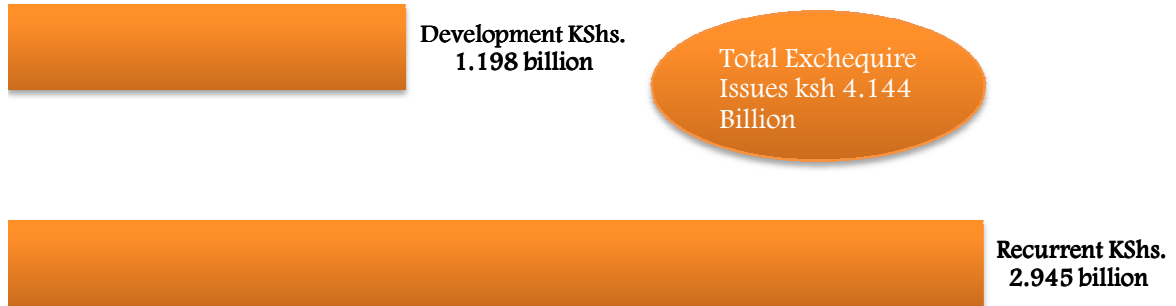
### Recurrent and Development 2014-2015 Absorption Rate



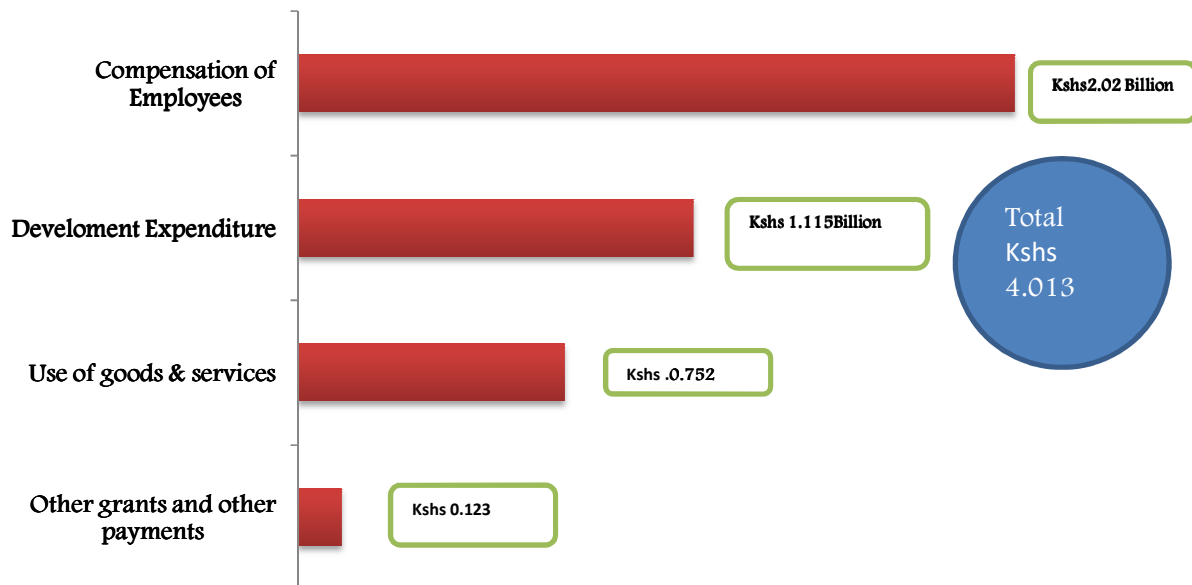
## Total Revenue Receipts For The 2014/15 FY



## Exchequer releases received



## Actual Expenditure by Economic classification





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

The County Budget Review and Outlook Paper is prepared in accordance with Section 118 of the Public Financial Management Act, 2012, 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;

(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.

## Responsibility Principles in the Public Financial Management Law

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

- 1) The county government's recurrent expenditure shall not exceed the county government's total revenue
- 2) Over the medium term, a minimum of 30% of the County budget shall be allocated to development expenditure
- 3) The County government's expenditure on wages and benefits for public Officers shall not exceed a percentage of the County government revenue as prescribed by the regulations.
- 4) Over the medium term, the County government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure.
- 5) Public debt and obligations shall be maintained at a sustainable level as approved by County Government (CG)
- 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 the future

## I. INTRODUCTION

### Objectives

1. The objective of the 2015CBROP is to provide a review of the previous fiscal performance and how this impacts the financial objectives and fiscal responsibility principles set out in the 2015 Budget Policy Statement (BPS). This together with an updated macroeconomic outlook provides a basis for revision of the current budget in the context of Supplementary Estimates and the broad fiscal parameters underpinning the next budget and the medium term.
2. This CBROP, therefore, continues to analyze the revenue and expenditure in the implementation of the development agenda in 8 thematic areas of creating conducive business environment; investing in agricultural transformation and food security; investing in key infrastructure; investing in quality and accessible healthcare and education; Developing irrigation schemes as it's a critical linkage to agriculture and weir construction, water pans and boreholes, effective management of land, environment, natural resources, spatial planning and land banks for strategic developments and promoting social welfare.
3. The 2014/15CBROP projects the anticipated revenue and expenditure for the medium term as guided by the PFM Act, 2012. The projection sets in motion the budget preparation for the Fiscal Year 2016/17.

### Organization of this document

4. This document is organized into 9 sections as follows: Section II provides a review of the fiscal performance in FY 2014/15 and its implications on the financial objectives set out in the 2015 county fiscal Strategy Paper (CFSP) submitted to the County Assembly in February 2015. Section III provides fiscal performance for MTEF Period. This is followed in Section IV by brief highlights of the recent economic developments and the updated macroeconomic outlook. Budget implementation for the fiscal year 2015- 2016 is covered in section V. Section VI highlights County Medium Term Fiscal Framework. Risks to the Outlook are enumerated in Section VII. The proposed departmental resources allocation is detailed in Section VIII and Medium term Expenditure Framework is covered in section IX while the conclusion is contained in last Section

## II. County Fiscal Performance for 2014/2015

### a. Overview

5. During the period under review the county government had a total budget of kshs.5.012 billion which comprised of kshs2, 960,575,785 as recurrent budget against Kshs1,267,599,537 as development budget. In addition kshs784, 166,119 was development roll over fund from the year 2013/2014.

6. During the 2014/15 financial year a total of Kshs. 4.27 billion was received as revenue to finance the county government's budget including, Local revenue of Kshs. 249.723 million and bank balances of Kshs. 790.4 Million. National government equitable share was the largest proportion of this revenue at Kshs3.177 billion representing 91% of total receipts. The County Government also received grants amounting to Kshs. 23.79 million from Denmark Government and Kshs.29.19 million from World Bank grants and other development partners. The funds were to support health services sector.
7. Against the revised total revenue estimates of Kshs. 255.8 million, the actual revenue collection in FY 2014/15, at Kshs. 249.723 million was below target by Kshs 6.076 million This was on account of shortfalls in reported revenue collections by local revenue sources.
8. The fiscal performance in FY 2014/15 was largely as programmed, despite shortfall in revenues particularly in animal stock sales fees due to disease outbreak and cattle rustling, plot rent and rates due to lack valuation roll, public health licenses due to late enactment of alcohol license act and Marigat AMS due to break down of machinery.
9. On the expenditures side, the County Government spent a total of Kshs.4.013 billion of which Kshs.2.02 billion was paid for personnel emoluments representing 50.39%, Kshs.0.875 billion was spent on operations and maintenance representing 21.81% and Kshs.1.115 billion was spent on development projects representing 27.7% on the total money spent.

## **b. Revised Budget**

10. The county government originally budgeted for kshs.5.342 billion consisting of Kshs.3.780 billion equitable share, Kshs.372 million local revenue, Kshs.23.79 million from DANIDA, Kshs.125 million for Rural Electrification, Kshs.784 million from Roll over funds, Kshs.73.67 million from WHO and Kshs.182.876 million from national government as loans and grants. Out of the original budget the development was budgeted at Kshs.2.389 billion representing 45% against recurrent budget of Kshs.2.953 billion representing 55%.
11. During the 2014/2015 financial year the county government revised its budget to Kshs.5.012 billion with equitable share being Kshs.3.8749 billion, Kshs.255.8 million from local revenue, Kshs.23.79 from DINIDA, Kshs.73.67 million from WHO and Kshs.784.16 million as a roll over fund. Out of this budget Kshs.2.517 billion was for development expenditure against Kshs.2.960 billion for recurrent expenditure.
12. During the period the budget for local revenue was revised downwards from Kshs. 372 million to Kshs 255.8 million representing 31 per cent decrease showing the county had over optimistic projections, challenges that faced tourism sector as a result of travel advisories, markets were closed due to cattle rustling menace. Similarly Loans and grants amounting to Kshs 182.876 million

and Kshs.125 million for rural electrification was excluded from the revised budget since it was implemented by the national government (Table 1).

