

REPUBLIC OF KENYA



GOVERNMENT OF MAKUENI COUNTY

THE COUNTY TREASURY

COUNTY BUDGET REVIEW AND OUTLOOK PAPER-2017

Vision

“ECONOMIC EMPOWERMENT FOR SUSTAINABLE LIVELIHOODS”

With focus on youth empowerment

September, 2017

Foreword

This County Budget Review and Outlook Paper (CBROP) 2017, is the fifth to be prepared by the County Government in accordance with the Public Financial Management Act, 2012. The paper presents the recent economic developments and actual fiscal performance of the FY 2016/17 and gives an outlook of the Financial Year 2018/19. In addition, it reviews the implementation of the CIDP 2013-2017 & the County Performance.

The County performance is assessed by reviewing the cumulative 2013/14-2016/17 County budget absorption rates, revenue generation strategies, performance and projects implementation status.

The CBROP 2017 highlights the national economic performance that gives an indication of fiscal projections that are likely to impact the County Government funding for the FY 2018/19.

The paper also serves as a baseline for financial resource allocation and sector ceilings for 2018/19 financial year. The sector ceilings are on the basis of the County Annual Development Plan for the financial year 2018/19. The strategies herewith are spelt out in the 2018/19 ADP which seeks to implement the Makueni County Vision 2025 and is also the first ADP to the County Integrated Development Plan (CIDP) 2018-2022.

The focus of development is on economic empowerment for sustainable livelihoods and will be anchored on water development, infrastructural development, irrigated agriculture and youth development.

MARY KIMANZI

**EXECUTIVE COMMITTEE MEMBER-FINANCE & SOCIO-ECONOMIC
PLANNING AND HEAD OF COUNTY TREASURY**

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Abbreviations and Acronyms

ADP	Annual Development Plan
AGPO	Access to Government Procurement Opportunities
AIA	Appropriation In Aids
BOT	Build Operate And Transfer
BPS	Budget Policy Statement
CBROP	County Budget Review And Outlook Paper
CFSP	County Fiscal Strategy Paper
CIC	Community Information Centre
CIDP	County Integrated Development Plan
CPSB	County Public Service Board
CTTIs	County Technical Training Institutes
DANIDA	Danish International Development Agency
FIF	Facility Improvement Fund
FMD	Foot And Mouth Disease
FY	Financial Year
GDP	Gross Domestic Product
GoK	Government Of Kenya
ICT	Information Communication Technology
IFMIS	Integrated Financial Management System
KNBS	Kenya National Bureau Of Statistics
KRA	Kenya Revenue Authority
LAIFOMS	Local Authorities Integrated Financial Operations Management System
MTEF	Medium Term Expenditure Framework
MTP	Medium-Term Plan
NHIF	National Hospital Insurance Fund
OVC	Orphans And Vulnerable Children
PDP	Part Development Plan
PFMA	Public Financial Management Act
PPP	Public Private Partnership
PWD	People Living With Disability
SGR	Standard Gauge Railway
SWGs	Sector Working Groups
TA	Transition Authority
TV	Television

EXECUTIVE SUMMARY

The County Budget Review and Outlook Paper (CBROP) 2017, provides a review of the FY 2016/17 fiscal performance in relation to the objectives set out in the 2016 County Fiscal Strategy Paper. This is the last review for the Medium Term Plan 2013-2017 and highlights the cumulative performance from FY 2013/14 to FY 2016/17 for the various sectors in the County Government. The FY 2016/17 budget represented the highest budget ever implemented by the county in one fiscal year. This was as a result of the carryover of development projects from the past years. The total revised budget was Kshs.**10,652,442,847.95**, out of which recurrent budget was Ksh **5,154,661,344.81** and development budget Kshs.**5,497,781,503.14** representing 48% and 52% of the total budget respectively. The budget was financed from five main sources, mainly National Government (60%), FY 2015/2016 reallocated funds (32%), own Generated Revenue (4%), conditional allocations & grants (3%) and donor funds (1%).

The County Government has prepared a ten-year strategic plan, Makueni Vision 2025 which will be implemented by two five year County Integrated Development Plans. The County is in the process of preparing the second generation CIDP (2018-22) which will be implemented through a stepwise process of Annual Development Plans and a three year rolling Medium Term Expenditure Framework (MTEF) which will be actualized through annual budget estimates with the FY 2018/19 budget implementing a fifth (1/5) of the CIDP.

In the plan period FY 2013/14 to FY 2016/17, the county had a cumulative budget of Kshs **24,074,558,534.04**. The recurrent and development budget represented 64% and 36% respectively of the total budget. The total receipts for the FY 2016/17 amounted to Kshs. **10,378,192,247.50** representing 97% against a target of Kshs. **10,652,442,847.95**. This represents a fiscal deficit of 3% for FY 2016/17. The Local revenue actual collection was Kshs. 219,073,500.00 representing 66% against a target of Kshs 330,000,000.00. The actual expenditure for both development and recurrent was Kshs. **5,108,402,058.78** and Kshs. **4,095,788,199.04** respectively. This represents 99% absorption for recurrent and 74% for development which was a remarkable improvement as compared to the previous years.

As the National and County economy continues to grow, the county anticipates an increased budget allocation from the National Government. The projected equitable share for 2018/19 financial year is Kshs. 7.231 billion. With the implementation of innovative local revenue collection strategies coupled with the automation, the own generated revenue is expected to increase to Kshs.600 million.

To strengthen and enhance linkage between planning and budgeting, the sector objectives and ceilings in the CBROP have been derived from the development priorities / strategies identified in the 2018/19 ADP. These strategies will be firmed up in the sector working group reports that will eventually determine the ceilings to be set in the 2018 CFSP which will later be used in developing the FY 2018/19 budget. The sector ceilings are also based on the projected revenue and the departments' previous fiscal performance.

I. INTRODUCTION

A. Background

1. The County Budget Review and Outlook Paper (CBROP) 2017 is the fifth to be prepared in accordance with the provisions of the Public Finance Management Act, 2012 (PFMA). The paper reviews the budget performance for FY 2016/17 in relation to the fiscal responsibility principles and financial objectives set out in the PFM Act, 2012 and also reflects on the performance of the 2013-2017 Medium Term Plan / CIDP.

1. Objective of 2017 CBROP

2. The CBROP has six objectives as listed below;

- i. Provide budget performance review of the FY2016/17 fiscal year and how the budget implementation influenced development priorities set out in the Makueni 2016 CFSP.
- ii. Provide a review of performance of the county from FY 2013-2017 medium term
- iii. Provide an updated macro-economic and fiscal forecast for the FY 2018/2019 period based on the current performance of key economic indicators.
- iv. Provide sector ceilings for preparation of the FY 2018/19 budget and the MTEF period guided by the PFM Act, 2012 and ADP 2018/19.
- v. Provide information on any changes in the forecasts compared with the CFSP 2017.
- vi. Provide a platform for the implementation of the agenda for economic empowerment for sustainable livelihoods as spelt out in the ADP 2018/19.

3. The CBROP is embedded on the broad development priorities as detailed in the County's annual development plan 2018/19 and the County Vision 2025. The main focus will be on water development; infrastructure development; irrigated agriculture and youth development.

4. The strategies in the CBROP seek to;

- i. Improve livelihoods through entrepreneurship, agriculture and livestock production.
- ii. Enhance education, training and life skills for youth.
- iii. Enhance universal health care
- iv. Strengthen the capacity of the community to participate in development processes and enable them to address their development challenges by leveraging on existing opportunities.

5. To implement these strategic interventions, the county will initiate measures geared towards growth of both domestic and external revenues. The sector ceilings

provided in the 2017 BRPOP will form the indicative baseline for the ceilings to be set in the 2018 CFSP and later the FY 2018/2019 budget in accordance with the MTEF budgeting process.

6. The paper is organized in the following five broad sections: Section One on Introduction, Section Two on Legal Basis for the Publication of the CBROP; Section Three on highlight of the recent economic developments and updated macroeconomic outlook; Section Four on review of the 2016/17 financial year & cumulative 2013-2017 fiscal performance; Section Five on the resources allocation framework and Section Six on conclusion.

II. LEGAL BASIS FOR THE PUBLICATION OF THE COUNTY BUDGET REVIEW AND OUTLOOK PAPER

7. The 2017 County Budget Review and Outlook Paper is prepared in accordance with the provisions of Section 118 of the Public Finance Management Act (PFMA), 2012.

8. The section provides 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 publicize the Paper.

Fiscal Responsibility Principles in the Management of Public Finance

9. The management of public funds within the county is guided by Principles and Framework of Public Finance established by chapter twelve of the Constitution of Kenya, 2010. The constitution requires a County Government to uphold openness and accountability, equity, prudence and responsibility and clear reporting in management of public finance.

10. Section 103 of the PFMA establishes the County Treasury to monitor, evaluate and oversee the management of public finances and economic affairs on behalf of a County Government. The PFM Act bestows the responsibility of enforcing fiscal responsibilities envisaged in the constitution on the County Treasuries.

11. In managing the County Government's public finances, a County Treasury is required to enforce the following fiscal responsibility principles provided under section 107 of the PFMA.

- a) A County Government's recurrent expenditure shall not exceed the County Government's total revenue;
- b) Over the medium term a minimum of thirty percent of the county government's budget shall be allocated to the development expenditure;
- c) the County Government's expenditure on wages and benefits for its public officers shall not exceed a percentage of the County Government's total revenue as prescribed by the County Executive Member for finance in regulations and approved by the County Assembly;
- d) Over the medium term, the Government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure;
- e) The County debt shall be maintained at a sustainable level as approved by County Assembly;
- f) The fiscal risks shall be managed prudently; and
- g) 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.

III. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

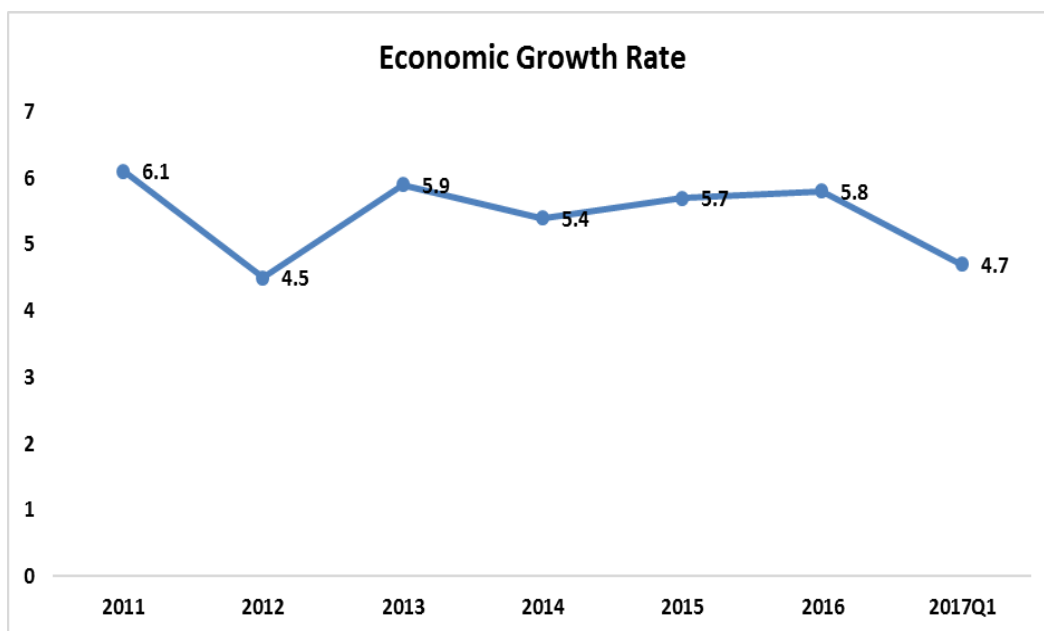
12. The Kenyan economy remains resilient registering strong economic growth compared to the average growth for Sub Saharan Africa. The economy maintained growth momentum for the third consecutive year to expand to 5.8 percent in 2016 up from a revised growth of 5.7 percent in 2015 and created 832,900 new jobs. This growth was supported by increased output in most of the sectors due to the ongoing public infrastructure spending, favorable weather conditions in the better part of the year, stable and low inflation during the year due to reduced costs of petroleum products and tight monetary policies; remarkable recovery of tourism from improved security and strong consumer demand.

A. Recent Economic Developments

Economic growth

13. The economy grew to 5.8 percent in 2016 compared to 5.7 percent growth in 2015. In the first quarter of 2017, growth remained fairly resilient recording 4.7%, despite prolonged drought and subdued credit to the private sector.

Figure 1: Economic Growth Rate



Source: Kenya Economic Survey

Inflation Rate

14. Overall month on month inflation softened for two consecutive months (in June and July 2017), as a result of improved weather conditions and government policy

interventions that resulted to significant decline in prices of key food items. The rate converged to the government’s target of 5 percent (+/- 2.5 percent). It declined to 9.2 percent in June 2017 and 7.5 percent in July 2017 from a high of 11.7 percent in May 2017. However, in August 2017, the inflation rose slightly to 8.0 percent. This increase is attributed to rise in cost of food and non-alcoholic drinks and transport during the period due to depressed supply especially in the second week of the month; which can be related to the general elections conducted in the said week.

15. The trickle down benefits of the stabilized inflation rate to the county include; stability in cost of food items and reduced pressure on the available income which majority of the citizens who are poor can invest in productive activities/income generating activities.

Fiscal performance

16. The Kenya revenue performance seems to have stagnated against the increasing total expenditure. This has led to an increase in public debt. By the end of December 2016 the total Gross public debt was Ksh 3,763.5 Billion equivalent to 52% GDP. The debt comprises of 48.7% external debt and 51.3% domestic debt.

Table 1: Revenue and expenditure, 2013-2016 (% GDP)

Year	Revenue (Kshs Billions)	Expenditure (Kshs Billions)	Deviation (Kshs Billions)
2013	19.2	25.4	6.2
2014	19.3	27.3	8
2015	19.1	27.8	8.7
2016	19.2	27.0	7.8

Source: IMF (2017), Regional Economic Outlook

B. Performance of Selected Economic Sectors

National Performance Review & Impact on County Economy

17. Accommodation and food services registered the most improved growth of 13.3 per cent in 2016 from a contraction of 1.3 per cent in 2015. Other improvements in economic activities were realized in the information and communication sector; real estate; and transport and storage. Construction; mining and quarrying; and financial and insurance activities registered the most notable slowdown in growths.

Table 2: Economic performance by sectors (Percentage Growth)

Sectors/Activities	2012	2013	2014	2015	2016	2016	2017
						Q1	Q1
Agriculture, forestry and fishing	2.8	5.4	4.3	5.5	4	4	-1.1
Mining and quarrying	19	-4.2	14.9	12.4	9.5	6.7	9.7
Manufacturing	-0.6	5.6	2.5	3.6	3.5	1.7	2.9
Electricity and water supply	9.6	6.6	6.1	8.5	7.1	8.6	5.1
Construction	11.3	6.1	13.1	13.9	9.2	10.2	8.4
Wholesale and retail trade; repairs	7	8.4	6.9	5.9	3.8	3.6	6.1
Accommodation and restaurants	3.1	-4.6	-16.7	-1.3	13.3	10.4	15.8
Transport and storage	2.6	1.3	5.5	8	8.4	8.9	9.9
Information and communication	2.6	12.5	14.5	7.4	9.7	10.9	11.4
Financial and insurance activities	6	8.2	8.3	9.4	6.9	8.2	5.3
Real estate	4	4.1	5.6	7.2	8.8	8.7	9.6
Education	11.1	6.3	7.8	4.5	6.3	6.2	5.9
GDP at market prices	4.5	5.9	5.4	5.7	5.8	5.3	4.7

Source: Kenya National Bureau of Statistics

18. Activity in the Agriculture, Forestry and Fishing sector in 2016 were depressed compared to the performance recorded in 2015. The decelerated performance was attributed to unfavorable weather conditions especially during the second part of the year when the country experienced a near failure of short rains. In the county the conditions affected the food production over the period, leaving a proportion of the county to rely on food relief. The county government initiated emergency response by purchasing maize and beans for all primary schools in the county as mitigation to the effects of the drought occasioned by the depressed rainfall.

19. The manufacturing sector recorded a real growth of 3.5 per cent in 2016 compared to a revised growth of 3.6 per cent in 2015. The growth was as a result of reduced cost of production and increased volume output.

20. The construction industry grew by 9.2 per cent in 2016 from an expansion of 13.9 per cent registered in 2015. This translated to an increase in employment in the sector from 148.6 thousand jobs in 2015 to 163.0 thousand jobs in 2016. In the county

urban areas, the construction industry is becoming vibrant; this is evidenced by the increasing number of new buildings being constructed in the main urban areas namely; Wote, Emali and Mtito Andei.

