Foreword

This fiscal strategy paper is prepared pursuant the provisions of Sec 117 of the PFM Act 2012 and is the first for Murang'a County Government. The county endeavors to continue implementing programmes that will continue to uplift the living standards of her people by implementing high impact wide effect programs and projects with a lot of focus on the devolved functions. The county realizes that resources will always be scarce and may never adequately meet our needs but programmes should be implemented in a manner that meets our county diversities and the wide geographical span.

Within the year the County Government has developed systems that are meant to take services closer to the people and in a way distribute the benefits of devolution to the extent possible while at the same time safeguarding the resources by strengthening checks and reducing wastages. With good plans that are efficiently and effectively implemented the public will reap the benefit envisaged by the drafters of our constitution.

It's also important that the public play its role of participating objectively in county programmes with sincere intentions so that efforts to collect views add value. This paper forms part of a continuous process that is meant to develop a collaboration platform for our county.

Let's all grow together.

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George Kamau
County Executive Committee Member-Finance and Planning.

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I. ECONOMIC TRANSFORMATION FOR A SHARED COUNTY PROSPERITY

Overview

The 2014 Fiscal strategy paper is the first to be prepared by the County Government of Murang'a under the PFM Act. It endeavors to sets out the priority programmes of the County to be implemented through the Medium Term Expenditure Framework (MTEF) under a devolved system of Government. This strategy paper is critical to the county budget process in that it will broadly guide on the expected revenues over the medium term, outline the medium term expenditure frame work and project financing deficit where they exist.

In the need to address the challenges the county Government of murang'a has developed five pillars as detailed below;

- **Pillar I**: Investing in agricultural transformation through offering extension service, Value addition and marketing of products
- **Pillar II**: Roads and Infrastructure Rehabilitate and develop roads enhance Syndication with neighboring counties. Develop water distribution systems
- **Pillar III**: Creating conducive business environment by maintaining friendly legislative environment, Create new sectorial cooperatives and facilitate business financing where applicable.
- **Pillar IV**: Investing in quality and accessible healthcare services and quality and timely social interventions by rationalising and upgrading health centers ,rolling out mobile clinic and ambulance facilities
- **Pillar V**: Further entrenching devolution for better service delivery and enhanced rural economic development. Training and capacity building. Use of technology. Creating economic empowerment to all Murang'a populace

Programs for Achieving County Economic Transformation for a Shared Prosperity

This Fiscal Strategy Paper, therefore articulates priority economic policies and structural reforms as well as sectoral expenditure programs to be implemented under the Medium Term Expenditure Framework for 2014/15 –2016/17 in order to achieve the County Government's development goal of economic transformation for a shared prosperity as elaborated below:

Creating a Conducive Business Environment for Employment

The county Government has been undertaking the necessary reforms to ensure that the business environment is conducive and attractive to investors by implementing various measures among them

- Improvement of the county infrastructure
- Fair taxation
- County investment vehicle and Savings schemes for county people
- Develop a PPP engagement framework
- Set up dairy breeding
- Develop an irrigation master plan and coming up with new irrigation projects
- Develop Health Care to support economic engagements

Update on Fiscal Performance and Emerging Challenge

This section addresses the major medium term and short-term development challenges that the county has to address in order to achieve sustainable economic growth and poverty reduction through more effective management of the development resources. The development challenges that were identified during the Medium-Term Plan II consultative meetings include: Poor physical infrastructure, low productivity in agricultural and livestock, inadequate marketing and storage facilities among others, and poor marketing systems, food Insecurity amongst others.

Physical infrastructure is an enabler that facilitates the growth of other sectors. Provision and maintenance of existing physical infrastructure and providing a utility sector (water, sewerage and electricity) contribute to economic and social development of the county. This will assist in addressing the poor state of the county's infrastructure that has been caused by mismanagement, heavy rains and poorly developed terrain and valleys. The current state of infrastructure in the county is a major constraint to improved agriculture production and marketing and has contributed greatly to rising levels of poverty. The county has poor and inadequate road network which are sometimes impassable. Delivery of horticultural crops, milk and tea leaves to markets and factories are affected during the rainy season by poor road network. The energy supply is also inadequate. There is therefore need for enhancing infrastructural development and accelerating the speed of completion of infrastructure programmes and projects so as to ensure that they play a catalytic role in county's development. Once this is done, the county residents will greatly benefit in marketing of their produce and in starting agro-processing industries and other economic activities.

Poor Marketing Systems

Poor agricultural marketing systems greatly contribute to the low incomes farmers receive for their produce in the county. Middlemen take advantage of the poor marketing channels to exploit farmers. A number of cooperative societies have undergone long periods of mismanagement. A number of farmers produce poultry and horticultural produce but lack proper and organized marketing. Deliberate efforts will be undertaken to organize farmers into effective marketing groups in order to minimize exploitation by middlemen and maximize on the gains from these ventures.

Low Productivity in Agriculture and Livestock

Over 80 per cent of the households in the county depend on agriculture and related activities. The main challenges are that agricultural land is limited and the supply of farm inputs is irregular particularly for non-cash crop growers who are not members of cooperative societies. Prices of the inputs are high and the distribution not well coordinated. Shortages of inputs lead to low productivity in maize, beans, Irish potatoes and cabbages. These being the main staple food crops in the county the socio-economic welfare of the populace are affected since there is always a shortage of these commodities. Cattle fodder is in short supply due to inadequate and erratic rainfall as well as because land is scarce and segmented. Manufactured feeds for cattle and poultry are too expensive and sometimes unaffordable for farmers and this affects the county economy.

Food Insecurity

In some parts of the Murang'a County there is food insecurity in terms of staple food and sometimes leads to reliance on relief food supplies especially in areas at the lower side of the county like Makuyu, Kambiti, Maragwa ridge, Muthithi, Gaichanjiru, Kakuzi, Ithanga and Githuuri Locations. Food insecurity is attributed to several factors that include: inadequate and unreliable rainfall, poor terrain, small parcels of land, poor soil fertility, poor coverage by extension services, and concentration in growing of cash crops such as coffee, tea, high prices of farm inputs and poor storage facilities.

