REPUBLIC OF KENYA

COUNTY TREASURY

KIAMBU COUNTY GOVERNMENT

COUNTY BUDGET REVIEW AND OUTLOOK PAPER

SEPTEMBER 2017

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Foreword

The County Budget Review and Outlook Paper (CBROP) have been prepared in accordance with the Public Finance Management Act (PFMA), 2012 and is the Fifth to be prepared by Kiambu County Government.

The Paper reviews and analyses actual fiscal performance during Financial Year 2016/17.It further presents updated forecasts with sufficient attention to changes from the projections outlined in the 2017 County Fiscal Strategy Paper (CFSP). It gives an overview of how the actual performance of the FY 2016/17 budget impact on compliance with the fiscal responsibility principles and the financial objectives as detailed in the 2017 CFSP.

The County will continue to focus on revenue mobilization. It will ensure resource allocation shifts from recurrent to capital expenditures while ensuring efficiency and effectiveness of public resources. The government will continue to emphasis on fiscal policy strategy in order to ensure efficient and effective service delivery as well as fiscal sustainability. More emphasis will be given to higher investments in agriculture, human health, infrastructure development, and good governance for sustainable growth for the future.

Finally, I take this opportunity to register my utmost appreciation to top County leadership for their wise counsel, support and guidance, and to the entire staff of Finance and Economic Planning department for the hard work and commitment to see the completion of this document.

COUNTY EXECUTIVE COMMITTEE MEMBER
FINANCE AND ECONOMIC PLANNING

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Abbreviations and Acronyms

ADP	Annual Development Plan
CBROP	County Budget Review and Outlook Paper
CFSP	County Fiscal Strategy Paper
CG	County Government
CIDP	County Integrated Development Plan
FY	Financial Year
GDP	Gross Domestic Product
MTEF	Medium Term Expenditure Framework
MTP	Medium-Term Plan
NG	National Government
PFM	Public Financial Management

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

The County Budget Review and Outlook Paper (CBROP) is prepared in accordance with Section 118 of the Public Financial Management Act, 2012 which states:

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 to be enforced by the County Treasury

In line with the Constitution, the Public Financial Management (PFM) Act, 2012, sets out the fiscal responsibility principles that the County Treasury is to enforce. The PFM law (Section 107) states that:

1) A County Treasury shall manage its public finances in accordance with the principles of fiscal responsibility set out in subsection 2, and shall not exceed the limits stated in the regulations.

2) In managing the county government's public finances, the County Treasury shall enforce the following fiscal responsibility principles

    a) the 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 country 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.

3) For the purposes of subsection (2) (d), short term borrowing shall be restricted to management of cash flows and shall not exceed five percent of the most recent audited county government revenue.

4) Every county government shall ensure that its level of debt at any particular time does not exceed a percentage of its annual revenue specified in respect of each financial year by a resolution of the county assembly.

5) The regulations may add to the list of fiscal responsibility principles set out in subsection (2).

I. INTRODUCTION

Objective of the County Budget Review and Outlook Paper

1. The 2017 County Budget Review and Outlook Paper (CBROP) provide a review of the FY 2016/17 budget fiscal performance and its impacts on the financial objectives and fiscal responsibility principles set out in the County Fiscal Strategy Paper (CFSP) 2016. This together with updated macroeconomic outlook provides a basis for revision of the current budget (FY 2017/18) in the context of any supplementary estimates and the broad assumptions underpinning the FY 2017/18 budget and that of the medium term.

2. The CBROP take cognizance of the CIDP and other county development priorities and emerging County needs as spelled out in the Annual Development Plan (ADP) and CFSP.

3. The resource envelope for FY 2018/19 has been projected and indicative sector ceilings presented in this paper. These Ceilings set in motion the budget preparation for the 2018/19 Fiscal Year as envisaged in the PFMA, 2012.

4. The paper is organized in six sections as follows: Section I provides the introduction, Section II Provides review of the fiscal performance in the FY 2016/17 and its implications on the financial objectives set out in the County Fiscal Strategy Paper submitted to the County Assembly in February 2017, Section III gives brief highlights of the recent economic developments and updated macroeconomic outlook; Section IV looks at Implementation of FY

2017-2018 Budget; Section V provides the resources allocation framework, and Section VI concludes the paper.

II. REVIEW OF FISCAL PERFORMANCE ON THE FY 2016/17 BUDGET

A. Overview

5. Execution of the FY 2016/17 budget advanced well and picked up towards the end of the fiscal year. The total revenues, including Equitable share and own source, amounted to KShs. 11.36 billion against the revised target of KShs.12.40 billion. The shortfall was occasioned by unmet own revenue targets.

