

REPUBLIC OF KENYA



GOVERNMENT OF MAKUENI COUNTY

THE COUNTY TREASURY

COUNTY-BUDGET REVIEW AND OUTLOOK PAPER-2016

Vision

“A County Where Resources Are Sustainably Harnessed and Equitably Shared For The Benefit Of Every Household”

September, 2016

Foreword

This County Budget Review and Outlook Paper (CBROP) 2016, is the fourth to be prepared by the County Government in accordance with the Public Financial Management Act, 2012. The paper presents the recent economic developments and actual fiscal performance of the FY 2015/16. In addition the paper gives an outlook of the Financial Years 2016/17 and 2017/18.

The paper reviews the economic performance at the National and County Government level for the period 2015/16 financial year. The national economic performance gives an indication of fiscal projections that are likely to impact the County Government funding for the FY 2017/18. The County performance is assessed by reviewing County budget absorption rates, revenue generation strategies performance and projects implementation status.

The paper serves as a baseline for financial resource allocation and sector ceilings for 2017/18 financial year. The budget review paper considers the strategic interventions identified in the Makueni County Vision, 2025, County Integrated Development Paper (CIDP), County Fiscal Strategy Paper 2016, and County Annual Development Plan (ADP) 2017/18. These strategic documents spell interventions aimed at accelerating Socio-Economic Transformation agenda. The paper ensures linkage between planning and budgeting by prioritizing identified interventions in the ADP during budget finalization.

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Abbreviations and Acronyms

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

EXECUTIVE SUMMARY

The County Budget Review and Outlook Paper (CBROP) 2016 provide a review of the FY 2015/16 fiscal performance in relation to the objectives set out in the 2016 County Fiscal Strategy Paper. The performance coupled with updated macroeconomic outlook provides a basis for revision of the current budget and outlines broad parameters underpinning the 2017/18 budget.

The 2015/16 financial year budget was more capital focused compared to previous budgets. The budget estimates comprised of 49.8 percent recurrent and 50.2 percent development estimates. The budget was mainly financed from four sources; the National Government (68.91 percent), 2014/2015 reallocated funds (27.12 percent), Own Generated Revenue (3.84 percent) and donor funds (0.14 percent)

The fiscal year 2015/2016 actual revenue receipts amounted to Kshs.8, 934,859,577.60 representing 94.55 percent against a target of Kshs.9, 449,929,070.33. The Local revenue actual collection was Kshs. 217, 998,870 representing 54.50 percent against a target of Kshs 400,000,000. The County received Kshs. 12, 065,000 against Kshs. 24,130,000.00 from DANIDA for health sector support and Kshs. 187,352,970.00 against the budgeted Kshs. 493,000,052.00 from the Conditional Grants. The anticipated Kshs. 51,022,690.00 from World Bank was not received. The actual expenditure and commitments for the period ending 30th June 2016 amounted to Kshs.s 5,682,630,741 and 2,084,119,795 respectively. The total amount for expenditure and commitments represents 82 percent of the 2015/16 budget.

The County anticipates increased budget allocation from the national government based on the 2015/16 audited accounts. The projected equitable share for 2017/18 financial year is Kshs.7.08 billion while own generated revenue is expected to increase to Kshs.550 million. In setting the sector objectives and ceilings the CBROP focuses on the development priorities identified in the 2017/18 ADP to ensure linkage between planning and budgeting. The sector ceilings are based on the projected revenue and the departments' previous fiscal performance.

The National Gross Domestic Product (GDP) expanded by 5.6 in the year 2015. This performance was supported by stable macroeconomic environment, Low and stable inflation, Infrastructural development and increase in exports of goods and services. The GDP expansion had a positive impact on the Makueni County citizens' livelihood. The National economy is projected to grow by 6.0 and 6.4 percent in 2016 and 2017 respectively.

INTRODUCTION

A. Background

1. The County Budget Review and Outlook Paper (CBROP) 2016 is the fourth to be prepared in accordance with the provisions of the Public Finance Management Act, 2012(PFMA).

The Paper reviews the Budget performance for FY2015/16 in relation to the fiscal responsibility principles and financial objectives set out in the PFM Act, 2012. The macro-economic and fiscal forecasts provide the basis to review the FY2016/17 budget and set out the broad fiscal parameters for the FY2017/18 budget and the medium term expenditure framework.

B. Objective of 2016 CBROP

2. The CBROP has four objectives as listed below;

- i. Provide budget performance review of the FY2015/16 fiscal year and how the budget implementation influenced development priorities set out in the Makueni 2015 CFSP.
- ii. Provide an updated macro-economic and fiscal forecast for the 2017/2018 period based on the current performance of key economic indicators.
- iii. Provide sector ceilings for preparation of the 2017/18 budget and the MTEF period guided by the PFM Act, 2012 and 2017/18 ADP.
- iv. Provide information on any changes in the forecasts compared with the CFSP 2016.
- v. Provides a platform for the implementation of the Socio Economic Transformation Agenda as set in the CFSP 2016.

3. The CBROP is embedded on the broad development priorities as detailed in the County's annual development plan 2017/18, The CIDP and The County Vision 2025.

The paper focuses on interventions in the following areas;

- i. Accelerating water harvesting, treatment and distribution.
- ii. Increasing agricultural productivity through value chain enhancement by improved farming practices, use of appropriate technologies and facilitating inputs and output market access.
- iii. Improving access to quality health care by; creating community awareness, implementation of universal health care, enhancing diagnostic services through acquisition of the essential equipment and hiring of specialized health personnel.
- iv. Increasing access to energy, ICT, road infrastructure and improving town and urban planning.

- v. Increase opportunities and economic empowerment of youth, women, men, OVCs and PWDs.
- vi. Modernizing service delivery through leveraging on e-governance and appropriate institutional structures and capacities.
- vii. Enhancing of revenue collection through automation, sealing of revenue leakages, community awareness, enactment and implementation of appropriate policies and laws.
- viii. Increasing access to quality education through ECDE and CTTI's capitation programs and implementation of appropriate CTTI s curriculum, Expansion and equipping community libraries, Enhancement of bursaries and scholarship programs.
- ix. Increasing employment and business opportunities through promotion of trade, tourism, credit accessibility and cooperatives movement.

4. The sector ceilings provided in the 2016 BRPOP will form the indicative baseline for the 2017/2018 budget in accordance to the MTEF budgeting process.

5. The paper is organized in the following five broad sections: Legal Basis for the Publication of the CBPOP, a brief highlight of the recent economic developments and updated macroeconomic outlook, review of the 2015/16 financial year fiscal performance, the resources allocation framework and the conclusion.

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

6. The 2016 County Budget Review and Outlook Paper is prepared in accordance with the provisions of Section 118 of the Public Finance Management Act (PFMA), 2012.

The section provides that:

118. (1) A County Treasury shall –

- a) Prepare a County Budget Review and Outlook Paper in respect of the County for each financial year; and
- b) Submit the paper to the County Executive Committee by the 30th September of that year.

(2) In preparing its county Budget Review and Outlook Paper, the County Treasury shall specify –

- a) The details of the actual fiscal performance in the previous year compared to the budget appropriation for that year;
- b) The updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper;
- c) Information on –
 - i. Any changes in the forecasts compared with the County Fiscal Strategy Paper; or
 - ii. How actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the County Fiscal Strategy Paper for that financial year; and
- d) Reasons for any deviation from the financial objectives in the County Fiscal Strategy Paper together with proposals to address the deviation and the time estimated for doing so.

(3) The County Executive Committee shall consider the County Budget Review and Outlook Paper with a view to approving it, with or without amendments, within fourteen days after its submission.

(4) Not later than seven days after the County Budget Review and Outlook Paper is approved by the County Executive Committee, the County Treasury shall –

- a) Arrange for the Paper to be laid before the County Assembly; and
- b) As soon as practicable after having done so, publish and publicize the Paper.

Fiscal Responsibility Principles in the Management of Public Finance

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

8. Section 103 of the PFMA establishes a County Treasury to monitor, evaluate and oversee the management of public finances and economic affairs on behalf of a county government.

9. The PFMA bestows the responsibility of enforcing fiscal responsibilities envisaged in the constitution on the County Treasuries.

10. In managing the county government's public finances, a County Treasury is required to enforce the following fiscal responsibility principles vide section 107 of the PFMA.

- a) A County Government's recurrent expenditure shall not exceed the County Government's total revenue;
- b) Over the medium term a minimum of thirty percent of the county government's budget shall be allocated to the development expenditure;
- c) the County Government's expenditure on wages and benefits for its public officers shall not exceed a percentage of the County Government's total revenue as prescribed by the County Executive Member for finance in regulations and approved by the County Assembly;
- d) Over the medium term, the Government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure;
- e) The County debt shall be maintained at a sustainable level as approved by County Assembly;
- f) The fiscal risks shall be managed prudently; and
- g) A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future.
- h) Any other that may be provided by PFMA regulations

III. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

11. The National economy followed a positive expansionary trend in 2015. The expansion was as a result of significant growth in some key sectors among them agriculture, construction, real estate, financial and insurance. However, mining and quarrying, information and communication, wholesale and retail trade experienced decelerated growth. (Table 1).

A. Recent Economic Developments

12. Recent developments in the key macroeconomic variables are encouraging. Growth in real GDP remains resilient but downside risks remain. The Gross Domestic Product (GDP) expanded by 5.6 percent in 2015 compared to a 5.3 per cent growth in 2014.

13. This performance was supported by stable macroeconomic environment, Low and stable inflation supported by improved supply of basic foods, lower international oil prices and lower costs of electricity, Infrastructural development and increase in exports of goods and services.

14. Most of the main sectors that drive the economy recorded positive growths of varying magnitudes as shown in Table 1;

Table 1: Performance of Key Sectors

	Sector	2014	2015
1.	Agriculture, Forestry & Fishing	3.5	5.6
2.	Wholesale and retail trade, Repairs	7.5	6.0
3.	Mining and quarrying	14.5	11.0
4.	Electricity Supply	7.3	9.7
5.	Financial and insurance activities	8.3	8.7
6.	Construction	13.1	13.6
7.	Information Communication	14.6	7.3

Source; KNBS

16. Key macroeconomic indicators remained relatively stable during the review period. Overall, inflation eased from 6.9 percent in 2014 to 6.6 percent in 2015 due to lower energy and transport prices.

17. The balance of trade improved as a result of rise in exports and a decline in imports over the same period as detailed in Table 2.