To address the problem of food insecurity, efforts will be made to enhance extension support services, subsidize farm inputs and discourage further sub-division of land. Small horticulture irrigation projects will be initiated while extension services on food preservation, storage and marketing as well as animal production and health will be intensified. Community members will also be enlightened on the available wealth creation opportunities in the county.

Agriculture and Livestock Diseases and Pests

Murang'a County has been regularly affected by livestock and crop disease outbreaks. Livestock diseases are aggravated by movement of livestock especially from Isiolo and Marsabit counties to the neighbouring Machakos County. Diseases such as foot and mouth and anthrax have affected and led to deaths of livestock and people in the county. The veterinary sub sector has been carrying out vaccination campaigns and community sensitization to address the problem.

The common crop diseases and pests include coffee berry diseases, bollworm, army worms and cassava mosaic. The agriculture and livestock development subsectors have been carrying out extension services to advice farmers on preventive mechanisms and best crop practices. There are also private agro vets that have been sensitizing farmers as well as dispensing agrochemicals to them. Since Murang'a is predominantly an agricultural county, more efforts need to be directed towards addressing these challenges.

Ineffective Coordination of Projects/ Programmes

There is lack of integration in the implementation of most programmes and projects in the county. Currently most sector programmes are planned and implemented independently leading to uncoordinated project implementation and wastage of scarce resource. There is need to ensure harmony in implementation of various projects and programmes.

Cross-cutting Issues

The cross-cutting issues in the county include: disaster management, environment conservation and management, gender, the youth, persons with disabilities and climate change.

Gender

Gender disparities are minimal in primary and secondary education where enrolments are 50 per cent for both boys and girls. Women have been discriminated against when it comes to access to ownership of property and finances.

Gender concerns have implications on economic growth and poverty reduction. During the formulation of both sector and sub-sector goals, gender concerns are integrated as there is proof to show that for 80 per cent of women constitute the agricultural workforce but only a small percentage of them hold title deeds to land. This imposes a great constraint on their ability to make major land-related investment decisions including obtaining credit using title deeds as collateral. Gender inequality in ownership and access to productive assets are addressed through the youth and women developments funds and new policy and affirmative action that requires 30 % of employment positions in the county be reserved for women.

In summary the following forms the key challenges in the County

- Inadequate extension staff;
- Presence of many micro credit advisors who exploit savings and credit groups;
- Expensive unaffordable credit lines
- Poor communication in some parts of the county;
- Lack of enough staff in most sub counties;
- Dependency syndrome amongst community members especially in community service projects e.g. water, dispensaries , schools etc;
- Lack of representation of women in major forums and county committees and development forums
- Women lack collateral for credit

Poverty

The county has high poverty levels which according to the 2005/2006 Kenya Integrated Household Budget Survey, about 36 per cent of the population live below the poverty line. The poor are not able to access the basic necessities of life such as food, shelter and education. The food poor constitute 36 per cent of the population with the vulnerable groups that is hardest hit by poverty being women, the unemployed youth, widows and orphans, neglected retired old people, the street children and those living in the marginal areas of the county.

Poverty in the county manifests itself in many ways including inaccessibility to health services, food insecurity, inadequate potable water, lack of good and proper clothing, inaccessibility to proper education and landlessness. The main causes of poverty in the county include the poor physical infrastructure that increases the cost of accessing and marketing of agricultural produce; and low returns from coffee, tea and milk which make it difficult for most of the agricultural community to meet their basic needs. Other causes include: lack of industries; stringent collateral requirements and high interest rates by banks; high prices of farm inputs resulting in low application by farmers; collapse of the major cooperative societies and exploitation of farmers by middlemen.

The county contribution to national poverty is 0.8 per cent. Efforts will therefore be made to reduce poverty through the various sectoral policies, strategies and programmes including interventions to address environmental protection. Major causes of poverty include;

- Underdeveloped physical infrastructure;
- Exploitative type of culture;
- Reluctance of people to take loans from credit institutions;
- Expensive unaffordable credit from lenders
- Extortion from illegal group;
- Involvement of the youth in illegal activities;
- Part of the county being semi-arid;
- Limited water for irrigation agriculture;
- Poor Corporate Governance within the cooperative movement;
- Lack of access to credit;
- Poor farming methods.

Disaster Risk Reduction

The major disasters experienced in Murang’a County include: landslides, drought and famine, accidents related to quarrying, frost, human-wildlife conflict, water pollution, forest fires among others. It’s therefore important to mainstream disaster risk reduction DRR in the county development planning to help reduce risks, mitigate prepare for and respond to both natural and man-made disasters. Some major causes of lack of effective DRR includes;

- Inadequate specific institutions handling disasters;
- Inadequate & unreliable funding to management authorities;
- Lack of comprehensive legislation enveloping all sectors;
- Unreliability of the provided information;
- Commercialization of broadcasting services and diversion of intended purposes for commercial gains;
- Ignorance from the community on warnings;
- Lack of DRP in school curricula;
- Poor enforcement mechanisms;
- Looting by volunteers/ community members during disasters;
- Inadequate training of volunteers;

Youth

The youth are defined as those aged between 18 and 35 years. This is the productive age group and represents 46 % of the total population in the county. There are deliberate efforts to include the youth in decision making processes and now the youth are represented in all devolved funds committees. Under the Ministry of Youth Affairs and Sports, the government had embarked on revival of youth polytechnics and initiated the Youth Enterprise Fund where the youth can access loans at interest rates lower than the prevailing market rates. However most of the youth are yet to benefit from this fund because of their inability to meet the requirements set to access loans from the Constituency Youth Enterprise Scheme Fund and also the recently launched Uwezo fund is yet to start disbursing funds. The youth are also faced with lack of entrepreneurial skills that can help them access money from financial institutions because of lack of proper training and business skills exposure. A lot of the youth have concentrated on acquiring basic ICT skills at the expense of other skills thus crowding this market. Some of the challenges that require addressing immediately are;

- Poor disbursement of the Youth enterprise fund;

- Unorganized youth groups;
- Lack of patience among the youth group members;
- Inadequate data on existing youth groups;
- Negative attitude to work.
- No clear guidance on how to access Uwezo funds
- Lack of Security to access credit

HIV and AIDS

HIV and AIDS pandemic poses a serious threat to the development of the county as the prevalence rate stands at 3.7per cent. The scourge is on the increase virtually in all the sub counties of the county. AIDS related deaths are common and those mainly affected are those within the productive age group of 15-49 years of age. Also, the number of HIV/AIDS orphans is on the increase.

