REPUBLIC OF KENYA

HOMA BAY

COUNTY GOVERNMENT

DEPARTMENT OF

FINANCE AND ECONOMIC PLANNING

MEDIUM TERM EXPENDITURE FRAMEWORK

FISCAL STRATEGY PAPER

UNLOCKING POTENTIAL FOR SHARED PROSPERITY

February 2018

Foreword

It is a legal requirement under Section 117 of the PFM Act, 2012 that the county treasury prepares and presents before the County Executive Committee a County Fiscal Strategy Paper that outlines the county's fiscal framework for the medium term. The approved fiscal strategy paper should then be presented to the County Assembly by the 28th of February of each financial year.

This Fiscal Strategy Paper 2018 sets out the framework for the preparation of the 2018/19 budget and articulates fiscal policies and structural reforms as well as sector-based priorities and expenditure programs derived from the County Integrated Development Plan 2018-2022. These proposed programs are in compliance with the mandate bestowed on the County governments by the Constitution. Towards the constitutional objects, the County Government of Homa Bay will remain dedicated to prudently utilizing the available resources and enhancing fiscal discipline so as improve the living standards of the people.

The County Government will focus its efforts on expanding and maintaining county infrastructure, improving education and health care, increasing water reticulation and/ or environmental preservation, enhancing social protection, increasing employment opportunities and reducing poverty levels in the County. This Fiscal Strategy Paper will continue to emphasize a shift of resources towards programmes that enhance growth and job creation, and to support stronger private sector investment in pursuit of new opportunities in a changing economic environment.

I take this opportunity to thank all persons, groups and institutions that have participated in the development of this document. We undertake to support all initiatives geared towards the realization of objectives highlighted in this document. And I urge all my fellow duty bearers to observe reasonable fidelity towards delivery commitments made in this Fiscal Strategy Paper.

It is indeed our sincere hope that we will reach the necessary milestones towards the realization of our county's development agenda in the financial year 2018/19 thanks to the able guidance of this paper.

Hon. Nicholas K'Oriko
CEC Member, Finance, Economic Planning & Service Delivery
Homa Bay County Government

Acknowledgements

The Homa Bay County Fiscal Strategy Paper 2018 is the result of contributions and concerted efforts of various stakeholders. This Strategy Paper sets out broad strategic priorities and policy goals that will guide the County Government of Homa Bay in preparing its budget for coming Financial Year 2018/19 and over the medium term.

This Fiscal Strategy Paper has borrowed heavily from the National Budget Policy Statement 2018 on the macro-economic fundamentals as well as the Homa Bay County Budget Review and Outlook Paper 2017 on the management of county finances during the financial year 2016/17. The six chapters of this Strategic paper are the result of tireless efforts of many county professionals. We wish to express our gratitude to all those persons that participated in the preparation of this paper.

We are especially grateful to His Excellency the Governor and the Deputy Governor for their lead role, direction and guidance in developing this document; the County Executive Member for finance, economic planning and Service delivery as well as other County Executive Committee Members for their input in providing the much-needed information to the team working on this fifth Fiscal Strategy Paper for Homa Bay County Government. Similarly, the technical role played by Directors and other technical officers in the preparation of this paper is highly appreciated.

We are equally grateful to the technical team comprising of Mr. Willys Bolo (Director of Budget); Ms. Ruth Aloo (Economic Advisor); Mr. Richard Bonyo (Policy and Resource Mobilization Advisor); County Economists, Kelly Owillah, Handel Nyang'aya, Brian Arwa and Ramadhan Mohamed for working tirelessly in the development of this document. We also wish to thank the County Treasury staff for working with the drafting team in the provision of the much-needed information for this document

We acknowledge the input of the Members of the County Assembly, County Budget and Economic Forum (CBEF) and members of the public during the consultative meetings.

Mr. Noah Otieno
Ag. Chief Officer – Finance, Economic Planning & Service Delivery
Homa Bay County

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Abbreviations and Acronyms

A-I-A	Appropriations in Aid
AIDS	Acquired Immuno-Deficiency Syndrome
BPS	Budget Policy Statement
BROP	Budget Review and Outlook Paper
CBR	Central Bank Rate
CBROP	County Budget Review and Outlook Paper
CIDP	County Integrated Development Plan
CFSP	County Fiscal Strategy Paper
ECD	Early Childhood Development
E-PROMIS	Electronic Projects Management Information System
FSP2015	Fiscal Strategy Paper, 2015
FY	Financial Year
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GoK	Government of Kenya
HIV	Human Immuno-Deficiency Virus
ICT	Information and Communication Technology
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
IPD	In-Patient Department
KNBS	Kenya National Bureau of Statistics
MCH	Maternal and Child Health
MDG	Millennium Development Goals
MoU	Memorandum of Understanding
MSE	Micro and Small Enterprises
MTEF	Medium Term Expenditure Framework
MTP	Medium-Term Plan
NDA	Net Domestic Assets
NFA	Net Foreign Assets
NIMES	National Integrated Management Information Systems
OPD	Out-Patient Department
PBB	programme Based Budget
PERs	Public Expenditure Review
PFM	Public Financial Management
PFMA	Public Finance Management Act
PPP	Public Private Partnership
PWDs	Persons with Disability
SSA	Sub-Saharan Africa
SDG	Sustainable Development Goals
TTI	Technical Training Institute
TV	Television
VAT	Value Added Tax
WASH	Water and Sanitation Hygiene

Legal Basis for the Publication of the Homa Bay County Fiscal Strategy Paper

The Homa Bay County **Fiscal Strategy Paper** is prepared in accordance with Section 117 (1) of the Public Financial Management Act, 2012 which states that:

(1) The County, Treasury shall prepare and submit to the County Executive Committee the County Fiscal Strategy Paper for approval and the County Treasury shall submit the approved Fiscal Strategy Paper to the county assembly, by the 28th February of each year.

(2) The County Treasury shall align its County Fiscal Strategy Paper with the national objectives in the Budget Policy Statement.

(3) In preparing the County Fiscal Strategy Paper, the County Treasury shall specify the broad strategic priorities and policy goals that will guide the county government in preparing its budget for the coming financial year and over the medium term.

(4) The County Treasury shall include in its County Fiscal Strategy Paper the financial outlook with respect to county government revenues, expenditures and borrowing for the coming financial year and over the medium term.

(5) In preparing the County Fiscal Strategy Paper, the County Treasury shall seek and take into account the views of:

a) The Commission on Revenue Allocation;
b) The public;
c) Any interested persons or groups; and
d) Any other forum that is established by legislation.

(6) Not later than fourteen days after submitting the County Fiscal Strategy Paper to the county assembly, the county assembly shall consider and may adopt it with or without amendments.

(7) The County Treasury shall consider any recommendations made by the county assembly when finalizing the budget proposal for the financial year concerned.

(8) The County Treasury shall publish and publicize the County Fiscal Strategy

Fiscal Responsibility Principles in the Public Financial Management Law

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

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

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

a) The county government's recurrent expenditure shall not exceed the county government's total revenue;

b) Over the medium term a minimum of thirty percent (30%) 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 (35%) of the county government's total revenue as prescribed by the County Executive member for finance in regulations and approved by the County Assembly;

d) Over the medium term, the government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure;

e) The county debt shall be maintained at a sustainable level as approved by county assembly;

(f) The fiscal risks shall be managed prudently; and

(g) A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future.

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

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

(5) The regulations may add to the list of fiscal responsibility principles set out in subsection (2). Specifically, the PFM Regulations provides further that:

(a) the County Executive Committee member with the approval of the County Assembly shall set a limit on the County Government's expenditure on wages and benefits for its public officers pursuant to Section 107(2) of the PFM Act;

(b) the limit set under paragraph (a) above, shall not exceed thirty-five (35) percent of the County Government's total revenue at any one time;

(c) for the avoidance of doubt, the revenue referred to in paragraph (b) shall not include revenue that accrue from extractive natural resources including oil and coal;

(d) the county public debt shall never exceed twenty (20%) percent of the county government total revenue at any one time;

(e) the county annual fiscal primary balance shall be consistent with the debt target in paragraph (d);

(f) the approved expenditures of a county assembly shall not exceed seven percent (7%) of the total revenue of the county government or twice the personnel emoluments of that county assembly, whichever is lower;

(g) pursuant to section 107(5) of the PFM Act 2012, the county government actual expenditure on development shall be at least thirty (30) percent in conformity with the requirement under section 107(2)(a) of the Act;

(h) if the county government does not achieve, the requirement of regulations 25(1)(f) above at the end of the financial year, the County Executive Committee member for finance shall submit a responsibility statement to the County Assembly explaining the reasons for the deviation and provide a plan on how to ensure annual actual expenditure outturns as wells as the medium-term allocation comply with the provisions of section 107(2)(a) of the Act and these regulations in the subsequent year; and

(i) the compliance plan above shall be binding and the County Executive Committee member for finance shall ensure implementation.

I. INTRODUCTION

1.1. Overview of the Fiscal Strategy Paper 2018

This year's Fiscal Strategy Paper is the fifth of its kind for Homa Bay County since the inception of the County Government. The paper entails:

a. An assessment of the current state of the economy and the financial outlook over the medium term, including macro-economic forecasts;
b. A statement of fiscal risks outlining the potential policy decisions and key areas of uncertainty that may have material effect on the fiscal outlook;
c. The proposed expenditure ceilings for the county government entities;
d. A statement of any potential deviation from the ceilings specified in the fiscal framework;
e. The fiscal responsibility principles set out in section 107 of the PFM Act and the PFM Regulations no. 25;
f. A fiscal framework consisting of updated forecasts of revenue and expenditure, capital improvement, overall balance and the primary balance position, level of the county public debt as well as sensitivity analysis of likely changes in the economic fundamentals and, any other information considered material to the fiscal strategy;
g. An explanation of the fiscal policies in relation to the fiscal responsibility principles and any temporary measures implemented to ensure compliance, if necessary;
h. An analysis and explanation of policies for revenue mobilization; expenditure prioritization, justification and limits implied by law as well as deficits and debts; and finally,
i. An analysis of the consistency of the updated fiscal strategies with the previous fiscal strategies and an explanation of significant changes.

The Fiscal Strategy Paper also indicates the criteria used to apportion the available public resources among the various programmes, projects and activities of the County Government of Homa Bay that are competing for the inadequate resources.

The CFSP 2018/19 is entrenched on the national government's second MTP priorities, Kenya Vision 2030, Sustainable Development Goals (SDGs), Homa Bay County's Integrated Development Plan (CIDP) 2018-2022, as well as the national Medium-Term Expenditure Framework (MTEF) 2018/2019 – 2020/2021.

1.2. Theme of the FSP 2018: Unlocking Potential for Shared Prosperity: Unlocking Potential for Shared Prosperity

The focus of the County Government is to steer the county forward towards wealth creation and building an economically prosperous county through numerous strategies and a proper sustainable fiscal policy framework. Riding on the enormous resources and potential that the county has in Agriculture, Tourism, Sports, Energy, Minerals, Forestry, and favorable weather conditions present numerous opportunities for investors which will be key drivers of the economy.

The County is working towards strengthening the framework upon which a wealthy and economically prosperous county agenda would be built. This journey experiences several challenges that need to be addressed gradually. These challenges include the low level of local revenue that has been enhanced by the introduction of Automation in the revenue department and the uncertainties arising from national government own challenges in dealing with devolution of function and their accompanying resources. Expenditure pressures with respect to salary demands and operational costs have impacted negatively on the county development agenda.

The overriding policy thrust for the Homa Bay County Fiscal Strategy Paper 2018 is to unlock potential for shared prosperity for all. Resources will therefore be channeled towards building capacity and resilience necessary for a transition to steady and sustained growth. This will only be achieved by having a paradigm shift from agriculture to industry and services.

Addressing Priority Concerns

The 2018-2022 medium term priority of the County Government of Homa Bay has been to address the major challenges highlighted in the previous 2013-2017 CIDP. These challenges remain, inter alia; low productivity and value addition in agriculture, inadequate energy and infrastructure, weak entrepreneurial culture and inadequate support to local businesses, inadequate access to portable water and essential health services, inadequate quality and equality in education, inadequate financial and human resources, and inadequate social facilities. Following the review of the County Integrated Development Plan, 2013-2017 and incorporation of Sustainable Development Goals as well as recent economic developments by Homa Bay County Government, it has become imperative that more resources are dedicated to completion of on-going capital projects.

As part of the county effort to consolidate gains and unlock potential for shared Prosperity from devolution, public investments in the financial 2018/19 will be focused more on (1) Revitalize Agriculture sector and ensure food security and value; (2) Development of key infrastructure including construction of road networks to spur economic growth; (3) Promotion of health care through investing in quality and accessible health services; (4) Provision of safe, adequate and affordable water; (5) Improvement and upgrading education standards;(6) Improvement of County Governance;(7) Improvement of Information, Communication and Technology infrastructure and (8) Creating an enabling environment for trade, tourism & business activities.

Improving the Medium-Term Expenditure Process

As part of an effort to improve the MTEF process, the County will be focused on full adoption of results-based management through program-based budgeting, strengthening of budget execution and monitoring structures, cascading of IFMIS to all spending entities and promoting social accountability. Entrenching performance-based systems in the county will remain a priority of the current administration and therefore, budgetary allocations for the financial year 2018/19 shall be based on efficacy of proposed programmes, projects and activities. The proposed programmes, projects and activities will strictly be those that are linked to clearly specified objectives and targets set out in the CIDP 2018-2022 as well the as the national objectives captured in Kenya Vision 2030 and the draft Budget Policy Statement 2018.

Within the fiscal space provided, the County Government of Homa Bay will strive to be more efficient to be able to consolidate gains in employment creation and poverty reduction. Greater fiscal discipline and careful alignment of resources towards key result areas will be emphasized. In particular, there will be a clear focus on better control of expenditure as well as operating within the core mandates of the County Government.

1.3. Linkage of CFSP with National Budget Policy Statement 2018

The 2018 County Fiscal Strategy for ‘Unlocking Potential for shared Prosperity’ borrows comprehensively from the 2018 National Budget Policy for ‘Creating Jobs, Transforming Lives’. The Government has identified four key strategic areas of focus over the next five years that will accelerate broad based economic growth. This will help transform the lives of the Kenyans. The strategic areas under ‘**The big Four**’ Plan includes:

Thematic Area I: **Supporting value addition and raise the manufacturing sector's share of GDP to 15 percent by 2022.**This will accelerate economic growth, create jobs and reduce poverty.

Thematic Area II: **Focusing on initiatives that guarantee food security and improve nutrition to all Kenyans by 2022 through**; expansion of food production and supply, reduction of food prices to ensure affordability and support value addition in the food processing value chain.

Thematic Area III: **Providing Universal Health Coverage** thereby guaranteeing quality and affordable healthcare to all Kenyans.

Thematic Area IV: **Providing at least five hundred thousand (500,000) affordable new houses to Kenyans by 2022,** hence improving living conditions for Kenyans

1.4. Outline of the County Fiscal Strategy Paper 2018

Introduction

Section (I) provides the overview of the County Fiscal Strategy Paper 2018/19, the 2018 thematic focus on Unlocking Potential for Shared Prosperity and improving the medium expenditure process as well as the linkage with the National Budget Policy 2018.

Recent Economic Developments and Outlook

Section (II) outlines the economic context in which the 2018/19 MTEF budget is to be prepared. It provides an overview of the recent global developments, national economic developments and the macroeconomic outlook as well as recent developments by the County Government. It also highlights the key risks to the fiscal framework and outlook and considers ways to mitigate those fiscal and outlook risks. It also gives a highlight on county fiscal, expenditure and lastly Debts and Deficit financing policies.

County Strategic Priorities and Policy Goals

Section (III) outlines the Big Four (4) National Economic Plan, strategic priorities of the County Government, employment creation, Sustainable and Inclusive Development, Progressive Politics and Improved Governance, Enablers and Critical Success Factors.

Budget and the Medium-Term Expenditure Framework FY 2018/19

Section (IV) outlines the Fiscal framework, the revenue projections, expenditure forecasts, fiscal balance MTEF budgetary allocation for all the eight sectors. The priorities are linked to strategic issues for each and form the key result areas for the sector. Prioritization approaches and forums have equally been highlighted .

County Financial Management and the Budget Framework

Section (V) outlines the fiscal performance and budget framework that includes an analysis of Revenue Performance, expenditure performance by sector/Departments, implications of the budget revenue, compliance with the fiscal responsibility principles, development spending, Wage Expenditure, and county financial reporting structures, Management of county assets and liabilities and the fiscal risks management strategies.

Conclusion

Section (VI) concludes the Fiscal Strategy Paper by pointing at summary areas of focus in the MTEF year 2018/19 in Annex i, ii, iii and iv respectively.