**Table 1: Revised Budget for 2014/2015 F/Y**

Revenue Source	Approved Budget	Revised Budget	Increase/Decrease
Equitable Share	3,780,757,552	3,874,911,817	94,154,265
Rural Electrification	125,025,255.00	-	(125,025,255)
Loans and Grants	182,876,218.00	-	(182,876,218)
Local Revenue	372,000,000.00	255,800,000	(116,200,000)
HSSF DANIDA	23,790,000	23,790,000	-
ROLL OVER FUNDS	784,166,119	784,166,119	-
WHO Fund	73,673,500.72	73,673,500	-
<b>Grand Total</b>	<b>5,342,288,645</b>	<b>5,012,341,436</b>	<b>329,947,208.00</b>

### c. Performance of Revenue

13. During the period under review the revenue component was budgeted at Kshs. 5.012 billion. The county received Kshs 3.1 billion from national equitable share, Kshs 0.029billion from WHO Fund,Kshs 0.249billion from local revenue andKshs.0.023 billion from HSSF DANIDA thus Kshs.1.547 billion was not received within the financial year. This includes Kshs.1.387 billion from equitable share, Kshs.44 million from WHO Funds and a shortfall in local revenue of Kshs. 6 million.

#### Equitable Share

14. The county was allocated Kshs 3.87 Billion by the national government for the financial year which was up from the previous year of Kshs. 3.247 billion, an increase of 13% (Kshs 0.443 billion). However over the review period, Kshs 3.177 billion was receivedgiving a deviation of negative 18%. The balance of Kshs 0.697 Billion was received at the beginning of 2015/16 financial year.

#### HSSF DANIDA

15. During the period, the county received Kshs0.023 billion from Denmark for operations in rural health facilities.

#### WHO Funds

16. During the period, the county was to receive Kshs 0.073 billion from WHO for operations in rural health facilities but Kshs .029 Billion was received.

#### Local Revenue Performance

17. During the financial, the county government had budgeted to collect local revenue from various sources amounting to Kshs 255 million. The amount collected at the end of financial year was kshs 249.7 million. This represents

97.6% performance target achieved with only a short fall of Ksh6,076,571 (2.4 per cent shortfall).

18. There was a general improvement in local revenue collected from previous year's collection of Kshs 201 Million to Kshs 249.7 million. There was an overall improvement in all other local revenue source except revenue from tourism sector. There was a drop performance in the Game Park fees collection from Kshs. 69.45 million in FY 2013/14 to Kshs. 54.4 million due to insecurity in the country and in the county.
19. Major improvement was realized in produce cess and market fees from Kshs. 24.35 million to Kshs. 32.38 representing 33% and Kshs. 26.77 million to Kshs. 30.30 million representing 13% respectively. This was attributed by increased supply and demand of farm produce, construction materials and conducive environment for traders within our markets.
20. Revenue targets was not realized in the following sources Marigat AMS (Kshs. 3.66 million), Public health licenses(Kshs. 4.59 million), plot rent and rates(Kshs. 9.59 million), animal stock sale fees (Kshs. 2.44 million) and Koibatek ATC (Kshs. 0.766 million )which is represents 61%,38%,36%,20% and 16% off the target respectively. This was attributed by mechanical breakdown in AMS Machinery, logistical problem in public health, lack of valuation roll, closure of livestock markets due to disease outbreak and insecurity and economic down turns during the year - travel advisories from Europeans markets affected tourism and affiliated sectors.
21. During the period under review, the actual revenue from local sources collection did not match the set out targets by 2 per cent e.g. the total collection was Kshs. 249.72 million against a target of Kshs. 255.8 million. However this was an increase of Kshs. 48.20 million in comparison with the previous of Kshs. 201.51 million. The deviations between the targets and actual collections are illustrated on **table2**below.

**Table 2: Local Revenue Performances**

No	SOURCES	2013/2014	2014/2015			
		Actual	Actual	Budget	Increase/Decrease	% Increase/Decrease
1	Game Park Fees	69,456,836.00	54,429,063.00	55,851,065.00	(1,422,002.00)	(3)
2	Animal Stock Sale Fees	7,497,705.00	9,928,000.00	12,369,645.00	(2,441,645.00)	(20)
3	Produce & Other Cess	18,640,692.00	32,385,244.00	24,354,431.00	8,030,813.00	33
4	Single Business Permit	31,737,095.00	35,722,947.00	36,930,984.00	(1,208,037.00)	(3)
5	Plot Rent/ Rates	15,127,880.00	17,317,051.00	26,916,585.00	(9,599,534.00)	(36)
6	Market Fees & Others	29,184,504.00	30,303,827.00	26,771,413.00	3,532,414.00	13
7	Public Health Licences	570,900.00	7,404,056.00	12,000,000.00	(4,595,944.00)	(38)
8	Koibatek ATC	-	4,159,189.00	4,925,865.00	(766,676.00)	(16)
9	Marigat AMS	-	2,336,942.00	5,997,452.00	(3,660,510.00)	(61)
10	Hospital Revenue	29,303,991.00	55,737,110.00	49,682,560.00	6,054,550.00	12
<b>TOTAL</b>		<b>201,519,603.00</b>	<b>249,723,429.00</b>	<b>255,800,000.00</b>	<b>(6,076,571.00)</b>	<b>(2)</b>

#### d. County Expenditure Performance

22. During the period, from the revised budget of Kshs 5.012 billion, a total of Kshs 2.96 billion was budgeted for recurrent and Kshs 2.051million for development expenditure. By the end of June 2015, the county had spent Kshs2.957 billion on recurrent and Kshs1.1156 billion on development.
23. The actual expenditure on recurrent was Kshs. 2.897million showing that departments utilized 97.9% of the total recurrent budget. Similarly the departments spent Kshs.1.115 million representing 54.4% of the total development budget of Kshs. 2.051million showing a positive absorption rates in project implementation.

**Table 3: Recurrent and Development analysis**

	2013/14	2014/2015			
<b>1. Recurrent</b>	<b>Actual</b>	<b>Actual</b>	<b>Target</b>	<b>Deviation</b>	<b>%Growth</b>
Employee Compensation	1,535,626,757	2,022,272,997.80	2,000,424,346	21,848,651.80	1.10
Operations and Maintenance	908,620,187	875,466,377.08	960,151,439	(84,685,061.92)	(8.80)
<b>Total Recurrent</b>	<b>2,444,246,944</b>	<b>2,897,739,374.88</b>	<b>2,960,575,785</b>	<b>(62,836,410.12)</b>	<b>(2.10)</b>
<b>2. Development</b>	393,144,156	1,115,663,102.65	2,051,774,651.10	(936,111,548.45)	(45.60)
Total Development	<b>393,144,156</b>	<b>1,115,663,103</b>	<b>2,051,774,651</b>	<b>(936,111,548.45)</b>	<b>(45.60)</b>
Total Expenditure	<b>3,845,420,194</b>	<b>4,013,402,477.53</b>	<b>5,012,350,436.10</b>	<b>(998,947,958.57)</b>	<b>(19.90)</b>
<b>Percentage Utilization -</b>					
Recurrent Expenditure Absorption		<b>97.90%</b>			
Development expenditure absorption		<b>54.40%</b>			
Employee Compensation to Recurrent Expenditure	<b>63%</b>	<b>70%</b>			<b>7%</b>
Employee Compensation to Total Expenditure	<b>40%</b>	<b>50%</b>			<b>10%</b>
Employee Compensation to Total Revenue	<b>46%</b>	<b>47%</b>			<b>1%</b>

24. As at the end of period ending 30th June 2015, recurrent and development expenditures by the Departments of Treasury, Education and ICT, Health; Environment, Industrialization, Commerce, Tourism and Enterprise



Development, County Assembly and Office of the Governor spent more than 80% of their total expenditures. While the rest of the departments spent between 62% and 75% of their total recurrent and development expenditure. **Refer annex 2**

### **Departmental expenditure performance**

#### **a. Recurrent**

25. During the year under review total recurrent expenditure was Kshs2.897billion against a target of Kshs2.96 billion, representing 97.9%. Out of this, Kshs.2.022 billion was spent on employee compensation and Kshs875.4 million for operation and maintenance.
26. The Employee Compensation in relation to total recurrent expenditure was 70% compared to 63% in the previous year while Employee compensation to the total revenue moved upwards from 46% to 47% and Employee compensation to total expenditure moved upwards from 40% to 50 % which is high and above the national recommendation of 35%.This was due to absorption of ESP health staff and employment of ECD teachers among others. **Ref. Table 3 above.**
27. Analysis of recurrent outlays indicates that the Department of Health accounted for the largest share of the total recurrent expenditures (40.7%), followed by the County Assembly (12.1%). The rest of departments and entities spent less than 10% of the total recurrent expenditure (**annex 3**).

