REPUBLIC OF KENYA **GOVERNMENT OF MAKUENI COUNTY**

DEPARTMENT OF FINANCE AND SOCIO-ECONOMIC PLANNING

COUNTY BUDGET REVIEW AND OUTLOOK PAPER-2019

Theme

Integrated community development for increased household income and empowerment opportunities for the youth

September 2019

FOREWORD

The Makueni County Budget Review and Outlook Paper (CBROP) 2019 is prepared according to the Public Financial Management Act, 2012. The paper reviews the budget performance for FY 2018/19 with regard to the revenues and expenditures and also outlines the broad outlook for the development agenda for FY 2020/21. The paper also highlights the national and economic performance indicating fiscal projections and factors that may determine County performance in relation to projected funding and programmes in the County. The fiscal projections have been used to formulate the base sector ceilings that will guide the sector working groups in preparing the sector working reports and subsequently inform the setting of ceilings in the 2020 County Fiscal Strategy Paper.

The implementation of the FY 2018/19 budget progressed well despite the lower than expected revenue performance and lower absorption of expenditures particularly development funds. The issue of low absorption remains a top priority of the Government and the Government will continue to strengthen budget implementation monitoring framework to ensure that all spending units strictly adhere to the budgets provided.

The fiscal performance for the FY 2018/19 budget was generally satisfactory despite the revenue shortfalls. The total performance mobilized in the year recorded an increase of 10% from the FY 2017/18 performance. The overall expenditure performance increased from Kshs. 7,605,443,436.45 in FY 2017/18 to Kshs. 8,612,260,180.00 in FY 2018/19. In FY 2020/21 the projected revenues will be Kshs. 9,512,609,939.00. 35 Per cent of the revenues will be channeled towards development programmes /initiatives in the county.

So far, the budget implementation for FY 2019/20 has picked up slowly and we expect this to improve during the remainder of the financial year. As we prepare for the FY 2020/21 budget, emphasis will be on 'integrated community development for increased household income and empowerment opportunities for the youth'. The overall development framework will be anchored on five broad pillars namely; integrated community development, establishing the village clusters as the planning and implementation units, utilizing CTTIs as vehicles of community empowerment, strengthening cooperatives for economic empowerment and youth empowerment.

In preparation of Budget for FY 2020/21, Sector Working Groups will be required to prepare programme concept notes demonstrating delivery of the envisaged objectives as spelt out in the 2020/21 Annual Development Plan. The concept papers should justify relevance, cost-effectiveness and efficacy of the proposed programmes/projects and should demonstrate interlinkage between sectors and the envisaged outcomes as outlined in the 2020/21 ADP.

I call upon all to adhere to the schedule of activities and timelines as outlined in the Budget circular to enable finalization and appropriation of the FY 2020/21 budget.

MARY KIMANZI
EXECUTIVE COMMITTEE MEMBER–FINANCE and SOCIO-ECONOMIC PLANNING, AND HEAD OF COUNTY TREASURY

ACKNOWLEDGEMENT

The 2019 County Budget Review and Outlook Paper has been prepared at a time when there is need to enhance synergies between departments, entities and development partners to ensure delivery of envisaged socio-economic development agenda amidst the shrinking fiscal space. As we prepare for the FY 2020/21 budget, emphasis will be on enhancing community economic empowerment to ensure sustainable livelihoods.

As we embark on the preparations of the FY 2020/21 Medium Term Budget, I wish to reiterate our commitment to revenue mobilization both own source and external resources. These resources will be directed to high impact programmes to enhance our socio economic transformation agenda.

The preparation of this 2019 CBROP was a collaborative effort among various Government Departments. We thank all the Government Departments for the timely provision of useful data and information on their budget execution for the FY 2018/19.

We express our gratitude to the leadership of H.E the Governor, H.E the Deputy Governor and the entire County Executive Committee members for their support and inputs. Special appreciation goes to the entire County Budget and Economic Forum (CBEF) for their inputs and comments.

We would like to acknowledge the unlimited support and guidance by the Executive Committee Member – Finance and Socio-Economic Planning and the dedicated team from the Budget and Socio-Economic Planning who spent valuable time to put together this CBROP.

As I conclude, allow me to reiterate the importance of public participation in FY 2020/21 Medium Term Budget preparation process by calling on all Sector Working Groups to devise an engagement framework that will deepen open public and stakeholders' participation and incorporation of the proposals received.

I would like to take this opportunity to thank the entire staff of Makueni County Government for their dedication and commitment to public service.

ELIUD MUNYAO
CHIEF OFFICER – SOCIO-ECONOMIC PLANNING BUDGETING AND REVENUE

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Abbreviations and Acronyms

ADP	Annual Development Plan
AIA	Appropriation In Aid
CBC	Competency-Based Curriculum
CBROP	County Budget Review and Outlook Paper
CFSP	County Fiscal Strategy Paper
CTTIs	County Technical Training Institutes
ECDE	Early Childhood Development Education
FIF	Facility Improvement Fees
FY	Financial Year
GCP	Gross County Product
GDP	Gross Domestic Product
IDEAS	Instruments for Devolution Advice and Support
KDSP	Kenya Devolution Support Project
MTEF	Medium Term Expenditure Framework
NARIGP	National Agricultural and Rural Inclusive Growth Project
NHIF	National Hospital Insurance Fund
OVC	Orphans, Vulnerable Children
PFMA	Public Finance Management Act
PPPs	Public-Private Partnerships
PWDs	Persons with Disability
SACCOs	Savings and Credit Co-Operative Society
SGBV	Sexual and Gender-Based Violence
VTCSG	National Government Vocational Training Centres Support Grant

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

The Budget Review and Outlook Paper (BROP) is prepared according to the provisions of Section 118 of the Public Finance Management Act (PFMA), 2012. The said provisions state the following:

(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 with 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— Any changes in the forecasts compared with the County Fiscal Strategy Paper; or 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, as well as proposals that address the deviation and the time estimated for doing so.

(3) The County Executive Committee shall consider the County Budget Review and Outlook Paper, to approve 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.

EXECUTIVE SUMMARY

The County Budget Review and Outlook Paper (CBROP) 2019, provides a review of the FY 2018/19 fiscal performance, in relation to the objectives set out in the 2018 County Fiscal Strategy Paper.

The total budget for the year under review was revised to KSh.10,651,722,006.85, up from the printed estimates of Kshs 8,925,859,714.00. The revised budget comprised of Kshs 6,234,357,683.23 for recurrent (59 Percent) and Kshs 4,417,364,323.62 for development budget (41 Per cent). The FY 2018/19 County Budget was funded from three main sources namely; shareable revenue from the National Government of Kshs. 7,127,800,000.00 (67 Per cent), FY 2017/18 reallocation funds amounting to Kshs 1,487,811,157.85 (14 Per cent), own-source revenues Kshs 796,500,000.00 (7 Per cent) and conditional allocations and other grants Kshs 1,239,610,849.00 (12 Per cent).

By closure of Financial Year 2018/19, the total revenue receipts amounted to Kshs. 9,885, 506,010.10 representing 93per cent against the target of Kshs 10,651,722,006.85. This represented a fiscal deficit of 7 per cent. The County received Kshs. 7,127,800,000.00 as equitable share from the National Government, which was an increase of 4per cent from the Kshs. 6,825,200,000.00 received in the FY 2017/18. The County also mobilized Kshs. 511,702,071.85 as own source revenues against a target of Kshs. 796,500,000.00. This represented a 59 per cent improvement as compared to FY 2017/18.

The overall County expenditure for the period ending 30th June 2019 amounted to Ksh. 8,612,260,180.00. This represents an underspending of Ksh 2,039,461,826.85 (19.15 per cent deviation from the revised budget). This shortfall was largely attributed to lower absorption in both recurrent and development expenditures. The overall budget absorption stood at 81 per cent a slight improvement from the 79 per cent recorded in FY 2017/18. The absolute expenditures posted a 13.24 percent increase from Kshs 7,605,443,436.45 in FY 2017/18 to Kshs 8,612,260,180.00. The positive performance has been attributed by factors such as; enhancing the performance contracting systems and the introduction of the rapid result implementation mechanisms which enhanced tracking of implementation of development projects at the ward, sub-county and ward levels.

The County Government resource basket has recorded an increasing trend from FY 2013/14 to date. The resource basket has grown from Kshs 4.7 billion in FY 2013/14 to Kshs 9.2 billion in FY 2019/20 representing a 96 per cent growth. The County projects to have a resource basket of Kshs 9,512,609,939.00 in FY 2020/21. The resource basket will be composed of four main sources; equitable share, conditional allocations, loans and grants, Public-Private Partnerships (PPPs), and own-source revenue mobilization. The own source revenue has posted an increasing trend with FY 2018/19 recording the highest collection at Kshs. 511 million up from Kshs. 322 million in FY 2017/18 (58.7 per cent increase).

The County Treasury has developed a resource mobilization strategy that will amongst other things; ensure a considerable increase of revenue collected from all possible revenue streams and ensuring continuous engagement with donors to fund the flagship projects under the CIDP and the Vision 2025.

1 INTRODUCTION

The County Budget Review and Outlook Paper (CBROP) 2019, is the seventh to be prepared in line with the provisions of the Public Finance Management Act2012, within devolved units of County Governments. The paper reviews budget performance for FY 2018/19 and sets basis for the 2020/21 – 2022/23 Medium Term Plan Budget.

The CBROP is rooted in the Makueni Annual Development Plan 2020/21 priorities. These focus on empowering the community economically, for increased household income. The annual plan is anchored on five thematic areas namely: Community Economic Empowerment; Water Resource Management; Lands, Urban Planning and Development; Socio-economic Development and Enablers (infrastructure, cooperatives, financial infrastructure, energy, ICT, institutional capacity and market infrastructure).

As required by the PFM Act, 2012, the budget process aims to promote the efficient and effective use of resources. To meet the resource requirements of the FY 2020/21 budget and the medium term, the Government will continue to implement prudent measures aimed at enhancing own source revenue mobilization and rationalizing expenditures. This CBROP provides sector ceilings, which will set in motion the budget preparation for the FY 2020/21 and the medium term. The sector ceilings are guided by the overall resource envelope that is informed by the macroeconomic and fiscal outlook as presented in section III and IV of this document. Budgetary allocations in this CBROP is in line with the objectives and priorities as set out in the 2020/21 Annual Development Plan.

The document is organized as follows: Section II provides a review of the fiscal performance for the FY 2018/19 and its implications on the financial objectives set out in the 2019 CFSP. Section III provides highlights of the recent economic developments and outlook while Section IV and V provide for the proposed resource allocation framework and conclusion respectively.

1.1 The Objective of 2019 CBROP

The objective of the 2019 County Budget Review and Outlook Paper (CBROP) is to provide a review of fiscal performance for the FY 2018/19 and how this performance impacts on the financial objectives and fiscal responsibility principles set out in the 2019 County Fiscal Strategy Paper (CFSP). The paper also provides an updated macro-economic and fiscal forecast for the FY 2020/210 period, based on the current performance of key economic indicators.

The specific objectives in the CBROP are to provide;

i. Budget performance (estimated expenditure against the actual expenditure for FY 2018/19)
ii. An analysis of any policy shift since the 2018 CFSP and the implication in the county
iii. Information on any changes in forecasts, compared with the CFSP 2019.
iv. The fiscal and economic outlook for FY 2020/21
v. Indicative sector ceilings for preparation of the FY 2020/21 budget and the MTEF period, guided by the PFM Act, 2012 and ADP 2020/21.

The strategies and the fiscal framework in the CBROP are aligned to achieve the development objectives in the FY 2020/21 Annual Development Plan (ADP), which are;

i. Enhance household food security through irrigated farming;
ii. Increase investments in county productive sector;
iii. Strengthen the capacity of the community to drive development at the local level and;
iv. Youth empowerment.

2 REVIEW OF FISCAL PERFORMANCE IN 2018/19 FINANCIAL YEAR

The fiscal performance for the FY 2018/19 was broadly satisfactory given challenges emanating from revenue shortfall, slow budget implementation and growing expenditure pressures resulting from broad policy measures.

At the close of the financial year, the total revenue recorded 7 per cent deviation from the revised budget by Kshs. 766,215,996.75. The overall budget absorption was 81 per cent an improvement from the 79 per cent recorded in FY 2017/18. The total cumulative expenditure for the period ending 30th June 2019 amounted to KSh.8,612,260,180.00. This represented an underspending of Ksh 2,039,461,826.85. This shortfall was largely attributed to lower absorption in both recurrent and development expenditures.

2.1 Review of 2018 CFSP Projections and the FY 2018/19 Budget

The county fiscal strategy paper 2018 had projected county revenues totalling to Ksh. 7,823,990,766.00 comprising of Ksh. 400 Million own source revenue, Ksh. 364,340,696.00 conditional grants and national government equitable transfers of Ksh. 7,059,650,070.00 The projected development index was evaluated at 30.3 per cent which is within the limit set by the Public Financial Management Act, 2012. The projected expenditures over the period comprised of Ksh 3,471,507,430.23 personnel emoluments and operations and maintenance at Ksh. 1,978,875,122.17. From the projections, personnel emoluments had the highest allocation at 44.37per cent while operations and maintenance had 36.31per cent cumulatively representing 69.66 per cent of the total projected county revenues. Own source revenues were projected to finance 5.11per cent which is a major risk in county financing with the decreasing national transfers.

The high level of personnel emoluments beyond the set amount of 35 per cent of the county revenues had been attributed to the annual mandatory increment of wages and benefits of county employees and implementation of signed Collective Bargaining Agreements (CBAs) between employees and Salaries and Remuneration Commission (SRC). These increments are often not commensurate with the county revenues thereby steadily rising over the years. Similarly, the high level of operations and maintenance has been attributed to the increased acquisition of machinery and equipment and the rising costs of consumable goods and services which have increased allocations and increase and maintain the provision of high-quality services.

Table 1: CFSP 2018 Fiscal Projections and FY 2018/2019 Budget Fiscal Estimates

Item	2018 CFSP projections	FY 2018/19 Budget Estimates
Recurrent Total	**5,450,382,552.40**	**6,234,357,683.23**
Operations and Maintenance	1,978,875,122.17	2,528,219,194.23
Personnel Emoluments	3,471,507,430.23	3,706,138,489.00
Development Budget	**2,373,608,213.60**	**4,417,364,323.61**
Equitable share	7,059,650,070.00	7,127,800,000.00
Own Source Revenue	400,000,000.00	796,500,000.00
Conditional allocations, loans and grants	364,340,696.00	1,239,610,849.00
Total Budget	**7,823,990,766.00**	**10,651,722,006.85**

Item	2018 CFSP projections	FY 2018/19 Budget Estimates
Percentage share of personnel emoluments	44.37	40.44
Percentage share of Operations and Maintenance	36.31	23.74
Percentage share of own source revenue	5.11	7.48
Percentage share of recurrent to budget	69.66	58.53
Percentage share of Development Budget	30.34	41.47

Source: Makueni County Treasury

The projections of revenues and expenditures in the CFSP was adjusted to take into consideration changes in revenues and policy shifts arising out change of priorities by communities. The total estimated county revenue was revised to Ksh. 10,651,722,006.85 comprising of development allocation of Ksh 4,417,364,323.61 and recurrent allocation of Ksh. 6,234,357,683.23. The development allocation included re-budgeted projects from the FY 2017/2018 totalling to Ksh 1,487,811,157.85. Recurrent estimates included personnel emoluments at Ksh 3,706,138,489.00 and operations and maintenance of Ksh 2,528,219,194.23. Own source revenues rose to Ksh. 796,500,000.00 owing to reporting of Facility Improvement Fees (FIF), increase in collections from Appropriation In Aid (AIA) and improved revenue administration.

The share of personnel emoluments reduced to 40.44 per cent, operations and maintenance dropped to 23.74 per cent of the total received revenues and the development index increased to 41.47per cent. The total recurrent budget dropped to 58.53 per cent of the total budgetary allocations. The drop in the percentage share of personnel emoluments, operations and maintenance are explained by an improved increase in conditional funding to the county as well the increase in own-source revenues in the year. The development index was boosted by re-budgeted projects from the previous year that significantly increased development allocation.

The variation realized between the projected amounts in the CFSP 2018 and the budget can be explained by the increase in national government transfers and increase in conditional grants that the county received over and above the anticipated allocations. Equitable share from the national government rose by 1per cent and conditional allocations by 240 per cent.

2.2 2018/19 Fiscal Performance

2.2.1 Revenue Performance

By the end of June 2019, total cumulative revenue realized amounted to Kshs. 9,885,506,010.10 against a revised target of Kshs. 10,651,722,006.85. This represented a revenue shortfall of Kshs. 766,215,996.75 (7 per cent deviation from the revised target). The County received Kshs. 7,127,800,000.00 as equitable share from the National Government. This was an increase of 4 per cent increase from the Kshs. 6,825,200,000.00 received in the FY 2017/18.