6. Absorption of expenditures for the FY 2016/17 was lower as a result of inadequate financing, in both the recurrent and development expenditures, due to underperformance of own revenue collection. The printed estimates amounted to KShs. 12.7 Billion against the revised estimate of KShs. 12.42 Billion.

7. As a result of underperformance in both revenue and expenditures in the FY2016/17 budget there was a fiscal deficit of KShs. 1.6 Billion (12 per cent) as compared to the revised budget estimate.

B. 2016/17 Fiscal Performance

8. The fiscal performance was generally satisfactory despite cuts in both recurrent and development in the supplementary budget. Table 1 presents Fiscal out-turn for the FY 2016/17. This performance is then compared with the revised budget estimates for the financial year.

Table 1: Fiscal Out-turn of the FY 2016/2017

	Actual 2016/2017 (A)	Budget (B)	Revised Budget (RB)	Deviation (RB-A)
Total Revenue	**11,358,933,936**	**12,697,265,760**	**12,407,683,286**	**1,048,749,350**
National Government transfers	9,142,003,222	8,836,953,074	9,161,587,074	19,583,852
Local Revenue	2,064,759,465	3,708,678,244	3,093,924,963	1,029,165,498
Unspent Balances B/f FY 2015/16	152,171,249.30	0	152,171,249.30	0.00
Total Expenditure	**11,308,302,532**	**12,670,265,760**	**12,419,146,479**	**1,110,843,947**
Recurrent	**8,578,657,416**	**8,823,584,134**	**8,826,625,569**	**247,968,153**
County assembly	894,027,576	906,245,126	906,245,126	12,217,550
County Executive	7,684,629,840	7,917,339,008	7,920,380,443	235,750,603
Development	**2,729,645,116**	**3,846,681,626**	**3,592,520,910**	**862,875,794**
County Assembly	47,324,756	8,644,013	47,644,013	319,257
County Executive	2,682,320,360	3,838,037,613	3,544,876,897	862,556,537

Source: County Treasury

Revenue

9. During the year, the County received Kshs.9.1billion from the national government of which 8.05 billion was equitable share of revenue. Revenue raised from local sources amounted toKshs.2.06 billion, and a cash balance of Kshs 152.1 million brought forward from the FY 2015/16.

10. The cumulative revenue - Equitable share and own source revenue collections for the FY2016/17 - amounted to KShs. 11.36 billion against the revised budget of KShs12.41 billion. This translates to a shortfall of KShs 1.05 billion. Though the County revenue collection did not meet the set targets, it was able to meet 91.5 percent of the revised budget estimates which was an improvement from previous years.

11. Revenue performance in FY 2016/17 was low as compared to FY 2015/16. The revenue shortfall registered in the FY 2016/17 was occasioned by political interference and challenges in enforcement of development control fees especially in the area of building plans approvals. Revenue performance is projected to remain on an upward trajectory over the medium term as proper tax administrative measures are put in place.

12. In the FY 2016/17, the County generated total internal revenue of KShs.2.06 Billion from fees and charges within the county. Analysis of the local revenue collected by stream (see table 2 below) indicates that, Health Services Management Unit contributed the largest share of the local revenue followed by Physical planning unit stream. In terms ofperformance against annual target, Trade Tourism Industry & Cooperatives Unitrecorded the highest at 119 per cent.

Table 2: Internal Generated revenue FY 2016/2017

No	Revenue Stream	Annual Target Revenue (KShs)	Annual Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
1.	Agriculture Livestock & Fisheries Management Unit	72,312,188	57,974,708	80.2
2.	Physical planning unit	908,500,000	392,025,664	43.2
3.	Business Permit Management Unit	300,000,000	201,891,980	67.3
4.	Cess Management Unit	162,000,000	74,422,560	45.9
5.	Education Culture ICT & Social Services Unit	70,000,000	1,280,500	1.8
6.	Health Services Management Unit	550,000,000	419,865,309	76.3
7.	Housing Management Unit	97,000,000	3,338,232	3.4
8.	Land Rates Management Unit	609,509,187	235,415,270	38.6
9.	Market Management Unit	150,000,000	55,574,469	37
10.	Others	271,635,242	119,110,029	43.8

No	Revenue Stream	Annual Target Revenue (KShs)	Annual Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
11.	Roads Transport Public Works Management Unit	30,000,000	28,404,326	94.7
12.	Slaughter House Management Unit	55,760,000	40,252,865	72.1
13.	Trade Tourism Industry & Cooperatives Unit	10,000,000	11,968,926	119.7
14.	Vehicle Parking Management Unit	344,500,000	267,197,311	77.6
15.	Water Environment & Natural Resources Management Unit	111,500,000	46,066,656	41.3
16.	Liqour Licences Management Unit	110,000,000	109,742,500	99.8
	TOTAL(INTERNAL)	**3,852,716,617**	**2,064,531,305**	**53.6**