Table 2: Value of Key Domestic Exports in Kshs. Billion

Exports	2014	2015	% Change
Tea	94	123	31
horticulture	97	101	4
Articles of apparel and clothing accessories	29	28	-3
Coffee, unroasted	20	21	5
Tobacco and tobacco manufactures	17	16	-6
Imports			
Petroleum products	293	215	-27
Industrial machinery	257	212	-18
Aircraft and associated equipments	130	83	-36
Road motor vehicles	102	118	16
Iron & Steel	76	88	16

Source: KNBS

18. The weighted average interest rates on commercial banks' loans and advances rose by 1.40 percent from 15.99 percent in December 2014 to 17.45 percent in December 2015. The enactment of the Banking (Amendment) Act, 2016 capping interest rates to no more than 4 percent of base rate set by CBK, is expected to make the cost of credit predictable and affordable.

B. Performance of Selected Economic Sectors

National Performance review

19. Agricultural output raised from 3.5 percent in 2014 to 5.6 percent in 2015. This was partially influenced by abundant rainfall characterized by the El Nino rains.

20. The National Government continued to review and enforce policy measures that govern the exploitation, management and conservation of the environment and natural resources.

21. The manufacturing sector expanded by 3.5 percent in 2015 compared to 3.2 percent in 2014. The growth was partly attributed to reduced cost of inputs such as petroleum products and electricity.

22. The money, banking and finance sector recorded a growth of 8.7 percent in 2015 compared to a growth 8.3 percent in 2014.

23. The building and construction industry registered a growth of 13.6 percent in 2015 compared to an expansion of 13.1 percent recorded in 2014. Construction of SGR and roads works by National and County Governments supported the industry.

24. The energy sector witnessed a steady rise in global inventories of crude oil and other fuels in 2015.

25. The country successfully concluded the digital migration for TV broadcasting ahead of the global deadline.

26. Tourism earnings declined by 2.9 percent from Kshs. 87.1 billion to Kshs. 84.6 billion over the same period. This was caused by declining number of international visitor arrivals due to security concerns, negative travel advisories, and health concerns associated with spread of Ebola.

County Performance Review

27. The 2015/2016 budget focused on the County's strategic priorities detailed in the Makueni 2015 CFSP. During the period, the County implemented water harvesting for socio economic transformation programme (*Kutwikany'a Kiw'u*), which aimed at spurring an inclusive socio economic growth of the County with multiplier effect on related sectors of the economy such as agro- processing; storage and transport; wholesale and retail; construction; financial services as well as diversification and growth.

28. During the period the County initiated 168 projects, 54 were done to completion while the rest are ongoing and expected to be completed by December 2016. Some of the completed projects included;

- i. Cabro paving Wote town (31800m²),
- ii. The County Government has constructed and excavated 84 earth dams, 33 sand dams, 63 piped water projects, rehabilitated 30 stalled projects and drilled 28 boreholes.
- iii. Strengthening Co-operative Governance.
- iv. Survey and issuance of title deeds (24 markets and 20,000 tittle deeds).
- v. Makueni County Referral Hospital (MCRH) Mother and Child Hospital (planned 40% construction) and Makindu Trauma Centre (planned 40% construction).
- vi. Improving transport by opening up access roads, installing street lighting in major markets, cabro paving of towns and construction of bus parks
- vii. Establishing a total of 15 Communication Information centers (CICs)

- across the County
- viii. Investing in value chain development by construction and equipping the Kikima Dairy Plant, administration of 5,541 high breed Artificial Inseminations, acquisition of agricultural, vaccinating 16,800 cattle against Foot and Mouth disease, training over 500 farmers on poultry husbandry.
 - ix. Constructing and improving 78 ECDE centers, employing 900 ECDE instructors and improving infrastructure in 20 CTTI's. The government has disbursed bursaries and scholarships amounting to Kshs. 208,957,288.00 by 2015.
 - x. Empowering the youth through facilitation of formation of 30 *Boda-boda* riders SACCOs, initiating the Talent center at Ngaakaa, and construction and refurbishment of 17 social halls.

29. The projects were mapped along the three pillars contained in the Makueni County Vision 2025 namely;

- i. Economic Affairs Pillar
- ii. The Social Amenities and Services Pillar
- iii. Political and Governance pillar

The Economic Affairs Pillar

30. The pillar is anchored in four departments i.e. Agriculture, lands, trade and transport. This pillar has 11 flagship projects and 38 medium size projects among the four departments.

31. In Agriculture sector the County Government has invested in developing important value chains which include dairy, grain, horticulture, meat and poultry.

32. To support these value chains, the government invested in agro-processing facilities such as Makueni fruit processing plant and the Kikima Dairy Plant. The County Government has allocated cumulatively total of Kshs. 600,900,000 to develop and operationalize Makueni fruit processing plant. The fruit processing plant is expected to be operational by January 2017.

33. Other value chains support initiatives included; administration of 5,541 high breed Artificial Inseminations, acquisition of agricultural Equipment (mowers, rippers, and tractors), vaccinating 16,800 cattle against Foot and Mouth disease, training over 500 farmers on poultry husbandry, supporting farmers with 2,800 KARLO improved *Kienyeji* chicks, seeds subsidies, promotion of group marketing of farm produce among others.

34. The agriculture sub-sector continued with programmes aimed at increasing agricultural productivity as detailed in Table 3;

Table 3: Agriculture Department Key Performance Indicators

Indicator	2014	2015	Change (%)
Indigenous Chicken population (No)	1,074,428	1,096,355	2
Milk production (ltrs)	17,363,970	17,718,337	2
Eggs	11953884	12197840	2
Hides (pcs)	14,432	13,728	-4.8
Goats skins (pcs)	39,538	42,689	7.9
Sheep skins (pcs)	3,564	3,449	3.3
Artificial Inseminations	2,239	5,541	60
Area under Irrigation (Acres)	2,822.5	3,175	12.5
certified assorted seeds distributed (ton)	22	37	68
Sorghum production (tons)	481	451	-6
Green grams production (Kgs)	89444	102,860	13
Pigeon peas production (Kgs)	4,564.0	4,976.100	9
Mangoes production (mt)	117,775	124,928	6
Citrus production (mt)	3,083	3,453	12
Pawpaws production (mt)	39,975	40,974	2.4
Tomatoes production (mt)	7450	7569	1.6
Cabbages production (mt)	460	517	11

35. The lands department focused on sustainable land use management, land titling, town and spatial planning.

36. The department has planned 90 markets, surveyed Mtito Andei, Emali, Sultan Hamud, Wote and Makindu towns and issued 23,978 title deeds. During the financial 2015/2016 the department commissioned Emali and Nunguni modern bus parks. Key indicators posted positive growth as detailed table 4;

Table 4: Lands Department Key Performance Indicators

Indicator	2014	2015	Change (%)
No of title deeds issued	1,290	23,978	1759
No of town fully planned	30	60	100
Part development plans (PDP) in place	21	2	(90)

37. The Trade department under the General Economic and Commercial Affairs sector focused on resource mobilization among the organized groups. The sector rolled out programmes aimed at strengthening cooperative movement to mobilize savings and achieve group marketing such as training of cooperative members, supported formation of 72 cooperatives and financial auditing services to cooperatives.

38. The sector has constructed a total of 24 market sheds and 12 livestock yards.

39. The County Government invested in financial infrastructure by allocating Kshs.46 million towards establishment of a financial institution (*ENE Micro finance*). The performance of cooperative societies in the department is shown in Table 5;

Table 5: Trade Department Key Performance Indicators

Indicator	2014/15	2015/16	Change (%)
No of registered cooperative societies	87	159	82.76
County cooperatives societies' turnover	177,916,457.00	201,500,210.00	13.26

40. The Energy, Infrastructure & ICT sector invested in transport and communication infrastructure to facilitate trade and commerce by opening up access roads, installing street lighting in major markets, cabro paving of towns, construction of bus parks, and establishment of CICs for easy information access.

41. The County Government has established a total of 15 Communication Information centers (CICs) across the County. Eight (8) centers are fully operational offering free public services to the community. The County Government is in the process of operationalizing the remaining seven (7) and increasing the number of equipment and services offered at the centers.

42. The County Government purchased roads equipment (four graders, two rollers, two backhoe loaders, one excavator and one water booser) to undertake road works within the county. The County has upgraded Wote Town by opening up and Cabro paving the major roads to a tune of 11.4 kilometers.

43. The County commissioned transport/road works valued at Kshs.362 million in 2015. In total the county has graded a total of 2.267.3 Km of roads within the County.

44. The Government has enhanced rural electrification by connecting public institutions with electricity. The sector initiated County street lights and flood

lights program in major towns targeting 41 floodlights and 52 street lights installation.

45. The sector provided job opportunities to the youth by engaging them on contractual basis during road construction.

The performance of the sector is detailed in Table 6;

Table 6: Transport Department Key Performance Indicators

Indicator	2014	2015	Change (%)
Light grading only (Km)	543	1827	236
Heavy Grading only(Km)	0	360	
Complete road works to gravel standards Grading, gravelling, concrete and drainage works including culverts, drifts, gabions)-Km	0	80.3	
Drift constructed(No)	0	7	
Street lights installed (No)	88	0	-100
Flood lights installed (No)	10	2	-80
Surfacing with Kerb stones(Km)	0	11.4	
Facilities connected to power under REA	44	4	-91

The Social Amenities and Services Pillar

46. The pillar had a total of 64 projects which comprised of 13 flagships and 51 medium size projects spread across its four sectors: health, education water and environment, and Social Protection, Culture and Recreation. The projects aimed at creating just, all-inclusive and cohesive society enjoying equitable social development in a clean and secure environment.

47. The Government has over the years invested in construction and equipping of health facilities. The aim is to reduce the average distance to health facilities from 6 km to 5 Km.

48. The government has been investing in upgrading Makueni hospital from level four to level five. The Government has done face lift of the hospital and commissioned a renal unit, a high dependence unit and a dental unit. Health specialists have also been recruited to improve service delivery in the facilities.

49. The sector is investing in a Model 200-beds Mother and Child facility which is designed to offer maternal referral services in the region. Once complete, the facility will ease pressure on existing maternal facilities in the region.

50. The government has been able to commission a dental unit at Mbooni Sub County hospital, X-ray theaters at Mbooni and Sultan Hamud sub-county

hospitals, established a trauma center at Makindu and purchased 14 ambulances to strengthen referral system.

