

**REPUBLIC OF KENYA**



**COUNTY GOVERNMENT OF NYERI**

**DEPARTMENT OF FINANCE AND ECONOMIC PLANNING**

**COUNTY FISCAL STRATEGY PAPER**

**2015**

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**ENHANCING ECONOMIC TRANSFORMATION FOR  
A SHARED PROSPERITY IN NYERI COUNTY**

**FEBRUARY, 2015**

## **Foreword**

In the 2014 Nyeri County Fiscal Strategy Paper it had set the policy priority of the county government over a three year period. It was prepared in accordance with the Constitution of Kenya, 2010 and in line with all the Acts governing devolution. These includes: County Government Act, 2012; PFM Act, 2012 and Transition to Devolved Government Act, 2012. It sets out the priorities of the county in the medium term as outlined in the County Integrated Development Plan (CIDP), 2013 – 2017.

The CFSP, 2015, mainly emphasizes the key areas of interventions that the County Government will be rolling out so as to accelerate economic growth and create jobs over the next three years. The emphasis will be on shifting of resources from payment of wages and wasteful recurrent expenses to sectors that have a direct impact on growth and employment creation. Programmes that provide conducive working environment to all stakeholders involved in development will be accentuated to accelerate economic growth.

Economic growth prospects remain high as the county continues to invest in infrastructural development as way of spurring economic growth. The county's economy is mainly agricultural based and continued investment in the sector will increase levels of income and employment opportunities.

Despite numerous efforts, the county is still experiencing development challenges which may hamper development growth as we move forward. Such challenges include; inadequate and high cost of energy, inappropriate agricultural practices, undeveloped and poorly maintained road network among others.

The county will ensure that the objectives of devolution are achieved through better service delivery and rapid local economic development as well as jobs creation in line with the Kenya Vision 2030. However, this can only occur if the fiscal discipline in the use of the available and scarce resources is entrenched and national macroeconomic environment remains stable.

The programmes that will be funded in the Budget of the FY 2015/16 and outlined in this County Fiscal Strategy Paper ride on the priorities summarized in the County Integrated Development Plan (CIDP), 2013-2017. In this regard, the County Fiscal Strategy Paper outlines economic policies and sector development directions as well as department-based expenditure programmes that the county government intends to implement over the next three years in order to achieve its development agenda. In the FY 2015/16 budget emphasis will be on shifting of resources in favour of growth and job creation, and to support stronger Public-Private Partnership in pursuit of new economic opportunities and growth.

A handwritten signature in black ink, appearing to read 'Wamwea', with a stylized flourish above the name.

**MARTIN WAMWEA,  
COUNTY EXECUTIVE SECRETARY,  
FINANCE AND ECONOMIC PLANNING.**

## **Acknowledgement**

This is the second County Fiscal Strategy Paper to be tabled in the County Assembly as stipulated in the Public Finance Management Act, 2012. It highlights the broad strategic economic issues and fiscal framework, together with a summary of county spending plans, as a basis of 2015/16 budget and the medium-term proposals as enunciated in the County Integrated Development Plan,(CIDP), 2013 - 2017. The document is expected to improve the understanding on how public finances are spent and shape the debate on economic and development matters in the County.

The preparation of the CFSP, 2015 is a collaborative effort of the county departments with overall co-ordination by the Finance and Economic Planning department. The information in this report was obtained from the county departments and other units and we are grateful for their inputs.

A team from the County Treasury and Economic Planning Unit spent valuable time to put together the strategy paper. The officers included, Richard Kimani, Lucy Kirigo, Rehema Salim, Gibson Mwangi and Chris Gathogo

Since it would not be possible to list everybody individually in this page, I would like to take this opportunity to thank the entire staff of the County Government of Nyeri for their dedication, sacrifice and commitment to public service that enabled the timely production of the CFSP, 2015



**E. MUKIRA GICHIGO  
CHIEF OFFICER,  
FINANCE/COUNTY TREASURY**

**FRANCIS M. KIRIRA  
CHIEF OFFICER,  
ECONOMIC PLANNING**

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**Legal Basis for the Publication of the County Fiscal Strategy Paper**

The County Fiscal Strategy Paper is published in accordance with Section 117 of the Public Finance Management Act, 2012. The law states that:

- 1) The County Treasury shall prepare and submit to 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 28<sup>th</sup> 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 their budget both 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 of revenue allocation;
  - (b) the public;
  - (c) the interested persons or groups;
  - (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 Paper within seven days after it has been submitted to the county assembly.

## Fiscal Responsibility Principles for the National and County Governments

In line with the Constitution, the Public Finance Management (PFM) Act, 2012, sets out the fiscal responsibility principles to ensure prudent and transparent management of public resources. The PFM act, 2012, (Section 15) states that:

- 1) Over the medium term, a minimum of 30 percent of the national and county budgets shall be allocated to development expenditure
- 2) The national government's expenditure on wages and benefits for public officers shall not exceed a percentage of the national government revenue as prescribed by the regulations.
- 3) The county government's expenditure on wages and benefits for its public officers shall not exceed a percentage of the county government's total revenue as prescribed by the County Executive member for finance in regulations and approved by the County Assembly.
- 4) Over the medium term, the national and County government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure.
- 5) Public debt and obligations shall be maintained at a sustainable level as approved by Parliament for the National Government and the county assemblies for the County Governments.
- 6) Fiscal risks shall be managed prudently; and
- 7) 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.



# **I ENHANCING ECONOMIC TRANSFORMATION FOR A SHARED PROSPERITY IN NYERI COUNTY**

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## **Overview**

1. The 2015 Nyeri County Fiscal Strategy Paper is the second to be prepared under the new constitution with devolved governance structures in place. As such, it sets out the priorities of the county in the medium term as outlined in the County Integrated Development Plan (CIDP), 2013 – 2017.
2. The national development trends, together with renewed investor confidence in the country, will accelerate growth prospects in the county by creating more jobs and investment opportunities. This will be made possible by downward trend in interest rates, continued stability of exchange rates and inflation being contained at single digit with the continued fall of fuel prices globally. This will lead to creation of more assets hence sustainable growth and development from the national to the county level.
3. Economic growth prospects remain high as the county continues to invest in infrastructural development. The county's economy is mainly agricultural based and continued investment in the sector will increase levels of income and employment opportunities.
4. Despite the bold economic reforms undertaken at the national level, the county is still experiencing development challenges which may hamper growth and development as we move forward. Such challenges include; insecurity, inadequate and high cost of energy, inappropriate agricultural practices, undeveloped and poorly maintained road network especially in the vast Kieni sub county and continued litigations on the revenue administration laws. In addition, the emerging high and unsustainable recurrent expenditure, weak budget implementation and fiscal related challenges surrounding devolution, if not addressed will continue to constrain the county economy from achieving its full potential
5. The county will ensure that the objectives of devolution are achieved through better service delivery and rapid local economic development as well as jobs creation in line with our

Vision 2030. However, this can only occur if the fiscal discipline in the use of devolved resources is entrenched and national macroeconomic environment remains stable. There is, therefore, great need to lay a strong economic foundation that will generate the resources for the entire county.

6. The enhanced economic and transformation agenda of the County Administration is premised on addressing outstanding constraints and anchor stability for sustained and inclusive economic growth and development that opens up opportunities for a shared prosperity. It covers five broad areas, namely:

- Investment in quality and accessible healthcare services through establishment of level 4 hospitals in the entire 8 sub- counties and shifting from curative to preventive services. Prevention and early reporting non communicable diseases will be done through the Community health groups in based in the 265 sub locations.
- Youth and employment creation where the focus will be on empowerment and skill enhancement to build capacity for wealth creation.
- Upgrade the road network by removing encroachments and gravelling them to all weather standards. Drainages will also be opened up as water clogging remains a threat to road surface.
- Investing in agricultural transformation and food security to expand food supply, reduce food prices and support expansion of agro-processing industries.
- Creating a conducive business environment, though licensing and speedy approvals so as to encourage innovation, investment and growth in the County.