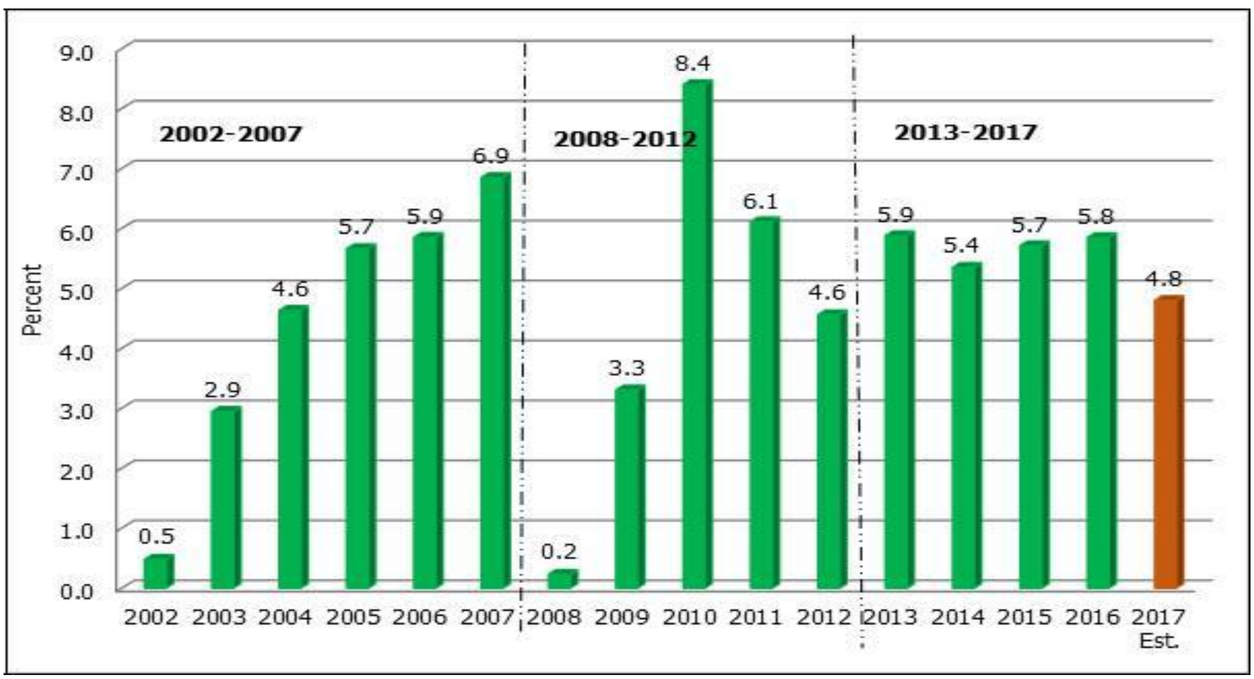
II. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

2.1 Recent National Economic Developments

The Kenyan economy registered strong performance in the past five years and grew at an average of 5.5 percent per year in the five years (2013 - 2017) outperforming the average growth rate of 4.7 percent in the period 2008 to 2012. This was supported by strong public and private sector investment and appropriate economic and financial policies. However, uncertainty associated with elections coupled with the effects of adverse weather conditions slowed down the performance of the economy in 2017. As a result, the economy is estimated to grow by 4.8 percent in 2017, which is a slowdown from the estimated growth of 5.1 percent in the 2017 Budget Review and Outlook Paper (BROP).

In 2017, the economy grew by 4.4 percent in Quarter 3, 5.0 percent in Quarter 2, and 4.7 percent in Quarter 1, largely supported by robust activities in the service sectors particularly; accommodation and restaurant; real estate and information and communication. The growth was somewhat constrained by subdued performances in agriculture, forestry and fishing, manufacturing, electricity and financial intermediation sectors.

Chart 1.1: Trends in Kenya's Economic Growth Rates



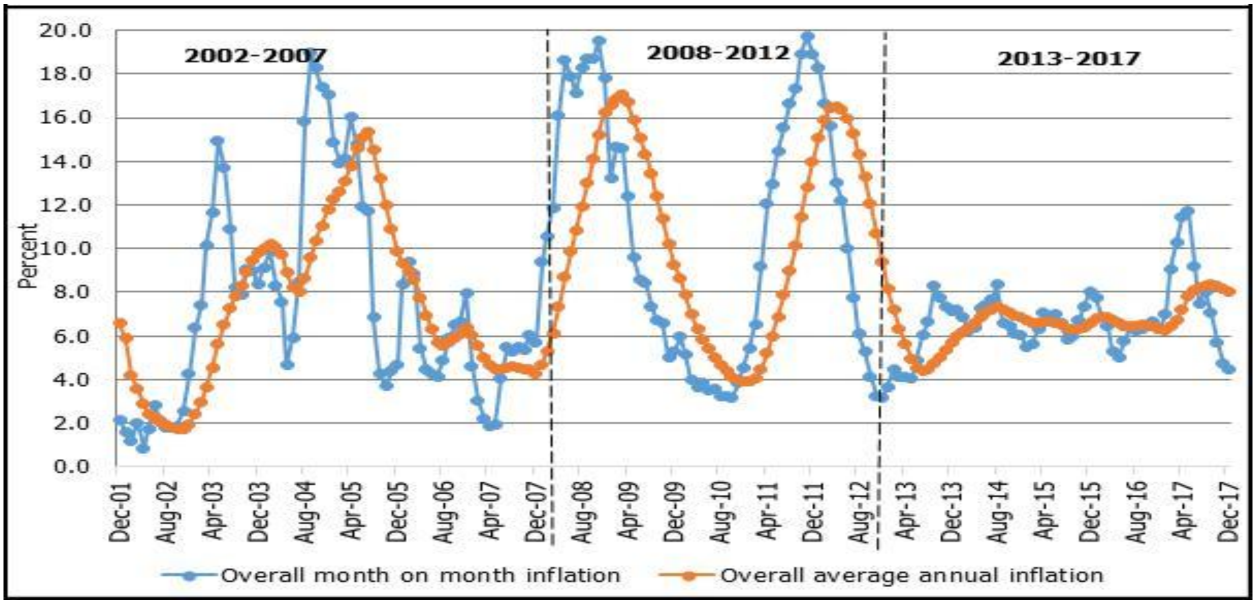
Source of data: Kenya National Bureau of Statistics

The economy has been largely driven by growth in the non-agriculture sectors which has remained vibrant growing at 6.7 percent in 2016 from 5.4 percent in 2013 and continues to be the main source of growth. Services remain the main source of growth; the sector grew from 5.0 percent in 2012 to 6.8 percent in 2016 supported by favorable performance of ICT, real estate, wholesale and Retail Trade, Transport and Storage and Accommodation and Restaurants. Accommodation and restaurants has been the fastest growing sector. It grew from 3.1 percent in 2012 to 13.3 percent in 2016 supported by the improved security situation that led to removal of travel alerts from major tourist originating countries. The growth of the financial and insurance sector accelerated from 6.0 percent in 2012 to 9.4 percent in 2015 supported by reforms aimed at creating a conducive business environment. However, the sector slowed down to 6.9 percent in 2016 and is estimated at 3.2 percent in 2017 partly due to low domestic credit to the private sector and a decline in the growth of interest income. The industry sector grew from 3.5 percent in 2012 to 7.0 percent in 2015 supported by the construction sector as a result of public infrastructural development. The sector slowed down in 2016 and 2017 following subdued performance of the Manufacturing and Electricity and Water Supply sectors. Meanwhile, growth of the agricultural sector rose from 2.8 percent in 2012 to 5.5 percent in 2015 but contracted to (-1.3) percent in first quarter of 2017 due to the prolonged drought that started in the fourth quarter of 2016. Growth in the sector recovered to 3.1 percent as weather conditions improved.

Inflation Rate

Nationally macroeconomic conditions remained stable, with single digit inflation which was within the Government target range of 5+/-2.5 percent in the period 2013 to 2017 as a result of prudent monetary and fiscal policies. Inflation averaged 6.7 percent during the period 2013-2017 compared with 7.4 percent during 2002-2007 and 10.6 percent during 2008-2012. Inflation during the period 2008 - 2012 was highly volatile following a steep depreciation of the Kenya Shilling and policy responses.

Chart 1.2: Inflation Rate



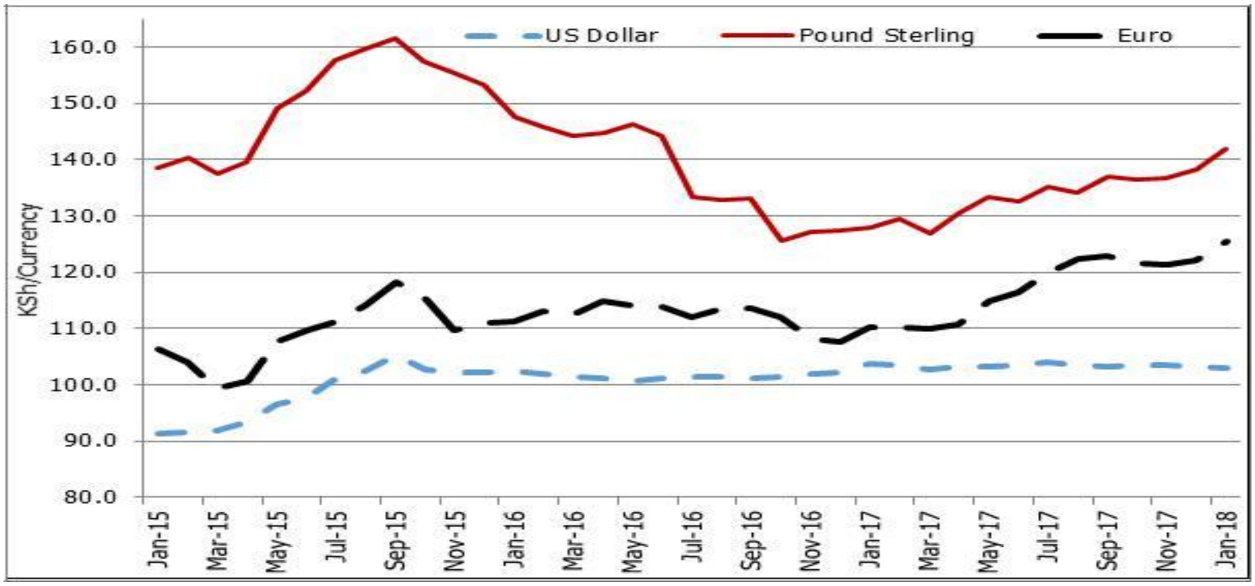
Source of data: Kenya National Bureau of Statistics

Overall month on month inflation was at 8.0 percent in December 2015 from 6.0 percent in December 2014. Inflation during the period 2008 to 2012 was highly volatile following a steep depreciation of the Kenya shilling exchange rate and policy responses. However, inflation increased to above target in the first half of 2017 due to drought that affected food prices. Inflationary pressures started to ease in the second half of 2017 as the weather situation improved and earlier measures taken by the Government to address the food shortages took effect. These measures included: allowing duty free imports of major food items (maize, wheat, sugar, and milk) and introducing a temporary subsidy on maize meal prices. As a result, overall month on month inflation was 4.5 percent in December 2017 from 6.4 percent in December 2016 and was within the Government's target range.

The Kenya Shilling Exchange Rate

The Kenya Shilling exchange rate demonstrated mixed performance but remained broadly stable against major international currencies. As at January 2018, the shilling exchange rate against the Dollar was at Kshs. 102.9 compared with Kshs. 103.7 in January 2017. Against the Euro and the Sterling pound, the Shilling weakened to Kshs. 125.4 and Kshs. 141.9 in January 2018 from Kshs. 110.2 and Kshs. 128.0 in January 2017, respectively **(Chart 1.3)**.

Chart 1.3: Kenya Shilling Exchange Rate



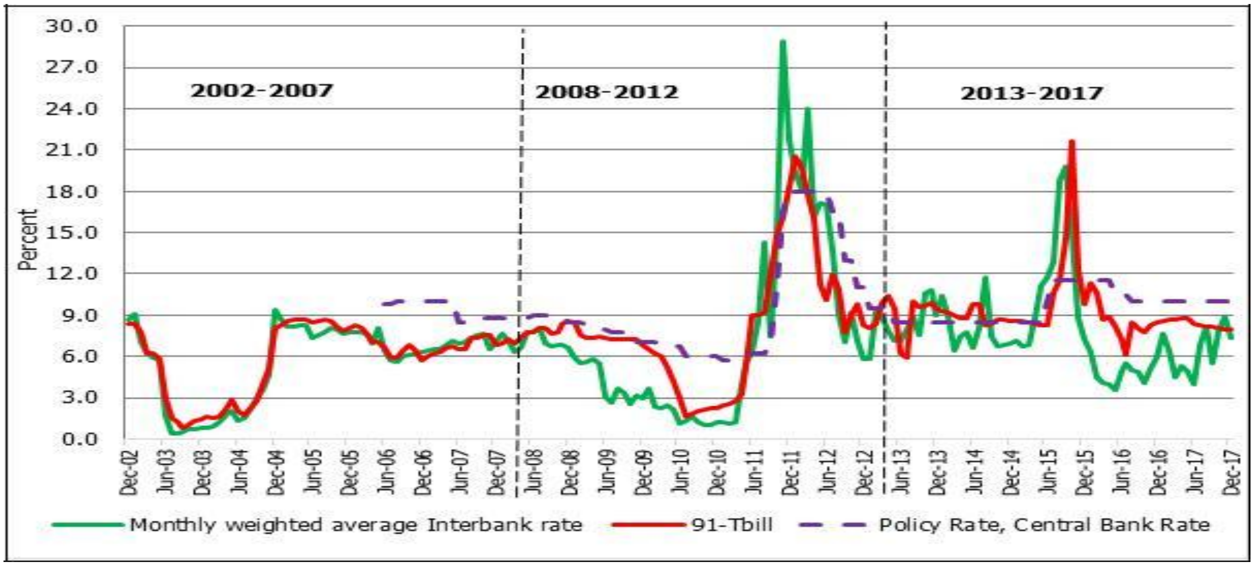
Source of data: Central Bank of Kenya

The Kenya Shilling has continued to display relatively less volatility compared to most sub-Saharan African currencies due to receipts from tea, horticulture, tourism, coffee exports and Diaspora remittances which remained strong.

Interest Rates

Weighted interest rates on commercial banks loans and advances declined to an average of 13.84 per cent in the third quarter of 2017 from 16.54 per cent during a similar quarter in 2016. This was mainly attributable to the capping of interest rates that started in September 2016. The Central Bank Rate (CBR) was maintained at 10.0 per cent throughout the quarter. (KNBS-Quarterly Gross Domestic Product Report Third Quarter 2017).

Chart 1.4: Short-Term Interest Rates



Source of data: Central Bank of Kenya

The interest rate spread narrowed to 6.0 percent in September 2017 from 6.4 percent in September 2016 with the Commercial banks' average lending interest stabilizing at 13.7 percent over the same period. Meanwhile, the average commercial banks' deposit rate increased to 7.7 percent in September 2017 from 7.3 percent in September 2016. Comparatively, Kenya has the lowest lending rates among the East African countries.

Money and Credit.

Homa Bay County operates within the global and national economic framework. The global and national economic dynamics impacts both directly and indirectly on county fiscal decisions and operations. Economic growth is a parameter that influences national government transfer to the counties, given the positive correlation between it and national revenue. Exchange rate fluctuations also affect the county processes with currency devaluation making our imports more expensive. Interest rates affect the cost of local borrowing while inflation changes the costs of goods and services and may affect their affordability as per existing plans.

The growth of the size of the Kenya economy releases resources for development activities in the counties. The County Government has been able to receive enhanced portion of the shareable revenue from the National Government, thus enabling increased allocations to the various development programs. Thus, increased growth of the Kenya economy leads to direct increased growth of Homa Bay county economy.

As a source of external funding at the National level, remittance inflows into the country impact the economy of a nation from an individual level by augmenting the recipient's income which will in turn lead to reduced poverty levels. The remittances also increase the credit worthiness of a country to the international markets for financing which alleviates credit constraints and also act as a substitute for financial development. These remittances trickle down to Homa Bay County due to a number of its residents in the diaspora who have continued to maintain strong ties and bonds with family members.

Capital Markets

Activities at the stock market picked up in November 2017 from a slowdown in September and October 2017 as the long electioneering period came to an end. The NSE 20 Share Index improved to 3,805 points in November 2017 from 3,730 points in October 2017 while Market Capitalization improved to Ksh. 2,562 billion from Ksh. 2,346 billion over the same period. However, as of 29th December 2017, activities in the stock market had slowed down reflecting the effects of the holiday season. The NSE Share Index was at 3,712 points and market capitalization at Ksh. 2,523 billion.

2.2 Recent County Economic Developments

Homa Bay County economy is anchored on the national economic environment since the county depends heavily on national government transfers to grow the economy. Any exogenous shocks greatly affect the county economy.

The broad national parameters outlined have implications on the development process of the county. The prevailing macroeconomic stability in the country is necessary to create conducive environment for private sector investments as a basis for sustained economic growth, and ultimately, expanded economic opportunities and poverty reduction in the county.

The GDP of Homa Bay County is expected to improve over the medium term as benefits are realized from the huge investments being undertaken. This growth is however intertwined with global conditions and macroeconomic stability of Kenya.

The expected level of growth in Homa Bay County will be supported by increased production in agriculture following massive investments in the sectors together with other measures such as improved investments in infrastructure, especially roads, water and energy. The improved investment climate is being brought about by promotion and marketing of the county through investment forums done locally, nationally and internationally.

On-going investments in agriculture, infrastructure, education, health services and social protection are expected to contribute to the county's growth. In collaboration with a number of development partners, the county is keen on enhancing contract farming, clustered rural enterprises and value addition with a view to reaching all potential markets.

The county government will align its implementation to the National Government's four key strategic areas of focus over the next five years (The Big Four) that will accelerate broad based economic growth and help transform the lives of all Kenyans by creating the much-needed jobs enabling Kenyans meet their basic needs, improve living conditions, lower cost of living, and reduce poverty and inequality. The policies in this CFSP are also aligned to the medium-term priorities and strategies outlined in the Third Medium-Term Plan (2018-2022) of the Kenya Vision 2030.