51. The County received theatre instruments/CSSD, renal and radiology equipment from the national government under the health equipment leasing programmes. The equipment are installed in the Makueni and Makindu level four hospitals. All key health indicators recorded positive growth during the year under review as shown in Table 7;

Table 7: Department Key Performance Indicators

Indicator	2014	2015	Change (%)
No. of registered medical personnel	50	250	400.00
No. of medical students (MTC)	805	972	20.75
No. of medical personnel per 100,000 of population	102	120	17.65
No of dispensaries	105	129	22.86
No of health centres	19	21	10.53
Children under 1 fully immunized (%)	82	85	3.66
Expectant women attending full (at least 4) ANC clinics	37	43	16.22
Nurse : Population Ratio	1:2,197	1:1,781	
Doctor : Patient Ratio	1:27,735	1:22,217	
Patient : Bed Ratio (in patients)	1:31	1:29	

52. In the education sector, The Government has constructed and improved 78 ECDE centers. This has facilitated increased enrollment of pupils from 47,343 in 2014 to 49,079 in 2015 and employed 900 ECDE instructors. The government has supported the education sector by disbursing bursaries and scholarships amounting to Kshs.208,957,288.00 by 2015.

53. The sector also invested in technical training by improving infrastructure in 20 CTTI's. The enrollment has since increased from 2,780 to 2,958 learners. This is shown in Table 8;

Table 8: Education Department Key Performance Indicators

Indicator	2014	2015	Change	Change (%)
ECDE Gross Enrolment Rate (%)	47,343	49,079	1,736	4
No ECDE instructors	1,764	1,881	117	7
Kids under capitation program (No)	42000	42000		
No of ECDE text books distributed	25152	25152		
Primary school bursary beneficiaries	0	0		
Post-Primary school bursary beneficiaries	8681	8187	(494)	(6)

Indicator	2014	2015	Change	Change (%)
No of CTTI	38	55	17	45
CTTI enrollment	2,780	2,958	178	6
CTTI instructor	204	186	(18)	(9)
Number of operational CIC	7	8	1	14
CTTI course completion rate	1411	1351	(60)	(4)

54. The social protection sector continued empowering the youth through facilitation of formation of 30 *Boda-boda* riders SACCOs and acquisition of 2,100 driving licenses for the riders. The SACCOs were also supported with two motorbikes per SACCO to stimulate income generation and savings.

55. The sector invested in sporting resources by initiating the Talent center at Ngaakaa with an initial cost of Kshs.27million. Other investments included ward sporting, upgrading of playing fields, sponsoring of County marathon and rugby teams to participate in national tournaments.

56. The Government has facilitated the construction and refurbishment of 17 social halls across the County.

57. During the period under review, the county government awarded contracts worth Kshs.90 Million through the AGPO. The performance of the department is as shown in table 9;

Table 9: Gender Department Key Performance Indicators

Indicator	2014	2015	Change(No)	Change (%)
Value of empowerment fund/loans disbursed (KSHS.)	N/A	65M	65M	
No of PWDs supported empowerment/	2,000	5,000	3,000	150
Value of empowerment disbursed to PWDs		8M	8M	
No of community groups supported	40	340	300	750
No of PWDs supported with assistive devices	10	150	140	1400
No of OVCs supported	2000	4000	2000	100
No of OVC institutions supported	50	100	50	100
No of community members equipped with entrepreneurial skills	1240	2000	760	61
No of OVC stakeholders forums held	2	13	11	550
No of partnerships established	1	6	5	500
No of social centres constructed (social halls) and equipped	8	9	1	13
No of community groups formed	20	100	80	400

Indicator	2014	2015	Change(No)	Change (%)
Number of youths trained on AGPO	0	1144	1144	
Number of bodaboda riders trained and licenced	0	2100	2100	
Number of bodaboda saccoes supported	0	30	30	
Number of bodaboda riders mobilized to join SACCOS	0	2100	2100	
Value of contracts awarded under AGPO	0	90M	90M	
Talents nurtured				
Talents Camps	0	600	600	
Governor's Cup	60	80	20	33
Marathon	0	20	20	
Special Games	0	15	15	
Rugby	15	20	5	33
No of sports facilities developed & rehabilitated				
Fields	9	14	5	56
No of community groups formed	20	100	80	400

58. The County Government allocated Kshs.142millions towards support and empowerment programmes. The allocation facilitated participation of the poor and marginalized in the county economic development activities through promotion of Small and Micro-Enterprises for income generation amongst the vulnerable groups.

59. The water sector launched water harvesting for socio economic transformation program aimed at harvesting rain water through surface and sub-surface water structures across the County.

60. During the period under review the water sector has constructed and excavated 84 earth dams, 33 sand dams, 63 piped water projects, rehabilitation of 30 stalled projects and drilled 28 boreholes. The Government has also distributed 38 water tanks each with a capacity of 10,000 liters to institutions and organized groups

61. The department had a development budget of Kshs.1.1billion (22 per cent) which was the highest proportion of the development budget.

62. The completion of the water projects increased the water storage as detailed table 10;

Table 10: Water Department Key Performance Indicators

Indicator	2014	2015	Change
Households with access to clean and safe water (%)	36.5	38.5	2
Water storage per capita (m ³)	14,489.90	18,836.90	4347
Functional boreholes(No)	113	138	25
Existing earth dams / pans(No)	156	240	84
Water extension pipeline (km)	240	310	70
No of water tanks distributed(No)	0	44	44
Operational water user associations	92	92	0

The Political and Governance Pillar.

63. The pillar continued implementing programmes identified in the 2015 CFSP which included coordinating, supporting and facilitating healthy collaboration and partnership between the various sectors and pillars in the county.

64. The pillar had a 50 projects comprised of 12 flagships and 38 medium size projects.

65. The sector invested in the capacity of the citizen by implementing a vibrant public participatory model that facilitated participation of the public from village level during 2016/2017 budget formulation.

66. The sector under department of finance is in the process of implementing revenue automation which is aimed at increasing revenue collection and curbing leakages.

Economic Outlook for 2017/2018

67. The economy is projected to grow by 6.0 and 6.4 percent in 2016 and 2017 respectively supported by strong public investment in infrastructure, a dynamic services sector and favorable demographics.

68. The short to medium-term positive growth projections are based on the assumptions of increased rainfall and enhanced agricultural production, a stable macroeconomic environment, continued low international oil prices, the stability of the Kenya shilling (Kshs.), improved security, boosting tourism and reforms in governance and justice.

69. The growth is pegged on implementation of priority infrastructure under the

MTP II 2013-17 to enhance competitiveness, expand, develop, and modernize roads, rail, ports and other transport infrastructure.

70. The operationalization of mega transport and infrastructure projects like LAPSET and SGR will stimulate economic growth by creating direct employment and reducing the cost of doing business in 2017. The construction of the Standard Gauge Railway will have a positive impact on the County economy. It will spur growth in manufacturing, tourism, transport, trade and agriculture due to the proximity of the railway line. It will improve business activities in the County, attract investors and increase employment opportunities.

71. The Construction of Thwake dam will open opportunities of employment in agriculture, industries and trade. More people will engage in irrigation agriculture and trade which will improve food security and income levels of the citizens. Availability of water coupled with labor force will attract investors in industries within the County. This will result to employment for the youth, improved income and reduction in poverty levels.

72. The projected commercial selling of oil in June 2017 is expected to spur economic growth. The oil will increase revenue collected while lowering the cost of production in the country.

73. The Government's spending is projected to rise by 7.7 percent in 2016 from 5.8 percent in 2015 as it remains committed to spending heavily on infrastructure. This will spur economic activities thus the expansion of the economy.

74. National Government revenue collection is projected to be 1.5 trillion in 2016 giving an indication of more revenue to County governments. This coupled with expanding county economies present a broad spectrum of revenue for development at County level.

75. County revenue collection is projected to rise to Kshs. 550 Million due to implementation of the ongoing revenue reforms including automation and exploitation of new streams in 2016.

76. Consumer spending will also be a key driver of Kenya's economic growth between 2016 and 2020. Private spending is projected to grow from Kshs. 4.7 trillion in 2015 to Kshs. 8.7 trillion in 2020 due to rising incomes, favorable demographics and growing financial inclusion as mobile financial services continue to spread across the country.

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

78. The on-going inter-governmental negotiations and agreements are likely to increase resource allocation to Counties. The projected revenues will trigger increase in development projects in the county thus fast-tracking the socio economic transformation agenda as detailed in the County Vision 2025, CIDP, 2017/18 ADP and 2016 CFSP.

79. The manufacturing sector's performance is projected to maintain its current growth path given the positive growth within the region. Similarly, the financial intermediation sector is likely to maintain its momentum in 2017 mainly on account of enhanced performance and innovations in the sectors.

80. Investments in the construction industry are likely to remain robust against a background of stable interest rates coupled with the on-going government infrastructural projects and the private sector's resilient participation in the real estate development.

81. The above positive outlook assumes continued low oil prices, good agriculture performance, supportive monetary policy, and on-going infrastructure investments.

82. Despite the above prospective outlook, there exist downside risks which are likely to slow down the projected growth. Kenya's next Presidential and legislative elections scheduled for August 2017, political tensions may rise as campaigning gathers momentum. The National Treasury may introduce policies to curb spending during electioneering period to deter misuse of public funds. This may cause delay in project implementation with likelihood of affecting the MTEF calendar similarly, the investment decisions by investors may be deferred until after the general elections. Election related expenditure could result in a cut back in infrastructure spending by the National Government.

83. The above scenarios may result to low absorption rate in development budget.

IV. REVIEW OF FISCAL PERFORMANCE IN 2015/16 FINANCIAL YEAR

A. Overview

84. The implementation of FY2015/16 budget was faced by various challenges. The key challenges included; shortfall in own generated revenue, inadequate capacity to use e- procurement, delays in approval of county bills necessary to operationalize some budget items, inadequate technical skills in some of the departments, 2013/14 and 2014/2015 backlog which increased the number of projects to execute (as a result of delays in the approval of the budgets), high community expectations amongst others.

85. In order to address the above challenges, the Government instituted a number of measures including; timely execution of budgets, recruitment of competent staff, staff capacity building, acquisition of equipment for, roads construction, drilling of boreholes and agricultural mechanization. , revenue collection automation and, internal restructuring of service delivery..