21. Tourism sector has had a remarkable recovery because of improved security and successful conference tourism in 2016. This saw the sector grow from 10.4 per cent in the first quarter to 14.2 % in the fourth quarter.

22. The contribution of the ICT sector to GDP was estimated at about 1.0 per cent in 2016. The sector growth slowed to 9.7 per cent in 2016 after recording an expansion of 14.5 per cent in 2014 largely attributable to reduced expansion in the telecommunication sub-sector. In 2016, the county embarked on automating key government service such as revenue collection, project management and record management.

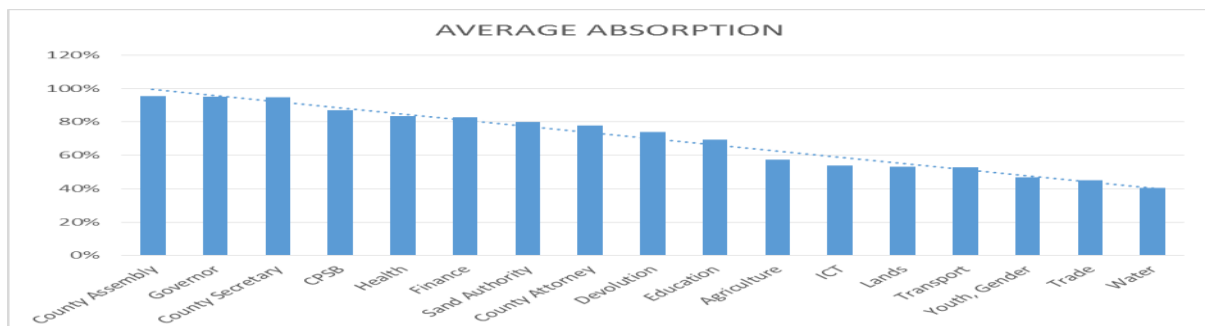
23. The energy sector contributed 1.7 per cent to GDP in 2016. The sector has a bearing on industry and export market since the cost of energy is a critical component in industry and transport. Lower costs of electricity promote manufacturing by reducing operational costs and enabling production. Similarly, low costs of petroleum products can potentially boost transport services by reducing the component of transport costs in the cost of production.

County Performance Review

Overall county Performance overview

24. From FY 2013/14 to FY 2016/17, the County Government had a net total cumulative budget of Kshs 24,074,558,534.04. Of these funds Kshs 15,301,979,627.84 was directed to recurrent activities representing 64% of the total budget whereas Kshs 8,772,578,906.20 was channeled to development programmes (36% of the total budget). The total cumulative absorption for both recurrent & development budget stood at Kshs 99.69% and 84% respectively.

Figure 2 ; Overall average absorption per department (FY2013/14 - FY2016/17)

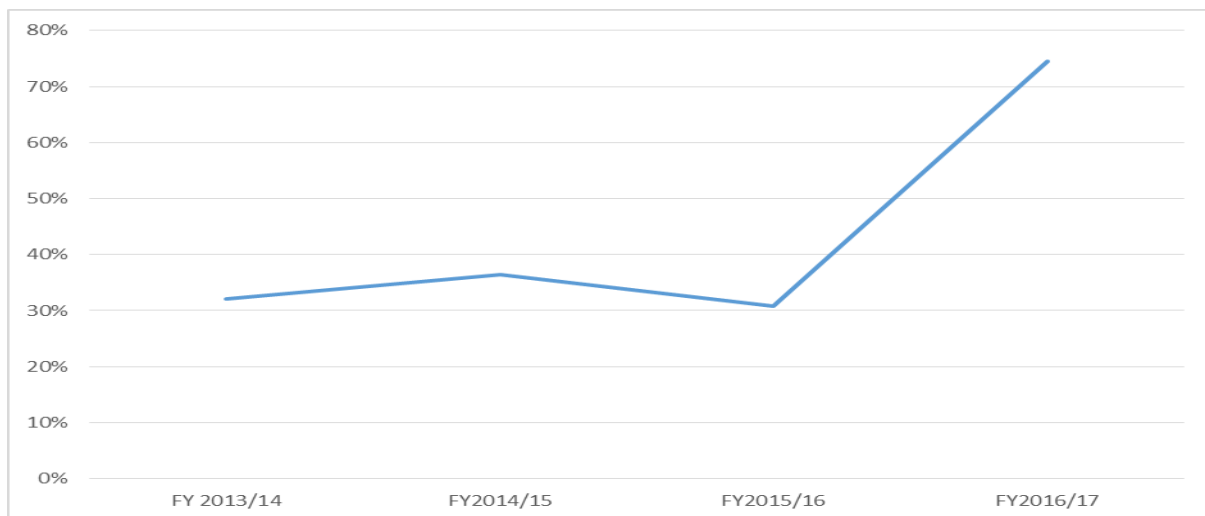


The county assembly recorded the highest overall absorption over the four years averaging at 95%. The department of water recorded the least average absorption at 40% absorption.

Development absorption

25. There was a remarkable increase in the FY2016/17 development budget absorption. The year recorded 74% absorption rate up from 31% recorded in FY2015/16.

Figure 3; Development absorption rates from FY2013/14 - FY2016/17



The FY 2016/17 recorded the highest development budget implemented over the four financial years, this was attributed to the carry overs of development projects from the past financial years.

Table 3; Development budget vrs expenditure per financial year

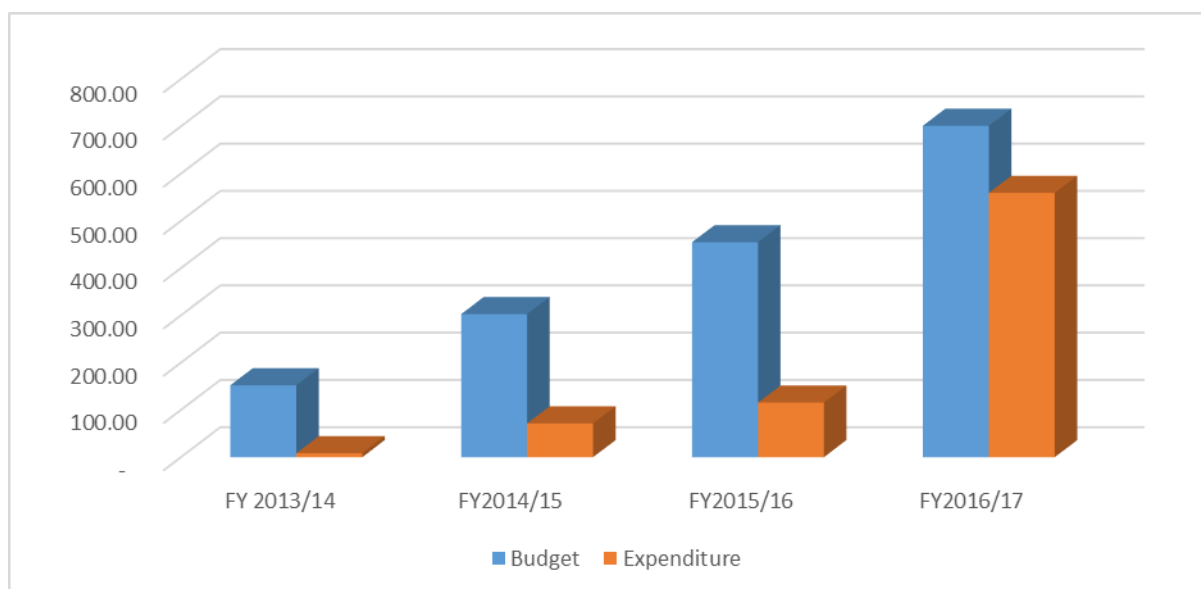
Financial Year	Development Budget	Development Expenditure
FY 2013/14	1,836,154,630.40	590,517,112.71
FY2014/15	3,355,082,455.87	1,224,816,842.32
FY2015/16	4,745,515,742.66	1,459,463,448.03
FY2016/17	5,497,781,503.14	4,095,788,199.04

Departmental specific performance;

Agriculture, Livestock and Fisheries

26. Over the period (FY2013/14-2016/17), the Agriculture sector was allocated kshs. 896,626,674.30 towards development programmes. Of these funds, the department spent kshs.754, 505,470.51 representing 84% absorption rate.

Figure 4: Agriculture Development vs. Expenditure



The department recorded the highest absorption rate in the FY2016/17 at 80% up from 25% in the FY2015/16.

27. The development programmes implemented by the department focused on developing the following value chains; dairy (milk & AI), crop, grain, horticulture, irrigation meat and poultry. This has had a positive impact in the growth of the sector as indicated below;

Table 4: Agriculture Department Key Performance Indicator

Product	2014	2015	2016	%Change 2014-2015	% Change 2015-2016
Milk production (ltrs)	17,363,970	17,718,337	19,497,039	2%	10%
Artificial Inseminations	2,239	5,541	17,000	147%	207%
Beef(Kg)	1,762,853	1,753,500	1,997,250	-1%	14%
Mutton(Kg)	84,420	86,775	90,390	3%	4%
Goat meet(Kg)	653,325	714,615	731,670	9%	2%
Hides and Skins production Value	17,979,054	10,361,580	16,583,579	-42%	60%
Area under Irrigation (hactres)	508.3	534.5	534.2	5%	0%
Area under food crops	36,229.00	36,039.00	36134	-1%	0%
Mango production	1,647,118	1,875,843	2,108,470	14%	12%
Horticultural Crops(Tons)	14,941	15,251	15,880	2%	4%

Source: Department of Agriculture, Makeni County

28. Other notable investments by the sector include; the construction and

operationalization of Kalamba Fruit Processing plant at a tune of kshs.554,011,297.55, conducting 17,000 Artificial Insemination at a total cost of kshs.23.03 million, acquisition of agricultural Equipment (mowers, rippers, and tractors), training of over 500 farmers on poultry husbandry, vaccination of 81,319 animals against Foot and Mouth and Lumpy skin diseases & 85,000 dogs against rabies and rehabilitation of 13 crushes. The sector also supplied and issued subsidized manure, fertilizer and seeds of over 980 tonnes.

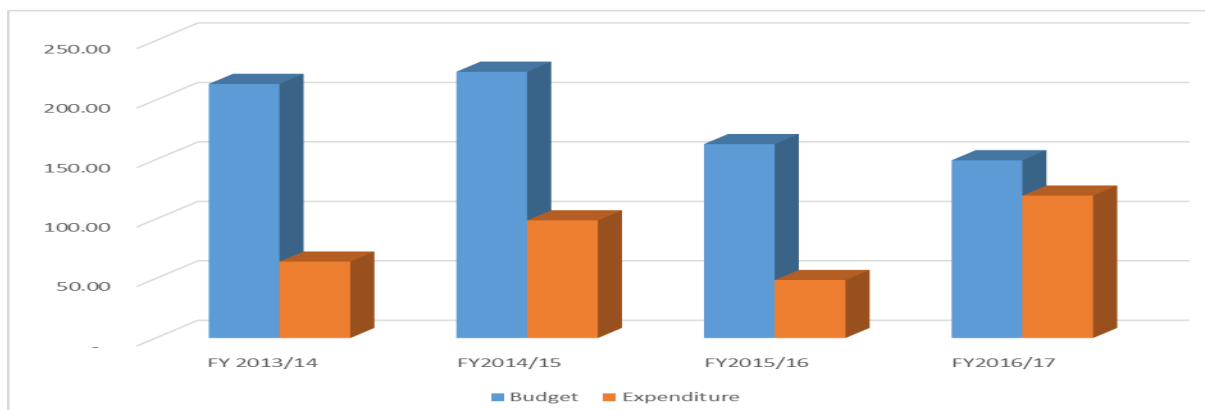
29, The County spent kshs.13,652,807.95 to promote the poultry value chain. This was channeled to; training 60 community level vaccinators, delivering 5,094 chicks to the 54 groups, supplying 60 cool boxes and 5,000 KALRO kuku Kienyeji chicken to famers. This has improved the quality and quantity of chicken produced in the area.

30. The government spent kshs. 2,500,000.00 to construct seed bank at Itaa and supported groups with basic seeds for bulking. The sector also has spent kshs.14, 942,930.20 to construct and furnish Kwa Kathoka Agricultural Training Centre. All these interventions are geared towards enhancing food security in the county.

Lands, Mining and Physical Planning

31. From FY 2013/14 - FY2016/17, the county government allocated kshs. 361,453,137.26 to the lands department to implement various development programmes. A total of Kshs 331,700,102.75 was spent representing 92% absorption rate). These interventions were aimed at ensuring sustainable land use management over the four year period.

Figure 5: Lands Development vs. Expenditure(in Millions)



The department recorded the highest absorption rate in the FY2016/17 at 80% up from 30% in the FY2015/16.

32. A total of Kshs.50,165,589.92 was spent to plan 120 markets, implement 30 market plans, survey major towns such as Mtito Andei, Emali, Sultan Hamud, Wote and Makindu and issuance of 23,978 title deeds all over the county.

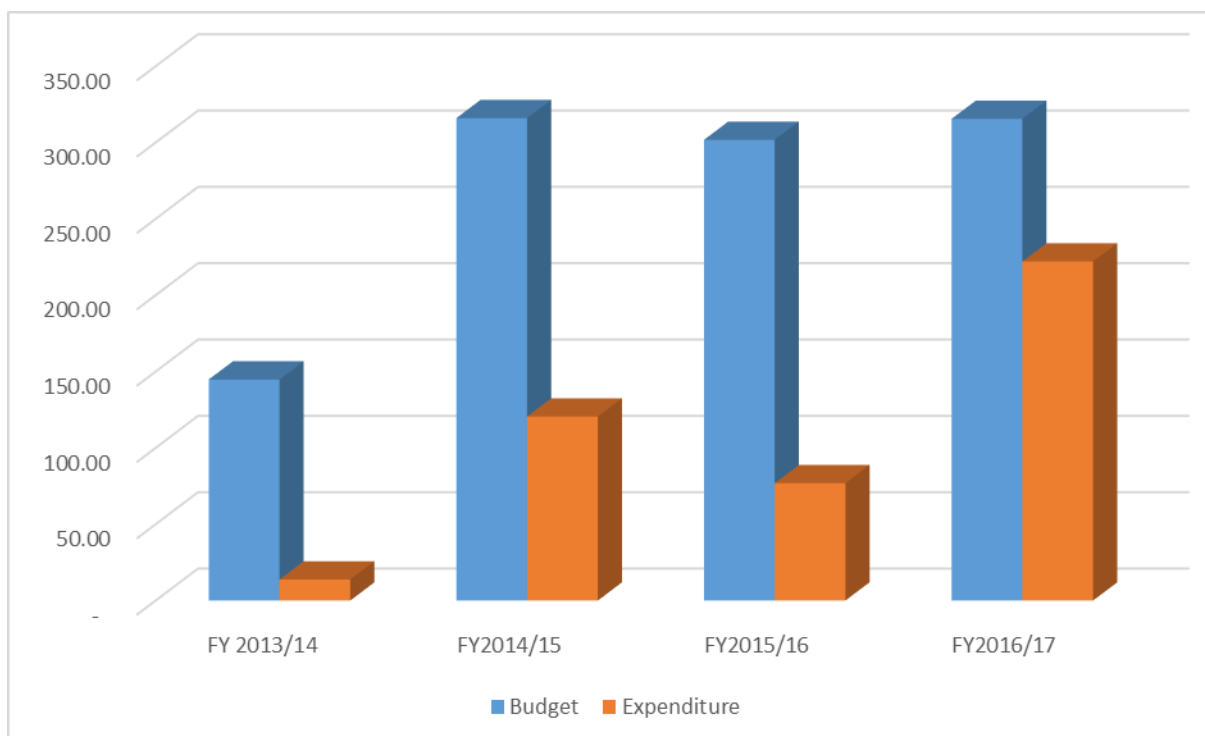
33. Other key development programs include; purchase of land worth Kshs. 64,947,760 for various projects such as; AMREF University; Nunguni Bus Park; land for 6 dispensaries (Enzai, Kasunguni, Mutulani, Kasemeini, Yemulwa and Kanthuni;) and for the establishment of Kathonzweni and Tawa dairy plant, and Wote dumping sites.

34. Land data digitization process was carried out using the Geospatial Information System (GIS) mapping at a tune of kshs.13,934,300.00. This has enabled the preparation of 2016-2026 Makueni County Spatial Plan.

Trade, Tourism, Industry and Cooperatives

35. The county government allocated kshs. 526,689,469.15 to the Trade department to implement various development programmes. Of the funds allocated, the department spent kshs.433,229,343.75 representing 82% bsorption rate from FY 2013/14- FY2016/17.