Poverty is viewed as a major cause and consequence of HIV/AIDS. Poverty increases vulnerability of people with HIV, hence there is need to redirect resources towards support services to poor households. The situation is further aggravated by the fact that HIV/AIDS mostly affects people in the productive age leaving minors and the elderly people to take care of households. Progressive gains on poverty reduction may be reversed if concerted efforts are not urgently put in place to bring the HIV/AIDS pandemic under control.

The majority of new HIV infections are transmitted through unprotected sex and drug abuse particularly consumption of illicit brews which is rampant in the county. The most affected are those with untreated sexually transmitted diseases. Programs designed to slow the spread of HIV therefore need to focus on reducing transmission through sexual contact.

HIV/AIDS in the county is also linked to peer pressure and ignorance of the youth based on age and sex distribution and commercial sex due to economic hardships. For HIV/AIDS prevention programmes to succeed, special attention will be directed to these factors.

In dealing with this challenge the following challenges are faced

- Limited financial resources to carry out mobile VCT;
- Limited staff in the health institution and for extension services;
- Inadequate funding of anti-HIV/AIDS programmes;

- Weak M& E systems and capacities;
- Poorly staffed VCT centres;
- Limited Comprehensive care centres;
- Lack of statistical data on PLWHAs & OVCs in the County;
- Few Sub-ACUs implementing work place policy on HIV/AIDS.

Information Communication & Technology

ICT is a powerful enabler of development goals due to its unique characteristics to dramatically improve communication and exchange of information and also to strengthen and create new economic and social networks. It is thus very evident that ICT, when well harnessed and focused, has the potential to bring in multiple benefits in the areas of governance, integration of all areas of the economy, development of rural areas and productive improvement thus promoting the livelihoods of the entire population and alleviating poverty.

Business Process Outsourcing has been identified as a key sector under the Economic Pillar of the Kenya Vision 2030. The Vision for the BPO sector is for the country to be "the top off shoring destination in Africa." It is also expected to become the sector of choice for employment for youth and young professionals. This calls for the county to move quickly to establish the necessary capacity in this sector.

The county recognizes information communication technology as a growth sector that has immense potential for unlocking many opportunities in business, education, agriculture, industry and security. The county has been linked with fibre optic cable where by some of the government offices have been connected through internet. This has led to the operationalization of e-conferencing at the county headquarters and more offices are expected to be connected. The development of this sector will play a crucial role in opening opportunities in business and commerce in the county through easy access to the market information. The County will endeavor to ensure enhancement and expansion of ICT by channeling efforts into the under listed challenges

- Limited financial support to the sector;
- Many have not differentiated passive use of ICT and profitable use of the same;
- Expensive to access and use information through the internet;

- Training on ICT is still low;
- There are limited ICT training institutions;
- Limited awareness on the importance of ICT in day –to- day's life;
- Inadequate computers in most government departments;
- Inadequate connectivity between respective sub counties and government departments
- Lack of qualified ICT experts.

Security

Security is paramount for peace, law and order to prevail and is a prerequisite for development and investment. It determines how much investment the county will attract and hence the level of economic development. The county is faced with an enormous task due to insecurity especially with the outlawed groups. Despite this challenge, the county has an effective security system, well-endowed resources such as the police stations, police posts, police patrol bases, and Administration Police camps, which are well distributed across the county. With the introduction of community policing, the county has a vibrant community policing unit in all the constituencies. Areas that still need attention are;

- Inadequate security personnel;
- Limited community participation in community policing;
- Inadequate Vehicles and other equipment for security purposes
- Low adoption of Nyumba Kumi model

Climate Change

Climate change refers to the significant variation of expected average weather conditions of a given location as observed over a period of at least 30 years. Climate change is caused by emissions of Green House Gases (GHGs) into the atmosphere through natural causes and human induced activities.

Climate change is a reality in Murang'a County and a common phenomenon leading to massive losses across sectors. Some of the adverse effects of climate change experienced in the county include: variation in weather patterns with low rainfall and failed seasons; severe famine and hunger causing food insecurity especially in the ASALs regions like Kambiti, Maragwa Ridge; loss of biodiversity especially at the ecosystems which are fragile like the African elephant (*Loxodonta Africana*) found at Aberdares that is threatened due to destruction of its habitat and breeding grounds in the forest. Other effects are resources-uses conflicts where Wildlife stray from protected areas to farms in search of water and forage e.g. at Kaseve hills in Murang'a South where there is conflict between the local peoples and monkeys.

There is need for Murang'a County to make the necessary adjustments and prepare to cope with effects of climate change and mitigation effects. Most of the disasters in the county are experienced as a result of extreme weather conditions, main challenges to be tackled include

- Lack of early warning system;
- Poor facilitation of environment and disaster management committees;
- Lack of climate change experts at county level;
- Unreliable data;
- Inappropriate industrial and farming practices locally and globally

Environmental Conservation and management

Environmental conservation and management is important to county development. The county will strive to ensure that the populace live in a clean, secure and sustainable environment, increased forest cover; reduction of environment-related diseases; promoting environmental conservation; improving pollution and waste management; promoting public-Private partnership improve water and sanitation delivery. Specific strategies include promoting environmental conservation, improvement of pollution and waste management, public-private sector partnerships in environmental issues, improving efficiency in water and sanitation, delivery and promotion of disaster preparedness in the county.