### **Programmes for achieving enhanced economic transformation for a shared prosperity**

7. The programmes to be funded in the 2015/16 Budget as outlined in this County Fiscal Strategy Paper rides on the priorities outlined in the County Integrated Development Plan 2013-2015. In this regard, this County Fiscal Strategy Paper outlines economic policies and sector development directions as well as department-based expenditure programmes that the county government intends to implement over the next three years, in order to achieve its development agenda. In the FY 2015/16 budget, emphasis will be on shifting of resources in favour of growth

and job creation and to support Public-Private Partnership in pursuit of new economic opportunities.

### **Effective and efficient management and administration of county affairs**

8. The County Government will continue to ensure that the citizens are governed and served in the best way possible towards achievement of sustainable growth and development. Resources will be utilized prudently so as to ensure optimal benefit to the public. Issues of accountability will be strengthened and citizen score cards will be a measure of our performance.

### **Disaster management and timely response**

9. The County Government has established a disaster management and response unit with a central command under the office of the Governor and specifically under the Office Deputy Governor. This unit is expected to complete mapping out of disaster prone areas and come up with measures of risk reduction in collaboration with the Kenya Red Cross Society. The team will continue to strengthen capacity to be well equipped for timely response to all forms of disasters

### **Intergovernmental liaison and people representation at national and international levels**

10. To achieve economies of scale, the government will continue working closely with other neighboring counties and explore all possible areas of cooperation for the benefits of the citizens of Nyeri. Such areas include policy harmonization in fiscal strategies and the marketing of farm produce e.g. coffee, milk and tea.

### **Agenda setting in both the legislative and executive functions**

11. The two arms of the county government will continue working together in cooperation and consultation to address the social and economic needs of the people. Bills will be professionally drafted so as to achieve coherence in the management of the county affairs.

### **Prioritizing Development**

12. The county human resource will be rationalized for effective service delivery. This will be guided by the Capacity Assessment and Rationalization of the Public Service (CARPS)

Report which was undertaken in November 2014. The exercise is also expected to remove duplications and overlaps and ensure resources are utilized more efficiently and productively towards county development priorities.

13. In the Fiscal Year 2015/16, the County Government expects to continue receiving support from the National Government so as to improve on service delivery as envisaged in the constitution. In addition, the County Government will ensure that the funds are prudently managed in line with the fiscal responsibility principles under the Public Finance Management Act, 2012. There will be need to invest in capacity building at the County Government.

14. There is need to prioritize resource allocation to the key areas of economic growth and development while ensuring that debt levels are sustainable. The Integrated Financial Management System (IFMIS) Platform has eliminated manual payments systems thus saving funds that have otherwise been previously lost through manual paper work.

15. In the public sector there is a growing challenge of high wage bill. The wage bill has become unsustainable currently taking up over 50 percent of our revenues. There is therefore, need to develop a wage policy for the County Government. These wage bill pressures are also escalated by pensions and gratuities for permanent and contractual employees respectively thus increasing the County's contingent liability.

16. It is expected that the Salaries and Remuneration Commission will, in the medium term, continue to set the salaries of state officers and recommend salaries and allowances of public officers that will ensure fiscal sustainability, among other key public finance principles.

### **Enhanced Economic transformation policies for a shared prosperity and inclusive growth**

17. The year 2015 was the year that had been set globally to achieve the Medium Development Goals (MDGs). Though much has been achieved, much needs to be done and the County Government with the support of Development Partners will continue to direct substantial resources to economic and social sectors such as agriculture, infrastructure, health and education. The targeted social safety net programmes and sustainable employment will guarantee reduction in poverty to majority of our people beyond 2015.

18. Of necessity in the coming year is to continue with the momentum on investments in agriculture, particularly towards enhanced productivity, value addition and agribusiness and also infrastructure, particularly the road network, irrigation projects across the county especially the 8 mega dams in Kieni, enhancing inter- county relations, targeted support to small and medium enterprises, and support to the Youth, the Women and the persons living with disabilities to enable them generate the much needed jobs. The special groups, whom we have continued to register, will benefit with 30 per cent of all the county contracted works and services.

19. Over the next three years, the county will accelerate inclusive growth that will lead to enhanced standards of living and quality of life as well as to greater employment opportunities including jobs creation for the youth, women and the persons living with disabilities. The growth, so achieved, will result in poverty reduction and wealth accumulation. This will be through several key pillars as follows:

- Strengthening Integrated Financial Management and Information System (IFMIS) and internal audit.
- Ensuring a conducive business environment. This will enable the private sector conduct their business and attract investment across the county.
- Ensuring fiscal consolidation by enhancing revenue mobilization efforts, cutting unproductive expenditures, providing resources for social safety nets and ensuring debt sustainability.
- Priority funding to the key drivers of the County economy - agriculture (including irrigation) infrastructure, health, education, trade and tourism, security and public administration, environment and natural resources and special support to the youth, women and persons living with disabilities.
- Strict legal compliance with particular reference to the laws on devolution

#### **Infrastructure**

20. Over the medium term in order to drive economic growth, job and wealth creation, the focus will be improvement of infrastructure mainly roads and water for irrigation.

21. In particular, transport plans include improvement of local roads so that our people can move goods easily across and outside the county. There is a growing concern of the current shortage of houses within the county resulting from the increasing number of institution of higher learning. In the year 2015/16, we intend to upgrade the existing estates through PPP. Additionally, the county government will improve access to clean water and electricity, and will provide adequate allocation to programmes that will address food shortages in the county.

22. The county will ensure that all the trading centres, public health and education institutions are supplied with electricity. It will also provide walkways for non motorized traffic (people) in our major urban centres. Provision of adequate lighting along our streets, towns and estates in major urban areas will continue to be expanded to cover more areas.

## **Social Sectors**

### **Health**

23. On human capital development, the Government is committed to ensuring the highest attainable standards of health is achieved. The county will aim to ensure that all the citizens have access to well-equipped health facilities and well trained and motivated health care workers, in addition to developing systems to support and expand health care and improved sanitation. There will be increased attention to the promotion of primary health care mainly through the “Afya Mashinani” programme. More resources will be directed to the control and management of non-communicable diseases such as diabetes, hypertension, cancers and renal diseases. The county will promote reproductive health, behaviour change and mental health. The ambulance services will be adequate, operated and coordinated from a central command. Emphasis will be put to ensure completion of all ongoing and reviving of stalled projects. Community health groups will be capacity build and provide with simple diagnostic kits as emphasis will be on preventive than curative health services.

### **Education**

24. The county will ensure ECDE centres and youth polytechnics are fully functional with teachers/ instructors and equipments. The County Government is well aware of the challenges

the youth are facing and will create link between education and employment driven by knowledge and technology. The County Government will rebrand youth polytechnics into technical training centres and anchor their training to the promotion of small and medium enterprises (SMES) and establishment of cottage industries in the rural areas. ICT techno centres will be established in all the sub- counties for access of information and creation of jobs. The county will construct a modern stadium at Ruringu and promote various sporting activities. Other stadiums, like Karatina, will continue to get a face lifted so as to ensure sporting activities and talent nurturing for the youth is strengthened.

## **Productive sectors**

### **a. Agriculture**

25. The county will strive to promote a paradigm shift in agriculture by embracing commercialization in farming and lower the cost of production. This will be achieved through deliberate efforts to reduce the cost of farm inputs such as fertilizer thus increasing farmers' margin and therefore accelerate rural development. The county will also improve collaboration and partnership with stakeholders and encourage value addition of farm and livestock products, and mainly milk, before marketing. Farmers will be mobilized to support county-wide farmers' co-operative societies and be encouraged to jointly process farm products and thus enjoy the benefits of economies of scale from the agricultural industry.