Implication of Recent County Developments

From the FY 2017/18 onwards, implementation of the county budget is expected to progress well. Requisite measures have been taken to ensure the county focuses more on development projects and reduce recurrent expenditures. The focus will also be on ensuring priority programmes are fully implemented so that ongoing priority capital projects are completed before embarking on new priority projects. Implementation of such priority programmes will be better tracked and fed back periodically through the County Integrated Monitoring and Evaluation System (CIMES).

Agriculture and Rural Development

Under Agriculture and Food Security, farm productivity and area under cultivation have increased significantly with the provision of agricultural inputs to 4,800 farmers and acquisition of 8 tractors complete with disc plough and harrows that were acquired to speed up agricultural mechanization and minimize the cost of land preparations. The sub department has strengthened and provided agricultural extension and education services across the county thus enabling adoption of good agricultural practices and increasing farm production. Additionally, 574 model farms have been established as technology transfer sites (based on tissue culture banana, pineapples, sunflower, maize and sorghum) thereby enhancing adoption of modern agricultural technology and increasing farm output. This has also been strengthened by the distribution of greenhouses to farmers and promotion of greenhouse technology. Overall output and food security has been improved thereby reducing food prices and dependence on food imports.

Under Livestock and Fisheries, ppoultry production and income from poultry farming has more than doubled since 320 chicken incubators were distributed to women and youth enterprise groups across the county. Construction of modern livestock slaughter house in Homa Bay town has improved hygiene conditions and quality of livestock products thus improving earnings from livestock product sales. The department has also intensified vector and animal disease control leading to improved livestock health and increased earnings from livestock sales. Furthermore, farmed fish production has expanded significantly since 160No. fish ponds were constructed and stocked as part of strategy to promote fish farming and ease pressure on Lake Victoria. Cage fish farming has steadily grown in the County and currently there are 23 cage farms with a total of 485 cages Production of farmed fish has increased significantly thereby improving food security. Through a partnership with two private companies, the County will be able to produce fingerlings locally and roll out extensive cage fishing along high potential beaches of Homa Bay County. Improved regulation of capture fisheries through enhanced surveillance of capture fisheries and protection of fish breeding sites will improve fish production from Lake Victoria. Value addition initiatives have improved county food security and enhanced peoples' standard of living.

Under Lands, and Physical Planning, land use has been improved in the county even as preparation of the county spatial plan is ongoing. The continued investment in land banking for various investment projects in all the 8 sub-counties including for the County Headquarter, Gor Mahia Stadium, Animal Feeds and Sweet Potatoes Processing Plants has made it much easier to attract investment under PPP and enforce land use provisions. Already 5No. parcels of public land across the county including Oriang Estate, County Headquarters and Kabondo parcels have been fenced for that purpose. Equally markets have been surveyed and demarcated thereby improving trade, sanitation and revenue collection. Equally accelerated titling of untitled lands is being facilitated; as is re-surveying and parcellation of Kakelo Kamroth from which around 1,700 title deeds have been issued thereby improving the availability of land as an economic asset against which up to 76,000 locals can access credit.

Under Housing and urban development sub department, Residential and office accommodation for staff has been improved significantly since 76 county staff houses were renovated and an office for the department of trade was constructed. Local knowledge on the built environment is being improved significantly what with the Appropriate Building Technology center that is being set up in Ndhiwa. The urban development plans for Homa Bay and Rangwe Towns have been completed as well as an inventory of all public lands thereby enhancing land management in the county.

Energy, Infrastructure and ICT

Under the energy and mining, security has been enhanced and trading hours extended in 300 market centers and streets across the county with the installation of 650 solar lights in 40 wards and installation of street lights in major estates of Homa Bay town including Makongeni, Shauriyako and Sofia. Stability and reliability of power supply has been significantly improved with the help of KPL through BORESHA UMEME Programme, resulting in reduced power outages and interruptions across the Southern Nyanza Region. Power supply to about 780 additional primary schools through partnership with REA and KPL has improved learning outcomes in the schools while life chances have improved in the over 8,000 households and institutions (hospitals, beaches, boreholes etc) that have been connected to electricity, increasing connectivity from 3% in 2013 to the current 19. The county's environmental health and standard of living has also been improved what with improved uptake of alternative low cost clean energy technologies as a substitute for fossil-based fuel with the help of Non-Governmental Organizations.

Under Transport and Infrastructure, the county has been opened up significantly for business by improvement of the road network through building of 13No single span bridges and opening and upgrading of over 580kms of road across the 40 wards. This has also been enhanced by the maintenance through grading and gravelling 2,000km of classified and unclassified roads (Class D and below) within the County and improvement of 33 kilometers of the Kadongo-Gendia road to bitumen standards while another 47 Km of Marindi-Magina-Pala-Kowuor is planned for 2018. Opening up of rural areas and linking them to markets and other facilities has increased connectivity and improved accessibility. The security has also been boosted and business hours extended in Homa Bay and Oyugis towns thanks to the installation of 300No. fully functional solar powered street lights. Kabunde Airstrip has been renovated and enabled to fully operate six flights a week between Homa Bay and Nairobi through a strategic partnership with the Kenya Airports Authority thereby boosting arrival of tourists and investors. Once, all roads scheduled to be tarmacked through a partnership between the National Government and Africa Development Bank such as Mbita-Sindo-Magunga-Sori, Kendu Bay–Oyugis, Suneka-Rangwe, and Imbo-Olare are completed, the county is expected to be fully opened up for meaningful business in all high potential areas of value addition. A fire engine is also being acquired with the support of Kobe City Government in Japan to boost disaster preparedness and mitigate exposure to fires in schools and businesses.

Under ICT, there has been increased access to computers and reduced printing costs due to the establishment of a digital printing facility and an ICT innovation center in Homa Bay Town. Equally, government processes have been made very efficient and accurate at the County Treasury and Office of the Governor where offices have been networked and enabled to benefit from the national fiber-optic infrastructure. Largely the Internet connectivity and developed communication systems have ensured efficiency and effectiveness in service delivery to citizens and increased transparency and accountability in financial management.

General Economic and Commercial Affairs

Under Trade, Industry, Cooperatives and Enterprise Development, the knowledge base and capacity of small businesses has been expanded with over 144 small-scale traders having been trained and provided with loans. Trading has also been stimulated and income poverty addressed among over 2,000 vulnerable women and youths who have benefited from 1,014No. Assorted ESP equipment including water pumps, car washing machines, welding machines, brick-making machines and salon equipment which were acquired and distributed to them.

The overall trading environment is also being improved with Oyugis Market being upgraded in partnership with the national government. It is expected that farm incomes and rural employment will be enhanced once processing plants are completed for potatoes in Kabondo, animal feeds at Arujo, cotton at Kendu Bay, maize at Kigoto and cassava at Rangwe. Direct investments into the county is also expected to increase leading to greater employment and incomes for the local population once the 32 MOUs signed during the investment conference are executed. The County initiatives have improved access to better market environment, increased business hours, increased revenue sources and improved access to cheap business credit.

Under Tourism, the profile of Homa Bay County has been raised as the county has continued to hold and participate in Piny Luo Cultural and Tourism festival and other events such as the Kenya County Miss Tourism pageantries which have served to improve the image of the county thereby attracting tourists and supporting the local community. Already, various tourist attraction sites across the county have been profiled and successfully branded including the Tom Mboya Mausoleum in Rusinga Island which has been fenced and marketed as a serious cultural and tourism attraction center; the Oyugis Bird Sanctuary which has been successfully mapped and fenced; Lake Simbi Nyaima which has been successfully mapped and beacons placed for fencing; the Old Homa Bay Pier which has been fenced and a guardhouse constructed; and the 3No. 2-door PIT latrines which have been constructed at Ukoe Beach, Luore Beach and Magina Centres.

Health Services

Under health, the burden of HIV/AIDS and other diseases has been reduced as a result of investments in 309 more personnel, additional comprehensive care centers and improved public health and sanitation. In fact, HIV prevalence has decreased marginally from 27% in 2013 to 25% in 2017. The sector has also been able to procure drugs and non-pharms for all gazzetted health facilities(260), recruit 711 additional health personnel; the county constructed modern maternity wards in Ndhiwa, Rangwe and Kendu Bay sub county hospitals; renovated part of County referral hospital, establish 1 satellite MTCs in Oyugis; procure digitized medical equipment including renal and dialysis machines, x-rays, CT scan and ultra-sound machines; constructed 5 staff houses, constructed 4 general wards, purchased 7 fully equipped ambulances in collaboration with partners, purchased 2 hospital generators, established 14 WASH facilities in the county. The sector has also established green energy (solar energy) in 11 facilities with the support of partners. Delivery in health facilities has improved from 47% to 56%. Maternal mortality rate has declined from 673 to 583 per 100,000 live births while under five mortality rates has declined from 170 to 130 per 1,000 live births.

As part of promoting healthy living and preventing chronic diseases, a comprehensive County Community Health Strategy has been implemented with 2147 CHWs being recruited in the process across 243 Community Units to emphasize household health beyond clinical care. Output-based approaches in reproductive health are also being implemented and, the County Health Master Plan is being taken seriously.

Education

Under education, the county has attained a near-56 percent increase in enrolment to record 86,859 pupils at ECD centers following the recruitment of 27 ECD supervisors and 1,319 ECDE teachers who have been deployed to the 908 ECD centers in the county. The teacher-child ratio in the county's ECDE centers has reduced drastically thereby improving learning outcomes and the contact time between pupils and teachers. The County Government has also managed to recruit 120 VTC instructors to its 15 vocational

Training Centers and supplied 1,800 water purifiers to ensure clean water to 409 ECDE schools across the county through partnership with the Replenish and Vestagard International Project based in the US.

The County also established 1 ECDE centre of excellence by UNICEF and WASH and Sanitation Programme carried out in 100 ECDE centers by partners. Bbursary worth 90 million has also been issued to needy students of the county. In terms of infrastructure, 67No ECDE classrooms (23 by county and 44 by partners i.e. EE, Plan International), 2 innovation centers at Homa bay and Mbita. 1 boys hostels at Sero VTC as well as 2 new classrooms at Rang'i VTC and 1 No. Twin workshop at Kotora VTC have been completed. Equally 5No VTCs (Sindo, Sibuor, Jwelu, St. Annes and Kosele VTCs) have been supplied with tools and Equipment worth Kshs. 1.5 million. Education effect in conjunction with the department has constructed 44 new classrooms, and rehabilitated 12 others in Kasgunga, Gembe and Rusinga Wards in Mbita Sub-County.

The Sector has also collaborated with UNICEF to build and equip 1 model ECDE centre at Arunda ECDE Centre. Another partnership with Kenya Italian Development Programme(KIDDP) has led to the supply of tools and equipment to 3 Vocational Training Centers namely; Waondo, Nyagwethe and Mfangano. The same partnership has also sponsored instructors for various courses at KTTC.

In partnership with the Ministry of Education Science and Technology the Sector supplied tools and equipment to Homa Bay and Oriwo VTCs. On the same note a partnership with Stichting Gered Gereedschap from Netherlands saw the supply of tools and equipment to Oriwo, Jwelu, Sibuor and Omiro VTCs.

Another milestone in the sector has been the establishment of Tom Mboya University College which has already opened its door to the second batch of students. Space for university education has been enhanced in the county and the college is expected to continue stimulating the economy of Homa Bay Town through employment, demand for services and linkages with the local industry.
Over-rally there has been an increased access to quality education and training. Enrollment rates in both ECDE and County polytechnics have tremendously increased as a result of the improved infrastructure, staffing and tuition fees subsidization.

Public Administration and Government Relations

Under Finance, public management of county financial resources have been improved and the necessary framework established for sustained economic growth of the county. Financial transactions are now being efficiently tracked through the full adoption of the Integrated Financial Management System (IFMIS) complete with all modules such as e-procurement. All the financial operations of the County Government are now housed at the County Treasury.

Under Planning, Budgeting and Service Delivery, all the requisite county strategic and development plan have been prepared as well as the estimates of revenue and expenditure for all the years. Office accommodation for the county planning function at Homa Bay has been enhanced with renovation of the County Planning Unit. Transport has also been improved for senior officers what with the 21No. motor vehicles procured for CEC members and Chief Officers. The establishment of a regional bank could also improve financial access and spur further economic development in the Lake Basin Region.

Under the County Executive Services, the framework for the operationalization of all government functions have been put in place and office accommodation improved since the Old Municipal Building housing the Governor's Office was renovated, re-roofed, extended, furnished and equipped with all the relevant systems. Security of county assets in the compound has been enhanced since a complete perimeter wall, a guard house and a stand-by generator were provided. At the field administration level, office accommodation has been enhanced through construction of 4No. new sub-county offices and renovation of 3No. old sub-county offices. Equally, government reception has been enhanced since the residences of the Governor and the Deputy Governor were renovated. and offices installed with various ICT and security equipment. Overall, service delivery has been improved significantly since all the relevant offices were created, housed and filled with able personnel including 10 CEC members; 10 Chief Officers; 7 members of the County Public Service Board, 8 Sub-County Administrators and 39 Ward Administrators. The implemented projects above have also led to coordinated efforts and smooth implementation of county projects and programmes.

Under the County Assembly, the framework for representation, oversight and legislation has been put in place fully and all developed regulations have provided a legal framework for operationalization of respective county functions, relevant offices have been established, accommodated and operationalized with 74 staff who were recruited at the head-quarter and 120 staff placed at the wards. Already, all the 18No. priority bills have been enacted for the complete operationalization of the County Government. On the infrastructure front alone, the main assembly hall and all its offices, conference and committee rooms have been modernized and equipped. All systems including for water and sewerage, ICT as wells burglar-proof windows and doors; and a high perimeter fencing complete with modern parking lot have been put in place.

Social Protection, Culture and Recreation

Under the department of Sports and Culture, Homa Bay County has been put on the map of cultural tourism by facilitating Kochia Kagan Dancers and other troupes for cultural exchanges to several places including to Washing DC for the Smithsonian festival. Suba and Luo cultural festivals as well as councils of elders have also been facilitated including the annual cultural festival at Rusinga.

Local sports talents are being developed and exposed through facilitation of county leagues for football (men & women), volleyball (men & women) and net ball. The 10-a-side rugby tournaments have also been facilitated to popularize the sport and tap local talents as is gymnastic sports such as Tae Kwon Do. Already, county representatives in karate and Paralympics continue to post good results in international competitions.

As part promoting sport as a professional undertaking and a source of income, over 40 community playgrounds have been upgraded across all the 40 wards. Specifically, the Homa Bay County Stadium is being upgraded with the ablution block, changing rooms and fencing almost complete. Largely the County has improved the livelihood of the disadvantaged members of the society, increased the participation of youths in development activities and nurtured already identified talents.

The county social protection policy has been developed and approved by the Assembly to guide all measures to alleviate suffering for vulnerable households. It is expected that cash transfers and other social benefits to older persons and members of other vulnerable groups will begin to flow effective 2018/19 financial year.

Environmental protection, Water and Natural Resources

Under Water and Sanitation, many more initiatives of the Sector have led to a clean and secure environment, reduced prevalence of waterborne diseases and improved access to water hence enhanced productivity.85No. new boreholes have been sunk and 45No.

equipped. 18No. additional water pans have been rehabilitated and 20No. springs protected to reduce water wastage and improve safety of water available to local households. 4 No water supplies are under Public Private Partnership. Ultimately, number of households with access to clean water has been increased from 68,884 to 75,772 representing 10 per cent improvement. Equally, the household average distance to water points is at 3 Km.

As part of a campaign to step up environmental conservation and improve forest cover, over 50,000 seedlings have been distributed and planted across the county especially around the known water towers. Tree planting and re-afforestation initiatives have been prioritized also as part of natural resource management as is the modernization of urban sewerage systems especially the Homa Bay Sewerage and Water Supply which is being supported through a strategic partnership with the World Bank and LVEMP II.

2.3 Current Fiscal Performance

The FY 2017/18 fiscal framework assumed a timely exchequer release of Equitable Share from the National Treasury as well as achievement of revenue collection targets from the local sources. In addition, the financial objectives were aimed at containing non-priority and unproductive recurrent expenditure so as to maintain a balanced budget.

Implementation of the FY 2017/18 budget is on course although performance is lagging behind targets. In the first six months of the year, revenues collection has consistently lagged behind targets due to the under performance of the main revenue tax heads. On the other hand, there have been elevated expenditures pressures as a result of a huge wage bill while heightened political pressures during the August 8th elections and the repeat presidential elections also impacted negatively on revenue collection.

Total cumulative revenue including A-I-A collected in the first half of the FY 2017/18 amounted to KSh. 2.48 billion against a target of KSh. 3.75 billion, representing a shortfall of Kshs. 1.27 billion. The shortfall was as a result of the below-target collection of the local revenue by KSh. 70 million as well as failure of National Government to remit KES 1,200 million both for equitable share and grants. The shortfall in local revenue was mainly on account of underperformance in all streams especially rates, cess and parking fees.

Total expenditure in the first half of the FY 2017/18 amounted to KSh. 2.1 billion against a revised target for the year of KSh. 3.75 billion representing an under spending of KSh. 1.65 billion for the period. Recurrent expenditure in the first half of the financial year amounted to KSh. 1.77 billion against a target of KSh. 2.53 billion for the period. This is about KSh. 0.76 billion below projection for the period. Development expenditure in the same period was only KSh. 0.33 billion compared to a target of KSh. 1.2 billion for the same period. This represented an under-spending of KSh. 0.87 billion for the period.

The FY 2017/18 budget has been reviewed to reflect revenue performance by end November 2017 and to take into account expenditure rationalization necessitated by the accommodation of the emerging priorities and salary and election related expenditure pressures. In the revised fiscal framework, local revenues are projected at KSh. 118 million down from KSh. 209 million. Total expenditures are projected at KSh. 7.5 billion up from KSh. 7.2 billion.