#### **b. Development**

28. Over the review period, Kshs1.115 billion was spent in development against allocated budget of Kshs 2.05 billion representing absorption rate of 54.38%. Analysis of development outlays (Table below) indicates that the Department of Transport and Infrastructure accounted for the largest share of the total development expenditures (26.3%), followed by the Department of Water and Irrigation (17.6%), Department of Education and ICT (14%), Department of Industrialization, Commerce Tourism and Enterprise Development (10.9%) Department of Agriculture (10.2%) and Department of Health spent 7%.
29. Departments of Lands Housing and Urban Development, Youth Gender and Sports, Environment and Natural Resources, Office of the Governor and the County Assembly and Treasury and Economic Planning spent, 3%, 3.2%, 2.1%, 3.4%, 2.3% and 0.1% respectively.
30. Major line items on development expenditure include construction of Non-Residential Buildings (offices, ECD schools, hospitals, etc.), opening up of roads and other Civil Works ,Water Supplies and Sewerage and Access Roads which consumed 24.64 %, 22.45 %, 15.5 % and 14.74 % respectively from the actual total development expenditure of Kshs1.115 billion. Others Major category per line item had less than 10 % as shown in **annex 5**.
31. During the year under review the actual absorption rate for development budget increased to 54% (Kshs.1.115 B) from 31% (Kshs.0.366 B) in FY2013-2014.To further increase absorption capacity of county departments the county



government will continue to strengthen on the following areas; enhance procurement process, training of staff to improve on efficiency and effectiveness, management and supervision of programs and projects, reduce over-ambitious expenditure estimates and automate some of the processes.

**c. Other payments/expenditure**

32. During the period under review, the department of Industrialization, Commerce, Tourism and Enterprise Development spent Kshs47million for the following activities, to promote Small and Medium Enterprises(Kshs 15 million), support to cooperatives (Kshs 12 million), support to community conservancies(Kshs8 million) and Kshs12 million to Lake Bogoria community grants.
33. The department of Youth, Gender, Sports, Culture and Social Services spent Kshs 10 million towards youth and women fund to empower in business establishment. The department of Education and ICT spent a total of Kshs 56 million to support students in secondary schools, tertiary institutions and universities as bursary to support the needy children. Finally, the county government spent Kshs 30.94 million on emergency fund to mitigate on unforeseen emergencies.

**d. Pending bills**

34. As at 30<sup>th</sup> June 2015, the County Government had an obligation to pay for the goods and services consumed. But due to delay in release of funds by the national government under equitable share, the funds were never released in the review period until the preceding year. Over the review period, the county had a total Kshs 173,783,580.90 pending bills out of which Kshs 138,328,327.37 was for development activities while Kshs 35,455,253.53 was for provision of goods and services. The departments of transport and infrastructure, healthservices, water and irrigation and agriculture had the highest bills of Kshs46,415,743, Kshs46, 486,370, Kshs26,146,290and Kshs11,312,145 respectively. The other departments had pending bills below Kshs 4 million.
35. On recurrent the departments of Tourism, Commerce and Enterprise Development, Agriculture, Health Services, Transport and Infrastructure, Treasury and Economic Planning and office of the Governor had pending bills of Kshs6,523,976, Kshs2,417,848 Kshs2,366,564, Kshs 2,200,022, Kshs2,099,124 and Kshs13,147,612 respectively. The rest had pending bills of below Kshs 2 million as shown in **annex 1**.

**e. Roll over funds**

36. During the review period the county government rolled over Kshs. 831,912,415.00 to FY 2015/16 to be utilized on ongoing development projects already identified for the same purpose.

### **III. Financial year 2016/17-2018/19 Fiscal Performance and Projections**

37. This section highlights the assumptions that can affect the implementation process, performance on revenue and expenditure and looks at the Fiscal Responsibility Principles that will guide the future projections

#### **Assumptions/Basis of projection**

38. During the medium term fiscal framework, it is expected that,

- a) National economy will grow at a steady growth rate of more than five percent;
- b) The Auditor General will be timely in the release of audited financial statements and be approved by the National Assembly on time resulting in increased equitable share
- c) County assembly approval of budgets within the legal framework;
- d) Normal weather pattern during the year;
- e) Improved investor confidence through partnerships;
- f) Inflation will be expected to remain low and stable;
- g) Oil prices and exchange rate will also be expected to remain stable;
- h) The County expects to continue receiving conditional grants;
- i) The revenue is assumed to grow by 12 per cent during the medium term;
- j) The development expenditure will increase upwards from the current 32 percent to 35 per cent in FY 2016/17 , 39 per cent in FY 2017/18 and 42 per cent 2018/19;
- k) Recurrent expenditure will be reducing from the current 68 percent to 65 per cent, 61.3 per cent and 59 per cent during the medium term ;
- l) Discretionary expenditures will reduce over time and
- m) Yearly departmental budgets will be balanced or zero based budgets.

#### **Fiscal Performance for FY 2014/15 in relation to Fiscal Responsibility**

39. Revenue projections will remain on upward trajectory in line with the initial projections taking into account the revised revenue and expenditure base. The approval of the audited accounts of 2013/14 financial year by the National Assembly will increase the equitable share to the county to mitigate against ever increasing demand on development expenditure.

40. The overall revenue in 2013/14 and 2014/15 had implications in the base used to project the revenue for the FY 2015/16. Local revenue was Kshs. 201.51 million in FY 2013/14 against Kshs 249.72 for the FY 2014/15. It is expected to rise to Kshs. 300 million in this financial year. Equitable share rose from Kshs. 3.247 billion in FY 2013/14 to Kshs. 3.874 billion in FY 2014/15 and expect to rise to Kshs. 4.440 billion in 2015/16.

41. Therefore, in updating the fiscal outlook the new base has been taken into account. In addition; effects, arising from the recently enacted finance bill is expected to boost revenue through improving efficiency in administration as well as ease in compliance by revenue payers.
42. Given the performance in 2014/15 the expenditure pressures, especially recurrent expenditures, pose a fiscal risk. Wage pressures and low revenue collection may continue to put pressure on the budget. In addition, implementation pace in the spending units continues to be a source of concern especially with regard to the development expenditures and uptake of external resources. These risks will be monitored closely and the County Government would take appropriate measures in the context of Supplementary Budget.
43. In budget implementation for the FY2015/16, the county has taken into account actual performance of expenditure and absorption capacity in the remainder of the financial year. In the face of expenditure pressures, the County Government will rationalize expenditures by cutting those that are non-priority. However, the resources earmarked for development purposes will be utilized in the said projects and none, whatsoever, can be expended as recurrent.
44. The compensation to employees has since reached optimum levels and little will change unless more functions are devolved to the county that will be preceded by an increase in compensation to employees. The county will also make insignificant percentage increment in employee recruitment.
45. The Salary and Remuneration Commission (SRC) will continue to set remuneration structure of State Officers. The work towards adopting a new wage policy aimed at limiting the public wage bill as well as job evaluation and harmonization of wage structure for public servants is underway. This will improve on planning of salaries and wages reviews because it will be predictable and based on some policy measures unlike the current practice. This might affect the projections foremployees' compensation in the preceding budgets.
46. On the revenues side, the Revenue Section within the county Treasury Department is expected to properly rollout the implementation of Finance Act, 2015 and other subsidiary legislative such as ;Property Rates Bill, Alcohol Bill, Trade Licenses Bill, Revenue Administration Bill, Advertisement Bill and Entertainment Bill. This will need careful interpretation to the players to avoid eroding the expected gains through a few individuals who would want to take advantage of the new Act for their own benefit at the expense of citizen as well as government revenues. Enhanced compliance audit of large revenue payers, expansion of income revenue base and rationalization of

existing revenue incentives are some measures required to boost revenue collection.

