



REPUBLIC OF KENYA

KIRINYAGA COUNTY GOVERNMENT

**COUNTY BUDGET REVIEW
AND OUTLOOK PAPER
(CBROP)**

SEPTEMBER 2015

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Foreword

This Second edition of the County Budget Review and Outlook Paper (CBROP), prepared by the County Treasury, outlines the progress made by the Kirinyaga County government. The CBROP highlights key challenges facing the county as it plans and implements the development priorities. The CBROP takes a critical look at the underlying economic issues and proposes various options that should guide the process of budget formulation for the 2016/17 Financial Year.

Prudent financial management in the county will be determined by achieving a balance between developing institutions and investing in productive sectors. Importantly, the pace at which the county shall adhere to fiscal discipline amid the high recurrent expenditure expected to be incurred in the 2015/16 financial year in setting up county systems remains a crucial factor in determining the pace of future growth of the country. In addition, the huge recurrent related expenses especially on wage bill will continue to be a major challenge as the implementation of devolved system of governance sets in. Therefore, the county's growth trajectory will largely depend on how fast programme based budget is implemented as well as how quickly people and business get to full capacity and produce at optimum levels.

The 2016/17 budget for Kirinyaga County must therefore strike a delicate balance of prioritizing critical expenditure subject to resource constraints; promoting the functionality of the devolved system of government to spur economic growth and enhancing poverty reduction and employment creation.

This County Budget Review and Outlook Paper has three main messages. Rationalize and prioritize expenditure; enhance revenue collection with greater focus on Devolved Functions; and drive growth through targeted high return spending. The policy options for consideration in the 2016/17 budget and the medium term are also outlined.

Hon. Murimi Murage
County Executive Committee Member for Finance and Economic Planning

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Acknowledgments

A lot of effort and personal dedication have been spent, beyond office hours to ensure the 2015 County Budget Review and Outlook Paper is prepared and submitted on time, as scheduled in the PFM Act. These efforts have been dedicated to the timely preparation of this CBROP, personal effort without which, actualization of this CBROP would not have been possible. Thus due gratitude is given where it is due.

Special gratitude goes to the preparation coordinating team that worked tirelessly throughout the weekend to ensure that Kirinyaga County has a CBROP. These officers include Zephania Kiongo (Director of Accounting Services), James Gitahi (County Budget Cordinator- Office of Controller of Budget), Mbugua John, James Kimaru, Newton M Orondoh, (From Economic Planning Department), and Judy Mwai, Silvestre Njau (From Budget Department)

Special thanks likewise go to the invisible hands of various county officials who worked behind the scenes to ensure success of the preparation of this CBROP. While it is not possible to list all of them, we nevertheless single out the editing team led by Ann Ndaka.

To these officers and all others not individually mentioned who took part in this exercise, you remain a credit to this county.

Naftaly M. Muikia

Head, County Budget

Abbreviations/Acronyms

CA	County Assembly
CBK	Central Bank of Kenya
CBROP	County Budget Review and Outlook Paper
CE	County Executive
CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development Plan
CPI	Consumer Price Index
DWG	Departmental Working Group
FY	Financial Year
GDP	Gross Domestic Product
G-Pay	Government Payment System
ICT	Information Communication Technology
IFMIS	Integrated Financial Management Information System
KNBS	Kenya National Bureau of Statistics
KRA	Kenya Revenue Authority
LA	Local Authority
MISC	Miscellaneous
MT	Metric Tonnes
MTEF	Medium Term Expenditure Framework
OCoB	Office of Controller of Budget
PFM	Public Finance Management
SBP	Single Business Permit

A) Legal Basis for the County Budget Review and Outlook Paper

The County Budget Review and Outlook Paper is prepared in accordance with Section 118 of the Public Finance Management Act, 2012. The law states that:

1) A County Treasury shall —

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

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

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

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

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

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

B) Fiscal Responsibility Principles in the PFM Law

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

- 1) A County Treasury shall manage its public finances in accordance with the principles of fiscal responsibility set out in subsection (2), and shall not exceed the limits stated in the regulations.
- 2) In managing the county government's public finances, the County Treasury shall enforce the following fiscal responsibility principles-
 - a) The county government's recurrent expenditure shall not exceed the county government's total revenue;
 - b) Over the medium term a minimum of thirty percent of the county government's budget shall be allocated to the development expenditure;
 - c) The county government's expenditure on wages and benefits for its public officers shall not exceed a percentage of the county government's total revenue as prescribed by the County Executive member for finance in regulations and approved by the County Assembly;
 - d) Over the medium term, the government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure;
 - e) The county debt shall be maintained at a sustainable level as approved by county assembly;
 - f) The fiscal risks shall be managed prudently; and
 - g) A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future.

1.0 INTRODUCTION

1.1 Objective of the BRPOP

The objective of the CBROP is to provide a review of the previous fiscal performance and how this impacts the financial objectives and fiscal responsibility principles set out in the last County Fiscal Strategy Paper (CFSP). This together with updated macroeconomic outlook provides a basis for revision of the current budget in the context of Supplementary Estimates and the broad fiscal parameters underpinning the next budget and the medium term. Details of the fiscal framework and the medium term policy priorities will be firmed up in the next CFSP.

The CBROP is a key document in linking policy, planning and budgeting. The County Government of Kirinyaga embarked on preparing the First County Intergrated Development Plan (CIDP) (covering 2013-2017)—that will guide budgetary preparation and programming from 2013 onwards. In the interim, this year’s CBROP is embedded on the priorities of the new Administration and the CIDP, in addition to taking into account emerging challenges and transition to the devolved system of government. The Departmental Working Groups (DWGs)-to update and develop new programmes for the FY 2016/17. The DWGs began their work by developing programmes under the current MTEF.

The PFM Act 2012 has set high standards for compliance with the MTEF budgeting process. Therefore, it is expected that the Departmental ceilings for the Third Financial Year of the MTEF provided in the previous CFSP will form the indicative baseline Departmental ceilings for the next budget of 2016/17. However, following the fiscal outcome of 2014/15 and the updated macroeconomic framework these Departmental ceilings may be modified accordingly.

The rest of the paper is organised as follows: the next section provides a review of the fiscal performance in FY 2014/15 and its implications on the financial objectives set out in the last CFSP submitted to the County Assembly in February 2015. This is followed by brief highlights of the recent economic developments and updated macroeconomic outlook in Section III. Section IV provides the resources allocation framework, while Section V concludes.

2.0 REVIEW OF FISCAL PERFORMANCE IN 2014/2015

2.1 Overview

The fiscal performance in 2014/15 was generally satisfactory, despite the challenges with shortfall in revenues and mounting recurrent expenditure pressures. As a result, the fiscal deficit on commitment basis (including Devolved units) has improved to 26.73 percent of targeted local revenue and 3.63 Percent of the total estimates for FY 2014/15 compared to 46.02 percent of targeted local revenue and 6.67 percent of total estimates in FY 2013/14.

Inspite of logistics challenges experienced in the first half of the financial year 2014/15 in respect of the revenues from the devolved units, challenge of Finance Bill in court last year as planned and the late approval of the Budget Estimates, Revenue collection fell short of the budget estimates target by Ksh 148.87 Million which is an improvement compared to FY 2013/14 where the County had a deficit of Kshs 201.60 Million.