2.4 Economic Outlook

Kenya's economic growth prospects for the FY 2018/19 and over the medium term takes into account the global and Sub-Saharan Africa growth recovery. The growth projection takes into account the strategic objectives of the Government as outlined in the third MTP of Vision 2030. Real GDP is projected to expand by 5.3 percent in FY 2017/2018, 5.9 percent in FY 2018/2019, 6.3 percent in FY 2019/2020 and 6.8 percent by FY 2020/21. This growth will be supported by implementation of "the Big Four" plan, sustained investment in infrastructure, strong agricultural production due to improved weather conditions, buoyant services sector, continued recovery in tourism, increased investor and consumer confidence, and macroeconomic stability.

The outlook, therefore points to a continued coordination of monetary and fiscal policies for overall macroeconomic stability which will support robust growth, lower fiscal deficits, contain inflation within the target range and a gradual improvement in the current account balance.

Inflation is currently within set target and is expected to remain so in the medium term underpinned by prudent monetary policy, favorable weather outlook, relatively lower international oil prices, and a stable exchange rate which is expected to dampen any risks of imported inflation. The interest rates are expected to remain low and stable over the medium term supported by improved liquidity conditions.

The GDP of Homa Bay County is expected to improve over the medium term as benefits are realized from the huge investments being undertaken. This growth is however intertwined with global conditions and macroeconomic stability of Kenya. The expected level of growth in Homa Bay County will be supported by increased production in agriculture following massive investments in the sectors together with other measures such as improved investments in infrastructure, especially roads, water and energy. The improved investment climate is being brought about by promotion and marketing of the county through investment forums done locally, nationally and internationally.

On-going investments in agriculture, infrastructure, water, health services and social protection are expected to contribute to the county's growth. In collaboration with a number of development partners the county is keen on enhancing contract farming, clusterized rural enterprises and value addition with a view to reaching all potential markets.

Ultimately, the County Government of Homa Bay will consider all existing options for significantly expanding fiscal space during the MTEF period 2017/18-2019/20 and to generate the necessary resources for priority investments in people, infrastructure and technology. The options include: (i) re-allocating public expenditures from low-priority areas; (ii) increasing overall revenue; (iii) lobbying for more aid and transfers; (iv) eliminating revenue leakages and; (v) adopting a more pro-growth macroeconomic framework.

2.4 Risks to the Economic Outlook and Fiscal Framework

Risks from the global economies relates to uncertainties in the global financial markets particularly with regard to the U.S. economic and trade policies, normalization of monetary policy in the advanced economies and the Brexit outcome. The recent geopolitical tensions building around production and use of nuclear weapons are likely to weigh down global growth with negative impact on trade and financial flows.

At the county level, the economy is exposed to risks including public expenditure pressures especially recurrent expenditures including wages and personnel benefits which have continued to limit funding for development expenditure. Occurrence of adverse weather conditions could also affect agricultural production and infrastructural developments thus undermining the growth outlook.

The County Government is also subject to general developments and specific events outside its control that may cause its fiscal outturns to differ from its forecasts in this fiscal strategy paper. First, estimates and projections of revenue are subject to a number of general risks that can affect revenue collections both at national and county levels. These risks include failure of the tax system to keep pace with changes in the business environment, tax avoidance, court decisions, KRA rulings and the outcome of compliance programmes. These pressures may undermine revenue collection and exchequer releases to the County Government. Major inflation, high import commodity prices, high exchange rates and limited grants from the national government and overseas development partners could also undermine the purchasing power of the county government.

There are also a number of fiscal risks that may affect the expenditure estimates and projections of the County Government. In particular, demand driven programmes, which form the bulk of the County Government's expenses, can fluctuate significantly with economic and social conditions. Such unforeseen expenses include a huge increase in contingent liabilities such as the requirement to settle liabilities inherited from the local authorities (legal claims) and potential natural disasters.

The County Government of Homa Bay however remains focused on putting in place preventive measures to ensure the fiscal outturn is as desired and, revenue and expenditure returns are as planned. The County government will monitor the above risks and undertake appropriate measures to safeguard against these risks should they materialize.

2.5 The County Fiscal Policy

The National Government's fiscal stance over the medium term aims at supporting rapid and inclusive economic growth, ensuring a sustainable debt position and at the same time supporting the devolved system of Government for effective delivery of services. The fiscal policy also indicates Kenya's deliberate convergence path towards the East African Community Monetary Union Protocol's fiscal targets.

The Homa Bay County Fiscal Framework is aligned to the National Government's fiscal stance and aims at striking an appropriate balance between stimulating economic growth at the County and a balanced fiscal policy. It aims at supporting rapid investment and effective delivery of public goods and services in an effective and sustainable manner. It stresses prudent fiscal policy to reinforce County Government's commitment to responsible financial management practices as outlined in the Public Finance Management Act 2012. In addition, the county fiscal policy objective will provide an avenue to support economic activities while allowing for implementation of the programmes in the CIDP sustainably.

In an effort to boost local revenue mobilization, the County Government is going to institute a combination of policy and administrative reforms to bolster revenue yields going forward. These efforts will reverse the revenue losses experienced in the recent past where local revenues have declined from KSh. 191 million in FY 2015/16 to KSh. 144 million in FY 2016/17. Measures are in place to automate revenue collections, enforce all fiscal policies and cover all revenue streams such as land rates and service charges. The county will continue to hire and train more staff to improve their capacity geared towards promotion of efficiency and accountability. Emphasis will be put on;

i. Ensuring resources allocated are adequate and used efficiently;
ii. Improving revenue collection and funding only priority expenditures; and
iii. Scaling up external support and direct investment

Embedded in this policy is the aim to continue containing the growth of recurrent expenditures in favor of capital investment so as to promote sustainable and inclusive growth. The county will continue reorienting expenditure towards those priority programmes outlined in County's Integrated Development Plan and as identified in public consultative forums. The critical programmes to be implemented are expected to accelerate economic activities and socio-economic development.

2.5.1 Revenue Policy

Full realization of local revenue targets is hampered by weak revenue collection systems, non-optimal collection in major revenue streams, leakages in the system due to inadequate internal controls and undercharging in some areas. The County Government of Homa Bay will focus on achieving and sustaining a strong revenue performance through modernizing revenue administration to widen tax base, improving billing and collections, optimizing prices charged for services offered and using county assets to make money. The county government will accelerate the pace of automation of the revenue collection system to enhance effective collection and seal existing loopholes. A revenue entity will be created to reengineer procedures with emphasis on risk control, integrated management, and development of intelligence and simplification of payment procedures. Reforms to rationalize exemptions and incentive structures shall also be put in place through necessary objective criteria for granting waivers. The county will review the A.I.A policy to allow departments to retain part of the funds collected for internal use, in order to improve A.I.A collection. Also, a regular review of fees and charges through the finance bill will be carried out on a timely basis.

2.5.2 Expenditure Policy

The County government is committed to ensuring prudent application of public resources for maximum returns to the public. The County Government of Homa Bay is focused on structuring its expenditure in favor of capital improvement, especially development of infrastructure and implementation of flagship projects identified in the sectoral plans and the CIDP 2018/2022. Recurrent expenditure will therefore be structured to decrease over time as capital expenditure increase in relative terms. Some of the approaches adopted to achieve this include:

- Reducing the wage bill – such as through closely linking wage increases to productivity increases, while harmonizing wages and consolidating allowances; implementing the voluntary early retirement schemes aimed at downsizing non-value adding cadres; and flexibly allowing for recruitment of critical personnel in order to achieve the optimum level for service delivery.

- Reducing the stock of pending bills – such as by implementing a strict commitment control system, paying up and closing the genuine stocks identified and terminating and completing stalled projects that are likely to lead to pending bills.

- Reducing transfers and subsidies – to units and agencies that have capacity to be self-supporting such as water and health boards or non-core public enterprises.

In an attempt to reign in on recurrent and non-essential spending, the County Government of Homa Bay has focused on six main areas, including:

a) Transport: rolling out leasing across departments and, where purchases will be required, enforcing bulk purchasing to reduce costs.

b) Foreign travel: to be restricted to essential travel with limited number of staff and controlled use of business class.

c) Domestic travel: the number of officials travelling and hired cars will be reduced.

d) Consultancy services will be better managed and fees controlled.

e) Advertising cost: we will centralize advertising with a view to better manage cost.

f) Catering cost: we will issue guidelines for reducing event costs, including better use of government facilities rather than private venues for meetings.

2.5.3 Debts and Deficit Financing Policy

It is in the interest of the government that county expenditures be limited to county estimates which should be commensurate with local revenue collections, share of the national revenue and revenue from other sources. However, in the fiscal year 2017/2018, the county treasury does envisage some borrowing even as it will be seeking to operationalize a balanced budget. Such borrowing will strictly be used to finance emergency and critical expenditure whose internal rate of return is reasonable enough to justify the resultant debt position. Borrowing will be done from domestic sources and within the provisions of the fiscal responsibility principles highlighted in section 107 of the PFM Act and PFM regulation no. 25.

Borrowing will be undertaken upon careful and critical analysis of the financial position and capability of the county in repaying the incurred debt. Such a borrowing will be approved by the county assembly and guaranteed by the national government.

The borrowing plans will remain anchored in the medium-term County Government Debt Management Strategy Paper which is built on ensuring public debt sustainability. The County Government envisages having timely payment of creditors; to undertake debt audit and establish a debt management unit; establishment of a savings plan; and regular reporting.

As part of the strategy for avoiding deficit financing, the immediate focus is on improving revenue collection as well as containing recurrent expenditures. This will be attained through administrative and legislative reforms aimed at enhancing resource mobilization, improving efficiency in government expenditure and reducing wastages.

III. COUNTY STRATEGIC PRIORITIES AND POLICY GOALS

3.1. Strategic Objectives and Priorities

The broad strategic priorities of the County Government of Homa Bay include, inter alia;

(i) Expanding investments in physical infrastructure to improve access to public transport, energy, water, sanitation and housing;
(ii) FastTrack investment in manufacturing and value addition sector
(iii) Improving provision of health care with emphasis on universal healthcare coverage, reduction of mortality rates, broadening prevention, treatment and combating HIV/AIDS, malaria, tuberculosis and other communicable and non-communicable diseases.
(iv) Enhancing agricultural production and productivity, food security and value addition;
(v) Enhancing vocational skills development and access to quality vocational education and training in the county;
(vi) Strengthening public finance management systems and implementing procedures for enhanced access, efficiency and stability in the finance sector;
(vii) Supporting good governance and establishing structures that enhance transparency, accountability and other national values and principles as outlined in the constitution; and
(viii) Undertaking all the necessary measures to improve the entrepreneurial culture of local populations as well as growth and competitiveness of local businesses.

3.2. The Big Four National Economic Plan

The Vision 2030 is Kenya's long-term development plan anchored on social, political and economic pillars. The vision is intended to transform Kenya into an industrialized, middle-income country providing a high quality of life to all its citizens by the year 2030.

As a national development blueprint, the Kenya Vision 2030 guides all other short- and medium-term development plans and strategies both at the National and County Government levels, including the recently unveiled Big Four Agenda. The Big Four Agenda is anchored on four pillars – Manufacturing, Affordable Housing, Universal Healthcare and Food Security – for all Kenyans within the next five years.

By implementing the programs and policies under the Economic Transformation Agenda (Big Four Pillars), the County Government of Homa Bay in close partnership with the National Government and Development Partners will strengthen the resilience of Homa Bay County's economy and lay down a solid foundation for the County's industrialization, wealth creation and health improvement of our citizens as envisaged in the County's Vision Statement.

As such, under "The Big Four" Plan, the County Government of Homa Bay targets to:

(a) Support value addition in agriculture and raise the county's manufacturing sector's through accelerated economic growth, job creation and poverty reduction; the county government plans to achieve this by establishing; an animal feeds factory, textile/cotton industry, fish industrial cluster, maize processing plant, modern markets and finally establishment of Agro-Processing Parks and Special Economic Zones (SEZs).

(b) Focus on initiatives that guarantee food security and nutrition to all our citizens by 2022 through expansion of food production and supply, provision of subsidized farm inputs and implements. To achieve target (b) over the next medium-term period the county government will:

   i. Completing the irrigation infrastructure at Oluch Kimira Smallholder Farm Improvement Project;
   ii. Promoting fish farming through cage fishing, capture fish farming, and cold storage for fish;
   iii. Promoting dairy farming through cross-breeding, accelerated value chain development and enhanced market access.
   iv. Providing subsidized farm inputs including certified seeds, quality fertilizer; agro-chemicals including crops and livestock disease, pest and vector control insecticides and herbicides, and storage equipment and supplies;
   v. Improving agricultural extension services (Crops and Livestock) in every ward.
   vi. Improving agricultural and farm mechanization services by ensuring that each Ward has at least a tractor; and
   vii. Promoting value addition and market access through establishment of Agro-Processing Parks and Industries – focus will be on the completion of Homa Bay County Livestock Feeds Factory in Arujo, Kigoto Maize Mill and Kigoto Grain Storage Facility in Gwassi South, and EPZ Cotton Processing Plant.

(c) Provide Universal Health Coverage by ensuring households are enrolled with the National Hospital Insurance Fund (NHIF) and,

(d) Provide affordable housing to the vulnerable groups with the support of UN Habitat plus renovating the existing government houses countywide. During the MTEF period 2018/19 – 2020/21 implementation period, the County government will also focus on:

   i. Production of affordable low-cost housing Units under PPP by constructing 150 housing units for next MTEF period and renovating 60 existing government houses
   ii. Promoting development of Appropriate Building Technology Centre (ABTC) by training 60 personnel on the use of ABTC and constructing 2 housing unit using ABT technology for exhibition purposes.

3.3. County Strategic Priorities

The Department of Finance and Economic Planning is charged with the responsibility of ensuring prudent financial management of public financial resources; formulating of fiscal discipline and fiscal policies to facilitate sustainable and inclusive development, effective resource mobilization and control of public financial resources. It is in this regard that the Department of Finance and Economic Planning formulates County Fiscal Policy Paper (CFSP) to guide the general administration and support services, Public Finance Management, and Socio-Economic Policy Formulation and Management.

In the current CFSP, the County Government of Homa Bay, guided by the Vision 2030 imperatives and Medium-Term Plans, the National Treasury's 2018 Budget Policy Statement (BPS), Public Finance Management (PFM) Act, 2012, the County Government Act and the County Integrated Development Plan (CIDP, 2018 – 2022), has identified three major socio-economic development priorities that will be the key focus of County Government of Homa Bay's program planning and projects design and implementation. These strategic priorities include: Employment and Wealth Creation; Sustainable and Inclusive Development and Progressive Politics and Improved Governance and Public Service Delivery.

3.3.1. Employment and Wealth Creation

The expenditure priorities within county departments will prioritize employment creation of youth, women and persons with disabilities (PWDs) through socio-economic empowerment supporting manufacturing and value addition activities especially in the agriculture, livestock, fisheries and energy and mining sectors; enhancing universal health coverage to promote equity in access to quality healthcare services by every citizen in Homa Bay County – a health nation is a working and productive nation; improving food security and enhancing living conditions through affordable and adequate housing, especially for the vulnerable groups and civil servants. The allocations to other critical sectors such as education, infrastructure, energy and social protection will remain protected so as to achieve the targeted objectives for employment and wealth creation.

Tourism transformation and its integration with sports, culture and creative arts are critical for revenue generation, inclusive growth and employment creation. The County Government will pay close attention to develop of sports, culture and creative arts sub-sector by increasing investment in sports infrastructure and development of beach fronts and other tourist sites.

The County Government of Homa Bay will also continue to promote gender and youth empowerment, improving livelihoods for the vulnerable groups and people living with disabilities through such programs the strengthening SACCOs, expanding opportunities using the Access to Government Procurement Opportunities (AGPO).

3.3.2. Sustainable and Inclusive Development

The County Government of Homa Bay strongly believes that sustained, inclusive and sustainable growth and development is essential for achieving the Kenya Vision 2030 at the macro level, and the Homa Bay County Vision and Development Agenda at the micro level. Socio-Economic Growth and Development can be inclusive, sustainable and can eliminate poverty only if all segments of the society, including the marginalized, the vulnerable groups, the hard-to-reach, the middle class and upper class share the benefits of development and participate in decision-making and governance.

The strategic objective of this fiscal policy area is to stimulate economic growth that reduces poverty, conserves and protects the environment, delivers adequate and affordable housing, promotes value addition and industrial growth, create decent jobs and mobilize the entrepreneurial potential of youth, women and persons living with disabilities in a sustainable manner. This includes support to the development of the private sector, small and medium-sized enterprises as well as support to the county-wide integration process, notably through accelerated roads and transport infrastructure development, renewable energy development and promotion, industrialization and investment.

The County Government of Homa Bay and its Partners will strive to promote inclusive and sustainable growth and development, and works to reduce poverty in all its dimensions by among other strategies:

(a) Working with its Development Partners and Stakeholders to formulate development planning strategies that incorporate interventions to promote inclusive and sustainable development in all sectors;
(b) Work with National Government and Development Partners and Donors to provide policy advice and tools, strategic focus and program implementation frameworks and support to tackle climate change, environmental degradation, food insecurity, promote universal health coverage, access to adequate and affordable housing, fight exclusion and marginalization in areas such as social protection, job and wealth creation, and industrial growth and development among other key areas;
(c) Realign our public investment and economic governance and, adopt best governance practices, performance-based contracting and enhanced public participation to ensure that everyone has access to vital public services without exclusion and marginalization;
(d) Enhance our productive capacities, sustainable consumption and production patterns, to better integrate into the national and global economic system in a way that prioritizes sustainable development and reduces poverty and inequality.