47. Similarly, revenue collection from rentals and land rates should be pursued and collection of property revenue should be enhanced to strengthen the revenue base of County.

48. In line with the Constitution, the new Public Finance Management (PFM) Act, 2012, and in keeping with the prudence and transparent management of public resources, the County Government has adhered to the fiscal responsibility principles as set out in the statutes as follows:

- ❖ The County Government development budget allocation over the medium term is above 30 percent, the minimum set out by law. In FY 2014/15 the County Government allocated 32% percent to development, however as shown in the preliminary outcome indicates that development expenditure stood at 30 per cent of the total county expenditure due to downward revision of budget. Over the medium term development expenditure is budgeted to expand to 32 percent in FY 2015/16, 35% in 2016/17, 39% in Y 2017/18 to more than 41 percent in FY 2018/19 (**annex 7**)

#### **IV. Recent economic developments and outlook**

##### **a) Recent economic development**

##### **Overall inflation**

49. Overall 12-month inflation declined from 7.1 percent in April 2014 to 6.9 percent in May 2015 largely reflecting a decline in fuel and food inflation. Fuel inflation eased by 125 basis points to 0.3 percent in May 2015 while food inflation eased by 13 basis points to 12.4 percent. Non-food non-fuel (NFNF) inflation rose by 62 basis to 4.2 percent. Annual average inflation remained unchanged at 6.7 percent in April and May 2015. The three months annualized rate of inflation however, rose to 16.1 percent in May 2015 indicating sustained domestic inflationary pressures

##### **Interest Rates**

50. The Monetary Policy Committee maintained the Central Bank Rate (CBR) at 8.5 percent on May 6, 2015, in order to continue anchoring inflationary expectations. Meanwhile, the weighted average interbank rate increased to 11.2 percent in May 2015 from 8.8 percent in April 2015 consistent with the pursuit of current tightening bias stance in the money market in order to anchor inflationary expectations.

## Real GDP Growth

51. 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 growths of varying magnitudes. The tourism sector, however, declined owing to concerns over insecurity.

## Exchange Rates

52. The Kenya shilling weakened against major international currencies and displayed mixed performance against EAC currencies during the month of May 2015. The weakening reflects developments on the international markets notably the strengthening of the US Dollar against major world currencies (anchored on positive sentiment on economic recovery) and high dollar demand on the domestic market.

## V. Budget Implementation of the financial year 2015/16

53. Departments/Agencies have commenced the implementation of the FY 2015/16 Budget. The County Treasury prepared and dispatched project implementation plan, cash flow projections and procurement plans to guide Departments and Agencies on budget implementation. So far, the implementation of the 2015/16 budget is progressing well despite initial challenges encountered at the start of the financial year.

54. Major challenges faced during the period were as a result of delay in release of funds by the national treasury and low revenue collection due to insecurity and travel advisory by European countries.

55. Adequate measures have been taken to ensure priority programmes are fully implemented. This include directing Departments and Agencies to prepare and submit their annual project implementation plans, cash flow plans, and procurement plans to the County Treasury to facilitate in line with the requirements of PFM Act, 2012. Implementation of priority programmes will be tracked and feedback given periodically.

56. The County Treasury is implementing 100% IFMIS in compliance with the Public Finance Management Act, 2012. The county treasury will adopt monthly

financial reporting which will help in timely decision making in project implementation.

57. Regarding revenue, the collection for FY 2015/16 is broadly on course and therefore we expect that the outturn will be within the target. The Revenue Section returns by mid-September 2015 shows that ordinary revenue amounted to Ksh59.7 million against a target of Kshs 58.8 million thus, the total revenue collection was above target by Kshs 0.9 million in the first three months of the year.
58. Preliminary outturn indicates that the expenditure by mid-September 2015 had not commenced due to delays in release of funds from national treasury. The department of treasury has put in place mechanisms to roll out budget implementation by October, 2015.

## **VI. Medium term fiscal framework**

59. The county's fiscal policy objective will be to focus county government spending in the coming year on efforts to expand the county's three key sectors of water and irrigation, agriculture to improve food security in the county and roads and infrastructure to improve rural access to markets.
60. With regard to the economic policy management, the County Government will continue to pursue prudent fiscal policies aimed at sustaining economic growth and budget ceilings.
61. The fiscal policy objective aims at supporting rapid economic growth and ensuring the position remains sustainable while at the same time supporting the system for effective delivery of public goods and services in a sustainable manner. Specifically, the Fiscal Policy underpinning the FY 2016/17 Budget and MTEF aims at improving revenue collection over the medium term and containing growth of total recurrent expenditure. Further, the policy aims at shifting more public resources from recurrent to capital investment so as to promote sustainable and inclusive growth.
62. The county government will introduce fiscal policies that will undertake the following:
  - (i) Enhancing resource mobilization, including broadening revenue base; Revenue collection efforts will be enhanced to ensure all potential revenue payers make their contribution towards County's development agenda. Revenue administration capacity will be strengthened through organizational and revenue management system to finance priority development projects. Automation of revenue section remains a priority in order to enhance revenue collection;
  - (ii) Expenditure rationalization will continue being a priority focusing on rationalizing expenditures in the non-productive areas, targeted nonproductive expenditures include; Telephone and mobile phone services,

Courier and postal services, Domestic and foreign travels, printing and advertising services, hospitality supplies and services, general office supplies, fuels and lubricants, professional contractual services and alteration of buildings and civil works;

(iii) Through Monitoring and Evaluation, the County will monitor expenditure efficiency and effective implementation of budget programs by enforcement of cost benchmarks for all projects and consumables. Further, there will be enforcement of a project implementation performance benchmark of at least 70 percent, expenditure tracking and value for money audits to ensure efficiency and effectiveness in use of resources. Project planning and management as well as engagement with development partners, the public and other stakeholders will be strengthened; and

(iv) The integrated financial management system (IFMIS) as an end-to-end transaction platform and full implementation of a Government Payment Gateway revenue and expenditure efficiency will improve economic growth and service delivery to the citizenry.

## **VII. Risks to the outlook**

63. The risks to the outlook for 2016 and medium term include challenges in revenue performance as the county continues to put structures in place, seal loop holes and expand the revenue base.
64. The high wage bill will also be a major challenge in the implementation of the budget. Recruitment of any additional staff if any will be based on the outcome of the on-going job evaluation exercise aimed at staff rationalization to achieve a lean and efficient workforce and a sustainable wage bill. Lack of clear guidelines to bring clarity and harmony of employee operations in scheme of service is a hindrance.
65. Timely release of funds by the national government will be another challenge. Delay in funds release could lead to disruption in the activities of counties and compromise service delivery.
66. Disasters pose a great risk to the medium term which may lead to deviation of resources for mitigation.

## **VIII. Resource Allocation Framework**

### **a) Adjustments to budget 2015/16**

67. 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 improved 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 external factors e.g. travel advisories by tourists' source countries. 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. The finance bill 2015 will spur revenue collection.

68. The 2014/2015 budget was faced with high recurrent expenditure on salaries and remunerations, threatening allocations to the development expenditure. Adjustment to the 2015/16 budget emanated from harmonization of salaries or staff rationalization in the county as advised by the salaries and remuneration commission of Kenya. The county also appreciates the ongoing capacity assessment and rationalization of the public service exercise, being 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.
69. In implementing the 2015/2016 budget, comparison between the targeted and actual expenditure performance in 2014/2015 financial year per department was taken into consideration, as it will establish the real funds absorption capacity of the various departments. In adjudicating this process, budgetary allocations was based on the departmental capacity of utilization.
70. Further, adjustment to the budget will be guided by the County Integrated Development Plan (CIDP) 2013-2017, 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.
71. 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.



## IX. Medium term expenditure framework

72. 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.