On the expenditure side, the County Government of Kirinyaga had to incur higher expenditure on salaries resulting from staffs of the devolved units, new staff requirements for critical service delivery and implementation of the Constitution (County Assembly and Executive). In order to finance these additional expenditure pressures in the face of financing constraints, the County Government of Kirinyaga instituted austerity measures, taking into account absorption capacity of Departments.

2.2 2014/15 Fiscal Performance

The table 1 below presents the fiscal performance for the FY 2014/15 and the deviations from the Original and Revised budget estimates.

Table 1

Financial Performance 2014/2015				
	2014/2015		Deviation	Percentage (%)
	Actual	Target		
REVENUE				
Transfer from Central Government				
Opening Balance	518,125,832	518,125,832	-	0.00%
Equitable Share	3,086,847,885	3,086,847,885	-	0.00%
DANIDA Grant	5,195,000	10,390,000	(5,195,000)	-50.00%
HSSF Grant	30,758,480	61,516,959	(30,758,480)	-50.00%
NBK Grant	2,255,000	2,255,000	-	0.00%
Sub-Totals	3,643,182,197	3,679,135,676	(35,953,480)	-0.98%
Local Revenue				
Local Revenue	309,539,919	422,454,650	(112,914,731)	-26.73%
Sub-Totals	309,539,919	422,454,650	-112,914,731	-26.73%
TOTAL REVENUE	3,952,722,115	4,101,590,326	-148,868,211	-3.63%
EXPENDITURE				
RECURRENT EXPENDITURE				
County Assembly	211,023,966	309,772,239	(98,748,273)	-31.88%
Executive	68,809,591	178,218,818	(109,409,227)	-61.39%
Finance and Economic Planning	1,970,128,686	1,657,787,243	312,341,443	18.84%
County Health	116,872,700	185,478,657	(68,605,957)	-36.99%
Education	73,985,492	85,160,000	(11,174,508)	-13.12%
Agriculture	25,933,927	37,542,600	(11,608,673)	-30.92%
Culture and Social Services	16,128,482	14,995,000	1,133,482	7.56%
Trade and Cooperative Devt	12,905,553	17,568,431	(4,662,878)	-26.54%
Environment, Water and Natural Resources	19,839,134	23,561,000	(3,721,866)	-15.80%
Physical Planning and Lands	9,194,503	10,380,000	(1,185,498)	-11.42%
Transport and Infrastructure	13,600,588	14,430,000	(829,412)	-5.75%
Total Recurrent	2,538,422,622	2,534,893,988	3,528,634	0.14%

Expenditure				
Development Expenditure				
County Assembly	7,330,011	50,739,258	(43,409,246)	-85.55%
Executive	93,099,828	100,000,000	(6,900,172)	-6.90%
Finance and Economic Planning	3,432,528	50,000,000	(46,567,472)	-93.13%
County Health	84,339,262	314,473,914	(230,134,653)	-73.18%
Education	86,854,346	121,776,851	(34,922,505)	-28.68%
Agriculture	37,537,992	55,448,538	(17,910,546)	-32.30%
Culture and Social Services	9,902,599	29,872,769	(19,970,171)	-66.85%
Trade and Cooperative Devt	8,014,495	66,688,470	(58,673,975)	-87.98%
Environment, Water and Natural Resources	328,235,880	344,819,870	(16,583,989)	-4.81%
Physical Planning and Lands	22,655,935	75,586,823	(52,930,888)	-70.03%
Transport and Infrastructure	251,881,482	357,289,846	(105,408,363)	-29.50%
Total Development Expenditure	933,284,358	1,566,696,338	(633,411,981)	-40.43%
TOTAL EXPENDITURE	3,471,706,980	4,101,590,326	(629,883,347)	-15.36%

Source; County Treasury

2.2.1 Revenue

The actual revenue inclusive of the National Equitable share and Grants and the local revenue amounted to Kshs **3,952,722,115**. The National Equitable share is determined by a formula with variables such as Equal share, Poverty, area, population among others and while the county may not significantly alter the variables that determine its equitable share within the short and medium term, a county can however put strategies in place in an attempt to increase its revenue base.

Local revenue in the county has since inception of the county been classified into two, either revenue from Defunct L.A or Revenue from Devolved unit. It is worth noting that, going forward the county intends to regroup the revenue sources depending on the department from which the

source is obtained so as to facilitate follow- up and also to ensure that any decision made regarding a particular revenue source is done in an informed manner by staff with relevant knowledge.

Table 2

ANALYSIS OF ACTUAL REVENUE COLLECTED BY SOURCE (DEFUNCT LA)					
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	TOTAL
SBP	4,840,225	1,341,285	47,161,400	11,689,349	65,032,259
MARKET Fees	9,821,255	10,647,266	11,165,080	10,176,300	41,809,901
S/HOUSE Fees	23,850	21,560	38,150	52,600	136,160
PARKING Fees	4,370,540	3,590,125	3,764,930	4,010,690	15,736,285
PROPERTY Rates	1,078,077	695,902	8,603,116	3,925,510	14,302,605
GROUND Rent	665,202	750,628	5,323,482	1,365,465	8,104,777
GROUND Rent Arrears	0	322,525	638,929	698,988.8	1,660,442.8
PLAN Approval fees	89,000	46,000	1,000,976	766,999	1,902,975
CESS	1,482,885.45	495,785	542,630	4,096,131.76	6,617,432.21
QUARRY Cess	1,216,750	1,096,450	1,632,020	1,627,600	5,572,820
HOUSE/STALL RENT	1,818,796	882,392	2,015,932	1,170,096	5,887,216
MISC.	5,410,433	2,917,875	18,166,754	7,457,701.5	33,952,763.5
Totals	30,817,013.45	22,807,793	100,053,399	47,037,431.06	200,715,636.51
Target For the Year					
Surplus					

Source; County Treasury

As a proportion of total county revenue, local revenue averaged 7.83 percent in the period under review, compared to 78.09 percent from Equitable share. Devolved units revenue amounted to kshs 108,824,283 which accounted for 35.2 percent of the actual local revenue collected and 2.8 percent

of the actual budget for the particular FY under review. The remaining local revenue amounting to Kshs 200,715,636 was raised from defunct Local Authorities – revenue sources and constituted 64.8 percent of the local revenue and 5.08 percent of the total actual revenue.

The target revenue at the beginning of the FY 2014/15 had been placed at 422,454,650 while the actual revenue collected amounted to Kshs 309,539,919. The variance between the two values indicate a shortfall of Kshs 112,914,731. The shortfall was mainly attributed to by factors such as poor definition of the devolved functions especially among the public, Lack of a properly instituted revenue collection system, Understaffed sub-department of enforcement within the revenue department coupled with other teething challenges within administration.

In an effort to mitigate these challenges, the County Treasury has undertaken to continuously enforce the approved Finance Act and in an effort to achieve this, county treasury has employed forty additional enforcement officers. The County Treasury is also at an advanced stage of procuring an automated revenue collection system which will enable reverse this trend and improved revenue collections going forward.

2.2.2 Expenditure

Total expenditure amounted to Ksh **3,471,706,980** against a target of Ksh **4,101,590,326**, representing an under spending of Ksh **629,883,347** (or **15.36%** percent deviation from the revised budget/target expenditure). This represents a notable improvement from the previous year that had a **25.48%** deviation from revised budget amidst very few months of operation given that the appropriation bill for the period under review was passed in January 2014. This therefore translates to continuous improvement in absorption especially in recurrent expenditure.