### **b. Trade and Industry**

26. The County government will encourage development of cottage industries through provision of working sites and subsidy schemes for procurement of inputs such as equipment and machinery. The County will also undertake reforms to improve the business environment to facilitate more business creation, reduction of cost of doing business, increased revenues, enhanced service delivery and greater investment opportunities. It will also develop commodity exchange and marketing information systems. The county will enhance Joint Loans Board allocations to reach more traders. Further, a web site will be created to inform the world be investors of the available opportunities in the county.

### **c. Tourism Sector**

27. The County has a vast number of tourists' attraction sites ranging from a rich historical heritage, wildlife and places of scenic beauty. It falls within the Mt. Kenya and Aberdare ranges tourist circuits and has two internationally renowned parks namely Aberdares and Mt. Kenya. The county will develop a tourism strategic plan, promote branding and signage of tourism sites. Further Home stays will be promoted for culture exchange and as a source of income for communities in the county

28. The main tourist attraction sites within the county include; Wildlife; landscape sceneries; Spectacular Waterfalls around central Aberdares; Worlds acclaimed cultural attraction: Entertainment by local community groups; Game viewing lodges within Mt. Kenya National Park; Base for climbing Mt. Kenya and Historical sites and monuments under Kenya Museums.

### **Structural Reforms**

29. The County Government will continue to improve the investment climate by addressing bottlenecks witnessed in conducting business.

#### **a. Financial Sector reforms**

30. In line with the Vision 2030 objective to create a vibrant and globally competitive financial sector that will promote high level of savings to finance county's overall investment needs, the County Government will continue to implement key reforms in the fiscal regime along the dimensions of access, efficiency, and stability. These dimensions are mutually reinforcing and each needs to be addressed to ensure sustainable growth and development in the county.

The county will continue with the efforts to build the financial capability of the citizens. This will be achieved through training on financial literacy to develop a savings and investment culture in collaboration with the financial institutions mainly the SACCOs.

#### **b. Strengthening Governance**

31. The Audit unit and IFMIS will be strengthened to ensure prudence in resources management. This will enhance value for money in implementation of projects and programmes in the county.



### **c. Devolution**

32. The county government will ensure that the Accounting Officers understand and cascade downwards the principles of the PFM Act, 2012 through adequate capacity building. It will also ensure that the principle of inclusiveness, as stipulated in the constitution, is implemented e.g. through public participation in decision making and ensuring the one third gender rule is adhered to. The public will always be consulted on all financial matters and especially in budget preparation.

### **d. Audit of the Integrated Financial Management Information System (IFMIS)**

33. The IFMIS has been implemented at the county level. As a step to ensure integrity of the system, the County Treasury will in the year 2015/16 conduct periodic audit to ensure that it is operating as initially intended. E-procurement will be entrenched to ensure compliance with the PFM act, 2013. Further efforts will be made to integrate IFMIS with the IPPD

## **Outline of the 2015 County Fiscal Strategy Paper**

### ***Recent Economic Developments and Outlook***

34. The next section (II) outlines the economic context in which the 2015/16 budget is prepared. It provides an overview of the recent economic developments.

### ***Fiscal and Budget Framework***

35. Section III outlines the fiscal framework that is supportive of growth over the medium-term, while continuing to provide adequate resources to facilitate development and ensuring that the public debt will be sustainable.

### ***Departmental Allocation of Resources***

36. Section IV provides a framework of managing the county departments and the proposed allocation of resources between departments.

## ***County Budget Framework***

Section V presents the resource envelope and spending priorities for the proposed 2015/16 Budget and the Medium Term Expenditure Framework. Departmental achievements and priorities are also reviewed for the FY 2014/15.

37. Section VI provides conclusions.

# **II RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK**

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## ***Overview of Recent Economic Performance***

38. The national economic growth was fairly satisfactory in 2014, despite a somewhat stagnating demand for our exports in traditional markets especially European Union due to the delays in signing the Economic Partnership Agreement (EPA). The ravaging drought contributed to poor harvests and this pushed the price of food upwards. Reduced earnings, from tea and tourism, the leading foreign exchange earners, contributed to reduced incomes for farmers and the general population. The private sector activities benefited from improved macroeconomic environment and also the falling fuel prices during the year. Inflation has declined steadily towards a single digit due the reduced prices of fuel and energy in the recent months. Short- term interest rates have also eased in line with the drop in inflation, which has reduced from double digits in 2013 towards the eight percent target in recent months

39. The county economy is mainly agricultural and there is some noticeable reduction in production which can be attributed to low prices and unfavourable climate as indicated in the tables below.

**Table 1: Crop production trends and value**

	2011	2012	2013	2014
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<b>Crop</b>	<b>Production Metric Tons</b>	<b>Production Bags</b>	<b>Revenue Kshs.</b>	<b>Production Metric Tons</b>	<b>Revenue Kshs.</b>	<b>Production Metric Tons</b>	<b>Revenue Kshs.</b>
<b>Main Cash crops</b>							
Tea	62	62.9	3,486,000,000	178000	4,592,400,000	166,969	3,400,000,000
Coffee	12600	36 183.8	2,042,000,000	43,000	2,400,000,000	27,000	1,506,976,744
Maize	28,346	36,170	43,404,000	276,362	414,543,000		
Beans	10,700	11,102	27,550,000	17,893.90	71,575,600		
Wheat				4,683.50	9,367,000		
<b>Horticulture</b>							
Banana				16,296	212,296,000	15938	236,803,424
Cabbages	12.4	96.99	359,640,000	42903	666,270,000	44384	714,348,000
Irish Potatoes	542.2	2586.6	1,767,347,800	87427.5	1,181,794,330	91964	1,568,441,000
French Beans				901.7	41,358,500	804.75	36,163,500
Tomatoes	51.3	244.08	235,045,700	3165.62	109,460,000	3720	124,083,500
Bulb Onions				1085.3	54,630,500	1271.8	62,170,000
Garden Peas				55.2	2,606,000	51.62	2,521,040
Capsicum				183.68	8,095,800	185.88	8,212,200
Avocado				2792.7	38,275,000	2979.4	43,367,000
Passion fruit				484.3	18,399,000	476.2	17,601,000
Carrots	5421	111.80	35,711,051	314.2	4,759,400	285.2	5,290,000
Courgettes				116.2	3,816,000	105.5	3,250,000
Macadamia				1395.65	80,965,000	3025.5	166,435,000
Tree tomato				474.6	21,593,043	851	40,231,500
Mangoes				449.3	13,295,000	475	15,169,000
Arabicum				120.85	6,715,548	76.46	5,390,400
Plums				140.4	1,972,000	96	2,000,000
pawpaw				248	0		
Apples				32	0		
Kales	31.85	130.96	22,416,972	134	0		
Spinach				178	0		
<b>Floriculture</b>							
Tuberose				0.08	0		
Ornis				0.2	0		
Morbydick				1.1	0		
<b>Totals</b>				<b>158,898</b>	<b>9,954,186,721</b>	<b>166,690.31</b>	<b>9,502,953,128</b>

**Source: Department of Agriculture, Livestock, Fisheries, and Cooperative Development**

40. The tea production given is for those farmers under the Kenya Tea Development Agency's seven factories in the county. The production increased slightly in 2013 and dropped in 2014 due the prolonged dry weather. Coffee production also increased slightly in 2013 due to improved payments to farmers as compared to previous years. In 2014 to declined significantly and this is an area of concern for the county. A lot of unexploited potential exists in the horticultural sector especially if irrigation farming could be enhanced.

The table below shows the county's livestock production for the period between 2012 and 2014. ( the products except eggs are measured in kilograms).