Environmental conservation and management is a county priority as we focus on the concept of sustainable development. It is important to note that saving the environment, environmental protection and long term economic growth are both complementary and mutually dependent However the challenges to be addressed are;

- Inadequate funds;
- Shortage of staff;
- Limited training opportunities;
- Farmers intruding to the riparian zones;
- Weak community monitoring of environmental management activities;
- Weak enforcement of both NEMA and Forest Acts;
- Lack of political goodwill on environmental issues

Persons with Disabilities

In the past, persons with disabilities have been marginalized in all sectors of development in the county. For a long time, these people have been treated as out-casts who cannot add value to economic and developmental processes. There are now national campaigns to recognize the role of persons with disabilities initiated so as to give them equal opportunities in all aspects of socio-economic development. A major challenge in the county is that there are only two institutions that take care of needs of children with disabilities. These institutions do not offer the training required up to secondary and tertiary level requiring the students to go for further education in other counties. Another challenge is lack of data pertaining to persons with disabilities in the county which affects efforts to cater for their needs. Challenges includes;

- Lack of enough training institutions at all levels
- Poor planning for people with disabilities;
- Uninformed members of the community on how to deal with people with disabilities;
- Lack of relevant training programs for the disabled;
- Inadequate funding for the people with disabilities
- Lack of data for people with disabilities.

Economic Policy and Outlook

The PFM law enacted in 2012 has set high standards for compliance with the MTEF budgeting process. The county programmes will be implemented with solid strategies that will ensure that the level of growth is realized and firmly supported by increased production in agriculture following the interventions being put to revamp the sector together with other measures such as continued investment in infrastructure projects, development of irrigation projects, restructuring of coffee and tea industries and support for cooperative movement amongst many other initiative

Risks to the Outlook

The likely risks of the outlook for 2014 and medium term include:

- low economic growth of the national economy, leading to inadequate funding to the counties,
- erratic weather conditions negatively affecting agricultural production,
- Late disbursement of funds by the National Treasury making funds absorption targets levels not to be realized.
- Under funding of some of the development projects/programmes leading to non-completion within the planned time frames.
- Lack of clear structures at county level leading to bottle necks in information flows and programmes implementation.
- Unmet targets on revenue collection
- Stakeholders pressure to spend on recurrent
- Disharmony between critical stakeholders leading to derailment of programmes

Macroeconomic Stability for Sustained Growth and Development

The County Government realize that macroeconomic stability is necessary to create a conducive environment for private sector investments as a basis for sustained economic growth both at national and county level. The fiscal policy strategy recognizes that available resources are scarce and hence the need to direct resources in sectors with highest returns.

The National Monetary policy over the MTEF period is well detailed in the 2014-15 budget policy statement it aims at maintaining a low rate of inflation of around 5 percent, strengthening the international reserves position to over 4.5 months of import cover and providing space for sustainable increase in credit to the private sector to support productive activities. Monetary policy supported by fiscal policy will also focus on delivering low and stable interest rates and exchange rates in support of growth and employment creation objectives. To complement efforts to sustain macro stability, coordination between the National Treasury and the Central Bank of Kenya will be strengthened in order to better harmonize fiscal and monetary policies.

Given that all macroeconomic elements are mobile across county borders without major restriction, we do expect some homogeneity in their effects across all counties.

Structural Reforms to Facilitate Business and Employment Growth

Expenditure Management: As part of economic transformation, the public expenditure reforms will be deepened to improve efficiency and effectiveness in utilization and execution of budget. This will entail rationalizing public expenditures to remove overlaps and waste, developing and enforcing cost benchmarks for projects and consumables, and strengthening the program budget. Expenditure tracking and value for money audits will be undertaken regularly to ensure efficiency in use of resources at the County. The integrated financial management information system (IFMIS) has been made fully operational as an end-to-end transaction platform.

Asset Management

Section 153(1) of the PFM act provide for management of assets in a manner that is responsible so as to ensure that a county Government achieves value for money in acquiring , using or disposing those assets. In compliance an asset identification study is underway that will involve listing, verification of ownership valuation of the said asset and compilation of a register. The asset register will be managed using ICT. Regular repair and maintenance will be carried out to extend their useful life in addition to regular verification.

Murang'a County Government Tax and Revenue Reforms:

The strategy for strengthening revenue efforts and improve ease of doing business will prioritize measures to simplify tax systems, leverage automation, expand the tax base The strategy to reduce cost of doing business focuses on indicators of interest to small businesses such as starting business acquisition of permits, accessing credit, paying taxes and trading licenses within the County. The county is exploring the most optimal option in automating revenue collection and banking.

III FISCAL POLICY AND BUDGET FRAMEWORK

Continuing with Prudent Fiscal Policy

The County Government Act, 2012, stipulates that county government shall plan for the county and no public funds shall be appropriated outside a planning framework developed by the County Executive Committee and approved by the County Assembly. This Act along with the Public Financial Management Act, 2012, therefore calls for preparation of a County Integrated Development Plans (CIDPs) which must be aligned to the National Development Plan. In view of this, County Integrated Development Plans and other plans provided in the County Government Act will be aligned to Kenya Vision 2030 and the Medium Term Plan 2013-2017. As such CIDPs will provide the essential linkages between planning and implementation of programmes in the County.

The broad key priority areas which will be the focus of the Second MTP include: employment creation; development of human resource through expansion and improvement in quality education, health and other social services; reducing the dependence of the economy on rain fed agriculture through expansion of irrigation; higher investment in alternative and modernization of infrastructure.

Murang'a County Government therefore fully embraced the Kenya Vision 2030 and Medium Term Plans during preparation of county development plans. In particular we envisaged the support of National Government in implementation of Vision 2030 flagship at Maragua. In addition there is need that we identify specific projects and programmes for implementation over the medium term period towards achievement of the Kenya Vision 2030 and MDG goals at County level , especially on agricultural products value addition and sector reforms is expected to greatly increase productivity.

Observing Fiscal Responsibility Principles

In line with the Constitution, the new Public Finance Management (PFM) Act, 2012, sets out the fiscal responsibility principles to ensure prudent and transparent management of public resources. The PFM act provides 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 County 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 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.

Fiscal Structural Reforms

The County has undertaken several measures that will help reduce Revenue leakages, other undertakings include restructuring the newly devolved department to enhance exploitation of existing capacities in revenue raising.