Though there was a tremendous improvement in absorption in FY 2014/15 in comparison to FY2013/14, development expenditure saw most of its projects rolled over to the following financial year given the very short time in which the Appropriation bill was effective.

(This is represented in the tables below).

Table 3.

EXPENDITURE BY COST CENTRE

	FY 2014/2015			
	Actual	Target	Deviation	Percentage
RECURRENT EXPENDITURE	2,538,422,622	2,534,893,988	3,528,634	0.14%
County Assembly	211,023,966	309,772,239	(98,748,273)	-31.88%
Executive	68,809,591	178,218,818	(109,409,227)	-61.39%
Finance and Economic Planning	1,970,128,686	1,657,787,243	312,341,443	18.84%
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Total Development Expenditure	933,284,358	1,566,696,338	(633,411,981)	-40.43%
TOTAL EXPENDITURE	3,471,706,980	4,101,590,326	(629,883,347)	-15.36%

Source; County Treasury

Recurrent expenditure amounted to Ksh **2,538,422,622** against a target of Ksh **2,534,893,988** representing an overspending of Ksh **3,528,634** (or 0.14 percent deviation from the approved recurrent expenditure).

Development expenditure incurred amounted to Ksh **933,284,358** compared to a target of Ksh **1,566,696,338**. This represented an under-spending of Ksh **633,411,981**. Departments of Education, Transport and Infrastructure, Health and Trade and Cooperative Devt account for most of the

under-spending in the development votes (by Ksh 429,139,496). The underperformance in development expenditure reflects low absorption by Departments, delay in procurement and late release of development exchequer funds.

The County Government rolled over projects from FY 2014/2015 amounting to Kshs. **1,153,628,128.63** at various stages of completion. This amount was included in the FY 2015/2016 budget shown Below;as

LIST OF ROLL OVER PROJECTS FY 2015/2016		
EXECUTIVE		
No.	Name of Project	Amount
COUNTY ASSEMBLY		
1	Construction of Assembly Hq	42,688,258
		42,688,258
EXECUTIVE		
1	Construction of County HQ	30,000,000
	Total	30,000,000
Finance and Economic Planning		
1	Automated Revenue System	50,000,000
	Total	50,000,000
Agriculture, Livestock, Veterinary and Fisheries		
1	Construction of Mwea West Office Block	10,268,488
2	Kiaga Grain Storage Plumbing And electrification	4,100,000
3	Kariti Ngando Micro-Irrigation Project	2,425,000
4	Mutithi Micro-Irrigation Project	4,057,510
5	Construction of Mururi Banana Marketing shed	

		5,183,194
6	Giachai Banana Marketing shed	5,416,072
7	Rehabilitation of Mukou and Nguka Cattle dips-Thiba Ward	679,000
8	Cooler Installation at Gachaaru	1,164,000
9	Kiangai dairy cooling Tank	727,500
10	Rukingo dairy cooling Tank	727,500
	Total	34,748,264
MINISTRY OF ENVIRONME NT		
1	Murubara Village Borehole	1,455,000
2	Wanguru Town Water Project	5,458,766
3	Mukiawamuka Water Project	1,940,000
4	Kabare Water Project	6,305,000
5	Kiinjoga Irrigation Project	2,910,000
6	Kiandumu Water Project	3,201,000
7	Njine-Kabia Water Project	970,000
8	Thunder Water Project	1,940,000
9	Kimandi South Irrigation	4,850,000
10	Kimandi East Irrigation	1,940,000
11	Kiratina Borehole	1,455,000
12	Kithiriti - Mucangondi	2,910,000
13	Miuu Water Project	4,850,000
14	Kamiu Water Project	3,880,000
15	Kenera Water Project	2,134,000
16	South Ngariama Water Project	

		5,820,000
17	Miuka Water Project	2,910,000
18	Marurumo Borehole	1,455,000
19	Ngang`a Borehole	1,455,000
20	Kiburu Borehole	1,455,000
21	Thiguku Village Drainage System	485,000
22	Mutarabo Drainage System	2,910,000
23	Kaminji Water Project	1,455,000
24	Gatondo Spring Project	1,455,000
25	Kugeria Water Project	2,910,000
26	Giatama Water Project	1,940,000
27	Kiamuchuku Water Project	1,940,000
28	Murinduko Water Project	2,425,000
29	Rumindu Water Project	2,910,000
30	Kugeria Water Project	1,717,910
31	Kiandegwa Borehole	1,455,000
32	Kathimba Water Project	970,000
33	Karurumo Water Project	970,000
34	Kiaragana Shopping Centre Borehole	1,333,333
35	Kirunda Irrigation Project	4,000,000
36	Munyururu Spring Project	970,000
37	Rurumi Borehole	679,000
38	Mukinduri - Kirimunge Project	1,940,000
39	Kiangima Water Project	485,000
40	Mithuthini Borehole	970,000
41	Migioini Water Project	

		1,940,000
42	Ngaru - Gatuto Water Project	1,940,000
43	Mukinduri - Kirimunge Water Project	1,940,000
44	Mukinduri - Kirimunge Water Project	1,940,000
45	Kiaga Water Project	1,940,000
46	Gatondo-Rurii Water Project	1,940,000
47	Rurii Water Project	1,455,000
48	Karia Irrigation Project	1,940,000
49	Muthangauta Borehole	3,880,000
50	Kamuhege - Bahati Water Project	3,880,000
51	Gathigiriri Ward Domestic Water Project	3,589,000
52	Giagitura Irrigation Project	1,940,000
53	Ngiroche-Kiriitini Irrigation Project	1,455,000
54	Mumako Irrigation Project	485,000
55	Mbeti Water Project	970,000
56	Thirikwa Irrigation Project	1,455,000
57	Gitunguru Water Project	940,000
58	Nyaru Water Project	1,940,000
59	Kiganjo Irrigation Project	3,880,000
60	Kimandi East Water Project	1,940,000
61	Nguka-Weteithie Water Project	940,000
62	Huruma clean Water Project	1,940,000
63	Mwangaza Water Project	485,000
64	Mururi - Kagondo Water Project	3,880,000
65	Mungaro Water Project	1,940,000
66	Kianjiru Irrigation Project	

		1,910,000
67	Kiamuguongo Irrigation Project	3,880,000
68	Kiangai Irrigation Project	2,000,000
69	Iria Irrigation Project	970,000
70	Kiriguini- Kinyakiiru Water Project	970,000
71	Mukui Water Project	388,000
72	Ndikio Water Project	3,880,000
73	Ngumara Water Project	1,455,000
74	Mwambau Water Project	291,000
75	Mwihotori Water Project	485,000
76	Sorobea Water Project	2,910,000
77	Mwireri Water Project	1,455,000
78	Kirimumbi Water Project	3,880,000
79	Kirimumbi Water Project	3,880,000
80	Kagioini - Kanyokora Water Project	1,940,000
81	Gituamba - Kariria Ruora Water Project	2,425,000
82	Kiarugu - Githinguri Water Project	970,000
83	Githuthi water Furrow	3,495,000
84	Kinyaga Water Project	5,610,000
85	Nginduri Water Project	970,000
86	Karingai Water Project	2,910,000
87	Mutuma Water Project	1,940,000
88	Kiangima Water Project	970,000
89	Karagara Water Project	485,000
90	Kariru Water Project	970,000
91	Riakerenge Water Project	