**Table 2: Livestock Production**

Livestock	2012	2013		2014	
	Production Kgs	Production Metric tons	Revenue KSH.	Production Metric tons	Revenue KSH.
Dairy Cattle	1,508,603kgs of meat	163400 MT	4,166,700,000	172,000 MT	4,380,000,000
Exotic		163,400,000 litres of milk	4,166,700,000	73,244,308	2,145,953,164
Crosses	52,912,220 litres of milk	8,600,000litres of milk	213,300,000		
Poultry	8,806,000 eggs		263,890,000		173196520
Indigenous Chicken		96,300 trays	28,890,000	127,638	36,813,950
Layers		700,000 trays	210,000,000	473,415	115,936,330
Broilers	252,934kg	100,000Kg	25,000,000	115,576	20,446,240
Shoats			113726590		
Dairy Goats		Sale of 1708 goats	19,780,000		
Meat Goats	178,857 kg meat	137,236 kg meat	40,799,890	128,730	43,571,770
Hair sheep	422,666 kg meat	165,600kg meat	52,969,700	243,003	85,395,650
Wool sheep		22,500 kg wool	450,000		
Rabbits	29,476 kg meat	52,500 kg meat	51,200,000	33380	7,872,050
Beekeeping	34,120 of honey		103,199,800		54,546,380
Log Hive		1,876 kg honey	1,031,800	756	155,780
KTBH		112,582 kg honey	61,920,100	15,100	12,094,600
Lang stroth		73,178 kg honey	40,247,900	-	-
Pigs	173,581kg meat	310,000 kg meat	93,000,000	214870	42,296,000
Fish		12,000		14,000	

*Source: Department of Agriculture, Livestock, Fisheries, and Cooperative Development*

41. In the analysis, a slight increase in production for most of the products has been noted. Apart from layers, broilers and rabbit all the other products increased in revenue but this can be attributed to instability in the marketing of the products. The community has not embraced beekeeping, despite the potential, as the earnings declined significantly between 2013 and 2014.

## **Fiscal performance and emerging challenges**

### **2014/15 Budget**

The County Assembly approved the 2014/15 budget with expenditures amounting to Kshs. 5,444,501,712 comprising of recurrent expenditure of Ksh. 3,809,115,053, development expenditures of Kshs. 1,635,386,659 which includes Kshs. 20,550,000 as a grant from DANIDA for health centres and dispensaries. These expenditures are expected to be financed by the revenue collected in the county and the allocation from the national government and donors.

### ***Implementation progress and emerging fiscal challenges***

42. Budget implementation started at a slow pace in the early months of the financial year. This was brought about by the delay in the approval of the budget which affected timely receipt of funds from the national treasury. The county therefore operated on Vote-on- Account for the first half of the financial year. The county budget was also coupled with shortfall in revenue collection due to delay in legislation of Revenue Administration Act, 2014.

43. Expenditure pressures mainly relate to salary demands from the devolved functions. These pose risks to the stability of the budget for 2014/15 in the face of resource constraints. Going forward, the regulations set by SRC will need to be adhered to so as to eliminate wage pressures after the budget has been prepared.

As at end of December 2014, cumulative revenue receipts amounted to Kshs. 268,144,538 against a target of Kshs. 671,983,402 (Kshs. 1,343,966,804- annual) resulting in an under performance of Kshs. 403,838,864

44. Expenditure execution has lagged behind in the first six months of the financial year on account of delayed release of funds from The National Treasury and inadequate structure systems.

**Table 3: Cumulative Budget Out-turn, July – December 2014**

	<b>Performance July – Dec 2013</b>		
	Target	Achieved	Deviation
Total revenue collected	671,983,402	268,144,538	-60.1%
	-		-
Total Expenditure			
- Recurrent	1,904,557,527	869,347,199	54.4%
- Development	817,693,330	537,733,489	34.2%

***Source: Department of Finance and Economic Planning***

45. To confront the challenges of revenue shortfall and expenditure pressures, the County Government will step up efforts to implement and enforce the Revenue Administration Act, 2014 enhance the cashless system of revenue collection to eliminate leakages and realize revenue as targeted in the FY 2014/15, as well as rationalize and even cut some expenditures.

46. The major sources of revenue are parking fees, single business permits and land rates. New sources will be identified to widen the base while the A.I.A collected by the departments with devolved functions will be directed to the county fund to bridge the gap. More parking areas will be created as this has proved to be a major source of revenue.

# III FISCAL AND BUDGET FRAMEWORK

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## Overview

47. The 2015 County Fiscal Strategy Paper emphasizes on:
- Fiscal consolidation while ensuring that the resources in the county are adequate to promote growth. The County Government is committed to a reduction in the recurrent expenditure to devote more resources to development.
  - Continued reforms in expenditure management, implementation and enforcement of the Revenue Administration Act, 2014 will be accelerated. This will increase revenue and create fiscal space for spending on agriculture, infrastructure and other development programmes.
  - Efficiency by ensuring improvement in the productivity of expenditure while ensuring that adequate resources are available for operations and maintenance to the lowest county government structures.

## Observing fiscal responsibility principles

48. The County Government recognizes that the fiscal stance it takes today will have implications into the future. Therefore, and in line with the Constitution of Kenya, 2010 and the Public Finance Management (PFM) Act, 2012, the principle of sharing the burdens and benefits of the use of resources and public borrowing between the present and future generation implies that we have to make prudent policy decisions today so that we do not impose unwarranted debt burden to our future generations.

49. In this regard, the County Government will observe the fiscal rules set out in the PFM Act, 2012 so as to entrench fiscal discipline.

50. Fiscal responsibility has become even more important since the Constitution requires the Government to progressively provide for a minimum basic standard of economic and social rights to its citizens within available resources. In order for spending to increase on a sustainable basis to meet these basic needs, we should be prepared to match the increased expenditure demands with a corresponding increase in revenue yield through efficient collection, widening of revenue bases, and reasonable rates. It is therefore imperative to reform and modernize the fiscal regime to ensure stability of revenue effort, while at the same time continuing to restructure expenditure systems to ensure efficiency and create fiscal space required to fund these basic needs on sustainable basis.

### **Fiscal structural reforms**

On the expenditure side, the County Government will continue with expenditure management reforms to improve efficiency and reduce wastage in line with the PFM Act, 2012. Expenditure management will be strengthened with implementation of the Integrated Financial Management Information System (IFMIS) to cover the 10 county departments' and units' expenditures.

51. The County Government will institute measures to contain the public wage bill and release needed resources for development. These would include payroll cleansing and implementation of the CARPS report. The County will encourage proper and transparent use of resources and encourage quality service delivery its citizens. Going forward the county treasury will in 2015, institute and strictly enforce, among others, the following measures:

- Undertake a rationalization of public expenditures to identify and remove expenditure overlaps and waste;
- Develop in the first half of FY 2015//16, a framework for enforcing cost benchmarks for projects and consumables
- Conduct every year, at least one Public Expenditure Tracking in any sector where there is value for money concerns;
- Entrench program based budget and enforce performance benchmarks for execution of the development budget of at least 60 percent by all county departments and units.



- Make full operational the Integrated Financial Information Management System (IFMIS) as an end-to-end transaction platform in the county.

## **2014/15 Budget Framework**

52. The County government strategic objectives are outlined in the County Integrated Development Plan on which the 2015/16 budget framework is based. The presumed economic growth will assume a normal weather pattern during the year as the county is mainly agricultural based.

## **Revenue Projections**

53. The County Government is expected to institute measures to expand revenue base and eliminate leakages. The modernization of revenue collection from manual to cashless method and also the implementation of Revenue Administration Act, 2014 are expected to simplify revenue collection and enhance the revenue yield. As such, total revenue including FIF is expected to be Kshs 1.35 billion in the year 2015/2016.