Source: County Treasury

Expenditure

13. Total expenditures in the FY 2016/17amounted to KShs. 11.31 Billion against a revised target of KShs. 12.42 Billion. This indicates 8.9 per cent deviation from the revised budget (KShs. 1.11 Billion). Lack of enough financing in both recurrent and development expenditures attributes to the shortfall, which was occasioned by liquidity issues as a result of the underperformance of local revenue collection. Development expenditure accounts for 24.1 percent and recurrent accounts for 75.9 percent of the total expenditure respectively in the period under review. Detailed analysis of these expenditures is tabulated in table 3 below.

Table 3: Total Expenditure for the FY 2016/17

Department	Budget (B)	Rev. Budget (RB)	Actual Expenditure (AE)	Deviation (RB-AE)	Absorption %
Recurrent					
County Assembly	906,245,126	906,245,126	894,027,576	12,217,550	98.7
County Executive	367,131,211	422,055,661	386,670,621	35,385,040	91.6
County Public Service	62,523,664	60,372,664	57,075,377	3,297,287	94.5
Finance & Econ. Planning	1,333,898,067	1,296,603,463	1,276,112,647	20,490,816	98.4
Admin.& Public Service	466,167,334	474,259,654	442,642,908	31,616,746	93.3
Agric., Livestock & Fisheries	378,831,831	373,803,634	370660,428	3,143,206	99.2
Water, Environment & Natural Resources	238,218,137	254,318,137	249,873,985	4,444,152	98.3
Health Services	3,365,194,434	3,556,332,434	3,534,312,947	22,019,487	99.4
Education, Culture, ICT & Social Services	655,310,754	554,810,754	536,143,821	18,666,933	96.6
Youth & Sports	142,879,903	118,753,114	103,410,388	15,342,726	87.1
Lands, Physical Planning & Housing	166,767,748	151,415,823	145,136,068	6,279,755	95.9
Trade, Industry, Tourism & Cooperatives	259,351,525	229,720,705	224,040,746	5,679,959	97.5
Roads, Transport & Public Works	481,064,400	427,984,400	358,549,905	69,434,495	83.8
Total Recurrent	**8,823,584,134**	**8,826,675,569**	**8,578,657,415**	**248,018,152**	**97.2**
Development					
County Assembly	8,644,013	47,644,013	47,324,756	319,257	99.3
County Executive	7,202,566	12,202,566	8,895,325	3,307,241	72.9
Finance& Econ Planning	50,000,000	26,000,000	19,815,800	6,184,200	76.2
Admin & Public Services	117,811,190	25,600,000	22,731,270	2,868,730	88.8
Agric, Livestock &Fisheries	290,623,810	152,772,974	113,227,192	39,545,782	74.1
Water, Environment & Natural Resources	342,287,000	222,242,307	177,342,135	44,900,172	79.8
Health Services	870,063,584	856,471,532	604,956,310	251,515,222	70.6
Education, Culture, ICT & Social Services	307,070,119	310,070,119	153,074,544	156,995,575	49.4
Youth and Sports	352,860,864	243,860,864	188,457,005	55,403,859	77.3
Lands, Physical Planning	189,141,410	146,502,699	123,399,361	23,103,338	84.2

Department	Budget (B)	Rev. Budget (RB)	Actual Expenditure (AE)	Deviation (RB-AE)	Absorption %
&Housing					
Trade, Industry, Tourism & Co-operatives	280,120,123	264,528,800	175,231,350	89,297,450	66.2
Roads, Transport & Public Works	1,030,857,070	1,284,625,036	1,095,190,068	189,434,968	85.3
Total Development	**3,846,681,749**	**3,592,520,910**	**2,729,645,116**	**862,875,794**	**76.0**
Totals	**12,670,265,883**	**11,465,257,340**	**11,308,302,531**	**156,954,809**	**98.6**

Source: County Treasury

14. During the year under review, recurrent expenditure amounted to KShs. 8.6 billion against a revised target of KShs. 8.8 billion. This represents a 2.8 per cent deviation. In terms of recurrent expenditure absorption, Health Services department, Agriculture, Livestock and Fisheries department and County Assembly had the highest absorption at 99.4, 99.2 and 98.7per cent respectively.