		291,000
92	Kiangondi Water Project	485,000
93	Kukikiri Water Project	1,940,000
94	Kiarukanga Water Project	970,000
95	Kiunga - Kinyaga Furrow	2,950,000
96	Kiamuguongo Water Project	5,000,000
97	Bosnia Water Project	2,300,000
98	Riagicheru Water Project	2,300,000
99	Kimunye Natural Water Harvesting for Youth	970,000
100	Public Wells Improvement	1,940,000
101	Wells around Thirikwa	194,000
102	Borehole at Gaitheri Village	2,425,000
103	Rurumi Borehole	679,000
104	Kibaratini Water Furrow	485,000
105	Bidii Water Project	485,000
106	Munyururu Spring Rehabilitation	970,000
107	Mwireri Water Project	1,455,000
	Forest Department	
108	Forestry Office Completion (Mwea East)	5,000,000
109	Forestry Office Completion (Kirinyaga West)	5,000,000
	Energy Department	
110	High Voltage Security Light 6 No. Kutus, Mutithi, Ngurubani, Kagio, Kianyaga, Kandongu	9,000,000
111	Charcoal Briquetting using husks	970,000
112	Kiangurwe Water Supply Support	1,455,000
113	Rural Electrification Support for Kamutithi - kabare Transformer	1,455,000
114	Karagara Electrification	1,455,000
115	Kimunye Town Floodlights	

		1,455,000
116	Kagumo Town Floodlights	1,455,000
117	Solar Floodlights	1,552,000
118	Kiangwaci Shopping Centre Security Town	1,455,000
119	Rural Electrification Support for South Ngariama	1,940,000
	Total	252,858,009
Ministry of Transport and Infrastructure		
1	Fire Engine	50,000,000
2	Purchase of access road 2 trucks plus tracking system	13,580,000
3	Karira Bridge	9,700,000
4	Installation of culvert	970,000
5	Construction of model toilet	1,067,000
6	Ngoka footbridge	2,425,000
7	Floodlights at Wanguru (2 No.)	1,940,000
8	Planning of villages (Kiarukungu)	485,000
9	Planning of villages (Githogondo)	485,000
10	Nderwa public land	970,000
11	Various access roads	5,335,000
12	Bodaboda stages	485,000
13	Fuelling, grading and murraming	2,910,000
14	MutiNyuee - Konyu road path	1,940,000
15	Gitabi bridge	1,940,000
16	Murraming of access roads	8,730,000
17	Provision of culverts	3,395,000
18	Muthigiini footbridge	

		970,000
19	Compensation to open up closed/ obstructed road	485,000
20	Fuelling, grading and murraming	1,940,000
21	All access roads	3,395,000
22	Kerugoya Prison to Kimandi Road	4,850,000
23	Kiamahigia - Giakerenge Road Opening	776,000
24	Kiarugu Primary School Road	1,940,000
25	Fuelling, grading and murraming	1,164,000
26	Provision of culverts	970,000
27	Electrification to be paid to REA for Musangodi and Rurii	1,940,000
28	Grading and murraming	1,552,000
29	Fuelling and murraming	1,940,000
30	Fuelling, grading and murraming	970,000
31	3 GK Rural Electrification Project	1,940,000
32	Kiamaciriumemepamoja project	679,000
33	Mutithi village and 8 No. slum upgrading	776,000
34	Kandongu - Ngothi - Rukanga road	4,850,000
35	Construction of bodaboda sheds	291,000
36	Kathiriku 'C' electricity project	1,940,000
37	Transformer for Tugeni, Mathare and Mugambaciura	1,940,000
38	Munjuha footbridge	485,000
39	Nguguini - Kibirigwi Society Road	485,000
40	Komu land slide	776,000
41	Kiine/ Baragwimurram truck	6,790,000
42	Fuelling and maintenance of truck	1,940,000
43	Rural electrification	

		2,942,333
44	Marura - Mairungi Link Road	9,700,000
45	Munganga Bridge	4,850,000
46	Karanja Footbridge	1,940,000
47	Kibukure - Gitooni Link Road	3,880,000
48	Footbridges	970,000
49	Murraming of access roads	2,910,000
50	Roofing of Kutus Market	2,910,000
51	Footbridge	2,425,000
52	Rehabilitation of Githure Market	970,000
53	Rehabilitation of Karumandi Market	970,000
54	Mugumoini Bridge	2,813,000
55	Rehabilitation of Kianjege Market	485,000
56	Rehabilitation of Kibirigwi Market	1,940,000
57	Rehabilitation of Kibingoti Market	2,910,000
58	Rehabilitation of Riakiania Market	970,000
59	Kangaita River footbridge	582,000
60	Kandakame Bridge	1,843,000
61	Footbridges in Mutira	2,425,000
62	Culverts installation	12,610,000
63	Weithaga - Kibirigwi Road	5,820,000
64	Kiamachiri Market	1,940,000
65	Gathogo Bridge	7,760,000
66	KagioBuspark Toilet	2,000,000
67	Rehabilitation of markutano market	3,256,345
68	Rehabilitation of Kimbimbi market	

		3,257,890
69	Rehabilitation of old Kutus town Market	800,000
70	Rehabilitation of Kianyaga market	1,600,000
71	Construction of box Culvert at Wamumu	3,600,050
72	Construction of foot bridge at Gititu-rutui	2,000,000
73	Construction of gabion at Kiamiti-Kienja	350,000
74	Gacoki-Ngumi-Riamiria	1,500,000
75	Rehabilitation of Mucagara Market	996,679
76	floodlights (PHI) Kutus,KagioMakutano	1,700,000
77	Floodlight Kibingoti, Baricho, Kimbimbi, sagana	2,500,000
	Total	252,267,297
Ministry of Health		
1	Construction of Maternity Ward at Kimbimbi	10,431,558
2	Kangu dispensary	691,274
3	Kianganga Dispensary	1,940,000
4	Kutus Dispensary	1,455,000
5	Mutithi Health centre	2,086,312
6	Kinyaga Dispensary	6,387,186
7	Mutithi Health centre	1,455,000
8	Kiamaciri Dispensary	1,455,000
9	Ng'othi Dispensary	1,455,000
10	Kirwara Dispensary	970,000
11	Kibirigwi Health Centre	970,000
12	Kang'aru Health Centre	1,940,000

13	Nguguini Dispensary	970,000
14	Joshua Mbai Dispensary	440,000
15	Kamwana Dispensary	4,287,186
16	Gatitu Health Centre	1,940,000
17	Sagana Health Centre	2,086,311
18	Sagana Health Centre	2,477,186
19	Sagana Health Centre	696,696
20	Thigirichi Mukui Dispensary	1,390,874
21	Kianjeje dispensary	970,000
22	Mukangu dispensary	970,000
23	Mukangu dispensary	173,859
24	Mukangu dispensary	695,437
25	Karimani Dispensary	1,882,100
26	Kiburu Dispensary	1,455,000
27	Kiburu Dispensary	347,719
28	Baricho Health Centre	2,619,000
29	Baricho Health Centre	2,227,812
30	Gathambi Dispensary	1,940,000
31	Matandara Dispensary	4,850,000
32	Kirogo Dspensary	291,000
33	Gathigiriri Dispensary	485,000
34	Kiamanyeki Dispensary	3,330,874
35	Ndindiruku Dispensary	2,983,156
36	Kiarukungu Dispensary	1,940,000
37	Kiumbu Dispensary	970,000