3.3.3. Progressive Politics, Improved Governance and Public Service Delivery

Economic performance— in terms of growth, investment, and poverty reduction—depends in part on governance. In turn governance is shaped by the underlying institutions and their capacities and commitment to good governance practices. Public sector governance refers to the manner in which the state/county government acquires and exercises the authority to provide and manage public goods and services on behalf of its citizens.

The County Government of Homa Bay recognizes that good governance and accountability are essential for inclusive and sustainable economic growth and development and the ultimate realization of the sectoral goals and objectives

During the MTEF period 2018/19 – 2020/21, the County Government of Homa Bay shall ensure equitable allocation and distribution of public resources and the efficient delivery of public services, which among other things creates a conducive environment for private sector investment and growth.

Recognizing the magnitude and complexity of the development challenges that Homa Bay County faces, there is widespread consensus among development practitioners, financiers and political and civil society leaders that the County Government of Homa Bay needs to adopt and operationalize sound public administration institutions and practices. This will require a robust but strategic paradigm shift in governance, public finance management and human resource development among other parameters necessary for attaining the desired development goals, objectives and outcomes.

3.4. Enablers and Critical Success Factors

Building on the progress made, the Government will continue with the implementation of programmes and policies under the Economic Transformation Agenda. To do this the county will implement policies that ensures the Transformation Agenda namely:

a. Creating a conducive business environment for investment and job creation through effective legislations and policy framework formulation;
b. Investing in roads, transport, renewable energy, market infrastructure, sports and tourism infrastructure and improved healthcare services to unlock our insatiable growth and development potential;
c. Promoting unity of purpose among all elected leaders, religious leaders, civil society organizations and development partners aimed at fast tracking goal realization in each sector;
d. Investing in sectoral transformation for enhanced agricultural productivity, food security and broad based sustainable economic growth;
e. Investing in quality and accessible social services (health, education and social safety nets for the vulnerable and marginalized groups);
f. Consolidating gains in devolution for services delivery and enhanced rural development.
g. Ensuring inclusive and sustainable growth and development through strengthening of governance institutions, youth and women empowerment, and employment and wealth creation;
h. Pursue strategic structural reforms in areas such as governance, public finance management including automation of revenue services, public participation, integrated county programs/projects monitoring and evaluation; and enhanced productivity and competitiveness in all active economic development sectors; and
i. Increase investment in ICT as an enabler to inclusive and sustainable development through a knowledge-based economy.

IV. FY 2018/19 BUDGET AND THE MEDIUM-TERM EXPENDITURE FRAMEWORK

4.1. The Fiscal Framework

The 2018/19–2020/21 Medium-Term Fiscal Framework aims at striking an appropriate balance between stimulating economic growth at the County and attaining fiscal balance. In all, however, the County Government of Homa Bay will adopt a growth-oriented fiscal stance that will serve to reinforce the competitiveness of the county economy, build capacity to create jobs and support cultural re-orientation towards honest, hard work. Additional measures will also be taken to enhance service delivery and reduce poverty and vulnerability of the key populations.

Over the medium term, the County Government of Homa Bay will continue its expansionary bias in the fiscal stance while emphasizing structural reforms aimed at improving the quality and effectiveness of its spending. Specifically, the policy adjustments proposed the forthcoming MTEF period include:

- Expenditure increases focused on social services including health, education and social protection with a focus on complying with international standards and commitments such as by stepping up budgetary provision for health to 30% or better;
- Growth in spending on public infrastructure by at least 5 per centum in real terms boosted by Public Private Partnerships, National Government spending and extra-budget support from Development Partners especially the World Bank and Africa Development Bank;
- Meeting shortfalls in the operating budget of the education sector over the next three years by allowing for a period of restructuring in order to restore wage sustainability and achieve compliance with fiscal responsibility principles; and,
- Enhancing the capacity of the County Revenue function with focus on plugging leakages, improving efficiency and ensuring value for money from investments aimed at improving revenue collection.

The County Government of Homa Bay will strive to implement a prudent fiscal policy consistent with its commitment to responsible financial management practices as outlined in the Public Finance Management Act 2012. In particular, its fiscal policy will continue to be aimed at shifting more public resources from recurrent to capital investment so as to promote sustainable and inclusive growth in the long run. Furthermore, it will strive to ensure greater efficiency and productivity of expenditure while at the same time ensuring that adequate resources are available for operations and maintenance.

The 2018/19 Budget Framework recognizes that sustainable and shared prosperity requires steady progress across all fronts and populations. It will therefore make provisions for mainstreaming of marginalized groups into the county economy. However, the 2018/19 Budget will ultimately present a shift in fiscal stance from consolidation of gains to a growth-orientation never seen before with focus on achieving visible budget outcomes through well-targeted increases in spending on critical result areas such as social and economic infrastructure.

4.1.1. Revenue Projections

During the first half of the FY 2017/18, the total revenue was KSh. 2.48 billion. This represents a receipt rate of 33.0% compared to the revised estimates of KSh. 7.51 billion and 34.5% compared to the printed estimates originally approved by the County Assembly of KSh. 7.19 billion. The budget outturn for the first half of the year remains below expectations.

Already, allocations to the County Government of Homa Bay from the 2018 Draft Budget Policy of the National Government does not paint a rosy picture. The County Government of Homa Bay expects revenue mainly from the National Government through the three main sources, namely: Equitable Share, Conditional Grants and, Loans and Grants from Development Partners. In total, the amount allocated to Homa Bay County is KSh. 7,550,042,358. Out of this amount, KSh. 200 million will be retained by the National Government for leasing of medical equipment on behalf of the County Government.

In total, the County Government expects to operationalize a budget for the FY 2018/19 based on total revenue amounting to KSh. 7,723,038,775. This represents a modest revenue growth of 2.8% which in real terms means an overall revenue decline. Table 4.1 below provides a synopsis of the revenue trends over the MTEF period 2016/17-2018/19.

Table 4.1 Trends in Revenue for FYs 2016/17, 2017/18 and 2018/19

Nature of Revenue	FY2016/2017	FY2017/2018	FY2018/2019
Equitable Share of National Revenue	6,080,193,774	6,523,200,000	6,688,200,000
Conditional Grants from National Government	340,520,062	410,994,282	444,854,827
Other grants and loans from Development Partners	42,678,030	367,659,083	416,987,531
Local Revenue (including A-in-A)	192,162,868	118,664,278	172,996,417
Other receipts including balances from the previous year	76,358,791	188,67,027	-
Total Revenue	**6,731,913,525**	**7,513,427,989**	**7,723,038,775**

The Resource Envelop

For budgeting purposes, the County Government of Homa Bay expects a total of KSh. 7,723,038,775, excluding allocations for leasing of medical equipment but including revenue collected from own sources.

Equitable Share from National Government Revenue

The equitable share is an unconditional allocation to the County Governments from the revenue generated by the National Government as provided for by the constitution. The County is fully responsible for these funds and is directly accountable to the County Assembly on how the resources under her control are spent.

According to the 2018 draft Budget Policy Statement of the National Government, proposed allocation from equitable share of the National Government Revenue for Homa Bay County is estimated at KSh. 6,688,200,000 during the FY 2018/19. This represents a paltry increase of 2.5% over the previous allocation of KSh. 6,523,200,000.

Conditional Grants from the National Government

These may be given as additional allocations from the National Government's share to which the National Government has attached conditions in the FY 2018/19. These expenditures include allocation for development of village polytechnics, compensation for user fees forgone, and fuel levy for road development.

According to the 2018 draft Budget Policy Statement of the National Government, proposed allocation towards conditional grants for Homa Bay County is estimated at KSh. 244,854,827 during the FY 2018/19, excluding provision for leasing of medical equipment. This represents significant decrease of 40.6% from the previous allocation of KSh. 410,994,282, excluding the same provision for leasing of medical equipment. Table 4.2 provides a synopsis of the trends in allocation of conditional grants from the National Government.

Table 4.2 Trends in Allocation of Conditional Grants from National Government

Nature of Conditional Grant	FY 2016/17	FY 2017/18	FY 2018/19
Rehabilitation of Village Polytechnics	0	52,975,942	46,675,000
Compensation for user fees forgone	22,616,803	22,185,346	22,185,346
Leasing of medical equipment	95,744,681	95,744,681	200,000,000
Road maintenance fuel levy	93,422,137	240,088,313	176,094,481
Maternal health care	128,736,441	0	0

Nature of Conditional Grant	FY 2016/17	FY 2017/18	FY 2018/19
Total Allocation	**340,520,062**	**410,994,282**	**444,954,827**

Loans and Grants from Development Partners

These may also be given as additional allocations from loans and grants being received from Bilateral and Multilateral Organizations such as the World Bank and the Danish Agency for International Development (DANIDA). They come as loans or grants attached with conditions. They include the World Bank allocations for Universal Care Project, Kenya Agricultural and Inclusive Growth Project, Kenya Devolution Support Programme and the Kenya Urban Support Programme.

According to the 2018 draft Budget Policy Statement of the National Government, proposed allocation towards these loans and grants for Homa Bay County is estimated at KSh. 416,987,531 during the FY 2018/19. This represents an increase of 13.4% from the previous allocation of KSh. 367,589,083.

Own-Source Revenue

The 2018/19 budget targets a total local revenue collection of KSh. 173 million. The projected growth assumes normal uninterrupted revenue collection pattern during the year and improved investor confidence in the Country. Inflation is expected to remain low and stable, reflecting continued implementation of a prudent monetary policy and stable food and oil prices, as well as stable exchange rate. The county revenue from own sources will be raised through permits, market entrance fees, cess, rents, service-charge and rates, among others. By revenue stream, the table 4.3 below provides a synopsis of the projections of own-source revenue for the MTEF period 2018/19-2020/21 as follows.

Table 4.3 Projection of Own-Source Revenue by Stream for FYs 2018/19-2020/21

Revenue Stream/Income Source	Revised 2017/2018	Draft 2018/2019	Projected 2019/2020	Projected 2020/2021
Land Rates	1,133,024	2,133,024	2,472,931	2,720,224
Land transfers/ Sales/ Change of Use	322,300	522,300	564,199	620,619
Lease Charges (Consent/Transfers)	0	176,457	199,396	219,336
Stall/Plot/Ground Rents	970,364	1,970,364	2,455,546	2,701,101
Single Business Permits	14,607,878	18,607,878	21,954,016	24,149,418
Market Dues	20,329,515	32,329,515	37,078,219	40,786,041

Revenue Stream/Income Source	Revised 2017/2018	Draft 2018/2019	Projected 2019/2020	Projected 2020/2021
Approval of plans/transfers/certificates	658,700	858,700	1,159,790	1,275,769
Housing Fees (Rents)	1,061,600	2,961,600	4,199,296	5,619,226
Fish Cess	0	3,159,291	5,677,790	7,245,569
Other Cess Income	10,420,720	13,758,041	15,035,414	17,538,955
Taxi/Motorbike Fees	3,665,620	5,665,620	7,039,715	8,743,687
Site Value Rates	0	81,819	130,910	144,001
Kiosk Rents	3,515,805	4,515,805	5,895,974	6,485,571
Slaughter House Fees	928,700	1,287,700	1,736,550	1,910,205
Stock Auction Fees (Cattle/Goat/Sheep)	4,067,590	4,967,590	5,096,078	5,605,686
Stock Movement Fees	0	482,450	559,642	615,606
Veterinary Charges	0	392,700	441,358	485,494
Advertising/Bill boards	125,460	265,527	348,190	383,009
Landing Fees (Boats, Planes, etc.)	49,200	129,200	153,811	169,192
Bus Park Fees/Parking Fees	16,384,018	20,341,168	23,759,577	26,135,535
Liquor Licensing	0	0	2,467,324	2,714,056
Administration/Certification Fees (Search/Beaconing)	171,324	218,111	236,465	260,112
Sanitation Fees	409,170	589,433	800,255	880,281
Fire Inspection Fees	0	57,200	71,520	78,672
Hire of Open Spaces/Social Facilities	12,000	27,400	29,365	32,302
Sewerage Bills	26,300	63,910	90,269	99,296
Hire of Machinery & Equipment	402,900	722,699	990,788	1,489,867
Sale of Tender Documents	274,610	274,610	459,277	505,205
Conservancy Fees/ Wildlife Grants	242,150	342,150	473,629	720,992
Nursery School Fees	0	23,350	26,386	29,025
Water Charges (Application, Survey)	103,095	193,225	316,497	348,147
Registration of Groups/Schools/Renewals	19,800	33,400	55,740	61,314
Fines and Penalties	118,890	163,613	234,346	257,781
Survey/Sub-division Fees	0	33,000	49,500	54,450
Weights and Measures Fee	0	582,320	658,022	723,824

Revenue Stream/Income Source	Revised 2017/2018	Draft 2018/2019	Projected 2019/2020	Projected 2020/2021
Bricks/Sand/Murram/Stones	0	586,670	2,880,005	4,168,006
Miscellaneous Incomes	365,715	395,715	694,645	764,110
Health Sector Charges (A-I-A)	38,277,830	54,082,862	61,299,089	71,428,998
Total Local Revenue	**118,664,278**	**172,996,417**	**207,591,524**	**238,170,676**

The County is expected to institute measures to expand revenue base through assessment of the potential actual revenue base and eliminate revenue leakages. In addition, the County Government intends to mitigate cases of deficits in the future by instituting strategies to counter challenges that hinder collection of revenue from all relevant sources: entertainment taxes; property taxes; liquor licensing; agricultural produce cess; licensing of outdoor advertising among other streams. These interventions amongst others will include;

- Developing and actualizing policies to underpin revenue measures;
- Establishing a resource mobilization unit and developing an effective framework for grant seeking and the PPPs;
- Enactment and implementation of the FY 2018 Finance Bill and its enabling legislations;
- Enhancing partnership and collaboration with Development Partners including Overseas Development Agencies, the National Government and other County Governments;
- Mapping all available revenue streams and automating collection where applicable;
- Performance contracting, redeployment, rotation and capacity building of revenue staff;
- Removing weaknesses such as spending at source, poor internal controls and audit, cash handling and irregular reporting;
- Harmonizing charges and linking fees to charges;
- Avoiding irregular waivers; and
- Implementing provisions enabling retention of local revenue in critical facilities like health.

The department will also put in place measures to ensure all revenue collected by the devolved units is banked in the County Revenue accounts and thus eliminate non-disclosures of revenue.

Other measures the county will undertake include: i) Sensitizing all citizens on the benefits of paying rent & rates; ii) Exploiting dormant revenue streams e.g. parking; iii)

Updating records on Land Rates and Land Rent Training of revenue collectors; iv) Target setting and monitoring; v) Rapid Results Initiative in revenue collection; vi) Restructuring and reorganizing revenue collection

4.1.2. Expenditure Forecasts

In the first half of the financial year 2017/2018, the total expenditure by commitment was KSh 2.1 billion, including recurrent of KSh. 1.77 billion and development KSh. 0.33 billion. This represents an absorption rate of 28.0% compared to the revised estimates of KSh. 7.51 billion and 29.2% compared to the printed estimates originally approved by the County Assembly of KSh. 7.19 billion.

For the coming FY 2018/2019, the projected total expenditure is KSh. 7.72 Billion of which 31.4% will be channeled to development programmes. This expenditure has been broken down by broad economic classification as in the table 4.4 below

Table 4.4: Trends in expenditure for FYs 2016/17, 2017/18 and 2018/19

Nature of Expenditure	FY 2016/2017	FY 2017/2018	FY 2018/2019
Recurrent	4,399,369,696	5,059,555,517	5,298,004,600
Development	2,097,094,050	2,453,872,472	2,425,034,175
Total Expenditure	**6,496,463,746**	**7,513,427,989**	**7,723,038,775**

Expenditure on Operations and Maintenance

Recurrent accounted for averagely 68% of the total expenditure during the MTEF period 2015/16-2017/18. Out of this figure, 43% percent was for compensation of employees while 25% went into operations and maintenance.

Expenditure on operations and maintenance relate to day-to-day activities that are not capital or remunerative in nature ranging from equipment maintenance to health care. The County Government of Homa Bay is determined to reign in on operations and maintenance so that more resources are dedicated to programmes with greatest impact on poverty eradication, wealth creation and sustainable development.

Expenditure on Wages and Benefits

Section 107(2)(b) of the PFM Act of 2012 provides that the County Government expenditure on wages and benefits shall not exceed a percentage of the County Government's total revenue as prescribed by the CEC Member for Finance in regulations approved by the County Assembly. Regulations 25(1)(b) of the PFM for County Government (2015) prescribes that percentage to be 35%.

For Homa Bay Government, the expenditure on wages and benefits has continued to exceed the ceiling of 35% provided in the PFM Act and its operationalizing regulations. For the FY 2017/18, expenditure on wages and benefits is expected at 41.14%. This is expected to reduce marginally to 40.9% in the FY 2018/19.

Over the medium term, however, the County Government is restructuring its expenditure to bring this expenditure within the levels provided for by PFM Regulations.

Emergency Reserves

Sections 113 and 110(2) of the PFM Act of 2012, provide that at most 2% of the Total County Government Revenue should be set aside for purposes of enabling payments to be made when an urgent and unforeseen need for expenditure for which there is no legislative authority.

For the Homa Bay County Emergency Fund, an initial allocation of KSh. 80 million shall be made in the FY 2018/19. A payment from this fund shall however be according to the laws and regulations governing that fund including securing the necessary approvals from the County Assembly.