Figure 6: Trade Development vs. Expenditure



The department recorded the highest absorption rate in the FY2016/17 at 70% up from 25% in the FY2015/16.

36. As part of market infrastructural development program, the county spent kshs.124,408,633.95 for the construction of modern Emali green grocer, 46 market sheds and 19 stock yards.

37. To promote tourism development, the sector invested in various tourism infrastructure development programs such as; construction of Makongo View Point, launching the tourist circuit & developing cultural and historical centres which is aimed at promoting growth of tourism in the county.

38. To promote the small and medium enterprises, the county supplied two Lorries to hawkers to facilitate them to access markets with ease.

39. The government has provided support to Financial Services Association (FSA) and Savings and Credit Cooperative (SACCOs) societies through the Cooperatives directorate. This has seen the growth of the annual cooperatives turnover from Kshs.201,500,201 in 2015/16 to Kshs.207,142,371. Currently the government is at an advanced stage to establish the ENE Microfinance Bank.

40. The performance of cooperative societies in the county is as follows;

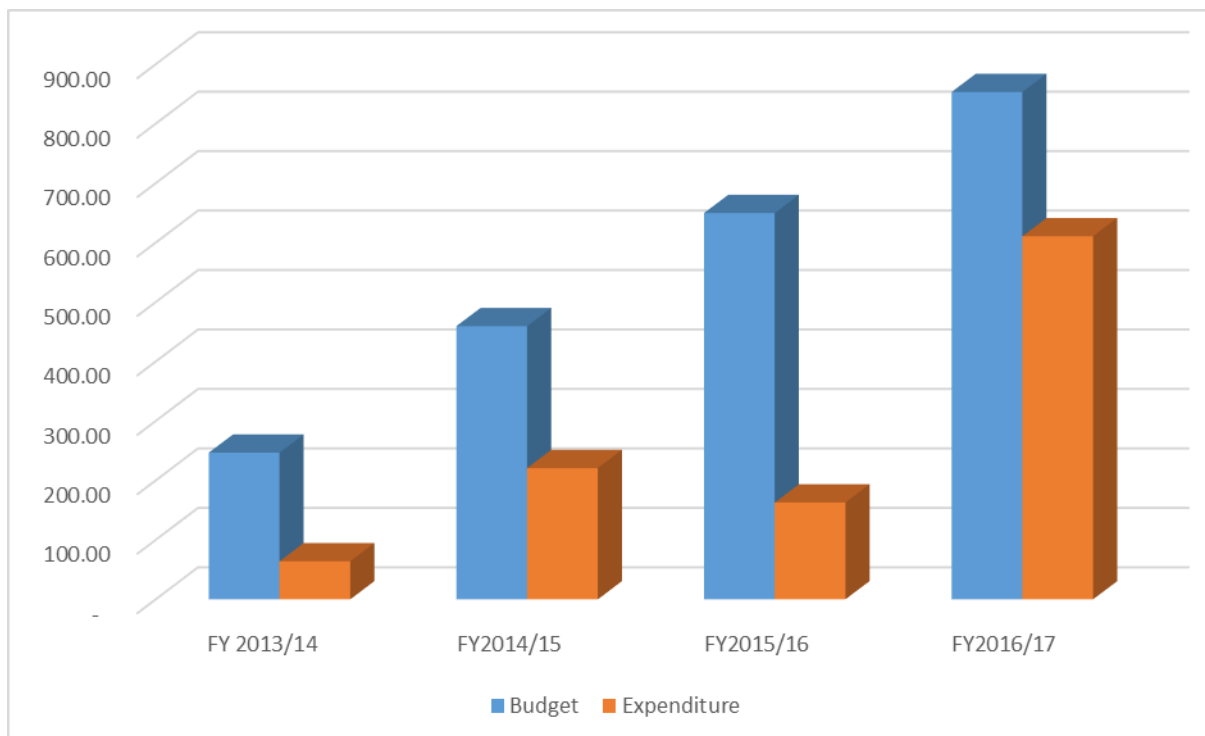
Table 5: Trade Department Key Performance Indicators

Indicator	2014/15	2015/16	2016/2017	% Change	
				2015-2014	2016-2015
No of registered cooperative societies	87	159	163	83%	2%
County cooperatives societies' turnover	177,916,457.00	201,500,210.00	207,142,371	12%	3%

Roads, Transport and Infrastructure

41. Over the period under review, the county government allocated kshs. 1,300,712,015.48 to the department of transport and infrastructure towards various development programmes. The overall absorption for was 81% (Kshs 1,058,115,390.15 of the total funds allocated).

Figure 7: Transport Development vs. Expenditure



The department recorded the highest absorption rate in the FY2016/17 at 72% up from 25% in the FY2015/16.

42. Key achievements under the department include; heavy and light grading of 2,252.12 KM , opening 111.6Km of new roads, purchase of road equipment (four graders, two rollers, two backhoe loaders, one excavator and one water booser) & 11.4KM of Cabro paving in Wote town.

43. In addition, the county constructed 2 modern bus parks and drainage systems in Emali and Nunguni towns at a cost of kshs.79, 642,120.06.

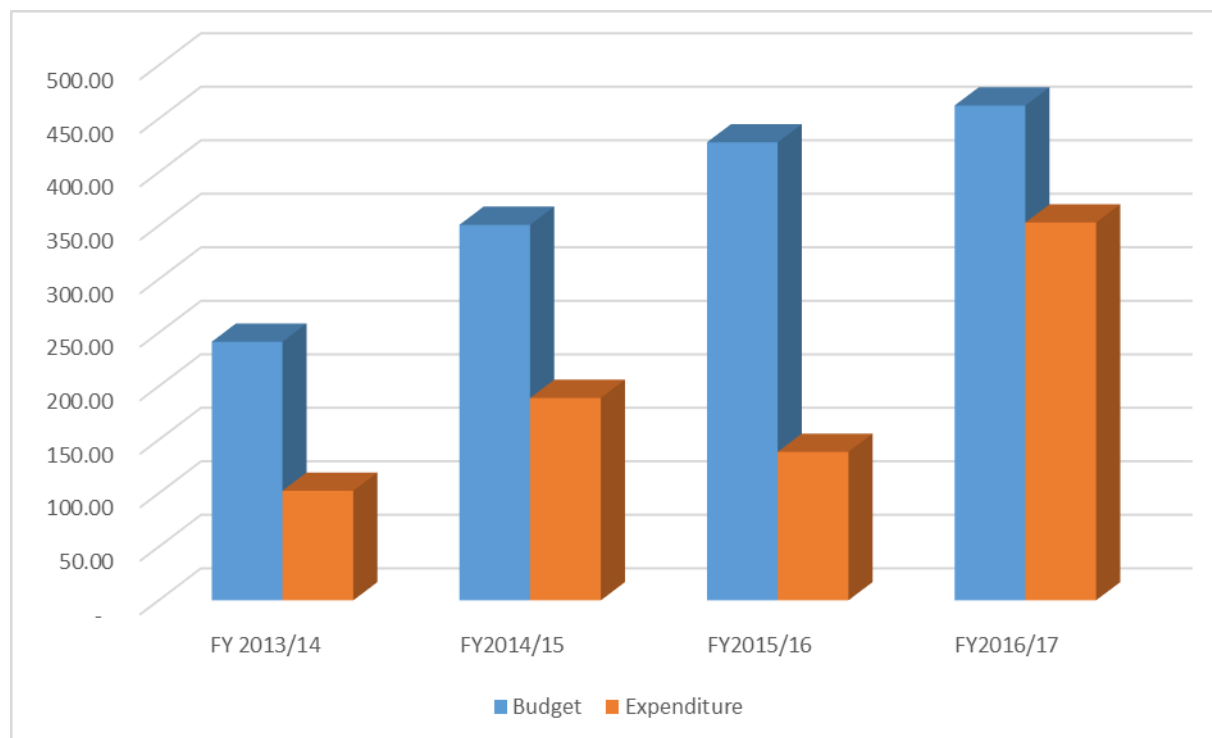
The department has utilized kshs.83, 722,424.95 to construct various footbridges and drifts throughout the county. These include Mbita footbridge, drifts along Songea- Malaika road, Iiani- Kyamithenge drift, Kathiani-Unoia and Kivandini-Kathiani villages, Makasa and Masimba. In the financial year 2016/17, the county commenced the construction of the Thwake Bridge to enhance inter sub-county connectivity.

44. In the energy sub-sector, the county government spent kshs.29, 810,930.00 to connect 18 boreholes with electricity and install 28 floodlights in major towns such as Mtito Andei, Kambu, Makindu, Wote, Emali and Mukuyuni. In addition, 24 markets were installed with solar lighting systems. The installation of flood lights is aimed at intensifying business hours and facilitating a 24 hour economy.

Education and ICT

45. Over the period under review, the county government allocated kshs. 892,608,091.63 to the department of Education and ICT towards various development programmes. The department spent kshs. 783,245,654.68 representing 88% absorption rate over the period from FY2013/14 - FY2016/17.

Figure 8: Education & ICT Development vs Expenditure



The department recorded the highest absorption rate in the FY2016/17 at 76% up from 32% in the FY2015/16.

46. Skilled and qualified human resource is essential to drive socio-economic development. To achieve this, the education sector invested in construction and upgrading of ECDEs, Community libraries and CTTIs. A total of Kshs.94,756,516.80 was spent to construct 112 ECDE centers and Kshs.101,453,777.31 was spent to construct, rehabilitate and equip 52 CTTIs. In addition, a total of 900 ECDE instructors were recruited, 42,000 ECDE learners supported at an annual cost of kshs.12.6M under the capitation programme. These interventions have increased enrollment rate to ECDEs by 9% from 49,079 in year 2013 to 53,663 in year 2017.

47. The county also established four (4) libraries at a total cost of Kshs.8,265,008.00 and provided 1200 books to various primary schools in the county (1 per ward).

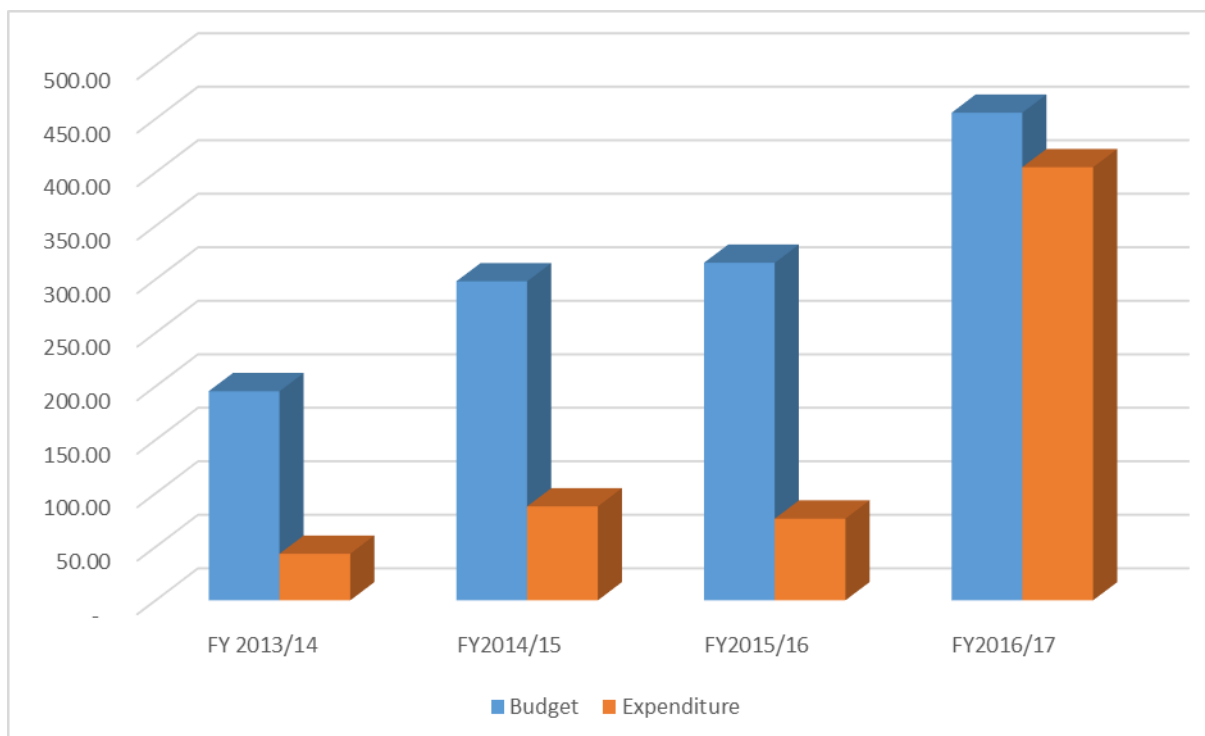
On support to education, the county provided county exams and subsidized end course national examination to the candidates for class Eight and Form Four and CTTIs.

48. To increase retention and access to basic education, the county initiated bursaries and scholarships programme which has benefited over 35,302 students at total cost of Ksh.215, 057,000. 112 scholarships have been awarded to needy students over the 5 years under the same programme.

Youth, Gender and Social Services

49. Over the period under review, the county government allocated kshs. 663,292,291.34 to the department of Youth, Gender & Social Services to implement various development programmes. The department spent Kshs 612,355,192.12 representing an overall absorption rate of 92%.

Figure 9: Gender Development vs. Expenditure



The department recorded the highest absorption rate in the FY2016/17 at 89% up from 24% in the FY2015/16.

50. To support the youth economic empowerment agenda, the county facilitated formation of 30 *Boda-boda* riders SACCOs. The groups were trained and issued with licenses. The department also supplied 6 interlocking brick making machines to

various youth groups all aimed at giving an opportunity to the youth to improve on their livelihoods.

51. Through the mentorship Programme the department carried out career talks throughout the county reaching over 8,583 form four leavers.

52. On community social empowerment a total of Ksh.55, 492,431.09 was spent to construct and refurbish 12 social halls.

53. To promote growth of the sports sector; 17 play grounds have been constructed at a total cost of Ksh.35,486,482.60. The department has held various annual sporting activities such as Governor's cup , county marathon and support to rugby teams to participate in national tournaments.

54. To nurture the growth of talent, the county commenced the construction of Ngaakaa talent centre with an initial allocation of kshs.27million. the centre is expected to be completed in the FY 2018/19.

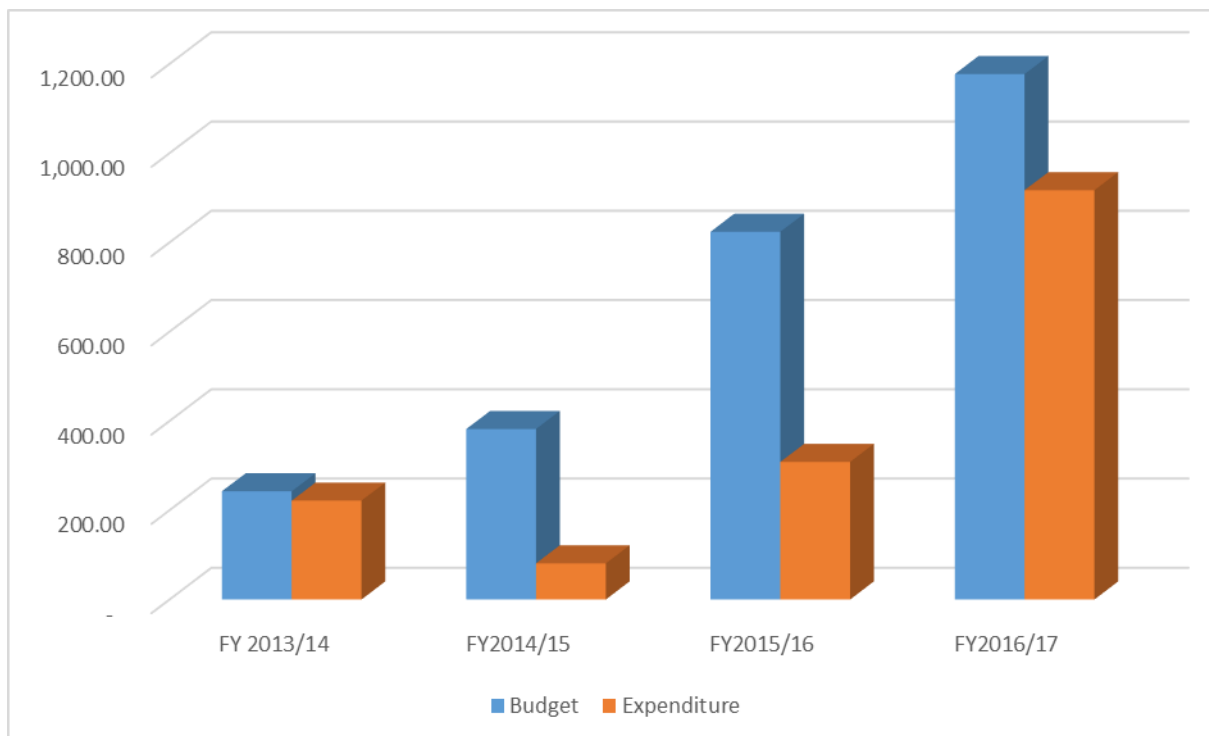
55. The sector facilitated the training of 1,235 people on entrepreneurship skills. In addition, 1144 community members have been sensitized on access to government procurement opportunities.