38	Riakithiga Dispensary	1,390,874
39	Riakithiga Dispensary	695,437
40	Kiamutugu Health Centre	695,438
41	Kabuti Dispensary	2,434,030
42	Mucagara Dispensary	3,605,437
43	Kamugunda Dispensary	2,910,000
44	Kiandai location	2,748,403
45	Kianyaga SDH	2,477,186
46	Kianyaga SDH	1,835,337
48	kiamwathi disp	2,910,000
49	Ndaba Dispensary	1,738,593
50	Njegas Dispensary	1,841,766
52	Ciagini Dispensary	3,477,186
53	Ciagini Dispensary	1,940,000
54	Ririi Dispensary	3,395,000
55	Njukini Location	3,232,640
56	Kimweas Dispensary	1,043,156
57	Kimweas Dispensary	4,000,000
58	Kiandieri Dispensary	1,455,000
59	Kiandieri Dispensary	695,437
60	Kerugoya County Hospital	8,000,000
61	Kerugoya County Hospital	68,232,000
62	Kerugoya County Hospital	4,000,000
63	Kerugoya County Hospital	9,000,000
65	Kiaritha Dispensary	1,940,000

66	Gathuthuma Dispensary	970,000
67	Gathuthuma Dispensary	521,578
68	Gatwe Dispensary	695,437
69	Kamuiru Dispensary	1,552,000
70	Kiang'ombe	173,859
71	Kiang'ombe	1,043,156
72	Nguka Health Centre	2,910,000
73	Nguka Health Centre	970,000
74	Nguka Health Centre	485,000
75	Thiba Health Centre	776,000
76	Thiba Health Centre	485,000
78	Thiba Health Centre	990,999
79	Kiamuruga Dispensary	2,910,000
80	Kariko Dispensary	1,940,000
81	Kariko Dispensary	347,719
82	Kariko Dispensary	695,438
83	Kiawakara Dispensary	1,940,000
84	Kangaita Health Centre	695,438
85	Mutitu Dispensary	970,000
86	Kiaga Dispensary	970,000
87	Gatuto Dispensary	970,000
88	Ngaru Dispensary	970,000
89	Ngaru Dispensary	1,940,000
90	Uceru Health Centre	970,000
91	Kiamuthambi Dispensary	1,940,000

92	Gatuto Dispensary	1,940,000
93	Mutitu Dispensary	1,940,000
94	Kiaga Dispensary	1,940,000
95	Kanjinji Dispensary	194,000
96	Murinduko Health Centre	485,000
97	Mumbuini Dispensary	485,000
98	South Ngariama Dispensary	1,940,000
99	Kairini Dispensary	173,859
100	Kairini Dispensary	347,719
101	Kairini Dispensary	173,859
102	Gatithi Dispensary	347,719
	Total	248,147,240
	Trade, Cooperatives, Tourism and Enterprise Development	
1	Purchase of land /site for BodaBoda operators car wash	1,455,000
2	Market toilet	1,500,000
3	Construction of a market shed	2,910,000
4	Construction of market toilet	679,000
5	Social hall/library	2,425,000
6	Construction of BodaBoda sheds	299,000
7	Installation of cabro blocks	5,820,000
8	Market toilet construction	776,000
9	Roofing kutus market	2,910,000
10	Drainage system construction	485,000

11	Drainage system construction	485,000
12	Toilet construction	299,000
13	Market murraming	485,000
14	2nd phase extensions	1,940,000
15	Flood lights installation	1,455,000
16	Flood lights installation	1,455,000
17	Flood lights installation	1,940,000
18	Fencing	388,000
19	Rehabilitation	388,000
20	Rehabilitation	194,000
21	Roadside. Need to agree where to construct toilet.	194,000
22	Rehabilitation	388,000
23	Pit latrine contraction	97,000
24	MRGM rice husk briquetting machine purchase	1,551,000
25	Construction of shades floor, toilets and water connection	25,000,000
26	Laying of cabro works phase 2	9,700,000
	Total	65,218,000
	Gender, Culture, Social Services, Youth and Sports	
1	Leveling of fields	600,000
2	Construction of Boda Boda sheds	500,000
3	Construction of Sagana Rice sheds	1,000,000
4	Construction of Mathangauta Social Hall	3,000,000
5	Construction of Kariko Social Hall	3,000,000

6	Kianguenyi volleyball ground	1,000,000
7	Grading of Fields	2,000,000
8	Construction of Boda Boda Sheds	700,000
9	Construction of Gatwe Social Hall	3,000,000
10	Balls and camera	107,000
11	Construction of women's shade and toilets	1,000,000
12	Fencing play ground	2,000,000
13	Construction of Kiorugari social hall	1,500,000
14	Grading of fields	1,000,000
15	Support for the aged	800,000
16	Library (Talent Academy)	2,200,000
17	Equipping Youth Empowerment Centre	2,501,095
18	Renovation and electrification of youth hay storage	1,000,000
19	Upgrading play grounds	2,700,000
20	Sports promotion, Purchase of balls/nets and uniforms	400,000
21	Sports promotion, purchase of balls/nets and uniforms	800,000
22	Talent Academy	5,000,000
23	23 Banners	39,000
	Total	35,847,095
Education		
1	Construction of Exhaustible ECDE Toilets partially paid: Kirigo, Gatwe & Karucho	2,325,593
2	Construction of Exhaustible ECDE Toilets Not-Paid: Kiumbu, kimbimbi, mutungara, Gaciongo, kiambatha, kirwara, Wakaniu, Kiamaina, Mugwandi, Kiriko, Kangure, Ndaba, Gatuto, Mukinduri, Lower Sagana, Upper Sagana, guama, Kibaro, gakoigo, Kiandangae, Kiangai, Kibirigwi, Ikulungu, Mumbuini	35,166,491
3	Fabrication & Installation of Fixed play facilities in: Kangai, Kiambatha, Nguka, Kiandegwa, Kiangai, Gakoigo, Wakaniu,	5,307,643