After unexpected legal awards, the County will have to draw down on its emergency funds. But the County Government recognizes the need to use emergency funds frugally while in the midst of looking for alternative revenue sources. Equally, it will use emergency resources to help survive natural disasters. This is because preparing for a natural disaster is not only about protecting county assets and infrastructure as the disaster is happening. It is also about recovering from the aftermath. And both instances usually require money. Lastly, the county will require an emergency fund for health. Unexpected expenses that touch on life and death of large populations will have to be incurred. This will happen during unexpected disease outbreaks and/or accidents that threaten the life and safety of whole populations.

Development Expenditure

Development expenditure plays a pivotal role in the growth of Homa Bay County. This expenditure relates to costs incurred in order to create assets that will provide long-term public goods, including roads, hospitals, schools and airports. Such expenditure tends to cover the construction of buildings, both residential and for office purposes; purchase of durable and long-term equipment, such as power generators and telecommunications equipment; establishment of water/sewer treatment plants, stadiums, recreational facilities and historical monuments, and installation of information technology equipment and other long-term equipment.

The County Government has a duty to incur such expenses which helps in economic development by increasing production and real income of the county. The key policy document guiding the County Government's development expenditure decisions in the FY 2018/19 will be the Second CIDP (2018-2012), which provides the updated development priorities of the county.

4.1.3. Fiscal Balance

The revenue power of the County Government of Homa Bay is likely to be undermined by the recent political upheavals as well as the electioneering and post-election shocks related to the repeat gubernatorial elections expected in the County. This will most likely create a mismatch with expenditure responsibilities for the financial year 2018/19 exerting fiscal pressure on the Government to consider deficit financing of some of those responsibilities. However, there is a determination to realize zero fiscal balance without any debt obligation.

Achieving and upholding fiscal sanity requires a better government plan. The better government plan is based on the assumption that the county government has a positive role to play in improving people's lives but could perform this function far more effectively than it does now. Instead of focusing on changing the size of county government, the focus will be on reallocation of spending in ways designed to improve government performance.

The County Government of Homa Bay recognizes that a true structurally balanced budget is one that supports financial sustainability for multiple years into the future. As part of efforts to achieve zero fiscal balance, the County Government has identified the key items related to structural balance. These include: *recurring and non-recurring revenues, recurring and non-recurring expenditures, and reserves*.

Consequently, the County Government will continue to review its revenue portfolio to identify non-recurring revenues and revenues with potentially volatile components with a view to growing them while managing risks associated with volatility of non-recurrent revenue. From the expenditure side, the County Government will reign in on recurrent expenditure including salaries, benefits, materials and services, and asset maintenance costs. Although some capital assets may be acquired during the year, effort will be made to defer some non-recurring expenditures with a view to avoiding fiscal deficits that may be harmful to the County economy. Equally, the reserves that are set aside as hedge against risk will be rationalized. The reserves shall be maintained at a level that preserves a structurally balanced budget. However, the reserves shall be kept growing over medium term as a good and readily available measure for emergency preparedness.

4.2. Sector Priorities

The County Government has captured its development priorities for the period 2018-2022 in the Second County Integrated Development Plan (CIDP). The Plan has taken into account public input through the countywide consultative meetings and the Medium-Term Plan (MTP) II priority programmes covering the period 2018-2022. The county also held public participation forums at sectoral and sub-county levels whose input form part of the priority programmes for implementation. Development expenditures are shared out on the basis of the County Integrated Development Plan (CIDP). The following guidelines are being used:

4.2.1 Agriculture, Rural and Urban Development Sector

Agricultural transformation for food security

Agriculture is one of the priority sectors to achieving food security in the county. Majority of the population of the county are subsistence farmers who depend on agriculture for supply of food and income. However, the county remains a net importer of food and therefore a lot of investment is required in this sub sector if at all food security is to be achieved in the medium term.

The medium-term priority projects proposed for the sub-sector include: construction of water pans as demonstration sites for promotion of rain water harvesting for vegetables production; promotion of cotton, sorghum and vegetables; continued investment in agricultural mechanization; improvement of agricultural extension services through employment of more extension officers and acquisition of motor bikes; continued investment in the greenhouse project beneficiaries capacity building to ensure its success; completion of the post-harvest handling facility at Kigoto and other on farm storage facilities; continued sensitization of farmers on post-harvest handling to reduce post-harvest losses.

Other projects will include the establishment of an Agricultural Training Center; promotion of traditional high value crops through seed multiplication/bulking sites establishment; support to commercial fruit tree nurseries establishment; construction of office blocks (1 county office block, 2 sub county office blocks and 13 ward office blocks) construction of perimeter wall round the show ground; and promotion of food crops through Climate Smart Agriculture (CSA) adaptive technologies.

For the 2018/19 financial year, the focus of the Agriculture and Food Security sub sector will be directed at expanding the area under farming by; Establishing 40 model farms to transfer crop production technologies to 6,000 farmers, establishing 2 traditional high value seed multiplication/bulking sites targeting 4,000 farmers, constructing 20 water pans for vegetable production, operationalizing 8 commercial fruit tree nurseries, undertaking approximately 25% of works on the show ground perimeter wall and improving marketing and quality of products from local farm resources. To enhance food security 1,600 farmers to access subsidized seeds and fertilizers, provision of subsidized farm inputs to farmers around Oluch Kimira Irrigation Scheme, increase yields of maize and sorghum by 25%, constructing 1 grain storage facility targeting 48,000 farmers, fabricating and distribute 100 metal silos by ATDCS to farmers at subsidized prices

Livestock and Fisheries Resources Development

The sub-sector consider itself another critical player in fighting food insecurity. Over the past three years, the sub-sector has implemented a number of initiatives towards that objective. They include introducing fish farming as strategy to ease pressure on Lake Victoria; constructing and supplying fish farming inputs to 160 fish ponds and rehabilitating another 160 abandoned ESP fish ponds across the Wards in the County to progressively increase inland fish farming.

Over the next three years, projects proposed include: purchase of patrol boats for surveillance and control of illegal fishing; demarcating and protecting critical fish breeding sites, Construction and procurement of fish landing site facilities, construction and stocking of fish ponds and fish cages and Supply of farmed fish feeds and fish harvesting nets. The sub department will also prioritize, dairy development, clean milk production and marketing, sheep and goat production through breed improvement, upgrading of the local animals through provision of artificial insemination services, livestock disease and vector control, and promotion of apiculture through modern bee hives. There will also be support to extension delivery by employment of additional livestock extension personnel at the ward level.

For the 2018/19 financial year, the focus of the sub-sector will be directed at promoting farmed fish production and improving capture fisheries management through having 4 lake surveillance equipment procured and operationalized, conducting 80 monitoring control and surveillance missions, procuring 30 landing site assets to reduce post-harvest loss of fish, formulating 1 species management plan and sensitizing 400 fishermen with modern fishing activities on co-management; increasing farmed fish production and productivity by establishing and operationalizing 160 fish ponds, rehabilitate 80 fish ponds, establish 16 model fish farms used to transfer crop production technologies to farmers targeting 400 fish farmers.

Under the livestock division, the department shall undertake and continue with these priorities over the medium priorities: increase livestock productivity (in terms of milk production) and production by inseminating 2,000 animals; improve goat and sheep genetic pool to ensure 200 farmers own better breeds; increase honey production by providing 1,000 modern bee hives and increasing the number of bee handling kits to 1,000 farmers from 200 farmers; promoting 4 Climate Smart Agriculture technologies and practices for adoption by the value chain actors; ensure livestock infrastructure development by improving 2 slaughter houses, enhance surveillance and control of strategic pests/emerging diseases and pests and finally to improve livestock health and product qualities by reducing livestock disease burden.

Improved Management of Lands and Physical Planning

The main objective for lands and physical planning sub-sector to provide a spatial framework that would guide, develop, administer and manage lands and its activities within the county. Over the last three years, the sub-sector was able to roll out the preparation of the county spatial plan as well as set up a land bank for various investment projects in all the 8 sub-counties including for the County Headquarter, Gor Mahia Stadium, Animal Feeds and Sweet Potato Processing Plants.

The sub-sector was also able to successfully completed urban development plans for Homa Bay and Rangwe Towns; develop an inventory of and fenced 5No. public parcels of land across the county including Oriang Estate, County Headquarters and Kabondo parcels; survey and demarcate markets in various parts of the county; facilitate adjudication processes leading to accelerated titling of untitled lands; and resurveying and parcellation of Kakelo Kamroth leading to 1,700 title deeds being issued.

For the FY 2018/19 budget, the sub-sector will continue focusing on the following areas under Lands and Physical Planning: Preparation of County Spatial and Physical development plans; Preparation of part development plans; completion of inventory of Public lands; Site surveys as well as completion of random checks for various adjudication sections to facilitate land registration process and lastly; surveying and demarcation of markets.

Improving Housing and Urban Development

The Housing and Urban development sub-sector has been mandated to develop and execute policies on housing and urban areas. There is a clearly strong call from citizens for the County Government to focus its efforts on generating affordable housing and this includes making housing finance available to end-users. This requires an understanding of the issue of affordable urban areas and how housing connects to access to infrastructure, access to employment, services and the interrelations between neighborhoods.

The interventions in the sub-sector also requires developing and/or marketing innovations in housing design, ranging from building technologies, building material innovations to how an understanding of traditional communal housing informs new models of affordable housing that give room for communal living and increased social space. As part of the effort, the sub-sector was able to renovate 76 county staff houses as well as an office block for the department of trade in the period 2014/15-2016/17. Equally, the sub-sector has established an Appropriate Building Technology center at Ndhiwa.

Over the next three years, however, the sub-sector is focused on a number of initiatives, including: Improving the living standard of the people by developing low cost housing under PPP; Promoting adoption of local, appropriate and innovative building Materials technologies(ABMTs); Continuing the implementation of the Symbio-city project at Mbita; Improving urban institutional management and development programme under Kenya Urban Support Programme; and Slum upgrading at Shauri Yako and Makongeni in Homa Bay Town.

For the FY 2018/19, the Housing and Urban Development sub-sector will adopt a proactive approach by conducting baseline survey to identify potentially new slums for upgrading. It will strive to mobilize resources for production of affordable low-cost housing units while at the same time train 20 personnel on the use of ABT, initiate a quick win project at Mbita, develop an urban institutional management and development plan and establishing town board in collaboration with Kenya Urban Support Programme.

4.2.2 Energy, Infrastructure and ICT Sector

Access to Adequate, Affordable and Reliable Energy Supply

The mandate of the energy sub-sector is to optimize power supply in Homa Bay County, so as to improve on its sufficiency and reliability; to promote alternative sources of energy and; to regulate and control the construction minerals industry. Towards fulfilling that mandate, the energy sub-sector has focused on the following priorities; expanding access to energy through rural electrification and connectivity, Improving power supply stability, Implementing energy efficiency programs, Facilitating investment in clean energy generation and mineral resources exploitation, Developing policies and regulations on mineral resource exploration, and use of clean and renewable energy sources, Establishing Information Resource Base to enhance research and studies, and public awareness and Energy Reticulation for Petroleum.

For the FY 2018/19 the sub sector will in collaboration ensure expanded energy access by increasing the number of household connected to grid power, installing more solar lights to market and health centres, promote use of low cost energy technologies and develop policy to regulate on mineral resource exploitation.

Improving the Roads Infrastructure and Transport Network

The sub-sector has been mandated to provide efficient, safe, affordable and reliable infrastructure for sustainable economic growth and development through construction, modernization, rehabilitation and effective management of all infrastructure facilities. Thanks to sub-sectoral efforts, Homa Bay County has been opened up significantly for business using own equipment either inherited from National Government or those acquired by the County Government

For the MTEF period 2018/2019 to 2020/2021, the sub-sector will direct its focus towards formulation and implementation of a County Transport and Infrastructure Policy and Regulations; expansion of the road network; improvement to Bitumen standard of 24Km of Marindi-Magina-Pala-Kowuonda road; routine maintenance of 6,500Km of classified and unclassified roads; installation of appropriate road furniture; promotion of safety in public transport though training of 3000No motor cyclist; establishment of 8No Single span bridges and box culverts; modernization and expansion of 1.7Km runway in Kabunde airstrip; rehabilitation and expansion of 5No jetties and 4No bus parks and; establishment of a Roads Construction and Maintenance Agency.

In collaboration with the National Government and the African Development Bank, the sub-sector will also develop to bitumen-standard Mbita-Sindo-Magunga-Agolo Muok road; Kendubay-Oyugis road; Oyugis-Rangwe-Rodi road; Kanyadhiang-Pala-Kandienge-Kadel ring road; Suneka-Rangwe road as well as Olare–Imbo, Omoya-Ndiru-Kodhoch among others, further opening the county for meaningful business.

For the fiscal year 2018/2019, sub-sector effort and resources will be directed at complete bituminization of a 7Km stretch of Marindi-Magina-Pala-Kowuonda road; Maintenance of

2,200Km of classified roads; routine maintenance of 160Km across the 40 wards; gravelling of 100Km of roads that were previously opened; building of 3 single span bridge; Development of 2 modern bus parks within the county; and improvement of the Kabunde airport by increasing length of the run way by 0.5Km. and, employ 2 experts to improve service delivery in the sub-sector.

Quality Public Works and Maintenance Services

The ultimate goal of the Public Work and Maintenance sub-sector is to ensure that there is quality construction and maintenance of government buildings and other public works for sustainable socio-economic development. The sector faces a number of challenges that have continued to constraint its operations, including among others, inadequate resources, poor coordination between the sector and other sectors and lengthy procurement processes. However, the county government will strive to dedicate additional resources towards operationalizing and expanding mechanical and maintenance services.

The sub-sector has plans to establish 3No safety standard policies and 2No safety standard regulations. Further the sub-sector plans to improve safety and standard of infrastructure development by 55%. For the FY 2018/19, the sub-sector will be formulating 1No safety standard policy and 1No safety standard regulations on inspection and safety with a view to improving standards by at least 25% and hiring 2 experts.

Leveraging Information and Communication Technology

The County Government of Homa Bay recognizes that ICT can be leveraged to propel social and economic progress particularly in the provision of public services. Over the MTEF period 2015/16-2017/18, ICT sub-sector has been able to acquire 91 computers and printers which were distributed among the various county entities; set up a digital printing facility, an ICT innovation and computer center in Homa Bay Town; and network the County Treasury and Office of the Governor to enable them benefit from the fiber-optic infrastructure. Over the next three years, the sub-sector has applied itself to improving internet connectivity and capacity building of local businesses. For the FY 2018/19 in particular, the sub sector will be connecting sub-county information and innovation centers with internet system; building and equipping two sub county innovation hubs and improving the official county website. It will also be maintaining the existing fiber optic connectivity and training staff on ICT management and development.

4.2.3 General Economic and Commercial Affairs Sector

Promotion of Investment, Trade and Industrialization

Sustainable and inclusive economic development requires a stable macroeconomic environment anchored on promotion of investments, trade and industrialization. The trade, industrialization, cooperatives and enterprise development sub-sector contribute significantly towards industrialization, wealth generation and employment creation in the county, and has great potential for accelerating the economic growth of the county's GDP.

Over the medium term, the sub-sector is focused on strengthening mobilization of investment and creating a conducive environment for continuous investment; promoting clustered industrialization along the value chains, consolidating and strengthening cooperative societies and supporting development of micro, small and medium enterprises.

For 2018/19 in particular, more focus will be directed on giving loans to SMEs; disbursement of loans (15M) to 3,000 traders both youth and women across the county subject to preparation of a regulatory policy paper; establishing the Fund Management Board; supporting and training of 1,000 traders (economic stimulus program) as per the formulated management policy, upgrading and operationalizing 40 markets, improve 3 livestock auction ring, modernizing 1 market, registration of 10 new cooperatives; capacity building of cooperatives societies, reviving and strengthening 10 dormant cooperatives; registering 20 businesses, establishing 1 incubation centre, creating 2 master piece for Front office service operations ,complete construction of animal feeds at Arujo, maize processing plant at Kigoto and installation and commissioning of the two plants.

The County will endeavor to ensure a sustainable and vibrant business and investment environment through:

a) Development and implementation of sound economic policies and laws like on taxation, revenue sharing and sustainable resource exploitation and use;

b) Promotion of private sector development through enterprise and entrepreneurship development for instance establishment of biashara centers and biashara fund;

c) Establishment of fresh produce and general foodstuff markets in every major town. This creates a better environment for both traders and customers;

d) Mapping all urban and areas set aside for investment and trade. This boosts investor confidence

Under tourism sub sector, over the next medium-term focus will be on tourism development and promotion services, a sub programme that will ensure 6 beach fronts are developed, 8 Community-Based Tourism initiatives established and 7 Tourism sites developed

For the Financial Year 2018/19, the sub sector will concentrate on developing 2 beach fronts, establishing a Community-Based Tourism initiative and developing 2 Tourism sites.

4.2.4 Health Services Sector

The sector is charged with confronting and overcoming the high disease burden in the county which is well highlighted in Kenya's epidemiological profile. Therefore, it shall continue to implement a comprehensive health strategy anchored on the Kenya Health Policy (2014-2030) and Kenya Health Sector Strategic and Investment Plan (2014-2020) to ensure access to quality health care for all.