Expenditure management occupy a central role in ensuring the county continue to offer quality services effectively and economically and the recently implemented IFMIS system has continued to add value in the way resources are allocated and spent.

Wage bill load is reasonably high when viewed as a percentage of the total expenditure, however the already designed initiatives are expected to generate a lot more revenue and in the process lower the ratio.

Deficit Financing Policy

A Budget framework will be set against the background of the medium-expenditure framework; the county may result to borrowing only if the feasibility study proves that the expected benefits from a project justify the cost of the debt.

2014/15 Budget Framework

Capital Projects Funding

The County Government Act 2012 obligates the county government by to ensure harmony of the integrated development plan with the national plans, and other sub-county plans such sectoral plan, spatial plans and urban and city plans which are located in the county.

Capital project funding will be done through annual budgetary allocation as a per centage that does not fall below 30% of the total expenditure, loan financing, leases, and public private partnership. Section 18 (1) of private public partnership act (2013), provides that a contracting authority that intends to finance, operate, equip or maintain an infrastructure facility or provide a service may enter into a project agreement with any qualified private party for the financing, construction, operation, equipping or maintenance of the infrastructure or development facility or provision of the service of the Government as long as approval is sought from the cabinet secretary.

Project identification and prioritization will be undertaken within the framework of PFM Act and County Government Act, below is a projection of the cash available for capital project within the next five years assessed at a minimum of 30% to total revenue.

Particulars Kshs '000	2013/14	2014/15	2015/16	2016/17	2017/18
Local Revenue	800,000	920,000.	1,058,000	1,216,700	1,400,000
Central Government Allocation	3,917,438	4,113,309	4,318,975	4,534,924	4,761,670
Total Revenue Available	4,717,438	5,033,309	5,376,975	5,751,624	6,161,670
Total Available for Projects	**1,836,047**	**2,013,323**	**2,150,790**	**2,300,650**	**2,464,668**

6.2 Strategies for Raising Revenue

The Kenya Government is increasingly constrained in mobilizing the required financial and technical resources to cope with the rising demand for development projects and provision of services. Rapid population growth has compounded the pressure on the existing infrastructure and other services hence the need for the county government to develop strategies to raise more revenue. The County Government shall use the following strategies.

(a) Local Revenue

The county intends to carry out a comprehensive study that will among other things rationalize the existing traditional revenues as previously was being collected by defunct local authorities, come up with new sources as guided by the now expanded mandates and develop more IT enabled systems to seal leakages. A performance based system is also being implemented to make revenue collectors more accountable. These measures are expected to grow local revenue at an average of 15% within the next five years while at the same time ensuring the principle of equity, certainty and ease of collection are observed.

Particulars Kshs '000	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**2017/18**
Local Revenue	800,000	920,000	1,058,000	1,216,700	1,400,000

TYPE OF REVENUE Ksh '000	**ESTIMATED ACTUAL 2013/2014-**	**PROJECTED 2014/2015**
SBP	100,000 100,000,000	130,000

Plot rent/ rates	70,000 70000000	120,000
Market fees	60,000	70,000
Buspark/ parking fees	70,000	80,000
Others	200,000	200,000
DEVOLVED FUNCTIONS REVENUE	300,000	320,000

(b) Central Government funding

Based on the Commission on Revenue Allocation, County Government of Murang'a is expected to receive Kshs.4,321,883,032 for the FY 2013/14. This allocation has been arrived at based on the county population (45%), poverty index (20%), land area (8%) basic equal share (25%) and fiscal responsibility (2%). The allocation is expected to gradually increase as more functions are transferred to counties from the central Government. Prudent public resource management as stipulated in the PFM Act 2012 will determine the amount the county receives in future on fiscal responsibility.

The budget process for county governments consists of an integrated development planning process, which include both long term and medium term planning. The integrated plan establishes financial and economic priorities for the county over the medium term and makes an overall estimation of the county government's revenues and expenditures.

For projection purposes central Government are projected to grow by at least 5% per annum.

Particulars	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**2017/18**
Central	3,917,437,529	4,113,309,405.	4,318,974,876	4,534,923,620	4,761,669,800

Government Allocation					

Preliminary figures from County allocation bill 2014 indicated that may Kshs 4,560,157,771 as its share of Central Government if the bill passes without amendment.

(c) Development Partners financing

In realization of the critical need to mobilize resources from development partners and other stakeholders the county will put in place a department to spearhead this crucial task. Direct grants, asset financing models public private partnerships, and low interest loans are all being considered. The County is developing a frame work that will facilitate formation of public private partnerships to operationalize this financing model.

IV INTERDEPARTMENTAL FISCAL RELATIONS AND DIVISION OF REVENUE

Introduction

With the enactment of the key laws to govern public finance management as well as the establishment of the necessary county institutions, the County budget process is now fully operational and is expected to run smoothly unlike, in 2013/14, when county governments experienced challenges in planning and budgeting due to lack of initial capacity and historical operational data of the newly devolved departments. With the formation of a county sector working group and proper consultation of the relevant stakeholder this year budget preparation is progressing well.

Resources Available

Financial year Kshs '000	**2014/15**	**2015/16**	**2016/17**
Local Revenue Estimate	920,000	1,058,000	1,216,700
Central Government transfers	4,133,309	4,318,975	4,534,924
Total Revenue estimated	5,053,309	5,376,975	5,751,624
Minimum Allocation for Capital Development	**2,013,323**	**2,150,790**	**2,300,650**

Transfer of Functions and Budgeting

The power to determine the functions and the quantum of resources to be transferred has been assigned to the Transition Authority (TA) under Section 7 of the TDGA. In exercise of that power, the TA gazetted the decision on the immediate transfer of all the functions of the defunct local authorities to be performed by the County Governments in February 2013, in accordance with the provision of section 23(1) of the TDGA. Thereafter, the Transition Authority gazetted the decision to transfer more functions vide legal No. 137, in accordance with the provisions of section 23(3) of the TDGA.