56. To support growth of groups, Kshs 110, 975,000.00 have been advanced through the *Tetheka* fund of kshs.110, 975,000. This is anticipated to progress and expand businesses. It has also promoted enticement of social welfare groups through table banking initiative and other banking motivations. The fund has made a remarkable contribution towards improved livelihoods among the Makeni citizenry.

Health

57. Over the period under review, the sector received kshs. 1,788,039,805.11 towards various development programmes. The overall absorption was 85% (Kshs 1,527,811,277.77 of the total funds allocated). The funding was geared towards ensuring affordable quality health care.

Figure 10: Health Development vs. Expenditure



The department recorded the highest absorption rate in the FY2016/17 at 78% up from 37% in the FY2015/16.

58. The department spent Kshs 122,971,508.07 on the construction of Makueni County Mother and Child Hospital. The department also constructed Makindu hospital trauma centre & additional theatres (construction & equipping) in referral hospitals.

59. In addition, Kshs. 632,447,674.25 was spent in constructing & upgrading several health facilities; these included 64 new model dispensaries, 7 health facilities rehabilitated and operationalized, 30 laboratories, 16 staff houses and completion of 15 dispensaries. A total of 81 county health centers and dispensaries were upgraded, and various dispensaries/laboratories equipped.

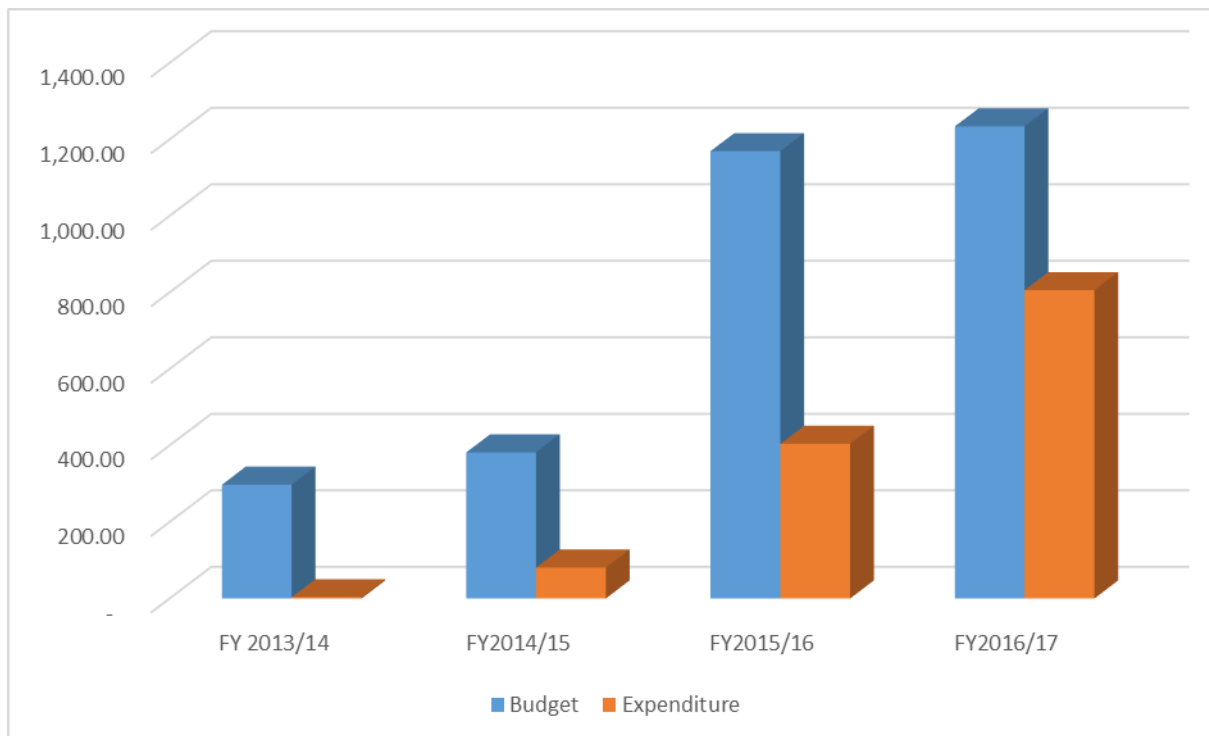
60. The County received theatre instruments/CSSD, renal and radiology equipment from the National Government under the health equipment leasing programmes. The equipment's were installed in the Makueni and Makindu level four hospitals.

61. To increase access to quality health care, the county government initiated the Universal health care program, recruited staff and purchased 14 ambulances which have resulted to a decrease in mortality rates as well as increase in healthy population. A total of 23,037 households have been registered for the UHC Programme.

Water, Irrigation and Environment

62. During the period FY 2013/14 – FY2016/17, the County has invested in programmes supporting water harvesting (*Kutwikany'a Kiw'u*). This was through construction, distribution and rehabilitation of water projects for socio economic transformation. Cumulatively, Kshs. 1,893,960,189.90 was allocated towards various development programmes. Out of these funds Kshs 1,465,952,751.67 was spent representing 77% absorption rate.

Figure 11: Water Development vs. Expenditure



The department recorded the highest absorption rate in the FY2016/17 at 65% up from 35% in the FY2015/16.

63. The sector spent 654,784,728.11 to construct 97 earth dams and 48 sand dams, equipping, distribution and rehabilitation of 123 water projects, drilling of 58 boreholes and rehabilitation of 9 irrigation schemes throughout the county.

64. To mainstream climate change adaptation, the sector has initiated several programs such as; re-afforestation of County hills planting 14,750 trees, protection of water catchments, promoting utilization of green energy and soil and water conservation technologies.

65. In ensuring disaster risk, mitigation and preparedness, the County established the Makueni County Emergency Fund Act, 2015 out of which 51 projects have been completed and 12 are ongoing.

66. The government also sought collaboration and partnerships with national government and international organizations, established conservation and management organs i.e. sand authority and climate change board. Makueni County climate change board partnered with UKAID, Ada Consortium, Christian Aid and Anglican Development Services Eastern (ADSE) to implement 9 pilot climate change projects. The projects included construction of rock catchments, earth dams and sand dams in various parts of the county.

Political and Governance Pillar

67. The pillar has been critical in ensuring smooth running of the county. Some of the major achievements in the pillar include; enactment of 27 bills, launching of the Makueni Vision 2025, development of ward profiles and Makueni rural poverty reduction initiative guidelines, establishment of an audit committee, installation of fleet management & integrated records management systems, upholding participatory development through a strong public participation framework, conducting civic education, implementing the internship, mentorship & volunteerism program that has benefitted over 70 interns

68. The pillar spent a total of Ksh 136,344,369.80 to operationalize the County radio, recording studio and construction and equipping of sub county administration offices

Economic Outlook

69. The national economic outlook takes into account the poor performance in the Agriculture, Electricity and Water Supply sectors following the unfavorable weather conditions experienced in the first quarter of 2017, subdued credit to the private sector and effects of lengthy electioneering period on economic activity. As a result, the economy is projected to contract to 5.5 percent in 2017 from a growth of 5.8 percent in 2016.

70. This growth momentum is expected to rise over the medium term as result of improved global conditions, improved production in agriculture, ongoing recovery of tourism and completion of key public projects in roads, rail and energy generation, resilient exports and benefits from ongoing regional integration efforts. In addition, the strong consumer demand and private sector investment as well as a stable macroeconomic environment in the country will help reinforce this growth.

71. The situation in Makueni County is expected to brighten over the years. This can be attributed to several factors including; increase in production, commodities' price

stability, expected increase in revenue collection and expansion of infrastructure across the county.

72. Agricultural production in the county has been on an upward trend due to increased farmer training, provision of subsidized fertilizers and certified seeds to farmers, mechanization of agriculture in areas with large tracks of land, subsidized artificial insemination, provision of milk coolers and increased extension services. With a focus on irrigated agriculture, the production is expected to increase tremendously thus increasing household incomes for the citizens. In 2016 the value for horticultural crops increased from Ksh 559,578,136 from the previous Ksh 542,753,987 in 2015 which is anticipated to increase further due to increased irrigation in the county.

73. The county established Makueni fruit processing plant which will improve the economy of the county by reducing post-harvest loses of fruits; stabilize prices by eliminating exploitation of farmers by middle men, create job opportunities and attract investors in the county.

74. In 2015, the County initiated the process of establishing a community microfinance bank to provide an efficient financial market to its citizenry for economic development. This will ensure that the poor have access to whole set of financial services which are convenient, flexible and affordable to enhance their borrowing and access to credit. Currently the bank is at the final stage of licensing to initiate its operations.

75. The construction of Thwake dam in the county is envisioned to spur economic growth around the region. This is due to the expected increase in employment opportunities in agriculture, industries and trade. Irrigation agriculture will promote inter- and intra-county trade which will improve food security and income levels of the citizens. Availability of water will attract investors in industries within the county resulting to employment for the youth.

76. The recently completed construction of the Standard Gauge Railway will have a positive impact on the County economy. It will spur growth in manufacturing, tourism, transport, trade and agriculture due to the proximity of the railway line. It will improve business activities in the County, attract investors and increase employment opportunities.

77. The County's total revenue collection is projected to rise to Ksh 600 Million due to the new streams of revenue and the automation.

78. Full operationalization of the development budget in the County is expected to spur further economic growth. The county development budget is projected to create job opportunities among the special groups through preference and reservation tendering. Thirty per cent of all County tenders will be reserved for the special groups.

IV. REVIEW OF FISCAL PERFORMANCE IN 2016/17 FINANCIAL YEAR

A. Overview

79. The implementation of the budget for FY 2016/17 progressed well and picked up towards end of the fiscal year. The total fiscal deficit for the year was 3%. This deficit mainly arose out of local revenue shortfall of Kshs.110M, and un-received donor & conditional allocations / grants amounting to Kshs.159M.

80. The outcome of the FY 2016/17 budget adhered to the Fiscal Responsibility Principles and financial objectives set out in the PFM Act, 2012. The County Government development budget was 52 percent of the total budget.

81. The implementation of FY 2016/17 budget was faced by various challenges. The key challenges included; shortfall in own generated revenue, inadequate capacity to use e- procurement, inadequate technical skills in some of the departments, FY 2013/14, 2014/2015 & 2015/16 backlog which increased the number of projects to be executed (as a result of delays in the approval of the budgets), high community expectations amongst others.

82. In order to address the above challenges, the Government instituted a number of measures including; timely execution of budgets, establishment of CRRIT, staff capacity building and internal restructuring of service delivery.

B. 2016/17 Fiscal Performance

Performance of Revenues

83. By the end of June 2017, total cumulative revenue amounted to Kshs.10, 378,192,247.50 against a revised target of Kshs.10, 652,442,847.95. This represented a revenue shortfall of Kshs.274M (3% deviation from the revised target).

84. In the FY 2016/17 the County received Kshs.6, 441,351,588.00 as equitable share from the National Government. This was an increase of 8% from the Kshs.5, 969,671,381.00 received in the FY 2015/2016.

85. During FY 2016/17 The County collected Kshs.219, 073,500.00 against a target of Kshs.330, 000,000.00. The revenue collection increased by 0.49 percent compared to 2015/16. However, the collected revenue declined by 0.25 percent as a proportion of the total budget.

86. The experienced shortfall in revenue collection was, in part, attributed to delays in passing the 2015 Finance Bill and inadequate legal and institutional framework, delayed revenue automation and inadequate collection mechanisms.

87. The county Government received 68% (Kshs.210, 643,626.00) of the total allocated funds (Kshs.309, 927,274.00) of the conditional allocations. The 32% of the funds not received represented Kshs.3, 538,967.00 for free maternity program and Kshs.95, 744,681.00 for leasing of medical equipment which is usually budgeted but not received by the counties.

Funds that were budgeted as donor funds (World Bank funds for transforming Health systems for Universal Care and Danida projects Kshs.32, 588,849.45 and Kshs.31, 451,603.00 under Kenya Devolution support program) were not received.

88. During the same year, the County had a balance brought forward from the previous year (2015/2016) amounting to Kshs.3, 427,123,533.50

Table 6: Summary of Revenues

Source of funds	Budgeted	Actual receipts	Variance
Reallocation funds	3,427,123,533.50	3,427,123,533.50	-
Revenue from the national government	6,441,351,588.00	6,441,351,588.00	-
County generated revenue	330,000,000.00	219,073,500.00	110,926,500.00
FIF Health	80,000,000.00	80,000,000.00	-
World bank transforming Health systems for Universal Care and DANIDA projects	32,588,849.45		32,588,849.45
Conditional Allocations for Free Maternal Health Care Allocation	83,696,467.00	80,157,500.00	3,538,967.00
Conditional Allocations for compensation for User Fees Forgone	19,449,802.00	19,449,802.00	-
Conditional Allocation for Leasing of Medical Equipment	95,744,681.00		95,744,681.00
Conditional Allocation from Road Maintenance Fuel Levy Fund	98,971,324.00	98,971,324.00	-
Kenya Devolution Support Program	31,451,603.00		31,451,603.00
Conditional Allocation - other loans & grants	12,065,000.00	12,065,000.00	-
Total Revenue	10,652,442,847.95	10,378,192,247.50	274,250,600.54

89. The FY 2016/17 budget ratios for recurrent & development budget were 48% and 52% respectively. However, out of the overall expenditure at the closure of the financial year, the recurrent & development expenditures stood at 56 % and 44% respectively.

The overall county absorption increased by 20% from 60% in FY 2015/16 to 86% in FY 2016/17.

90. The table below presents the fiscal performance for the FY 2016/17 and the deviations from the Original and Revised budget estimates in Millions.

Table 7: Fiscal Performance for the FY 2016/17

	Sources of Revenue	Actual performance 2015/2016	Actual 2016/2017	Budget 2016/2017	Deviation	% growth	2016/2017 Actuals as a % of total Budget
A	Total Revenue And Grants	8,935	10,482	10,652	-171	17%	98%
	Revenue	8,935	10,482	10,652	-171	17%	98%
	Local Revenue	218	219	330	-111	0%	66%
	National Shareable Revenue	5,970	6,441	6,441	0	8%	100%
	Reallocation funds	2,423	3,427	3,427	0	41%	100%
	FIF / AIA - Hospitals / Public Health	125	80	80	0	-36%	100%
	Others - Doctors & Nurses increment	0	104	0	104		
	Conditional Grants -	187	109	298	-99	6%	67%
	World Bank Funding - Rural Health Facilities & DANIDA	0	0	33	-33		0%
	Donor Funding -DANIDA	12	12	12	0		100%
	Kenya Devolution Support Program	0	0	31	-31		0%
B	Expenditure	7,767	9,204	10,652	-1,448	19%	86%
	Recurrent Expenditure	4,559	5,108	5,155	-46	12%	99%
	Development Expenditure	3,207	4,096	5,498	-1,402	28%	74%

Revenue

91. The County budget for the FY 2016/17 was funded from five main sources, mainly National Government (60 percent), FY 2015/2016 reallocated funds (32 percent), own Generated Revenue (4 percent), conditional allocations & grants (3%) and donor funds (1 percent). Analysis of actual revenues are illustrated below

Table 8: Analysis of Actual revenues

Revenue Source	Amount(KSHS.s.000)-FY 2015/16	Percentage (%)FY 2015/16	Amount(KSHS.s.000)-FY 2016/17	Percentage (%)FY 2016/17	Percentage (%)Change
Local revenue	218,15.555	2.440%	219,073.50	2.09%	-0.350%
National equitable share	5,969,671.00	66.813%	6,441,351.59	61.45%	-5.361%
Donor Funding (Danida)	12,065.00	0.135%	12,065.00	0.11%	-0.020%
Conditional Grants	187,352.97	2.097%	198,578.63	1.89%	-0.202%
FIF / AIA - Hospitals / Public Health	124,747.93	1.396%	80,000.00	0.76%	-0.633%
Others - Doctors & Nurses increment		0.000%	103,659.00	0.98%	0.989%

Fund balances	2,423,023.43	27.119%	3,427,123.53	32.69%	5.577%
TOTAL	8,934,859.58	100.00%	10,481,851.25	100.00%	

92. The full implementation of Article 203 (2) & (3) of the Constitution of Kenya 2010 resulted to an increase of the National Shareable Revenue transfers to the County from 5.2 billion in year 2015/16 to 5.9 billion in year 2016/17. This represents an increase of 15 percent.