## ***Expenditure Forecasts***

54. The key policy document guiding the County Government's expenditure decisions is the first CIDP (2013-2017), which provides the updated development priorities of the county. In 2015/16, overall development expenditures are projected at 30 percent of all the revenue received.

## ***Recurrent Expenditure***

55. Recurrent expenditures are expected to remain at 70 percent of total budget in 2015/16. This is due to the increased wage bill pressures from the continued devolving of such department as youth training and absorption of ESP contracted employees.

56. With respect to goods and services, expenditure ceilings for county departments are determined by the allocation for the previous year budget as the starting point. The ceilings are

then reduced to take into account one-off expenditures in FY 2014/15 and then an adjustment factor is applied to take into account the general increase in prices.

### ***Development Expenditure***

57. Consistent with the objective of allocating adequate resources towards development outlays and the need to ensure completion of critical infrastructure (roads, energy and transport), the minimum for development expenditures including grants is 30 percent of the total revenue in 2015/16, Most of the outlays are expected to support critical infrastructure that will crowd in private sector investment as well as facilitate critical interventions to remove binding constraints to growth.

58. With improvement in procurement planning and introduction of performance contracting, the absorption capacity of project funds is expected to increase resulting in a higher investment level in infrastructure activities. This will support the delivery of services and encouragement investment by the private sector.

59. In view of challenges which may arise from natural calamities, an emergency provision of 4.4 percent of the total county expenditure was provided for in the budget for FY 2013/14. In FY 2015/2016 the fund will be operationalized after the necessary legislative framework has been put in place.

### **Overall Deficit Financing**

60. The overall budget deficit (including grants) in 2015/16 is expected to be financed through PPP and other revenue raising measures.

### **Summary**

61. Fiscal policy will support growth within a sustainable path of public spending by maintaining the county expenditures within the budget limits. Therefore, moderation in county expenditures will help assure debt sustainability and intergenerational equity in line with the Constitution of Kenya, 2010 and the fiscal responsibility principles in the PFM Act, 2012.

Meanwhile, efficiency and economical spending of County Government resources will be enhanced to create room for critical interventions and pro-poor spending.

## **IV DEPARTMENTAL ALLOCATION OF RESOURCES**

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### **Introduction**

62. The 2015 County Fiscal Strategy Paper is being prepared at a time when significant progress has been made in establishing and operationalizing the financial and procurement systems in the county. This progress notwithstanding, the County Government has continued to experience various challenges in planning and budgeting as well as the execution and reporting on budgets.

63. Due to limited capacity on budget making and implementation by county departments, there were inconsistencies in departmental budget allocations necessitating preparation of supplementary budget to boost on various items.

64. The county has continued to address the capacity gaps through training on IFMIS and PPOA. The County Government will continue to train its staff on all issues that will facilitate efficiency in resource management.

### **Departmental Budgeting**

65. The County Executive Secretary in charge of Finance and Economic Planning will issue guidelines to the county departments on the preparation of 2015/16 budget with specific ceilings. Each department is expected to plan, formulate and execute their budgets. The 2015/16 budget for the county will be prepared in line with the Public Finance Management Act, 2012.

## **Resources available**

### ***Equitable share***

66. This is from the shared national revenue as provided for in Article 202 and 203 of the constitution. The county will receive part of the constitutionally approved share from the consolidated fund as recommended by CRA and approved by The National Assembly.

### ***Additional resources***

67. In addition to the equitable share of revenue, the County Government is also expected to get additional resources from the following sources:

- *Conditional and unconditional* allocations from share of the national government as contemplated under Article 202(2) of the Constitution.
- *Own revenues* from specific county revenue raising measures through imposition of property taxes, entertainment taxes, as well as any other tax and user fees and charges as authorised to impose.
- *Borrowing* provided national government guarantee is obtained as well as the approval of the County Assembly. This will only occur if the funds will be applied to development activities.
- *Grants and donations* from development partners in accordance with section 138 and 139 of the Public Finance Management Act, 2012.

## **Allocation of Revenue among Departments**

68. The Table provides estimates of revenue allocation among departments in the county for financial year 2014/15. The allocations comprise of the recurrent and development expenditure.

**Table 4: Budgetary Allocations by County Departments and Units, July 2014 – June 2015**

<b>DEPARTMENTS</b>	<b>RECURRENT</b>	<b>DEVELOPMENT</b>	<b>TOTAL</b>
County Assembly	356,182,593.00	30,000,000	386,182,593.00
Office of the Governor	100,236,675.00	37,300,000	137,536,675.00
County Secretary	64,744,930.00	76,311,419	141,056,349.00
Public Administration, Information and Communication	157,555,978.00	34,880,600	192,436,578.00
Finance and Economic Planning	486,738,851.00	90,190,112	576,928,963.00
Agriculture, Livestock Development, Fisheries and Co-operative Development	314,585,644.00	109,624,000	424,209,644.00
Water, Forestry and Wildlife, Environment and Natural Resources	157,068,238.00	110,129,222	267,197,460.00
Education, Youth Affairs, ICT and Sports	78,788,600.00	67,710,000	146,498,600.00
Health Services	1,771,343,076.00	352,641,463	2,123,984,539.00
Lands, Physical Planning and Development	46,498,444.00	24,306,203	70,804,647.00
Public Works, Roads, Transport	106,360,440.00	510,950,000	617,310,440.00
Trade, Industrialization Development and Tourism	45,335,920.00	39,154,080	84,490,000.00
Gender, Culture and Social Development	49,468,000.00	26,600,000	76,068,000.00
Energy	39,850,000.00	125,589,560	165,439,560.00
County Public Service Board	34,357,664.00	0	34,357,664.00
<b>TOTAL</b>	<b>3,809,115,053</b>	<b>1,635,386,659</b>	<b>5,444,501,712.00</b>

*Source: Department of Finance and Economic Planning*

## **Fiscal Discipline**

69. The county will pursue prudent management of resources as outlined in the PFM Act, 2012. With departmental programme based and itemised budget, delivery of goods and services in the county will be hastened. This will be made possible by full adoption of IFMIS and ensuring efficiency in procurement procedures.

## **Equity in Allocation of Resources**

70. Though, in recent years there has been notable economic growth in the county, the fruits of this growth have not been shared equitably. Some factors contributing to the skewed economic growth can be attributed to historical and environmental aspects where some parts are newly settled and experiences erratic weather conditions.

The county will continue to pursue policies that promote equity as this will help, directly and indirectly, to reduce poverty. Equity-enhancing policies, particularly investment in infrastructure

(Roads and irrigation system) and human capital such as education and health can, in the long run, boost economic growth, which, in turn will lead to alleviation of poverty.

71. The county also recognizes that policies that promote equity can boost social cohesion and reduce political suspicions. In such circumstances, well-targeted social safety nets will be introduced to shelter the consumption levels of the poor in the disadvantaged areas of the county especially the vast Kieni sub county without forgetting other pockets of poverty such as Gikondi in Mukurweini sub county.

### **Capacity Building of County Departments**

72. Evidence shows that the county departments are experiencing challenges in the planning and budgeting as well as in the execution and reporting on their budgets. The CES Finance and Economic Planning will continue to ensure that all departments allocate funds for training programmes for the departmental personnel. There is also need to deploy requisite professionals to departments to give support in planning and budget making. It is hoped that after staff rationalization, the capacity gaps in the county will be identified and adequately addressed by the human resources department.

## **V 2014/15 EXPENDITURE FRAMEWORK**

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### **Resource Envelope**

73. The resource envelope available for allocation among the spending departments is based on the fiscal and budget framework outlined in Section III:

- Allocation from the equitable share from the Commission of Revenue Allocation will finance over 77 Percent of the county budget. County generated revenue is expected to finance the difference.
- The county will endeavour to entice the private sector through PPP to fund some of the development activities during the year 2015/16.
- County Borrowing, if any to finance any deficit, will be limited to funding development activities.