15. In the FY 2016/17 development expenditure amounted to Ksh.2.7 billion compared to a target of KShs. 3.6 billion which translates to 25percent deviation from the target. The County could not finance some of the planned projects as a result of inadequate funds hence underperformance. Further, the County could not pay for some of the already committed projects resulting to increased pending bills in the Financial Year. The pending bills and uncompleted planned projects will be given priority in the current Financial Year. Pending bills and carryovers were factored in the FY2017/18 budget while others will be accommodated in the supplementary budget. This will affect some of the programs and projects for the current financial year. However, suitable measures have been put in place to ensure that the buildup of pending bills is checked.

16. County Assembly, Administration and Public Service and Roads Transport and Public works departments had the highest absorption levels under development vote. The levels were 99.3, 88.8 and 85.3 per cent respectively.

2016/17 Financing and balance

17. The analysis above for the FY 2016/17 budget performance shows that the budget was under financed by Ksh.1.05Billion (which translates to 8.5 per cent). This further infers that the 2017/18 FY budget might be underfinanced by a similar magnitude and hence requires a budget revision to cater for these developments.

C. Implication of 2016/17 Fiscal Performance on Fiscal Responsibility Principles and Financial Objectives contained in the 2017 County Fiscal Strategy Paper

Implication on the Financial Objectives

18. The performance in the FY 2016/17 affected the financial objectives set out in the 2017 County Fiscal Strategy Paper and the Budget for the FY 2016/17 in the following ways;

- Revenue projections and expenditure need slight adjustments to reduce chances of generating pending bills at the end of the period.
- Programs and projects initially projected for the period FY 2017/18 will be affected by Pending bills being accommodated in FY 2016/17.
- The base used to project expenditures in the FY 2017/18 and the medium term is affected as a result of unmet revenue targets.
- Taking into account the budget outturn for the FY 2016/17, appropriate revisions have been undertaken in the context of this CBROP.

- Consequently, the baseline ceilings for the formulation of CFSP 2018 will be lower than set out in the previous year.

19. The main reasons for the deviations, as explained above, from the financial objectives include: unmet revenue targets especially from own sources; and under-spending in both recurrent and development

20. To remedy these variances, the County Government will focus on :

- ✓ Enhancing local revenues collection capacity.
- ✓ Reforms to improve public resources utilization and budget execution.
- ✓ Capitalizing in County infrastructure and social welfare services in order to unlock the county's potential and improve competitiveness.
- ✓ Strengthening capacity-building in public financial management to ensure good governance and effective service delivery.
- ✓ Embedding program budget and implementing development budget as planned.

Implication on the Fiscal Responsibility Principles

21. In line with section 107 of PFMA, 2012 and section 25 of PFMA regulations 2015, the County is required to adhere to some fiscal responsibilities. Though, we have not achieved the levels required, the county government is committed to ensuring that we work towards achieving them.

22. The implication of the FY2016/17 Fiscal Performance on the Fiscal Responsibility Principles was as follows;

- The County's total expenditure on employees' wages and benefits amounted to KShs 5.3 Billion translating to 42.7 percent of the revised budget estimates FY 2016/17. This is higher than the required 30 percent.

However, the County Government is committed into bringing the proportion of the expenditure on wages down in the medium term. The County Government will implement measures to increase revenue collections that will enhance spending on development projects hence lowering the percent of wages to the required levels.

- The principles further require that 30 percent of total expenditure should be development. In the FY 2016/17 outturn, development expenditures accounted for 25 percent. The county will work towards attaining the required levels by reducing recurrent and improving revenue collection to increase fiscal space for spending on development.
- The county government's actual recurrent expenditure which was Kshs. 8.579 billion did not exceed the county government's total revenue of Kshs. 11.36 billion which complies with the fiscal responsibility principle.
- The County did not borrow any funds during the year to supplement budget financing.
- In the FY 2016/17, County Assembly spending wasKshs.941 million of the total budget which translates to 8.2 percent.

III. RECENT ECONOMIC DEVELOPMENTS IN KENYA'S ECONOMY

17. The performance of the county was largely dependent on the country's economic performance as well as formulation and implementation of prudent policies by the County Government (CG).

18. The recent changes in macroeconomic variables showed that the economy expanded by 5.8 per cent in 2016 compared to a revised growth of 5.7 per cent growth in 2015. This growth was attributed to investment in infrastructure, strong household consumption, closer integration with EAC and

recovery in tourism numbers. Information and communication; real estate; and transport and storage sectors registered significant improved performance in economic activities. The growth is expected to decline to 5.5% in 2017 largely due to a slowdown in investments as the country heads towards the general elections. Reduced lending to the private sector, the result of the enactment of the Banking (Amendment) Act that caps lending rates, will also contribute to a decline in GDP.

19. The annual inflation rate was 7.47 percent in July 2017 compared to 6.4 percent in July 2016, and was therefore, within the current allowable margin 5.0 (+/-2.5) percent. The rise in annual inflation is mainly attributed to higher prices of food, as a consequence of reduced supply especially in the second week of the month. The country is struggling with hunger after being hit hard by two years of drought.