93. The quarterly receipt of total revenue was Kshs.4,640,033,999.10 in Q1, Kshs.1,170,868,793.16 in Q2, Kshs.1,855,911,199.91 in Q3 and Kshs.2,815,037,255.33 in Q4. This information is as shown in the table 8;

Table 9: FY 2016/17 Disbursement

Finance year/Quarter	Q1 Actual	Q2 Actual	Q3 Actual	Q4 Actual	Total Actual
National Transfers	1,095,029,770.00	1,062,823,012.00	1,610,337,897.0	2,673,160,909.00	6,441,351,588.00
Conditional grants	40,230,331.00	61,305,133.00	73,855,662.00	23,187,500.00	198,578,626.00
2015/16 reallocation funds	3,427,123,533.50				3,427,123,533.50
FIF	31,999,893.55	19,900,932.66	16,000,212.91	12,098,960.88	80,000,000.00
Donor Funds	0	0	0	12,065,000.00	12,065,000.00
Doctors increment			72,714,000.00	30,945,000.00	103,659,000.00
Local revenue	45,650,471.05	26,839,715.50	83,003,428.00	63,579,885.45	219,073,500.00
Sub Total	4,640,033,999.10	1,170,868,793.16	1,855,911,199.9	2,815,037,255.33	10,481,851,247.50

Source: County Treasury

94. The local revenue generation recorded a growth of 0.4% from that of the FY 2015/2016. The growth paths for 2016/2017 were fluctuating for all quarters. Quarter two reported the lowest collection showing a drop of 41.2% from quarter one. The drop was as a result of late inspection of liquor business and receiving of license fee in quarter three hence recording extremely high performance growth of 209% compared to quarter two.

Table 10: Revenue performance for the last five years

Financial Year	Q1 Actual	Q2 Actual	Q3 Actual	Q4 Actual	Total Actual	%ge growth rate
2012/2013	39,610,012.0	31,080,950.0	64,063,086.0	35,747,141.0	170,501,189.0	
2013/2014	39,355,534.0	24,580,099.0	52,640,736.0	72,611,372.0	189,187,741.0	11.0
2014/2015	51,801,993.0	34,986,402.0	65,866,418.0	63,114,454.0	215,349,954.0	13.8

2015/2016	40,295,311.0	46,964,142.0	64,084,092.0	66,810,040.0	218,153,555.0	1.3
2016/2017	45,650,471.1	26,839,715.5	83,003,428.0	63,579,885.5	219,073,500.0	0.4
2016/2017 quarterly Growth		-18,810,755.6	56,163,712.5	-19,423,542.6		
% Rate Growth		-41.2	209.3	-23.4		

Figure 12: Quarterly Revenue Performance



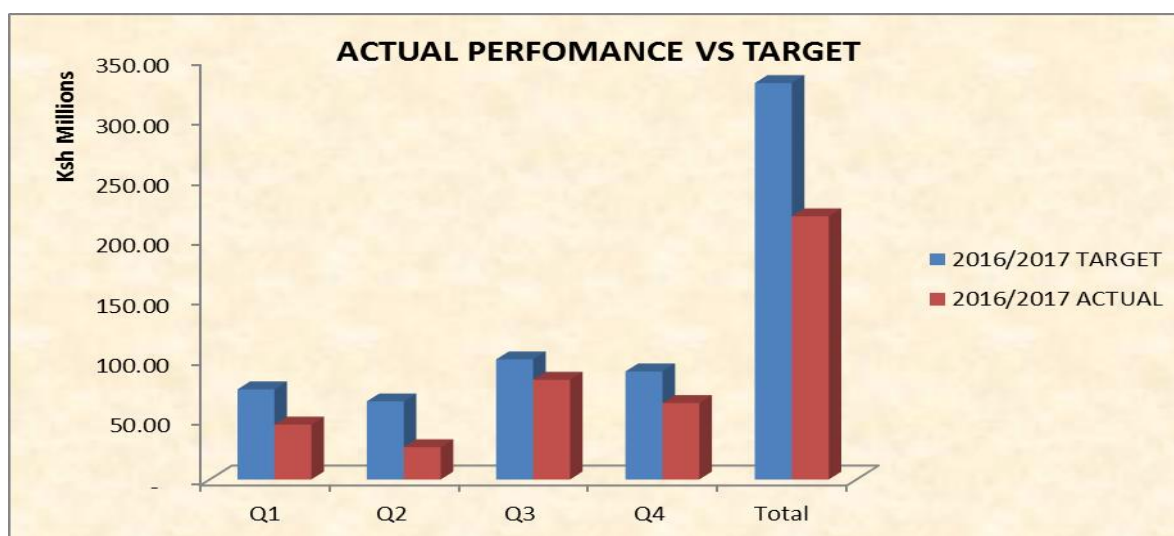
95. The generated revenue was much far below the revised target of ksh.330M by 33.61%. quarter three recorded the smallest variance of 17% with a short fall of ksh.16.99M while quarter two had the highest variance of 58.71% with shortfall of Ksh 38.160M as shown in the table and graph below.

Table 11: Actual revenue collection vs. the Target of 2016/2017

Financial Year	Q1	Q2	Q3	Q4	Total
2016/2017 TARGET	75,000,000	65,000,000.00	100,000,000.00	90,000,000.00	330,000,000.00
2016/2017 ACTUAL	45,650,471	26,839,715.50	83,003,428.00	63,579,885.45	219,073,500.00
VARIANCE	29,349,529	38,160,284.50	16,996,572.00	26,420,114.55	110,926,500.00
%GE OF VARIATION	39.13	58.71	17.00	29.36	33.61

96. The graph below shows that the target has been never achieved at all across the four quarters.

Figure 13: Actual Performance vs. Target



97. Table below shows quarterly and annual revenue performance and comparison for last five years. The highest annual growth rate is reported in the year 2014/2015 with 13.8% from the FY 2013/2014. This was the period in which the government had made some drastic changes in the administration of revenue by bringing up sub county supervision role.

The revenue growth curve has had a decreasing rate since 2014/2015 to 2016/2017 and it seems, the rate of growth is reaching an optimal point in 2016/2017 and revenue collection may remain constant if no measures are put in place.

Table 12: Quarterly performance for the last five years

Financial Year	Q1 Actual	Q2 Actual	Q3 Actual	Q4 Actual	Total Actual	%ge growth rate
2012/2013	39,610,012.0	31,080,950.0	64,063,086.0	35,747,141.0	170,501,189.0	11.0
2013/2014	39,355,534.0	24,580,099.0	52,640,736.0	72,611,372.0	189,187,741.0	13.8
2014/2015	51,801,993.0	34,986,402.0	65,866,418.0	63,114,454.0	215,349,954.0	1.3
2015/2016	40,295,311.0	46,964,142.0	64,084,092.0	66,810,040.0	218,153,555.0	0.4
2016/2017	45,650,471.1	26,839,715.5	83,003,428.0	63,579,885.5	219,073,500.0	

Analysis of revenue streams

98. The main revenue streams are; permits, liquor license, market entrance fees, parking fee, permit and Cess. They contributed an aggregate of Kshs 134.11 million, 152.18 million, 145.27 Million and 164.413 million in the four years respectively as shown in table 13 below.

Table 13: Revenue Streams 2016/2017

	Source	Q1	Q2	Q3	Q4	TOTAL
1.	Market entrance fee	6,535,375.00	6,190,340.00	6,166,675.00	6,540,316.45	25,432,706.45
2.	Conservancy fee	767,100.00	389,175.00	1,466,750.00	1,555,610.00	4,178,635.00
3.	Stock movement fee	542,430.00	186,970.00	708,440.00	1,267,420.00	2,705,260.00
4.	Parking	6,392,840.00	6,220,130.00	7,241,955.00	5,986,344.00	25,841,269.00
5.	Plot rent fee	2,140,391.00	1,106,981.00	2,192,464.00	1,228,705.00	6,668,541.00
6.	Permits/application	9,593,150.00	3,301,680.00	26,443,830.00	26,124,260.00	65,462,920.00
7.	Penalty fee	819,692.00	330,541.00	246,059.00	579,572.00	1,975,864.00
8.	Stock market	2,366,000.00	1,565,010.00	1,964,180.00	2,440,040.00	8,335,230.00
9.	Plan approval	1,459,890.00	746,554.00	1,653,200.00	870,543.00	4,730,187.00
10.	Plot regist.	229,000.00	139,100.00	114,990.00	61,000.00	544,090.00
11.	Plot application	191,814.00	105,700.00	251,900.00	94,950.00	644,364.00
12.	Clearance fee	342,180.00	196,550.00	128,900.00	146,300.00	813,930.00
13.	Cess	5,032,255.00	2,514,500.00	5,129,975.00	2,320,310.00	14,997,040.00
14.	Sand cess local	1,283,775.00	1,236,015.00	1,564,620.00	1,257,640.00	5,342,050.00
15.	Kiosk renewal	574,800.00	279,000.00	1,206,050.00	1,267,400.00	3,327,250.00
16.	Branding,sign,adv, nema,impres fee	1,412,101.95	109,800.00	732,150.00	828,830.00	3,082,881.95
17.	Plot transfer	162,908.00	77,500.00	51,000.00	25,000.00	316,408.00
18.	Plot extension	83,500.00	45,945.00	14,200.00	15,500.00	159,145.00
19.	Plot sub-division	39,000.00	20,000.00	61,045.00	36,000.00	156,045.00
20.	Change of user	250,000.00	240,000.00	306,000.00	160,000.00	956,000.00
21.	Occupation cert.	94,800.00	35,900.00	54,000.00	25,065.00	209,765.00
22.	Ppa1,ppa2&ppa5	337,885.00	200,409.00	417,670.00	181,088.00	1,137,052.00
23.	Motor bike reg	204,900.00	2,300.00	605,600.00	379,950.00	1,192,750.00
24.	Weights & measures	-	-	30,540.00	41,440.00	71,980.00
25.	Masts	820,000.00				820,000.00
26.	Liquor	1,509,095.00	197,000.00	22,593,910.00	8,385,500.00	32,685,505.00
27.	Vet/agr	758,270.00	746,855.00	829,145.00	955,040.00	3,289,310.00
28.	Agr.trai.c	1,707,319.10	655,760.50	828,180.00	531,850.00	3,723,109.60
29.	Co-op audit fee	-	-	-	274,212.00	274,212.00
30.	Total	45,650,471.05	26,839,715.50	83,003,428.00	63,579,885.45	219,073,500.00

Key revenue streams

99. The permit stream generated the highest revenue over the period under review. The stream generates an annual average of Kshs.64.49 million followed by liquor license with an annual average of Kshs.25.94 million.

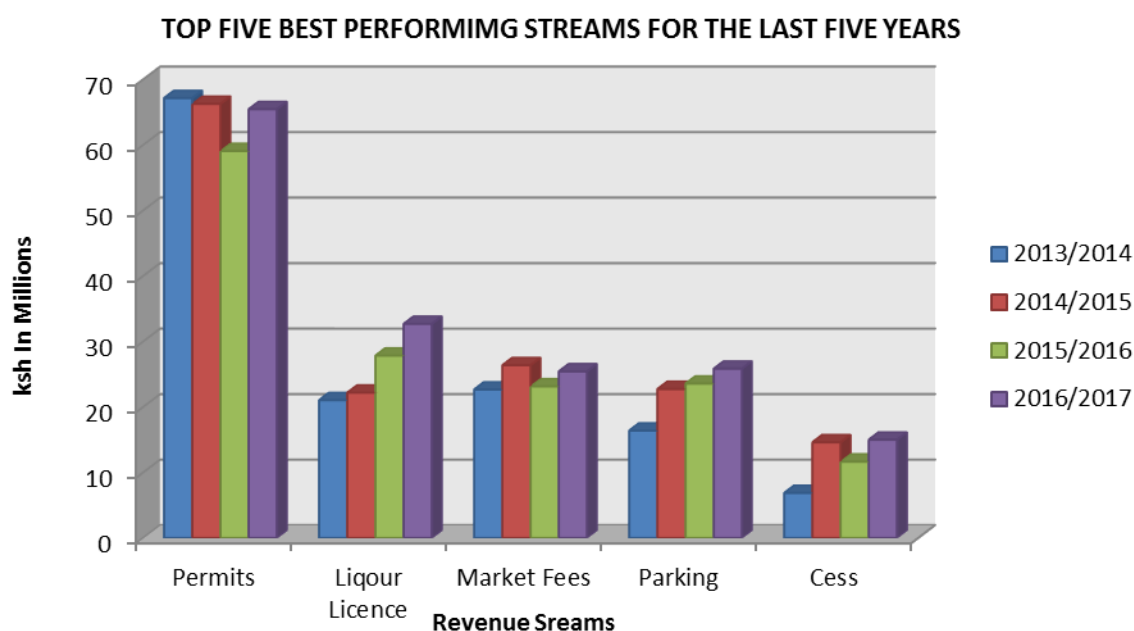
Table 14: Revenue by five key streams (millions)

Financial Year	2013/2014	2014/2015	2015/2016	2016/17	Annual Average
Permits	67.15	66.28	59.08	65.46	64.4925
Liquor Licence	21.04	22.18	27.84	32.686	25.9365

Market Fees	22.66	26.37	23.14	25.43	24.4
Parking	16.39	22.74	23.56	25.84	22.1325
Produce Cess	6.87	14.61	11.65	14.997	12.03175
Total	134.11	152.18	145.27	164.413	148.99325
%ge of total revenue	70.88727227	70.6663735	66.5907095	75.04924146	70.7983992

100. The agricultural cess fee stream generated the least amount of revenue among the five key main sources with average collection of Kshs.12.03 million annually over the four years.

Figure 14: Key revenue streams trends



101. The table and the graph show that the permits have been generating the highest revenues over the four years. The performance of the FY 2016/2017 seems to have broken the trend of continuous decline reporting an improvement of 6.38M from 59.08M in 2015/2016 to 65.46M in 2016/2017.

102. In projecting FY 2018/19 revenues, focus has been on real revenue indicators which include among others; expected number of new buildings, new businesses and closure rate of ongoing businesses, land deal transactions and amount collected from plot rates. (Table 15)

Table 15: Local Revenue Collection Trend, Budgeted and Projected Revenues

	Source	Actual collection FY 2016/2017	FY 2017/18 (printed)	2018/19 (projections)	2019/20 (projections))
1	Market entrance fee	25,432,706	32,700,000	36,329,700	43,595,640
2	Conservancy fee	4,178,635	5,566,202	6,184,050	7,420,860
3	Stock movement fee	2,705,260	5,545,783	6,161,365	7,393,638
4	Parking	25,841,269	41,700,000	46,328,700	55,594,440
5	Plot rent fee	6,668,541	69,500,000	77,214,500	92,657,400
6	Permits/application	65,462,920	81,200,000	90,213,200	108,255,840
7	Penalty fee	1,975,864	3,970,208	4,410,901	5,293,082
8	Stock market	8,335,230	17,087,222	18,983,903	22,780,684
9	Plan approval	4,730,187	9,696,883	10,773,237	12,927,885
10	Plot regist.	544,090	1,115,385	1,239,192	1,487,031
11	Plot application	644,364	1,320,946	1,467,571	1,761,085
12	Clearance fee	813,930	1,668,557	1,853,766	2,224,520
13	Cess	14,997,040	19,460,000	21,670,060	26,004,072
14	Sand cess local	5,342,050	10,951,203	12,166,786	14,600,143
15	Kiosk renewal	3,327,250	6,820,863	7,577,978	9,093,574
16	Branding,sign,adv,nema,imprest fee	3,082,882	6,319,908	7,021,418	8,425,701
17	Plot transfer	316,408	648,636	720,635	864,762
18	Plot extension	159,145	326,247	362,461	434,953
19	Plot sub-division	156,045	319,892	355,400	426,480
20	Change of user	956,000	1,959,800	2,177,338	2,612,805
21	Occupation cert.	209,765	430,018	477,750	573,300
22	Ppa1,ppa2&ppa5	1,137,052	2,330,957	2,589,693	3,107,631
23	Motor bike reg	1,192,750	2,445,138	2,716,548	3,259,857
24	Weights & measures	71,980	147,559	163,938	196,726
25	Masts	820,000	1,681,000	1,867,591	2,241,109
26	Liquor	32,685,505	40,650,000	45,162,150	54,194,580
27	Vet/agr	3,289,310	6,743,086	7,491,568	8,989,882
28	Health		69,500,000	77,214,500	92,657,400
29	Agr.trai.c	3,723,110	7,632,375	8,479,568	10,175,482
30	Co-op audit fee	274,212	562,135	624,532	749,438
		219,073,500	450,000,000	500,000,000	600,000,000

Source: County Revenue Directorate

103. The major challenges leading to low collection of own generated revenue are; few enforcement efforts, inadequate legislation framework to prosecute the defaulters and delays in enactment of revenue administration bill, rating and valuation Act by county assembly, inadequate supervision and weak controls on

revenue collected by public officers other than revenue collectors in departments other than county treasury and inadequate revenue collection force.