### **Spending Priorities**

74. The CIDP has identified priority sectors for funding and this will be adjusted as we progress in its implementation.

75. The PFM Act, 2012 require the County Government to promote budgetary transparency, accountability and effective financial management of the economy and the public sector. Therefore, inefficient and wasteful public expenditure will be eliminated at all levels in order to promote public trust in County Government spending.

76. Overall, the 2015/16 budget will focus on the following:

- The county priority sectors which include agriculture and infrastructure will continue to receive adequate resources. With a combined allocation of 26.6 % of total discretionary expenditures, the above sectors will receive a significant share of resources in the budget, and require them, efficiently, to generate fiscal space to accommodate other strategic interventions in the county.
- At a total allocation of 27.3 % of total discretionary expenditures will be allocated to Education, youth, sports, ICT, sanitation and health sectors thus receiving the largest share of resources. These sectors are important in supporting social needs in the county.
- Other priority areas including tourism, trade and industry, water and environment.

### **2014/15 Expenditure Estimates**

77. Cumulative expenditure as at end of December 2014 was Kshs 1,407,080,688 which was mainly used on wages and other operational expenses. On a cumulative basis, local revenue performance during the first half of the financial year was Kshs 268,144,538 which was about 39.9 percent of the half year target.

78. In the course of budget implementation during the first half of the Financial Year, several challenges emerged. They include: Late budget approval; Overestimation of the revenue base, delay in approval of Revenue Administration Bill; High and unsustainable wage bill and Slow adaptation of the new accounting systems.

### **Medium-Term Expenditure Estimates**

79. Table 5 below provides the projected baseline ceilings for the 2015/16 budget estimates and projections for the year 2016/2017 and 2017/2018 classified by county departments and units.



**Table 5: Projected budget allocations 2015/2016-2017/2018**

Department/ Unit	2014/2015 budget estimates (Kshs)	2015/2016 budget ceilings (Kshs)			Projections 2016/2017	Projections 2017/2018
		Recurrent	Development	Total Budget	Total Budget	Total Budget
County Assembly	386,182,593	506,000,000	50,000,000	556,000,000	583,800,000	612,990,000
Office of the Governor	137,536,675	103,599,835	-	103,599,835	108,779,827	114,218,818
County Secretary	141,056,349	97,811,352	8,000,000	105,811,352 <sup>1</sup>	111,101,920	116,657,016
Public Administration, Information and Communication	192,436,578	211,392,409	43,900,000	255,292,409 <sup>2</sup>	268,057,029	281,459,881
Finance and Economic Planning	576,928,963	492,952,377	210,877,245	703,829,622 <sup>3</sup>	739,021,103	775,972,158
Agriculture, Livestock Development, Fisheries and Co-operative Development	424,209,644	345,835,563	155,668,532	501,504,095 <sup>4</sup>	526,579,300	552,908,265
Water, Forestry and Wildlife, Environment and Natural Resources	267,197,460	137,804,000	121,224,655	259,028,655	271,980,088	285,579,092
Education, Youth Affairs, ICT and Sports	146,498,600	64,396,430	116,931,730	181,328,160	190,394,568	199,914,296
Health Services	2,123,984,539	2,014,297,388	271,492,571	2,285,789,959	2,400,079,457	2,520,083,430
Lands, Physical Planning and Development	688,115,087	107,554,835	581,182,847	688,737,682	723,174,566	759,333,294
Trade, Industrialization Development and Tourism	84,490,000	72,084,786	113,098,823	185,183,609	194,442,789	204,164,929
Gender, Culture and Social Development	76,068,000	53,177,284	29,279,929	82,457,213	86,580,074	90,909,077
Energy	165,439,560	54,227,186	138,242,610	192,469,796	202,093,286	212,197,950
County Public Service Board	34,357,664	40,297,417	5,000,000	45,297,417	47,562,288	49,940,402
<b>Total</b>	<b>5,444,501,712</b>	<b>4,301,430,862</b>	<b>1,844,898,942</b>	<b>6,146,329,804</b>	<b>6,453,646,294</b>	<b>6,776,328,609</b>

*Source: Department of Finance and Economic Planning*

#### **Notes**

- The County Secretary's budget includes Kshs 70 M for staff medical insurance
- The Department of Finance budget includes Kshs. 180 M for Ward Dev. Fund and Kshs. 40 M for contracted public servants gratuity and Kshs. 30 M for Emergency fund
- Agriculture budget includes Kshs. 30 M for Agricultural Inputs/seeds subsidy fund
- Education budget includes Kshs. 65 M for Education Endowment Fund.
- Culture, Gender and Social Development includes Kshs. 25 M for disaster response jointly with Kenya Red Cross
- Department of Trade budget includes Kshs. 70 M for refurbishment of the existing markets

## **Baseline ceilings**

80. In the recurrent expenditure category, non-discretionary expenditures takes first charge and includes payment of statutory obligations such as wages, salaries, pension, payee and utilities.

81. Overall, expenditure on non-discretionary costs account for about 55.8 percent of the total revenue. While the total recurrent expenditure accounts for 70 per cent of the total budget

82. A total of 30 percent of the total revenue must be available to fund planned development projects and programmes.

83. Development expenditures are shared out on the basis of the county priorities as outlined in the CIDP, 2013-2017, as well as other strategic interventions to deal with unemployment and remove constraints to faster socio-economic growth as outlined by various policy and concept documents. The following guidelines are used:

- *On-going projects*: emphasis is given to completion of on-going projects and in particular infrastructure projects and other projects with high impact on poverty reduction and equity, employment and wealth creation.
- *Strategic policy interventions*: priority is also given to policy interventions covering the county, social equity, value addition and environmental conservation.

## **Finalization of spending plans**

84. The finalization of the preparation of the detailed budgets will entail thorough scrutiny to curtail spending on non-productive areas and ensure resources are directed to priority programmes. As detailed budgets are scrutinized and the resource envelope firmed up, it is likely that additional resources may become available during supplementary budgeting. The County Government will utilize these resources to implement various sector development directions in the CIDP.

<b>Priority Areas of Consideration for Additional Resources</b>	
1.	Intervention identified during the stakeholders consultative forums for FY 2015/2016 county budget process.
2.	Strategic intervention in the area of agriculture (especially irrigation programmes and other food security enhancing programmes), infrastructure (especially rural/feeder roads), health, youth, tourism, trade and industry to enhance sustainable development in the county.
3.	Specific consideration to job creation for the youth, women and persons with disabilities based on sound initiatives identified within and outside the normal budget preparation.

### **Details of Departmental Priorities**

85. The County Integrated Development Plan for 2013– 2017 ensures continuity in resource allocation based on prioritized project and programmes which has been aligned to the Kenya Vision 2030 and strategic policy initiatives of the County Administration to accelerate growth, employment creation and poverty reduction.

#### ***Governor’s Office***

86. The office has the responsibility of ensuring smooth, efficient and effective delivery of services to the public.

87. The vision is to have a people oriented and transformative governance for results.

88. The mission is to provide overall leadership in governance, sustainable development and efficient service delivery.

89. The priorities of this office is to ensure; Effective and efficient management and administration of county affairs; Disaster management and timely response; Intergovernmental liaison and people representation at national and international levels; Agenda setting in both the legislative and executive functions.

#### ***Finance and Economic Planning***

90. This department consists of Finance, Economic Planning and the County Treasury sub-sectors.

91. The vision is to be a leading public sector in policy formulation, implementation, coordination, supervision and prudent resource management.

92. The mission is to provide overall leadership and policy direction in resource mobilization, management and accountability for quality public service delivery.