During the year, the County mobilized Kshs. 511,702,071.85 as own source revenues against a target of Kshs. 796,500,000.00. The revenue collection increased relatively by 59 per cent compared to 2017/18. The collected revenue was 5 per cent of the total actual revenues for the FY 2018/19.

The county Government received 61 per cent (Kshs. 758,192,780.40) of the total allocated funds (Kshs. 1,239,610,849.00) for the conditional allocations, loans and grants where 39 per cent of the funds not received represented; Kshs. 62,181,847.00 from European Union (EU) Grant Instruments for Devolution Advice and Support (IDEAS), Kshs 13,275,477.00 for Agriculture Sector Support Development Programme, Kshs 7,734,650.00 for Conditional Allocation for Development of Youth Polytechnics, Kshs 50,750,604.00 for IDA (World Bank) credit: Kenya Devolution Support Project (KDSP) "Level 1 grant", Kshs 48,839,075.60 for Transforming Health Systems for Universal Care Project (WB) and Kshs 90,435,163.00 for IDA (World Bank) credit (National Agricultural and Rural Inclusive Growth Project (NARIGP).

During the same year, the County had a balance brought forward from the previous year (2017/2018) amounting to Kshs. 1,487,811,157.85 representing Kshs 1,262,326,878.85 for development and Kshs 225,484,280.00 for Recurrent.

The FY 2018/19 revised budget ratios for recurrent and development budgets were 59 per cent and 41per cent respectively. However, out of the overall expenditure at the closure of the financial year, the recurrent and development expenditures stood at 69 per cent and 31per cent respectively.

The overall county absorption increased by 2 per cent from 79 per cent in FY 2017/18 to 81 per cent in FY 2018/19. There has been a remarkable increase in the annual expenditures from Kshs 7,605,443,436.45 in FY 2017/18 to Kshs 8,612,260,180.00 in FY 2018/19 representing a 13.24 per cent increase. The positive performance has been attributed by factors such as; enhancing the performance contracting and the introduction of the rapid result implementation mechanisms which enhanced tracking of implementation of development projects at the ward, sub-county and ward levels.

Table 2 presents the fiscal performance for the FY 2018/19 and the deviations from the actual end year receipts/payments and revised budget estimates in Millions.

Table 2: Fiscal Performance for the FY 2018/19

	Sources of Revenue	Actual performance 2016/2017	Actual Performance 2017/2018	Actual Performance 2018/2019	Budget 2018/2019	Deviation	per cent growth (2017/18 Vs 2018/19)	2018/2019 Actuals as a per cent of total Budget
A	**Total Revenue And Grants**							
	Total Revenues	10,481.85	8,981.00	9,885.51	10,651.72	-766.22	10%	**93%**
	Local Revenue	299.07	322.10	511.70	796.50	-284.80	59%	**64%**
	National Shareable Revenue	6,441.35	6,825.20	7,127.80	7,127.80	0.00	4%	**100%**
	Reallocation funds	3,427.12	1,338.45	1,487.81	1,487.81	0.00	11%	**100%**
	Others - Doctors and Nurses increment	103.66	0.00	0.00	0.00	0.00		
	Conditional allocations and Grants	210.64	495.24	758.19	1,239.61	-481.42	53%	**61%**
B	**Expenditure**	8,527.07	7,569.78	8,612.26	10,651.72	2,039.46	14%	**81%**
	Recurrent Expenditure	4,480.84	5,629.17	5,901.89	6,234.36	332.46	5%	**95%**
	Development Expenditure	4,046.23	1,940.61	2,710.37	4,417.36	1,707.00	40%	**61%**

Source; County Treasury

The actual revenue and expenditure performance recorded a 10per cent and 14per cent growth respectively from FY 2017/18. The County will ensure the trend is maintained to ensure delivery of the county development agenda.

2.2.1.1 Analysis by Revenue Streams

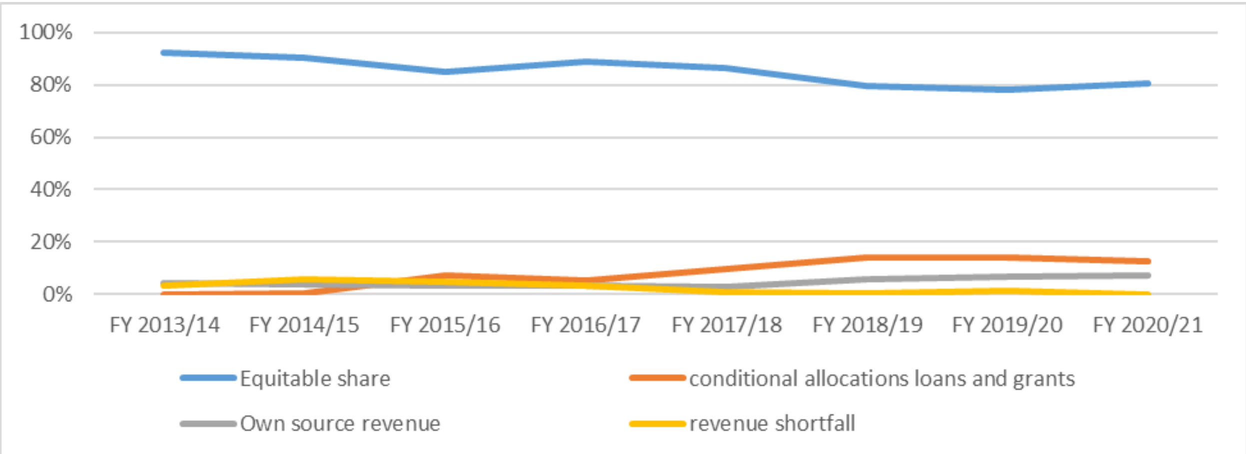
The FY 2018/19 County Budget was funded from three main sources mainly shareable revenue from the National Government of Kshs 7,127,800,000.00 (67 Per cent), FY 2017/18 reallocation funds – Kshs 1,487,811,157.85 (14Percent), own-source revenues Kshs 796,500,000.00 (7 Percent) and conditional allocations and other grants Kshs 1,239,610,849.00 (12Percent). Analysis of actual revenues is illustrated in table 3.

Table 3: Analysis of FY 2018/19 revenue performance

Revenue Source	Amount (KSHS.s. 000)-FY 2016/17	Percentage (per cent) FY 2016/17	Amount (KSHS.s. 000)-FY 2017/18	Percentage (per cent) FY 2017/18	Amount (KSHS.s. 000)-FY 2018/19	Percentage (per cent) FY 2018/19	Percentage (per cent) Change (FY 2017/18 Vs 2018/19)
Local revenue	299,073,847.95	2.85	322,104,226.70	3.59	511,702,071.85	5.18	58.86
National equitable share	6,441,351,588.00	61.45	6,825,200,000.00	76.00	7,127,800,000.00	72.10	4.43
Conditional Grants	314,302,630.00	3.00	495,241,365.40	5.51	758,192,780.40	7.67	53.10
Fund balances	3,427,123,533.50	32.70	1,338,451,037.00	14.90	1,487,811,157.85	15.05	11.16
TOTAL	**10,481,851,599.4**		**8,980,996,629.10**		**9,885,506,010.10**		10.07

Source; County Treasury

The County Government Budget has recorded an increasing trend from FY 2013/14 to date. The resource budget has grown from Kshs 4.7 billion in FY 2013/14 to Kshs 9.2 billion in FY 2019/20 representing a 96 per cent growth. The resource basket for the Government has been relying on the three main sources; equitable share, conditional allocations, loans and grants and own-source revenue mobilization.

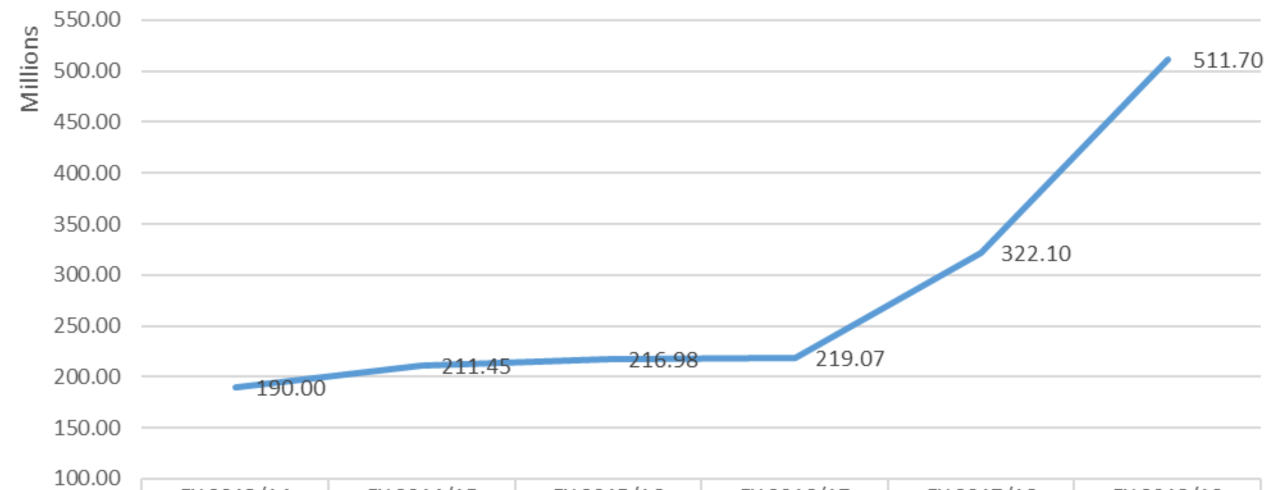


Source; County Treasury

Figure 1: Resource basket – FY 2013/14 – FY 2020/21

Despite, the increase in the resource basket, the equitable share has been on a declining trend which calls for development and implementation of strategies to enhance own source revenue mobilization and seeking funding from Public-Private Partnerships, Donors and other development partners. The equitable share rose from Kshs. 6.8 billion in year 2016/17 to Kshs. 7.1 billion in year 2018/19 representing a 4.43per cent increase lower than the 6 per cent increase recorded in FY 2017/18.

The own source revenue grew by 58.86 per cent, from that of FY 2017/2018. It also represented the highest collection over the period from FY 2013/14 – 2018/19.



	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19
TOTAL	189,997,196.00	211,447,017.00	216,976,742.80	219,073,847.95	322,104,226.70	511,702,071.85

Source; County Treasury
Figure 2: Local Revenue Performance for FY 2013/14 – FY 2018/19

Main Revenue Streams

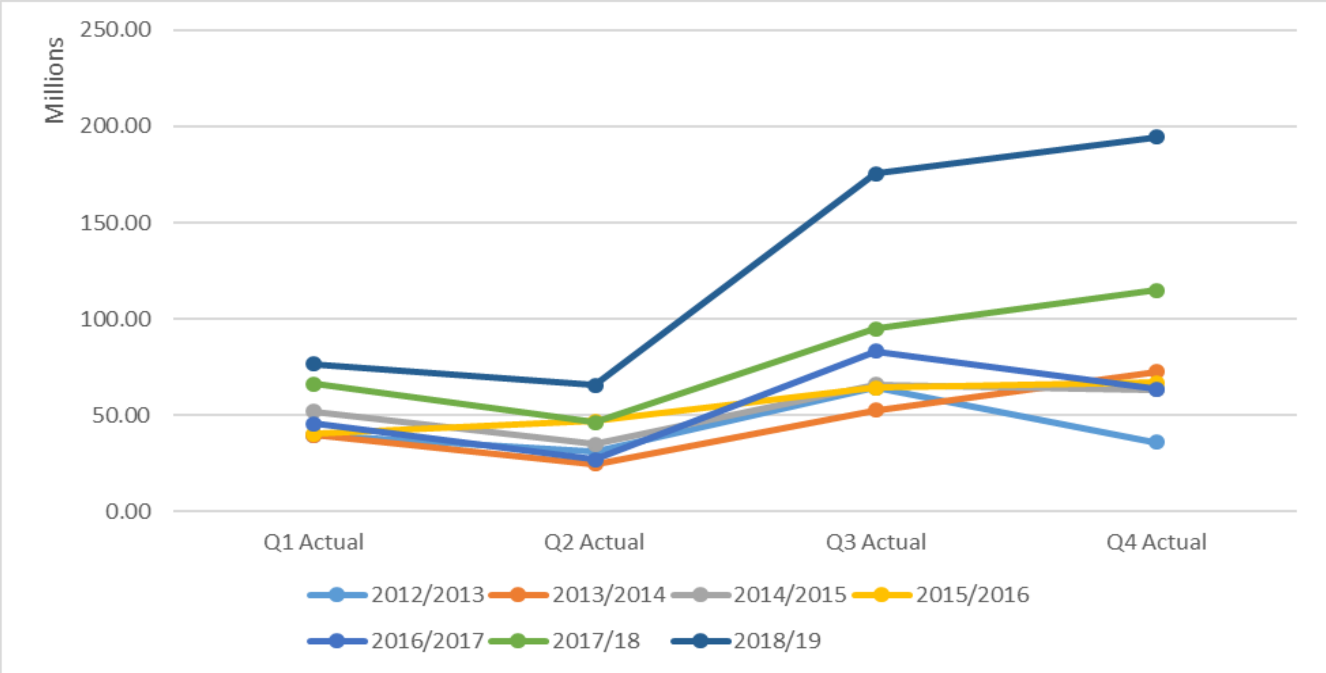
The main revenue streams are business permits, liquor, parking, hospital fees and market entrance fees. The quarterly performance of these streams is as follows;

Table 4: FY 2018/19 Highest Performing Streams

Stream	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Permits	14,167,365.00	6,719,000.00	59,008,450.00	47,195,885.00	127,090,700.00
Medical Services	13,665,921.00	17,209,577.00	11,519,785.00	11,817,280.00	54,212,563.00
Liquor	4,397,060.00	2,994,800.00	1,427,800.00	38,853,510.00	47,673,170.00
NHIF Reimbursement	-	-	21,692,525.00	12,387,527.00	34,080,052.00
Makueni Fruit Processing Plant	-	-	15,000,000.00	13,564,965.10	28,564,965.10
Parking	7,177,850.00	7,056,650.00	7,983,125.00	6,195,675.00	28,413,300.00
Market Entrance Fee	6,740,265.00	6,935,339.00	7,342,015.00	7,054,876.00	28,072,495.00
Sand Authority	2,996,300.00	4,771,100.00	8,206,100.00	6,437,500.00	22,411,000.00
Health-UHC	-	326,500.00	5,461,380.00	16,364,145.00	22,152,025.00
Agricultural Cess	6,743,259.00	3,434,066.00	6,464,232.00	3,210,303.00	19,851,860.00

Source; County Treasury

There has been an upward trend in own-source revenue mobilization form all the quarters arising out of enhanced resource mobilisation strategies despite the challenges affecting the same. The FY 2018/19 performance was 36 per cent off-target of Kshs 796,500,000.00 and was the highest recorded performance from FY 2013/14.