86. The County has four sources of revenue; national equitable share, internally generated revenue, donor funds and conditional grants.

87. In the FY 2015/16 the County received Kshs.5,969,671,381 as equitable share from the national government which was above the 2015 Budget Policy Statement (BPS) County allocation by Kshs.760,798,579. The National Shareable Revenue transfers rose from Kshs.5,208,872,802.00 in the FY 2014/2015 to Kshs.5,969,671,381 in the FY 2015/2016, a 14.6 percent increase. The proportion over the total Budget dropped by 7.90 percent to proportion of 66.81 percent in the FY 2015/2016 from 75 percent in the FY 2014/2015.

88. During FY 2015/16 The County collected Kshs.217,998,870 against a target of Kshs.400,000,000. The revenue collection increased by 1.2 percent compared to 2014/15. However, the collected revenue declined by 0.65 percent as a proportion of the total budget. The experienced shortfall in revenue collection was, in part, attributed to delays in passing the 2015 Finance Bill and inadequate legal and institutional framework, delayed revenue automation and inadequate collection mechanisms.

89. The county budgeted receipts from Donor Funding (DANIDA & World Bank) amounting to Kshs.75,152,686. However, the actual receipts amounted to Kshs.12,065,000.

90. Over the same financial year, the county budgeted for Kshs.493,000,052 as conditional allocations from the National government. Out of the total conditional grants, a total of Kshs.187, 352,970 were received.

91. The county collected Kshs.124, 747,925 in respect of Appropriation In Aid (A-i-A) against a target of Kshs.89,081,516, a 40 percent increase above the target.

92. During the same year, the County had a balance brought forward from the previous year (2014/2015) amounting to Kshs.2,423,023,431.94.

93. The total funds available over the 2015/16 financial year amounted to Kshs.9,449,929,070 (table 11).

94. The FY 2015/16 Budget ratios for recurrent & development budget were 49.8 percent and 50.2 percent respectively. However, out of the overall expenditure and commitments at the closure of the financial year, the recurrent & development expenditures stood at 59 percent and 41 percent respectively.

95. The Government's expenditures and commitments for FY 2015/16 on salaries were 32 percent of the total expenditures, operation & maintenance expenditures was 27 percent of the total while development expenditures was 41 Percent.

B. 2015/16 Fiscal Performance

96. The table below presents the fiscal performance for the FY 2015/16 and the deviations from the Original and Revised budget estimates.

Table 11: Deviations from the original and revised estimates (FY 2015/16)

		2014/2015	2015/2016		Deviation(000)	% growth	2015/2016 as a % of total Budget	2014/2015 as a % of Budget
		Actual(000)	Actual(000)	Budget(000)			Actual	Budget
A	Total Revenue And Grants	6,971,825.05	8,934,859.58	9,449,929.07	-515,069.49	28	95	100
1	Revenue	6,971,825.05	8,934,859.58	9,449,929.07	-515,069.49	28	95	100
	Local Revenue	215,349.95	217,998.87	400,000	-182,001.13	1	54	3.30
	National Shareable Revenue	5,208,872.80	5,969,671.38	5,969,671.38	0.00	15	100	74.50
	2013/14 Reallocation funds	1,328,122.17	2,423,023.43	2,423,023.43	0.00	82	100	19.05
	FIF / AIA - Hospitals / Public Health	89,804.41	124,747.93	89,081.52	35,666.41	39	140	1.29
	Transition Authority Funds	54,390.76			0.00	-100	0	0.78
2	Grants							
	Conditional Grants -	-	187,352.97	493,000.05	-305,647.08		38	
	Donor Funding -DANIDA	21,750.00	12,065.00	24,130.00	-12,065.00	-45	50	0.31
	World Bank Funding - Rural Health Facilities	51,022.69	0.00	51,022.69	-51,022.69	-100%	0.00	0.73%
	Donor funding - Sanitary Programme	2,512.27	0.00	0.00	0.00	-100%	0.00	0.04%
B	Expenditure/commitments	4,411,486.65	7,766,750.54	9,449,929	-1,683,178.53	76%	82%	100%
1	Recurrent (Actual & Commitment)	3,186,669.81	4,559,357.93	4,704,413.32	-145,055.40	43%	97%	51.87%
	Development(Actual & Commitment)	1,224,816.84	3,207,392.61	4,745,515.74	-1,538,123.14	162%	68%	48.13%

Source; County Treasury

Revenue

97. The County budget for the FY 2015/16 was financed from Shareable revenue from the National Government at 66.81 percent, Revenue collections from local sources at 2.44 percent, Conditional Grants at 2.10 percent , donor funding at 0.14 percent, FIF/AIA- Hospitals/Public Health 1.40 percent and FY 2014/15 fund balances 27.2 percent as illustrated in table 12;

Table 12: Percentage Contribution to Revenue

Revenue Source	Amount(KS HS.s. 000)- FY 2014/15	Percentage (%) -FY 2014/15	Amount(KSHS.s. 000)-FY 2015/16	Percentage (%)FY 2015/16	Percentage (%)Change
Local revenue 2015/16	215,349.95	3.09	217,998.87	2.44	-0.65
National equitable share	5,208,872.80	74.71	5,969,671	66.81	-7.90
Donor Funding (Danida)	21,750.00	0.31	12,065	0.14	-0.18
Conditional Grants	-	0.00	187,352.97	2.10	2.10
Transition Authority Funds balances	54,390.76	0.78	0.00	0.00	-0.78
World Bank Funding - Rural Health Facilities	51,022.69	0.73	0.00	0.00	-0.73
Donor funding - Sanitary Programme	2,512.27	0.04	0.00	0.00	-0.04
FIF / AIA - Hospitals / Public Health	89,804.41	1.29	124,747.93	1.40	0.11
Fund balances	1,328,122.17	19.05	2,423,023.43	27.12	8.07
TOTAL	6,971,825.05	100	8,934,859.58	100.	0.00

Source; County Treasury

98. The full implementation of Article 203 (2) & (3) of the Constitution of Kenya 2010 resulted to an increase of the National Shareable Revenue transfers to the County from 5.2 billion in year 2014/15 to 5.9 billion in year 2015/16. This represents an increase of 15 percent.

99. The quarterly receipt of total revenue was Kshs.4,005,635,760 in Q1, Kshs.1,672,432,650 in Q2, Kshs.1,592,889,620 in Q3 and Kshs.1,660,901,990 in Q4. This information is as shown in the table 13;

Table 13: FY 2015/16 Revenue Receipt per Quart

Finance year/Quarter	Q1 Actual (000)	Q2 Actual (000)	Q3 Actual (000)	Q4 Actual (000)	Total Actual (000)
National Transfers	1,492,417.84	1,522,266.20	1,492,417.84	1,462,569.49	5,969,671.38
Conditional grants	0.00	75,170.01	11,437.69	100,745.27	187,352.97
2014/2015 Fund Balances	2,423,023.43				2,423,023.43
FIF	49,899.17	31,186.98	24,950.00	18,712.19	124,748.34
Donor Funds	0.00	0.00	0.00	12,065.00	12,065.00
Local revenue	40,295.31	46,809.46	64,084.09	66,810.04	217,998.90
Sub Total	4,005,635.76	1,675,432.65	1,592,889.62	1,660,901.99	8,934,859.58

Source; County Treasury

100. The County own generated revenue has been increasing since 2013. The highest rate of growth was 13.83 per cent in 2014/15 FY when the revenues increased from Kshs.189,187,741.00 in 2013/14 to Kshs.215,349,954.00 in 2014/15 FY.

101. During FY 2015/2016 local revenue collection has been on an upward trend in quarter two and four while quarter one and three showed a down ward trend. Quarter one recorded the highest drop of Kshs.11,506,682 while quarter two recorded the highest increase of Kshs.11,977,740.00. The collection drop in quarter one was because the liquor licensing inspections were delayed to quarter two (table 14).

Table 14: Comparison of Local Revenue Trend for Three Financial Years.

Financial Year	Q1 Actual	Q2 Actual	Q3 Actual	Q4 Actual	Total Actual	Annual Growth(%)
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	10.96
2014/2015	51,801,993.00	34,986,402.00	65,866,418.00	63,114,454.00	215,349,954.00	13.83
2015/2016	40,295,311.00	46,809,457.00	64,084,091.80	66,810,040.00	217,998,869.70	1.23

Source: County Revenue Directorate

102. The declining growth rate of revenue collection resulted from drop of some revenue streams such as SBP, Market fees, building plan approvals and stock market fees.

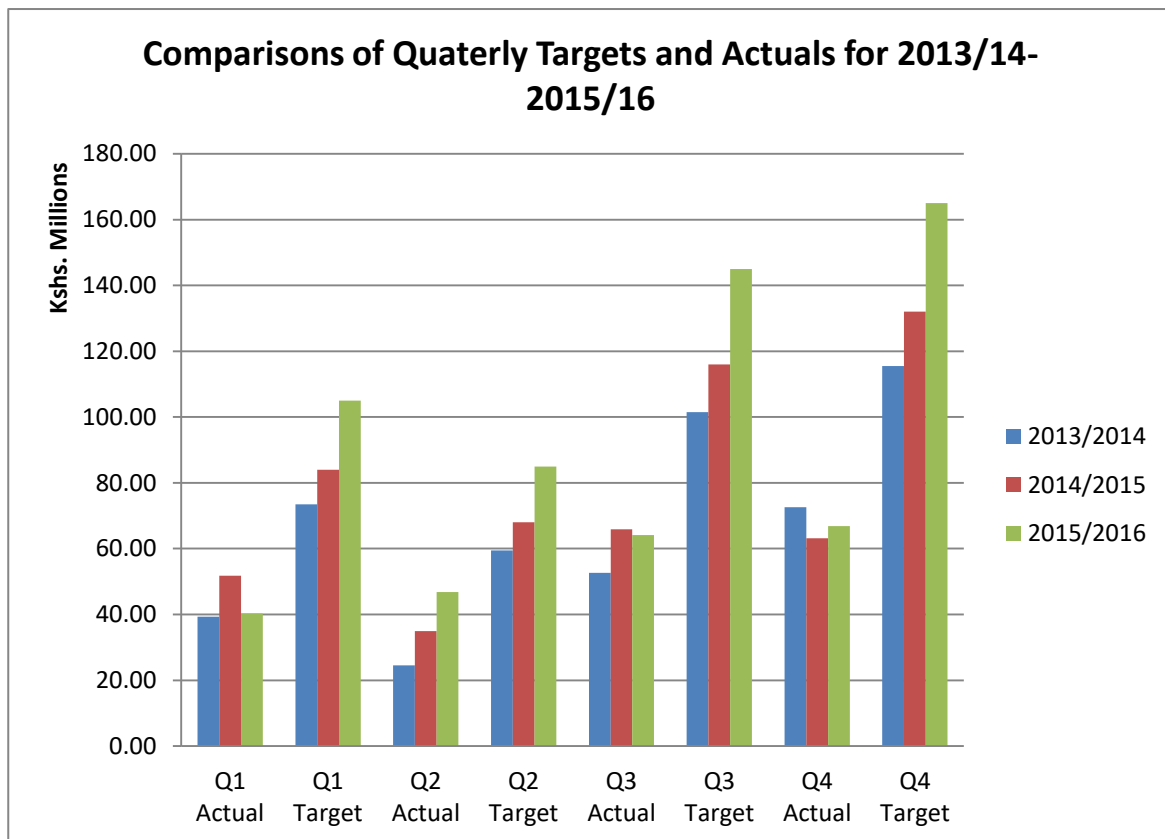
103. During FY 2013/14, to 2015/16 the County has been striving to meet its quarterly targets. However, due to the various challenges the County has not realized the set targets as shown in table 15.