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

- i. Investing in reviving, maintaining and extension of existing water schemes and sanitation systems;
- ii. Investing in agricultural transformation;
- iii. Infrastructure development;
- iv. Investing in quality, affordable and accessible healthcare services
- v. Promoting social welfare, education and improved standard of living;
- vi. Creating conducive business environment;
- vii. Management of land, environment and natural resources; and
- viii. Investing in county governance structures.

**Reflecting the above medium-term expenditure framework, annex 9 below provides the tentative projected baseline estimates for the 2016/17-2018/19 MTEF period**

### **The 2016/2017 budget framework**

74. The 2016/17 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.
75. The County Government has an allocation of Kshs. 5.014 billion in FY 2015/16 with a projection growth of Kshs. 5.417 billion in FY 2016/17.
76. Therefore, preparation of the 2016/2017 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.

### **Revenue Projections**

77. The County Government projects to raise revenue from the various sources of Ksh.350 million up from Kshs 300 million. To achieve this target, the county intends to automate the revenue collection systems, build staff capacity and move towards sealing revenue leakages. Further Kshs 5.24 billion from the National Government. Thus the county government expects total revenue of Kshs 5.59 billion

### **Expenditure Forecasts**

78. The County Government will spend Kshs 2,372,573,515.50 on salaries and allowances out of its total allocation of Kshs 3,775,783,747.22 of recurrent expenditure. This comprises 43.79 per cent of the total expenditure. Development Programmes allocation is projected to be Kshs 1,896,142,500.85 being 35 percent of the total budget allocation. This will leave 21 percent for administrative costs.
79. Wage Bill- the wage bill is high and likely to be unsustainable in the long run. Health sector alone will be expected to consume Kshs 906,516,443.65 billion which is 42 per cent out of the total allocation (Kshs 2,176,673,251) for salaries and allowances. For this reason, the County Government will take deliberate measures to contain the raising wage bill by freezing recruitment of non-essential positions, consolidate the current workforce through restructuring and staff rationalization across departments.
80. Expenditure ceilings on goods and services for sectors/ministries are based on funding allocation in the FY 2016/17 budget as the starting point. The ceilings are then reduced to take into account one-off expenditures in FY 2015/16 and then an adjustment factor is applied to take into account the general increase in prices.
81. The ceiling for development expenditures including loans and grants financed projects in nominal terms amounts to Ksh 1,582,103,916 in the FY 2015/16.

Most of the outlays are expected to support critical infrastructure. About 94 percent of development budget will be funded by project exchequer releases and grants from development partners, while the balance of 6 percent will be financed through domestic resources.

82. Emergency fund of Ksh 76,537,263 is provided for in FY 2015/16. In addition, Ksh 261,108,463 is provided for as grants to the County to fund; Conditional Allocation Free Maternal Health Care Ksh 65,759,400.00, Leasing of Medical Equipment Ksh. 95,744,681.00, Roads Maintenance Fuel Levy Fund Ksh. 56,410,082.00, World Bank support to Health Facilities Ksh 17,224,300.00, Danida (Health Facilities) Ksh 25,970,000.00.

## **X. Conclusion and next steps**

83. The FY 2016/17-2018/19 MTEF presented in this CBROP is developed taking into account the key policy challenges facing the county. It is therefore marked by moderate growth in overall development expenditure, taking into account the economic outlook and the need to maintain fiscal discipline in all departments for maximum return from public resources. The policies, therefore, are broadly in line with the fiscal responsibility principles outlined in the PFM Act, 2012.
84. Going forward, the set of policies outlined in this CBROP ensures continuity in resource allocation based on prioritized programs aligned to CIDP, the Second MTP (2013-2017) of Vision 2030, Governor's manifesto and strategic policy initiatives of the Jubilee Administration to accelerate growth, employment creation and poverty reduction.
85. The policies and sector ceilings annexed herewith will guide the line department in preparation of the FY 2016/17 budget.
86. The next County Fiscal Strategy Paper (CFSP) will be finalized by the February 2016 deadline as per the PFM Act, 2012.
87. The County Government will try as much as possible to mitigate those risks that are within its control.

## ANNEXES

### Annex 1: County Fiscal Performance

	Year 2013/14	Year 2014/15		Deviation	% Growth
	Actual	Actual	Targets		
<b>A. Total Revenue and Grants</b>	<b>3,832,012,946</b>	<b>3,480,132,119</b>	<b>4,438,613,290</b>	<b>(958,481,171)</b>	<b>(22)</b>
<b>1 Revenue Totals</b>	<b>3,449,457,445</b>	<b>3,427,151,119</b>	<b>4,255,737,072</b>	<b>(828,585,953)</b>	<b>(19)</b>
<i>National Revenue Allocation</i>	3,247,937,841.00	3,177,427,690.00	3,874,911,817.00	(697,484,127)	<b>(18)</b>
Rural electrification	-	-	125,025,255.00	(125,025,255)	<b>(100%)</b>
<b>County own Revenue (Totals)</b>	<b>201,519,604.00</b>	<b>249,723,429.00</b>	<b>255,800,000.00</b>	<b>(6,076,571)</b>	<b>(2)</b>
Game Park Fees	69,456,838.00	54,429,063.00	55,851,065.00	(1,422,002)	<b>(3)</b>
Animal Stock Sale Fees	7,497,705.00	9,928,000.00	12,369,645.00	(2,441,645)	<b>(20)</b>
Produce & Other Cess	18,374,372.00	32,385,244.00	24,354,431.00	8,030,813	<b>33</b>
Single Business Permit	31,737,095.00	35,722,947.00	36,930,984.00	(1,208,037)	<b>(3)</b>
Plot Rent/ Rates	15,127,880.00	17,317,051.00	26,916,585.00	(9,599,534)	<b>(36)</b>
Market Fees & Others	29,184,504.00	30,303,827.00	26,771,413.00	3,532,414	<b>13</b>
Public Health Licenses	570,900.00	7,404,056.00	12,000,000.00	(4,595,944)	<b>(38)</b>
Veterinary Services	266,320.00			0	<b>0</b>
Koibatek ATC	-	4,159,189.00	4,925,865.00	(766,676)	<b>(16)</b>
Marigat AMS	-	2,336,942.00	5,997,452.00	(3,660,510)	<b>(61)</b>
Hospital Revenue	29,303,991.00	55,737,110.00	49,682,560.00	6,054,550	<b>12</b>
Tender documents		-	-	0	<b>0</b>

	Year 2013/14	Year 2014/15		Deviation	% Growth
	Actual	Actual	Targets		
<b>Others</b>		-	-	0	<b>0</b>
<i>2. Grants</i>				0	<b>0</b>
Loans and grants	382,555,501.00	29,191,000.00	182,876,218.00	-153,685,218	<b>(84)</b>
HSSF DANIDA	-	23,790,000.00	-	23,790,000	<b>0</b>
<i>Total Expenditure</i>	<b>3,845,420,194.00</b>	<b>4,013,402,477.53</b>	<b>5,012,341,434.86</b>	<b>(998,938,957.33)</b>	<b>(20)</b>
<b>3. Recurrent</b>	<b>2,563,675,857.00</b>	<b>2,897,739,374.88</b>	<b>2,960,575,785.00</b>	<b>(62,836,410.12)</b>	<b>(2)</b>
Wages and Salaries	1,535,626,757.00	2,022,272,997.80	2,000,424,346.00	21,848,652	<b>1</b>
Operations and Maintenance	908,620,187.00	840,011,123.55	960,151,439.00	(120,140,315)	<b>(13)</b>
Pending bills	119,428,913.00	35,455,253.53	-	35,455,254	<b>0</b>
Others	-	-	-	0	<b>0</b>
<b>4. Development Expenditure</b>	<b>393,144,156.00</b>	<b>977,334,775.28</b>	<b>2,051,765,649.86</b>	<b>(1,074,430,875)</b>	<b>(52)</b>
Pending bills	888,600,181.00	138,328,327.37	-	138,328,327	<b>0</b>
<b>Total Revenue less total Expenditure</b>	<b>(13,407,248.00)</b>	<b>(533,270,358.53)</b>	<b>(573,728,144.86)</b>	<b>40,457,786.33</b>	<b>(7)</b>