Source; County Treasury

Figure 3: Quarterly Own Source Revenue Performance – FY 2012/13 – FY 2018/19

To enhance the own resource revenue mobilization, the county will;

a. **Strengthen revenue streams inter-linkages**: The government will strengthen interlinkages in the revenue streams to increase ease of collection and administration.

b. Establish a prosecution system: Revenue collection will be boosted with a prosecution system that will enhance compliance.

c. **Enhance change management:** Continued investment in training of staff to promote change management and integrity. Improved knowledge on Know Your Customer (KYC) will be developed to ensure staff enjoy the interaction with customers in the process of revenue collection.

d. **Exploiting the potential of the county's natural resources:** The government will also look into possibilities of generating more revenue from the counties natural resources including minerals, sand and soil. Through collaboration with the mining subsector, the county will enhance revenue collection from resource exploitation structures.

e. **Undertake a comprehensive revenue potential assessment for all streams (structured and unstructured):** This will guide the county in putting up structures that will ensure optimization of the revenue streams as develop mechanisms for sustained sensitization and growth in the streams.

f. **Fully automate revenue collection and establish one-stop-shop payment and approval for all licenses:** This is expected to ensure efficient revenue collection as well as cutting out pilferages and leakages in the revenue collection structures. Automation of all streams is expected to tremendously improve Own Source Revenues in the county

Table 5: FY 2018/19 Revenue Receipts per Quarter

Item	Budgeted Amount	Q1	Q2	Q3	Q4	Actual Receipts	Variance
Own Source revenue	796,500,000.00	76,463,361.70	65,424,891.05	175,394,062.00	194,419,757.10	511,702,071.85	(284,797,928.15)
Equitable share	7,127,800,000.00	369,278,463.00	1,840,339,537.00	1,960,145,000.00	2,958,037,000.00	7,127,800,000.00	-
FY 2017/18 Reallocation funds	1,487,811,157.85	1,487,811,157.85	-	-	-	1,487,811,157.85	-
KDSP Grant - Investment Grant	168,575,682.00	168,575,682.00	-	-	-	168,575,682.00	-
DANIDA Grant (Universal Healthcare in Devolved System Program)	9,479,639.00	-	-	-	-	-	(9,479,639.00)
IDA (World Bank) credit: Kenya Urban Support Project (KUSP)	136,261,600.00	-	136,261,600.00	-	-	136,261,600.00	-
DANIDA Grant (Universal Healthcare in Devolved System Program)	22,882,500.00	-	11,441,250.00	11,441,250.00	-	22,882,500.00	-
EU Grant (Instruments for Devolution Advice and Support IDEAS)	45,000,000.00	-	-	-	-	-	(45,000,000.00)
Agriculture Sector Support Development Programme - Donor funds	21,551,135.00	-	-	8,275,658.00	-	8,275,658.00	(13,275,477.00)
Conditional Allocations for compensation for User Fees Forgone	19,435,760.00	-	-	-	19,435,760.00	19,435,760.00	-
EU Grant for instrument for Devolution Advice and support	66,000,000.00	48,818,153.00	-	-	-	48,818,153.00	(17,181,847.00)
Kenya Urban Support Programme - Urban institutional Grant	40,000,000.00	-	-	-	41,200,000.00	41,200,000.00	1,200,000.00
Conditional Allocation for Development of Youth Polytechnics	31,570,000.00	-	-	-	23,835,350.00	23,835,350.00	(7,734,650.00)
IDA (World Bank) credit: Kenya Devolution Support Project (KDSP) " Level 1 grant"	50,750,604.00	-	-	-	-	-	(50,750,604.00)
Transforming Health Systems for Universal Care Project (WB)	100,000,000.00	-	9,285,335.90	24,084,462.00	17,791,126.50	51,160,924.40	(48,839,075.60)
IDA (World Bank) credit (National Agricultural and Rural Inclusive Growth Project (NARIGP)	140,435,163.00	-	-	-	50,078,476.00	50,078,476.00	(90,356,687.00)
Conditional Allocation for Leasing of Medical Equipment	200,000,000.00	-	-	-	-	-	(200,000,000.00)
Conditional Allocation from Road Maintenance Fuel Levy Fund	187,668,766.00	-	-	93,834,383.00	93,834,384.00	187,668,767.00	1.00
GRAND TOTAL	**10,651,722,006.85**	**2,150,946,817.55**	**2,062,752,613.95**	**2,273,174,815.00**	**3,398,631,853.60**	**9,885,506,100.10**	**- 766,215,906.75**

Source: County Treasury

Table 6: Revenue Receipts - FY 2018/19

	Revenue	Received	Balance	per centage
Equitable share	7,127,800,000.00	7,127,800,000.00	0.00	100per cent
Conditional allocations	438,674,526.00	230,939,877.00	207,734,649.00	53per cent
loans and grants	800,936,323.00	527,252,903.40	273,683,419.60	66per cent
County generated revenue	796,500,000.00	511,702,071.85	284,797,928.15	64per cent
FY 2017/18 C/F	1,487,811,157.85	1,487,811,157.85	0.00	100per cent
Total	**10,651,722,006.85**	**9,885,506,010.10**	**766,215,996.75**	**93per cent**

Source; County Treasury

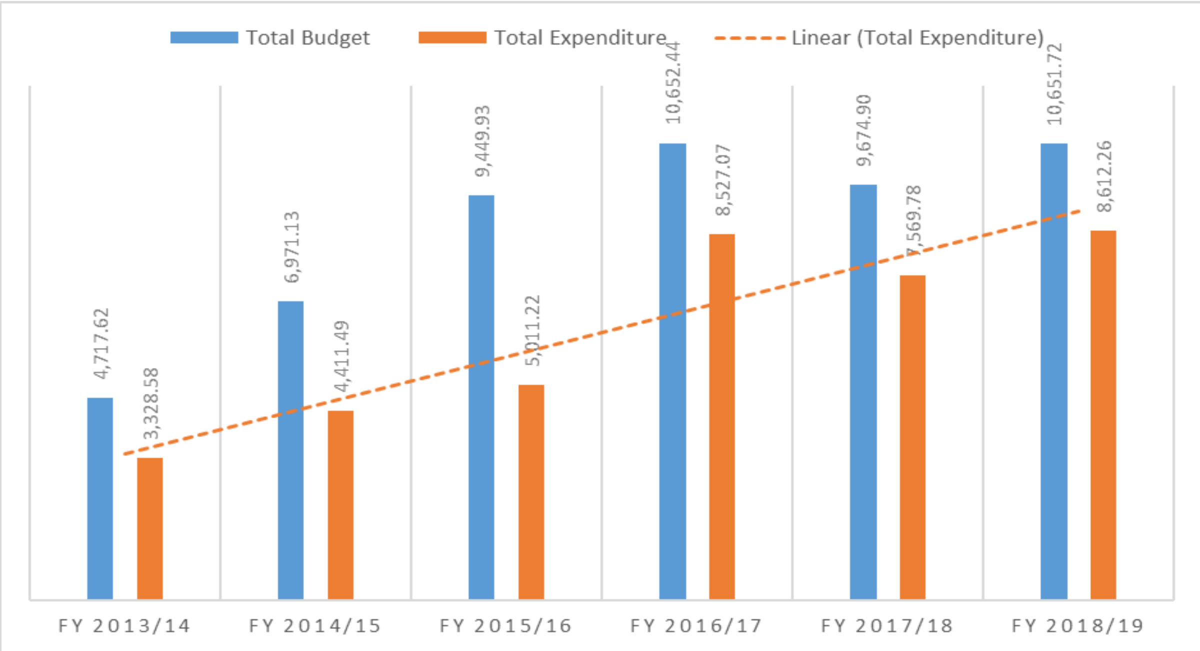
Table 7: Comparison; Own Source Revenue Collection FY 2012/13 – 2018/2019 per Quarter

Financial Year	Q1 Actual	Q2 Actual	Q3 Actual	Q4 Actual	Total Actual
2012/2013	39,610,012.00	31,080,950.00	64,063,086.00	35,747,141.00	170,501,189.00
2013/2014	39,355,534.00	24,580,099.00	52,640,736.00	72,611,372.00	189,187,741.00
2014/2015	51,801,993.00	34,986,402.00	65,866,418.00	63,114,454.00	215,769,267.00
2015/2016	40,295,311.00	46,964,142.00	64,084,092.00	66,810,040.00	218,153,585.00
2016/2017	45,650,471.10	26,839,715.50	83,003,428.00	63,579,885.50	219,073,500.10
2017/2018	66,268,246.00	46,023,459.00	94,948,640.70	114,863,881.00	322,104,226.70
2018/2019	76,463,361.70	65,424,891.05	175,394,062.00	194,419,757.10	511,702,071.85

Source; County Treasury

2.2.2 Expenditure Performance

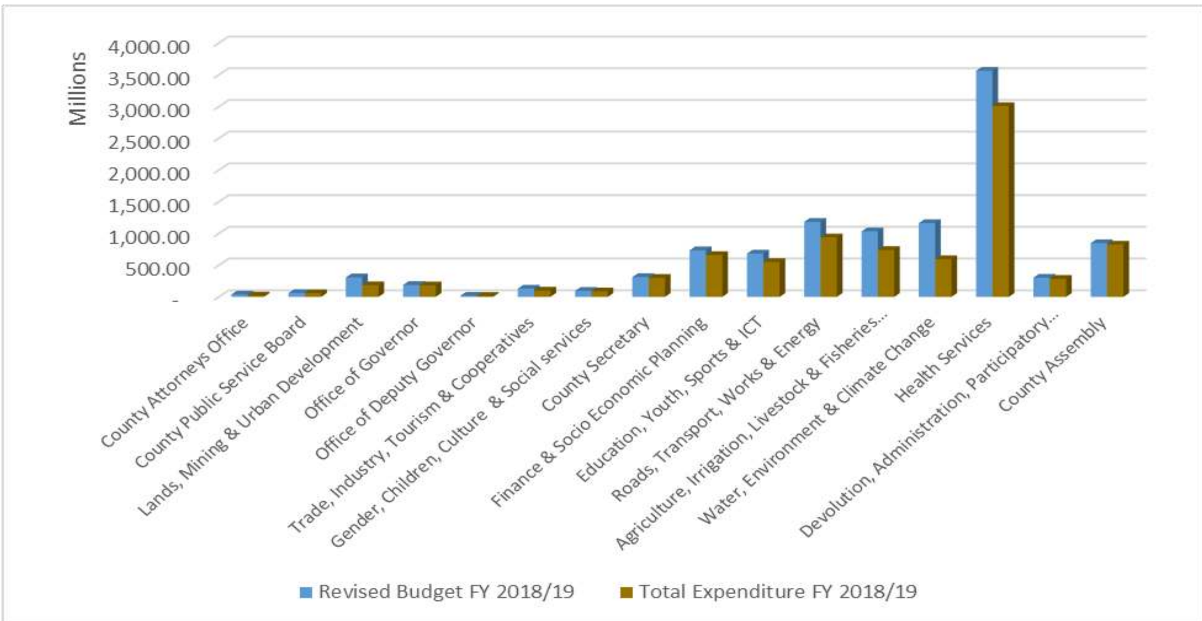
The overall Government expenditure has been on a rising trend from FY 2013/14. With the adoption of performance contracting, the trend is projected to improve to 90 per cent absorption in the current financial year.



Source; County Treasury

Figure 4; FY 213/14 - FY 2018/19 Overall Expenditure performance;

The total budget for the year under review was Kshs10,651,722,006.85. The total Executive budget amounted to KSh. 9,804,271,228.05, while the County Assembly budget amounted to KSh. 847,450,778.50.



Source; County Treasury

Figure 5; Departments Budgets and absorption – FY 2018/19

The overall County expenditure for the period ending 30th June 2019 amounted to KSh. 8,612,260,180.00 representing an underspending of Ksh 2,039,461,826.85 equivalent to 19.15 percent deviation from the revised budget. The overall budget absorption stood at 80.86 per cent.

Deviations from the Original and Revised Budget Estimates

The budget for FY 2018/19 was revised from Kshs 8.534 billion to Kshs 10.651 billion, a deviation of Kshs 2.117 billion. The deviations resulted from an increase in conditional allocations and the fund balances brought forward from FY 2017/18 amounting to Kshs. 1,487,811,157.80 which included KSh.1,456,720,586.00 and KSh.31,090,571.80 for County Executive and County Assembly respectively. The reallocation funds comprised of Kshs 1,262,326,878.85 for development and Kshs 225,484,280.00 for Recurrent .

Table 8: Deviations from the Original and Revised Budget Estimates (in Millions)

	FY 2017/18			2017/18 as a per cent of Budget		FY 2018/19			2018/19 as a per cent of Budget	
Expenditure Item	**Actual**	**Budget**	**Deviation**	**Actual**	**Budget**	**Actual**	**Budget**	**Deviation**	**Actual**	**Budget**
Recurrent	5,635	6,095	-460	74	63	5,904	6,234	(329)	69	59
Development	1,970	3,580	-1,609	26	37	2,629	4,417	(1,788)	31	41
Total	**7,605**	**9,675**	**-2,069**	**100**	**100**	8,534	10,651	(2,117)		

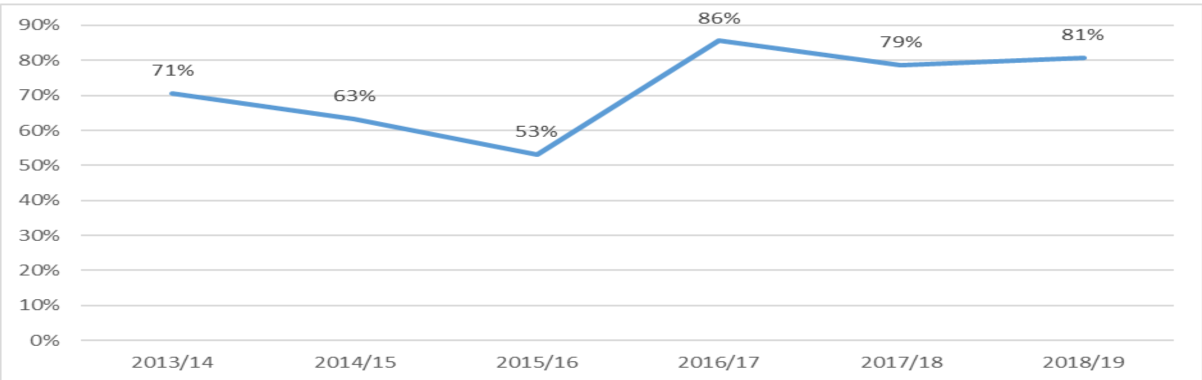
Source; County Treasury

The implementation of the FY 2018/19 budget experienced a slight increase in expenditure performance of 1per cent compared to the previous financial year. The analysis of previous budget performances is as below;

Table 9: Expenditure Analysis (FY 2013/14 – FY 2018/19)

Financial Year	Budget	Expenditure	Absorption (percentage)
2013/14	4,717,623,056.26	3,328,577,439.68	71
2014/15	6,971,128,728.91	4,411,486,649.97	63
2015/16	9,449,929,066.05	5,011,221,581.39	53
2016/17	9,949,239,427.45	8,527,070,064.83	86
2017/18	9,674,896,013.15	7,605,443,436.45	79
2018/19	10,651,722,006.85	8,612,260,180.00	81

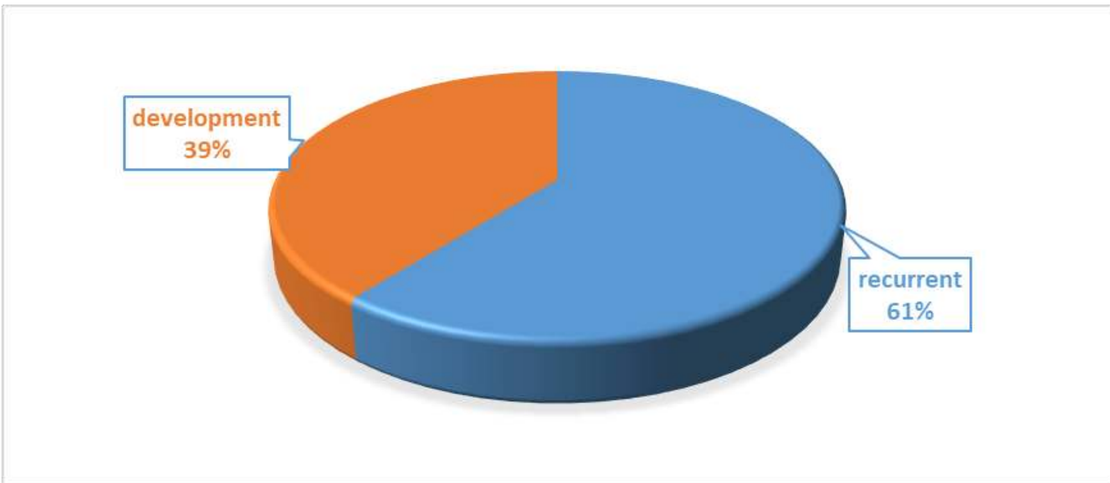
Source; County Treasury



Source; County Treasury

Figure 6: Budget Absorption – FY 2013/14 – FY 2018/19

The absorption rate dipped from 86 per cent in FY 2016/17 to 79 per cent FY 2017/18 and then rose to 81 per cent in FY 2018/19. As the government continue to improve and increase in the scope of performance contracting by all Government entities, it's expected that service delivery will improve, further improving the performance of the government and absorption rate.



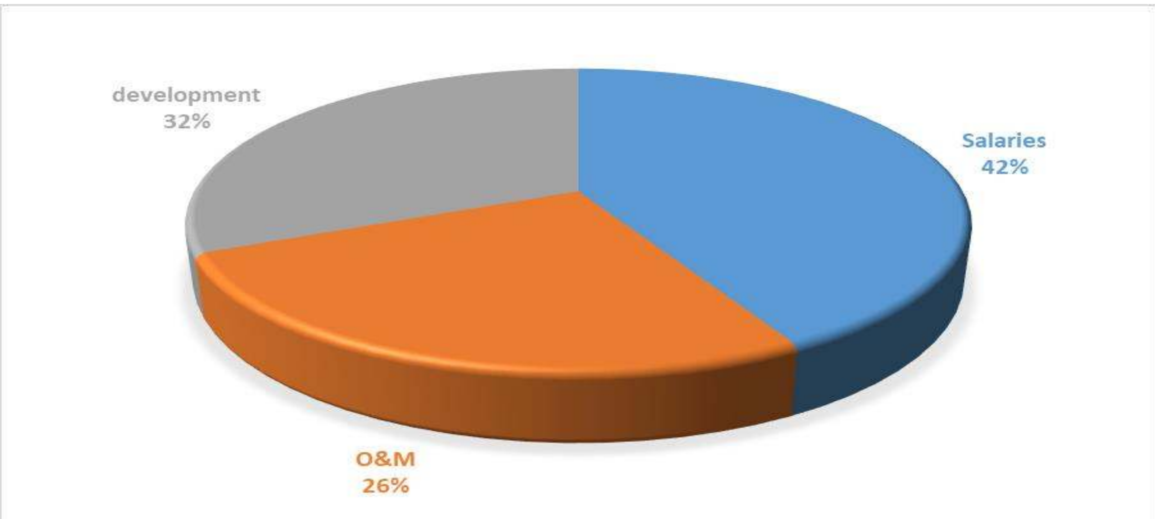
Source; County Treasury
Figure 7: FY 2018/19 Expenditure composition; Recurrent and Development

Recurrent expenditure for FY 2018/19 amounted to KSh. 5,901,893,349.49, against a target of KSh. 6,234,357,683.23. This represented 95 per cent expenditure absorption against the budget and improvement from the 92 per cent recorded in FY 2017/18.