Table 15: Quarterly Trend in Local Revenue Collection for three financial years.

FY	Q1		Q2		Q3		Q4	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual
2013/14	73,500,000	39,355,534	59,500,000	24,580,099	101,500,000	52,640,736	115,500,000	72,611,372
2014/15	84,000,000	51,801,993	68,000,000	34,986,402	116,000,000	65,866,418	132,000,000	63,114,454
2015/16	105,000,000	40,295,311	85,000,000	46,809,457	145,000,000	64,084,092	165,000,000	66,810,040

104. The growth paths for 2015/2016 were generally negative for all quarters apart from quarter four which had a positive growth of 6 percent. The negative quarterly growths in 2015/16 were attributed to significant drop in three out of the six main revenue streams which contribute over 75 percent of the total local revenue. The streams are single business permits, cess and market entrance fee (figure 1).

Figure 1; Quarterly Revenue Growth Trends



105. The revenue collected in the FY 2015/16 was raised from eleven sources/revenue streams as indicated in the table six. This is shown in table 16;

Table 16: Revenue Collection in FY 2015/2016 by Source.

SOURCE	Q1	Q2	Q3	Q4	TOTAL
Market entrance fee	6,734,795.00	6,408,690.00	6,094,810.00	6,238,505.00	25,476,800.00
Conservancy fee	689,525.00	338,780.00	1,352,875.00	1,854,900.00	4,236,080.00
Parking	5,983,935.00	5,771,380.00	7,748,450.00	6,066,190.00	25,569,955.00
Plot rent fee	3,365,895.40	1,082,965.00	5,547,347.00	1,622,430.00	11,618,637.40
Permits	7,116,825.50	3,775,025.00	24,546,573.00	29,782,641.00	65,221,064.50
Penalty fee	550,117.00	348,029.00	65,280.00	717,551.00	1,680,977.00
Stock market fee	2,861,835.00	1,668,560.00	1,670,800.00	2,163,720.00	8,364,915.00
Plan approval fee	1,274,843.00	1,328,887.00	805,014.00	1,002,118.00	4,410,862.00
Cess	3,120,720.00	2,176,974.00	5,108,275.00	2,024,890.00	12,430,859.00
Sand Cess local	1,079,500.00	821,460.00	841,850.00	778,472.00	3,521,282.00
Kiosk renewal fee	362,950.00	195,740.00	955,100.00	1,330,895.00	2,844,685.00
Other plot dues	868,522.00	1,132,816.00	1,011,226.00	1,068,221.00	4,080,785.00
Others	3,406,648.00	1,673,611.00	3,530,581.80	3,812,897.00	12,423,737.80
Stock movement fee	669,050.00	-	266,580.00	604,070.00	1,539,700.00
Agriculture	-	-	-	5,894,260.00	5,894,260.00
Liquor licence	2,210,150.00	20,086,540.00	4,539,300.00	1,848,280.00	28,684,270.00
TOTAL	40,295,310.90	46,809,457.00	64,084,061.80	66,810,040.00	217,998,869.70

106. The main revenue streams are; market entrance fee, plot rent fee, parking fee, permits, cess and liquor licensing. They contributed an aggregate of KSHS. 142.45 million, 160.25 million and 156.14 million in the three years respectively as shown in table 17 below.

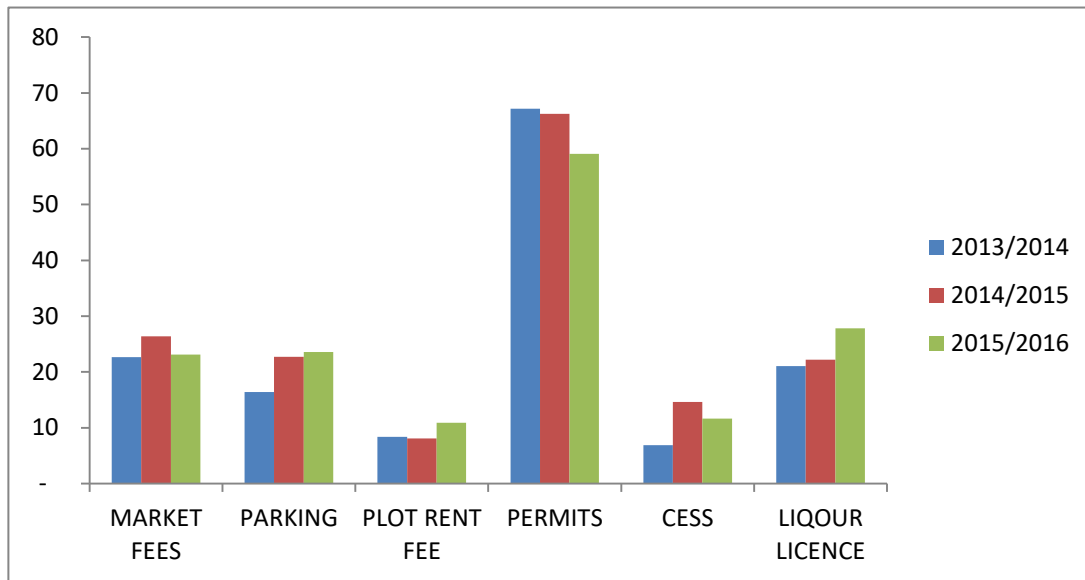
Table 17: Revenue by Key Streams

SOURCE	2013/2014	2014/2015	2015/2016	Annual Average
Market Fees	22.66	26.37	23.14	24.06
Parking	16.39	22.74	23.56	20.89
Plot Rent Fee	8.35	8.07	10.88	9.10
Permits	67.15	66.28	59.08	64.17
Cess	6.87	14.61	11.65	11.04
Liquor Licence	21.04	22.18	27.84	23.69
Total	142.45	160.25	156.14	
%ge of total revenue	75.30	74.27	80.33	

107. The permit stream generated the highest revenue over the period under review. The stream generates an annual average of Kshs.64.17 million followed by market fees with an annual average of Kshs.24.06 million.

108. The plot rent fee stream generated the least amount of revenue among the six key main sources with average collection of Kshs.9.1 million annually over the three years. (Figure 2)

Figure 2; Key revenue streams trends



109. Figure two shows that though the permits generated the highest revenue over the three years, their revenue has been on a decline dropping from Kshs.67.15Millions in 2013/14 to Kshs.59.08Millions in 2015/16.

110. In projecting FY 2017/18 revenues, focus has been on real revenue indicators which include among others; expected number of new buildings, new businesses and closure rate of ongoing businesses and amount collected from plot rates. (Table 18)

Table 18: Local Revenue Collection Trend, Budgeted and Projected Revenues

SOURCE	Actual collection FY 2015/2016	FY 2016/17 (printed)	2017/18 (projections)	2018/19 (projections)
Market entrance fee	25,476,800.00	41,700,000.00	50,953,600.00	56,048,960.00
Conservancy fee	4,236,080.00	-	8,472,160.00	9,319,376.00
Parking	25,569,955.00	41,700,000.00	51,139,910.00	56,253,901.00
Plot rent fee	11,618,637.40	69,500,000.00	23,237,275.00	25,561,002.50
Permits	65,221,064.50	111,200,000.00	130,442,129.00	143,486,341.90
Penalty fee	1,680,977.00	2,780,000.00	3,361,954.00	3,698,149.40
Stock market fee	8,364,915.00	12,510,000.00	16,729,830.00	18,402,813.00
Plan approval fee	4,410,862.00	6,950,000.00	8,821,724.00	9,703,896.40
Cess	12,430,859.00	19,460,000.00	24,861,718.00	27,347,889.80
Sand cess local	3,521,282.00	5,560,000.00	7,042,564.00	7,746,820.40
Kiosk renewal fee	2,844,685.00	4,170,000.00	5,689,370.00	6,258,307.00
Other plot dues	4,080,785.00	7,940,000.00	8,161,570.00	8,977,727.00
Others	12,423,737.80	-	24,847,476.00	27,332,223.60
Stock movement fee	1,539,700.00	2,780,000.00	3,079,400.00	3,387,340.00
Liquor license	28,684,270.00	48,650,000.00	57,368,540.00	63,105,394.00
Agriculture	5,894,260.00	13,900,000.00	11,788,520.00	12,967,372.00
Tender E		-	0.00	0.00
Tender A		-	0.00	0.00
Public Health		69,500,000.00	69,500,000.00	76,450,000.00
Sand Authority (20%)		27,800,000.00	27,800,000.00	30,580,000.00
Advertisement		6,950,000.00	6,950,000.00	7,645,000.00
Water and Environment		6,950,000.00	9,752,260.00	10,727,486.00
TOTAL	217,998,869.70	500,000,000.00	550,000,000.00	605,000,000.00

Source: County Revenue Directorate

111. the major challenges leading to low collection of own generated revenue are; few enforcement officers, lack of legislation framework to prosecute the defaulters and delays in enactment of finance bill by county assembly

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

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

These interventions amongst others will include;