## Annex 2: Overall Absorption Rate

Departments	15-Jun		Variance	% Absorption
	Total			
	Actual	Target		
County Assembly	375,670,025	444,042,178	68,372,153	85
Office of the Governor	289,286,538	349,893,309	60,606,771	83
County Treasury	230,715,936	256,399,916	25,683,980	90
Agriculture, Livestock and Fisheries	307,641,749	430,454,236	122,812,487	71
Health	1,256,900,322	1,454,013,059	197,112,737	86
Education and ICT	406,074,290	496,008,578	89,934,288	82
Transport and Infrastructure	346,467,310	464,830,531	118,363,221	75
Water and Irrigation	281,699,488	456,533,372	174,833,884	62
Environment and Natural Resources	51,951,304	63,910,080	11,958,776	81
Industrialization, Commerce, Tourism and Enterprise Development	215,104,637	241,130,412	26,025,775	89
Youth, Gender, Sports, Culture and Social Services	99,727,320	142,080,377	42,353,057	70
Lands, Housing and Urban Development	152,163,557	213,054,388	60,890,831	71
<b>Total</b>	<b>4,013,402,476</b>	<b>5,012,350,436</b>	<b>998,947,960</b>	<b>80</b>

## Annex3: Recurrent Expenditure

Departments	15-Jun		Variance	% expenditure	% Absorption Rate
	Recurrent				
	Actual	Target			
County Assembly	349,977,218	363,760,946	13,783,728	12.10	96.2
Office of the Governor	251,605,790	284,177,844	32,572,054	8.70	88.5
County Treasury	229,935,296	233,399,916	3,464,620	7.90	98.5
Agriculture, Livestock and Fisheries	193,940,675	191,311,452	-2,629,223	6.70	101.4
Health	1,178,979,295	1,183,352,549	4,373,254	40.70	99.6

Departments	15-Jun		Variance	% expenditure	% Absorption Rate
	Recurrent				
	Actual	Target			
Education and ICT	249,534,495	246,211,294	-3,323,201	8.60%	101.3
Transport and Infrastructure	53,149,668	62,684,143	9,534,475	1.80%	84.8
Water and Irrigation	85,201,712	83,222,840	-1,978,872	2.90%	102.4
Environment and Natural Resources	29,191,160	26,590,541	-2,600,619	1.00%	109.8
Industrialization, Commerce, Tourism and Enterprise Development	93,871,561	93,824,913	-46,648	3.20%	100.0
Youth, Gender, Sports, Culture and Social Services	63,797,073	59,754,435	-4,042,638	2.20%	106.8
Lands, Housing and Urban Development	118,555,431	132,284,912	13,729,481	4.10%	89.6
<b>Total</b>	<b>2,897,739,375</b>	<b>2,960,575,785</b>	<b>62,836,410</b>	<b>100%</b>	<b>97.9</b>

#### Annex 4: Development Expenditure

Departments	15-Jun		Variance	% expenditure	% Absorption Rate
	Development				
	Actual	Target			
County Assembly	25,692,807	80,281,232	54,588,425	2.30%	32.0
Office of the Governor	37,680,748	65,715,465	28,034,717	3.40%	57.3
County Treasury	780,640	23,000,000	22,219,360	0.10%	3.4
Agriculture, Livestock and Fisheries	113,701,074	239,142,784	125,441,710	10.20%	47.5
Health	77,921,027	270,660,510	192,739,483	7.00%	28.8
Education and ICT	156,539,795	249,797,284	93,257,489	14.00%	62.7
Transport and Infrastructure	293,317,642	402,146,388	108,828,746	26.30%	72.9
Water and Irrigation	196,497,776	373,310,532	176,812,756	17.60%	52.6
Environment and Natural Resources	22,760,144	37,319,539	14,559,395	2.00%	61.0
Industrialization, Commerce, Tourism and Enterprise Development	121,233,075	147,305,499	26,072,424	10.90%	82.3

Departments	15-Jun		Variance	% expenditure	% Absorption Rate
	Development				
Youth, Gender, Sports, Culture and Social Services	35,930,247	82,325,942	46,395,695	3.20%	43.6
Lands, Housing and Urban Development	33,608,126	80,769,476	47,161,350	3.00%	41.6
<b>Total</b>	<b>1,115,663,101</b>	<b>2,051,774,651</b>	<b>936,111,550</b>	<b>100.00%</b>	<b>54.4</b>

### Annex 5: Development expenditure per line item

Major category	AMOUNTS	%
Non-Residential Buildings (offices, schools, hospitals, etc..)	274,919,795	24.64
Water Supplies and Sewerage	172,981,976.25	15.50
Access Roads	164,443,728.75	14.74
Other Infrastructure and Civil Works	250,472,026.45	22.45
Construction of Buildings - Others	70,313,058.35	6.30
Current Grants to Semi-Autonomous Government Agencies	45,000,000	4.03
Bridges	31,489,910.60	2.82
Major Roads	22,883,846.50	2.05
Purchase of Tractors	17,500,000	1.57
Co-operative Societies	15,000,000	1.34
Residential Buildings (including hostels)	13,755,452.25	1.23
Purchase of Trucks and Trailers	10,726,986.25	0.96
Purchase of tree seeds and seedlings	9,616,650	0.86
Medium and Small Enterprises	7,140,136.30	0.64
Purchase of ICT Networking and Communication Equipment	3,524,494	0.32
Purchase of Software	3,107,690.95	0.28
Research, Feasibility Studies	2,305,600	0.21
Purchase of Educational Aids and Related Equipment	481,751	0.04
<b>Total Development Expenditure</b>	<b>1,115,663,102.65</b>	<b>100</b>



## Annex 6: Pending Bills

PENDING BILLS AS AT 30TH JUNE			
Department	DEVELOPMENT	RECURRENT	TOTALS
Agriculture	11,312,145	2,417,848	13,729,993
Office Of The Governor	-	13,147,612	13,147,612
County Public Service Board	-	620,750	620,750
Treasury And Economic Planning	-	2,099,124	2,099,124
Baringo North	-	103,930	103,930
Transport And Infrastructure	46,486,370	2,200,022	48,686,392
Health Services	46,415,743	2,366,564	48,782,307
Youth Sports And Social Services	-	1,521,970	1,521,970
Environment And Natural Resources	1,979,497	395,000	2,374,497
Lands And Urban Planning	4,355,596	626,249	4,981,845
Water And Irrigation Services	26,146,290	1,596,293	27,742,583
Education And Ict	1,004,155	958,822	1,962,977
Tourism, Trade And Cooperative Development	324,130	6,523,976	6,848,106
Kabarnet Town	304,401	509,300	813,701
Eldama Ravine Town	-	367,795	367,795
<b>Totals</b>	<b>138,328,327</b>	<b>35,087,459</b>	<b>173,415,786</b>

## Annex 7: Fiscal responsibility

Revenue	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
<b>Total Equitable /Grants Revenue</b>	<b>3,817,493,342.00</b>	<b>3,972,375,317.00</b>	<b>4,714,634,596.00</b>	<b>5,067,550,002.00</b>	<b>5,694,523,978.00</b>	<b>6,321,497,954.00</b>
Conditional Allocation Free Maternity			65,759,400.00	-	-	-
Leasing Of Medical Equipment			95,744,681.00	-	-	-
User Charges	50,000,000.00			-	-	-
HSSF DANIDA -Health facilities		23,790,000.00	25,970,000.00	-	-	-
Loans And Grants(WHO)	382,555,501	73,673,500.00	0.00	-	-	-
World Bank Support To Health Facilities			17,224,300.00	-	-	-
Compensation For Use Fees Forgone			12,950,107.00	-	-	-
Roll Over Funding	137,000,000			-	-	-
Roads Maintenance Fuel Levy Fund			56,410,082.00	-	-	-
Equitable Share	3,247,937,841.00	3,874,911,817.00	4,440,576,026.00	5,067,550,002.00	5,694,523,978.00	6,321,497,954.00
<b>Total Local Revenue</b>	<b>210,000,000.00</b>	<b>255,800,000.00</b>	<b>300,000,000.00</b>	<b>350,000,000.43</b>	<b>400,000,000.50</b>	<b>455,800,000.57</b>
Game Park Fees	69,456,838.00	55,878,064	65,378,064	76,274,407.80	87,170,751.78	99,331,071.65
Animal Stock Sale Fees	11,497,705.00	12,369,644	14,269,644	16,647,918.54	19,026,192.62	21,680,346.49
Produce & Other Cess	18,374,372.00	24,354,431	26,754,431	31,213,503.16	35,672,575.04	40,648,899.26
Single Business Permit	36,217,490.00	36,930,982	44,430,982	51,836,145.73	59,241,309.40	67,505,472.06
Plot Rent/ Rates	15,127,880.00	26,916,586	29,476,586	34,389,349.97	39,302,114.25	44,784,759.19
Market Fees & Others	29,184,504.00	26,771,413	28,871,413	33,683,315.23	38,495,217.41	43,865,300.24