Development expenditure for FY 2018/19 amounted to KSh. 2,710,366,830.51 compared to a target of KSh. 4,417,364,323.62. This represented 61 per cent expenditure absorption against the budget, an increase of 5 per cent from the absorption rate of the FY 2017/18.

2.2.2.1 Expenditure by Economic Classification

Out of total expenditure in the FY 2018/19, personnel emoluments were highest, with 42 per cent, Development expenditure at 32 per cent, and Operations and Maintenance at 26 per cent.



Source; County Treasury
Figure 8: Expenditure by economic classification-FY 2018/19

Over the period, FY 2016/17 to FY 2018/19, the expenditure on salaries has been the highest arising out of an increase in mandatory wage increments to civil servants. The total expenditure on salaries for the three years amounts to Kshs 9,701,454,142.54 representing 38% of the total County Government expenditure in the three financial years.

Table 10: Expenditure by Economic Classification – FY 2016/17 – 2018/19

	2016/17			2017/18			2018/19		
Expenditure Item	**Budget**	**Expenditure**	**Absorption**	**Budget**	**Expenditure**	**Absorption**	**Budget**	**Expenditure**	**Absorption**
Salaries	2,720.3	2,718.31	100	3,352.32	3,350.26	100	3,706.14	3,628.52	98
O&M	2,434.2	2,390.09	98	2,743.07	2,285.11	83	2,528.22	2,273.37	90
Recurrent	5,154.6	5,108.40	99	6,095.39	5,635.37	92	6,234.36	5,901.89	95
Development	5,497.7	4,095.79	74	3,579.50	1,970.07	55	4,417.36	2,710.37	61
Total	10,652.	9,204.19	86	9,674.90	7,605.44	79	10,651.72	8,612.26	81

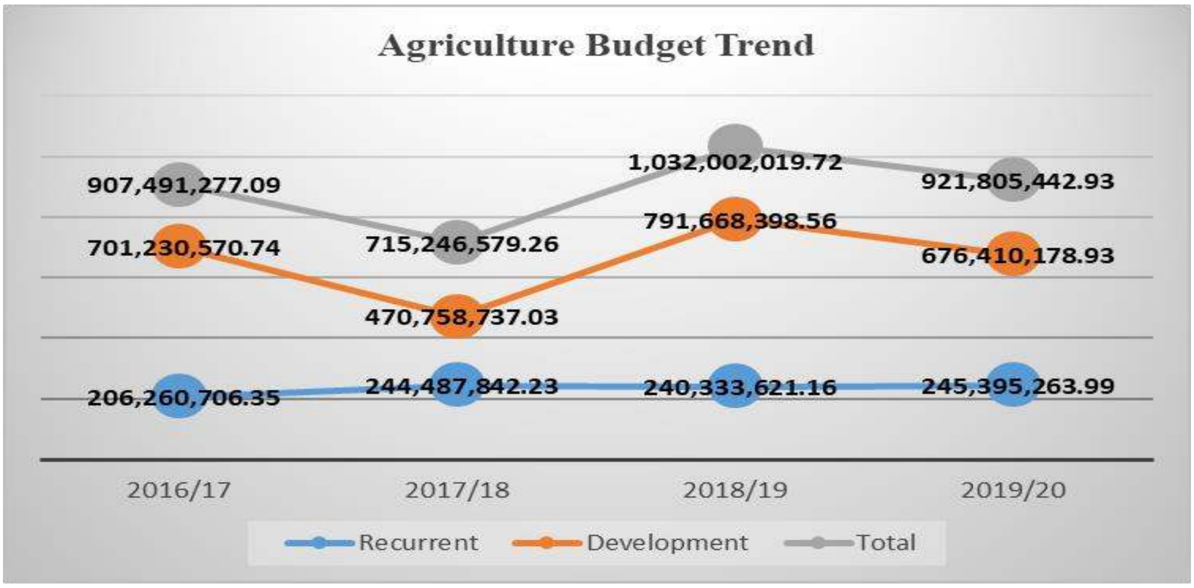
Source; County Treasury

The Development expenditure has averaged at an average 34% out of the total expenditures over the three financial years.

2.2.3 County Sectoral performance

2.2.3.1 Agriculture, Irrigation, Fisheries and Livestock

The allocation to the department has varied over the last two years with the highest budget being Ksh 1,032,002,019.72 in FY 2018/2019 and the lowest being Ksh 715,246,579.26 in FY 2017/2018.



Source; Department of Agriculture

Figure 9: Department of Agriculture, Irrigation, Fisheries and Livestock Budget Trend – 2016/17 – 2019/20

In FY 2018/2019, the department spent Ksh 499,553,901.55 on various development programmes out of the total development budget of Ksh 791,668,398.56 representing a 63Percent absorption an improvement from 61 per cent recorded in FY 2017/18.

Table 11 illustrates the trend of the development budget allocation and expenditure since FY 2016/17 to FY 2019/20.

Table 11: Budget Allocation Vs Expenditure Trends (in Millions)

	FY 2016/17			FY 2017/18			FY 2018/19			FY 2019/10
Programme	**Revised Budget**	**Expenditure**	**Absorption Rate (%)**	**Revised Budget**	**Expenditure**	**Absorption Rate (%)**	**Revised Budget**	**Expenditure**	**Absorption Rate (%)**	**Revised Budget**
Land and Crop development and productivity	58.29	55.09	95	75.94	39.89	53	260.58	181.01	69	166.79
Livestock production, management and development	67.94	51.39	76	78.56	62.46	80	73.56	54.92	75	104.84
Agribusiness and information management	565.84	445.52	79	210.23	110.37	53	251.18	188.49	75	33.42
General administration	9.16	7.11	78	106.03	72.83	69	206.35	75.13	36	371.36
Total	701.23	559.11	80	470.76	285.55	61	791.67	499.55	63	676.41

Source: County Treasury

The expenditure trend for the department shows an increase in FY 2018/19 from 61 per cent to 63 per cent.
Livestock production management, development, and Agribusiness and information management had the highest absorption rates of 75 per cent. General administration had the least absorption rate in FY 2018/19 of 36 per cent. In terms of budget allocation, Land and crop development and productivity received the highest allocation while Livestock production management and development receiving the lowest allocation of Ksh 73,560,273.85.

In FY 2018/2019, the Department undertook various activities aimed at enhancing the County's food security. Key achievements and corresponding expenditure for the year are as follows:

i. Ksh 142,472,700 spent on Grain Value Chain development to construct a modern value addition project at Makindu and distribute 33,068 Kg of green gram seeds.
ii. Construction of Kasikeu Milling Plant and Mukaange aggregation store.
iii. Ksh 181,394,859 spent towards the Makueni Fruit Processing Plant. The plant procured 996,700 kgs of mangoes from farmers, constructed a ripening shed, installed a reconstitution line for ready to drink juice, cabro paved internal access road and constructed a water sump and Mikuyuni sand dam. Besides, a water chiller and spare parts for equipment were procured.
iv. Ksh 5,908,950 spent towards the promotion of industrial crops through the supply of 8,881macadamia, procurement of sisal decorticators and supply of 1,275 sunflower seeds.

v. The dairy development programme was allocated a total of Ksh 26,237,958 of which Ksh 11,721,814 was transferred to Tetheka fund for assisting farmers in purchasing of heifers. Also, the county managed to have 7,919 inseminations done and supply 950 (90kgs) bags of bracharia seed to farmers for pasture production.

vi. The County spent Ksh 3,541,820 to purchase 145 vaccine cool boxes and purchase and distribution of 19,540 chicks to farmers. The county has also commenced the construction of Kitise Chicken Slaughterhouse.

vii. Ksh 8,927,240 spent on livestock disease control where 71,782 cattle were vaccinated against Lumpy Skin Disease, 7,213 against Foot and Mouth, 24,179 goats against CCPP and 149,900 poultry against Newcastle disease. The Rabies Elimination Programme spent Ksh 3,728,292 to vaccinate 74,726 dogs.

Over the period, 2017/18 to 2018/19, the department incurred the highest expenditures on Makueni Fruit processing plant.

Table 12: Expenditures by Line Items – FY 2016/17 – FY 2018/19

Expenditure item	Expenditures as at 30th June 2017	Expenditures as at 30th June 2018	Expenditures as at 30th June 2019
Makueni Fruit processing plant - premises construction	432,391,479.05	109,019,772.70	181,394,859.80
Food security initiatives - support to farm ponds programme	23,589,500.00	13,638,100.00	14,293,488.00
Dairy Development -(AI , backup generators)	13,680,260.00	26,810,975.85	19,097,094.80
Agricultural Training Centre	13,129,071.20	1,352,960.00	7,097,746.80
Poultry value chain development	13,088,135.00	12,591,377.60	3,541,820.00
Horticulture value chain and irrigated agriculture through drip kits and green houses	10,544,595.00	1,030,545.00	998,400.00

Source; County Treasury

2.2.3.2 Lands, Mining, Physical Planning and Urban Development

In the Financial year 2018/19, the department spent Kshs 183,770,967.75 against a total budget of Kshs. 307,881,428.39 representing 60 per cent absorption rate. The expenditure on development programmes was Kshs. 130,631,955.55 against the budget of Kshs 239,992,385.35 representing 54 per cent absorption rate.

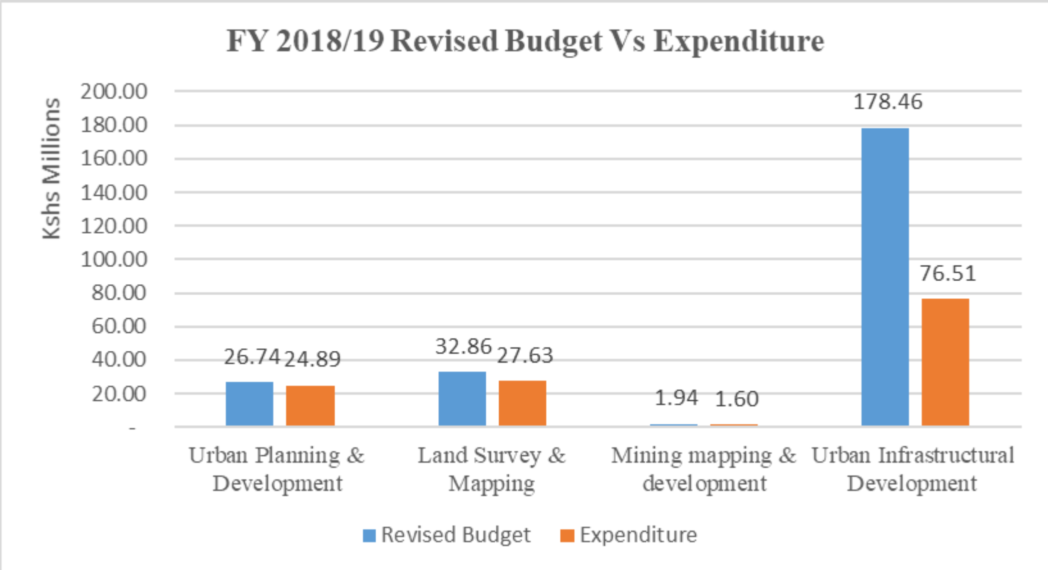
Urban infrastructural development programme reported the highest allocation and expenditure in FY 2018/19. This was as a result of the ongoing construction of Wote green park. An analysis of key programme performers in expenditure is as follows;

Table 13: Budget Allocation Vs Expenditure Trends (In Millions)

	FY 2016/17			FY 2017/18			FY 2018/19			FY 2019/20
Programme	**Revised Budget**	**Expenditure**	**Absorption Rate (Percent)**	**Revised Budget**	**Expenditure**	**Absorption Rate (Percent)**	**Revised Budget**	**Expenditure**	**Absorption Rate (Percent)**	**Revised Budget**
Urban Planning &	29.58	29.58	100	14.60	5.00	34%	26.74	24.89	93	14.01

	FY 2016/17			FY 2017/18			FY 2018/19			FY 2019/20
Programme	**Revised Budget**	**Expenditure**	**Absorption Rate (Percent)**	**Revised Budget**	**Expenditure**	**Absorption Rate (Percent)**	**Revised Budget**	**Expenditure**	**Absorption Rate (Percent)**	**Revised Budget**
Development										
Land Survey & Mapping	93.68	63.92	68	31.70	14.13	45	32.86	27.63	84	30.48
Mining mapping & development	3.00	3.00	100	2.00		0	1.94	1.60	82	0.34
Urban Infrastructural Development	23.23	23.23	100	30.50	7.31	24	178.46	76.51	43	248.21
Total	149.49	119.73	80	78.80	26.44	34	239.99	130.63	54	293.05

Source: County Treasury



Source; Department of lands

Figure 10: Department of Lands – FY 2018/19 Expenditure by Programme

In the past three years, urban planning & development programme recorded the highest absorption rates of 100 per cent in FY 2016/17 and 93 per cent in FY 2018/19 followed by mining mapping & development and land survey & mapping. However, urban infrastructure development had the lowest absorption rate of 43 per cent in FY 2018/19, which was as a result of delayed disbursement of funds by World Bank under the program of Kenya Urban Support Program. The performance trend for the last three years shows that the department had an overall development budget of Kshs. 468,275,813.59 and spend Kshs. 276,802,342.61 which is 59 percent absorption rate.

Key achievements in FY 2018/19 included; a compilation of 7 markets and survey files, survey of Wayani, Nguu, Ziwani, and Kiboko A, B and C, issuance of 18,047 title deeds, refurbishing of Malikiti Vegetable Market and construction of Wote Green Public Park.
The department also facilitated the purchase of land for various infrastructural development which included; land for extension of Kathonzweni Stock Yard, Nooka Primary and Kativani TTI, Mulala Playing Ground, Makutano Talent Centre and Kithuni Dispensary.

Other key achievements included; drafting five policies on County Housing Policy, Waste Management; Minerals and Mining; County Planning and Development Policy and Public Nuisance, Outdoor Advertisement Policy; and County Pollution Policy.

2.2.3.3 Water Resource Management

In FY 2018/19, the county government spent Kshs 11,302,584.00 on groundwater development programme against a budget of Kshs 25,429,998.14. This enabled the department to equip 6 boreholes, rehabilitate 4 boreholes and drill 14 new ones. Piped water supply programme had an overall expenditure of Kshs 213,502,549.99 against a budget of Kshs 543,373,044.07 which facilitated laying out of 72 km of new pipeline extensions. Also, the department spent Kshs 169,570,454.26 on water harvesting programme which facilitated construction of 28 earth dams, rehabilitation of 5 earth dams and construction of 17 sand dams and one water sump.

The department also carried out tree planting initiatives during the rainy seasons and supported 4 groups in the establishment of tree nurseries by supplying tree establishment materials. 15 gabions were constructed and 2,150 trees planted at Kiu catchment area. The overall expenditure on environmental conservation was Kshs 27,039,884.21 against a budget of Kshs 60,427,807.60.

Table 14: Department of Water; Budget Allocation and Expenditure –FY 2016/17 – 2018/19

	FY2016/17			**FY 2017/18**			**FY 2018/19**			**FY 2019/20**
Programme	**Revised Budget**	**Expenditure**	**Absorption rate (%)**	**Revised Budget**	**Expenditure**	**Absorption rate (%)**	**Revised Budget**	**Expenditure**	**Absorption rate (%)**	**Revised Budget**
Environment protection and management	173.47	162.66	94	104.29	71.63	69	60.43	27.04	45	55.18
Groundwater development	18.77	13.44	72	78.06	38.72	50	25.43	11.30	44	117.28
Market hygiene and sanitation	-	-								11.55
Piped water supply	359.85	207.16	58	396.85	132.22	33	543.37	213.50	39	489.46
Water harvesting and storage	657.62	436.24	66	393.31	177.14	45	335.47	169.57	51	462.08
Irrigation development	18.77	13.44	72	-	-					-
Total	1,228.47	832.95	68	972.52	419.71	43	972.90	421.42	43	1,135.57

Source; County Treasury

Over the period 2016/17 to 2018/19. Piped water supply programme has had the highest allocation compared to the other programmes. However, in FY 2016/17, the water-harvesting programme had the highest allocation of Kshs 657,618,510.60 to support the development of water harvesting structures in each ward.