Key notable achievements in the sector from previous investments period 2014/15-2017/18, the department of health was able to procure drugs and non-pharms for all gazzetted health facilities(260), recruit 711 additional health personnel; the county constructed modern maternity wards in Ndhiwa, Rangwe and Kendu Bay sub county hospitals; renovated part of County referral hospital, establish 1 satellite MTCs in Oyugis; implement the Community Health Strategy, recruiting 2147 CHWs in the process, procure digitized medical equipment including renal and dialysis machines, x-rays, CT scan and ultra-sound machines; constructed 5 staff houses, constructed 4 general wards, purchased 7 fully equipped ambulances in collaboration with partners, purchased 2 hospital generators, established 14 WASH facilities in the county. The sector established green energy (solar energy) in 11 facilities with the support of partners.

For 2018/19 going forward, the sector has prioritized the operationalization of community units; promotion of Environmental Health Sanitation Services (EHS), control of HIV, TB, Malaria, and Vector borne diseases; improve Immunization; intensify Disease surveillance; promote Reproductive, maternal, newborn child and adolescence health. The department will also focus on improving Nutritional services, Health Promotion services and Health information management system.

To improve medical services for the same period, the sector will ensure regular supply of drugs, non-pharms, reagents, medical equipment, plants & machinery. The sector will also acquire fully equipped land and water ambulances, construct and renovate theatres, general wards, outpatient blocks, administration blocks, maternity wards, and stores. The health sector plans to construct and equip a cancer unit, KMTC, mortuary and upgrade County referral hospital to level VI. The sector will complete oxygen plant, blood bank and acquire title deeds for all government health facilities during the period. The sector also plans to recruit, develop, compensate and maintain a skilled and motivated work force. The department will prioritize health research during implementation period and develop Health Services Bill and Reproductive Health Services Bill.

4.2.5 Education Sector

The sector goal is to increase access to early childhood education, reduce inequality in access to education, improve access to vocational training, and exploit knowledge and skills in science, technology and innovation to achieve global competitiveness of the county and the county's huge labour force. The sector plays a crucial role in developing skilled and competent workforce to drive socio-economic growth and development in the long-term.

Significant investments will be made to upgrade and improve tertiary institutions especially youth polytechnics and Technical Institutions. The county will continue to improve these institutions in order to provide more opportunities to the many students graduating from primary and secondary schools.

The sector faces a number of challenges including rapid increase in enrollment at all levels of education without an equivalent increase in infrastructure and staff leading to overstretched facilities, overcrowding in learning institutions and high staff-learners ratios which have negatively impacted the quality of education. There is also inadequate infrastructure particularly in pre-primary school.

Education in the County is focused on Early Childhood Development and technical education provided in our Vocational Training Centers. The sub sector medium term priorities are therefore to increase access and quality of ECDE education; establish Child Daycare centres; introduce ECDE Feeding programs; improve on water system infrastructure in all ECDE centres; motivate ECDE teachers and instructors by enrolling them under scheme of service; improve access to quality vocational education and training by constructing new VTCs and equipping both the new and existing VTCs; capacity building of the sector by developing policies and ensuring quality assurance and standards are maintained.

In the FY2018/19, therefore, resources will be focused on construction of 80 ECDE centres, 1 Baby Care Centre and 4 model ECDE centres in 4 sub-counties. The county is also intending to construct VTC workshops and equip them. In terms of policy and regulations, the county will formulate regulations to operationalize the Bursary Fund Act.

4.2.6 Public Administration and Inter/Intra-Government Relations Sector

The sector is responsible for all operations relating to the fulfillment of public policy and the sector will provide sound policies and a solid framework for quality and efficient service delivery to the public service. The key priorities for the sector include; Instituting County public service reforms to ensure efficient and effective service delivery, providing leadership and guidance in human resource management, effective management and coordination of government operations, and formulation of Sound public administration policies

Effective and Efficient Service delivery

To ensure effective and efficient service delivery, the following strategies shall be implemented by the County Government:

a) Decentralization of services both administratively and technically services to sub-counties and ward levels. Establishment of village administration structures would also greatly bring services closer to the communities;

b) Capacity building of officers on technical course trainings;

c) Implementation of the Procurement and Disposal Act, 2015. This would reduce bureaucracies associated with procurement;

d) Increased funding on ICT which in turn would create a better platform for implementation of e-procurement and full utilization of IFMIS;

e) Focusing on effective communication to all stakeholders including the public on government policies, interventions and plans;

f) Enhanced peace efforts within and outside our county borders to culminate in peace accords that would bring lasting peace to the county and its neighbors.

Improved Economic Planning and Financial Management

For the sector to achieve this goals in FY 2018/19, it will seek to adhere to public financial management principles. The sector will further seeks to improve public finance management in the county through efficient and effective budget formulation and control, devolve financial services, continued implementation of Integrated Financial Management Systems (IFMIS), appropriate asset management through conducting revaluation of assets and preparation of valuation roll , enhanced revenue collection through automation of revenue collection processes; update of asset register and implementation of asset management system; conduct Medium Term Expenditure Framework (MTEF) consultative forums ; reduce debt inherited from defunct local authorities; increase capital financing for capital projects through Public Private Partnership (PPP); strengthen budget monitoring; and renovation/refurbishment of offices.

In addition, the sector will seek to improve economic planning and coordination through strengthening policy formulation such as reviewing the A.I.A policy to allow departments to retain part of the funds collected for internal use, planning, budgeting and implementation of CIDP and The County Strategic Investment Plan 2014-2020; linking budgeting and planning; ensuring availability of county statistics by developing County Statistical Data Management System; tracking of implementation of development policies, strategies and programmes through regular monitoring and evaluation and enhancing of monitoring and evaluation system ; improving economic planning coordination through reviewing of County Integrated Development Plan (CIDP) and preparation of Annual Development Plan (ADP); ensure availability of county statistics and improve research and development in the county. In the FY2018/2019, the department will also focus on constructing offices in one of the sub counties.

Enhancing Representation, Legislation and Oversight

The County Assembly will continue to play an important role in scrutinizing reports received from the County Executive, approving county budgets and any potential borrowing, ensuring community and stakeholder participation as well as playing an oversight role of the County Executive. The CA will therefore play an important role in ensuring that the objects and principles of devolved government as enshrined in the constitution are achieved.

It is expected that the new County Assembly Members will require adequate resources for further capacity building and equipping to enable them adequately play their role cost-effectively. The priority of the County Assembly remains enhancing legislative processes, improving oversight, and discharging the role of representation more effectively. This will require development of effective management structures, systems, policies and procedures. It will also require expansion and maintenance of infrastructure facilities as well as deepening and broadening the use of ICT in the operations of the County Assembly.

4.2.7 Social Protection, Culture and Recreation Sector

The sector is mandated to formulate, mainstream and implement responsive policies through coordinated strategies for sustained and balanced socio-cultural, sports, recreation, empowerment of vulnerable, marginalized groups and areas for economic development of the County.

Promotion of Youth Talents and Youth Empowerment

The sub-sector goal is to promote constructive youth participation in development processes and ensuring that county programs are youth-centered and youth-friendly. In the medium term, the establishment of a Youth Talent Academy to support the youth especially those outside school to harness their talents towards enhanced livelihoods while strengthening their contributions to the economic growth becomes a priority. Addressing the challenge of youth employment in both the formal and informal sectors remains a priority which can be achieved through capacity building.

Promotion of Social Protection

The sub sector as well deals with other aspects of social protection through mainstreaming of Vulnerable and marginalized members of our society e. g elderly persons, OVCs, PWDs and women. In the Medium Term, the county endeavor to; provide Cash transfer to elderly persons; develop a bill to enable the Homa Bay Protection Policy be operationalized; provide assorted assistive devices to PWDs; capacity building women; and construct a rescue and rehabilitation centres.

Promotion of Culture

In this sub sector, identification and promotion of cultural talents is prioritized. Artists (comedian, musicians, acrobats) and other forms (both tangible and intangible) of cultural practice are promoted to generate economic benefits.

In the medium term, the construction of a multiplex cultural center at Kagan/Kochia, Rusinga and Kwabwai and preservation of cultural heritage and arts at Kanam/Kanjira archaeological sites, Ojijo Oteko Homestead, Gor Mahia shrine, Riamungusi and Paul Mboya Homestead will be prioritized.

Development of Sports infrastructure and talents

This sub sector deals with development of Stadia, sports grounds, indoor games halls as well as identification, nurturing and promotion of hidden sports talent. Training of technical sports personnel including coaches and umpires/referees will also be covered.

In the Medium term, completion of the perimeter wall fencing and further upgrading of Homa Bay county stadium to national standards; construction of Nyakiamo Stadium in Sindo and Pap Kalango Grounds in Rangwe; provision of basic sports equipment/Kits and organizing County leagues will be prioritized.

4.2.8 Environmental Protection, Water and Natural Resources Sector

Provision of Adequate Clean Water and Safe Sanitation

The water and irrigation sub-sector has continued in the path of rehabilitating and expanding the existing water infrastructure through frequent review and redevelopment to provide potable water to majority of the population. Funding new distribution networks continues to be a priority for the county so as to enable more household's access clean water. Boreholes and wells which were broken down have been restored and those with high water yields solar-powered. Many springs are being protected and the county is considering some of them for water bottling enterprises. For effective running operation and maintenance of our water projects, the sub-sector will promote Public Private Partnership with the private sector so that they can introduce reasonable profit approach in the provision of water to the people of our county.

In promotion of proper sanitation, the existing water supply will be integrated with sewerage services to improve disposal of liquid waste. The County is also focused on improving the sanitation coverage so that best-use options can be considered once waste generated can be of economic value.

Over the next three years, focus will be directed on rehabilitation and extension of existing water supplies; development and maintenance of water resources; capacity building of communities on sustainable management of water resources; enforcement of regulations and standards; harnessing underground and surface water capabilities using modern technologies.

Some of the medium-term priority projects include, Miriu Wangchieng gravity water project and Kaswanga water project. Eco beatification of Jamawego grounds. In addition, the following number of projects will be considered. Rehabilitation and extension of water supplies: 20 Boreholes; 15 Spring protection; 2 Sewerage facilities; 3 Decentralized sewer treatment facilities; 3 Projects under Public Private Partnerships; and 60 Roof catchments tanks installed in health/education facilities.

For FY 2018/2019, the sub sector will Rehabilitate and extend rural water supplies: 20 Boreholes; 5 Spring protection; 4 rural water schemes; 1 Sewer system; 1 Decentralized sewer treatment facilities; and 20 Roof catchment tanks installed in health and education facilities; 1 project under PPP. The subsector will also renovate and expand 1 urban water supply scheme.

Environmental Conservation and Climate Change Adaptation

As part of efforts to improve environmental management and climate change adaption, the sub-sector will implement an integrated waste management program aimed at managing the environment more effectively. This will be done by acquiring 4 dump sites, 400 Liter bins and 1 waste trap, 1 skip loader and 16 noise meters. The sub-sector will also be focused on establishing 360 tree nurseries for purposes of massive afforestation and re-afforestation of deforested areas. Effort will be made to rehabilitate 3 degraded lands and improve advocacy on climate change adaptation activities.

For the FY 2018/2019, resources will be committed to acquiring 1 dump site; 100 Liter bins, 1 waste trap, 1 skip loader and 8 noise meters. Resources will also be committed towards establishing 120 tree nurseries for massive afforestation and reforestation initiatives. Effort will also be directed towards rehabilitation of 1 degraded lands and a gully, conducting quarterly advocacy campaigns on climate change adaptation by facilitating training. Also, on climate change adaptation will facilitate 1 green infrastructure project and support 1 recycling, green building and energy efficiency program.

All major projects and programs which are being implemented under the county will undertake an Environmental Impact Assessment (EIA) before commencement. This is to ensure that there are no projects/programs which have adverse effects on the environment. As part of natural resource management, the sub-sector will prioritize the modernization of urban sewerage systems especially for Homa Bay and Oyugis Towns. This will be done through modernization and expansion of Sewerage and Water Supplies which are being supported through a strategic partnership with the World Bank and LVEMP II.

4.3. MTEF Budgetary Allocations by Sector

In formulating the 2018 MTEF budget, the County Government will continue to pursue the policy of curtailing less productive expenditures and redirecting resultant savings to capital investment. More effective use of resources will be sought across the County portfolios and any identified savings will be redirected to deserving priority expenditures. Overall, given limited resources, the MTEF budgeting will focus on the following priority areas:

i) **Social sectors**: these sectors include health; education; gender, youth, culture and social Services. The social sector will continue receiving upwards of 40% of the total available resources. However, these sectors will be required to utilize the allocated resources more efficiently to generate fiscal space to accommodate strategic interventions in their departments including affordable drugs, as well as for modernizing Early Childhood Development Centre's (ECDs), Vocational Training Centers as well as Youth & Women Empowerment Centers.

ii) **Economic sectors:** These include agriculture, trade and tourism sub-sectors. Agriculture will receive increased share of resources to boost agricultural productivity and value addition with a view to dealing with food security problems in the county while at the same time generating surplus for income to farmers. The trade & tourism sector will also receive substantial resources due to its potential to mobilize revenue for the county. These sector will be expected to attract investment both foreign and local to create wealth and employment in the County

The County Government is committed to improving infrastructure countywide. The share of resources going to the physical infrastructure sector will target development of roads, water and irrigation systems. This will help the sector provide feeder roads for easy access to good and services, increased access to domestic water and development of irrigation projects for agricultural production. This sector will act as enabler of the other sectors.

Table 4.4: Homa Bay County MTEF Allocations by Sector and Sub-Sector

Sub-Sector Name	**Revised Allocation 2017/18 (KSh.)**	**Approved CFSP Allocation 2018/19 (KSh.)**	**Projected Allocation 20199/2020 (KSh.)**	**Projected Allocation 2020/2021 (KSh.)**
Agriculture, Rural and Urban Development Sector				
Agriculture and Food Security	219,639,476	206,228,660	233,015,520	240,005,986
Livestock and Fisheries Development	183,973,476	189,492,680	195,177,461	201,032,785
Lands and Physical Planning	101,980,710	145,040,131	108,191,335	111,437,075
Housing and Urban Development	157,183,349	61,898,849	82,372,358	109,992,432
Total	**662,777,011**	**602,660,320**	**618,756,674**	**662,468,278**
Energy, Infrastructure and ICT Sector				
Energy and Mining	123,999,364	130,199,332	136,709,299	143,544,764
Roads and Transport	613,979,890	618,678,885	676,912,829	710,758,470
Public Works and Maintenance	43,670,208	5,853,718	48,146,404	50,553,724
ICT Services	31,200,000	32,760,000	34,398,000	36,117,900
Total	**812,849,462**	**787,491,935**	**896,166,532**	**940,974,858**
General Economic and Commercial Affairs				
Tourism Development	31,000,000	32,780,000	34,119,000	36,368,520

Trade, Industry, Cooperatives & Enterprise Development	298,183,688	372,598,358	322,878,276	335,108,538
Total	**329,183,688**	**405,378,358**	**356,997,276**	**371,477,058**
Health Service				
Medical Services	1,831,615,646	2,018,136,570	2,071,587,496	2,237,314,496
Public health and Sanitation	478,691,575	516,993,381	558,352,851	603,021,080
Total	**2,310,307,221**	**2,535,129,951**	**2,629,940,347**	**2,840,335,576**
Education	**538,004,184**	**621,044,517**	**627,528,080**	**677,730,327**
Public Administration and Inter/Intra-Government Relations Sector				
Finance	206,116,806	204,289,645	254,632,816	282,871,801
Economic Planning, Budgeting & Service Delivery	344,212,663	204,983,953	261,433,151	274,504,808
Public Administration & Devolved Services	380,913,768	392,341,181	423,728,476	436,440,330
Office of the Governor & Deputy Governor	213,181,406	219,576,848	237,142,996	244,257,286
County Public Service Board	117,895,345	109,432,205	131,146,782	135,081,185
County Assembly Service Board	986,973,074	1,016,582,266	1,097,908,848	1,130,846,113
Total	**2,249,293,062**	**2,147,206,098**	**2,405,993,069**	**2,504,001,523**
Social Protection, Culture and Recreation Sector				
Culture and Sports	64,121,060	99,754,583	72,242,311	76,854,426
Gender, Youth and Social Services	55,080,706	59,607,273	63,587,636	67,767,018
Total	**119,201,766**	**159,361,856**	**135,829,947**	**144,621,444**
Environmental Protection, Water and Natural Resources				
Water and Irrigation	458,269,889	370,912,870	499,465,900	544,623,171.66
Environment & Natural Resources	90,104,972	93,852,870	96,961,100	103,637,987.66
Total	**548,374,861**	**464,765,740**	**596,426,999**	**648,261,159.32**
Total Annual Allocation	**7,569,991,255**	**7,723,038,775**	**8,267,638,925**	**8,791,870,223**

4.4. Prioritization Approaches and Forums

Ensuring available resources have maximum impact on the lives of the local people is the cornerstone of this budget policy. Therefore, faced by limited resources, the County Treasury had to set priorities among competing opportunities. On the economic front, use was made of Programme Budgeting and Marginal Analysis (PBMA) approach with is focused on optimizing benefits from available resources. Here, the economic principles of opportunity cost and marginal contribution were being applied to influence choice of one alternative over another.

From the ethical perspective, use has been made of Accountability for Reasonableness (A4R) with a focus on ensuring fair priority setting processes. As part of the A4R, decisions were expected to meet the five conditions of publicity, relevance, appeals, enforcement and empowerment. Effort is being made to improve both approaches through collection of more data related to the decision criteria; development of communication plans to engage all stakeholders both internal and external about our priority setting and; provision of formal mechanisms for reviewing those decisions and resolving conflicts.