20. The Kenya Shilling (KES) strengthened by 0.1%, 16.7% and 3.1% against the United States Dollar (USD), the Great British Pound (GBP) and the Euro (EUR)respectively between December 2015 and December 2016 due to an increase in foreign-currency denominated capital inflows, increase in conference tourism receipts and the vote by Great Britain to exit from the European Union which destabilized Western economies.

21. The market capitalization increased by 25.7 percent from 1931.60 Billion in September 2016 to 2427.18 Billion in September 2017. The NSE 20 share index points rose by 20.5 percent from 3186.21 September 2016 to 3839.94 points in September 2017.

22. The overall balance of payments position recorded an improved deficit that reflected improvements in the current account deficit. The current Account deficit in April of 2017 was 4553.80 USD Million from 261 USD Million in May

2016. This improvement reflects increase in the value of the merchandise account as payments for merchandise imports particularly oil, machinery and transport equipment declined, reflecting low commodity prices in the international market, especially of oil.

23. Performance in the foreign exchange rate market mainly reflected developments in the international and domestic market. The official foreign exchange reserves held by the Central Bank of Kenya, constituting the bulk of the gross reserves, increased to US$11143.76 million in April 2017 from US$ 7,999.4 million in April 2016.

24. The central bank of Kenya left its benchmark interest rate unchanged at 10 percent in July 2017, in line with market expectations. The decision aims to anchor inflation expectations amid declining food prices, sustained macroeconomic stability, and continued resilience of the economy.

25. The County Government of Kiambu made an effort to achieve a broad-based expansion touching in all sectors of the economy. Emphasis was given to key sectors of agricultural development, construction, tourism and supportive services such as infrastructural investment, information communication and technology.

26. Going forward, the county government will continue to invest in agricultural infrastructure and equipment to promote value addition. The County Government will further continue investing in social-economic sectors of education, health and social protection. Expansion of road networks, clean and safe drinking water will also be prioritized.

IV. IMPLEMENTATION OF THE FY 2017/18 BUDGET

27. Despite some few challenges on late release of exchequer by the National Government and a new county administration in place, the revenue collection for the FY 2017/18 is generally low and we expect the outturn to be within the target in the course of the financial year. As at August 2017 the Exchequer returns shows receipts from the National Government as KShs 1.41 Billion, revenue from own sources amounted to KShs. 165 Million, while unspent balances carried forward from FY 2016/2017 amounted to KShs. 41.7 Million. The revenues are expected to improve with completion of administrative reforms including automation of systems and expansion of revenue base in addition of strengthening enforcement of revenue collection.

28. Total expenditure by end of August 2017 was KShs.1.1 Million as compared to a budget allocation of KShs.2.2 Billion for the same period under review. The low absorption has been occasioned by delayed disbursement of revenues from the National Government (NG). However, higher absorption rates are expected in the coming months as revenue flows both from the NG and own sources picks up.

29. Considering, the bulk of the non-discretionary county expenditures like personnel emoluments are of recurrent nature and therefore take precedent in spending, any delays in release of funds impacts or revenue flows impact largely the development expenditures which are considered after these non-discretionary expenditures are settled.

30. The county will continue to enhance public finance management systems at all levels to increase efficiency of public finance management. This is

expected to bring about increased service delivery, seal leakages and increased productivity.

V. RESOURCE ALLOCATION FRAMEWORK

A. Adjustment to 2017/18 FY Budget

31. The underpinning FY 2017/18 fiscal framework assumed a stable macroeconomic environment and continuation of the Government's policy of containing non-priority and unproductive expenditures within sustainable levels.

32. Considering the outcome of FY 2016/17, the County Government fiscal position is very tight. Therefore, the departments will have to contain expenditures especially by reducing the recurrent expenditures to creating fiscal space for spending on development programmes within the budget.

33. Any adjustments to FY 2017/18 Budget will only provide funding to areas of emergency in nature. From the outlook, supplementary estimates will generally be downwards to reflect the current scenarios in revenue performance.

34. Given the fiscal performance in the FY 2016/17 and the updated macroeconomic outlook for the FY2017/18, there are some inherent risks to the FY 2017/18 budget framework includes; declining local revenue performance, Expenditure pressures and in particular those of recurrent nature and high wage bills among others. These risks will be monitored closely and appropriate measures taken in time.

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

B. Medium-Term Expenditure Framework

36. On the expenditure side, the County Government will continue with rationalization of expenditure to improve efficiency and contain run-away wage bill. Continued compliance with PFM Act, 2012 and the PFM (County Governments) Regulations 2015, is expected to accelerate reforms in expenditure management.