104. The County Treasury will put in place measures to ensure all revenue collected by the devolved units is banked in the County Revenue account to eliminate non disclosures of revenue.

105. In addition, the County Government intends to mitigate cases of deficits in the future by instituting strategies to counter challenges that hinder revenue collection.

106. These interventions amongst others will include;

- i. Enhance external-resource mobilization, /unit-program
- ii. Full operationalization of the revenue automation system,
- iii. Developing a framework for PPPs,
- iv. Enhancing partnership and collaboration with the National Government and non-state actors,
- v. Mapping and exploiting of all available revenue streams.
- vi. Deployment, addition, rotation and capacity building of staff.
- vii. Sensitizing all citizens on the benefits of paying rent & rates.
- viii. Timely updating records on Land Rates and Land Rent
- ix. Fast track formulation, enactment and implementation of revenue related legislations
- x. Strengthen revenue enforcement and compliance
- xi. Channeling all revenues collectable in the health sector to the county main revenue.
- xii. Analyzing thoroughly the correlation than exist between peoples empowerment by the county government and revenue generation from such empowerment.

107. Implementation of the above measures is expected to result to increased resources for financial year 2018/2019 as detailed in table 16.

Table 16: Revenue projection

Item	2014/15 Budget	2015/16 Budget	2016/17 Budget	2017/18 Budget	2018/19 - Projection
Revenue & Grants					
Allocation from National GoK	5,193,526,432	5,969,671,381	6,441,351,588	6,825,200,000	7,231,922,432
Local Revenue	230,000,000	400,000,000	330,000,000	600,000,000	600,000,000
Health FIF / Registration UHC	89,804,407	89,081,516	80,000,000	136,000,000	142,800,000
Ene Micro Finance					

Interest Income				2,695,417	
Conditional Allocations for Free Maternal Health Care Allocation		80,802,400	83,696,467		
Conditional Allocations for compensation for User Fees Forgone		20,618,293	19,449,802	19,435,760	21,379,336
Conditional Allocation for Leasing of Medical Equipment		95,744,681	95,744,681	95,744,681	95,744,681
Conditional Allocation for Development of Youth Polytechnics				64,131,527	64,131,527
Conditional Allocation from Road Maintenance Fuel Levy Fund		75,834,678	98,971,324	254,349,334	267,066,801
Conditional Allocation - other loans & grants		220,000,000	12,065,000	42,068,488	44,171,912
World Bank Funding	51,022,686	51,022,686	32,588,849		-
DANIDA	21,750,000	24,130,000		27,577,132	19,907,242
Transitional Authority Infrastructure Funds	54,390,760				
World bank loan for National Agricultural and Rural Inclusive Growth Project				50,000,000	
EU Grant for instrument for Devolution Advice and support				66,000,000	33,000,000
Donor Funding / PPPs					247,265,749
World bank transforming Health systems for Universal Care project				71,695,469	71,695,469
Kenya Devolution Support Program			31,451,603	47,396,651	31,451,603
Donor funding - Sanitary Programme	2,512,270				-
ASDP funds				14,150,515	15,565,567
Funds balances(Fy201314 - Fy201617)	1,328,122,174	2,423,023,432	3,427,123,534	1,304,053,517	
TOTAL REVENUE	6,971,128,729	9,449,929,067	10,652,442,848	9,620,498,491	8,886,102,319

108. The County will institute strategies of external resource mobilization for service delivery in key priority areas. These strategies will include Public private partnerships, partnering with the national government and soliciting for resources

from development partners and donors. The County will also collaborate with other government entities in raising and tapping all revenues from its revenue streams.

Expenditure Performance

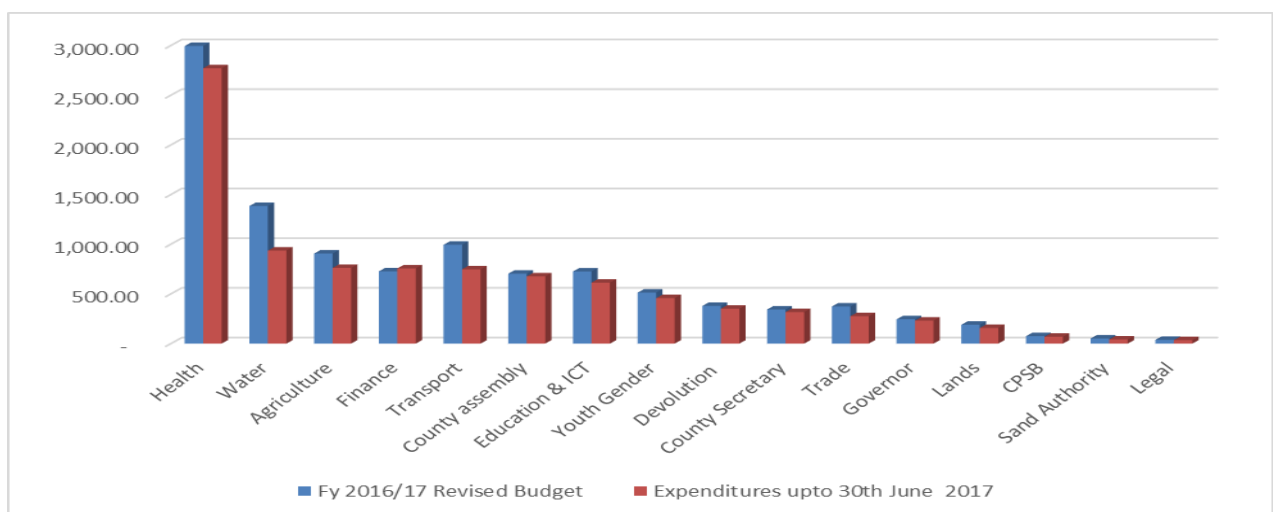
109. The total budget for FY 2016/17 amounted to Kshs.10, 652,442,847.45 being the highest compared to the previous years. The County Executive received Kshs.9, 948,450,225.90 for both development and recurrent expenditure while the County Assembly received Kshs.703, 992,621.55 to fund its operations. The fund balances brought forward from FY 2015/16 amounted to Kshs.3,427,123,533.50 being Kshs.3, 393,729,441.95 and Kshs.33,394,091.55 for County Executive and County Assembly respectively.

110. The overall County expenditure for the period ending 30th June 2017 amounted to Kshs.9,204,190,257.81 against a target of Ksh 10,652,442,847.45, representing an under spending of Ksh 1,448,252,589.64 (or 14% percent deviation from the revised budget). This shortfall was attributed to lower absorption in both recurrent and development expenditures by the county government while the commitments at the close of the year amounted to Kshs. 268,586,224.70 thus leaving a balance of Kshs.1,259,778,721.92. The total expenditure comprised of Kshs.4,095,788,199.04 for development and Kshs. 5,108,402,058.78 for recurrent. The FY2016/17 recorded the highest overall absorption at 86% as compared to the other years from FY2013/14.

Departmental Expenditure

111. The performance of all the departments against FY 2016/17 budget is illustrated in figure 15;

Figure 15: Departmental Expenditure (In Millions)



Deviations from the Original and Revised Budget Estimates

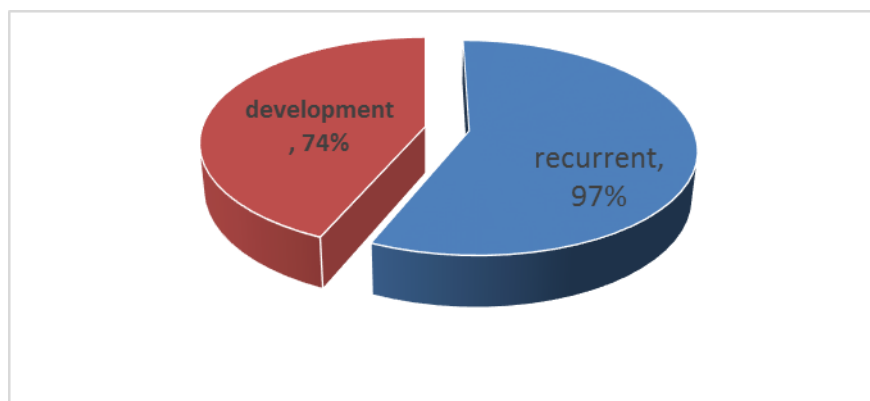
112. Table 17 below presents the fiscal performance for the FY 2016/17 and the deviations from the revised budget estimates.

Table 17: Deviations from the Original and Revised budget estimates

Expenditure Item	FY2015/16			2015/16 as a % of Budget		FY 2016/17				
	Actual	Budget	Deviation	Actual	Budget	Actual	Budget	Deviation	Actual	Budget
Recurrent	4,222,961,427	4,704,413,325	-481,451,898	74%	50%	5,108,402,059	5,154,661,344	-46,259,286	56%	48%
Development	1,459,669,316	4,745,515,745	-3,285,846,429	26%	50%	4,095,788,199	5,497,781,503	-1,401,993,304	44%	52%
Total	5,682,630,743	9,449,929,070	-3,767,298,327	1	1	9,204,190,258	10,652,442,847	-1,448,252,590	1	1

113. The implementation of the FY 2016/17 budget experienced increased expenditure performance which was occasioned by various factors such as hastening the procurement process and setting up a rapid implementation team.

Figure 16: Absorption rates Recurrent and development absorption rates



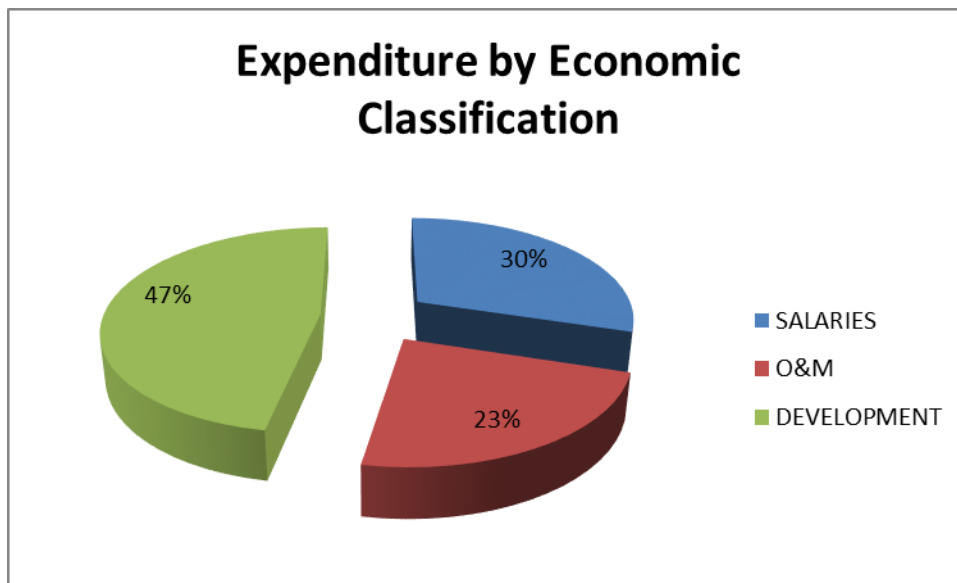
114. Recurrent expenditure for FY 2016/17 amounted to Kshs.5,108,402,058.78 against a target of Kshs.5,258,320,344.31 (inclusive of additional Kshs.103,659,000.00 for nurses/doctors salary increment) representing an under-performance of Kshs.149,918,285.54 (3 percent deviation from the approved recurrent expenditure).

115. Development expenditure for FY 2016/17 amounted to Kshs.4, 095,788,199.04 compared to a target of Kshs.5, 497,781,503.14. This represented 74 percent expenditure absorption against the budget.

Expenditure by Economic Classification

116. Out of the total expenditures and commitments in the Financial Year the highest was Development at 47 percent, Personnel emoluments at 30 percent and Operations and Maintenance at 23 percent (*figure17*)

Figure 17: Expenditure by economic classification-FY 2016/17



Implication of 2016/17 Fiscal Performance on Objectives Contained in the 2017 CFSP

117. The performance in the FY 2016/17 has affected the strategies & objectives set out in the February 2017 County Fiscal Strategy. The base for revenue and expenditure projections as indicated in the CFSP has changed implying the need for adjustment in the departmental budget allocations.

118. The base ceilings will also be adjusted to take into account the on-going development projects for FY 2017/18 budget and the interventions identified in the FY 2018/19 Annual development Plan. The ceilings for sectors and departments will then be firmed up in the next CFSP.

119. The County Treasury in collaboration with the other departments will fast track the implementation of projects/ programmes including the back log from the previous years. This will improve resource absorption, service delivery and hence improve the livelihoods of the Makueni citizens. The fast tracking will be done by improving the efficiency of procurement processes, project implementation and

supervision, strengthening and improving capacity of the Monitoring and evaluation.

Fiscal Projections

120. The table below provides comparison between the fiscal projections for the FY 2013/14-2019

Table 18: Fiscal Projections against FY 2014/15- 2015/16 & F.Y 2016/17 Budgets and In the Medium Term

Item	2014/15 Budget	2015/16 Budget	2016/17 Budget	2017/18 Budget	2018/19 - Projection	2019/20 - Projection
Revenue & Grants						
Allocation from National GoK	5,193,526,432.00	5,969,671,381.00	6,441,351,588.00	6,825,200,000.00	7,231,922,431.74	7,593,518,553.33
Local Revenue	230,000,000.00	400,000,000.00	330,000,000.00	600,000,000.00	600,000,000.00	800,000,000.00
Health FIF / Registration UHC	89,804,407.00	89,081,516.00	80,000,000.00	136,000,000.00	142,800,000.00	149,940,000.00
Ene Micro Finance Interest Income				2,695,417.00		
Conditional Allocations for Free Maternal Health Care Allocation		80,802,400.00	83,696,467.00			
Conditional Allocations for compensation for User Fees Forgone		20,618,293.00	19,449,802.00	19,435,760.00	21,379,336.00	21,379,336.00
Conditional Allocation for Leasing of Medical Equipment		95,744,681.00	95,744,681.00	95,744,681.00	95,744,681.00	95,744,681.00
Conditional Allocation for Development of Youth Polytechnics				64,131,527.00	64,131,527.00	64,131,527.00
Conditional Allocation from Road Maintenance Fuel Levy Fund		75,834,678.00	98,971,324.00	254,349,334.00	267,066,800.70	280,420,140.74
Conditional Allocation - other loans & grants		220,000,000.00	12,065,000.00	42,068,488.00	44,171,912.40	46,380,508.02
Sub-Total 1	5,513,330,839.00	6,951,752,949.00	7,161,278,862.00	8,039,625,207.00	8,467,216,688.84	9,051,514,746.09
Other sources(Donor funds)						
World Bank Funding	51,022,686.00	51,022,686.00	32,588,849.45		-	-

DANIDA	21,750,000.00	24,130,000.00		27,577,132.00	19,907,242.00	21,897,967.00
Transitional Authority Infrastructure Funds	54,390,760.00					
World bank loan for National Agricultural and Rural Inclusive Growth Project				50,000,000.00		
EU Grant for instrument for Devolution Advice and support				66,000,000.00	33,000,000.00	
Donor Funding / PPPs					247,265,749.03	1,000,000,000.00
World bank transforming Health systems for Universal Care project				71,695,469.00	71,695,469.00	
Kenya Devolution Support Program			31,451,603.00	47,396,651.00	31,451,603.00	
Donor funding - Sanitary Programme	2,512,270.00				-	-
ASDP funds				14,150,515.00	15,565,567.00	17,122,123.00
Sub-Total 2	129,675,716.00	75,152,686.00	64,040,452.45	276,819,767.00	418,885,630.03	1,039,020,090.00
Funds balances	1,328,122,174.00	2,423,023,431.94	3,427,123,533.50	1,304,053,517.15		
TOTAL REVENUE	6,971,128,729.00	9,449,929,066.94	10,652,442,847.95	9,620,498,491.15	8,886,102,318.87	10,090,534,836.09
Recurrent expenditure	3,616,046,273.00	4,477,681,170.57	5,154,661,344.81	5,203,795,113.07	5,885,722,431.74	6,474,294,674.92
Development expenditure	3,355,082,456.00	4,972,247,896.22	5,497,781,503.14	2,689,844,055.93	3,000,379,887.16	3,616,240,161.17
TOTAL EXPENDITURE	6,971,128,729.00	9,449,929,066.79	10,652,442,847.95	7,893,639,169.00	8,886,102,318.90	10,090,534,836.09
% of recurrent	0.52	0.47	0.48	0.66	0.66	0.64
% of Development	0.48	0.53	0.52	0.34	0.34	0.36

Fiscal Performance for the FY 2016/17 in Relation to Financial Objectives

121. The performance in the FY 2016/17 has affected the strategies & financial objectives set out in the February 2017 County Fiscal Strategy and the budget for the FY 2017/18 in the following ways;

1. The base for revenue and expenditure projections is higher than the actual outcome by Kshs.377M; as such there will be a downward base effect adjustment in ordinary revenues for FY 2017/18 and the medium term.
2. The baseline ceilings for departments will be adjusted in line with the revised resource envelope. The revisions will take into account the performance in project execution in the FY 2017/18 budget by the departments and any identified one-off expenditures; and,
3. The under-spending in the development budget for the FY 2016/17 additionally has implications on the base used to project expenditures in the FY 2018/19 and the medium term. Appropriate revisions have been undertaken in the context of this BRDP, taking into account the budget outturn for the FY 2016/17.
4. The ceilings will be adjusted to take into account the ongoing development projects for FY 2016/17 budget and the interventions identified in the FY 2018/19 Annual development Plan. The ceilings for sectors and departments will then be firmed up in the next CFSP.