93. In the medium term the department priorities will be to: Enforce compliance in revenue collection to achieve increase of 100 percent revenue collection from the current 0.5B to 1B by 2014 and sustain an annual increment of 30 percent in the subsequent years; Enhance public private partnerships so as to spur growth; Introduce non-cash revenue collection system; Establish and equip Information and Documentation Centres (IDC) to link the county functions; Establish and integrate an effective citizen driven public participation mechanism; Put in place M & E system and Develop a mechanism for dissemination and follow-up on the findings.

### ***Agriculture, Livestock, Fisheries, and Cooperative Development***

94. This department comprises of Agriculture, Livestock, Fisheries, Irrigation and Cooperative Development sub- sectors.

95. The vision of the department is to be an innovative, commercially-oriented with modern agriculture, livestock and fisheries development practices.

96. The mission of the department is to improve livelihood of county citizens through promotion of competitive agriculture, sustainable livestock, fisheries and irrigation development.

97. The department priorities include; Commercialization of farming; Lower the cost of production; Improved working condition; Advocate for farmer friendly legislation; Improved collaboration and partnerships with stakeholders; Strengthening the management of agricultural co-operatives; Encouragement of value addition of farm produce; Restocking of rivers and dams and Establishment of a fish cooling and processing plant.

### ***Health and Sanitation Services***

98. This department explores Preventive, Promotive, Curative and Rehabilitative issues of health.

99. The vision of the department is to have an efficient and high quality health care system that is accessible, equitable and affordable for every citizen.

100. The mission is to promote and participate in the provision of integrated and high quality preventive, promotive, curative and rehabilitative health care services to all citizens.

101. The County health priorities in the medium term will be to: carry out health needs assessment, promotion of primary health care, improvement of the County Referral and Mt. Kenya Hospitals, organize ambulance services to be coordinated from a central command, establish an integrated health management system, improving the control and management of non-communicable diseases; and promoting reproductive health, behavior change and mental health.

#### ***Public Administration, Information and Communication***

102. This department consists of Public Administration, Information and Communication sub sectors. It aims at ensuring a harmonious coexistence between various actors in development of the county.

103. The Vision is to have a secure, just, cohesive, democratic, accountable, transparent and conducive environment for a prosperous county.

104. The mission is to ensure effective and accountable leadership, promote a just, democratic environment and establish strong governance institutions to empower citizens for the achievement of socio-economic and political development.

105. The medium term priorities will be to: Establish an effective citizen driven public participation mechanism; Establish a County Policing Authority; Ensure effective administration and governance of county affairs; Enhance and establish legal, institutional regulatory and policy framework.

#### ***Water, Forestry, Wildlife, Environment and Natural Resources***

106. The department consist of Water, Environment and Natural Resources, Forestry and Wildlife subsectors.

107. The vision is to have sustainable access to clean, safe and adequate water in a secure environment.

108. The mission is to promote, conserve, protect the environment and improve access to water for sustainable development.

109. The department priorities in the medium term will be: To increase the tree cover by 10 percent; Promote green economy; Construct 8 multi- purpose mega dams; Expand the domestic water coverage; Construct 4 water treatment plants; and Exploitation of ground water.

### ***Trade, Industrialization and Tourism Development***

110. The department consists of Trade, Industrialization and Tourism sub-sectors.

111. The vision is to have a globally competitive economy with sustainable and equitable socio-economic development where citizens operate freely.

112. The mission is to promote, coordinate and implement integrated socio-economic policies and programmes for a rapidly industrializing economy.

113. The priority of the department in the medium term will be: To promote creative and innovative financing sector; Encourage development of cottage industries; Development of commodity exchange and marketing information systems.

### ***Lands and Infrastructure development***

114. This department consists of Lands, Public Works, Roads and Transport sub sectors.

115. The vision is a world class provider of cost-effective physical infrastructural facilities and services.

116. The mission is to provide efficient, affordable and reliable infrastructure for sustainable economic growth and development for the people through construction, modernization, rehabilitation and effective management.

117. The department priorities in the medium term will be to: Achieve connectivity and smooth flow of motorized and non- motorized traffic; Maintenance of existing road network; Upgrading of existing roads to bitumen or gravel standards; Ensure adherence to construction codes and specifications through regular supervision and inspections; develop modern parking system and Establishment of a County Roads Board and Fund

### ***Energy***

The department consists of Energy Subsector

118. The department priority is to research and exploit alternative and renewable sources of energy.

119. Others include: To ensure all the trading centres, public health and education institutions are supplied with electricity; provide adequate lighting along the streets and estates in major urban areas; Promote production and utilization of energy from biodegradable waste materials in learning and health institutions.

### ***Education, ICT, Youth Affairs and Sports***

120. This department consists of Education, ICT, Youth Affairs and Sports sub-sectors.

121. The vision is to have a globally competitive education, training, ICT, research and innovation service for sustainable development.

122. The mission is to provide, promote and coordinate quality education and training, integration of science, technology, and youth and sports development for sustainable socio-economic development.

123. The priorities in the medium term will be: Engaging stakeholders in resource mobilization; strengthening the programmes in youth polytechnics and capacity building of instructors; Advocating for full mainstreaming of ECDE; Establishing one ICT / techno centre and Promote sports activities.

### ***Gender, Culture and Social Development***

124. This department consists of Gender, Culture, Children, Labour and Social Services sub sectors.

125. The vision is to achieve sustainable and equitable socio-economic development.

126. The mission is to formulate, mainstream and implement responsive policies through coordinated strategies for balanced socio and economic development.

127. In the medium term the department aims to: Decrease the number of OVC and Children in Need of Care and Protection; Identify and establish the number of OVCs in the county; Adoption of a System's approach to child protection; Enhancement of the capacity of cultural practitioners; Provide strategic resources for creative and cultural industries; Enhance and establish legal, institutional regulatory and policy framework on labour relations; Conserve, preserve and promote our cultural heritage for sustainable development and Development of cultural centre with a talent academy and a cultural tourist class hotel.

128. The department also aims at establishing a Heroes Memorial Park to preserve for posterity the memories of the heroes from the County such as Field Marshal Dedan Kimathi, General Stanely Mathenge, Prof. Wangari Maathai among others.



## **VI CONCLUSION**

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129. In 2015/16 budget, the improvement of agriculture and expansion of infrastructure, while maintaining reasonable growth on social development continues to be a priority. Allocation of funds to the county departments will generally reflect the critical needs of the county residents.

130. The set of policies outlined in this County Fiscal Strategy Paper reflect the changed circumstances and are broadly in line with the fiscal responsibility principles outlined in the PFM Act, 2012. They are also consistent with the county sector development direction in the medium term as a basis of allocation of public resources. These strategic objectives are provided in the CIDP and the departmental strategic plans.

## Annex 1 Sources of Revenue to fund the budget – 2015/2016

No.	Source	Amount in Kshs.	Remarks
1	Equitable Share	4,341,891,811	Assumed no major changes to our disadvantage
2	Conditional Grants and donor funds	453,960,093	Assumed all this amount will be channeled through the County Treasury
3	Internally Generated Revenue	1,350,477,900	Retained at the same level as this year (2014/15) hoping strategies introduced will give results
<b>Total</b>		<b>6,146,329,804</b>	