37. In order to ensure effective utilization of public finances, resource allocation and utilization in the medium term expenditure framework will be guided by the following;

- PFM Act, 2012 and the PFM (County Governments) Regulations, 2015
- County Integrated Development Plan (CIDP)
- Annual Development Plans (ADP)
- County fiscal strategy paper
- Ongoing projects
- Emerging priorities

38. The medium term budget framework for the FY2018/19- 2019/20 will ensure continuity in resource allocation based on prioritized programmes aligned to employment creation and poverty reduction. Consequently, the FY 2018/19 MTEF budget will focus on interventions to guide transformation of

the County anchored on five strategic pillars enshrined in the CIDP and in the ADP.

39. The priority social-economic sectors will continue to receive adequate resources to promote development. The Health sector is already receiving significant share of resources in the budget and is required to utilize the allocated resources more prudently in order to have an efficient, effective and high quality health care system that is accessible, equitable and affordable for every person in Kiambu County. Agriculture and livestock resource allocation will continue to be enhanced to boost productivity, create employment and improve food security through value addition and innovations in the sector.

40. With the County Government's commitment in improving infrastructure countywide, the share of resources going to priority physical infrastructure sector, such as roads, street lighting and water will continue to rise over the medium term period. This will lead to improved infrastructure in the county to ease mobility of goods and people.

41. Reflecting the above medium-term expenditure framework, **Annex II** provides the tentative projected baseline ceilings for the FY2018/19 – 2019/20 MTEF period by Department.

C. The FY 2018/19 Budget Framework

42. The FY2018/19 budget framework is set based on the medium-term macro-fiscal framework set out in this document and the County Government's strategic objectives outlined in the CIDP, the CFSP 2017, and thethird MTP for Vision 2030 and county development policies.

Revenue projections

43. The FY2018/19 resource envelope is projected at KShs. 12.6billion constituting: KShs. 2.3 billion own source revenue and KShs. 10 billion from the National Government. As noted above, performance on County's own source revenue will be underpinned by continuous review of revenue administration policies. These figures are indicative and will be firmed up in the 2018 CFSP.

Expenditure Forecasts

44. Overall expenditure for FY 2017/18 stands at KShs 13.4billion.This is projected to increase up to 14.2 billion in the FY 2018/19. Recurrent expenditures are expected increase from KShs. 9.4 billion in the FY 2017/18 to KShs. 9.9 billion in the FY 2018/19.

45. With most County positions having been filled, the wage bill is projected to be at KShs. 5.3 billion and is expected to relatively remain at this position for some time. In the medium term these emoluments will increase slightly due to annual increments but largely remain at this level until adoption of the staff rationalization report proposed through the CARPs programme and the SRC's job evaluation is completed and recommendations proposed.

46. The allocation of resources for development expenditures is projected to increase by 6 percent from KShs. 3.9 billion in the FY 2017/18 to KShs 4.2 billion in the FY 2018/19. As part of shifting more resources to development, most of the outlays are expected to support critical county infrastructure as the county realigns to meet the fiscal responsibility requirements.

VI. CONCLUSION AND NEXT STEPS

47. The fiscal outcome for the FY 2016/17 has had implication on the financial objectives contained in the 2017County Fiscal Strategy Paper. Appropriate revisions have been undertaken in the context of this CBROP, taking into account the budget outturn for the FY 2016/17. Both revenues and expenditures have been revised as reflected in this CBROP which is broadly in line with the fiscal responsibility principles outlined in the PFMA, 2012 and also consistent with the county strategic objectives pursued by the County Government as a basis of allocation of public resources.

48. In the fiscal year 2017/18, County Government key area of focus is revenue enhancement. Broadening of revenue base backed by an effective enforcement strategy will be key in order to achieve set revenue targets.

49. The indicative departmental ceilings annexed herewith will guide the county Departments in preparation of the FY2018/19 budget. These ceilings will be firmed up in the CFSP that will be finalized by November 2017. (**see annex III)**