- i. Enhance external-resource mobilization, /unit-program
- ii. Operationalization of the revenue automation system,
- iii. Developing a framework for PPPs,
- iv. Enhancing partnership and collaboration with the National Government and non-state actors,
- v. Mapping and exploiting of all available revenue streams.
- vi. Deployment, rotation and capacity building of staff.
- vii. Sensitizing all citizens on the benefits of paying rent & rates.
- viii. Timely updating records on Land Rates and Land Rent
- ix. Fast track formulation, enactment and implementation of revenue related legislations
- x. Strengthen revenue enforcement and compliance

114. Implementation of the above measures is expected to result to increased resources for financial year 2017/2018 as detailed in table 19;

Table 19: Revenue projection

Revenue Source	2014/15- (KSHS.s. 000)	2015/16- (KSHS.s. 000)	2016/17- (KSHS.s. 000)	2017/18- (KSHS.s. 000)
Local revenue	215,349.95	217,998.87	500,000.00	550,000.00
National equitable share	5,208,872.80	5,969,671.38	6,441,351.59	7,085,486.75
Donor Funding (Danida)	21,750.00	12,065.00	25,130.00	27,643.00
Donor Funding (world bank	51,022.69		51,022.69	56,124.95
Donor funding - Sanitary Programme	2,512.27			
Conditional Grants	-	187,352.97	309,927.27	340,920.00
FIF / AIA - Hospitals	89,804.41	115,536.48		
Public Health		9,211.45	10,132.59	11,145.85
Transition Authority Funds 2012/13 balances	54,390.76			
Fund balances fy 13/14-2015/16- Reccurent	97,395.66	336,235.71	275,890.44	
Fund balances fy 13/14-2015/16- Development	1,230,726.51	2,086,787.73	2, 962,839.00	
Subtotal of fund balances	1,328,122.17	2,423,023.43	3,238,729.44	
TOTAL	6,971,825.05	8,934,859.58	10,576,293.58	8,071,320.55

115. The County will institute strategies of external resource mobilization for service delivery in key priority areas. These strategies will include Public private partnerships, partnering with the national government and soliciting for resources from development partners and donors. The County will also collaborate with other government entities in raising and tapping all revenues from its revenue streams.

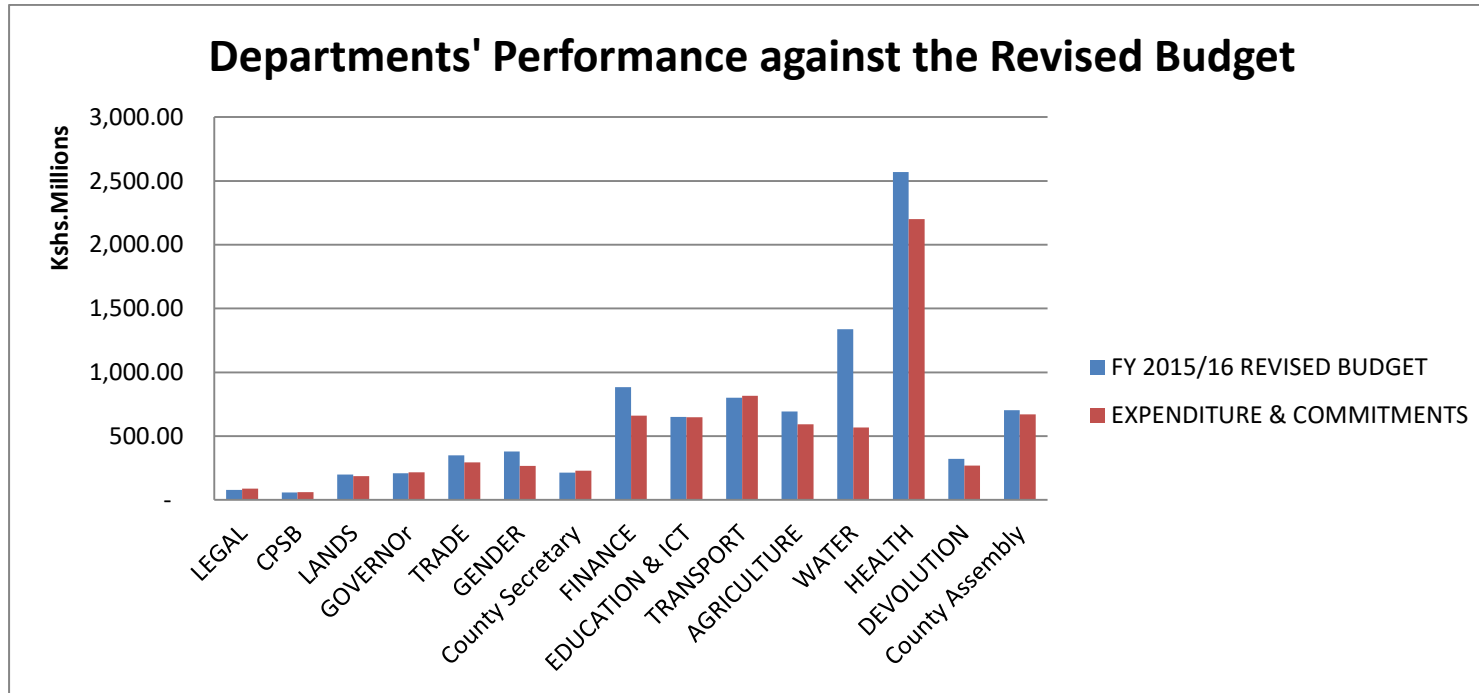
Expenditure

116. The total budget for FY 2015/16 amounted to Kshs.9, 449,929,070 being the highest compared to the previous years. The County Executive received Kshs.8, 745,696,288 for both development and recurrent expenditure while the County Assembly received Kshs.704, 232,782 to fund its operations. The fund balances brought forward from FY 2014/15 amounted to Kshs.2, 423,023,431.90 being Kshs.2, 383,457,979 and Kshs.39, 565,453 for County Executive and County Assembly respectively.

117. The overall County expenditure for the period ending 30th June 2016 amounted to Kshs.5,682,630,741 while the commitments at the close of the year amounted to Kshs.2,084,119,795 thus leaving a balance of 1,683,178,533. The total expenditure of Kshs.5,682,630,741 comprised of Kshs.1,459,669,316 for development and Kshs.4,222,961,425 for recurrent. The total commitment comprised of Kshs.336,396,502 for recurrent and Kshs.1,747,723,292 for development. The actual expenditure and commitments amounted to 82 percent of the budget. This comprised of 96.9 percent recurrent and 67.6 percent of development?

118. The target expenditure for FY 2015/16 was Kshs.9,449,929,070 while the actual expenditure was Kshs.5,682,630,741 representing a deviation of Kshs.3,767,298,328 (or 40 percent deviation from the revised budget). A total of Kshs.2,084,119,795 (or 22 percent of revised budget) had been committed at the closure of the 2015/16 FY. The performance of all the departments against FY 2015/16 budget is illustrated in figure 3;

Figure 3; Departments performance against the revised Budget



119. Table 20 below presents the fiscal performance for the FY 2015/16 and the deviations from the revised budget estimates.

Table 20: Deviations from the Original and Revised budget estimates

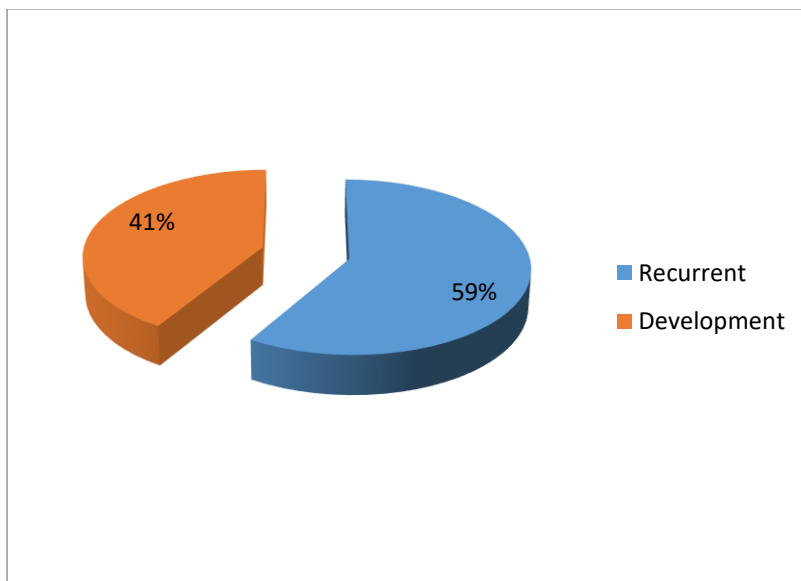
Expenditure Item	FY 2014/15		2014/15 as a % of Budget		FY2015/16					2015/16 as a % of Budget		
	Actual Expenditures	Revised Budget	Actual	Budget	Actual	Commitments	Actual plus commitments	Budget	Deviation	Actual	Actual plus commitments	Budget
Recurrent	3,186,669,807	3,616,046,273	88.13	51.87	4,222,961,427	336,396,503	4,559,357,930	4,704,413,325	(481,451,898)	89.77	96.92	49.78
Development	1,224,816,843	3,355,082,456	36.51	48.13	1,459,669,316	1,747,723,292	3,207,392,608	4,745,515,745	(3,285,846,428)	30.76	67.59	50.22
Total	4,411,486,650	6,971,128,729	63.28	100.00	5,682,630,743	2,084,119,795	7,766,750,538	9,449,929,070	-3,767,298,326	60.13	82.19	100

Source; County Treasury

120. The implementation of the FY 2015/16 budget experienced expenditure underperformance which was occasioned by various factors which include but not limited to huge back log of development projects from previous years, long procurement procedures, inadequate staffing to implement the huge number of projects, inadequate capacity in project committees. (Figure 4)

Figure 4; Absorption rates

Recurrent and development rates (Expenditures and commitments)