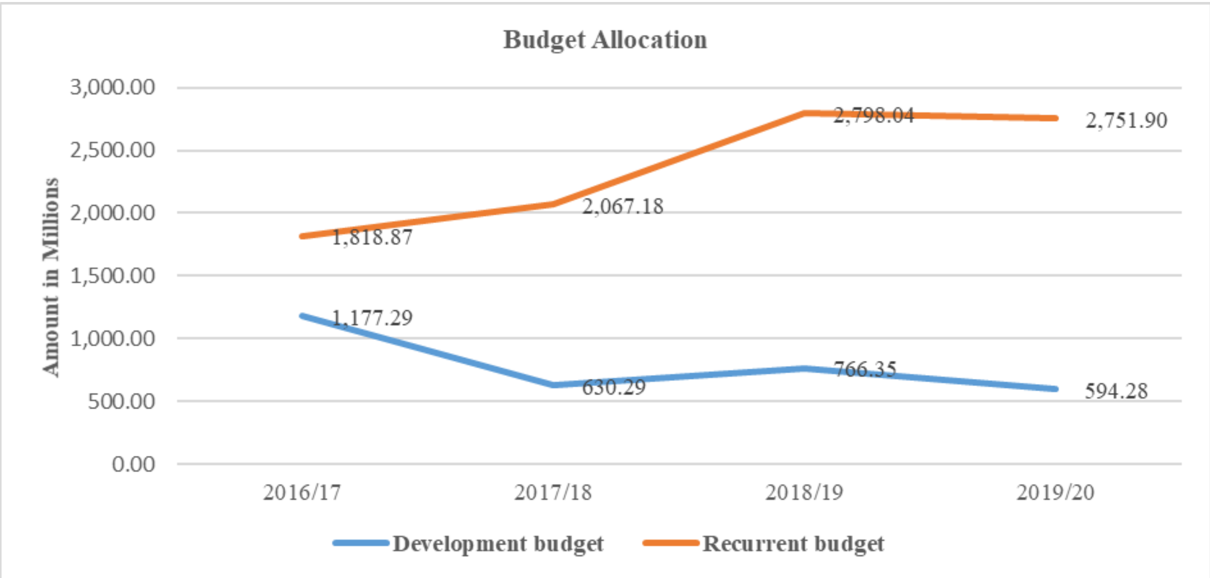
2.2.3.4 Health

During the period under review, the sector received Kshs. 766,349,907.81 towards various development programmes. The overall absorption was 51per cent (Kshs 392,094,831.62 of the total funds allocated). The funding was geared towards enhancing the provision of quality health care in the county.

Key achievements in FY 2018/19 include; Completion of Makindu Trauma Centre that will address issues of trauma arising from accidents along the busy Nairobi-Mombasa highway and completion of maternity at Makueni Referral Hospital that will result to enhanced maternal services.

The Department spent Kshs. 69,851,582.75 on construction, renovation, upgrading and equipping of 25 health facilities across the county. The department also constructed public toilets in 4 markets (Katilamuni, Ithumula, Ngaikini and Kingutheni) and upgraded electricity connection in Makindu and Makueni hospitals and 22 rural health facilities. The department also initiated construction of a youth-friendly centre in Makueni referral hospital. The facility upon completion will provide family planning services to the youth.

In the Financial year, the department spent Kshs 7,369,100 to purchase various medical equipment's which included; digital X-ray machine, ultrasound machine, cardiotocograph and pulse oximeters.
To strengthen the universal health care programme destined "Makueni Care", the government spent a total of Kshs 164,353,153.70 to ensure the provision of affordable, sustainable and quality healthcare to the citizens. As a result, there has been witnessed an improvement in the performance of most of the health indicators. A total of 68,500 households were registered under the Makueni Care Scheme.



Source; County Treasury
Figure 11:Department of Health; Budget Trend – FY 2016/17 – 2019/20

The department's recurrent budget has been increasing over the years mainly attributed to expanding wage bill occasioned by various collective bargaining agreements which are at various stages of implementation. The development budget has been decreasing during the period under review due to a change in priorities from the construction of new health facilities to upgrading and equipping the existing facilities.

Table 15: Department of Health Budget Allocation and Expenditure –FY 2016/17 – 2018/19

	FY 2016/17					FY 2017/18		2018/19		FY 2019/20
Programme	**Revised Budget**	**Expenditure**	**Absorption Rate(%)**	**Revised Budget**	**Expenditure**	**Absorption Rate(%)**	**Revised Budget**	**Expenditure**	**Absorption Rate(%)**	**Revised Budget**
Health Infrastructure Development	707.02	580.56	82	253.06	174.48	69	224.17	129.73	58	158.66
Curative (Donor funding)	301.54	168.94	56	226.07	66.84	30	376.17	93.21	25	196.74
Universal health care (Makueni Care)	168.73	167.57	99	151.17	151.12	100	166.00	164.35	99	281.65
Total	1,177.29	917.06	78	630.29	392.43	62	766.35	387.29	51	637.05

Source; Department of Health services

Infrastructure development and Makueni care have been highly funded over the years.

2.2.3.5 Education Sector

The sector was allocated a total budget amounting to Kshs 1,988,875,293.16 for the period FY 2016/17 to FY 2018/19 for various programmes. The department recorded an overall absorption of 84 per cent amounting to Kshs. 1,668,703,101.61 for the period 2016/17-FY 2018/19.

The department recorded the highest absorption in the FY 2017/18 (87 per cent) with FY 2018/19 recording the least at 80 per cent. The budgetary allocation has generally been increasing since 2016/17 with a slump in allocation experienced in FY 2017/18. The increment is attributed to the increased conditional allocation for development of Youth Polytechnics, which currently stands at Kshs 68,067,948.00.

Analysis of the programmes that have an aspect of development is presented below with ECDE and vocational training having relatively higher budgetary allocation and expenditure.

Table 16: Department of Education; Budget and Expenditure – FY 2016/17 – FY 2019/20

Programme	**FY 2016/17**			**FY 2017/18**			**FY 2018/19**		
	Budget	**Expenditure**	**Absorption Rate (%)**	**Budget**	**Expenditure**	**Absorption Rate (%)**	**Budget**	**Expenditure**	**Absorption Rate (%)**
Early childhood education development	226,374,644	189,879,683	84	99,680,190	83,055,144	83	137,490,813	98,307,788	72
Vocational and Technical training	139,540,893	107,190,661	77	130,061,248	97,919,339	75	88,682,809	56,200,967	63
Support to education	120,781,997	112,804,765	93	79,175,397	75,676,258	96	34,910,000	31,402,438	90
ICT Infrastructure & Systems Development	68,898,223	48,913,685	71	36,857,669	33,801,762	92	22,696,281	19,122,700	84
Youth Development Support and Empowerment	76,319,018	55,006,358	72	59,076,457	40,693,460	69	67,492,530	49,714,050	74
Sports	113,786,684	96,701,954	85	55,523,671	30,281,749	55	48,644,249	14,491,752	30

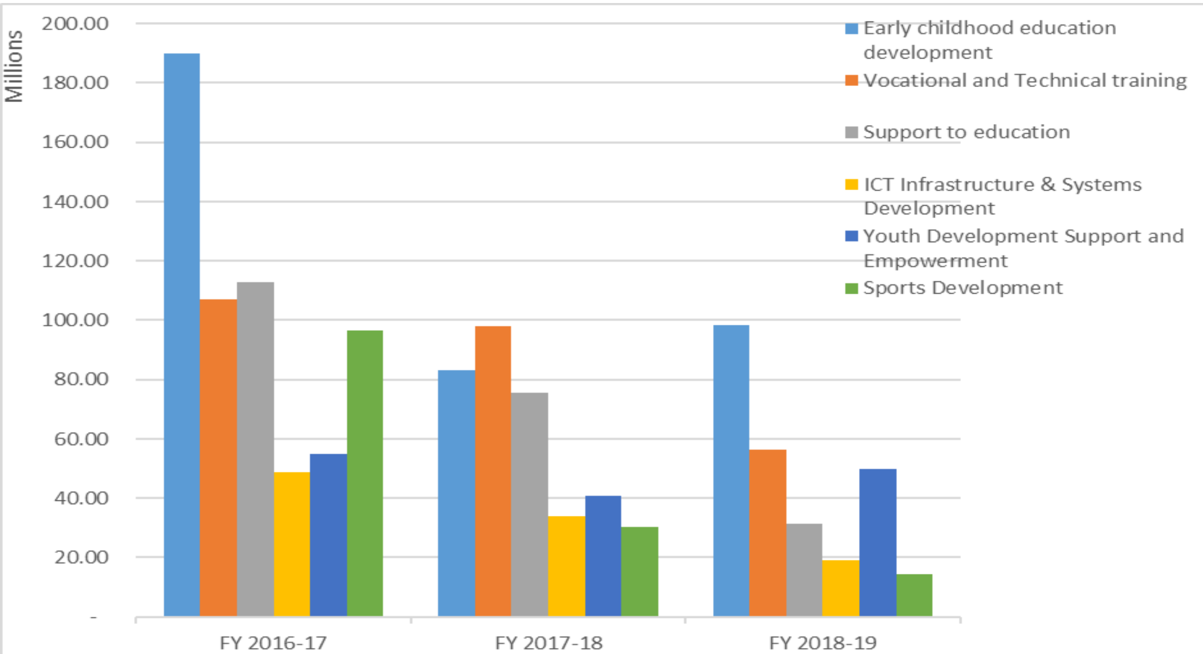
Development									
Total	**745,701,459**	**610,497,106**	**82**	**460,374,632**	**361,427,711**	**79**	**399,916,681**	**269,239,695**	**67**
Source: County Treasury									

In the FY 2018/19, the department spent Kshs 98,307,787.99 (72 per cent absorption rate) to support the Early Childhood Development Education (ECDE) programme. This involved construction of 38 ECDE centres and installation of a 5,000 litres water tank in every facility and capacity building to ECDE officers and teachers on Competency-Based Curriculum and in adopting and implementation of the national school policy.

ECDE sub-sector had the highest budget allocations followed by vocational and technical training programmes. This can be attributed to the fact that these are the two main and fully devolved functions in the education sector. The expenditure was on infrastructure development, equipping, enumeration of staff and capitation in the learning institutions.

During the FY 2018/19, the county spent Kshs 56,200,966.78, for infrastructure development and equipping of 8 CTTIs. The Government employed 33 new instructors and enhanced the skills of 46 managers on administrative skills. The National Government Vocational Training Centres Support Grant (VTCSG) for CTTIs supported 4,121 CTTI trainees in 46 CTTIs and supported four CTTIs to start income-generating activities.

In the FY 2018/19, the county spent Kshs 31,402,438.00 (90per cent absorption rate) of the allocated budget of Kshs 34,910,000.00 on supporting education activities of the vulnerable, needy and bright students. Of this expenditure, Kshs 24,000,000.00 was spent on the county bursaries and scholarships programme. By closure of the financial year, 1,050 learners were awarded bursaries and 94 given full scholarships as they joined Form One. This has led to an increase in the total number of bursary beneficiaries to 42,682 at a total cost of Kshs. 301million since FY 2013/14 and increased scholarship beneficiaries from 179 to 273. In the scholarship programme, 34 (15 females and 19 males) are pursuing higher education in various institutions in the country.



Source; County Treasury

Figure 12: Department of Education; Expenditure by Programme – FY 2016/17 to FY 2018/19

The county spent Kshs 49,714,049.75 (74 per cent absorption rate) of the Kshs 67,492,529.64 meant for youth empowerment and development programmes to undertake key programmes. This included; *Ajira* digital programme, *2jiajiri programme* in collaboration with KCB, hydroponics training and sensitization of 800 youths on the AGPO.

On sport development, the county spent Kshs 14,491,752.00 (30 per cent absorption rate) of the Kshs 48,644,248.81 on the following sporting activities; *Ligi Mashinani/Supa cup*, county rugby team - division one league and the county pool table challenge. The programme has resulted in transitioning of four youths (one boy and three girls) to different elite clubs. A total of 720 teams have participated in the ward championships.

The department has mainstreamed PWDs in the sporting activities and this saw youths participate in Paralympic competition in Abu Dhabi in March 2019.

The department spent Kshs 19,122,700.00(84per cent absorption rate) on activities meant to increase access to ICT services by the public and enhance the use of ICT in county service delivery. Some of the key activities implemented included advanced computer training (*Tusome Computer Nduani phase 11)* for 120 youths and enhancing access to ICT skills in the 14 CICs established within the county.

2.2.3.6 Trade, Industry, Marketing, Tourism and Cooperative Development

In the FY 2018/19, the Department had a total allocation of Kshs129,345,820.41 out of which Kshs 98,634,158.55 was spent on various activities and programs representing 76% absorption. Cooperative Development programme recorded the highest expenditures amounting to Kshs 30,636,816.25 for key interventions such as; ENE Microfinance, Cooperative Development Programme and Support to SACCOs and Groups.

Table 17: Department of Trade; Expenditure by program - FY 2016/17 – FY 2018/19

Program	**Revised budget FY 16/17**	**Expenditure**	**Absorption**	**Revised budget FY 17/18**	**Expenditure**	**Absorption**	**Revised budget FY 18/19**	**Expenditure**	**Absorption**	**Revised budget FY 18/19**
Cooperative development	40.72	36.10	89	33.24	30.99	93	34.98	30.64	88	49.34
Market infrastructure development	161.53	128.21	79	68.17	22.56	33	29.01	12.10	42	36.92
Trade promotion and industrial development	91.40	49.04	54	16.41	2.85	17	6.15	4.82	78	9.79
Tourism promotion	12.67	8.72	69	12.15	9.26	76	6.79	3.47	51	6.89
Consumer protection	-	-					1.46	1.46	100	2.00
Total	306.33	222.07	72	129.9	65.67	51	78.39	52.49	67	104.9

Source; County Treasury

The allocation for Cooperative Development has been consistent as compared to other programs. Market Infrastructure Development program registered the highest decline in allocation from Kshs. 128,208,360.15 in FY 2016/17 to Kshs 12,097,621.82 in FY 2018/19. This has been attributed by the change of priorities by the communities in prioritizing programmes and projects at the devolved levels.

Table 18: Department of Trade; Expenditure and Absorption rate – FY 2016/17 – FY 2018/19

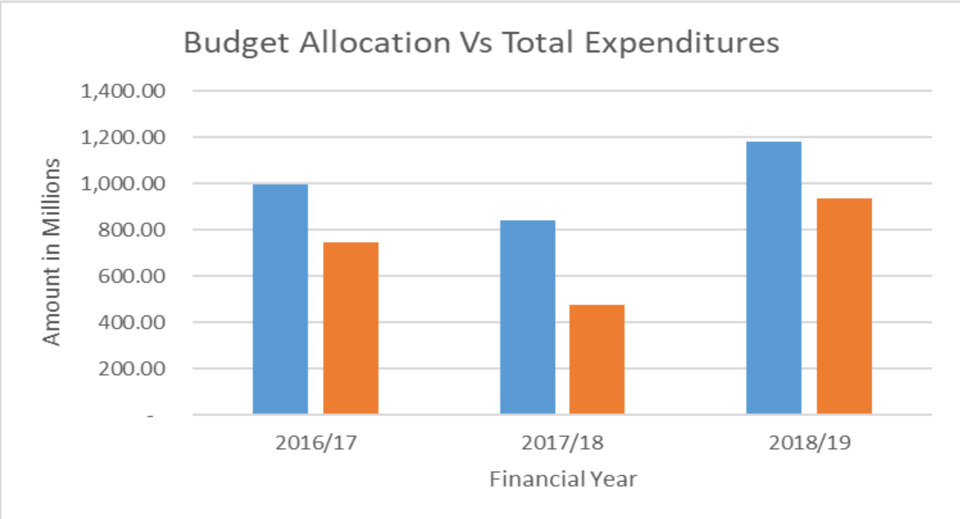
Financial Year	Budget	Expenditure	Percentage
FY16/17	315,528,565.60	222,068,440.20	70
FY17/18	129,977,795.45	65,667,710.00	51
FY18/19	78,392,637.71	52,486,947.10	67
FY 19/20	78,764,973.00		

Source; County Treasury

The departments' absorption rate has portrayed a consistent trend with FY 2016/17 recording the highest at 70per cent and FY 2017/18 recording the least at 51per cent. The absorption improved to 67per cent in FY 2018/19. Budget allocation for development has been declining in the last two financial years but slightly raised in FY19/20.