Annex I: Revenue Projections

No.	Revenue Stream	FY2016/17 Revised Revenue	FY 2016/17 Actual Revenue	Projected Revenue FY2018/19
		KShs	KShs	KShs
	Total revenue	**12,759,965,496.00**	**11,270,490,693.00**	**12,663,523,342.36**
	Totals- national grant	**8,907,248,879.00**	**9,205,959,388.00**	**10,343,815,968.36**
1.	Equitable share of revenue	8,053,256,819.00	8,053,256,819.00	9,048,639,361.83
2.	Free maternal health care	221,521,352.00	201,937,500.00	226,896,975.00
3.	Users fees foregone	35,773,082.00	35,773,082.00	40,194,634.94
4.	Road maintenance fuel levy fund	123,738,238.00	123,738,237.00	139,032,283.09
5.	DONOR FUND-world BANK-DEVOLUTION	35,253,497.00	-	0
6.	Donor fund-china women foundation	4,955,307.00	-	0
7.	DANIDA grants	9,600,000.00	9,600,000.00	10,786,560.00
8.	Donorfund- unhabitat (environment)	30,087,000.00	-	0
9.	Conditional grants Thika level 5	393,063,584.00	393,063,584.00	441,646,242.98
10.	Tea & Cess	-	63,956,166.00	71,861,148.12
11.	Doctors salaries	-	255,759,000.00	287,370,812.40
12.	Maternity fees balance 2015/2016	-	68,875,000.00	77,387,950.00
	Totals Internal revenue	**3,852,716,617**	**2,064,531,305**	**2,319,707,374.00**
13.	Agriculture Livestock & Fisheries Management Unit	72,312,188	57,974,708	65,140,381.91
14.	Physical planning unit	908,500,000	392,025,664	440,480,036.07
15.	Business Permit Management Unit	300,000,000	201,891,980	226,845,828.73
16.	Cess Management Unit	162,000,000	74,422,560	83,621,188.42
17.	Education Culture ICT & Social Services Unit	70,000,000	1,280,500	1,438,769.80
18.	Health Services Management Unit	550,000,000	419,865,309	471,760,661.19
19.	Housing Management Unit	97,000,000	3,338,232	3,750,837.48
20.	Land Rates Management Unit	609,509,187	235,415,270	264,512,597.37
21.	Market Management Unit	150,000,000	55,574,469	62,443,473.37
22.	Others	271,635,242	119,110,029	98,381,833.98
23.	Roads Transport Public Works Management Unit	30,000,000	28,404,326	31,915,100.69
24.	Slaughter House Management Unit	55,760,000	40,252,865	45,228,119.11
25.	Trade Tourism Industry & Cooperatives Unit	10,000,000	11,968,926	13,448,285.25
26.	Vehicle Parking Management Unit	344,500,000	267,197,311	300,222,898.64

No.	Revenue Stream	FY2016/17 Revised Revenue	FY 2016/17 Actual Revenue	Projected Revenue FY2018/19
27.	Water Environment & Natural Resources Management Unit	111,500,000	46,066,656	51,760,494.68
28.	Liqour Licences Management Unit	110,000,000	109,742,500	123,306,673.00

Annex II: Medium Term Expenditure Framework 2016/17-2019/2020

vote	Vote Name		Revised budget 2016/17	Printed Estimates 2017/18	Projected Estimates 2018/19	Projected Estimates 2019/2020
	RECURRENT		**8,826,675,569**	**9,417,662,278**	**9,982,722,011**	**10,583,916,259**
		O&M	**3,495,292,451**	**4,051,398,251**	**4,294,482,143**	**4,554,461,199**
		PE	**5,331,383,118**	**5,366,264,027**	**5,688,239,868**	**6,029,455,060**
4061	County Assembly	O&M	466,139,733	799,639,641	847,618,019	898,475,100
		PE	440,105,393	440,105,393	466,511,716	494,502,419
4062	County Executive	O&M	244,669,450	274,516,089	290,987,054	308,446,278
		PE	177,386,211	103,000,000	109,180,000	115,730,800
4063	County Public Service Board	O&M	26,949,000	46,208,500	48,981,010	51,919,870
		PE	33,423,664	22,000,000	23,320,000	24,640,000
4064	Finance & Economic Planning	O&M	719,003,463	644,190,685	682,842,126	723,812,653
		PE	577,600,000	515,000,000	545,900,000	578,654,000
4065	Administration & Public Service	O&M	184,138,315	210,376,963	222,999,580	236,379,555
		PE	290,121,339	396,253,241	420,028,435	445,230,142
4066	Agriculture, Livestock & Fisheries	O&M	67,319,900	72,645,471	77,004,199	83,934,577
		PE	306,483,734	360,000,000	381,600,000	404,496,000
4067	Water, Environment & Natural Resources	O&M	79,800,000	81,069,952	85,934,149	91,090,198
		PE	174,518,137	185,591,733	196,727,237	208,530,871
4068	Health Services	O&M	1,079,982,434	1,148,787,200	1,217,714,432	1,290,777,298
		PE	2,476,350,000	2,437,214,600	2,583,447,476	2,738,454,325
4069	Education, Culture, ICT & Social Services	O&M	195,620,029	340,670,029	361,110,230	382,776,844
		PE	359,190,725	573,972,997	608,411,377	644,916,059
4070	Youth, Sports & Communications	O&M	40,211,438	60,156,242	63,765,616	67,591,554
		PE	78,541,676	21,000,000	22,260,000	23,595,600
4071	Lands, Physical Planning & Housing	O&M	71,825,575	99,071,300	105,015,578	111,316,513
		PE	79,590,248	88,439,663	93,746,043	99,370,805
4072	Trade, Tourism,	O&M	85,035,114	83,773,649	88,800,068	94,128,072