122. To remedy these deviations, and going forward, resources will be allocated to the capital projects which will have been fully processed to avoid delay in implementation. Further, these projects will have been evaluated in the context of their importance in line with the medium and long term development agenda; their impact on economic empowerment of the citizenry and the viability and sustainability of the project.

D. Fiscal Responsibility Principles

123. In line with the Constitution, the Public Finance Management (PFM) Act, 2012, the PFM regulations, and in keeping with prudent and transparent management of public resources, the Government has adhered to the fiscal responsibility principles as set out in the statute as follows:

124. The County Government's revised development expenditure as a percent of total budget was 52 percent in FY 2016/17 and is set to remain above the 30 percent minimum threshold set out in the PFM law over the medium term

125. The broad development policies of the County Government provide a clear and progressive approach to stimulate inclusive growth. We shall focus on the following priorities so as to help strengthen resilience and support sustained growth that

opens economic opportunities and provides a better future for all Makueni County Citizenry:

126. Specific interventions will include;

1. Increasing production and productivity through promotion of key value chains such as horticulture value chain development, grain value chain development, dairy development, poultry development, meat development, fisheries and honey development.
2. Intensifying extension services for increased technology uptake through support to extension service delivery, linkages with latest and improved technology packages, capacity building of farmer organizations, operationalization of the agriculture resource centre at ATC and implementation of e-extension and radio based extension programmes.
3. Reducing incidences of livestock diseases through the establishment of functional livestock disease surveillance systems, a county livestock disease rapid response unit/ambulatory clinic and a veterinary laboratory.
4. Increasing road connectivity and accessibility by enhancing continuous collaboration with the national roads agencies to maintain and upgrade roads within the county.
5. Improving urban infrastructure through construction of one bus park at Kibwezi town, paving of towns, street lighting to spur a 24 hour economy and storm water management.
6. Exploring, developing and distributing green energy through developing a green energy policy.
7. Increasing rural electrification by connecting a further 1.4% of the households with electricity.
8. Increasing use of ICT through development of the ICT sub sector.
9. Improving land use systems, planning and legislation
10. Enhancing Urban Planning and Infrastructural Development through implementation of development plans, upgrading of urban areas, establishing valuation rolls in towns and establishing a town administration structure in Wote.

11. Enhancing titling of land, mapping and digitization in urban and rural areas:
12. Enhancing sustainable and controlled use of mineral resources through conducting a geological survey to identify the potential sources of minerals.
13. Enhancing tourism infrastructure development through Public Private Partnerships which will include identification of viable tourist sites and development of a county tourism promotion policy.
14. Enhancing trade development through the development of a county trade policy and also increasing appropriate technology to enhance the process of doing business.
15. Developing and promoting the Industrial sector through developing an industrial development policy.
16. Strengthening the cooperative movement through increased membership hence a broader capital base for strategic investments.
17. Increase access to quality promotive and preventive health care services by implementing strategies towards addressing the burden of communicable and non-communicable diseases.
18. Strengthening the community health unit strategy and improving sanitation in markets and community to improve the health status at the community.
19. Increasing access to maternal and child health services:
20. Enhancing access to potable and reliable water through the rural water supply program, rain water harvesting for agricultural production and urban water development programme.
21. Enhancing the Irrigation infrastructural strategies
22. Promoting climate change adaptation and resilience initiatives.
23. Developing and upgrading of education infrastructure:
24. Developing prerequisite policy and legal framework to facilitate delivery of quality basic education in the county.
25. Promotion of technical higher education (college and universities) and supporting access through the county bursary endowment fund.

26. Increasing social assistance coverage by economically transforming vulnerable groups in the society by implementing sustainable programmes and enhancing partnership with institutions and agencies.
27. Investing in sporting facilities and talent management:
28. Developing and implementing the Makueni Youth economic empowerment strategy.
29. Enhancing public sector reforms, service delivery and institutional arrangements:
Improved public communication and information management:
30. Promoting prudent public finance management through expansion of the county revenue base, internal management structures, resource mobilization techniques, and fiscal discipline.
31. Strengthening participatory development:

V. RESOURCE ALLOCATION FRAMEWORK

A. Adjustments to the FY 2017/18 Budget

127. The 2017/18 budget departmental ceilings set in the 2017 CFSP were realigned to take into consideration the set agenda for socio economic transformation agenda with a broad focus of ensuring 'enough water for all Makueni residents.

The realignments were also contributed by the change of the allocations (equitable share & conditional allocations) in the Division of Revenue Act, 2016 and CARA 2017.

Further changes will be made to the budget to include additional funding for key programmes such as Kenya Devolution support programme, FY2016/17 reallocation funds, World bank loan for National Agricultural and Rural Inclusive Growth Project, World bank transforming Health systems for Universal Care project, DANIDA UHC Health programme support, EU Grant for instrument for Devolution Advice and support Conditional Allocation for Development of Youth Polytechnics, and Conditional Allocation from Road Maintenance Fuel Levy Fund.

128. The County Government's overall development budget to be implemented in the FY 2017/18 will be Kshs. 3,748,539,405.61 being; development budget for FY 2017/18, extra funding in FY2017/18 and balances brought forward from FY 2016/17.

Table 19: Summary of Revised Development Budget

Expenditure item	Development FY 2016/17	Additional Funding (Reallocation & additional funding)	Total Available Development funds
Development Budget	2,689,844,056	1,058,695,349.68	3,748,539,405.61

Source; County Treasury

129. The implementation of the FY 2017/18 has been slow in the first quarter. This has been partly attributed to the electioneering period. The county will therefore have to implement the projects within the three remaining quarters. This will call for dedication from all staff to ensure all ongoing projects from the previous years together with budget are implemented fully to ensure realization of the set agenda for socio economic transformation by end of FY 2017/18.

130. The FY 2017/18 recurrent budget is outstretched in relation to the development budget available in the year. The Government will develop polices geared towards reducing wastages in spending and minimizing expenditures on non-essential programs/activities and adopt other cost cutting measures.

131. The Government will closely monitor all risks attributable to the implementation of the budget and would take appropriate measures in the context of the next supplementary Budget.

132. To ensure realization of the envisioned economic empowerment for sustainable livelihoods for all, resource allocation and utilization in the medium term will be guided by how specific programmes;

- i. Are geared towards ensuring economic empowerment for sustainable livelihoods.
- ii. Support the youth economic empowerment strategy
- iii. Aligns to vision 2030, County Vision 2025 and the FY 2018/19 Annual Development Plan.
- iv. Address core policy / strategic interventions.
- v. Aligns to the fourth schedule to the constitution (Annex VI)
- vi. Address the core mandate of the department.
- vii. Mainstream the issues of gender, climate change, disability, HIV AIDs & ICT.
- viii. Demonstrate cost effectiveness and sustainability.
- ix. Ensure equity in distribution of resources in all areas of the County

The allocation of funding will also be dependent on how the sector performed on the previous funding allocated.

B. Medium-Term Expenditure Framework

133. Resource allocation will continue to be aligned to development programmes/projects under the economic transformation agenda highlighted in the Makueni County Vision 2025 and the CIDP 2018-2022 under preparation. The fiscal policy stance for the medium-term will be geared towards implementing growth-oriented policies anchored on moderation of public expenditure growth.

134. The composition of expenditure will focus on productive capital projects and priority commitments, while protecting budgetary allocations to social sectors, namely; education, health and social protection. The FY 2018/19 MTEF Budget will

therefore focus on improving livelihoods through economic empowerment for sustainable livelihoods with a broad focus on the youth. Resources earmarked for strategic interventions in the areas of social welfare, youth empowerment will be ring-fenced over the medium term.

135. The county treasury will ensure there is proper linkage between planning and budgeting. To this end the sector objectives and ceilings in the CBROP have been derived from the development priorities / strategies identified in the 2018/19 ADP. These strategies will also follow up in the sector working group reports that will eventually determine the ceilings to be set in the 2018 CFSP which will inform the FY 2018/19 budget. The sector ceilings are also based on the projected revenue and the departments' previous fiscal performance.

136. To improve the participatory budgeting process, participation will be entrenched as continuous process; the community will be trained on planning and budgeting to take the process as a continuous process rather than a onetime event. The FY2018/19 budget will serve as the first budget to implement the CIDP 2018-2022.

Medium Term Fiscal Projections

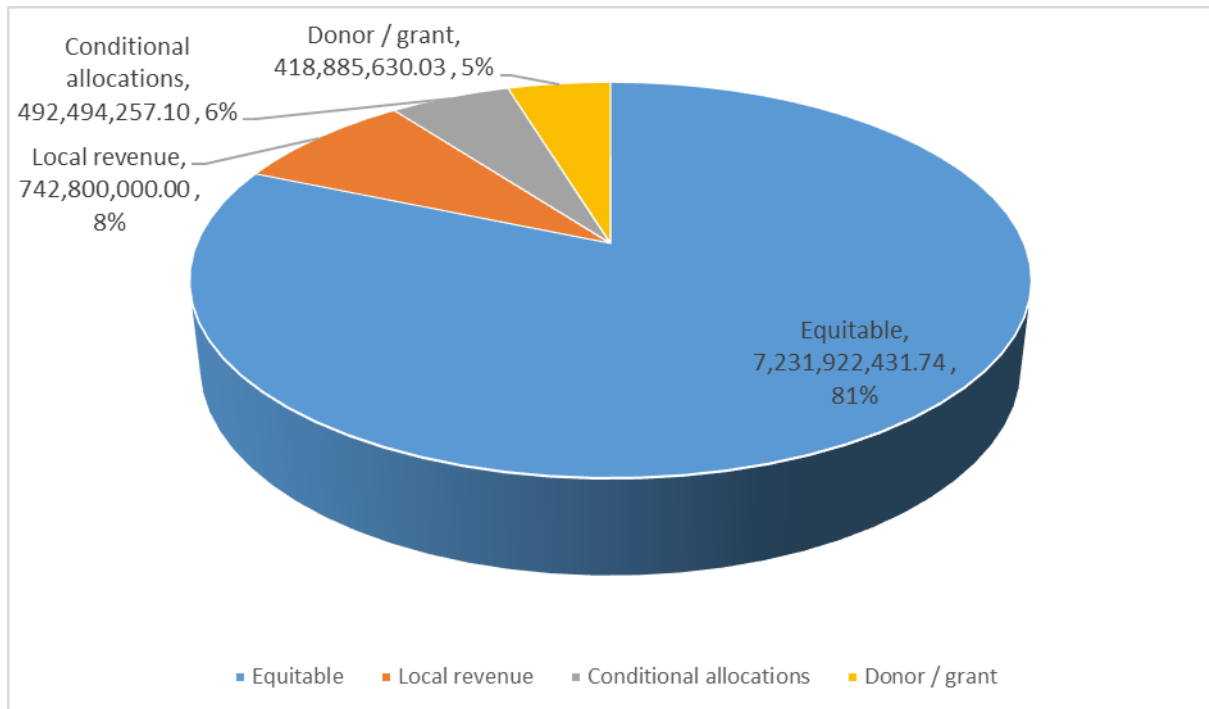
The 2017/18 Budget Framework

137. The 2017/18 fiscal projections are guided by the 2018-19 ADP and the Vision 2025. The Budget framework and aspirations assumes increased public private partnerships and donor support to fund the various development initiatives.

Revenue Projections:

138. The FY 2018/19 budget targets revenue collection of Kshs 8,886,102,318.90. This revenue performance will be underpinned by on-going local revenue collection and mobilization through donors and public private partnerships. The budget will be financed from the equitable share at 81%, local revenue at 8%, conditional allocation 6% and donor funding/ grant at 5%.

Figure 18: Revenue Projections



139. The County envisages a balanced budget, but where necessary will request for funding through loans to fund core investment projects. The strategy on the county borrowing will be articulated in the County Debt strategy paper to be prepared in February 2018.

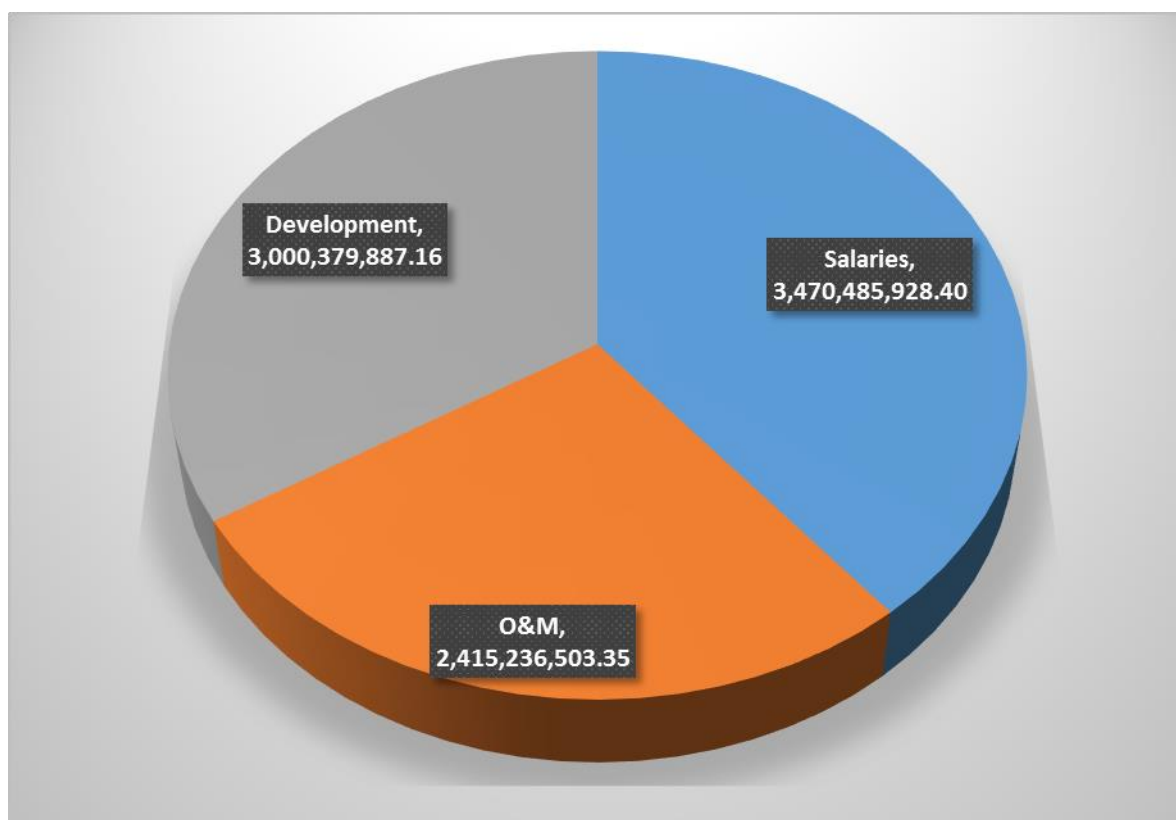
140. The county will enforce policy of consistency and predictability of government spending and will be achieved through the following strategies

- i. Directing more resources coming from enhanced revenue mobilization to development related activities as curtailing recurrent spending;
- ii. Ensuring efficient and effective public spending; and
- iii. Ensuring that capital expenditure proposals have been thoroughly scrutinized and prioritized so that only high impact projects are accommodated using scarce resources.