2.2.3.7 Transport, Infrastructure and Energy

In FY 2018/19, the department had a total budget of KShs. 1,182,482,978.08 for various programs, which represented 11per cent of the total county budget. The department utilized Kshs. 937,426,878.85 representing an absorption rate of 79 per cent. This expenditure portrayed a tremendous increase from Kshs. 476,268,585.05 and Kshs. 747,793,475.95 recorded in FY 2017/18 and FY 2016/17 respectively.



Source; Department of Transport & infrastructure

Figure 13; Department of Transport; Budget allocation and expenditure – FY 2016/17 – 2018/19

The departmental allocation has been increasing over the past three years. In the financial year 2018/19, the department had the highest budget of KShs. 1,182,482,978.08. The increase was as a result of an increase in own-source revenue and conditional allocation for fuel levy. FY 2018/19, recorded the highest absorption rate of 79 per cent while FY 2017/18 recorded the lowest at 57per cent.

In the financial year 2018/19, the county spent KShs. 678,917,369.85 under the road transport to upgrade and maintain county roads.

Table 19: Department of Transport; Development Budget Trend – FY 2016/17 – FY 2019/20

	FY 2016/17			FY 2017/18			FY 2018/19			FY 2019/20
Programme	**Revised Budget**	**Expenditure**	**Absorption Rate(%)**	**Revised Budget**	**Expenditure**	**Absorption Rate(%)**	**Revised Budget**	**Expenditure**	**Absorption Rate(%)**	**Revised Budget**
Energy Infrastructure &Development	91	40	44	33	6	17	28	25	92	7
Infrastructure Development	184	154	83	107	101	95	92	58	63	69
Road Transport	578	417	72	574	245	43	870	679	78	681
Total	853	611	72	714	351	49	989	762	77	757

Source; County Treasury

In the Energy infrastructure development programme, the department spent Kshs. 25,229,984.00 out of the total allocation of Kshs.27,515,281.00 to support rural electrification. The rural electrification programme connected public institutions, juakali and cottage industries to the national grid. The supply of electricity recorded a 14.3per cent increase from 5.7 per cent in 2013. To promote the use of clean energy, 96 solar floodlights were installed in different markets across the county, three streetlights, one floodlight and 10 transformers procured awaiting distribution to various identified places.

Infrastructure development is vital to the generation of employment opportunities, wealth and productivity growth in the county. The county government allocated Kshs.91,877,530 to construct Emali greengrocer and phase 2 of Emali and Nunguni bus parks and complete construction of executive office block, governor and deputy governor residences through landscaping, parking, walkways car sheds, construction of boundary walls and equipping. A total of KShs. 57,599,216.00 was utilized representing 63 per cent absorption rate.

2.2.3.8 Social protection sector performance

In the fiscal year 2018/2019, the Department of Gender, Children, Culture and Social Services spend a total of Ksh. 33,435,371.13 on three programmes: Social Protection (PWD, OVC & Elderly), men and women empowerment/gender mainstreaming and Arts and Culture & Music Promotion and Development. This was in the effort to support the participation of the vulnerable in economic development and labour markets thereby enabling them to access public services and investment in human capital through employment and empowerment programs as well as raising their productivity. The table below shows the budgets, expenditure and absorption rate per programme.

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Table 20: Department of Gender, Social Services; - Expenditure by Programme – FY 20118/19

Programme Name	Budget	Expenditure	Absorption
Social protection (PWD, OVC, elderly)	27,098,343.1	26,570,038.18	98
Men and women empowerment/gender mainstreaming	4,850,000.0	4,584,202.95	95
Arts, Culture Promotion and Development	2,281,130.0	2,281,130.00	100
Total	34,229,473.10	33,435,371.13	98

Source; County Treasury

The department realized the following key achievements in FY 2018/19;

i. Child protection; sensitized 5,000 children on their rights and 10 street children referred to the Mukuru Rescue Center for rehabilitation. Besides, 90 community-based child protection champions were trained as well as drafting the children's policy and strategy paper on child protection.
ii. Empowerment activities for the elderly and PWDs; 200 (over 65 years) elderly had their NHIF cover renewed, 228 PWDs supported with assistive devices to aid their mobility and reduce dependency. The county also supported Kalongo special needs primary schools through the construction of two classrooms, 4 door latrines and a 10,000-litre plastic water tanks.
iii. Gender mainstreaming programme; handled 1,324 sexual and gender-based violence cases, increased effort in fighting Sexual and Gender-Based Violence (SGBV), a total of 651 duty bearers were capacity build and one Gender-Based Violence Centre constructed and operationalized. A draft policy on Sexual and Gender-Based Violence and gender mainstreaming policy have been developed.

A total of Ksh. 2,281,130.00 was spent on Arts, Culture and Music promotion and development programme which translated to 100 per cent absorption rate of the allocated budget. In Arts and Culture promotion and development, one cultural exhibition was held at Makueni ASK satellite show; one cultural event organized (SIFA blast) and 33 Akamba cultural artefacts acquired and accessioned.

Other key achievements in the period included; mapping of Mau Mau veterans where 1,589 veterans and 1,795 offspring were identified, established the Makueni County Choir and established Makueni recording Studio where 40 single recording and 7 full albums were recorded to help nurture and promote our youths who have talents in music. Also, 50 filmmakers were trained in film production in collaboration with the Kenya Film Commission (KFC).

The Gender development budget has been decreasing over the Financial Years 2016/17 to 2018/19. This is because some of the departmental functions were transferred to other departments such as Youth. However, the departmental budget allocation assumed an upward trend in the FY 2019/20 due to increased funding of the key departmental programmes.

Table 21: Department of Gender; Development Budget & Expenditure – FY 2016/17 – 2019/20 (in Millions)

	FY 2016/17			FY 2017/18			FY 2018/19			FY 2019/20
Programme	**Revised Budget**	**Expenditure**	**Absorption Rate (%)**	**Revised Budget**	**Expenditure**	**Absorption Rate (%)**	**Revised Budget**	**Expenditure**	**Absorption Rate (%)**	**Revised Budget**
Social protection (PWD, OVC, elderly)	190.32	184.30	97	50.95	23.41	46	27.10	26.57	98	93.07
Tetheka Fund	5.00	5.00	100	28.00	9.00	32				0.00
Men and women empowerment/ gender mainstreaming	10.00	10.00	10				4.85	4.58	95	0.27
Arts and Culture Promotion and Development							2.28	2.28	100	9.01
Total	205.32	199.30	97	78.96	32.41	41	34.23	33.44	98	102.34

Source; County Treasury

The department's budget absorption rate has been quite impressing for the last three financial years except in the FY 2017/2018. Social Protection programme receives a huge budget allocation as compared to the other programmes run by the department. This is attributed to the concerted efforts to empower the vulnerable population which is one among the very key mandates of the department.

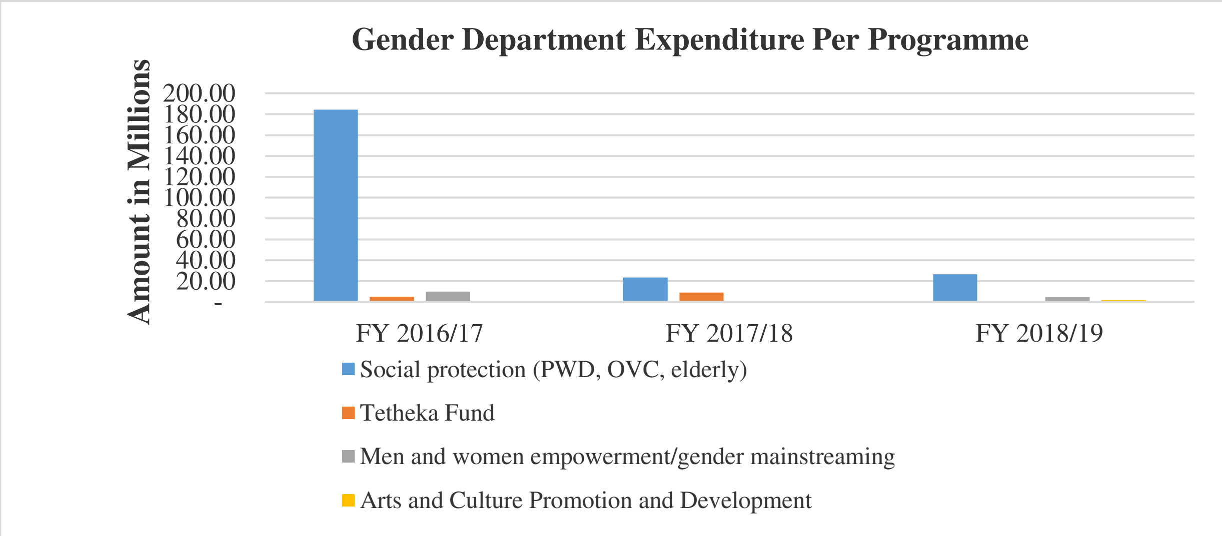


Figure 14: Department of Gender, Children, Culture and Social Services; Expenditure by Programme – FY 2017/17 – FY 2018/19

*2.2.3.9 Public Administration and International Relations (Pair) **Sector***

The Public Administration and International Relations (PAIR) Sector comprises the following departments: County Attorney's Office, County Public Service Board, Office of Governor, Office of Deputy Governor, County Secretary, Finance and Socio-Economic Planning, the County Assembly and the department of Devolution, Administration, Participatory Development and Public Service.

A review of departmental annual budgets vs. expenditures from FY 2016/17 to FY 2018/19 indicates that the sector has considerably high absorption rates. This is attributed to the facilitative and coordinating role played by the departments in service delivery of county government functions. Also, the sector provides overall policy direction and leadership to the county government and coordinates policy formulation, resource mobilization allocation and management, participatory development, oversight and legislation, monitoring and evaluation, and human resource management.

In FY 2016/17, the Department of Finance and Planning had the highest budget absorption rate of 100 per cent while the County Public Service Board had the lowest absorption rate of 91 per cent.

In the financial year 2018/19, the Office of the Governor and the County Assembly recorded the highest absorption rate of 97 per cent compared to other departments within the PAIR sector. The County Attorney office had the lowest rate of budget absorption at 58 per cent.

Table 22: *Summary of budget vs. expenditure for Departments in the PAIR sector FY 2016/17 – FY 2018/19*

	FY 2016/17			FY 2017/18			FY 2018/19			FY 2019/20
Department	**Budget**	**Expenditure**	**Absorption Rate (%)**	**Budget**	**Expenditure**	**Absorption Rate (%)**	**Budget**	**Expenditure**	**Absorption Rate (%)**	**Budge**
County Attorney's Office	38.19	35.17	92	30.38	25.79	85	36.09	21.08	58	24.84
County Public Service Board	75.64	69.08	91	65.23	63.00	97	61.24	58.74	96	54.35
Office of Governor	245.16	231.19	94	188.94	167.55	89	187.28	181.07	97	178.08
Office of the Deputy Governor				28.60	26.39	92	16.57	14.29	86	13.45
County Secretary	343.44	317.81	93	848.26	833.68	98	312.13	298.36	96	390.66
Finance & Socio Economic Planning	727.25	727.25	100	918.95	703.90	77	733.53	659.17	90	925.69
Devolution & Public Service	379.58	351.79	93	306.67	269.87	88	301.79	284.18	94	370.24
County Assembly	703.99	677.12	96	696.41	659.26	95	847.45	823.66	97	867.60
TOTAL	2,513.26	2,409.42	96	3,083.45	2,749.46	89	2,496.08	2,340.55	94	2,824.91

Source; County Treasury

In FY 2016/17, the Department of Finance and Planning had the highest budget absorption rate of 100 per cent while the County Public Service Board had the lowest absorption rate of 91 per cent. The County Public Service Board (CPSB) had the highest absorption rate of 97 per cent in the financial year 2017/18 while the department of Devolution and Public Service had the lowest budget absorption rate of 88 per cent. In the financial year 2018/19, the Office of the Governor and the County Assembly recorded the highest absorption rate of 97 per cent compared to other departments within the PAIR sector. The County Attorney office had the lowest rate of budget absorption at 58 per cent.

2.2.4 The Implication of 2018/19 Fiscal Performance on Objectives Contained in the 2018 CFSP

The County Fiscal Strategy Paper (CFSP) 2019 projected county revenues of Ksh. 8,676,113,386.97 for FY 2019/20 Budget. This comprised of an equitable share of Ksh. 7,037,000,000, own-source revenue of Ksh. 550,000,000 and conditional allocations of Ksh. 386.858, 873.00. The projected budget was comprised of Development allocation – Kshs Ksh. 2,769,908,844.04 (31.93per cent of the total budget) and recurrent expenditures amounting to Ksh. 5,906,204,542.93.

The actual budget estimates for the FY 2019/2020 posted an increase in the total revenues to Ksh. 9,286,317,262.00 with a development budget of Ksh. 3,300,525,449.05 and recurrent budget of Ksh 5,985,791,812.95. Conditional grants posted the highest deviation off projection with a 267.92per cent variance. Total revenue projections from the CFSP and budget estimates show a variance of 7.03per cent which shows a good ability to estimate the county's revenues and anticipated expenditures.

Table 23: Comparing CFSP 2019 and Budget FY 2019/2020

Item	CFSP projections	Budget Estimates	Variance
Recurrent Total	**5,906,204,542.93**	**5,985,791,812.95**	1.35
Personnel Emoluments	3,803,329,436.31	3,789,811,569.17	-0.3
Operations and Maintenance	2,102,875,106.62	2,195,980,243.78	4.43
Development Budget	**2,769,908,844.04**	**3,300,525,449.05**	19.16
Equitable share	7,037,000,000.00	7,254,000,000.00	3.08
Own Source Revenue	550,000,000.00	609,000,000.00	10.73
Conditional allocations	386,858,873.00	1,423,317,262.00	267.92
Total Budget	**8,676,113,386.97**	**9,286,317,262.00**	7.03
The percentage share of personnel emoluments to the total budget	43.84	40.81	
Percentage share of Operations and Maintenance	24.24	23.65	
The percentage share of own-source revenue	6.34	6.56	
The percentage share of recurrent to budget	68.07	64.46	
The percentage share of Development Budget	31.93	35.54	

Source; County Treasury

2.2.5 Fiscal Responsibility Principles

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: The County Government's revised development expenditure as a per cent of total budget was 41.47 per cent in FY 2018/19, and is set to remain above the 30 per cent minimum threshold set out in the PFMA framework over the medium term.

3 RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

3.1 National Performance Review and Outlook

The National Real GDP grew at an estimated 6.3 per cent in 2018, from 4.9 per cent in 2017. This was supported by good weather, eased political uncertainties, improved business confidence, and strong private consumption. On the supply side, services accounted for 52.5per cent of the growth, agriculture for 23.7per cent, and industry for 23.8per cent. On the demand side, private consumption was the key driver of growth. The public debt–to-GDP ratio increased considerably over the past five years to 57 per cent at the end of June 2018. Half of the public debt is external.

A tighter fiscal stance reduced the fiscal deficit to an estimated 6.7per cent of GDP in 2018, with the share of government spending in GDP falling to 23.9per cent from 28.0per cent in 2017. To stimulate growth, the Central Bank of Kenya reduced the interest rate to 9per cent in July 2018 from 9.5per cent in May. Nonetheless, a law capping interest rates discourage savings, reduces credit access to the private sector (especially small and medium enterprises), and impedes banking sector competition, particularly by reducing smaller banks' profitability. The exchange rate was more stable in 2018 than in 2017.

Real GDP is projected to grow by 6.0per cent in 2019 and 6.1per cent in 2020. Domestically, improved business confidence and continued macroeconomic stability will contribute to growth. Externally, tourism and the strengthening global economy will contribute towards the growth.

The government plans to continue fiscal consolidation to restrain the rising deficit and stabilize public debt by enhancing revenue, rationalizing expenditures through zero-based budgeting, and reducing the cost of debt by diversifying funding sources. Inflation is projected to be 5.5per cent in 2019 and 5.4per cent in 2020 due to prudent monetary policy. Kenya also benefits from renewed political momentum (including the 2010 constitution and devolution), a strategic geographic location with sea access, and opportunities for private investors, and the discovery of oil, gas, and coal along with continued exploration for other minerals.

Kenya continues to face the challenges of inadequate infrastructure, high-income inequality, and high poverty exacerbated by high unemployment, which varies across locations and groups (such as young people). Kenya is exposed to risks related to external shocks, climate change, and security. The population in extreme poverty (living on less than \$1.90 a day) declined from 46 per cent in 2006 to 36 per cent in 2016. But the trajectory is inadequate to eradicate extreme poverty by the year 2030.

Kenya's Big Four (B4) economic plan, introduced in 2017, focuses on manufacturing, affordable housing, universal health coverage, and food and nutrition security. It envisages enhancing structural transformation, addressing deep-seated social and economic challenges, and accelerating economic growth to at least 7 per cent a year. By implementing the Big 4 strategy, Kenya hopes to reduce poverty rapidly and create decent jobs.