vote	Vote Name		Revised budget 2016/17	Printed Estimates 2017/18	Projected Estimates	
					2018/19	2019/2020
	Industry & Co-Operative	PE	144,685,591	65,000,000	68,900,000	73,034,000
4073	Roads, Transport & Public Works	O&M	234,598,000	190,292,530	201,710,082	213,812,687
		PE	193,386,400	158,686,400	168,207,584	178,300,039
	Development		**3,592,520,910**	**3,996,581,446**	**4,236,376,334**	**4,490,558,912**
4061	County Assembly		47,644,013	-	-	-
4062	County Executive		12,202,566	7,549,162	8,002,112	8,482,238
4064	Finance & Economic Planning		26,000,000	48,000,000	50,880,000	53,932,800
4065	Administration & Public Service		25,600,000	119,512,698	126,683,460	134,284,467
4066	Agriculture, Livestock & Fisheries		152,772,974	292,511,960	310,062,678	328,666,438
4067	Water, Environment & Natural Resources		222,242,307	342,177,298	362,707,936	384,470,412
4068	Health Services		856,471,532	941,540,511	998,032,942	1,057,914,918
4069	Education, Culture, ICT & Social Services		310,070,119	314,913,964	333,808,802	353,837,330
4070	Youth, Sports & Communications		243,860,864	318,365,609	337,467,546	357,715,598
4071	Physical Planning & Housing		146,502,699	185,132,417	196,240,362	208,014,784
4072	Trade, Tourism, Industry & Co-Operative		264,528,800	286,117,653	303,284,712	321,481,795
4073	Roads, Transport & Public Works		1,284,625,036	1,140,760,174	1,209,205,784	1,281,758,132
	TOTAL EXPENDITURE		**12,419,196,479**	**13,414,243,724**	**14,219,098,345**	**15,074,475,171**

ANNEX III: County Budget Calendar 2018-2019

Activity	Responsibility	Timeframe/Deadline
Develop and issue circular on Budget Preparation and MTEF Guidelines	C.E.C Member for Finance	30th August 2017
Undertaking of Departmental Expenditure Reviews	All Departments	12th September 2017
Preparation and submission Annual Development Plan to Assembly for Approval	County Treasury	1st September 2017
Draft County Budget Review and Outlook Paper(CBROP)	County Treasury	20th September 2017
Submission of County Budget Review and Outlook Paper the County Executive Committee for Approval	C.E.C Finance	25th September 2017
Submission of County Budget Review and Outlook Paper to the County Budget and Economic Forum (CBEF)	C.E.C Finance and County Executive Committee	13th October 2017
Submission of County Budget Review and Outlook Paper(BROP) to the County Assembly	County Treasury	20th October 2017
Start Sector Consultations	All Departments (sector working Groups)	1st November 2017
Submission of final sector reports to Treasury	All C.E.Cs for their respective Departments	17th January 2017
Draft of County Fiscal Strategy Paper(CFSP)	County Treasury	31st January 2018
Public Participation on CFSP/Budget (including County Budget and Economic Forum(CBEC)	County Treasury	By 9th February 2018
Submission of County Fiscal Strategy Paper(CFSP) to County Executive Committee for approval	County Treasury	16th February 2018
Submission of County Fiscal Strategy Paper(CFSP) to County Budget and Economic Forum (CBEC) for approval	C.E.C Finance and County Executive Committee	23rd February 2018
Submission of County Fiscal Strategy Paper(CFSP) to County Assembly	County Treasury	28th February 2018
Issue of circular for finalization of 2018/19-2020/21 MTEF estimates and PBB	County Treasury	9th March 2018
Submission of Final Budget proposals to County Treasury	All Departments	2nd February 2018
Submission of Draft Budget Estimates to County Executive for approval	County Treasury	16th April 2018
Presentation of Draft Budget to County Assembly	C.E.C Finance & Economic Planning	30th April 2018
Report of Draft Budget Estimates from the County Assembly	County Assembly	31st May 2018
Consolidation of Final Budget	County Treasury	8th June 2018
Submission of Appropriations Bill to the County Assembly	County Treasury	15th June 2018
Budget statement	CEC member for Finance	28th June 2018

Appropriations Bill Passed	County Assembly	29th June 2018