<b>Revenue</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
Koibatek ATC	570,900.00	4,898,872	5,113,620	5,965,890.00	6,818,160.00	7,769,293.32
Marigat AMS	266,320.00	5,997,448	8,522,700	9,943,150.00	11,363,600.00	12,948,822.20
Public Health	-	6,000,000	6,000,000	7,000,000.00	8,000,000.00	9,116,000.00
Veterinary	-	6,000,000	6,000,000	7,000,000.00	8,000,000.00	9,116,000.00
Hospital Revenue	29,303,991.00	49,682,560	65,182,560	76,046,320.00	86,910,080.00	99,034,036.16
<b>Total Revenues</b>	<b>4,027,493,342.00</b>	<b>4,228,175,317.00</b>	<b>5,014,634,596.00</b>	<b>5,417,550,002.43</b>	<b>6,094,523,978.50</b>	<b>6,777,297,954.57</b>
<b>Expenditure Projection</b>						
<b>Department</b>		<b>Budget 2014/2015</b>	<b>Projection 2015/2016</b>	<b>Projection 2016/2017</b>	<b>Projection 2017/2018</b>	<b>Projection 2018/2019</b>
<b>Total Recurrent Expenditure</b>	<b>2,833,784,611.00</b>	<b>2,960,575,785.00</b>	<b>3,432,530,680.00</b>	<b>3,521,407,501.58</b>	<b>3,734,939,117.97</b>	<b>3,967,688,579.84</b>
Employee Compensation	1,125,203,808.28	2,000,424,346.00	2,176,672,950.00	2,372,573,515.50	2,586,105,131.90	2,818,854,593.77
Operation and Maintainance	1,708,580,802.72	960,151,439.00	1,255,857,730.00	1,148,833,986.08	1,148,833,986.08	1,148,833,986.08
<b>Total Development</b>	<b>1,193,708,731.00</b>	<b>1,267,599,532.00</b>	<b>1,582,103,916.00</b>	<b>1,896,142,500.85</b>	<b>2,359,584,860.53</b>	<b>2,809,609,374.73</b>
<b>Development expenditure</b>	1,193,708,731.00	1,267,599,532.00	1,582,103,916.00	1,896,142,500.85	2,359,584,860.53	2,809,609,374.73
<b>Total Expenditure</b>	<b>4,027,493,342.00</b>	<b>4,228,175,317.00</b>	<b>5,014,634,596.00</b>	<b>5,417,550,002.43</b>	<b>6,094,523,978.50</b>	<b>6,777,297,954.57</b>
<b>Project Net Deficit/Surplus</b>	-	-	-	<b>0.00</b>	<b>(0.00)</b>	<b>(0.00)</b>
Development rate of change	30%	30%	32%	35%	39%	41%
Employee Compensation Rate	28%	47%	43%	44%	42%	42%
Operation and Maintenance rate	42%	23%	25%	21%	19%	17%
<b>TOTAL RATE</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

**Annex 8: Local Revenue Projections 2013/2014- 2018/2019**

		2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	202018/2019
No	Sources	Actuals	Actuals	Projections	Projections		
1	Game Park Fees	69,456,838	54,429,063	65,378,064	76,274,407.80	87,170,751.78	99,331,071.65
2	Animal Stock Sale Fees	7,497,705	9,928,000	14,269,644	16,647,918.54	19,026,192.62	21,680,346.49
3	Produce & Other Cess	18,374,372	32,385,244	26,754,431	31,213,503.16	35,672,575.04	40,648,899.26
4	Single Business Permit	31,737,095	35,722,947	44,430,982	51,836,145.73	59,241,309.40	67,505,472.06
5	Plot Rent/ Rates	15,127,880	17,317,051	29,476,586	34,389,349.97	39,302,114.25	44,784,759.19
6	Market Fees & Others	29,184,504	30,303,827	28,871,413	33,683,315.23	38,495,217.41	43,865,300.24
7	Koibatek ATC	-	7,404,056	5,113,620	5,965,890	6,818,160.00	7,769,293.32
8	Marigat AMS	-	4,159,189	8,522,700	9,943,150	11,363,600.00	12,948,822.20
9	Public Health	570,900	1,136,942	6,000,000	7,000,000	8,000,000.00	9,116,000.00
10	Veterinary	266,320	1,200,000	6,000,000	7,000,000	8,000,000.00	9,116,000.00
11	Hospital Revenue	29,303,991	55,737,110	65,182,560	76,046,320	86,910,080.00	99,034,036.16
<b>Total</b>		<b>201,519,604</b>	<b>249,723,428</b>	<b>300,000,000</b>	<b>350,000,000</b>	<b>400,000,000</b>	<b>455,800,000.57</b>