National Sector Performance Review

Table 24: Gross Domestic Product by Activity, Growth Rates

Percentage Contribution to GDP

Industry	**2014**	**2015**	**2016+**	**2017+**	**2018***
Agriculture, forestry and fishing	27.5	30.2	31.1	34.8	34.2
Mining and quarrying	0.8	0.9	0.8	0.8	0.8
Electricity supply	1	1.4	1.9	1.8	1.8
Manufacturing	10	9.4	9.3	8	7.7
Water supply; sewerage, waste management	0.8	0.7	0.7	0.7	0.7
Construction	4.9	4.9	5.1	5.6	5.4
Wholesale and retail trade; repairs	8	7.5	7.2	7.4	7.4
Transport and Storage	8.6	8.1	8.1	7.5	8
Accommodation and food services activities	0.9	0.8	0.7	0.7	0.7
Information and communication	1.2	1.5	1.5	1.3	1.3
Financial and insurance activities	6.8	6.7	7.1	6.1	6
Real estate	7.7	7.5	7.6	7.1	7
Professional, scientific and technical activities	1	0.9	0.9	0.8	0.8
Administrative and support service activities	1.1	1	1	0.9	0.9
Public administration and defence	4.5	4.3	3.9	3.6	3.5
Education	5.2	4.9	4.4	4	4.3
Human health and social work activities	1.7	1.7	1.7	1.5	1.5
Arts, entertainment and recreation	0.1	0.1	0.1	0.1	0.1
Other service activities	0.6	0.6	0.6	0.6	0.6
Activities of households as employers	0.5	0.5	0.5	0.4	0.4
FISIM (Financial Intermediation Services Indirectly Measured)	-2.5	-2.6	-2.8	-2	-1.9
All economic activities	90.4	91.1	91.4	91.7	91.3
Taxes on products	9.6	8.9	8.6	8.3	8.7
GDP at market prices	100	100	100	100	100

*Provisional

Revised+

Source: Kenya National Bureau of Statistics (2019 Economic Survey Report)

2019 National and County Outlook

3.2 National Outlook

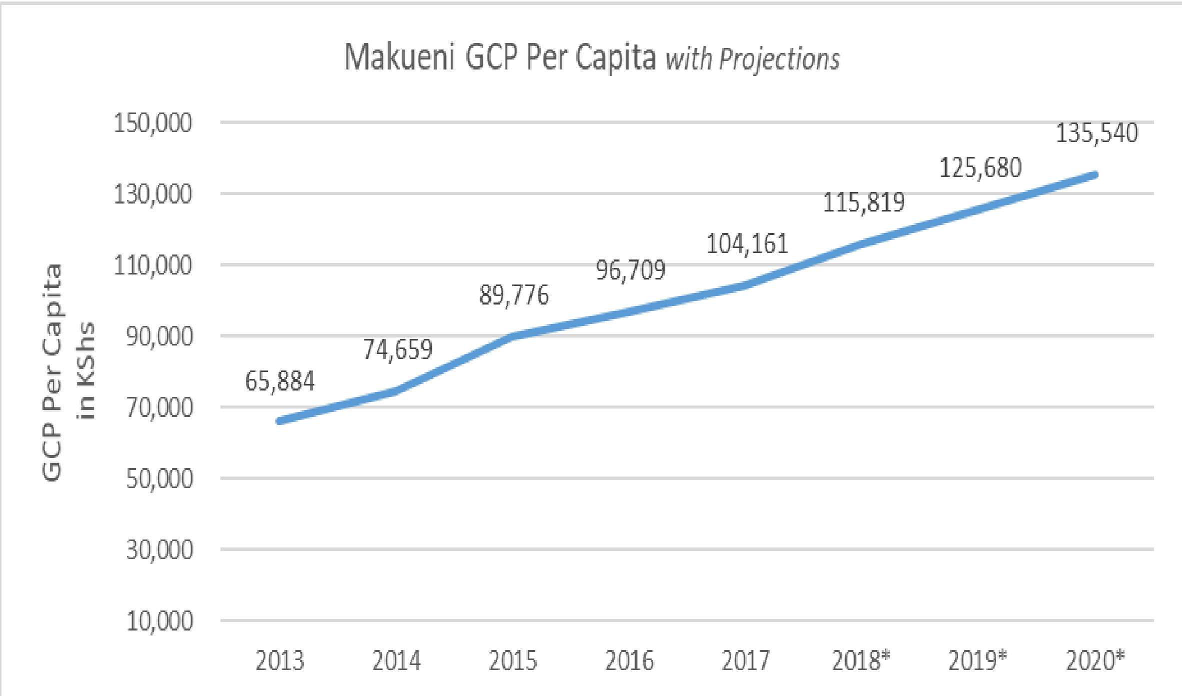
Performance of Kenya's economy looks less optimistic in 2019 on account of several factors. The 2019 long rains have delayed and weather forecast indicate that most parts of the country will experience depressed rainfall, while several others may record almost long rains failure. If this materializes, direct negative impacts will be felt within the activities of agriculture, electricity and water supply sectors. Further impacts could be experienced in industries that have strong interlinkages with these sectors. However, activities of the tourism sector are likely to remain vibrant supported by strong expansion in tourists' arrivals. The construction industry is expected to follow the current trend given the ongoing infrastructural development by the government as well as the prevailing private sector confidence.

Inflation is likely to rise significantly, largely driven by an increase in food prices as a result of constrained domestic production in 2019. This could worsen if the magnitude of the expected rise in fuel prices ends up being substantial. The Kenyan Shilling exchange rate against major trading currencies is expected to remain stable supported by diaspora remittances and a significant level of reserves.

On the demand side, growth is likely to be driven by both the public consumption as well as private sector investment. Public consumption is projected to be underpinned by the ongoing development in infrastructure. Private consumption might not expand as rapidly as that of public, but is likely to remain robust in 2019 and therefore supportive of growth, while business confidence should remain strong enough to back up expansion in investment. Exports are likely to be constrained by a subdued external demand against a background of a slowdown in global trade. Overall, the economic growth is likely to slow down, but key macroeconomic indicators are likely to remain within desirable ranges throughout 2019.

3.3 County Outlook

The county economy in the year 2018 is expected to have produced 113 billion at current prices from 61 billion shillings in 2013. The county experienced accelerated growth with a 12per cent annual economic growth rate since the inception of devolution which is higher than the National which grew at an annual average economic growth rate of 5.5per cent over the same period. In 2020, the county economy is expected to grow at 10per cent hence attaining a gross value of 133 billion shillings. This can be attributed to the government and private investment towards revamping and boosting agricultural production and value addition within the county and the nation.



Source; County Treasury

Figure 15; Makueni GCP per Capita

Makueni GCP per capita grew at an annual rate of 12.7per cent from 2013 to 2018 while the national growth was 11.6per cent. Each citizen in Makueni is assumed to have approximately produced Kshs. 115,819 in 2018. By 2020, each citizen is expected to economically produce Kshs. 135,540 which translates to Kshs. 11,295 per month. Investments towards the service sector and improved agricultural production are expected to spur economic growth in the County.

3.4 National and County Sector Review and Outlook

Agriculture Sector

Growth in Agriculture Value Added at constant prices increased to 6.6 per cent in 2018 from 1.8 per cent recorded in 2017. The improved performance during the year under review was due to favourable weather conditions for both crops and livestock production, occasioned by the long rains in 2018. Maize production increased by 26.0 per cent from 35.4 million bags in 2017 to 44.6 million bags in 2018. Production of tea and coffee recorded growths of 12.1 and 7.0 per cent, respectively, during the review period. The volume of fresh horticultural exports increased by 6.1 per cent to 322.6 thousand tonnes in 2018. The value of marketed livestock and livestock products increased by 8.3 per cent to KSh 146.8 billion during the year under review.

Overall, marketed production increased by 11.4 per cent from KSh 446.9 billion in 2017 to KSh 497.9 billion in 2018. The County agricultural production was adversely affected, leading to a decline in crop and livestock production. Over the same period, the county cushioned the residents against these effects through food aid and the purchase and distribution of pesticides. In 2019, agricultural production is expected to decrease further due to the rainfall failure in the middle and lower ecological zones and the low volume of rainfall which was experienced in the upper zones during both the short and long rainy seasons according to projections from the National Drought Management bulletins. Besides, a reduction in basic food prices is expected, due to the projected increase in the food supply.

Manufacturing Sector

Activities in the manufacturing sector were robust in 2018 compared to the constrained performance in 2017. During the review period, the sector grew by 4.2 per cent compared to a revised growth of 0.5 per cent in 2017. In contrast with 2017, strong performances were recorded in most activities in the sector in 2018. The sector's performance was largely supported by agro-processing activities and production of beverages that recovered from considerable declines in 2017 to grow remarkably in the period under review. At the county level, manufacturing contributes 0.5 per cent towards the county product. Agricultural manufacturing is expected to increase, with strategies put in place to increase delivery of farm produce to milk and fruit factories in the county. Milk processing at the County through several milk processors commissioned in the County is expected to drive the growth of revenue generated from milk. Growth of cottage industries in sisal, macadamia and minerals is expected to increase value addition and boost the county's manufacturing sector.

Construction Sector

The construction sector expanded by 6.3 per cent in 2018 from a revised growth of 8.5 per cent recorded in 2017. Wage employment in the sector grew by 2.2 per cent from 167.9 thousand persons in 2017 to 171.6 thousand persons in 2018. At the county, major construction and building works are expected in the roads sector, and housing from the private sector, occasioned by the rising demand for housing in urban centres. This is due to increasing urbanization which is growing at 11per cent.

Accommodation and Food Services

The sector sustained the growth momentum that started in 2016 to grow by 16.6 per cent in 2018. This performance was against a backdrop of the enhanced security situation in the country coupled with visits by heads of states and dignitaries, and international conferences. Also, the growth was supported by withdrawal and relaxation of travel advisories, the introduction of charter flights from key cities in Europe, increased flight frequency and routes, and the inauguration of the Nairobi-New York route in October 2018. During the review period, international visitor arrivals rose by 14.0 per cent in 2018 from 1,778.4 thousand in 2017 to 2,027.7 thousand in 2018. Consequently, hotel bed-nights occupied increased by 32.5 per cent in 2018 compared to 31.2 per cent in 2017. Similarly, the number of conferences increased by 7.8 per cent to stand at 4,321 in 2018. The improvement in tourism indicators was partly attributable to concerted marketing efforts such as branding of tourism products, digital marketing and global campaigns during the review period. The county has been experiencing increased demand for accommodation and food services due to increased urbanization and a growing middle class. The continued, increased investment in this sector, is expected to persist through 2019. Continued investment in urban infrastructure and tourist attraction sites, is expected to increase private sector investment.

Information and Communication

The Information and Communication Technologies (ICT) sector continued to be a key enabler of growth across most sectors of the economy as economic agents leverage on availability of technologies to grow their businesses and maximize returns from their investments. During the review period, the sector grew by 11.4 per cent in 2018 compared to 11.0 per cent in 2017. The sector's growth was bolstered by the continued expansion of the telecommunications sub-sector especially mobile telephony and internet services that have been integrated into most personal and business activities. Most telecommunications indicators pointed to accelerated activity in the sector. The number of call minutes rose by 26.8 per cent to 55.9 billion minutes in 2018 compared to 44.1 billion minutes in 2017. During the period under review, the number of mobile transactions increased significantly (65.5 per cent) while the total number of transactions rose from 1.5 billion in 2017 to 1.7 billion in 2018. A total of KSh 4.0 trillion was transacted through mobile money in 2018 compared to KSh 3.6 trillion recorded in 2017. At the county level, tax administration, marketing and information dissemination have contributed to the growth in the utilization of the ICT services. Information communication technology is expected to increase with the government's intention to increase automation of its functions. The county is also leveraging technology in marketing agricultural products through Digifarm, and other marketing platforms.

Finance and Insurance Activities

Performance of the financial and insurance sector was stronger in 2018 compared to constrained growth in 2017 following the introduction capping of interest rates in 2016. The growth realized in the period under review was mainly supported by considerable improvements in financial activities in spite of a deceleration in the growth of insurance activities. The sector expanded by 5.6 per cent in 2018 compared to 2.8 per cent in 2017. During the review period, domestic credit rose by 4.6 per cent in 2018 compared to 8.7 per cent in 2017. Growth of credit to the National Government was slower (13.6 per cent) in 2018 compared to 27.5 per cent in 2017. Similarly, credit to the private sector expanded by

1.9 per cent in 2018 compared to 4.1 per cent growth in 2017. Money supply rose by 10.1 per cent in 2018 compared to 9.6 per cent growth in 2017.

The county has invested in financial inclusion for the unbanked through table banking and connecting them to financial services. Access to financial services has also been improved through government support. The county population has received increased access to subsidized loans, through local banks. The sector is therefore expected to improve in the county in the coming year with the completion of processes to license the ENE micro-finance bank.

Water, Environment and Natural Resources
The Gross Value Added from the environment and natural resources sector increased to KSh 287.2 billion in 2018 from KSh 254.8 billion registered in the previous year. The total value of minerals increased by 5.9 per cent to KSh 30.4 billion in the review period. The value of fish landed rose by 4.5 per cent to KSh 24.0 billion in 2018. The value of fish from freshwater sources, which accounted for 81.0 per cent of the total value of fish rose from KSh 18.6 billion in 2017 to KSh 19.4 billion in the year under review. The National Government expenditure on water supplies is expected to rise by 46.3 per cent to KSh 53.4 billion in 2018/19. The Government forest plantations stocking increased from 135.1 thousand hectares in 2017 to 141.6 thousand hectares in 2018. The total number of Environmental Impact Assessments (EIAs) increased by 33.3 per cent from 1,842 in 2017 to 2,456 in 2018. Most parts of the country experience heavy rainfall during the year with all the meteorological stations recording Total Rainfall (TOT) above their Long-Term Means (LTMs).

Transportation and Storage
Performance of the Transportation and Storage sector partly depends on the level of economic activity in goods related productive sectors. In 2018, the Transportation and Storage sector expanded by 8.8 per cent compared to 7.2 per cent in 2017. The growth realized in the sector emanated from notable growths in most of the transportation sub-sectors. The sector's growth was considerably supported by increased activity in railway transport that has flourished since the introduction of the Standard Gauge Railway (SGR) train services between Mombasa and Nairobi. The number of passengers and freight kilometres more than doubled, while those of passenger journeys and freight tonnage increased significantly during the review period. Revenue generated from railway transport increased from KSh 700 million in 2017 to KSh 1,743 million in 2018. At the county level, this sector contributes 5.3 per cent of the county gross product. Growth in revenues from the sector is expected to increase due to the efforts geared towards upgrading more than 150 kilometres of road annually.

3.5 Fiscal Policy Outlook

The County resource basket has been increasing at a decreasing trend from FY 2013/14. As such, the Government will take a cautious and pessimistic approach in forecasting revenues for FY 2020/21 and the medium term to manage expectations and improve budget credibility. Fiscal policy over the medium-term aims at enhancing revenue mobilization and ensure diversification of revenue mobilization both from own source revenue and through public-private partnerships.
Over the medium term, driven by continued reforms in revenue administration and revenue enhancement measures, revenue collection is projected to be Kshs. 9,512,609,939.00. The budget will remain balanced with expenditures equivalent to the revenues.

Table 25: Makueni Gross County Product 2017

No.	Sector	2017 Makueni Gross County Product 2017 GCP at Constant Prices (000,000)	Percent Contribution	2017 GCP at Current Prices (000,000)	Percent Contribution
1	Agriculture, forestry and fishing	17,616	33.11	47,606	47.2
2	Education	10,026	18.85	9,477	9.4
3	Real Estate Activities	3,650	6.86	5,463	5.4
4	Public administration and defense	3,647	6.86	6,927	6.9
5	Construction	3,119	5.86	5,739	5.7
6	Wholesale and retail trade; repair of motor vehicles	3,203	6.02	5,875	5.8
7	Transport and storage	2,943	5.53	5,276	5.2
8	Financial and Insurance Activities	3,133	5.89	7,050	7.0
9	Information and communication	1,596	3.00	881	0.9
10	Human Health and Social Work Activities	1,590	2.99	2,885	2.9
11	Other Service Activities	1,218	2.29	1,972	2.0
12	Mining and quarrying	530	1.00	638	0.6
13	Manufacturing	282	0.53	412	0.4
14	Water supply; waste collection	456	0.86	768	0.8
15	Accommodation and food service Activities	286	0.54	285	0.3
16	Electricity Supply	212	0.40	373	0.4
17	Professional, technical, and support services	1	0.002	2	0.002
18	FISIM1	-306	-0.58	(703)	-0.7
	Total	**53,202**	**100.00**	**100,926**	**100.0**

Source: Kenya National Bureau of Statistics (2018 GCP Report)

4 RESOURCE ALLOCATION FRAMEWORK

The Medium-Term Fiscal Framework (MTFF) for the FY 2020/21 emphasizes on efficiency and effectiveness of public spending and improving revenue collection to ensure delivery of the envisaged socio-economic transformation.