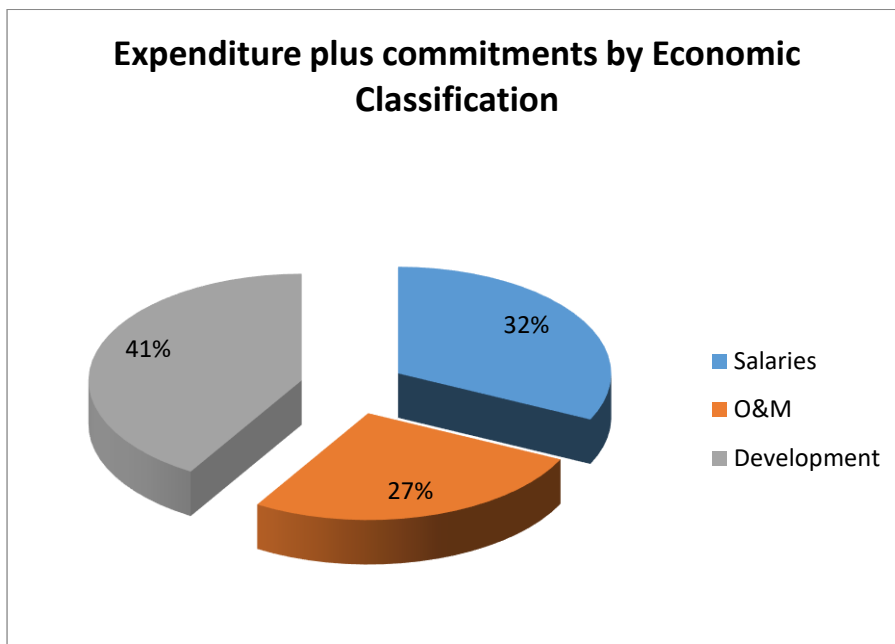
121. Recurrent expenditure and commitments for FY 2015/16 amounted to Kshs.4,559,357,929.77 against a target of Kshs.4,704,413,325 representing an under-performance of Kshs.145,055,395 (10 percent deviation from the approved recurrent expenditure). The under-spending in respect of salaries was Kshs.33,652,498 (1 percent deviation from budget) while the under spending in respect of operations and maintenance was Kshs.111,402,900 (5 percent deviation from budget).

122. Development expenditure and commitments for FY 2015/16 amounted to Kshs.3,207,392,608.17 compared to a target of Kshs.4,745,515,745. This represented 68 percent expenditure against the budget.

Expenditure by Economic Classification

123. Out of the total expenditures and commitments in the Financial Year the highest was Development at 41 percent Personnel emoluments at 32 percent and Operations and maintenance at 27 percent (*figure 5*)

Figure 5; Expenditure by economic classification-FY 2015/16



Implication of 2015/16 Fiscal Performance on Objectives Contained in the 2016 CFSP.

124. The performance in the FY 2015/16 has affected the strategies & objectives set out in the February 2016 County Fiscal Strategy. The base for revenue and expenditure projections as indicated in the CFSP has changed implying the need for adjustment in the departmental budget allocations.

The base ceilings will also be adjusted to take into account the ongoing development projects for FY 20/16/17 budget and the interventions identified in the FY 2017/18 Annual development Plan. The ceilings for sectors and departments will then be firmed up in the next CFSP.

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

126. The table below provides comparison between the fiscal projections for the FY2013/14-2018/19.

Table 21: Fiscal Projections against FY 2014/15- 2015/16 & F.Y 2016/17 Budgets and In the Medium Term

Item	2014/15 Budget	2015/16 Budget	2016/17 Budget	2017/18 - Projection	2018/19 - Projection
Revenue & Grants				-	-
Allocation from National GoK	5,193,526,432	5,969,671,381	6,441,351,588	7,085,486,747	7,794,035,422
Local Revenue	230,000,000	400,000,000	500,000,000	550,000,000	605,000,000
Public Health		9,211.45	10,132.59	11,145,847.00	12,260,432
Health FIF	89,804,407	89,081,516			0
Conditional Allocations for Free Maternal Health Care Allocation		80,802,400	83,696,467	92,066,114	101,272,725
Conditional Allocations for compensation for User Fees Forgone		20,618,293	19,449,802	21,394,782	23,534,260
Conditional Allocation for Leasing of Medical Equipment		95,744,681	95,744,681	105,319,149	115,851,064
Conditional Allocation from Road Maintenance Fuel Levy Fund		75,834,678	98,971,324	108,868,456	119,755,302
Conditional Allocation - other loans & grants		220,000,000	12,065,000	13,271,500	14,598,650
Sub-Total 1	5,513,330,839	6,951,762,160	7,251,288,995	7,987,552,595	8,786,307,855
Other sources(Donor funds)				-	-
World Bank Funding	51,022,686	51,022,686	51,022,686	56,124,955	61,737,451
DANIDA	21,750,000	24,130,000	25,130,000	27,643,000	30,407,300
Donor funding - Sanitary Programme	2,512,270				
Sub-Total 2	75,284,956.00	75,152,686.00	76,152,686.00	83,767,955.00	92,144,750.50
Funds balances	1,328,122,174	2,423,023,432	3,272,123,534		

Item	2014/15 Budget	2015/16 Budget	2016/17 Budget	2017/18 - Projection	2018/19 - Projection
Transitional Authority Infrastructure Funds- balances	54,390,760				
TOTAL REVENUE	6,971,128,729	9,449,938,278	10,599,565,215	8,071,320,550	8,878,452,605
Recurrent expenditure /Commitments	3,616,046,273	4,559,357,930	4,921,705,942	5,100,267,456	5,610,294,201
Development expenditure/Commitments	3,355,082,456	3,207,392,608	5,677,849,139	2,971,053,094	3,268,158,404
TOTAL EXPENDITURE	6,971,128,729	7,766,750,538	10,599,555,082	8,060,174,703	8,866,192,173
% of recurrent	51.87%	59%	46.43%	63.19%	63.19%
% of Development	48.13%	41%	53.57%	36.81%	36.81%

Source; County Treasury

127. The Sector ceilings for FY 2017/18 will be based on previous actual sector performance, sector priorities as set out in the Makueni Vision 2025, CIDP, and 2017/18 ADP

V. RESOURCE ALLOCATION FRAMEWORK

128. To ensure realization of the envisioned Makueni County Socio Economic Transformation resource allocation and utilization in the medium term will be guided by the following;

- i. How the proposed programmes / projects are addressing the strategic intervention's identified in the Makueni's vision 2025, CIDP, community Budget hearing proposals and FY 2017/18 ADP.
- ii. Ensuring equity in distribution of resources in all areas of the County;
- iii. Sector budget performance for the previous year.
- iv. Fulfillment of County Government functions as provided for in schedule 4 of the Kenya Constitution 2010

129. To address equity in development in all areas of the county, the County Government proposes to set up social transformation fund targeting to fund development & poverty reduction initiatives in all marginalized areas and maximizing on public participation up to village level.

A. Adjustment to 2016/17

The 2016/17 budget was aligned to the allocations contained in the Division of Revenue Act, 2016 as passed by the Senate and assented by H.E President. Therefore the set ceilings in the 2016 CFSP were adjusted to conform the Act.

130. The realignments in the departmental ceilings set in the 2016 CFSP and the FY 2016/17 Budget were occasioned by increased allocations to programmes that will facilitate the County's socio economic transformation and the budget Ceilings set by the CRA on the County Assembly and Executive.

131. The County Government's overall development budget to be implemented in the FY 2016/17 will be Kshs.5,601,696,453.21 being; development budget for FY 2016/17 and balances brought forward from FY 2015/16. Out of the balances a total of Kshs. 1,747,723,291.84 were commitments for projects implemented in 2015/16.

The table 22 below explains 2016/17 development budget

Table 22: Summary of Development Budget (2016/17 printed estimates)

Expenditure item	Fund balances brought forward FY 2015/16	Commitments for projects done in FY2015/16	Balance after commitments	Development FY 2016/17	Total Available Development funds
Development Budget	2,980,579,340	1,747,723,292	1,232,856,048	2,621,117,113	3,853,973,161

Source; County Treasury

132. The ongoing projects from the previous years together with the FY 2016/17 projects will outstretch the recurrent budget hence posing a risk on project implementation. To mitigate the risks arising, the Government has introduced performance contracting in all departments, and devolved all relevant departments(water, agriculture ,transport ,devolution, finance, Education and ICT,) at sub county level to ensure close monitoring by both technical and administration and rolled out the Rapid Results Initiative (RRI) programme.

133. It is expected that by the end of FY 2016/17 the transformational agenda laid in the vision 2025, CIDP, ADP, 2016 CFSP and budget will be fulfilled.

158. The revision of the FY 2016/17 budget will take into account actual performance of expenditure and absorption capacity in the financial year.

159. The Government will develop polices geared towards reducing wastages in spending and minimizing expenditures on non-essential programs/activities and adopt other cost cutting measures.

160. 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.

B. Medium-Term Expenditure Framework

161. The Makueni Vision 2025 aims at sustainably transforming the livelihoods of each household through provision of efficient, effective and inclusive services for County development. The Vision also aims at attaining Value based prosperity and high quality of life for all.

162. The 2017/18-2019/2020 MTEF budgeting will prioritize programmes under the CIDP that will have not been implemented but remains relevant at the time of CIDP review.

163. The County will allocate resources according to three broad pillars; economic affairs pillar, social amenities and services pillar, political and governance pillar.

164. To ensure linkage between this CBROP and the Makueni 2017-18 ADP, the resources allocation will be based on the strategic interventions contained in the ADP. The interventions are aimed at enhancing wealth creation and socio economic transformation as detailed in the Vision 2025.

166. The key strategic focus areas of the CBROP are therefore: Improving access to quality water and health services, access to quality education, increasing agricultural productivity, building sustainable market linkages, Enhancing the growth of SMEs, equitably increase household incomes, ensuring sustainable food security and increasing access to social, transport, communication, ICT and energy infrastructures for all. Additionally the CBROP will focus on strengthening governance structures and systems through continue capacity building of existing systems and resources and/or establishing new structures where needed.

167. During the 2017/18 financial year, the government will implement flagship projects identified in the 2017-18 ADP and Vision 2025. The interventions contained in the 2017-18 ADP are geared towards reducing poverty by 26 percent by 2025, stimulating growth and creating jobs, enhancing food security, empowering the vulnerable groups in the County, reducing inequalities in resource distribution in the County and developing all marginalized areas of the County.

C. County Budget and the Transfer of Functions

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

D. The 2017/18 Budget Framework

169. The 2017/18 fiscal projections are guided by the 2017-18 ADP and the Vision 2025. The Budget framework and aspirations assumes improved private sector investors' confidence in the County, increased political goodwill and stable national macro-economic conditions.