Before county and national governments budgets are prepared, Parliament must approve the division of revenue between the national and county governments and among the county governments. The Cabinet Secretary responsible for finance is required to prepare and submit the Division of Revenue Bill and the County Allocation of Revenue Bill to Parliament for approval to authorise the division of revenue raised nationally between the national and county governments and among county governments. In preparing the Revenue Bills, the Cabinet Secretary is required to take into account the recommendations of the Commission on Revenue Allocation on the Division of Revenue between the national and county governments and across county governments. The County Governments of Murang'a will therefore be expected to prepare their 2014/15 MTEF budget in line with the intergovernmental budget process set out in the Public Finance Management Act, 2012.

Horizontal Division of Revenue among Counties

Section 190 of the Public Finance Management Act, 2012 requires the Cabinet Secretary for finance to prepare and submit to Parliament a County Allocation of Revenue Bill, setting out the division of county Governments' share of revenue among counties. A County Governments can also get additional conditional allocations from the loans and grants. As per the published information by the National treasury Murang'a County Government allocation for 2014/15 is as per the table below.

Fiscal Discipline

Article 201 (d) of the Constitution requires public money to be used in a prudent and responsible way while Section 107 of the PFM Act, 2012 sets out the fiscal responsibility principles to be enforced by the County Treasuries. Murang'a County treasury is well aware of the legal provisions undertake to plan, implement and monitor all processes so as to ensure that we are incompliance with the law.

V MEDIUM TERM EXPENDITURE FRAMEWORK

Resource Envelope

With respect to goods and services, expenditure ceilings for sectors/ministries are determined by the funding allocation for goods and services in the previous year budget as the starting point. The ceilings are then reduced to take into account one-off expenditures in FY 2013/14 and then an adjustment factor is applied to take into account the general increase in prices.

Available financial resources and their allocation to various departments/ sectors is as shown below;

DEPARTMENT	TOTAL ALLOCATION	ALLOCATION PERCENTAGE (%)
COUNTY ASSEMBLY		**10**
COUNTY CORDINATION AND ADMINISTRATION		**8**
FINANCE AND PLANNING		**10**
AGRICULTURE,LIVESTOCK AND ENVIROMENT		**10**
TRANSPORT AND INFRASTRUCTURE DEVELOPMENT		**10**
HEALTH WATER AND SANITATION		**10**

LAND HOUSING AND PHYSICAL PLANNING		**5**
PUBLIC SERVICE BOARD		**6**
AGRO-MARKETTING AND COOPERATIVE		**8**
TRADE , ENTERPRISE, INDUSTRIES AND RESOURCES MOBILIZATION.		**5**
EDUCATION, IMFORMATION AND TECHNOLOGY		**10**
YOUTH CULTURE		**8**
TOTAL COUNTY BUDGET		**100**

Spending Priorities

The sector working group has been formed to develop an expenditure frame work with well-defined priorities both in the sector and subsector, it is important that the sector programmes be well analyzed and quantified into realistic budgets. The county spending priorities schedule will form an annex once consultations are completed.

Medium-Term Expenditure Estimates

At the National level the 2014/15 budget framework is set against the background of the medium-term macro-fiscal framework set out above, the Government‘s national strategic objectives as outlined in the Vision 2030 MTP II and the broad development policies of the new Administration. Real GDP is expected to expand by 6.1 percent in FY 2014/15 underpinned by continued good performance across all sectors of the economy. The projected growth assumes normal weather pattern during the year. Inflation is expected to be maintained at a single digit level of about 5 percent reflecting implementation of a prudent monetary policy and easing of both food and oil prices and stabilization of the shilling exchange rate.

At the County level we expect the effect of macro-economic factor to affect our position in a similar manner, there currently exist no framework to separately measure or even control their effect in the short-term.

Details of Sector Priorities

The Constitution and the PFM law require national and county governments 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 government spending.

The MTEF budgeting will adjust non-priority expenditures to cater for the priority sectors. The Second MTP (2013-2017), MDGs, CIDP and MTEF 2014-2016 public participation results will largely guide resource allocation.

The sectoral budget consultations are ongoing to specifically allocate expenditure ceiling for each department, the set departmental priorities are highlighted in the table below.

MTEF Sector	Sub-Sector	Issues/ Problems	Causes	Development Objectives	Immediate Objective	Potential Strategic Policy Thrusts
Agriculture and rural development	Agricultu re	Low agricultural productivity	• Low yield of crop production due to diseases and pests infestation; • Frequent drought occurrences; • Poor irrigation methods; • Inadequate funding for irrigation; • High cost of farm inputs.	To increase food production in the county and hence food security	• Educate farmers on good farming techniques and better storage methods; • Utilize available irrigation water efficiently; • Educate farmers on	• Revitalize extension services; • Sensitize farmers on use of quality seeds and field days; • Training on post-harvest management; • Promote value addition; • Improve access to credit facilities;

MTEF Sector	**Sub-Sector**	**Issues/ Problems**	**Causes**	**Development Objectives**	**Immediate Objective**	**Potential Strategic Policy Thrusts**
					the advantages of using high yielding seed and sourcing for agricultural credit; • Promote contract farming.	• Encourage a forestation; Introduce high yielding planting materials; • Encourage growing of drought resistant/tolerant crops; • Promote use of compost manure on farms; • Operationalize NCPB in Maragwa town; • Encourage farmers to form groups to purchase inputs in bulk; • Subsidize farm inputs or lower their prices;

MTEF Sector	Sub-Sector	Issues/ Problems	Causes	Development Objectives	Immediate Objective	Potential Strategic Policy Thrusts
						• Increase the acreage under irrigation.
	Livestock developm ent	• Low livestock productivity ; • Poor marketing systems for livestock products.	• Low yield of livestock production due to diseases and pests infestation; • Frequent drought occurrences; • High cost of livestock inputs; • High cost of AI services; • Inactive and under developed cooperative societies dealing with livestock products;	• To improve livestock productivity, marketing channels and value addition to livestock products.	• Educate farmers on better livestock farming techniques; • Revival of livestock product cooperative societies; • Initiation of cottage industries for value addition.	• Intensify animal disease surveillance; • Promote value addition; • Revive livestock cooperatives; • Provide affordable livestock farming inputs; • Open up livestock products marketing channels.