Article 232(1) (d) of the Constitution of Kenya provides for the involvement of citizens in the process of policy making. This participation involves the public, acting as individuals and representatives of groups, advocating specific government policies by attending or sponsoring public meetings, lobbying government officials, or bringing media attention to policy issues. The challenge therefore required holding meetings at different sites to get their representation; scheduling forums at easy-to-find, public locations which is accessible and comfortable; publicizing forums as widely as possible using phone calls, radio advertisements, public notice boards and making sure the date, time, location and purpose of those meeting are included; personally recruiting community leaders and diverse community members to attend those meetings; providing transportation to the meeting if necessary; and serving light refreshments if possible and encouraging mingling and setting of that friendly tone.

In conducting public forums, effort was made to designate discussion leaders or group facilitators who are known and respected, who are neutral on the topics under consideration, and who have good listening and group process skills, and who could keep things moving and on track. Leaders of community initiatives and the discussion leaders were introduced and where time and group size allowed, all participants were allowed to introduce themselves. Participants were always asked to agree upon an ending time, and they kept to it. Working groups were kept to smaller than 30-40 participants and a rapporteur was designated for each group. During introductions, participants were asked to provide information about their own organization, if appropriate. We were also able to pass around a sign-up sheet to get them on our mailing list or to help out in other ways. We considered time to identify and address ourselves to sectoral strategic issues, operational objectives, key result areas, parties responsible for implementation and implementation time frames. All the discussions were capture in a report conclude with a summary of what was to be achieved and a preliminary plan of action.

V. COUNTY FINANCIAL MANAGEMENT AND THE BUDGET FRAMEWORK

5.1. County Fiscal Performance

Implementation of the FY 2017/2018 budget is on course although performance is lagging behind targets. Revenue shortfalls and expenditure pressures have been experienced in the last seven months of the year. These challenges are as a result of the charged political environment and delays in exchequer releases.

5.1.1. Revenue Performance

By end December, the total cumulative revenues including A-I-A collected amounted to KSh 2,48 billion. Against a target of KSh. 3,75 billion. The recorded shortfall of KSh 1,274 billion was as a result of underperformance of the local revenues and delays in exchequer disbursements by the National Government. In the revised FY 2017/2018 budget, the County Government of Homa Bay is working on a revised internal revenue target of KSh 118.7 million. The County Treasury is however optimistic that the target can be exceeded once measures to automate revenue collection, plug leakages, improve administration and widen the tax net are fully implemented.

The 2018/2019 budget will target internal revenue collections amounting to KSh. 173.0 million and national government transfers totaling KSh. 7.55 billion. The improved local revenue performance is expected to be underpinned by reforms in revenue administration and streamlining of the expenditure regime to expand and protect the revenue base. The total cumulative revenue projection for the fiscal year 2018/2019 therefore is KSh. 7.72 billion reflecting an overall revenue growth of 3 percent from the FY 2017/2018. Table 1 below provides a synopsis of the revenue levels projected over the medium term.

Table 1: Projected Revenue by Source, 2018/2019-2020/2021 (in Kenya Shillings)

Nature of Revenue	FY2016/2017	FY2017/2018	FY2018/2019	FY2019/2020	FY2020/2021
Equitable Share of National Revenue	6,080,193,774	6,523,200,000	6,688,200,000	7,129,815,000	7,486,305,750
Conditional Grants from National Government	340,520,062	410,994,282	444,854,827	471,546,117	499,838,884
Other grants and loans (from Development Partners)	42,678,030	367,659,083	416,987,531	458,686,284	504,554,913
Local Revenue (including A-in-A)	192,162,868	118,664,278	172,996,417	207,591,524	238,170,676

Nature of Revenue	FY2016/2017	FY2017/2018	FY2018/2019	FY2019/2020	FY2020/2021
Other receipts including balances from the previous year	76,358,791	188,67,027	-	-	-
Total Revenue	**6,731,913,525**	**7,513,427,989**	**7,723,038,775**	**8,267,638,925**	**8,728,870,222**

5.1.2. Expenditure Performance

The actual expenditure at the end of December amounted to KSh 2.10 billion which represents 28.0 per cent of the total county revenue fund for FY 2017/2018. Out of that total actual expenditure, the County spent KSh 1.77 billion (24.0 %) on recurrent activities and a further KSh 0.33 billion (4.0 %) on development activities. The shortfall was as a result of lower than projected cash flow due to the delayed enactment of the County Revenue Allocation Act as well as below targets absorption of development expenditure. For the next MTEF period of three years, growth in expenditure is expected to be modest at just about 3.0 per cent per year. All the same, a balanced budget will be pursued until deficit financing options become viable or even inevitable. Should any risk of a shortfall in revenue materialize, the County Treasury will be adjusting the budget accordingly by borrowing or reducing expenditure.

Already the FY 2017/2018 budget has been reviewed to reflect revenue performance and to take into account expenditure rationalization necessitated by the accommodation of the emerging priorities and restructured administrative system. Austerity measures are also being put in place to bring about cost savings and create more fiscal space within the recurrent vote for more pressing needs and priority sectors. It is hoped however that wage pressure will not undermine these efforts.

In the 2018/2019 budget, overall expenditure is projected to rise by 3 per cent from KSh. 7,513,427,989 billion in 2017/2018 to KSh. 7.72 billion in 2018/2019, with drastic increases in development expenditure compared to recurrent expenditure in line with the objectives of the County Government of Homa Bay to accelerate capital formation and improvement. Table 2 below provides a synopsis of the expenditure projected over the medium term.

Table 2: Projected Expenditure by Classification, 2018/2019-2020/2021 (in Kenya Shillings)

Nature of Expenditure	FY2016/2017	FY2017/2018	FY2018/2019	FY2019/2020	FY2020/2021
Recurrent	4,399,369,696	5,115,118,783	5,307,160,475	5,580,656,274	5,778,512,087
Development	2,097,094,050	2,453,872,472	2,415,878,300		

Nature of Expenditure	FY2016/2017	FY2017/2018	FY2018/2019	FY2019/2020	FY2020/2021
				2,686,982,651	2,950,358,135
Total Expenditure	**6,496,463,746**	**7,568,991,255**	**7,723,038,775**	**8,267,638,925**	**8,728,870,222**

Over the medium term, growth in development expenditure is expected to outstrip growth in recurrent expenditure with development expenditure growing from 31.4% in the FY 2018/2019 to 33.8% in the FY 2020/2021. Table 5.3 below provides a synopsis of the projected expenditure by economic classification.

Table 5.3. Analysis of Allocations for Development in Percentage Terms

Nature of Expenditure	Revised Estimates	Approved Estimates	Projected Estimates	Projected Estimates	Analysis in Percentage Terms (Percentage of the Total)			
	FY 2017/2018	FY 2018/2019	FY 2019/2020	FY 2020/2021	17/18	18/19	19/20	20/21
Development	2,453,872,472	2,415,878,300	2,686,982,651	2,950,358,135	32.9%	31.4%	32.5%	33.8%

5.1.3. Implication for Budget Review

In the revised fiscal framework of FY 2017/2018 revenues are projected at KSh. 7,568,991,255 from KSh. 7,191,154,134. Fundamental changes in economic aggregates that could significantly undermine attainment of either revenue or expenditure goals in the medium-term framework of FY 2018/2019 will be addressed by making necessary adjustments. These may include; expenditure rationalization, use of debt instruments and a declaration of emergency to attract support. A supplementary mechanism will be used to correct any mismatch.

5.2. Compliance with the Fiscal Responsibility Principles

In line with the Constitution, the new Public Financial Management (PFM) Act, 2012, sets out the fiscal responsibility principles to ensure prudency and transparency in the management of public resources. In managing the county government's public finances, the County Treasury shall enforce the following fiscal responsibility principles:

5.2.1. Compliance with Requirements for Development Spending

The County Government of Homa Bay shall ensure adherence to the required ratio of development to recurrent expenditures of at least 30:70 over the medium term, as set out in the PFM Act. As table 1 below indicates, the County Government of Homa Bay remains committed to keeping allocations to development higher than 30 percent, as required by PFM act (2012) and regulations (2015).

Table 5.4. Analysis of Allocations for Development in Percentage Terms

Nature of Expenditure	Revised Estimates	Approved Estimates	Projected Estimates	Projected Estimates	Analysis in Percentage Terms (Percentage of the Total)			
	FY 2017/2018	FY 2018/2019	FY 2019/2020	FY 2020/2021	17/18	18/19	19/20	20/21
Development	2,453,872,472	2,415,878,300	2,686,982,651	2,950,358,135	32.9%	31.3%	32.5%	33.8%

5.2.2. Compliance with Requirements for wage Expenditure

The County Government will strive to implement the regulation 26 (1)(a) of the PFM Act, which requires that the County government's expenditure on compensation of employees (including benefits and allowances) shall not exceed 35 percent of the County government's total revenue. Whereas the personnel emoluments for the FY 2017/2018 constitutes 41 percent of the total revenue, measures are in place to meet this requirement as stipulated in the PFM regulations 25 (1) (b) (County Regulations) with effect from the FY 2019/2020.

5.3.County Financial Reporting

The county government will strive to improve its human resource capacity in the area of financial management by capacity building the existing personnel and recruiting skilled ones where there will be need. There shall be intermittent use of IFMIS in all points of fiscal transactions and financial management. In addition, the county government shall ensure reduction of audit queries by using appropriate accounting policies in accordance with International Public-Sector Accounting Standards (IPSAS).

5.4. County Management of Assets and Liabilities

In abiding with section 149 (1) of the PFMA 2012, each spending entity of the county government shall ensure that their resources are used in a way that is; lawful and authorized, efficient, effective, economical and transparent. This shall be achieved by ensuring each entity maintain a fixed asset register and the county government shall include assets and liabilities inherited from the defunct local authority in the financial statements.

5.4.1. Management of Public Funds

The county government aims to put all the legislations in place to set County Ward Development Fund as per section 116 of the PFMA 2012, which requires the CEC Member for Finance to appoint an administrator for each County Fund. In terms of Car loans and Mortgages, the county shall ensure that all loans are repaid (with recoveries being done via the IPPD system), keep custody of all collateral and submit quarterly financial statements to the County Treasury with a copy to the Office of the Controller of Budget in line with section 168 (3) of the PFMA.

5.4.2. Planning and Budgeting

During the Medium-Term Framework, County Planning and Budgeting shall be guided by the County Integrated Development Plan (CIDP) 2018-2022. The county government shall ensure that there are linkages between annual budgets and Annual Development Plans drawn from the CIDP 2018-2022 and that the annual progress reports reflects progress implementation of the county plans.

In partnership with the World Bank, the county government will focus to strengthen the capacity of planning, monitoring and evaluation unit. Develop the county in terms of, human resource management; Public Finance Management; and, Civic Education and Public Participation.

5.5. County Management of Fiscal Risks

The county government is subject to general and specific development with potentially significant impact on the economic environment. Some of the risks and how the county government will prudently manage them are:

5.5.1. Expenditure Arrears

Accumulated expenditure arrears related mainly to salary arrears of the defunct local authority staffs and pending bills due to contractors and suppliers of goods and services as well as utility backlog still adversely affect budget execution in subsequent financial years.

Going forward the county shall prioritize budgeting for pending bills in the medium-term framework once they are verified and ensure a budgetary allocation for the salary arrears to be settled in 2018/19-2020/2021 medium term expenditure framework.

5.5.2. Ballooning wage bill

The county government is struggling with the huge wage bill that exceeds legal provisions at the same time it faces high demand to recruit more staff for vital functions of the County Government. The personnel emoluments which form the bulk of the County Government's expenses, cannot be varied significantly with the current economic and social conditions that require huge payouts to staff who are laid off.

The county government shall implement the Salaries and Remuneration Commission report in order to attain the acceptable wage bill ratio and meet the development agenda.

VI. CONCLUSION AND NEXT STEPS

The County Government will continue to implement reforms to enhance its performance so that, i) there is improved collection and efficiency of its own source revenue (OSR) systems, including accounting and reporting; ii) there is improved capacity to formulate realistic and credible budgets, and hence better harmony between County Executive and County Assemblies in the budget process; iii) there is strengthened capacity for audit and oversight to produce quality reports in a timely manner; iv) there is proper documentation and management of local assets and liabilities; and v) there is a clearer and stronger system of fiscal management in the county.

This Paper, one approved by the County Assembly not later than 14th March 2018, will be adopted to guide the MTEF budgeting process for the financial year 2018/2019. The ceilings provided are expected to reflect the priorities of the County Government of Homa Bay and will communicate the agenda of the Administration of His Excellency the Governor, Cyprian Awiti.

Ultimately all effort of the County Government will be channeled towards boosting productivity and growth and foster job creation. The best way to achieve this is to pursue pro-poor policies, develop a business environment that promotes investment and supports job creation, and increase the stock of physical and human capital and investment in infrastructure.

REPUBLIC OF KENYA

HOMA BAY COUNTY GOVERNMENT

HOMA BAY COUNTY

ANNEX I: DRAFT CEILINGS FOR THE FY 2018/2019 EXPENDITURE FRAMEWORK

ENTITY CODE	NAME OF SPENDING ENTITY		RECURRENT		DEVELOPMENT		TOTAL	TOTAL	TOTAL
			Approved 2017/2018	Ceiling 2018/2019	Approved 2017/2018	Ceiling 2018/2019	Ceiling 2018/2019	Projection 2019/2020	Projection 2020/2021
5111	Agriculture, Livestock, Fisheries and Food Security	**Gross**	**191,612,952**	**201,612,952**	**202,000,000**	**194,108,388**	**395,721,340**	**428,192,981**	**441,038,771**
		A-I-A							
		Net							
		Salaries	145,737,864	145,737,864					
		Grants				50,000,000			
		Others							
5112	Tourism, Sports, Gender, Youth, Culture and Social Services	**Gross**	**83,201,766**	**88,201,767**	**66,000,000**	**103,940,089**	**192,141,856**	**169,948,947**	**182,989,964**
		A-I-A							
		Net							
		Salaries	32,816.45	32,816.45					
		Grants		40,000,000					
		Others							
5113	Roads, Public Works and Transport	**Gross**	**73,590,416**	**73,590,416**	**614,059,682**	**550,942,187**	**624,532,603**	**725,059,233**	**761,312,194**
		A-I-A							
		Net							
		Salaries	56,178,598	56,178,598					
		Grants				282,482,655			
		Others							
5114	Energy and Mining	**Gross**	**33,999,364**	**34,740,345**	**90,000,000**	**95,458,987**	**130,199,332**	**136,709,299**	**143,544,764**
		A-I-A							
		Net							
		Salaries	17,097,144	17,097,144					
		Grants							
		Others							

5115	**Education and ICT**	**Gross**	**467,204,184**	**534,204,183**	**102,000,000**	**119,600,334**	**653,804,517**	**661,926,080**	**713,848,227**
		A-I-A							
		Net							
		Salaries	327,069,303	327,069,303					
		Grants				52,958,942			
		Others							
5116	**Health Services**	**Gross**	**2,010,307,221**	**2,104,743,955**	**300,000,000**	**430,385,996**	**2,535,129,951**	**2,629,940,348**	**2,840,335,575**
		A-I-A							
		Net							
		Salaries	1,290,160,805	1,440,160,805					
		Grants		397,456,156					
		Others							
5117	**Lands, Housing, Urban Development and Physical Planning**	**Gross**	**57,271,959**	**72,271,959**	**82,000,000**	**134,667,021**	**206,938,980**	**190,563,693**	**221,429,507**
		A-I-A							
		Net							
		Salaries	48,123,069	38,123,069					
		Grants							
		Others							
5118	**Trade, Industrialization, Cooperatives and Enterprise Development**	**Gross**	**182,183,688**	**192,183,688**	**116,000,000**	**180,414,670**	**372,598,358**	**322,878,276**	**335,108,538**
		A-I-A							
		Net							
		Salaries	156,826,059	156,826,059					
		Grants							
		Others							
5119	**Water, Environment and Natural Resources**	**Gross**	**122,774,861**	**152,774,861**	**437,000,000**	**311,990,879**	**464,765,740**	**646,426,999**	**708,261,159.32**
		A-I-A							
		Net							
		Salaries	89,332,510	89,332,510					
		Grants							

		Others							
5120	**Finance, Economic Planning and Service Delivery**	**Gross**	**289,008,779**	**300,513,041**	**88,938,935**	**108,760,557**	**409,273,598**	**466,065,967**	**497,376,609**
		A-I-A							
		Net							
		Salaries	113,484,040	113,484,040					
		Grants		144,460,249					
		Others							
5121	**Office of the Governor**	**Gross**	**514,695,174**	**533,918,029**	**88,000,000**	**78,000,000**	**611,918,029**	**660,871,472**	**680,697,616**
		A-I-A							
		Net							
		Salaries	349,512,768	349,512,768					
		Grants							
		Others							
5122	**County Public Service Board**	**Gross**	**105,895,345**	**103,432,205**	**12,000,000**	**6,000,000**	**109,432,205**	**131,146,782**	**135,081,185**
		A-I-A							
		Net							
		Salaries	23,150,000	23,150,000					
		Grants							
		Others							
5123	**County Assembly**	**Gross**	**1,003,973,074**	**914,973,074**	**13,000,000**	**101,609,192**	**1,016,582,266**	**1,097,908,848**	**1,130,846,113**
		A-I-A							
		Net							
		Salaries	626,830,614	476,830,614					
		Grants							
		Others							
EXPENDITURE BY ECONOMIC CLASSIFICATION			**4,980,155,517**	**5,307,160,475**	**2,210,998,617**	**2,415,878,300**			
TOTAL EXPENDITURE							**7,723,038,775**	**8,267,638,925**	**8,791,870,223**
PROJECTED REVENUE							**7,723,038,775**	**8,267,638,925**	**8,791,870,223**