*Source: Department of Finance and Economic Planning*

## Annex II Revenue collected in the first 6 months of 2014/2015

REVENUE TYPE/ ACCOUNT DESCRIPTION	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	TOTAL
COUNTY ALLOCATION							
CILOR Current Year							
LIQOUR LICENCE	256,000	687,000	354,000	589,500	95,000	72,000	2,053,500
CO-OPERATIVES AUDIT FEES	53,900	-	-	-	5,700	-	59,600
Agricultural Mechanization Station	258,636	153,160	-	319,350	375,440	-	1,106,586
Wambugu Agricultural Training Centre	-	534,065	329,700	433,280	979,995	49,740	2,326,780
VETERINARY CHARGES	252,685	270,770	169,360	315,145	296,720	271,275	1,575,955
Slaughtering Fees	142,220	187,160	200,670	217,615	208,240	230,430	1,186,335
Slaughter House Inspection Fees	58,885	16,000	18,900	12,800	17,700	8,325	132,610
SALE OF FERTILIZERS	-	-	3,537,000	-	-	-	3,537,000
Tea cess	-	-	-	-	-	-	0
Coffee Cess	-	280,039	-	-	-	-	280,039
Revolving fund Coffee(% of gross sales)	-	-	-	-	-	-	0
Weights and Measures	158,540	145,360	35,200	-	-	-	339,100
Business Permits	4,596,775	2,565,363	2,387,157	2,103,140	2,485,782	613,765	14,751,982
Market Entrance/Stalls/Shop Rents	3,229,955	2,512,520	3,175,400	3,052,602	2,670,710	2,515,655	17,156,842
Bed Occupancy	-	-	-	-	-	-	0
Ambulant Hawkers Licenses (Other than BSS Permits)	26,050	50,450	40,100	55,700	45,100	16,900	234,300
Hospital Services	18,693,203	18,937,065	19,609,055	18,473,765	11,910,106	16,365,720	103,988,914
Public Health Public	1,144,049	1,038,400	1,270,875	810,200	426,400	478,000	5,167,924
Debts Clearance Certificate Fee	132,400	97,000	124,000	214,000	93,500	45,400	706,300
Application Fee	571,835	457,055	332,350	246,200	256,000	143,600	2,007,040
Business Subletting / Transfer Fee	206,500	60,700	52,800	79,200	22,200	39,800	461,200

REVENUE TYPE/ ACCOUNT DESCRIPTION	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	TOTAL
Document Search Fee	20,800	14,450	5,250	13,200	10,250	4,350	68,300
Agency Fee (Fees from KHC, Insurance Firms, etc.)	14	2,260	-	760	750	2	3,786
Cheque Clearance Fee	300	600	-	-	-	-	900
Impounding Charges/Court Fines	427,100	231,800	464,300	248,300	499,350	203,000	2,073,850
Sales of Council's Minutes / Bylaws	26,400	26,900	33,000	63,900	10,700	9,800	170,700
Tender Documents Sale	31,000	1,000	1,023,300	363,000	105,000	249,000	1,772,300
Sale of Old Office Equipment and Furniture	-	-	-	-	-	-	0
IFAD HALL	-	-	5,000	5,000	-	-	10,000
miscellaneous Income	-	-	-	15,750	4,500	1,000	21,250
Customers Deposits (Other than Water & Sewerage)	49,700	42,665	60,050	102,311	50,745	59,145	364,616
Benevolent Fund	164,500	146,500	122,500	86,000	75,500	54,000	649,000
Business promotions	-	-	-	-	-	-	0
Branding(wall, vehicles etc)	-	-	-	-	-	-	0
Central Kenya show annual permit	-	-	-	-	-	-	0
Fines,penalties, and forfeitures	-	-	-	-	-	-	0
Beacon Search Pointing Fee	-	-	-	-	-	-	0
Survey Fees	-	-	-	-	-	-	0
Parking Fees	9,067,560	8,512,140	8,790,550	8,742,380	8,771,195	7,945,355	51,829,180
Parking Clamping/Penalties/Of fences fees	311,100	320,100	176,470	168,600	162,400	152,200	1,290,870
Land Rates	2,227,152	1,841,637	1,150,949	1,668,745	519,427	1,489,592	8,897,502
Other Property Charges	198,200	164,700	89,080	113,222	39,300	83,400	687,902
Ground Rent-current year	171,360	124,083	73,100	85,623	48,590	57,175	559,931
Ground Rent - Other Years	147,920	142,275	114,708	64,558	82,174	114,827	666,462
Stand Premium/Commissioner of Lands	-	13,000	-	45,000	-	-	58,000
Temporary Occupation License (TOL),New occupation, Space Rent, Retainers fees	231,100	195,800	224,400	94,300	112,500	105,000	963,100
Hire of Plant & Machinery	-	-	-	-	-	-	0
Plot Transfer Fee	46,000	40,100	30,500	84,700	59,700	26,200	287,200
Cess (Quarry, produce, Kaolin, etc)	2,145,030	2,334,630	2,460,890	2,417,350	1,898,010	1,675,130	12,931,040
Social Hall Hire	8,300	10,000	6,000	15,000	21,500	7,700	68,500
Stadium Hire	109,000	88,000	130,000	66,500	110,000	96,000	599,500
Housing Estates Monthly Rent	1,179,440	1,059,125	853,874	1,165,200	1,142,891	892,000	6,292,530
NYERI SLAUGHTER	40,000	40,000	40,000	40,000	40,000	-	200,000
KIGANJO SLAUGHTER	10,000	10,000	10,000	10,000	10,000	10,000	60,000
Housing Estates Monthly Rent (Kiawara,majengo&Ki ngongo ph. 3)	122,933	216,509	-	16,752	14,457	39,966	410,617

REVENUE TYPE/ ACCOUNT DESCRIPTION	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	TOTAL
Approvals(extension of users,pegging for kiosk,subdivision,transfer,amalgamation,survey,boundary dispute etc)	-	-	-	-	-	-	0
Advertisements(billboards,blockage of roads,neon)	-	-	-	-	-	-	0
Nursery Schools Fee (KRT)	840	13,060	44,690	840	420	2,970	62,820
Nursery Schools Fee(Kingongo)	6,800	1,850	20,950	14,800	11,350	-	55,750
Nursery Schools Fee (Nyakinyua)	4,600	1,100	23,800	11,650	9,650	-	50,800
Burial Fees	12,800	16,000	4,800	14,800	12,000	7,700	68,100
Health License & Medical Fee						-	0
Public Toilets	53,810	50,250	45,585	35,065	49,195	32,020	265,925
Garbage Dumping Fee/waste disposal charges	4,000	2,500	12,000	2,500	1,000	1,000	23,000
Refuse Collection Fee	1,798,885	453,790	2,386,740	215,330	2,285,115	90,190	7,230,050
Sale of flowers,plants, firewood, produce e.t.c	-	-	-	-	-	-	0
Exhauster services Charge	30,000	60,000	3,000	9,000	6,000	-	108,000
Lease of Water Distribution Network	-	-	-	-	-	-	0
Buildings Plan Approval Fee	682,963	891,932	1,173,086	580,558	427,238	612,898	4,368,675
Buildings Inspection Fee	244,600	266,200	268,400	165,000	166,500	159,400	1,270,100
Right-of-Way / Way-Leave Fee (KPLN, Telkom, etc.)	-	-	-	-	-	-	0
Consent to Charge Fee/Property Certification Fee (Use as Collateral)	86,000	59,000	86,000	177,300	59,000	25,000	492,300
Sign Boards & Advertisement Fee	1,176,583	993,320	538,700	597,200	530,672	428,500	4,264,975
Building occupation Fees	-	-	-	-	-	-	0
Building Permit	-	-	-	-	-	-	0
Plot Subdivision Fee	394,500	183,000	132,000	102,000	31,500	9,000	852,000
Fire-Fighting Services	191,500	236,500	213,000	110,000	144,000	128,000	1,023,000
Private borehole operators						-	0
Quarry /mining charges-annual licence fee						-	0
Tree cutting permits						-	0
Water bowser/water vendor licences						-	0
Tipping charges						-	0
Use of public toilets						-	0
Polluters of environment penalties						-	0
<b>TOTAL LOCAL SOURCES</b>	<b>51,204,423</b>	<b>46,798,883</b>	<b>52,453,239</b>	<b>44,654,691</b>	<b>37,411,172</b>	<b>35,622,130</b>	<b>268,144,538</b>

*Source: Department of Finance and Economic Planning*