MTEF Sector	Sub-Sector	Issues/ Problems	Causes	Development Objectives	Immediate Objective	Potential Strategic Policy Thrusts
			• Unorganized livestock market.			
	Fisheries	Low productivity.	Lack of quality finger lings for breeding.	Increase fish production and hence enhance nutrition value to the community.	Provision of quality fingerlings.	• Sensitize fish farmers on proper fish farming techniques; • Provide quality fingerlings to farmers.
	Cooperative development	• Poor management; • Poor marketing of farm produce; • Theft of coffee berries from factories.	Unethical practices; Short comings of the cooperatives Act.	• Revitalize cooperative societies; • Improve management skills; • Enforce cooperative rules and regulations.	• Promotion of commodity marketing group; • Train management on management and value chain skills.	• Organize farmers into marketing groups; • Train the group leaders on management skills; • Community policing to curb theft of coffee cherries; • Suspension of coffee trade in the national coffee auction.

MTEF Sector	Sub-Sector	Issues/ Problems	Causes	Development Objectives	Immediate Objective	Potential Strategic Policy Thrusts
	Lands	Uncontrolled subdivision of land.	Poverty and population pressure on land.	Promote economic use of land resources.	• Mitigation on land fragmentation through land boards; • Enforce land use policies.	• Sensitize community on economic value of land with regard to size and use; • Land board to put limit on the sub-divisible land sizes.
Energy Infrastructure and ICT	Roads	Poor road network	• Poor and irregular maintenance; • Inadequate funding of road maintenance activities.	Ensure all roads are motorable throughout the year.	Rehabilitation of roads; Repair and maintenance of roads.	• Pooling of resources; • Engagement of relevant stakeholders in road maintenance; • Opening up of new and impassable roads.
	Public works	Dilapidated Foot bridges	Negligence by responsible parties; Harsh weather conditions.	Ensure that bridges are safe for use throughout the year.	Rehabilitation and construction of foot bridges	Pooling of resources and engagement of all stakeholders.

MTEF Sector	Sub-Sector	Issues/ Problems	Causes	Development Objectives	Immediate Objective	Potential Strategic Policy Thrusts
					across the county.	
	Transport	Neglected railway line & stations and Kambirwa air strip.	Non-use of railway system and the air strip.	Improve air, road and rail transport network for both agriculture and commercial activities.	• Develop Kambirwa air strip; • Rehabilitate Mitumbiri, Maragwa and Kandundu railway stations.	• Mobilize resources for the development of air strip; • Bring together all stakeholders in railway transport to strategize on appropriate use resources in the railway system.
	Energy	Power rationing and outages.	• Dilapidated transformers; • Theft and vandalism of transformers; • Frequent and prolonged droughts.	Ensure constant and reliable power supply in the county.	• Regular maintenance and security provision to transformer • Develop power stations at Ndakaini, Gatara and	• Promote and invest in alternative energy such as solar, wind, biogas; • Regular maintenance of power lines and transformers.

MTEF Sector	Sub-Sector	Issues/ Problems	Causes	Development Objectives	Immediate Objective	Potential Strategic Policy Thrusts
					Irati River water falls.	
	ICT	Under developed information and communication resource centres.	Low investment in the subsector.	Improve and expand ICT facilities to constituency levels.	Expanding fibre optic cables to constituency levels.	Mobilise stakeholders and partners with a view to initiate installation process.
	Urban areas/Town committees.	Lack of Firefighting equipment and station, bus parks.	Inadequate finances.	• Enhance disaster management response; • Organized transport system in urban centres.	To have an operational fire stations and bus parks.	Planning and mobilization or resources.
General economic, commercial and labour affairs	Trade	Inadequate trade infrastructure.	Inadequate finances.	Ensure developed and operational trade infrastructure.	Fast track setting up of whole and retail outlet in Maragwa.	Mobilizing both government and private sector stakeholders and resources.
	Industrialization	Lack of manufacturing and service industries.	Lack of industrial and entrepreneurial skills.	To have an industrialized county where youths can get employed.	Training on industrial and enterprise skills.	Set up industrial fund, set aside land and initiate industrial research and

MTEF Sector	Sub-Sector	Issues/ Problems	Causes	Development Objectives	Immediate Objective	Potential Strategic Policy Thrusts
						development institutions.
	Tourism	Un tapped tourism potential	Inadequate resources; Lack of enabling environment.	To maximize county revenue through tourism.	To create enabling environment for the development of tourism industry.	• Mobilization of stakeholders and resources; • Sensitize community and other stakeholders on the need to develop and nurture tourism industry; • Promote water sports; • Initiate public-private partnerships in the tourism industry.
	Labour	Lack of industrial court to arbitrate high labour disputes.	No industrial court in the county.	Ensure labour disputes don't affect economic activities in the county.	Establishment of an industrial court at the county level.	Mobilization of resources and establishment of a labour tribunal.

MTEF Sector	Sub-Sector	Issues/ Problems	Causes	Development Objectives	Immediate Objective	Potential Strategic Policy Thrusts
Governance , justice, law and order	Provincial administration and internal security.	• Inadequate police posts and security staff, inadequate offices and housing for provincial administrator.	Inadequate funding; Inadequate staffing.	To ensure security, law and order in the county are maintained.	To construct and operationalize police posts, provincial administration offices and housing.	Mobilize resources, construction of police posts, offices and houses, recruitment of security staff.
		Insecurity.	• High unemployment; • High Poverty levels; • Inadequate security personnel; • Illicit Brews and drug abuse; • Poor land tenure system.	Protection and maintenance of citizens rights;	Infrastructure improvement; Increase the security personnel; Intensify patrols.	Intensify community policing; Sensitize members of the public to have confidence in the security machinery.
	Immigration and registration of persons.	Lack of awareness on civil registration exercise by	Ignorance and lack of sensitization.	Ensure residents have birth certificates and all deaths are registered.	Ensure that all births and deaths are registered.	Mass sensitization of the public on civil registration activities;