	Gathangiti, Kianguenyi, Kiamaina & Gathigiriri	
4	Fabrication & Installation of Fixed play facilities in: Mugamba-ciura, Kutus, Ngurubani, Kiburu, Mjini, Karaini, Gitwe, Kanjuu, Thuiya & Kiamuathi	6,332,357
5	Purchase for proposed Mugaa/ Ngothi pre-primary school Purchase of 2 Acres	1,455,000
6	Construction of ECDE classroom at Mukou Primary	776,000
7	Construction of ECDE classroom at Ndorome Primary School	970,000
8	Construction of ECDE classroom at Mworoto	1,067,000
9	Construction of ECDE classroom at Kaitheri Pry	776,000
10	Construction of ECDE classroom at Mutugara	1,358,000
11	Construction of ECDE classroom at Ichangi ECDE Class	766,000
12	Ngando primary- Model ECDE Toilets	970,000
13	purchase of land for ECDE at Karumandi	2,800,000
14	ECDE Toilets in at least two schools @ 1,100,000 Kiini Ward	2,134,000
15	Furniture for Needy ECDE Classroom -Thiba Ward	485,000
16	Provision of ICT facilities to Kiambwe County Polytechnics	1,087,619
17	Provision of ICT facilities to Mucii wa urata County Polytechnics	1,035,550
18	Provision of Welding & fabrication Training materials to Kiamikuyu County Polytechnic	465,000
19	Provision of Masonry equipment to Kibigoti Vocational Education & Training Institute	350,000
20	Provision of Catering facilities to Kimweas Vocational Education & Training Institute	470,000
21	Refurbishment of selected facilities by the institution in the 11 functional Polytechnics: kaitheri	498,850
22	mutitu	498,000
23	kiamuthambi l	498,350
24	Kiambatha	499,200
25	kimweas	499,200
26	kamiigua	496,600
27	mucii wa urata	499,775

28	nyangati	489,350
29	kiamikuyu	498,000
30	kiambwe	492,740
31	kibingoti	494,700
32	Provision of the training facilities for the following Units: Kimweas, Kamiigua , Mutitu, Kibigoti & Kiamikuyu	4,053,025
33	Construction of THOME POLYTECHNIC classrooms, workshops, office block and ablution block (Phase I)	3,880,000
34	Putting up a fence and gate construction GATHIGIRIRI	450,000
35	Putting up a fence and gate at THANJU (instead of GACHARU)	970,000
36	Kaitheri Reffebrishment II	496,000
37	Kiamikuyu Reffebrishment II	452,360
38	procurement of essential tools and equipment for the 11 functional polytechnics as per institution request	3,645,563
	Total	85,508,966
	Lands, Physical Planning and Urban Development	
	Purchase of public land for Kabare location (Land Bank)	3,395,000
	Construction Lands office	450,000
	Town Zoning Development Plans(Kutus, Wanguru and Kerugoya)	20,000,000
	Storm Water Management	32,500,000
	Total	56,345,000
	GRAND TOTAL	1,153,628,128.63

2.2.3 Overall Balance and Financing

Reflecting the above performance in revenue and expenditure, overall fiscal balance on a commitment basis amounted Ksh in FY 2014/15 against the revised budget target of Ksh 4.102 billion.

In respect of exchequer disbursements, overall fiscal balance on commitment basis amounted to Kshs..... in FY 2014/15 against disbursement of Ksh. 3.361 Billion both from equitable share and local revenue. The table below shows the disbursements to the County.

Table 5.
Total 2014/15 FY Disbursements to County Government (From National Sharable Revenue and Local Revenue)

	Department	Recurrent Disbursements	Development Disbursement	Total Disbursements
1.	County Assembly	309,772,239	15,355,061	325,127,300
2.	County Executive	177,758,719	99,999,403	277,758,122
3.	Finance and Economic Planning	1,657,787,243	31,097,729	1,688,884,972
4.	Agriculture	37,212,600	46,661,109	83,873,709
5.	County Health Services	111,898,657	127,280,007	239,178,664
6.	Education, Youth Affairs and Social Development	84,960,001	98,023,378	182,983,379
7.	Culture and Social Services	10,276,352	11,710,581	21,986,933
8.	Trade Development and Regulation	17,398,131	20,294,429	37,692,560
9.	Environment and Natural Resources	23,561,000	193,938,536	217,499,536
10	Physical Planning and Development	10,380,000	37,787,086	48,167,086
11	County Transport Public Works and Services	14,,429,148	222,678,581	237,107,729
12	TOTAL	2,455,734,090	904,825,900	3,360,559,990

Source; OCoB

3.0 RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

In determining the county's medium-term strategic objectives, it is also necessary to factor in how changes in environment, economic and financial trends will impact the County's current priorities as contained in the County Fiscal Strategy Paper

Kirinyaga is predominantly an agricultural county with tea, coffee and rice being the major cash crops grown. Despite this, the county realizes that it is not operating in a vacuum, with full knowledge that major changes in economic and financial trends in the country can affect the expenditure trends by the County Government in the future. Undesired shift in expenditure trends due to economic shocks will delay the development agenda for the county. These economic changes like inflation and exchange rates, will most likely affect the monetary output value of the county's products. Thus how the county plans for these exogenous shocks will determine how much the county's economy grows. The incidence of such shocks are ultimately borne by the hard-working coffee, rice and tea farmers in the county

Likewise, the county will still invest in irrigation projects to reduce dependence on rain fed agriculture which at most time is volatile with indeterminate timing. The essence of increased spending on irrigation projects is to cushion the county from adverse effects of drought in the lower parts of the county where rain is minimal in most times of the year.

3.1 Recent Economic Development

3.1.1 Agriculture

The Agricultural sector recorded mixed performance in 2014. Agriculture value added at constant prices increased at a decelerated rate of 3.5 per cent from Kshs 795.0 billion in 2013 to Kshs 822.5 billion in 2014. This was attributed to erratic rains with some regions experiencing depressed rainfall. The lower levels of rainfall resulted in decreased production for some crops as well as pasture availability for livestock. In this sector, the focus remains for the specific produce that dominates Kirinyaga County market by virtue of being produced in the County.

Coffee

There was minimal increase in the area planted under coffee from 109.8 thousand hectares in 2013 to 110.0 thousand hectares in 2014. The coffee subsector recorded an overall increase in production of 24.4 percent from 39.8 thousands tonnes in 2013 to 49.5 thousand tonnes in 2014. Recently planted coffee coming into production and improved investment in coffee production contributed to the increase.

However, Kirinyaga County has recorded mixed production of coffee over the last three years with the highest production of 35,561 metric tonnes in 2012. The subsequent years recorded 26,339.3 and 31,261 metric tonnes respectively.

Its worth noting that, there was an increase in area under coffee from 19066 Ha in 2013 to 19842 Ha in 2014, an increase of 776 Ha. Given the increase in area under coffee, the fore noted increase in production from 2013 to 2014 of 4921.7 metric tonnes was not significant considering that increase in area should have translated into increase in production.

The table below shows output statistics for green coffee output in the county for the last 3 FYs.

	CROP	2013 JULY-JUNE 2014			2013-2012			2012-2011		
		Area Ha	Qty (mt)	VALUE kshs millions	HA	qty (mt)	Value kshs millions	ha	Qty (mt)	Value kshs million
Kirinyaga E	coffee	7138	18,382	1,044	7138	17368.9	746.0537	7132	22,166	1,144.17
Kirinyaga W		5218	8,804	391.4	5218	7258	190	8588	7,258	252
Mwea East		486	43.00	2.04	445	53.36	1.66	438	40.95	2.95
Mwea West		0	0	0	0	0	0	0	0	0
Kirinyaga Central		7,000	4,032	174	6,265	1,659	111	438	6,097	204
Total		19842	31,261	1,612	19066	26339.3	1048.91185	16596	35,561	1,603.12

Source ; Department of Agriculture, Kirinyaga County

Tea

The area under tea increased by 2.2 per cent from 198.6 thousand hectares in 2013 to 203.0 thousand hectares in 2014. During the period under review, tea production went up by 2.9 per cent from 432.4 thousand tonnes in 2013 to 445.1 thousand tonnes in 2014. The smallholder sub-sector registered the highest production increase of 5.0 per cent from 249.8 thousand tonnes in 2013 to 262.4 thousand tonnes in 2014. Unit prices of Kenyan tea maintained a downward trend for the second year in a row owing to higher supplies and continued decline in demand for black tea in certain key traditional markets. In 2014, the average auction prices for Kenyan tea were lower at USD 2.16 per Kilogramme compared to USD 2.53 recorded in 2013 and USD 3.18 in 2012.