Expenditure Forecasts

141. In the FY 2018/19, overall expenditure are projected at Kshs 8,886,102,318.87 up from the estimated Ksh 7,893,639,169.00 in the FY 2017/18 budget. These expenditures comprises among others, recurrent of Ksh 5,885,722,431.74 (66 percent of total budget), development of Ksh 3,000,379,887.16 (34 percent of total budget). The expenditure is expected to rise to Kshs 10,090,534,836.09 in the FY 2019/20.

Figure 19: FY2018/19 economic classification



Recurrent Expenditures

142. The recurrent expenditure in FY 2018/2019 is expected to be 66 percent of the total budget.

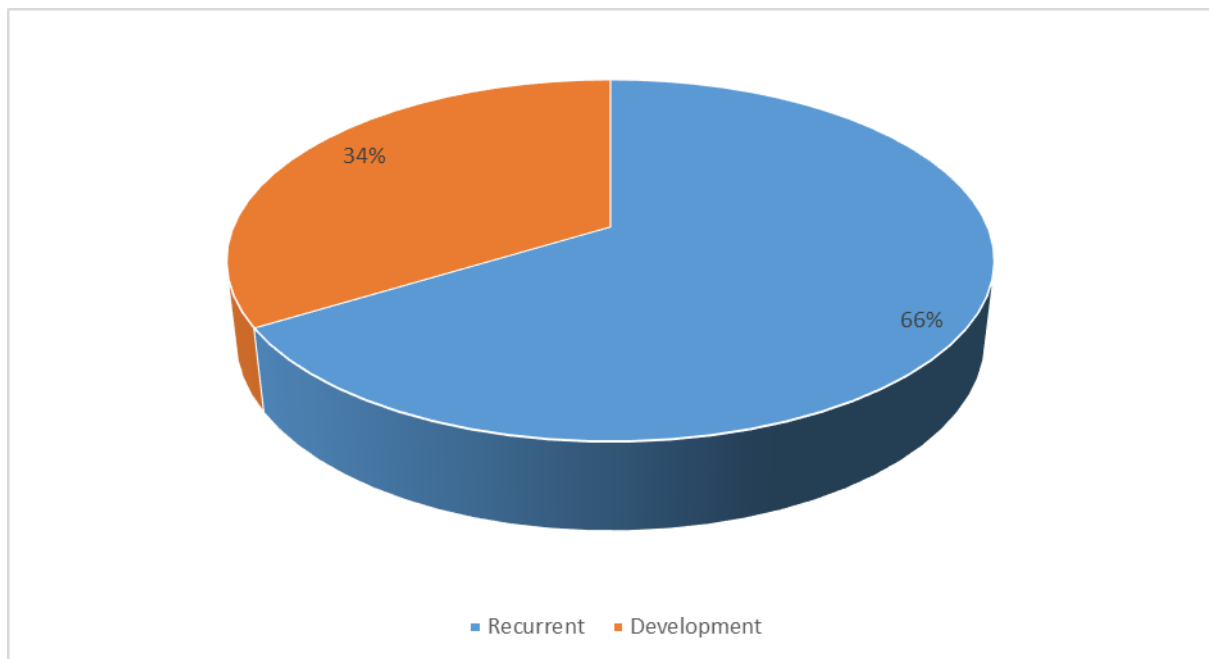
143. Expenditure ceilings on goods and services for sectors/ ministries are based on funding allocation in the FY 2017/2018 budget, and adjustments done to consider for

the new policies/programmes meant to address key strategic interventions identified in the County's strategic focus for socio economic development.

Development Expenditure

144. The ceiling for development expenditure including donor funded projects is expected to increase by 12% from Kshs. 2,689,844,055.93 in the FY 2017/2018 to Kshs. 3,000,379,887.16 in FY 2018/2019. The projected total development budget represents 38 percent of the gross budget including donor funding.

Figure 20; Recurrent Vrs Development Ratios



C. County Budget and the Transfer of Functions

145. The county government will continue to develop the requisite policies and laws to ensure all devolved functions are implemented as envisaged in the Constitution to enhance service delivery.

Overall Deficit and Financing

146. The FY2018/19 budget will be a balanced budget, however strategies will be put in place to seek for funding through loans from various agencies. This will be reflected in the County Debt management Strategy paper to be done later in the year.

Reflecting the above medium-term expenditure framework (table 23) provides the tentative projected baseline ceilings for the 2018/19 MTEF period.

Table 20: Total Expenditure Ceilings for the MTEF period 2018/19 (Kshs.)

DEPARTMENT	2017/18 RECURRENT BUDGET ESTIMATES	2018/19 CEILINGS RECURRENT	RCRNT %AGE	2017/18 DVP BUDGET ESTIMATES	TOTAL 1819 DVP CEILINGS	DVP %AGE	FY2017/18 BUDGET ESTIMATES	TOTAL 18/19 BUDGET CEILINGS	Ratio CEILINGS 2018/19	Ratio ESTIMATES 2017/18
County Attorney's Office	41,379,681	43,448,665	1%		-	0%	41,379,681	43,448,665	0.5%	1%
County Public Service Board	70,233,983	73,745,682	1%		-	0%	70,233,983	73,745,682	0.8%	1%
Department of Lands, Physical Planning & Mining	38,781,737	40,720,824	1%	112,000,000	160,000,000	5%	150,781,737	200,720,824	2.3%	2%
Office of Governor	205,766,200	216,054,510	4%	-	-	0%	205,766,200	216,054,510	2.4%	3%
Office of Deputy Governor	17,600,000	20,600,000	0%	-	-	0%	17,600,000	20,600,000	0.2%	0%
Department of Trade, Tourism & Cooperatives	73,526,878	77,203,222	1%	67,370,000	100,000,000	3%	140,896,878	177,203,222	2.0%	2%
Department of Youth, Gender, Sports & Social services	66,635,638	69,967,420	1%	181,200,000	160,000,000	5%	247,835,638	229,967,420	2.6%	3%
County Secretary	391,093,349	763,382,268	13%	-	-	0%	391,093,349	763,382,268	8.6%	5%
Department of finance & Socio Economic Planning	567,009,694	685,360,179	12%	-	372,535,924	12%	567,009,694	1,057,896,103	11.9%	7%
Department of Education & ICT	364,734,379	385,225,128	7%	82,316,626	176,131,527	6%	447,051,006	561,356,655	6.3%	6%
Department of Transport & Infrastructure	107,951,471	113,349,045	2%	298,104,477	500,000,000	17%	406,055,948	613,349,045	6.9%	5%
Department of Agriculture, Livestock & Fisheries development	247,789,164	255,178,622	4%	315,238,031	300,000,000	10%	563,027,195	555,178,622	6.2%	7%

Department of water, Irrigation & Environment	138,204,756	145,114,993	2%	1,023,976,716	628,985,708	21%	1,162,181,472	774,100,701	8.7%	15%
Department of health	2,000,935,381	2,080,611,433	35%	537,634,206	537,726,728	18%	2,538,569,58	2,618,338,161	29.5%	32%
Department of Devolution & Public Service	249,055,527	261,508,303	4%	30,004,000	20,000,000	1%	279,059,527	281,508,303	3.2%	4%
County Assembly	623,097,274	654,252,138	11%	42,000,000	45,000,000	1%	665,097,274	699,252,138	7.9%	8%
Sub Totals	5,203,795,113	5,885,722,432		2,689,844,055	3,000,379,887.		7,893,639,169.	8,886,102,318		

VI. CONCLUSION AND NEXT STEPS

147. The Medium Term budget and fiscal framework projections presented in this CBROP assumes increased revenues from local & donor / public private partnerships. To this end the Government will institute measures to ensure growth of both domestic and external revenues together with institutionalizing a revenue mobilizing unit.

148. Going forward, the set of policies outlined in this CBROP ensures continuity in resource allocation based on prioritized programs that have been earmarked by the county to accelerate growth, employment creation and poverty reduction.

149. The policies and sector ceilings in this document will guide the Sector/Pillar Working Groups and line ministries in the preparations of the FY 2018/19 budget and is embedded on the priorities of the 2018/19 ADP and the Makueni Vision 2025. The ceilings will form inputs into the next County Fiscal Strategy Paper to be finalized by February 2018.

150. Accounting officers are advised to plan within the set sector ceilings. Revision of ceilings within a sector/pillar can be done during sector/pillar hearings where an increase in a sub-sector's ceiling will require a corresponding reduction of another sub-sector's ceiling within that sector to offset the changes.

151. To ensure meaningful sector-level engagements all accounting officers are requested to commence their departmental expenditure reviews and adequately prepare to take charge of their respective Sector/Pillar Working Groups. The accounting officers are also requested to consult with accounting officer/s comprising the sector in forming their sector's technical group.

152. To enrich the participatory budget process, the established administration structure (village councils and village development committees) will be

strengthened through capacity building to ensure they articulate issues of development in their respective jurisdictions / meetings as a continuous process rather than it being a one period participation forum.

153. This engagement will ensure before projects are prioritized at the sub ward levels, they have been appraised and costed to ease up the process of identification of projects at the sub ward budget forums.

154. The accounting officers are also reminded of important budget making events and dates as detailed in the 2018 /2019 Budget Circular issued on 28th August 2017.

Table 21: Total Sector Ceilings for the MTEF Period 2017/18 - 20120/2021 (Kshs Million)

PILLAR	SECTOR		Printed Estimates	CEILING	PROJECTIONS		
			FY2017/18	FY 2018/19	FY 2019/20	FY 20120/21	
ECONOMIC AFFAIRS PILLAR	SUMMARY	Total	1,260,761,758.12	1,546,451,712.85	1,623,774,298.49	1,704,963,013.41	
		Rec. Gross	468,049,250.33	486,451,712.85	510,774,298.49	536,313,013.41	
		Dev. Gross	792,712,507.79	1,060,000,000.00	1,113,000,000.00	1,168,650,000.00	
	Agriculture and Rural Development	SUB - Total	713,808,931.71	755,899,446.08	793,694,418.39	833,379,139.30	
		Rec. Gross	286,570,901.03	295,899,446.08	310,694,418.39	326,229,139.30	
		Dev. Gross	427,238,030.68	460,000,000.00	483,000,000.00	507,150,000.00	
	Energy, Infrastructure and ICT (EII)	SUB - Total	406,055,948.35	613,349,044.80	644,016,497.04	676,217,321.89	
		Rec. Gross	107,951,471.24	113,349,044.80	119,016,497.04	124,967,321.89	
		Dev. Gross	298,104,477.11	500,000,000.00	525,000,000.00	551,250,000.00	
	General Economic, Commercial and Affairs (GECA)	SUB - Total	140,896,878.06	177,203,221.96	186,063,383.06	195,366,552.21	
		Rec. Gross	73,526,878.06	77,203,221.96	81,063,383.06	85,116,552.21	
		Dev. Gross	67,370,000.00	100,000,000.00	105,000,000.00	110,250,000.00	
	SOCIAL DEVELOPMENT PILLAR	SUMMARY	Total	4,395,637,702.69	4,183,762,937.06	4,392,951,083.92	4,612,598,638.11
			Rec. Gross	2,570,510,154.55	2,680,918,974.32	2,814,964,923.04	2,955,713,169.19
			Dev. Gross	1,825,127,548.15	1,502,843,962.74	1,577,986,160.88	1,656,885,468.92
Health		SUB - Total	2,538,569,587.30	2,618,338,161.31	2,749,255,069.37	2,886,717,822.84	
		Rec. Gross	2,000,935,381.30	2,080,611,433.31	2,184,642,004.97	2,293,874,105.22	
		Dev. Gross	537,634,206.00	537,726,728.00	564,613,064.40	592,843,717.62	
Education		SUB - Total	447,051,005.76	561,356,654.57	589,424,487.30	618,895,711.67	
		Rec. Gross	364,734,379.49	385,225,127.57	404,486,383.95	424,710,703.15	
		Dev. Gross	82,316,626.27	176,131,527.00	184,938,103.35	194,185,008.52	
Social Protection Culture and Recreation		SUB - Total	247,835,638.06	229,967,419.96	241,465,790.96	253,539,080.51	
		Rec. Gross	66,635,638.06	69,967,419.96	73,465,790.96	77,139,080.51	
		Dev. Gross	181,200,000.00	160,000,000.00	168,000,000.00	176,400,000.00	
Environmental Protection, Water and		SUB - Total	1,162,181,471.57	774,100,701.22	812,805,736.28	853,446,023.09	

	Housing	Rec. Gross	138,204,755.69	145,114,993.48	152,370,743.15	159,989,280.31
		Dev. Gross	1,023,976,715.88	628,985,707.74	660,434,993.13	693,456,742.78
GENERAL PUBLIC SERVICES	Public Administration & Internal Relations (PAIR)	SUB - Total	2,237,239,708.19	3,155,887,669.00	3,313,682,052.45	3,479,366,155.07
		Rec. Gross	2,165,235,708.19	2,718,351,744.57	2,854,269,331.80	2,996,982,798.39
		Dev. Gross	72,004,000.00	437,535,924.43	459,412,720.65	482,383,356.68
TOTAL BUDGET		Total	7,893,639,169.00	8,886,102,318.91	9,330,407,434.85	9,796,927,806.60
		Rec. Gross	5,203,795,113.07	5,885,722,431.74	6,180,008,553.33	6,489,008,981.00
		Dev. Gross	2,689,844,055.93	3,000,379,887.17	3,150,398,881.52	3,307,918,825.60
		Rec. Gross %age	66%	66%	66%	66%
		Dev. Gross %age	34%	34%	34%	34%

Annex 1: 2018/19 MTEF BUDGET CALENDAR.

Activity	Responsibility	Timeframe/ Deadline
Develop and issue circular on Budget preparation and MTEF guidelines.	C.E.C Finance & Planning	By 30 th August, 2017
Develop the County Annual Development Plan	C.E.C Finance & Planning	By 1 st September, 2017
Development of County Budget Review and Outlook Paper (BRPOP)	County treasury	By 29 th September, 2017
Presentation of County Budget Review and outlook Paper (BRPOP) to County Executive Committee for approval	County treasury	By 29 th September, 2017
Undertake Departments Public Expenditure Reviews	All departments/ Finance & Planning to Co-Ordinate	By 30 th September, 2017
Presentation of County Budget Review and Outlook Paper to County Budget and Economic Forum (CBEC)	C.E.C Finance & Planning in consultation with the Governor	By 5 th October, 2017
Submission of County Budget Review and Outlook Paper (BRPOP) to the County Assembly	County treasury	By 13 th October, 2017
Circulation of approved BRPOP to County Executive and Accounting Officers	County Treasury.	By 30 th October, 2017
Capacity building for MTEF and programme based budget (PBB)	C.E.C Finance & Planning in collaboration with National treasury	September - October 2017
Departmental sections to submit their inputs to relevant Departments County Headquarters	Departmental sections in the subsections	By 30 th October, 2017
Start of Sector Consultations	All departments - Finance and Planning to co-ordinate in consultation with the Governor's office	By 1 st November, 2017
Submission of final sector reports	All C.E.Cs for their respective departments	By end of January 2018

Activity	Responsibility	Timeframe/ Deadline
Development of County Fiscal Strategy Paper (CFSP)	County Treasury.	By end of January 2018
Submission of County Fiscal Strategy Paper (CFSP) to C.E.C for approval.	County Treasury.	By mid - February 2018
Presentation of County Fiscal Strategy Paper to County Budget and Economic Forum (CBEC)	C.E.C Finance & Planning in consultation with the Governor	By 23 rd February, 2018
Submission of County Fiscal Strategy Paper (CFSP) to County Assembly	County Treasury.	By 26 th February 2018
Issue of circular for finalization of 2018/19 - 2020/21 MTEF estimates and PBB	County Treasury.	By mid - March 2018
Circulate Approved County Fiscal Strategy Paper (CFSP) to county executive and Accounting officers	County Treasury.	By mid - March 2018
Finalization of Departmental itemized and Programme Based Budget (PBB)	All departments	By end - March 2018
Review and finalization of Departmental itemized and Programmed Based Budgets	County Treasury.	By mid - April 2018
Submission of Budget Estimates to County Executive for approval	County Treasury.	By mid - April 2018
Publish departmental itemized and Programme Based Budgets	County Treasury.	By 20 th April 2018
Presentation of Budget to County assembly	C.E.C Finance & Planning	By 30 th April 2018
Approval of the Budget & Appropriation Bill by the County Assembly	County Assembly	By 30 th June 2018
Publication of the Budget Estimates	County Treasury	By 21 st July 2018
Submission & Approval of the Finance Bill	C.E.C Finance & Planning & County Assembly	By 30 th September 2018