4.1 Adjustments to the FY 2019/20 Budget

Given the performance of the FY 2018/19 budget and the updated economic outlook for the period FY 2019/20, recurrent expenditure pressure remains the highest fiscal risk. Wage pressure which has been increasing over the period which will limit the funding for the development expenditure this is amidst the decline in the national transfers which have been increasing at a decreasing rate.

The adjustments to the FY 2019/20 budget will take into account the actual performance of the expenditure in the FY 2018/19 and Quarter One of FY 2019/20 and absorption capacity of the departments. In the face of the rising expenditure and the declining revenue sources, the Government will rationalize expenditure by cutting down the non-core focus areas but give priority to the capital expenditure with emphasis on the ongoing development projects.

On Own Source Revenues (OSR), the Revenue Directorate is expected to fully roll out the automation process and broadening the revenue streams to ensure all the streams are captured in the system. Additionally, the government will streamline revenue from property rates once the County Valuation Roll is approved by the County Assembly. There will be stringent measures to follow up on rate defaulters to ensure that revenue is paid timely.

The 2019/20 budget departmental ceilings set in the 2019 CFSP were realigned to take into consideration the set agenda for socio-economic transformation agenda and the balances brought forward from FY 2017/18. The County Government’s overall development budget to be implemented in the FY 2019/20 will be Kshs. 4,647,665,132.78 being; development budget for FY 2019/20 and balances brought forward from FY 2017/18.

Table 26: Summary of Revised Development Budget

Expenditure item	Development FY 2019/20	Additional Funding (Reallocation and additional funding)	Total Available Development funds
Development Budget	3,300,525,449	1,347,139,683.73	4,647,665,132.78

Source; County Treasury

The implementation of the FY 2019/20 has been slow in the first quarter. This has been attributed by the lack of agreement on the amount of funds to be allocated to Counties, which has delayed disbursement of funds. In effect, this has affected the implementation of various programmes planned for the first quarter. It’s projected that the implementation will be fast-tracked once the division of revenue bill is approved.

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.

4.2 Medium-Term Fiscal Projections

The Medium-Term Fiscal aims at supporting rapid and inclusive economic growth continue the fiscal consolidation programme while creating fiscal space for the implementation of the agenda as spelt out in the CIDP 2018-2022 for increased household income for sustainable livelihoods. The revenue collection is projected to be Kshs. 10,261,801,398.35 by FY 2022/23. Recurrent expenditures are expected to increase to Kshs. 6,499,595,516.44 in the medium term from the Kshs. 5,985,791,812.95 in the printed estimates for FY 2019/20. The development budget is expected to stabilize at 37% of the total budget as the county seeks more funding from PPPs and donors in the medium term. The projected development expenditure is expected to rise to Kshs. 3,762,205,881.91 by FY 2022/23 up from the Kshs 3,300,525,449.05 recorded in the printed estimates for FY 2019/20.

To mobilize revenues and cushion against further revenue shortfalls, the Government has put in place measures aimed at enhancing both own source and external resource mobilization strategies. These, among others, include:

i. Establishing an external resource mobilization unit;
ii. Enhancing the county capacity in resource mobilization;
iii. Establishing a county public-private partnership unit;
iv. Preparing a database of bankable projects;
v. Strengthening partnership through South Eastern Kenya Economic Bloc;
vi. Strengthening revenue streams inter-linkages;
vii. Establishing a prosecution system;
viii. Enhancing change management;
ix. Establishing the county revenue potential;

4.3 FY 2020/21 Budget Framework

4.3.1 Revenue projections

The FY 2020/21 budget targets revenue collection including the grants. As indicated above, the performance will be underpinned by the broadening of the revenue streams and efforts to ensure revenue streams not captured in the automated revenue system are included and property rates are enhanced. The total revenues are expected to be Kshs. 9,512,609,939.00 up from Kshs. 9,286,317,262.00 in printed estimates for financial year 2019/20.

Table 27: Fiscal Revenues for 2018/19-2021/22 MTEF period

Revenues	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
Equitable share from National Government	7,127,800,000.00	7,254,000,000.00	7,365,692,000.00	7,464,638,000.00
County generated revenue	511,702,071.85	609,000,000.00	650,000,000.00	700,000,000.00
Conditional allocations/loans & grants	767,594,033.40	1,423,317,262.00	1,146,917,939.00	1,436,120,208.05
PPPS & other Development partners	-	-	350,000,000.00	550,000,000.00
Total	**8,407,096,105.25**	**9,286,317,262.00**	**9,512,609,939.00**	**10,150,758,208.05**

NB; FY 2018/19 is based on actual revenue performance for the financial year.

Source: County Treasury

4.3.2 *Expenditure Projections*

In FY 2020/21, overall expenditures are projected to be Kshs 9,512,609,939.00 which is an increase from Kshs 9,286,317,262.00 in FY 2019/20. The Recurrent expenditure is estimated at Kshs 6,172,609,939.00 up from Kshs 5,985,791,812.95 which is explained by the annual increment in salaries and wages. The Capital Expenditure is estimated at Kshs 3,340,000,000.00 up from Kshs 3,300,525,449.05. The Development Index is estimated at 35 per cent down from 37 per cent recorded in FY 2018/19. The reduction is as a result of the reduction of projected allocations from conditional allocations, loans and grants such as leasing of medical equipment and IDEAS led programme funding for Makueni Fruit Processing Plant.

Table 28: Projected Expenditures for 2018/19-2021/22 MTEF period

	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
Salaries	3,681,435,288.54	3,789,811,569.17	3,979,302,147.62	4,178,267,255.01
Operation & Maintenance	1,938,094,809.46	2,195,980,243.78	2,193,307,791.38	2,195,980,243.78
Recurrent	5,619,530,098.00	5,985,791,812.95	6,172,609,939.00	6,374,247,498.79
Development	3,306,329,616.00	3,300,525,449.05	3,340,000,000.00	3,776,510,709.26
Total Budget	8,925,859,714.00	9,286,317,262.00	9,512,609,939.00	10,150,758,208.05
Development Index (Percentage)	37	36	35	37

Source; County Treasury

4.3.3 *Overall Deficit and Financing:*

The Government aims at maintaining a balanced budget in FY 2020/21. However, the county will pursue auxiliary mechanisms of raising revenues through loans and grants which will be guided by the County Debt Management Strategy Paper. The overall budget deficit (including grants) in 2020/21 is projected to be Ksh 350 million (equivalent to 3.7 per cent of the County Budget). The part of the budget deficit will be financed through Public-Private Partnerships (PPPs).

4.3.4 *Transfers to Entities*

The MTEF resources take into account the transfers to County Agencies and Authorities including water companies and boards. The various entities will be required to maximize revenues which will subsequently reduce the over-reliance on the county exchequer.

4.4 *FY 2020/21 Medium-Term Expenditure Framework*

The Government will continue with its policy of expenditure prioritization to ensure equity thereby improving the general welfare of all citizens. Realization of these objectives will have implications in the budget ceilings provided in this County Budget Review and Outlook Paper.
In the FY 2020/21, allocation of resources will be guided by how programmes;

i. Have detailed concept notes detailing the objectives, desired outcomes, beneficiaries, costs and in line with the Annual Development Plan 2020-21,
ii. Demonstrate achievement of the budget theme for increased household income,
iii. Demonstrate proper design through KPIs on a detailed three-year rolling framework,
iv. Strengthen the integrated community development,

v. Are aligned to the big four agenda as a means of tapping direct resources from National Government.
vi. Demonstrate counter funding from other development programmes,
vii. Demonstrate how the programmes will support youth economic empowerment strategies
viii. Demonstrate consideration of all projects not completed to scope/ not being utilized to capacity as per the report prepared during the feedback forums, and
ix. Mainstream crosscutting issues and strategies.

Going forward, and given the FY 2020/21 strategic priorities, the MTEF budgeting will be adjusted to fund core expenditures for the priority sectors. The resource allocation will be guided by the key priorities in the ADP.

a. The community economic empowerment thematic area which comprises of Agriculture, Rural and Urban Development Sector and Trade and Cooperatives Sector will receive adequate resources. The main areas of focus include; agricultural production and productivity, measures to enhance food security as well as value addition, commercialization and marketing of the county products. It is expected that the efficient utilization of the resources allocated will spur local economic development.
b. Water and environment sector will receive the second-largest share of the resources. Water has remained the priority for many areas in the County for a long period. This is occasioned by the effects of climate change which continue to be felt across the county and increased human activities which have affected the water towers.
c. The Energy, Infrastructure and ICT Sector is the driver of the county economy and increased investments in the sector signal the Government's commitment in improving the infrastructure in the county to provide efficient road connectivity and network as well as the provision of reliable and affordable energy. Other priority sectors include youth empowerment, health and education which will continue to receive adequate resources.

4.4.1 Policy Shift Areas

The implementation of the FY 2020/21 – 2022/23 Medium Term Expenditure Framework will encompass a policy shift in the delivery of the development programmes. The important aspects in the paradigm shift include;

a. Undertaking planning as a continuous process as opposed to a one-off activity. The entire development cycle (planning, budgeting, implementation and monitoring). This will include continuous citizen engagement through the entire cycle providing feedback and creating an enabling environment for meaningful citizen engagement.
b. Focus on high impact programmes, projects and initiatives as opposed to many interventions across the county with little development outcomes.
c. Enhanced cross-sectoral linkages. The Government will focus on delivering development as one through the Whole of Government Approach in delivery of the services. This is motivated by the declining resources; the emerging community needs as well as the need to improve service delivery.
d. Community-Led Local Economic Development. Over the medium term, the Government will approach development from the village cluster level, assigning the village cluster as the basic planning and implementation unit leveraging on the participatory development units and the framework to deliver holistic development.

4.4.2 Sector Indicative Ceilings

Reflecting on the Medium Term Expenditure Framework, the table below provides the indicative projected baseline ceilings for the 2020/21 MTEF, classified by sector.

Table 29:Indicative Sector Budget ceilings – FY 2020/21

		FY 2019/20 BUDGET ESTIMATES	FY 2020/21 RECURRENT BUDGET PROJECTION	FY 2020/21 DEVELOPMENT BUDGET PROJECTION	FY 2020/21 BUDGET ESTIMATES PROJECTION
1	Agriculture & Rural Development	1,002,787,389.42	296,729,765.47	1,031,383,037.66	1,328,112,803.13
2	Trade, Tourism & industrial development	125,260,856.27	48,213,177.44	51,131,979.49	99,345,156.93
3	Environment Protection, Water and Natural Resources ,	761,954,018.90	179,860,303.73	769,798,840.47	949,659,144.20
4	Health Services	3,331,726,418.73	2,841,789,275.62	555,161,720.32	3,396,950,995.94
5	Education, Social Protection, Culture and Recreation	833,028,901.44	457,574,821.36	222,898,594.82	680,473,416.18
6	Energy, Infrastructure, ICT, Urban Development & Housing	636,079,661.38	170,030,236.40	471,449,257.05	641,479,493.45
7	Public Administration	2,595,480,015.85	2,178,412,358.99	238,176,570.18	2,416,588,929.17
	Total	**9,286,317,262.00**	**6,172,609,939.00**	**3,340,000,000.00**	**9,512,609,939.00**

Source; County Treasury

The projected development projections include funds for conditional allocations, loans and grants and funds projected to be mobilized through Public-Private Partnerships.

5 CONCLUSION AND NEXT STEPS

The FY 2020/21 budget is being prepared on the backdrop of a need to promote one government approach towards delivering the development agenda to the community. This will enhance coordination and integration in implementation and generate great outcomes with available dwindling resources by the various entities through enhancing efficiencies.

The Government expenditures in the FY 2020/21 will be scrutinized to ensure quality and alignment with the set objectives in the 2020/21 Annual Development Plan. The Government will pursue prudent fiscal policies aimed at supporting rapid and inclusive economic growth.

To address the weak linkage between planning and budgeting, the funding to development programmes in the FY 2020/21 will strictly be on the strategies/interventions as prioritized in the 2020/21 ADP. The County Treasury will support departments through the planning and budget officers to prepare programme project concept notes for the programmes and strategies as outlined in the ADP. Allocation of resources for FY 2020/21 will be based on the concept notes as approved by the resource allocation panel. This will form the basis for the setting of the ceilings in the 2020 County Fiscal Strategy Paper. Departments are asked to innovate means of delivering capital programmes such as developing community action plans. These can contribute positively to the achievement of more objectives/ outputs from the available funding.

The County Treasury will realign the participatory planning and budgeting process to ensure economic analysis and preliminary appraisals of projects are done before funding and the developed programme concept notes form the basis of engagement with the citizenry. This will also support funding to only the high impact projects.

The communities remain critical stakeholders in the delivery of county development programmes. The county will ensure development is integrated at the community level by utilising the village clusters as the basic planning units. Communities at these levels will be expected to map all sources of livelihoods and prepare village action plans that will exploit the opportunities within their locality aligned to the county agro-ecological and economic zoning.

The resource envelope and ceilings for each Sector provided in this Budget Review and Outlook Paper will form inputs into the next County Fiscal Strategy Paper which will be finalized by mid-February 2020.

Annex I: 2020/21 MTEF BUDGET CALENDAR

Activity	Responsibility	Timeframe/ Deadline
Develop and issue circular on Budget preparation and MTEF guidelines.	C.E.C Finance and Planning	By 30th August 2019
Develop the County Annual Development Plan	C.E.C Finance and Planning	By 30th August 2019
Presentation of County Budget Review and Outlook Paper (BROP) to County Executive Committee for approval	County Treasury	By 27th September 2019
Preparation of Departmental Public Expenditure Reviews – covering FY 2013/14 – FY 2018/19	All departments/ Finance and Planning to Co-Ordinate	By 27th September 2019
Presentation of County Budget Review and Outlook Paper to County Budget and Economic Forum (CBEF)	C.E.C Finance and Planning in consultation with the Governor	By 4th October 2019
Submission of County Budget Review and Outlook Paper (BROP) to the County Assembly	County Treasury	By 21st October 2019
Circulation of approved BROP to County Executive and Accounting Officers	County Treasury	By 21st October 2019
Capacity building for MTEF and programme based budget (PBB)	C.E.C Finance and Planning in collaboration with National Treasury	September – October 2019
Dissemination and feedback forums on ADP 2020-21, CBROP 2019 and FY 2019/20 Budget at the Village Clusters	CEC Finance and Planning	September – October 2019
Start of Sector Consultations	All departments – Finance and Planning to coordinate in consultation	By 1st November 2019
Participatory Budgeting – Citizen Engagements on 2020 CFSP and FY 2020/21 Budget –Village, Village clusters, Sub Wards, Ward levels, Thematic groups (Youth, Women, Children, PWDS, PLHIV, Diaspora)	To be done in conjunction with departments	By the end of December 2019
Presentation and Submission of final sector reports	All C.E.Cs /SWGs for their respective departments	By 31st January 2020
Resource allocation panel sittings	All C.E.Cs /SWGs for their respective departments	By 31st January 2020
Development of County Fiscal Strategy Paper (CFSP)	County Treasury.	By 31st January 2020
Submission of County Fiscal Strategy Paper (CFSP) to C.E.C for approval.	County Treasury.	By mid - February 2020
Presentation of County Fiscal Strategy Paper to County Budget and Economic Forum (CBEF)	C.E.C Finance and Planning in consultation with the Governor	By 21st February 2020
Submission of County Fiscal Strategy Paper (CFSP) to County Assembly	County Treasury	By 28th February 2020

Issue of a circular for finalization of 2020/21 – 2022/23 MTEF estimates and PBB	County Treasury	By mid - March 2020
Circulate Approved County Fiscal Strategy Paper (CFSP) to the county executive and accounting officers	County Treasury	By mid - March 2020
County Peoples Forum	County Treasury	By mid - March 2020
Finalization of Departmental itemized and Programme Based Budget (PBB)	All departments	By the end - March 2020
Review and finalization of Departmental itemized and Programmed Based Budgets	County Treasury	By mid - April 2020
Submission of Budget Estimates to County Executive for approval	County Treasury	By mid - April 2020
Publish departmental itemized and Programme Based Budgets	County Treasury	By 17th April 2020
Presentation of Budget to County assembly	C.E.C Finance and Planning	By 30th April 2020
Approval of the Budget and Appropriation Bill by the County Assembly	County Assembly	By 30th June 2020
Publication of the Budget Estimates	County Treasury	By 17th July 2020
Submission and Approval of the Finance Bill	C.E.C Finance and Planning and County Assembly	By 30th September 2020