In Kirinyaga County, the tea sector recorded minimal increase in area under tea. In 2013 the area under tea was 6,690 Ha, which increased marginally to 6,691 Ha in 2014. Production has increased gradually from 81,600 metric tonnes in 2013 to 85,540 metric tonnes in 2014

Green Tea output in Kirinyaga County for the last 3 FYs

	CROP	2013 JULY-JUNE 2014			2013-2012			2012-2011		
		Area Ha	Qty (mt)	VALUE kshs millions	HA	qty (mt)	Value kshs millions	ha	Qty (mt)	Value kshs million
Kirinyaga E	tea	3222	40640	2152	3222	39511	2092.2	3219	36,056	1,940
Kirinyaga W		2473	30100	1606	2473	28,014	1392	2473	30150	1604
Mwea East		0	0	0	0	0	0	0	0	0
Mwea West		0	0	0	0	0	0	0	0	0
Kirinyaga Central		996	14,800	592	995	26,972	556	995	16,994	856
Total		6691	85540	4350	6690	95,500	5,040	6687	83,200	4,400

Source; Department of Agriculture, Kirinyaga County

Daily Produce

The quantity of raw milk delivered to processors continued to increase for a second time after dropping in 2012. The milk delivered to processing plants rose from 523.0 million litres in 2013 to 541 million litres in 2014.

In Kirinyaga County milk production recorded a decrease from 19.31 million litres per quarter in 2013 to 19.28 million litres per quarter in 2014. Beef production rose significantly from 153,800kgs per quarter in 2013 to 267,000 Kgs per quarter in 2014

Rice and other Crops

Overall national production in rice increased from 90,703 tonnes in 2013 to 96,029 tonnes in 2014. This led to an increase in the value of rice output from Ksh. 4.4 billion in 2013 to Ksh. 4.5 billion in 2014. A total of 39.0 million bags of maize were produced in 2014. This was a marginal decrease from the 40.7 million bags of maize harvested in the previous year.

In Kirinyaga County, rice production decreased from 51,757 metric tonnes in 2013 to 48,925 metric tonnes in 2014. Maize production decreased sharply from 73,895 metric tonnes in 2013 to 47,883 metric tonnes in 2014. Average price for dry maize dropped from KSh 41.33 per kilogram in June 2014 to KSh 40.46 per kilogram in July 2014.

County Co-operative Societies Statistics				
Sub-County	Number of SACCOs	Number of active members	Annual turnovers(Kshs)	Total deposits (Kshs)
Kirinyaga Central	21	222,593	1,007,923,514	2,425,891,382
Kirinyaga East	31	80,264	1, 254,561,565	295,663,661
Mwea east	13	15,473	504,042,361	98,996,,666
Mwea west	6	942	465,000	0
Kirinyaga west	5	14,771	334,827,233.4	0

Source: County Department of Trade, Tourism, Industrialization and cooperative Development

3.1.2 Macroeconomic Environment

The country's economy is still emitting mixed growth and macroeconomic stability signals, with most macroeconomic indicators still far from the policy targets as contained in the country's vision 2030 development blueprint. Cognizant that Kirinyaga County doesn't set its own macroeconomic environment agenda (Not a closed County Economy), all changes that affect the national macroeconomic conditions will ultimately affect the County as a whole.

Consumer Price Index (CPI) increased from 151.85 points in November 2014 to 152.51 points in December 2014. The overall rate of inflation declined from 6.09 per cent to 6.02 per cent during the same period. In December, the Kenyan Shilling appreciated against the sterling pound, the Euro, the Japanese Yen, the South African Rand and the Ugandan Shilling while depreciating against the US dollar and the other currencies.

The average yield rate for the 91-day Treasury bills, which is a benchmark for the general trend of interest rates, dropped to 8.50 per cent in December 2014 from 8.64 per cent in November 2014. The inter-bank rates rose to 6.92 per cent during the period. The Nairobi Securities Exchange 20 share index dropped from 5,156 points in November 2014 to 5,113 points in December 2014, while the total number of shares traded increased from 666 million to 900 million shares during the same

period. The total value of NSE shares traded expanded from KSh 14.34 billion to KSh 31.58 billion over the same period. Broad money supply (M3), a key indicator for monetary policy formulation expanded from KSh 2,260.02 billion in October 2014 to KSh 2,291.82 billion in November 2014. Gross Foreign Exchange Reserves went up from KSh 820.0 billion in November 2014 to KSh 893.1 billion in December 2014. Net Foreign Exchange Reserves increased from KSh 420.9 billion to KSh 481.5 billion over the same period.

Agriculture

The quantity of coffee auctioned at the Nairobi Coffee Exchange declined from 2,801 MT in October 2014 to 1,703 MT in November 2014 while the average auction price decreased from KSh 422.76 per kilogram to KSh 410.25 per kilogram over the same period. The quantity of processed tea fell from 45,368 MT in October 2014 to 38,614 MT in November 2014. The price of processed tea increased from KSh 180.48 to KSh 181.71 per kilogram over the same period.

Average price for dry maize fell from KSh 34.66 per kilogram in November 2014 to KSh 32.20 per kilogram in December 2014. The average price per Kilogram for dry beans in December 2014 was KSh 74.21. Milk deliveries to formal processors increased from 44.4 million litres in November 2014 to 45.0 million litres in December 2014.

International trade

Quantity of coffee exported expanded from 3,617.7 MT in October 2014 to 3,717.9 MT in November 2014 while its value increased from KSh 1,645.1 million to KSh 1,747.0 million over the same period. The quantity of tea exported went up from 37,637.2 MT in October 2014 to 38,275.2 MT in November 2014, while its value rose from KSh 7,444.3 million to KSh 7,594.6 million over the same period.

Volume of trade decreased from KSh 201.5 billion in October 2014 to KSh 164.5 billion in November 2014. However, the total value of exports declined by 2.8 per cent to 42,893.3 million. On the other hand, value of imports fell from KSh 157,402.1 million in October 2014 to KSh 121,600.1 in November 2014. Domestic exports by Broad Economic Category (BEC) indicated that food and beverages was the main export category in November 2014 accounting for 41.1 per cent of exports, while the value of non-food industrial supplies and consumer goods not elsewhere specified registered 27.5 and 27.4 per cent shares, respectively. BEC imports indicate that industrial supplies (non-food) was the main import category in November 2014 with a share of 29.90 per

cent, while the values of fuel and lubricants, machinery & other capital equipment and transport equipment registered shares of 19.92, 16.81 and 17.92 per cent respectively. Food and beverage recorded a share of 7.19 per cent while consumer goods not elsewhere specified recorded a share of 6.53 per cent.

Energy

Total electricity generation increased from 761.88 million KWh in November 2014 to 766.11 million KWh in December 2014. The domestic consumption of electricity declined from 666.68 million KWh to 652.85 million KWh during the same period.