Expenditure Forecasts

170. In FY 2017/18, overall expenditures are projected at Kshs.8,060,174,703 and is expected to rise to Kshs.8,866,192,173 in FY 2018/19

Recurrent Expenditures

171. The recurrent expenditure in FY 2017/2018 is expected to be 63.19 percent of the total budget. The County wage bill is expected to increase marginally to accommodate for more staff being employed and the reviewed hardship rates and house allowances payable to staff.

172. Expenditure ceilings on goods and services for sectors/ ministries are based on funding allocation in the FY 2016/2017 budget, and adjustments done to consider for the new policies/ programmes meant to address key strategic interventions identified in the County's strategic focus for socio economic development.

Development Expenditure

173. The ceiling for development expenditure including donor funded projects will increase from Kshs.2,621,117,112.90 In the FY 2016/2017 to Kshs.5,601,696,453.21 in FY 2017/2018. The projected total development budget represents 36.81 percent of the gross budget including donor funding.

Overall Deficit and Financing

173. The projected FY 2017/18 budget has a deficit of KSHS.s 2,497,622,186.01 which is expected to be mobilized from donors. The resource coordination unit in conjunction with the various departments is expected to ensure proposals are finalized and discussions initiated with the various donors and partners before preparation of the 2017 CFSP. By the time the 2017 CFSP is being finalized all projects to be funded by donors should be elaborated.

174. Reflecting the above medium-term expenditure framework (table 23) provides the tentative projected baseline ceilings for the 2017/18 – 2019/20 MTEF period.

Table 23: Total Expenditure Ceilings for the MTEF period 2016/2017 - 2017/18 (Kshs.)

DEPARTMENT	2016/17 BUDGET ESTIMATES	2017/18 CEILINGS RECURRENT	2017/18 DEVELOPMENT CEILINGS	DEVELOPMENT PERCENTAGE	TOTAL 17/18 BUDGET CEILINGS	ESTIMATES 2016/17	CEILINGS 2017/18
County Attorney's Office	41,453,980.68	60,599,378.75	0	0.00%	60,599,378.75	0.60%	0.43%
County Public Service	70,307,914.30	87,338,705.73	0	0.00%	87,338,705.73	0.97%	0.73%
Department of lands, Physical Planning & Mining	87,440,221.37	54,484,243.51	170,000,000.00	3.40%	224,484,243.51	1.20%	1.98%
Office of Governor	229,999,660.85	352,999,626.94	800,800,000.00	15.97%	1,153,799,626.94	3.20%	10.92%
Department of Trade, Tourism & Cooperatives	93,404,123.53	57,314,535.88	247,500,000.00	4.93%	304,814,535.88	1.30%	2.88%
Department of Youth, Gender, Sports & Social	247,213,334.84	64,474,668.32	242,000,000.00	4.82%	306,474,668.32	3.40%	2.90%
County Secretary	287,950,674.45	316,745,741.90	0	0.00%	316,745,741.90	3.97%	3.00%
Department of finance & Socio Economic Planning	546,512,009.58	831,551,710.54	206,200,000.00	4.11%	1,037,751,710.54	7.50%	9.82%
Department of Education &	459,137,224.26	241,765,946.69	209,000,000.00	4.17%	450,765,946.69	6.30%	4.27%
Department of Transport &	463,884,085.22	154,179,037.34	740,264,812.00	17.98%	894,443,849.34	6.40%	9.99%
Department of Agriculture, Livestock & Fisheries	605,363,608.80	267,984,969.68	289,000,000.00	5.76%	556,984,969.68	8.35%	5.02%
Department of water, Irrigation & Environment	601,717,267.50	183,331,771.46	1,000,000,000.00	16.72%	1,183,331,771.46	8.30%	9.48%
Department of health	2,441,819,795.5	1,879,375,130.0	582,854,153.00	11.84%	2,462,229,283.05	33.67%	23.40%
Department of Devolution	344,476,431.12	249,124,074.23	463,000,000.00	9.23%	712,124,074.23	4.80%	6.74%
Sand Authority	60,000,000.00	60,669,999.99	10,000,000.00	0.20%	70,669,999.99	0.80%	0.54%
County Assembly	670,598,530.00	691,238,383.00	44,000,000.00	0.88%	735,238,383.00	9.20%	6.96%
Sub Totals	7,251,278,862.0	5,553,177,924.0	5,004,618,965.00	100%	10,557,796,889.0	100%	100%
Projected revenue					8,060,174,703		76%
Deficit					2,497,622,186		24%

VI. CONCLUSION AND NEXT STEPS

175. This CROP relies on the review and outlook of the Kenyan economy which gives an indication of the macroeconomic dynamics in the country. The reviews looked at the key macroeconomic published by the Kenya National Bureau of Statistics (KNBS) for the period under review.

176. The paper further reviews the performance of the county economy through evaluation of key development projects. The projects implementation is expected to facilitate expansion of the county economy through transfer of purchasing power from the government to the public.

177. The fiscal review gave the basis for 2017/18 fiscal projections by assessing departments' funds absorption. The County's revenue mobilization performance gave the basis for projecting own generated revenue while the national economic outlook formed the basis for projecting sharable revenue.

178. The fiscal outcome for 2015/16 together with the projected political dynamics in 2017 has implication on the financial objectives of this CBROP. This will be confirmed in the 2017 CFSP. Going forward, the set of policies outlined in this BROP reflect the changed circumstances and are broadly in line with the fiscal responsibility principles outlined in the PFMA. They are also consistent with the County's strategic objectives pursued by the Government as a basis of allocation of resources.

179. The sector ceilings annexed herewith will guide the sectors and departments in preparation of the 2017/18 budget. The sectors/departments are therefore requested to familiarize themselves with the objectives of this paper and ensure strict linkage between the ADP, CBROP, CFSP and the 2017/18 budget.

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

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

182. The accounting officers are also reminded of important budget making events and dates as detailed in the 2017/2018 Budget Circular issued on 30t August 2016. The next County Fiscal Strategy Paper (CFSP) will be finalized by February 2017 as per the PFM Act, 2012.

Table 24: Total Sector Ceilings for the MTEF Period 2016/17 - 2019/2020 (Kshs Million)

PILLAR	SECTOR		ESTIMATES	CEILING	PROJECTIONS		
			FY2016/17	FY 2017/18	FY 2018/19	FY 2019/20	
ECONOMIC AFFAIRS PILLAR	SUMMARY	Total	1,250,092,038.92	1,980,727,598.41	2,356,445,021.05	2,592,089,523.15	
		Rec. Gross	475,420,714.92	533,962,786.41	587,359,065.05	646,094,971.55	
		Dev. Gross	774,671,324.00	1,446,764,812.00	1,769,085,956.00	1,945,994,551.60	
	Agriculture and Rural Development	SUB - Total	692,803,830.17	781,469,213.19	859,616,134.51	945,577,747.96	
		Rec. Gross	283,153,830.17	322,469,213.19	354,716,134.51	390,187,747.96	
		Dev. Gross	409,650,000.00	459,000,000.00	504,900,000.00	555,390,000.00	
	Energy, Infrastructure and ICT (EII)	SUB - Total	463,884,085.22	894,443,849.34	1,161,532,897.07	1,277,686,186.78	
		Rec. Gross	140,162,761.22	154,179,037.34	169,596,941.07	186,556,635.18	
		Dev. Gross	323,721,324.00	740,264,812.00	991,935,956.00	1,091,129,551.60	
	General Economic, Commercial and Affairs (GECA)	SUB - Total	93,404,123.53	304,814,535.88	335,295,989.47	368,825,588.41	
		Rec. Gross	52,104,123.53	57,314,535.88	63,045,989.47	69,350,588.41	
		Dev. Gross	41,300,000.00	247,500,000.00	272,250,000.00	299,475,000.00	
	SOCIAL DEVELOPMENT PILLAR	SUMMARY	Total	3,809,887,622.10	4,311,976,521.51	4,755,434,605.36	5,230,978,065.90
			Rec. Gross	2,187,106,833.20	2,429,617,516.51	2,672,579,268.16	2,939,837,194.98
			Dev. Gross	1,622,780,788.90	1,882,359,005.00	2,082,855,337.20	2,291,140,870.92
Health		SUB - Total	2,441,819,795.50	2,473,375,130.05	2,720,712,643.06	2,992,783,907.36	
		Rec. Gross	1,708,522,845.50	1,879,375,130.05	2,067,312,643.06	2,274,043,907.36	
		Dev. Gross	733,296,950.00	582,854,153.00	653,400,000.00	718,740,000.00	
Education		SUB - Total	459,137,224.26	450,765,946.69	495,842,541.36	545,426,795.49	
		Rec. Gross	219,787,224.26	241,765,946.69	265,942,541.36	292,536,795.49	
		Dev. Gross	239,350,000.00	209,000,000.00	229,900,000.00	252,890,000.00	
Social Protection Culture and Recreation		SUB - Total	247,213,334.84	306,474,668.32	337,122,135.15	370,834,348.67	
		Rec. Gross	58,613,334.84	64,474,668.32	70,922,135.15	78,014,348.67	

PILLAR	SECTOR		ESTIMATES	CEILING	PROJECTIONS	
			FY2016/17	FY 2017/18	FY 2018/19	FY 2019/20
		Dev. Gross	188,600,000.00	242,000,000.00	266,200,000.00	292,820,000.00
	Environmental Protection, Water and Housing	SUB - Total	661,717,267.50	1,254,001,771.45	1,201,757,285.80	1,321,933,014.37
		Rec. Gross	200,183,428.60	244,001,771.45	268,401,948.60	295,242,143.45
		Dev. Gross	461,533,838.90	1,010,000,000.00	933,355,337.20	1,026,690,870.92
GENERAL PUBLIC SERVICES	Public Administration & Internal Relations (PAIR)	SUB - Total	2,191,299,200.98	4,103,597,621.09	4,513,957,383.20	4,965,353,121.52
		Rec. Gross	1,967,634,200.98	2,589,597,621.09	2,848,557,383.20	3,133,413,121.52
		Dev. Gross	223,665,000.00	1,514,000,000.00	1,665,400,000.00	1,831,940,000.00
		Total	7,251,278,862.00	10,557,796,889.01	11,625,837,009.61	12,788,420,710.57
		Rec. Gross	4,630,161,749.10	5,553,177,924.01	6,108,495,716.41	6,719,345,288.05
		Dev. Gross	2,621,117,112.90	5,004,618,965.00	5,517,341,293.20	6,069,075,422.52
		Rec. Gross %age	64%	53%	53%	53%
		Dev. Gross %age	36%	47%	47%	47%