MTEF Sector	Sub-Sector	Issues/ Problems	Causes	Development Objectives	Immediate Objective	Potential Strategic Policy Thrusts
		the county residents.				Introduction of mobile registration centres.
Environmental protection, water and housing	Environment	Environmental degradation.	• Poor farming methods leading to soil erosion and Leaching; • Deforestation; • Quarrying and Sand harvesting; • Poor drainage; • Overgrazing; • Poor soil conservation methods; River pollution.	To stop environmental degradation.	• Increase the area under forest cover; • To involve people living around the forest in forest conservation; • Sealing of quarries; • Intensify soil conservation methods; • Improve farming methods;	• Promote community tree nurseries; • Encourage Formation of community forest conservation committees along forests; • Promotion of soil conservation initiatives; • Protection of water catchments areas; • Control air pollution e.g. tea and other smoke emitting factories, noise in towns and

MTEF Sector	Sub-Sector	Issues/ Problems	Causes	Development Objectives	Immediate Objective	Potential Strategic Policy Thrusts
					• Improve drainage systems.	urban areas, etc; • Construction of hospital incinerators.
	Water and irrigation	Inadequate water supply.	• Increased demand for domestic and irrigation water; • Insufficient water for irrigation; • Decreasing levels of water in the rivers; • High cost of developing gravity schemes and bore holes.	• Improve access to clean and safe water for domestic use and irrigation; • Improve efficiency in the use of irrigation water.	• Increase access to clean and safe domestic water; • Train residence on roof harvesting technology; • Provision of adequate and reliable water; • Conservation of catchments areas.	• Train water users groups on management and conflict re-solution; • Development of wells and springs; • Training on water harvesting technology; • Rehabilitate stalled and start new water projects; • Minimise wastage of water by using appropriate technology;

MTEF Sector	**Sub-Sector**	**Issues/ Problems**	**Causes**	**Development Objectives**	**Immediate Objective**	**Potential Strategic Policy Thrusts**
						• Construction of new irrigation systems; • Construction of water recycling plants in major towns; • Promote standard car wash techniques that save on water such as use of steam jets.
Health	Health	• Inadequate access to quality Health care services.	• Poorly equipped health facilities; • High incidences of human disease; • Inadequate health facilities; • Inadequate health education;	• To have a healthy community for accelerated economic growth hence economic development.	• To Intensify community health education; • Equipped health facilities and trained personnel.	• Provide adequate health facilities; • Equip all health facilities with modern equipment and drugs; • Promote preventive health services;

MTEF Sector	Sub-Sector	Issues/ Problems	Causes	Development Objectives	Immediate Objective	Potential Strategic Policy Thrusts
			• Inadequate health personnel.			• Increase training for community health workers; • Rehabilitate and upgrade the existing health facilities and put up new ones.
Education	Education	Declining education standards.	Inadequate education facilities; Under developed education infrastructure; Child labour in the coffee and tea zones; Poor role modelling from illegal groups; Lack of motivation among staff; High dropout rates; Understaffing;	• Improve quality of education offered in the county; • Increase access to primary and secondary levels; • Increase access to tertiary colleges and youth polytechnic;	• Increase the number of schools (primary and secondary, tertiary colleges, youth polytechnics, and adult education learning centres). •	• Improve existing physical facilities; • Form educational task forces in the constituencies; • Sensitization on the need for getting good education; • Improve disbursement of bursaries to needy children;

MTEF Sector	Sub-Sector	Issues/ Problems	Causes	Development Objectives	Immediate Objective	Potential Strategic Policy Thrusts
			Apathy on education; Negative attitude towards education.	• Strengthening adult education. •		• Reduce the staff to pupil ratio; • Encourage holding of educational stakeholders meeting; • Depoliticize education.
Public administration, and international relations	Planning and Finance	Inadequate office space, logistics problems and low staffing.	Adequate resource allocation.	To provide conducive work environment.	To provide conducive work environment.	Mobilization of resources; Construction of offices; Recruitment of staff. Automation of services
Social protection, culture and recreation.	Youth affairs and sports;	Un employment, drug and substance abuse, illegal sects.	• Lack of organized labour market; • Lack of skills required in the job market; • Peer pressure and idleness.	• Creation of employment opportunities for the youth; • Ensure a drug free society where youth potential has	• Ensure labour market is organized and structured to cope with increasing	• Redesigning youth programmes and projects; • Improve financial accessibility to youths who wish to acquire

MTEF Sector	Sub-Sector	Issues/ Problems	Causes	Development Objectives	Immediate Objective	Potential Strategic Policy Thrusts
				been maximized.	demand for jobs; • To Revitalize industrial sub sector, in order to create jobs for the youth.	skills and venture into business; • Establishment of rehabilitation centre for drug abuse victims.
	Gender children and social development.	Gender inequalities in resource allocations and leadership.	Outdated cultural beliefs and practices.	To have a county where men and women have equal rights.	• To ensure that all positions in the county have one third gender representation; • To ensure that resource allocation in the county are evenly distributed.	• Sensitization of the community on gender issues; • Empowerment of women to take up leadership positions.

MTEF Sector	Sub-Sector	Issues/ Problems	Causes	Development Objectives	Immediate Objective	Potential Strategic Policy Thrusts
	Special programmes	HIV and AIDS scourge; IDPs.	Poverty; Unemployment; Land/resource ownership disputes.	To have an HIV and AIDS free and food secure county.	• Reduce HIV and AIDS prevalence rate; • Integration of IDPS in the community.	• Intensify sensitization campaigns on HIV/AIDS; • Increase the uptake of ARV in the county; • Promotion of PMCT; • Sensitize community on resource sharing.

VI CONCLUSION

This fiscal strategy paper is prepared as a guiding tool for budget preparation. It is meant to broadly define the expected revenues and expenditure over the medium term as well as propose strategies of financing any anticipated deficit. Murang'a County Government expect to prepare a balanced budget in 2014/15, possibility of borrowing for cash flow management purposes remains open to the limit set by the PFM Act. From the year 2015-16 the County may consider various deficit financing options available but shall only result to debt financing where benefits from a project exceeds the borrowing costs and are distributed over a period of time beyond five years.

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