**Annex 9: Medium Term Departments Ceilings, FY 2016/2017-2018-2019 in Ksh**

Departments									% share of the total expenditure					
		Budget	Actual	CFSP Ceiling	Budget	Ceiling	Projections	Budget	Actual	Budget	CFSP Ceiling	Projections		
		2014/15	2014/15	2015/16	2015/16	2016/17	2017/18	2018/19	2014/15	2014/15	2015/16	2016/17	2017/18	2018/19
County Assembly	<b>Sub totals</b>	<b>444,042,178</b>	<b>375,670,025</b>	<b>558,640,078</b>	<b>530,588,730</b>	<b>543,534,635</b>	<b>581,101,011</b>	<b>621,894,528</b>	<b>8.86%</b>	<b>9.36%</b>	<b>10.58%</b>	<b>10.03%</b>	<b>9.53%</b>	<b>9.18%</b>
	Rec.	363,760,946	349,977,218	476,140,078	506,459,780	514,604,024	545,227,054	579,223,327	7.26	8.72	10.10	9.50	8.95	8.55
	Dev	80,281,232	25,692,807	82,500,000	24,128,950	28,930,611	35,873,958	42,671,201	1.60	0.64	0.48	0.53	0.59	0.63
Office of the Governor	<b>Sub totals</b>	<b>349,893,309</b>	<b>289,286,538</b>	<b>454,017,859</b>	<b>381,337,589</b>	<b>401,717,080</b>	<b>437,355,796</b>	<b>474,710,612</b>	<b>6.98</b>	<b>7.21</b>	<b>7.60</b>	<b>7.42</b>	<b>7.18</b>	<b>7.00</b>
	Rec.	284,177,844	251,605,790	374,017,859	328,253,899	338,101,516	358,472,496	380,815,285	5.67	6.27	6.55	6.24	5.88	5.62
	Dev	65,715,465	37,680,748	80,000,000	53,083,690	63,615,564	78,883,299	93,895,327	1.31	0.94	1.06	1.17	1.29	1.39
County Treasury	<b>Sub totals</b>	<b>256,399,916</b>	<b>230,715,936</b>	<b>369,898,836</b>	<b>380,964,098</b>	<b>398,754,377</b>	<b>430,903,766</b>	<b>464,908,473</b>	<b>5.12</b>	<b>5.75</b>	<b>7.60</b>	<b>7.36</b>	<b>7.07</b>	<b>6.86</b>
	Rec.	233,399,916	229,935,296	319,648,836	343,322,936	353,622,624	374,940,392	398,310,777	4.66	5.73	6.85	6.53	6.15	5.88
	Dev	23,000,000	780,640	50,250,000	37,641,162	45,131,753	55,963,374	66,597,696	0.46	0.02	0.75	0.83	0.92	0.98
Agriculture, Livestock and Fisheries	<b>Sub totals</b>	<b>430,454,236</b>	<b>307,641,749</b>	<b>452,371,413</b>	<b>345,289,115</b>	<b>371,352,904</b>	<b>422,902,644</b>	<b>474,954,571</b>	<b>8.59</b>	<b>7.67</b>	<b>6.89</b>	<b>6.85</b>	<b>6.94</b>	<b>7.01</b>
	Rec.	191,311,452	193,940,675	210,871,413	210,646,128	209,915,962	222,720,836	236,592,721	3.82	4.83	4.20	3.87	3.65	3.49
	Dev	239,142,784	113,701,074	241,500,000	134,642,987	161,436,941	200,181,807	238,361,850	4.77	2.83	2.69	2.98	3.28	3.52
Health	<b>Sub totals</b>	<b>1,454,013,059</b>	<b>1,256,900,322</b>	<b>1,574,527,849</b>	<b>1,678,592,237</b>	<b>1,762,521,848</b>	<b>1,850,647,941</b>	<b>1,943,180,338</b>	<b>29.01</b>	<b>31.32</b>	<b>32.80</b>	<b>32.10</b>	<b>31.22</b>	<b>30.58</b>
	Rec.	1,183,352,549	1,178,979,295	1,325,431,800	1,377,574,161	1,418,901,385	1,505,454,370	1,599,368,828	23.61	29.38	27.47	26.19	24.70	23.60
	Dev	270,660,510	77,921,027	215,250,000	267,172,027	320,339,260	397,220,683	473,035,150	5.40	1.94	5.33	5.91	6.52	6.98
	Leasing of med.equip.	-	-	33,846,049	33,846,049	-	-	-						
Education and ICT	<b>Sub totals</b>	<b>496,008,578</b>	<b>406,074,291</b>	<b>377,514,673</b>	<b>437,121,895</b>	<b>458,977,990</b>	<b>481,926,890</b>	<b>506,023,234</b>	<b>9.90</b>	<b>10.1</b>	<b>8.72</b>	<b>8.84</b>	<b>8.93</b>	<b>9.01</b>
	Rec.	246,211,294	249,534,495	257,514,673	268,049,954	276,091,453	292,933,031	311,186,158	4.91	6.22	5.35	5.10	4.81	4.59
	Dev	249,797,284	156,539,796	120,000,000	169,071,941	202,717,257	251,369,399	299,326,271	4.98	3.90	3.37	3.74	4.12	4.42
Transport and Infrastructure	<b>Sub totals</b>	<b>464,830,531</b>	<b>346,467,310</b>	<b>328,758,188</b>	<b>493,303,574</b>	<b>517,968,753</b>	<b>543,867,191</b>	<b>571,060,550</b>	<b>9.27</b>	<b>8.63</b>	<b>8.71</b>	<b>9.50</b>	<b>10.31</b>	<b>10.93</b>
	Rec.	62,684,143	53,149,668	69,529,500	53,553,030	55,159,621	58,524,358	62,150,383	1.25	1.32	1.07	1.02	0.96	0.92
	Dev	402,146,388	293,317,642	202,818,606	383,340,462	459,625,214	569,935,265	678,738,218	8.02	7.31	7.64	8.48	9.35	10.01
	RMLF	-	-	56,410,082	56,410,082	-	-	-						
Water and Irrigation	<b>Sub totals</b>	<b>456,533,372</b>	<b>281,699,488</b>	<b>360,532,710</b>	<b>336,899,869</b>	<b>353,744,862</b>	<b>371,432,106</b>	<b>390,003,711</b>	<b>9.11</b>	<b>7.02</b>	<b>6.72</b>	<b>7.18</b>	<b>7.65</b>	<b>8.01</b>

Departments		Budget	Actual	CFSP Ceiling	Budget	Ceiling	Projections		% share of the total expenditure					
									Budget	Actual	Budget	CFSP Ceiling	Projections	
									2014/15	2014/15	2015/16	2015/16	2016/17	2017/18
	Rec.	83,222,840	85,201,712	95,694,228	88,330,276	90,980,184	96,529,976	102,527,551	1.66	2.12	1.76	1.68	1.58	1.51
	Dev	373,310,532	196,497,776	264,838,482	248,569,593	298,034,942	369,563,328	440,095,241	7.45	4.90	4.96	5.50	6.06	6.49
	<b>Sub totals</b>	<b>63,910,080</b>	<b>51,951,304</b>	<b>90,576,000</b>	<b>63,445,691</b>	<b>66,617,976</b>	<b>69,948,874</b>	<b>73,446,318</b>	<b>1.28</b>	<b>1.29</b>	<b>1.27</b>	<b>1.32</b>	<b>1.36</b>	<b>1.40</b>
Environment and Natural Resources	Rec.	26,590,541	29,191,160	40,576,000	28,314,129	29,163,553	30,942,530	32,847,449	0.53	0.73	0.56	0.54	0.51	0.48
	Dev	37,319,539	22,760,144	50,000,000	35,131,562	42,122,743	52,232,201	62,153,869	0.74	0.57	0.70	0.78	0.86	0.92
	<b>Sub totals</b>	<b>241,130,412</b>	<b>215,104,637</b>	<b>204,021,909</b>	<b>182,142,443</b>	<b>191,249,565</b>	<b>200,812,043</b>	<b>210,852,646</b>	<b>4.81</b>	<b>5.36</b>	<b>3.63</b>	<b>3.73</b>	<b>3.82</b>	<b>3.89</b>
Industrialization, Commerce, Tourism and Enterprise Development	Rec.	93,824,913	93,871,561	109,021,909	96,967,249	99,876,266	105,968,719	112,555,272	1.87	2.34	1.93	1.84	1.74	1.66
	Dev	147,305,499	121,233,075	95,000,000	85,175,194	102,125,058	126,635,071	150,767,687	2.94	3.02	1.70	1.89	2.08	2.22
	<b>Sub totals</b>	<b>142,080,377</b>	<b>99,727,319</b>	<b>133,954,500</b>	<b>107,131,267</b>	<b>112,487,830</b>	<b>118,112,221</b>	<b>124,017,832</b>	<b>2.83</b>	<b>2.48</b>	<b>2.14</b>	<b>2.22</b>	<b>2.30</b>	<b>2.36</b>
Youth, Gender, Sports, Culture and Social Services	Rec.	59,754,435	63,797,073	58,954,500	48,353,145	49,803,739	52,841,767	56,113,198	1.19	1.59	0.96	0.92	0.87	0.83
	Dev	82,325,942	35,930,247	75,000,000	58,778,122	70,474,968	87,388,961	104,025,569	1.64	0.90	1.17	1.30	1.43	1.53
	<b>Sub totals</b>	<b>213,054,388</b>	<b>152,163,558</b>	<b>204,667,638</b>	<b>168,074,219</b>	<b>176,477,930</b>	<b>185,301,826</b>	<b>194,566,918</b>	<b>4.25</b>	<b>3.79</b>	<b>3.35</b>	<b>3.45</b>	<b>3.69</b>	<b>3.78</b>
Lands, Housing and Urban Development	Rec.	132,284,912	118,555,431	108,667,638	82,705,993	85,187,173	90,383,590	95,997,631	2.64	2.95	1.65	1.57	1.48	1.42
	Dev	80,769,476	33,608,126	96,000,000	85,368,226	101,588,189	134,337,514	159,941,296	1.61	0.84	1.70	1.88	2.20	2.36
<b>TOTAL</b>	<b>REC.</b>	<b>2,960,575,785</b>	<b>2,897,739,375</b>	<b>3,446,068,434</b>	<b>3,432,530,679</b>	<b>3,521,407,501</b>	<b>3,734,939,118</b>	<b>3,967,688,580</b>	<b>59.07</b>	<b>72.20</b>	<b>68.45</b>	<b>65.00</b>	<b>61.28</b>	<b>58.54</b>
	<b>DEV</b>	<b>2,051,774,651</b>	<b>1,115,663,102</b>	<b>1,573,157,088</b>	<b>1,582,103,916</b>	<b>1,896,142,501</b>	<b>2,359,584,861</b>	<b>2,809,609,375</b>	<b>40.93</b>	<b>27.80</b>	<b>31.55</b>	<b>35.00</b>	<b>38.72</b>	<b>41.46</b>
<b>GRAND TOTAL</b>		<b>5,012,350,436</b>	<b>4,013,402,477</b>	<b>5,019,225,522</b>	<b>5,014,634,595</b>	<b>5,417,550,002</b>	<b>6,094,523,979</b>	<b>6,777,297,955</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>