In the international market, the price of Murban crude oil in December 2014 dropped further and averaged at US Dollars 60.65 per barrel, compared to US Dollars 77.00 per barrel in November 2014. The national average domestic retail oil prices of motor gasoline premium dropped from KSh 107.64 per litre in November, 2014 to KSh 102.86 per litre retailed in December, 2014. The price of light diesel fell to retail at KSh 91.79 in December, 2014 from KSh 95.45 in November, 2014. The average price for Kerosene fell to retail at KSh 72.30 from KSh 77.24 during the same period. Charcoal prices dropped from KSh 73.65 to KSh 73.59 during the period. The price of a 13-Kg cylinder of gas averaged KSh 3,018.45.

Manufacturing, building and construction

The quantity of cement produced declined from 490,568 MT in October 2014 to 499,078 MT in November 2014. Consumption of cement increased from 420,416 MT in October 2014 to 441,433 MT in November 2014. The quantity of sugar produced declined from 50,140 MT in August 2014 to 47,721 MT in September 2014. Production of assembled vehicles decreased from 887 units in October 2014 to 724 units in November 2014.

Tourism and transport

The total number of visitors arriving through Jomo Kenyatta (JKIA) and Moi International Airports (MIA) decreased from 60,521 in September 2014 to 58,929 in October 2014. The number of passengers who landed at Jomo Kenyatta International Airport (JKIA) increased from 178,499 in October 2014 to 181,400 in November 2014, while passengers who embarked expanded from 181,263 persons to 182,747 persons in the same period. The total number of vehicles registered

expanded from 17,226 in November 2014 to 20,608 in December 2014. Motor cycles and station wagons accounted for 44.58 and 30.8 per cent respectively of total motor vehicles registered in December 2014.

3.1.2 Outlook for the Medium Term

Growth is expected to continue accelerating in the medium term, with observed recovery in the Agricultural sector, which is the main driver in the economy. The National economy is thus expected to continue its growth-to-target outlook, but just lower than the 10% set target in the second Medium Term Plan.

Over the period, the county government instituted measures to expand revenue base and eliminate revenue collection leakages. The automation of revenue collection was expected to enhance the revenue yield. Further, institutionalization of public financial management systems was anticipated to form a basis for sustained growth

However, during the period, the county government managed to collect local revenue amounting to Kshs. 309,539,919 a shortfall of **26.73%** against a target of Kshs. 422,454,650 budgeted.

Revenue outlook

Revenue Type	2014/15 Estimates	Projected Estimates	
		2015/2016 Estimates	2016/2017 Estimates
Local Revenue	422,454,650	485,822,847.50	558,696,274.62
Central Government Transfer	3,086,847,885	3,549,875,067.75	4,082,356,327.91
Total	3,509,302,535	4,035,697,915.25	4,641,052,602.53

On the expenditure side, the County Government will continue with rationalization of expenditure to improve efficiency and reduce wastage. Expenditure management will be strengthened with adoption of the Integrated Financial Management Information System (IFMIS). The PFM Act, 2012 is expected to govern reforms in expenditure management system.

3.1.3 Medium Term Risks

The major risk in the county remains structural and governance due to budget indiscipline. This budget indiscipline arises from disregard of coherence between the County Fiscal Strategy Paper and the Final Budget Estimates. In Financial Year 2014/15, the County's final budget estimates were far from the letter and the spirit of the 2014 CFSP. This constitutes an illegality when Section 131(3) of the PFM Act 2012 is interpreted. The Section states that an amendment to the budget estimates may be made by the county assembly only if it is in accordance with the resolutions adopted regarding the County Fiscal Strategy Paper.

This variance between the CFSP and final budget estimates makes it hard for the county to stick to its development priority sectors in expenditure plans. The resulting development will be haphazard and uncoordinated.

While the constitution and the PFM Act gives power to the county assembly to pass the budget estimates of the executive with or without amendments, the same law obligate the County Assembly to ensure that amendments to the county executive budget estimates are in line with County Fiscal Strategy Paper and the County Integrated Development Plan.

4.0 RESOURCE ALLOCATION FRAMEWORK

4.1 EXPENDITURE JUSTIFICATIONS

Future resource allocation and utilization over the medium term will be guided by the emerging priorities, county plans and the principles of PFM Act to ensure effective utilization of public finances. It is also important to note that sector allocations are informed by the county goals and people's aspirations as captured in the County Integrated Development Plan (CIDP).

Whereas expenditure cuts are targeted on the one-off expenditures that do not require additional expenditure for the subsequent financial years, expenditure increments are informed by core needs identified through analysis by fiscal experts in the County as well as from insightful and welcome submissions from the county public and submissions by individuals and organizations on the 2014/15 budget proposals.

4.2 FISCAL RISKS TO THE OUTPUT

However, these prospects will be constrained by certain risks both in the short and medium term. The risks to the 2014/15 financial year's budget include challenges in revenue performance as the county continues to put structures in place, seal loop holes and expand the revenue base. The current process of county restructuring and rationalization of staff is expected to exert pressure on wage expenditures. With commitment in improving infrastructure within the county, the share of resources going to priority physical infrastructure sector, such as roads and water will rise over the medium term.

In addition, systemic risks such as high fuel prices, high food prices, eroding Kenya shilling against major currencies and inflation will pose a major challenge to growth as it will constrain consumption and productivity. Other risks that need to be addressed include declining agricultural productivity, insecurity, wage bill pressures and transition challenges.

4.3 EXPENDITURE DRIVERS

County development initiatives to be implemented in the coming Fiscal Years are contained in the CIDP whose development proposals were identified by the residents of Kirinyaga County through a consultative process. All the sectors in the county had priority programmes identified. These proposed programmes will drive expenditures for the five Fiscal Years. These key expenditure drivers in the respective sectors include:

Health Sector: Improvement and upgrading of health facilities; service delivery enhancement; and supply of requisite drugs and equipments.

Agriculture Sector: Cash crops development, productivity and technology adoption, fruits and vegetables enhancement, promotion and support of fish farming, livestock production enhancement initiatives, value addition and marketing, and value chain linkages.

Education Sector: ECDE strategy, schools infrastructural enhancement, vocational and tertiary training strategy and quality enhancement in educational institutions; sports activities initiatives and cultural promotion.

Infrastructure Sector: roads construction and improvement, public works quality assurance and street lighting.

ICT and e-government Sector: Management Information Systems (MIS) and ICT in public institutions and communities.

Environment Sector: Improvement of water supply infrastructure, water management systems and waste disposal systems. Others are environmental conservation strategies and other natural resources management and harnessing systems, and electricity connections to public institutions.

Trade Sector: Trade promotion and marketing strategies; Tourism marketing strategies; Enterprise creation, incubation and commercialization; value addition.

Lands, Housing and Physical Planning; County Spatial Planning; Local development planning; Housing Development.

5.0 CONCLUSION

The fiscal outlook presented herein will seek to achieve the objectives outlined in the PFM Act and lay ground for the next financial year in terms of preparing the CBROP and CFSP. Fiscal discipline will be important in ensuring proper management of funds and delivery of expected output, outcome and impacts. Effective and efficient utilization of funds especially on capacity building on different sectors of the county will be crucial in ensuring that the county gets to deliver on its functions.